SANOMA OYJ

Moderator: First and Last Name
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Olli Turunen: Good morning, ladies and gentlemen, and welcome to Sanoma's 2014 Full Year Result 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 presentation and more take a look into the strategy and then our CFO, Kim Ignatius, will recap the financials of 2014.

Harri-Pekka, please go ahead.

Harri-Pekka Kaukonen:

Well, thank you, Olli. Ladies and gentlemen, welcome to Sanoma house and also those of you who are watching or listening to this, so welcome. I will get us going with first a quick look on Q4 and the full year and Kim as usual will go in more depth into the numbers.

Overall it was a stable quarter for us and we landed pretty much according to where we expect it and also aligned with the guidance that we gave in February.

Some of the highlights, and I will get in a bit more detail later on, first of all the cost savings program is moving very well. We're getting closer to the full run rate and this is clearly ahead of the schedule we announced a few years back and that is obviously very important for us given the market conditions we are at.

Then during Q4 we completed to a large extent the divestment program, Fashion Press which is the bigger part of our Russian operations was sold to Hearst our partner and regarding Media Belgium we are now integrating that into our Dutch operations in a way that will extract synergies and also build on the strengths of both of these companies and that work is undergoing.

That means that all in all we have during the last 18 months divested our complete international portfolio of magazines outside Holland and Finland and Belgium.

Then quickly into numbers, if I take sales first overall in the year, annual basis our organic growth was negative. It was 3.7 negative but that's a clear improvement from minus 6.6 which was 12 months ago, so quite happy about that.

Q4 actually was a bit softer. This is driven by the advertising market in both of our key countries where particularly even TV was soft and that contributed to weaker than we actually expected sales performance.

New media sales grew on an annual basis by some six percent and again mainly driven by TV Q4 performance was slightly weaker, so not at the expected level but on the year annual basis still clear growth.

Then on bottom line, again, we have a strong seasonality in Q4 so it's a weak quarter for us in general. We came at 5.6 negative, somewhat below consensus numbers which you will see in the material. The core businesses actually did quite well. The big delta is due to other operations and Kim will open that in more detail.

On an annual basis, we landed at close to 120 million at the margin 6.2. And then the dividend proposal that's €0.20 which the board is proposing for the (AGM 4). I will then spend the remainder of my part on really taking stock on what happened during 2014 because we announced a quite important revised version of our strategy in October 2013 with a number of important choices and we set forth a very ambitious program.

And overall I would say that we've accomplished most of the things we set out to do and I will show you a few highlights of this. We sort of broke down the strategic planning to three broad buckets, first round and the most important round, growth and transformation.

And it's really about the renewal of products and services, really about differentiation, adding more value to our customers across the business and it's fundamentally about getting back to growth in 2016.

So what have we done? Here you can see the last 12 months, so the rolling 12 months organic growth trajectory which clearly shows that at the bottom of the difficult situation we had in September 2013 we were even below seven percent or above in absolute terms but worse that seven percent organic growth negative.

Some of the highlights during last year was a major restructuring of the magazine portfolio in Holland. We did it faster, better and with more impact than we thought in our plans and we are already seeing the impact on better focus on fewer titles, also in a multichannel way which I will get back to.

SBS is improving. It is with a (caveat) so improving in those months that don't have major sports events, so I understand it's a slightly you know would like to say absolute growth is a better way to frame it but it still is I feel relevant. And with the exception of one month we were able to grow viewing share.

In Finland we've actually made good steps forward in all of our major consumer brands in terms of reads and in terms of engagement and that is this is visible also in digital sales. TV and radio had a good year.

Particularly strong was radio, gaining strong market share and also Nelonen gaining share. And in magazines transformation particularly in the kids segment we've introduced successful digital products, so also there in certain segments or domains as we call them we're seeing progress.

