

TRANSCRIPT

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Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

Market environment

I would like to start by saying a few words about the market environment in the markets we are operating at the moment. As you well know, in general, advertising market development has been good in most of our markets during the first half of the year. However, the growth pace in the second quarter has been slightly slower in some media or some markets than during the first quarter of this year. The economic indicators have improved since Q1 release in May, and been quite positive in most of the European countries. In our main markets, GDP growth looks reasonably good and consumer confidence is also growing. Here in Finland, the economy and advertising market are growing nicely, although the pace of advertising growth has been a bit slower during June. In total, the advertising market grew by some 7% during the six first months, with all fields of media growing.

In Holland the consumer confidence has improved a bit and private consumption is estimated to grow nearly 3% this year. Advertising market is growing, but consumer magazines grew a bit less than the total market. Online advertising continues to increase rapidly, and we have been able to outperform the market growth. When it comes to Central Eastern European countries, estimates for economic growth in the CEE countries during the next few years are favourable. The economies and advertising markets are predicted to grow strongly, but also the competition will intensify. In Hungary, however, the private consumption is estimated to decrease a bit due to the expected increases, for instance, of personnel income taxes and energy costs. Russia is always interesting, of course. Higher oil prices and increase in private consumption seems to be keeping the Russian economy in growth mood, as you well know. All media is growing strongly. The total advertising market is expected to increase by 31% in 2007 and also the print advertising by 24%.

SanomaWSOY's Q2

During the second quarter we continued our active launch strategy, with a geographical emphasis in CEE countries. In this respect, the beginning of the year was very active. Cooperation with Italian Mondadori to publish a weekly glossy fashion magazine, Grazia, started in Russia. And now we have decided to bring the concept also to the Netherlands. We are also very active in developing our digital media business in most of our countries. In online, we both launched and acquired several services, this time mostly in the Netherlands. But this development will continue also in other countries. Our educational publishing finalized the acquisition of Hungarian Lang in April. And in mid July we acquired a Polish educational publishing publisher Nowa Era. This deal is still subject to the approval of antitrust authorities. Also good organic growth continued. Our main newspaper Helsingin Sanomat took advantage of the good advertising environment here in Finland. Excellent movie supply was bringing people to movie theatres here in Finland and also in other Baltic countries. Our new TV and radio operations were successful. We also opened first kiosks in Moscow. At the moment we have five kiosks open there and we continue to develop the distribution.

Some key figures. Net sales grew by 7.3% to about EUR 1.4b. The growth in the second quarter was 6.5%. All divisions increased their net sales during Q2. Advertising sales totalled

one fourth of the Group's net sales. Our January-June EBIT improved significantly, with growth in the second quarter being even stronger. Most growth, of course, came from the sales gains of puzzle magazines and a land area, but also our operational result grew nicely by nearly 11% to EUR 152m, which is about 11% of our net sales. Our financial position remained very solid. The equity ratio was about 43%.

Sanoma Magazines

In our magazine division we had a very strong second quarter and also the first half of the year. Division's net sales grew by 7%. Sanoma Magazines International, Belgium and Finland increased their net sales clearly. In the Netherlands especially online advertising sales grew. Advertising sales in total represent already 30% of the Division's net sales, and this is expected to grow when the operations in Russia and Central Eastern European countries increase. Division's operating profit, excluding major non-recurring capital gains, increased significantly by about 23% to EUR72m, although the growth pace has slowed down a bit since the first quarter. Sanoma Magazine's EBIT improved even more due to the sales gains of the mentioned puzzle magazine portfolio that was divested in July.

Sanoma

Our Finnish newspaper operations continued to do well, benefiting also from the good advertising environment here in Finland. Newspaper advertising growth was evened out a bit during the second quarter, but the market is still developing positively with first six months seeing 8% growth. The Division's net sales grew by 7%, with especially advertising sales increasing in all businesses. In total, Sanoma's advertising sales in January-June grew by 11%, and our online classified increased by 29%. Sanoma's operating profit, excluding the major non-recurring capital gains, increased significantly by about 25% to almost EUR 37m.

SanomaWSOY Education and Books

SanomaWSOY Education and Books, which includes our educational publishing, general literature and business information and services, is the most sensitive to seasonality. Net sales of the Division have developed very nicely, growth being about 10%. Most of this is coming from new operations. We have expanded the educational publishing as well as language based services through several acquisitions during the last 12 months. Operating result totalled about EUR 23m. It was behind the comparable period mainly due to the educational publishing result. Educational publishing is, by nature, as I said, very seasonal business. The first quarter is always on the red and the second and third quarters are the biggest for that business. This year, however, second quarter was behind the comparative period due to shift in deliveries as the structure of sales. But we keep our guidance here: the Division's net sales in 2007 will grow and operating profit, excluding the sales gains, will improve.

