Deco Media
Sanoma Second Quarter Analyst and Press Event
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Chaired by Harri-Pekka Kaukonen

Harri-Pekka Kaukonen

Ladies and gentlemen, also on my behalf you're all heartily welcome to the second quarter view of Sanoma. I'm also glad that so many of you are here despite all the developments that are going on in the market. So, Sanoma's performance and outlook is interesting for you.

A few words about second quarter and Kim will go in more detail regarding the numbers and drivers behind it. Net sales declined from previous year, but if you adjust for the structural changes, growth was actually 2%. Behind this growth we saw strong growth in advertising sales in total of 7%. Of course the mix between print, online and TV was different, where online and TV grew double digits and print was low single digit growth in advertising. Circulation sales continued the development we've seen, both subscription and single copy sales declined somewhat from the previous year. If we look at EBIT on a non-recurring basis, there was a clear decline though one must notice that there's about €5 million of structural changes explaining the difference. The remaining couple of million euro is mainly due to development investments on group level and the result of these can be seen later in my presentation. And also the media operating performance was weaker than anticipated due to the challenges we're facing in the magazines business in Finland.

As you well know last Friday we downgraded the group outlook. It was due to three reasons. The first one was the delay in the closing of the SBS transaction in the Netherlands. The second one was due to the investment in the strategic and structural development in the group on group level, and its consultancy fees and development costs related to that. And the third one was due to the weakening outlook of the magazines business in Finland.

Finally, I'm very glad to announce today a new structure, leadership structure and organisation for Sanoma, which I think will fundamentally enhance our ability to move forward in the transition to deal with some of the challenges and also to grab some of the opportunities in the industry. And I'll share that new organisation with you today. Sanoma is a leading media company in most of its markets where we operate. We have strong brands, very loyal customers and traditionally and characteristic of our business portfolio is that we're number one in most of the markets and media and learning where we operate in our key segments. We have developed also during Q2. If you look at market share development we have kept the market share, but overall if you look at development, our core underlying numbers, you cannot be satisfied with the development.

There is a fundamental change ongoing as you are very well aware driven by technological changes. Our consumers consume media in a different way. Advertisers are reallocating and adjusting their marketing budgets and spending, trying to find new, more effective ways to reach their target audiences than before and its impacting media companies. Also in our other core business, the learning, you're seeing a big shift. Many governments are under economic pressure, also the population, the teaching population is ageing and it puts at the same time learning and education is a very high enough on the strategic agenda of many many countries. And that leads to the fact that actually much more focus needs to be put on learning outcomes instead of input and curriculum. And that is a fundamental opportunity driven by also technological innovation.

The competitive landscape is changing, the traditional boundaries of our industries are changing very rapidly and we know that a lot of value is being created and destroyed in such kind of industry transitions. We have undergone at least one recession, hopefully we're not headed into a second dip here. But also the world is very different from three years ago. We're seeing it that media spending, advertising spending is not rebound in the structural of the market, it's not the same as three years ago. And there are some quite fundamental trends in the business that are ongoing and speeding up, both in terms of the spend but also in terms of behaviour of consumers and customers.

And then finally, specifically here in Finland, the regulatory environment is changing, or the tax environment in that sense. And the anticipated decision of the Finnish Government to increase the tax burden of a single segment in the economy by 9% obviously will have a negative impact in the future in circulation and something that we need to take into account for the future.

This means that Sanoma needs to continue to change to be able to capture the opportunities, but also to deal with the challenges that this transformation is bringing to us. There are three elements for that transformation. During the Spring, during the last eight months a team of 50 plus people in Sanoma have been working with Sanoma to develop a new strategy, new structure and today we're seeing also a new organisation model. The first is around strategic focus. I'm not going to describe today the details of Sanoma's strategy, just sharing with you some of the focus areas of that. We are a multi-local company; we're serving local customers, local consumers, local teachers, local pupils. That is out strength, that is the foundation, our brands, our content, our closeness to these customers is the cornerstone of our success in the past and it will be also in the future. We will be spending time launching initiatives to further deepen consumer and customer insight and take that into our product offering and also the way of working.

