

# **Interim Report Q3 2012**

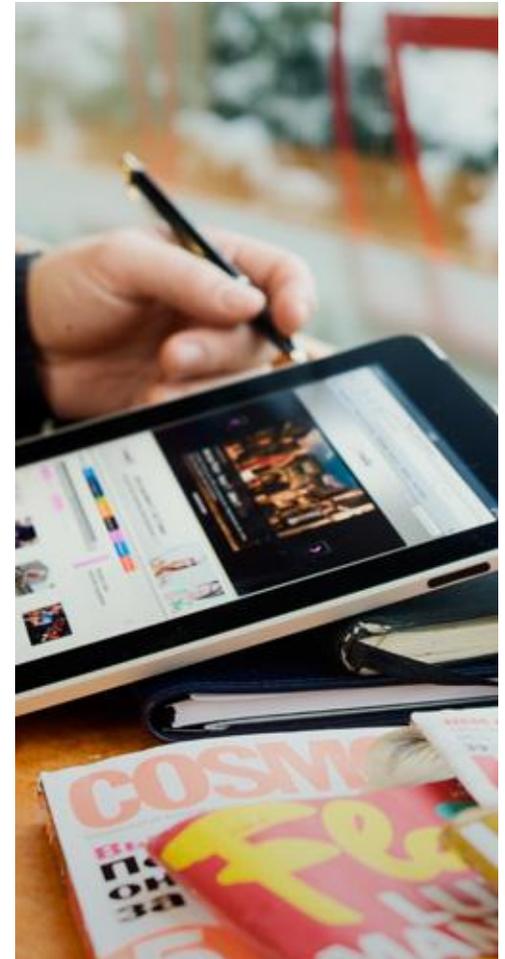
Harri-Pekka Kaukonen, President and CEO

Kim Ignatius, CFO

31 October 2012

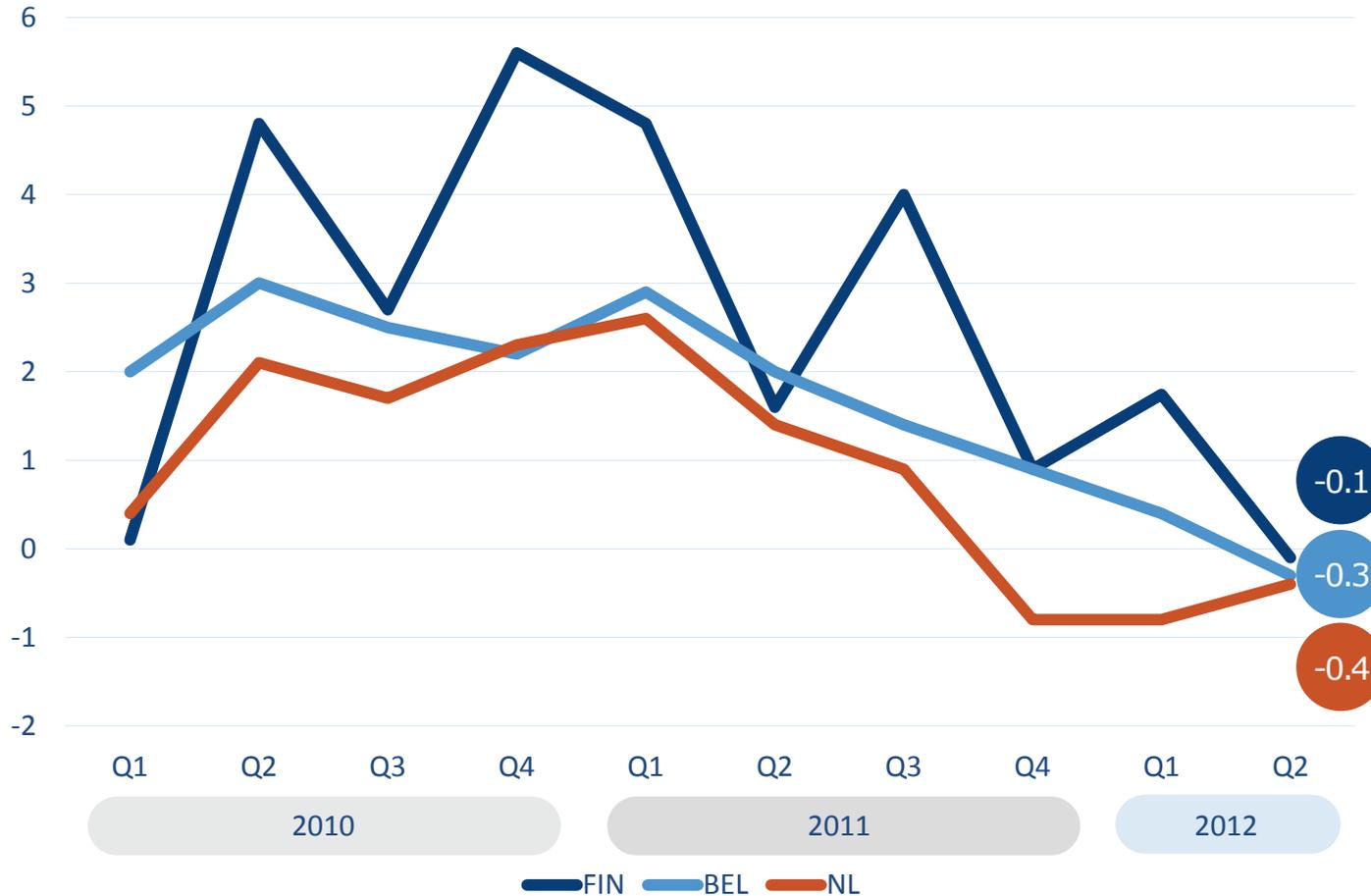
# Strong quarter for Learning

- **Q3 2012**
  - Net sales EUR 599.5 (627.4) million – organic growth -3.3%
  - EBIT excl. non-recurring items EUR 80.1 (77.6) million
  - EPS excl. nri. EUR 0.31 (0.28)
  - Digital sales 19.6% of total net sales
- **Balance sheet – improving gradually**
  - Equity ratio 41.4% (36.4%)
  - Gearing 85.0% (112.0%)
- **Learning – good momentum**
  - Organic growth +11%
- **Consumer media – under pressure**
  - Circulation and advertising markets continued to be weak
  - SBS Netherlands TV operation: share of viewing stabilised at around 20% with higher investments in programming rights
- **Cost savings initiated – targeting EUR 60 million (gross)**
  - Group-wide three-year programme



