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Presenters: **Susan Duinhoven, Kim Ignatius**

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Pekka Rouhiainen: Alright ladies and gentlemen, welcome to Sanoma's Q4 2015 Results Publication and Webcast. My name is Pekka Rouhiainen, I'm the Investor Relations Manager here at Sanoma. With me today are Susan Duinhoven, Sanoma's President and CEO; as well as Kim Ignatius, CFO. After the presentations as usual you will have the chance to ask questions both here in the studio and also over the phone, but without further introductions, Susan, please go ahead.

Susan Duinhoven: Pekka, thank you very much and a warm welcome to you all. I will give a short summary on one slide and then deepen each of these points a bit further out before handing over to Kim to go into more of the financial details. Overall we had a quite ok fourth quarter in 2015 after a difficult year. We managed with the fourth quarter to exceed the overall expectations that we set ourselves during the summer and I think this morning we had very good news to be able to have announced that we have signed the 500 million revolving credit facility and have secured that for the next four years with a one year extension. We also rounded off in 2015 our focus on our portfolio, so all those divestments have now been done and the last one is in the process of being finalised. We showed solid growth in the new media area and for 2016 we can also announce our outlook of significantly improved profitability, so I will go into a bit of detail on that, but first looking back at 2015. We exceeded modest expectations and after of course a difficult year it was good to see that in Finland there was a good fourth quarter – specifically good there was the B2B sales where we managed to stay stable in revenues and actually a little bit over the previous year which is in a declining market of course indicating a gain of share. We also had good cost savings but there I just want to indicate that in those cost savings were also quite a number of one-offs, so there be careful in extrapolating that too much. The new media sales grew and is now in Finland representing 38% of our total revenues. Just take as an example even though it's a small business that radio managed to grow with 17% in the full 2015 in a market that grew a little bit but there you really see that the creativity of the team managed to grow that pretty significantly.

So overall a satisfying result in Q4 after a difficult year and in a challenging market. If we then look at Benelux, Netherlands and Belgium, there you see that the cross-media approach really started to pay off in 2015: a strong increase both in viewer and in advertising share in SBS; stabilising consumer revenues on the magazine side with a good cross-media approach to these media brands; and then of course what we already indicated the last time that we were here together with the Q3 presentation, we indicated that in Q4 we would take an additional amortisation in TV in the Netherlands and that of course impacted profitability, but overall business-wise a good year for BeNe. In learning, a bit of a mixed picture there: strong growth in non-print in the footprint markets; a very good rollout of the digital platform Bingel which was a success in Belgium and we managed to roll that out in Finland and in Sweden, and that it's pretty unique for learning methods to be able to roll that out internationally – a significant market share gain in Poland. The Polish market was a difficult, declining market due to governmental restrictions and changes in the regulations. So growing share, but in a sharp, declining market.

Then what we already touched on the last time around, YDP, our small Polish unit that is selling to emerging markets and they are selling to distributors, they had a difficult period. We have done a full re-grip on that operation and now in the fourth quarter we have also taken a sharp look at the balance sheet and therefore taken the opportunity to actually do quite a significant write-down on assets that were there to bring it in line with the adjusted business model.

So overall in learning a good year in the footprint markets, in Polish markets some difficulties but a good gain in share.

Now of course we're exposed to the advertising markets and the advertising markets are still very volatile and also difficult. If you look at the Netherlands then the fourth quarter showed a very modest growth, overall brought the year on 1% growth but if you look at the Finnish market there you see a declining market and that is already for a number of quarters and actually a number of years in a row. So there in all the core, the largest markets within newspapers and TV, a pretty significant decline. As we then look at 2016 we do not expect that to change, so we expect for the Finnish advertising market to remain under pressure, the Dutch market to be stable, maybe a very small increase but definitely not the type of increases that we've seen in 2014.

Now if we then look at the group outlook you see then also that advertising market forecast reflected into our revenue forecast where we say that will be a net sales development like for like in line with last year or slightly improving, so a decline of last year of 3.4% also going into 2016 and at best a little bit better. Then the operational EBIT margin even with that modest revenue forecast, we expect the profitability to go up and to be over 7% and operational EBIT margin is what we previously called EBIT excluding non-recurring items.

