

# Solid Financial Position – Improving Efficiency

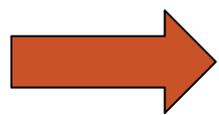
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CFO, Sanoma Group

Sanoma Capital Markets Day  
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# Solid financial performance – improving efficiency

- Cost reductions
- Reshaping operations to improve efficiency in longer term
- Exit loss-making units and operations
- Significantly lower interest expenses
- Tax management
- Focus on managing net working capital
- Focus on capital expenditure



Targeting good results, stable cash flows and solid capital structure



# Cost reductions & efficiency improvements

Operating expenses decreased by over 5% in 1H09

1H09

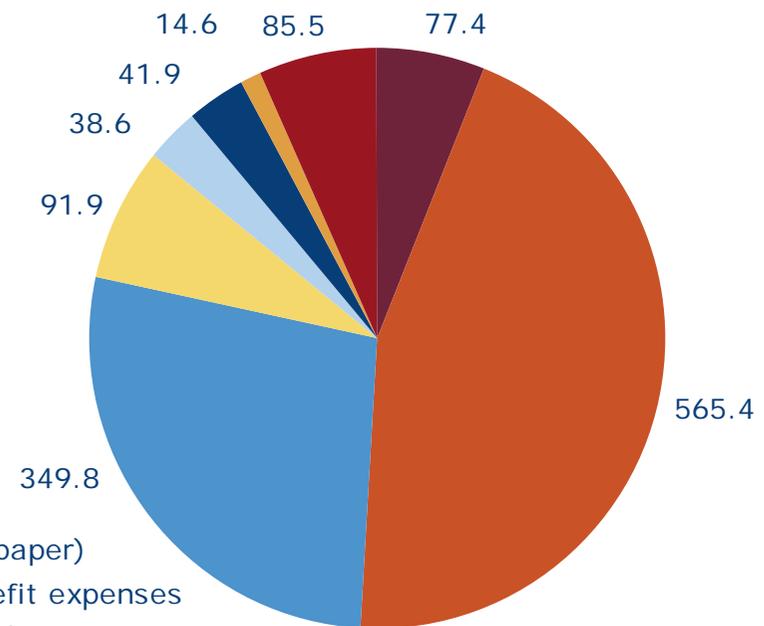
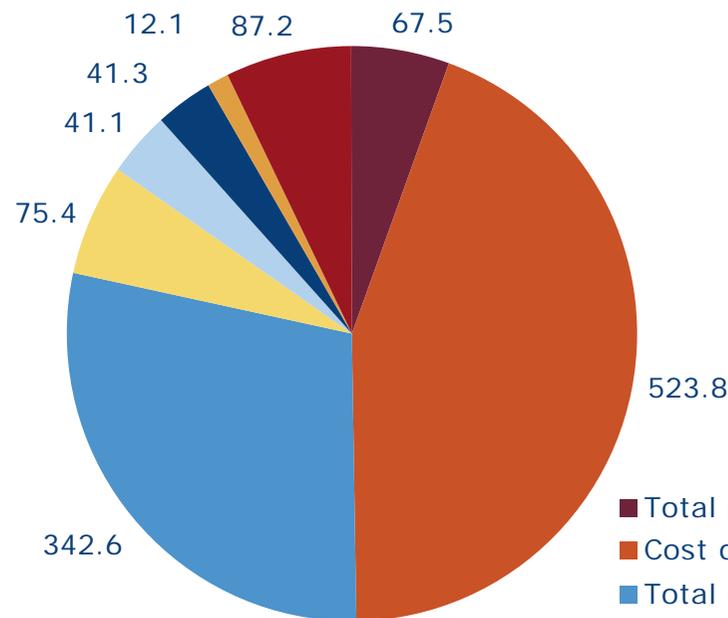
Net sales EUR 1,333.2 million

Operating expenses EUR 1,189.8 million

1H08

Net sales EUR 1,452.8 million

Operating expenses EUR 1,265.1 million



- Total paper costs
- Cost of sales (excl. paper)
- Total employee benefit expenses
- Advertising & marketing
- Rents
- Office & IT
- Travel expenses
- Other expenses



Non-recurring personnel costs excluded.

