

Interim Report Q4 2012

Harri-Pekka Kaukonen, President and CEO

Kim Ignatius, CFO

7 February 2013

Strong year for Learning – consumer media undergoing transformation

- **Q4 2012 – decent set of figures in turbulent market environment**
 - Net sales EUR 586.7 (627.9) million – organic growth -6.9%
 - EBIT excl. non-recurring items EUR 32.1 (54.7) million
 - EPS excl. non-recurring items EUR 0.08 (0.18)
- **FY 2012 – in line with our outlook for the year**
 - Net sales EUR 2,376.3 (2,378.1) million
 - EBIT excl. non-recurring items EUR 232.3 (224.1) million, margin 9.8%
 - EPS excl. non-recurring items EUR 0.78 (0.87)
- **Balance sheet – improving gradually**
 - Equity ratio 42.4% (37.0%), long-term target: 35-45%
 - Gearing 76.2% (105.7%), long-term target: below 100%
 - Net debt / EBITDA* 3.6 (4.3), long-term target: below 3.5 times
- **Three-year EUR 60 million (gross) savings programme – proceeding according to plan**
- **Dividend – Board of Directors proposes a dividend of EUR 0.60 per share**



2012 in brief

- **Learning – strong year**

- Improved underlying performance in 2012 – organic growth +8.6%
- Learning digital solutions sales grew by more than 12%
- Market share gains, especially in Poland after the curriculum reform

- **Consumer media – transformation proceeding according to plan**

Magazines & newspapers

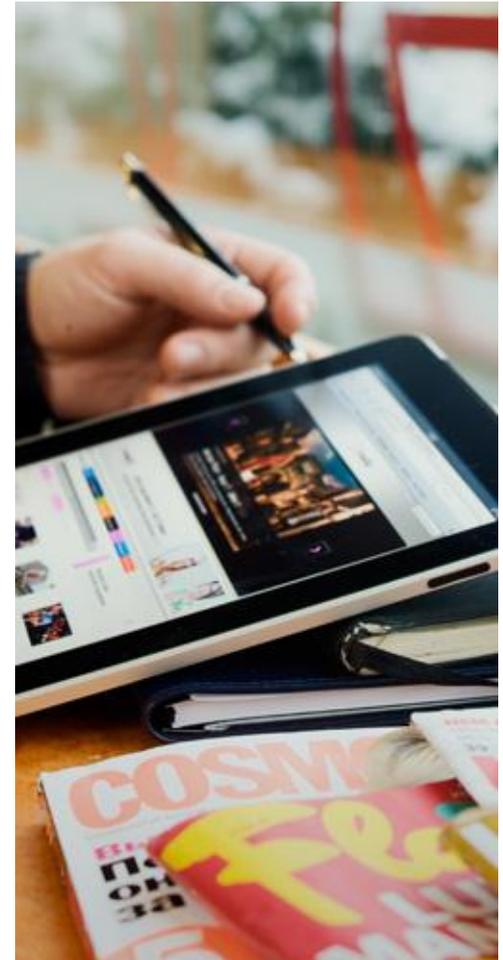
- New Helsingin Sanomat format
- Bundled offerings and digital/mobile replicas introduced
- Volatility in single copies, volumes decreased on average by high single-digit
- Subscription volumes declined on average by around 6%, partly due to VAT introduction in Finland
- Advertisers were hesitant, especially job recruitment suffered in Finland

TV

- Nelonen had solid performance, gained advertising market share
- SBS Netherlands stabilised its share of viewing at around 20%, but not yet living up to our expectations – continued investments needed
- Belgium renewed its profile and strengthened market share

Online

- Consumer media online sales grew by close to 5%
- Smaller acquisitions made as well as new products and services introduced
- Growth in advertising market slowed down



Group-wide transformation proceeding

Two parallel tracks

- Number of smaller acquisitions
- Sanoma Ventures founded – seven investments made
- Monetising reach and content
 - Engaging content extensions and supplements
 - Content pooling and reusing
 - Combined digital-print offerings
 - Bundled digital-print-device offerings

- From holding to Group structure
- Streamlining and enhancing operational efficiency
 - Group-wide cost savings programme commenced
 - CRM and customer service developments
 - Performance management focus and mind-set

Digital Transformation

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

Raise the performance bar

- Culture
- Focus
- Efficiency
- Financial flexibility

Monetising reach and content

Investing in innovation and digital development

Increasing reach offers attractive opportunities

- ↗ Sales for automated trading and real-time bidding sites grew >30%
- ↗ Sales for price comparison sites in Netherlands grew >15%
- ↗ Ruutu.fi >30% of Finnish video starts
- ↗ Growth in mobile & tablet advertising sales
 - ↗ Finland: ~270%; Netherlands: >250%

Monetise content

- ↗ Porous pay-wall in Helsingin Sanomat introduced
- ↗ All magazines now available as digital/mobile replicas in Netherlands
- ↗ Bundled offers introduced in Finland and Belgium
- ↗ Domain focused editorial teams

E-learning evolution

- ↗ New digital offerings
- ↗ Centralised learning platform development
- ↗ Piloting online tutoring
- ↗ Mobile learning content and tools introduced
- ↗ Digital learning methods grew double-digit

Start-up innovation

- ↗ Sanoma Ventures founded – seven start-up investments made
- ↗ Sanoma Innovation Accelerator established

2012 ended in line with our outlook

2012 outlook vs. actuals

Group outlook for 2012 (published 1 August 2012)

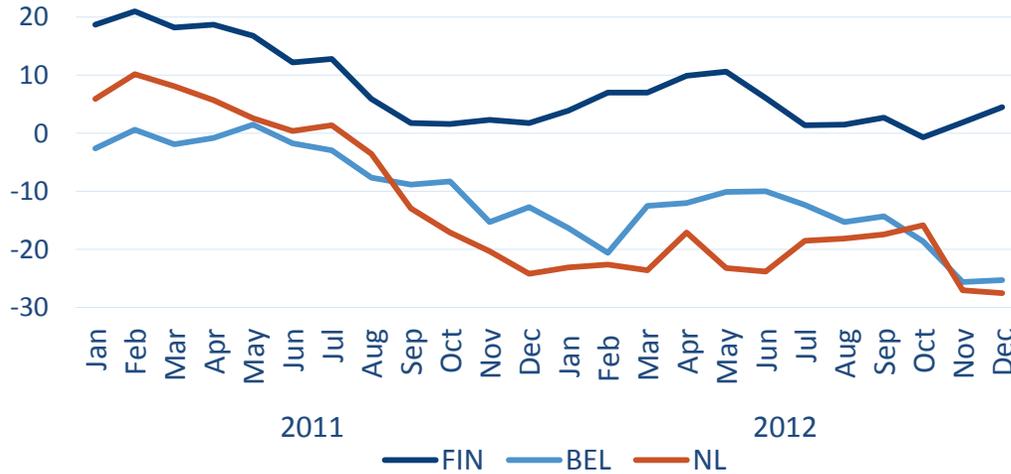
2012 actuals

Net sales	'At the previous year's level or to grow slightly'	-0.1%
EBIT, excluding non-recurring items, margin	'Around 10% of net sales'	9.8%
EPS excluding non-recurring items	'To be somewhat below previous year'	EUR 0.78 vs. EUR 0.87
Advertising market development assumption	'Slightly to somewhat decreasing'	NL: around -5%* FIN: around -4%** BEL: around -10%**

External environment not supportive

- During the summer 2012 external environment changed dramatically
- European economic situation remains subdued
- Advertising markets in our main operating countries
 - High volatility and low visibility
 - Likelihood of recovery in 2013 is low

Consumer confidence*



Change in total advertising market in % vs. previous year

Netherlands**	Q4/2012	FY/2012
Magazines	-14	-12
TV	-7	-6
Online	-2	0
Total ad market		Around -5

Finland***	Q4/2012	FY/2012
Newspapers	-13	-9
Magazines	-14	-8
TV	-3	-1
Online	+14	+10
Total ad market	-7	Around -4

Belgium**	Q4/2012	FY/2012
Magazines	-20	-15
TV	-11	-9
Online	0	+3
Total ad market		Around -10

* Source: European Commission, Business and Consumer Survey Results.

**NL & BEL: Sanoma estimates, net figures, excluding online search.

***FIN: TNS Gallup, net figures, excluding online search.

Group outlook for 2013

In 2013, Sanoma expects to maintain its financial performance compared to 2012 and estimates that in 2013 net sales and operating profit excluding non-recurring items will be a continuation of 2012.

Sanoma's outlook for 2013 is based on assumptions that the European economic situation remains subdued and the likelihood of an advertising market recovery during 2013 is low.