Learning – I will get back to that but had actually a very good year in terms of new growth and digital growth, introduction of new methods in the digital learning space. Then going into bit more depth, this chart is really about the SBS, so I explained the chart on the right hand side and as you can see there, you can find the relative viewing share comparison between the two years.

The other point which I didn't mention is that we acquired the rights for the Champions League starting next fall. That will increase our market share obviously at the cost for the rights but that is a positive momentum builder and already is picked up positively by customers who want to be associated with a high quality offering and program.

Then on top of that we launch SBS 9 and that has had a good start. It's a movie series-focused channel and actually is doing well as expected I would say.

We've talked a lot about domains and maybe it's been a bit confusing so hopefully this will explain the direction we're taking. This is the (home deco) domain in Holland where our key brand is vtwonen. It's a print title.

We are now also – we've launched an e-commerce site. We rebranded it into vtwonen. We operate the biggest the (home deco) event in Holland that will be called vtwonen and then during the fall we launched a program on Sunday evenings on SBS 6 called vtwonen and you can see the viewing numbers, so 400,000 to 500,000 viewers on access prime time.

And what this does, it, again, is about cross promotion, it's about branding across channels, it's about offering a complete service including commerce and you can see the impact on – this is particularly around traffic, so obviously this multichannel works on digital and you can see here, which is a well-known fact, the power of TV in driving conversion.

So again, it's not the whole world but it's clear evidence and also an example of the direction we want to be taking in driving our core brands in specific domains.

Then moving to Finland, in this chart you can see the growth rates of our digital sales in our news brands. Ilta-Sanomat which is the largest digital service in Finland, grew very nicely. We're a clear leader also in mobile and are starting to find ways of monetizing both mobile and video.

And what is positive about both of these cases around the consumer reach front we are growing. So these brands are growing in reach, they are better relevant in a digital world, they are multichannel and we're finding a way to monetize that reach.

Specifically and particularly happy about Helsingin Sanomat also from a quality point of view. It seems to be that also our readers are seeing a change for better, better-segmented, better quality of the editorial content but also the fact that we are better able to target different components of Helsingin Sanomat product family.

For example, NYT has been renewed and attracts a bigger audience in the youth category than ever. All our traffic numbers are growing behind the pay wall. We are making big leaps in data journalism, et cetera, the evening edition and all that drives engagement and traffic and as you can see also, digital sales.

So I think our news assets are actually in rather good shape in terms of the future growth. We still have to deal with the decline in the print but I'm comfortable that we have the tools and ways of transforming these businesses into healthy digital or multichannel businesses because I don't think print will be going away anytime soon.

Also just to point – that final point on Helsingin Sanomat, we also are measuring obviously customer value and satisfaction and I think the key indicator is that the reader satisfaction has dramatically increased during the last 12 months in Helsingin Sanomat, so well done to the team.

What is not visible here is magazines, our teams in magazines have done a really, really good effort in improving the margins in our magazines' operations. I can't show you the number because we don't do that but it's a clear step improvement and that's of efficiency improvement and again, focusing the portfolio, so that's also good.

Then moving to Nelonen Media where we have really found a way to also put together radio, digital and TV in a nice way – Nelonen had a good run in the autumn. Vain Elämää particularly the big star there which also drives video viewing into new record highs.

We launched a new channel here in Finland, too, with a good start and overall, Nelonen Media in total was able to grow by five percent under these tough conditions, taking into account a very weak Q4 for the market and particularly for us.

And about radio, well, I like SuomiPOP. I listen to it whenever I can and it seems to be that many other Finns have similar high opinion of it and other channels are also going quite nicely.

Then learning – we actually talked too little about learning here. There’s a general saying that can be that learning is our best-kept secret and I think that’s true and that’s partly because we haven’t done a particularly good job of sharing with you among other stakeholders and audiences what we are doing there.

Learning is today very digital operation. If you take into account digital and hybrid we are close to 50 percent digital, digital-included offering. And actually €50 million of learning sales is pure digital, so that is really state-of-the-art digital learning method which is really one of the highest numbers, clearly higher than most or all the competition that we have northern continental Europe.