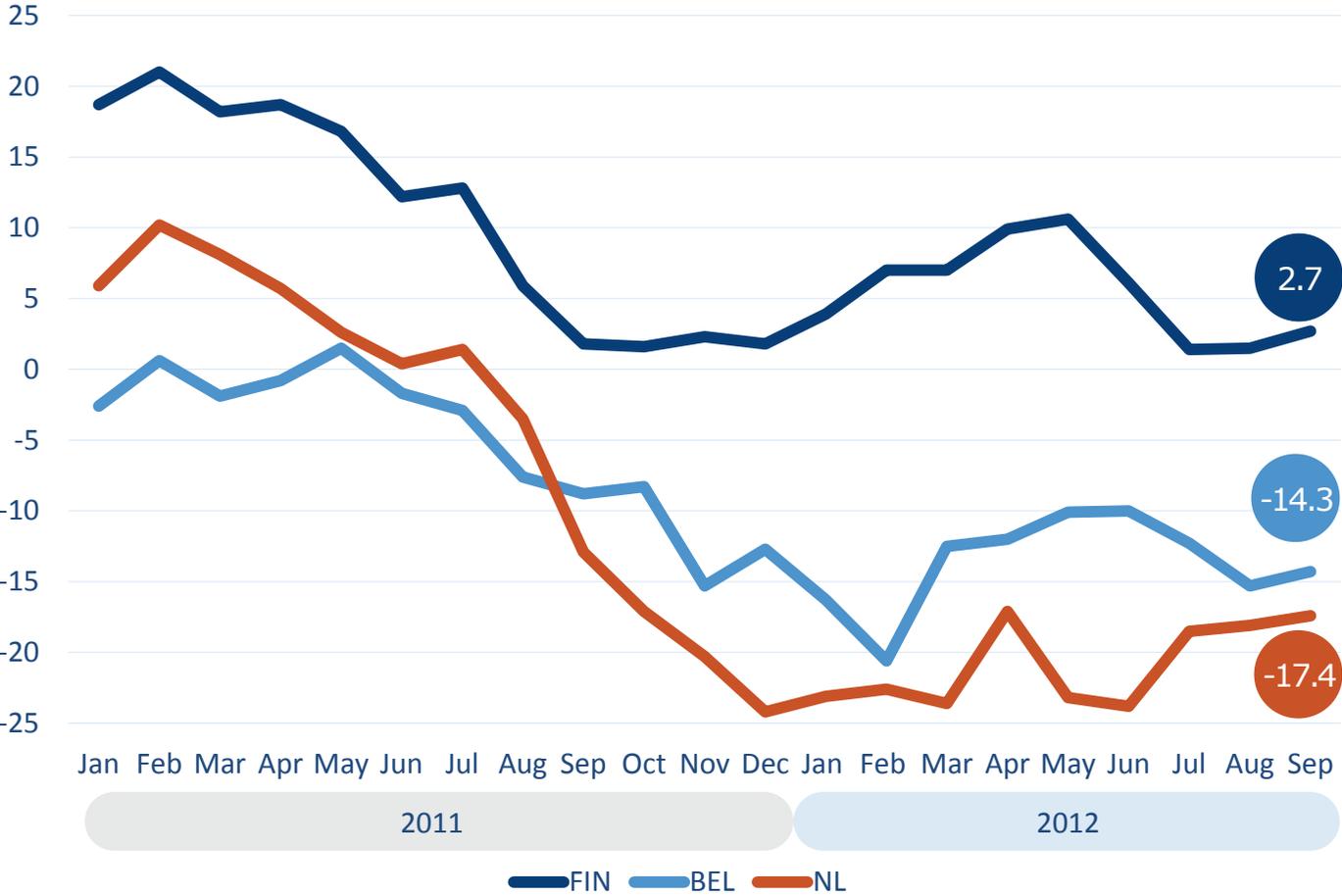
# GDP development

Declining trend continues in our main markets



# Consumer confidence

Slightly improving – but still very negative



# Update on advertising markets

Change in total advertising market in % vs. previous year

<b>Netherlands*</b>	Q1/2012	Q2/2012	Q3/2012	<b>Q1-Q3/2012</b>
Magazines	-1	-11	-13	-9
TV	-3	-5	-7	-5
Online**	+7	+7	-9	+2
<b>Total advertising market</b>	<b>-4</b>	<b>-5</b>	<b>-8</b>	<b>-6</b>

<b>Finland***</b>	Q1/2012	Q2/2012	Q3/2012	<b>Q1-Q3/2012</b>
Newspapers	-2	-13	-9	-8
Magazines	-2	-6	-9	-5
TV	+5	-4	-2	0
Online	+14	+1	+8	+9
<b>Total advertising market</b>	<b>+1</b>	<b>-8</b>	<b>-5</b>	<b>-4</b>

<b>Belgium*</b>	Q1/2012	Q2/2012	Q3/2012	<b>Q1-Q3/2012</b>
Magazines	-9	-8	-10	-9
TV	+1	-11	-6	-6
Online	+6	+4	+5	+5
<b>Total advertising market</b>	<b>0</b>	<b>-8</b>	<b>-10</b>	<b>-6</b>



# Group outlook for 2012 reiterated

## Group outlook for 2012

1-9/2012act

Net sales	<b>'At the previous year's level or to grow slightly'</b>	<b>+2.3%</b>
EBIT, excluding non-recurring items, margin	<b>'Around 10% of net sales'</b>	<b>11.2%</b>
EPS excluding non-recurring items	<b>'To be somewhat below previous year'</b>	<b>EUR 0.70 vs. EUR 0.69 or +1.8%</b>
Advertising market development assumption	<b>'Slightly to somewhat decreasing'</b>	<b>NL: -6%*</b> <b>FIN: -4%**</b> <b>BEL: -6%**</b>

# Group-wide transformation process

Two parallel tracks

## Digital Transformation

- Cross-media development
- Convert reach to revenues
- Build new businesses

## Raise the performance bar

- Culture
- Focus
- Efficiency
- Financial flexibility



# Cross-media adds value for customers and Sanoma

Convert reach to revenues

Increased added value to consumers / communities

Improved return on marketing

Increased return on reach and content

- Brand extensions & supplements
- Improved experience through multimedia expansion
- More targeted segmentation
- New digital businesses

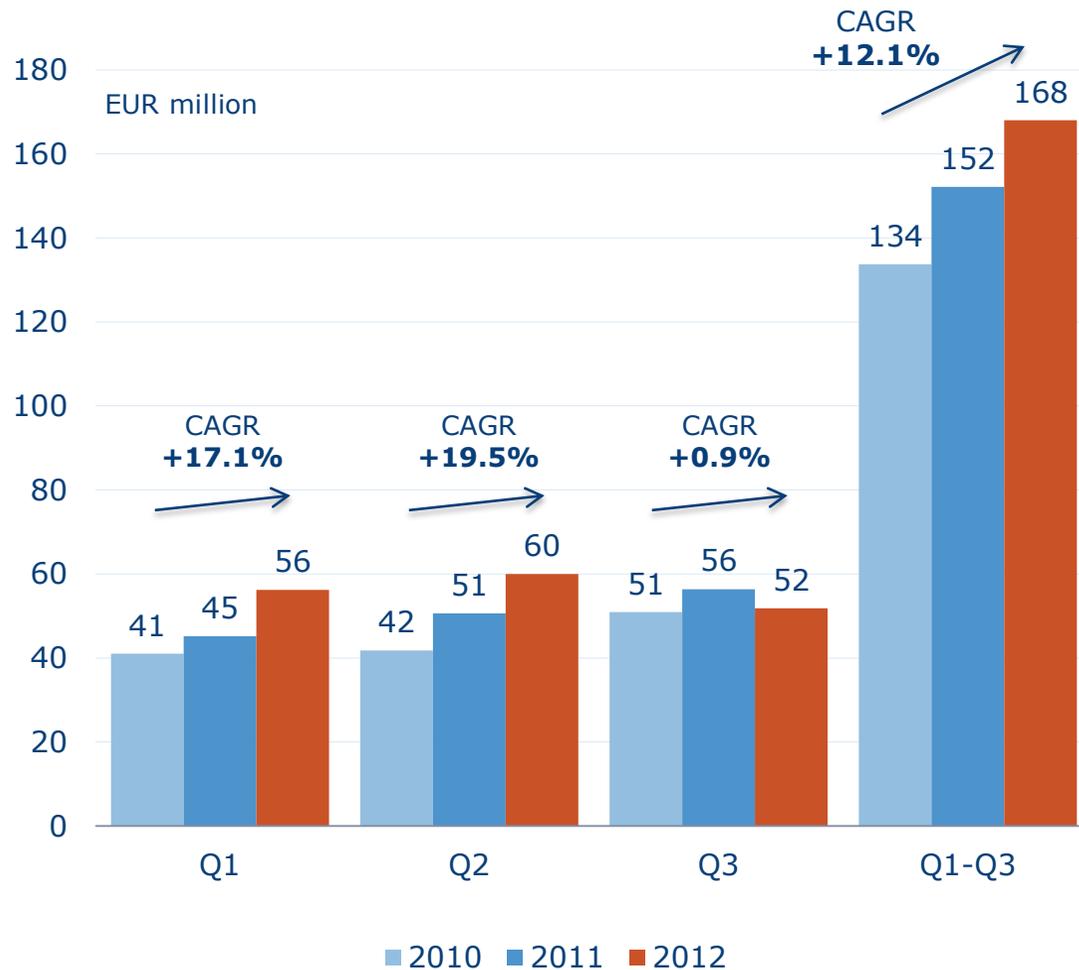
- Increased cross-media reach
- More targeted segmentation
- Capitalize on engaging context
- Domain 'ownership'

- Multi-format concept
- Content pooling and reusing
- ARPU centric thinking
- Monetise reach and media power
- New digital businesses



# Online sales development

9.4% of Group's YTD net sales



## 2012 YTD

- Strong underlying development

## Q3 2012

- Online advertising market under pressure in the Netherlands, -9%\*
- Timing shift between quarters in online net sales realisation mainly in Learning

# Reposition Sanoma for future

## Raising the performance bar

- Fundamental change in mind-set and way of working – act as one
- Main portfolio changes executed – continue to dispose non-core assets
- Enhance operational efficiency and financial flexibility
  - Continue to address cost base
  - Targeting to reduce structural cost base by around EUR 60 million gross during coming three years
  - Targeting improved EBIT, excluding non-recurring, margin

