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<b>Speakers:</b>	Susan Duinhoven, President and CEO Markus Holm, CFO & COO Kaisa Uurasmaa, Head of Investor Relations
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**Kaisa Uurasmaa:** Good morning, ladies and gentleman, and welcome to Sanoma's first quarter 2019 Results Conference. My name is Kaisa Uurasmaa, I am heading Investor Relations at Sanoma, and today I have here with me the President and CEO Susan Duinhoven, and the CFO and COO Markus Holm who will present the results. After the presentation, we will have a Q&A session. We will first take questions from here at Sanomatalo. Please ask for the microphone before you ask your question. And then we will hand over to the telephone line for further questions. With this, I will now hand over to Susan to start the presentation, please.

**Susan Duinhoven:** Thank you very much Kaisa. Welcome everyone here and on video with this quarter one 2019 result presentation. We had a good solid start of the year. Let me give you some highlights of this first quarter, which is good to remind, is always a small quarter for Sanoma. Our net sales, 248 million little bit down from the 262 last year. Operational EBIT stable at 10 million, therefore slightly increased EBIT margin to 4.1%. Free cash flow -41, as always, first quarter being a negative cash flow slightly less negative than last year. And the net debt over EBITDA the leverage at 2.0, that means equal to last year. As I said, solid start of the year, where the net sales grew slightly in Learning and declined in the Media businesses. The operational profitability, however, was fully in line with 2018, despite the net sales decline and the leverage was unchanged. But it's good to remind that that now includes 0.5 of the IFRS 16 accounting changes. The Outlook for 2019 is therefore unchanged. Group's comparable net sales will be in line with 2018 and operational EBIT margin, excluding PPA will be around 15%, coming from 15.7% last year. So that's the overview of this quarter. And if we then go into the specific business units, first at the operational EBIT level, you see stable development in Learning and Media Finland, and a slight decline in the Netherlands and that follows the lower net sales that were to a large extent mitigated by good cost containment, but not fully. You see also the other operations which is typically our head office overhead cost, which was slightly down from last year.

So if we now go into the specific business unit one by one. If we look at Learning, they're the net sales and earnings were stable. Net sales grew slightly to 31 million but that was basically one large spring order in the Netherlands that went into the first quarter, where it last year was into the second quarter. And also to remind you that the first quarter is typically very small for Learning because, of course, the centre of the sales is in Q2 and Q3 when the school year starts. The operational EBIT followed that slight positive sales growth, encountered some of the higher marketing costs specifically in Poland. As we announced before, the Dutch ACM so the Dutch Antitrust Authorities take a further assessment on the Iddink acquisition that we announced in December, and in December we indicated that we expected a Q2 or Q3 closing of the deal with the additional investigation from the ACM, which is nothing out of the ordinary, but just takes a bit more time, we expect the closing to be moving towards the end of Q3. Overall, you see Learning – good margin development in this rolling operational EBIT overview. Good margin development over the years.

If we then go to Finland. Finland, of course, always the advertising market an important factor in there. If you look at the total market in the first quarter, you see -2, so a slight decline, and that is very much in-line with the previous

quarter and the previous full year. But the mix was slightly different. Newspapers were a bit more positive, in a sense of, a little bit less decline, while TV declined unexpectedly a bit sharper than in the previous quarters. Our performance was in-line with this market performance in the segments. If we then look at Media Finland overall, we're very happy with the continued growth in the digital subscriptions both in HS and in Ruutu+. The net sales overall declined slightly to 232 million, primarily due to the advertising market, print and TV being determining there, but also the total subscription declined largely due to pay TV. We discontinued that in September 2018, so in the first quarter 2018 that was still in. The number of Ruutu+, subscribers increased significantly with 25%. And that is particularly remarkable if you remember that the Liiga was still active for us, we still had those rights last year. But even without Liiga, the growth is 25%. Number of the Helsinki Sanomat subscribers overall, so digital plus print, grew again with 2% a year on year. You'll also see some growth in the other sales, but that is due to the acquisition of the Finnish news agency STT. The operational EBIT excluding PPA improved slightly but that is more of a shift between the quarters temporarily lower TV production cost in addition to the discontinuation of the Liiga and the reduced amortizations due to that. So all in all, Media Finland also good start of the year.

