



# SanomaWSOY

March 2000



Established: 1878



WSOY



1889



SANOMA CORPORATION



1993



Helsinki Media



1976

Oy Devarda Ab



1910

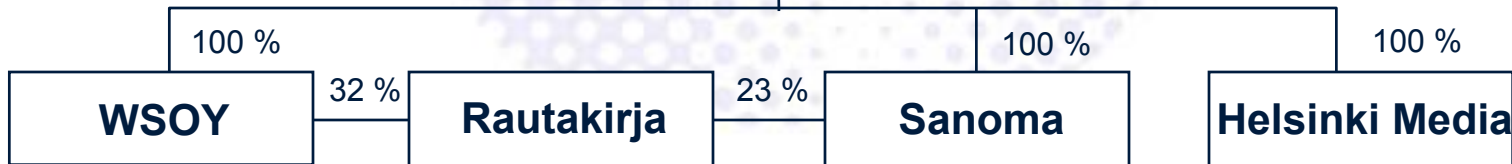


RAUTAKIRJA

# Combination merger

1 May 1999

SanomaWSOY Group



# SanomaWSOY Group

Parent company

Sanoma-WSOY Oyj

Sectors

Helsinki Media Company Oy

Sanoma Corporation

Rautakirja Oyj

Werner Söderström Corporation

Business areas

• Business units

**Magazine publishing**

- Magazines
- Special interest magazines
- Comics
- Books

**Electronic media**

- TV operations
- Network media

**Newspaper publishing and printing**

- Helsingin Sanomat
- Ilta-Sanomat
- Local and regional newspapers
- Printing plants

**Financial and new media products**

- Financial daily
- News agency services
- News analysis and summary services

**Kiosk operations  
Press distribution  
Bookstores**

- Suomalainen Kirjakauppa Oy

**Movie theatre operations**

- Finnkino Oy

**Restaurant operations**

- EuroStrada Oy
- Pizza Hut (franchising)

**Publishing**

- Books
- Electronic publications
- Maps
- Other electronic products

**Printing**

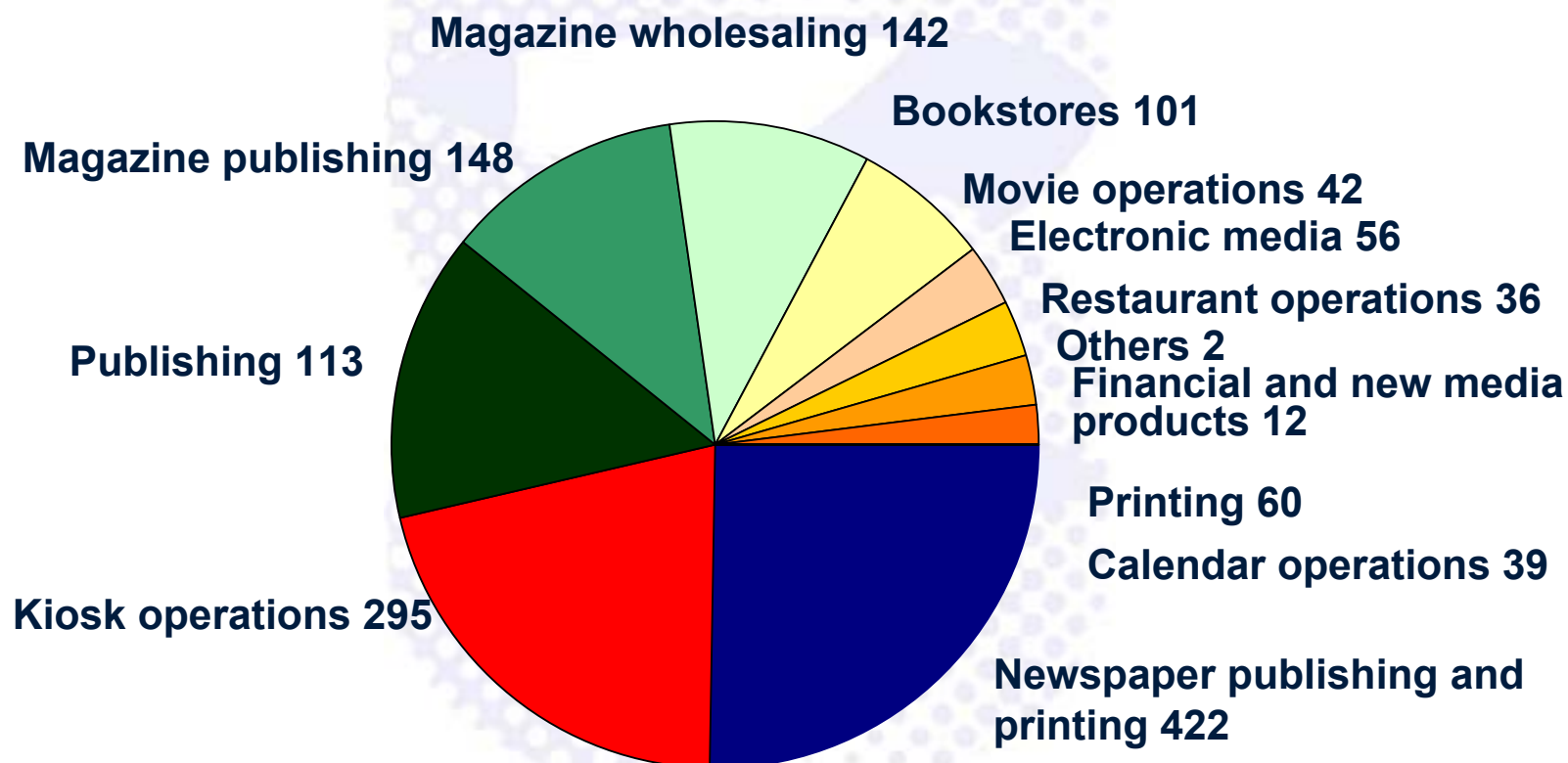
- Printing plant
- Digital printing plant
- Special printed products

**Calendar operations**

- Calendars



# Net sales by business 1999 EUR million



Total EUR 1 468 billion \*

\*) includes intra group sales (EUR 147 million)



# SanomaWSOY's market shares in Finland

FIM million	1998	SAWS* 1998	Approx. %
Newspapers	5 900	1 918	33
Magazines	3 500	608	17
Books	2 380	885 **	37
Broadcasting	2 851	132	5
Local radio stations	170	--	
Cable TV	365	110	30
Online advertising and services	510 ***	17	3
Movie theatres	254	141	56
Video (sales. rental)	418	81	19
CD roms etc.	220	56	25
Kiosks			55

\* Incl. SanomaWSOY and its subsidiaries as at 31 Dec 1998

\*\* Net wholesales  
FIM 427.5 million

Source: Statistics Finland



\*\*\* Incl. commercial news services  
e.g. Reuters, Bloomberg, etc.

# Key indicators 1999

Net sales, EUR million	1 320.6
Operating profit , EUR million	71.7
% of net sales	5.4
Profit before extraordinary items, EUR million	110.4
% of net sales	8.4
Earnings/share, EUR	2.13
Equity/share, EUR	22.73
Return on investment, % (ROI)	12.4
Equity ratio, %	71.0
Gearing, %	-24.0
Personnel, average	9 816
Dividend/share, EUR*	1.81

Pro forma, FAS  
FAS= Finnish  
Accounting Standard



# Net impact of structural measures

EUR million	on net sales	on operating profit
Helsinki Media	- 30.59	-0.52
Sanoma	67.86	5.25
WSOY	- 16.01	-13.05
Rautakirja	- 3.90	- 0.25
Eliminations	2.30	10.09
SanomaWSOY	19.66	1.51

The comparison covers  
years 1998-1999.



