

# Q2 2013 Interim Report

Harri-Pekka Kaukonen, President and CEO

Kim Ignatius, CFO

1 August 2013

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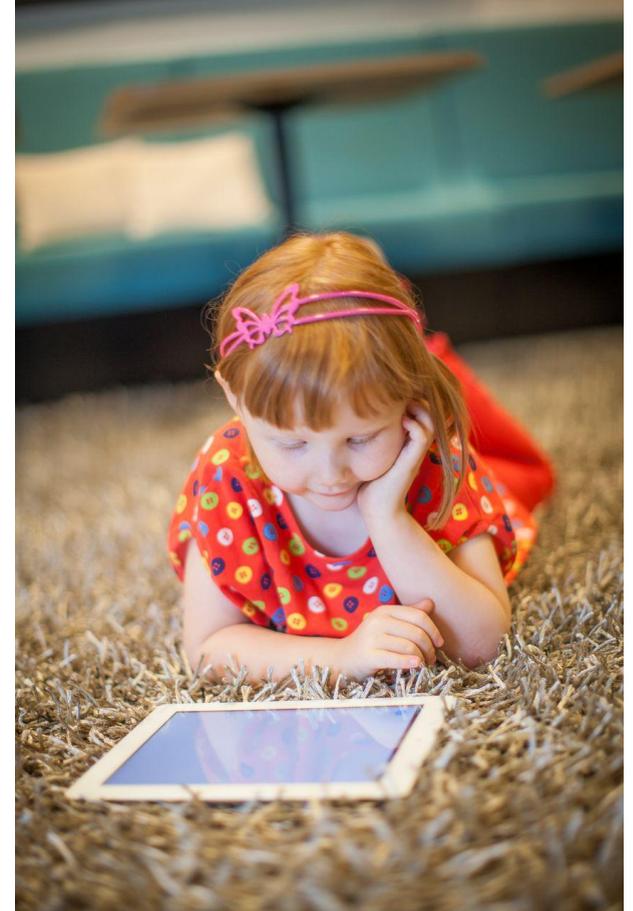
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# Learning solid – structural changes accelerating in media

Q2 2013

- Net sales for the Group EUR 591 million (647)
  - Learning – solid performance impacted by timing shift in sales recognition between quarters
  - Media – continued deterioration of advertising markets and circulation
  - News – continued deterioration of print advertising and circulation
- EBIT excl. non-recurring items EUR 68.0 million (103.8)
  - Learning – impacted by timing shift between quarters
  - Media – decline in sales not offset by efficiency measures
  - News – improved its EBIT excl. non-recurring items compared to comparable period for the first time since Q4 2011
- Three-year EUR 60 million (gross) savings programme
  - Proceeding according to plan
- Divestments of non-core assets
- Outlook changed on 23 July



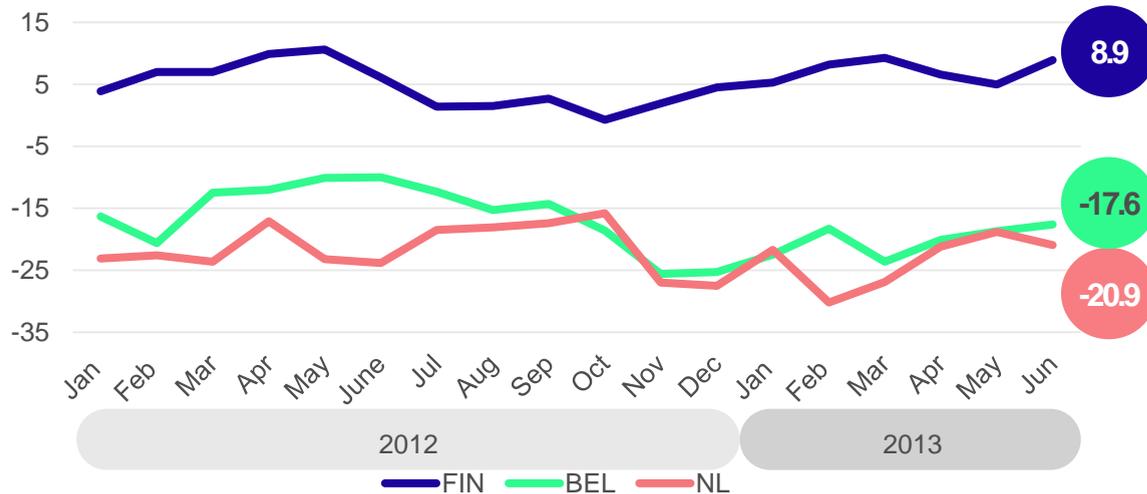
# Advertising markets under severe pressure

Market environment impacting financial performance

## Market environment

- **Economy** – subdued market conditions and likelihood of clearly improving environment low
- **Advertising** – incl. transformation from print to digital
- **Consumer behaviour** – incl. shift in time spent and continued depressed consumer confidence

## Consumer confidence\*



## Advertising market\*\* Change in % vs. prior year

Netherlands	Q1/2013	Q2/2013
Magazines	-17	-17
TV	-5	-4
Online	-10	-14
<b>Total ad market</b>	<b>Around -8***</b>	<b>Around -7***</b>

Finland	Q1/2013	Q2/2013
Newspapers	-18	-17
Magazines	-16	-15
TV	-10	+3
Online	+3	+6
<b>Total ad market</b>	<b>Around -13</b>	<b>Around -8</b>

Belgium	Q1/2013	Q2/2013
Magazines	-20	-19
TV	-10	-10
Online	0	+3
<b>Total ad market</b>	<b>Around -10</b>	<b>Around -10</b>

\*Source: European Commission.

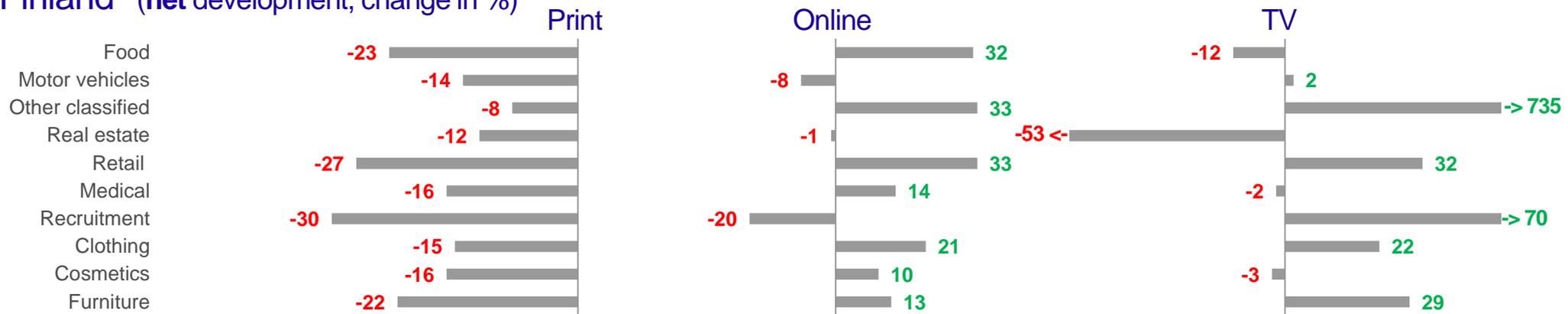
\*\*Net figures, excluding online search. NL & BEL: Sanoma estimates, FIN: TNS Gallup.

\*\*\*Weighted average of magazines, TV and online (excluding search).

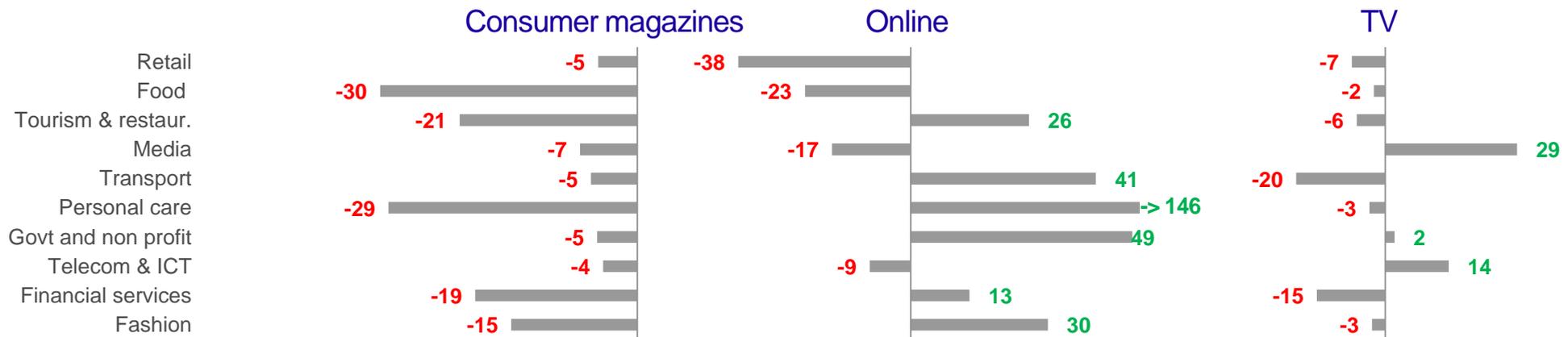
# Advertising markets by category H1/2013 vs. H1/2012

Print advertising declining in all main categories, mixed development in online and TV

## Finland\* (net development, change in %)



## Netherlands\*\* (gross development, change in %)



\*Source: TNS Gallup, online excluding search.

