

Company: Sanoma Oyj
Conference Title: Sanoma – Q1 2015 Interim Report
Date: Wednesday 29th April 2015

Olli Turunen:

Good morning, ladies and gentlemen, and welcome to Sanoma's Q1 2015 results presentation. My name is Olli Turunen and I am head of investor relations at Sanoma. Next to me is our President and CEO Harri-Pekka Kaukonen. He will go through the main topics of the first quarter. After Harri-Pekka, our CFO Kim Ignatius will recap the finances of the quarter. After the presentation you will have a chance to ask questions here in the studio and also over the phone. Harri-Pekka, please go ahead.

Harri-Pekka Kaukonen:

Thank you, Olli. Ladies and gentlemen, welcome on my behalf as well to our Q1 presentation. So first summarising the Q1 performance, we've titled it a mixed performance and if we just first look at the numbers, it was a weak quarter. Our sales declined organically by close to 4% and our EBIT excluding non-recs was close to –€20 million.

A few comments are in place. First of all I'd like to point out that the first quarter always is a small quarter and actually this performance came very close to our own expectations. There are also, as Kim will point out, some structural changes and time shifts that impact the EBIT and thus the underlying comparable development with the business in the core is somewhat less negative. Also, if we then split it into our two objectives which is growth and EBIT performance, actually organic growth development was positive in relative terms so year-on-year we managed again to improve the trajectory. And then if we look at our business units, it's clear that our BeNe operation is proceeding well on the growth and turnaround track and also learning businesses is in a solid shape. However, Finland was underperforming in Q1 and there are two reasons. The first one is the market. It's a tough market. The advertising market in Finland declined, and then we were not fully successful in reaching our objectives particularly in

B2B sales. And as you know, we have a new CEO in Finland, Pia Kalsta, whose task is to change the trajectory and increase profitability and get Finland back to a growth path.

So going then a little bit more into what's going on in the business and in the environment, first, as normal, it's important to look at the advertising market development. About half of our revenues in Consumer Media come from advertising so we are a cyclical company in that sense and the two markets behaved rather differently during Q1. In these slides, by the way, it's notable that in the Netherlands numbers we have the Google numbers in and in the Finnish ones we don't. So just to remark. But anyway, these are reflective of the total market. So Netherlands saw actually slight growth during Q1 and whereas Finland again, as said, was the twelfth negative quarter in a row in the overall advertising market, and that is clearly one of the elements impacting our Finnish performance. So far, no indication that there's a change. Q2 also a rather soft start but let's see if this quantitative easing, etc. will have an impact on advertising towards the later part of the year.

Then towards the business performance in slightly more detail, the positive news in Q1 was really around organic growth. If you go deeper into the comparable numbers, you could see that actually Consumer Media had a bit over 2.3% organic growth – negative that is – but clearly on an improving trend, whereas Learning, the revenue was impacted by time shift so you can't fully compare the quarters in the Learning case. But overall, net-net, so if you look at the last 12 months' graph which we show every quarter, it is continuing on a positive trajectory. Some of the things contributing here was in Holland, SBS actually had a slight improvement in sales and this was despite declining TV market and the fact that our viewing share slightly declined. And in Finland, Nelonen continued growth in total sales, and I will get back to that in a little while. Also a positive indication was that Helsingin Sanomat, the consumer sales grew and all these point out to the fact that overall our content is in good shape and content-related revenues are also developing positively.

Then looking at the total transformation, where are we today, the numbers are improving quarter-by-quarter. The actual new media sales share of the total portfolio in Finland and BeNe is 38%. Overall new media sales grew by 5% and that is an okay performance – not at the level we'd like it to be but still a clear growth even during a weak quarter from the top-line

perspective. Learning is getting close to a 50% mark with the digital and hybrid services as a parameter that we measure.