Media Netherlands net sales and profitability declined there a bit, but the significant part of that was due to the divestments. We divested LINDA. magazine to Linda de Mol at the end of the first quarter, so March was no longer in, but specifically also the Belgium content marketing business that we divested in December contributed to the decline in net sales. Advertising sales declined with the market, but on top we also took a bit of a review on the Scoupy product portfolio. Because Scoupy is a wide portfolio of products and some of them were very low or negative margin, and we have taken those out with some impact on the top line. But of course, hardly any impact on the bottom line. In the Netherlands, the VAT increased on magazines from 6 to 9% on January 1st, and that impacted our capability to do the normal price increase on the 1st of January. So that impacted our subscription revenues. Some of that will be recovered during the year when new opportunities come up. But in the first quarter, you see the effect of this. Operational EBIT then declined. That was basically due to the decline in net sales and was partially offset by good cost containment, as we're used to from the Dutch business. As I indicated, Sanoma divested Mood for Magazines, the company that published Linda magazine, divested that to Linda de Mol, the minority owner and named giver of the magazine. Last year's net sales were 27 million, with an EBIT of 6 million and a free cash flow of 4 million. So you need to count on that no longer being part from the 1st of March onwards. The value of the 100% of that company was 47 million, and that represents 7.9 multiple, which we consider a very good multiple for this type of business. We closed as I indicated end of February. So from the 1st of March those figures are no longer part of Sanoma. So all in all, the Netherlands slightly lower quarter but in-line with the expectations that we had for the full year.

And that then also makes that the Outlook for 2019 is unchanged. We expect that comparable net sales will be in-line with 2018, and the operational EBIT margin excluding PPA, will be around 15% compared to the 15.7 last year. And as always this Outlook does take into account, or does take the assumption, that both to consumer confidence and the advertising market developments in Finland and the Netherlands are in-line with last year. Just for clarity, the Outlook does not include any assumptions on Iddink as the intended acquisition. We announced that on December 11th, and as I said, we expect to close this by the end of the third quarter 2019, but that's not included in this Outlook. With that, I would like to hand over to Markus to give some further details on the financials.

**Markus Holm:** Thank you. Here's a short summary on the profitability impacts by business unit. Starting with Learning, we had a positive impact of net sales growth in Netherlands and mainly there the order that came in earlier than expected offset then by higher marketing costs, especially in Poland. Net effect being roughly a million positive in Learning.

In Finland the lower TV production costs and amortizations, partially due to the discontinuation of Liiga, were positive and then compensating were lower overall net sales and which was partially compensated by good development in Ruutu and HS. And the net effect of that in Finland was also roughly a million.

In Media Netherlands lower net sales due to divestments, as Susan mentioned, a negative offset, then by good cost containment, especially on fixed costs. A negative of 2 million, roughly, on the EBIT.

Rolling free cash flow continued to be in a good level. Free cash flow was as it is typical in this first quarter negative 41 million, compared to 44 million negative last year. And implementation of IFRS 16 standard improved the free cash flow by roughly 6 million. And then we had the settlement of the rental contract related to discontinued operations in Belgium as a negative, and that is the last step of this discontinued operations that were agreed last year.

If we look on the balance sheet ratios and the impacts of IFRS 16 on those, you might remember, we estimated that the impact on our net debt would be roughly 200 million and now at the end of qQ1 one the impact is 184 million roughly on the net debt of IFRS 16. And on the net debt to adjusted EBITDA, 0.5 up. And then on the equity ratio, its 4.6 percentage points impact of IFRS 16. Net financial items increased to 5 million compared to 3 million and also fully explained by IFRS 16. And as a final reminder, our reporting dates for the half year report and an interim report in quarter 3. Thank you.

**Kaisa Uurasmaa:** Thank you, Susan and Markus, we will now open the floor for questions. Please here at Sanomatalo wait for the microphone before the question. Please Pia.

**Pia Rosqvist:** Hi, I'm Pia Rosqvist from Carnegie. So with regards to Media Finland and the elections that took place in Q2. What was the effect of that scene in advertising in Q1? And can you say something about Q2?

