

# Q1 2015 Interim Report

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Kim Ignatius, CFO

29 April 2015

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# Q1 – Mixed Performance in Challenging Environment



## Q1 in brief

- Organic growth trend improving
- Mixed performance across businesses
  - Media BeNe – stable development, underlying profitability flat
  - Media Finland – operating performance not satisfactory
  - Learning – solid, Q1 impacted by major changes in ordering pattern and investments to support digital growth

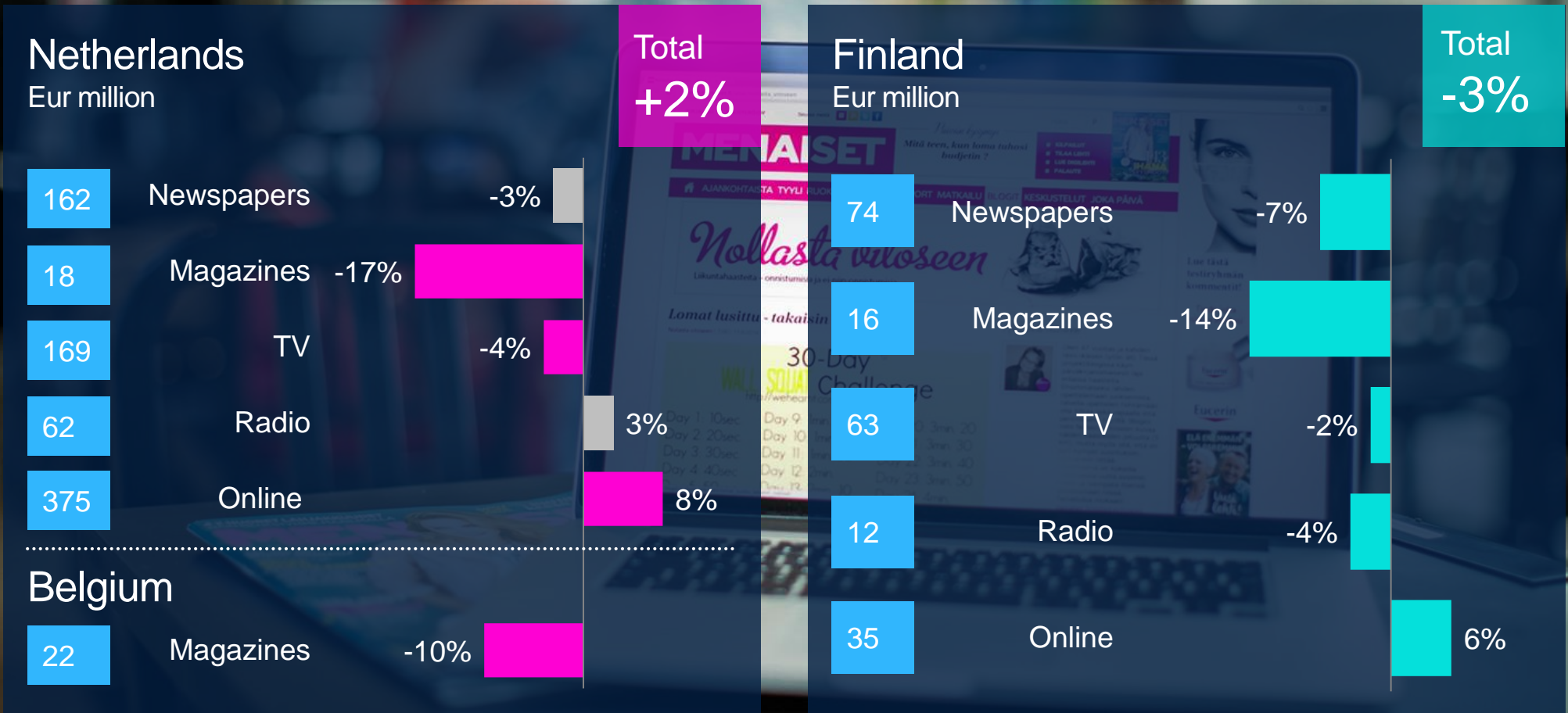
## Key figures

## Q1 2015, EUR million

Net sales	380.1 (438.3), organic growth -3.8%
New media sales	126.2 (120.1), growth +5.1%
EBIT excl. non-recurring items	-19.9 (-4.0), -5.2% (-0.9%) of net sales

# Advertising Market in Q1 – Sluggish Start for the Year

Change\* in % vs. prior year



\*Gross figures in BE, FI and NL net figures. NL & BEL: Sanoma estimates, FIN: TNS Gallup, excl. online search. Total market in the countries includes also other smaller categories such as cinema and outdoor advertising.

# Organic Growth Trend Picking Up

Rolling 12 month growth improving

## Media BeNe

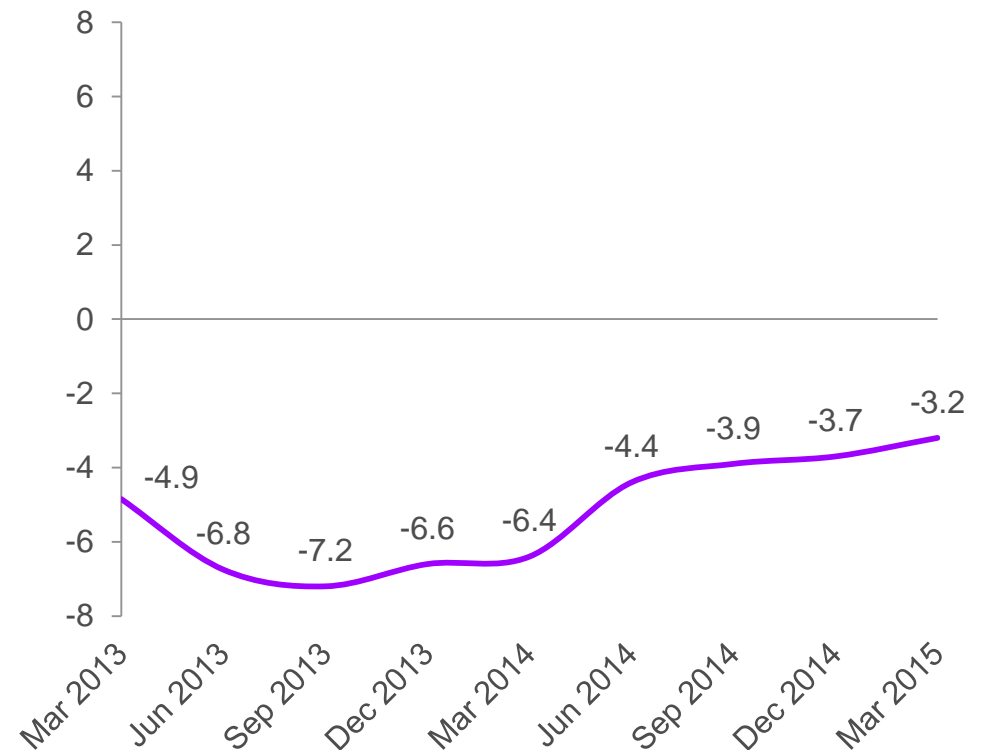
- SBS net sales positive in weak market, driven by distribution sales
- Press distribution business Aldipress won market share and achieved new clients

## Media Finland

- Nelonen continued on growth path supported by Pay-TV and Pay-VOD sales
- Helsingin Sanomat B2C sales growth positive driven by digital

Note: Divestments had major impact on reported net sales

Sanoma Group - organic growth (%)  
(rolling 12 months)





