

Interim Report Q4 2011

Harri-Pekka Kaukonen, President and CEO

Kim Ignatius, CFO

7 February 2012



Year of solid performance and structural changes in volatile markets

Fourth quarter

- Net sales EUR 725.4 (717.3) million
 - Adjusted for structural changes -1.8%
- Operating profit excl. non-recurring items EUR 60.6 (34.5) million
- Strong cash flow generation, EUR 140.8 (99.8) million

Year 2011

- New Group management team, structure and portfolio
- Net sales, operating profit excl. non-recurring items and cash flow from operations at comparable year's level
- Digital sales 16% of total net sales
- Proposed dividend EUR 0.60 per share (1.10)
- New priorities for the next three years



Year of restructuring & refocusing

Towards One Sanoma

- New priorities established

- Seven Strategic Business Units (SBUs), four corporate functions
- New executive management



- Focus on consumer media and learning
- Divest non-core assets
 - Movie operations, Finnish bookstores, general literature publishing, real estates and kiosk/press distribution in Russia, Romania and Latvia
- Acquisition of SBS and learning assets in Finland and Sweden

Adapt strategic & operational focus and organisation readiness to the changing environment

New priorities

- Four operational legs
 - Develop print business
 - Ensure profitable organic growth in TV business
 - Ensure profitable organic growth in learning business
 - Drive cross-media and multi-channel expansion through digital
- Streamline OPEX and ensure financial flexibility
- Transform Sanoma's culture

Operational priorities set to promote innovation and ensure competitiveness

New priorities

Next steps in print

- Ensure market leadership and competitiveness
 - Foster integrated process for content creation
 - Strengthen and expand key brands
 - Portfolio optimisation
 - Operational efficiency
 - Develop custom media
- Successful digital transformation

Integrated process for content creation

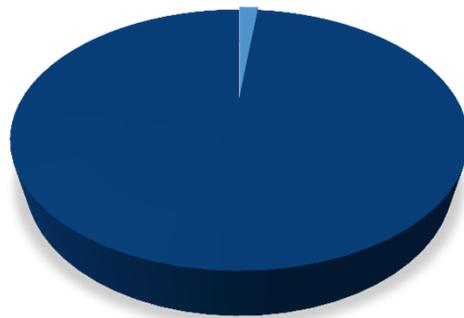
Case study Helsingin Sanomat & Ilta-Sanomat



Total reach expanded

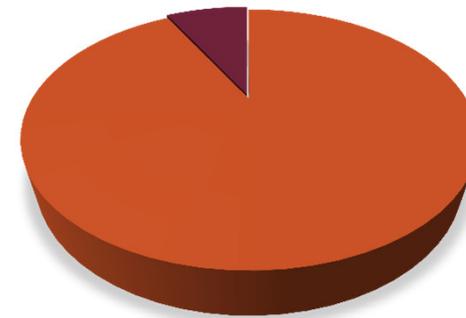
Case study Helsingin Sanomat & Ilta-Sanomat

Helsingin Sanomat



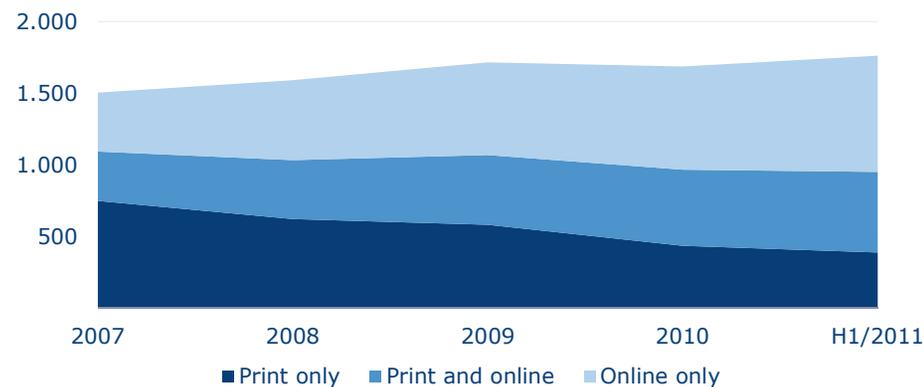
■ Single copy ■ Subscription

Ilta-Sanomat

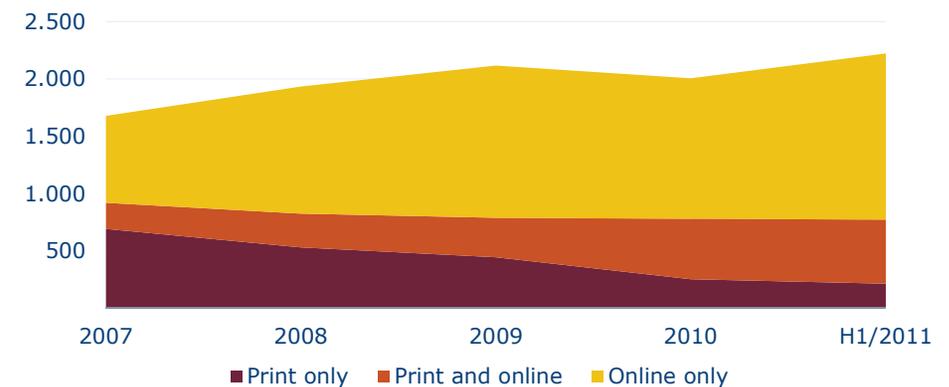


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Total reach* ('000)



Total reach* ('000)

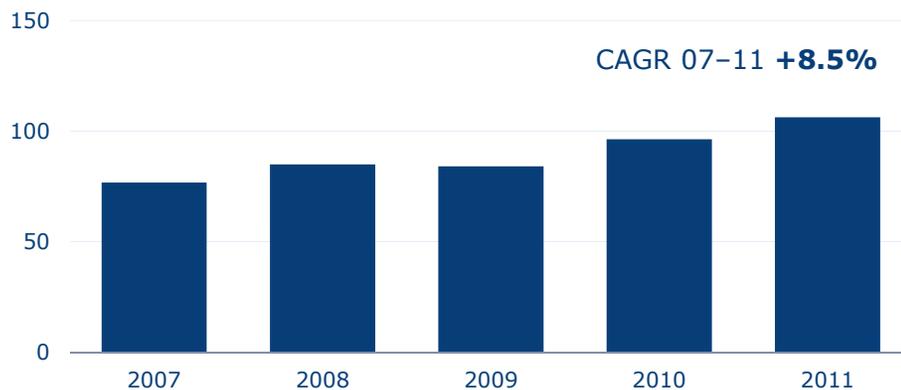


* Source: TNS Atlas, an on-going survey covering almost all Finnish media titles and their use in different channels (newspapers, TV channels, websites, magazines, radio). For Helsingin Sanomat and Ilta-Sanomat this means the average reach of one published issue and average weekly number of visitors of the website.

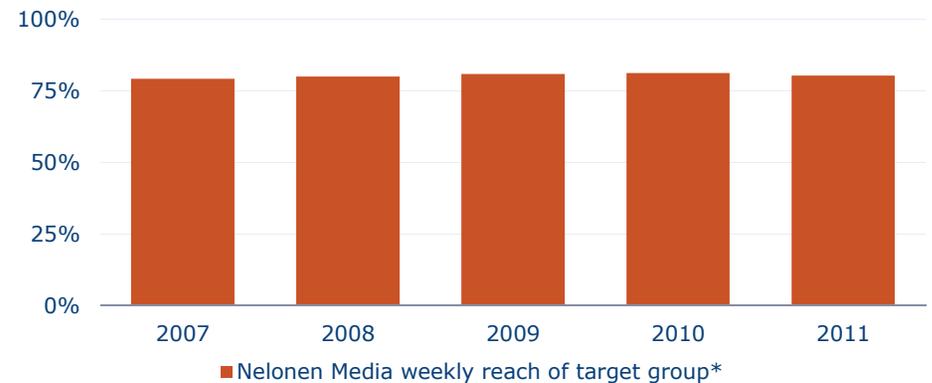
TV in Finland

- Grown to a strong challenger
- Pay TV +41% and online +44% in 2011
 - Online catch-up service market share 25% in Q4/11
- Next steps
 - Strive for market leadership in 10–44 target group
 - Strengthen paid content and online market position
 - Commercialise multimedia market position

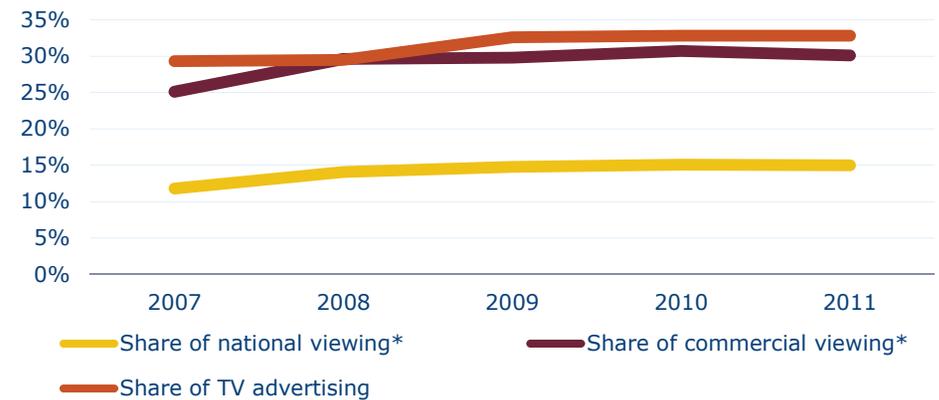
Nelonen Media TV net sales (EUR million)**



Nelonen Media reach of target group (weekly)



Nelonen Media market share (year in average)

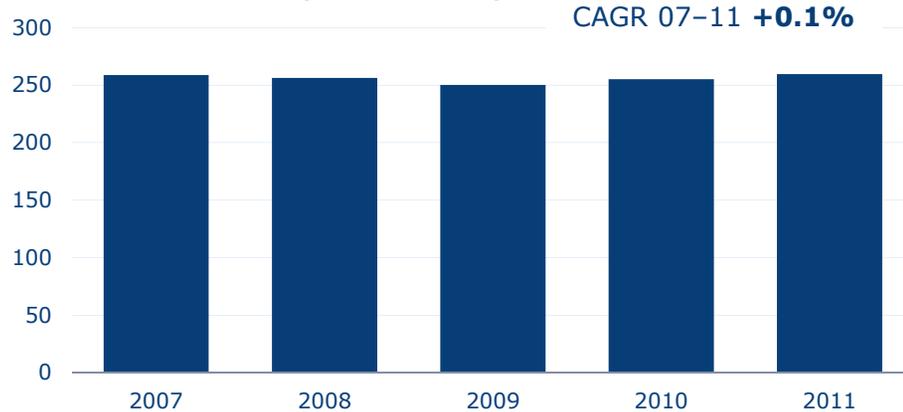


* Target group: 10+ years.
** Includes TV broadcasting, pay TV and online net sales.