Then a few words about content. Helsingin Sanomat has actually improved remarkably during the last 12-18 months and actually this quarter we had a few landmark milestones achieved. The first one is that now more than half of Helsingin Sanomat subscribers pay for a digital component. And the second one is that the total reach of Helsingin Sanomat is growing and we exceeded 2 million and with that obviously Helsingin Sanomat is by far the biggest daily paper in Finland. And as you can see, both Ilta-Sanomat and Helsingin Sanomat are very strong in digital and belong to the top sites in the Finnish digital environment. Also, video is growing. Our total video network is growing, and that includes the Helsingin Sanomat TV which is getting to a million weekly video starts benchmark.

Already mentioned, Nelonen Media overall good growth and this time it came from VoD and radio. Actually the free-to-air somewhat declined in terms of viewing and ad share, so not a wholly successful quarter but overall the media, Nelonen Media business unit performed well.

Then going to our BeNe operations, and this time I would like to highlight the performance in print, so print is not dead. We are very proud to have a number of growing print titles. So the numbers on this chart is actually circulation sales in Q1 and they include two titles that I would like to really highlight. One is Linda, which is actually one of the most popular Dutch magazine brands. Linda is the sister of John de Mol. But this is turning into a really fantastic multichannel media concept and we have launched quite recently, which has turned out to be the biggest women's news site in Holland called Linda News, and then we're launching also Linda TV this year to support it. And vtwomen is a case example of our multichannel thematic or domain-based strategy and you can see here 51% is actually the growth rate of the magazine titles. So quite substantial growth there is happening when we get these strong brands working multichannel.

In total, the focus programme is working well. Mind you though, the circulation sales have in total, we were not able to reach growth; we were -1 in Q1. And overall, the advertising market

for magazines in Holland is in steep decline but relatively we've been actually doing quite well with our focused strategy.

And then an obviously important point for us is the BeNe integration process which is now gaining momentum and we expect strong synergy benefits that will then start to materialise towards the latter part of this year and in full force during next year.

SBS is obviously a crucial part of our portfolio. We had there as well a mixed performance. The key parameter, which is viewing share, actually declined. That was somewhat of a disappointment I must say because last year we had an Olympic year so in comparison, this is not a good performance. But a few points there still. Overall, sales grew so we actually did well in the advertising market. We have changed programme director so we have a new leader in charge of programme development. And then on a like-for-like basis, we have SBS in a much leaner shape. We have reduced cost and that supports positive EBITDA development on a like-for-like basis. We think there's good momentum with SBS and the hopes are high for H2 in particular where the Champions' League investment is also supporting development.

Then moving on to Learning, and it's really about a few priorities where the most important one is really the digitalisation and development of new elearning methods. We are moving very well forward in all our markets. Holland is actually our spearhead and I would say the most developed elearning market in Europe. But our friends in Belgium have also been very successful in the transformation. The example on this slide is Bingel. Bingel is an elearning platform which is a gamified homework engine which has the method integrated and supports the whole teaching process. It is now conquering our markets. It's been launched in the French-speaking part of Belgium, last fall in Sweden and this fall we will launch it in Finland as well. Why is this relevant? Apart from Bingel itself and the success it's had, this demonstrates also a big element of our learning transformation which is the development of a co-created modular architecture which enables actually transport for joint solutions across countries, and Bingel is really the first sort of real leading edge learning product that we are taking across countries.

Then wrapping up 2015 business priorities, in a way it's more of the same. So Q1 in terms of overall numbers, clearly weak but not unexpectedly weak. The only deviation to our little bump

on the road is Finland but there we have a new team and corrective actions are being developed as we speak. But it might be helpful for you to just go through the list which in more or less these terms has been presented before, most recently in the AGM.

On the Media side, the first one is really around core brands and domains and what this really means, it's the increasing focus. You all remember the focus programme in Holland. We have a similar programme in – sorry, in Holland, in Finland as well – and it's really about making our strong brands and domains grow and become multichannel.

B2B is one where I think we have great potential once we get our mix. So we have our multichannel offering work together with our customers and media agencies and get that really to play and tick, I think we can provide substantial added value to our customers and that will lead to better performance also for us. And then there are some operational inefficiencies that we need to deal with on the B2B sales side.