# Gross investments

EUR million	1999	1998	Change, %
<b>Helsinki Media</b> A-pressen, Hansaprint	<b>36.9</b>	<b>23.1</b>	<b>59.6</b>
<b>Sanoma</b> Kymen Lehtimedia, Sanomatalo, Ilkka/Arnedo	<b>142.0</b>	<b>68.8</b>	<b>106.4</b>
<b>WSOY</b> Tummavuoren Kirjapaino, Young Digital Poland	<b>21.0</b>	<b>25.1</b>	<b>-16.3</b>
<b>Rautakirja</b> Narvesen, Jokerit, Multiplexes	<b>72.1</b>	<b>31.6</b>	<b>128.0</b>
<b>Other companies and intragroup investments</b>	<b>7.7</b>		
<b>Total</b>	<b>279.7</b>	<b>148.6</b>	<b>88.1</b>

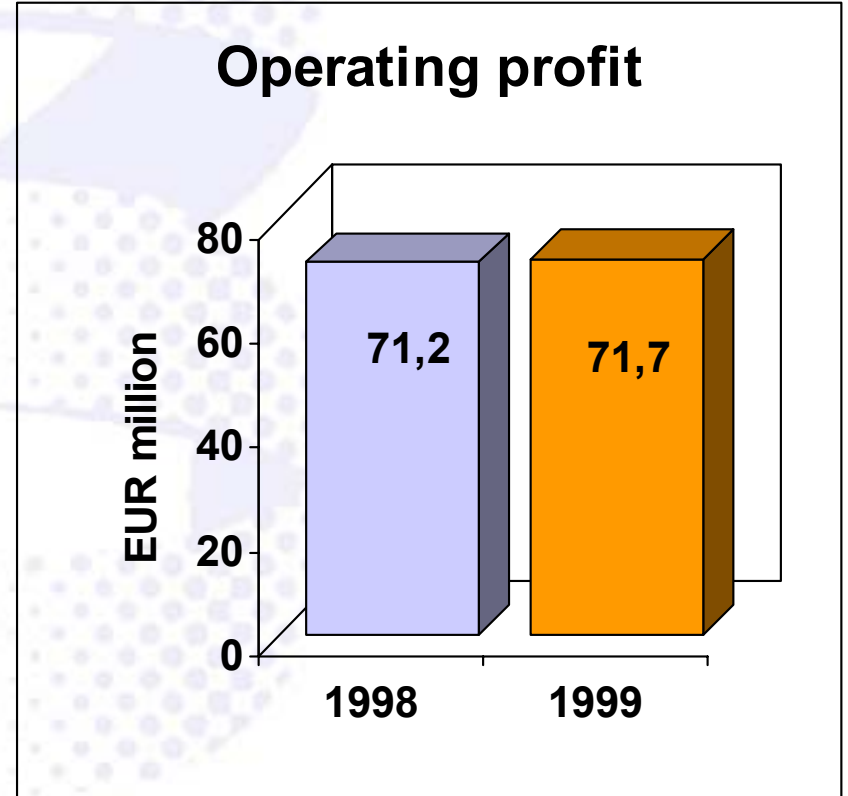
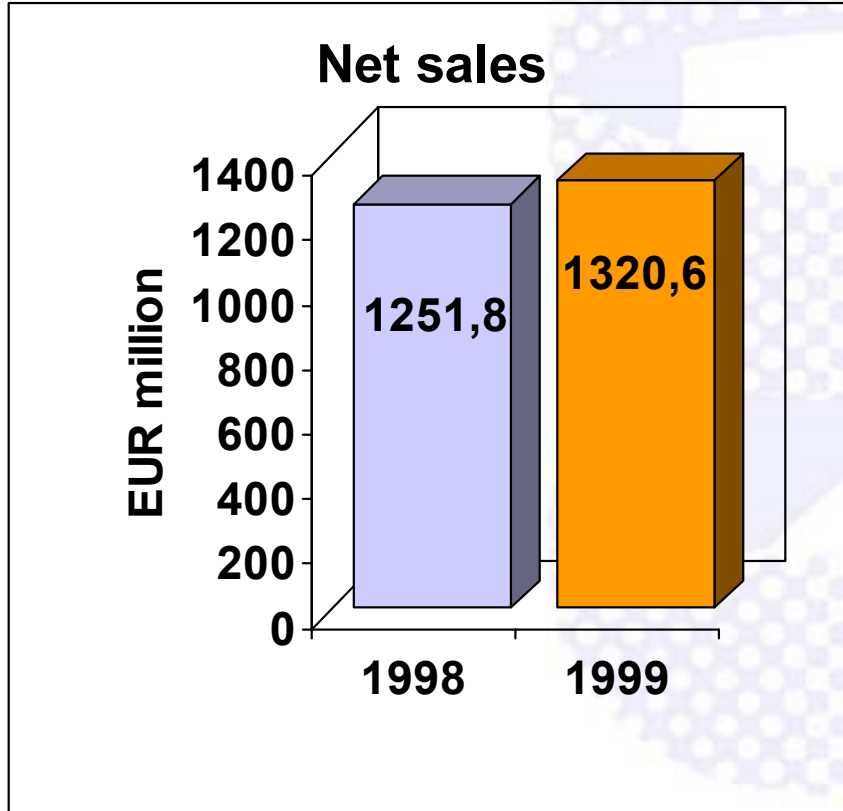
After the fiscal year an investment of EUR 76.69 million in newspaper printing, to be carried out in 2001-2003

Pro forma, FAS  
FAS= Finnish  
Accounting Standard





# SanomaWSOY Group



# SanomaWSOY's operational highlights

- **Merger** (1 May)
- **A-pressen (27,5 %)** (Jun 99)
- **Digital TV operating licences** (23 Jun)
- **Group's development unit**



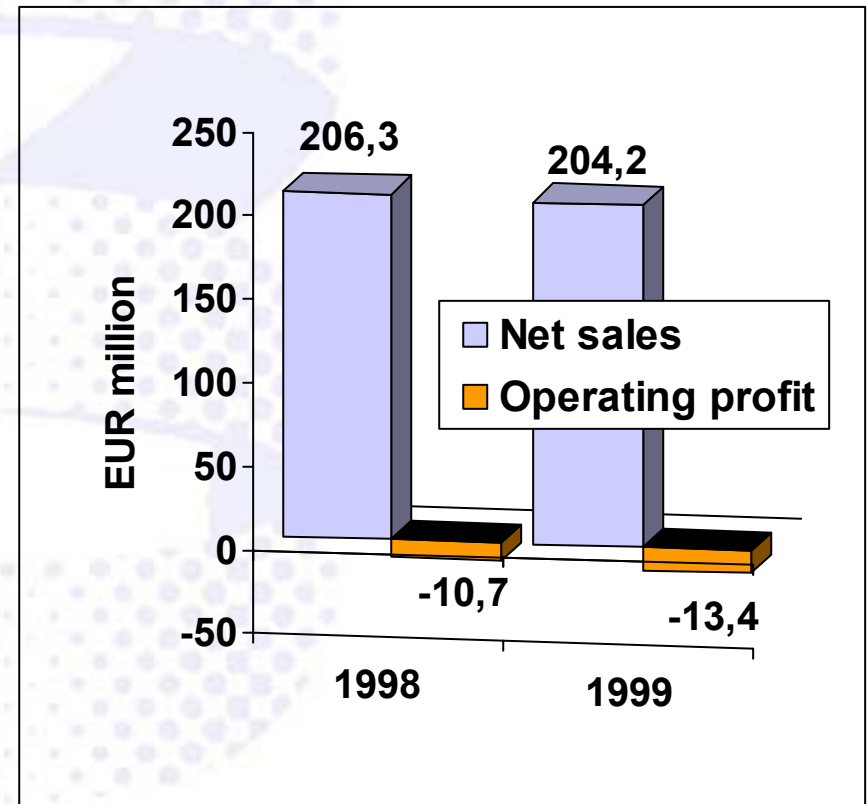
# Product development and launches

- **Oikotie**, classified adds service (Feb 99)
- **MG**, men's life style magazine
- **Cosmopolitan**
- **Matkaopas**, travel trends
- **Prinsessa**, for small girls
- **Sisters Club**, book club for girls (20 May)
- **IT Viikko**, IT weekly (23 Aug)
- **Virtual Portal** (21 Oct)
- **Onbusiness Oy**, Internet based business information services (15 Dec)
- **Online Funds Oy**, e-marketplace (28 Dec)
- **Online bookstores**, e.g. [www.suomalainen.com](http://www.suomalainen.com)
- **Bookmark**, book club which operates on the net only (14 Jan)
- **Geodata's map service** (18 Feb)



# Helsinki Media Group

- Comparable result improved
- Significant increase in operating license fees (EUR 6.86 million vs. EUR 2.12 million in 1998)
- Estimate for 2000:
  - net sales will increase 10%
  - operating profit will improve clearly

