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Chaired by Martti Yrjö-Koskinen

Martti Yrjö-Koskinen

Good morning, ladies and gentlemen, and welcome to Sanoma's Interim Report, January to June 2013. My name is Martti Yrjö-Koskinen, 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 presentation you will be able to ask some questions, and with these words I would like to hand over to our President and CEO.

Harri-Pekka Kaukonen

Thank you, Martti. Ladies and gentlemen, good morning and welcome also to the session, to those who are not present here in the room today. I will firstly, in the usual manner, talk about the highlights and some of the strategic topics and then Kim, our CFO, will open up the numbers in more detail.

Our Q2 was mixed in terms of performance. The pressure on our top line continued and our sales were clearly lower than a year ago, and that is the main challenge that we have group-wide going forward. We have experienced it for some time already. This is particularly true in consumer media where both circulation sales on the readers' market in total and also in particular the advertising market development has continued on its adverse path. On the other hand, Learning is continuing on its strong performance track and I remind you about the shifts between quarters that we already announced in Q1, so the relative development is impacted by this shift in revenue realisation in Learning.

Clearly, decline in sales also goes right through to our bottom line; advertising is a high margin business and it goes pretty much straight through to the bottom line. You can also see in our EBIT performance a clear drop from a year ago. Here, as well, there is also a mixed picture. Our media assets, particularly in magazines, were under pressure but there are some clear positives when you go deeper into the results. First of all, Learning again is continuing according to plan with solid margins and good development in all the units, apart from Hungary but that is a special circumstance.

Also, I am glad to report that News overall had a good quarter, given the conditions in the external environment and actually reported a small EBIT improvement compared to the previous year. I will be talking a little bit more about the facts contributing to this positive development. Also, in total, Q2 for our TV operations was okay. We more-or-less kept our ground and I am going to go back and talk a bit more about the individual units but, overall on TV, no dramatic changes.

I would like to point out to you that there is a clear difference between print and TV, where print is under structural decline (there are big structural changes ongoing) whereas on TV it's more a question of a cyclical impact. We expect TV to rebound with the economy going forward. Then, going to our cost savings program, there is no news on it which is good news, so it is proceeding according to plan and we are taking the steps required to deliver the 60 million. This is obviously not enough and I will be getting back to that later in my presentation. We need to take more actions to counteract the changes in the media industry.

Another theme that has been present all along here is focusing on and streamlining the core and also during Q2 we did a number of smaller divestments; for example, we divested NetInfo in Bulgaria. We sold our participation in the Helsinki Arena and also actually after Q2 we sold some real estate in Bulevardi. Last, but not least, a week ago roughly we changed the outlook. I'll get back a little bit more on why that was the case.

Let's go into the market – I am sure this is an interesting topic for you to understand what is going on in the external environment. You are all, I am sure, very familiar with the macro-economic trends. There is no relief in sight in the economies of our key markets. You can see the institutions having really challenges in forecasting economic development. It seems that recovery is being pushed further and further as we go on.

Obviously there is a direct correlation between the health of the economy and development and the advertising markets. That is visible in the fact that overall the advertising markets are in decline. The total advertising markets continued almost 10% decline in our key markets. The driver is the economy and part of the economy is obviously the consumer economies and what continues to be alarming is that the consumer confidence stays at a very low level. That is clearly impacting the domestic parts of the economy, specifically consumer goods and also important areas like recruitment and jobs for us.

How did we do in terms of market share relative to the market? There are again pluses and minuses. If we take the negatives first, the biggest deviation is in TV in Holland. This is not a new development. The root cause stems from our weak viewing share performance in Q4 last year; that set the tone for this year altogether that was visible already in Q1, where obviously advertisers then scaled back their spending allocations to us, corresponding to the expected viewing share. In terms of the viewing share, we have shown gradual improvement in Holland over the year. I am not claiming victory but at least there's small positive development, so let's hope that continues. I'm convinced again about the forward programming and it would be very interesting to see how that will play up.