Learning was able to grow in a tough market environment organically by one percent and particularly tough it was in Poland where we had a governmental-imposed change in the fundamental model and that puts strong pressure on the lower grades and the revenues.

The other important and interesting bit is what you see on the right hand side. So we actually launched new e-learning methods in all of our countries and we are also moving towards personalize learning and with a first offering development together with a partner called (Mutnon) in the Dutch market around personalized learning products.

We have had particular strong success in Holland which is actually the most advanced learning market in northern Europe where we launched six new fully digital methods and our digital share in Holland is getting close to 30 percent in digital services.

Then the final point around learning is that we have mentioned a strong digital offering and we have also purely digital unit in Poland called Young Digital Planet which has been selling learning materials across the world for a number of years but what was very interesting this year that we actually made four deals that were above €1 million in emerging markets.

Again, I don't want to make a too big number of it but it shows to me emerging potential in emerging markets for us to monetize our IP in the digital learning space, so something to watch out. I mean, we'll report as it comes, but hopefully that should be relevant enough that it will start to have some impact on our total numbers.

Then moving to the second part which is around profitability and balance sheet – it's about cost and divestment and making sure that we have a strong balance sheet required. Ninety-one million is the going number, the run rate, the cost savings as mentioned and just to remind you that this is hard savings so this is not cost-avoidance, structural changes of the type of the outsourcing of our ICT and financial shared services to India.

I would expect that we will give the full 100 million done in let's say a couple of months, hopefully by end of Q1, let's see. And then we will be setting our focus on driving further cost improvement, moving more towards front line operations and then there are there pockets that we've identified including Belgium and that integration bit, but I'm very happy about the 100 million program and that's a great accomplishment, a lot of dedication and commitment from all our teams to drive this though in such a rapid manner.

Then moving on to divestment, you see a very long list of things on the left side. A lot of that has been driven by Heike Rosener and her team. There's been just relentless focus on getting this done and as mentioned, we have now practically concluded our divestment program.

Including the sale and leasebacks and the divestments, the chart shows that we have received close to 400 million of cash flow from this divestment and there are still some proceeds to come. It's the Fashion Press divestment and then the De Vijver divestment which hopefully will close soon and then some parts of the Lehtimedia divestment also will be flowing in during this year.

I actually was wrong in stating that growth and transformation is the most important thing – it's actually the culture which is the most important thing because without that, nothing will happen on growth and transformation.

And not going into a lot of depth, I guess I would like to say that really a lot has happened in this bucket alone and I'm not only talking about changes in structures but there's also been a lot of changes on the top – different parts of the company and also a lot of mindset shift from silo-based local thinking to finding scalability, cooperation, multichannel co-development-type of initiatives and systematic buildup of capabilities for digital transformation and trying to find a new balance between local and central which is always very painful but necessary, I mean, to find scalability and agility at the same time.

Not easy and I'm sure we have to continuously work on that front also during this year and next. What are then the priorities for this year? You would say a lot more of the same actually and that's true. It is a lot more of the same so it's really about execution. It's finding impact, getting the things done, getting more focus, not stumbling in our internal ways of working and focusing on customer, how can we drive value to customers and how can we differentiate in this tough environment.

And you can see the headlines there, it is what I've been talking about during the last 18 months, it's about brands and domains and the transformation – SBS obviously a key component of our profitability and growth. We need to get that into better shape and again expecting steps forward.

Then integration – obviously important to get that in check and then just get digital growth faster. And particularly we are driving programs in mobile, video and data and analytics across the company and that's speeding up growth of the core brands so that's enabled that cuts across all of the above.

In learning, more of the same in terms of the digital transformation, but as I said, this new market growth outside the core is something that we are now putting more emphasis on and hope to see some more results during the year to come.

