

SanomaWSOY Interim report T2/1999

Jaakko Rauramo, President and CEO
20 October 1999



SanomaWSOY Group

Key indicators (pro forma, FAS)

T2/99

FIM million	31 Aug 1999	31 Aug 1998	Change %	31 Dec 1998
Net sales	4,884.3	4,695.8	4.0	7,442.5
Operating profit	217.5	286.9	-24.2	423.5
% of net sales	4.5	6.1		5.7
Profit before extraordinary items	380.0	363.4	4.6	580.9
% of net sales	7.8	7.7		7.8
Gross investments	1,165.1	509.4	128.1	884.0
Equity ratio, %	71.1	64.8		69.6
Earnings/share, FIM	7.53	7.02	7.3	11.19
Equity/share, FIM	129.28	120.62	7.2	126.53
Personnel, average	9,725	9,616	1.1	9,329

FAS= Finnish Accounting Standard



SanomaWSOY Group

Financial statement (pro forma, FAS)

FIM million	1999	1998	Change %	1998
	1 Jan–31 Aug	1 Jan–31 Aug		1 Jan–31 Dec
Net sales	4,884.3	4,695.8	4.0	7,442.5
Change in inventories of finished goods and work in progress	34.1	12.3		-12.4
Share of associated companies' result	5.6	20.0	-72.0	23.7
Other operating income	76.2	67.2	13.4	104.2
Other operating expenses	4,782.7	4,508.4	6.15	7,134.5
Operating profit	217.5	286.9	-24.2	423.5
Financial income and expenses	164.4	76.5	114.9	157.4
Share of associated companies' result	-1.9			
Profit before extraordinary items	380.0	363.4	4.6	580.9
Extraordinary income and expenses	-7.6	871.4	-100.9	937.9
Income taxes on extraordinary items		-247.4		-262.6
Profit after extraordinary items	372.4	987.4	-62.3	1,256.2
Income taxes on operations	-123.7	-124.4	-0.6	-172.3
Minority interest (of the result)	4.0	-61.0	-106.6	-79.4
Profit for the period	252.7	802.0	-68.5	1,004.5

FAS= Finnish Accounting Standard



SanomaWSOY Group

Balance sheet (pro forma, FAS)

T2/99

FIM million	31 Aug 1999	31 Aug 1998	Change %	31 Dec 1998
Non-current	4,097.5	3,742.3	9.5	3,926.4
Current assets				
Inventories	578.1	541.6	6.7	502.2
Receivables	811.0	1,580.4	-48.7	1,013.3
Cash and cash equivalents	2,046.5	1,420.4	44.1	1,928.5
Assets total	7,533.1	7,284.7	3.4	7,370.4
Shareholders' equity	4,470.9	4,124.3	8.4	4,326.0
Minority interest	610.8	546.8	11.7	584.8
Statutory provisions	11.9			11.8
Deferred tax liability	236.3	270.8	-12.7	254.4
Long-term liabilities	604.1	600.6	0.6	519.8
Current liabilities	1,599.1	1,742.2	-8.2	1,673.6
Shareholders' equity and liabilities, total	7,533.1	7,284.7	3.4	7,370.4

FAS= Finnish Accounting Standard



SanomaWSOY Group

Gross investments (pro forma, FAS)

FIM million	1999	1998	Change %	1998
	1 Jan–31 Aug	1 Jan–31 Aug		1 Jan–31 Dec
Helsinki Media	180.8	34.9	418.1	137.5
Sanoma	627.9	223.6	180.8	409.2
WSOY	82.0	13.8	-30.6	149.3
Rautakirja	155.2	132.8	16.9	188.0
Other companies	163.0			
Intragroup investments	-43.8			
Total	1,165.1	509.4	128.7	884.0

FAS= Finnish Accounting Standard



SanomaWSOY Group

T2/99

Parent company

Sanoma-WSOY Oyj

Sectors

Helsinki Media
Company Oy

Sanoma
Corporation

Rautakirja Oyj

Werner Söderström
Corporation

Other

Industries

- Business units

Magazine publishing and printing

- Magazines
- Special interest magazines
- Comics and books

Electronic media

- Channel Four Finland
- Network media

Other

Newspaper publishing and printing

- Helsingin Sanomat
- Ilta-Sanomat
- Startel Oy
- Kymen Lehtimedia Oy
- Leijonajakelu Oy
- Lehtikuva Oy

**Kiosk operations
Press distribution
Bookstores**

- Suomalainen Kirjakauppa Oy

Movie theatre operations

- Finnkino Oy

Café and restaurant operations

- EuroStrada Oy

Book publishing

- General literature
- Educational materials
- Special publishing
- Weilin+Göös Oy

Printing operations

- Book printing division
- Lönnberg Painot Oy
- Ajasto Oy
- Tummavuoren Kirjapaino Oy

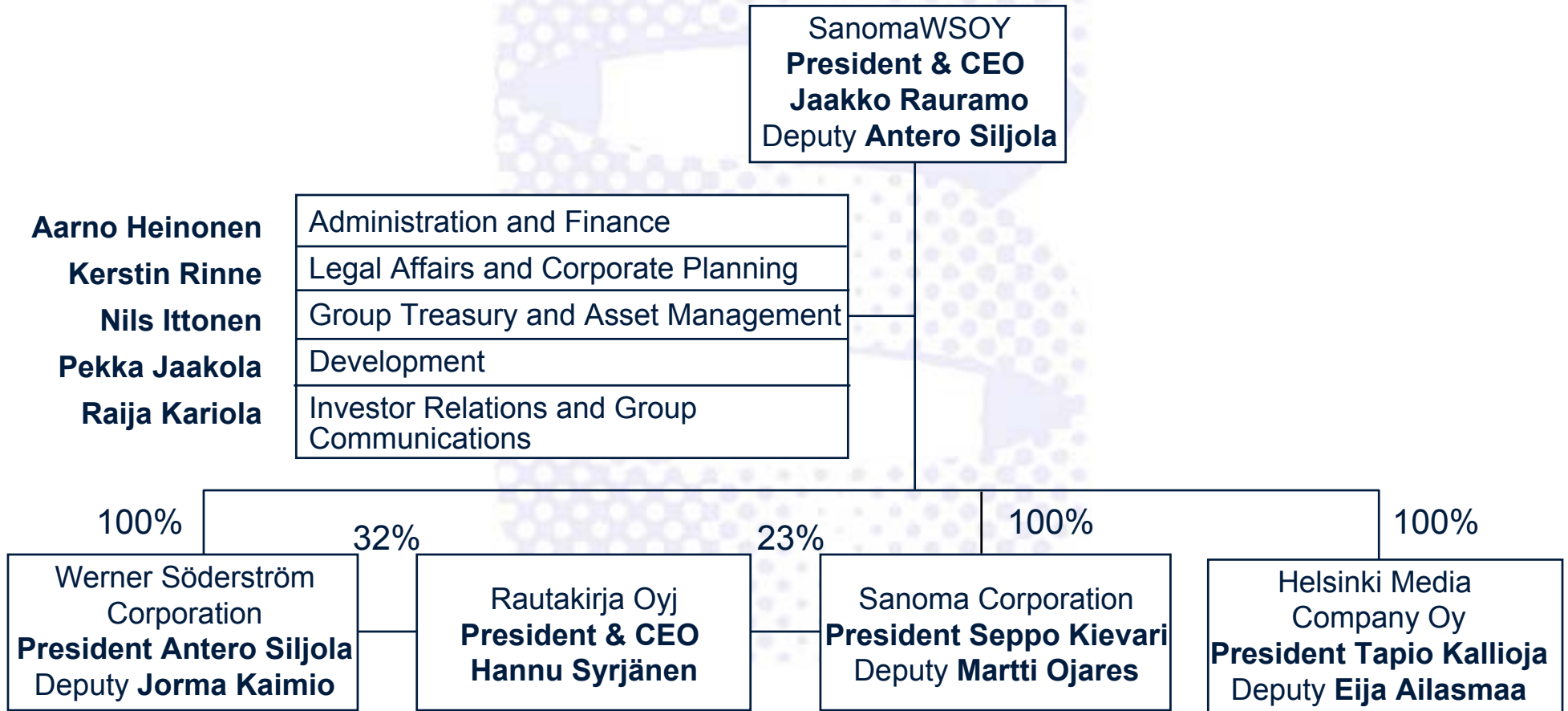
Other

Asset management and real estate operations

- Sanoma Finance AG
- Sanomain Huoneisto ja Kiinteistöholding Oy



SanomaWSOY - organisation



Trend of advertising sales in different media

T2/99

FIM 1,000	1-9/1999	Change, % (from previous corresponding period)
NEWSPAPERS	2,322,206	6.3
Aamulehti	160,371	5.0
Helsingin Sanomat	641,488	4.0
Ilta-Sanomat	56,554	8.0
Iltalehti	49,113	15.0
Kauppalehti	83,127	1.0
Taloussanomat	11,452	39.0
Turun Sanomat	150,570	7.0
KÄRKIMEDIA*	343,118	7.0



Source: GallupMainostieto,
*) Kärkimedia

Trend of advertising sales in different media

T2/99

FIM 1,000	1–9/1999	Change, % (from previous corresponding period)
MAGAZINES	557,995	6.8
TELEVISION	858,901	1.9
MTV3 nation-wide*	585,859	-7.0
MTV3 regional*	132,833	7.0
Channel Four Finland *	137,697	55.0
RADIO ADVERTISING	127,290	3.4
INTERNET	19,029	108.6
OUTDOOR ADVERTISING	131,156	6.2
CINEMA ADVERTISING	7,813	11.9