Comment on Q1 2013:

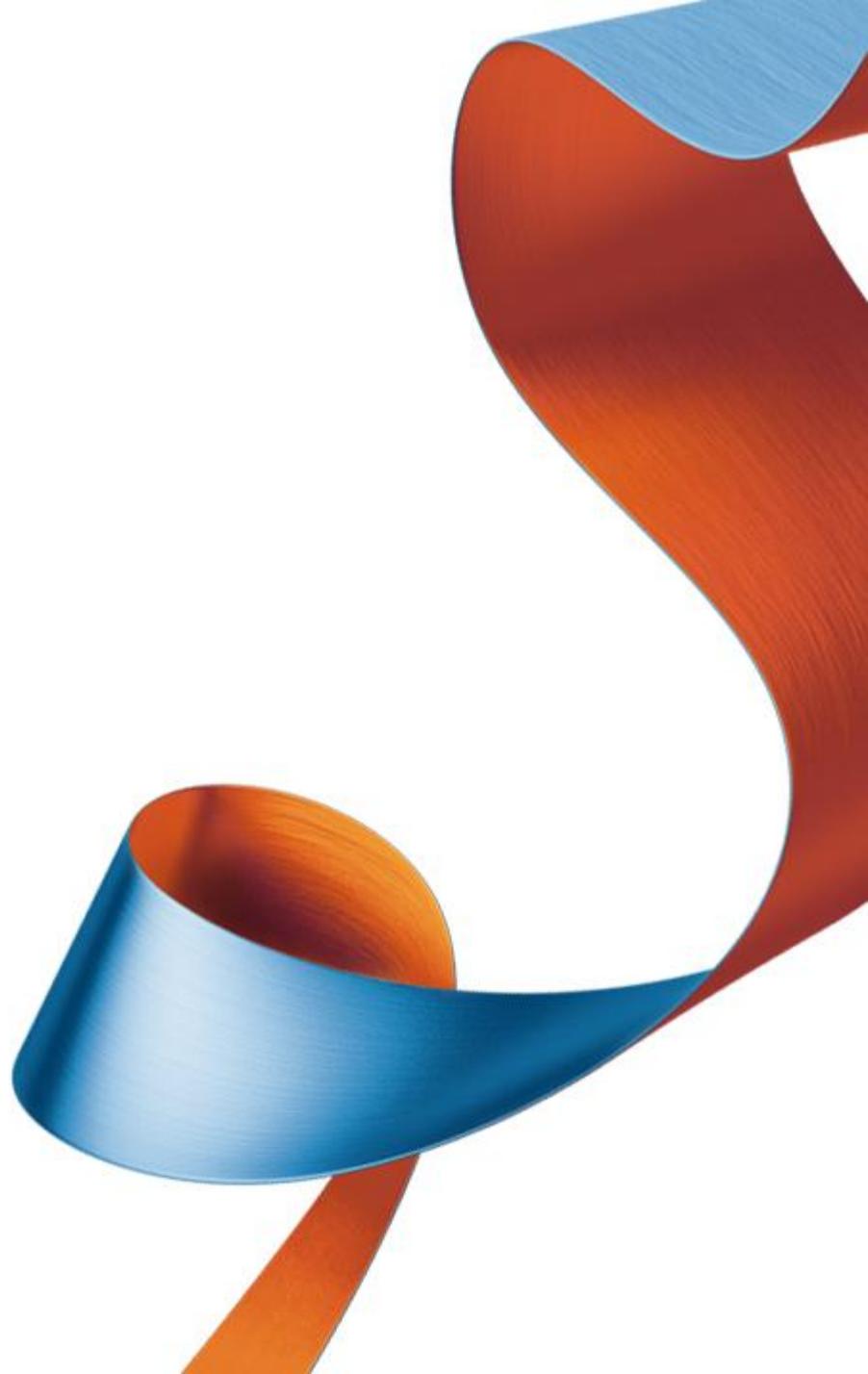
The first quarter for the Group is seasonally the weakest. In addition, Sanoma will invest materially in the Dutch and Finnish TV operations as well as digital development. Hence, the EBIT excluding non-recurring items will be negative for the Group in the first quarter of 2013.



Financials

Kim Ignatius

CFO



Financial highlights

Q4 2012

EUR million	10-12/2012	10-12/2011 restated*	Change %
Net sales	586.7	627.9	-6.6
EBITDA excl. non-recurring items	114.1	138.3	-17.5
<i>of net sales</i>	19.4%	22.0%	
EBIT excl. non-recurring items	32.1	54.7	-41.3
<i>of net sales</i>	5.5%	8.7%	
EBIT	6.0	46.0	-86.9
EPS excl. non-recurring items, EUR **	0.08	0.18	-54.5
EPS, EUR **	-0.07	0.11	n/a
Cash flow from operations/share, EUR **	0.66	0.86	-23.1
Number of employees (FTE)***	10,381	10,960	-5.3



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

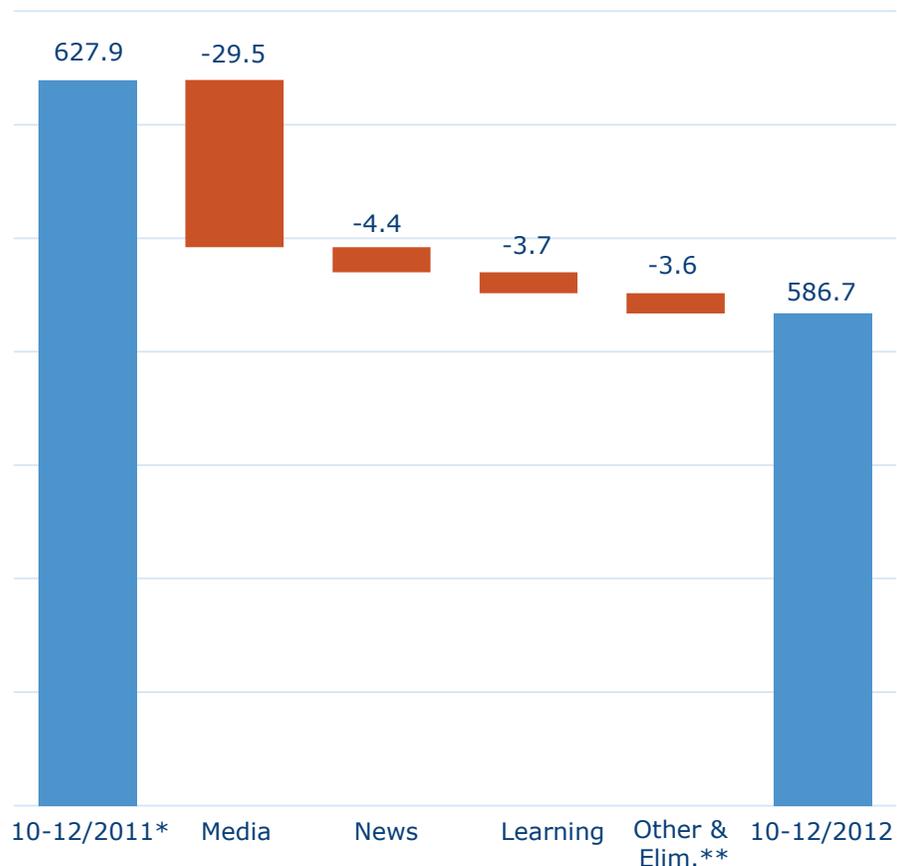
** Includes total Group (continued + discontinued operations).

*** At the end of the period.

Asset mix changed

Net sales – Q4 2012

EUR million



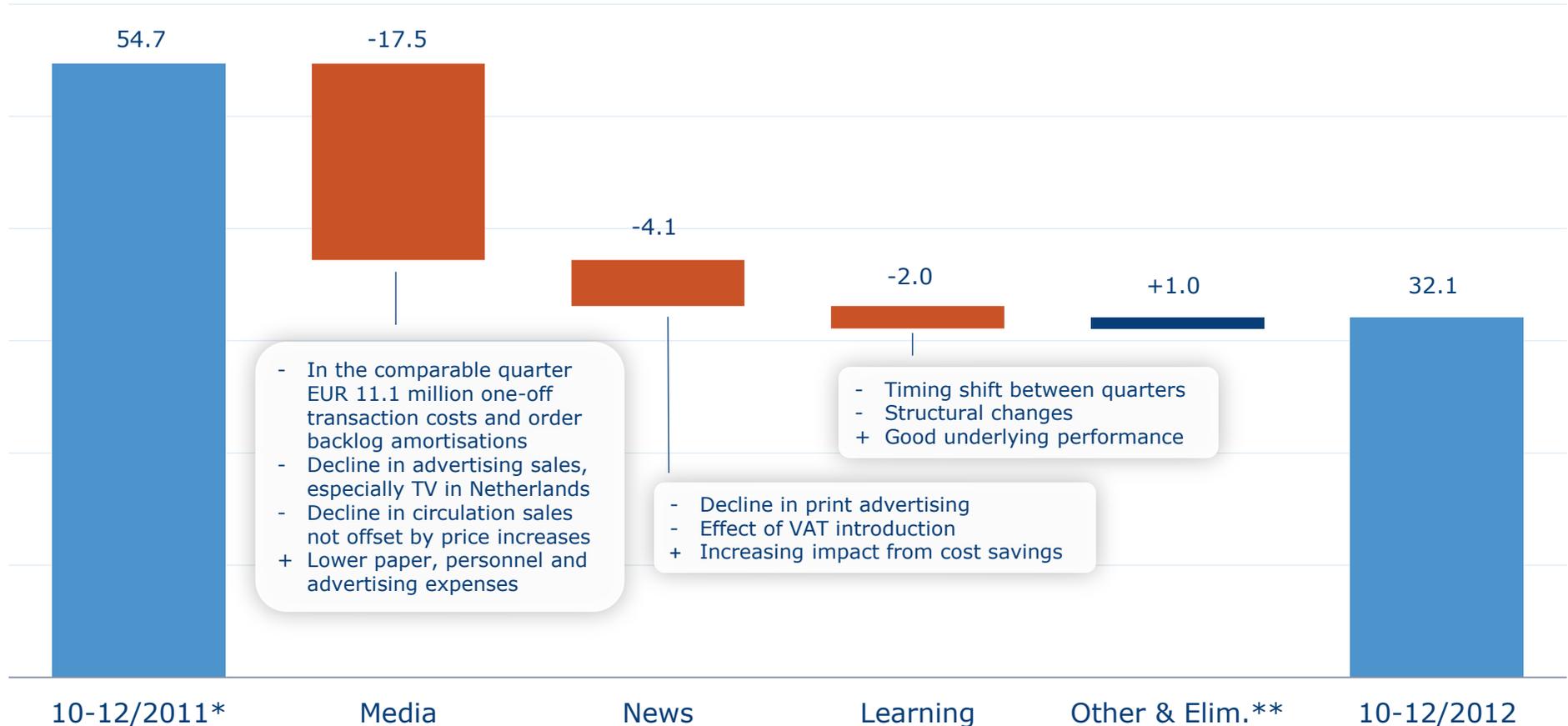
(%)	10-12/ 2012 growth	10-12/ 2012 organic growth	10-12/ 2012 share of net sales	2012 organic growth
Group	-6.6	-6.9		-3.3
Media	-6.8	-7.9	74.0	-5.8
News	-3.9	-4.5	19.6	-3.6
Learning	-9.6	+0.4	6.5	+8.6

- Media:** Decline in advertising affected net sales, especially in the Netherlands. Lower circulation volumes not offset by price increases
- News:** Decline in net sales is mainly attributable to lower advertising sales, particularly printed recruitment, and lower subscription sales in Helsingin Sanomat
- Learning:** Decline is due to divested operations. Organic development in line with comparable period
- Other:** Non-core operations under pressure

Poor advertising market visible in EBIT

EBIT excl. non-recurring items – Q4 2012

EUR million



- In the comparable quarter EUR 11.1 million one-off transaction costs and order backlog amortisations
- Decline in advertising sales, especially TV in Netherlands
- Decline in circulation sales not offset by price increases
- + Lower paper, personnel and advertising expenses

- Decline in print advertising
- Effect of VAT introduction
- + Increasing impact from cost savings

- Timing shift between quarters
- Structural changes
- + Good underlying performance



*Kiosk operations in Finland, Estonia and Lithuania, and press distribution operations in Estonia and Lithuania classified as discontinued operations.
 **The line item 'Other companies and eliminations' includes non-core operations, head office functions, real estate companies and Group eliminations.