And then the cost savings side – we are moving into a new phase of efficiency improvement. We have as mentioned clearly identified more room for savings and I think these elements will be a bit more different.

I would say the big structural changes have been mostly taken at least the bigger part of it and now it becomes more about operational improvement in core operations, that is customer acquisition, sales, content creation and this place is where actually a lot of our costs are sitting and then the specific areas like Belgium which I mentioned that we're going after and then some other opportunities.

We're not going to create a new version of the program but this is getting more to business as usual but we're going after specific opportunities.

And to conclude a bit about the market environment, it is tough. It is actually, particularly in Finland, seems to be tougher than what we thought a couple of months ago. Q4 was very weak again and we don't see much relief in Q1 and actually are taking down our views regarding Finland at least for H1.

Holland, a bit more stable though I think the negative surprise for us in Q4 was the TV markets dropped after growth in first half and then during Q3 it started to go downhill and Q4 was weaker. I think our expectation now is sort of a flattish TV market for this year but very, very poor visibility remains.

And then finally to outlook and dividend, we came at 1.9 billion in sales and organic growth was minus 3.7 percent. We expect this year's development to be around the same run rate and to preempt an obvious question here, this is mainly driven by a conservative cost outlook on market development driven to a large extent of the situation now in Finland, so something to watch for and we'll keep you updated how that will then develop.

Regarding the operating profit margin which is the other thing we guide for, we landed at 6.2 percent and 2015 our guidance is to stay at or above this level so that means that 6.2 being the floor and then shooting for something there or above.

We keep our midterm outlook so we are shooting for getting back to organic growth 2016 and around 10 percent margin that year remains and we keep that as our midterm outlook.

Then to conclude, the dividend proposal stated is €0.20 and to put that in perspective, that sort of mathematically would correspond to a bit more than four percent yield, dividend yield, and this is quite close to our stated payout ratio, if you do the math, it's 61 percent of our earnings per share excluding nonrecurring items.

That basically concludes my part and then I will hand it over to Kim for a more detailed run through of the numbers. Please.

Kim Ignatius: Thank you, Harri-Pekka. My name is Kim Ignatius. Good morning to all of you and a warm welcome also on my behalf. Before going to the fourth quarter and 2014 financials I would like to start with a quick snapshot on the current business structure.

As you know we put a lot of effort in focusing in our main markets, the markets where we are strongest and also in managing the digital transformation for the future. In the consumer media business, you can see in this chart that 85 percent of our total sales is already from the two markets of Netherlands and Finland.

In the other categories we still have for half of year the Hungarian medial operation, some parts of the Russian operation and also the Belgium business. Hungary has now been sold. Russia will also not be part of the portfolio going forward.

Belgium will be integrated closer to the Dutch business so in the future we will really have two main markets here – the BeNe area and the Finnish media market. On the new media sales part – as mentioned already – good growth in

2014, now adding up to 536 million, already 42 percent of our total net sales are coming from the new media part.

For learning – a little bit more fragmented portfolio, five markets currently as you can see here, Netherlands and Poland being the bigger ones. In the Polish business we also have Young Digital Planet which is an internationally-oriented entity selling pure digital learning solutions sales in 2014 around 14 million, nice growth – 12 percent growth – and as discussed here already with this operation we are looking into opportunities outside the core market, the markets like China, Saudi Arabia and India and so on, small projects so far carefully analyzing opportunities but something to watch for in the future.

Also in learning business, the migration into digital is going very nicely – 48 percent of the sales already in digital or hybrid products. Then moving to the income statement and the overall financials – net sales for the last quarter at the level of 452 million, organic decline 4.7 percent, full year 1.9 billion, decline of 3.7 percent.

Pleased with the fact that we are and have been within our guidance during the year also have been able to operate according to our own plans and looking at the consensus even there I would say that sales was we did a pretty good job in giving you the right picture of where we had landed.