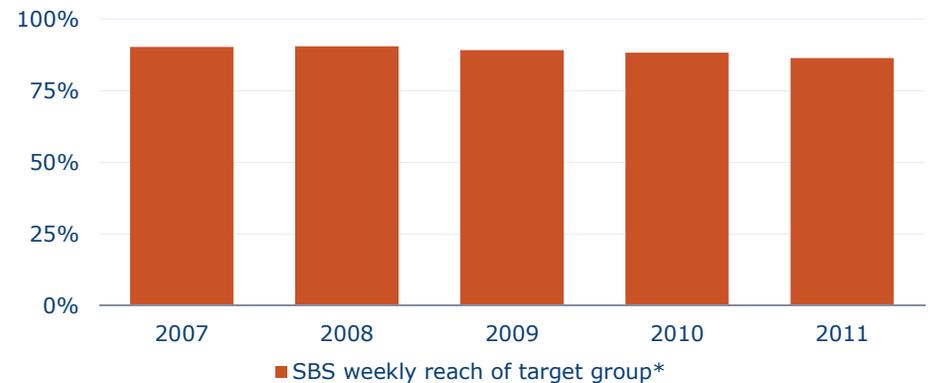
TV in Netherlands

- Turnaround needed to strengthen the challenger position
- Next steps
 - Turnaround - to change the tide of declining viewing and advertising shares
 - Investments and cross promotion to fuel innovation and quality to strengthen viewers interest
 - Focus on multi-platform media format strategy
 - Increased quality of programming management

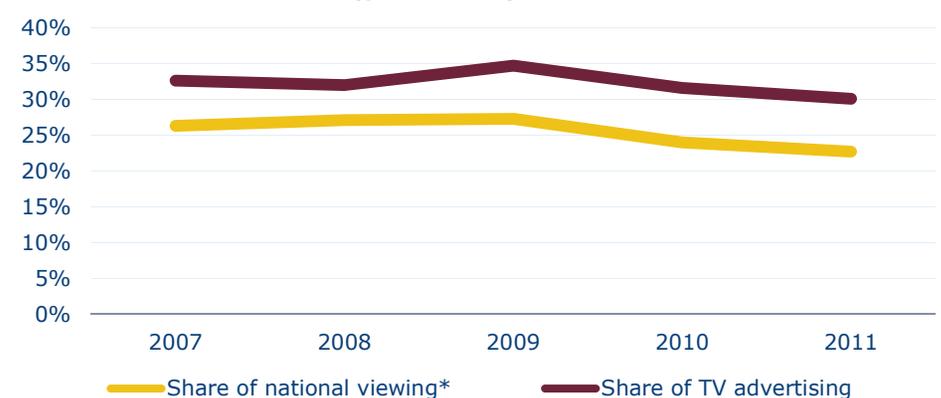
SBS net sales (EUR million)**



SBS reach of target group (weekly)



SBS market share (year-end)

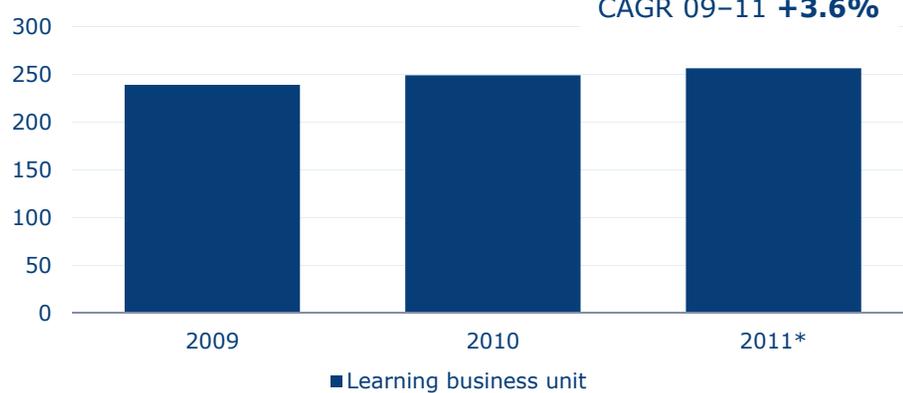


* Target group: 20-49 years.
 ** Includes TV broadcasting, online and other net sales.

Learning business in transformation

- It is all about workflow efficiency and personalised learning
- Next steps
 - Move content to digital
 - Add new functionalities
 - Build modular technology platforms
 - Move to annual subscription model

Net sales (EUR million)



New priorities

Drive cross-media and multi-channel expansion through digital

- Continue to roll-out classical/digital propositions for our core media brands
- Develop online/mobile positions and competencies
- Develop capabilities and offerings for next generation advertising and e-commerce services
- Further extend positions for online TV, electronic programme guide and second screen
- Develop e-learning content and platforms to support workflow efficiency and personalised learning
- Experiment with digital services that support consumer media experience

New priorities

Streamline OPEX and ensure financial flexibility

- Focus on cash flows, including
 - Operational benchmarking
 - Working capital efficiency
 - Centralised procurement function
 - Efficiency in shared services
 - Number of legal entities
 - CAPEX efficiency
- Divest non-core assets

Sanoma's medium term ambition is to regain a capital structure corresponding to an investment grade company profile

New priorities

Transforming Sanoma's culture

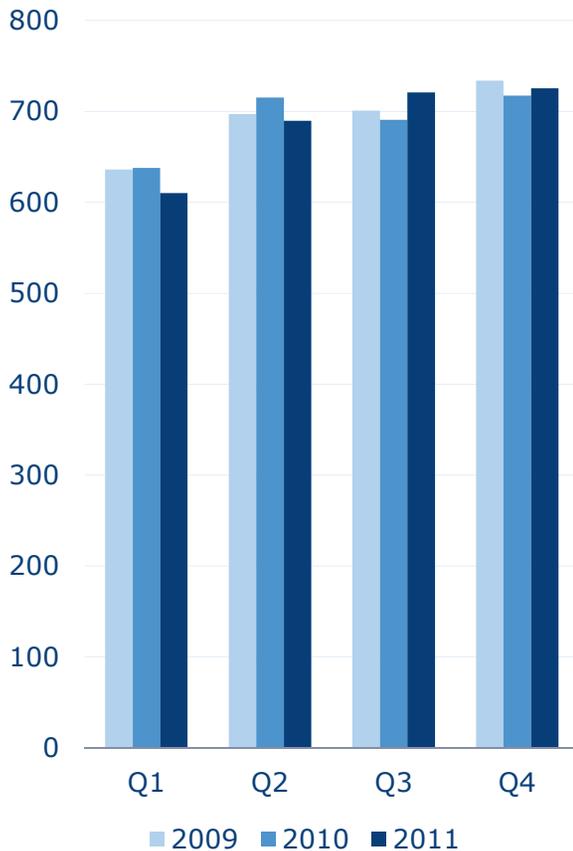
- Nurture our winning culture and build a higher-performing company
- Strong emphasis on customer insight: we know our consumers, advertisers, pupils and teachers
- Adopt new mind-sets in driving growth and innovation
 - From selling inventory to selling services and solutions
 - From one platform to cross-media and multi-channel
- Improve internal co-operation and sharing



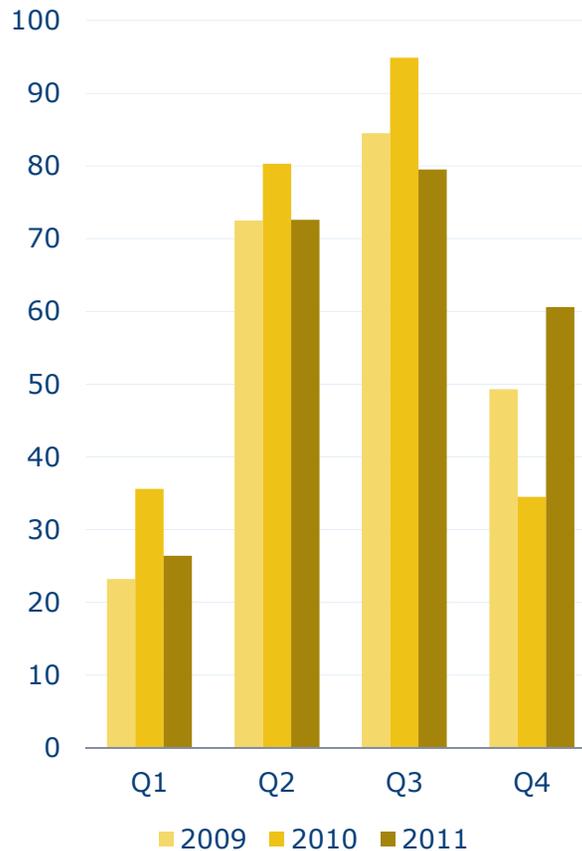
Significant changes in portfolio mix

Stable net sales, EBIT and cash flow generation

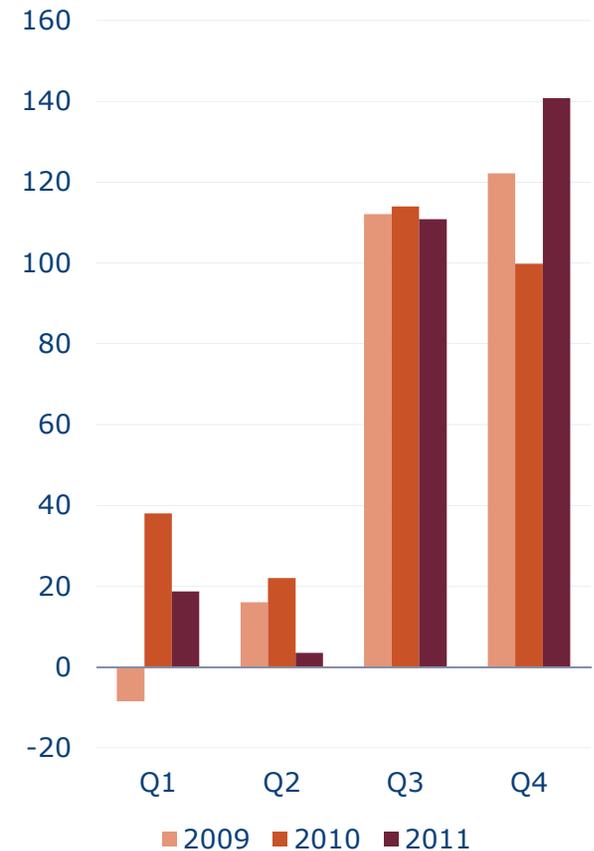
Net sales (EUR million)