# Digital is Growing

New media sales grew by 5% in Q1

## Media BeNe & Media Finland

Share of rolling 12 month net sales



New  
media sales  
**38%**

## Learning

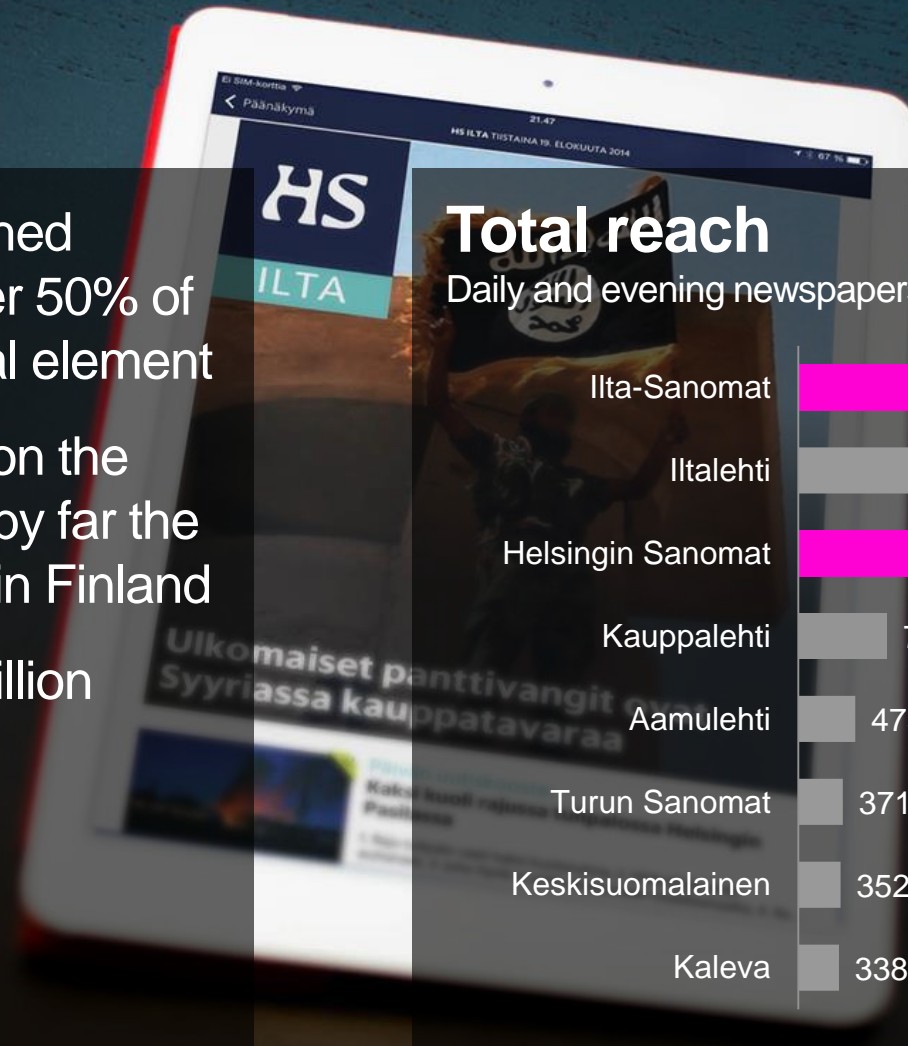
Share of rolling 12 month net sales



Digital, hybrid  
and services  
**49%**

# Media Finland – Helsingin Sanomat

- Helsingin Sanomat reached historical landmark – over 50% of subscribers pay for digital element
- Total reach above 2 million the first time in HS history – by far the largest daily newspaper in Finland
- HSTV reached over 1 million weekly video starts





# Media Finland – Nelonen Media

- Good growth in Pay-VOD subscriptions
- Ruutu video starts +22%
- Radio sales grew by double digits





# Media BeNe – Dutch Content Media

Circulation sales in Q1 2015

- Focus on top brands in the Netherlands is paying off
- Circulation sales have increased for many brands, however organic circulation sales development for the focus portfolio was -1% in Q1
- Advertising sales under pressure in weak market
- Integration of Belgian operations to Dutch business is underway

LINDA  
**+18%**

vtwonen  
**+51%**

Ouders van Nu  
**+28%**

Kek Mama  
**+25%**

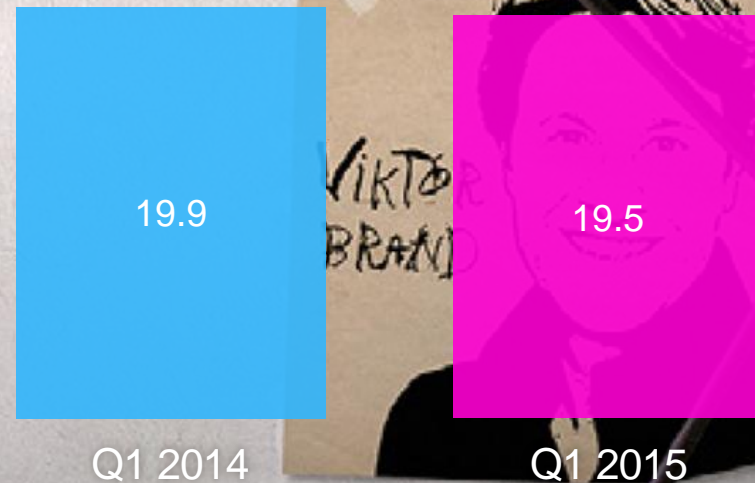


# Media BeNe – SBS TV

- Sales improved despite decline in viewing share and negative advertising market
- TV advertising market expected to be weak in Q2
- Measures taken to improve performance
  - New programme director
  - FTE reductions
  - Cost savings in music rights



Prime-time viewing share  
in target group 20-54 yrs



# Learning – Digitalisation Moving Forward

- E-learning platform Bingel has spread from Belgium to Sweden and will be available this year also in Finland
- Above 70% of primary schools in Flanders (Belgium) use Bingel
- Every day 60 000 exercise series are made by pupils in Flanders
- Almost 300 000 pupils work with Bingel

Flanders (Belgium)

**bingel**

VAN IN

Sweden

**bingel**

Sanoma Utbildning

Wallonia (Belgium)

**Wazzou**

VAN IN

Finland

**bingel**

Sanoma Pro



# 2015 Business Priorities

## Growth

## Media

- Improve performance of core brands and domains
- Grow media market share
- Speed up digital growth
- Boost performance of SBS
- Integrate BeNe
- Drive cost savings beyond EUR 100 million

## Learning

- Digital transformation
- Secure ecosystem
- Extend to new markets
- Develop the enablers
- Cost effectiveness

## Culture



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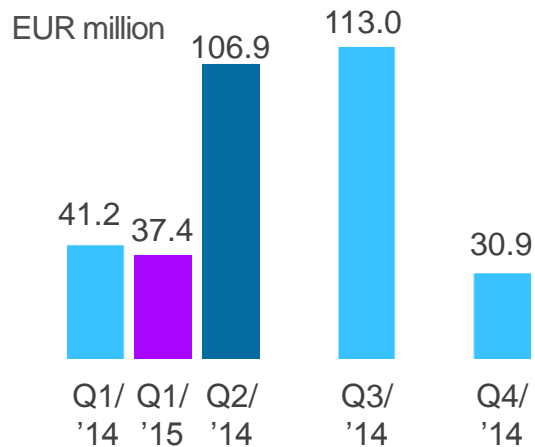
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Financials