Income Statement

EUR million	10-12/2012	10-12/2011 restated*	1-12/2012	1-12/2011 restated*
Net sales	586.7	627.9	2,376.3	2,378.1
EBITDA excl. non-recurring items	114.1	138.3	519.4	446.3
<i>of net sales</i>	19.4%	22.0%	21.9%	18.8%
Amortisations related to programming rights	-45.6	-49.1	-156.9	-92.9
Amortisations related to prepublication rights	-6.3	-5.4	-21.6	-21.1
Other amortisations	-16.7	-13.4	-55.2	-49.3
Depreciations	-13.4	-16.0	-53.3	-58.8
EBIT excl. non-recurring items	32.1	54.7	232.3	224.1
<i>of net sales</i>	5.5%	8.7%	9.8%	9.4%
Total financial items	-15.0	-13.0	-57.4	-32.7
Profit before taxes	-9.1	-30.8	107.3	136.3
Effective tax rate	n/a	n/a	19.8%	40.3%
EPS excl. non-recurring items, EUR	0.08	0.18	0.78	0.87
Dividend per share, EUR	n/a	n/a	0.60	0.60

Free cash flow

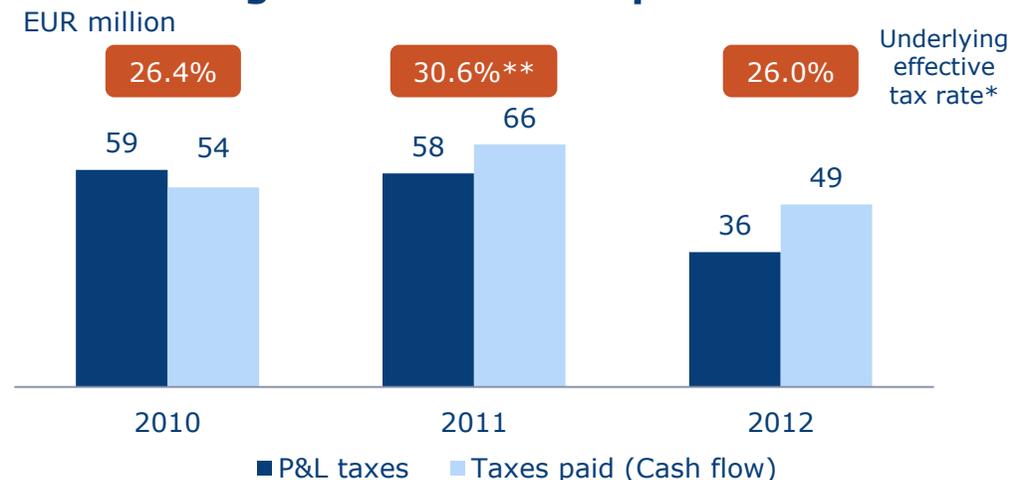
Cash flow from operations less cash CAPEX

EUR million	10-12/2012 Group*	10-12/2011 Group*	1-12/2012 Group*	1-12/2011 Group*
EBITDA excl. non-recurring items	114.1	146.2	524.3	469.5
TV programming costs	-44.9	-41.2	-179.3	-92.0
Prepublication costs	-5.9	-9.7	-28.2	-28.4
Change in working capital	+60.4	+94.3	-12.8	+50.2
Interest paid	-4.7	-9.8	-35.7	-23.6
Other financial items	-2.9	-5.1	-9.2	-17.4
Taxes paid	-0.7	-13.4	-49.3	-65.5
Other adjustments	-7.3	-20.6	-18.0	-19.0
Cash flow from operations	108.2	140.8	192.0	273.8
Cash CAPEX	-20.3	-17.8	-63.5	-70.8
Free cash flow	87.9	123.0	128.5	203.0

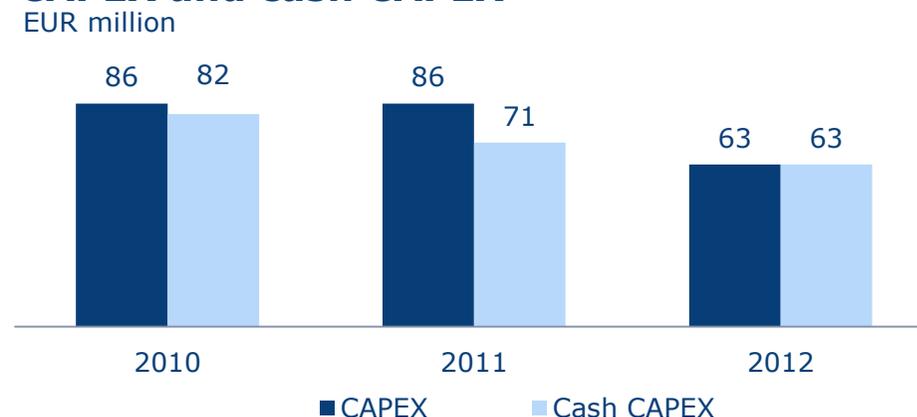
Sanoma – taxes and CAPEX

- Reported effective tax rate mainly impacted by
 - Non-taxable sales gains and losses as well as goodwill impairments
 - Earnings deviation between countries of operation with different nominal tax rates
- Difference between taxes recognised in income statement and paid taxes mainly related to timing
- Long-term target < EUR 100 million
- Differences between CAPEX and cash CAPEX
 - Mainly related to investments in financial leases
 - In 2012 investments in financial leases was below EUR 0.1 million

Taxes recognised in P&L and paid taxes



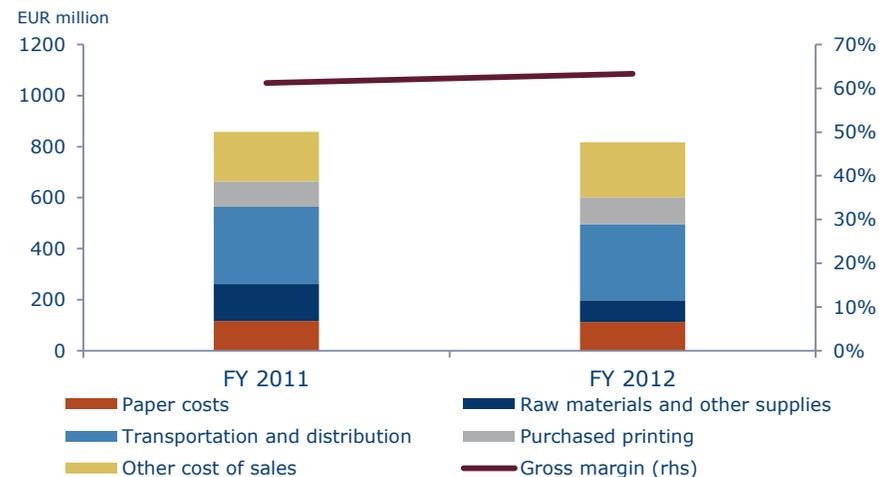
CAPEX and cash CAPEX



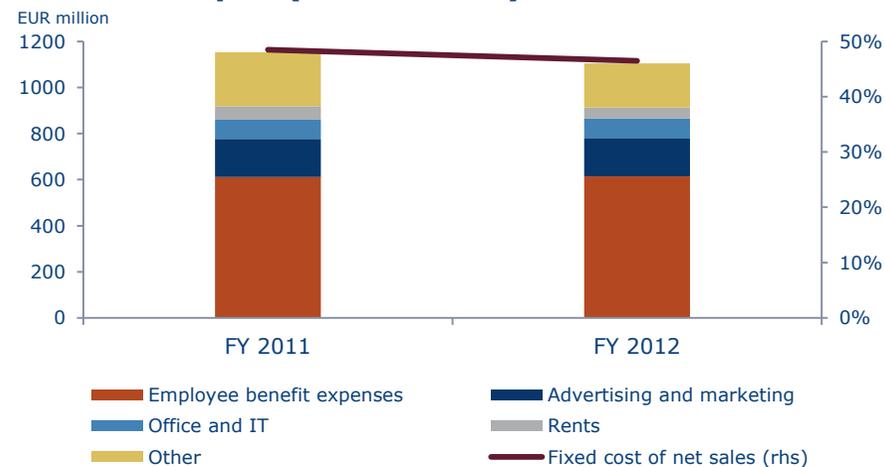
Savings target & cost structure

- Gross margin continued to improve
- Fixed cost reduction visible also in relation to net sales
- 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
- Savings programme proceeding according to plan

Cost of sales split (EUR million) and Gross Margin



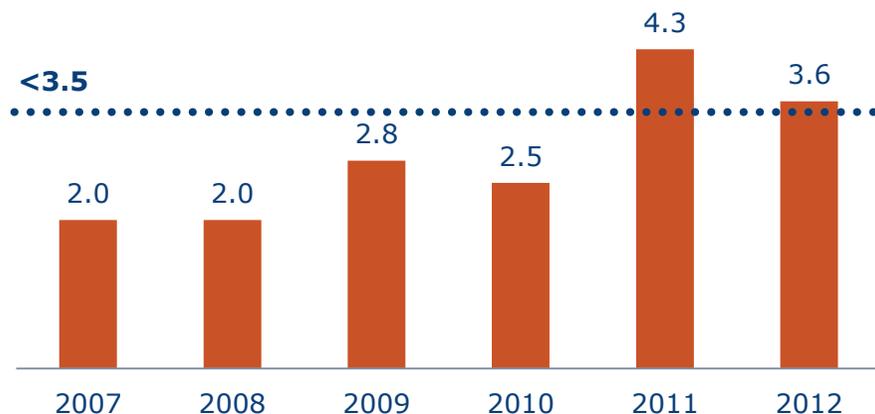
Fixed cost split (EUR million) and share of net sales



Balance sheet improving gradually

- Net debt at the end of 2012 was EUR 1.2 billion (EUR 1.6 billion)
 - On average interest rate around 3.5% p.a.
 - Interest sensitivity*** is EUR 1.3 million and the duration is 24 months
- Secured our funding for the coming years

Net debt / EBITDA**** adjusted



Committed credit facilities profile*
As of 31 December 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.