EBIT excluding non-recurring items (EUR million)



Cash flow from operations (EUR million)





Financials

Kim Ignatius

CFO



Financial highlights

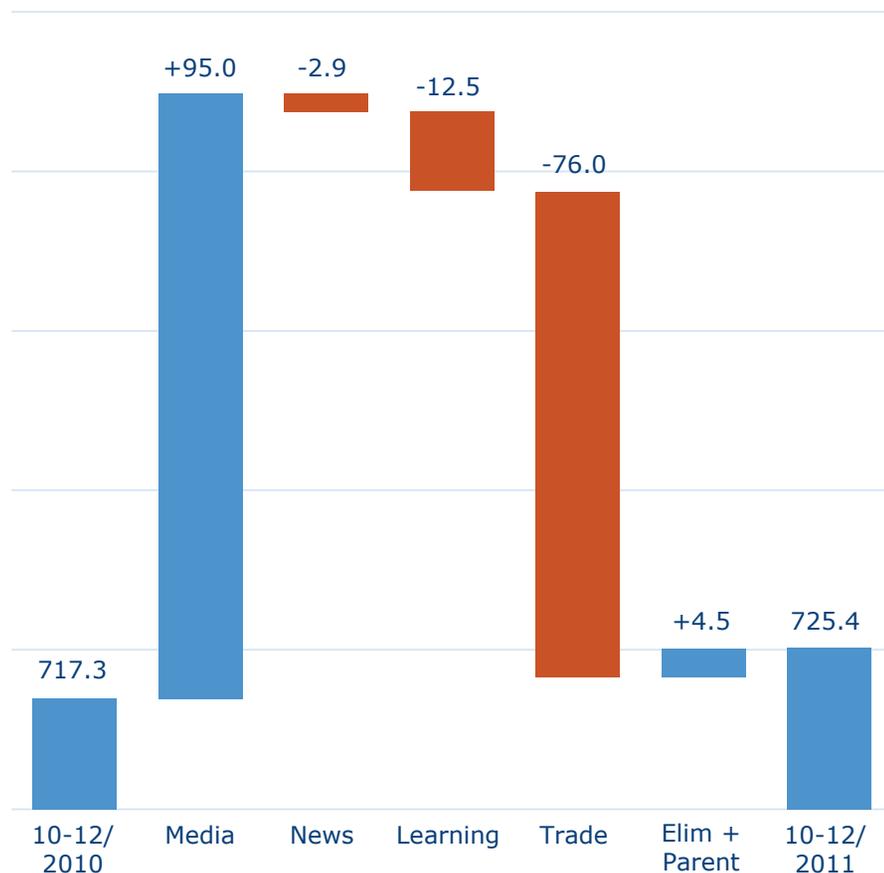
Q4 2011

EUR million	10-12/2011	10-12/2010	Change %
Net sales	725.4	717.3	+1.1
EBITDA excl. non-recurring items	146.2	79.5	+84.0
<i>of net sales</i>	20.2%	11.1%	
EBIT excl. non-recurring items	60.6	34.5	+75.6
<i>of net sales</i>	8.4%	4.8%	
EBIT	51.9	27.4	+89.9
EPS excl. non-recurring items, EUR	0.18	0.04	+350.0
EPS, EUR	0.11	-0.01	n/a
Cash flow from operations/share, EUR	0.86	0.62	+38.7
Number of employees (FTE)*	13,646	15,405	-11.4

Asset mix changed

Net sales – Q4 2011

EUR million



(%)	Growth	Organic growth	Share of net sales	2011 organic growth
Group	+1.1	-1.8		+0.3
Media	+27.1	-4.4	60.7	-0.4
News	-2.5	-1.8	15.2	+1.9
Learning	-19.1	-4.6	7.2	-1.0
Trade	-37.9	+3.2	16.9	+0.1

Media: Consolidation of acquired operations and good development in Finnish TV operations

News: Macro-economic uncertainty clearly affected advertising sales

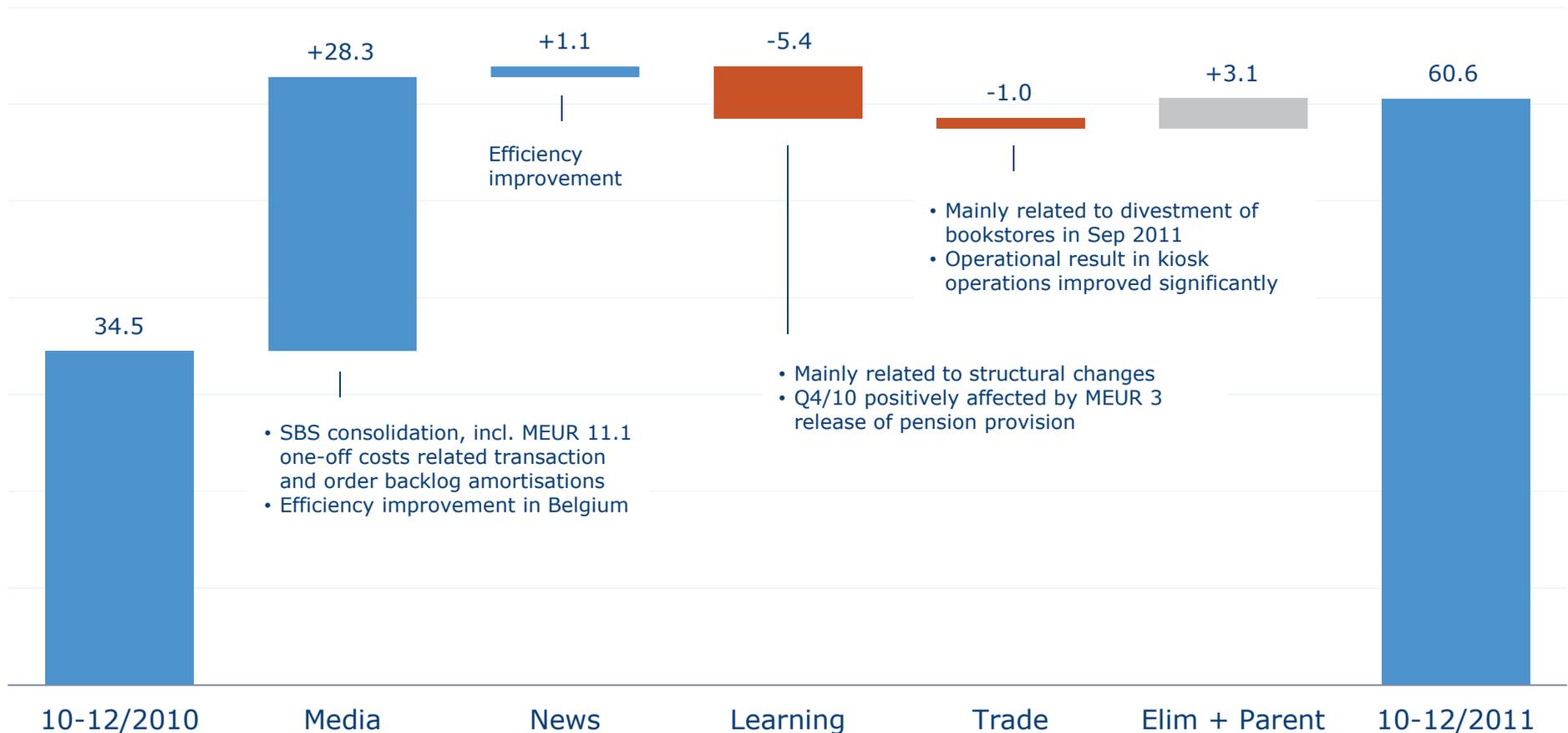
Learning: Divestment of operations and disappointing development of translation and localisation services

Trade: Divestment of operations, but remaining operations growing

Structural changes, efficiency improvements

EBIT excl. non-recurring items – Q4 2011

EUR million



Items related to SBS transaction

Post acquisition

Transaction related items, EUR million	2011 estimate (pre acquisition)	2011 actual	2012 → annual estimate (post acquisition)
Above EBITDA			
Transaction costs	10.0	16.8	n/a
Below EBITDA			
Amortisation of trade names*	3.3	2.8	6.5
Amortisation of customer and distribution relations**	2.2	2.5	5.6
Amortisation of order backlog	32.0	17.6	n/a
Below EBIT			
Capitalised finance costs***	0.8	0.8	1.8