So overall an outlook of an increased profitability and a modest decline in revenues. Then where will that profitability increase come from? When we look at Finland we really see the turnaround gathering speed. On the consumer sales side we expect like we've seen now in the second half of the year that our subscription business manages to transform a decline in print to a growth in hybrid sales and therefore new media subscriptions and Helsingin Sanomat for example showed in the fourth quarter almost being able to keep the consumer sales stable. As for that, what we also expect going forward that we will manage a growth in hybrid and digital to compensate for the decline in print. A slight gain in advertising share, we expect in a declining market and then specifically in the Finnish market and we'll go into a little bit of detail there, we also see a number of initiatives on cost and process innovation; and then of course we will have the benefit from last year's 50 million cost reduction programme, that was both to group and to Finland, created cost savings already a bit in 2015 but the full effect will be in 2016.

If we then look at Netherlands and Belgium, there you see that the domain strategy, the cross-media expansion of the brand is and will remain the key differentiator. That is going well, we continue on that strategy and we see the benefits of that. Then of course with the Champions League supporting the SBS viewing share increase that we expect and we will have on the cost side the benefit of the last year announced integration of the pure play digital back office into the cross-media organisation, so there we will have also on those processes the cost innovation applying. If we then look at learning, well invested in a good technological platform, adjusting the offering to the changes in the market and the learning business is a business also with cycles, changes in curriculum that we are now adapting to and launching into; and then continuing those investments in the methods and in the technology. We expect a moderate gain of share in our footprint market, continued pressure on the Polish market but also with the team in place there and the success in market share gain, we expect to be able to mitigate quite a bit of that. Now on the group it will be quite important that the continuous cost and efficiency focus continues in the ways we support our operating businesses. So that is the plan for 2016 and I'm just highlighting one element and this is not unique to Finland, but this programme Suunta, it's a name covering a number of initiatives that are very much part of normal business, but they're touching as you see on all elements going from B2B, to B2C, from front end sales to back end processes, touching on all the different segments and innovating all our core processes. Now nothing more than a normal business, I just wanted to indicate to you that on all these processes also in the Finnish business just like in the Dutch and the learning business we are taking the steps. If there are any additional actions coming from that, we will of course communicate that separately and I think the other important point is to realise that this is of course over and above the 2015 cost reduction programme because that is already implemented, that is already showing in 2016 the benefits still. But this is a programme that will grow into 2016 and 2017.

Now if I then highlight a little bit on the quarter for each of the businesses, if I start out with Belgium and the Netherlands, as I indicated SBS's viewing share and advertising share is stable in a growing market, so therefore contributing to our growth. The focus in the magazine portfolio is really paying off and you see that with that increased focus, even printed magazine sales, the circulation sales increases, vtwonen, LINDA, very significant growth numbers, so really showing that if you take these rich media brands and expand them across the portfolio, not only new revenue sources come in but also the basic circulation sales of the printed medium grows. The portfolio pruning is finalised with the divestment of the Belgian magazines and even though strictly speaking not in Q4, a lot of the work was of course done in Q4 and then last week on 1st February we announced the divestment of AutoTrader.nl. There we were the number three car classified site in a typical market where the winner takes all and we sold to the leading specialised car classified site in the Netherlands AutoScout24.

So that was the quarter in the Netherlands. If you then look in Finland, as I said positive like for like sales at last year's level and that in a declining market is of course quite an achievement. Market share basically across the board, market share gain and that's basically due to what we have talked about the last time round: customer focus and focus on this and extra attention on the top 350 customers, putting specialised teams around that and then also benefiting from strong online and mobile growth. The good thing as indicated is that also the circulation sales managed to keep that almost stable, Helsingin Sanomat being able to sell more and more hybrid, so both online, mobile and print subscriptions and with that being able to almost recover the decline in the print circulation income.