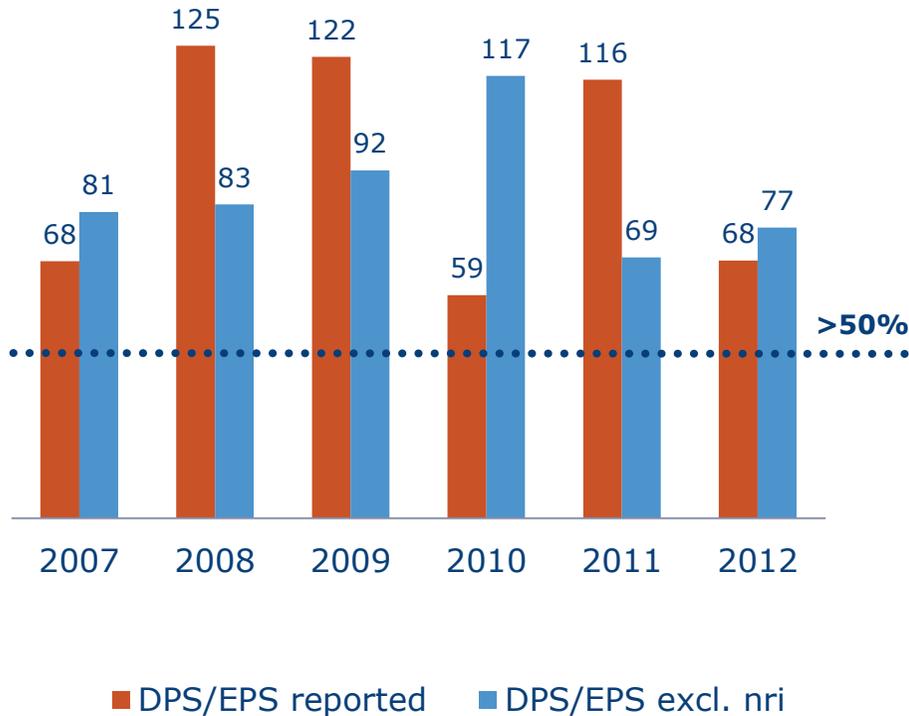
*** Should the level in market interest rates make a parallel shift of one percentage point.

**** EBITDA is calculated based on 12-month rolling EBITDA excl. non-recurring items, where acquired operations are included and divested operations excluded for the rolling period, and where programming rights and prepublication rights have been raised above EBITDA.

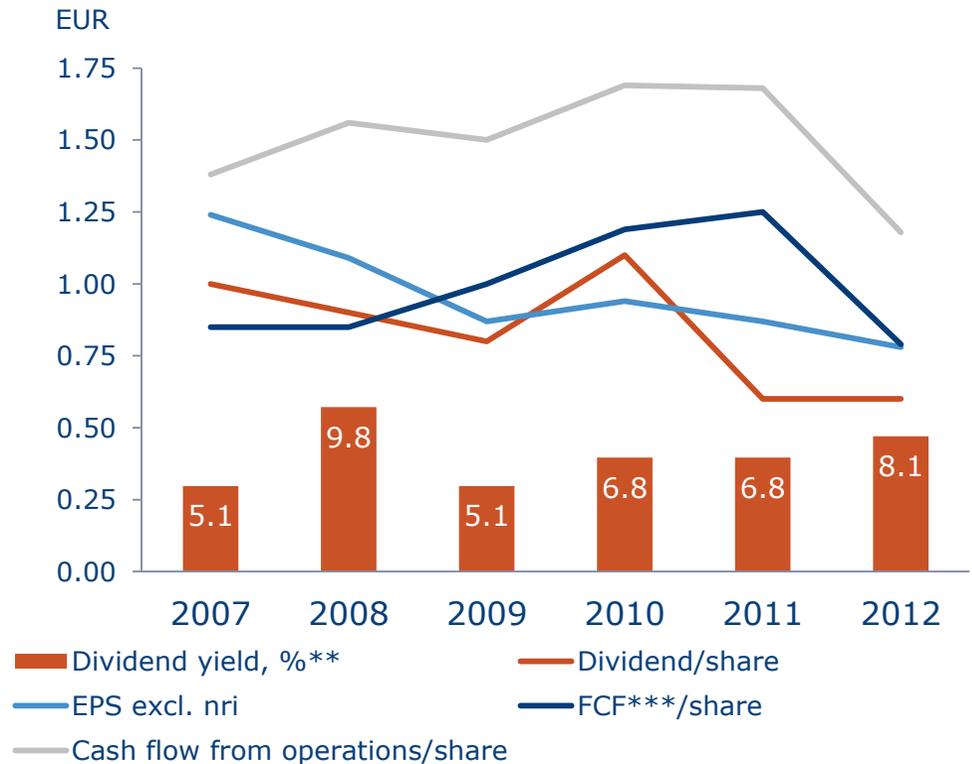
High dividend yield

Dividend per share EUR 0.60* - dividend yield of 8.1% in 2012**

Dividend per share in relation to EPS reported and EPS excl. non-recurring items, %



Cash flow from operations > dividends paid



Sanoma conducts an active dividend policy and primarily pays out over half of Group result excluding non-recurring items for the period in dividends.



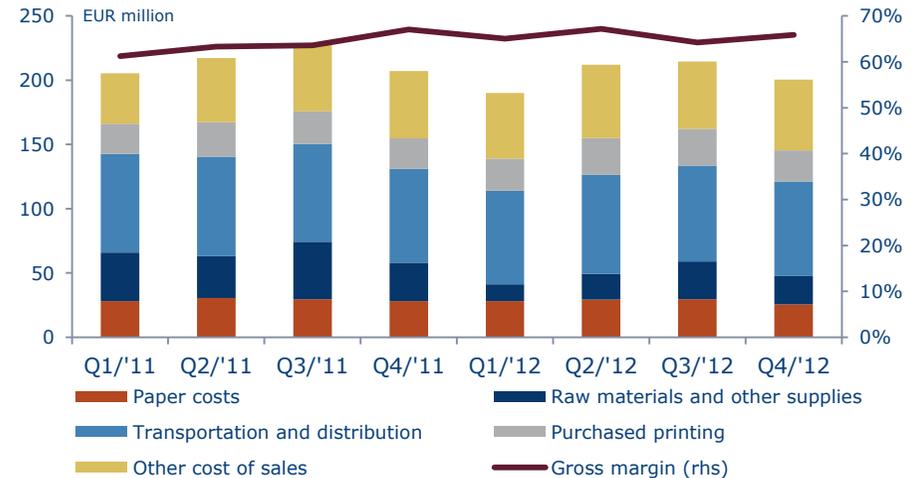
Appendix Interim Report Q4 2012



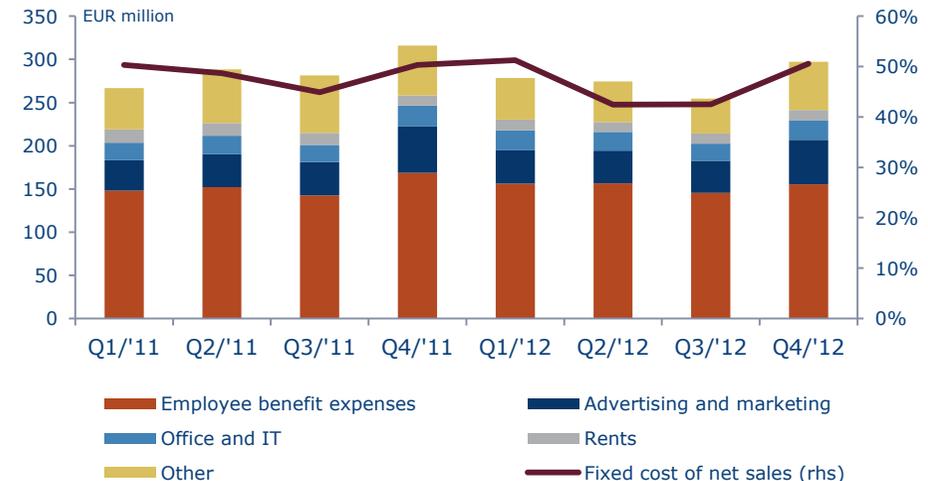
Savings target & cost structure

- Gross margin continued to improve on annual basis
- Fixed costs decreased in relation to net sales on annual basis
- 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
- Savings programme proceeding according to plan