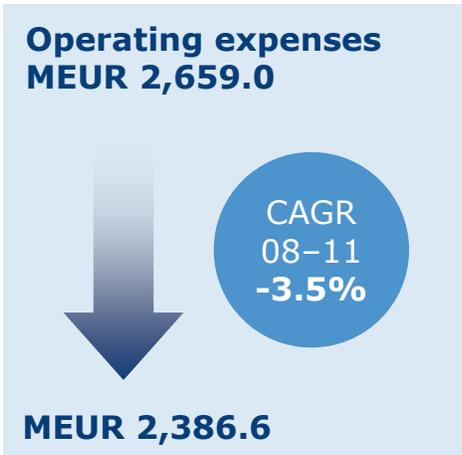
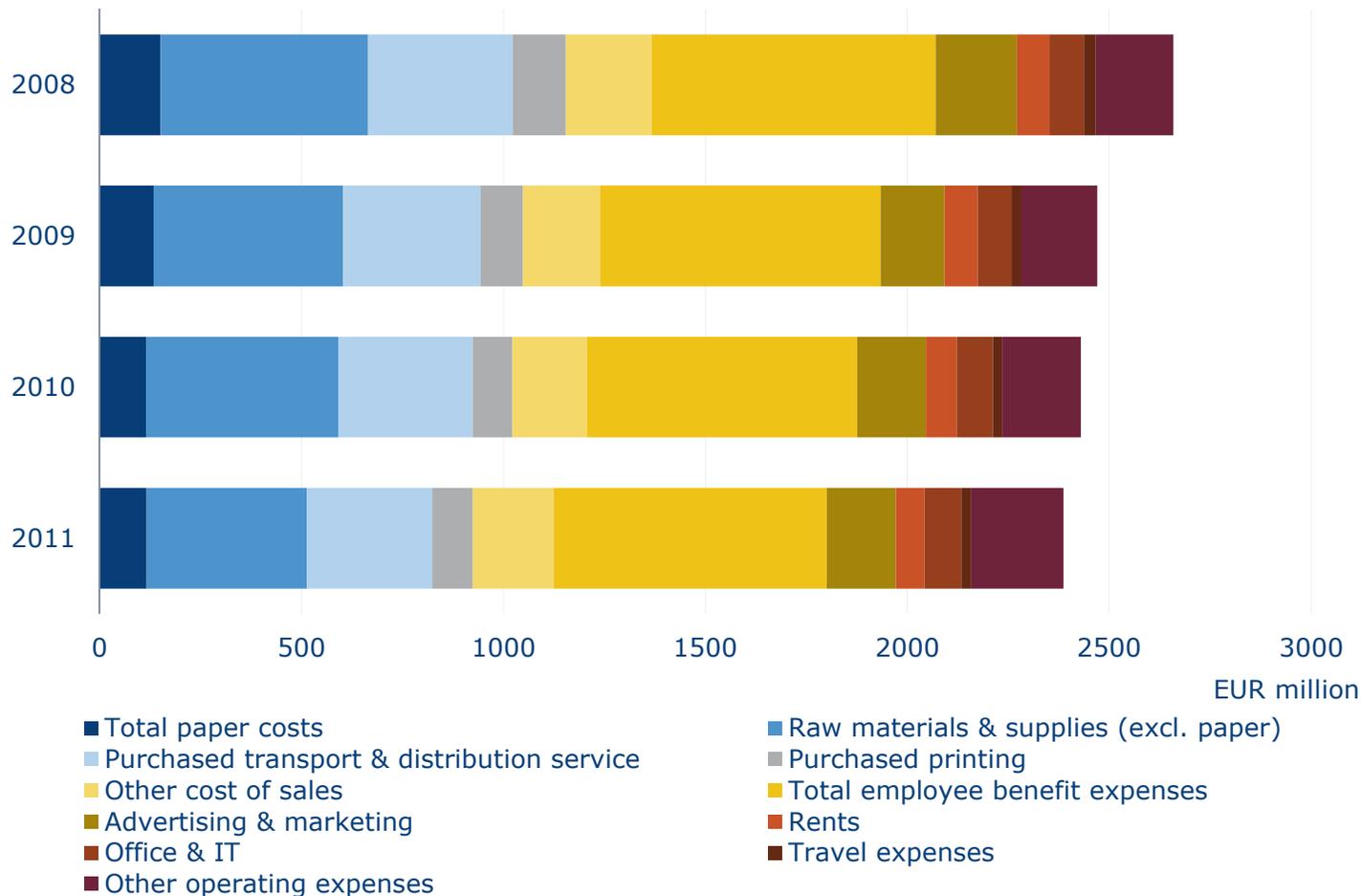
- SBS transaction EPS accretive as of 2012
- Goodwill related to SBS acquisition EUR 914 million (pre-acquisition estimate EUR 900 million)

Income Statement

EUR million	1-12/2011	1-12/2010	Change
Net sales	2,746.2	2,761.2	-15.0
EBITDA excl. non-recurring items	469.5	406.3	63.2
<i>of net sales</i>	17.1%	14.7%	
Amortisations related to programming rights	92.9	36.3	-56.7
Other amortisation	52.1	28.2	-23.9
Depreciations related to prepublication rights	21.1	18.1	-3.0
Other depreciations	64.3	78.4	14.1
EBIT excl. non-recurring items	239.1	245.4	-6.3
<i>of net sales</i>	8.7%	8.9%	
Total financial items	-35.2	-12.8	-22.4
Effective tax rate	40.3%	16.5%	
EPS excl. non-recurring items, EUR	0.87	0.94	-0.07

Operating expenses down by 1.8% in 2011

Net sales decreased by 0.5%



Free cash flow

Cash flow from operations less CAPEX

EUR million	1-12/2011	1-12/2010	Change
EBITDA excl. non-recurring items	469.5	406.3	63.2
TV programming costs	92.0	33.8	58.1
Prepublication costs	28.4	24.7	3.7
Change in working capital	50.2	5.2	45.0
Interest paid	23.6	13.7	9.9
Other financial items	-17.4	-3.2	14.2
Taxes paid	65.5	53.9	11.6
Other adjustments*	-19.0	-8.3	10.7
Cash CAPEX	70.8	81.8	-11.0
Free cash flow	203.0	192.0	11.0

Debt portfolio

31 December 2011

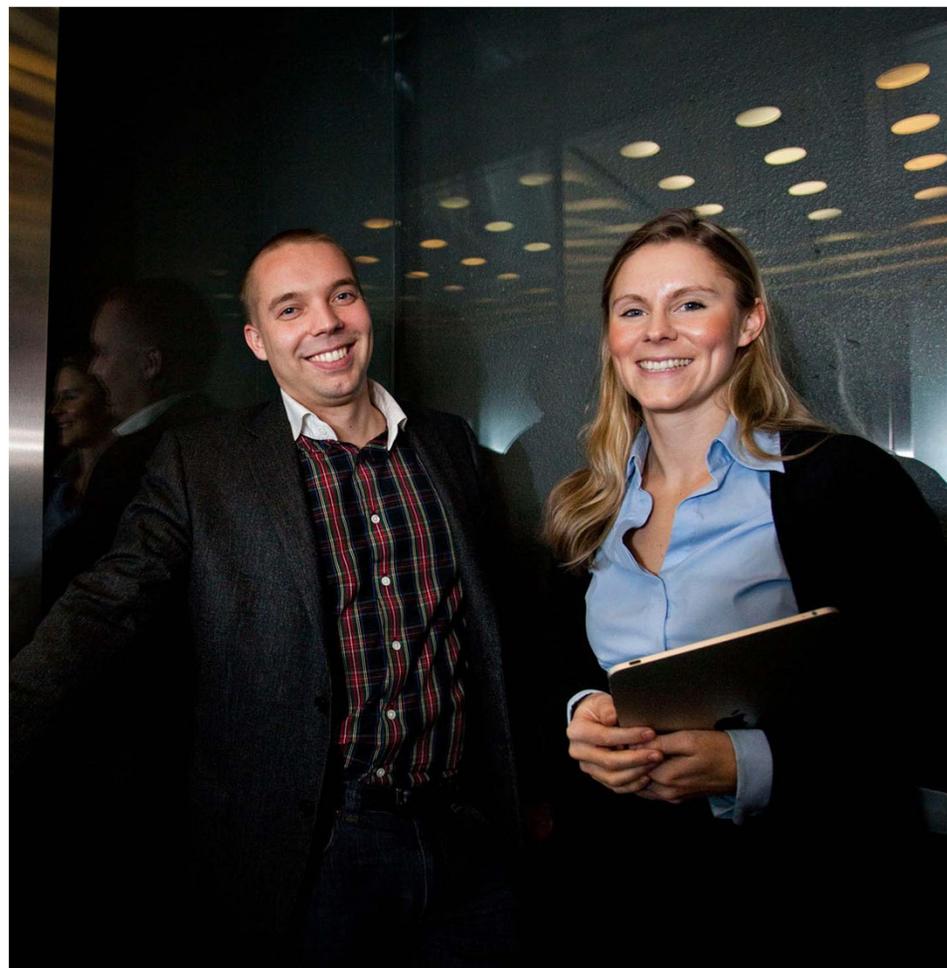
Committed credit facilities profile*
(EUR million)



- Gross debt EUR 1,727.2 million and net debt EUR 1,611.2 million
 - Average interest rate just below 2.5% p.a.
 - Post tax interest expense would increase by EUR 8.5 million, should the level in market interest rates make a parallel shift of one percentage point
- EUR 800 million Finnish CP program and EUR 300 million Belgian CP program
 - Mainly used for operational cash management (fully backed)
 - Typically outstanding EUR 250–400 million