Now the 2015 cost saving programme will be showing then its impact in 2016 but also had in Q4 its first effect. Now if we then look at learning, as I indicated Nowa Era, our Polish entity, gained significant market share and going from 35% in the market to over 50% and that was unfortunately in a declining market but I think it is as I explained the last time round, the pivot they made in their business model where they are not only publishers but now also distributors of complementary publishing methods, so are complementary for one school, they are now the one-stop shop. With that pivot they managed to get both the additional distribution sales but also sell their own methods much more effectively. So I think a good business performance in a difficult market.

Then the international learning in YDP, there we did a full regroup. We have seen there that in the last couple of years there has not been enough development into new methods where we have now sold in all the most likely markets, we have sold our existing methods with long term licences to distributors. So therefore that market is now sort of over. We can't sell that product anymore and that's where we have now filled and are in the process of filling the pipeline with new products that will take a little bit of a while. We've taken now the opportunity in Q4 to also adjust the balance sheet according to that new method so that we can go with that new approach and a new management team into 2016.

Then across all the learning businesses we have also done the cost innovations: leaner leadership teams and almost in all the units really had a good look at our cost base and the amount of staffing specifically on the managerial level.

Now last time round I also showed you this slide: the key strategic priorities for Sanoma. It is relatively simple and for those of you who might have expected a grandiose presentation with all-new strategic highlights, I think this is the essence and therefore we want to summarise this in one slide: fulfilling customer needs. That's the essence, both our B2B customers, our advertisers; but also our B2C, our audiences to deliver them great content on a day by day basis for every medium where they want to access that content and for our B2B customers, to help them do business, get the reach and get the conversion through targeted and mass advertising. So for learning, the well-invested platform we have, to grow that further and take those transformation opportunities where we're truly unique across Europe; with strong focus on our cost innovation – all our processes, all our business lines to really constantly innovate and put the innovation that we typically put towards our audiences and our B2B customers also on our own processes and from that will then flow an improved cash conversion and an operational deleveraging of our business.

With that I would like to conclude my part and hand over to Kim to go into the financial details.

Kim Ignatius: Thank you Susan and good morning everybody and also from my side a very warm welcome. I will now walk through the Q4 financials and also cover the 2015 Full Year Financials trying to focus on the matters that are of interest and of importance. Starting with the net sales, we had sales of 408.8 million, an organic growth rate of -3%. Our EBIT excluding non-recurring items was -8.9 million, a bit lower or more negative than the number we reported for Q4 in 2014. We were pretty much in line with the market consensus.

Looking at the strategic business units starting with Media Finland, the two positives here: better than estimated revenues and the cost savings that we had in the quarter. Susan already addressed the revenue performance levels in Q4. We've seen three, four months of positive development and are naturally very pleased with that. Still the really contributing matter in Q4 is the cost savings and we have three items impacting our profitability – one being the hockey league related write-downs that we took in Q3 as you know which then technically had a positive impact on the Q4 numbers at the level of 3 million, then 7 million comes from the restructuring programme that we implemented in the fall already helping us with Q4 and then from lower incentive payments that are a reflection of the performance of the entity for the full year. Media BeNe has had a solid year all in all, also Q4 was in line with our plans and expectations. What is impacting the numbers in BeNe is the additional write-down of TV programme rights at a level of 15 million – this is also a matter that we talked with you already in connection with the Q3 reporting.

In Learning, YDP having a tough year, sales quite a bit lower than in 2014 and in addition write-downs on intellectual property rights and some provisions booked for trade receivables. The negatives in Q4 were to a great extent offset by first of all lower costs across all the entities in learning but also from a change in accounting principles for prepublication costs. The impact of that was 2 million positive.

A few words on the prepublication costs, so learning is in the business of developing and distributing educational material. Developing the material includes costs for authors, for translation, illustration, layout and also costs that come from our internal resources. These costs are capitalised and the amortisation of the costs starts when the product is launched to the markets. We do as we every now need to benchmark what is the market practice for these amortisations. Our average useful life that we has used has been three years, looking into the market practice and actually looking into the useful lives that we've had and are planning to have for our products, it is pretty much longer so we have extended the amortisation period from three years to five years being now in line with the market and with the useful lives. Media sales…sorry, still on that one, 2 million positive impact on Q4 and 6 million positive impact on the full year of 2016. New media sales growth of 6.4% adding up to 172 million for this year, online and mobile growing by 18% in Finland and 10% in the BeNe area, TV and radio sales in Finland growing by 6% and this is really driven by the very strong performance of the radio operations.

