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Chaired by Martti Yrjö-Koskinen

Martti Yrjö-Koskinen

Good morning ladies and gentlemen and welcome to Sanoma's full year presentation. My name is Martti Yrjö-Koskinen and I am the Head of Investor Relations. Today, present from Management, we have our President and CEO, Mr Harri-Pekka Kaukonen, and our CFO, Mr Kim Ignatius. After the presentations, you have the possibility to ask some questions, and with these words I would like to hand over to our President and CEO, Mr Harri-Pekka Kaukonen.

Harri-Pekka Kaukonen

Thank you Martti and good afternoon ladies and gentlemen on my behalf, and welcome to our first reporting session from our new studio here, the Nelonen Studio, at the Helsingin Sanomat in the midst of the editorial team, which is a good sign of our multimedia approach, so with those words let's go and review last year's performance.

If we first start with Q4, the conditions out there economically were very harsh and I'm satisfied to report regardless quite decent numbers, especially compared to what we guided starting from the summer, so we came in line with the guidance and I will go through that in a bit more detail. One of the big changes for last year, of course, was the fact that we improved our balance sheet gradually, both in terms of the debt levels, but also in terms of the funding over the course of the year, and you can see that clearly in our improving ratios in the balance sheet and Kim will go through them in more detail later.

Another key focus, of course, is to improve underlying performance and during the fall, or in the fall, we launched and communicated our efficiency improvement programme, which is targeting 60 million annual savings on gross basis by 2015 and I am glad to report that programme is proceeding according to plan. The dividend question has been raised to us many times over the last few weeks and months, and the Board of Directors' proposal for the AGM is €0.60 per share as dividend.

Then if we go a little bit more in detail to the operating performance by unit, Learning really had a very, very strong year. It was a record year where organic growth was about 8%. Also, Learning is digitalised at a very nice pace and exceeding a 12% organic growth rate in digital sales. Our Learning units in practically all markets gained in market share and specifically I'd like to mention really a step forward in Poland where we were very successful in implementing a curriculum reform in the secondary education.

In Consumer Media we are pushing forward with a transformation. On one hand, the Consumer Media is under stronger pressure; it's due to the general decline in the advertising market and then, of course, the shift from print to online and digital, and that has clearly impacted both the circulation numbers, but also the advertising markets were soft and no relief was seen under Q4, and actually also no big relief is seen as we look in Jan, but we've done a number of things there and I will go and give you more examples, but one of the things that I would like to mention here is a very impressive renewal of Helsingin Sanomat as a product in total. It's not just about the tabloid, but it's about the pay wall and a host of other things that are in the background, and early results in January look actually quite good in terms of circulation, and there is a clear improvement in the numbers and the revenues positively up in Jan. It's very early, but at least we can say that the technical implementation has been a success.

In TV, two out of three markets doing well; Nelonen, a very strong year, gained market share also on the online side; our router catch-up TV platform is developing very well and I hope many of you watched the good programmes that Nelonen had during the end of the fall. Belgium also doing well and the investments have led to increased market share and a stronger position commercially. The biggest unit, unfortunately, SBS Netherlands is not where we'd like it to be. We have stabilised the viewing shares around 20%, but that's clearly not enough and we need to continue investing and having a close look at the operations.

Our online development was, I think given the conditions and specifically when you take into account that the Dutch online market was flat last year, we managed to grow our total online portfolio by 5%, so taking the Dutch situation into account, I think that's an okay result. We want and will increase efforts into getting further growth, but 5% is what we achieved last year. We did a number of smaller acquisitions to boost the digitalisation of our businesses last year and I am sure that they will also contribute to further growth in the coming years or years to come.

If we then go to our overall transformation process, there are two broad components there and one is really around the digital transformation. It's really around the cross-media development and, in a way, taking what we have, our strong reach, and converting that to revenues and better targeting to advertisers. It's also about building new businesses in more performance based businesses and building conversion engines that are more in that latter part of the commercial decision making cycle.