The big investments during the fall will be in access prime time, where we are making substantial investments into and also changing the profile of the programs to be more family-oriented and more geared to women – very interesting to see how well we then succeed in getting the Dutch audiences to follow us with these developments. Overall I would say the positives were in Finland and particularly in online development we took market share, and in total in Finland our overall advertising market share remained constant. What we may have lost in certain print categories we're able to gain in TV and online. The other parts of our business more-or-less kept positions.

I would like to talk a little bit more in detail about what's going on, on the advertising; on one hand just to share with you, but I think you can actually read some interesting developments of the broader economy here as well and not just the media market. Obviously, in this picture, you can see that the print advertising is negative all across the board; no surprise to anybody. What I think is more interesting and gives a bit more colour here is that on one hand you can see how the consumer sectors of the economies are being impacted; for example in food you can see in Holland and Finland that, actually, if you look at the total advertising spend it is on the decline.

Similarly, if you look at some indicators of the overall economy, jobs and real estate – classified markets too, if you look at the numbers in Finland which have been on the decline not just in print but overall across the channels – an indication of economic activity. Fourthly, I would like to point out the development in TV. That is a clear indication that the Dutch economy is not healthy today. It is still very depressed because overall the TV market is a very good indicator of the overall economic activity. That is the primary medium, still as big as online in Holland.

Finally it is interesting to look at certain sectors because I would claim that the digital transformation of other parts of the economy, retail and other consumer segments, is also visible in the new shift of the advertising spend. You know there's a lot of, for example, new e-commerce spending a lot of media money on TV, and you can see quite interesting spikes in the advertising development. That, obviously, is a big opportunity for media players like Sanoma to actually capitalise on this opportunity. I hope that opens up a little bit what is going on in the retail, the advertising market, and also explains the shift that we see and also our revenue mix.

Then, going to the outlook, I regret that we had to give a profit warning. The reason is actually quite straightforward; it has to do with our expectation of the second half advertising market development. That is as simple as it is; it is painful but, clearly, what we see is that there is no relief and particularly the print part of our advertising mix has been under severe pressure. We expected that but then we had also anticipated a slightly less negative outlook for H2. As you can see, all the economic forecasts have been revised downwards as the year has progressed. That is the simple reason for this profit warning or change in guidance.

How are we doing in terms of transformation? Taking the view a little bit from the end of this year to further on, here I think as in our results there are some quite strong positives in the mix. I start with our News division, which is clearly the biggest actor in Finland. In the news segment, what is fundamentally healthy is that there is actually growth and engagement. Our traffic numbers, our engagement, is growing and we are seeing clear indications that the transformation to digital is taking place. We see it in Ilta-Sanomat where we see, for the second quarter, digital advertising growth was larger than the print advertising decline, so some kind of turning point seems to have taken place there.

You know we have talked about here, on several occasions, also about the large numbers of Helsingin Sanomat subscribers which gives a good base for monetising also in terms of consumer revenues. All in all, in Q2 we grew our digital business in News by more than

15%. We're taking market share. We are a big player in digital advertising in Finland. Then, finally, when it comes to taking care of the costs we are active in improving the industry structure and we're very happy to announce cooperation with Keskisuomalainen around the Varkaus-Paino, the printing plant which will secure a good base for our printing plant and will improve our profitability in the printing segment, going forward.

Then, on TV, TV unlike the print media is not under structural decline. It is a cyclical phenomenon and actually free-to-air TV is a healthy medium. We are seeing total TV viewing growing but, unlike some expectations linear TV is not declining. We have strong positions in Finland and Netherlands, and have been able to keep our share. In Finland, in particular, we also have demonstrated that we are able to capture also strong positions in the non-linear and the digital space and Ruutu is performing well. We have a good position in video and also with the investment into SM-liiga hockey league we are going to have an interesting opportunity and major investment going into video-on-demand through that very unique content.

Then we go to magazines; I would say News and TV we have a clear picture of what steps are to be taken to transform these businesses into a multimedia and digital world. In magazines the situation is slightly different. This is not only for Sanoma but for the industry in total. There are fewer clear examples of how to transform magazine titles as such into digital. It does not mean it is impossible but we need to innovate more and adopt new ways of taking the content, making us more relevant to the communities and building strong brands and understanding of the consumers.