\*\*Source: Nielsen, online excluding search.

**sanoma** get the world

# Group outlook for 2013

Unchanged from the revised outlook published on 23 July 2013

In 2013, Sanoma expects that the Group's consolidated net sales will decline more than 4% compared to 2012 and operating profit excluding non-recurring items is estimated to be below EUR 180 million.

Sanoma's outlook is based on the assumptions that the European economic environment remains under pressure and adversely impacts advertising markets in Sanoma's main operating countries. The likelihood of clearly improving market conditions in the second half of the year is estimated to be low.



# Digital transformation in making

## Transformation of main media operations

### News

- #1 in Finland
- Growth in engagement
- Proven transformation path to digitalisation in newspapers
- Digital sales grew by more than 15% in Q2
- Iltä-Sanomat: Growth in online advertising more than offset decline in print advertising in H1
- Active role in the consolidation of printing market

### TV

- Strong positions in the Netherlands and Finland
- Total viewing times growing, linear viewing times at prior years' levels
- Linear share of total advertising market stable to growing
- Established position in online-TV in Finland
- Introduction of pay-VOD (video-on-demand) in Finland

### Magazines

- #1 in the Netherlands and Finland
- New business logics in digital moving forward, but still to be proven
- Digital Donald Duck download centre launched

## Growth and transformation in Learning

### Learning

- Leading learning player in 6 countries
- Sanoma at the forefront of gradual transformation to digital
  - Launch of upper secondary range of e-book series in Finland
- New portfolio expansion
  - Launch of pilot new online tutoring platform in the Netherlands and Belgium
  - Launch of testing & assessment platform in Poland

# Redesign of consumer media operations

Will change the financial profile of the Group and may affect asset valuations

- Strategic choices to enhance focus
  - Product and service portfolios
  - Cost efficiency, incl. operational structures
  - Planning commenced – next update at Q3 publication
- Investment focus on digital and learning solutions
- Continue to divest non-core assets



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# Financials

Kim Ignatius, CFO

# Income Statement

Q2 2013

EUR million	4–6/2013	Restated* 4–6/2012	1–6/2013	Restated* 1–6/2012	Restated* 1–12/2012
<b>Net sales</b>	<b>591.2</b>	<b>646.5</b>	<b>1,096.4</b>	<b>1,190.1</b>	<b>2,376.3</b>
<b>EBITDA excl. non-recurring items</b>	<b>141.1</b>	<b>177.0</b>	<b>217.0</b>	<b>260.2</b>	<b>518.1</b>
<i>of net sales</i>	<b>23.9%</b>	27.4%	19.8%	21.9%	21.8%
Amortisations related to programming rights	<b>-41.8</b>	-42.4	-89.9	-80.1	-156.9
Amortisations related to prepublication rights	<b>-6.0</b>	-4.8	-11.9	-10.0	-21.6
Other amortisations	<b>-16.6</b>	-15.8	-32.1	-30.7	-68.2
Depreciations	<b>-8.8</b>	-10.2	-18.1	-20.0	-40.3
<b>EBIT excl. non-recurring items</b>	<b>68.0</b>	<b>103.8</b>	<b>65.0</b>	<b>119.4</b>	<b>231.0</b>
<i>of net sales</i>	<b>11.5%</b>	16.1%	5.9%	10.0%	9.7%
Total financial items	<b>-12.7</b>	-14.3	-27.7	-28.0	-57.4
<b>Profit before taxes</b>	<b>25.6</b>	<b>80.5</b>	<b>-29.6</b>	<b>66.0</b>	<b>105.9</b>
Effective tax rate	<b>10.2%</b>	27.0%	n.a.	38.2%	34.0%
<b>EPS excl. non-recurring items, EUR **</b>	<b>0.26</b>	<b>0.39</b>	<b>0.23</b>	<b>0.39</b>	<b>0.78</b>
<b>Cash flow from operations / share, EUR **</b>	<b>0.02</b>	<b>0.12</b>	<b>-0.37</b>	<b>-0.02</b>	<b>1.18</b>

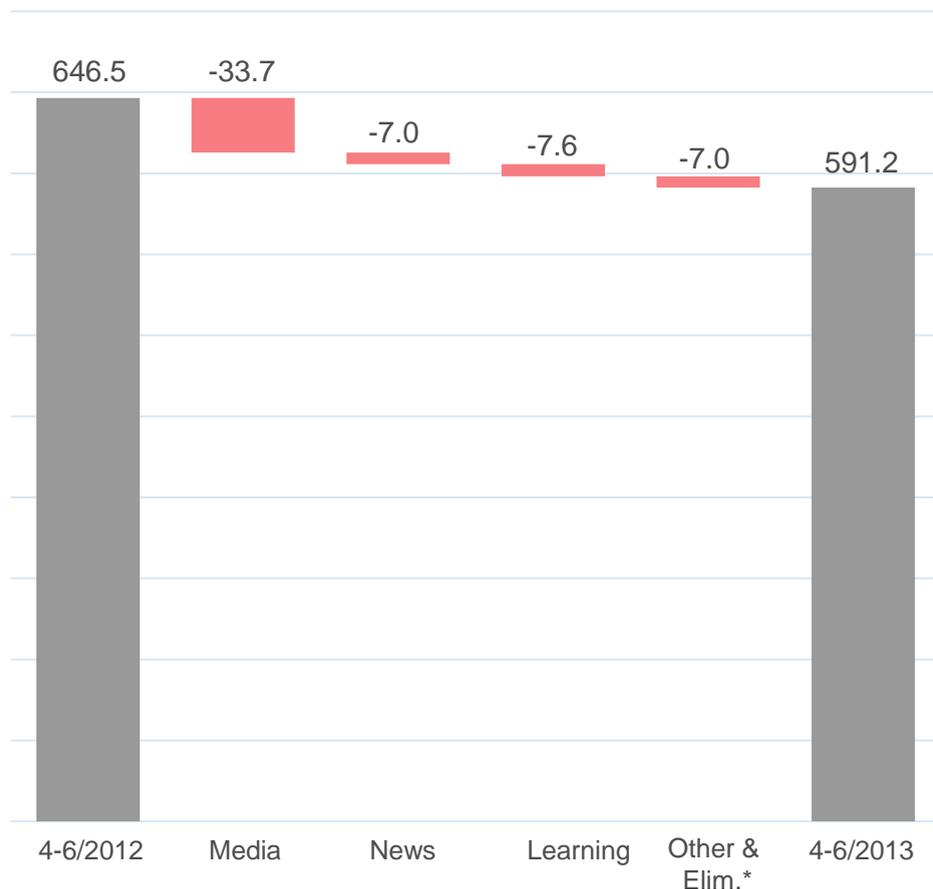
\* 2012 figures have been restated due to a change in IAS19 'Employee benefits'.

\*\* Includes continuing and discontinued operations for 2012 figures.

# Net sales development

Q2 2013

EUR million



(%)	4-6/2013 organic growth	4-6/2013 share of net sales	2012 organic growth
Group	-9.3		-3.3
Media	-9.7	60.0	-5.8
News	-6.5	16.9	-3.6
Learning	-6.6	17.5	+8.6

- Media:** Advertising adversely affected net sales, especially in the Netherlands. Lower circulation volumes not offset by price increases.
- News:** Decline in net sales is mainly attributable to lower print advertising sales, whereas online advertising sales increased.
- Learning:** Timing shift from Q2 to Q1 in sales recognition in Netherlands led to lower sales compared to previous year. Underlying performance solid.
- Other:** Non-core operations under pressure.

\*The line item 'Other companies and eliminations' includes non-core operations, head office functions, real estate companies and Group eliminations.

# EBIT excl. non-recurring items development

Q2 2013

EUR million



\* 2012 figures have been restated due to a change in IAS19 'Employee benefits'.