**Susan Duinhoven:** There is always some uplift due to the elections, we see that also a part of the explanation why the market, for example, on newspapers was a little bit more positive than the previous quarters, we count sort of the total effect half and half between the two quarters. But you know it is not material, let's say on the total market size. And so that we should not overestimate this. At the same time we had, of course, Easter moving from Q1 to Q2 and that you also see a typical effect that there is a little bit around Easter, a little bit more advertising. So you know those are sort of compensating effects in Q1.

**Pia Rosqvist:** And if I can continue on the CAPEX level for Media Finland. It was slightly lower or one million lower in Q1. Any particular reason for that?

**Susan Duinhoven:** No. That's just normal shift in where projects are in their phase.

**Pia Rosqvist:** And then regarding Media Netherlands, the ad sales. Did Sanoma do worse or in-line with the market or better than the market in Q1?

**Susan Duinhoven:** Yeah, we did in-line with the market. The digital of course, you know, we have a slightly different portfolio than the total market. There it's very much focused on display. In magazines, Sanoma is in the Dutch market, of course, a large magazine player, so but we see that overall, the market performed in-line with what we here showed. And we need to recognize that we see the Scoupy sales, which is partially also some consumer sales in there, all as advertising, and we classify that as advertising for simplicity's sake, so any of that portfolio restructuring is part of the of that overall decline.

**Pia Rosqvist:** Ok, and with regards to Learning the High Five programme, can you just say something about how it supported earnings in Q1?

**Susan Duinhoven:** With these types of programmes, like we did in the past also over Suunta, we don't give a very specific guidance on what the overall result is nor what it exactly contributes. Because these are programmes composed of a lot of individual projects, and we saw in last year, in 2018, that it was a good a sort of support to the overall result. Part of those results now carry, of course, also into 19. And new projects are constantly starting up.

Some of these projects take a bit of cost in the beginning in order to kickstart changes. So that's where from that complexity we're not giving specifics on that programme.

**Pia Rosqvist:** Okay. And then my final question, the higher marketing costs in Learning related to Poland. What's behind this?

**Susan Duinhoven:** That it's just a good opportunity in the market to, with all the changes that have been made in the last years, the one stop shop concept that the Polish team is very strong in, to go for some additional market share.

**Pia Rosqvist:** Thank you.

**Kaisa Uurasmaa:** Thank you. Any further questions from Sanomatalo?

**Jani Sandvall:** Hi, it's Jani Sandvall from Nordea. Group costs were down in Q1 year over year. Should we extrapolate this for the end of the year?

**Markus Holm:** No, it's mainly timing. Early in the year things that haven't started really. So you can expect roughly the same level this year as last year.

**Jani Sandvall:** Ok, thanks. And then the second question relating to the Learning, about the business shift could you give some colour about the EBIT impact of these extra sales?

**Susan Duinhoven:** We typically have, you know, these shifts between Q1 and Q2 and we went out of our way to try to keep this word now out of the report because it gets so boring, you know, in the explanation. So I think you should take the normal margin on that shift in revenues.

**Jani Sandvall:** Ok. Thank you.

**Kaisa Uurasmaa:** Thank you.

**Pete-Veikko Kujala:** Yes, Pete-Veikko Kujala from SEB. A couple of questions. First, can you open up a little bit the effect of Fox media sales in Finland in Q1?

**Susan Duinhoven:** Yeah, I think the Fox reselling through Sanoma has started in Q1. The first quarter of these types of partnerships are typically sort of to get used to each other's technology, the systems... Of course the deal came in rather late in Q4 so also with for clients, it was relatively new. So the Q1 impact is quite small. Overall, over the year we estimate the total net sales impact to be between 15 and 20 million.

**Pete-Veikko Kujala:** All right, thanks. And that split between the rest of the quarters?

**Susan Duinhoven:** With the seasonality that you have in TV.

**Pete-Veikko Kujala:** And then about the VAT change in Finland that's coming up in July. Do you have any plans? Are you going to put that into prices, or is it going to come to the EBIT margin?

**Susan Duinhoven:** Yes, we typically don't open up about our pricing policies. But of course, we're very happy with this change, as it opens opportunities for both the company but specifically also for customers and avoiding future price increases.