Digital cuts across all, so that's pretty obvious, but then the three real drivers of performance improvement is SBS, already mentioned, what supports EBITDA development this year, and then the momentum we expect to get from the latter part of the year in programming should then support also our development, top line/bottom line for the next years to come. BeNe integration is a major thing from a performance point of view and then the 100 million programme is to a large extent complete in terms of the €100 million goal but we're not stopping there. We're not calling it a new programme but we're pushing the boundary and looking for more opportunities in the back office but also in frontline efficiency, streamlining, basically taking away waste which doesn't add value to our customers.

In Learning, the core themes are really around digital transformation, talked about it a while ago, and then about securing ecosystem position and this is a multifaceted thing starting from intellectual property rights, which is a big discussion around EU level. It is to work with the governments and the stakeholders to ensure that learning as a strategic area and priority gets the deserved attention and that people understand, stakeholders and decision-makers understand the role that modern learning methods are there to support teachers in actually creating better learning outcomes. And then it goes all the way to making sure that in the digital

new value chain, we are positioned in a way where we can protect our position and also secure value creation.

On that note I think it's important just to remind that Learning is really a workflow – or is a solution that is very much integrated to the work of schools and teachers. So it is easier in that sense to protect value because there's a clear link to the workflow of schools and the teaching.

A third very interesting area is new markets, and this is now linked to the digitalisation and the platform creation by having a modular architecture and having the demonstrated capability of taking elearning methods from one country to another, obviously opens up then interesting opportunities for licensing that IP in different ways and forms in new markets. And then it's obviously, in Learning as well, it's about being efficient, having the right people and the technology in place to support all the development.

So those are the priorities and in a sense, nothing new there. We need to just pick up the speed, keep the course, keep steady and keep focused on the ball and execute. So that, ladies and gentlemen, concludes my part and I hand it over to Kim, who will go through the financials in more detail. Thank you.

Kim Ignatius:

Thank you, Harri-Pekka and good morning, everybody. I will walk through the financials for Q1.

I would like to start with Learning. As mentioned already, we had a bit of a mixed performance between the different business units during Q1. Learning we feel is meeting, on a full year basis, all the expectations that we have set for the operation but as you very well know, there is strong volatility between the quarters on the Learning operations. Here on the slide you can see the quarterly numbers for 2014 and net sales and EBIT-wise, Learning really has been making the most of their annual results during the two quarters of Q2 and Q3, and a natural consequence of that has also been that the majority of the cash flows, incoming cash flows from the business then come in in Q3 and Q4. So what we're seeing now is a shift in the ordering pattern and in Q1 mainly from the Dutch market, so it is the wholesale layer that is optimising their working

capital management, and in a way this makes a lot of sense. If you need learning material in August/September timeframe, why to order it in February/March? So this is taking place and you see the numbers now in Q1 2015, EBIT-wise €3 million of that development is linked to the changing ordering pattern. We will see some of that change impacting also our Q2 numbers, not so much more in the Netherlands but most likely in the Polish operations. We really want to make a strong point about this because moving into 2016, the pattern will be even stronger, so even less orders coming in in Q1 and the orders moving into Q2 and to a great extent also all the way to Q3. So kind of building the profitability and the profits for the unit in the future, we'll really focus on one quarter being the Q3 quarter. You have seen in the past that even though there has been volatility between the quarters every year almost going back three or four years, still on an annual basis we have always met the expectations and again, we feel very strong about the performance expectations that were for Learning part of our guidance entering this year originally.

Moving into the income statement, we reported sales of €380 million for the quarter – fairly tough market environment as we saw. We had our advertising revenues declining by 11%, circulation by 13% and all in all, the reported sales are down by roughly 13% compared to Q1 in 2014. What is again a good thing or a positive thing is that when we look at the cost structure, it is able to adjust to quite good extent to the development in sales. So in Q1 2015, our total costs came down by 12%, so fairly close to the sales development and you can see the same trends actually for the full year numbers in 2014 and '13, the EBITDA margin coming down there for 2014 only 0.4 percentage points. Cost of goods sold also 18% down and within that, the paper costs have been coming down 20%. That's naturally a combination of declining volumes but also very strongly declining market prices for paper. So the external market does adjust to the changing trends as well. But naturally the numbers are smaller than they were last year.

