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Anna Tuominen: Good morning ladies and gentlemen, and welcome to Sanoma Q1 webcast. My name's Anna Tuominen, I'm from the Sanoma IR team. And with me, we have Susan Duinhoven, our President and CEO, and our CFO and COO, Markus Holm. They will first go through the Q1 results; and afterwards we'll have time for your questions. Susan, please go ahead.

Susan Duinhoven: Thank you very much. Good morning. We are here to go through the first quarter results. It was a very satisfactory first quarter. The operational EBIT improved to €11 million coming from €2 million last year, mainly due to cost innovations and one-off corrections. Organic sales reduced slightly due to reduction in single copy sales and specifically through timing differences in our Learning business. The big news was actually two weeks ago; with the divestment of SBS, our free-to-air TV business in the Netherlands, and we then announced that we could, due to that divestment, fully focus on our stronghold businesses going forward. You do see, even though this divestment will only close in the third quarter, you will see this already in the Q1 results as we hold the SBS asset now for sale. The outlook was also announced on 10th of April to be improved for 2017 and that was due to the reduced uncertainty in the SBS business. The net sales adjusted of course for structural changes is expected to be stable and the operational EBIT margin to be above 10%.

Let's go into a little bit more detail into Q1. The performance continued to improve; as indicated, slightly a decrease in organic sales specifically in the Learning business; the operational EBIT that improved; BeNe business slight improvement; Media Finland business, as in the past quarters, significant improvement, though half of this is due to one-off corrections. The Learning business a little bit less profitable, a bit more loss in the first quarter; that's typical. So the first quarter is always loss-making. But given the fact that the business is a little bit bigger with the acquisition of De Boeck and the amortisation of the prior investments, the loss in the first quarter is a bit higher. So overall, a good first quarter, good improvement versus last year.

If we then take a look at the media advertising markets to which we always hold quite an exposure, in the Netherlands you see that the market basically performed similar to 2016. TV a bit down but overall the market slightly up. If we then look at Finland, there we saw a slightly surprising decrease in the market of -5 %. And to us that was slightly surprising because our B2B sales were stable. So the conclusion from that is that we gained share and we gained share across all the segments, but most pronouncedly in TV and online business.

Now just repeating a little bit the announcement of 10th April because you do see the impact of that in our Q1 results as well, we divest the SBS business to Talpa, our long-time partner. SBS is the number three free-to-air player in the Dutch market with four channels. And we received for that a net cash consideration of €237 million and 100% of the ownership of Veronica Uitgeverij, which is the TV guide publishing business. That is then – of course, those considerations are for our 67% stake in the business, implies a multiple of 12.6 for SBS for the TV business, which we consider a good multiple given the fact that RTL is trading at 8.6 and Prosieben as a TV business is trading at 10.6. We sell to Talpa and Talpa is already co-owner in this business and has 33% stake in it. The transaction is, as indicated, subject to the normal closing conditions among which the regulatory approval that is needed. And that makes that closing is not expected before Q3 2017. And as I indicated, the SBS asset is now held for sale in our Q1 account.

The key benefits that we indicated on April 10th, very pronounced of course, benefit, the improved financial and strategic flexibility, to grow and focus not only financially but also from a management focus on our stronghold businesses. We will use the cash consideration to reduce our leverage and if we were to look at that from a 2016 perspective, as pro forma, then it would mean that at the yearend instead of the 3.2 leverage, it would be 2.5, so with that already reaching our long-term target.

We then have full ownership of all our businesses, which improves the transparency and the agility in our way of being able to respond. So we see that as a positive result and it allows them to focus all the attention on those 100%-owned businesses. One of the first steps is then to integrate Veronica Uitgeverij, so the TV guide publishing business in the Netherlands, into our remaining magazine business. It will be then one of the key media brands for us. So we see there attractive synergies with the rest of our portfolio. And as you see from the slide, we will then have, as a Group, a more balanced composition of our net sales; the advertising sales exposure reduces from over a third to a quarter of the total Group sales. And given the fact that the advertising sales is always a little bit more volatile than, for example, the subscription sales, we see that as a positive. So overall, happy with that announcement.