Now, we also started last year Sanoma Ventures, which is really about trying to convert media for equity. We did actually seven investments in Holland and we have plans to also take that model at least to Finland, and actually we've done some of these examples in Finland as well, but the key thing is really around making our different media sets play together better, being able to use our reach better, and also to become smarter in using and getting a better return on the content investments that we're making and I will get back to some of the further examples here.

The other component of our transformation is really around performance and I already mentioned the cost savings programme, but we have done a number of things also. Will give you an example, in Finland we combined customer service, we have launched a programme to improve the big data capabilities and so on, and that will then lead us to be able to use the consumer data in a better way to cross and upselling to customer service and so forth, and churn management, and in that sense also manage ARPU development better and more systematically than we have seen before.

Performance management is another one and this deals with the cultural change and that is really then the underpinning of these changes we are seeing. Already mentioned the great accomplishments that we've done on the balance sheet side, securing the funding, and that's obviously is one element and the other bit is the string of divestments we did last year and we still have some non-core businesses that we are working on to then divest, hopefully, during the course of this year.

Then maybe a few highlights of successes in monetising our reach. One of the areas which is very competitive is the displaced sales and we are building a good capability in better targeting through real-time bidding. Actually, our advertising on the real-time bidding grew more than 30%. We have one of the leading comparison sites in Holland that grew at close to 20%. Ruutu video starts more than 30% growth and then we can say that we have the leading, or one of the leading, mobile sites both in Finland and Holland, and also our mobile revenues are growing, albeit from a very small base currently.

We’re doing a number of things of monetising content and one of the details I'd like to say is that our Taloussanomat, which is a fully digital news site, actually managed to reach profitability at the end of last year, so we’re in a profitable quarter and it also looks like we can keep going and I think that's, of course, a reasonably small thing, but it’s an example that also pure digital plays in news can actually have a good future. Ilta-Sanomat is another one that had a very strong Q4, at least in relative terms, where the digital advertising was able to compensate for the downturn in print, so we are seeing actually promising signs that we can actually digitalise print businesses or create standalone digital businesses in a good way. We are making good leaps in our bundled offerings in Helsingin Sanomat and I think the tabloid itself led to a clear uptick in adoption of bundled digital/print subscriptions in Helsingin Sanomat. We also gained a good number of new digital subscribers and you can see that growth continuing. We are also now adopting bundled models in magazines. It’s too early to say whether and how much that will impact, but we’re hopeful that that will also lead to ARPU improvement in magazines and also will create a path of transformation from print to digital in magazines, but to be seen when further on in use.

Learning, I mentioned already the digital development in Learning, we have done in all countries a number of new digital offerings. Today, for example, majority of Finnish teachers are using Sanoma Pro digital teacher operating system and we have in all other markets also good examples of digital based platforms that support our print offerings that have broad adoption, so we’re not talking about experimental things, but they are truly services that are meaningful to our customers and start to become interesting for us from a monetary point of view.

We are also exploring going into the B2C consumer learning market and we have a couple of pilots ongoing in tutoring, and then in the venturing side we are also investing in digital e-learning opportunities like many other players, but this is an area where we can combine also the media with our learning business.

Finally, we are also exploring start-up innovation, new ways of finding new growth. I mentioned the media for equity plan, but also internal innovation with adopting new ways to foster internal venturing and new ways of developing businesses, and that's an important part of our cultural transformation.

I hope that gives a little bit of concrete examples of things that are ongoing and things where we have seen actually good shifts during the last year.

A few words about the performance versus the outlook, I can make it pretty short. We delivered as we promised Q4, so pretty much if you look at all the indicators were in line with what we guided, and also you can see that advertising markets did not really help and if you look at also the development in Q4, both in terms of consumer confidence, which really, of course, then drives directly circulation spending, but indirectly advertising spending, you can see that Q4 actually was a pretty tough quarter. You can see in the Netherlands all media were negative; also, if you look at it on a yearly basis, online was flat and everything else was negative. In Finland, everything else was clearly negative apart from online that managed to grow close to 10%.