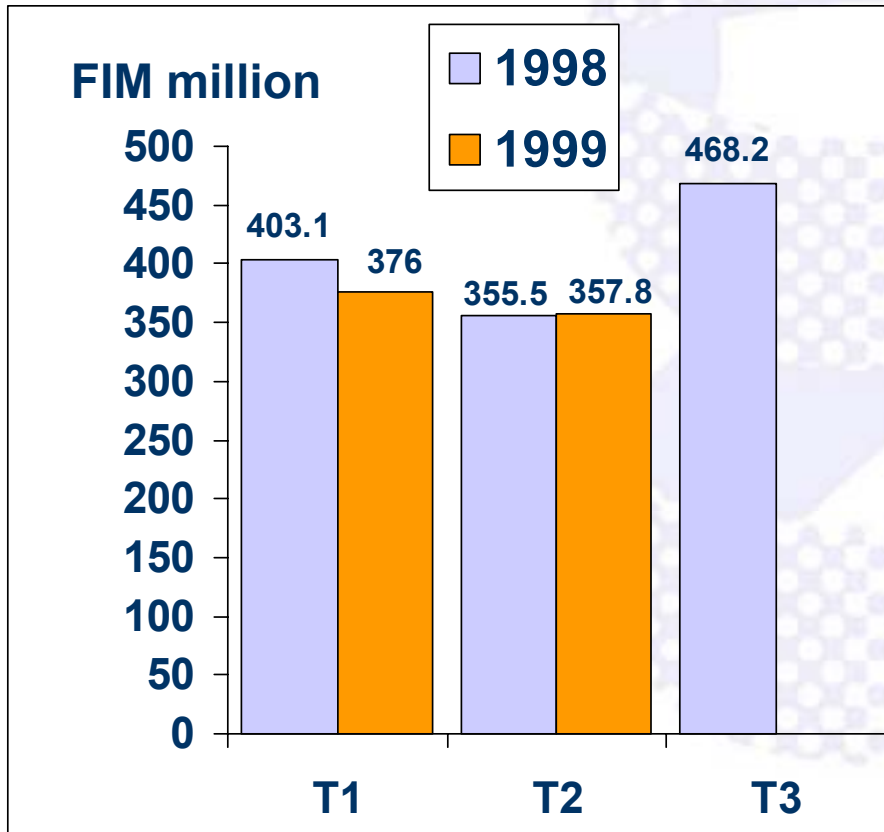
*Not official figures provided by Gallup-Mainostieto. The adjustment coefficients for television figures are monthly based on the figures announced by MTV and Channel Four. The television figures also include shopping channel advertising.



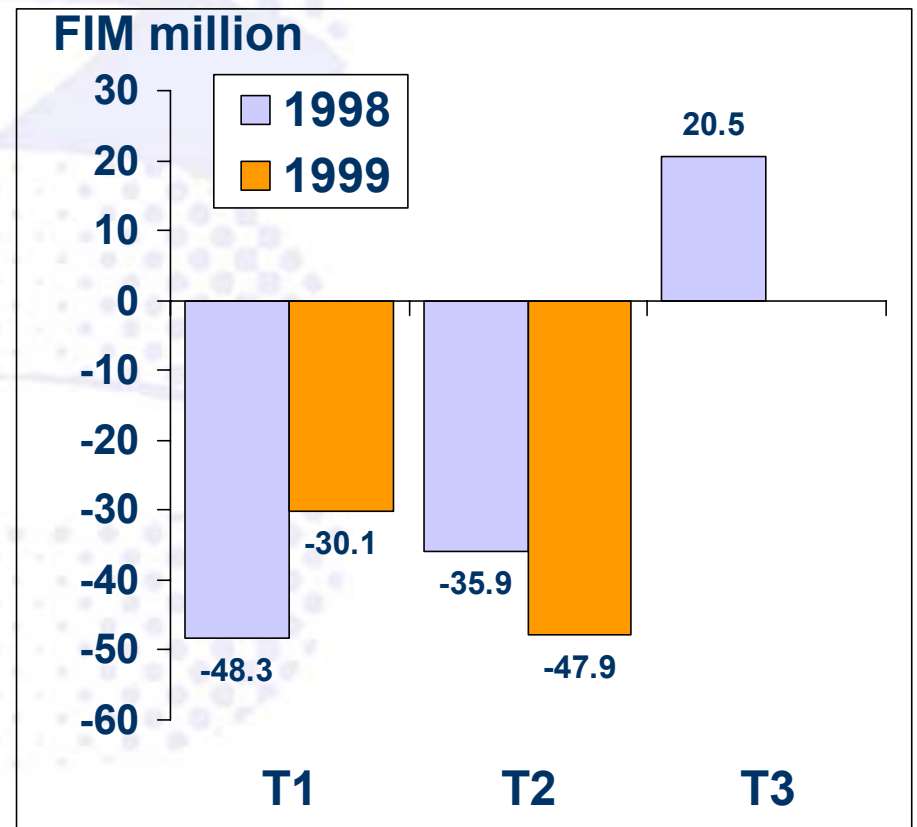
Source: GallupMainostieto

Helsinki Media Group

Net sales



Operating profit



Helsinki Media Group

FIM million	NET SALES		OPERATING PROFIT	
	1-8/1998	1-8/1999	1-8/1998	1-8/1999
Magazines, publishing and printing	622.3	538.8	28.7	14.1
Electronic media	138.9	195.7	-110.8	-89.4
Other			-12.2	-15.4
Internal	-2.6	-0.7	10.1	12.7
Total	758.6	733.8	-84.2	-78.0
Capital expenditure, FIM million	34.9	180.8		
Personnel, average	1,125	927		

- Printing operations to Hansaprint (40% holding)
- A-pressen becomes associated company
- New products: MG, Matkaopas, Cosmopolitan, ITviikko (November 99)
- Holding acquired in Pro Licensing Nordic
- Digital tv licencies granted (3+1 with WSOY)
- Investment phase