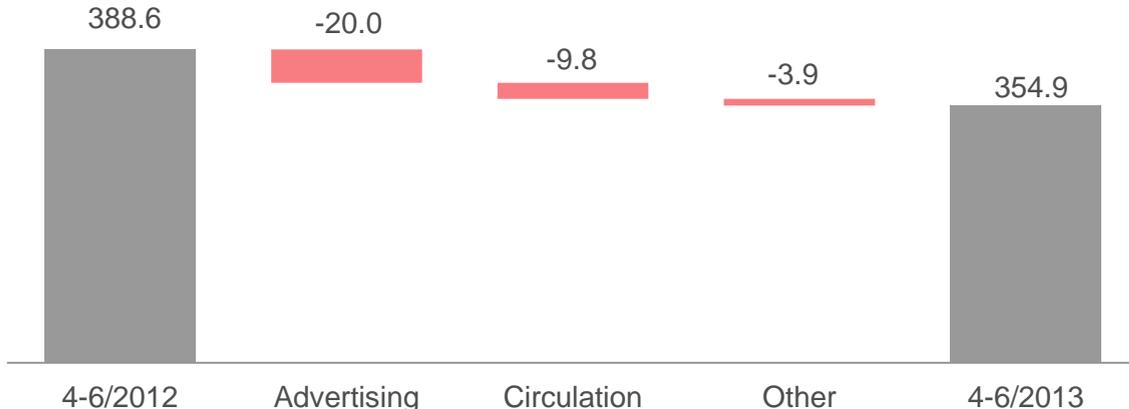
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# Media – net sales and EBIT excl. non-recurring items

Q2 2013

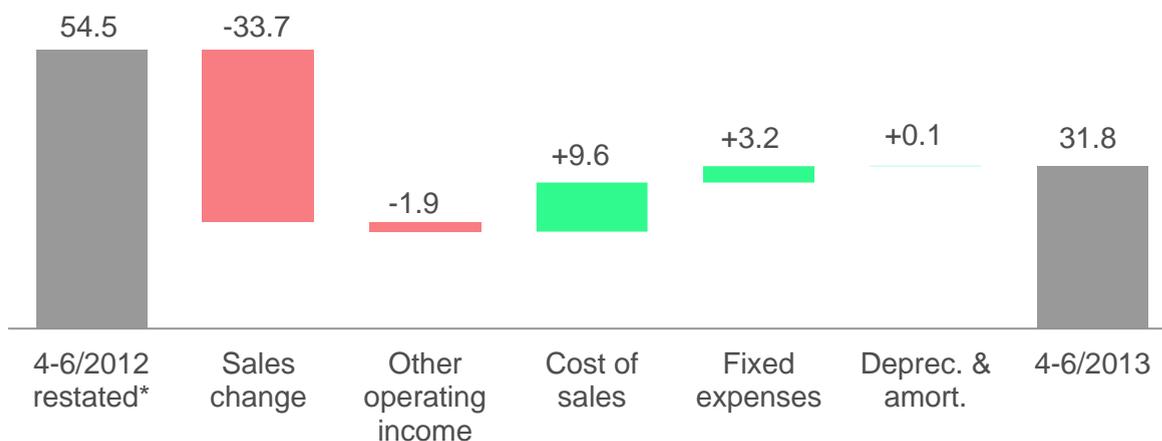
## Net sales

EUR million  
388.6



## EBIT excl. non-recurring items

EUR million



- Sales declined mainly due to weak advertising market
  - ¾ of decline in advertising explained by weak advertising market in the Netherlands
- Decline in magazine circulation not offset by price increases

- Operating profit excluding non-recurring items impacted mainly by:
  - Weak advertising sales
  - Efficiency measures not able to offset the decline in sales

\* 2012 figures have been restated due to a change in IAS19 'Employee benefits'.

# News – net sales and EBIT excl. non-recurring items

Q2 2013

## Net sales

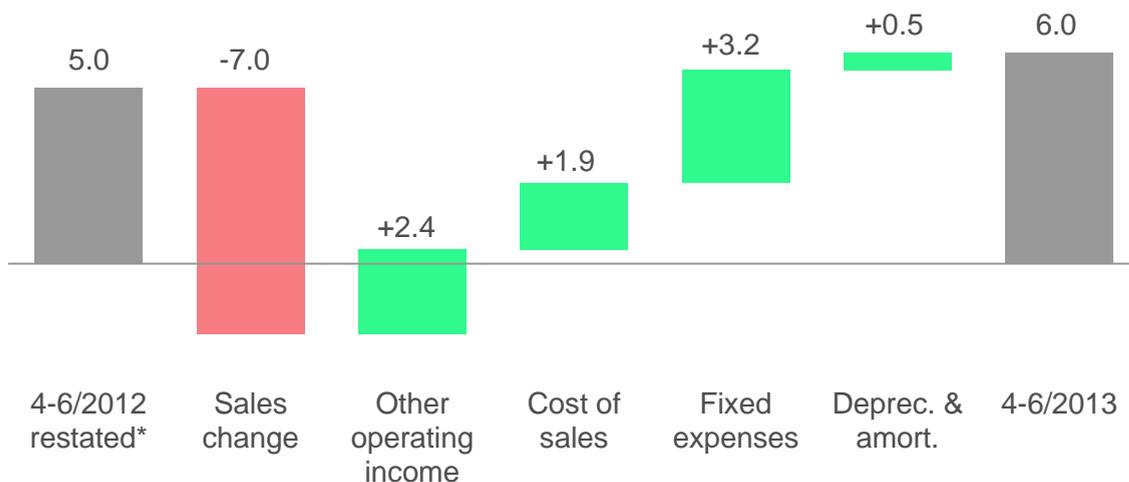
EUR million



- Sales declined mainly due to weak print advertising market
- In Ilta-Sanomat online advertising more than off-set the decline in print advertising

## EBIT excl. non-recurring items

EUR million



- EBIT excluding non-recurring items increased mainly due to cost savings
- News improved its EBIT excluding non-recurring items compared to comparable period for the first time since Q4 2011

\* 2012 figures have been restated due to a change in IAS19 'Employee benefits'.

# Non-recurring items

Q2 2013

- **Restructuring expenses** – approx. EUR 7 million related to cost savings programme
- **Netherlands** – approx. EUR 6 million tax-deductible impairment of intangible assets related to equestrian sports magazines
- **Belgium** – approx. EUR 11 million tax-deductible impairment of intangible assets related to Sanoma's share of the Belgium De Vijver operations and approx. EUR 2 million tax-deductible impairment related to Belgium magazine operations

EUR million	4–6/2013	4–6/2012	1–6/2013	1–6/2012	1–12/2012
Gain on sales	0.0	7.0	1.5	7.0	10.2
Loss on sales	-1.9	0.0	-1.9	0.0	-1.1
Restructuring expenses	-10.0	-5.2	-13.9	-5.2	-24.2
Impairment of goodwill and intangible assets	-19.1	-7.5	-53.9	-7.5	-35.0
<b>Total non-recurring items in operating profit</b>	<b>-31.0</b>	<b>-5.7</b>	<b>-68.3</b>	<b>-5.7</b>	<b>-50.0</b>
<b>Total non-recurring items in associated companies</b>	<b>1.3</b>	<b>-3.2</b>	<b>1.3</b>	<b>-20.5</b>	<b>-17.5</b>

# Free cash flow

Cash flow from operations less cash CAPEX

EUR million	4–6/2013	Restated* 4–6/2012	1-6/2013	Restated* 1-6/2012	Restated* 1–12/2012
<b>EBITDA excl. non-recurring items</b>	<b>141.1</b>	<b>178.3</b>	<b>217.0</b>	<b>265.2</b>	<b>523.0</b>
TV programming costs	-34.7	-40.3	-94.8	-89.0	-179.3
Prepublication costs	-8.1	-7.4	-14.6	-13.6	-28.2
Change in working capital	-60.5	-79.8	-95.8	-100.2	-11.4
Interest paid	-7.7	-13.5	-34.7	-21.2	-35.7
Other financial items	-1.5	-1.1	-4.0	-4.5	-9.2
Taxes paid	-16.7	-10.5	-19.8	-33.7	-49.3
Other adjustments	-9.4	-7.0	-13.4	-6.2	-18.0
<b>Cash flow from operations</b>	<b>2.6</b>	<b>18.8</b>	<b>-60.2</b>	<b>-3.1</b>	<b>192.0</b>
Cash CAPEX	-20.8	-13.4	-33.7	-29.7	-63.5
<b>Free cash flow</b>	<b>-18.3</b>	<b>5.4</b>	<b>-93.9</b>	<b>-32.8</b>	<b>128.5</b>

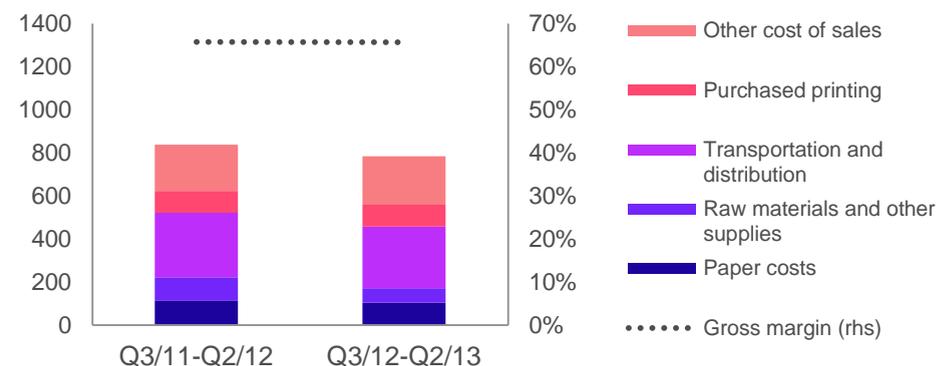
\* 2012 figures have been restated due to a change in IAS19 'Employee benefits' and include continuing and discontinued operations.