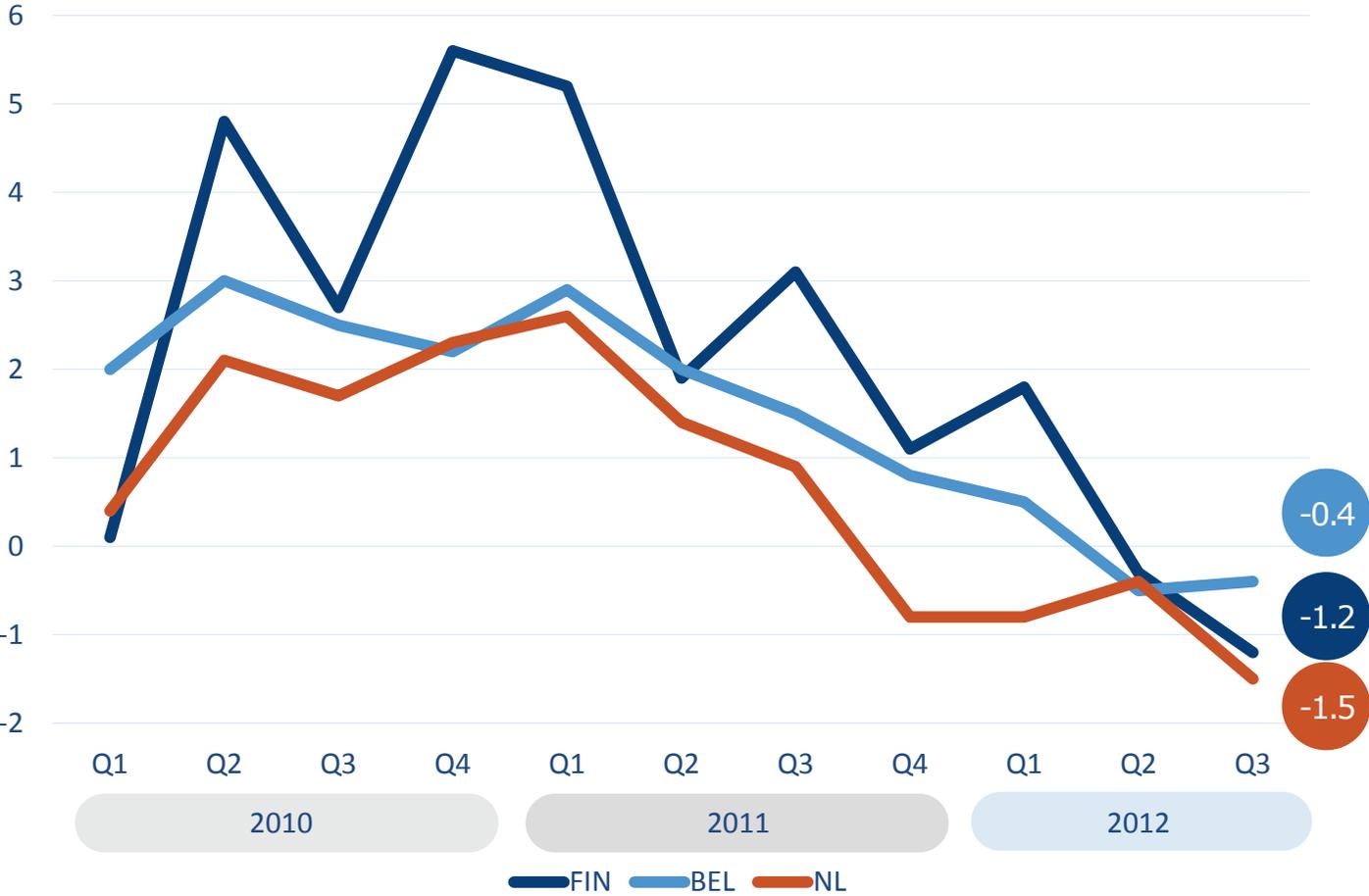
Cost of sales split (EUR million) and Gross Margin



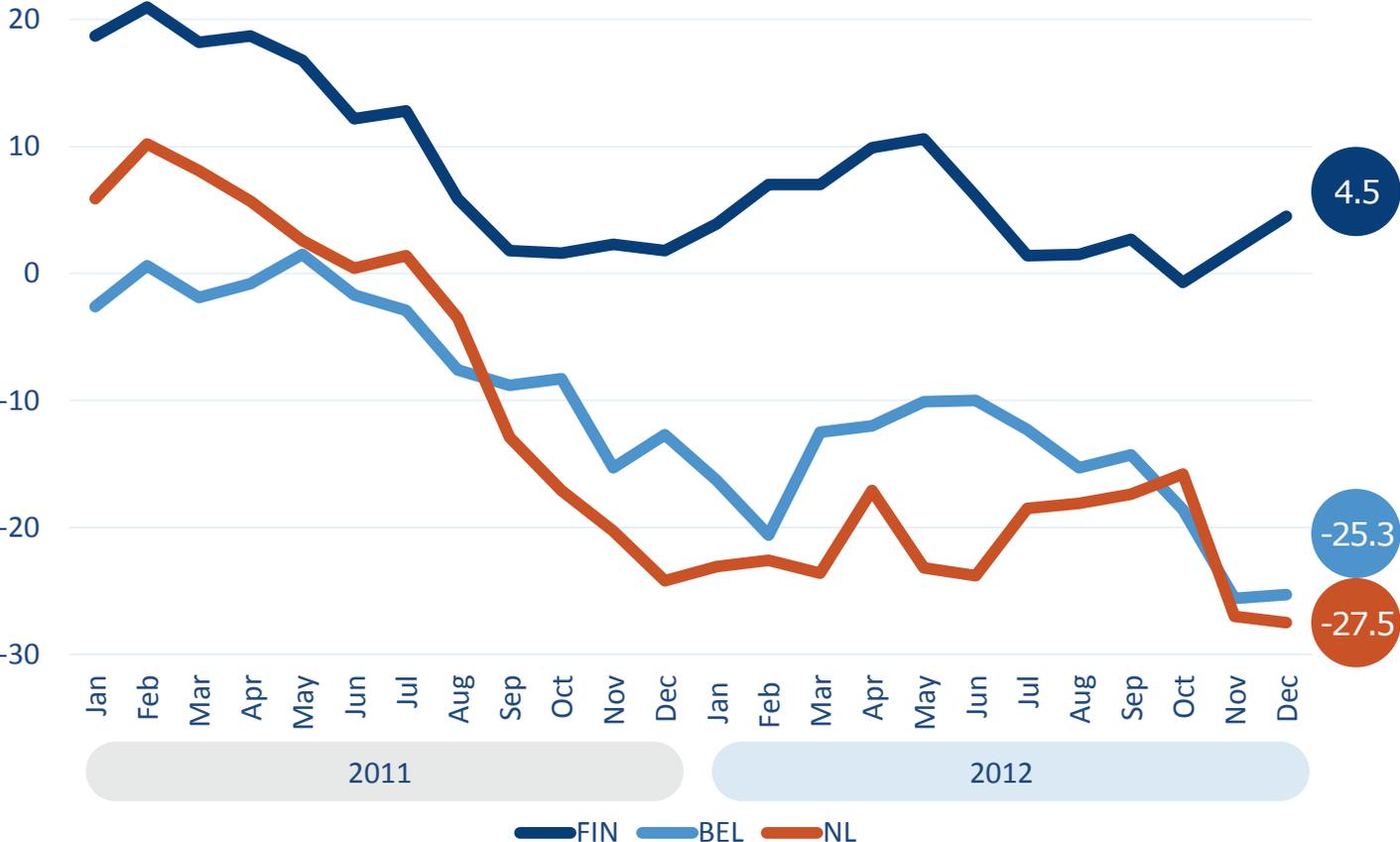
Fixed cost split (EUR million) and share of net sales



GDP development



Consumer confidence



Update on advertising markets

Change in advertising market in % vs. previous year

Netherlands*	Q1/2012	Q2/2012	Q3/2012	Q4/2012	FY/2012
Magazines	-1	-11	-13	-14	-12
TV	-3	-5	-7	-7	-6
Online	+7	+7	-9	-2	-1
Total ad market					Around -5

Finland**	Q1/2012	Q2/2012	Q3/2012	Q4/2012	FY/2012
Newspapers	-2	-13	-9	-13	-9
Magazines	-2	-6	-9	-14	-8
TV	+5	-4	-2	-3	-1
Online	+14	+1	+8	+14	+10
Total ad market	+1	-8	-5	-7	Around -4

Belgium*	Q1/2012	Q2/2012	Q3/2012	Q4/2012	FY/2012
Magazines	-9	-10	-13	-20	-15
TV	+1	-11	-9	-11	-9
Online	+6	+4	+3	0	+3
Total ad market					Around -10