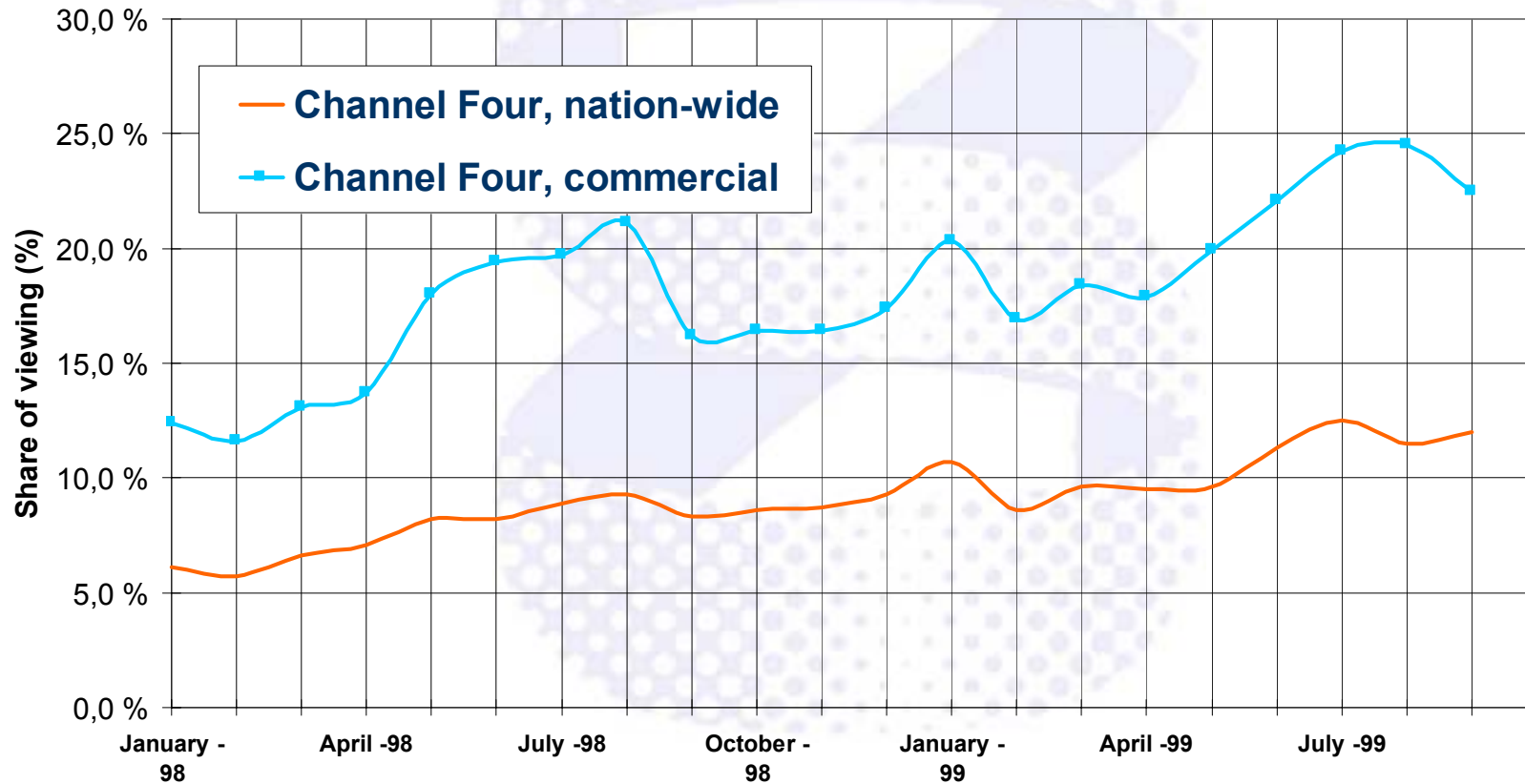


Magazine publishing and printing
Electronic media
Other

Channel Four – share of viewing

T2/99

age 10+, between 6–11 p.m.
January 98–September 99



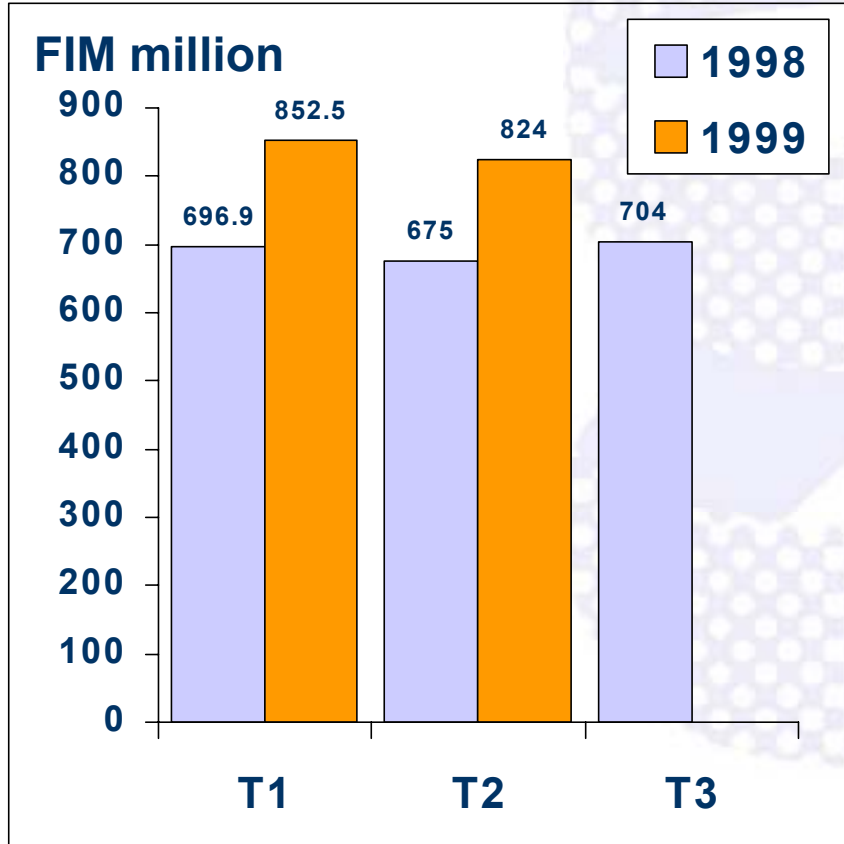
Channel Four Finland

- Channel of active urban population, 70% of viewers city dwellers
- Share of commercial viewing on prime time: one third of urban population aged 15–44 years
- 79% of the population are tuned on Channel Four
- Share of TV advertising 16.7% (September 99)
- Digital TV operating license granted
- Significant increase in operating license fee (10 → 21%)
- Channel Four Finland had strong growth: net sales growth (1–9/99) 31.3%

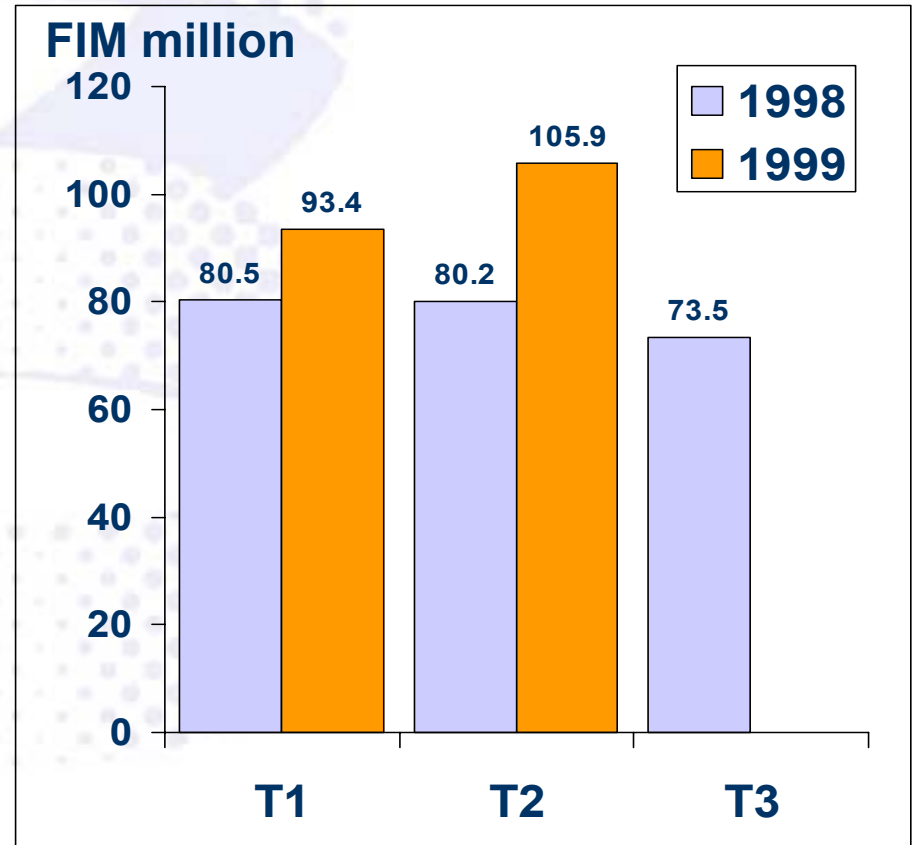


Sanoma Group

Net sales



Operating profit



Sanoma Group

FIM million	NET SALES		OPERATING PROFIT	
	1-8/98	1-8/99	1-8/98	1-8/99
Newspaper publishing and printing	1,371.9	1,676.5	160.7	199.3
Capital expenditure, FIM million	223.6	627.9		
Personnel, average	2,760	3,497		

- New subsidiaries Kymen Lehtimedia and Esmerk (100%)
- Subsidiary (60%) Arnedo acquires 34% shares and 9% votes in Ilkka Group
- Biggest investment Sanoma House
- Holding in Ecovision
- Good net sales trend and profitability



Newspaper publishing and printing

Startel Oy

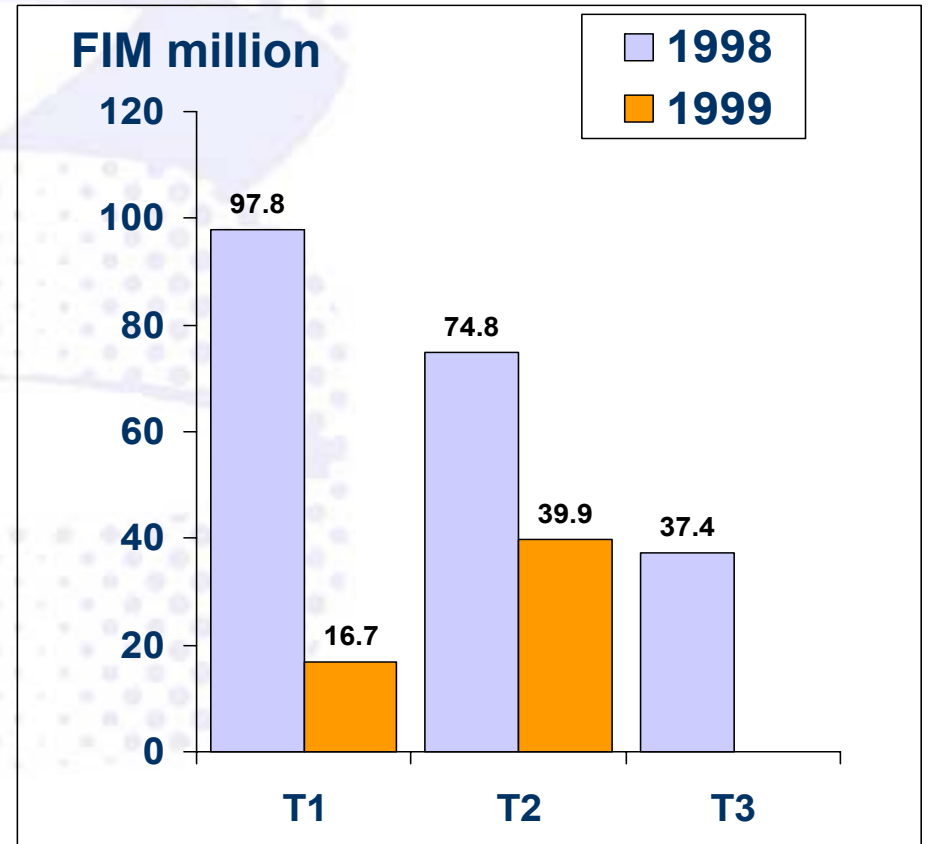
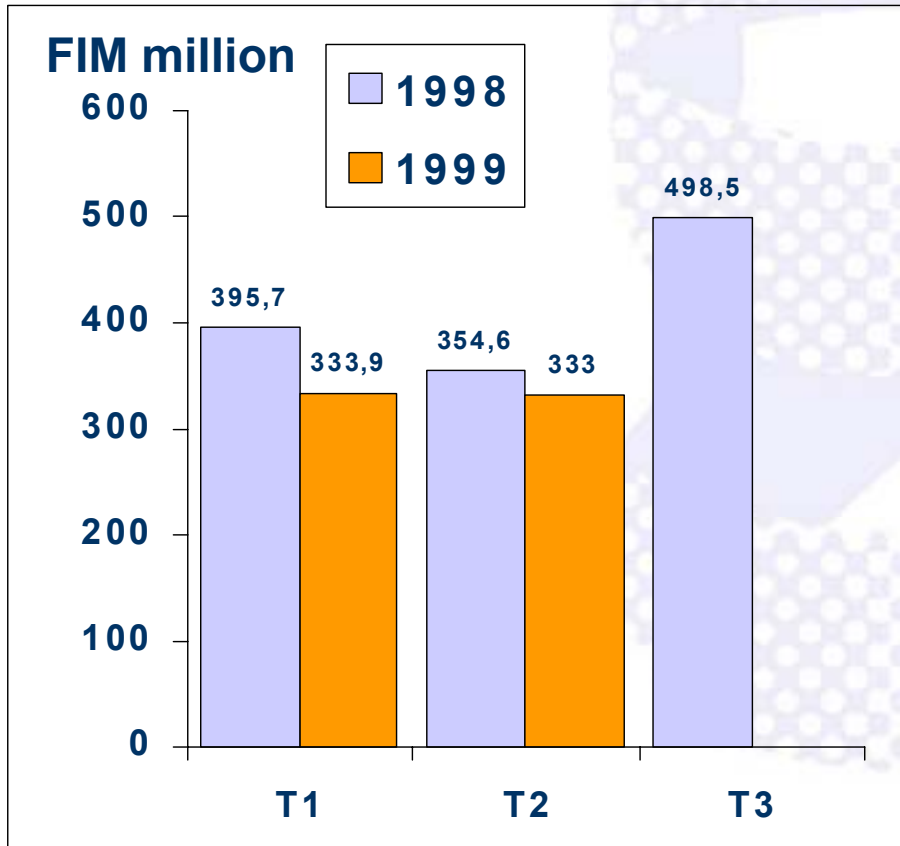
- Taloussanomat's average circulation 16,827; weekend circulation 21,853 (October 99)
- Esmerk Oy acquired
- Holding (25% shares, 30% of votes) in Ecovision AB
- Helsinki Telephone and Startel launch Internet co-operation
- Net sales increase but profitability level still unsatisfactory