# Savings target & cost structure

- **Gross margin** – at the level of comparable period
- **Fixed costs** – lower in absolute terms
- **Group-wide cost savings programme** – targeting around EUR 60 million gross savings compared to 2012
  - Savings fully effective by the end of 2015
- **Savings programme** – proceeding according to plan
  - Decisions made so far are estimated to generate around half of targeted EUR 60 million gross savings
    - Realised gross savings more than EUR 3 million in Q2 2013
  - Around EUR 16 million of non-recurring items recognised so far
    - Some EUR 7 million in Q2 2013

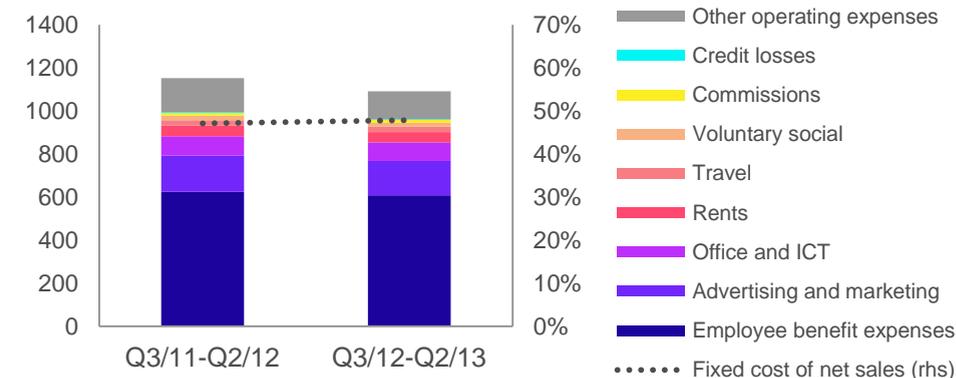
**Cost of sales split (EUR million) and Gross Margin**

Rolling 12 months



**Fixed cost split (EUR million) and share of net sales**

Rolling 12 months

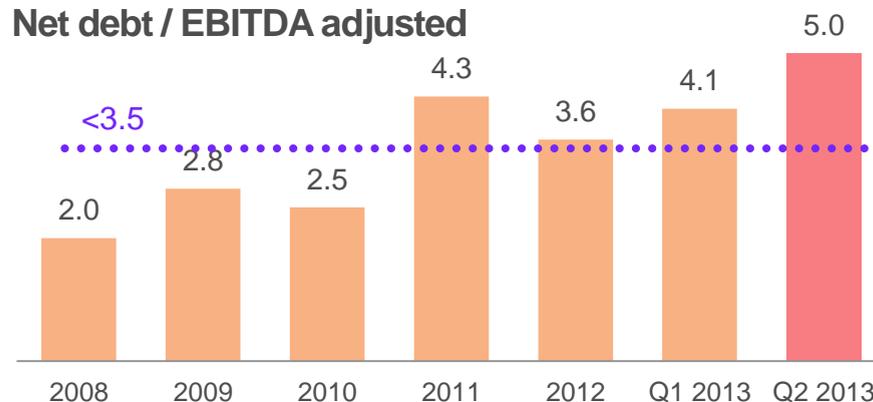


# Capital structure

30 June 2013

- Funding secured for the coming years
  - Diversification of funding through sale and leaseback arrangements under consideration
- Q2 is seasonally the weakest for the balance sheet
- Net debt EUR 1,418 million (1,457)
  - Net debt / EBITDA adjusted 5.0 times (4.7)
    - EBITDA adjusted is calculated based on 12-month rolling EBITDA excl. non-recurring items (continuing operations), where acquired operations are included and divested operations excluded for the rolling period, and where programming rights and prepublication rights have been raised above EBITDA
  - Average interest rate around 3.5% p.a.
  - Interest sensitivity\* is around EUR 3 million and the duration is 18 months
- Equity totalled EUR 1,444 million (1,533)
- Clear headroom to financial loan covenants
  - Net debt / EBITDA based on covenant calculation method 3.1 times (2.7)
  - Equity ratio 38.2% (39.6%)

Net debt / EBITDA adjusted



Committed credit facilities profile\*\*

EUR million

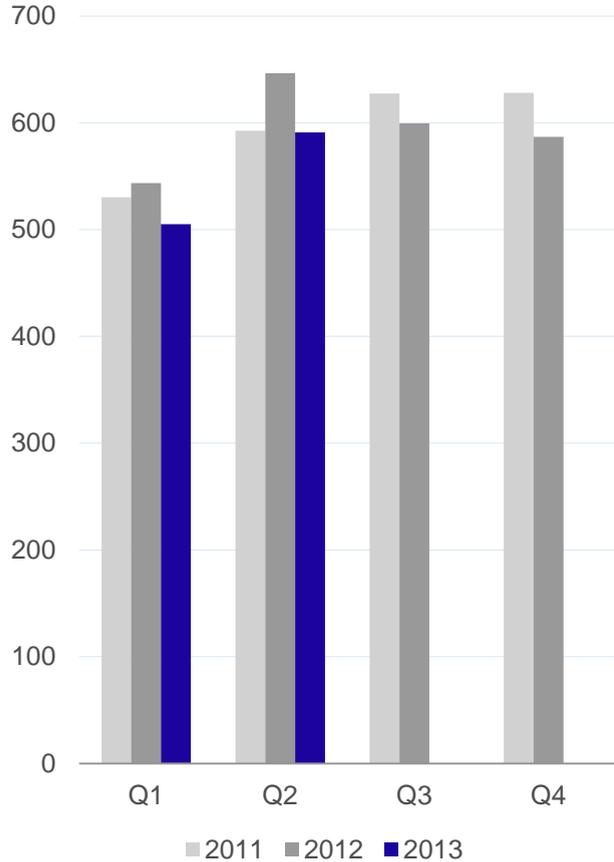


\* Should the level in market interest rates make a parallel shift of one percentage point.

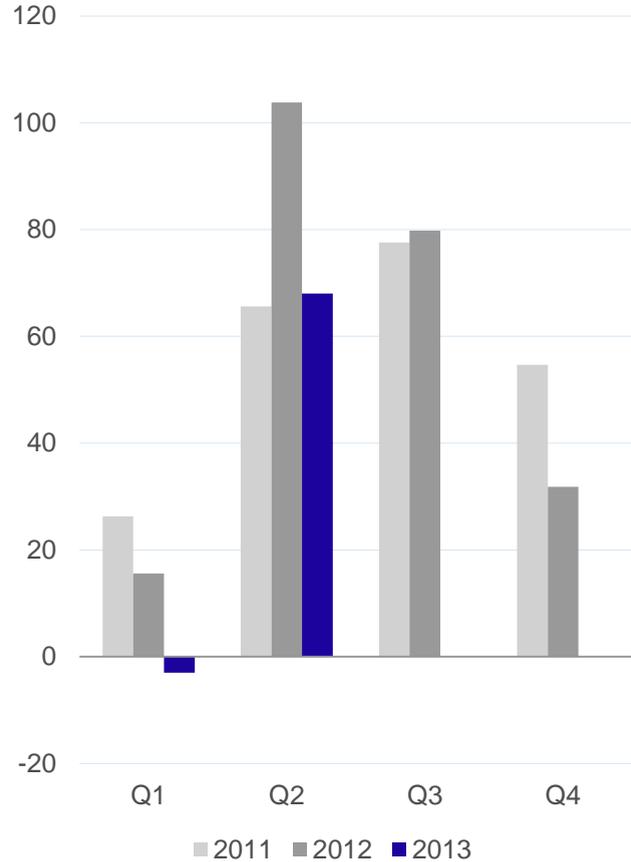
\*\* Including the EUR 400 million bond maturing in 2017 and excluding current account limits.

# Seasonality between quarters visible in EBIT and cash flow

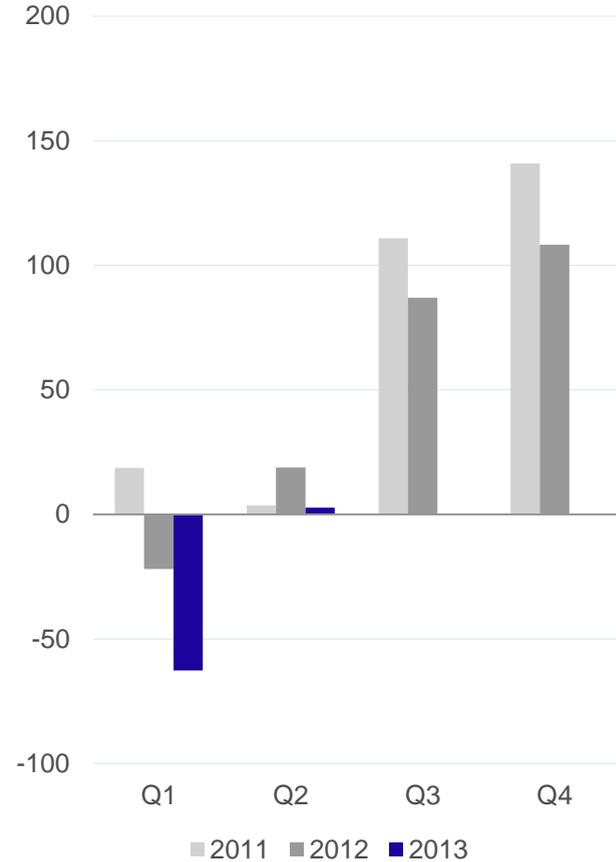
Net sales (EUR million)



EBIT excl. non-recurring items (EUR million)\*



Cash flow from operations (EUR million)\*



\* 2012 figures have been restated due to a change in IAS19 'Employee benefits'.