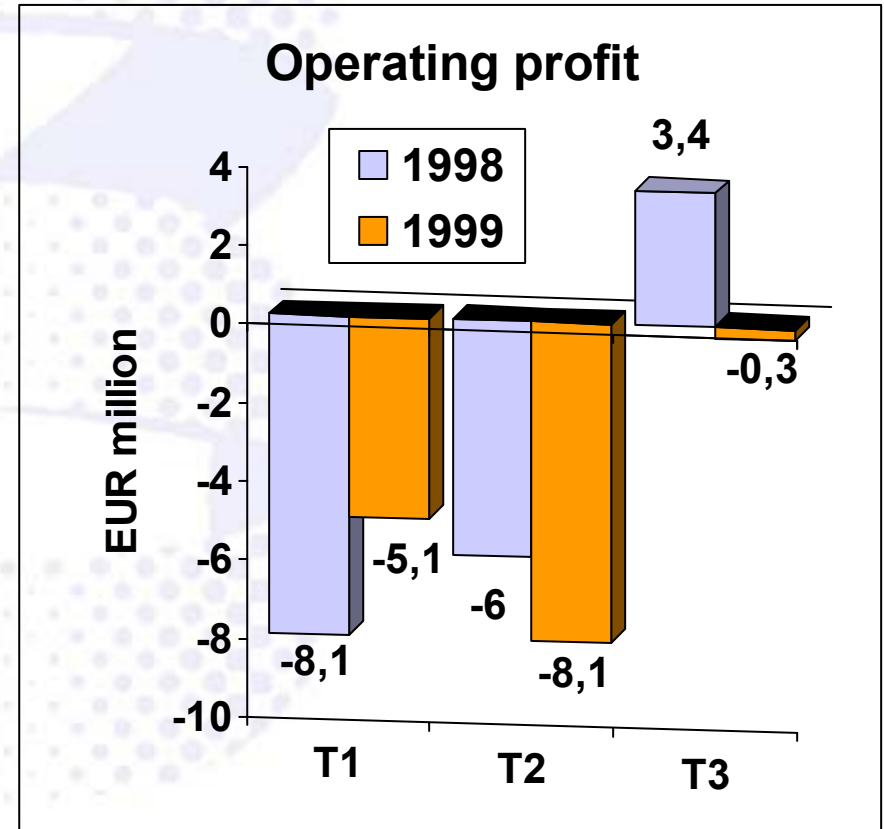
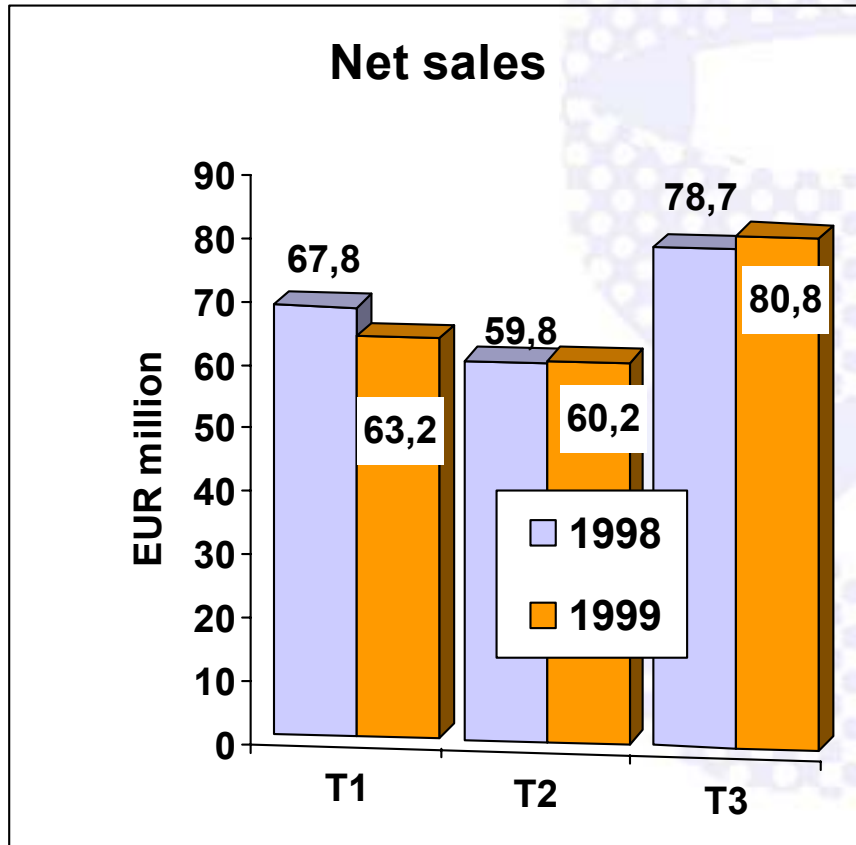


# Helsinki Media's operational highlights

- **Hansaprint co-operation (1 Jan)**
- **MG, Cosmopolitan, Matkaopas (spring -99)**
- **Tietotekniikan liitto, IT Viikko (23 Aug)**
- **Prinsessa (Sep 99)**
- **Sisters Club (20 May)**
- **HMC acquires stake in Pro Licensing Nordic (20%) (12 Oct)**
- **HMC increases its participation in Ruutunelonen (61,01%) (22 Dec)**

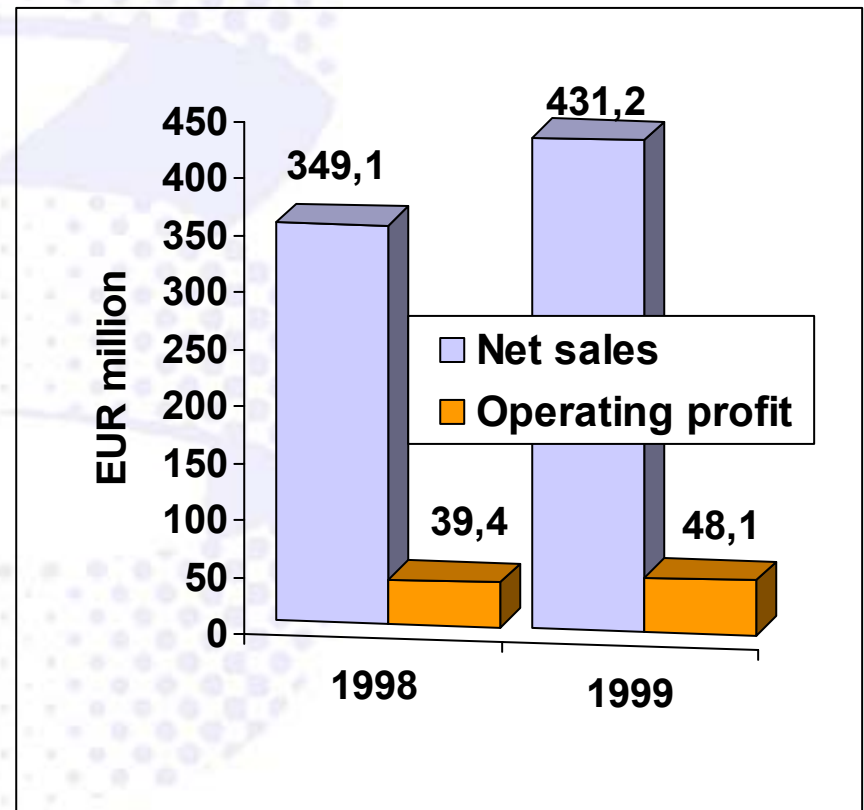


# Helsinki Media Group



# Sanoma Group

- Increase in net sales and operating profit mainly attributable to Kymen Lehtimedia acquisition
- Estimate for 2000:
  - net sales will grow 5 %
  - operating profit slightly more