WSOY Group

Net sales

Operating profit



WSOY Group

PROFIT	NET SALES		OPERATING	
	1-8/1998	1-8/1999	1-8/98	1-8/99
FIM million				
Book publishing	460.8	451.9	90.1	85.7
Printing operations	360.3	290.7	5.9	-28.1
Other	26.0	9.4	111.4	34.4
Internal	-95.8	85.1	-34.8	-35.4
Total	750.3	666.9	172.6	56.6
Capital expenditure, FIM million	118.1	38.2		
Personnel, average	1,843	1,766		

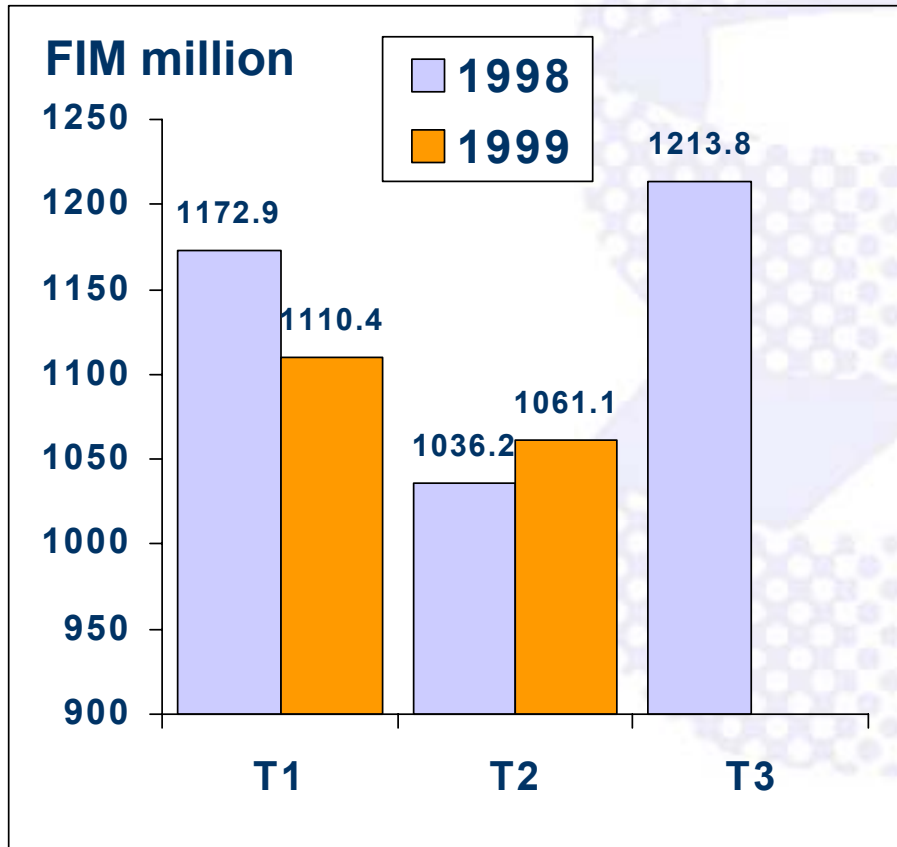
- Yhtyneet Kuvalehdet Oy, Suuri Suomalainen Kirjakerho Oy ja ActaPrint Oy sold to Otava
- Magazine printing had been transferred to ActaPrint in May 1998
- Tuotantotalo Werne Oy to Helsinki Media
- Operating license granted to digital educational TV channel
- Result includes share of FIM 26 (71) million of Rautakirja's result



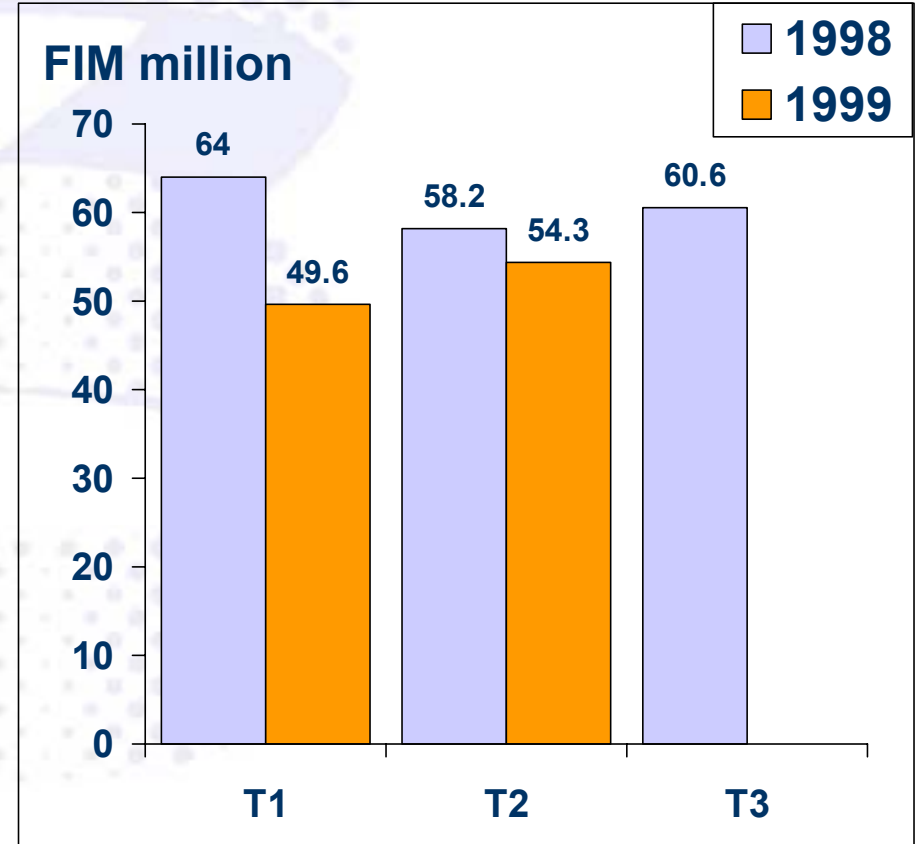
Book publishing
Printing operations
Other

Rautakirja Group

Net sales



Operating profit



Rautakirja Group

NET SALES

OPERATING

PROFIT

FIM million	1-8/1998	1-8/1999	1-8/98	1-8/99
Kiosk operations	1,102.4	1,105.7	49.2	45.7
Press distribution	531.4	548.4	28.7	35.6
Bookstores	333.6	342.7	-0.9	-3.9
Movie theatre operations	152.5	147.9	13.6	2.7
Café and restaurant operations	147.1	145.4	3.0	5.4
Other	70.3	0.0	18.6	18.5
Internal	-128.2	-118.5		
Total	2,209.1	2,171.5	122.2	103.9
Capital expenditure	132.8	155.2		
Personnel, average	3,888	3,505		

Kiosk operations
 Press distribution
 Bookstores
 Movie theatre operations
 Café and restaurant operations



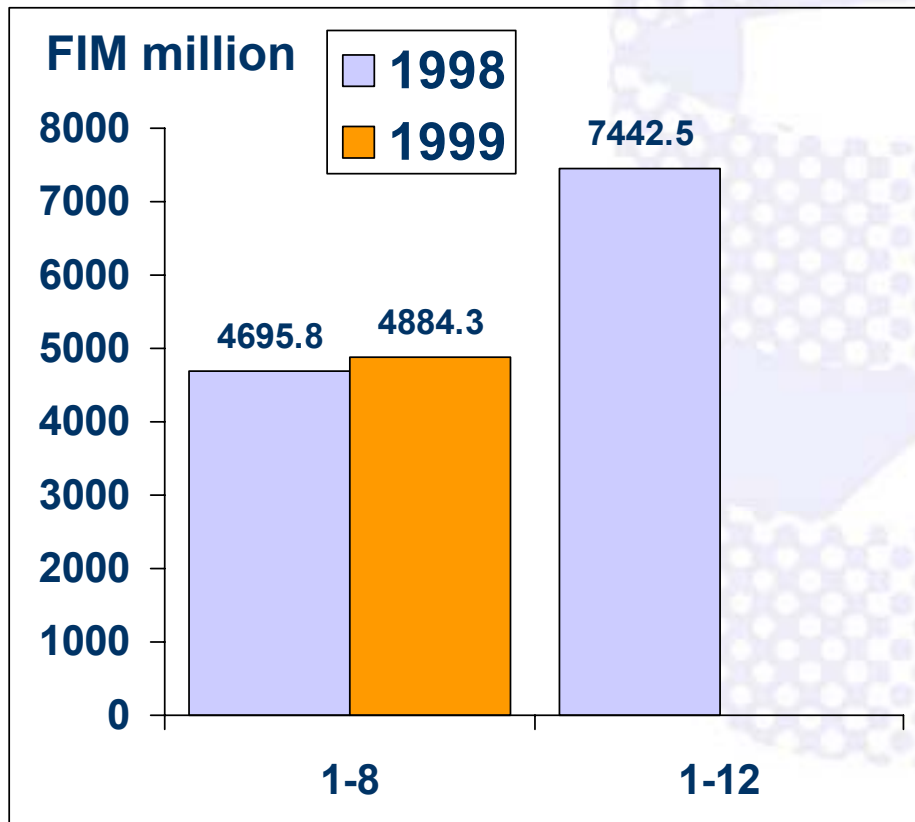
Rautakirja Group

- Co-operation with Narvesen ASA, Norway (holding in Narvesen Baltija SIA 35%)
- Holding in Kirjavälitys Oy increased to 20%
- Finnkino Oy acquires 90% AS MPDE, Estonia. AS MPDE's market share 60% in its industry
- Holding (21%) in Jokerit HC Oyj
- Suomalainen Kirjakauppa Oy launched Internet bookstore (www.suomalainen.com)
- Increased commitment to marketing: cost efficiency