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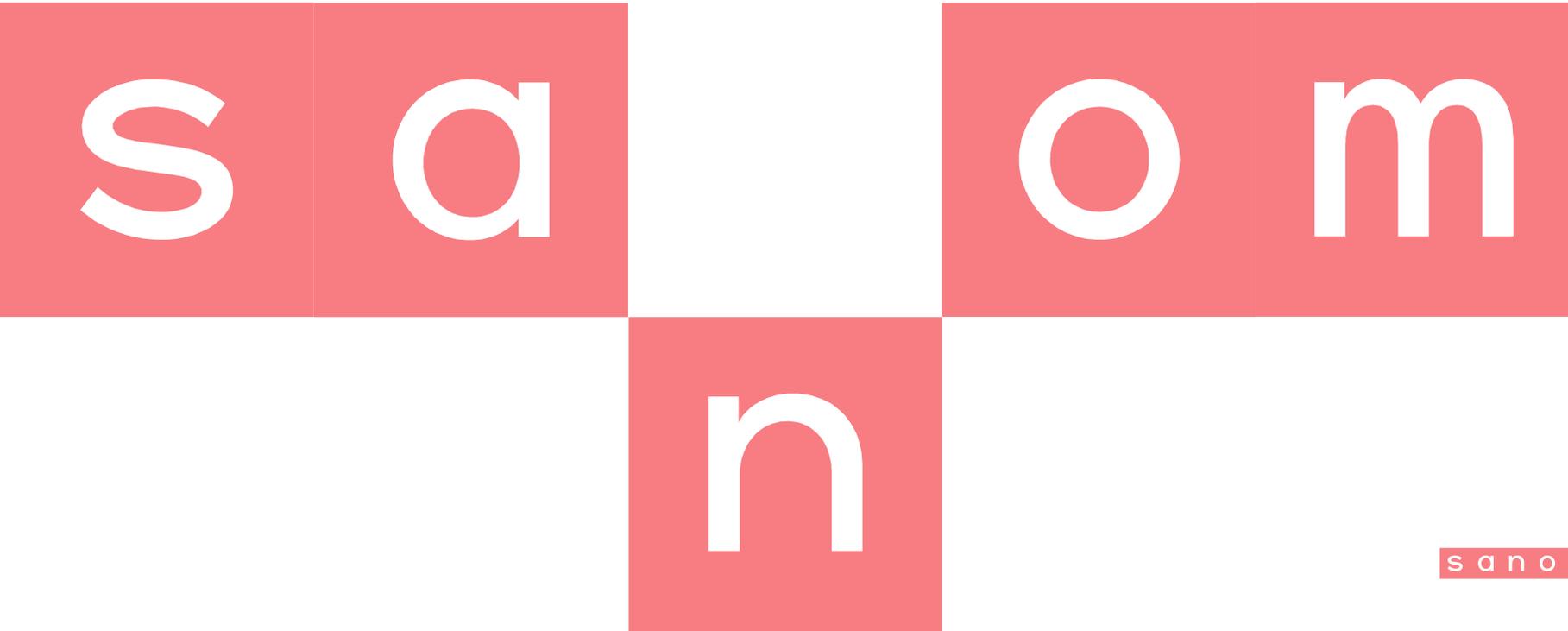
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Q&A

# Appendix 1

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## Sanoma's business units



# Sanoma Media

## Key figures

EUR million	4–6/2013	1–3/2013	FY 2012	10–12/2012	7–9/2012	4–6/2012	1–3/2012	FY 2011
<b>Net sales</b>	<b>354.9</b>	<b>323.5</b>	<b>1,487.1</b>	<b>406.3</b>	<b>338.1</b>	<b>388.6</b>	<b>354.1</b>	<b>1,369.2</b>
The Netherlands	184.6	157.2	760.4	207.2	173.5	208.1	171.6	642.0
Finland	73.7	69.6	301.7	82.2	65.4	76.7	77.4	309.7
Russia & CEE	43.9	42.8	199.5	53.5	46.9	50.1	49.0	213.1
Belgium	53.2	54.3	228.3	64.1	52.9	54.6	56.8	209.1
Other businesses and eliminations	-0.5	-0.5	-2.7	-0.7	-0.6	-0.8	-0.7	-4.8
<b>EBIT excluding non-recurring items*</b>	<b>31.8</b>	<b>-1.3</b>	<b>151.5</b>	<b>46.9</b>	<b>23.0</b>	<b>54.5</b>	<b>27.0</b>	<b>149.5</b>
<i>% of net sales</i>	<i>9.0</i>	<i>-0.4</i>	<i>10.2</i>	<i>11.5</i>	<i>6.8</i>	<i>14.0</i>	<i>7.6</i>	<i>10.9</i>
Number of employees (FTE)**	5,512	5,536	5,718	5,718	5,824	5,770	5,785	5,638

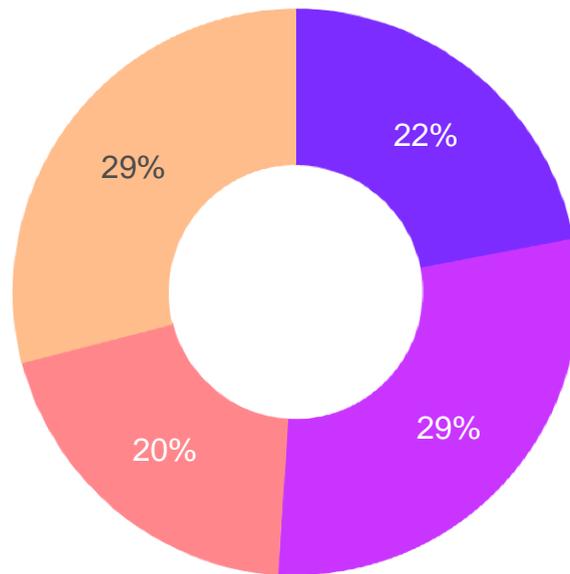
\* 2012 figures have been restated due to a change in IAS19 'Employee benefits'.

\*\* At the end of the period.

# TV – net sales and EBIT seasonality

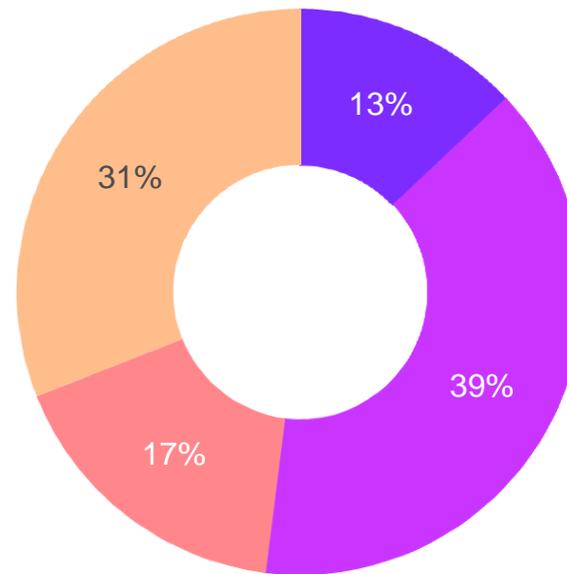
2010-2012 average for TV\*

## Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

## EBIT\*\* split



■ Q1 ■ Q2 ■ Q3 ■ Q4



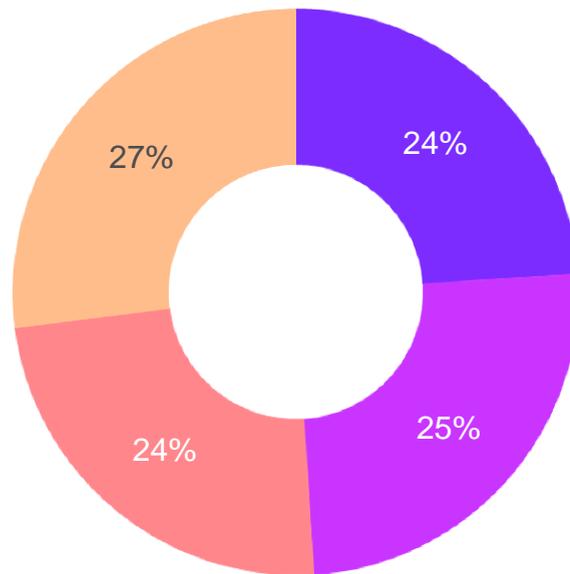
\*Includes SBS Netherlands (excluding PPA amortization) and Nelonen Media Finland.

