

Half-year Report 2019:

# Stable operational EBIT both for Q2 and H1 2019

Susan Duinhoven, President & CEO  
Markus Holm, CFO & COO

a

m

s

o

a

n

# H1 2019 highlights

Net sales

**M€ 602**

(2018: 625)

Operational EBIT  
excl. PPA

**M€ 91**

(2018: 92)

Operational EBIT  
excl. PPA, margin

**15.1%**

(2018: 14.8%)

Free cash flow

**M€ -41**

(2018: -43)

Net debt / Adj.  
EBITDA

**2.2**

(2018: 2.1)

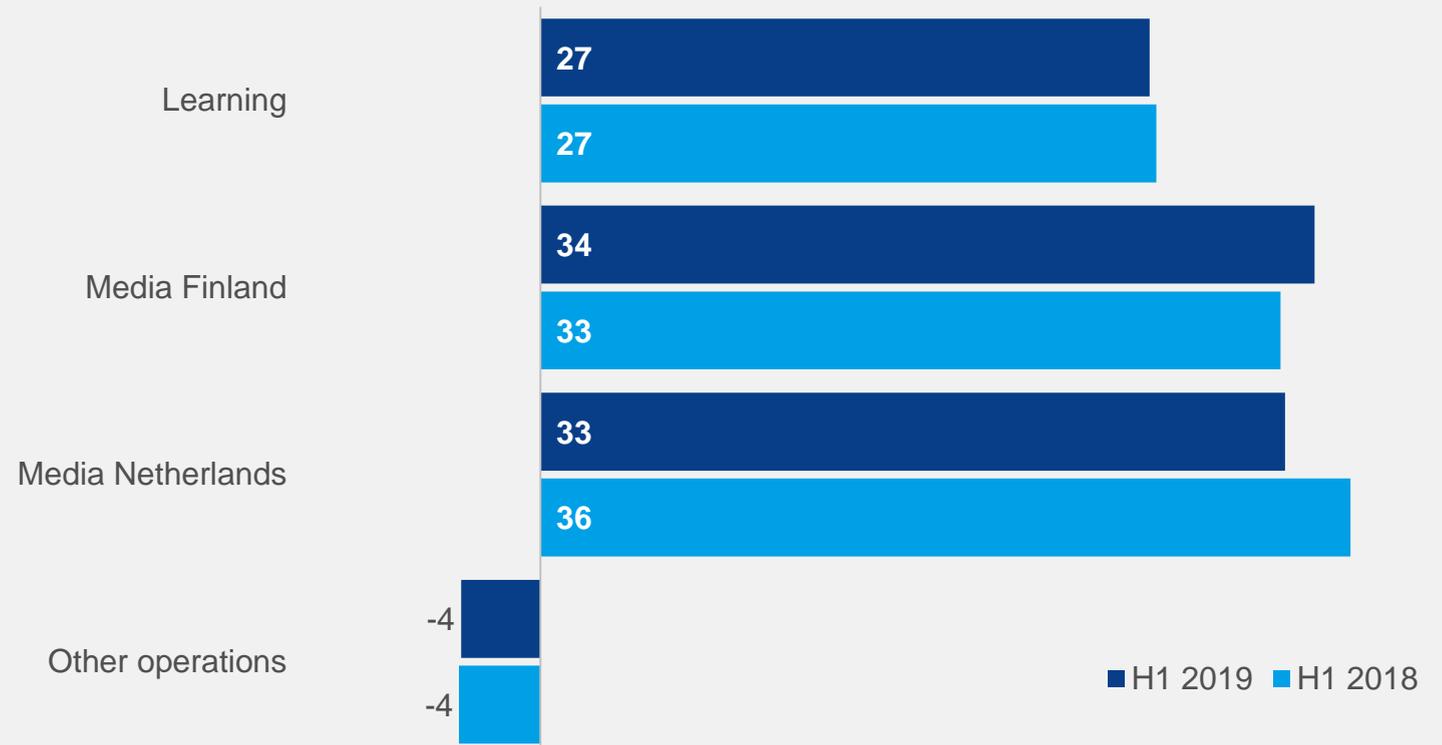
- Net sales were at the previous year's level in Learning and Media Finland, declined in Media Netherlands due to divestments
  - Comparable net sales development was -3% (2018: -3%)
- Operational EBIT excl. PPA was stable, margin improved slightly
- Free cash flow and leverage were on the previous year's levels
- Outlook for 2019 unchanged

# Solid operational earnings across all SBUs in H1 2019

- **Learning:** Net sales and earnings were stable
- **Media Finland:** Net sales were stable as a result of acquisitions, earnings improved slightly
- **Media Netherlands:** Reported net sales and operational EBIT declined due to divestments, comparable net sales and earnings stable