In the BeNe business, we are fully committed to our cross media brands there. Important to note that the fact that these brands are cross media is not dependent on us owning the TV business because we will continue with our expansion into online TV and free-to-air TV, for example Vtwonen. In the first quarter, the organic net sales was down with 4%, in which the Dutch market Easter moving from Q1 to Q2 always has a bit of an effect. Subscription sales very stable and a little bit of impact from the negative market trends in the single copy market and in the free-to-air TV because it's good to remember that SBS, of course, is still in Q1, in Q2 in our results. Operational EBIT went up to €9.3 million due to the cost innovations, and specifically to good performance in the print and the online portfolio.

We then go to Media Finland. Again, like the last quarters, strong improvement, stable net sales. TV and online performing very strongly there. Operational EBIT significantly up,half of that through cost innovations, the other half through one-off corrections. And the advertising market share, as I already indicated, improved again this quarter. We also indicated that we will put more focus on the B2B sales to small and midsized enterprises so really, smaller businesses. And in order to do so and facilitate the different sales operations that is needed for that, we will combine our Sanoma sales team into the Routa sales teams, and with that also increase our share in that participation. Overall, if you look at the numbers, you'll see that Helsingin Sanomat, in its digitalisation, makes good progress and typically we were at 54% of the subscribers paying for digital. That has now already gone up in the first quarter to 58%.

Learning, small quarter; always the issue with moving sales between the quarters. And that also happened again this quarter. A little bit of movement towards the second quarter overall for the year and no changes in our expectations. New curriculum development in Poland, which is taking a lot of energy because the announcement was only made in the beginning of January and the new methods are supposed to be in the market in September. So a lot of our investment and operation are focused on making that new curriculum. It's going very well. A lot of new methods have been delivered to the Ministry for approval. And it is impacting our EBITDA because of course we do now a lot of investments in very short timeframe. Operational EBIT also impacted, as we indicated before, by the acquisition of De Boeck. The first quarter is loss making so larger the business is, the larger the initial loss, and some of the amortisation of the pre-publication of historic developments. As you see in the graph, the number of digital users continues to grow strongly, largely due to Bingel and the successful roll out of that in Sweden and in Finland.

Now to close off, just to reiterate our outlook for 2017 as we announced on April 10th, our net sales adjusted for structural changes are stable and operational EBIT margin, that will be above 10%. The outlook is of course always under the assumption that the advertising markets behave similarly as in 2016. And I just also want to stress that the new dividend policy aiming for an increase in dividends will not be impacted by the divestment of SBS. So with that, I would like to hand over to Markus to give a bit more financial details.

Markus Holm: Let's start with the operational EBIT which improved significantly in the quarter. Quarter one €11.4 million versus quarter one last year €1.9 million. And if we look a bit on explanations by business unit, starting with Media BeNe, Media BeNe improved by €1.9 million in the quarter, a lot due to cost innovations that more than offset the lower sales that we had in Media BeNe. The higher seasonal loss in SBS is also visibleon the first quarter as usually a weaker quarter in the TV business. Then Media Finland, that was the biggest improvement: €8 million in the quarter. Half of it cost innovations but really, across the board you could say. And then these one-off corrections which were really related to smaller things that have built up during a long time. And when we have reviewed our financial processes, we have now corrected this and the result was €4.4 million. The sales mix also had a positive impact on Media Finland.

In Learning, down €4.1 million versus the previous quarter last year, explained by lower sales and then mainly this shift of some invoicing to the second quarter. New methods in Poland that weighted a bit on quarter one. Also the higher depreciation and amortisation related to earlier investments and the consolidation of De Boeck. If you look on these different lines here I would say half of that €4 million change roughly came from the methods in Poland, and roughly half from the depreciation, amortisation and consolidation of De Boeck. Then in other, we saw €3.7 million improvement, partially cost innovations, partially also internal allocations – changes in internal allocations. There were, however, some timing differences as well so this is a bit too good in this quarter, that we will see some small correction probably in the second quarter in the other item.

Free cash flow – if we compare with quarter one last year, free cash flow now -€51 million and the main component started from EBITDA €21 million. We had a positive effect of financial items, €10 million due to less interest on our bonds. And then networking capital and TV rights in total -€80 million, mainly due to timing shifts between the quarters, I would say. Taxes, minor impact and cash CAPEX -€3 million. In the income statement I think the two points I would like to highlight here is we have this big one-time effect in the items affecting comparability related to SBS – I will come back to that. And the operational EPS +€0.02 now in the quarter compared to -€0.04 last year.