\*\*Excluding non-recurring items.

# Magazines – net sales and EBIT seasonality

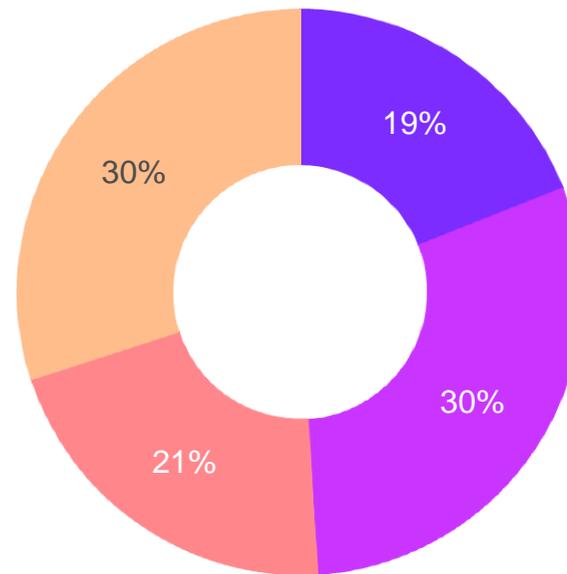
2010-2012 average for Magazines\*

Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

EBIT\*\* split



■ Q1 ■ Q2 ■ Q3 ■ Q4

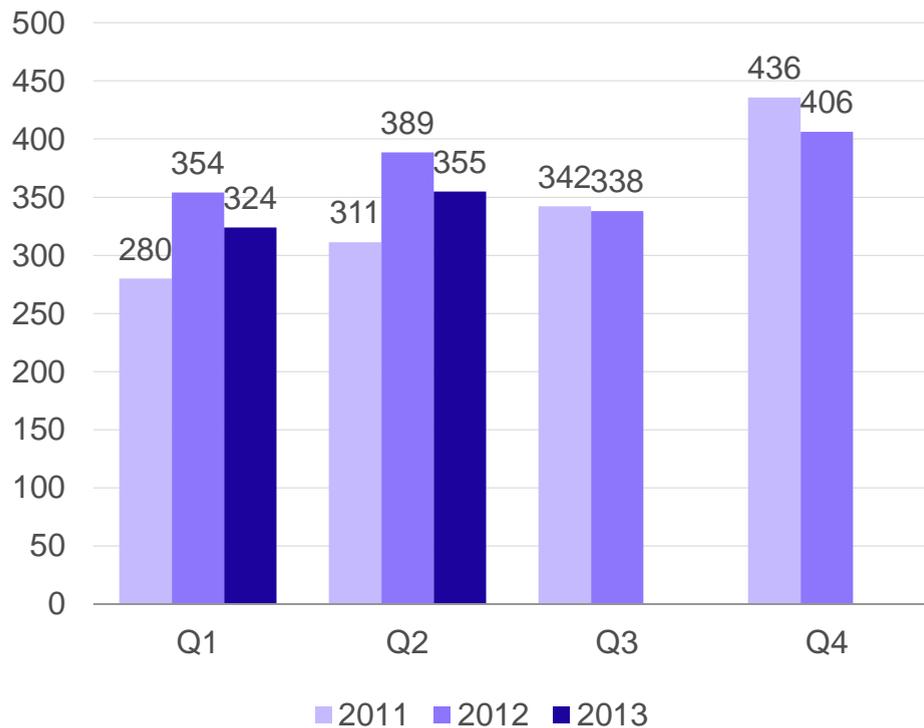


\*Includes Dutch, Finnish, Belgium and Russian operations.

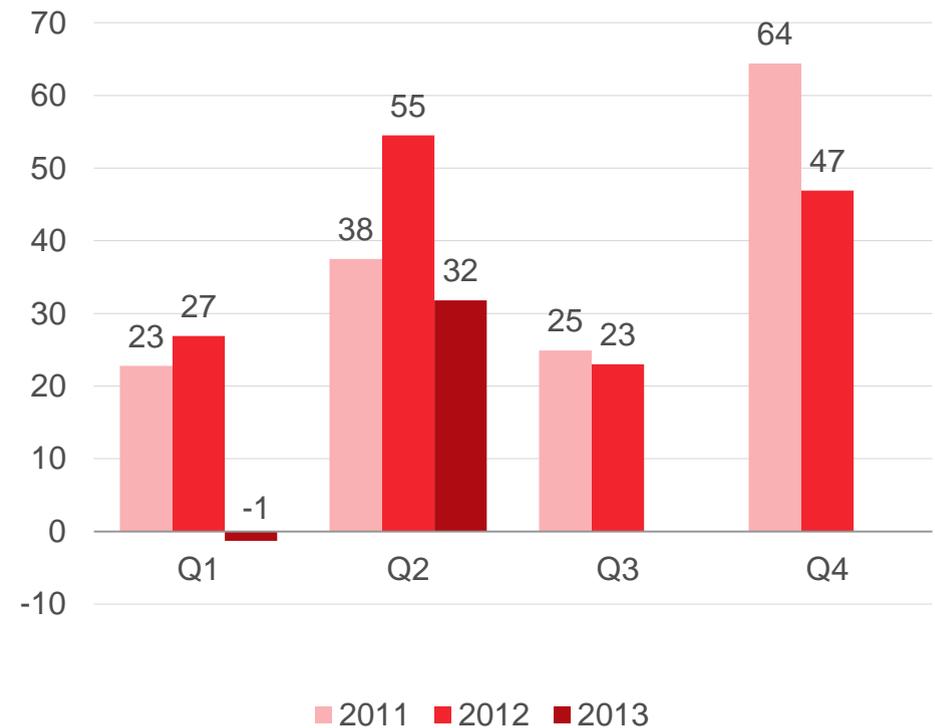
\*\*Excluding non-recurring items.

# Sanoma Media

Net sales  
EUR million



EBIT excluding non-recurring items\*  
EUR million



\* 2012 figures have been restated due to a change in IAS19 'Employee benefits'.

# Sanoma News

## Key figures

EUR million	4-6/2013	1-3/2013	FY 2012	10-12/2012	7-9/2012	4-6/2012	1-3/2012	FY 2011
<b>Net sales</b>	<b>99.8</b>	<b>101.0</b>	<b>422.8</b>	<b>107.6</b>	<b>98.3</b>	<b>106.8</b>	<b>110.0</b>	<b>435.8</b>
Helsingin Sanomat	<b>53.0</b>	56.3	224.9	57.1	52.2	<b>56.2</b>	59.3	238.5
Ilta-Sanomat	<b>22.7</b>	20.0	84.3	21.1	20.0	<b>22.0</b>	21.2	84.4
Other businesses and eliminations	<b>24.1</b>	24.8	113.5	29.4	26.1	<b>28.6</b>	29.5	112.9
<b>EBIT excluding non-recurring items*</b>	<b>6.0</b>	<b>5.9</b>	<b>32.2</b>	<b>10.0</b>	<b>8.4</b>	<b>5.0</b>	<b>8.8</b>	<b>49.4</b>
<i>% of net sales</i>	<b>6.0</b>	5.8	7.6	9.3	8.5	<b>4.7</b>	8.0	11.3
Number of employees (FTE)**	<b>2,127</b>	2,026	1,928	1,928	2,002	<b>2,213</b>	2,033	2,025

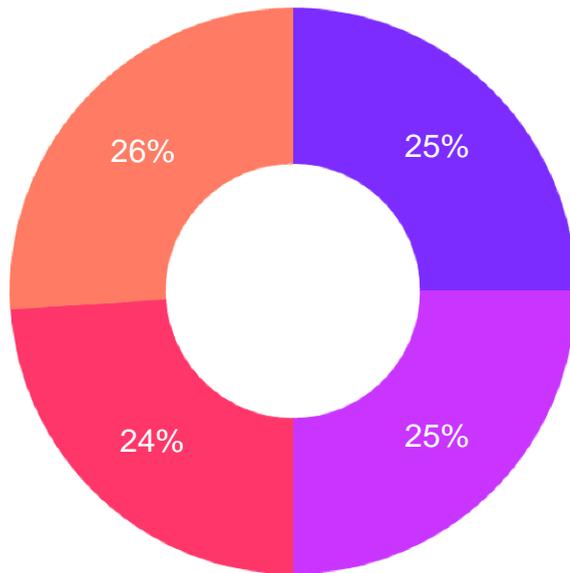
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\*\* At the end of the period.