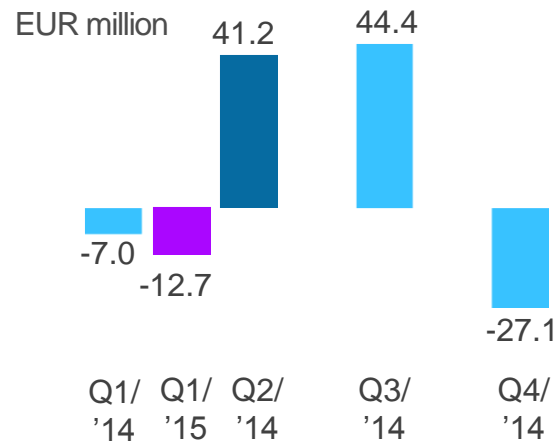
# Learning – Ordering Pattern Changing

- Learning has strong seasonality – typically around 75% of sales and 160% of profits generated during Q2 and Q3
- Industry trend changing, wholesalers optimise working capital by ordering later – will reinforce seasonality and impact Sanoma as well in Q2 2015 and especially in Q1 2016

## Net sales split



## EBIT excl. nri split



# Income Statement

Cost savings programme run-rate around EUR 93 million

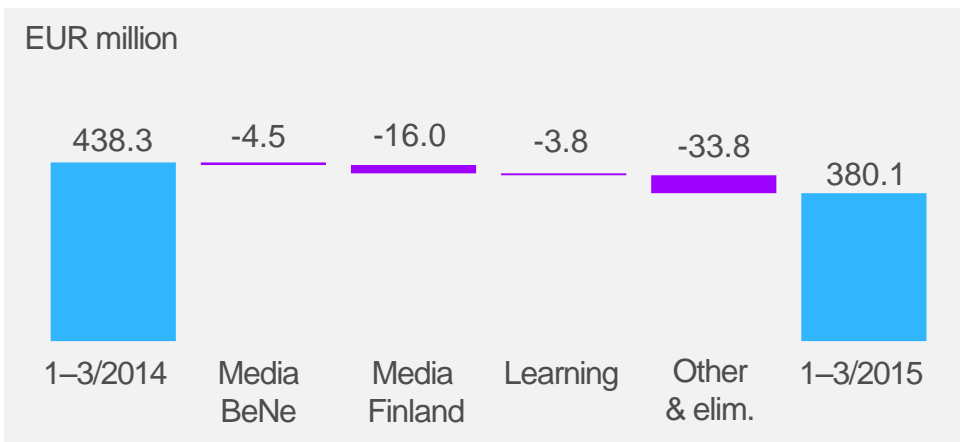
EUR million	1-3/2015	1-3/2014	1-12/2014	1-12/2013
<b>Net sales</b>	<b>380.1</b>	<b>438.3</b>	<b>1,901.6</b>	<b>2,083.5</b>
<b>EBITDA excl. non-recurring items</b>	<b>51.9</b>	<b>65.5</b>	<b>392.0</b>	<b>436.6</b>
<i>of net sales</i>	<i>13.6%</i>	<i>14.9%</i>	<i>20.6%</i>	<i>21.0%</i>
Amortisations related to TV programme rights	-48.9	-43.1	-159.9	-171.1
Amortisations related to prepublication rights	-6.7	-6.3	-25.1	-23.4
Other amortisations	-10.7	-13.0	-61.4	-53.4
Depreciation	-5.4	-7.0	-26.9	-34.0
<b>EBIT excl. non-recurring items</b>	<b>-19.9</b>	<b>-4.0</b>	<b>118.8</b>	<b>154.6</b>
<i>of net sales</i>	<i>-5.2%</i>	<i>-0.9%</i>	<i>6.2%</i>	<i>7.4%</i>
Non-recurring items	8.8	166.0	15.0	-412.4
Total financial items	-2.2	-13.5	-41.9	-53.0
<b>Profit before taxes</b>	<b>-13.3</b>	<b>148.7</b>	<b>90.7</b>	<b>-309.5</b>
<b>Earnings per share</b>	<b>-0.06</b>	<b>0.77</b>	<b>0.32</b>	<b>-1.89</b>
<b>EPS excl. non-recurring items, EUR</b>	<b>-0.15</b>	<b>-0.09</b>	<b>0.33</b>	<b>0.44</b>
<b>Cash flow from operations / share, EUR</b>	<b>-0.45</b>	<b>-0.32</b>	<b>0.45</b>	<b>0.73</b>



# Net Sales Development

Q1 2015

	1–3/2015 EUR million	1–3/2014 EUR million	1–3/2015 organic growth, %
Group	380.1	438.3	-3.8
Media BeNe	189.5	194.0	-1.6
Media Finland	143.0	159.0	-3.3
Learning	37.4	41.2	-6.7
Other & elim.	10.2	44.0	-31.7



**Media BeNe:** Sales decline is mainly related to divestments of non-focus magazine titles and lower sales in print business. TV distribution sales and Aldipress developed positively.

**Media Finland:** Good development in new media sales was not able to offset declining print circulation and advertising sales. Absolute sales declined due to divestments.

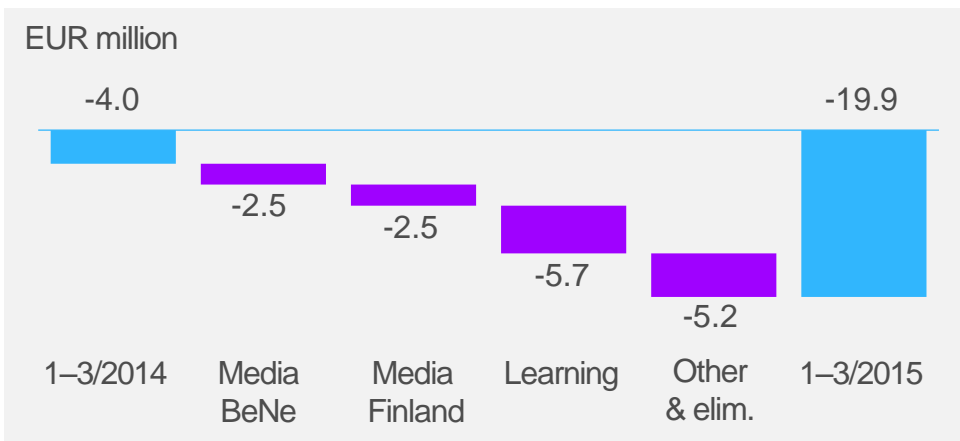
**Learning:** Seasonally minor quarter. Net sales declined mainly due to postponed orders in the Netherlands.

**Other:** Decline is mostly related to divestments of Finnish press distribution business Lehtipiste and Hungarian media operations.