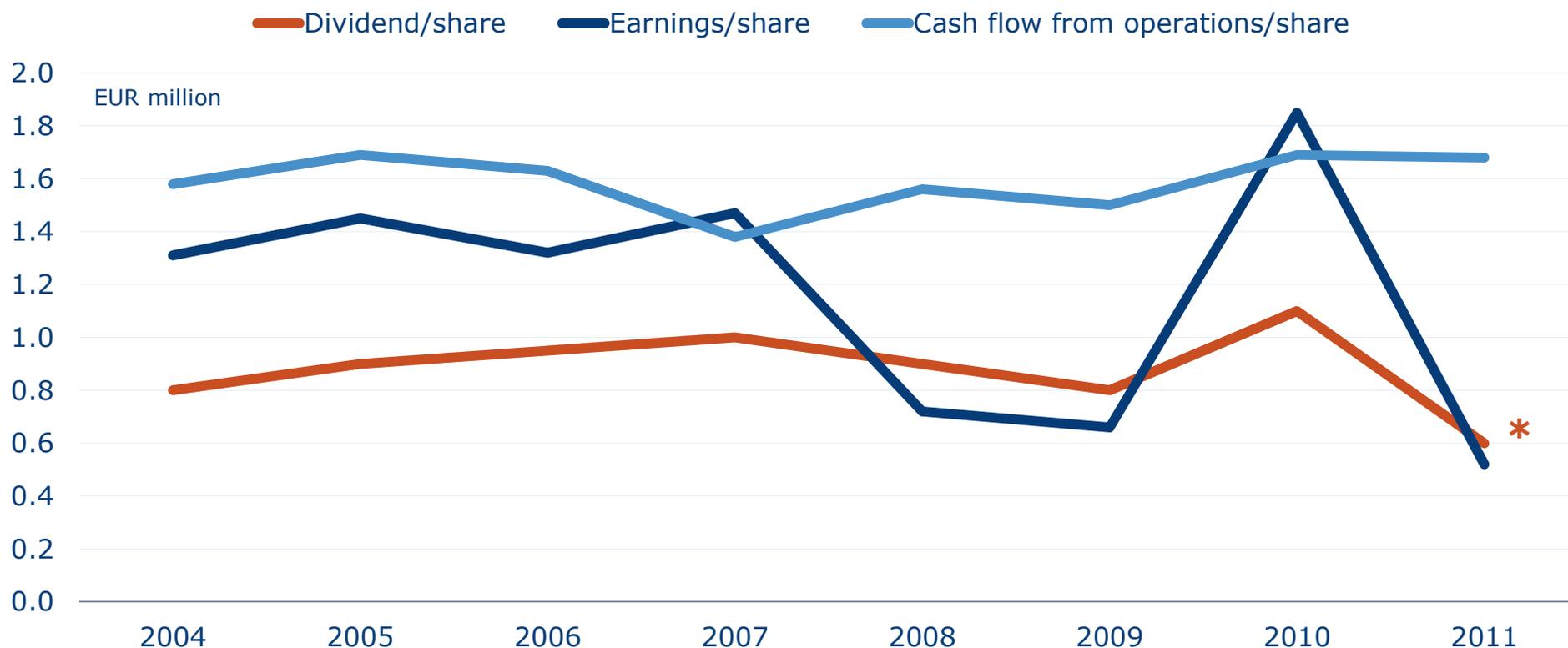
Material pension fund obligations

- The Netherlands
 - Market value of the assets
EUR 366.8 million
 - Pension obligations
EUR 352.6 million
- Finland
 - Market value of the assets
EUR 143.2 million
 - Pension obligations
EUR 137.0 million



High dividend yield – based on solid cash generation

Dividend yield of 6.8% in 2011**



Cash flow from operations stable over the years

Outlook for 2012

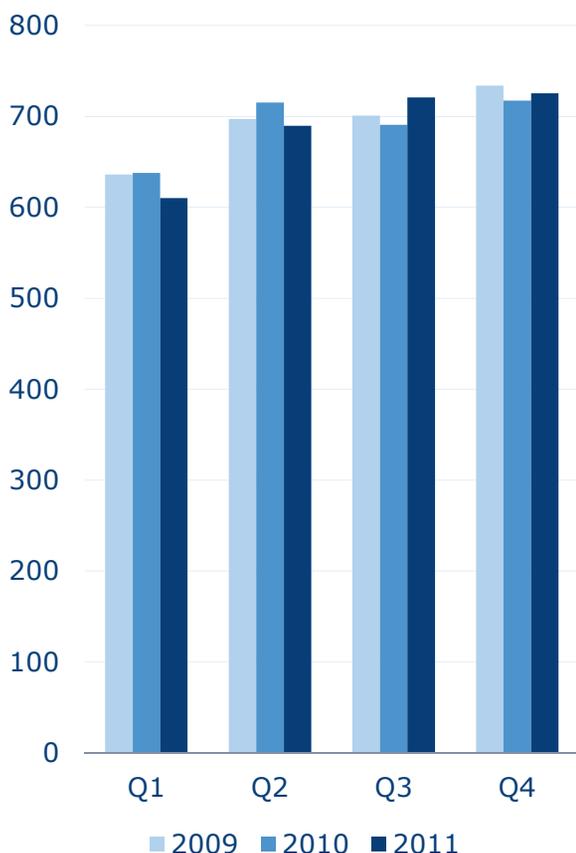
- Net sales to **grow slightly**, mostly due to the acquired SBS operations in the Netherlands and Belgium
 - In 2011, net sales were EUR 2,746.2 million
- Operating profit margin, excluding non-recurring items, is estimated to be **around 10%** of net sales
 - In 2011, operating profit margin, excluding non-recurring items, was 8.7% of net sales
- Earnings per share excluding non-recurring items are estimated to **grow**
 - In 2011, earnings per share excluding non-recurring items were EUR 0.87
- The outlook is based on the assumption that the advertising markets in the Group's main operating countries will vary **from stable to slightly decreasing**, as the economic uncertainty continues



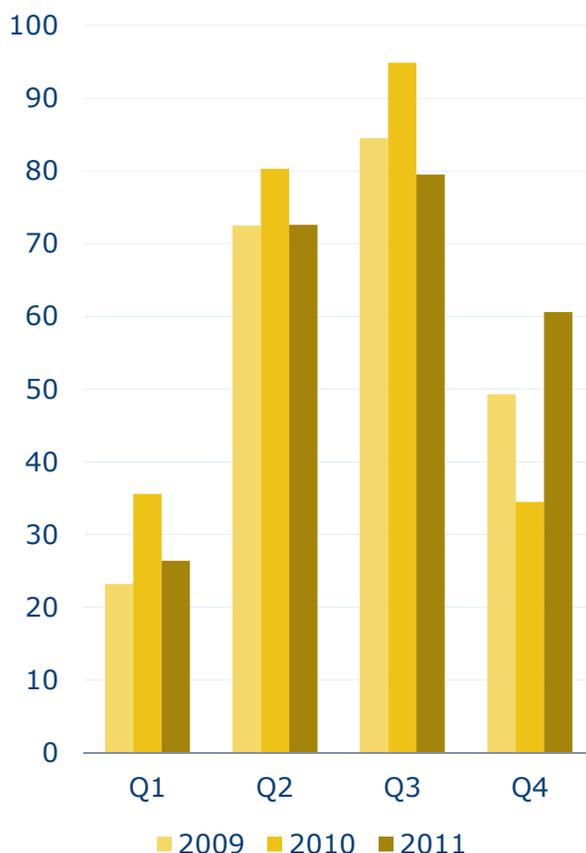
Seasonality between the quarters

Annual net sales, EBIT and cash flow generation stable over the years

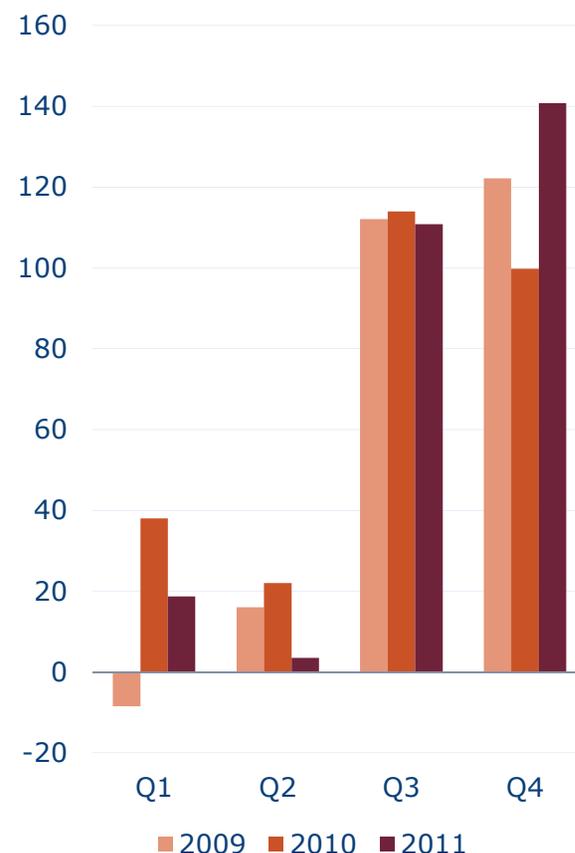
Net sales (EUR million)



EBIT excluding non-recurring items (EUR million)



Cash flow from operations (EUR million)





Inspires, Informs and Connects

Appendix Interim Report Q4 2011

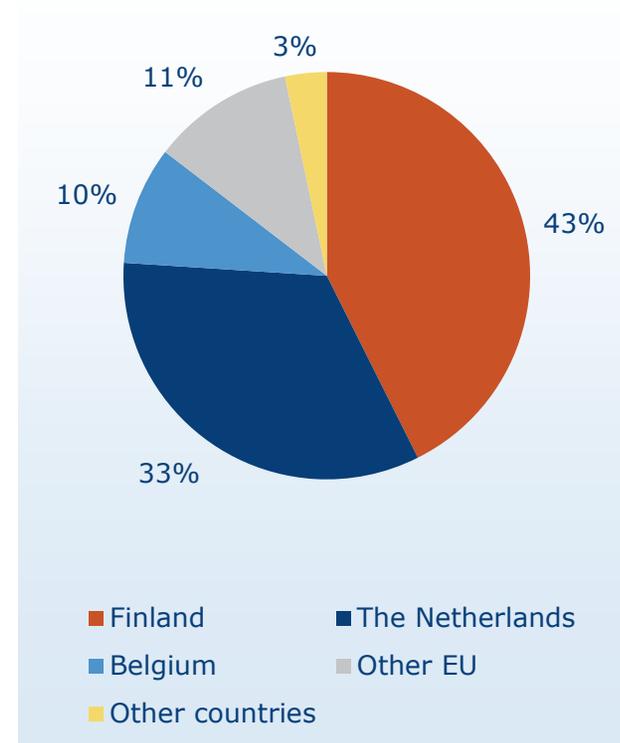
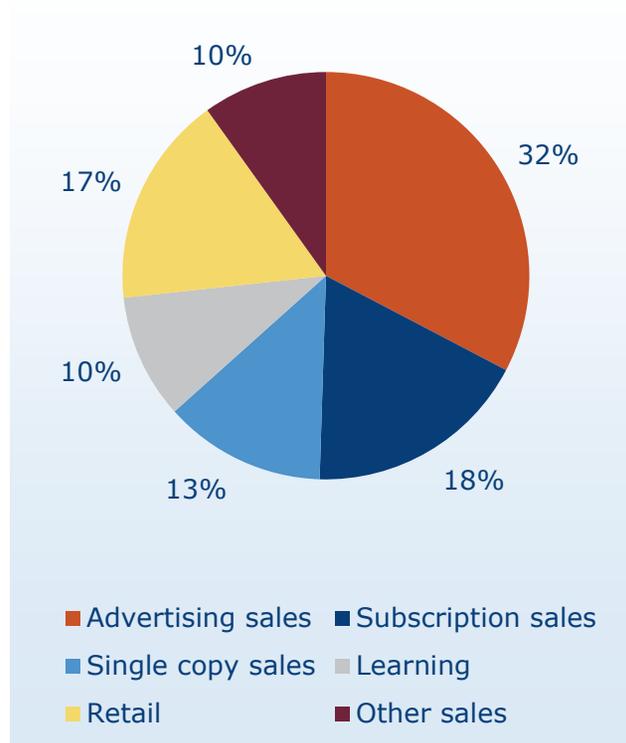
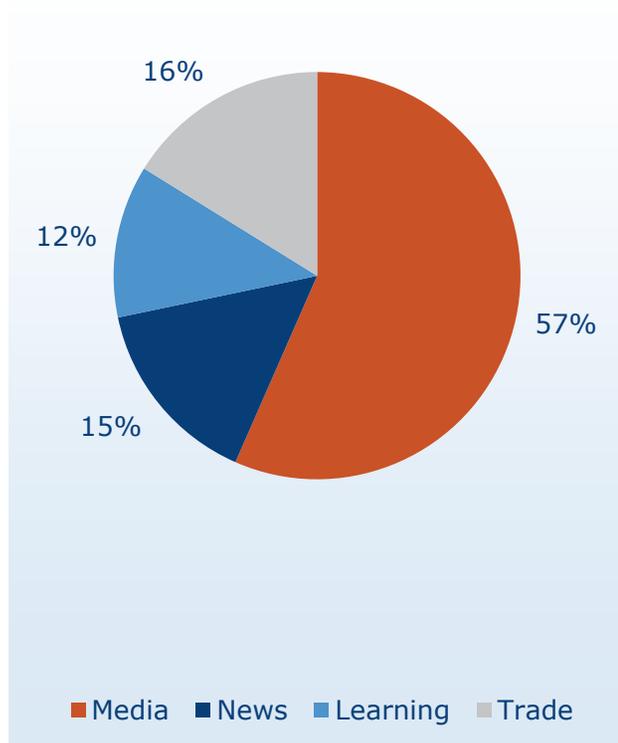
Sanoma Pro Forma*

