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Pekka Rouhiainen: Welcome to Sanoma's Q1 2016 Results Publication and Webcast. My name is Pekka Rouhiainen, I am the Investor Relations Manager here at Sanoma. With me today are Susan Duinhoven, President and CEO; as well as Kim Ignatius, CFO. After the presentations you will have the chance to ask questions both here in the studio and also over the phone. Before asking your questions please state your name and your company and wait for the microphone.

Without further introductions, Susan, please go ahead.

Susan Duinhoven: Thank you Pekka. Good morning everyone. Welcome to this webcast and presentation of the Q1 results. I will give a short update and it can be short because it was a good quarter. Let me elaborate a little bit more. We had a strongly improved operational result and that amounted to 22 million more profit than in Q1 2015. The year started particularly well in Finland where both on the revenue side and on the cost side we gained results and a big part then of the overall group improvement came out of the Finnish market, so we're very pleased with that. But also in Holland and Belgium a very good result, organic growth 3.1% up, so some of the divestments that reduced the overall sales, but there are organic sales 3.1% and I will go into a bit of detail to show you that that is also basically in all the different groups.

Cost innovations progressing well partially of course coming out of the good efforts in the last year, but also new initiatives already bearing some initial fruit. Then you see that one of the important KPIs and non-print media sales are also growing 8.5%, so overall I think very pleased with this Q1 result.

Let me give a bit of insight into the advertising market because that is of course always influencing our results. You see that compared to the full year 2015 also the advertising markets were slightly ahead. In the Netherlands Q1 4% up particularly due to TV which grew with 6% and

in Finland you see a slight improvement across all the media groups resulting in a decline of only 1% over the first quarter 2016 compared to the -3% of the full year 2015. The Q1 result is of course always a bit impacted by things like Easter, there was a leap day in February, there were elections in Finland, but all that when you count the pluses and the minuses, also taking in there was a slight decline still in the Finnish market. The first two months good, the third month, March showed a decline. So overall we therefore also remain careful in our estimates going forward knowing that these advertising markets are volatile and we therefore continue to count on let's say 2016 similar behaviour as 2015 in those markets.

If we then go on a bit of detail on the Belgian and the Dutch market, healthy development. As I already indicated TV going well, our TV sales increasing by 4%, so nicely contributing to the improved results. Viewing share improved from 19.5% to 20.9% supported again like in the last quarter by the Champions League; but what I think is particularly interesting is that the Dutch print and online sales grew by 7% like-for-like and that I think is a very strong performance and really shows the benefits of the cross-media approach. You see in Home Deco 25% but also the women's domain which is the largest of our domains growing by 7% and that revenue increase comes actually from all different sources, so it comes from circulation revenue, it comes from ecommerce and it comes from advertising, so a very rounded improvement and very significant with 7%, so that is also what is fuelling the autonomous growth for the BeNe unit by 3.1% in total.

Also in the Belgian and Dutch market the non-print is growing quite nicely, so from the 41% to the 45% now on a rolling 12 months ending on Q1. So BeNe, good performance came of course already out of a number of quarters and actually the last two years good performance, but this one is really turning a point with this autonomous revenue growth.

If we then go to Finland, we saw already in Q4 last year, we saw a first step up and now the first quarter really a big step and that was of course even hallmarked let's say by the market share leadership in commercial TV for the full quarter and an enormous viewing share increase from 31.2% last year to 37.4% and that fuelled by the Saturday night 'Do You Want to be a Millionaire' programme, so strong impact of our local offering driving this viewing share.

That of course then supported the advertising sales growth but the interesting thing there is that you see that it's not only TV, it is also in radio and in magazines that we gain share. So overall advertising sales in Finland 6% up and radio sales even 39% up and so the market grew by 15% but we managed to grow by 39% in radio which is I think a truly exceptional performance.

Not only revenue contributed to the good results in Finland but also the cost innovations. Of course the programme that we had started after summer last year now starts contributing fully, but also the new initiatives and the overall cost consciousness of the organisation really contributes to the improved result. So overall Finland, a really strong start to the year after already a significantly improved Q1 this makes us really pleased with progress.