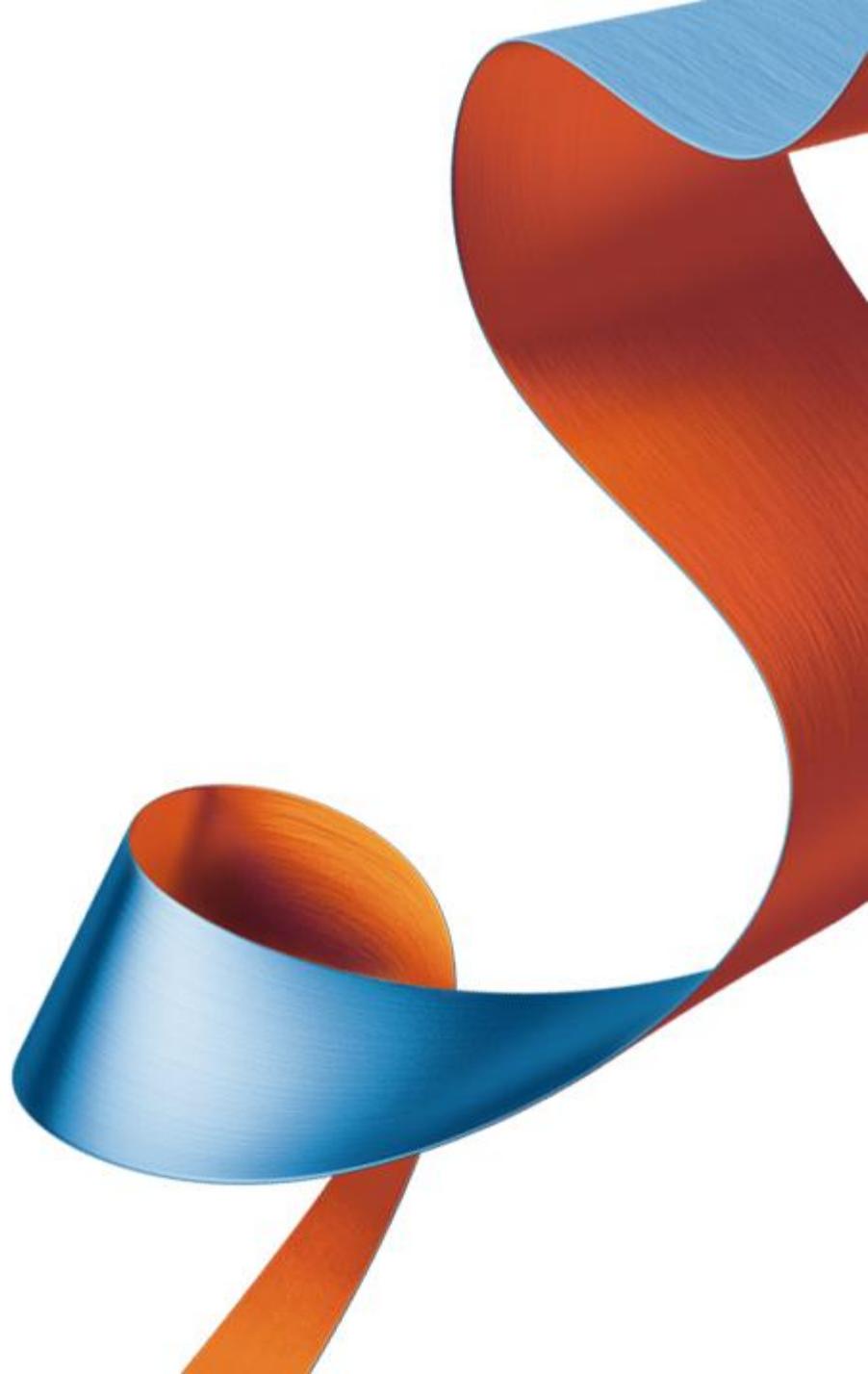


**EUR 60 million gross savings**

# Financials

Kim Ignatius

CFO



# Financial highlights

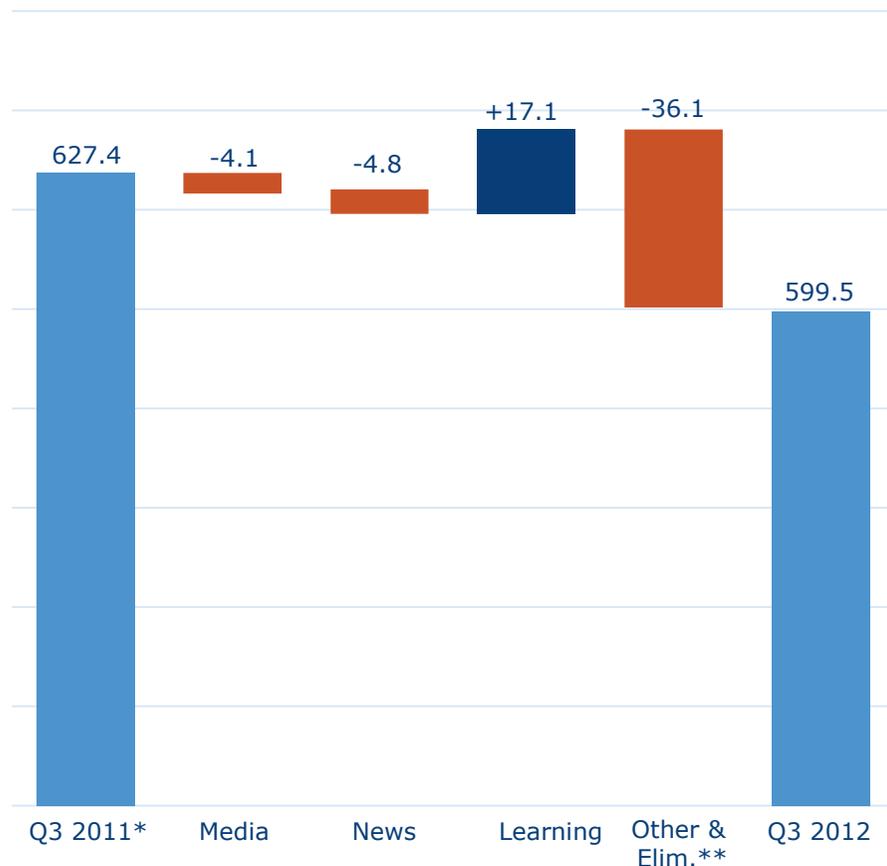
Q3 2012

EUR million	<b>7-9/2012</b>	7-9/2011 restated*	Change %
Net sales	<b>599.5</b>	627.4	-4.4
EBITDA excl. non-recurring items	<b>144.4</b>	138.5	+4.2
<i>of net sales</i>	<b>24.1%</b>	22.1%	
EBIT excl. non-recurring items	<b>80.1</b>	77.6	3.3
<i>of net sales</i>	<b>13.4%</b>	12.4%	
EBIT	<b>61.8</b>	-17.2	n/a
EPS excl. non-recurring items, EUR **	<b>0.31</b>	0.28	+7.3
EPS, EUR **	<b>0.23</b>	-0.31	n/a
Cash flow from operations/share, EUR **	<b>0.53</b>	0.68	-21.5
Number of employees (FTE)***	<b>10,590</b>	11,783	-10.1

# Asset mix changed

## Net sales – Q3 2012

EUR million



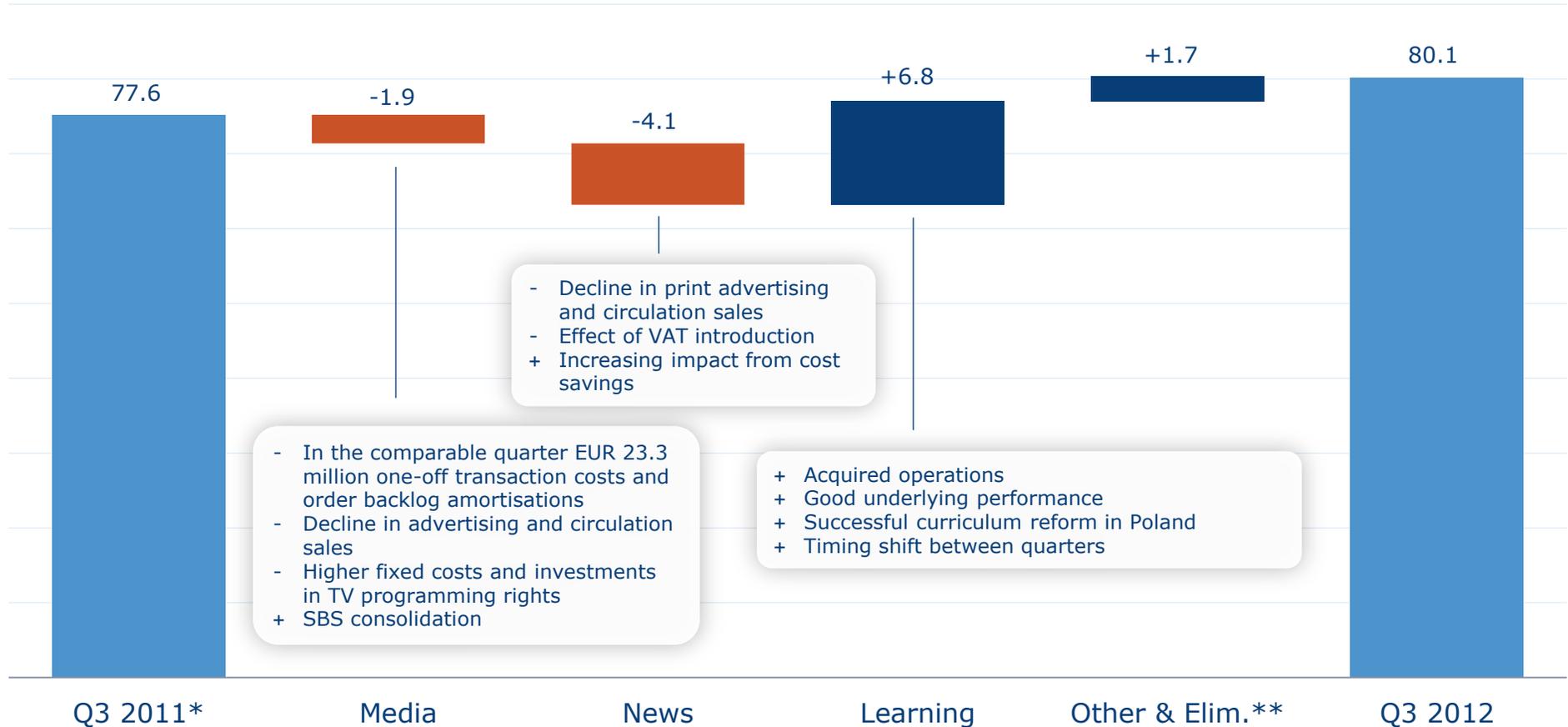
(%)	Growth	Organic growth	Share of net sales
Group	-4.4	-3.3	
Media	-1.2	-8.8	60.0%
News	-4.7	-5.4	17.4%
Learning	+15.5	+11.4	22.6%