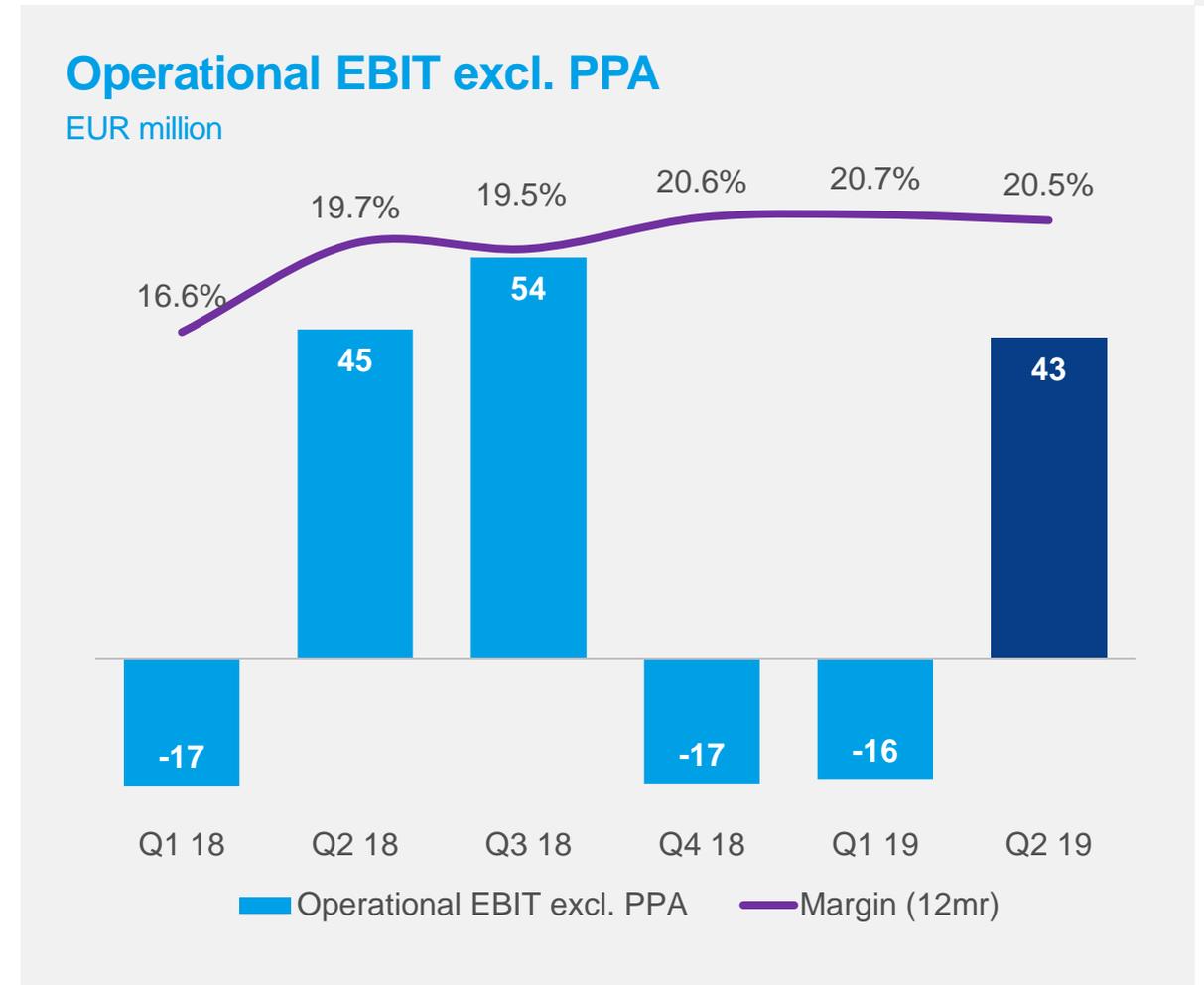
## H1 2019 Operational EBIT excl. PPA by SBU

EUR million



# Learning Q2 2019: Good start to the year

- Net sales declined slightly to EUR 105 million (2018: 108)
  - Growth in Poland driven by launch of new niche products
  - In Finland, ending of a curriculum renewal in 2018, together with some deliveries being postponed to Q3, led to a net sales decline
  - Large spring order received already in Q1 in the Netherlands
- Following the net sales development, earnings declined slightly
  - Continued benefits from the High Five programme
  - Offset by higher amortisations due to earlier investments in digital platforms and renewed learning methods
- Closing of Iddink acquisition is expected by the end of Q3 2019, after finalisation of the Dutch ACM's assessment