2011

Sales **by operating segment**

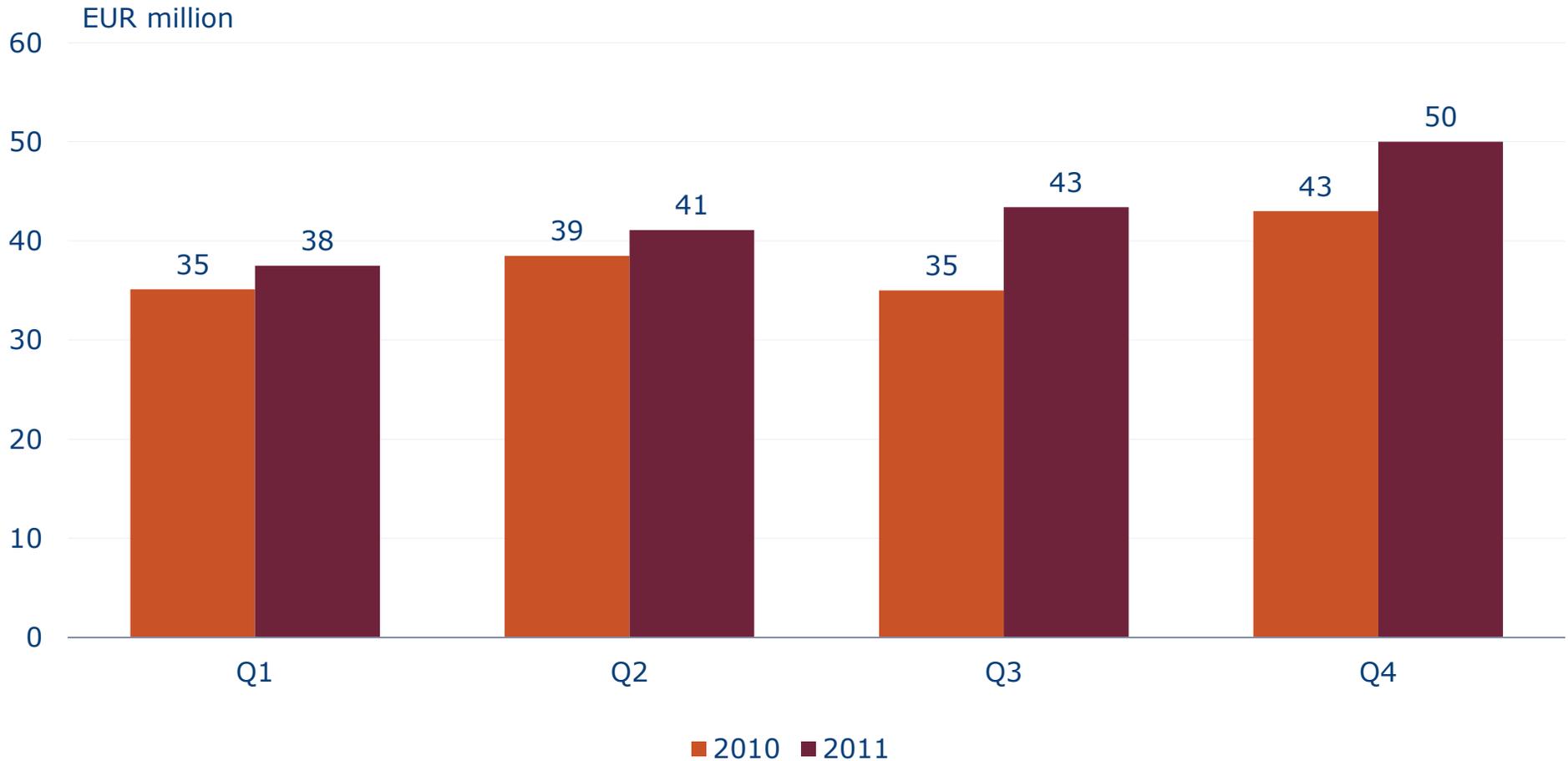
by type of sales

by geographic area



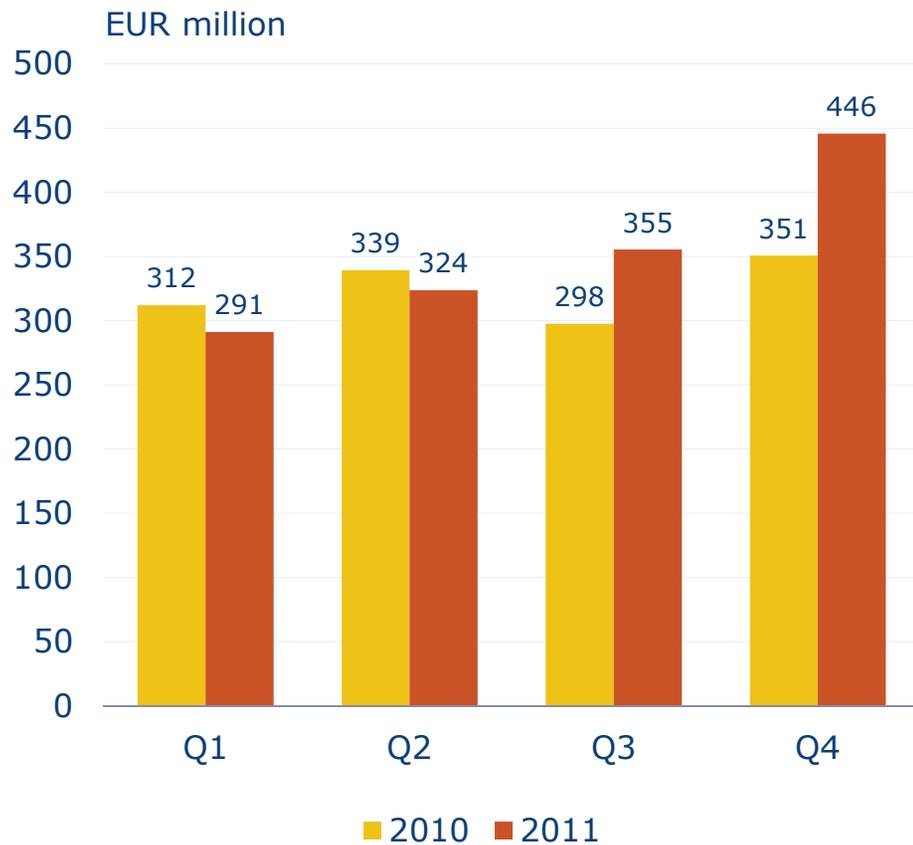
* Net sales split after the transactions of SBS, movie operations, bookstores, Trade's Romanian, Russian and Latvian operations, learning in Finland and Sweden as well as general literature