- Media:** Consolidation of acquired TV and print operations. Organic growth declined due to lower advertising and circulation sales
- News:** Macro-economic uncertainty continued to affect advertising sales negatively. Print subscription sales continued to decrease, impacted also by the VAT introduction
- Learning:** Good momentum, especially in Poland. Acquisitions and timing differences in net sales realisation contributed positively
- Other:** Mainly structural changes, but also non-core operations under pressure

# EBIT improved due to Learning

EBIT excl. non-recurring items – Q3 2012

EUR million



# Income Statement

EUR million	7-9/2012	7-9/2011 restated*	1-9/2012	1-9/2011 restated*	1-12/2011 restated*
<b>Net sales</b>	<b>599.5</b>	<b>627.4</b>	<b>1,789.6</b>	<b>1,750.2</b>	<b>2,378.1</b>
<b>EBITDA excl. non-recurring items</b>	<b>144.4</b>	<b>138.5</b>	<b>405.3</b>	<b>308.0</b>	<b>446.3</b>
<i>of net sales</i>	<b>24.1%</b>	22.1%	22.6%	17.6%	18.8%
Amortisations related to programming rights	<b>-31.2</b>	-19.4	-111.3	-43.8	-92.9
Amortisations related to prepublication rights	<b>-5.3</b>	-5.4	-15.3	-15.8	-21.1
Other amortisations	<b>-13.8</b>	-22.0	-38.5	-35.9	-49.3
Depreciations	<b>-13.9</b>	-14.0	-39.9	-42.9	-58.8
<b>EBIT excl. non-recurring items</b>	<b>80.1</b>	<b>77.6</b>	<b>200.2</b>	<b>169.5</b>	<b>224.1</b>
<i>of net sales</i>	<b>13.4%</b>	12.4%	11.2%	9.7%	9.4%
Total financial items	<b>-14.4</b>	-12.1	-42.4	-19.7	-32.7
Effective tax rate	<b>21.8%</b>	n/a	18.7%	43.8%	40.3%
<b>EPS excl. non-recurring items, EUR</b>	<b>0.31</b>	<b>0.28</b>	<b>0.70</b>	<b>0.69</b>	<b>0.87</b>

# Free cash flow

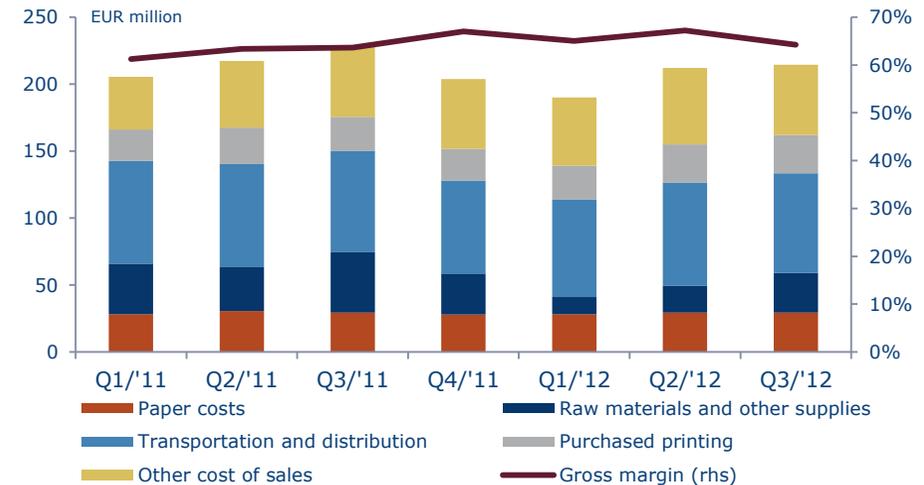
Cash flow from operations less cash CAPEX

EUR million	7-9/2012 Group*	7-9/2011 Group*	1-9/2012 Group*	1-9/2011 Group*	1-12/2011 Group*
<b>EBITDA excl. non-recurring items</b>	<b>144.4</b>	<b>142.6</b>	<b>410.2</b>	<b>323.3</b>	<b>469.5</b>
TV programming costs	-45.4	-26.0	-134.4	-50.8	-92.0
Prepublication costs	-8.8	-6.8	-22.3	-18.7	-28.4
Change in working capital	+27.6	+27.8	-73.2	-44.2	+50.2
Interest paid	-9.7	-7.2	-30.9	-13.8	-23.6
Other financial items	-1.8	-7.0	-6.3	-12.2	-17.4
Taxes paid	-15.0	-15.1	-48.6	-52.1	-65.5
Other adjustments	-4.4	+2.3	-10.7	+1.5	-19.0
<b>Cash flow from operations</b>	<b>86.9</b>	<b>110.8</b>	<b>83.8</b>	<b>133.0</b>	<b>273.8</b>
Cash CAPEX	-13.5	-18.1	-43.2	-53.0	-70.8
<b>Free cash flow</b>	<b>73.4</b>	<b>92.7</b>	<b>40.6</b>	<b>80.1</b>	<b>203.0</b>

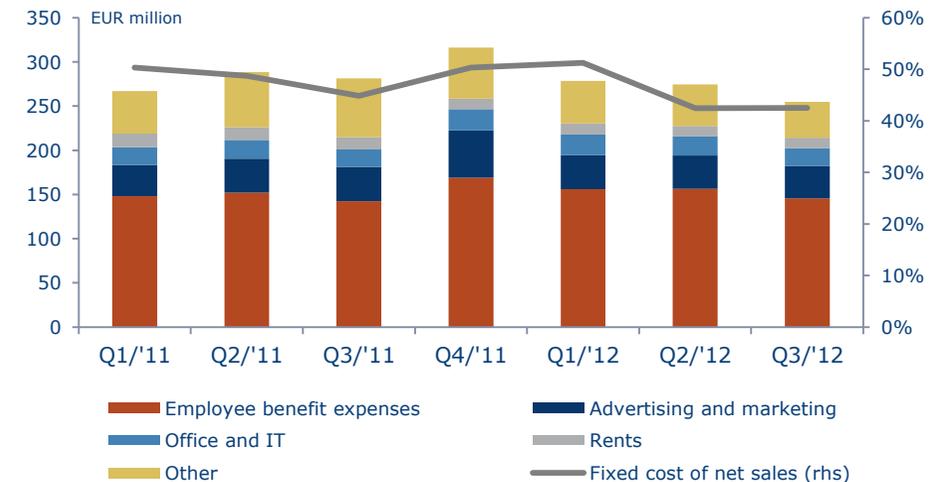
# Savings target & cost structure

- Group-wide cost savings programme
  - Targeting around EUR 60 million gross savings compared to 2012 base
    - Support functions approx. EUR 30 million
    - Operational efficiency approx. EUR 30 million
  - Savings fully effective as end of 2015
  - Targeting improved EBIT, excluding non-recurring, margin

**Cost of sales split (EUR million) and Gross Margin**



**Fixed cost split (EUR million) and share of net sales**



# Refinancing completed successfully

More than EUR 1 billion done

- Gross debt EUR 1,455.6 million and net debt EUR 1,369.5 million as of 30 September 2012
  - Average interest rate around 3.5% p.a.
  - Interest sensitivity\*\*\* has decreased to EUR 1.0 million and the duration is 26 months
- Refinancing YTD 2012
  - New 5-year EUR 600 million revolving credit facility signed in July
    - Initial margin 1.5% + Euribor
    - Replaced the EUR 802 million facility
  - Inaugural eurobond issued in March under investment grade documentation
    - EUR 400 million 5-year fixed 5% coupon, yielding 5.136% p.a.
- EUR 800 million Finnish CP program and EUR 300 million Belgian CP program
  - Mainly used for operational cash management (fully backed)
  - Typically outstanding EUR 200–400 million

Committed credit facilities profile\*  
As of 30 September 2012 (EUR million)



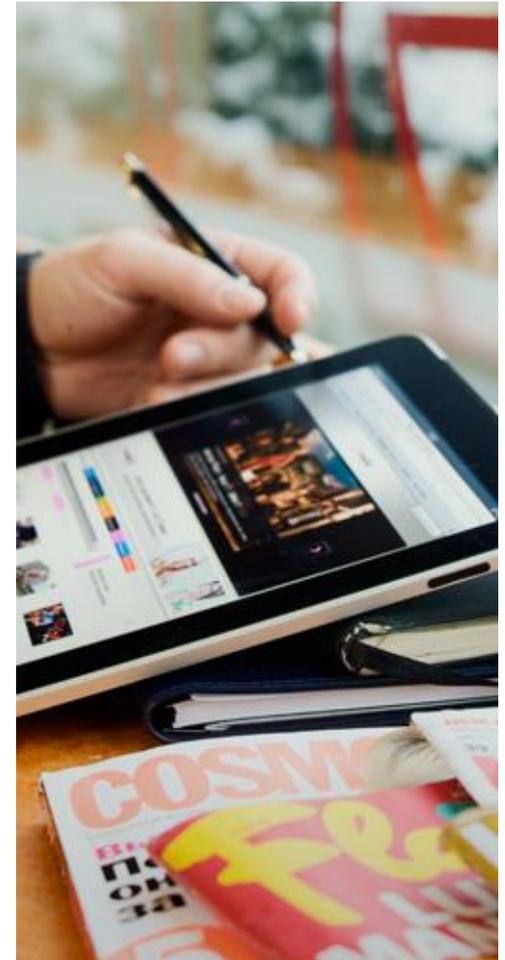
\* Including the EUR 400 million bond maturing in 2017 and excluding current account limits.

