

## SANOMA MAGAZINES 2008 ANNUAL REPORT



### HIGHLIGHTS

- Sanoma Magazines' net sales increased, with most businesses contributing to growth
- Advertising sales in 2008 increased by 11% and online advertising sales by 32%.
- Sanoma Magazines' portfolio was developed actively: a total of over 35 new magazines and 17 online sites were launched or acquired during the year.
- Weakened short-term outlook in CEE countries and Russia caused a significant impairment affecting Sanoma Magazines' operating profit markedly. Operational result was at the previous year's level.



## ABOUT SANOMA MAGAZINES

Sanoma Magazines is a leading publisher of magazines and digital media that actively reaches out to an audience of 290 million European and Russian consumers at every life stage.

We publish more than 300 consumer magazines in thirteen European countries, spanning the continent from the North to the Bering Sea.\* In our operating countries, we aim to grow market leading positions. Our magazine portfolio consists of the strongest local brands, supplemented with world-renowned international brands. For many global publishing companies, we have become a preferred licensing partner.

Next to developing our strong portfolio of magazine brands, we are expanding our business to digital media. In Bulgaria, Finland, Hungary and the Netherlands we have already established leading market positions in digital media next to our strong position in magazines.

Sanoma Magazines is a Division of Sanoma Corporation, a strong European media group operating in diverse fields of media in more than twenty European countries.

\* Sanoma Magazines is active in Belgium, Bulgaria, Croatia, Czech Republic, Hungary, Finland, the Netherlands, Romania, Russia, Serbia, Slovakia, Slovenia and Ukraine.



## KEY FIGURES

KEY INDICATORS (€ million)	10-12/ 2008	10-12/ 2007	change %	1-12/ 2008	1-12/ 2007	change %
Net sales	338.9	352.4	-3.8	1,246.8	1,238.1	0.7
Operating profit	-40.6	37.2		85.7	160.9	-46.8
% of net sales	-12.0	10.5		6.9	13.0	
Operating profit excluding major non-recurring capital gains *	36.1	37.2	-2.9	138.9	139.7	-0.6
% of net sales	10.6	10.5		11.1	11.3	
Balance sheet total				1,903.0	1,937.5	-1.8
Capital expenditure				26.8	20.6	30.3
Return on investment (ROI)				7.2	12.4	
Average number of employees				6,280	5,623	11.7
Average number of employees (full-time equivalents)				5,731	5,169	10.9

\* In 2008, the non-recurring items included EUR 23.5 million capital gain from the divestment of movie distributor R.C.V. Entertainment in the first quarter as well as EUR 7.0 million capital gain from sales of online assets and EUR 83.7 million impairment loss on goodwill and immaterial rights in the fourth quarter. In 2007, the non-recurring items included EUR 1.2 million capital gain from divestment of magazines in the first quarter and EUR 20.0 million capital gains from the divestments of puzzle magazines in the second quarter.

OPERATIONAL INDICATORS * (including Joint Ventures)	1-12/ 2008	1-12/ 2007
• Number of magazines published	344	309
• Magazine copies sold, thousands	404,750	429,378
• Advertising pages sold	70,367	64,601



#### NET SALES

NET SALES (€ million)	10-12/ 2008	1-3/ 2008	4-6/ 2008	7-9/ 2008	1-3/ 2007	4-6/ 2007	7-9/ 2007	10-12/ 2007
• Sanoma Magazines Netherlands	143.9	111.7	135.2	124.8	119.8	136.6	129.2	154.2
• Sanoma Magazines International	82.4	70.1	76.8	77.4	65.8	68.5	66.0	83.2
• Sanoma Magazines Belgium	59.8	54.2	55.5	53.7	52.5	55.8	48.1	60.1
• Sanoma Magazines Finland	53.9	50.7	51.9	49.1	50.1	48.6	48.1	56.0
• Eliminations	-1.1	-1.3	-0.9	-1.0	-1.2	-1.2	-1.0	-1.2
• Sanoma Magazines TOTAL	338.9	285.5	318.5	304.0	287.1	308.2	290.4	352.4

NET SALES (€ million)	1-12/ 2008	1-12/ 2007
SANOMA MAGAZINES		
Sanoma Magazines		
Netherlands	515.7	539.8
Sanoma Magazines		
International	306.7	283.4
Sanoma Magazines		
Belgium	223.2	216.6
Sanoma Magazines		
Finland	205.6	202.8
Eliminations	-4.3	-4.6
TOTAL	1,246.8	1,238.1

In 2008, Sanoma Magazines' net totaled EUR 1,246.8 (1,238.1) million. Net sales grew in all businesses, except in Sanoma Magazines Netherlands where operations were divested both in June 2007 and January 2008. Net sales growth was strongest in Sanoma Magazines International. Adjusted for changes in the Group structure, the Division's net sales grew by 1.8%. Of the Division's net sales, 16% (16%) came from Finland. In October–December, Sanoma Magazines' net sales decreased by 3.8% and amounted to EUR 338.9 (352.4) million. Net sales decreased in all businesses due to structural changes as well as lower sales from line and brand extensions.

The Division's advertising sales in 2008 increased by 11% and represented 33% (30%) of net sales. Most growth during the year came from Sanoma Magazines International and online advertising in the Netherlands. In total, the Division's online advertising sales grew by 32%. Advertising sales growth slowed down at the end of the year.

Circulation sales grew by 1% and represented 55% (55%) of Sanoma Magazines' net sales. Circulation sales in Belgium and Finland developed positively. Single copy sales in the Netherlands and some CEE countries declined.