We have done a lot in taking our classical business into the digital world. There are many successes but at the same time we must speed up the transition. There's no time to wait and we need to do more and faster to be able to deal with the challenges and also to grab some of the opportunities in there. We are good, we are well on our way, but we need to be faster, and that's one of the reasons for some changes in the organisational structure I will share with you later.

Sanoma is an innovative company, we innovate every day. There's a new product, new Helsingin Sanomat, new titles coming every week or monthly basis. We have also a good track record of business innovation. We need to keep doing that, we need to speed up the pace of innovation and also we need to become better at sharing innovation across the company. We need to be able to take the ideas, we need to be able to excite our people to innovate more and share what they know and in a way that is going to help us to create new businesses, new offering to our customers, also building on our fundamental multiple media position in the countries that we operate today.

Finally, there is a continuous need to improve efficiency of operations. I think it's very important also for Sanoma and I think with the structural changes and also increased focus of our business portfolio will lead us to be able to improve the efficiency of our operations. Another key element of that is also to share things, to collaborate more; also increase the standardisation, for example in terms of infrastructure. So, we are going to move a bit more to central and sharing services and things within Sanoma.

The second area for the response of the strategic direction is in portfolio. We have made a number of changes, we have communicated all along that consumer media news and media business is one of the cornerstones of our portfolio, and learning is the other one. We closed the SBS acquisition in July, end of July, about a week ago and the whole idea is that today if you look at it, Sanoma is the only magazines company that has a significant TV presence in all our core markets. And the task for us, the opportunity for us is to combine this multiple media position to provide new offering, exciting things for both our consumers and advertising in our market.

In learning we also made some steps this spring by buying the learning assets of Bonnier in Sweden, which also strengthened our position in Finland. We divested the general literature business in the Learning division and in that way also improved the focus and increased the focus in the learning. When it comes to the Trade division it is not one of the two core areas for us, two core segments. During the Spring we divested Finnkino, the movie operations, and also the loss making operations in Romania and Russia. And we are continuing to look for opportunities to divest more of the trade assets over the course of the coming months and years. So, with its increased focus I think that will also focus management attention and also the investment of time and also money into these two areas.

Finally, it's all about people, it's all about leadership and management, how we drive our business. And today I'm really happy to announce a new team, a new structure for Sanoma. We are going more towards a country based structure, so we will have seven strategic business units, six in the two core areas that we have. The media country based units will be now directly reporting to the CEO. So, we'll have Sanoma Media Finland which will constitute of the former Sanoma Magazines Finland and Sanoma Entertainment business units. We have Media Netherlands, Belgium and then Russia and CEE which formerly was called Sanoma Media International. In Finland we have another strategic business unit, Sanoma News, constituting of Helsingin Sanomat and the online businesses and then Learning - the division, or the strategic business unit, has changed its name from Learning and Literature to Learning for obvious reasons. And then we have Trade where we are looking at divestment opportunities.

There will be two new roles in the management team. The first one is Chief Digital Officer who will be a person that is going to, together with the strategic business units, be in charge of speeding up and accelerating the digital transition, building their digital positions in the different strategic business units, but also looking at ways to scale the digital opportunities and businesses that we have in the various countries. There is also an element of creating the technology infrastructure architecture behind it and also managing the innovation process in the company. The other part, the new role, will be Customer

Market Operations which will be in charge of really further strengthening and deepening consumer and advertising and customer understanding and insight in the group. And taking that information into the operations product development and also starting to make sure that our strategic development focus is truly market based and not inside out. Very important heavy roles. Today we announced the appointment of John Martin as the head of Digital Operations and the Customer Market Operations will be appointed later.

And then finally, already mentioned in the area of support functions in finance and HR, legal, etc, we are going to share more. We are going to look for increased efficiency and effectiveness in the support functions, the idea being to increase quality of support functions, but also to standardise and indeed centralise a bit more than what we have done before. This we believe will lead into increased efficiency, lower costs and also improved quality of service internally. It's a major change; also we will impact the full group going forward. You have information of the detailed names and appointments in this specific announcement that was handed out, so I'm not going to repeat the names.