\*\* Facility expected to be refinanced by latest one year prior to maturity.

\*\*\* Should the level in market interest rates make a parallel shift of one percentage point.

# Group outlook for 2012 (reiterated)

- Net sales to be at the previous year's level or grow slightly
  - In 2011, restated\* net sales were EUR 2,378.1 million
- Operating profit margin, excluding non-recurring items, is estimated to be around 10% of net sales
  - In 2011, restated\* operating profit margin, excluding non-recurring items, was 9.4% of net sales
- Earnings per share excluding non-recurring items are estimated to be somewhat below previous year
  - 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 slightly to somewhat decreasing, as the economic uncertainty continues





# Appendix Interim Report Q3 2012



# Focus on consumer media and learning

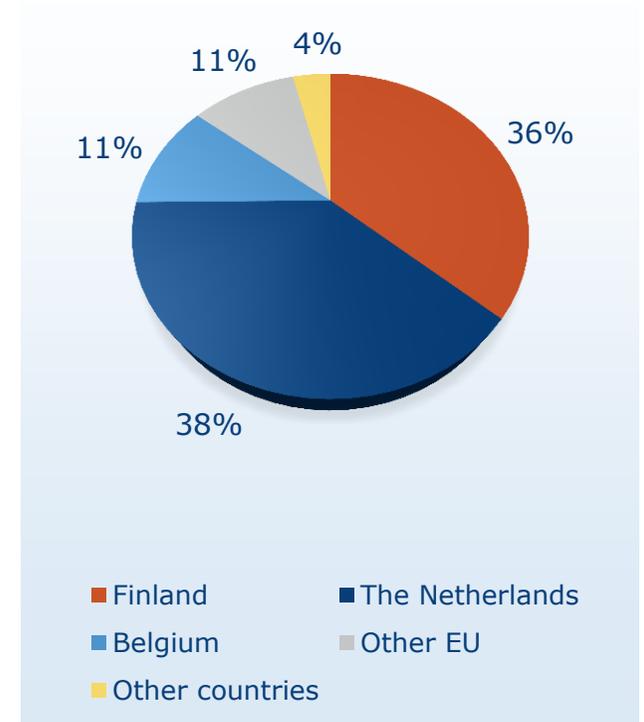
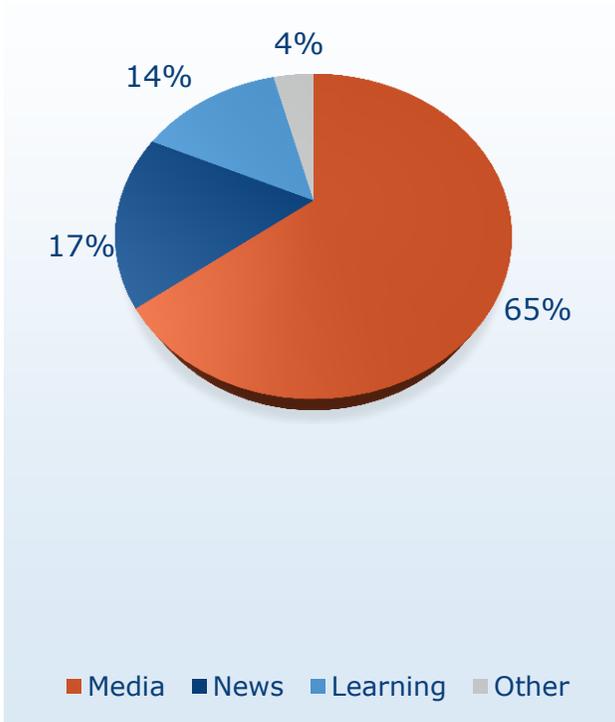
2011 restated\* pro forma\*\*

## Sales

by operating segment

by type of sales

by geographic area

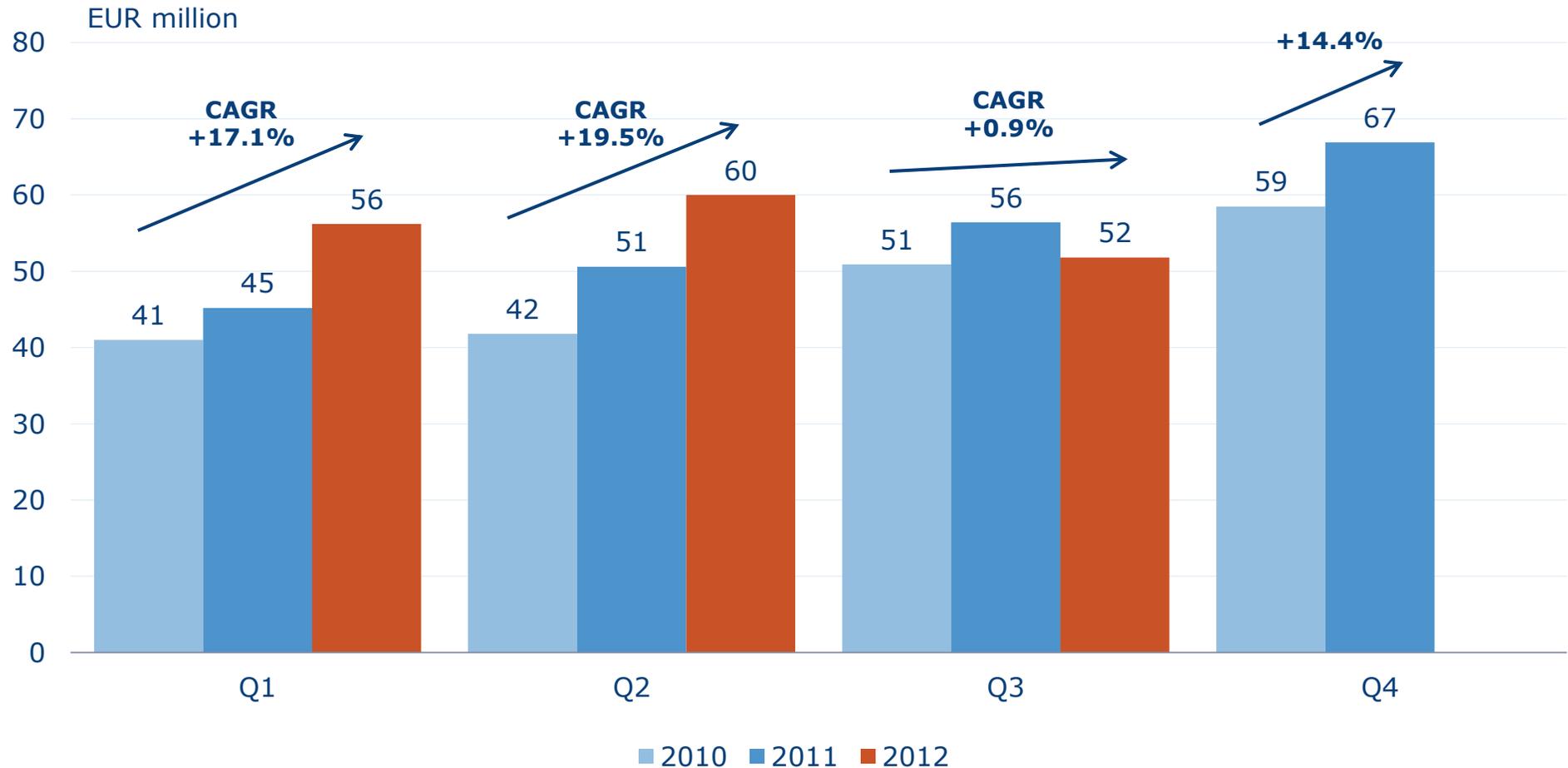


\* Kiosk operations in Finland, Estonia and Lithuania, and press distribution operations in Estonia and Lithuania classified as discontinued operations.

\*\* 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.