What comes to the other line items here in the P&L, we do have higher amortisation for programming rights compared to last year, about €6 million. It is almost half and half between the Netherlands and Finland. In Netherlands it's about the programme choices that we have made for Q1; in Finland it's the allocation of the Hockey League rights. We naturally try to allocate the cost to the highest season and where we have the highest viewer amounts, and in Finland it's also Hero, the new channel that we have launched. The Hero is utilising programmes

that we have in the inventory so actually doesn't have a cash flow impact but it does impact the P&L when we broadcast the programmes. Pre-publication rights, nothing specific to mention there. Amortisation, depreciation are coming down together with the declining portfolio that we're having. All in all, EBIT excluding nonrecurring items –19.9 million versus last quarter's – last year's first quarter – of –4 million.

In the nonrecurring items for Q1 we have two things to mention. One is a sales gain from selling Lehtimedia, newspaper businesses around €15 million and then the delta here comes from restructuring costs.

Total financing, financial items looks pretty good here, –€2.2 million last year Q1, –€13 million. There's one big item to mention and that relates to some lease liabilities that we have in the Netherlands in our press distribution business. We did some structural changes in that business last year and provided for a long-term lease agreement that we exited and now this year, or after that arrangement, we've been able to negotiate down this liability and that brings us a €5.5 million positive item now booked in the financial items. Also we have good-sized positive impacts from some derivatives that we have in place.

Moving forward, net sales development, as mentioned already here, organic growth –3.8% doesn't really give a fair picture of the situation where we are in. In Media the decline was 2.3% and that is the number you should remember. In Learning it is because of – the decline is because of the time shift mainly and in other and elimination, which is a very small category in sales already, it is the Russian business that is taking that down. You all know the current market situation in Russia and specifically in the media sector.

Looking at the actual reported euro developments by strategic business unit, in Media BeNe it is related to magazine title sales and as you remember, we did cut down our portfolio, took away two-thirds of the titles that we have in Netherlands. The impact of that is around €10 million. We get some positive boosts from Humo magazine, which was part of De Vijver and now back in our portfolio so net there is about €4 million. Then you have the decline of the overall print business in the marketplace. There are some positive things as well, good distribution sales development in our TV business in Netherlands and also Aldipress, which is in the print

distribution business. It's actually increasing market share and improving its performance. Media Finland, –€16 million down. We do have a good development in the new media sales up 4.6% but it's not able to offset the decline in the traditional part of the business. So print is coming down, advertising also coming down plus the divestment that we have done within that business. Learning we addressed already and in the other category, the decline comes from selling some of our noncore assets, being Lehtimedia and our media operations in Hungary.

Moving to EBIT, starting with BeNe, our newly created SBU including the Dutch operations and the Belgian operations, a lot of cost efficiency activities taking – and naturally many of them linked to the downsizing of the magazine portfolio. You have the negative impact of the print sales decline mainly to the divestments and you have the higher TV programming cost as I mentioned to you. Still, if you want to kind of split this between the different businesses that we have there then the SBS performance is pretty flat. Aldipress is actually improving a bit and the delta here comes from the print business where the cost base has not totally been adjusted to the reshaping of the magazine title portfolio. This is a Q1 issue; Q2 and going forward, the cost base has been fully adjusted and as we have earlier mentioned the EBIT impact of the downsizing should be all in all positive. Then in Finland, €2.5 million down from last year, again the higher TV programming rights cost and if we look at the business unit performance, really the biggest delta right now is in Nelonen Media where we have invested in the programme quality. The decline in print advertising naturally impacting these numbers. We have the sale and leaseback arrangements for this building adding operating cost into the entity but then a lot of cost savings efforts taken and if you look at the –€16 million decline in sales and the €2.5 million impact on EBIT, and consider also the fact that we are investing in the TV programming quality so I think a fairly good job in adjusting to the trends but still a lot of additional actions needed going forward. Learning, there is a close to €6 million delta, two components here. One is the €3 million shift in the ordering pattern which we discussed which will not have a full year impact and then we had investment in Netherlands into the digital platforms, the digital operations. A big number in Q1; this is not a recurring event during the balance of the year so we will not see similar type of deltas going forward on a quarterly basis. And then the other and eliminations, it is the divestment of Lehtimedia being the biggest one there, about half of the delta and then the performance of some of the noncore operations like our Russian business.