So, in a nutshell you could say that 2011 indeed is a year of restructuring and refocusing. We will continue now with the new team to move ahead along these lines that I've just explained to implement our new strategy, new structure, and we will continue focusing our business portfolio. And we will bring Sanoma much more together than it has been before and in a way creating a One Sanoma way of thinking, a new One Sanoma culture and with that seek for improved performance and better growth than what we have seen in recent years in the more focused segments that we have today.

So, thank you your attention and with this I will leave the word for Kim and then I'll be back for questions later on. Kim, please.

Kim Ignatius

Thank you Harri-Pekka. Good morning everybody, my name is Kim Ignatius, I'm the CFO of Sanoma Group and I will now go through the Q2 financials and give some comments on it.

The net sales for the quarter were 689 million, being 3.6% below the comparable quarter last year. Our EBIT excluding non-recurring items was 72.6 million being close to 10% behind the level of last year's. This is clearly impacted by the structural changes, the divestments that we have done during the roughly last one and a half years. As mentioned, adjusted to these structural changes our net sales grew by 2% and our EBIT corrected with the five million impact of the changes is fairly close to the level of last year's Q2. It is still clear that these trends are showing a slightly declining profitability of the operation meaning that we do need to take action to find additional growth, but also simultaneously continue doing efficiency improvements in our operations.

Looking at earnings per share, €0.60 now for this quarter, €1.45 last year for the same quarter, there is a significant impact on these numbers from selling assets and having sales gains from selling assets in 2010. This was from the Welho transaction, our cable TV and broadband access business which was sold this year. The gains are coming from selling the Finnkino cinema operation. Impacting our earnings per share numbers of course are the net financial items and so far what we see is that our net financials are at the same level as they were last year, meaning that we have been able to give a stable net debt development and also that the market rates have not increased markedly during this year.

If we would correct the earnings per share with the non-recurring sales gains then the EPS for this quarter is €0.29 and last year the corresponding number was €0.34. The cash flow from operation is clearly behind the level of last year's. Cumulatively we are currently 38 million behind the last year's level of 60 million. This is impacted by declining EBITDA, roughly 15 million. In addition it's impacted by higher programming costs and higher pre-publication costs. The latter two, the programming costs and the publication costs, are actually capitalised and amortised so that development is being seen in our cash flow in the amortisation line in the P&L.

The net working capital, cumulatively, for the sixth month period is stable with last year and this is pleasing. So, there is not structural change in the operational cash flow creation of the Group. One more item impacting the cash flow is paid taxes which this year are nine million higher than they were last year. The number of employees during the period compared to last year has decreased by 13%, again of course impacted by the divested operations.

Moving to the divisional performance, overall the sales declined from 750 million to 689 million, Media representing roughly 16 million of this decline. If we adjust to all structural changes then Media's sales actually grew by 1%. The performing star this year has been the Finnish broadcasting operation which actually has grown around 20% during the six month period. News also performing well, improving their sales, the improvement coming from advertising sales both in the print and in online advertising revenues. In Learning and Literature we have learning performing very well and increasing its sales. Some of this sales improvement is offset by the not so good performance of our publishing, general literature businesses and some other smaller operations in the Division. Also the Learning and Literature division's performance is technically improved by the fact that Esmerk is now included in the number of Learning, which was not the case last year. This has a negative impact on News operation because News used to have Esmerk meaning that about two, two and a half million, was transferred from News to Learning. So, with this correction News performance actually is doing even better than reported here.

Trade is representing 18 million of the decline. And as is the case with Media also with Trade, if we correct for structural changes actually Trade's core business is increasing slightly in net sales. In EBIT here you see first the structural change impact of five million explaining the majority of the decline from 80 million to 73 million in EBIT. In the media business we see decreasing circulation sales in most of our markets and increasingly so in some of our media markets. The environment is changing, the business concepts, the structures within our businesses are changing and we do see increasing costs.