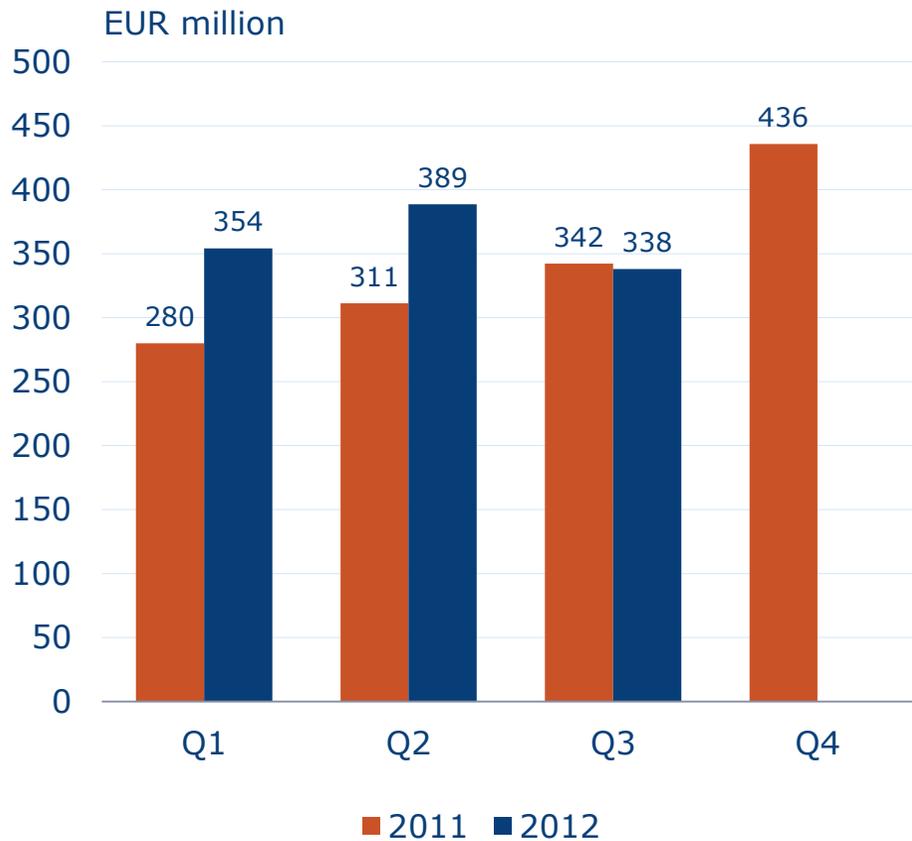
# Online sales development

9.4% of Group's YTD net sales

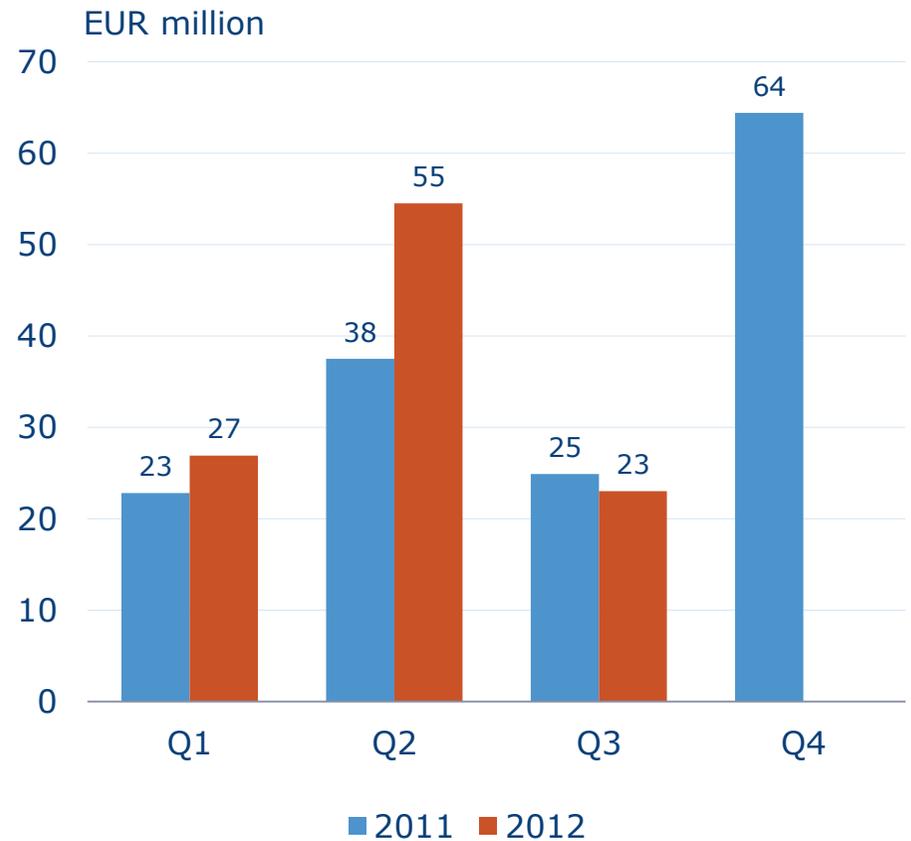


# Sanoma Media

## Net sales



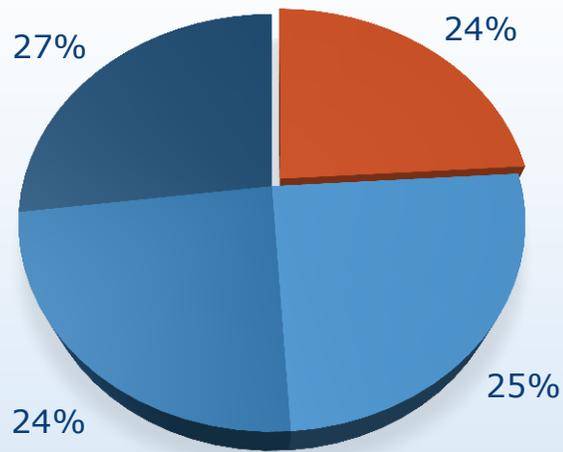
## EBIT excluding non-recurring items



# Magazines – net sales and EBIT seasonality

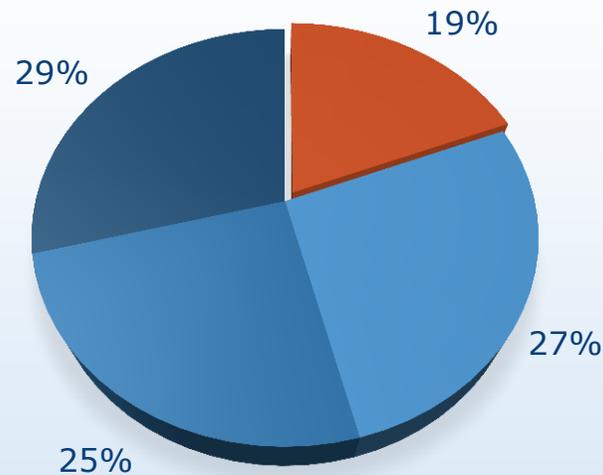
2009-2011 average for Magazines\*

Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

EBIT\*\* split



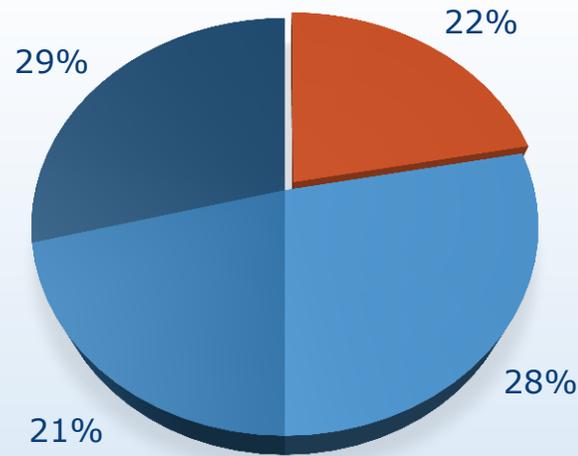
■ Q1 ■ Q2 ■ Q3 ■ Q4



# TV – net sales and EBIT seasonality

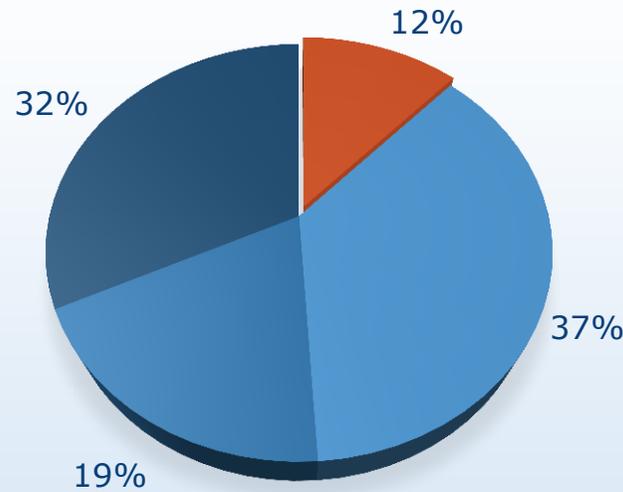
2009-2011 average for TV\*

## Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

## EBIT\*\* split



■ Q1 ■ Q2 ■ Q3 ■ Q4



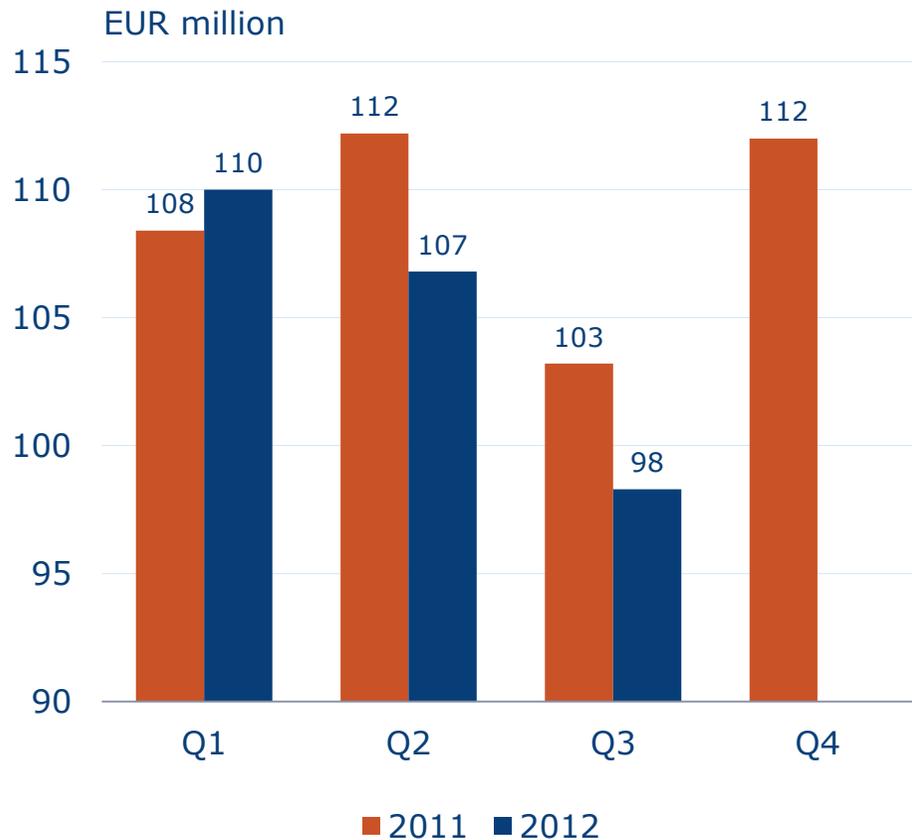
# Sanoma Media

## Key figures

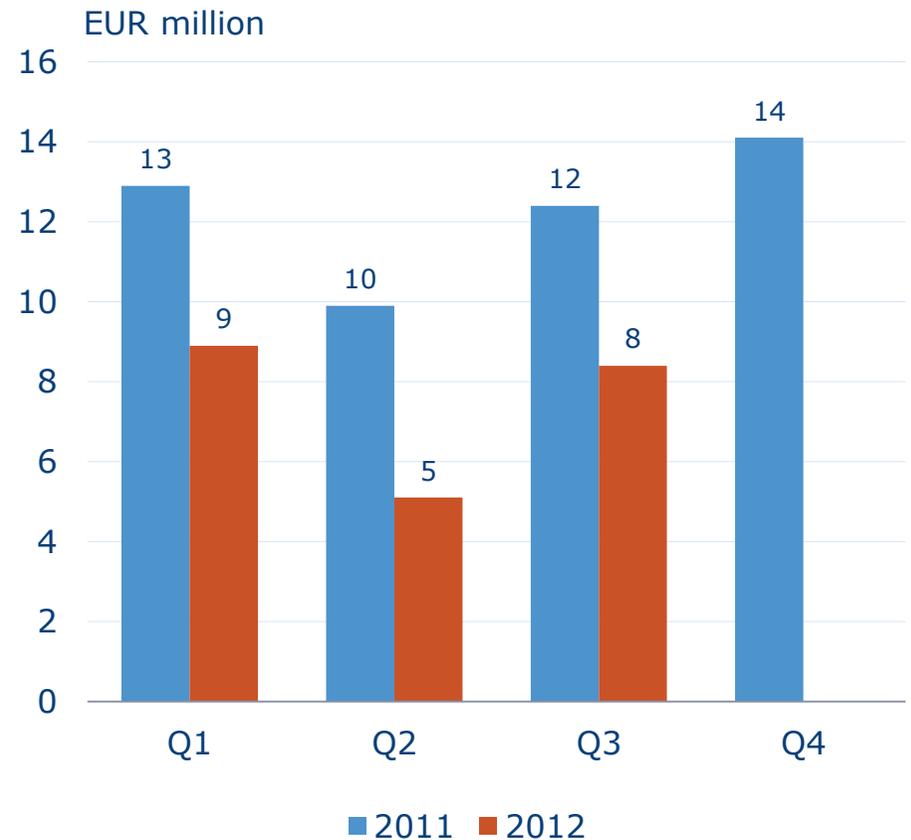