# News – net sales and EBIT seasonality

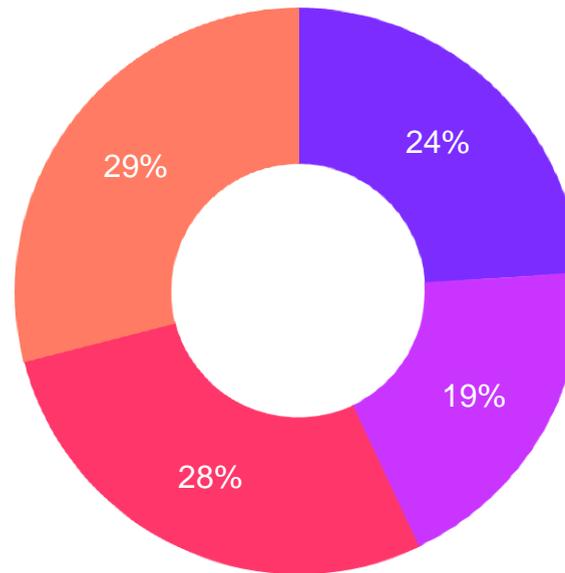
2010-2012 average for News

Net sales split



■ Q1 ■ Q2 ■ Q3 ■ Q4

EBIT\* split



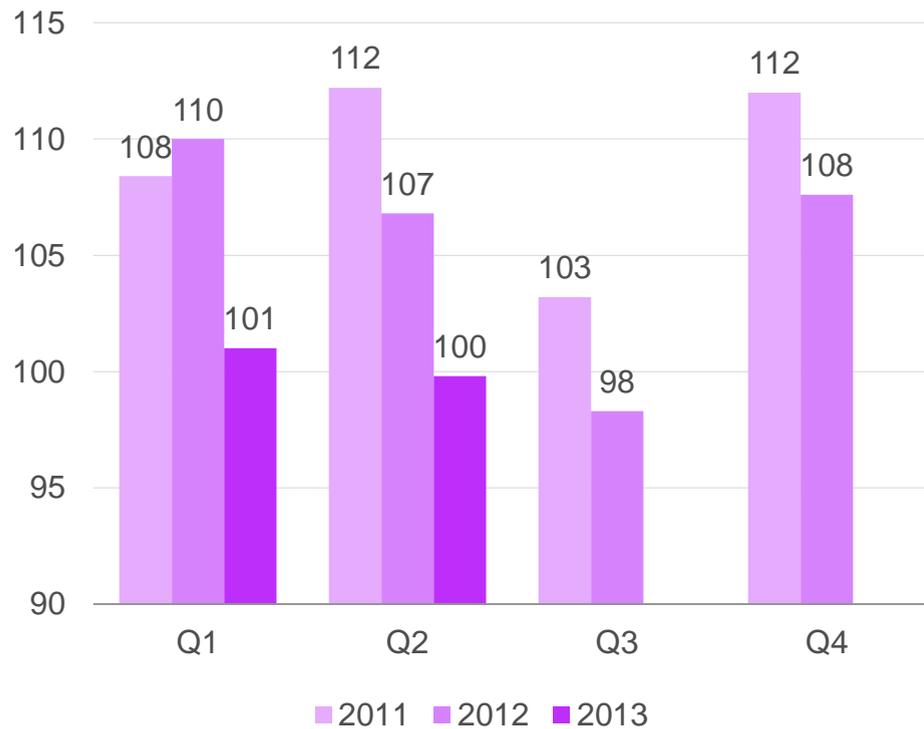
■ Q1 ■ Q2 ■ Q3 ■ Q4



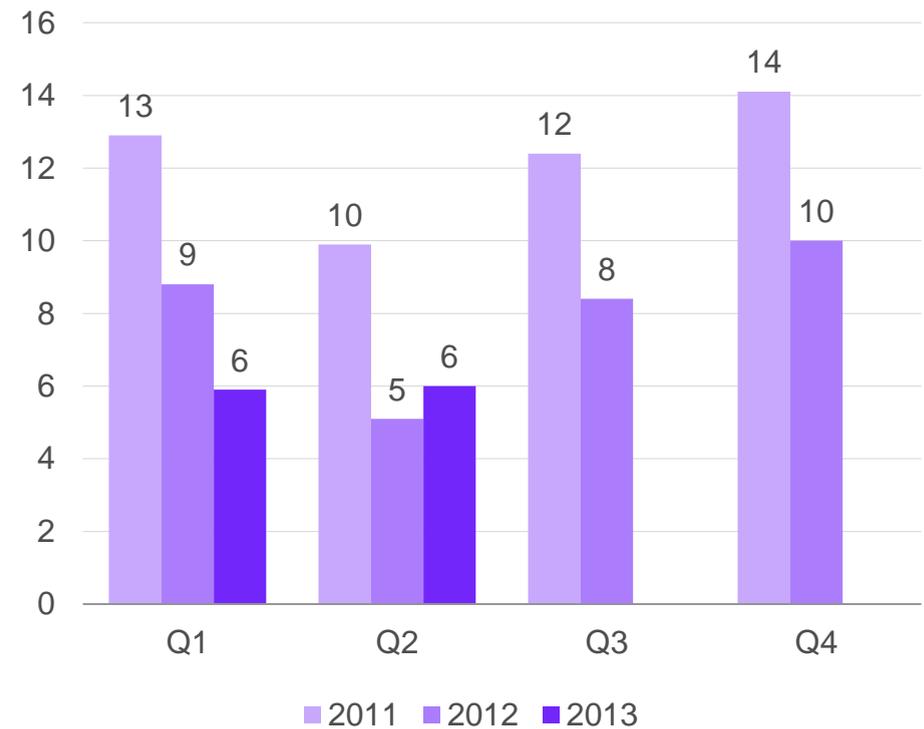
\*Excluding non-recurring items.

# Sanoma News

Net sales  
EUR million



EBIT excluding non-recurring items\*  
EUR million



\* 2012 figures have been restated due to a change in IAS19 'Employee benefits'.

# Sanoma Learning

## Key figures

EUR million	4-6/2013	1-3/2013	FY 2012	10-12/2012	7-9/2012	4-6/2012	1-3/2012	FY 2011
<b>Net sales</b>	<b>103.5</b>	<b>45.7</b>	<b>312.4</b>	<b>35.5</b>	<b>127.4</b>	<b>111.1</b>	<b>38.4</b>	<b>290.6</b>
Learning	103.7	45.7	306.4	35.5	127.4	109.3	34.2	256.6
Other businesses			6.5	0.0	0.0	1.8	4.6	36.1
Eliminations	-0.2	0.0	-0.5	0.0	0.0	0.0	-0.4	-2.1
<b>EBIT excluding non-recurring items*</b>	<b>35.9</b>	<b>-4.4</b>	<b>59.2</b>	<b>-22.1</b>	<b>49.4</b>	<b>46.9</b>	<b>-15.0</b>	<b>47.7</b>
<i>% of net sales</i>	<b>34.6</b>	-9.6	19.0	-62.2	38.7	<b>42.2</b>	-39.0	16.4
Number of employees (FTE)**	<b>1,741</b>	1,750	1,735	1,735	1,719	<b>1,715</b>	2,011	2,011

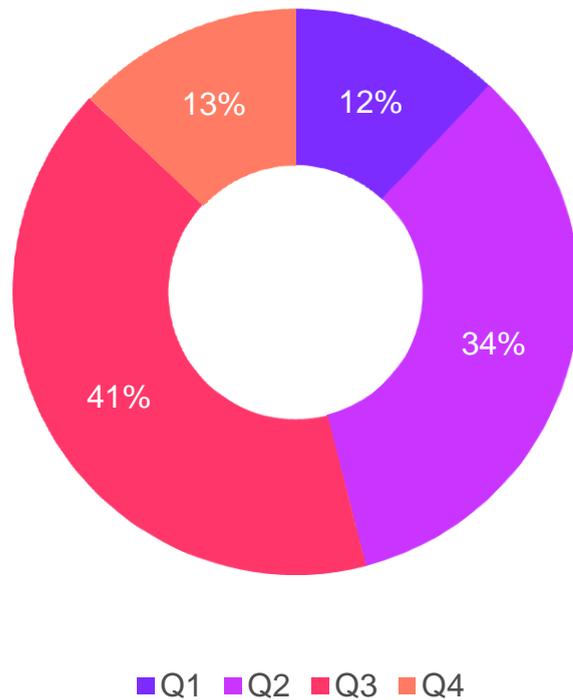
\* 2012 figures have been restated due to a change in IAS19 'Employee benefits'.

\*\* At the end of the period.