There are very interesting initiatives that we have ongoing; among other things, we are exploring ways to take magazine-type of content from a weekly or monthly medium to a daily medium so, in that sense, we have an everyday concept with one of our titles in Finland and we have a couple of similar apps like a Flair app in Belgium. What I am very proud of is that this week we announced the Aku Ankka Lataamo, which is the Donald Duck download centre where you can actually download all the content of the Donald Ducks from the last 50 years; it's now available in an archiving subscription model. Hopefully you have all paid subscriptions to it. It's a great product.

Learning – that is the other leg – I mentioned that Learning is doing as planned. We are the leading player in 6 countries and 5 of these countries are doing very well. The 6th country, Hungary, is having problems; the country has problems and that is reflecting in our business as well. That is the bad news. The good news is that Hungary is a very small part of our learning portfolio. There are two parts of our Learning development. The first one is solidifying our positioning in the core learning business and there we're taking market share in the curriculum changes and we are very active in developing not only e-learning products but actually the work-flow methods and the virtual learning environments that help teachers do their jobs more effectively.

In addition, there is a number of opportunities to expand from that core and I would like to mention two here; tutoring – we have very interesting pilots ongoing in the Netherlands and Belgium to go to the consumer paid part of the actual curriculum-based learning and, secondly, we acquired a while back a testing and assessment company called Bureau ICE in Holland and we are now taking that into other countries and we are launching a testing and assessment platform in Poland. That creates new revenue opportunities on the one hand and it also boosts and improves our learning methods in the core. That is where we are on the digital transformation.

Obviously the big news for you that you all, I am sure, want to know more about is our announcement of a redesign of Consumer Media Operations. Unfortunately there is not much news that I am in a position to tell you today; this is really about making strategic choices. It is about improving focus in our Consumer Media Operations. What I would like to say is it implies on group, country and unit level; it is a comprehensive exercise that we have already initiated a while back. It will still take some time to really go through all the planning.

We told you that in the Q3 announcement we will then spend more time and open these choices to you, and what the implication is for Sanoma in total, but suffice to say it deals with product services but also another look at our cost efficiency and also making further choices in the way we invest and where we will not invest. Part of that is a continuous effort to continue the divestment of our non-core assets. With that I will conclude my part of the presentation and then, obviously, at the back end I am ready to take any questions you have.

With that, Kim will take us deeper into the numbers. Thank you for your attention.

Kim Ignatius

Thank you, Harri-Pekka. Good morning, everybody. My name is Kim Ignatius and also on my behalf a very warm welcome to this quarterly release. I will walk through the Q2 and the H1 financials and also as we're doing it we'll try to point out matters that we think are of interest for you.

Starting with Q2 financials, we had sales of 591 million and adjusted to structural changes the decline compared to last year was 9.3%. When it comes to the most recent consensus, we are pretty much in line with the net sales numbers but also with the EBIT numbers, excluding non-recurring items. Our EBIT was at the level of 68 million, clearly down from the level of Q2 last year. The EBIT margin is 11.5% of the sales.

If we look at the structural changes taking place in our P&L, naturally the decline in sales is impacting our profitability but still on the gross-margin level we are pretty much flat with last year. This is a result of the Learning operations having a bigger portion of the total sales. On the expense structure overall our operating expenses came down by 5%; cost of sales by 8.5% and the fixed cost by roughly 2.5%. Clearly these declines in the operating expenses are not enough to offset the decline in the sales.

Looking at the H1 financials, we had sales of 1.096 million; again adjusted to structural changes we came down by 8.3% and our EBITDA was 43 million lower. Our programming rights amortisation was 10 million higher. Adding those two numbers together, we lost 53 million in the profitability compared to last year, leading us to EBIT excluding non-recurring items of 65 million. Reported profit before taxes is as low as 29 million negative and, in addition to the decline in operational profitability, we do have quite a bit of non-recurring items booked during H1 and I will come back to these in a bit.

Coming back to the net sales in Q2 coming down from 646 to 591 million, Media is the unit who had the biggest drop taking place driven by the advertising market development which

Harri-Pekka went through, and also to somewhat lower circulation volumes which we have not been able to offset with price increases. In the News business unit the decline is mainly from the print advertising; our online advertising actually is doing very well. In Q2 the online advertising grew by over 15%. In Learning we see a 7.6 million decline in sales. This is purely a shift between Q1 and Q2, so if I take the first half numbers then we are very much in line with last year and the underlying performance of the entity is very strong.