Then on dividends, our policy is to primarily pay about 50% of the results excluding non-recurring items. The board of directors is recommending to the AGM that a dividend of €0.10 would be paid for the year of 2015. The illustration here shows the historical numbers since 2011 and the recommended level. As you can see the dividend yield based on the €0.10 level would be 2.6% and the payout ratio 77%.

Then moving to the SBU performance for the quarter, Media BeNe, the net sales came down by 13.9 million and this is really driven by sales of magazine titles in the Belgian operation. The impact from that transaction actually was 13 million. Without this transaction the organic growth is actually positive, +0.6%. This is a very solid performance. We have the TV operations growing by 3%. We have online and mobile growing by 10% and as already mentioned here the focus title portfolio that we have is also performing very strongly.

In Media Finland we have a decline of 13.4 million, again really the structural changes driving this development: we sold our regional newspapers and the impact on the comparable numbers here is 9.6 million. In Learning sales came down by 7.6 million, smaller variations in many of the entities. The biggest change between the two quarters comes really from YDP where the sales in 2015 were 5 million lower than in Q4 in 2014. The other category reflects divestments in the non-core assets and the lower performance levels in these assets.

Looking at the EBIT development, again starting with Media BeNe, coming down from 23.3 million to 10.9 million, the additional write-down on the TV programmes was at the level of 15 million. In addition the sale of titles in the Belgian operation had an impact of -2.4 million, so taking these two items into consideration, the underlying performance of that entity has actually been very solid. In Media Finland the delta here between the two quarters is 10 million and as already discussed we had the benefit of the earlier amortisation of the hockey league rights at a level of 3 million and then the restructuring savings and the lower incentives taking care of the rest of the savings that we are reporting here. In learning again, good savings, good cost innovation efforts across the entities, the impact of the prepublication rights and then negatively the restructuring of YDP.

Moving to the full income statement here, the reported sales at the level of 408 million, a decline of 9.6% as reported. The organic decline was 3.0% and again as we have seen in many quarters already, the markets do adjust to the changing trends and we are capable of adjusting our own operations as well. The EBITDA margins reported here for 2015 are actually at a higher level than in 2014, so sales coming down by 9.6%; at the same time our operating expenses in total coming down by 15%, cost of sales there at the level of -12% and fixed expenses 16%.

Then moving forward with the P&L, amortisations related to TV programme rights and pre-publication rights, a bit higher level in the TV programming, the Champions League investment showing in the numbers. Then we have the other amortisations where we now including the 15 million additional write-down of the programme rights in SBS, so the reported EBIT €8.9 million.

Moving to the full year numbers you see pretty much the same trend, so the reported sales are down by 10%, the organic growth is -3.4% and again the EBITDA margin reported higher than it was in 2014.

In the other amortisations we again see the impact of the SBS amortisation of programming rights and also the write-down of the hockey league earlier this year. All in all we had €24 million higher impairments of TV write-downs or additional write-downs than we had in 2014 and this is clearly visible in the EBIT excluding non-recurring items line where last year we reported 118 million and now €83 million. Looking at the total financial items clearly below last year's level in addition to the interest costs, net interest costs there are two items to be mentioned – one is a decrease in the financial lease obligations in Netherlands of 5 million impacting positively the numbers. The other positive item here is realised and unrealised gains on derivatives that we use.

Then the big item, in the P&L, the non-recurring items, last year a positive number of 15 million. In this number we have a gain from the sale and leaseback transactions at a level of 150 million which was able to offset the impairments and restructuring costs that we had during 2014. In 2015 we have a negative of 206 million. This includes 120 million roughly of impairments and write-downs, 70 million of restructuring related items and the rest is then capital gains and losses.