# EBIT Excluding Non-Recurring Items Development

Q1 2015

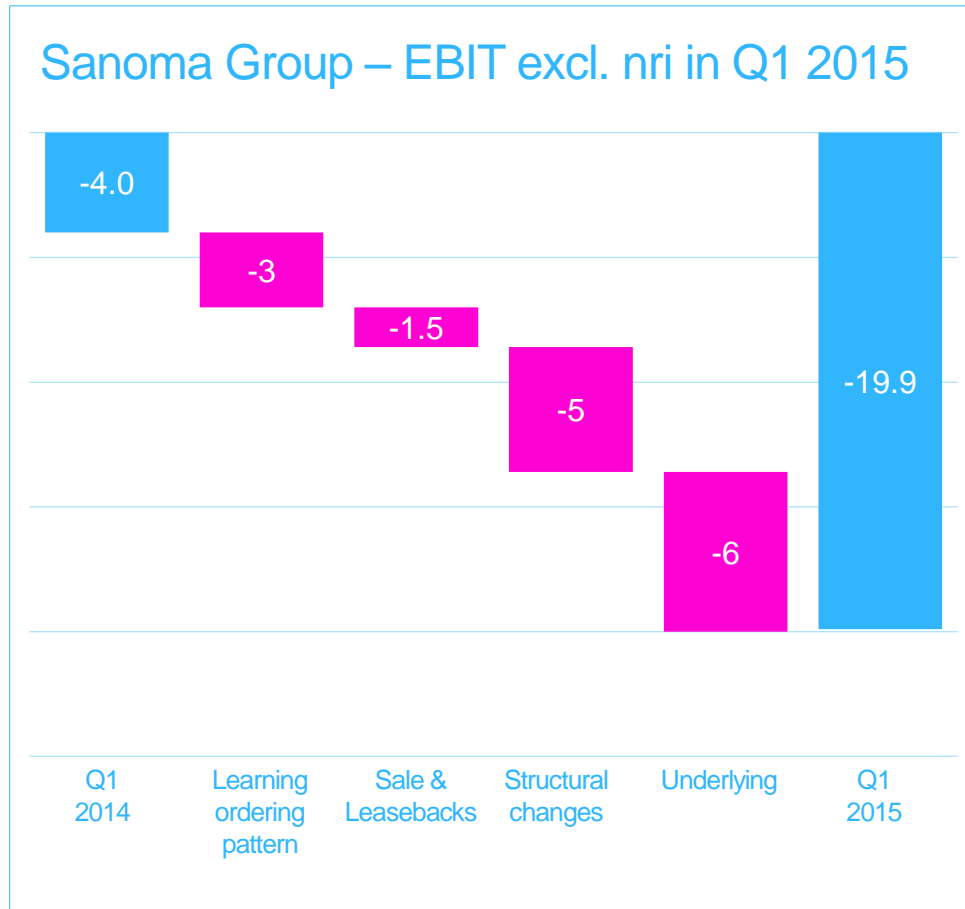
EUR million	1–3/2015	1–3/2014
Group	-19.9	-4.0
Media BeNe	5.8	8.3
Media Finland	-2.1	0.4
Learning	-12.7	-7.0
Other & elim.	-10.9	-5.7



- Media BeNe:**
- + Cost efficiency
  - + Aldipress performance supported by new clients
  - Print sales, mainly due to divestments
  - Higher TV programming amortisations
- Media Finland:**
- + Cost savings
  - Higher TV programming amortisations
  - Print advertising sales
  - Increased rents due to sale and leasebacks
- Learning:**
- Timing shift from Q1 to Q3 in the Netherlands
  - Investments in digital
- Other:**
- Sale of Lehtipiste and other divestments
  - Weaker result in non-core businesses

# Profitability Impacted by Multiple Elements

Q1 2015



Underlying development declined mainly by:

## Media Finland

- Suffered mainly from weak advertising sales
- Operational performance not satisfactory

## Learning

- Netherlands impacted by higher investments to fuel growth in digital products and services

## Other

- Lower result of non-core operations, including Russia



# Free Cash Flow

Cash flow from operations less cash CAPEX

EUR million	1–3/2015	1–3/2014	1–12/2014	1-12/2013
<b>EBITDA excl. non-recurring items</b>	<b>51.9</b>	<b>65.5</b>	<b>392.0</b>	<b>436.6</b>
TV programme costs	-46.4	-44.8	-184.7	-186.4
Prepublication costs	-6.8	-7.1	-28.5	-31.2
Change in working capital	-30.4	-27.8	22.9	19.8
Interest paid	-22.5	-24.3	-35.1	-47.3
Other financial items	-7.4	-2.5	-14.6	-4.2
Taxes paid	-5.9	-6.0	-23.9	-25.7
Other adjustments	-5.5	-5.0	-54.5	-42.5
<b>Cash flow from operations</b>	<b>-73.1</b>	<b>-52.1</b>	<b>73.7</b>	<b>119.1</b>
Cash CAPEX	-11.3	-10.3	-51.0	-66.1
<b>Free cash flow</b>	<b>-84.4</b>	<b>-62.3</b>	<b>22.8</b>	<b>53.0</b>

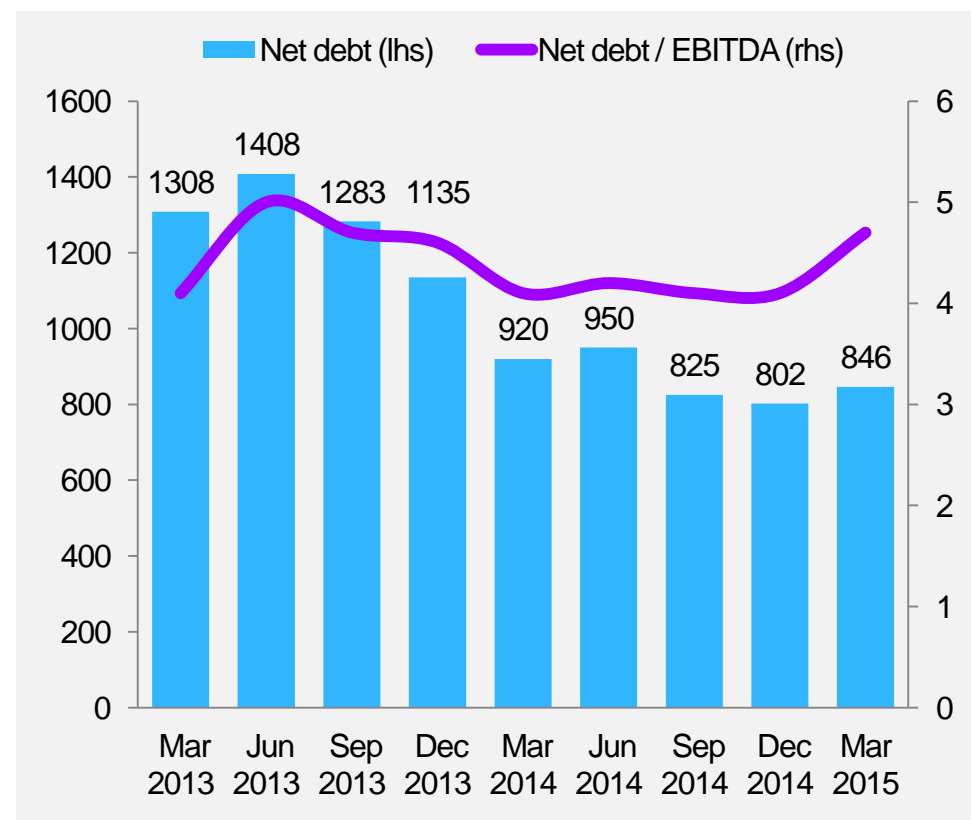
Note: Proceeds from sale of assets and operations in Q1/2015 amounted to EUR 32 million and EUR 330 million in 2014

# Capital Structure

31 March 2015

- Net debt: EUR 846 million (Q1 2014: 920)
  - Net debt / EBITDA adjusted 4.7 times (4.1)
    - EBITDA adjusted: 12-month rolling EBITDA excl. non-recurring items, where acquired operations are included and divested operations excluded, and where programming rights and prepublication rights have been raised above EBITDA
  - Net debt / EBITDA based on covenant calculation method 2.3 times (1.6)
  - Average interest rate around 3% p.a.
  - Interest sensitivity is around EUR 2 million and duration is 18 months
- Total equity: EUR 1,155 million (1,291)
- Equity ratio: 40.4% (42.3%)
- Gearing: 73.2% (71.3%)