EUR million	7-9/12	4-6/12	1-3/12	10-12/11	7-9/11	4-6/11	1-3/11	FY 2011
<b>Net sales</b>	<b>338.1</b>	<b>388.6</b>	<b>354.1</b>	<b>435.8</b>	<b>342.2</b>	<b>311.2</b>	<b>280.0</b>	<b>1,369.2</b>
The Netherlands	<b>173.5</b>	208.1	171.6	232.2	174.0	130.6	105.3	<b>642.0</b>
Finland	<b>65.4</b>	76.7	77.4	86.2	70.0	79.4	74.2	<b>309.7</b>
Russia & CEE	<b>46.9</b>	50.1	49.0	56.7	50.8	54.3	51.4	<b>213.1</b>
Belgium	<b>52.9</b>	54.6	56.8	61.9	48.4	48.7	50.1	<b>209.1</b>
Other businesses and eliminations	<b>-0.6</b>	-0.8	-0.7	-1.2	-0.9	-1.8	-0.9	<b>-4.8</b>
<b>EBIT excluding non-recurring items</b>	<b>23.0</b>	<b>54.5</b>	<b>26.9</b>	<b>64.4</b>	<b>24.9</b>	<b>37.5</b>	<b>22.8</b>	<b>149.5</b>
<i>% of net sales</i>	<b>6.8</b>	<i>14.0</i>	<i>7.6</i>	<i>14.8</i>	<i>7.3</i>	<i>12.0</i>	<i>8.1</i>	<b>10.9</b>
Number of employees (FTE)*	<b>5,824</b>	5,770	5,785	5,638	5,772	5,232	5,169	<b>5,638</b>