Focus on consumer media and learning

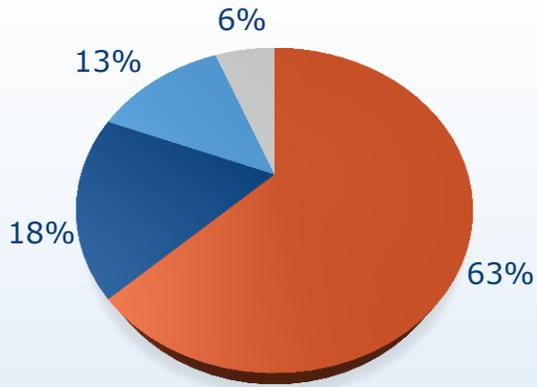
2012

Sales

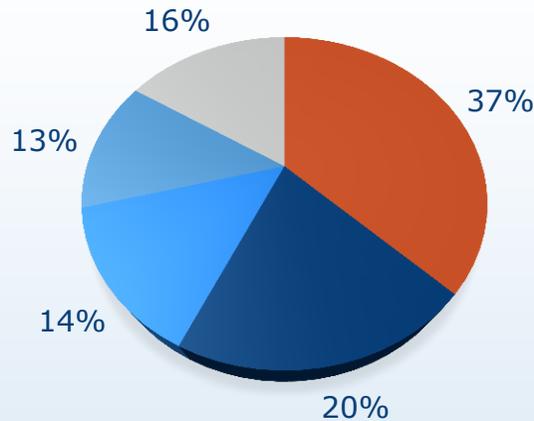
by operating segment

by type of sales

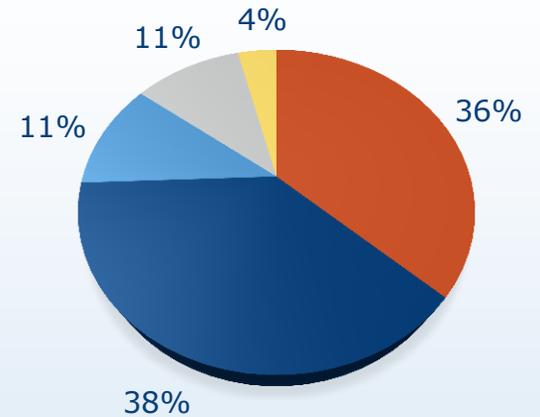
by geographic area



- Media
- News
- Learning
- Other & eliminations



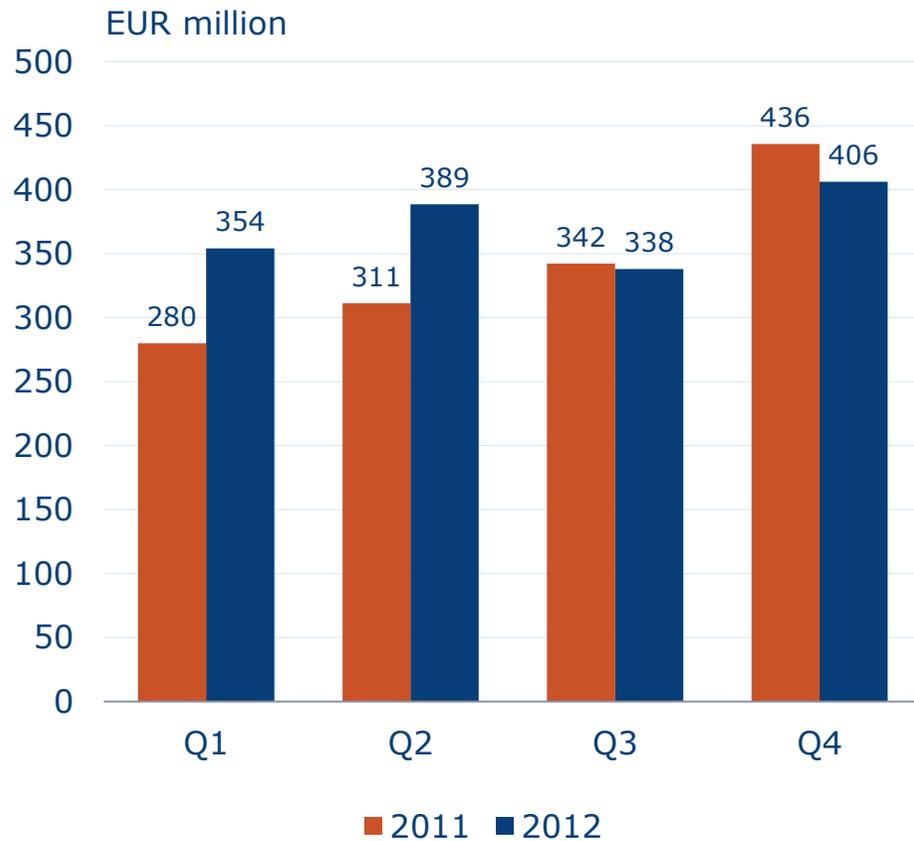
- Advertising sales
- Subscription sales
- Single copy sales
- Learning
- Other sales



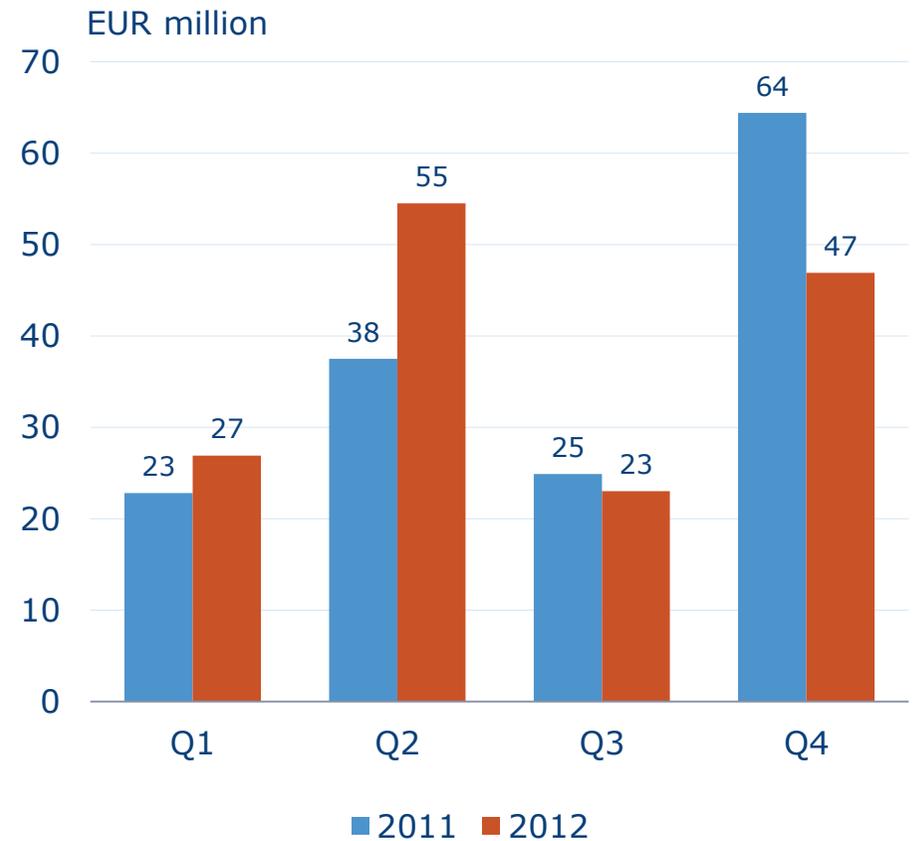
- Finland
- The Netherlands
- Belgium
- Other EU
- Other countries