So if we then look at the overall group, we see that cost innovations are going strong throughout the group. We highlighted just the two units, also a positive impact on learning but also on the group functions themselves. Of course last year this time we still had ownership of Russia, Bookwell and the Learning AAC which were loss-making and therefore that gives an uplift in our results, but also the group functions are streamlined and start showing the good cost efficiency there. Learning, I didn't have a full presentation on because it's a typically very light first quarter normally and this quarter as well learning represents only 13% of its annual sales is in the first quarter logically because of course the school materials are bought at the end of Q2/beginning of Q3 but even learning contributed to the positive profit increase versus the first quarter last year. Overall as a group organic revenues were stable, so that is a good change versus last year; and non-print sales in consumer and media going up overall over the two units from 38% to 42%, so also on that KPI a good performance. So overall pleased with a good start of the year.

Let me hand over to Kim then for some financial highlights.

Kim Ignatius: Thank you Susan. Good morning everybody, my name is Kim Ignatius, a warm welcome also on my behalf to this quarterly meeting. A strong start into the year as mentioned. Our reported net sales came down from 380 million to 353 million. This is driven by structural changes. We sold part of our magazine portfolio in Belgium which had a 10 million impact on the comparable numbers. We also exited some entities in our holding function, the printing

house and some language service businesses, so that explains the shift from Q1 last year to this quarter's numbers. So originally we are flat versus last year's Q1. The operational performance, very strong as mentioned going from -20 million to +2 million.

Looking at the business units, net sales for Media BeNe also coming down a bit from 189 million to 175 million. The explanation is the same as for group, the structural changes, mainly the magazine titles sold in the Belgian market. Operational EBIT still improving going from 5.8 million to 7.4 million, naturally driven by the good performance of the print and online brand portfolio but also driven by cost innovations, efficiency improvements across the category in the operations. These positives were partly offset by higher TV amortisation. What is driving the higher level is sports rights, the Champions League plus some national games played in the Dutch market.

Looking at Finland, net sales, actually reported net sales were growing a bit. Again it's structural changes driving it, we've done some smaller acquisitions and transactions to boost the sales. When you look at the underlying business you do see a very strong performance in the B2B operations offset by a decline in the B2C part of our business. Still a significant improvement in the operational EBIT from -2 to +11, the mix in the sales is helping the profitability change a bit, so you are replacing lower margin B2C sales with higher margin B2B sales – in addition we do have in total a 10 million reduction in the total expenses. Out of the 10 million, three comes from costs of goods sold and seven from the fixed expenses. Susan already mentioned the efficiency improvement programmes that we had last year – 6 million comes from that programme improving the year on year profitability.

Another item to remember is the hockey costs, we did some extra write-downs last fall and do benefit in this quarter by 3 million versus Q1 in 2015. Overall in all cost categories you can see a cultural change in a way and the approach to these costs and that is now benefiting our performance.

In the learning business we have mentioned a few quarters in a row already that there is a change in the ordering pattern that the orders are coming in later and later before the new school year starts. We do see a decline here and we're actually expecting a bigger one. Still on

the EBIT level we have lesser losses for the quarter as you know for Learning Q1 and Q4 are always loss-making and we make our annual results during Q2 and Q3. What helped us with the EBIT even though the sales were in decline was first of all the change in the pre-publication cost amortisation that had a 1.4 million impact and again here in learning like in the other units as well, the cost innovations and cost savings. In the case of Learning we do believe that the majority of these changes that we see here year on year are shifts in time and we don't see anything impacting our view yet on the annual performance.

Moving to the group-wide income statement, reported sales coming down 7% from 380 million to 353 million, when we look at the total operating expenses they are coming down by 14%, so we've seen in the last quarters that the markets and our own operations have been able to adjust quite nicely to the sales decline, here we see that we're actually doing quite well and see the result here in the EBITDA margins going all the way from around 14% to close to 21% for the first quarter. In the amortisations related to TV programme rights, you see the impact of the sports rights and then in the pre-publication rights as I mentioned already we have a change in the amortisation pattern and that gives us a small positive here. All this is leading then to the 2 million operational EBIT.

Items affecting comparability, 1.2 million for the quarter. There are two items to mention there, one is a sales gain of 13 million – this is a gain on selling the Autotrader classified business in the Dutch market; and then we have restructuring costs that are close to offsetting that gain. In the numbers in 2015 we had 50 million sales gain from the regional newspaper here in the Finnish market.