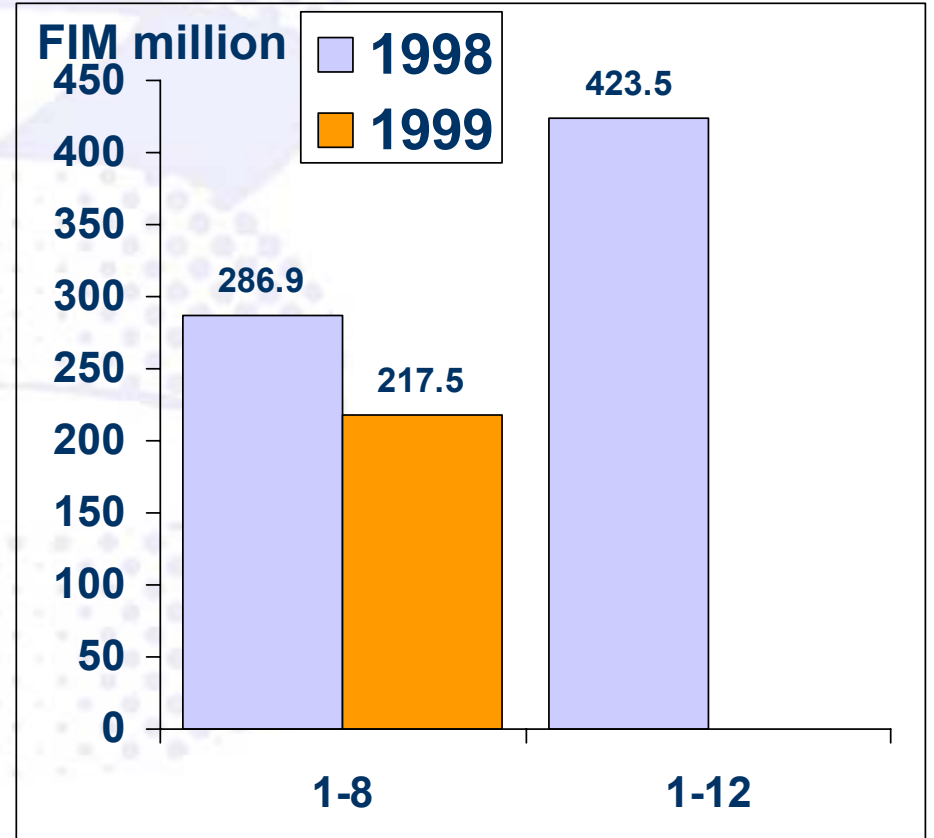


SanomaWSOY Group

Net sales



Operating profit



Result estimate

- We estimate that SanomaWSOY's **net sales will increase** to FIM 7.8 billion if no unexpected changes in market situation.
- **Operating profit** is estimated **to remain largely unchanged** from previous year.
- **Consolidated profit before extraordinary items** is expected **to improve slightly** over previous year.



Lumeveräjä Virtual Portal

- SanomaWSOY intends to become the leading Finnish content-driven Internet community



SanomaWSOY's Internet services

Customers



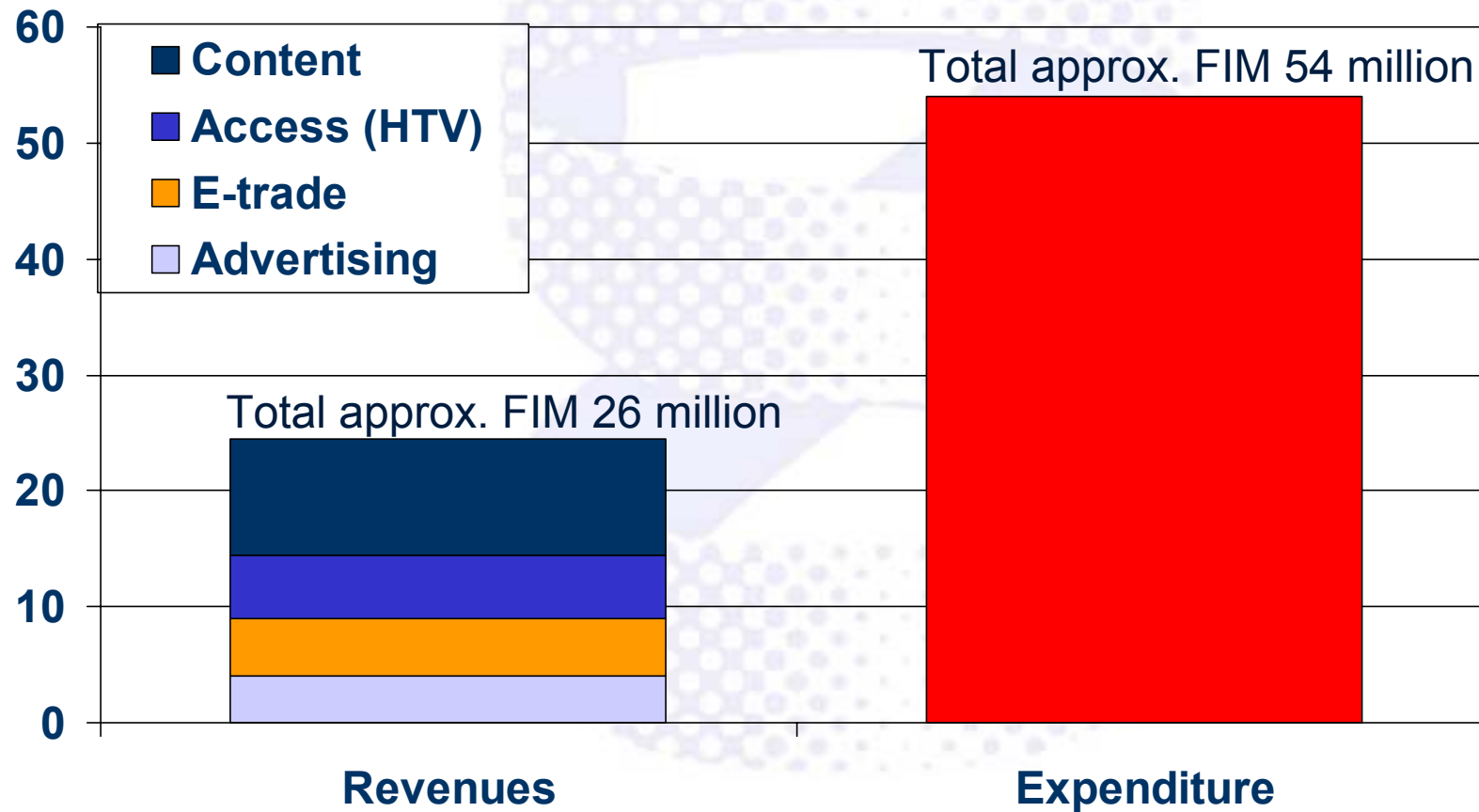
45 active www-addresses

- News and entertainment content
- Payable content, financial news
- Event calendars
- Electronic marketplaces
- Communications services
- Mapping services
- Company information
- Services to advertisers
- News databases
- Extranet services



The Group's Internet revenues and expenditure (1999E)