Margins for the full year – you can see the EBITDA margin excluding nonrecurring items being 19.1 percent, last year 20.6 percent and the EBIT margin 6.2 percent compared to the 7.4 percent. When you look at the P&L structure, we can again see that the cost of goods sold actually is adjusting quite nicely to the market changes and the changes in the volumes.

We had the reported net sales decline for the full year at the level of 8.7 percent and actually our cost of goods sold again down more than 12 percent, so improving our gross margin levels. Some categories came down quite a bit in paper, naturally driven by volumes but also by market prices, they are on 16 percent distribution cost, again, around 16 percent.

And in the fixed cost we were able to reduce our cost by 6.6 percent compared to last year. So to a great extent we can adjust our operations into the market trends, at the same time actually we are investing in future growth as well.

In the nonrecurring items for the last quarter we had quite a big number, a bit over minus 100 million. There are really three components that it consists of. One is an impairment we took on the Belgium operations, around 25 million. We have restructuring-related cost of 28 million and then we had 40 million coming from the Russian ruble translation differences and that 40 million actually then reduced the book value of the assets, so we now sign the deal on the most important part of the Russian business, the transaction gain/loss was pretty neutral.

So we are, as we guided for the total transaction, but the way it is now on the translation differences on FX which is now being reclassified as a P&L item. So 103 million negative for the last quarter but when you look at the full year it's actually 15 million positive, so not a big impact on the net results actually and you can see it on the earnings per share numbers as well, so earnings per share at €0.32 and excluding nonrecurring item, €0.33.

Moving forward to the net sales development and focusing on the fourth quarter – overall, I still would like to point out the impact of the divestments that we've done in which we just went through. In Q4 the impact was around 40 million, taking sales down for the full year about 100 million and there is still a good size impact in 2005, not having the units with us that we have divested during the year we just closed.

In media – Netherlands, the organic growth was minus 2.4 percent and here the decline is mainly from selling some of the noncore titles, 23 titles that we have announced which was according to our strategic plan.

Some decline also in the focus titles, the part of the portfolio that we decided to keep and then an improvement in the television sales, that's really the formula. In the media, Finland, the organic decline was 6.6 percent so a bit more and the picture is a bit different. Of course the sold titles here also had an impact but not really the driving part here which is really the print advertising sales declined and magazine subscription sales declined that has led to the reported number.

In learning for Q4, it was really about timing shift for the full year. As mentioned, learning had actually an organic growth of one percent which we can be very pleased about. Moving to the EBIT numbers, so on group level 5.6 million negative right now and last year 12.3 million and it's worthwhile to look at the bottom left hand side graph or picture here.

What this really tells you, that the delta between the two years comes mostly from the other elimination category and in the other category it is because of some divestments Lehtipiste that mainly impacting 4 million negatively the comparison. Then we have a weaker result in the other noncore operations, Russia as an example, some transformation cost.

And then in Belgium we had a 5 million lower result than last year for the quarter. And there are two items that I would like to mention that are one off. One is a one off cost for using interim workers. It's a market practice clarification which had this impact of 1.3 million on our numbers and then there are some timing shifts that relate to some barter deals that we do in the Belgium markets and that amounts to close to minus 2 million, so some one offs also included in the numbers.

Actually one could look at the same picture here and compare to the market consensus. In media Netherlands we were 2.5 million roughly better than the market consensus that is mainly driven by the very good or the good TV performance in the marketplace.

In Finland we were 2 million below which is driven, I would say also, by the negative TV market performance and also our performance during the last quarter.

Learning is flat with consensus and then we have a 5 million difference again in the other categories and it's not sure that you cannot see the one off items which I mentioned in Belgium for example.

Moving to the free cash flow, it's starting – I'll just focus on the full year and then starting with the EBITDA excluding nonrecurring items, the delta between the two years here is 44 million and this is excluding nonrecurring items. So we have the nonrecs lower in the reconciliation here. I will come back to that.