SWelcom

The first six months have also been good in our TV and broadband operations. Net sales increased by about 5%, especially our cable TV and broadband operator did very well. The beginning of the year, in commercial TV and radio business was spent at least some of the expense expanding our operations and now we have to get back in line with our audience and advertising targets again. SWelcom's operating profit decreased slightly due to the heavy investment in new TV channel and two radio stations during the first quarter. The second quarter was already in line with the previous year, which shows how quickly the new operations have found their audiences.

Rautakirja

For Rautakirja, our retail and press distribution arm, the second quarter was good, with especially kiosks and entertainment business growing. Rautakirja's net sales increased by some 7%. All operations and countries contributed to the growth. Operating profit, excluding the major non-recurring capital gains, improved by 6% to almost EUR 20m.

Future outlook

Our guidance remains unchanged for this year. We estimate that our net sales increases more than last year, in 2006. And last year the growth was 4.6%. We also expect that our operating profit, excluding the major non-recurring capital gains, improves. Here the comparable figure is EUR 288.2m which was our all time high operational result. I said in the beginning that the first half of this year was very good for us. And I'm very confident about the latter part of this year also. This was our short story this time.

QUESTIONS AND ANSWERS

Veronika Pechlaner - Goldman Sachs - Analyst

- The first one was on digital revenues. You mentioned digital revenues in general. Online advertising was a strong growth driver in your presentation. Could you give us a bit more color how much of your revenues, particularly in magazines and newspapers now come from online?

- Then second question was on education. You've mentioned in your press release this morning that the Nowa Era acquisition that you've recently done is not included in your guidance. You've given us a revenue number for that business. But could you also give a rough guidance on profitability, whether the margin is in line with the rest of the education business or higher or lower, and also whether you could elaborate when you're thinking that this acquisition will roughly close? Is it going to be this year or rather next year? What was your view on that?

- And then the other question about repurchase of shares that you've announced this morning. What are your thoughts there behind the share repurchase program? And can you give us an indication whether you will cancel the shares once you've bought them back or rather not?

Hannu Syrjänen - SanomaWSOY Corporation - President and CEO

- Basically we don't disclose our digital revenues. But as said digital revenues are growing very fast, and we have especially invested in those. As you may remember, we stated out about half a year ago that digital media will be one of our international emphasis areas. Especially in Holland where we have been very strong in digital business for years already, the share of digital revenues is significant and growing really fast.

- Coming to your next question concerning education and Nowa Era. Nowa Era is not, as you said, included in our guidance, because the deal is still subject to antitrust authorities. In Poland, the legislation is a bit different; the deal is not closed before we get the clearance from antitrust authorities. We don't exactly know when we are able to consolidate Nowa Era in our figures but it is important because the real season for educational material in Poland is in August-September. So it is really important when we can consolidate. But, on the Group level, it has no real significant impact on our figures. When it comes to margins, as we have stated in our interim report, there is some difference in the structure of sales between these two years, 2006 and 2007. For instance, this year we had some tenders in Poland with very low margin. That explains why we have grown about 10% in education, but we have lost some result. And also what happened last year, we had very strong Q2 because of timing issues. This is more like a normal year, and we are waiting for some deals happening during Q3 which we planned

to happen already during the second quarter. That's why we keep our guidance also in education; we are going to improve our result also there year by year.

- The other question about the buyback program. We don't have any automatic system; we are not going to buy back some specific amount of shares whatever happens in the market. We try to follow the market. But because we have these tools in our use, we wanted to activate it by the Board today, just in case, but we are going to follow the market and there is no automatic system to buy back our shares.

Veronika Pechlaner - *Goldman Sachs - Analyst*

- Should we read into the share buyback that you've actually not seen any large acquisitions on the horizon at the moment, or no large opportunity and you just want to kind of invest your cash elsewhere, i.e. in your own shares? Would that be a fair read across, do you think?

Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

- These two things have really nothing to do together. They are not related because whatever we do in our buyback program, it doesn't influence our ability or our willingness to make acquisitions. Because our balance sheet is pretty strong at the moment, we are able also to make acquisitions in the case that something comes up.

Veikko Valli - *ABN Amro - Analyst*

- Thinking about your appetite on acquisitions, especially in magazines, there have been a few announcements recently, for instance, from Emap about possibly splitting up its assets. What's your appetite for possible new assets within magazines?

Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

- Our strategy is unchanged here. As we have stated already for years, magazines, educational publishing and somewhat press distribution are our international emphasis areas. And this will continue. So in the case that something really comes up, we are willing to do it and we also actively look for possibilities. We are keeping our eyes open all the time.

Veikko Valli - *ABN Amro - Analyst*

- What about your previous focus on mainly smaller language areas? Is this something that you could think about deviating from?

Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

- Well, as I said, our strategy is unchanged here. We have not made any decisions to enter the big market because one of our cornerstones in our strategy is the strong market position. We go for the market where we can achieve strong market position, number one or number two position, very quickly. That's why we still focus on small and mid-sized markets, small and mid-sized language areas.

Veikko Valli - *ABN Amro - Analyst*

- All right. Then maybe a more general question. You commented that the first half was very good for you. But what do you think about the second quarter? And was there maybe something that surprised you?

Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

- Not really, I think maybe we are a bit boring company because we are growing and we are improving our profitability quarter by quarter. But, of course, by nature, our business is likely

that there is no big jumps quarterly. But as said, we have grown for some quarters now in a row and also improved our profitability. And that's why our guidance remains the same.

Veikko Valli - *ABN Amro - Analyst*

- Okay. And maybe lastly, regarding the share repurchase program, you had the possibility to start this program from the Annual General Meeting already. When was the decision taken on actually going for this 8.2m buybacks?

Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

- In the morning.

Veikko Valli - *ABN Amro - Analyst*

- In the morning. After or before the results?

Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

- We had our board meeting in the morning and there we closed our books for Q2. In the same meeting we made a decision to activate, or at least to take this mandate. As I said earlier, we follow the market and it's up to further decisions when we really activate it. But the tool is there now.

Janne Holmia - *Standard and Poor's - Analyst*

- I wanted to ask you about the Sanoma Magazines, if we exclude the non-recurring items here, I calculated there was about 90 basis points improvement in the EBIT margin. Is this mainly due to the stronger advertising sales or has there also been some restructuring done in these units now over the past quarter?

Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

- Both basically. The share of advertising is increasing in magazine division, this has also improved the profitability level. And, of course, it's related to the economic situation. When economy is growing, the advertising revenues grow as well more than the circulation. It's one reason for margin improvement. For instance, our Russian business is much more based on advertising than our magazine business traditionally in Western European countries. That's one reason. But we have also done some cost control especially in Holland. Our costs are there very good in the hands of the management. It goes both ways. So there is a real margin improvement.

Janne Holmia - *Standard and Poor's - Analyst*

- Okay. Thank you. Also just a brief question; in the Netherlands, you sold the puzzle magazine unit, is this already reflected in the numbers for this quarter?

Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

- Not really. Of course, it is in the estimate. But it was profitable business and we made a good profit by divesting it. On the Group level, there is no significant impact on the figures. But it is, of course, included in our guidance.

Veronika Pechlaner - *Goldman Sachs - Analyst*

- Yes. Sorry for coming back, but I just had two very quick follow ups on financial questions. One is on the tax rate. You had tax rate of around 25% if I calculated correctly for the first half. Could you give us some guidance for the full year there?

- And then also with regards to working capital, how are you thinking about working capital for the full year in terms of your cash flow statement? Are you expecting an increasing outflow there, or is it really a flattish to slightly negative line as we've seen in prior years?

Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

- Okay. Thank you. We were waiting for these questions, so Matti will answer to you.

Matti Salmi - *SanomaWSOY Corporation - CFO*

- The tax rate for the annual level, you can use the 25% to 26%. It is somewhere between, depends on the final structure of where profit flow is coming. This year also the Dutch tax rate went below the Finnish one. So it's also now 25 level. So more or less 25% to 26%.

- When it comes to working capital, we have the fluctuation inside the year, which is very strong. As you can see from our cash flow statement it's something like minus EUR 90m at the moment. But we expect the whole year level to be at the same level than last year. It was more or less a little bit positive on the whole year level. So it should go to that direction also this year.

Veronika Pechlaner - *Goldman Sachs - Analyst*

- Excellent. And can you just confirm that the tax rate of 25% to 26%, are you seeing that changing significantly next year or in the other years? Is that a good number to look for also over the next couple of years?

Matti Salmi - *SanomaWSOY Corporation - CFO*

- Well, I think that the biggest change was this year when the Dutch tax rate went from 29% to 25%. I think that the only big difference is in Belgium, where it's still about 30%. But that's the only one and it has minor effect also on tax rate anyway.

ENDING

Hannu Syrjänen - *SanomaWSOY Corporation - President and CEO*

Okay. Thank you very much for listening. Once again, it was a great pleasure to talk to you. I wish you all a very, very sunny weekend. Thank you.