Financial items, 8 million costs for the quarter, last year a lower level. The reason for this difference is that last year we had a positive of 5.5 million coming from reduced lease liabilities related to the press distribution operation in our Dutch Aldipress business. Operational EPS -€0.04, last year -€0.15.

Here we have the reported free cash flow and then on the right hand side the operational free cash flow where we correct for items affecting comparability. Starting with the same operational EBIT in both parts of this slide, so a strong performance on the EBITDA level helping

our cash flow; then TV programme costs, a bit higher again for the same reasons that I've mentioned already, sports rights, then pre-publication costs pretty much at last year's level. Change in working capital in line with 2015 and the delta you see here between the operational free cash flow and the reported free change in working capital is the restructuring costs that have been booked last year and now are being paid for.

Interest paid in line with last year, around 22 million. If you remember the prior slide where we had interest costs of 8 million for the period, the difference relates to the interest on our 4 million bond which is payable once per year and in March. Other financial items, what we have here is foreign exchange derivative impact, derivatives used for hedging programme rights mainly, so we have positives here in Q1 this year offset partly by arrangement costs for the revolving credit facility. Last year we had a negative impact from the derivatives, so the deltas are from these items.

Other adjustments are mainly restructuring related as you can see it in the operational free cash flow, we have used 2 million of other items in the reported number of 16 million.

Cash flow, negative, -56 million. This is a very normal pattern for us and again to a great extent driven by the learning business where the business is really done in Q2 and Q3 and then the incoming cash flows in Q3 and Q4; also for media Q1 is not the biggest quarter. Actually the bond interest also kind of impacts the same pattern between the quarters.

Then finally the capital structure, net debt of 823 million. Our net debt EBITDA is 4.7 times, it was 5.4 times at the end of Q1 last year. We do have some 20 million lower net debt compared to the end of Q1 last year but also clearly better EBITDA on a 12 month rolling basis. Total equity around 1 billion, the equity ratio 39.3%, coming down a bit from last year and this trend is because of last year's result and partly because of some additional pension liabilities that have been booked against the equity.

This finalises my part of this presentation and I will hand back to Pekka for Q&A.

Pekka Rouhiainen: Alright. We are now ready to take questions first here in the studio. Please wait for the microphone. Sami Sarkamies here in the front row.

Sami Sarkamies, Nordea: Thank you. I have four questions, firstly on the guidance, you chose to maintain it even though Q1 went really well. Can you talk us through some of the reservations you have for the remainder of this year? Then secondly on advertising media markets, why are you quite negative regarding the full year outlook? Q1 seems much stronger than what you are saying for the full year outlook? Then thirdly on the cost savings you're implementing in Belgium, can you be a bit more specific and quantify those? Then fourthly what are your plans with regards to the 400 million bond that will expire next year? Then also there is an opportunity to repay this €100 million hybrid bond, so what are you planning to do? Thanks.

Susan Duinhoven: I will take the first three of the questions, I can probably group a little bit because your key question is why sustain the current outlook? I think what we're indicating is that the advertising markets are volatile. We see quite some swings and therefore a first quarter which is a light quarter doesn't make the full year, so that's one element. So there is not something very specific that we see in the advertising market, but just we have learned I think also the hard way in the last couple of years that you can't predict that too closely, specifically also because this is a year with sports events happening, so how it will impact the business always has a bit of swing, certainly the Olympics in the summer. So that's one element. The other thing is that we see an improvement but of course that improvement already started in the last year, so in Q3 and Q4 we already saw – and specifically Q4 – the cost already improving, so therefore you cannot take now the Q1 result and multiply that by four because you are comparing it to an improvement. So that creates also let me say, we should be careful with just extrapolating from Q1. So that is I think overall why we're saying we have a good start, we're confident but we stick to our outlook for the full year.

Pekka Rouhiainen: Then there was a question on Belgian restructuring and bond refinancing?