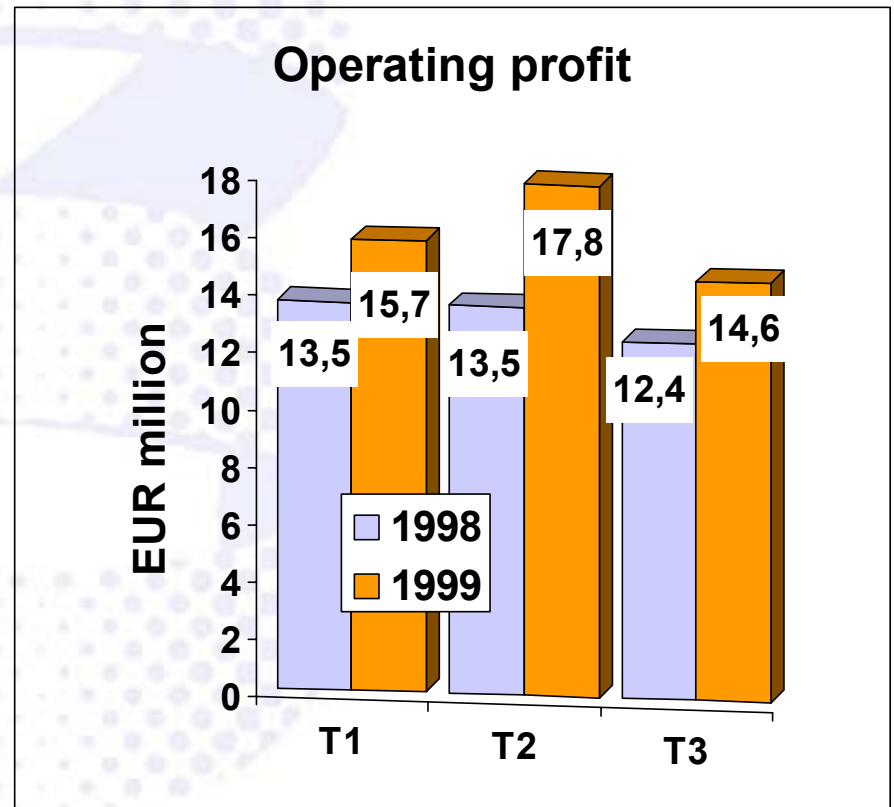
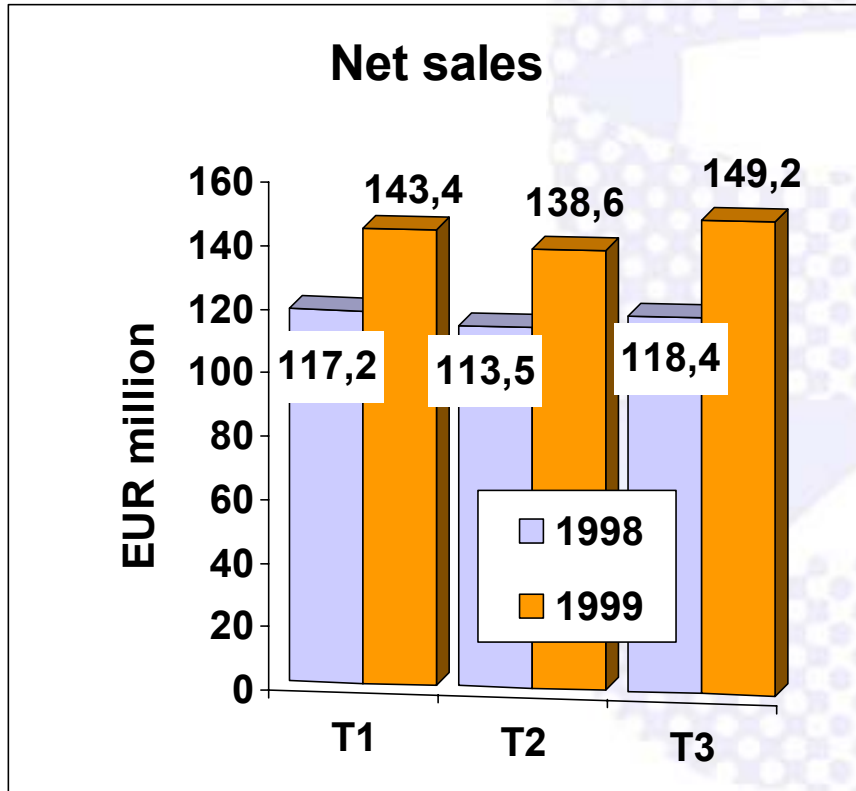
# Sanoma Group's operational highlights

- **Oikotie (Feb 99)**
- **Kymen Lehtimedia Oy (10 Mar)**
- **Esmerk Oy (22 Mar)**
- **Ecovision AB (25,5%) (26 May)**
- **Arnedo Oy (60 %) acquires stake in Ilkka (4 Jun)**
- **Startel-HPY co-operation (25 Aug)**
- **Sanomatalo is inaugurated (16 Nov)**
- **Startel and Radiolinja, co-operation in new media sector, Onbusiness Oy (15 Dec)**
- **An electronic marketplace, Online Funds Oy, for fund investments together with three private banks (28 Dec)**
- **Investment in newspaper printing (17 Feb)**



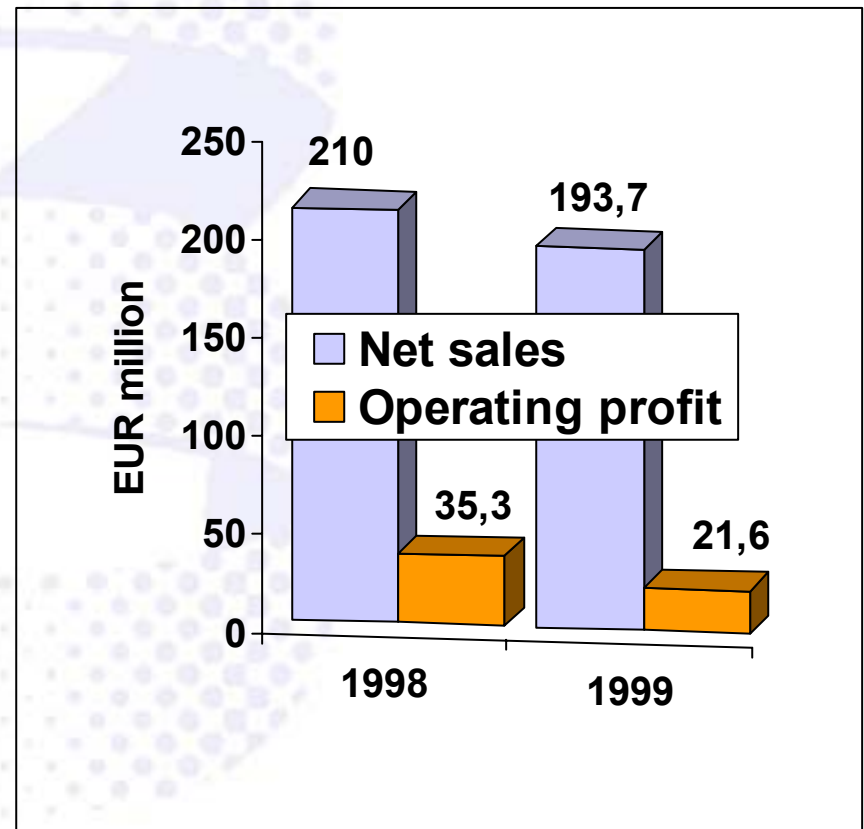


# Sanoma Group



# WSOY Group

- **Decrease in net sales and operating profit mainly attributable to divestments**
- **The strong market positions were retained**
- **Norwegian calendar business unsatisfactory**
- **Estimate for 2000:**
  - net sales will grow 6%
  - operating profit will remain unchanged from 1999

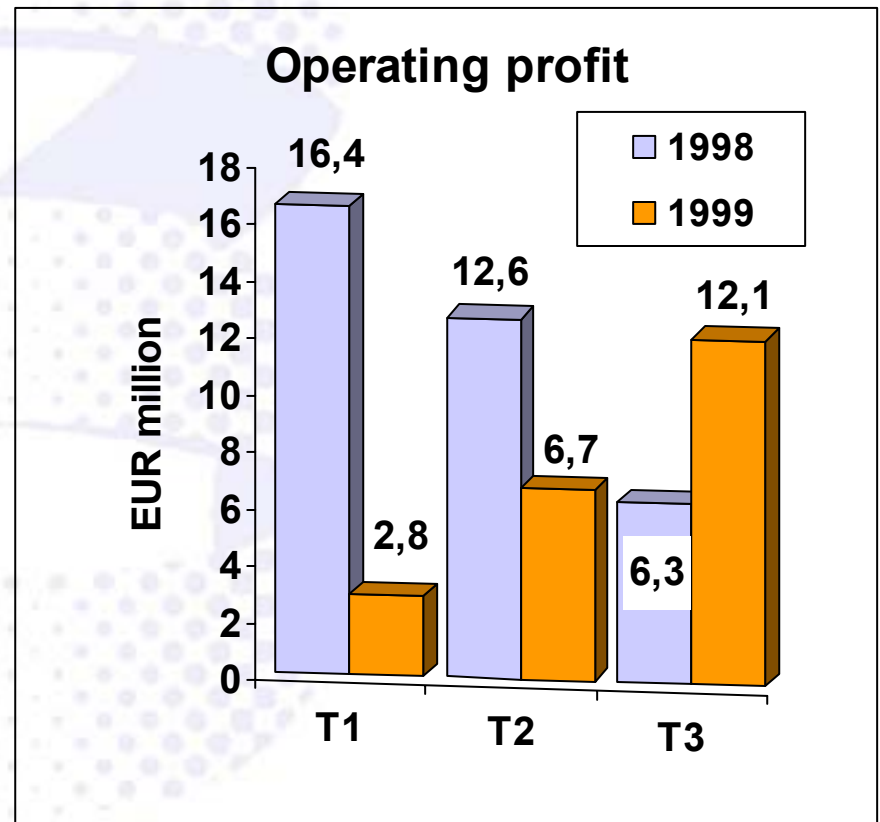
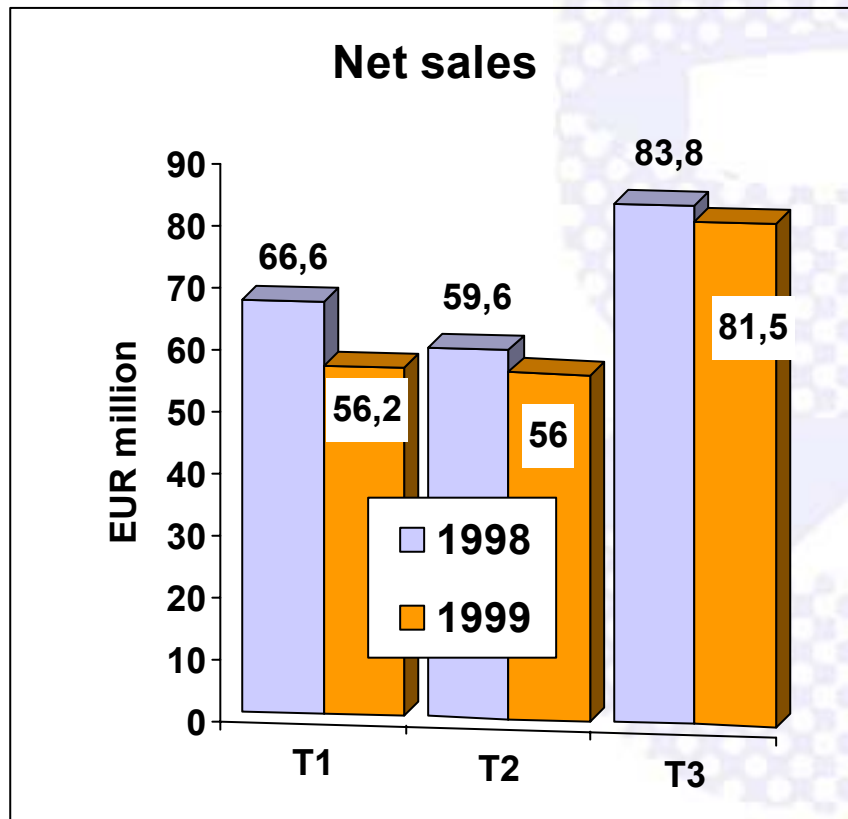