## Key figures



# Group Outlook for 2015 and Mid-Term Unchanged

Outlook	2014 actuals	2015 outlook	Mid-term outlook (2016)
Net sales growth (organic)	EUR 1,901.6 million, organic growth -3.7%	'Around previous year's development (2014: -3.7%)'	'Return to organic growth'
Operating profit margin, excluding non-recurring items	EUR 118.8 million, 6.2% of net sales	'At or above previous year's level (2014: 6.2%)'	'Around 10% of net sales'
Divestments and acquisitions done estimated to have impact on net sales of around EUR -90 million in 2015			



# Q&A

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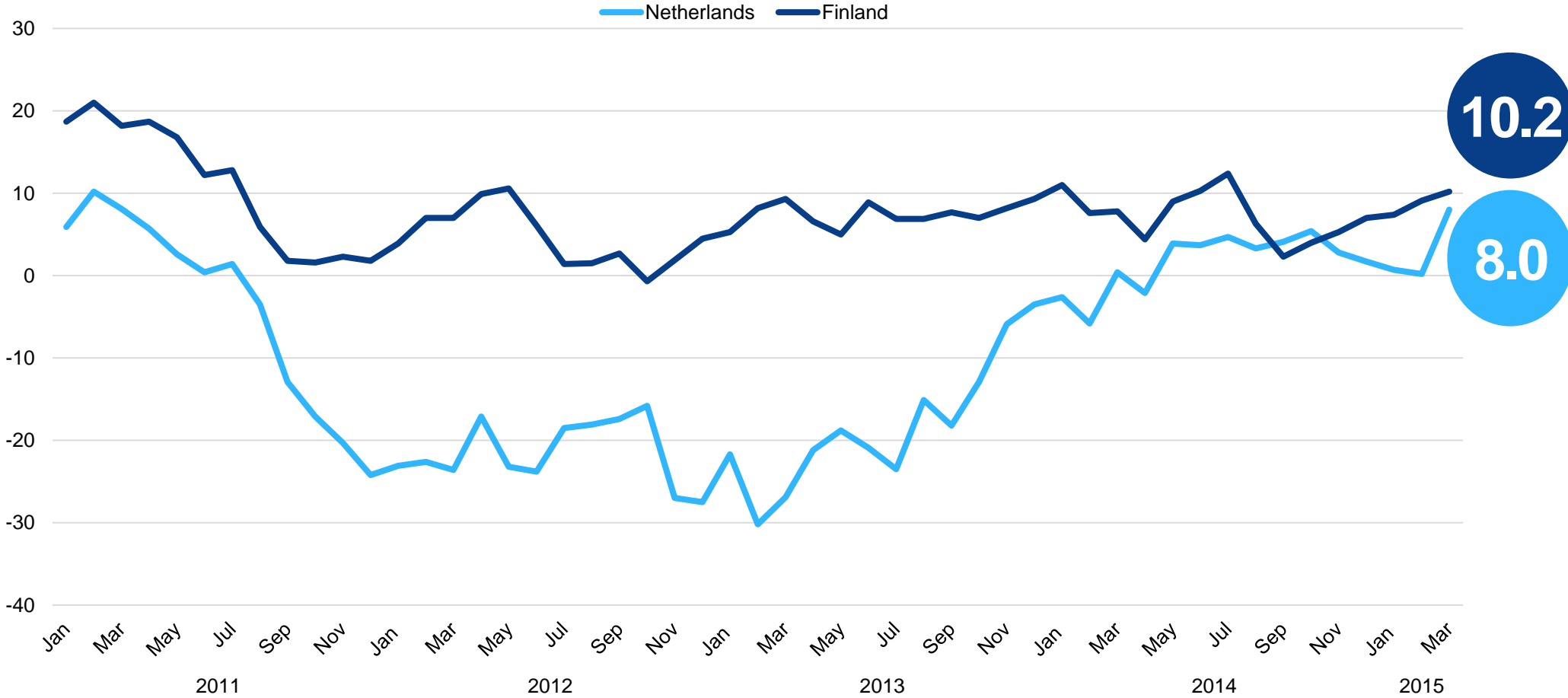
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Appendix

# Consumer confidence



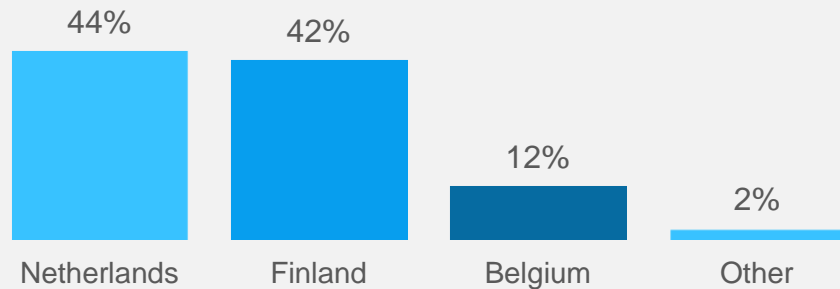


# Net Sales Split

Rolling 12 months

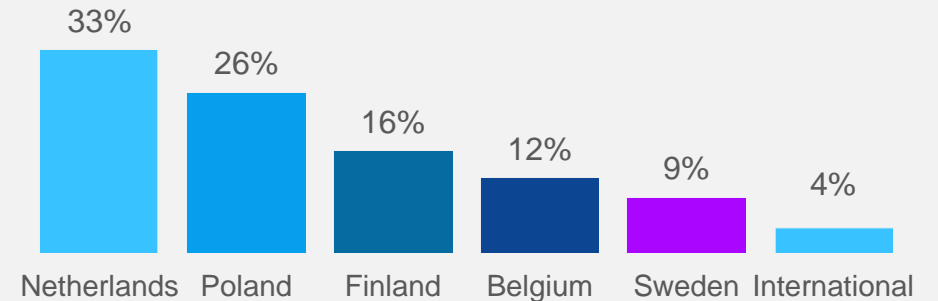
## Media operations

Netherlands and Finland 86% of net sales



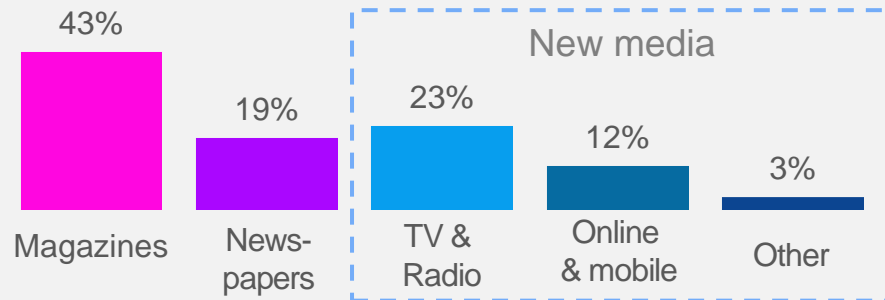
## Learning

Diversified portfolio with several key markets



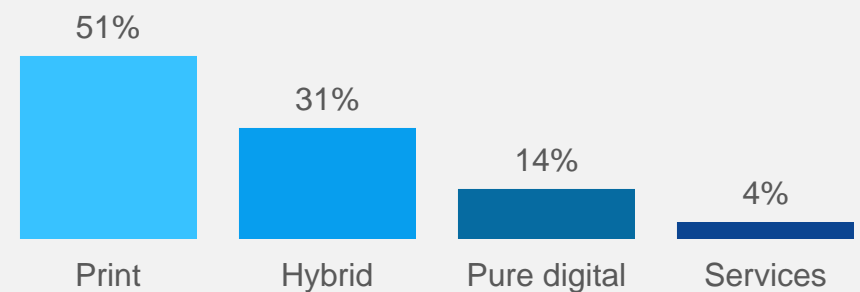
## Consumer media (BeNe and Finland)