Then a bit on the financial impact of the SBS divestment, we announced this on the 10th April and we said that the net profit impact would be roughly €313 million of this divestment under capital loss. And we still see that this will be the impact at the end of the day. If you look at the different components, starting with the EBIT impact, we have -€425 million EBIT impact, which is the difference between the fair value and the carrying amount. And that is the 100% consolidated value in our books. And then from that you deduct the non-controlling interest of €138 million and you end up with €287 million net profit impact in Q1 of the capital loss. Now then what will happen in the second quarter is that there will be some positive impact from the result. We see a small positive result in SBS in the second quarter. And then, due to this classification to held-for-sale assets, we discontinued the depreciation and amortisation in this business. And that has a positive effect. So the €26 million improvement that we see in equity, that will then be reversed when we close this deal. So that is how we build up the €313 million as an estimate. Equity ratio of course down now by this capital loss that we booked. We are now at 27.4% versus 39.3% a year ago.

Then looking on the financing, our debt structure and financing costs, our debt structure, if we start with that, we have now a bit more than half in commercial papers and the rest in bonds and bank loans. In March we paid back €200 million bond and that was financed through bank financing and commercial papers. Our net financial items are coming down now €6.6 million versus €8.7 million a year ago thanks to the better financing mix. The average interest rate came down to 2.5% now compared to 3.1% in quarter one last year.

Deleveraging continues. Our net debt to EBITDA adjusted was 3.5 times versus 4.7 a year ago. And in net debt, we see a typical seasonal uplift. There are a few components here. In December, we paid back the hybrid bond of €100 million. Then also the dividend timing was a bit different, so the dividend was paid already in quarter one this year compared to quarter two in 2016. And the divestment of SBS will improve the leverage ratio going forward. And the continued improvement of cash flows and deleveraging will have a positive effect on operational EPS going forward.

Anna Tuominen: Thank you Markus and Susan. We will now start the Q&A session. Do we have any questions now at the room? No questions at this time. What about over the phone?

Operator: As a reminder to ask a question, please press star one on your telephone keypad. We have one question from Matti Riikonen of Carnegie. Please go ahead.

Matti Riikonen: Hello, good morning. So to your Finnish business and the one-off correction, could you slightly clarify where that actually is coming from, and will it have a positive impact on other 2017 quarters as well or was this just isolated in Q1? And then the second question related to cost savings. You have earlier said that since the comparables in 2016 are becoming a bit tougher, it would be more difficult for you to create similar size of cost savings in 2017. Now in Q1, it appeared that you did manage to get quite a lot of cost savings, more than anticipated. And my question is, do you think that this pattern could be replicated in other quarters as well? Meaning that you would still have more cost savings in the pipeline. Or was this just a kind of event in Q1 where the comparable in 2016 was still a bit higher than the further quarters in 2016, so that this is more a favourable comparison in Q1 but not necessarily the same thing in the coming quarters?

Susan Duinhoven: I'll just maybe start answering the last question, and then if you pick up the first one. I do agree that the first quarter was again a good quarter on the cost savings side. It's partially therefore also the reason to create an outlook that is slightly more positive, so above 10%. So that is the outlook that we go with in the year and that means that there is overall cost innovation taken into that outlook. So where we have indicated before that 2016 was really extreme uplift due to cost innovations, it doesn't mean that 2017 has none, but less so than 2016. So the outlook for 2017 is what you can keep yourselves to.

Markus Holm: Then maybe I comment on the corrections that we had. So definitely, this is just impacting the first quarter, this €4.4 million. And the reason really being that we have made a –

thorough review of our financial processes and the balance sheet accounts probations, accruals and so forth, and we identified some related probations and accruals in our B2C and B2B businesses where we had overstatements and we had to adjust those. So it's definitely a one-time item in that sense in the quarter one.

Matti Riikonen: Okay, thank you.

Operator: There are no further questions.

Anna Tuominen: Okay, do we have questions here at the room? Still? If not, we thank you for participating. Have a nice day.

Susan Duinhoven: Thank you.