Sanoma Media

Net sales



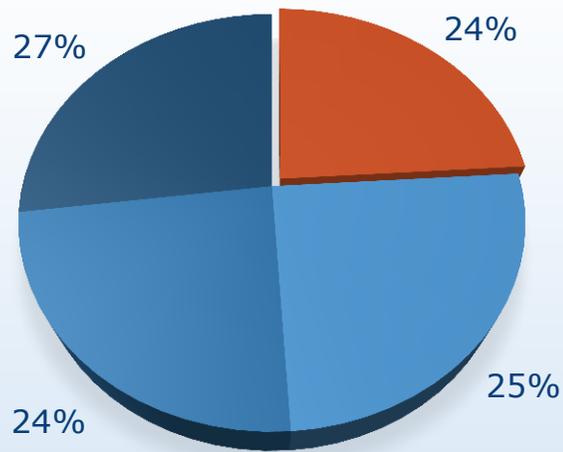
EBIT excluding non-recurring items



Magazines – net sales and EBIT seasonality

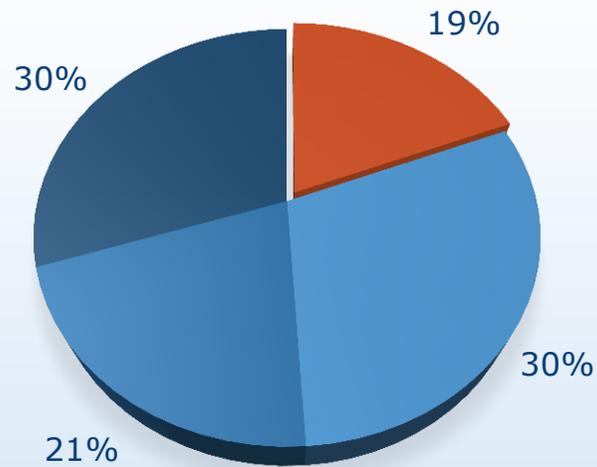
2010-2012 average for Magazines*

Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

EBIT** split



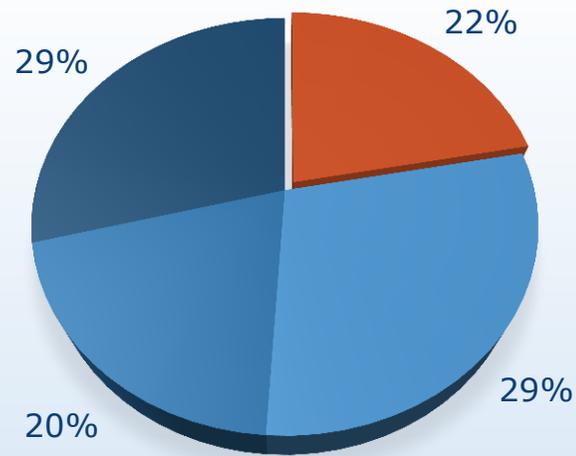
■ Q1 ■ Q2 ■ Q3 ■ Q4



TV – net sales and EBIT seasonality

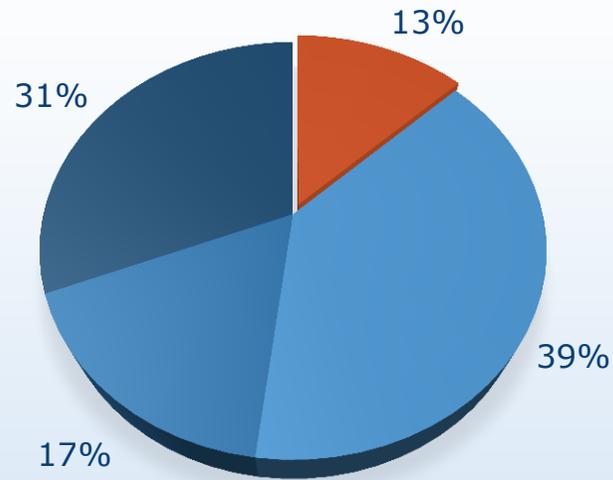
2010-2012 average for TV*

Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

EBIT** split



■ Q1 ■ Q2 ■ Q3 ■ Q4



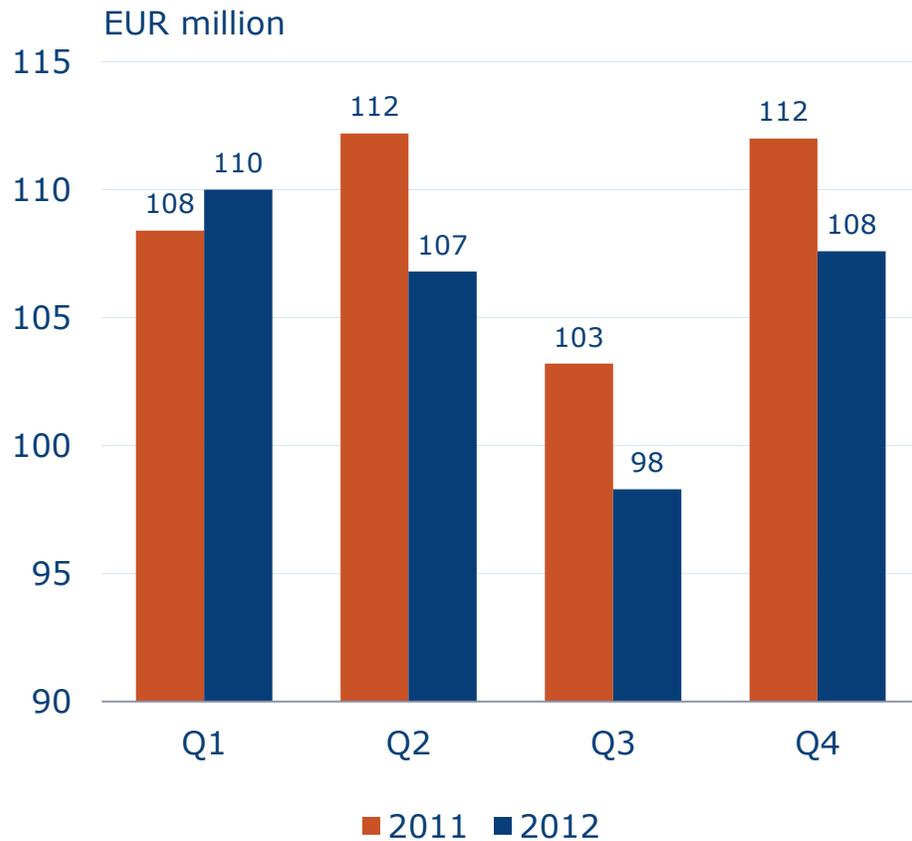
Sanoma Media

Key figures

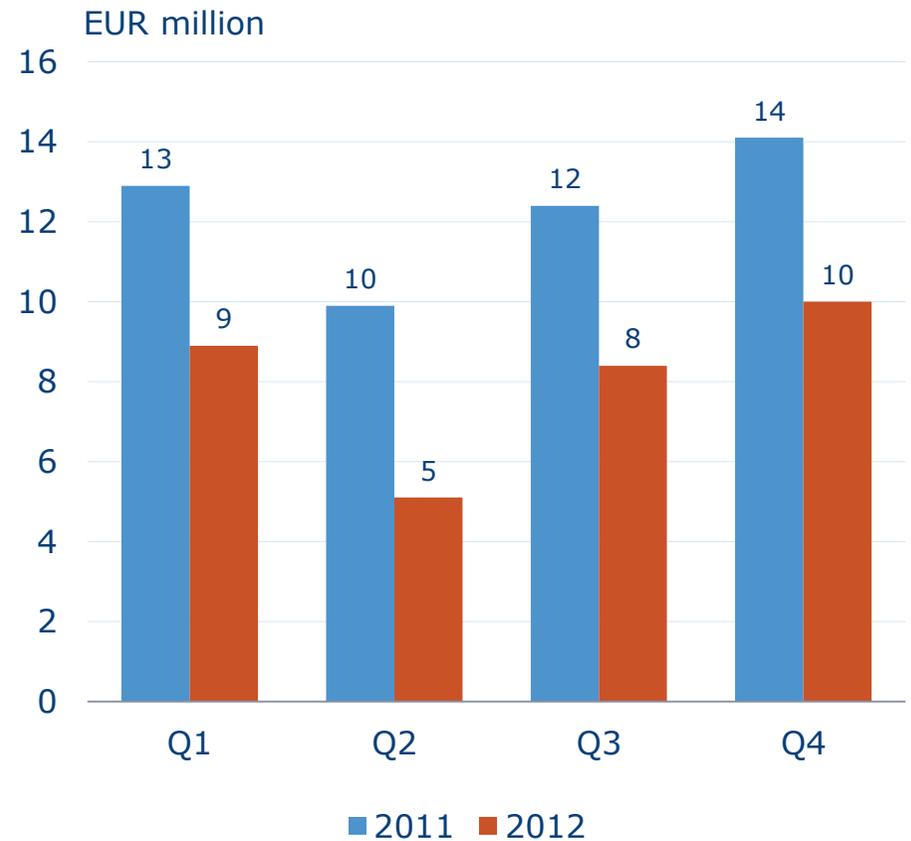
EUR million	10-12/12	7-9/12	4-6/12	1-3/12	FY 2012	10-12/11	7-9/11	4-6/11	1-3/11	FY 2011
Net sales	406.3	338.1	388.6	354.1	1,487.1	435.8	342.2	311.2	280.0	1,369.2
The Netherlands	207.2	173.5	208.1	171.6	760.4	232.2	174.0	130.6	105.3	642.0
Finland	82.2	65.4	76.7	77.4	301.7	86.2	70.0	79.4	74.2	309.7
Russia & CEE	53.5	46.9	50.1	49.0	199.5	56.7	50.8	54.3	51.4	213.1
Belgium	64.1	52.9	54.6	56.8	228.3	61.9	48.4	48.7	50.1	209.1
Other businesses and eliminations	-0.7	-0.6	-0.8	-0.7	-2.7	-1.2	-0.9	-1.8	-0.9	-4.8
EBIT excluding non-recurring items	46.9	23.0	54.5	26.9	151.2	64.4	24.9	37.5	22.8	149.5
<i>% of net sales</i>	11.5	6.8	14.0	7.6	10.2	14.8	7.3	12.0	8.1	10.9
Number of employees (FTE)*	5,718	5,824	5,770	5,785	5,718	5,638	5,772	5,232	5,169	5,638