# **WSOY Group's operational highlights**

- **Tummavuoren Kirjapaino (80%) (31 May)**
- **Kiviranta Oy's business is sold (5 Aug)**
- **WSOY acquires stake in Young Digital Poland (27,8%) (5 Oct)**
- **Mikkelin Koulukanava, digital learning tools (18 Nov)**
- **WSOY's book printing unit incorporated as WS Bookwell (24 Nov)**
- **WSOY first to launch an Internet book club, Bookmark in Finland (14 Jan)**
- **Teknolit - IDG Books Worldwide - co-operation (10 Feb)**
- **European wide map service for mobile terminals from Geodata (18 Feb)**
- **Docendo, interactive digital tools, especially Microsoft program learning**

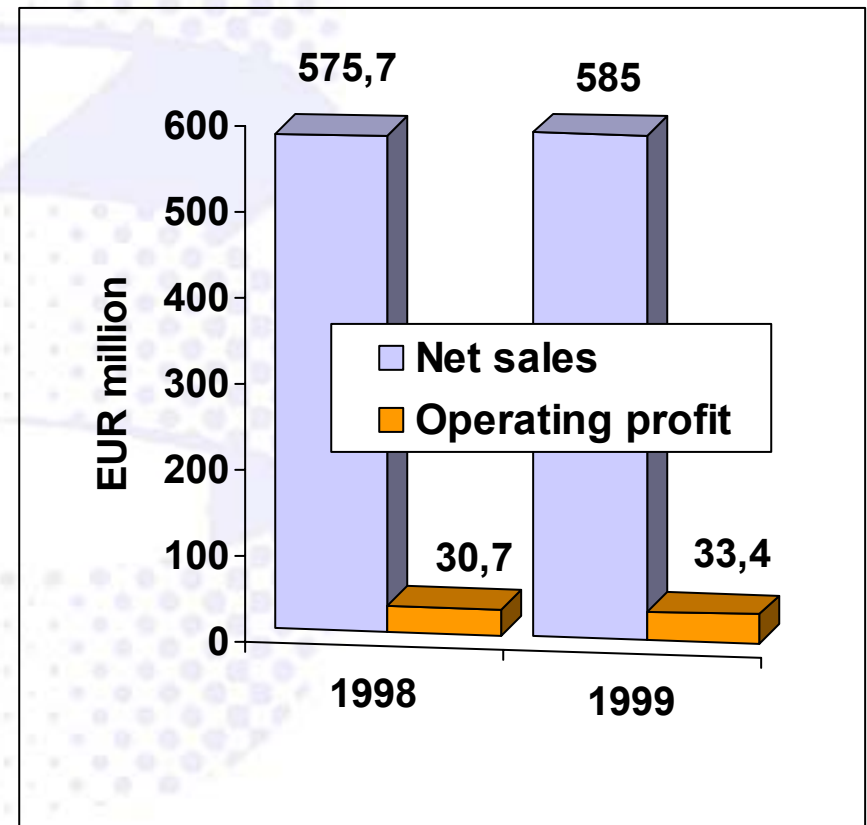


# WSOY Group



# Rautakirja Group

- Profit before extraordinary items best ever in Rautakirja's history
- Investments in excess of FIM 67.28 million
- Estimate for 2000:
  - net sales will grow 6%
  - operating profit will remain unchanged from 1999

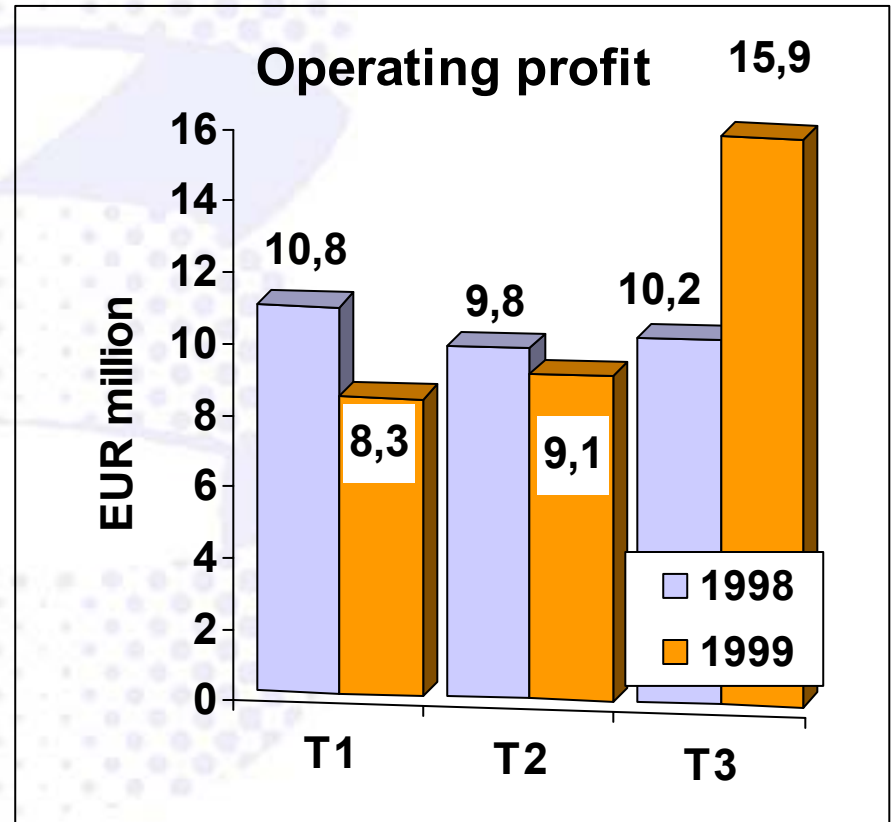
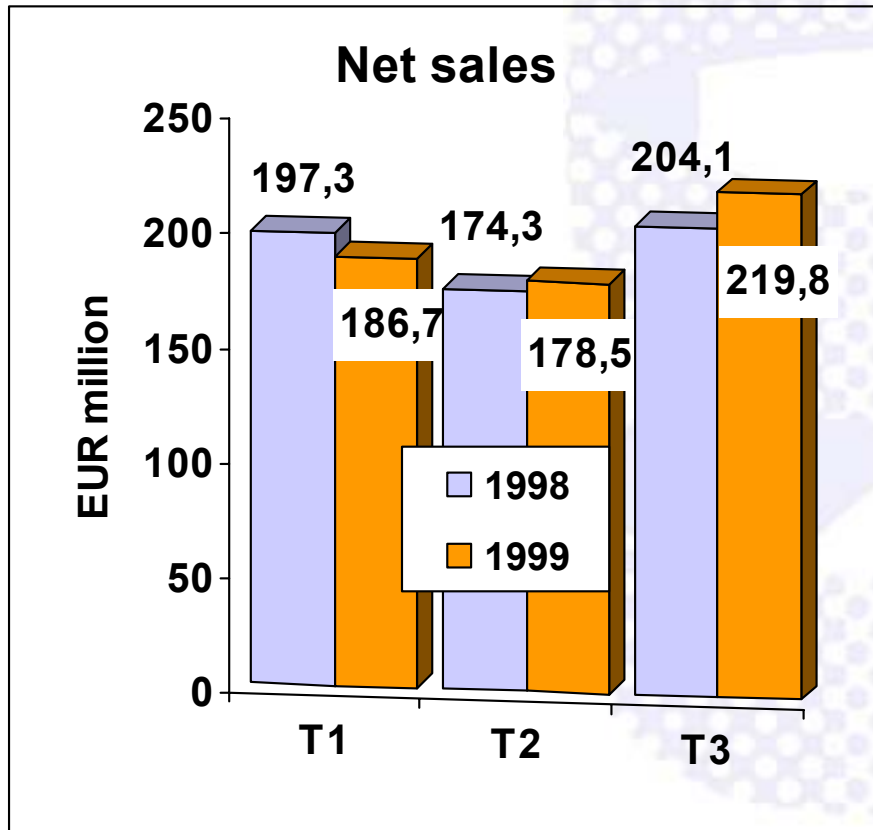