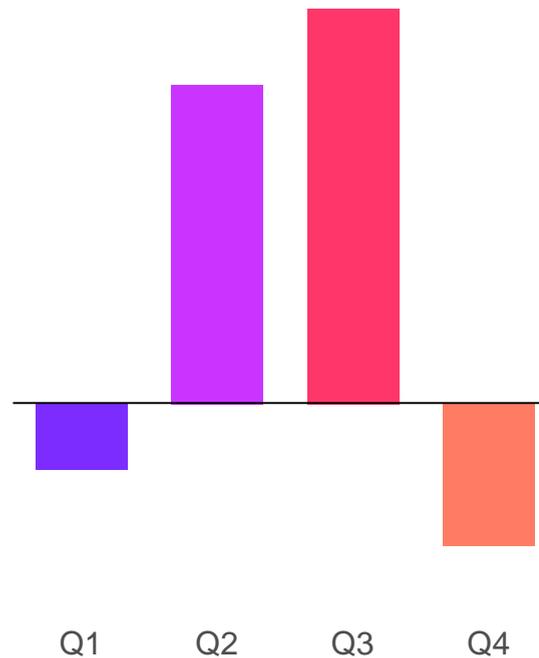
# Learning – net sales and EBIT seasonality

2010-2012 average for learning\*

## Net sales split



## EBIT\*\* split in relative terms

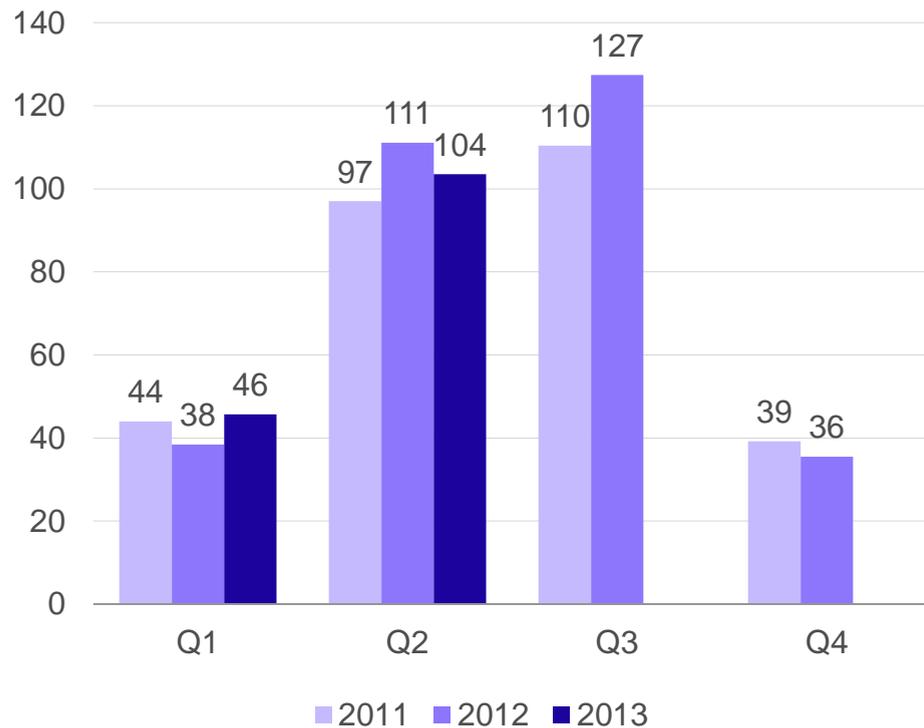


\*Includes only learning business of the Learning segment.

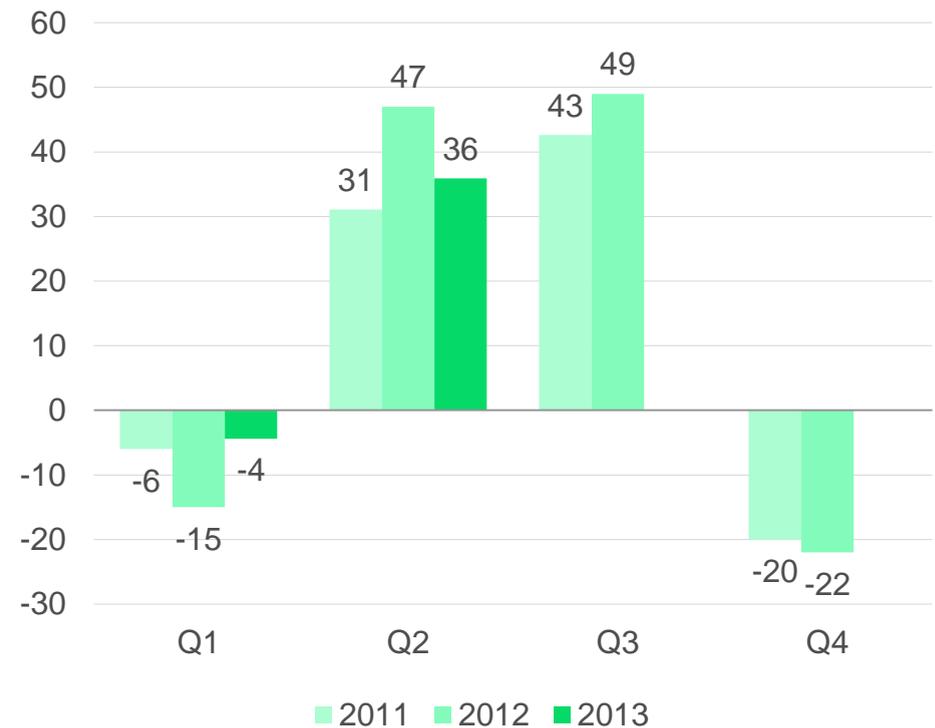
\*\*Excluding non-recurring items.

# Sanoma Learning

Net sales  
EUR million



EBIT excluding non-recurring items\*  
EUR million



\* 2012 figures have been restated due to a change in IAS19 'Employee benefits'.

# Appendix 2

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## About owners and coverage

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# Sanoma – largest shareholders

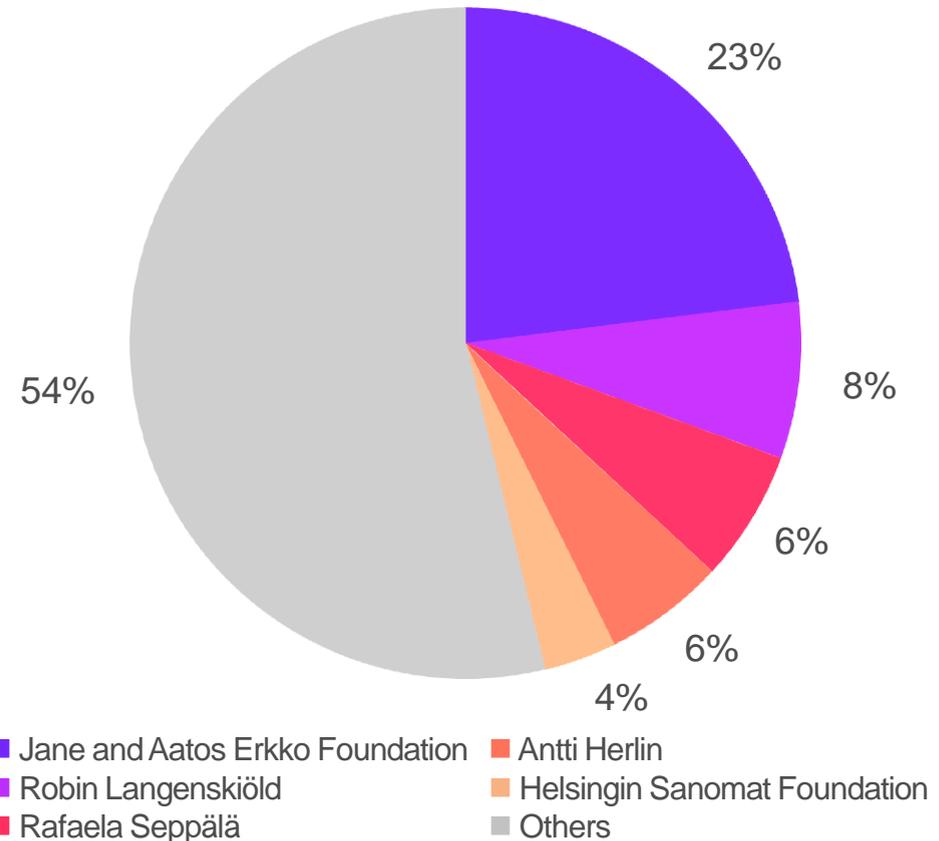
30 June 2013

% of shares  
and votes

1. Jane and Aatos Erkko Foundation	23.02
2. Robin Langenskiöld	7.54
3. Rafaela Seppälä	6.31
4. Antti Herlin (Holding Manutas Oy: 4.98%, Security Trading 1.11%, personal: 0.02%)	6.10
5. Helsingin Sanomat Foundation	3.50
6. Ilmarinen Mutual Pension Insurance Company	2.60
7. Svenska litteratursällskapet i Finland r.f.	1.42
8. Foundation for Actors' Old-age-home	1.38
9. Alfred Kordelin Foundation	1.32
10. The WSOY's Literature Foundation	1.27
<b>Foreign ownership in total</b>	<b>8.3</b>
<b>Total number of shares</b>	<b>162,812,093</b>
<b>Total number of shareholders</b>	<b>33,807</b>

Institutional investors: around 64% of shares

Private investors: around 36% of shares



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The information above contains, or may be deemed to contain, forward-looking statements. These statements relate to future events or future financial performance, including, but not limited to, expectations regarding market growth and development as well growth and profitability of Sanoma. In some cases, such forward-looking statements can be identified by terminology such as “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of those terms or other comparable terminology. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Future results may vary from the results expressed in, or implied by, the forward-looking statements, possibly to a material degree. All forward-looking statements included herein are based on information presently available to Sanoma and, accordingly, Sanoma assumes no obligation to update any forward-looking statements, unless obligated to do so pursuant to an applicable law or regulation.

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