The negative trends coming from these changes in our business are partly offset by the good performance of the Finnish broadcasting operations. News improvement comes from the sales increases as already mentioned. In Learning and Literature the profitability improvement really comes from the good sales performance of the learning business. In Trade in the beginning of this Spring we started an extensive profit improvement programme which now clearly is paying off. We do see improved efficiency in our operations and even more pleasingly we now see that the customer volumes in our kiosk operations which were in decline last year and in the beginning of this year have now stabilised. This is a very positive trend in the kiosk operations. In Parent Company we do have increasing costs here, a 3.7 million delta versus last year. The majority of this comes from the development programmes that have been supporting the process that led to the change in the operating structure model that was presented by Harri-Pekka and also that supports the initiatives that we are now going to take to enhance our businesses going forward.

We have closed the SBS transaction, Belgium in June and now the Dutch transaction in July. What we are showing here is the impact and the development of the capital structure of the company. The lower line here shows the net debt to EBITDA ratio. Here at the end of Q2 you see a move to a higher ratio level, that comes from the fact that the positive impact of the Welho transaction on EBITDA is now out from our numbers, so that increases the ratio and then you have the post acquisition level which now then takes into the picture the 12 month EBITDA levels from the acquired entities and the increased net debt level from the transaction.

What this picture shows here is that we are still well within our financial policy and also that we have a good amount of headroom until we would reach any of our financial covenant limits. Of course the intention of the company is that these ratios will start improving going forward. As a reminder to all of you I would still like to walk through the impact of the SBS transaction on this year's numbers. We are not commenting the performance of SBS for the first six months, for the full year, and the reason for that is that before closing the deal we have had very limited access to the management and to their reporting systems. This will of course change now during the coming days, weeks and months. There is an integration process of course ongoing and we get better insight of the actual performance of the operation.

When we announced the transaction we informed you that the net sales level of the acquired businesses was roughly 400 million of an annual basis with an EBIT of 110 million. And we will now consolidate five months of this annual performance into our Group numbers. Items impacting this year and also going forward are the amortisations based on the purchase price allocation, what comes to trade names; there will be seven million annual amortisation. What comes to customer and distribution relations there will be a four million impact. And then in addition to these, two million for amortised capitalised finance costs. So, this will impact us also during the coming years. What is impacting us only this year are the transaction costs which are estimated to be at the level of ten million and then an amortisation of order backlog representing €32 million. And this is actually… the whole 32 is taken during 2011 so there will be no amount left for the coming year.

Looking at the consensus reports from many of you I think and hope that you have a fairly clear picture of the SBS transactions impact technically on this year's financials and going forward which is of course good. Finally, the outlook, Harri-Pekka walked through the three different items impacting our changed outlook. The outlook now is that our net sales are expected to be at the previous year's level and that our EBIT excluding non-recurring items is expected to decrease somewhat. This finishes my part of the presentation and if I may ask Harri-Pekka to come back here and then we're ready to take your questions.

Questions and Answers

Sami Sarkamies, Nordea Markets:
I have a few questions on two areas of the presentation. If I start with the first one, regarding the new structure and operational model, why didn't you include News into Finnish Media unit? And then the second question is, could you say something about the role of DNA going forward?

Harri-Pekka Kaukonen:
If I take the last one there's no change that we'd like to… DNA is a strategic investment for us since the transaction. The first question, we felt that we want to take things in steps, News and the newspaper business is certainly distinct business. We want to make sure that we understand the benefits and the co-operation possibilities between these units. We're quite comfortable that this is the right setup for now and that was really behind that decision.

Sami Sarkamies, Nordea Markets:
And then the second area is your new guidance. You're giving three reasons for the revision. The first one deals with SBS. Just wondering, has there been any change in your perception of the outlook for SBS in the remainder of this year in addition to delay in the closing? Any comment on the trading conditions?

Harri-Pekka Kaukonen:
As Kim said at this point we don't want to go too deep into that, but we could just comment that there are no surprises to our knowledge.

Sami Sarkamies, Nordea Markets:
And then the second reason was this development costs, are these also related to recent M&A transactions or just…?