# Rautakirja's operational highlights

- Inaugurations of Multiplexes: Tennispalatsi in Helsinki (Feb 99), Plevna in Tampere (Apr 99) and Promenadikeskus in Pori (Nov 99)
- Jokerit HC Oyj (21 %)(10 Mar)
- By acquiring 90% AS MPDE, Finnkin conquered 80 % of the Estonian movie operations (3 May)
- Leonia's banking services for R-kiosks (16 Sep)
- Online bookstore [www.suomalainen.com](http://www.suomalainen.com) was opened (autumn 99)
- Rautakirja acquires VeikkausRasti chain (80%) (28 Oct)
- Rautakirja expands its operations in Estonia; Plusspunkt chain (75 kiosks) and 23 kiosks from TRC Tubaka AS (29 Oct)
- Rautakirja acquires a 10 % stake in Narvesen ASA (20 Dec)



# Rautakirja Group



# Personnel, average

	1999	1998
Helsinki Media	953	1 123
Sanoma	3 437	2 730
WSOY	1 754	1 824
Rautakirja	3 631	3 652
Sanoma-WSOY Oyj	42	0
<b>Total</b>	<b>9 816</b>	<b>9 329</b>

Wage and salary earners,  
average, expressed  
as full-time employees





# Development investments in 1999

	EUR million
Helsinki Media Group	3.9
Sanoma Group	5.3
WSOY Group	2.4
Rautakirja Group	0.3
Sanoma-WSOY Oyj	0.3
<b>Development investments, total</b>	<b>12.2</b>



# Financial targets

**Average annual target level (2000-2003)**

<b>Net sales growth, %</b>	<b>10 %</b>
<b>Return on equity (ROE) *) , %</b>	<b>10 %</b>
<b>Return on investments (ROI **) , %</b>	<b>12 %</b>
<b>Earnings per share growth, %</b>	<b>10 %</b>
<b>Equity ratio, %</b>	<b>50 %</b>

\*) Target ROE 4 % in excess of risk-free interest level

\*\*\*) Target ROI 6% in excess of risk-free interest level



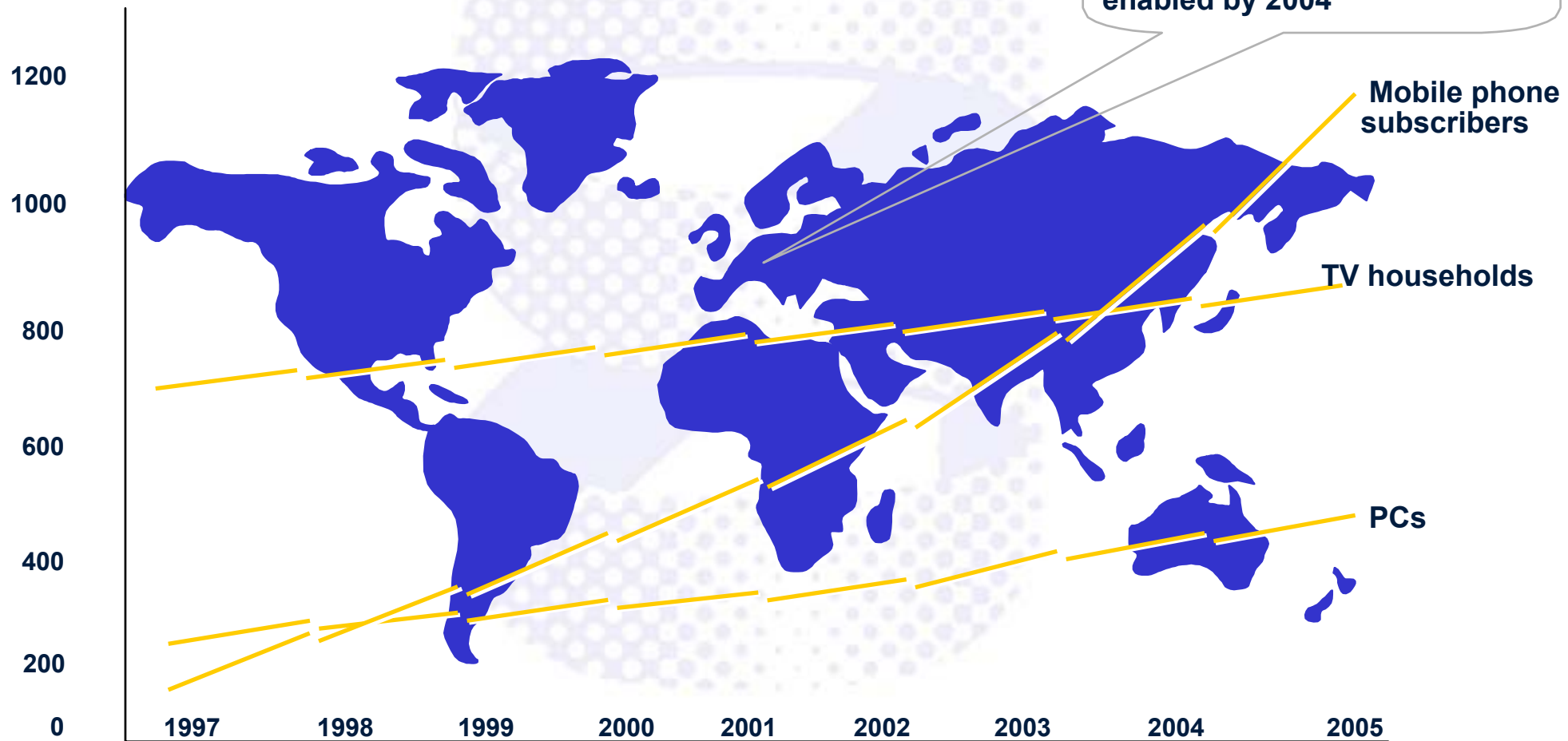
# Strategy

- **Net sales doubled by 2005**
- **Growth generated through internationalisation and from new-media**
- **Focus in pace with growth**
- **Target: dominant position in companies located around the Baltic rim**
- **In other markets mainly as a minority partner**
- **Country-specific infrastructure**
- **Utilisation of own concepts**
  - **content**
  - **systems**
  - **cross promotion**
  - **distribution**



# Very soon, there will be more mobile phones than TVs!

In Europe 90% of mobile phones will be Internet enabled by 2004

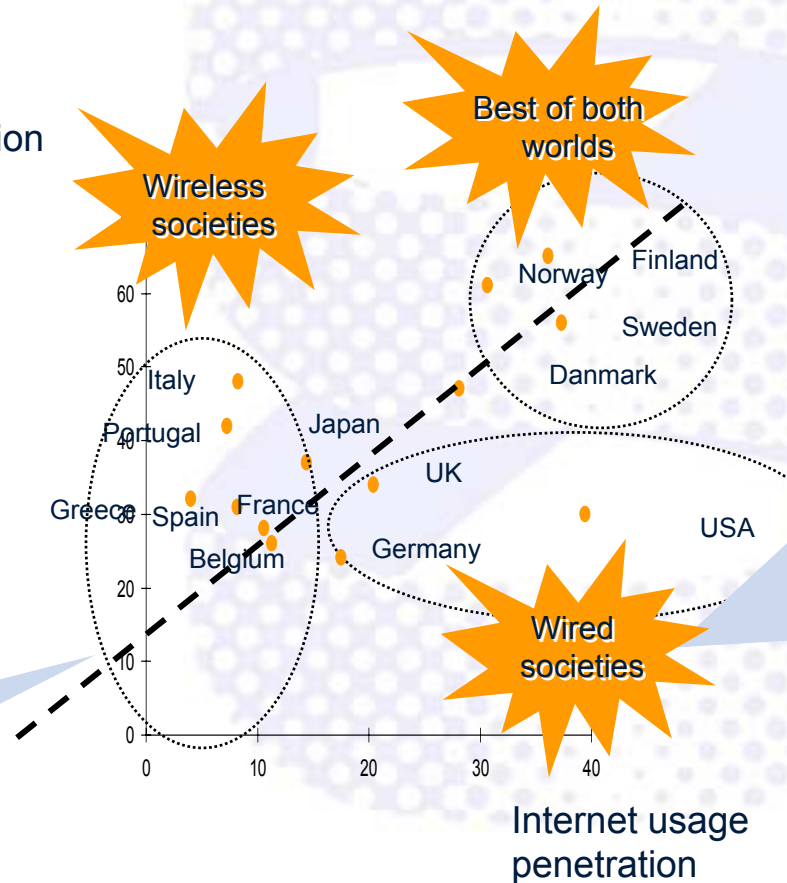


Sources: Dataquest; EMC; Forrester research

# Potential of M-commerce

*Mid 1999*

Mobile penetration



## Strong boost of e-commerce user base

“Basic” applications led by mobile operators, acting as fast followers of Scandinavian marketplace