Because of the high level of non-recurring items, the profit before tax is at a level of -151 million. Cash flow, we start the statement here with the EBITDA excluding non-recurring items which is pretty much on the level of last year. On the right hand side we show the cash flow statement so that we have cleaned it from the non-recurring related items. All in all if you look at the bottom line free cash flow we have a delta of 53 million roughly and of that 23 million comes from the higher restructuring costs, 13 million is higher TV programme costs and then we have a net working capital development that is 9 million worse than last year.

Moving to the capital structure, as mentioned here already we have been successfully signing and syndicating a new revolving credit facility at the level of €500 million. This is replacing our earlier €600 million facility and is in line with the lower funding need that we have currently for the company. We are very pleased with the transaction. This facility has a maturity of four years with a one year extension option. The documentation that we have for this new facility is pretty much in line with the previous documentation – the margins being a bit higher than what we had earlier but not significantly. The initial margin is at a level of 1.75% over EURIBOR.

Net debt at the end of the year at the level of 801 million and being at the level of 5.1 times EBITDA. Equity ratio at the year-end – 39.5%.

This concludes my part of the presentation and I'll hand back to Pekka for Q&A.

Pekka Rouhiainen: Thank you Kim. We are now ready to take your questions first here at the studio and just a reminder, before asking your question, please state your name and your company.

Question: I have two questions on SBS and one question on the learning division. Firstly on SBS, you booked the €15 million extra amortisations in Q4. I think you had also some a year ago, so what was the increase if we compare to last year? Secondly just a broader question, you must not be satisfied with the development as SBS because you've been able to maintain stable viewing shares even though you've been hiking investments for example through the Champions League and the new channel. What should we assume going forward that you will continue to hike investments or should we assume maybe a slightly declining viewing share going forward? Then on learning, do you think the learning division has a potential 2016 headwind if we exclude the accounting changes given what happened in Q4 or do you think the underlying business could improve this year? Thanks.

Kim Ignatius: Starting with the TV programme rights, I mentioned that all in all for the group the additional write-downs were 24 million higher than they were last year and I don't want to go into more detail on that one.

Susan Duinhoven: To answer your question on SBS, you do see that the content and importance of content is of course of increasing magnitude. The Champions League was for us a very important element. You do need to realise that the Champions League has not only its benefit within the SBS P&L but also for example in NU.nl, so these are cross-media propositions that we put forward. But I do think that you'll see content and the right content selection will be of continuing importance. We don't however see a very strong profit impact overall, so the additional advertising money into SBS is flowing of course also directly to the bottom line, so that's where I think we are pleased with the SBS business and we see that as a good asset in the Dutch market and only become more so. Then I think your point on learning there, I would warn not to look certainly in the learning. It's a very seasonal business, not to look at one quarter. So I think for learning you need to look on a year by year basis and then making a difference, between the different markets because each has their own cycle. As you know the Finnish market, building up a curriculum change. So every market has its own cycle and therefore even comparing year on year, you need to do that with an eye for the cycle. So we see learning as I indicated as a good business, a solid business in Poland with exposure to the governmental regulation change, but in the other footprint market very much building on that technology platform and therefore with no spikes, but a solid, continuing performance.

Question: Thanks.

Matti Riikonen: Good morning, it's Matti Riikonen, Carnegie. A couple of questions related to your cash flow to start with. First of all you had some 28 million in provisions in your balance sheet now. I am just wondering whether you will be paying that all out in 2016 or is there more long term provisions included? Second, as you now provided pretty understandable guidance for this year giving basically the floor, how much your top line can be coming down and how much of in margin terms we could expect from this year, would it be possible to give the same kind of guidance for the cash flows as well, assuming of course comparable basis and not taking any view on what is going to happen after this day? That would certainly help in putting the cash flow estimates in the right order.

Kim Ignatius: Commenting first on provisions that we carry on our balance sheet, of course you have some provisions that relate to bad debts etc and it depends then on the collectability of that, but any provisions that we have for restructuring related activities would be short term meaning that they would be paid out during the coming year. On the cash flow, we have decided not to give any guidance on the cash flow. Of course the EBIT guidance gives you a fairly good view on how the cash flows excluding the non-recurring items should be and naturally it is a bit difficult for us to give clear projections on when we will take restructuring efforts and how would that impact our cash flows going forward? All the restructuring efforts that we do do have a very short payback time, so you could say that it's a good investment in any case to take those activities, even if it's on a short term basis, that would lead to lowering of cash flows in that current period.