# Cost reductions & efficiency improvements

## Operating expenses

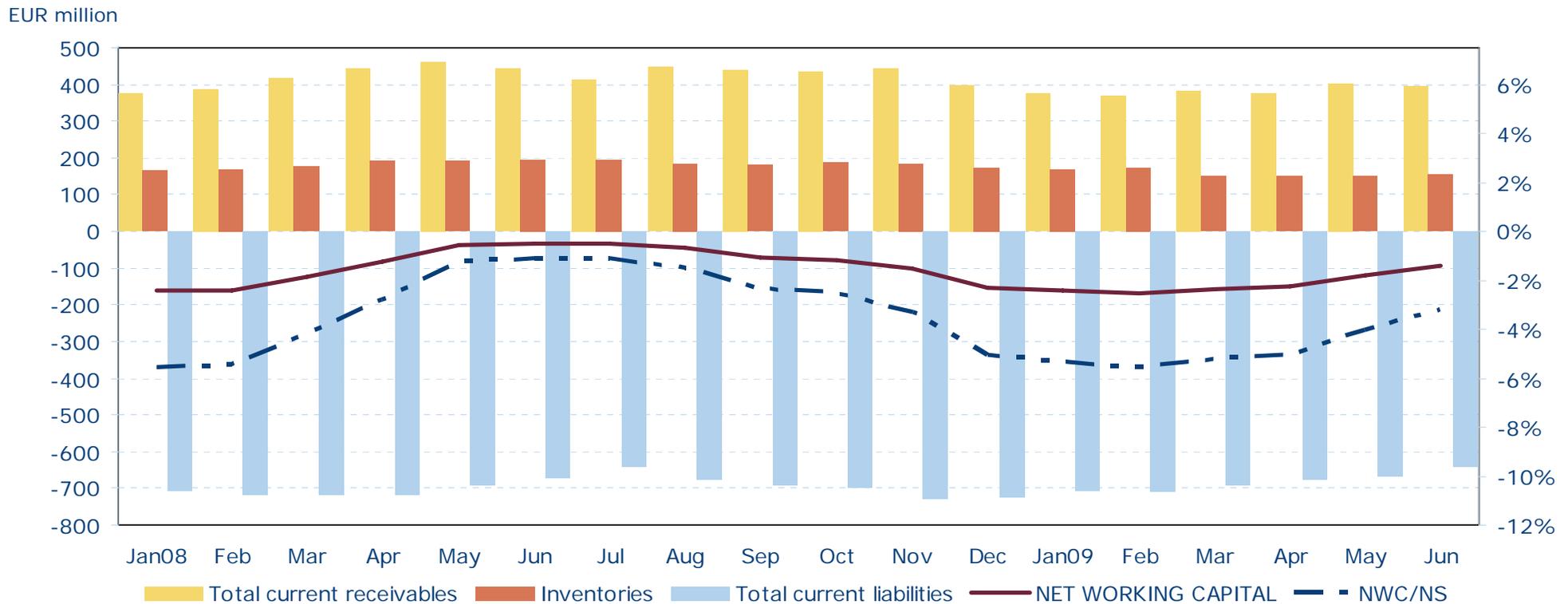
- Cost of goods sold adjusting well to changes in net sales
- Immediate savings from lower marketing expenditure
- At the end of June, FTE's lowered by 1,144 from year-end 2008 and by 1,021 compared to June 2008 – impact getting more visible
- Reshaping operations and functions in order to build competitive positions going forward