- Broad range of services (including ones that would be better on PC)
- Large customer base
- Complement credit cards

## Strong boost of new applications

Sophisticated mobile-specific applications led by newcomers

- High segmentation
- Niche services that are not applicable on PC

## Complementary to wired e-commerce

Extensions of wireline applications/services to mobility led by big Internet players

- M-commerce not a mass-market phenomenon
- Primarily business applications



Source: McKinsey&Company, Inc

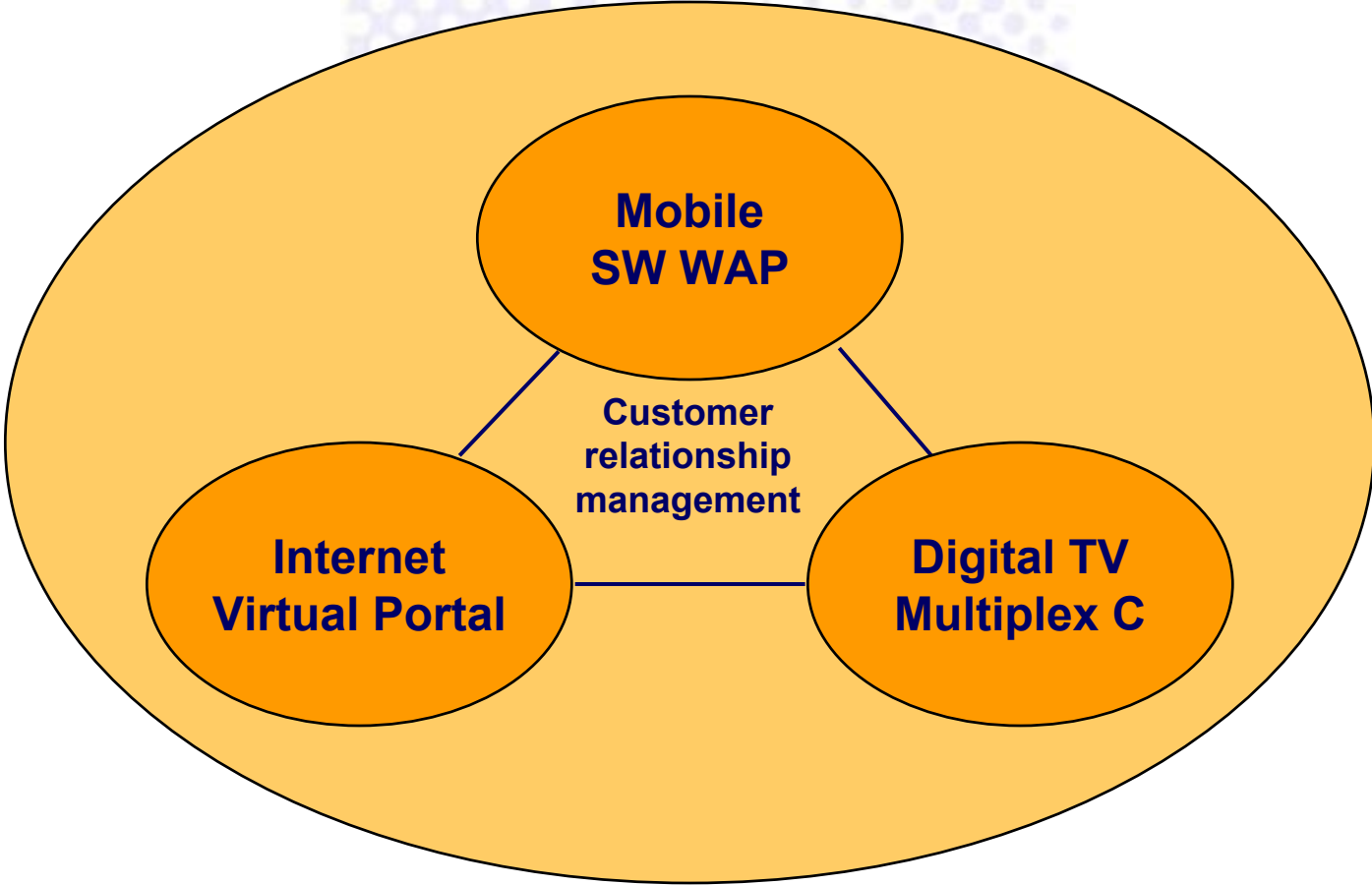
# Leading technologies in new-media

	Internet	Mobile	Digital TV
Data transfer			
Hardware fixed element			
Software dynamic element			
Content	USA	Scandinavia Europe Far East	

SanomaWSOY  
included



# SanomaWSOY's Digital Media



**Content  
and  
Services**



# SanomaWSOY Virtual Portal

## Structure for eBusiness

Customers

SanomaWSOY

Identification. shared functionality.  
payments...

Communities

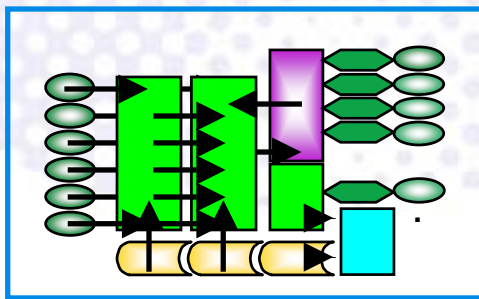


Newspapers Television  
Strong horizontal brands

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 marketplaces



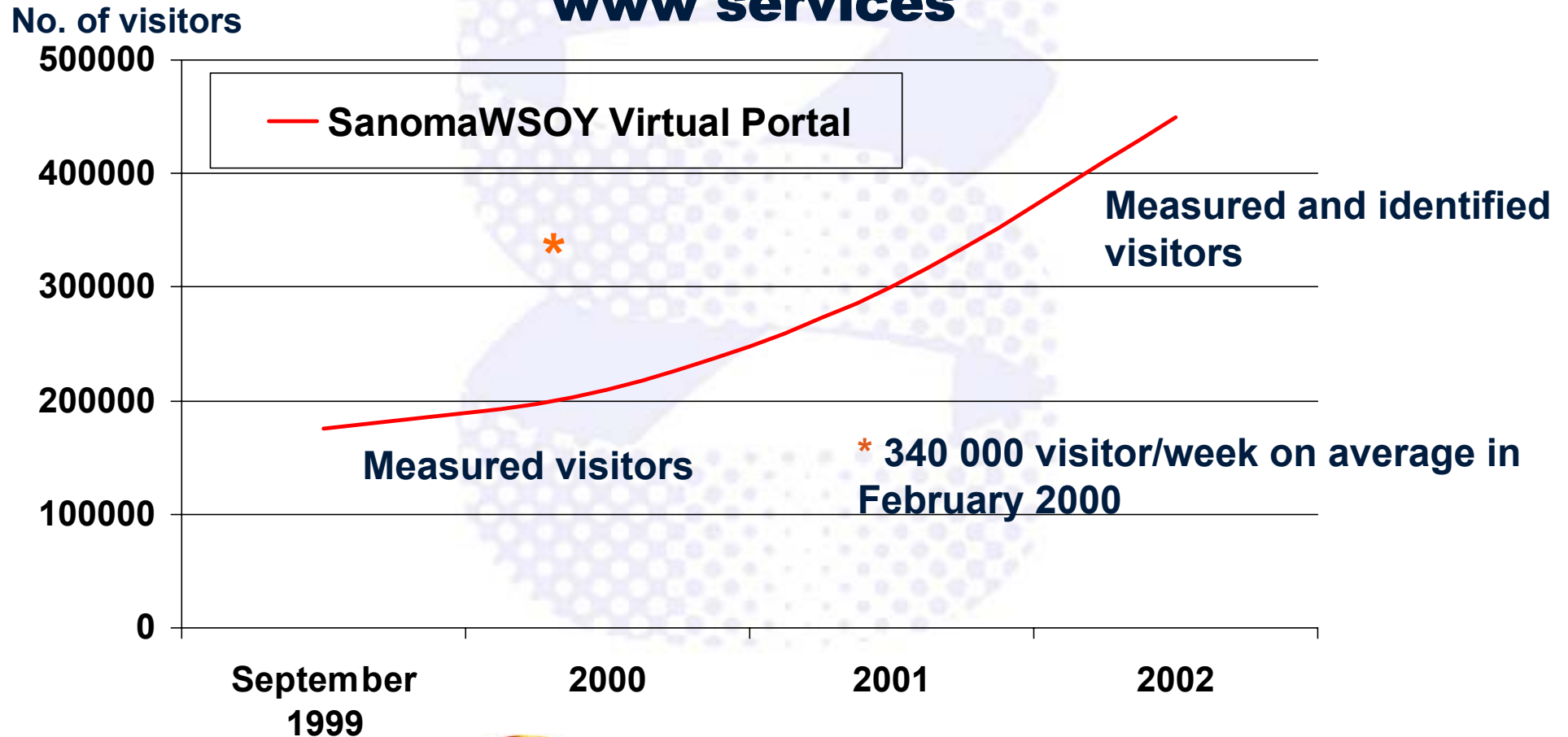
- Growing volume of www-services relating to existing brands
- User traffic directed through individual brands
- Brands retain their strong position