Moving into EBIT, EBIT is naturally a reflection of the sales development, so we are losing 22.7 million in the Media segment. News is actually doing fairly well, improving compared to last year Q2, and again in Learning we see the same impact of the shift in time when it comes to the business operations. Taking H1 Learning EBIT we would be in line with last year. In the ‘other’ category we have a 3.1 million negative development; 2.4 million of this comes from digital development programs which are managed at group level and of course are not allocated to the business units – not yet at least.

If we take a more detailed look at Media first, the decline in the sales comes mainly from advertising and it’s really driven by the Dutch market and the advertising market development in the Netherlands. Three quarters of decline in the advertising is explained by the Dutch market and of that amount you can split it pretty much 50/50 between print and TV, and somewhat portion of the decline naturally from the circulation again, as mentioned, which we were not able to offset by price increases.

Looking at Media EBIT, 33 million lost in sales, to some extent we are able to compensate also with the cost of sales and you can see that roughly 70% of Media sales the drop goes through to the gross-margin level. On the fixed expenses we have a 3.2 million improvement, a sign of the actions we are taking in enhancing our efficiency. Doing the same analysis for News, 7.7 million decline coming from the advertising part of our business, this is the print advertising market driving it so circulation in the News business does not play a similar role here in our Finnish operations as it does for Media overall.

On EBIT level, areas where we have been able to offset some of the sales decline, first of all the ‘other’ operating income 2.4; these are news services being sold to other entities and cost of sales coming down by roughly 2 million – again you see that close to 70% of the sales drop goes to the gross-margin level. Fixed expenses savings 3.2 million, as we had in Media – all the actions being taken in News are paying off as well and for the first time since Q4 2011 we have a better quarter than the comparison.

Looking at the non-recurring items, as I mentioned going through the P&L, they do play a role in our reported numbers. For H1 we have 68 million booked as non-recurring items above EBIT and 31 million for Q2. You can see on this slide that there are some small items from gains on sales and losses on sales, both above EBIT, and on the Associated Companies line... no major impact from these, so the impact comes really from two different categories, restructuring expenses and then on impairments and write-downs. In total we have restructuring expenses of roughly 14 million and the majority of these expenses are related to the €60mn savings program that is ongoing.

Regarding impairments and write-downs, we did take in Q1 a 35 million write-down in the Dutch cash-generating unit, and what we see now in Q2 is a write-down in the Netherlands related to a single sport magazine title and then in Belgium we have some smaller magazine-related write-down and in addition to this De Vijver, our Belgium three-party joint venture, has tested their asset values which they need to do on a standalone basis as well and they have written down assets related to the purchase price allocations to customer relationships, brands etc, and our share of those write-downs is 11 million. All these write-downs related to the PPA items, customer relationships, brand values etc, will have a positive impact on our taxes, so we'll reverse some of the deferred tax bookings that were done during the time of the acquisition.

Moving to the free cash flow and looking at the 6-month cumulative numbers, a big impact from the decline in the EBITDA and also higher cash costs for the programming rights and, if we look at the other items, there are some timing shifts; interest paid 35 million versus 21 last year – this is because the interest on the bond of 400 million is paid once per year in March and this is the first time we have it this year, so it makes a timing difference but on an annual basis naturally no impact for the full year comparison.

You have another timing difference in taxes where we have 20 million roughly this year and 34 million last year; again it is to a great extent timely matters and of course having lower profitability at the end will lead to lower taxes paid as well. You might remember there are lots of variations in the cash generation in our quarterly performance so we really make most of our cash flow in the last two quarters as we did last year. Last year we had, after Capex, a free cash flow of minus 32 million and this year it is minus 93 million. If you really summarise where it is coming from, the delta, it's coming from the lower operational performance (the lower EBITDA) and a bit higher programming costs.