In TV programming cost, prepublication cost – there isn't specific to point out, change in net working capital pretty much at the same level as last year. Interest paid, lower than last year. This is partly driven by the market trends but also us being able to efficiently utilize the facilities that we have available before us.

In the other financial items, you have 8 million hedging derivative-related negative cash flows which are actually in the calculation here offset in the net working capital change. Then taxes paid, nothing specific to mention there.

Other adjustments, minus 54 million this year and minus 42 million last year. This is really the negative cash flow from the nonrecurring items, so the cash flow-based cost that we have when pushing our €100 million efficiency program forward.

And as we have communicated earlier, this has a fairly good size negative impact on our cash flow from operations for 2014. It will continue to have it in 2015. So moving to 2016 one can expect that the operational cash flow because of improved profitability and then also lesser nonrecurring restructuring-related negative cash flows.

Capex – some 50 million below last year's level and us then ending up with free cash flow of 22.8 million. Finalizing with the balance sheet, net debt levels at the end of the year 802 million, at the end of 2013 1,129,000,000 so a clear reduction on the debt levels and we are naturally very pleased with.

The average interest rate around three percent per annum, again, a number I think is at a good level for Sanoma. Interest sensitivity, meaning the P&L impact of one percent change and the reference rates would be around 1.5 million.

Equity rate is at 42.2 percent. Our equity in Q4 was strengthened a bit compared to Q3 also with the IFRS pension changes which relate to the pension arrangement that we have in the Netherlands and some adjustments are made to it, gearing also at a much better level than where we had it last year, being at the end of 2014, now 66.7 percent.

This finishes my part of the presentation. I will hand it back to Olli for questions.

Olli Turunen: Thank you. So we are ready to take questions first here in the studio and then over the phone. Before you state your question, please also tell your name and the company. Questions?

Male: Thank you, Sami Sarkamies Nordea Markets. I have four questions. First three on guidance. A bit puzzled with quite cautious organic net sales growth guidance. I guess you will be having higher share of digital this year.

You should also benefit from recent TV investments and if you look at last year you were still on an improving trend also in Q4 even though Finland was weak, so how come that the growth rate is not improving this year and also you are shooting for growth next year?

Then the second question relates to EBIT guidance. There is some uncertainty – what is the swinging factor? Is that the net sales growth we will be seeing during the year?

And then third question also on the EBIT guidance. You haven't talked about the extra investments you did last year, €20 million. What will be the level this year and how much help will you get from those going into next year if they decrease?

And then lastly on dividend, would you say that this was a normal year when you were thinking of the dividend proposal. I guess last year there were some extra considerations like deleveraging. Thanks.

Harri-Pekka Kaukonen:

All right. So that's a full sleight of questions. So the first one was your question, like cautious on the revenue guidance. This is predominantly market uncertainty-related and we actually don't have good visibility and the signals we get from the Finnish market are quite negative.

And the second uncertainty is really we don't know the full impact of the Polish situation in the learning market, so there are these uncertainties that we have now.

And thirdly, the thing that we've learned also that TV markets are very volatile, so rather go in with what we sort of see and feel and then we need to take a better look at as the year evolves.

But this is – I think the view we should take is that there's quite a lot of uncertainty in the advertising market and then some uncertainty on the learning core market in Poland and that's the reason for the cautiousness.

Then the second bit, if I put it down was on EBIT guidance and repeat the formulation of the question.

Olli Turunen: What's the swinging factor in our outlook?

Harri-Pekka Kaukonen:

Yes. All right.

Kim Ignatius: I think you already answered that in a way, the explanation on the cautiousness and the second question as well, so having clarity on those and performing better on those would be the swinging factor.

Harri-Pekka Kaukonen:

Then there's another bit which relates to your third question which is investment. So actually we're going to still increase the level of investments this year, so that obviously will eat into part of the savings.

So we won't get the full flow, so we continue to put a fair amount of it back into the business in different ways and forms to drive growth and hope to get the benefits then down the road in the following years. That's kind of the link there apart from what Kim said.