Harri-Pekka Kaukonen:
Yes, mostly it's consulting costs and additional costs for strategic development in other structural planning, also planning a number of initiatives to take forward. It's a bit difficult to then separate M&A. All these three areas have added to the cost level, the strategy, the portfolio and the organisation. So, the total impact of that was substantial during Spring, especially during Q2.

Sami Sarkamies, Nordea Markets:
Any colour on the magnitude and timing of these costs, will they still be around in the second half of this year?

Kim Ignatius:
Well, the magnitude you kind of saw in the slide where I broke down the EBIT development. There's a 3.7 million delta in the cost base versus last year. And the majority of that change comes from these additional, consulting costs. And all that has taken place during the Spring. So, there's not an expectation that that would continue going forward. So, we've done the majority of the strategy development work already.

Sami Sarkamies, Nordea Markets:

And then I think you partially commented already that the third reason the Finnish media business, just one clarification there, are you expecting a similar development during the second half tha,t in a way, a solid performance in TV and then maybe a similar weakness in the magazine side of the business?

Harri-Pekka Kaukonen:
Let me comment in a way which maybe doesn't address that, but I think also maybe some other people are interested. I think the magazines business in Finland is a bit of a victim of their own success. We have had particularly strong subscription penetration here. The advertising share of the magazines in Finland has been extraordinarily high. The management here has done a super job in actually being able to grow volumes of magazines much longer than in many other markets.

Now it seems there's a kind of readjustment taking place also in the Finnish market. And maybe that came a little bit… compared to what we had anticipated a bit sooner. That I think is important to understand that the Finnish market is quite specific. Then the second thing is that we have a very strong team there addressing these challenges, so we're not staying here and it's a bit too early to comment on that. The team is working on a programme to address these challenges and time will then tell how it shapes out during the Autumn.

Matti Riikonen, Carnegie:
Good morning. You said that you don't want to go into details describing the TV purchases, but could you say something about the net sales development in these TV units in Belgium and in Holland, does it reflect the overall advertising market in those countries?

Kim Ignatius:
I think we made comments on the broadcasting business development in Finland which was developing very positively, 20% growth. And the programming costs that we were referring to in our cash flow comments was for the Finnish operation. So, none of these comments earlier were on the Dutch business. Overall the TV market is developing well in both the Dutch and the Belgium markets, and the expectations at least prior to this current economic turmoil that we're seeing is that the TV market should have a fairly nice growth rate going forward, during the coming few years. What's the impact of the current environment? That remains to be seen. So, the market is doing well. What is too early to comment is that how is our current position, how do we see the coming months. We of course have our own plans for this year and for the coming years, but before we really get to sit down with the management of the company, I don't want to go anymore in detail.

Matti Riikonen, Carnegie:
Ok, thank you. Then another question regarding the TV businesses, if you may. You have given some financial information of the Dutch and Belgium businesses. And if you use those figures that you have given you can deduct that the profitability in the Dutch businesses is about twice as high as in the Belgium business. Is it because Belgium is a two language market or is there some other more structural reasons for that?

Harri-Pekka Kaukonen:

We don’t want to comment on the individual profitabilities of the markets. You can draw your conclusion. But I think it’s partly scale driven. We have a bigger scale in the Dutch market, so that drives a lot of it, and it’s, I think, the primary reason for any difference.

Nina Bergring, Stiftelsen för Åbo Akademi:
In this new vision One Sanoma you say that you want to be more effective and clearly faster growth. You also talk about faster organic growth in the future. And obviously here are some actions you’re going to do. What’s the biggest part where you must succeed and what can you impact on the assumptions that you’ve made here when you state that you aim for much faster growth? Where do you have to succeed and what can you impact yourself and how much is it for the market development types of assumptions?