Coming back a bit to our savings targets and cost structures, you can see in the graphic presentation on the right-hand side pretty much what I summarised already earlier; when it comes to the saving program we feel we are going forward according to our plans. We have about half of the decisions made on the 60 million Board or Management Team decisions on projects to realise. Gross-savings in Q2 were a bit over 3 million, so multiplying that by 4 you get the annual savings that we will have now going forward, for the time-being; not a major improvement compared to where we were at the Q1 level but it is natural that the saving plans progress with some waves in the timing. You get bigger steps now and then and smaller steps in the meanwhile. We have all-in-all booked 60 million of non-recurring items recognised, or have booked so far 60 million as part of the program, some of it already in Q4.

Then, looking at the capital structure even in today's situation, we feel very comfortable that we have the funding secured for the coming years - in the presentation (the lower right-hand corner) you can see the committed credit facilities and the maturing of them. The biggest facility is maturing in 2017 and naturally we need to start working with these facilities quite a bit earlier, but are satisfied with the way things look right now. What we are doing is we are looking at diversification of funding through sale and leaseback arrangements, looking at the facilities where we are operational today and seeing if we can find arrangements where we can get financing from this transaction in a competitive cost level. We are working with it and let's see how this progresses during the balance of the year.

Q2 is seasonally the weakest and when it comes to the net debt levels our cash flow generation is in the latter half of the year. We pay dividends during the springtime, so the net debt currently is at the level of 1.4 billion and the net debt to EBITDA adjusted is 5X, which is clearly not the level where we want to be. As you know our finance policy, which we have stated, is targeting a level that is below 3.5 so we have ways to go there. The divestments of non-core assets and other actions are being planned and executed to improve the balance sheet, going forward.

Average interest rate around 3.5% - I think that is a pretty good level – looking at the credit profile that we currently have, we're happy with it. Interest sensitivity, meaning the impact of

1% change in the reference rates that is currently 3 million and the duration is 18 months. Equity totalling now a bit over 1.4 billion – when it comes to the loan covenants that we have, we still have clear headroom currently in place. Finally a reminder, as we usually have here, of the volatility between the quarters – on the right-hand side you see the cash-flow generation on a quarterly basis, the majority of our cash flow being generated during Q3 and Q4 and the majority of our profits then Q2, Q3 and somewhat in Q4.

This finalises my part of the presentation and I'll hand back to Martti.

Martti Yrjö-Koskinen

Thank you, Kim, and we are ready to take questions now.

Questions and Answers

Sami Sarkamies, Nordea

I have three questions; the first one is related to the redesign project – do you think this will have an impact on the company strategy or definition for core businesses? The second question is related to divestments – you have currently classified operations to be sold under other operations – is this list going to get longer as you complete the redesign?

The third question is related to cost savings – we did not see much progress in the second quarter as you said – focusing on the media business, the fixed cost did not really come down from last year; what is the impact of the investments you're currently making? Are you able to quantify that? Without those investments, what kind of reduction in fixed expenses would we have seen in the media unit? Thank you.

Martti Yrjö-Koskinen

I'll take the first two and Kim can take the third one. The core strategic focus on consumer media and learning is going to stay. Then, to your second question around divestments, let's put it like this: this is a broad strategic review and that's all I can comment at this point. Given the rapid structural changes we need to make some more choices.

Kim Ignatius

On the cost savings, as I commented already, the program is not linear so that every quarter you take similar types of steps; there are some waves in a way and this quarter the steps were a little bit smaller, but we're very comfortable that we are executing according to our plan. This is only a timing matter. There are some investments in growing the digital part of our business and even some of the market in the group level because they might impact multiple entities or might not be directly linked to one specific area and that was the 2.4 million which I indicated in our numbers, and some also in the business units but not significant ones.

I would say that probably in the numbers we're reporting there were some fixed expenses savings in media as well and they would be a bit higher without those investments but the investments are a normal part of our business. The redesign definitely will mean that wherever there are structural changes it means there will automatically be incremental savings plus, because of the environment, we need to look for some additional ones as well.

Matti Riikonen, Carnegie

Related to your Dutch TV businesses, you mentioned that you were pleased with the performance in Holland, yet your viewer share came down from 21% in Q1 to 20% in Q2. Was this because of the less investment that you made in the business – I mean the amortisation at least was lower than the previous year – what makes you happy with the performance and do you still expect that you would have to increase the investments, going forward, into the second half?