# Sanoma News

## Net sales



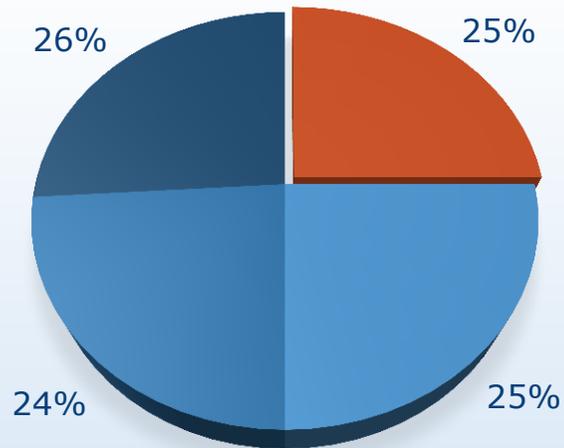
## EBIT excluding non-recurring items



# News – net sales and EBIT seasonality

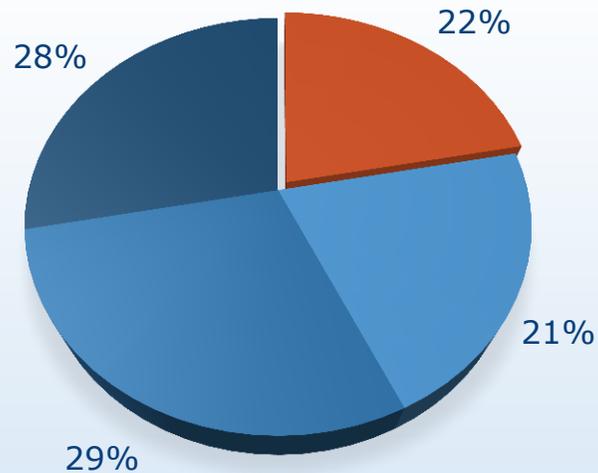
2009-2011 average for News

Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

EBIT\* split



■ Q1 ■ Q2 ■ Q3 ■ Q4



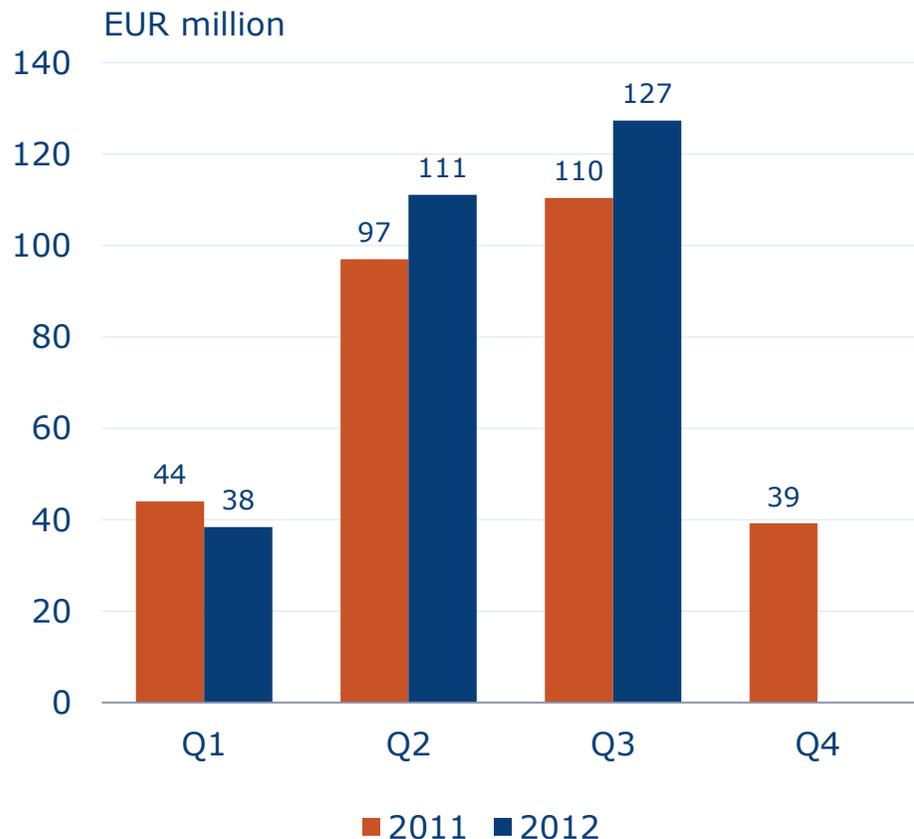
# Sanoma News

## Key figures

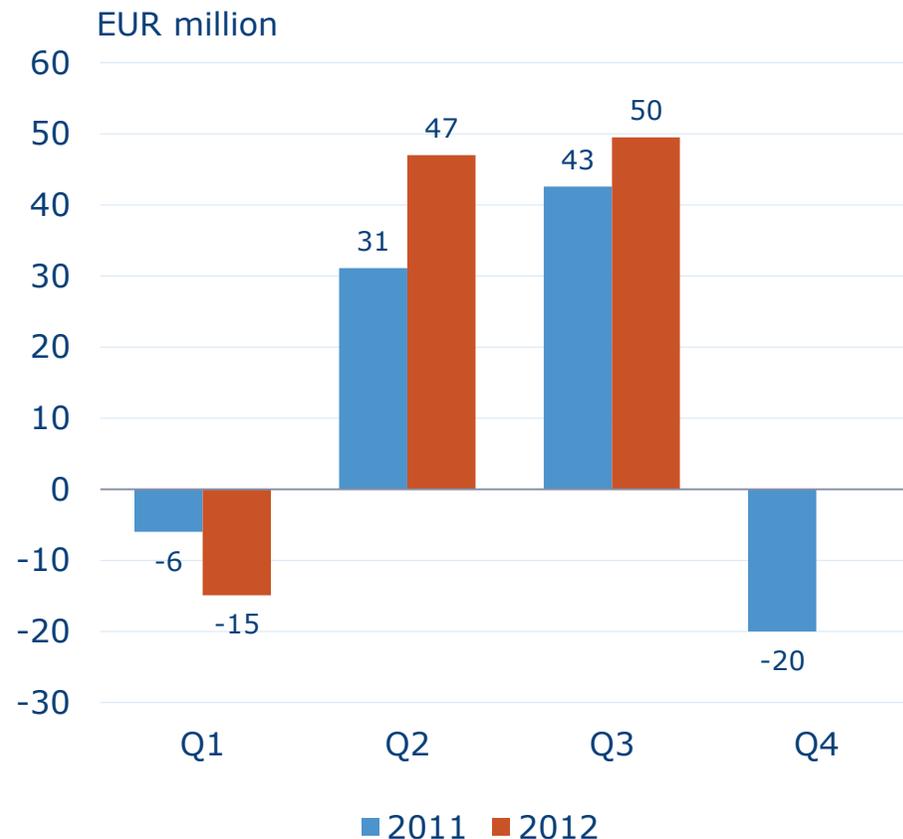
EUR million	<b>7-9/12</b>	4-6/12	1-3/12	10-12/11	7-9/11	4-6/11	1-3/11	<b>FY 2011</b>
<b>Net sales</b>	<b>98.3</b>	<b>106.8</b>	<b>110.0</b>	<b>112.0</b>	<b>103.2</b>	<b>112.2</b>	<b>108.4</b>	<b>435.8</b>
Helsingin Sanomat	<b>52.2</b>	56.2	59.3	60.8	55.3	61.2	61.2	238.5
Ilta-Sanomat	<b>20.0</b>	22.0	21.2	21.6	21.6	22.2	19.1	84.4
Other publishing	<b>22.3</b>	24.3	25.2	25.4	22.9	25.0	23.7	97.0
Other businesses and eliminations	<b>3.9</b>	4.3	4.3	4.2	3.4	3.9	4.4	15.9
<b>EBIT excluding non-recurring items</b>	<b>8.4</b>	<b>5.1</b>	<b>8.9</b>	<b>14.1</b>	<b>12.5</b>	<b>9.9</b>	<b>12.9</b>	<b>49.4</b>
<i>% of net sales</i>	<b>8.5</b>	4.8	8.1	12.6	12.1	8.8	11.9	11.3
Number of employees (FTE)*	<b>2,002</b>	2,213	2,033	2,025	2,002	2,199	2,003	2,025

# Sanoma Learning

## Net sales



## EBIT excluding non-recurring items

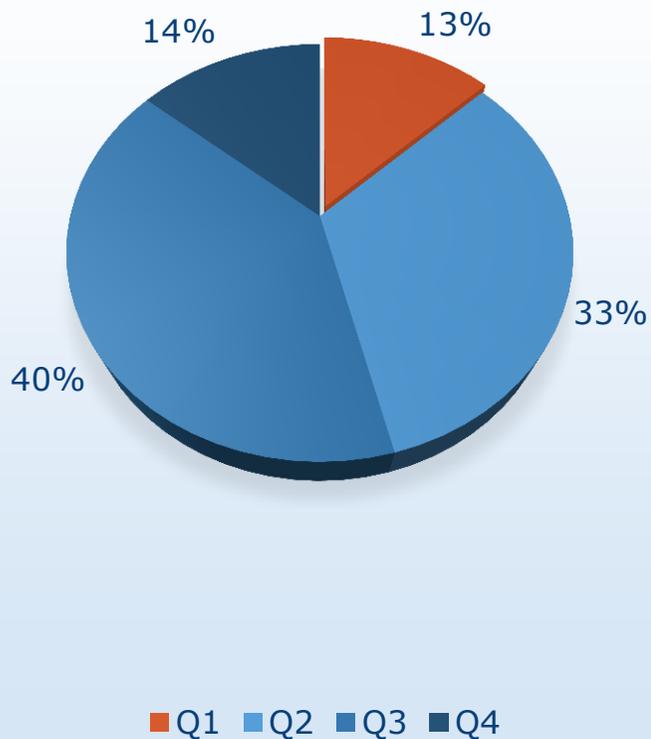


Note: Q2/2012 EBIT includes a timing shift of EUR 8 million from Q1/2012 to Q2/2012 and EUR 6 million from H2/2012 to Q2/2012.

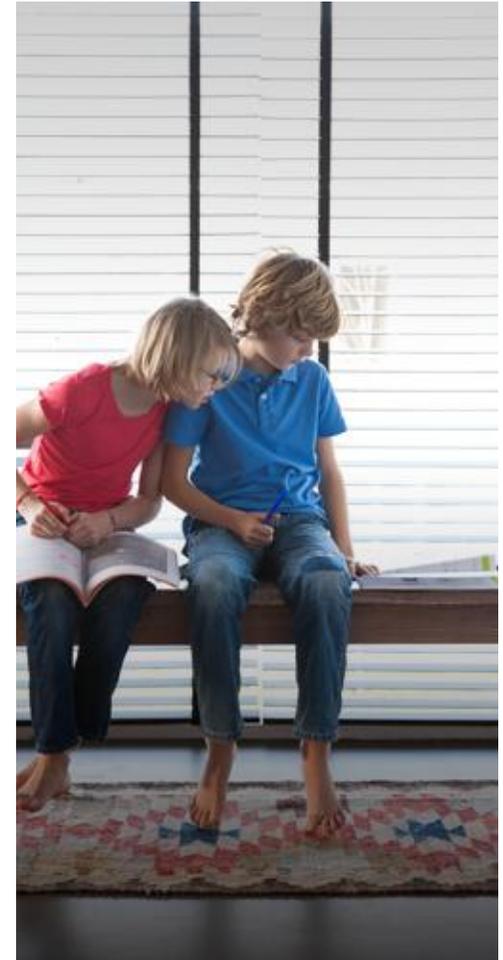
# Learning – net sales and EBIT seasonality

2009-2011 average for learning\*

Net sales split



EBIT\*\* split  
in relative terms



# Sanoma Learning

## Key figures

EUR million	7-9/12	4-6/12	1-3/12	10-12/11	7-9/11	4-6/11	1-3/11	FY 2011
<b>Net sales</b>	<b>127.4</b>	<b>111.1</b>	<b>38.4</b>	<b>39.2</b>	<b>110.4</b>	<b>97.0</b>	<b>44.0</b>	<b>290.6</b>
Learning	127.4	109.3	34.2	34.7	100.2	87.4	34.3	256.6
Other businesses	0.0	1.8	4.6	5.0	10.8	10.2	10.1	36.1
Eliminations	0.0	0.0	-0.4	-0.4	-0.6	-0.6	-0.4	-2.1
<b>EBIT excluding non-recurring items</b>	<b>49.5</b>	<b>47.0</b>	<b>-14.9</b>	<b>-20.0</b>	<b>42.6</b>	<b>31.1</b>	<b>-6.0</b>	<b>47.7</b>
<i>% of net sales</i>	<b>38.8</b>	42.3			38.6	32.0		16.4
Number of employees (FTE)*	<b>1,719</b>	1,715	2,011	2,011	2,096	2,109	2,099	2,011

# 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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