

**Full Year 2007 SanomaWSOY Corporation Earnings Conference Call
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Market environment

I would like to start by saying a few words about our market environment. In 2007, media markets developed positively in most of our operating countries. The growth pace however slowed down during the year a bit. For this year the view seems to be somewhat unclear and mixed. As you all know, research institutes are predicting continuous growth, albeit slower than we saw a year ago. But at the same time the uncertainty in global economy seems to continue.

However, the general economic indicators, GDP growth and private consumption are still positive. Starting from Finland, the economy and advertising market is growing here but the growth pace is predicted to be somewhat slower than in 2007. In total, the advertising market is expected to grow by 4.5% this year.

In the Netherlands, GDP and private consumption are estimated to increase by some 2% and ZenithOptimedia estimates nearly 5% growth in advertising.

A few words about CEE countries; the economy in Hungary is recovering, also the Czech Republic looks very much the same. For instance in the Czech Republic, magazine advertising is estimated to increase by 9%.

In Russia, Russian advertising market seems to be growing still. The latest advertising estimates still show about 29% growth in total advertising for this year with the print advertising increased by 23%.

Key events

Last year we continued to develop both existing and new products and services, our list this time is long. We made 22 magazine launches, the most significant ones being the fashion weekly Grazia, first in Russia in second quarter and during third quarter in the Netherlands.

During the year we had more than 30 new openings in digital business, including four new TV channels, two radio channels and dozens of online services all over Europe.

We expanded our press distribution and kiosk operations in Russia, Finland and Lithuania through acquisitions and green-field operations.

And our fourth growth area, educational publishing, expanded for instance in Poland.

Also language services grew by acquisitions, and new movie theatres and bookstores were opened in the Baltic countries.

Key figures

About key figures -- although we made a lot of new openings, we were able to accomplish all this without harming our margins. We made a record result in 2007. Our EBIT excluding the non-recurring sales gains improved by 5% to EUR 303.5 million. Including the gains on the sales of assets, we improved our EBIT by 18%. Results improved in Sanoma Magazines, Sanoma and SWelcom. Our net sales in total increased by 7%, and adjusted for changes in the Group structure, we had growth of 5%. Net sales totaled EUR 2.9 billion. Net sales grew in all divisions, and especially advertising sales grew.

In this good market environment especially during three first quarters of the year we were able to gain market share and improve our profitability. In the last quarter our net sales grew by 8%, but our EBIT went down by 8%. A lot of marketing costs occurred in the fourth quarter as well as, for instance, in Sanoma we had a lot of non-recurring costs related to, for instance, reorganizations and also in Aldipress which is part of Rautakirja organization.

Our equity ratio was 45% which is on the high end of our target which is in between 35% and 45%. Our earnings per share increased by 12% to EUR 1.47 and our market cap in the end of last year was about EUR 3.2 billion.

Then I'll jump to the divisions, some short comments on each of our five divisions.

Sanoma Magazines

Sanoma Magazines had a very good year, all businesses increased their net sales, a lot of new launches were made in magazines and online, and advertising sales grew by 16% partly due to new operations.

Division's net sales grew by 7%, and operating profit excluding major non-recurring capital gains increased nearly by 11%. Like already mentioned, the development in the last quarter was negative due to heavy investments in marketing and launches.

We divested our puzzle magazines in June, and in January after the review period we sold the movie distribution company RCV Entertainment which will bring a capital gain of some EUR 23 million to the first quarter of this year.

Good development will continue also in 2008, and we guide for increase in net sales and improvement in operating profit excluding capital gains.

Sanoma

Sanoma, our Finnish newspaper operations benefited from the good market environment, as said already earlier. Net sales grew by 5% and EBIT excluding the capital gains by 11%. Especially the advertising sales increased the net sales and improved the result. A lot of investment in digital operations was made during the year.

Sanoma's advertising sales in 2007 grew more than the Finnish market.

2008 net sales are estimated to grow, and the EBIT excluding the capital gains is expected to improve also in our newspaper division.