A couple of elements to answer your question – first of all, the quarters are quite different in terms of the relative performance of different players and the reason I am moderately pleased (let's put it like this) is the fact that on a comparable basis to last year, we were actually able to grow our viewing share. Our viewing share development, if I also look at the different channels, has been stable and on a relative basis it has been growing. It is true what you said that in Q1 we made some major investments there so we had an investment peak, if you want, in Q1.

The other peak will come now in the fall. All those programs are scoped. They are commissioned and we know exactly what we are going to spend, so there is no additional kind of beyond what we have communicated here as well. The plan is there and now what we are in the process of is trying to also run the introduction and the marketing and the coordination of program launches and sales better than last year, to improve on that front.

At the end of the day what will really define is how well the audience finds it, except we now think they will find it because we are doing the marketing in a better way but there is a little bit of unknown here. I want to repeat what I said: it's not just doing some random new things; there is also a clear change in the profile of the programming, so we are aligning them much better now, we believe, in the SBS target group than we had before especially in the access prime time.

Related to the divestment potential that you mentioned a couple of times, first of all the Bulevardi real estate divestment that you made – you said you're going to book 13 million profit in Q3 – how much was the cash gain that you actually made. Then, going forward, would you be able to give an estimate how much value you would be able to extract from the non-core divestments that are currently on your non-core asset list?

Starting with the Bulevardi transaction, we have agreed and decided not to disclose the amount of the transaction. What I can say is that this is something we have been working with quite a long time, actually, and we feel we've done a very thorough job and we're very happy with the value that we got but we are not disclosing the exact amount.

When it comes to the non-core assets that we have in the holding entity, the amount is fairly limited; the biggest assets that we have here are press distribution businesses in the Netherlands and in Finland, and the values we are discussing are high tens of millions altogether but I cannot give you more exact amounts.

Kimmo Stenvall, Pohjola Markets

Coming back to your cost savings program, you have a 60 million cross target and now you mention that you've made decisions on 30 million so there's 30 million to go and when I read your statement it seems that there will be some additional measures, so what are the sources of the additional measures and how confident are you now with the target you are now having?

We are very confident with the target of 60; when we say there are 30 million worth of decisions it does not mean the rest will be somehow unclear. We have very well-defined programs and projects in place (timings for people responsible) but they still lack final approval of the body needed to approve it, being our Management Team or Board, etc, but it is very clearly defined. I do believe that we will reach those targets. The additional saving potential, going forward, depends on the redesign of our operations and looking at the way we run our businesses. It can be linked to some of the choices but more of that in Q3.

Martti Yrjö-Koskinen

Thank you. Any more from the floor? We have a follow-up question.

Matti Riikonen

Related to the savings plan that you have, you indicated the 30 million savings so far and 16 million restructuring costs taken so far, but how much of that have you taken as cash cost? How much should we still expect in the second half and maybe 2014 as the cash cost of the restructuring program that is still ongoing? This is now just the 60 million part that I am talking about and not the new ones you're planning.

On the 60 or the 16 that we have taken as non-recurring items already?

I am interested of course in the whole 60 and its cash impact, but so far it's been 16 and if you can shed light on how much of that 16 as well has been taken as cash cost that would be helpful.

Let's put it this way: on the 60 I cannot comment yet because, as mentioned, half of it has not been finally decided upon. On the 16 I don't have an exact number for you but part of the actions have been taken already last fall aiming to reduce our headcount and part of that cost has already hit also our cash flow, so maybe it is half of it that's already hit and half of it has not; that would be my rough estimate. What would be the full-year impact of this program this year or next year – I cannot yet give you an estimate on that.

Turning to a different subject, if I may, let's assume that the top-line development in your operating countries does not much improve as your guidance indicates and knowing the cost savings that you have already made in the units, in which country would you say you have the best profit improvement potential, assuming that the market really does not improve but your cost measures are starting to impact?

The biggest cost improvement sits in our major operating countries, in Finland and Holland on the one hand, and then we have also identified quite substantial efficiency improvement potential in the Eastern region, particularly in Russia.