Consumer online sales up by 16.3% in Q4 and 13.2% in 2011

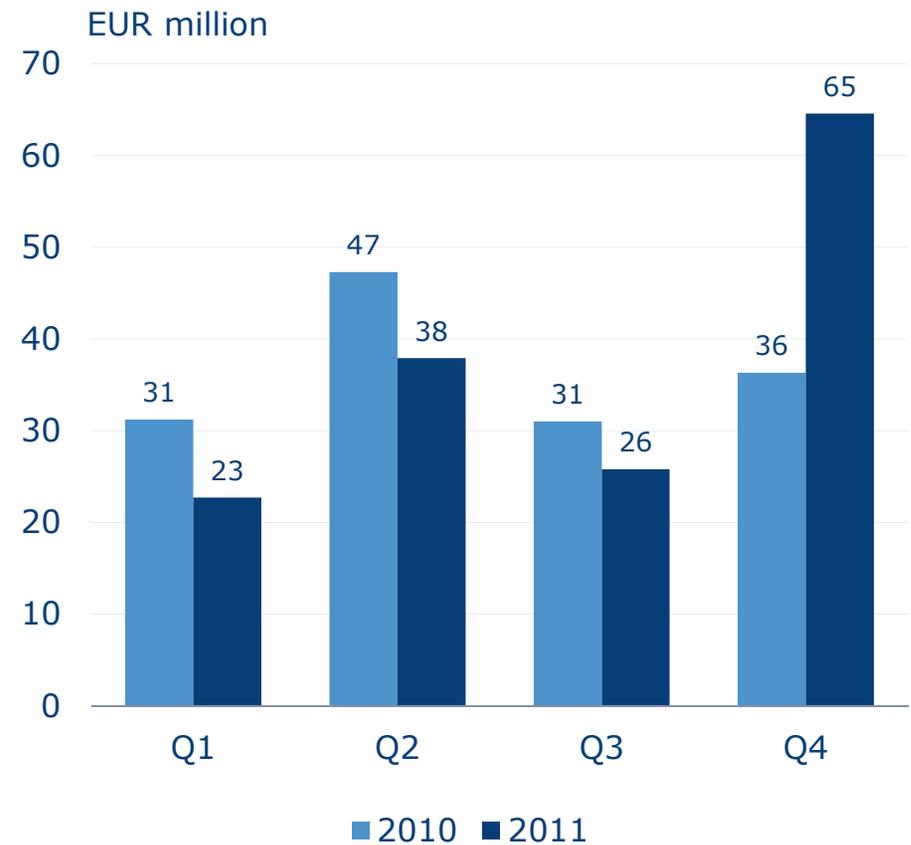


Sanoma Media

Net sales



EBIT excluding non-recurring items



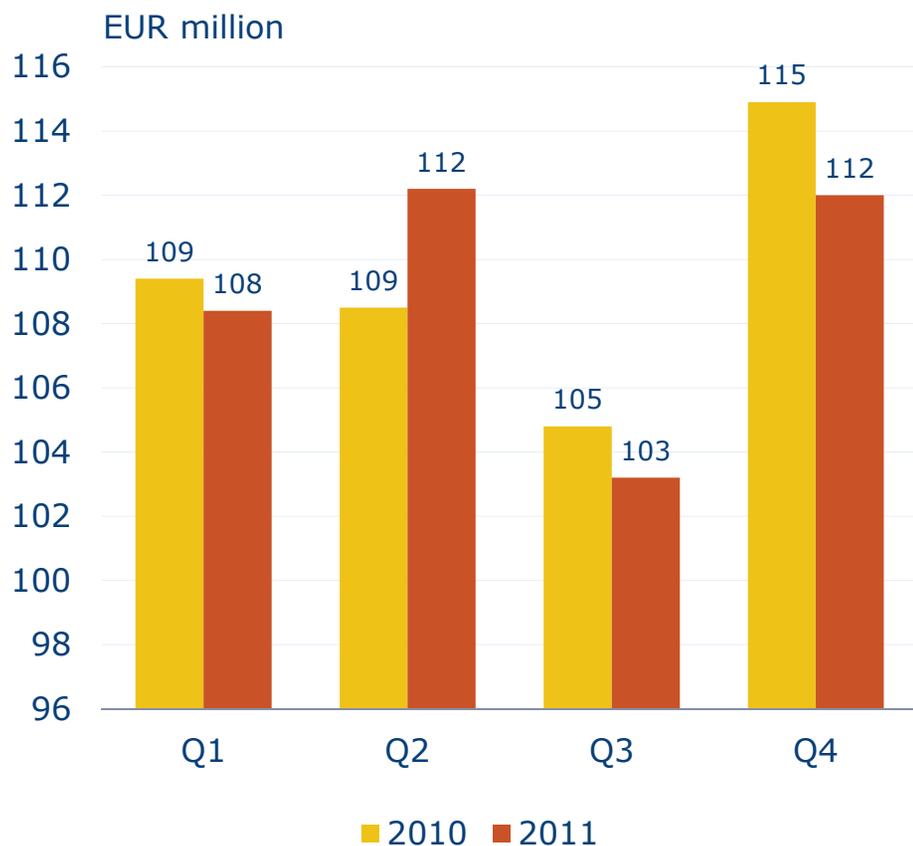
Sanoma Media

Key figures

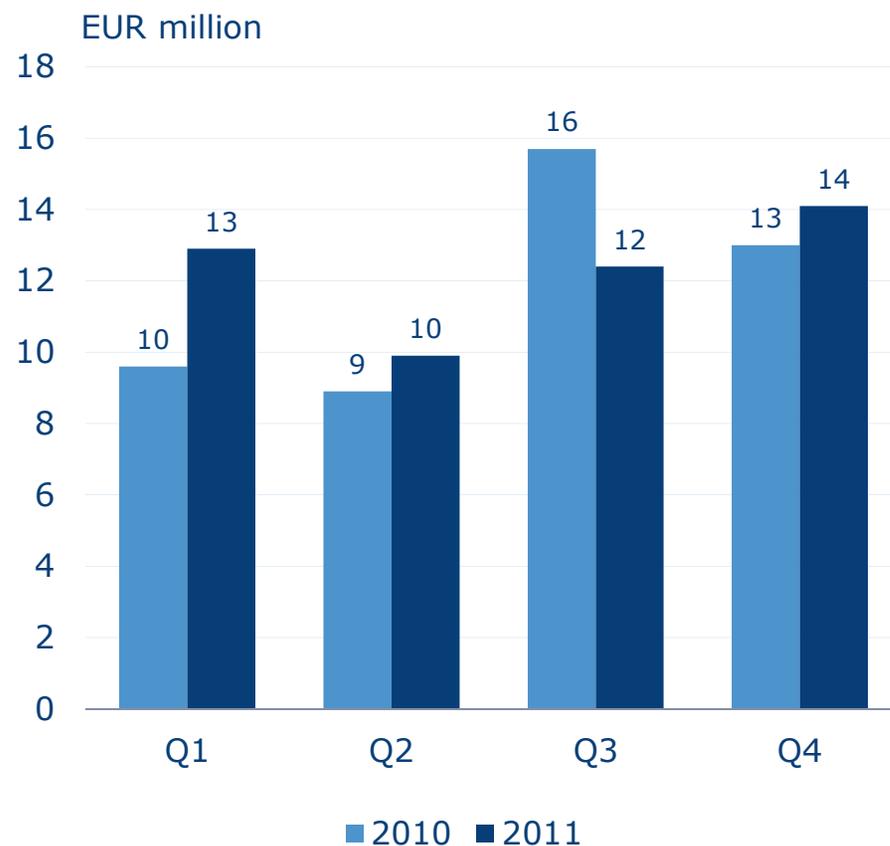
EUR million	10-12/ 2011	10-12/ 2010	Change %	1-12/ 2011	1-12/ 2010	Change %
Net sales	445.6	350.6	+27.1	1,415.8	1,299.6	+8.9
The Netherlands	232.2	136.1	+70.5	642.0	490.4	+30.9
Finland	86.2	87.4	-1.4	309.7	339.3	-8.7
Russia & CEE	56.7	60.9	-6.9	213.1	214.9	-0.8
Belgium	61.9	53.8	+15.1	209.1	208.3	+0.4
Other businesses and eliminations	8.6	12.4	-30.2	41.8	46.7	-10.5
EBIT excluding non-recurring items	64.6	36.3	+77.9	151.1	145.8	+3.6
% of net sales	14.5	10.4	n/a	10.7	11.2	n/a
Number of employees (FTE)*	n/a	n/a	n/a	5,844	5,419	+7.8

