

## Sanoma estimates the impact of the current corona pandemic on its business – Q&A

External (published at [www.sanoma.com/investors](http://www.sanoma.com/investors) and updated when new relevant information is available, not during the silent period from 30 March – 29 April 2020)

Yellow sections below were added on 30 March.

### Q: Due to the current lower demand for advertising, do you expect the prices especially for TV advertising to decline?

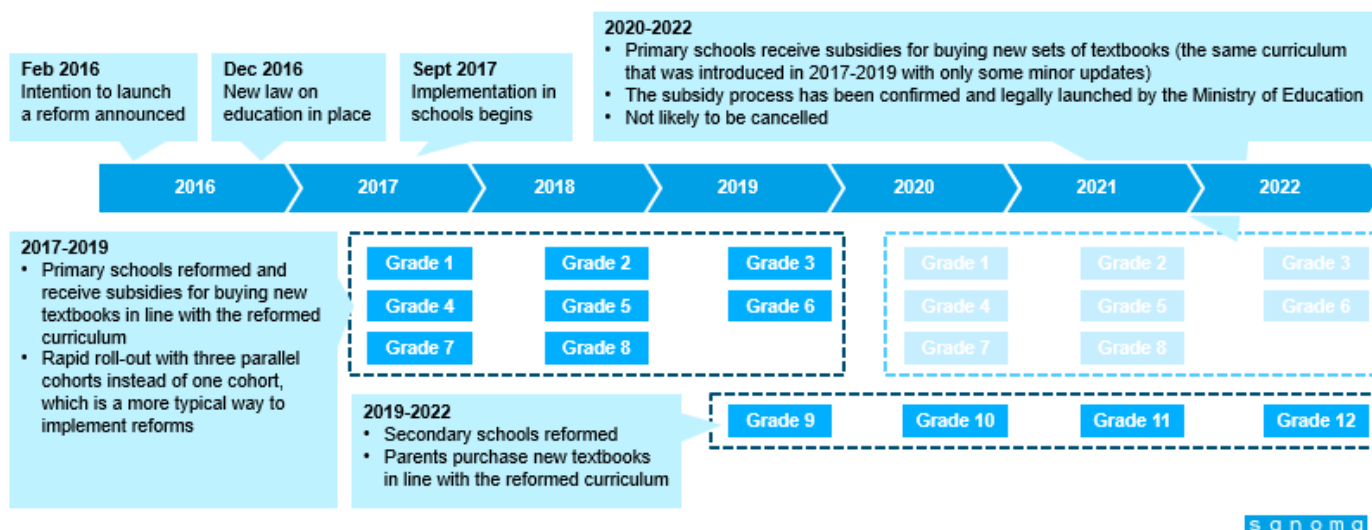
A: The Finnish TV market has been characterized by overcapacity already before the corona crisis. We have not been significantly discounting the prices earlier – prices are on a low level structurally – and price reductions are not our strategy this time either. We will lower our investments in content, adjust the program schedule and postpone esp. the more expensive programs to autumn and this way reduce the supply in the market. Postponements are partially driven by the fact that not all programs can be produced on time under these exceptional circumstances. Maybe also good to acknowledge that the advertising spending still takes place although at lower levels. By holding to our pricing policies, we want to make sure that we will come out of this crisis on the right price level.

### Q: Is there a risk that curriculum renewals planned for 2020 in different countries would be postponed due to the corona crisis?

A: Planning and implementation of renewals in curriculums or educational systems are long projects and normally take even close to 10 years. They are not easily cancelled, paused or postponed when they have once been started. In the picture below, we illustrate the timeline of the ongoing renewal in Poland. The Ministry of Education has recently published the documentation related to the implementation in 2020 in the same schedule as for earlier years as well.

## Reforms of K-12 educational systems take multiple years to plan and implement, cannot be altered mid-way

### Case Poland: Even when a reform is implemented rapidly it takes several years



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### Q: What are the biggest risks and opportunities related to the current corona pandemic in Sanoma Media Finland?

A: In Media Finland, subscription and other B2C sales represents more than half of the total net sales and are not expected to be significantly affected, unless the current exceptional situation prolongs or intensifies significantly. Sanoma estimates that the corona virus outbreak will have a material impact on the net sales and profitability of Media Finland's B2B advertising business as well as events business, but it is too early to make reliable and specific estimates of the size of the impact.