38% of net sales in new media (EUR 559 million)



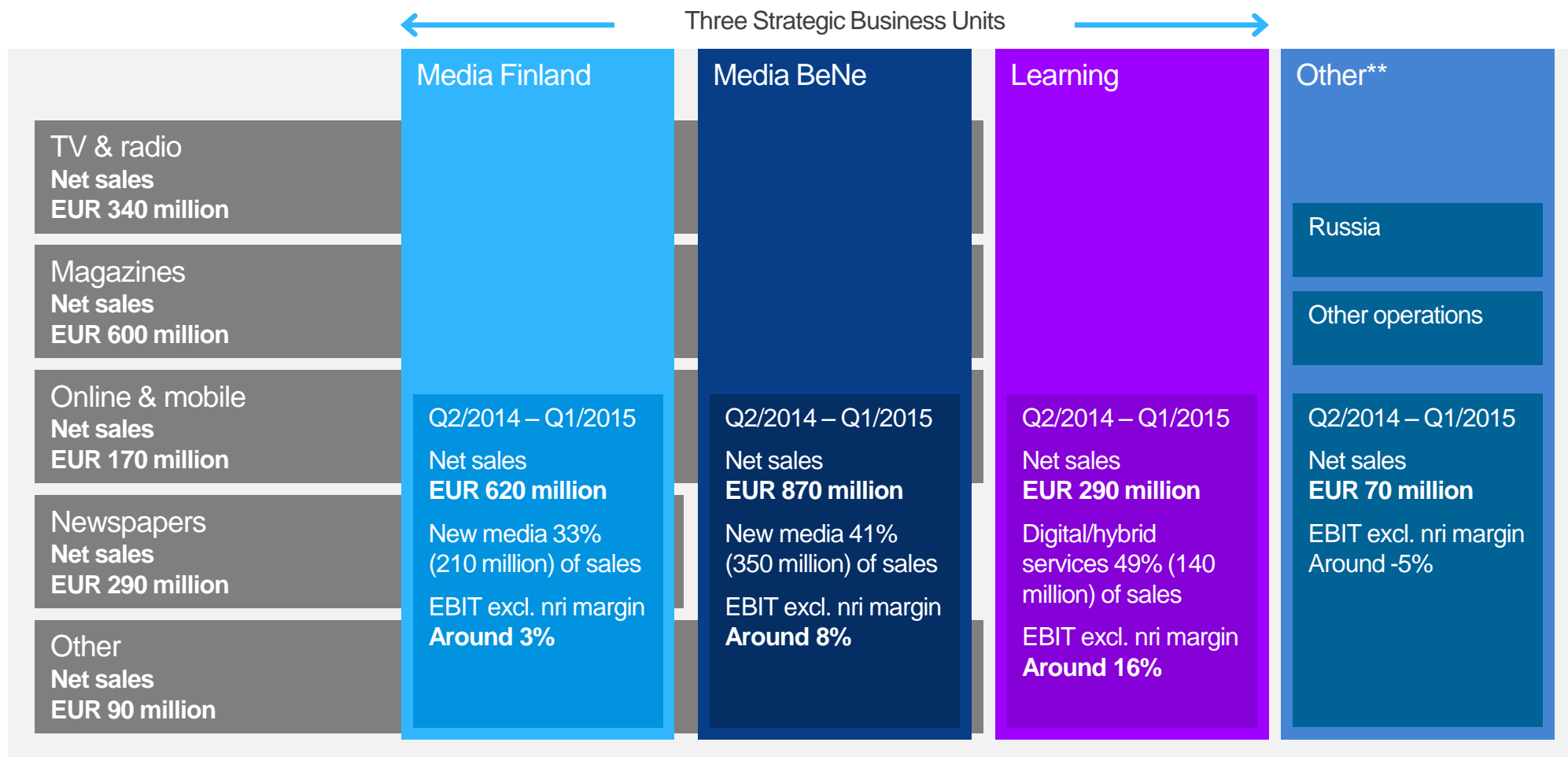
## Learning

49% of sales is digital / hybrid / services (EUR 141 million)



# Summary of Operating Performance

Last 12 months\* – New media sales: EUR 560 million in Media Finland and Media BeNe



\*Figures rounded to closest EUR 10 million.

\*\*Figures do not include Parent company, other centralised Group costs and eliminations.

# Advertising Market\* Change in % vs. Prior Year

Netherlands	FY'14	Q1'15
Newspapers	-4	-3
Magazines	-13	-17
TV	+2	-4
Radio	+6	+3
Online	+11	+8
<b>Total market**</b>	<b>+1</b>	<b>+2</b>
Finland	FY'14	Q1'15
Newspapers	-9	-7
Magazines	-16	-14
TV	-4	-2
Radio	+9	-4
Online	+12	+6
<b>Total market</b>	<b>-4</b>	<b>-3</b>



\*NL: Sanoma estimates, FIN: TNS Gallup, excl. online search. Total market in the countries includes also other smaller categories such as cinema and outdoor advertising.

# Media BeNe

## Key figures

	2015	2014					2013
EUR million	Q1	FY 2014	Q4	Q3	Q2	Q1	FY 2013
<b>Net sales</b>	<b>189.5</b>	<b>870.8</b>	<b>241.5</b>	<b>203.6</b>	<b>231.7</b>	<b>194.0</b>	<b>896.8</b>
<b>Digital</b>	<b>67.1</b>	<b>308.6</b>	<b>90.3</b>	<b>67.8</b>	<b>84.6</b>	<b>65.9</b>	<b>305.3</b>
Online & mobile	20.9	87.2	24.9	20.1	21.8	20.4	90.3
TV	46.2	221.4	65.4	47.7	62.8	45.5	215.0
<b>Print</b>	<b>105.6</b>	<b>479.4</b>	<b>123.2</b>	<b>115.6</b>	<b>125.7</b>	<b>114.9</b>	<b>517.9</b>
Magazines	105.6	479.4	123.2	115.6	125.7	114.9	517.9
<b>Other</b>	<b>16.8</b>	<b>82.8</b>	<b>28.0</b>	<b>20.2</b>	<b>21.4</b>	<b>13.2</b>	<b>73.6</b>
<b>EBIT excluding non-recurring items</b>	<b>5.8</b>	<b>71.2</b>	<b>23.3</b>	<b>13.9</b>	<b>25.7</b>	<b>8.3</b>	<b>77.4</b>
<i>% of net sales</i>	<i>3.1</i>	<i>8.2</i>	<i>9.7</i>	<i>6.8</i>	<i>11.1</i>	<i>4.3</i>	<i>8.6</i>
Number of employees (FTE)*	2,250	2,483	2,483	2,550	2,744	2,756	2,845

\* At the end of the period.