Harri-Pekka Kaukonen:
I think what we refer to is compared to the market. So, it’s the difference here. A simple answer would be broadly speaking digital transition and being able to combine the media sets in a new way. And then there is a number of things we need to succeed in order to do that because we need to become more competitive against the Googles and the likes. And we’re pretty much basing it on our core strengths that we can actually add the digital spice to the mix and actually become more competitive in the local markets. In learning, it’s really… we have demonstrated if you compare to… that we actually can run the operations quite well. So, we are really now making a lot of initiatives in different areas of solution development. So, instead of selling the book, adding their assessment software that enables pupils to do homework at home, teachers can assess and correct them or actually the software does it for them and so forth. So, creating an efficient… and the trick there is to make sure that our customers understand the value there and the time setting and making that outcome.

And that is the crux of the whole industry, to actually get the monetising model in there. We’re trying different ways. So, we have these two areas, and they’re really digitally driven, both of them. It is really also changing a bit the mindset, before we had different platforms serving the same segments, now we need to change it around and we need to really understand better what the different segments both advertising and consumers want. And then look at what Sanoma can do to better serve them. We believe that there’s an opportunity here. I know it’s quite conceptual and we can maybe have an offline discussion on more of the specifics, but that’s what we fundamentally believe.

Nina Bergring, Stiftelsen för Åbo Akademi:
Just very shortly then, on media obviously the market is moving faster. I don’t want to take some parallels to Nokia, but similar type of thing that there are Googles and others and you probably have to run fast to stand still. Do you feel you’re ahead of the curve in this digitalisation and with the SBS purchase and whatever your visions are? Or are you behind the curve or ahead of the curve over competition and how do you see that?

Harri-Pekka Kaukonen:
I think we’re somewhere in the middle. I think the SBS acquisition gives us further increase of opportunities. It gives really a mass market reach; it gives us a digital platform to move on. And actually we need to take the free-to-air to online, etc. But we have done it, those steps in Finland. I think if you say comparing to Google, I would think it would be pretty bullish to say that we are ahead of the curve. But if you look at traditional classical media companies, I’m quite proud of the things we’ve done in online in Holland

and Finland and many places. But it's not enough because it's not enough to compare with that competitive rank, so... We need to speed up.

Bengt Dahlström, Swedbank Markets:
How do you see the advertising markets in your key markets going forward, especially Belgium, Holland, Finland and Eastern Europe?

Harri-Pekka Kaukonen:
Well, had you asked me a month ago I would have said that we see them quite positive. Now honestly speaking with what's going on outside this room, it's very difficult to say. I hope the market, the overall turmoil, the financial market stabilises and if that happens our assumption is that there will be growth in the advertising market in our core areas. But if this continues and it really starts to impact real economy, nobody knows. But today sitting here I still hope that this is… the wind will blow over and we'll see continuous growth. But really the visibility is very poor today.

Bengt Dahlström, Swedbank Markets:
A small technical question, going forward will you consolidate the Belgium TV operations as an associated holding or through the whole BNL?

Kim Ignatius:
Well, it will in any case be an associate. It currently is not treated as a joint venture. So that's the reason why we are not doing a line by line consolidation even today. For the future, as you know, there's a change in IFRS, so the end conclusion will anyway be latest starting in January 2013, that it's a one line consolidation as an associated company.

Simon Wallace, ING:
Simon Wallace of ING, thanks for taking my questions. I've got a couple of strategic and a couple of financial. On the strategic questions the first is can you explain how you're going to handle the VAT increase on newspapers, are you looking to pass the price on to consumers or are you going to share the cost increase with them? And what do you think the impact on a full year is likely to be? A second question regarding magazines, you've mentioned that divisions performed very well in the past and it's been almost a victim of its own success in the first quarter. I wonder if you could give more of an idea of market share. I noticed that the market advertising suffered a similar trend to your business, but can you also talk about things like the number of copies sold, which I think was down 2% in the quarter, but a more severe decline in the advertising and pages sold, I think, minus 7? Thank you.

Harri-Pekka Kaukonen:
So, the magazines one in terms of market shares there's no dramatic change, if that was the question. Overall it's more the development of the market. I think this year as before we've been doing quite well in the battle against our competitors. The first question, remind me?

Kim Ignatius:
The VAT.