SanomaWSOY Education and Books

Sanoma WSOY Education and Books had a mixed year. Our international growth areas educational publishing and language services grew nicely, but the general

literature and especially multi-volume books had difficulties. Net sales of the Division grew by 4% but EBIT excluding the capital gains decreased by 7%.

Educational publishing developed positively, as said, and we gained new market share especially in Belgium. The result was at the previous year's level because some governmental tender projects had a lower margin than in 2006, especially in Poland.

General literature and other businesses, mainly printing, decreased the Division's operating profit. In the last quarter, our net sales grew by 8% and the result improved, although the Division made a loss like usually in the fourth quarter.

Educational publishing improved its result but general literature was behind the previous year.

In 2008, we expect Education and Books to increase its net sales and to improve clearly its operating profit excluding the sales gains. The acquisition of Nowa Era announced in June 2007 is expected to be closed during the first quarter of 2008.

SWelcom

SWelcom, our TV and broadband operations, had extremely good year. The Division's net sales grew by 11% both due to new TV operations and good sales development of pay TV and broadband subscriptions as well as digital set-top boxes.

Even with investment in new businesses like TV and online casual gaming, we were able to grow our EBIT by 27%. Part of the improvement came from the reduced costs of TV operations when the final license fee as well as the double transition costs ended in September, when Finnish TV was totally digitalized.

This and the increased sales of digital set-top boxes made the third quarter exceptionally strong for SWelcom. SWelcom's net sales in the fourth quarter increased by 14% and EBIT by 12%.

This year, 2008, SWelcom is expected to continue to increase its sales and to clearly improve its results.

Rautakirja

So finally, Rautakirja, our distribution and retail arm, They had a busy year as well. Our Dutch press distribution operations were transferred from Sanoma Magazines, to Rautakirja in the beginning of the year. The Division also made several smaller acquisitions for instance in Finland and Lithuania, and began kiosk operations in Russia. Rautakirja also announced that it has signed a letter of intent to cooperate with Ringier in Romania.

Net sales in Rautakirja grew by 6%. All businesses grew and especially movie theatres had an excellent year.

Without sales gains from the divested multipurpose arena and some other real estates, Rautakirja's EBIT went down by 7%. This is mainly related to reorganization costs of Dutch operations.

We had also challenges in our bookstores because of the weak Christmas sales in the book market here in Finland.

For this year, Rautakirja is expected to increase its net sales and to improve its results.

Group's outlook for 2008

Our guidance for this year; we estimate that our net sales will grow according to this year's figures. This year's growth was 6.7%, as said before.

When it comes to operating profit, our guidance is that operating profit excluding major non-recurring capital gains will continue to improve.

In 2007, our EBIT excluding these mentioned sales gains, was record high, EUR 303.5 million as mentioned in the beginning.

To sum up, 2007 for us included a lot of new things. While launching new print products and digital services, we were able to improve our profitability. And we will continue to do the same also in 2008.

Ladies and gentlemen, thanks very much for listening and thanks for your time. Now we are ready to welcome your questions, please.

QUESTIONS AND ANSWERS

Q: Janne Holmia - Standard & Poor's Equity Research

I wanted to ask you about the profitability drops in the magazines, Sanoma and Rautakirja. You mentioned already a little bit about them but for example, on the magazine business, it's sort of extra marketing and launching costs, but wouldn't we see these as more of a normal part of the business? In a sort of a running stage?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Partly, of course. But as we have said during the whole year through, we have some timing issues here. We made a lot of new launches but not a lot of new marketing efforts during last quarter of the year. Just to mention one example, we launched a women's weekly, Grazia in Holland. This type of launch when you launch a weekly magazine for very mature Western European markets, needs big efforts. And this type of extra pressure on costs occurred during the last quarter of the year, which basically were informed already earlier during the year.

So, they are really on the line we are telling. They were mostly marketing costs and the decisions were made by us, not just the normal cost increase.