Is this both the absolute and relative improvement that you are referring to?

Yes. I was quickly counting first the absolute numbers and maybe we should get back to the potential in a more structured way in the Q3 report instead of throwing broad numbers here. I think we can do a better job in about three months' time.

Martti Yrjö-Koskinen

Thank you. Any more from the floor? If not, operator, we are ready to take some questions from the phone.

Mikael Doepel – Handelsbanken

I have two questions. Firstly, just to be clear, is it right to assume that you do not see divesting the Learning business as an option to focus the company further and strengthen the balance sheet?

Secondly, when you say that the redesign of the Consumer Media Operations will change the financial profile of the group and may affect asset valuations, what exactly are you indicating? Should we, for example, expect significant write-downs and possible impact on dividend payments or what? If you could elaborate a little bit on this topic that would be great.

On the first one I believe I already answered the question (it was in the room) so there is no fundamental review of the two-pronged strategy taken.

Kim Ignatius

The redesign will change the financial profile – we'll have a lot of changes in the business and service portfolios within our business units where we'll look into the operating models that we currently have. This work has been ongoing but we are not ready yet and we will look different what comes to the forecasted financials going forward.

Regarding the asset valuations you could say that lowering our profit guidance and the lowering coming to some extent from the Dutch markets would mean that there is, in a way, a triggering event for us to look at the asset values related to the media operations there. At the same time we have decided and we feel it is important that any value testing will be based on the renewed plans going forward. That is the only basis that will give you the right picture of the future, going forward, so we are working with the plans and the timing is to be ready by the Q3 release.

Will these new plans and tests based on the new plans lead to a write-down? It remains to be seen but the risk is there, naturally. The purpose of the redesign is naturally to build a stronger and better future, going forward, and we do believe that all the actions that we will build into the plan will enhance our future compared to where it would be with the current structure. There is a possibility to have some write-downs.

Thank you.

Mikko Ervasti

Regarding the free cash flow, what kind of potential surprise sources would you see in those items below EBITDA now in H2 2013, either positive or negative? Could you please elaborate on those items?

Below EBITDA we have the programming cost as a big item. When you compare Q2 to last year's Q2 and the first half overall you see we're a bit above the levels that we had last year and I would say the same trend will continue during the second half of the year. When it comes to interest costs and financial items overall no major changes to the reported trend seen now in the latter half; taxes we addressed a bit, I think, the fact that we are right now below last year which is mostly a timing issue but with unfortunately a lower performance you'll probably end up with a bit lower taxes for the year as well.

Net working capital – we have said there should not be any reason that there should be bigger fluctuations in it - what is really driving our cash flow for H1 and for H2 as well is the level of our operating performance, so what's the final level of the EBITDA-

-*okay. Then the second question: I am not sure if the dividend issue was answered, but what kind of opportunities would you see for the balance sheet stabilisation or improvement in a potential rebasing of the dividend as part of this new design structure?*

I would comment in this way: whenever we have received this question the answer is that when discussing a certain dividend level you need to look at your cash flow generation; you need to look at your capital structure and you need to look at how you see the business developing, going forward, the investment needs etc. It is clear that having a tight structure and having lower levels of cash flow will have impact in that analysis but this is an early timing for the discussion. We have not built any views on the dividends yet.

Would a complete suspension of the dividend be an option?

There has been no discussion on the dividend yet.

Thank you.

Jutta Rahikainen – SEB

I have two questions on the media division specifically. Firstly, in Q2 you lost around 23 million of EBIT compared to last year; could you just help me out here – was it roughly that half was from TV and the other half from magazines, or was there one that was significantly more than the other and this is now comparing to last year's quarter?

The second question is on the profitability for this year – you have once in a while given some guidance on the profitability and now my question is: would you think that for the full year SBS EBIT margin could move below 10%? Thank you.

I think the indication we can give on the current performance is the advertising sales decline in the media, where we said that three quarters comes from the Dutch market and it is pretty much half/half between print and SBS so I think that gives you a rough answer to your question. When it comes to guiding EBIT margins for SBS going forward, we are not giving any guidance on that.

Okay, but is it safe to say that the EBIT margin will decrease in SBS compared to last year?