You can also look at this from a bit of a different angle, the same numbers here (–€4 million EBIT last year and –€20 million this year), we have the Learning ordering pattern here which as we said, will not impact the full year. You have the sale and leaseback arrangements which you could say that from a return on asset point of view doesn't make a difference. You have the structural changes which are the divested entities and so on, and then the underlying delta is the €6 million which then refers to the costs that still need to be adjusted in Netherlands and some of the performance issues that we see in the rest of the businesses.

Free cash flow, you'll see the EBITDA delta here about €14 million and that is really the majority of the full difference going all the way down to the free cash flow level. TV programme rights here a bit higher than last year but less than in the P&L and indicating that we are using inventory for some of our channels. Pre-publication costs, no change there. Change in net working capital very negative (–€30 million) but this is the usual annual pattern that we have. It's actually a bit more, even a bit more negative if you would take into consideration that in some of the other financial items, we have some forex-related transactions where the other half is in the net working capital development. Interest paid, as expected, we paid for the €400 million bond interest in Q1, that's the maturity of it, so high paid interest in Q1. And capex levels pretty much in line with last year, so leading to a negative free cash flow of €84 million – last year Q1 €62 million. So no surprises really here and the development reflecting the development in the EBITDA.

Capital structure-wise, net debt at the end of Q1, €846 million, and if we go back two years to the comparable for the same end of Q1, so in March 2013 we had a net debt of €1.3 billion. Now it's €846 million so clear reduction of the debt levels which we can of course be very happy about and will help us when going forward then in arranging our refinancing before 2017.

Our net debt to EBITDA is not developing as we hoped for. We're still 4.7 times and there are naturally two components. We need to improve the profitability of the business which we are doing and secondly, we have quite a lot of nonrecurring negative cash flow still in our operating cash flow which when the programmes now have been close to finalised, we will go down.

Total equity, €1.155 billion. Our equity ratio went down to 40.4%. The decline compared to also the end of the year relates mainly to pension liability adjustments, so the discount rates in Netherlands in this case are now at the level of 1.5 which is below the levels we had at the end of the year and we have over €40 million after-tax negative impact on the equity ratio from the increased pension liability.

What comes to our guidance, no change in it. You'll remember very well that it's twofold, for this year 2015 and then for 2016. This ends my presentation and I'll hand back to Olli for Q&A.

Olli Turunen:

Thank you, Kim. So we are ready to take your questions but please wait for the microphone and just a friendly reminder, if you wonder if the microphone is on or off, it is on even if it doesn't sound like it's on because the microphone is for the webcast viewers. So please state your company and name and yes, any question here?

Matti Riikonen:

Good morning, Matti Riikonen, Carnegie. The first question is about the Finnish operations. When you made the cost-cutting plan in Finland, you had a more positive outlook of the market so what we are seeing at the moment. So that is leading to cost cuts not meeting the decline in topline. What are the actual measures that you are taking in Finland now with the new leadership in place? What kind of measures should we expect? That's the first question. Then secondly, about the synergies in Belgium and Netherlands. What kind of cost synergies should we expect from that?