If we then look at the future, very difficult to say; in January the advertising markets are still soft, that's true for all media types and in both of our key markets, so there is no relief in sight, but of course since this is a very cyclical part of our business, so any even slight improvement will be visible in our numbers, but this is the underlying assumption that things will stay more or less the same and that then there is a bridge also to our Group outlook, so it’s pretty much more of the same. We’re assuming flattish economic development, flattish advertising development and, thus, like the weather, you know, tomorrow’s weather is like yesterday’s, so that's kind of the outlook.

One comment on Q1, which is our weakest quarter, because of the structural shifts or the way the cyclicality works, we didn't have a particularly strong Q1 last year, and I'm not expecting a stellar Q1 this year either. Actually, we’re forecasting and guiding for a negative Q1 due to the seasonality, but also because of the investment in TV and also into digital development, so note this is not the change in our principles starting to guide quarters, but just something that is good to be aware of, as you look at us and our guidance for 2013.

That's really what I had in mind and I will hand it over to Kim.

Kim Ignatius

Thank you Harri-Pekka, good afternoon all and a very warm welcome also on my behalf. I will now go through the financials for Q4 and the full year of 2012, and try to pinpoint some of the main items in them.

As Harri-Pekka said, we are fairly okay with our performance during the last quarter in a very difficult environment. Still, one can see the impact of the business environment in our financials. Our net sales for the quarter were 586 million and we are down 6.6% year-on-year. The environment also naturally impacted our profitability and we ended with an EBIT of 32 million compared to 54 million in Q4 in 2011. The cash flow development towards the end of the year was actually pretty positive and for the quarter the cash flow from operations per share was €0.66.

We still have some impacts from the asset mix on our net sales per unit, but not to the same extent that we have had for the last few years. Here we can see that on a Group level our growth was a negative 6.6%, the organic growth was 6.9%, so in the last quarter the structural changes didn't really have an impact anymore.

This applies for the Group. If we look at the different strategic business units, Learning still had an impact from the divestments they did earlier, meaning that the growth number for Learning was negative close to 10%, but the actual organic growth was on the positive side in a quarter which is not a big quarter for Learning.

On the annual basis, we had Group-wide negative growth of 3.3%, for Media 5.8% negative, for News 3.6% negative and, as mentioned, the Learning had a very, very strong year at 8.6% positive. I think this is again an evidence of the fact that our educational Learning operations are not very sensitive to the economic environment. We saw that already in 2008/2009 and, again, we can experience the same thing; really good performance actually in every market where we have learning operations; still sales coming down from 627 million to 586 million and really driven by the market factors, the advertising markets being down, and also the circulation trends being negative.

Looking at the EBIT development from 54 million to 32 million, you see the delta for the different business units, the biggest delta being in the Media business and here I do want to point out that in 2011 we had 11 million of SBS transactions related cost in our numbers, so the actual comparable delta is about 29 million. Again, driven by the market factors as mentioned, the advertising markets for TV in the Netherlands down 7%, for magazines 14%, TV down in Finland by 3% and for magazines in Finland also 14%, so a pretty rough weather during the Q4, and the circulation trends in the Netherlands minus 7 and Finland minus 4, so this was the environment which had the impact on media. If we look at the News for the same reasons, pretty much the same trends to be seen in Finland as in the Dutch market, down €4.1 million year-on-year. Learning a bit down, but here there is natural volatility between the quarters in the Learning business, so I don't think we really need to focus on the quarterly business, mainly look at the full year performance in their case.