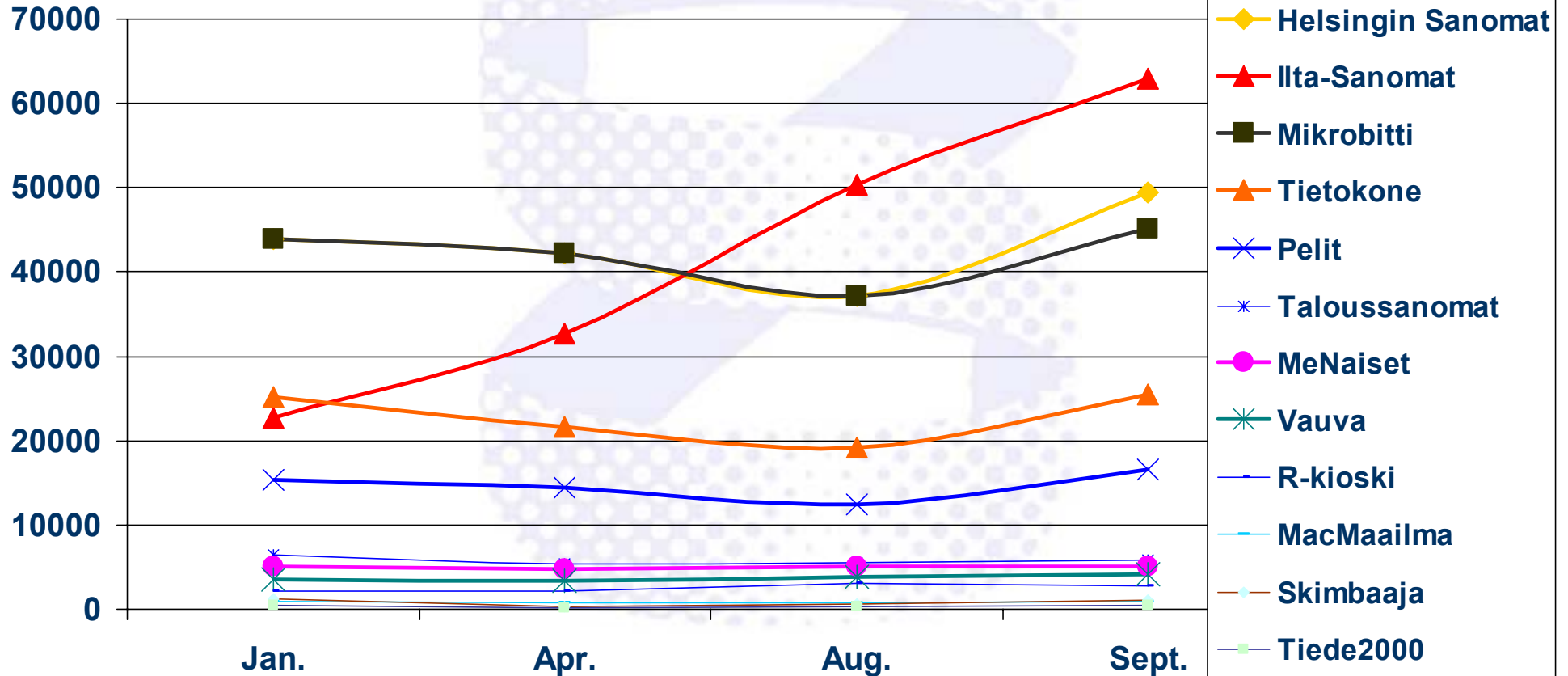
FIM million



The Group's www services

Average weekly number of visitors

No. of visitors

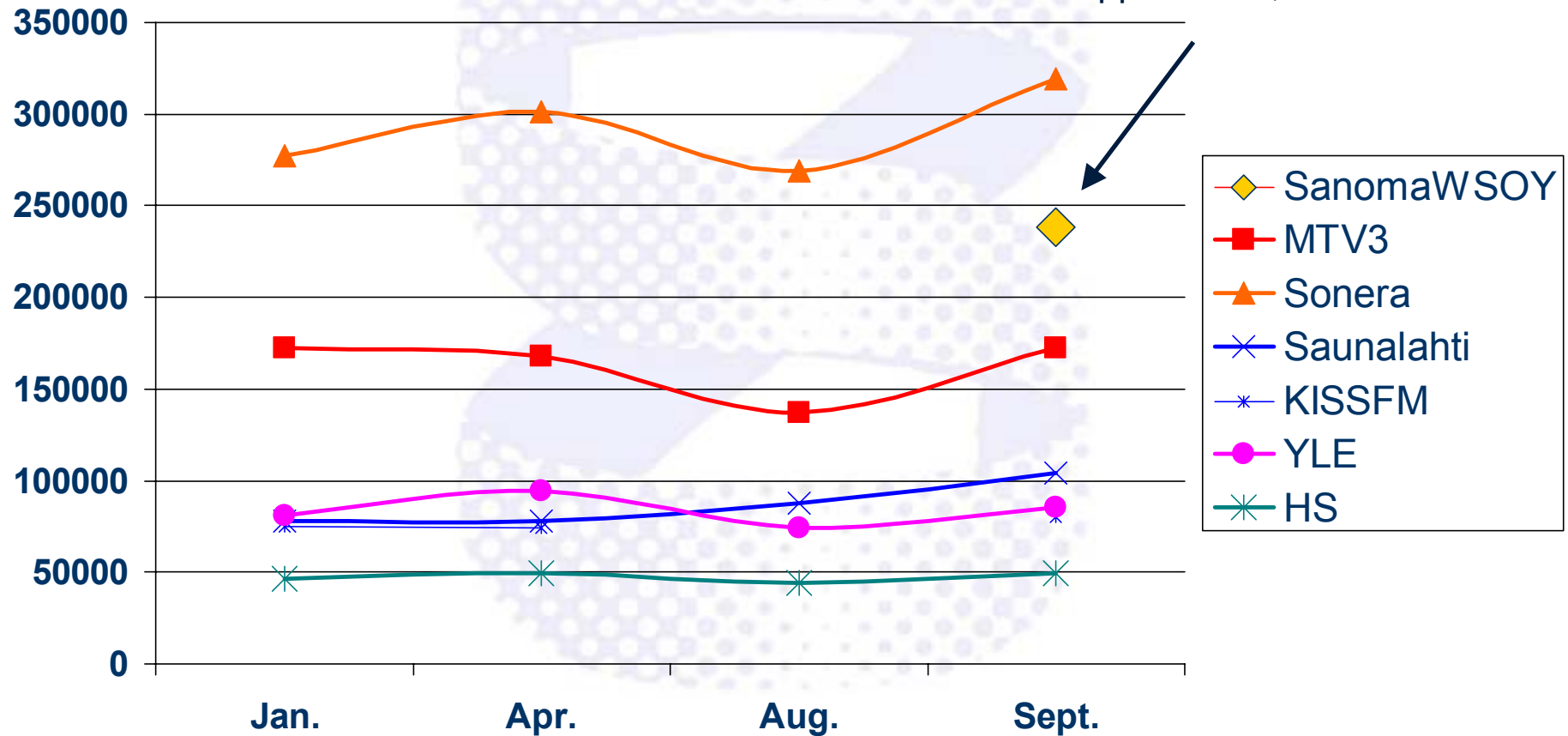


Sources : Taloustutkimus, WebTrafficMonitor
visitors, average/week (September 99)

Popular www services

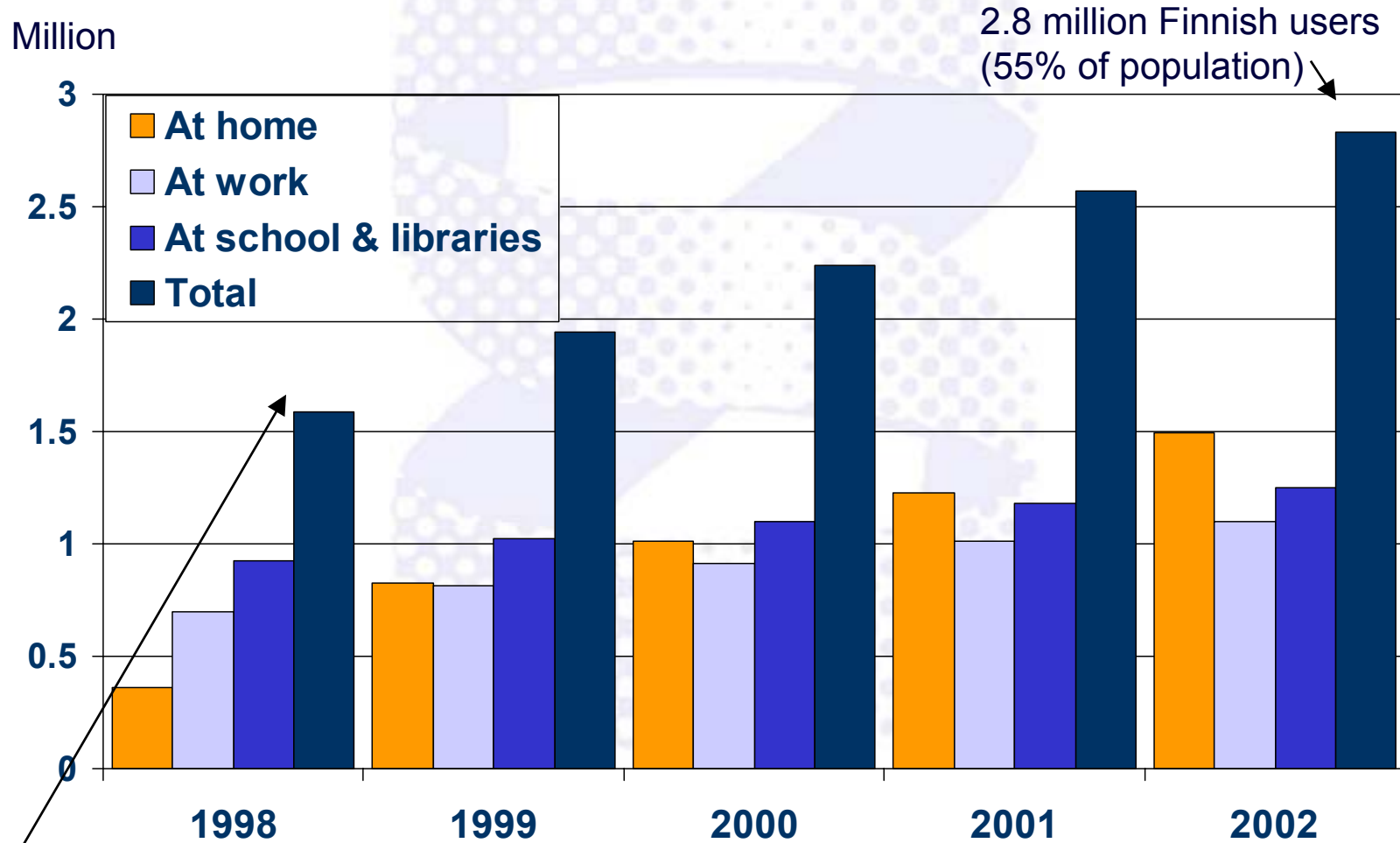
All measured SanomaWSOY services
total: approx. 238,000 visitors

No. of visitors



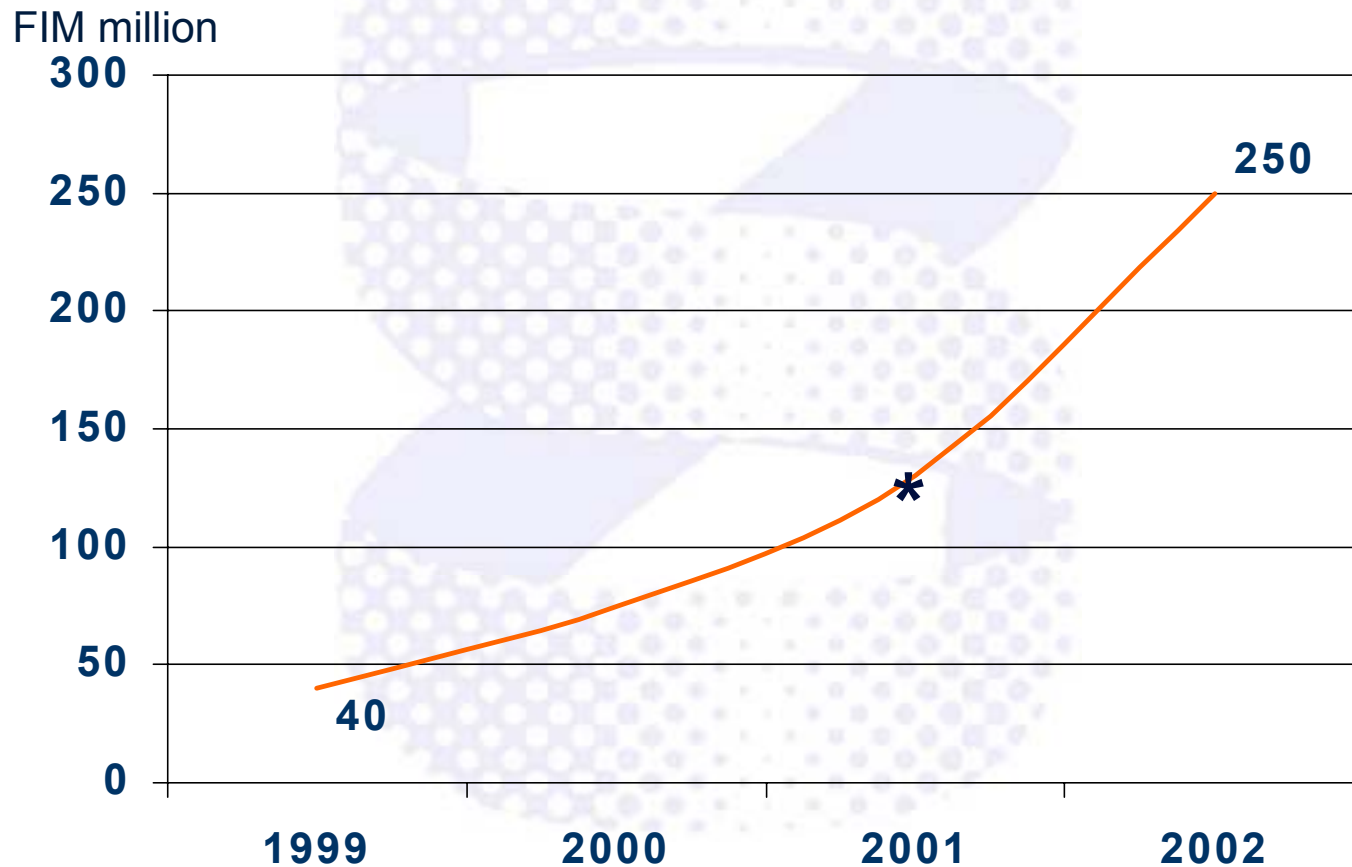
Sources: Taloustutkimus, WebTrafficMonitor
visitors average/week (September)