Sanoma News

Net sales



EBIT excluding non-recurring items



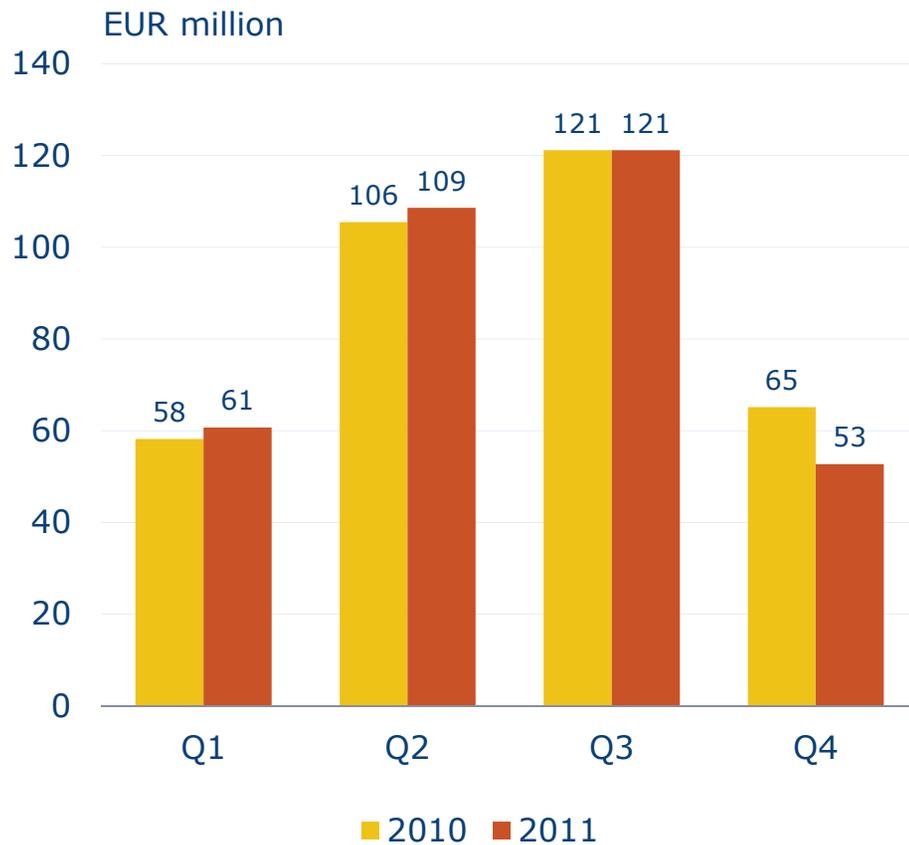
Sanoma News

Key figures

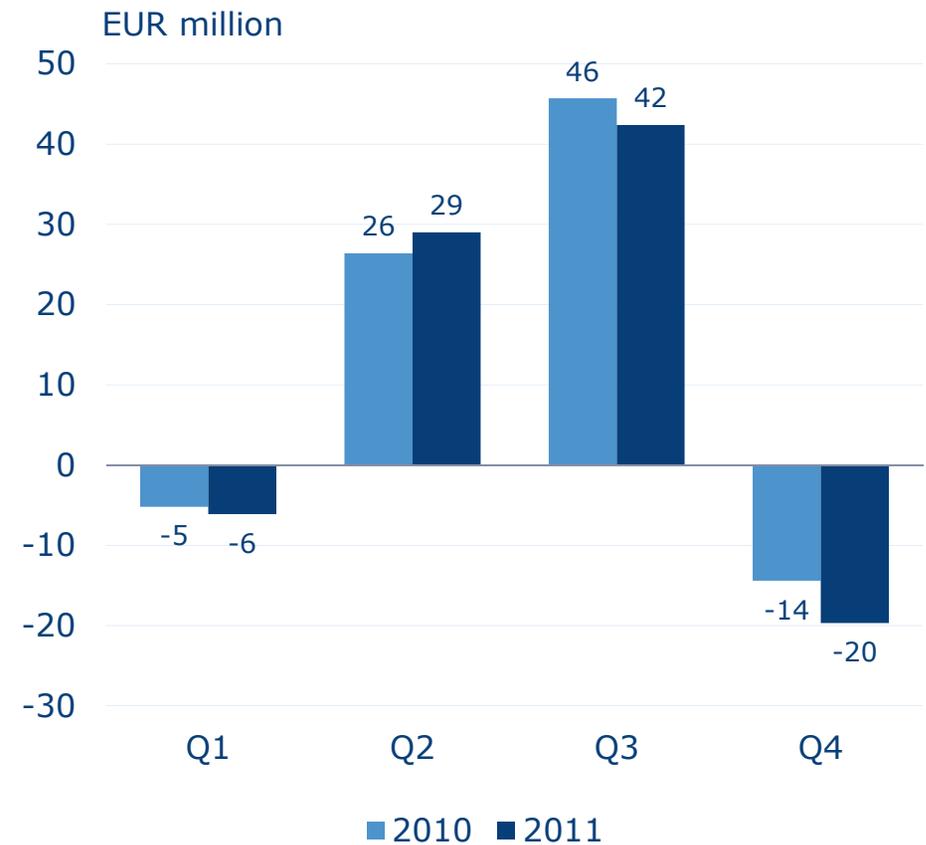
EUR million	10-12/ 2011	10-12/ 2010	Change %	1-12/ 2011	1-12/ 2010	Change %
Net sales	112.0	114.9	-2.5	435.8	437.6	-0.4
Helsingin Sanomat	60.8	64.1	-5.1	238.5	235.4	+1.3
Ilta-Sanomat	21.6	21.6	-0.1	84.4	83.3	+1.4
Other publishing	25.4	25.0	+1.7	97.0	99.5	-2.5
Other businesses and eliminations	4.2	4.2	-0.1	15.9	19.4	-18.0
EBIT excluding non-recurring items	14.1	13.0	+8.6	49.4	47.2	+4.6
% of net sales	12.6	11.3	n/a	11.3	10.8	n/a
Number of employees (FTE)*	n/a	n/a	n/a	2,025	2,016	+0.4

Sanoma Learning

Net sales



EBIT excluding non-recurring items



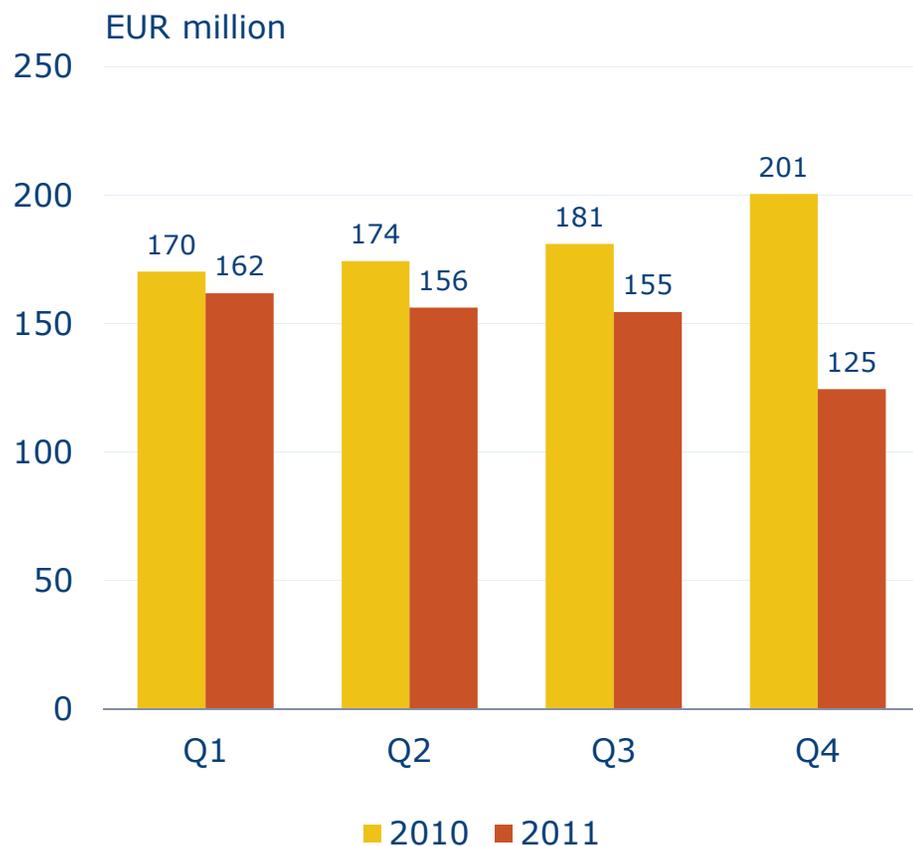
Sanoma Learning

Key figures

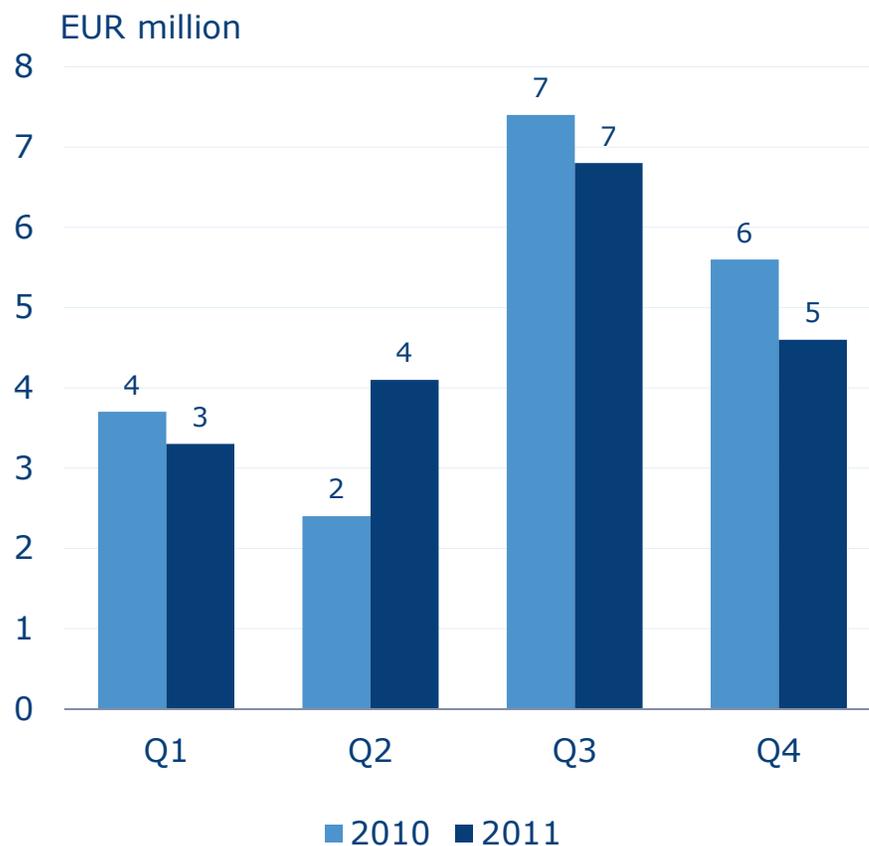
EUR million	10-12/ 2011	10-12/ 2010	Change %	1-12/ 2011	1-12/ 2010	Change %
Net sales	52.7	65.1	-19.1	343.1	350.1	-2.0
Learning	34.7	33.7	+2.8	256.6	249.3	+3.0
Language services	8.4	8.9	-5.6	32.4	27.1	+19.4
Literature and other businesses	10.4	24.8	-58.0	59.5	83.6	-28.9
Eliminations	-0.8	-2.2	+64.8	-5.4	-9.9	+45.7
EBIT excluding non-recurring items	-19.7	-14.4	-37.4	45.5	52.6	-13.4
% of net sales	n/a	n/a	n/a	13.3	15.0	n/a
Number of employees (FTE)*	n/a	n/a	n/a	2,489	2,656	-6.3

Sanoma Trade

Net sales



EBIT excluding non-recurring items



Sanoma Trade

Key figures

EUR million	10-12/ 2011	10-12/ 2010	Change %	1-12/ 2011	1-12/ 2010	Change %
Net sales	124.5	200.5	-37.9	597.0	726.3	-17.8
Kiosk operations	94.0	102.4	-8.2	379.2	398.4	-4.8
Trade services	28.6	34.5	-16.9	121.7	131.3	-7.3
Bookstores	3.7	43.2	-91.5	77.0	120.6	-36.2
Movie operations	0.0	23.9	-100.0	28.4	90.0	-68.4
Eliminations	-1.8	-3.5	47.2	-9.2	-14.0	33.8
EBIT excluding non-recurring items	4.6	5.6	-18.7	18.8	19.1	-1.4
% of net sales	3.7	2.8	n/a	3.1	2.6	n/a
Number of employees (FTE)*	n/a	n/a	n/a	3,110	5,149	-39.6

Important notice

The information above contains, or may be deemed to contain, forward-looking statements. These statements relate to future events or future financial performance, including, but not limited to, expectations regarding market growth and development as well growth and profitability of Sanoma. In some cases, such forward-looking statements can be identified by terminology such as “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of those terms or other comparable terminology. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Future results may vary from the results expressed in, or implied by, the forward-looking statements, possibly to a material degree. All forward-looking statements included herein are based on information presently available to Sanoma and, accordingly, Sanoma assumes no obligation to update any forward-looking statements, unless obligated to do so pursuant to an applicable law or regulation.

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