Q: Janne Holmia - Standard & Poor's Equity Research

Okay, but basically on annual level, 2007, overall it wasn't like, extraordinary?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

No, that is true, and that's why of course we are very pleased our annual results in magazines. They made a very good result and on an annual basis there were no sort of extra efforts in that.

Q: Janne Holmia - Standard & Poor's Equity Research

Okay. Then, I guess, in terms of Sanoma those were mainly one-offs, you would say?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Yes. Also that's because what we did. We closed down our print version of the financial daily, and of course, there were some costs related to that decision. We also gave an opportunity for some groups of journalists to retire a bit earlier, and we booked those costs during the last quarter.

And, of course, bearing in mind that the growth in the market was declining somewhat during the last quarter. The beginning of the year was very, very good, but the growth was declining in the end of year. Although there were growth also during the last quarter.

Q: Janne Holmia - Standard & Poor's Equity Research

Yes, but if I've understood correctly, now it's looking a little bit better in the beginning of the year, compared to the last two months, in the Finnish media?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Of course, if you look at newspapers, for instance, we had very good first quarter last year so the base is very strong. But also the beginning of this year has been very good. So no real worries there, at least, at this point.

Q: Janne Holmia - Standard & Poor's Equity Research

Okay. That's very good. Then, on Rautakirja, I just wanted to ask, you mentioned earlier that basically, this drop was due to the Aldipress restructuring. I remember earlier on, maybe during the Q3, you mentioned that the costs were around EUR 2 million and the operational EBIT is now down about EUR 5 million for the year, or closer to EUR 4 million, actually.

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Yes, we have not disclosed the Aldipress costs. But in this IFRS environment we have to book those costs when the decision of the restructure has been made.

Other point we have to mention in case of Rautakirja is the challenges in a book market. These challenges hit our bookstore chain a bit. The growth in our bookstores was only 1% on annual level. And because the fourth quarter is normally strong for books, so when the market is weak in the strongest season, it hits your business.

We have to bear in mind that we have opened about 60 kiosks in Russia during a few months only, so it means that our Russian kiosk business is in investment phase at the moment, and we have to wait a while before our Russian kiosk business starts to perform.

Q: Janne Holmia - Standard & Poor's Equity Research

Okay. Then, my last question would be for the Education and Books Division, the guidance over there. You mentioned that you're expecting a clear profitability improvement. Is this mainly due to the acquisition of Nowa Era? Does it have higher operating margins, than division, in aggregate?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Educational publishing business is by definition pretty high margin business and no big differences between the marketplaces and the companies. Nowa Era is also a high margin business, and it is one element to give evidence for our guidance, but we expect also growth in other parts of the Division.

Q: Janne Holmia - Standard & Poor's Equity Research

Okay. Then just one more question -- you seem to have a fairly nice growth in the Netherlands in the magazine business. And now if you're looking at the consumer confidence and this kind of statistics, it doesn't look very positive in the Netherlands, so how do you feel that the business environment is there at the moment?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

In a matter of fact it was better than it has been for years actually and especially our online business and online advertising grew there pretty well. We have invested a lot in new online services there, so we anticipate that also there our growth will continue during this year.

Q: Janne Holmia - Standard & Poor's Equity Research

Okay, you basically think that this could be a turning point, also?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Hard to say because, as I said in my presentation, there is a lot of uncertainty in the air, but if the world continues to be as we see it today so I don't see any major problems in Holland either.

Q: Henrik Schultz - Danske Bank

I have a couple of questions relating firstly to the launches in the magazine business. The Q4 was obviously burdened by some initial marketing costs, can you explain a little bit in detail how? Do you expect the overall business to benefit in terms of, for example, advertising revenues? Have you seen any of that at all in the fourth quarter and how will that play out?

And also the marketing costs, the promotion side of it, what campaigns are you planning, how should we look at that into the early 2008 please?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

We have already launched some magazines although we are now facing week number six. So I think it goes business as usual. I think according to our understanding, we are launching about the same amount of magazines and especially online services this year. We have not disclosed the figures and the amounts of investment in that sense. But I think at least it looks like a very normal year we are facing at the moment, and we have never really disclosed this more in detail than this.