Internet users in Finland 1998-2002E



Source: IDC

Estimated volume of Internet advertising in Finland 1999–2002

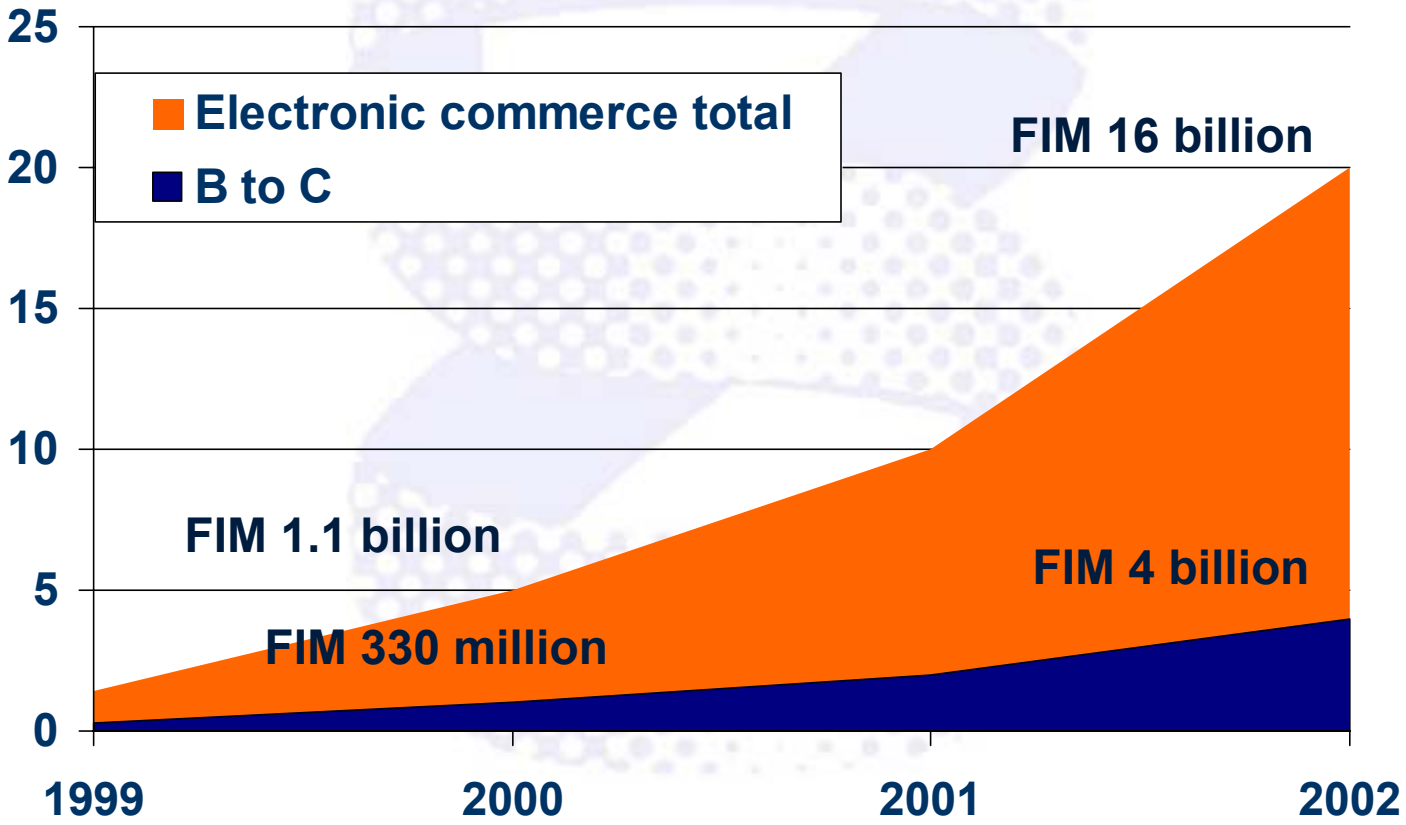


*ZenithMedia's estimate FIM 104 million (in 2001)



Sources: Forrester,
GallupMedia,
ZenithMedia

Estimated electronic commerce in Finland; 1999 and 2002



Sources: IDC, GallupWeb

Access service

Helsinki Television's quick Internet connection

- **HTV's cable modem (quick connection to the Internet)**
 - modem requires a two-way TV network
 - over 200,000 households linked to HTV network
 - over 100,000 households on two-way network
 - the whole network will be a two-way network by the end of 2000
- **Cable modem subscribers**
 - currently 2,000 customers; 400 new customers/month
 - 25,000 customers in 2002
- **International growth estimate for cable modems**
 - currently 2.25 million cable modem subscribers in the US
 - number of US subscribers 15 million in 2002
 - currently approx. 300,000 subscribers in Europe
 - number of European subscribers 4 million in 2002



Sources: Forrester,
Morgan&Stanley

Virtual portal (Lumeveräjä): objectives

- **Improved profitability through more efficient operational processes**
 - marketing
 - cross promotion
 - sales, repeat and new sales, classified sales (Oikotie and co-operation magazines)
 - order / payment
- **New operation income**
 - revenues from advertising sales
 - electronic commerce:
 - sales of own products: books, magazines, videos, games, etc.
 - marketing of e-commerce infrastructure
 - marketing of logistics services
 - access services (HTV)
 - marketing of virtual portal concept
- **Build-up and utilisation of content power**
- **Strengthening and taking care of brands**
- **Leading content-driven Internet community in Finland**



Virtual portal: actions

- General architecture, databases and content production system
- Customer database management
 - identification, profiling and registration
- Advertising system management
 - booking, materials management, measuring statistics and reporting, strong sales support
- E-trade management and control
- Shared Internet services
 - search, e-mail, chat, newsletter mailings
- Shared traffic control system (user interface)
- Shared content components
 - news, weather, sports, map application, dictionaries, encyclopaedias etc.



SanomaWSOY Virtual Portal

Structure for eBusiness

Customers



Communities

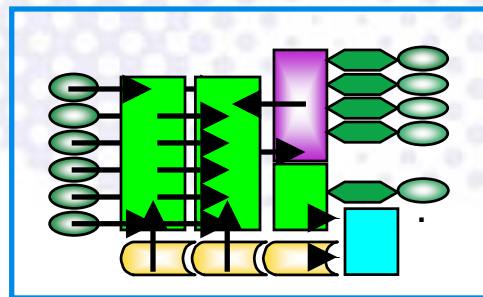


Newspapers
Television
Strong horizontal brands

Strong vertical brands

Books and e-business
Other strong brands

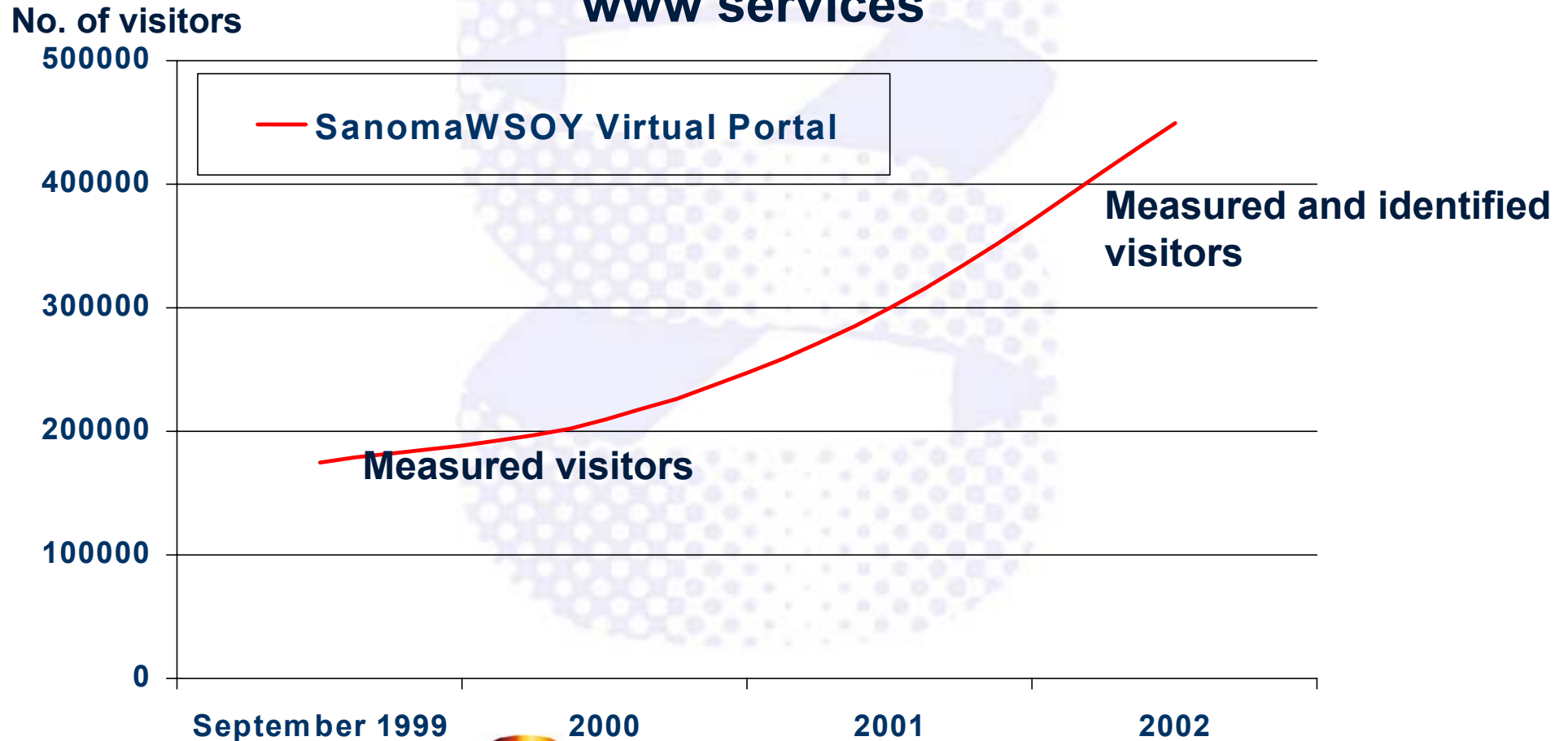
- Identification and registration
- Profiling
- Mastering customer systems
- Real-time follow-up
- Advertising management
- Shared basic services
- Management of shopping places