Kim Ignatius: On the bond refinancing, we have 400 million maturing in the coming spring as you know and naturally we've been looking into that matter for quite some time and our planning is to do a refinancing of it with a new bond or new bonds. It all depends of course always how the

markets are during the open windows that we have for possible bond issues, but readiness is there and we're following the situation very carefully. When it comes to the hybrid bond, we stated earlier that we're not in a hurry to take a final decision on how to refinance it. We have a chance to redeem it in December and it depends how our own cash flow has developed during the period, how the bond issuances that we're looking into are going what are the market conditions and so on, so we'll probably take the final decisions late summer/early fall. On Belgium, can you repeat?

Sami Sarkamies, Nordea: Yes: can you quantify the cost savings potential you have there with the measures you are now implementing?

Susan Duinhoven: We are in negotiations at the moment, so at this moment we are talking with the works council and unions. So the specifics on that cost reduction need to await the conclusion of those negotiations.

Sami Sarkamies, Nordea: Thanks.

Pekka Rouhiainen: Right, Kimmo Stenvall.

Kimmo Stenvall, OP: Another question on the guidance, a pretty technical one. So you are targeting the more than 7% EBIT margin, so what is the hurdle going up that you are planning to if it's 8 or 9 or 10 that you will change the guidance with this...We know that 8 is up from 7, also 9, but what is the hurdle in taking a more positive stand on the year?

Kim Ignatius: I don't want to give you a clear number. I think there's two things to use here, one is common sense in a way that where do you start being over that the guidance is not fitting anymore? Secondly we need to go back to our own thoughts where we see in our plans and look into what kind of differences we would see in the development compared to the assumptions that we had when we put the guidance in place; and thirdly we would also look into how the markets broadly are forecasting our performance going forward. I think the first one is the most important one, think about common sense, when do you feel that there is a need to update it so that the markets have the right view on the development.



Kimmo Stenvall: Ok, thank you.

Matti Riikonen, Carnegie: Hi, it's Matti Riikonen, Carnegie. A couple of questions, first regarding the TV business in the Netherlands, you had a slight decline in the TV viewer share if we compare it to the last part of last year and also the whole year and we have been discussing quite a while that the target would be naturally to increase the viewer share there. Now is there a risk that if the viewer share doesn't increase then you would again need to put some more money into the content just to try to keep up with the market, because now with the market growing 6% you've grown only 4% you are basically slightly behind, so any thoughts on that would be good. Then I would just like to make sure I have the right figures. So in learning the amortisation schedule that you changed last year, I think it was supposed to have 6 million impact positive this year and I kind of missed the first quarter impacted – was it...

Kim Ignatius: 1.4 million.

Matti Riikonen: 1.4, so we are still expecting the rest to come in the next two quarters, so I believe that Q4 this year will no longer be positively impacted by that accounting change. Then I'm actually going back to the hybrid bond question, I'm just wondering that because it's the most expensive part of your debt at the moment, so is there any reason why you wouldn't redeem it when you have the possibility to do so because it's a cost that shareholders will bear and I'm just thinking that if there's any other alternative that is cheaper, why wouldn't you use that and repay the more expensive part of that? Thank you.

Susan Duinhoven: Shall I start maybe with the TV in the Dutch market? You're right in indicating that the content will need to improve in order to continue let's say the viewer share. The element in TV is that it is not necessarily a matter of pure money. It is as we see also in the Finnish market, it can be an existing format that is without any...when it hits in the right way the viewing audience, it gains an enormous amount of share without it necessarily being a one on one relationship to financials. Of course then you need to have a little bit of luck with it, so I think the logic is that we do see an increased cost for content and that we see that also in Q1; we do see an improvement Q1 to Q1 on viewing share. We will be striving to continue on that

1% viewing share increase also in the coming quarters and then we'll see depending on the schedule, we're now working on the full schedule, we'll see depending on the schedule how the programme pick-up is and what sort of local content, because then we're not talking sports rights, but local content we would need in addition. So that's exactly at the moment the point...not only a matter of money. If it were that simple, if it were just a matter of doing the math.