### Sanoma Magazines Netherlands

Sanoma Magazines Netherlands' net sales in 2008 totaled EUR 515.7 (539.8) million. This was mainly due to structural changes. Sanoma Magazines Netherlands has strongly focused its operations, divesting its puzzle portfolio in June 2007. In January 2008, Sanoma Magazines Netherlands consolidated magazine publisher Mood for Magazines and divested movie distributor R.C.V. Entertainment. In 2007, R.C.V. Entertainment's annual net sales totalled EUR 34.2

million, represented 55% (57%) of Sanoma Magazines' net sales. The increase was mainly the result of improved single copy sales in Belgium and the growth of subscription sales in Finland and Belgium.

According to Nielsen Media Research, the consumer magazine advertising market in the Netherlands decreased by 4% in 2008 with magazine advertising's share of the total advertising market decreasing. Sanoma Magazines Netherlands' advertising sales grew due to new operations and online advertising sales. Online advertising grew by 26% and outperformed market growth. In total, advertising sales represented 29% (24%) of Sanoma Magazines Netherlands' net sales. The readers' market in the Netherlands declined in the third quarter of 2008. Subscription sales at Sanoma Magazines Netherlands were on the comparable year's level, but with decreased single copy sales, the total circulation sales decreased slightly. Sanoma Magazines Netherlands developed its product portfolio through acquisitions and launches with over 10 magazines and five online services. Two magazines were sold.

#### Sanoma Magazines International

Sanoma Magazines International's net sales grew to EUR 306.7 (283.4) million. Growth came from increased advertising sales. Advertising sales increased in most countries, but especially in Hungary, Russia and Bulgaria, where Sanoma Magazines International's online advertising revenues grew as a result of the acquisition of Netinfo, the leading Bulgarian internet company, in July. In total, online advertising sales of the business increased by 52%. Advertising sales represented 56% (52%) of Sanoma Magazines International's net sales. Circulation sales in Sanoma Magazines International were slightly below the comparable year, with most markets showing some decline in single copy sales. Net sales in Russia, the biggest market of Sanoma Magazines International, grew by 7% despite the negative impact of exchange rate and amounted to some EUR 109 million. In 2008, Sanoma Magazines International launched or acquired 24 magazines and 12 online sites. Five magazines were discontinued or divested.

#### Sanoma Magazines Belgium

Net sales at Sanoma Magazines Belgium increased to EUR 223.2 (216.6) million. The increase in sales came mainly from growing circulation and other sales. In Belgium, the readers' market declined slightly. Sanoma Magazines Belgium increased its circulation sales, through both cover price increases and successful launches. Especially subscription sales developed positively. In Belgium, the total advertising market grew only slightly with magazine advertising's share of the total remaining stable. Sanoma Magazines Belgium's advertising sales were at the previous year's level. Advertising sales represented 27% (28%) of Sanoma Magazines Belgium's net sales. The portfolio in Belgium grew by one title in 2008.

### Sanoma Magazines Finland

Sanoma Magazines Finland's net sales amounted to EUR 205.6 (202.8) million. Growth came from increased circulation sales. Especially subscription sales grew. Single copy sales and advertising sales were at the comparable year's level. Advertising sales represented 15% (15%) of Sanoma Magazines Finland's net sales. According to TNS Gallup Adex, advertising in consumer magazines in Finland decreased by 7% in 2008. The magazine single copy market increased in volume by 5% in 2008. Sanoma Magazines Finland improved its market share both in advertising and the readers' market, and developed its portfolio by launching two magazines.

Sanoma Magazines' investments in tangible and intangible assets totalled EUR 26.8 (20.6) million and consisted mainly of ICT investments and improvement of real estate. The most significant acquisitions in 2008 were the majority shareholding in magazine publisher Mood for Magazines and the acquisitions of Netinfo and European Autotrader. In the comparable year, the most significant transaction was the acquisition of SchoolBANK.nl and its related online sites.



### OPERATING PROFIT

OPERATING PROFIT (€ million)	1-3/ 2008	4-6/ 2008	7-9/ 2008	10-12/ 2008	1-3/ 2007	4-6/ 2007	7-9/ 2007	10-12/ 2007
Sanoma Magazines	48.2	46.6	31.6	-40.6	32.1	61.3	30.4	37.2
OPERATING PROFIT (€ million)					1-12/ 2008	1-12/ 2007		
Sanoma Magazines					85.7	160.9		

Sanoma Magazines' operating profit excluding non-recurring items was at the previous year's level at EUR 138.9 (139.7) million. The non-recurring items included in operating profit totalled EUR -53.2 (21.2) million and consisted of a recognition of impairment and write-offs in the fourth quarter totalling EUR 83.7 million and capital gains of EUR 30.5 million related to the divestments of R.C.V. Entertainment and some online assets. Operating profit in 2008 decreased by 46.8% due to non-recurring costs and amounted to EUR 85.7 (160.9) million. Operating profit excluding non-recurring items in October–December totalled EUR 36.1 (37.2) million.

Sanoma Magazines Netherlands' operating profit improved. There were significant sales gains in both the reporting and comparable period. The operational result grew due to improved cost efficiency and changes in the product mix. Sanoma Magazines International's operating profit decreased markedly due to the recognition of impairment, but operational result improved due to good development in Russia and Hungary. Sanoma Magazines Belgium's result decreased due to investments in new businesses. Sanoma Magazines Finland's operating profit was below the comparable year due to increased personnel and ICT costs.



## OUTLOOK

Sanoma Magazines continues to develop its magazine portfolio and online businesses and invest in strengthening market positions in all operating countries.

In 2009, Sanoma Magazines' net sales and operating profit excluding non-recurring items are expected to remain somewhat below the previous year's level.



## PUBLICATION NEXT INTERIM REPORT

Sanoma Corporation will publish its Interim Report for January–March 2009 on Thursday, 7 May 2009 at approximately 11 am (Finnish time).