Q: Henrik Schultz - Danske Bank

Thank you very much. The newspaper business, could you add some comments, based on my initial calculations it seems that in terms of both circulation revenues, advertising revenues and both in terms per copy, for example, there was a significant slowdown in the fourth quarter. Could you elaborate a little bit in terms of, for example, categories or any specifics?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

October was weak but November and December were better. What comes to the newspapers all in all, we have newspapers only here in Finland, and Finnish media scene is very exceptional because newspapers are very, very strong here. Newspapers' part is more than 50% of total advertising spending. And it means in my mind that newspapers will be pretty strong here also in the future. That is general statement concerning newspapers.

In more specific, for instance tabloid market is pretty challenging. We are defending our market position there, and we have succeeded pretty well. Free sheets are a question mark, we do not know what is going to be the outcome of launches of free sheets we have done during the last couple of years.

Q: Henrik Schultz - Danske Bank

I was thinking in particular in terms of advertising revenues, which categories in October, or the fourth quarter for that matter, showed the weakness? Was it in classified, was it in display, was it in jobs and property, was it in the tabloid, was it in the broadsheet? What really happened?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

We have not announced the categories. Our main newspaper Helsingin Sanomat anyway did pretty well.

Q: Niklas Kristoffersson - Cheuvreux

I have two questions if I may. Firstly you have an EBIT target of 12%. Can you please highlight the steps you are taking to reach this target?

And in addition to that, it seems that your cash conversion has been rather disappointing during 2007. Considering that, you now expect top line to increase in 2008 in line with last year, should we continue to see you tying up the working capital due to advertising sales?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Starting from your first question, EBIT margin target 12%, it's our long term strategic target and we have now about 1.5% to go, in money-wise it means about EUR 40 million. It's pretty easy to achieve for a year by skipping the launches and by giving up the investments for future growth. We have according to our strategy approaching it little by little, at the same time we are trying to improve our profitability but also very importantly take care of our future growth potential by being pretty aggressive in launches. So it is sort of balancing between those two.

And what comes to your second, more precise, question, Matti Salmi will answer that one.

A: Matti Salmi - SanomaWSOY - CFO

We have actually a couple of major things affecting to the cash flow and majority of those were timing type of effects. First of all we had abnormal high tax payment this year. We paid some EUR 50 million more taxes than provided in P&L (profit and loss statement). Mainly we were settling the old taxes from Holland and Belgium. That was an abnormal change there.

And to the working capital, we had several things affecting to it. One thing was the timing difference of the accounts payable and accounts receivable posting the end of 2006 and 2007. We can say that was also the timing difference.

Then we had this type of one-time elements like for instance we are now buying directly our own paper also on the magazines. It had a one-time effect to our inventories.

And in a way the third element was this uncertain growth of our operations. To estimate the longer term effects, you should take, say for instance three years' period on average, because that indicates better the trend in the working capital.

In any case, it was much less than what happened in 2006.

Q: Niklas Kristoffersson - Cheuvreux

Yes, absolutely. And one shouldn't expect that you tie up as much capital this year as you did last year?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

That was abnormally high level.

Q: Paul Southgate - Fortress

I notice that your guidance is including minor acquisitions. Could you perhaps comment on the potential size that you would consider to be minor, or alternatively the potential profit or sales contribution that might come from those?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

There is no precise amount of acquisition, or size of acquisition we are including, but for instance from our point of view we can launch a magazine or acquire a magazine, and it's the same. It is something like we had this year, we included Nowa Era. It is in our minds normal, small size of acquisition. But of course when talking about our growth the idea is not, that we make a big jump, big acquisition and then we say, okay, we grew by 6% or 7%. We mean operational, generic growth including some normal, minor, small sized acquisitions.

Q: Paul Southgate - Fortress

Okay, so minor would be less than 5%, perhaps?