# Media Finland

## Key figures

	2015	2014					2013
EUR million	Q1	FY 2014	Q4	Q3	Q2	Q1	FY 2013
<b>Net sales</b>	<b>143.0</b>	<b>637.2</b>	<b>165.5</b>	<b>148.0</b>	<b>164.6</b>	<b>159.0</b>	<b>675.4</b>
<b>Digital</b>	<b>50.0</b>	<b>198.7</b>	<b>53.2</b>	<b>43.5</b>	<b>53.4</b>	<b>48.6</b>	<b>185.9</b>
Online & mobile	21.9	84.8	23.2	18.3	22.1	21.3	74.7
TV & radio	28.0	113.8	30.1	25.1	31.4	27.3	111.2
<b>Print</b>	<b>90.5</b>	<b>432.5</b>	<b>110.6</b>	<b>103.1</b>	<b>109.9</b>	<b>108.8</b>	<b>438.8</b>
Magazines	29.5	134.4	35.0	31.8	33.6	34.0	160.9
Newspapers	62.3	300.3	76.2	71.8	77.0	75.3	325.2
Eliminations	-0.2	-2.2	-0.6	-0.4	-0.7	-0.5	-2.2
<b>Other</b>	<b>1.4</b>	<b>6.0</b>	<b>1.7</b>	<b>1.4</b>	<b>1.3</b>	<b>1.6</b>	<b>5.6</b>
<b>EBIT excluding non-recurring items*</b>	<b>-2.1</b>	<b>23.5</b>	<b>5.6</b>	9.9	7.5	0.4	30.7
<i>% of net sales</i>	<i>-1.5</i>	<i>3.7</i>	<i>3.4</i>	<i>6.7</i>	<i>4.5</i>	<i>0.3</i>	<i>4.5</i>
<b>Number of employees (FTE)**</b>	<b>2,095</b>	2,508	2,508	2,539	2,865	2,675	2,759

\* Sale and leasebacks of real estate impacts negatively EBIT figures starting Q1 2014.

\*\* At the end of the period.

# Learning

## Key figures

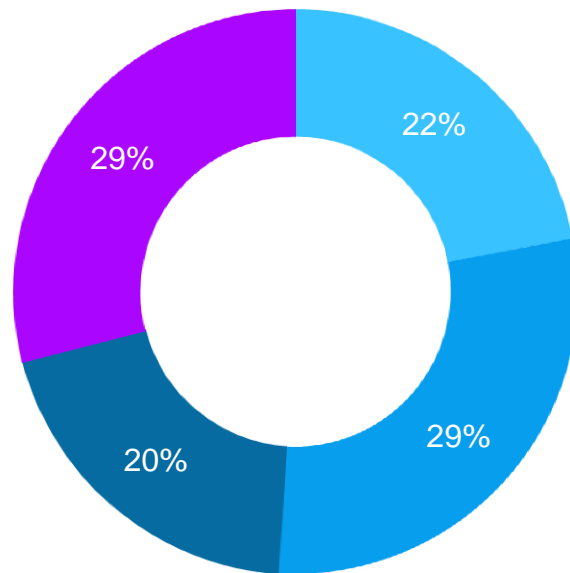
	2015	2014					2013
EUR million	Q1	FY 2014	Q4	Q3	Q2	Q1	FY 2013
<b>Net sales</b>	<b>37.4</b>	<b>292.0</b>	<b>30.9</b>	<b>113.0</b>	<b>106.9</b>	<b>41.2</b>	<b>304.6</b>
Netherlands	21.5	98.1	8.3	24.6	40.7	24.5	95.3
Poland	6.6	86.8	12.6	51.1	17.8	5.2	83.8
Finland	3.8	48.3	4.1	10.6	28.8	4.8	53.5
Belgium	1.5	34.8	2.6	16.7	13.6	1.9	33.8
Sweden	4.1	26.1	3.9	10.7	6.5	4.9	29.3
Other and eliminations	-0.1	-1.9	-0.6	-0.7	-0.5	-0.1	8.9
<b>EBIT excluding non-recurring items</b>	<b>-12.7</b>	<b>51.4</b>	<b>-27.1</b>	<b>44.4</b>	41.2	<b>-7.0</b>	<b>56.2</b>
<i>% of net sales</i>	<b>-33.9</b>	17.6	-87.6	39.3	38.5	<b>-16.9</b>	18.5
Number of employees (FTE)*	1,515	1,563	1,563	1,580	1,591	1,613	1,564

\* At the end of the period.

# TV – Net Sales and EBIT Seasonality

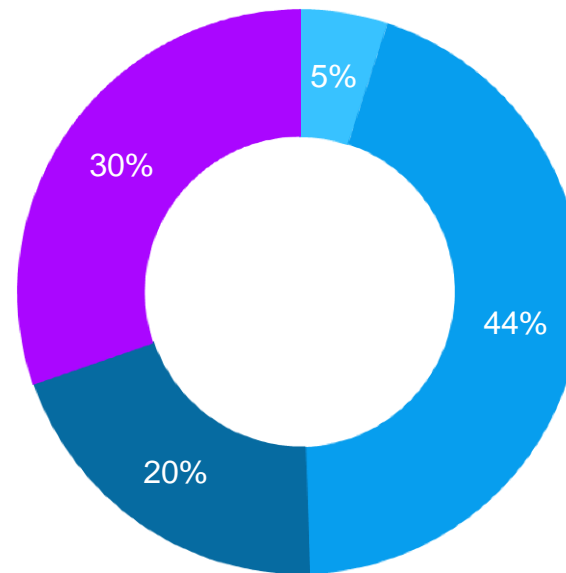
2010–2014 average for Dutch and Finnish TV\*

## Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

## EBIT\*\* split



■ Q1 ■ Q2 ■ Q3 ■ Q4

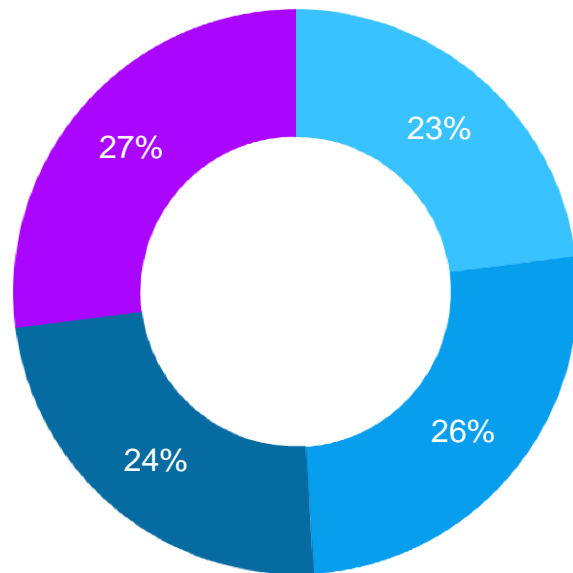
\*Includes SBS Netherlands (excluding PPA amortization) and Nelonen Media Finland.  
\*\*Excluding non-recurring items.



# Magazines – Net Sales and EBIT Seasonality

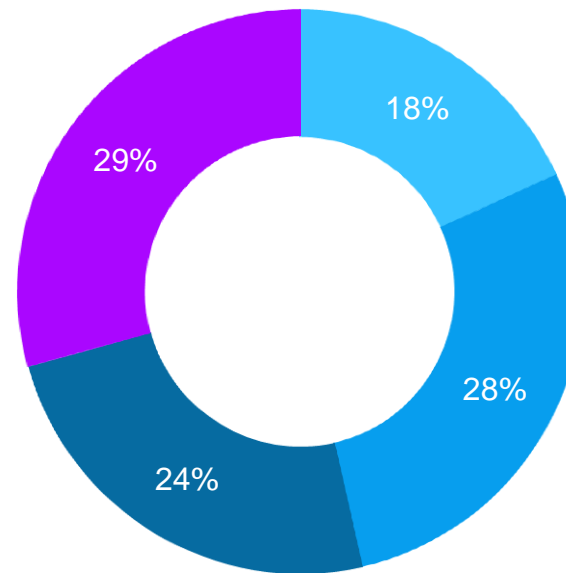
2010–2014 average for Dutch and Finnish Magazines\*

Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

EBIT\*\* split



■ Q1 ■ Q2 ■ Q3 ■ Q4



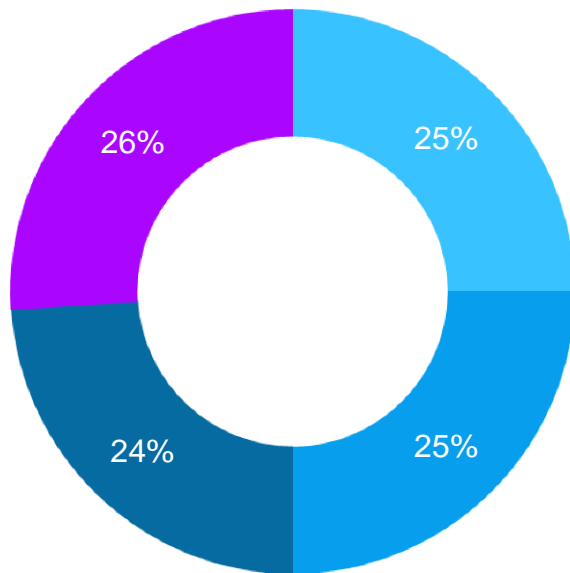
\*Includes Dutch and Finnish operations, excluding TV guides. 2010-2012 not restated with IFRS 11 'Joint Arrangements'.