Sanoma News

Net sales



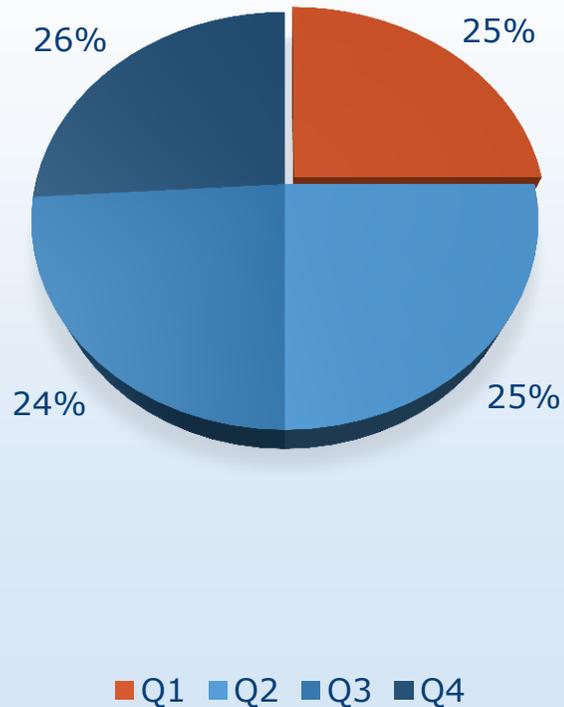
EBIT excluding non-recurring items



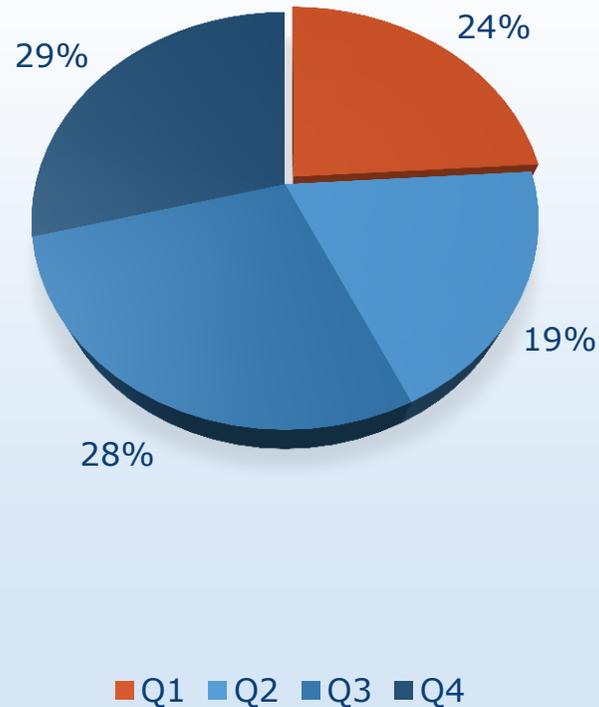
News – net sales and EBIT seasonality

2010-2012 average for News

Net sales split



EBIT* split



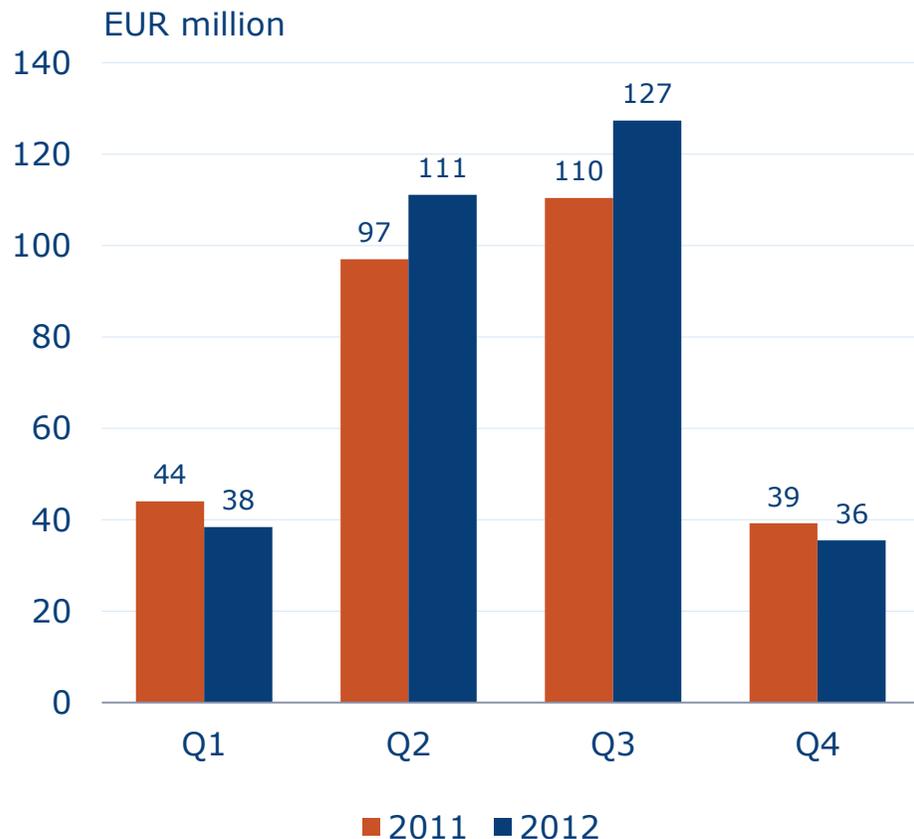
Sanoma News

Key figures

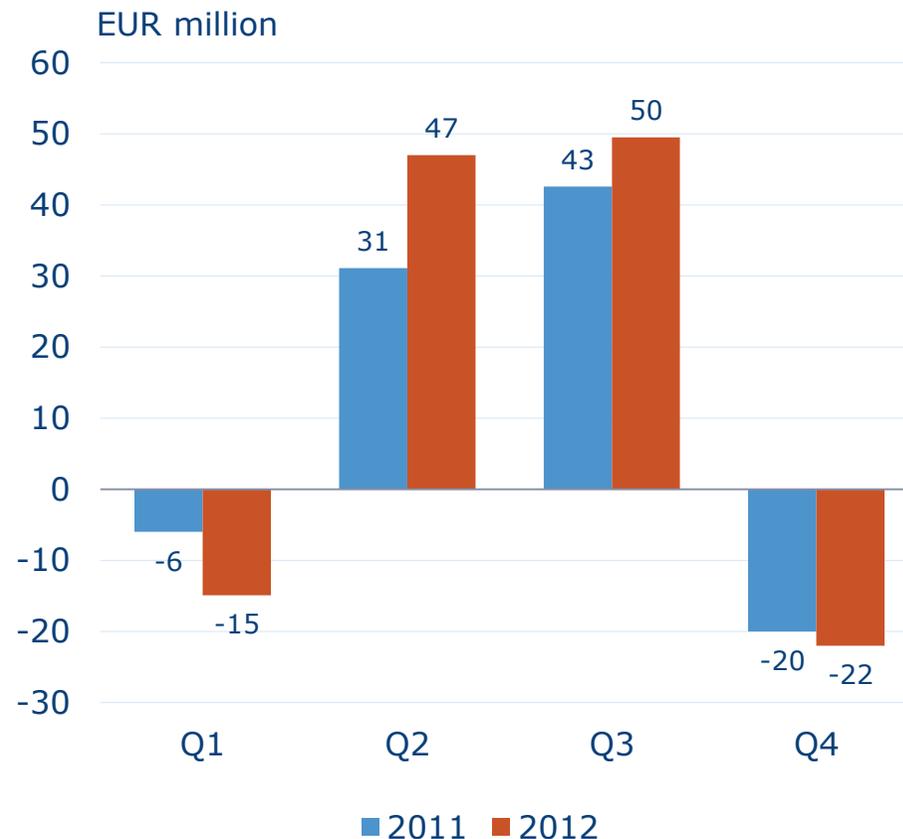
EUR million	10-12/12	7-9/12	4-6/12	1-3/12	FY 2012	10-12/11	7-9/11	4-6/11	1-3/11	FY 2011
Net sales	107.6	98.3	106.8	110.0	422.8	112.0	103.2	112.2	108.4	435.8
Helsingin Sanomat	57.1	52.2	56.2	59.3	224.9	60.8	55.3	61.2	61.2	238.5
Ilta-Sanomat	21.1	20.0	22.0	21.2	84.3	21.6	21.6	22.2	19.1	84.4
Other publishing	24.6	22.3	24.3	25.2	96.4	25.4	22.9	25.0	23.7	97.0
Other businesses and eliminations	4.8	3.9	4.3	4.3	17.2	4.2	3.4	3.9	4.4	15.9
EBIT excluding non-recurring items	10.0	8.4	5.1	8.9	32.4	14.1	12.5	9.9	12.9	49.4
<i>% of net sales</i>	9.3	8.5	4.8	8.1	7.7	12.6	12.1	8.8	11.9	11.3
Number of employees (FTE)*	1,928	2,002	2,213	2,033	1,928	2,025	2,002	2,199	2,003	2,025

Sanoma Learning

Net sales



EBIT excluding non-recurring items

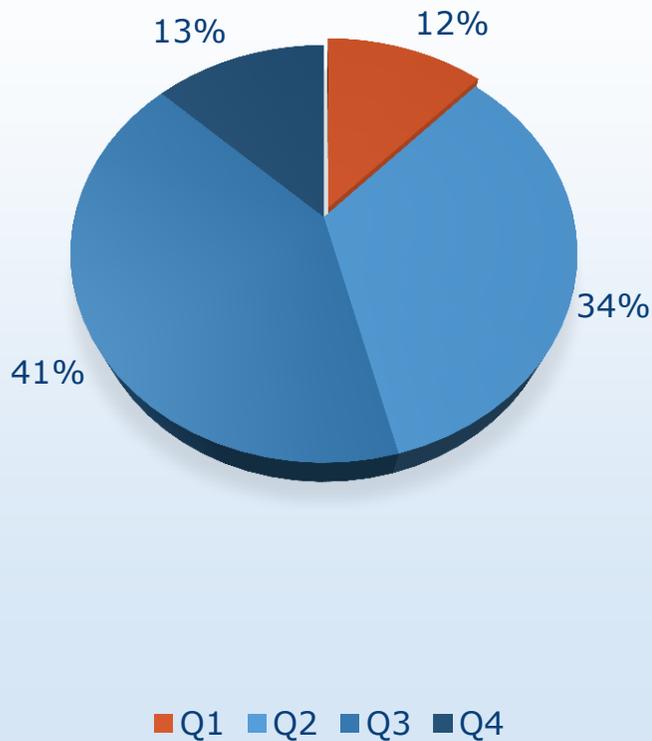


Note: Q2/2012 EBIT includes a timing shift of EUR 8 million from Q1/2012 to Q2/2012 and EUR 6 million from H2/2012 to Q2/2012.

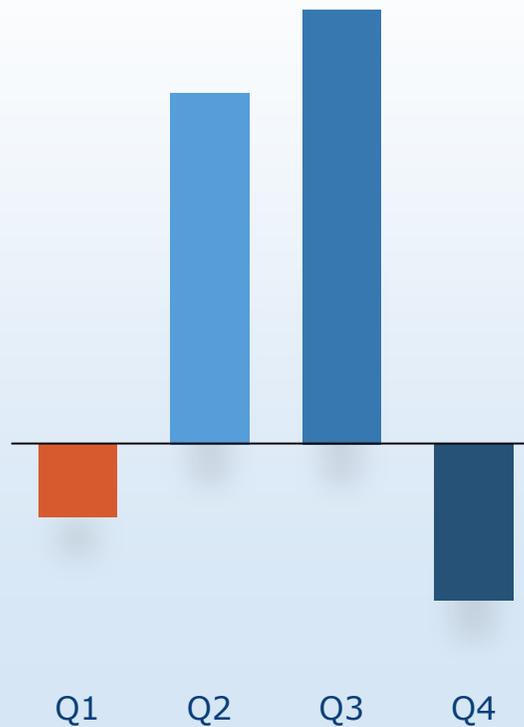
Learning – net sales and EBIT seasonality

2010-2012 average for learning*

Net sales split



EBIT** split in relative terms



Sanoma Learning

Key figures

EUR million	10-12/12	7-9/12	4-6/12	1-3/12	FY 2012	10-12/11	7-9/11	4-6/11	1-3/11	FY 2011
Net sales	35.5	127.4	111.1	38.4	312.4	39.2	110.4	97.0	44.0	290.6
Learning	35.5	127.4	109.3	34.2	306.4	34.7	100.2	87.4	34.3	256.6
Other businesses	0.0	0.0	1.8	4.6	6.5	5.0	10.8	10.2	10.1	36.1
Eliminations	0.0	0.0	0.0	-0.4	-0.5	-0.4	-0.6	-0.6	-0.4	-2.1
EBIT excluding non-recurring items	-22.0	49.5	47.0	-14.9	59.6	-20.0	42.6	31.1	-6.0	47.7
<i>% of net sales</i>	-62.0	38.8	42.3	-38.8	19.1	-50.9	38.6	32.0	-13.6	16.4
Number of employees (FTE)*	1,735	1,719	1,715	2,011	1,735	2,011	2,096	2,109	2,099	2,011

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