And then dividend – difficult to say you know exactly your question. This is we feel is we've accomplished a lot and this is pretty much according to sort of normal payout policy.

As such we talk about rather small amounts of cash so I guess it shouldn't put too much weight on €0.05 is 8 million so we can speculate about the single value of this or not but this is the proposal for the board and there obviously are many factors that go into this consideration but I don't think I am in a position to deliberate them in the public.

Sami Sarkamies: I have a follow-up question regarding investments. So what would be the number for this year that – 20 million was the number last year I guess, so what are you planning this year and what could be an estimate for next year at this point?

Harri-Pekka Kaukonen:

I'm not going to give you an estimate but I think you got some guidance that we will be putting back a fair amount of both the projected delta from 100 million program into business.

Kim Ignatius: So I think last year 2014 we had a step up change and we also wanted to clarify the different components driving our guidance and I don't think we need that guidance or the component analysis for this guidance that we have in place right now.

Olli Turunen: Are there further questions here in the studio?

Male: Kimmo Lunden, Markkinointi & Mainonta and Talouselämä two questions. First on R&D investments, what is the number of R&D investments last year and what's your estimate for this year?

And the second question is about the governmental financial support and loans for media businesses Tekes is running a program.

Is Sanoma going to apply some loan or support for its digital program or whatever?

Harri-Pekka Kaukonen:

So the first one, it’s a difficult question actually to define what is R&D in media, but to give you an order of magnitude, I will go back to a number that I have referenced also before and our total IT the digital development spend is close to 150 million.

The mix is shifting through these outsourcing, et cetera, deals so we’re spending less on infra but more on digital development and support. Broadly speaking, it has been a 50/60 as our ski jumper friend has said in terms of the percentages and there you can you find an order of magnitude of what we do in sort of Opex and development spending on digital.

Based on the previous discussion, so we have June last year and again this year we are substantially increasing investment into digital solutions and methods across the board. For example, what I showed in learning is the result of really substantial investment in relationship to the revenues in learning.

And that’s the reason why we are at the levels of digital sales today which is order of 10 times bigger than the next competitor in northern Europe. So it is substantial and we have to do it to stay competitive in these markets and drive and deliver value.

The other one, sure, I mean, we will be applying to some there but I think in general, I think it is quite interesting that on one hand the government adds you know VAT tax on the industry which strips the industry off some 70 million of investment capability into innovation and then puts back 10 in sort of different way.

So I think it doesn't sound to me – I'd rather they would reverse the decision and not give the 10 but let the industry itself invest 70 million, so that's how I would sort of view it.

But obviously if there is support money, then obviously we have good projects so we will apply for that as well, but I have a big issue with sort of the whole dynamic how this is played out from a total point of view.

Olli Turunen: OK.

Male: (off-mike) Will these projects be international or in the Finnish market?

Harri-Pekka Kaukonen:

Our approach to digital development in general is to build for scale. So in general we try to do things but when we do it we try (it now) which is different from the way we used to do things which was only local for local.

Whether these projects will be having any impact outside the Finnish market is another question, but we start from Finland but we think in many spaces and areas we are actually solving problems in media and learning that are applicable in other markets too.

Olli Turunen: Are there further questions here in the studio? No? Operator, we are ready to take questions over the phone.

Operator: Thank you. You have a question from the line of (Panu Laitinmäki). Please go ahead.

Panu Laitinmäki: Thanks. So I have three questions. Firstly, on the Dutch TV market outlook, just to clarify the flattish outlook seems a bit cautious to me. Is it based on what you have seen in January like the very current situation and you are not taking any view on what's going to happen later in the year?

Second question is just going back to the EBIT margin guidance which also seems quite cautious, is it correct to assume that you are actually accelerating the investments now if you are ahead of cost savings plan?