Targeting clearly lower operating expenses in 2009

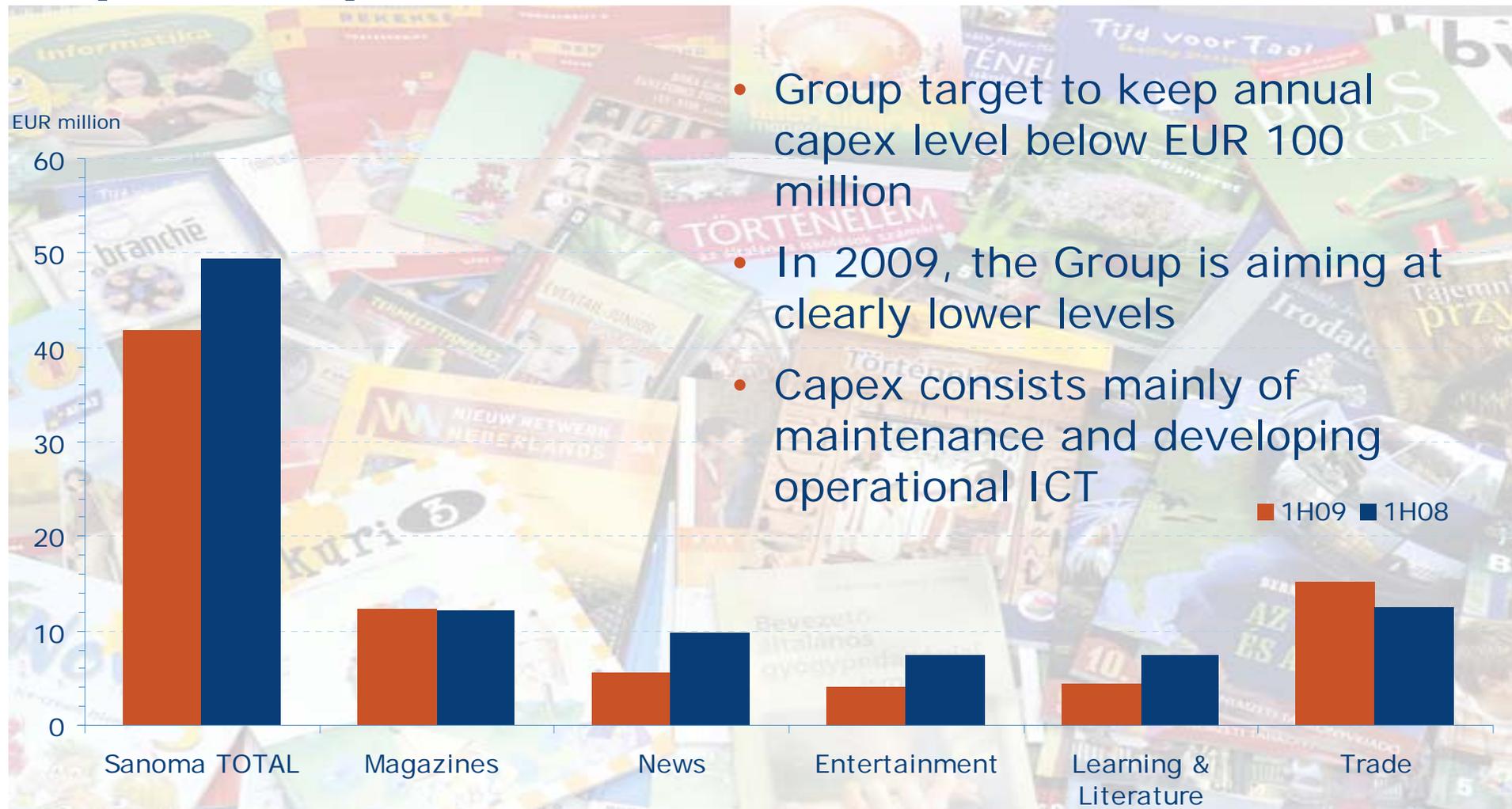


# Net working capital



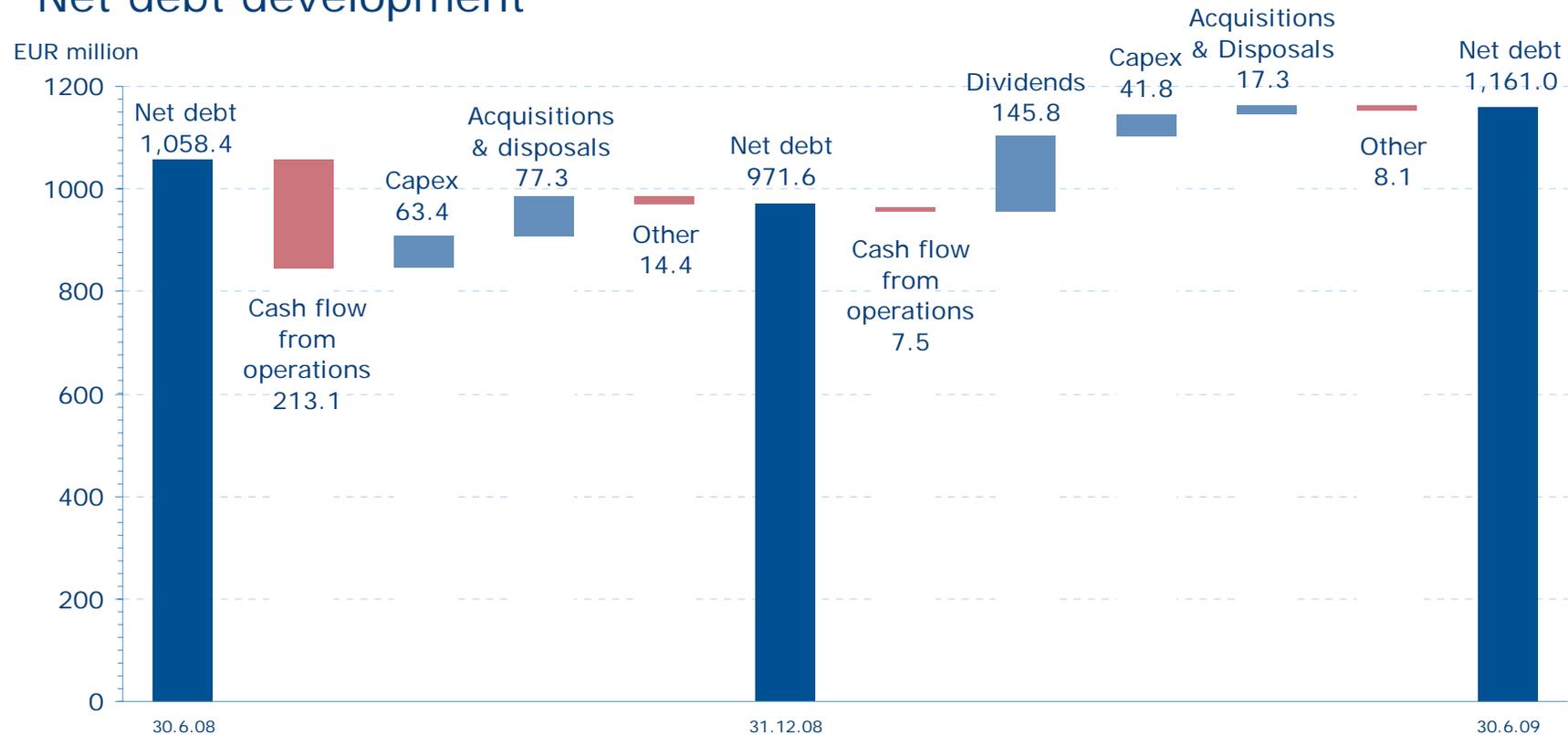
- Increased focus on net working capital management
- Positive development as a percentage of sales helping us to keep a good cash flow from operations