Harri-Pekka Kaukonen:

Okay, thank you. Yes, the Finnish situation, yes you are right. There are two factors that have led to weaker performance than we expected during Q1. One is the market. We went into that market assuming flat and we've seen -3 on the total advertising market development. And then as I already mentioned earlier, so we're not, we didn't fully meet our targets so we

underperformed also a bit on execution. It's a bit premature for me to go in a lot of detail what's the corrective measures but I think the philosophy starts from the fact that we start from front line where we add value to customers and then we move backwards and streamline, so make things simpler. And I know then your next question, what does that exactly mean, and I would like to give Pia and the team a little bit more time to really concretize these plans. What I can say is that as always, if you sort of don't fully meet the targets, there are immediate corrective actions. There are still cost elements that one can deal with. It's adjusting development portfolios, etc. that you can impact in the short term. So these type of measures have always been kind of the repertoire but when it comes to how do we fundamentally start looking for changing some of the elements, the way of working in the Finnish business, that will take a bit more time.

And then the BeNe question. It comes from two principal sources, well actually three. So the first one is in back office. We pretty much adopt the thing that we have unified back office services for both of Holland and Belgium. It's basically the same language and they're close by. So that's one source of it. The other one is that when we develop new things, products and services, we develop them once so we talk about digital services, we talk about tested – you know, we talk about any kind of software or platform development that is using, doing it only once. And then the third bit, which is more top line-related, so we are really adopting the focused domain-based approach to the Belgian business and there will be – and already we're seeing sort of cross-fertilisation of ideas. This is kind of, I would say, softer. The first two are very explicit we have in the plans. We haven't shared the number but we are looking for a substantial improvement on the underlying performance of the Belgian business.

Olli Turunen:

Matti, any follow-up questions?

Matti Riikonen:

No, that's fine.

Olli Turunen:

Okay, next question.

Sauli Vilén:

Hi, it's Sauli Vilén from Inderes. About the SBS: Can you elaborate a bit on that your market share came down even though you actually spent more on TV?

And the next question, regarding the online and mobile in Finland, the growth actually slowed down, so was there some seasonality behind that?

Harri-Pekka Kaukonen:

Yes. Well, the answer regarding viewing share in Holland, that didn't work – sometimes it happens, right. So there is an element of what we'd call a casino effect in there. So we made an investment and they didn't fully materialise. So there's no real other explanations, so we just didn't do as well. So again you need to go deeper again. We were successful in certain slots but not all the investments were fully successful. And it is clearly a disappointment. We expected to have higher viewing share than a year behind.

Now, the silver lining here is again it was a soft quarter so we also are saving our ammunition to Q2 and the latter part of the year. One of the reasons we're increasing in factor cost is, as Kim said, we also launched a new channel so we're actually spending some of the stock on the fourth channel and then some of the investments didn't play out. We're adjusting the channel strategy so we're becoming firmer about it. We have the benefit of the Champions' League which is clearly seen in the interest of advertisers to work with us. So it is still, we are saying the same thing. It will get better. We're also already seeing April is stronger than March so with slow steps, it's improving. But Q1 was, there was a bump in our trajectory at SBS, particularly SBS 6. I can't say more.

Olli Turunen:

And then there was another question about the growth in online and mobile advertising in Finland.

Harri-Pekka Kaukonen:

Ah yes. Well, I see it that our online and mobile development in Finland is on a healthy path. My interpretation is that there's quite a lot of swings amongst the months. You can have a big month – what has been true in first quarter is that it's been very volatile. So we had very weak months and then had very strong months. It's been extremely volatile. I think it's premature to draw any kind of broader conclusions about that. I think we overall, the way we see it is that the big brands are doing fine and the interest is strong. So at least I'm not, as I'm sitting here, I'm not overly concerned with the Q1 but let's see.

Olli Turunen:

Thank you. Any further questions here in the studio?

Matti Riikonen:

Maybe a question related to Learning. You mentioned in the slides that the negative EBIT impact was 3 million in the first quarter. I think it's fair to assume that the topline impact was also the same 3 million. So is the delta then compared to previous year the additional investments that you are making in the Learning business?