Kim Ignatius: On the learning pre-publication cost amortisation, yes, you're right, the amortisation period needs to match the sales pattern of the business in the year, so the bigger portion of the 6 million which we have indicated needs to be on Q2 and Q3. We do have some sales in Q4 as well and especially in the YPD operation which sells to international markets and not only to our own kind of operational countries. But still the pattern is as you are indicating. When it comes to the hybrid bond we will definitely redeem it and if we would want to continue with the hybrid bond, it would be a new bond replacing the old one. Still we don't see any need to take a final decision on the matter right now. Originally when the hybrid was chosen it was really kind of building equity buffers for the company which looking at our numbers right now, there isn't any need for. But we'd still like to keep our options open and move towards the end of the summer/early fall before taking the final decision.

Pekka Rouhiainen: Are there more questions here in the studio?

Sami Sarkamies, Nordea: Sami Sarkamies, Nordea Markets. I have one more questions regarding your costs. Is Q1 a good assumption of your cost level going forward or was it light in terms of expenses for example if you look at the other segment, it was sort of clearly down from last year on Q4, so is this a sustainable level?

Kim Ignatius: As you probably very well know in our case and in many company's case, there's some volatility between quarters. Your marketing spending doesn't hit every quarter the same way and in many other categories that applies as well. The fact that we have lower support function costs will be a fact also in the coming quarters – will it be exactly the same amount as we had in Q1? Most likely not for some of the operations like for learning Q1 is a small quarter as we have discussed. It means that it's also smaller spending levels, so there will be changes for the coming

quarters. Then in Finland one example which I already gave was the hockey league programme costs where we look at the recoverability of the annual costs for the season when the season starts in September; and last year we then took the costs for the whole season or the non-recoverable part in Q3, meaning that we now gain the benefit of it in Q1. This type of benefit isn't there for Q2 because the season is over, so there are some differences naturally between the quarters. But the cost innovations will continue and I think the kind of change in thinking will stay therefore for the coming quarters as well.

Sami Sarkamies: Thanks.

Pekka Rouhiainen: Alright. Operator, we are now ready to take questions over the phone. I will hand over to you.

Operator: Thank you sir. If you'd like to ask a question at this time, please press the star or asterisk key followed by the digit 1 on your telephone. A voice prompt on your phone line will indicate when your line is open to ask a question and please state your name before posing your questions. If you find your question has been answered you may remove yourself by pressing \*2. Again please press \*1 to ask a question. We now move on to our first question from Panu Laitinmaki from Danske Bank. Please go ahead.

Panu Laitinmaki, Danske Bank: Thank you. I would have four questions. Firstly on Finland, you had a 3 million benefit in Q1 from the hockey league rights but you said it wouldn't be impacting Q2. Does this mean that the Q1 margin is not what we should be expecting for the coming quarters, it should be lower?

Kim Ignatius: What I said is that we naturally book any costs and any results for the hockey league while the league is being played, so there were a few games I guess in Q2 but not a lot, so it means that the lesser portion of the EBIT impact of that programming takes place in Q2, then we start again entering in Q3 to the new season and then we need to look into how the business and recoverability of it looks going forward. So you need to work this into your analysis of it.

Susan Duinhoven: Can I maybe answer that as well that we're not sort of stopping the cost innovation programmes, so it is not only let's say the working out of the cost innovation programmes of last year that you will see in this year. We are very active working both in Finland and in Belgium and Holland on further improvements to the business, so from that we will expect that in the second half of the year you need to have some planning, in the second half of the year you might see some impact both positive on the cost saving and on initial costs that you might need to make in order to put that in place. So that makes exact forecasting difficult and the comparability of Q1 versus the other quarters will also be hampered a little bit by these shifts, so that is what you can expect but of course all with the aim to structurally improve the cost base of the business.

Panu Laitinmaki, Danske Bank: Ok, thank you. My second question is about the upcoming major sports events that you mentioned. What kind of impact do you expect for the TV business given that most of these are shown on public channels? Does it mean that there will be a major reversal on the development that we have seen?

Susan Duinhoven: What you see is I think a different impact in the Dutch and the Finnish market given the fact that the public broadcasters in Holland are allowed to sell advertising and therefore it has in the Dutch market potentially an impact of drawing away which we had of course in our full year had forecasted, drawing away a bit of advertising money towards the public broadcasters, however Olympics and that in the summertime it is typically not a big audience drawing event in the Dutch market. In the Finnish market of course the public broadcasters do not have the right to sell advertising, so there the impact will be different and it's more uniquely on the viewing share and not as much on the advertising share. So there it is a matter of having the good programmes to carry still enough reach to counter that. So the dynamics in both markets are different but it's not a new event. The Olympics comes by every four years so we're used how to handle this.