If Q4 was tough, I think for the full year actually we can be pleased with our performance. Our sales were pretty flat, as indicated. When we look at our profitability development, here our EBITDA margins improving compared to last year. Actually we do see a trend where our gross margins are improving, where also our operating expenses as a percentage of sales are improving, so the actions we are taking in our Opex are starting to be visible. We did improve in EBIT, but clearly we lose that improvement and even a bit more in the amortisations related to the programming rights, so this is the SBS business and also TV in Finland, but mainly driven by the SBS in Netherlands and the investments we are doing in that market. Our EBIT, 232 million, and the EBIT percentage, 9.8%, again within our targets and guidance. The earnings per share for the full year at the level of €0.78. The cash flow, to a great extent, is a reflection of our operational performance, maybe a few things to point out here, starting with the net working capital, which for the full year was a negative minus 12 million, last year it was 50 million positive and actually the 50 million positive impact was pretty much in Q4 last year and that was driven by non-interest bearing short-term liabilities, and there are really two factors there. One is how we book restructuring costs and how we then actually pay for the restructuring efforts we're taking, so in 2011 the booking provisions in this area improved our net working capital and actually making payments in 2012 takes it to the other direction, so you have about 20 million delta just from this factor. The rest comes from accounts payable and we assumed already when we started this year that if you have a major positive during one quarter, some of that will actually then rebirth (?) itself during the coming quarters, which has been the case. All in all, I still feel fairly comfortable with how the net working capital has developed.

Interest paid higher than last year, of course having the current net debt levels for the full year. Taxes paid a bit lower than what we had last year, but a bit higher than what we booked taxes in the P&L and I'll come back to that in a short while. Actually, right away. The effective tax rate for the full year was fairly low. It was 19.8% and, as you understand, major factors impacting the effective tax rates are non-taxable sales gains and losses, and it's this factor that actually improved our taxes this year and that was the sales gains that we booked during the year. Impairments having another impact also occasionally. The earnings deviation between different markets of the nominal tax rate in different markets, of course, have an impact on the effective tax rate as well.

What we tried to do in the graph on the upper right hand side is to take away from our effective tax rates the biggest non-recurring items that we've had during the year and that actually then leads to an effective tax rate of 26.4% in 2010, then a bit higher level in 2011 coming back to 26% again in 2012, so if you look for guidance in what kind of taxes to estimate, I would say a 27% level is a very good assumption going forward.

The differences between taxes recognised in the P&L and actual taxes paid are really timing issues in different formats and you can see some variations here between these two matters. When it comes to Capex, our long-term guidance stays whatever it has been for so many years, saying that our Capex will be below 100 million. If we look at the trends now during the last few years, we have been quite a bit below 100 and I don't really see any major pickup in the levels, but still we do want to stick to the guidance that we had in place.

Savings targets and cost structures in the very difficult environment that we are facing right now, it is natural that we look at our operational structures, also look into efficiency improvement opportunities and we have a 60 million programme in place, as mentioned earlier, coming both from support functions and operational efficiency improvements. Savings are fully effective as of end of 2015. We've done quite a bit already. We have reduced the FTE account in Finland by close to 120 people during the fall of last year. We feel comfortable with the programme, we feel that it's progressing as planned, but we only have a few months behind us, so therefore we're not giving you a more detailed follow-up yet, but we will go deeper and deeper every quarter we go forward with this.

My last two slides are really on the positive side. One is the balance sheet, which is improving; our net debt at the end of that year was at 1.2 billion, one year before we were at 1.6 billion. This has really been driven by the divestitures that we have done. Our net debt to EBITDA at the end of the year was 3.6 times and in 2011 it was 4.3 times, so we have clearly improved that ratio. Our long-term finance policy gives a targeted level to be below 3.5; as we have indicated earlier, we would like to get it even to a lower level, so that we in the future would have financial flexibility to develop our operations. The average interest rate was around 3.5% for the year. If you look at our current credit profile, I actually think that that is at a good level. Interest sensitivity, meaning what would the impact be on our interest costs if market rates would go up or down by 1%, at the year-end very low, 1.3 million impact. We had quite a bit of liquidity at the end of the year, which reduced or which had an impact on this sensitivity ratio, but still very pleased. We have fixed about 59% of our gross debt currently.