And then third question is on 2016 targets, you are guiding this year's EBIT margin to be as low as 6.2, but the target for 10 next year is still intact. So that's four 4 percent difference. Where is that coming from and is it partly due to lower investments? Thanks.

Harri-Pekka Kaukonen:

All right. Yes, the market outlook is based on current outlook. I don't have a crystal ball and it is really – if you have an answer to, Dutch GDP development (page 2) then you can then pretty much have put your finger on what most likely outcome is.

I don't even want to try to estimate that long. I think this is again what we see in the market and since we have no further visibility, we need to kind of take that as a baseline into our operational planning.

Obviously you know somebody asked here about swing factors, market development is a great, big swing factor because advertising revenues go both ways. It does a very high flow through rate of that particular TV advertising goes almost directly right through the bottom line.

And EBIT margin you know kind of where might this improvement come, I think they come from three broad places. We've talked about growth, so if we get from declining growth to positive growth then instead of having to compensate for loss in revenues you actually start to get some support in terms of the sales margin.

I mentioned about cost improvement area, so there are other pockets we're tapping into. There's also a bit of a tail from the 100 million program at play. We have some specific opportunities also like in Belgium. If we conclude the divestments in Russia, that will support a little bit given the situation and so on, so some structural support also hopefully there.

And then yes, we expect the investment levels tend to taper off somewhat in 2016 as we see now and that could also then help in driving EBIT performance, so these are the broad areas where to look.

Kim Ignatius: Yes. Just one comment – we are not guiding at 6.2 – we are guiding at 6.2 or above so it is a range.

Male: OK. Thanks.

Olli Turunen: Do you have further questions? Operator, let's take the next question.

Operator: Your next question comes from Rasmus Engberg. Please go ahead.

Rasmus Engberg: Hi. Good morning. This is Rasmus with Handelsbanken in Stockholm. I have two questions for you. The first one is how much cash flow are you looking to get from the deals that you've already announced during 2015 provided that they close as communicated?

Kim Ignatius: We are talking about around 70 plus million.

Rasmus Engberg: Seventy million.

Kim Ignatius: Seven-zero.

Rasmus Engberg: All right. Thanks. And the second question is with regards to The Netherlands. The development in the fourth quarter, does that imply that the TV lost market share in the market, ie. linear TV lost market share as we have seen in some other markets or is it just the overall advertising market going down?

Harri-Pekka Kaukonen:

It's the overall advertising market. Actually strangely enough compared to for example Sweden and some other countries, total viewing time increased in Holland last year. That however, to some degree is related to football, soccer.

I'm not claiming that Holland is a fundamentally different market, but last year it was the opposite so actually TV viewing was at the healthy level.

Olli Turunen: And Rasmus, to add to your questions, please keep in mind that the H1 was plus seven percent in the Dutch TV market and the full year ended to plus two percent, so it was more of a seasonality.

Rasmus Engberg: And if I may follow up again on The Netherlands. Given the sports events last year and your current ratings level, is it fair to assume that you somewhat beat the market in terms of revenue growth this year?

Harri-Pekka Kaukonen:

Maybe I'm not answering but sort of we would expect that this year everything else being equal would lead to better performance in viewing share and thus revenues for our TV operations, since we don't have the big events that go to the public broadcaster, so there is more TV money available for the commercial operators.

Rasmus Engberg: Have you just on a final part and on the TV side in Holland, have you concluded the transfer negotiations for 2015 and can you give some sort of indication where prices are heading if so?

Harri-Pekka Kaukonen:

No. It's too early. These are done during first three months, so I don't want to – first of all, I don't know and I don't want to also give any and even if I knew, I probably shouldn't, so specifically on the pricing side I think.

Rasmus Engberg: All right. Thank you.

Olli Turunen: Thank you. There are no further questions over the phone. Any follow-up questions here in the studio? No? This concludes the complete presentation. Thank you and have a good rest of the week.

Harri-Pekka Kaukonen: Yes. Thank you for your attention.

END