Matti Riikonen: Ok, thank you.

Kimmo Lunden, M&M: A question to Susan Duinhoven on the portfolio focus strategy announced in 2013. You said that it's finalised now, so is the long list of liquiditions and brand pruning ended now?

Susan Duinhoven: Yes it is. So with the assets that we had indicated as being non-core have now been divested, but that of course doesn't mean that you will not have a continuing working with the portfolio. We have a large portfolio of media brands and there will be small acquisitions, there will be small divestments, but the divestment programme that was identified in 2013, that one is fully finished.

Matti Riikonen: Thank you, Matti Riikonen again. You mentioned in the opening speech that you had some kind of easy wins in the Finnish cost savings department so that all of that couldn't be extrapolated for 2016 and indeed of course the margin was quite handsome, more than 10%. Could you somehow explain how much of the savings were kind of easily gained and not repeatable and how much was kind of the underlying basis? Then just to quickly check, you mentioned a 70 million revenue decline estimate affecting comparability. Is the AutoTrader divestment included in that?

Susan Duinhoven: Let me start out with the first question, answering that. What I identified as non-recurring cost savings is what Kim already indicated, like the hockey league write-down which was taken in Q3, benefits in Q4, but you cannot take that as a cost saving going forward. The thing with the variable personnel costs, so the incentive schemes, that is not something that we anticipate, at least let's hope not anticipate going forward, because we do aim to make our results this year. So those are elements out of the cost savings that you cannot take forward into the next year.

Kim Ignatius: The AutoTrader deal is not included in that number yet.

Matti Riikonen: Ok, thank you.

Pekka Rouhiainen: Do we have more questions in the studio? Matti? Do you want to continue?

If not we will then take questions over the phone. Operator, I'll now hand over to you.

Operator: Thank you. If anyone would like to ask a question, please press *1 on your telephone keypad. We will now take our first question from Rasmus Engberg from SHB. Please go ahead, your line is open.

Rasmus Engberg: Yes, hi. I was just wondering, on the savings what was the impact of the reduced variable incentives in Q4? I guess that's a full year figure really that got all bunched into Q4.

Kim Ignatius: The Q4 impacted for SMF, the way I built it actually was to say that we had 10 million of cost savings all in all comparing the two Q4 quarters and out of that 3 million was kind of the hockey league impact and the 7 million is a combination of the incentive savings and the other restructuring related savings booked in that quarter. I don't want to go into more detail than that.

Rasmus Engberg: Ok. Then the new bank facility, I assume that you will amortise that facility. Can you give us an indication roughly on what the quarterly run rate of amortisation is on that?

Kim Ignatius: Amortise what?

Rasmus Engberg: The bank facility.

Kim Ignatius: It's a bullet, no. We're not amortising it.

Rasmus Engberg: Ok. I mean the cost of the entire facility, isn't that put on the balance sheet and amortised?

Kim Ignatius: The cost on the facility is based on the usage of the facility.

Rasmus Engberg: Ok, so no up-front costs?

Kim Ignatius: No. Well, some arrangement costs naturally.

Rasmus Engberg: Ok, but they will take in directly, or…

Kim Ignatius: Yes, exactly.

Rasmus Engberg: Ok. Then finally how should we see the guidance for up to -3.5% decline. Is that only Finland or does it include learning as well having an organic decline in your mind so to speak?

Kim Ignatius: The guidance on the sales is for the whole group.

Rasmus Engberg: Yes, but how does it break down?

Kim Ignatius: No, we don't give a breakdown by SBU.

Rasmus Engberg: Ok, thank you.

Kim Ignatius: Thanks.

Pekka Rouhiainen: Are there more questions over the phone?

Operator: There are no further questions over the phone at this time.

Pekka Rouhiainen: Alright. Do we have more questions here in the studio?

If not thank you all for attending and have a really nice day.

Kim Ignatius: Thank you.

Susan Duinhoven: Thank you very much.