Looking at the financing facility portfolio on the right hand side, we're in very good shape for the coming years, then getting closer to 2016/17 there will be refinancing needs; the 600 million in the year 2017 is the revolving credit facility, which needs to be actually refinanced, rearranged already 12 months before it, so that it evens up the maturity profile a bit. Naturally during the years we will take actions to improve our maturity profile.

Finally, on the dividends, what you see on the left hand side in the graph looking at the blue bars here is the dividend per share as a percentage of our earnings per share and there is clearly one exception, and that is being the year 2010 where the ratio was 117%. That was the year when we sold our DNA asset and had a high profitability, so this is comparing to earnings per share excluding non-recurring items. Otherwise when you look at the years, there is some variation naturally, but it has been fairly stable.

On the right hand side, you can see developments of earnings per share and cash flow per share; maybe in the cash flow per share the graph highest we do see the change in the cash flow per share between this year and last year, or 2012 and 2011, it being quite a bit lower right now, taking into consideration the net working capital development that we went through that really explains a big portion of it. The yield this year, 8.1%, which I think we can all consider being a good yield.

This ends my presentation and I hand back to Martti for questions.

Martti Yrjö-Koskinen

Do we have any questions from the audience?

Questions and Answers

Sami Sarkamies – Nordea Markets

I have two questions. The first one I would like to clarify your guidance a bit, because it reads a bit cryptic, so are you basically saying that 2013 net sales on EBIT will be flat year-on-year? Is that what you are saying?

No we are not saying that, I think we are saying that one year from today when somebody calls you and asks how did the Sanoma financials look you will answer pretty much the same as the year before, meaning that we don't have enough visibility currently into the markets to be able to give very clear guidance on net sales levels or EBIT levels or any other level, but we feel comfortable that within a certain frame there are changes in the business environment, we can adjust to that and pretty much have the same type of performance as we did last year. It is a bit vague, but actually if you read it in the right way I think it gives you a big picture of how we see the year that has started.

Should we more look at the underlying EBIT margin?

I think you should look at all the lines, net sales, EBIT, cash flow, balance sheet development and say that we don't see a major change going forward.

Then a second clarification, as you're guiding for higher costs in Q1 and weaker performance than last year, I guess this implies that excluding that you will actually have somewhat higher margin on a full year basis.

Yes I think it is the right conclusion that if you compare it to volatility between the quarters in 2012 and what we are guiding for 2013 with that frame and assumptions, yes.

The assumption for guidance is that you are not expecting trading conditions to improve from current level.

Not in any major way, but as I said visibility is very bad.

Then the second question, on slide number 18, you are showing basis for your dividend proposal, and we can see that for last year you have increased payout ratios as percentage of EPS and cash flow per share. Should we assume this payout ratio going forward?

No I don't think, if you look at the past, the years that we have shown here we have had variations between let's say 60 and 90%, and one is an exception. I don't think you should look at the numbers that those are fixed. Every year the management and the board together and then finally the general meeting looks at our balance sheet, our business development opportunities and how the world around us looks and then bases their decisions on that. We have the policy in place that we have had for years and we have the past that you can analyse. I can't give you a fixed guidance on it.

Matti Riikonen – Carnegie

I would like to continue on that guidance theme, because it really reads cryptic to me as well, so you are not saying that we should be expecting a flat development in absolute terms in net sales and EBIT, but if I read it sort of on a devil's advocate basis, I could read it that your net sales came down by 3-point-some percent last year on a comparable basis. Is that the level of continuation that you could also be talking about here? It is really difficult to interpret what you are actually saying. Are you saying that net sales will continue to go down, or are you saying that net sales will be flat?

Actually our organic growth was negative, but our actual net sales were flat, depends what line you look. What I am saying here is that if we say that 2013 will be pretty much in line with 2012, if there are deviations where net sales are a bit down but EBIT is clearly up, I would still be happy with the situation. I am not guiding any single line, I am saying when you look at our operational performance, the profitability levels, the cash flow generations, you would say that we're pretty much in line with 2012.