- Growing volume of www-services relating to existing brands
- User traffic directed through individual brands
- Brands retain their strong position

Virtual portal: trend of user volumes

total number of visitors to SanomaWSOY Group's
www services

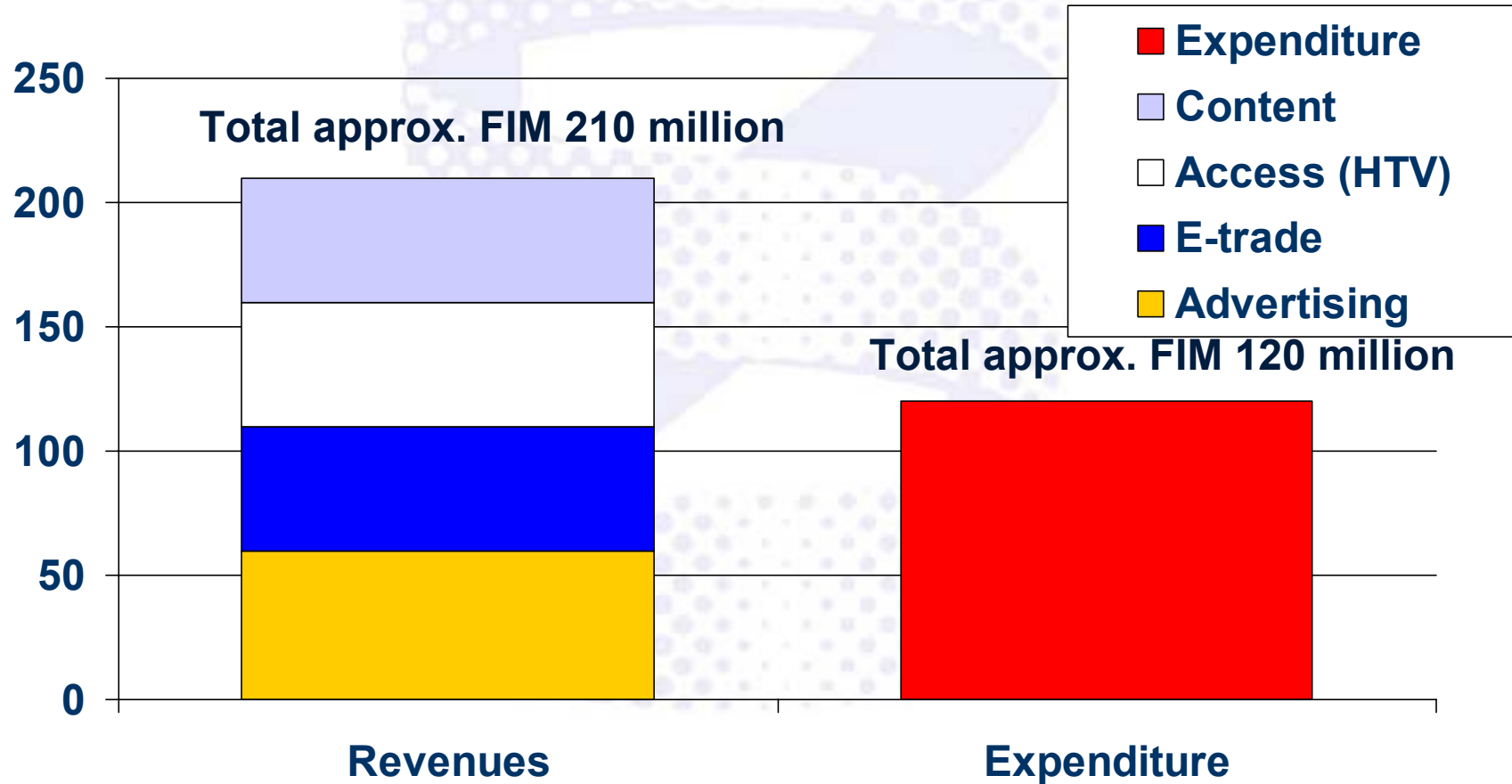


Sources: Taloustutkimus,
WebTrafficMonitor, IDC

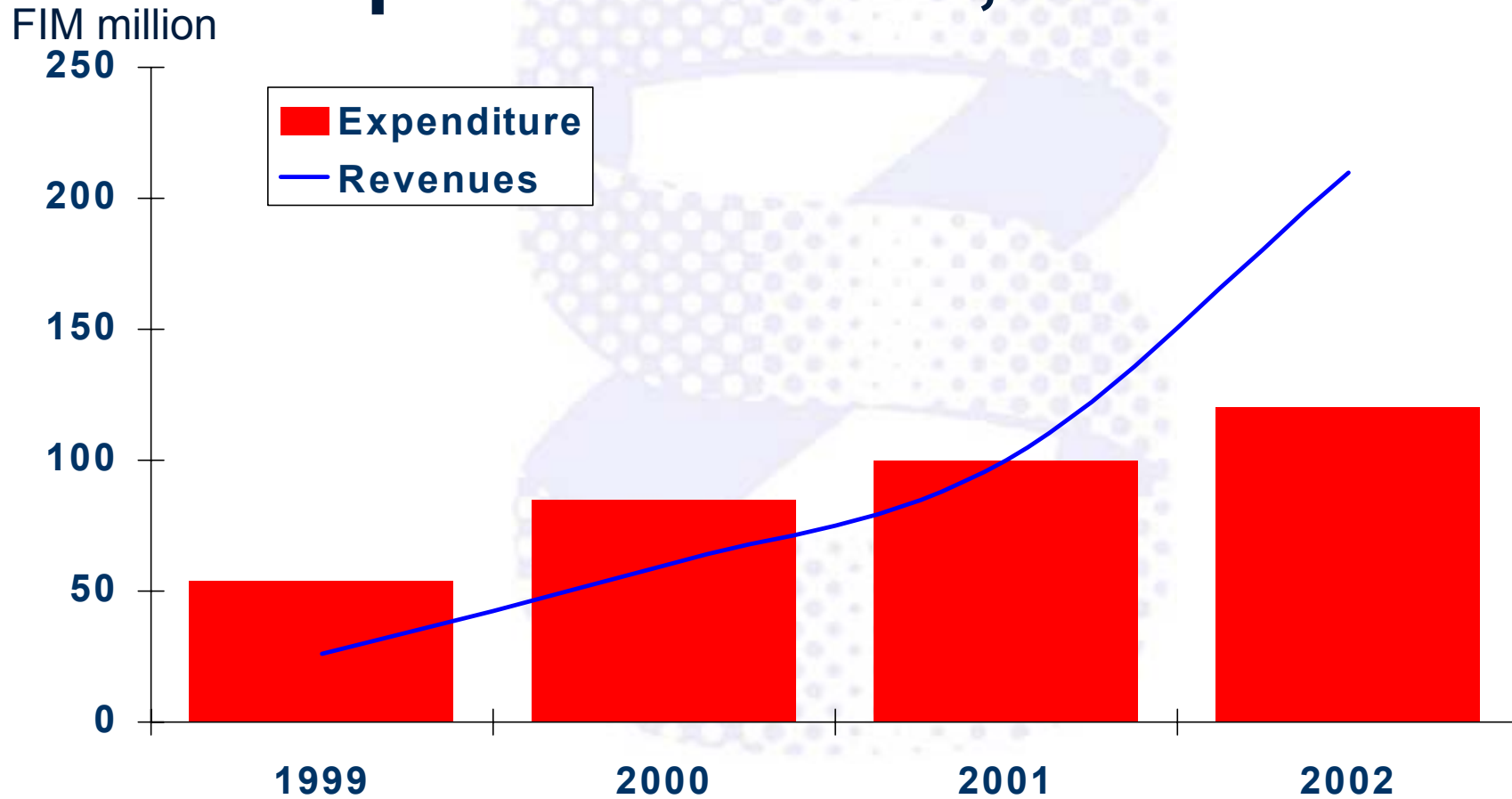


SanomaWSOY Group - electronic business estimate 2002

FIM million



Virtual portal impact on results; 1999–2002E



Why is virtual portal the winner?

- High-quality content
- Content based on well known brands
- Ongoing customer driven content improvement
- Best resources in Finland
- Promotion in printed media - own home page advertisement in own magazine
- Cross promotion potential
- Cable network creates competitive advantage
- Brands and high quality content are winners on the Internet



Vision

- The most dynamic media company in Northern Europe, whose operations based on creativity and reliability.



Publication of financial information in 2000

- Annual result 15 March
- Interim reports 17 May
16 August
15 November