# Virtual portal: trend of user volumes

## total number of visitors to SanomaWSOY Group's www services

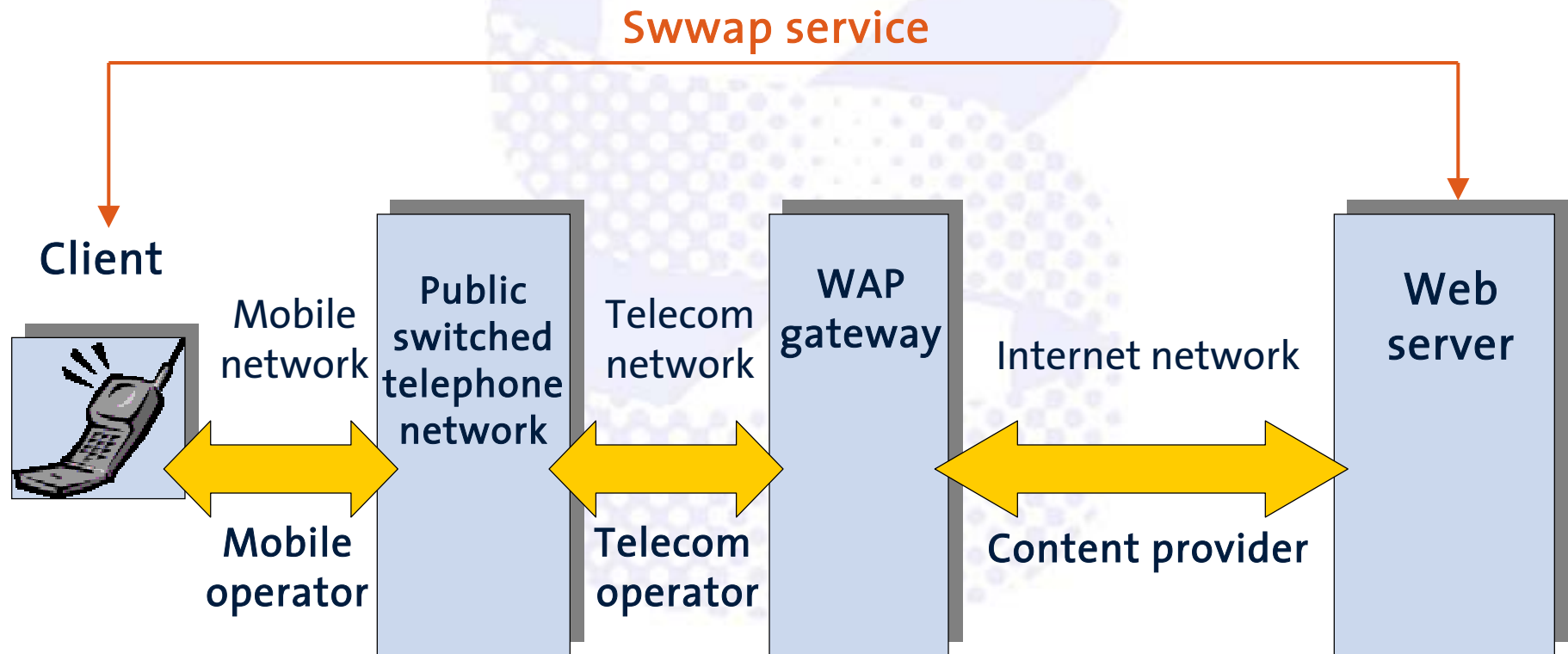


Sources: Taloustutkimus,  
WebTrafficMonitor, IDC



# The Open WAP Architecture

## Swwap concept



# Projects 2000

- **Virtual Portal**
- **Open mobile portal**
- **Digi-tv**
- **Customer management systems**
- **Oikotie**
- **HTV**
- **Startel**
- **Channel Four (Nelonen)**
- **Internationalisation of magazines**
- **Digitalisation of learning and books**
- **Maps, localisation services**
- **Rautakirja's internationalisation process**



# Proposals to the Annual General Meeting

- **SanomaWSOY's Board's proposals**
  - **To increase the number of shares by splitting each existing share into four shares. Thereafter the number of shares will increase from 36.380.399 to 145 521 596 shares**
  - **To express the share capital of the Company in euros, abolish the nominal value of shares and increase the share capital under the scrip issue, after which the counter-value of the shares in the books will be 43 cents (No new shares will be issued under the scrip issue)**



# Paper vs. Internet

- **Helsingin Sanomat**
  - **323.1 million page “sightings” week on average**
- **Sonera Plaza \***
  - **9,2 million page impressions/week on average**

\* February 2000

Source: Web Traffic Monitor



# Veronis, Suhler & Associates Inc.

## Communications Industry Forecast

<i>Industry Segment</i>	<i>1998 Gross Expenditures (\$ Millions)</i>	<i>1998-2003 Compound Annual Growth (%)</i>	<i>2003 Gross Expenditures (\$ Millions)</i>
Newspaper Publishing	60,003	6,0	80,228
Entertainment	57,353	7,1	80,708
Subscription Video Services	43,047	11,3	73,648
Direct Mail	39,620	6,4	54,000
Television Broadcasting	37,003	5,3	47,900
Business-to-Business Promotion	34,000	8,9	52,100
Business Information Services	33,477	7,5	48,080
Professional & Education. Publish.	32,716	6,3	44,412
Consumer Promotion	25,250	4,7	31,785
Business-to-Business Communic.	19,525	6,2	26,430
Consumer Magazine Publishing	18,170	5,5	23,728
Consumer Book Publishing	16,852	5,9	22,489
Radio Broadcasting	15,073	9,7	23,920
Yellow Pages	11,990	5,6	15,720
Internet	8,069	23,6	23,320
Sponsorships	6,800	10,9	11,400
Outdoor Advertising	2,330	7,9	3,400
Total Spending	461,277	7,5	663,268
GDP	8,511,000	4,9	10,810,000
Communications as a % of GDP	5,4	--	6,1



Source: Veronis&Suhler  
Associates, Forecast Nov 99

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Source: Veronis&Suhler Associates, Forecast Nov 99

# Vision

- **The most dynamic Nordic media company whose operations are based on creativity and reliability**





# Income statement

EUR million	1999	1998	Change %
Net sales	1 320.6	1 251.7	5.5
Operating profit	71.7	71.2	0.6
Financial income and expenses	39.3	26.5	48.0
Profit before extraordinary items	110.4	97.7	13.0
Profit after extraordinary items	110.7	211.3	-47.6
Direct taxes	-31.6	-29.0	-8.9
Minority interest of the result for the year	-5.1	-13.3	61.7
Profit for the year	74.0	169.0	-56.2
Dividend/share, EUR*	1.81		

\*Proposal of the Board of Directors  
 Pro forma, FAS  
 FAS= Finnish Accounting Standard  
 The figures are unaudited



# Balance sheet

EUR million	1999	1998	Change %
Non-current assets, total	744.5	551.7	35.0
Current assets, total	578.6	688.0	- 15.9
<b>ASSETS, TOTAL</b>	<b>1 323.1</b>	<b>1 239.6</b>	<b>6.7</b>
Shareholders' equity, total	786.1	727.6	8.0
Minority interest	119.4	98.4	21.4
Statutory provisions	1.7	2.0	-16.9
Liabilities	415.9	411.6	1.0
<b>LIABILITIES, TOTAL</b>	<b>1 323.1</b>	<b>1 239.6</b>	<b>6.7</b>

Pro forma, FAS  
 FAS= Finnish  
 Accounting Standard



# Pro forma cash flow statement

EUR million

1.1.–31.12.1999

Cash flow from operations before financial items and taxes	130.3
Cash flow from operations	123.8
Cash flow from investments	-213.0
Cash flow from financing	-17.2
Change in liquidities according to the cash flow statement	-106.5
Non-realised exchange rate differences under liquidities	-5.4
Net increase (+)/decrease (-) in liquidities	-111.9
Liquidities according to the balance sheet at 1 Jan	433.1
Liquidities according to the balance sheet at 31 Dec	321.2