Harri-Pekka Kaukonen:

The VAT, yes. We are going to pass on the VAT to consumers. I think it's an additional tax that is imposed on our segment. What the impact will be on circulation remains to be seen. There will be some drop but we cannot stand still, so we then also need to look at other ways to protect the bottom line. So, the team is looking at what can we do to then further streamline the cost base in anticipation of some incremental drop in circulation volume.

Simon Wallace, ING:
A couple of financial questions, the first is you mentioned an excluding structural change or corporate change growth for the group in sales of 2%. Was there any currency impact at all or is that literally all 2% organic and nothing from currency?

Kim Ignatius:
There is no FX impact.

Simon Wallace, ING:
Yes. And one other follow up, I know you've been asked this before, I'm just wondering if you can give some detail on what the debt covenants actually are? You've spoken about them in general terms, but haven't actually been specific.

Kim Ignatius:
I don't want to go into the details here. Our financing policy states that our net debt to the EBITDA ratio should be below 3.5. And our covenants actually regarding that ratio are even higher. But I'll skip going into details.

Mark Braley, Deutsche Bank:

It's Mark Braley at Deutsche Bank. Just two questions on magazines again. I wonder if you can just expand on whether this is a particular set of titles that's the problem, a particular set of advertisers, is it a particular reader demographic where something's changed, or is it just a broad downturn across the magazines business? And then on Trade, could you just update in terms of where you are formally on reviewing that business, have you appointed banks on that or are you still considering whether to actually start a disposal process there?

Harri-Pekka Kaukonen:
On magazines, so two comments, just to make sure everybody understands we're talking about Magazines Finland and indeed it's a broad issue across the the Finnish magazines business. When it comes to Trade there are no decisions on any specific assets or timing. So, that's where we are. We just wanted to say what has been implicitly stated or assumed in the markets for quite some time to put a stop on these speculations.

Mikael Doepel, Handelsbanken:
It's Mikael Doepel from Handelsbanken. I have three questions and I guess they're mostly for Kim. Firstly, with regards to your cost inflation, what kind of inflation rate would you expect for the second half of this year on an underlying basis? Then secondly, on a yearly basis when taking into account the full consolidation of the SBS TV assets, what percentage of the Group's sales approximately would be advertising? And finally, for the full year 2011, would you expect your cash flow from operations to deviate significantly from 2010? Thanks.

Kim Ignatius:
I'll try to remember all the questions you asked. On the cost inflation first of all, I think we need to split it into components. You have the paper costs that of course play an important role in our cost base. For the first half of the year, we haven't seen a very sharp increase in the cost, we're talking about 3% levels. Of course that's the total impact of the paper cost. You have declining volumes a bit and then you have the price increases. I think it's a common understanding that the paper costs are growing or the price levels have grown with double digit numbers. So, the impact of these increased prices will be bigger than we've seen so far during the first half. What comes to HR or employment costs, I think our guidance earlier or comments have been that we're somewhere around 2.5% to 3% levels on an annual basis. I think that's a fairly common view of this year's total impact. How it will develop next year I guess it's a bit open still.

So, these are the trends on these two areas. The rest of the cost base I don't think it's an inflation question, it's more a matter of how much we can improve efficiency and how much we spend marketing money and development money and so on.

The second question I think was on how big a share will advertising be of the total. The revenues, even that is a bit of a moving target if you keep working on with your business portfolio. But advertising today represents 25% of our net sales. And if we say that free-to-air TV is really advertising revenue based, so we're adding close to 400 million in sales that is advertising driven. Belgium is not consolidated on the net sales lines, so that is a bit of a difference. So, you add some 15%, so you start getting to over 30, close to 35% levels.

The last one was the taxes paid I guess. And I think the… its impact on the cash flow, yes. We have now nine million increasing taxes paid. I don't think we can catch up during the year, so I think that this increase will probably stay in the full year numbers. Those are partly taxes that are for the year 2010 so on, so this is not necessarily reflecting how the taxes paid will be in 2012. So, there will always be changes to one or the other direction. But for this year I think that at the end of the year we have seen an increase in the taxes paid compared to last year.