

TRANSCRIPTION OF SANOMAWSOY 1Q07 EARNINGS CONFERENCE CALL

May 3, 2007 at 15 pm (Finnish time)

Hannu Syrjänen - SanomaWSOY - President & CEO

Good afternoon, ladies and gentlemen, and thank you for joining us this afternoon. As before, it will take some 15 minutes to go through some key points of our results for the first quarter of this year. After that we will have, of course, time for questions and discussion. I have here with me our CFO, Matti Salmi, and Kare Laukkanen, our IR Manager. And in my presentation I will use the slides that are available on our internet site.

Before going into our key events and figures for the first quarter, I would briefly describe the market development in our main markets. I believe this will help you to put our performance, during this period of time, to the right context.

Market overview

In general, advertising market development was good in most of our markets and my feeling is that these favourable conditions should continue at least for this year. Also, the main economic indicators in most of the European countries seem quite positive. GDP growth seems to be quite steady and consumer confidence is also on a reasonably good level.

A few comments country-by-country. The Finnish economy and advertising market is growing strongly at the moment. During the first quarter, the Finnish ad market grew about by 11%. All fields of media did quite well.

In Holland, the consumer confidence that returned to positive figures last summer has remained on a reasonably good level. Advertising market is growing but consumer magazines are still losing their share of the total advertising cake. Online advertising is still growing very rapidly and we are the leading online publisher in the Netherlands.

When it comes to Central Eastern European countries, estimates for economic growth during the next few years are very favourable. The economies and advertising markets are predicted to grow strongly, but also the competition will, of course, be intensive.

About Russia, which is already a pretty big market when it comes to advertising sales in total, economic growth, which is of course supported by the high oil prices, seems to continue. In Russia all fields of media are growing strongly. The estimate for the whole advertising market growth in 2007 is almost 30%, and for the printed advertising about 16%.

Key events 1-3/2007

Now I move to our own activities during the first quarter, starting from launches.

The beginning of the year was very active. We launched several magazines in CEE countries and Russia, and also one magazine in Belgium and in the Netherlands. Grazia, which is our first glossy fashion weekly in Russia, is published in cooperation with an Italian publishing company, Mondadori. We were also very active in developing our digital media business in most of our marketplaces. Here in Finland, Sanoma Digital business unit began its operations in the beginning of this year. Like we have said before, this unit will focus on developing new online consumer products and services. We also launched successfully a new commercial TV channel called JIM and two radio stations here in Finland. In the Netherlands, we acquired Belegger.nl, which contains four websites focusing on personal finance. Also, in CEE countries, we made several interesting online acquisitions and launches.

In March, we announced that the Rautakirja's kiosk operations will enter into Russia by establishing a joint venture with a Russian partner. The goal is to set up about 50 kiosks during the first year. In Moscow, the first five kiosks are planned to be opened during this month already.

We also strengthened our language services business by acquiring a company here in Finland. And, after the review period, we also renewed our management model. Now, the Executive

Management Group consists of CEOs of each five divisions and me. At the same time, we established the corporate center to support the divisions. The corporate center consists of five main functions; strategic development, legal affairs, financial management, human resources, and communications.

Key figures 1-3/2007

During the first quarter, our net sales grew by about 8% to EUR 664 million. All divisions recorded good net sales improvements. Advertising sales represent now about one-fourth of the Group's total revenues. Our result for the first three months grew significantly by about 18% to EUR 54 million, which is about 8% of our net sales. Our financial position remains very solid. The equity ratio was about 46%. Our equity ratio is now a bit above our target range of 35% to 45%. However, at the moment, our first priority, of course, is to invest in growth.

Then some words about each division starting from magazines. Sanoma Magazines' net sales grew by about 9%. Growth came especially from Sanoma Magazines International, Sanoma Magazines Belgium, and online operations. Also, our Finnish magazine business continued its good performance. As our operations in Russia and CEE countries grow, also the share of advertising sales increases. Now, advertising sales are about 29% of Sanoma Magazines' total revenues. Divisions operating profit, excluding major non-recurring capital gains, increased significantly by about 33% to EUR 31 million.

Our newspaper operations, I said earlier that the Finnish advertising market, in general, is doing very well at the moment. Newspaper advertising in Finland grew by about 11% in January-March and online advertising by about 25%. The beginning of the year was very good and very strong for us. Our advertising sales grew by about 15% and online advertising even much faster by 28%. Sanoma's total net sales grew by some 9%. Especially our main newspaper, Helsingin Sanomat, our free sheets, our regional newspapers, and our online operations did very well. Sanoma's operating profit, excluding major non-recurring capital gains, increased significantly by about 35% to almost EUR 20 million.

Next division is SanomaWSOY Education and Books. Because of the strong seasonality of educational publishing, the first quarter is, clearly, the smallest one for this division. Most of the division's sales and profit are made during the second and the third quarters. However, the beginning of the year was a strong one also for SanomaWSOY Education and Books. Net sales increased by about 15%. Most of the growth came from educational publishing and language services. Operating result was about minus EUR 6.5 million, mainly because of the seasonality I already mentioned.

SWelcom's, our electronic media division, net sales increased by about 6% during the first quarter. This was mainly due to growth of our cable TV and broadband operations. The beginning of this year was somewhat challenging for our TV operations, but the new commercial TV channel called JIM has reached its target audience very well. SWelcom's operating profit decreased due to a heavy investment in this new TV channel and two radio stations that all started their operations during that first quarter. These new operations have all started well, and I'm very confident that their success will also continue in the future.