Kim Ignatius:

That's it, yes. There's two components, the changing pattern plus the digital investments.

Matti Riikonen:

Okay, good and maybe a more broader question. The more we look at the market development, of course this is now just the first quarter of this year, yes, but it feels like the midterm outlook, top line outlook that you have for sixteen for returning to organic growth seems a bit far based on current situation. Do you think that, are you comfortable with that target, with today's information?

Harri-Pekka Kaukonen:

Yes. I am. There is, on top line I think there are two somewhat uncontrollable elements. One is overall market, you know we're a very cyclical media business so that has an impact on top line but even more so on bottom line. And the other one is, as we discussed, it's really the viewing share development, that as we have seen, it's not fully under our control. So those are the two uncertainties that I see. Actually at least when I assess the momentum we have in our different businesses, I find that 2016 still quite realistic and these are the two uncontrollable elements. I think the things under our hands we're seeing the reach of our underlying content, obviously then we need to monetise it but we see strengthening performance in for example Helsingin Sanomat, the focus titles are doing all right. So fully on track even then so I think on the subscription side, you know, positive elements. We also see first good indication of the multichannel advertising work. So I feel that the elements that we're building on are actually moving in the right way. So again, so I wouldn't draw also too much still on the Q1 which is a small quarter. I think we should come back to Q2/Q3 when the big quarters are in to really then have an analytic assessment on how it looks like and then we're a bit smarter regarding the market uncertainties as well. But so far I think we're on track.

Olli Turunen:

Thank you. Matti, any follow-up questions? No? Then Sauli?

Sauli Vilén:

Yes, I would like to go back to Finland about the Finnish asset base. How confident are you with your current asset base in Finland when we are looking forward? Are you seeing this as more an execution issue and a cost issue rather than an issue with assets? Are you considering M&A to improve your lineup?

Harri-Pekka Kaukonen:

I think we are fortunate in the fact that we have very strong, our core assets if you take Helsingin Sanomat, Ilta-Sanomat, Nelonen, you add there Oikotie, Donald Duck and strong magazine brands, they are all doing fine in terms of the content and the reach. Where I think we need to do choices is I'll give you one example, is for example digital development. We have on top of this handful of brands, we have probably 30 other brands. So if you just go through the Finnish brands it's quite a large number of them as you point out. So I think there that's one example where we need to be sharper on choosing and also, you know, separating content creation from content monetisation so we can also use some of these bigger digital brands, for example especially in digital monetisation.

And the other bit is, I think this is something that cuts across, so it is really about streamlining and simplifying operations to support the business in front line, which is the key direction Pia is taking, and it's a bit too early to then draw the implications and talk about it. I'm sure the time will come at some point. But it is in, as a long way to say it, it's more an execution/implementation issue to build on our strengths now and really get the machinery aligned behind it. That's step one. I think any kind of M&A at least on an acquisition side, we would need first to earn the right to grow in a sense to make sure that we get – we're not getting full value, commercial value out of our strong asset base. I mean the content side is very strong. I think we're not monetising it as successfully as we can today.

Olli Turunen:

Okay, then let's take a question over the phone. Operator, please go ahead.

Operator:

Yes, we have got a question from Sami Sarkamies from Nordea. Please go ahead.

Sami Sarkamies:

Thanks. I have three questions. Let's start with Learning business in the Netherlands. Can you quantify how much business was shifted away from Q1 and then secondly, how much were the nonrecurring platform investments in the Netherlands? Then second question relates to TV programme costs for the full year. Are you able to provide any guidance on how much they will be for the full year and what will be the development of that in Finland and in the Netherlands separately? And then thirdly regarding the new BeNe entity, are you planning to streamline the Belgium magazine business in a similar way as you did earlier the Dutch business, i.e. you will be divesting magazine titles? Thanks.

Kim Ignatius:

Maybe starting with the two first questions here, Learning, yes, €3 million is the time shift from Q1 to Q2 and this is in the Dutch operation and there will most likely be some shifts from Q2 to Q3 and probably mainly in the Polish market this time. But again, to repeat, no impact on the expectations on the full year basis.