I would say a lot is dependent on – I mean Q4 is the biggest quarter in TV and that will define a lot of it but, as we move today, we are looking at roughly the same financial performance of SBS as last year.

Thank you.

Nina Berging, Åbo Akademi

For the redesign of Consumer Media Operations it has been, Harri-Pekka, a lot of changes for you while you have been at Sanoma; what would you say was the latest trigger for this latest redesign, or the triggers that triggered this kind of redesign and rethink?

This has been a process, indeed, during the three years that I have been at Sanoma, or two and a half, and if I can give a bit of perspective on it the first year was to figure out really the focus of the group and also the associated way we want to run the company. Then we put those changes in motion and that included Sanoma's first wave of step-wise cost improvements in the local units. The second round then, as we put more effort into also modelling different ways the industry can play out, we started the first round of major structural changes. These were done still on a more strategic level but still within the SBUs and then, to some degree, the 60 million program on group-wide support functions on top of that.

This discussion we had actually already started at the end of last year so we've seen the continuous development and now we've taken the quick fixes, more strategic structural fixes within the units, and now we are talking about the next level of strategic choices in the group which will then trigger the associated structural cost savings. That is the kind of progression and this actually is not reactive to something; it is more a process that we have been undergoing and obviously during these three years the view of the economy has changed a little bit also the relative rate of structural change in the different media. We learned a lot so that has an influence on it but overall that is roughly how the process has gone within the company.

Sami Sarkamies, Nordea

I have two questions; the first one to Kim – you said your financials will be looking different in the future – are you talking about top-line margins or cash flows of the business?

The second question perhaps to Harri-Pekka: there have been some rumours on the Dutch market recently related to Fox potentially entering the market and being interested in SBS asset that you have; what are your thoughts on getting a new competitor and would SBS be for sale assuming the price is right?

Kim Ignatius

The first question about a new financial profile and does it impact sales margins and cash flow – the answer is yes, all of it, because if you change your scope and you take choices in focusing on other areas and not in others it will change all of this.

Harri-Pekka Kaukonen

To answer your question about Fox, it's not a rumour that they will expand in the market; they are doing so, so they will launch a new channel in Holland. They made a major investment into football rights in Holland. Fox is a big company with capabilities so they will, I am sure, continue to develop their business. That is just something we need to factor in, in our own operations and strategies, and on the other one I have not spoken to Fox about their interest; in general we don't comment on any of these rumours, but thanks for the fishing!

Thank you.

Jussi [] (Reuters News)

Just coming back to your full-year guidance, you expect your adjusted EBIT to be below 180 million - just to check your way of communicating this, how low should the number be pointing when you would have to go and give another announcement and lower the full-year guidance again? Is it like around 160 or 140 million?

The reason why we are guiding in the way we are is the kind of un-clarity of the future and being able to analyse it in more detail. We don't feel there is any reason we should come with a new guidance, so let's see how the world develops. Just technically this gives quite a bit of headroom if one wants to, but we believe there is no need to come with a new guidance.

So there really is no lower limit to this guidance?

Of course there is always somewhere a limit but I don't think we will reach that limit.

Martti Yrjö-Koskinen

Thank you. Any more from the floor? We have a follow-up question over here.

Matti Riikonen, Carnegie
Just a small question about News – you mentioned that your digital sales in News have grown by more than 15% and I am just thinking about the relevance of this figure – what is the base number that you are growing from? Is digital sales about 10% of News sales in total or is it circulation plus advertising which is about 90% and the rest is digital? What is the base figure?

The total number is above 10 so it's close to 15, in terms of total news, and that includes our pure digital assets and also the display advertising and pure digital subscriptions. It is a meaningful number in News; we are talking about several tens of millions as a basis, so it has relevance for News and also for the Group. We communicate the total digital sales in the Group which is north of 200 and that includes digital in Learning and the big part of that comes from Learning in Holland and Finland. They are substantial digital businesses.

So it's above 10% in News, okay. Thank you.

Martti Yrjö-Koskinen

Thank you. Any more from the floor? If not, I thank you so much for your participation and wish you a very nice end of summer.

Closing Comments

Thank you for your attention.