Then more of a general question about the adjectives that you use in your report, you use quite a lot of selection of different adjectives like significantly, somewhat and slightly, indicating level of change of course, but would you be able to state for the record what you mean by these, because it has been really difficult to follow the exact meaning of these *different adjectives. How are they related to each other and could you give some numeric guidance what you mean by this.*

To put it an order, slightly is less than somewhat and somewhat is less than significant. Then of course there is a grid for ourselves, but I think that in the future we will start to provide you with more figures.

That would be extremely helpful thank you.

Jaana Vaahtio, STT Lehtikuva

I would like to ask about the renewal of Helsingin Sanomat, how the renewal of Helsingin Sanomat has affected on advertisers, can you tell something about it already.

I think on general level I can comment on it, not in terms of numbers. I think the transition has gone well in media sales as well, we have heard very little push back because of the change in the tabloid as such, and if there are changes it is more related to the general development of the print advertising market. I think the tabloid thing is a big change because it impacts pricing, but it also opens up new opportunities because the structure of the paper is different. We also have some quite positive indications for some brand advertising getting back into print because it is a more interesting product.
Overall the transformation is positive, but it is somewhat () by the general development of the print advertising.

Sami Sarkamies – Nordea Markets

Still coming back to this guidance discussion, should we think about the underlying cash flow, so instead are you trying to say that whatever happens out there in the environment, you have the means to sort of protect the underlying cash flow of your business. Is this kind of like the idea?

I think you can ever give exact cash flow guidance, again if you look at the net working capital volatilities in any business, and it is always a kind of snapshot of one-day situation which is the last day of the year, and what day that happens to be might have an impact. I think if you really think through it, is if you then at the end of 2013 analyse the cash flow development, analyse the factors impacting in our net sales development, our profitability, when I look at it and the guidance we are giving, I would say that it will look pretty much as it was in 2012. I think it is a clearer outlook actually than what you are indicating, but I understand you're testing it.

Matti Riikonen – Carnegie

A question related to the media division, you are basically saying that your costs in the TV content in the Netherlands will go up, or you say that continued investments by media, will this be on top of the additional investments that you already did in the second half of last year. Then related to that, you mentioned that your Capex would be in the level of 100 million annually, but you didn't comment about the amortisation related to TV programming rights and prepublication rights which amount to about 200 million annually. What should we expect of that level to be, if you increase costs in the content *purchases, does it mean that the amortisation would also increase and by how much roughly, are we talking about 10/20 more millions annually.*

I can take that programme investment question, we guided last year, I gave a number 10-20 million and we were sort of at the lower end of that last year of our investment, so you could say that we are moving towards the higher end this year, so order of magnitude 10 million is probably you do, so it is a phasing of the plan, more than a radical sort of, hey we need to invest a lot more. Then on maybe the prepublication you can comment.

When you look at the development from 2011 to 2012 there weren't really any major differences and I don't see any major differences in 2013 either. I don't know the exact plans but there is no reason to think that there would be big changes.

Mark Braley – Deutsche Bank

Good morning. Two questions, both repeats of what we have had before, first of all on the guidance, I wonder if I can just ask about margins. Obviously year-on-year your margin was up 40 basis points in 2012, but the 2011 level was depressed by the SBS related items. If we added those back the margin actually came down by 150 basis points. I guess what is behind all of these questions about the guidance is a continuation makes it sounds as if you're talking about trends, and the trend we have just seen in 2012 was a revenue decline of 3% organic, and an underlying margin decline of 150 basis points. Is that what we should be thinking about for 2013, or should we be much more thinking about the absolute level of 2012 results? That was the first rather long question, apologies.
My second question is on the programming cash spend and the programming amortisation, just to come back on this. We had a P&L cost in 2012 of 157 million, we had a cash cost of 179 million. In 2013 are we seeing expensing of the cash investment you have already made, or will cash investment in programming run ahead of the P&L again.