- In the B2B advertising business (net sales of EUR 247 million in 2019) Sanoma estimates a material impact, which may greatly vary between customer categories and media channels. Size of the impact is dependent on the duration of the crisis and the pace of the recovery. After the financial crisis in 2008, Sanoma's advertising sales declined by approx. 17% in-line with the market.
- The events business (net sales of EUR 35 million in 2019) is heavily focused on the summer months of June to August. The potential impact is largely dependent on possible restrictions posed on the festivals and events by the government at that time, and difficult to estimate at this moment. Sanoma has insurances in place covering the costs incurred and margin in cases, where the cancellation is ordered by the authorities.

In advertising, we have already seen some clients reducing their spending, and expect some impact in other advertising segments especially if the situation continues for a longer period of time.

Until now, planning, production and pre-sale of events and festivals for the season 2020 has proceeded as planned and we have not made any cancellations but will naturally follow requirements by the authorities. As most artists performing in our festivals are Finnish our events are not expected to be significantly impacted by world tours of international artists being cancelled in advance. In addition, we are actively reviewing our cost base and taking precautionary and mitigative actions where possible and necessary.

If the epidemic situation in Finland lengthens or escalates, it may also have an impact on early-morning print newspaper delivery. If disruptions in distribution occur, we have readiness to offer digital news media as a replacement to print. Early March, Helsingin Sanomat opened the online paywall for all corona-related news. It is of utmost importance to us to continue keeping all Finns well informed in this exceptional situation. We have seen record-high numbers of visitors both at HS.fi and IS.fi. Increased need for news in this exceptional situation as well as quarantines and possibly increased free time may as well increase demand for subscription-based businesses like Helsingin Sanomat and our VOD service Ruutu+. Subscription sales may, in the longer run, be also negatively impacted by lower consumer spending due to economic downturn and e.g. lay-offs.

In recruitment classifieds, the start of the year has been relatively volatile and expect the overall uncertainty to be reflected in online recruitment classifieds as well.

**Q: What are the biggest risks and opportunities related to the current corona pandemic to Sanoma Learning?**

A: In Learning, no major impacts on net sales and profitability are expected. During the past week, schools in almost all European countries have moved from F2F to remote learning. This has emphasized the importance of high-quality, modern and well-functioning digital learning platforms. Our businesses have been active in supporting schools and teachers in managing the challenge of full-scale remote learning by providing tips and best practices.

Majority of the printed and digital course materials are ordered and delivered around the start of the new school year, i.e. during the second and third quarters. The sales process is typically in its most active phase during March and April and our teams are actively applying alternative ways to be in touch with the schools and teachers and help them make decisions on next year's materials. Currently, we don't expect a major impact on the demand of course materials for school year 2020-2021. We are closely following the operative situation of our main paper and print service suppliers, and don't see a material risk related to availability.

**Q: Will the corona virus outbreak have an impact on Sanoma's dividend payment or long-term financial targets?**

A: No, Sanoma's long-term financial targets remain unchanged. The divestment of Media Netherlands (announced on 10 December 2019) is progressing well and is expected to be completed during Q2 2020 (original expectation latest during Q3 2020). The divestment will generate a EUR 400 million headroom for M&A.

Sanoma remains committed to its dividend policy of paying an increasing dividend corresponding to 40-60% of annual free cash flow. On 25 March 2020 the Annual General Meeting (AGM) decided according the Board's original and unchanged proposal on a dividend of EUR 0.50 to be paid for 2019 in two equal instalments, one in April and the other one in November 2020 (estimated timing).

**Q: What precautionary measures have you taken to mitigate the impact or protect business continuity?**

A: We have taken measures to promote remote work and virtual meetings and almost all of our employees are currently working remotely. Face-to-face meetings for groups larger than 10 people and all larger events on our

premises are prohibited until further notice. Almost all travelling is currently postponed, but after having travelled, there is an obligatory quarantine period required before returning to the office.

**Q: You organized your AGM on 25 March 2020. How did you ensure shareholders' rights in this situation?**

A: All shareholders had an opportunity to follow the AGM through a live webcast and those registered for the AGM could exercise their voting rights by proxy representation. Shareholders had an opportunity to ask written questions from the company before, during and after the meeting. All questions were answered on Sanoma's website (<https://sanoma.com/wp-content/uploads/2020/03/Sanoma-AGM-2020-pre-meeting-QA.pdf>).

To ensure compliance with the restrictions imposed by Finnish authorities, the number of participants allowed to attend the AGM was limited to max 10 persons in the same room at the same time.

**For further questions, please contact:**

Kaisa Uurasmaa, Head of IR & CSR, mob. +358 40 560 5601, email [kaisa.uurasmaa@sanoma.com](mailto:kaisa.uurasmaa@sanoma.com)