\*\*Excluding non-recurring items.

# Newspapers – Net Sales and EBIT Seasonality

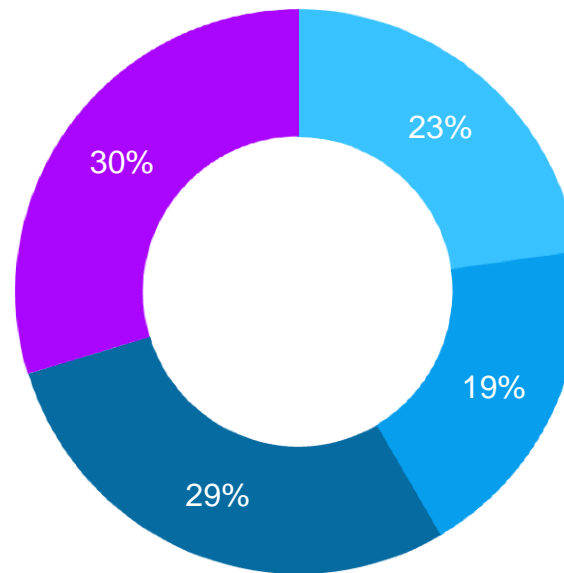
2010–2014 average for Newspapers (Finland) incl. digital business

Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

EBIT\* split



■ Q1 ■ Q2 ■ Q3 ■ Q4

\*Excluding non-recurring items.

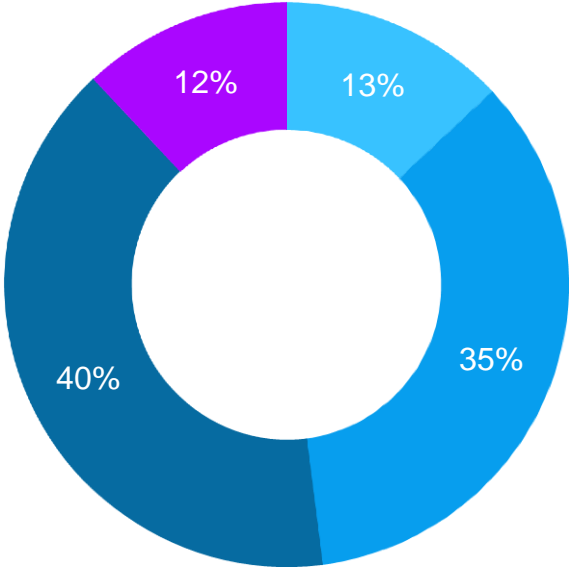




# Learning – Net Sales and EBIT Seasonality

2010–2014 average for Learning

Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

EBIT\* split in relative terms



\*Excluding non-recurring items.

# Sanoma – Largest Shareholders

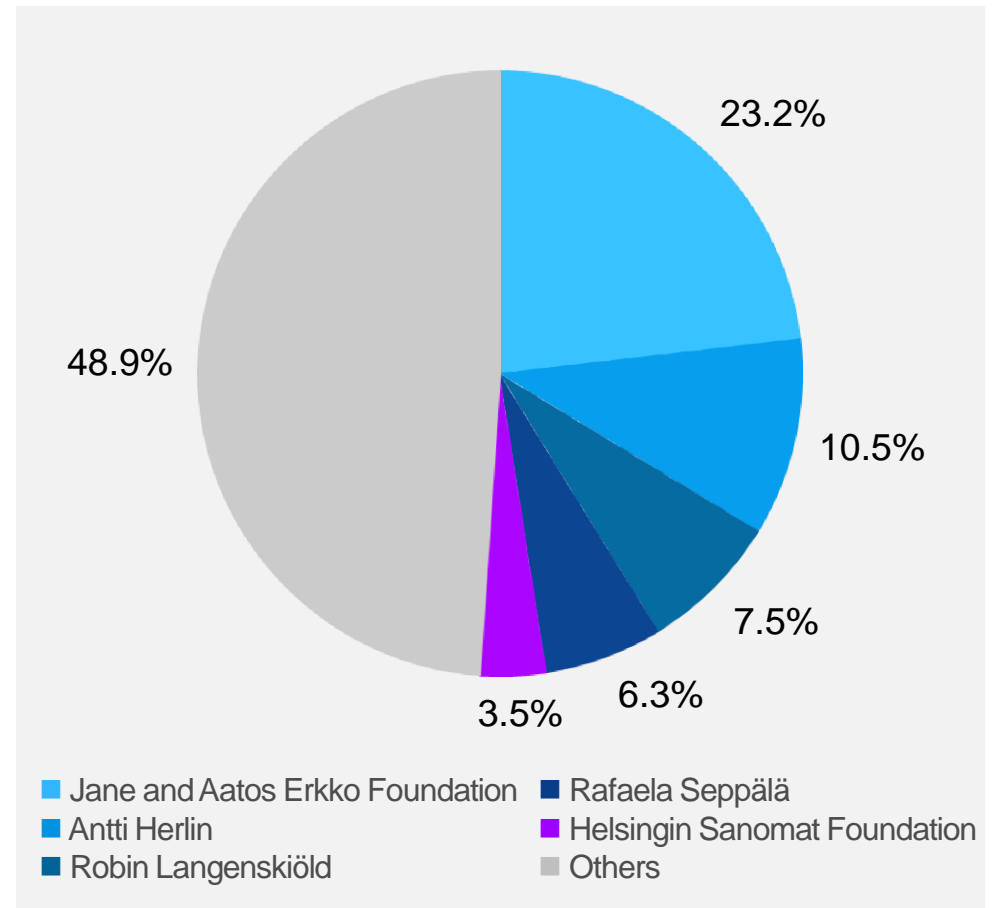
31 March 2015

% of shares  
and votes

1. Jane and Aatos Erkko Foundation	23.18
2. Antti Herlin (Holding Manutas Oy: 10.51%, personal: 0.02%)	10.53
3. Robin Langenskiöld	7.54
4. Rafaela Seppälä	6.31
5. Helsingin Sanomat Foundation	3.50
6. Ilmarinen Mutual Pension Insurance Company	2.08
7. Foundation for Actors' Old-age-home	1.38
8. State Pension Fund	1.28
9. Noyer Alex	1.21
10. WSOY Literary Foundation	1.18
<b>Foreign ownership in total</b>	<b>11.0</b>
<b>Total number of shares</b>	<b>162,812,093</b>
<b>Total number of shareholders</b>	<b>26,974</b>

Institutional investors: around 67% of shares

Private investors: around 33% of shares



# Analyst Coverage

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