The first question here when there are some trends that will continue and some trends that hopefully will improve going forward, but when we indicate that 2013 will be looking alike with 2012 I think you need to look at more of the absolute numbers and a combination of the numbers than indicating a trend in the consolidated financials. There are trends in the market that might continue, but from the consolidated financials this is more looking at the numbers than the trends.
What comes to the programming cost, the reason for having higher cash payments is the mixture in the programming portfolio, so the more you have for example local content the shorter the payment times are. What is the exact mix next year or 12 months forward from here, between let's say Hollywood production and local content I don't have an exact analysis, because all the decisions haven't been made so I can't give you an exact guidance on that.

Maurits Heldring – ABN Amro

Good afternoon, two questions. The first one is a bit technical one, I see in the balance sheet that the minorities line is jumping quite significantly. Can you indicate what the reason is for that, I suppose that is primarily SBS Netherlands? The second question is on the learning business; whether you can share some of the expectations for the year 2013 and also comment on the situation in Hungary. You wrote a couple of times in the press *release now that the upcoming reforms may cause uncertainty, any clarity there? Thank you.*

The reason is that we consolidate SBS 100% and in the non-controlling interest we book the equity participation from Talpa, and what we have done in spring we have injected 80 million additional equity into SBS, and Talpa's share of that equity injection is what explains the increase in that number.

Is that somewhere in the cash flow statement?

No it is held as cash at hand in the company, so that is where it is shown, but it doesn't impact the cash flow from operations. Actually you can see it on the balance sheet in increasing cash at the end of the year.

Learning – so excluding Hungary we hope to keep the good momentum in top line, I think 8% was a great achievement, so probably not the benchmark to look for in eternity, but I think we expect good solid organic growth. Then when it comes to margin development, what learning is doing they're also investing into platform development, digital development during the next couple of years, so that is something that needs to be taken into account. There are in all countries, there are upcoming curriculum changes that are important milestones and of course to a large extent determining then the success of our development. Hungary is a question mark, last year we expected the worst but actually came out okay. The reform is there, nobody knows how it is going to play out, I don't think the government knows really how they are going to do it either, but we are prepared and it is anybody's guess actually. Fortunately Hungary is the smallest of the learning markets. In the worst case there will be some impact on top line and bottom line because it is still a profitable market for us. It is too early, so nobody really has an understanding of how that will play out.

Niklas Kristoffersson – Chevreux

Hi there, a couple of questions if I may. Firstly, obviously it seems like you have very short visibility, now given the very generous dividend as well as investments that you did in the start of the year, do you think it is possible for you to reach your gearing target of below three times net EBITDA in 2012.

There are two things that impacted, one is the cash flow from operations, and how we use it and the other one is that if we can still divest some of the non-core assets that we have. We have indicated earlier that we have some real estate assets that we could sell and we have established some quarters ago a holding entity which has some businesses that are non-core. Naturally selling some of these assets will help us to reach that. the reason why I took the 3.0 in the capital markets day a year ago, or last June, we indicated that that is the profile we would like to have on the long run, that will not be reached in 2013, but hopefully we kind of quarter by quarter move towards that range to be able to have more flexibility to develop our business, but definitely we should target to be below our finance policy range of 3.5.

Just one follow up, just is there any change to the Vantaa land bank you have outside Helsinki, that should be able to basically enable you to divest that/

Well there is a view states onetime costs if you put a plan in place but there is no major incoming cash flow from that during this year. Some cash flow came in already last year and there is a few year plans for the rest of it, it will materialise but not so much this year.

Mikael Doepel – Handelsbanken Capital Markets

Good afternoon, a couple of questions on my part, firstly in terms of pricing, advertising, mailing. What kinds of trends are you seeing across your divisions in terms of pricing, secondly, in terms of cost take-outs which you are initiating now, how much would you expect to see already this year? Finally, what was the outcome from the SBS in 2012 in terms of sales and earnings, and what are your expectations for this year, thank you.