The TV programming rights, a bit higher than what we had for full year, what we had last year and it's mainly driven by the Champions' League investment but as mentioned earlier, we do believe that it's a positive investment and will pay for itself and enable us also to enhance the channel profiles and the SBS profile in the marketplace.

Then we had the BeNe domain question, I think it's too early to say any specific actions that we're taking but we've been very successful in Netherlands with the focus project and the approach, and we will take similar steps in the Belgian operation.

Olli Turunen:

Operator, let's take the next question. Operator, could you please go ahead?

Operator:

Okay, now we have our next question from Lisa Surganova from RBC. Please go ahead.

Lisa Surganova:

Yes, hello. I would like to ask about the Russian media assets. Last week, Russian media announced that you have signed a deal selling the share in Business News Media that publishes Vedomosti newspaper but Sanoma hasn't commented on that. Well, my sources also say that you have closed the deal. Could you please elaborate what's going on with this deal? Thank you.

Harri-Pekka Kaukonen:

Yes, thank you for that question. The same answer as we've done before, so no comment on that deal at present. We have a general policy that we don't comment on market rumours and haven't done it before and will not do it now either.

Olli Turunen:

Thank you. Operator, let's take the next question.

Operator:

Yes, before we take the next question just a reminder to ask any question at this time please press *1 on your telephone keypad and now we come to Rasmus Engberg from SHB.

Rasmus Engberg:

Yes, hi, this is Rasmus with Handelsbanken. I had some questions regarding the Champions' League. How do you expense the rights? Do you take them over the full year or just the second half of the year?

Kim Ignatius:

We take it for the second half of the year for the first season in this year's numbers.

Rasmus Engberg:

And for how long do you have the rights?

Olli Turunen:

Three years.

Rasmus Engberg:

Three years and do you anticipate that that will be contributing to your margin in the second half or more – or how do you see it? Is it more like an image thing?

Kim Ignatius:

I think it's both. It's a combination of direct impact of one of the most valuable assets that you have in sports in Europe and secondly then the image impact that has an indirect positive impact.

Rasmus Engberg:

Okay, right and that includes any costs you take to drive pay-TV or similar revenues?

Olli Turunen:

Rasmus, we do not have pay-TV in the Netherlands.

Rasmus Engberg:

I know.

Olli Turunen:

We do have pay-TV in Finland but at the moment at least, we don't have pay-TV in the Netherlands.

Harri-Pekka Kaukonen:

No. yes, what we have is we have the free-to-air rights and then we have online rights and we will be distributing it streamed and also clips through, for example, our NU.nl news site and monetising it through that but it's not paid content revenues. It's advertising funded and sponsor funded.

Rasmus Engberg:

All right, all of it? Okay, thank you.

Harri-Pekka Kaukonen:

Yes.

Olli Turunen:

Thank you. Any follow-up questions here in the studio? Mr. Riikonen?

Matti Riikonen:

Matti Riikonen, Carnegie. Just a technical question related to the net financials that were unusually low. Are there any explaining elements to that as I imagine that your underlying costs are higher than that?

Kim Ignatius:

Yes, there are. There is one item that relates to the Dutch press distribution business so we did a restructuring of the business last year and we had a very long-term lease arrangement with our distribution centre and we have exited that part of the business and we took a provision for the lease liability that we had, and we took it last year. And now we have been able to – and then it became a financial liability after that and not a lease liability any more. And now we have been able to negotiate that liability down after taking that provision. So it means that now we are reducing the financial liability that we have and that is impacting the net financials. There's a €5.5 million item there. Plus we have some positive impacts from the lower market rates naturally and in addition to this, there is a few millions of positives coming from derivatives used in the business currently. So there's quite a lot of, in a way, items that are not there for every quarter.

Olli Turunen:

Any further questions, no? Thank you for your attention and have a good day.

Harri-Pekka Kaukonen:

Yes, thank you.

Kim Ignatius:

Thank you.