# Capital expenditure



# Capital structure

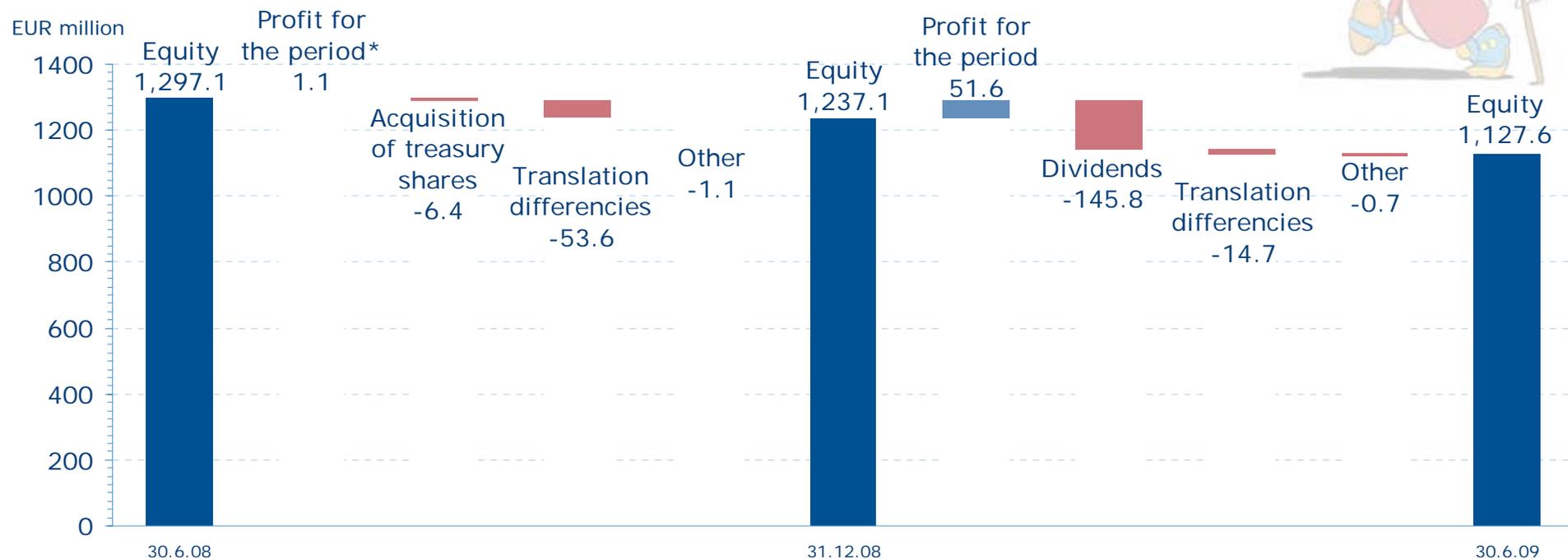
## Net debt development



- Driven by the economic environment; lower profitability impacting negatively
- Lower paid interest and taxes + NWC development having a positive impact
- Majority of cash flow from operations accumulated in the second half
- Net debt /EBITDA at 3.0 (Net debt levels at the highest at second quarter)
- Favourable long-term credit facility