Last but not least, Rautakirja, our distribution arm. During the first quarter, Rautakirja's net sales increased by almost 7%. All businesses did well. Bookstores were on previous year's level due to the discontinuing of some library sales in autumn 2006. Rautakirja's operating profit, excluding major non-recurring capital gains, decreased due to a lower profit in kiosk operations and in bookstores.

Finally, our guidance for this year, which remains the same. For the year 2007 we estimate that our net sales will increase more than in 2006. 2006, our growth was 4.6% as you may remember. We also expect that our operating profit, without one shots improves. In 2006, our operating profit, excluding these non-recurring capital gains, totalled EUR 288.2 million, which was an all-time high operational result for us.

As I said, the year has started well. Even though we must keep in mind that the first quarter is typically our smallest one in terms of both sales and profits, this has been a very good beginning for this year 2007.

Ladies and gentlemen, so this was our story, in very short this time. Now we are waiting for your good questions. Thank you very much for listening.

QUESTIONS AND ANSWERS

Maria Wikström - Handelsbanken Capital Markets - Analyst

I have very detailed questions on the sales split in Sanoma as I see that you have changed the format when you're reporting the Sanoma, and there is a line called other publishing as well as others. Could you give me an idea what have you reported in these two lines?

Matti Salmi - SanomaWSOY - CFO

It's in that way that in Others line we are mainly having the internal business, e.g. Sanoma Data and also the printing operations. And then on the other publishing actually includes the rest of the publishing: free sheets, regional papers, and also the business papers and business publications. Actually all Sanoma's publishing excluding Helsinki Sanomat and Ilta-Sanomat.

Veronika Pechlaner - Goldman Sachs - Analyst

On both magazines and newspapers, on the profitability side, you had very strong results in the first quarter. Could you just comment on those two divisions (Sanoma Magazines and Sanoma) for the full year whether there was any phasing in launch spend, or whether we should look at anything in particular which was potentially extraordinary in this first quarter or should we assume that this quarter is a representation of the full year results, should the environment continue as it is?

Hannu Syrjänen - SanomaWSOY - President & CEO

Starting from Sanoma, I think in newspapers it's more or less a pretty clear result, no major phasing issues. Market is pretty good at the moment, and in the case that market continues as it is so, of course, we wait for good results also in the future.

Magazines are maybe a bit more complicated because, for instance, as you may remember, we had some distribution problems in Belgium in the beginning of last year which is one explanation why Belgium improved significantly now when all the distribution problems have been solved. That's one issue. Then we have some phasing issues there as well. No major ones but some phasing issues what comes to marketing costs, for instance, and so on and so forth. It was a really strong start for the year but it remains to be seen if it continues as it is at the moment.

Veronika Pechlaner - Goldman Sachs - Analyst

The second question I have is more on the acquisition side. You were talking last year about expansion in several areas and, obviously, mostly on the education and books side. After Wolters Kluwer the disposal posted there is completed, is education and book publishing still the major area where you look for expansion or are there other areas where you're considering expansion as well?

Hannu Syrjänen - SanomaWSOY - President & CEO

Basically, our statement here remains the same. We focus on those three or even four international growth areas. Magazines, we have made a lot of launches and, as you will see, we have started many online services there. We try to expand, of course, also in education internationally, although what you

said about Wolters Kluwer that train has gone. Then about distribution, I mentioned already the start-up in Russia. The fourth area to expand our business in internationally is digital media. And we plan acquisitions especially in CEE countries and Russia.

Veikko Valli - ABN Amro - Analyst

We've seen some improvement in Belgium which seems to be related to the distribution issues having been solved, but how do you see the Netherlands magazine market going forward? Any signs of awakening there?

Hannu Syrjänen - SanomaWSOY - President & CEO

There are some. Starting from Belgium, of course, the distribution problems are all solved, but distribution problems are only the part of the story because we have also made some acquisitions there. Those new units have met their expectations. So Belgium is doing well also otherwise, not only because of solving those distribution problems.

Netherlands, well, I would say that marketing is still challenging but there are some very good signs. For instance, after revamping our biggest titles, Libelle and Margriet, they have done well both in terms of advertising and circulation. Advertising is doing pretty well already. Circulation is still challenging. That's basically the big picture and, of course, in advertising, some migration from print to digital as well. Our digital revenues in advertising grew by 44% during the first quarter there. Online is doing very well and print media, I would say, improving but still challenging.

Veikko Valli - ABN Amro - Analyst

In terms of acquisitions, what do you see your appetite here as there have been some assets in Europe which have already changed hands and you haven't been participating in, or you haven't acquired anything now? So what do you see as your plans forward? Are acquisitions the way still to grow?

Hannu Syrjänen - SanomaWSOY - President & CEO

Well, of course, we look for acquisitions. Our balance sheet is pretty strong; our equity ratio is above our target range, so we have also resources for acquisitions. But we all know that it is very challenging especially when we are talking about quality assets, there is always huge competition. And, of course, it doesn't make sense to grow whatever it takes but, in the case we get something in fair price and it's strategic for us, we are hungry for acquisitions also in the future.

Hannu Syrjänen - SanomaWSOY - President & CEO

Thank you very much for joining. It was a great pleasure to talk to you. Thank you very much.