Well in general I can comment that in a down market that typically pricing is also under pressure. I can't go into the numbers. It also depends on which advertising, let's take online. The bulk online display advertising inventory price pressure is quite harsh, but then when you have targeted high quality real estate then you can expect better prices. I would say pricing in general is a very important part, focus area for us as moving forward, so it is a skill and a capability that we're building to counteract this, so we need to become much more specific and skilled at targeting, but in general of course under these types of conditions there is price pressure

The second one was about how much of the cost savings will be visible this year, and if you look at the whole thing, the whole programme is a three year programme with a gross savings target of €60 million compared to 2012. Some of that element will be visible in 2013, but at a very low level.
Then the last one was the outcome of SBS, and the expectations for this year.

If we talk about advertising sales, then you can actually do your math based on the market development, our viewing shares, so it was not satisfactory and it also impacted our margins, so we said we expected in our capital markets day margins around 20% or thereabouts and then the Q3 and Q4 market development in the TV market was very negative and we ended up below 15, so that is what we can say in 2012. This year we expect improvement due to our efforts.

Mikko Ervasti – Evli Bank

Thanks, so looking at your guidance now and this wipe-out of some €20 million from the first quarter EBIT, how it is actually possible that you see like even in a similar full year EBIT given the macro environment, the demand for advertising and circulation issues, the difficulties are there and these efficiencies are coming quite slowly. Are you actually counting on quite sizable price increases for your media news products and even maybe within learning? Thanks.

Well the first is, yes you mention a number, but let's say that order of magnitude it is not an unusual swing if you just look at absolute numbers between quarters in our business, so you need to take that into account. There are some efficiencies that are coming through that we're seeing. We also did some last year, so I am slightly contradicting what Martti said depending how you define it, so that will help. There is some relief in terms of pricing as well, and we expect also in certain areas a market share growth. Also, in top

line somewhat better performance than what we had at least in relative terms than we had last year.
I think it is impossible to go here in sufficient detail to open the model up, but I don't think mathematically it is far from impossible. You can explain it when you look at our model.

I have a follow up, apart from SBS, what market share gains are you expecting, in which areas?

Well I already mentioned learning, SBS is a big swing factor of course, because it is a very scale driven business. We have talked about early indications of development in Helsingin Sanomat which was due to VAT under pressure, so there are a number of these things. We have also divested units that are not highly performing, so the structure is improved. We have if you look at the fixed cost development in general, that has improved. I think we now have a smaller jacket and we also think that some of these initiatives we are doing, it gives us a good position also to use our regional strength in our key media markets in Finland and Holland, we have done a lot of things to develop capabilities and new services, so it will be very interesting to see how we perform on those fronts during this year. It is very early, but that is the attempt of course.

Matti Riikonen – Carnegie

I just want to bother you once again with the restructuring costs you incurred in 2012. There was about 50 million of those, of which roughly 24 million relates to personnel and other cost reductions which are permanent. Is it fair to assume that the level this year would be about the same, with restructuring costs, or do you see that costs from those would be smaller?

Whenever we set targets to improve our operating expenses we don't start with thinking how many FTEs that will impact, it is really going through the processes and trying to streamline then and find new ways of operating together. During the process you end up at the reductions and I definitely don't want to kind of start guessing here how many people would be impacted in different parts of our efficiency programmes. Those will be announced when matters are decided.

Then a follow up on that, you had about 17 million in provisions in the balance sheet which are probably related to restructurings done in 2012. I suppose that will be the cash flow impact that you will record this year, as a sort of negative one as you have also mentioned that you had similar ones relating from 2011 to be paid in 2012.

I guess if we now have a three year programme in place we will have new provisions being booked during all these years and some being released, so I think when we started these programmes we had a bigger delta between 2011 and 2012. Again not knowing exactly the timings of specific actions, it is difficult for me to say how they will impact our net working capital and cash flows. That is another factor when we discussed that, can I tell what exactly what some cash flow is, not yet, because things will evolve. I think probably the delta we had last year is a bit of an exceptional one.

Closing Comments

I thank you for your participation and have a very nice day.