# Capital structure

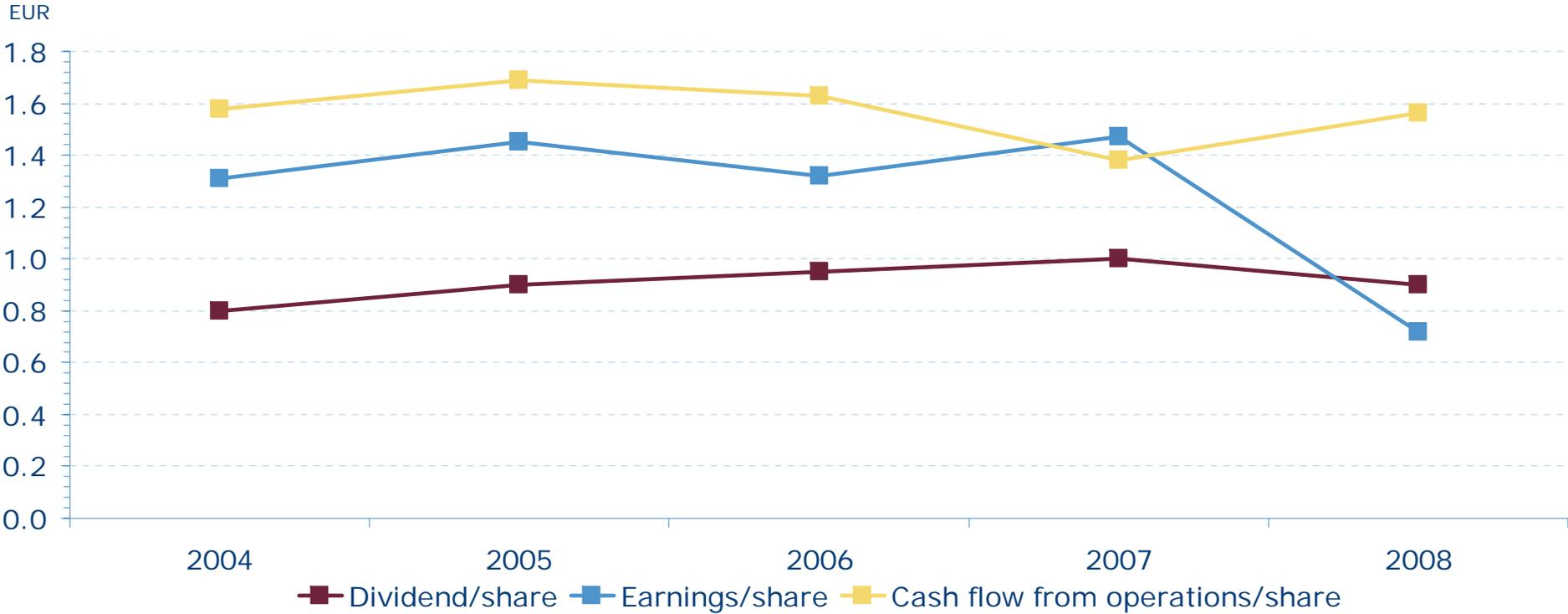
## Equity development



- EBIT under pressure due to market conditions
- Interest expense development positive
- Effective tax rate improving
- No equity hedging in place, cumulative translation differences at EUR -39.4 million
- Group has adequate levels of distributable equity



# Dividend over the years

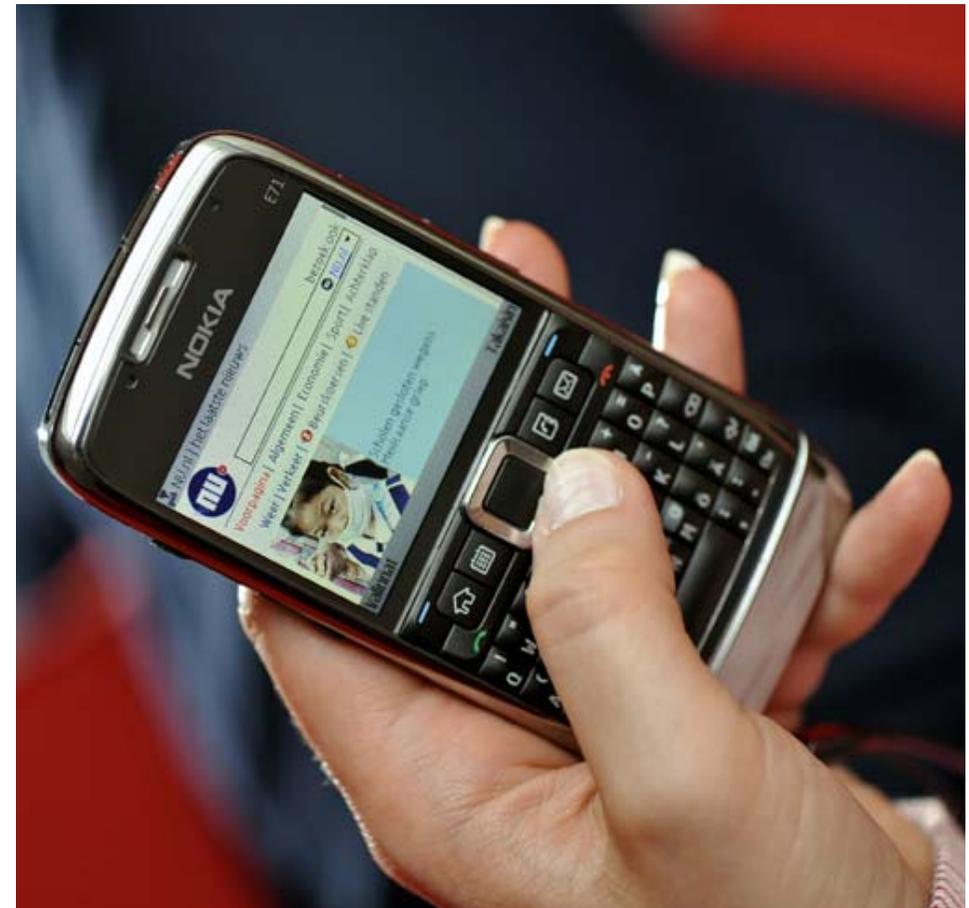


- EPS in 2008 impacted by impairment
- Cash flow from operations very stable over the years
- Dividend payout impacted by both earnings/share and cash flow from operations/share



# Conclusions

- Internal focus continues to be in safeguarding profitability and stable cash flows; also in 2010
- Keeping a solid capital structure is a must
  - Strengthening profits and cash flow will provide additional financial flexibility, allowing us to invest in growth areas
- Dividend policy to pay over 50% of net profit (unchanged)



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