Panu Laitinmaki, Danske Bank: Ok, thank you. My third question is on learning where the sales in Poland were down 30%. How do you see this going forward given that there has been some regulatory changes in this market? Was this due to timing or do you expect Polish sales to be down for the full year?

Susan Duinhoven: These are timing differences. This is also panning out as big changes because it's such a light quarter, so any order moving because of Easter into the second quarter feels like a big change. So overall we are happy with the developments in Poland. There are no changes to our outlook let's say in learning.

Panu Laitinmaki, Danske Bank: Ok, thank you. My final question is on the restructuring costs. You had about 50 million of restructuring costs in Q1 that were netted out by non-cash gains. What do you expect for the coming quarters? How much restructuring do you need to take if you are continuing with the cost innovation?

Kim Ignatius: I can't give you a forecast on that. At the end of Q4 we had some 20 million in our balance sheet as provisions related to restructurings which will hit our cash flows this year. How much we will have in addition to that depends of course how we look into the cost innovation programmes, what kind of decisions we will make, what is the timing of those and I cannot give you a forecast by quarter for the balance of the year. Naturally any restructuring we do, even looking into the past has had a very quick payback period, so in a way even if getting negatives on the cash flows, it is still worthwhile pursuing them.

Panu Laitinmaki, Danske Bank: Ok, that was all from me. Thanks a lot.

Operator: Thank you. We will move on to our next question from Rasmus Engberg from Hahndorf Bank. Please go ahead.

Rasmus Engberg, Handelsbanken: Yes, hi. I had three questions, one I think more overreaching question and then some nitty gritty ones. Maybe if I start with the bigger question, essentially how long do you think you will need to keep restructuring Sanoma before you're sort of feeling that you're done with it?

Susan Duinhoven: I think constant innovations are the name of the game in our industry and I think the media industry will constantly move with its customers, so the size of course of these restructuring will become smaller, but I don't think we will ever stop adapting our business to

these trends and that also means sometimes readjusting your portfolio or on staff that you need to realign with the new opportunities in the market. So I think the very high level answer is never. We will always need to adapt our business to changing trends.

Rasmus Engberg, Handelsbanken: Then of course the obvious follow-up: when do you think it will become smaller figures?

Susan Duinhoven: I think that is hard to put a point in time. I think if you had asked an organisation, any media organisation two or three years ago they might have said that by now the big steps would be finished but they're not, so I would not feel comfortable to go and give you a timing on that. But I think...I see it also with good news, that we constantly can still improve the business as we have shown in this quarter and also in Q4 that by constantly looking and really looking at our processes, we do become more efficient, even in our businesses that we have done for many, many years. So I see that as a positive going forward.

Rasmus Engberg, Handelsbanken: Then on to the financial nitty gritty then, you said you have 20 million provisions after Q4. How much do you have on your balance sheet after Q1? Then the second question relates to: is there is a risk in the hockey rights...is that what you're saying, that that might be impaired slightly this year as well?

Kim Ignatius: I don't have an exact number for you on the provisions. We naturally use some of them as you see in the cash flow, but we created some new ones and there are also some rearrangements ongoing, so I need to get back to you on that. On the hockey league, yes, as we mentioned already Q2 last year that whenever a new season starts we need to test the recoverability of the programme rights in the investment that we're doing for the starting period and last year when we did it, it led to the additional write-downs and of course we on an ongoing basis tried to improve our pay-TV business and the business case around the hockey league and are taking a lot of activities in order to be able to do that. But the final test will be done in September and naturally based on last year's bookings there are some risks that some write-downs need to be taken.

Rasmus Engberg: But they will be in the sort of non-cash, right?

Kim Ignatius: Exactly, yes.

Rasmus Engberg: Ok, thank you.

Operator: Thank you. We have no further questions in the queue.

Pekka Rouhiainen: Alright. Do we still have questions here in the studio? If not, this then concludes our presentation. Thank you all for participating and have a nice day.

Kim Ignatius: Thank you very much.

Susan Duinhoven: Thank you.