**Pete-Veikko Kujala:** Yes, and then, continuing on that a little bit. About Helsingin Sanomat and Ruutu+ subscribers, do you have... because you have opened up the kind of annual level subscribers? Is there some fluctuation, seasonality between the quarters that people stop subscribing in some specific quarter, etc?

**Susan Duinhoven:** Yeah, I think that we have in previous materials, we sometimes have given the annual cycle there, so you can refer to that. That is a pretty standard thing, so there is always in any subscription business, I would say, that I've seen so far that is, at the end of Q4, always a bit of a peak, and then it comes down a little bit in the beginning of the year. How of course the digital Ruutu+ type subscriptions will go, that we will need to learn. And we'll need to see how that goes through the summer, for example.

**Pete-Veikko Kujala:** All right, and then the last one for me. Do you have any, do you see any reforms coming up in Learning countries and any shifting of sales from 2019 to 2020?

**Susan Duinhoven:** The year is relatively stable in Learning, so there is not a lot happening there. A lot on sort of smaller changes in the various countries. In the Netherlands, the new maths method it will kick in. But that is not a change of curriculum like it was, for example, in Poland, where it is a hard stop for all the schools. So this is just slowly, will gather speed in the coming year. So I don't think that 2019 is going to be a bit of an exceptional year in that sense.

**Pete-Veikko Kujala:** Thanks.

**Kaisa Uurasmaa:** Thank you. Any further questions? If not, we will now hand over to the telephone line for questions, please.

**perator:** Thank you. If you do wish to ask a question, please press zero one of your telephone keypad. There will just be a brief pause while any questions are registered. – And just a reminder, if you do wish to ask a question, please, press zero one on your telephone keypad now. We have a question from the line of Panu Laitinmäki from Danske Bank. Please go ahead.

**Panu Laitinmäki:** Thank you. I would have a couple of questions. Firstly on the guidance, you are guiding for flat organic sales and EBIT margin to be lower this year, but then the opposite kind of happened in Q1. Sales were down 5% and EBIT margin was flat or slightly up. So could you speak about the expectations? What do you expect to happen in Q2 to Q4, this kind of change seen in Q1?

**Susan Duinhoven:** I think, important is that we're guiding on the comparable net sales. So that means in the previous wording, that was sort of, you know, really, excluding investments and divestments. So I think that's one important one where the trends you're referring to is reported net sales. So that includes the divestments that you, for example, see in the Netherlands. I think the second point that I would like to note is, Q1 is a very small quarter. So I would not do any extrapolations out of Q1 too much. Because as you see both on the revenue side and on the EBIT side, this is, you know, not representative quarter. So therefore, I think the best thing is to stay with the guidance, and I think the guidance is clear that our comparable net sales will be in-line and the EBIT excluding PPA will be around 15%. And both of them have, of course, some margin around that. Because that's why we worded as in-line and around 15%.

**Panu Laitinmäki:** All right. Thank you. My second question is about one-off costs in Finland. You mentioned that they were related to the IT infra and service costs. Just wondering why these we're booked as items affecting comparability.

**Susan Duinhoven:** That is because what we're going through for the whole of Sanoma is what we call a "journey to cloud". So where were transferring from our own data centres to the cloud. And that is really a one-off transition

process that we have embarked on. And that is therefore, within the normal accounting that is one-off and therefore an item affecting comparability.

**Panu Laitinmäki:** All right. Thank you. My final question is about the risks that state in the report. You said that in Finland, the chances in digital single market initiative could have significant impact on Sanoma's access to content in Finnish TV. Could you describe what do you mean by this?

**Susan Duinhoven:** The access to international content is, of course, in smaller markets typically at a lower price. And this is where the trends to look at the European market as a whole will have its impact potentially on the pricing for international content. And that's the background why we indicate we don't know how this will exactly work out. But this is where we say if you're in a German or a UK market, it might have less impact because you're already paying prices for large markets. In smaller markets, you might have more impact from that.

**Panu Laitinmäki:** All right, that's all from me. Thank you.

**Operator:** As there are no further questions, I'll head back to the speakers.

**Kaisa Uurasmaa:** Ok. Thank you, everyone for attending and for questions. We will of course be happy to continue to discuss after this conference as well. And with this, I conclude the presentation and wish you all a very nice First of May. Thank you.