Q: Paul Southgate - Fortress

Right, okay, minor would be definitely less than 5%?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

I didn't answer because it was your calculation. We have not given any precise range here.

Q: Paul Southgate - Fortress

The second question would be, I think the fourth quarter contributed around EUR 20 million of income from other operating income line, could you just disclose what is included within that and perhaps how that's allocated by division?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

There is nothing abnormal in this instance. There was something like EUR 5 million mainly resulting from sales of assets.

Q: Paul Southgate - Fortress

Okay. On your balance sheet you now hold just EUR 9 million of investment properties, so presumably we shouldn't include any property sale income going forward.

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Well, that is also very difficult to say when all these small things materialize. We have some small land areas and so on, but when do these materialize that is very difficult to say.

Q: Paul Southgate - Fortress

Okay. I would say there's about EUR 20 million other operating income in the fourth quarter, and I think that properties are EUR 5 million, what else it contributes?

A: Matti Salmi - SanomaWSOY - CFO

In the fourth quarter. There are all kinds of fees, e.g. in marketing; you get some fees while distributing magazines. It also includes rent incomes from the rented properties. And the franchise revenues from your franchise kiosk holders and so on. If you look the interim report there is quite a comprehensive breakdown of these revenues.

Q: Pontus Grönlund - Deutsche Bank

I have a question basically on, or a follow up on the magazines launch costs. Now magazines had a EUR 37 million EBIT in Q4 and I think consensus was expecting something like EUR 42 million, so there's a EUR 5 million difference. Would you explain that EUR 5 million by launches which sounds quite a lot?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Not only launches but marketing. Marketing is the major point. Not disclosing it precisely, but giving you an impression, what we did disclose on 2006 was the launching costs of our women's weekly Gloria in Russia. The launching costs were about \$ 4 million. So you get an impression that when we launch this type of weekly magazine, we are talking about substantial investment.

Q: Pontus Grönlund - Deutsche Bank

Okay. And is there any specific month or quarter in 2008 where you expect similar type of launches or is this a one-off?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Nothing I can disclose at this point.

Q: Pontus Grönlund - Deutsche Bank

Okay, and then in terms of Sanoma missing around EUR 3.5 million of the consensus, is that also something that you can explain by one-offs, or was it so that the underlying profitability also weakened somewhat?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

First of all, we have to bear in mind that the last quarter of 2006 was extremely strong. So the basis was very good and then as I said earlier, we closed down our financial daily, there are some costs related to that and then the pension issues. I think at least those two explanations you can take as non-recurring costs during the last quarter.

Q: Pontus Grönlund - Deutsche Bank

Okay, but we're talking several million of euros?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

Yes, we are talking about a few millions of euros.

Q: Henrik Olsson - Lincoln Vale -

I have two questions. First on magazines and when you talk about launch costs, just to get a feeling for when the bulk of the launching costs are actually coming through, because Grazia was launched in the third quarter. So how much of the launching costs and marketing costs would actually be in the third quarter and how much would be in the fourth quarter?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

To be honest I don't know exactly because we have not disclosed these costs as a whole. I think most of the costs were in our books during last quarter.

Q: Henrik Olsson - Lincoln Vale

Okay. And on the bookstores in Finland you said it has been a bit challenging. Has it improved now in the first quarter?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

It's hard to say, because we are now in the beginning of February, and have to bear in mind that Christmas is a season for books here in Finland and January is, I think, the smallest of the months. We have to wait for some more time before giving any conclusions what's going to happen this year.

Q: Henrik Olsson - Lincoln Vale

And can you just elaborate a little bit of what the problem was?

A: Hannu Syrjänen - SanomaWSOY - President and CEO

The market was weaker than we anticipated because it has been really strong. Book has been very common Christmas present here in Finland, and it clearly weakened its position as a Christmas present item. That was one issue. Of course hits here in Finland, not only with us but also other main publishers were not that strong. We didn't have any megatitles this year compared to previous years. Our statistics are not completely finalized yet, but the first impression is that the whole book sales went down somewhat, maybe a few percentages in 2007.