# Finnish advertising market grew largely driven by elections

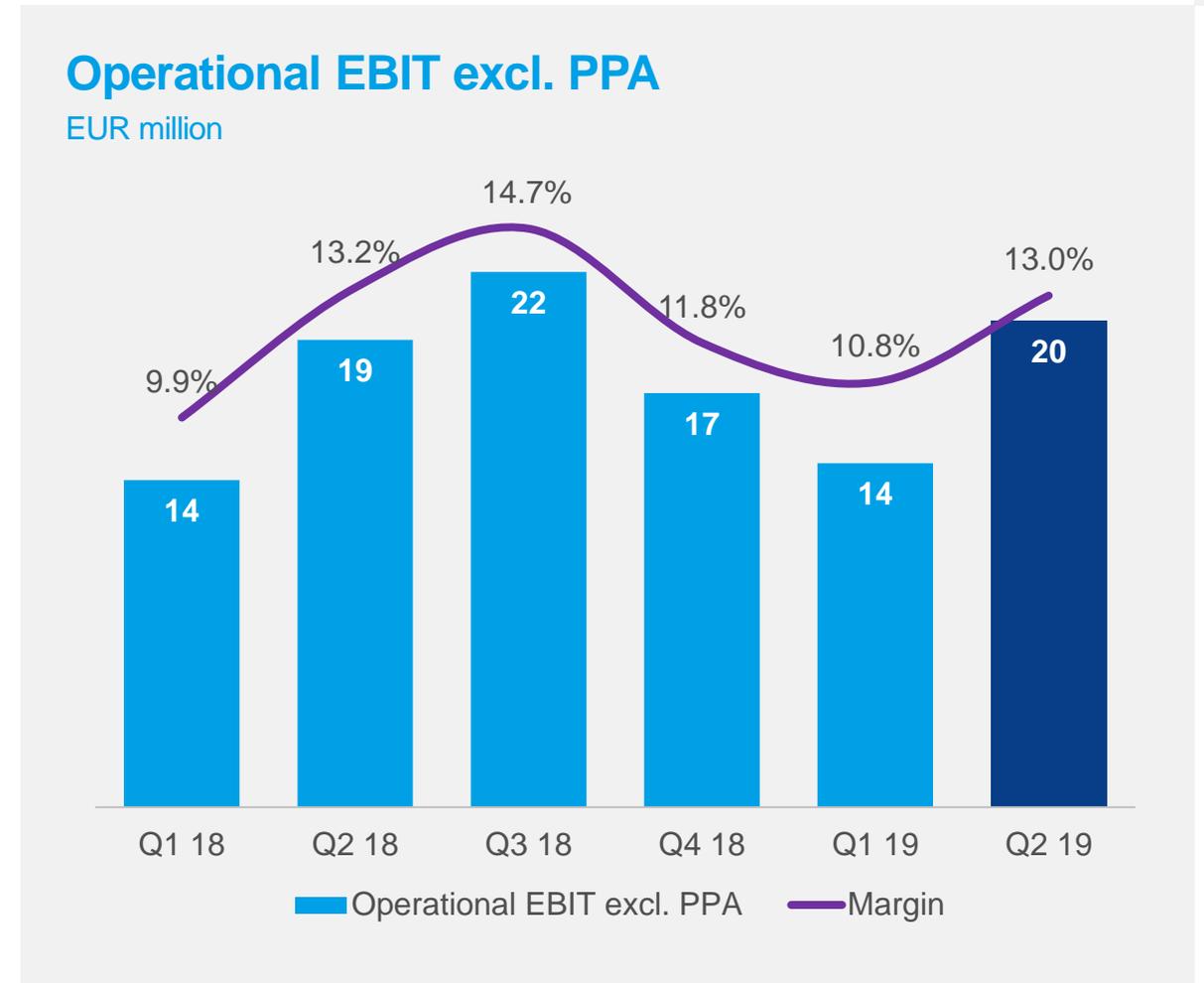
## Finnish measured media advertising markets

	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	FY 18
Newspapers	-2%	-7%	-12%	-8%	-13%	-12%	-11%
Magazines	-2%	-5%	-2%	-3%	-10%	-7%	-5%
TV	1%	-7%	-1%	1%	1%	1%	0%
Radio	10%	7%	4%	2%	11%	-4%	4%
Online *	9%	2%	2%	2%	3%	7%	3%
<b>Total market</b>	<b>5%</b>	<b>-2%</b>	<b>-2%</b>	<b>-1%</b>	<b>-3%</b>	<b>-2%</b>	<b>-2%</b>

- Excluding the election impact, total market development for Q2 19 was 1%
- Market demand grew approx. by EUR 2 million in Q1 19 and by EUR 8 million in Q2 19 due to elections

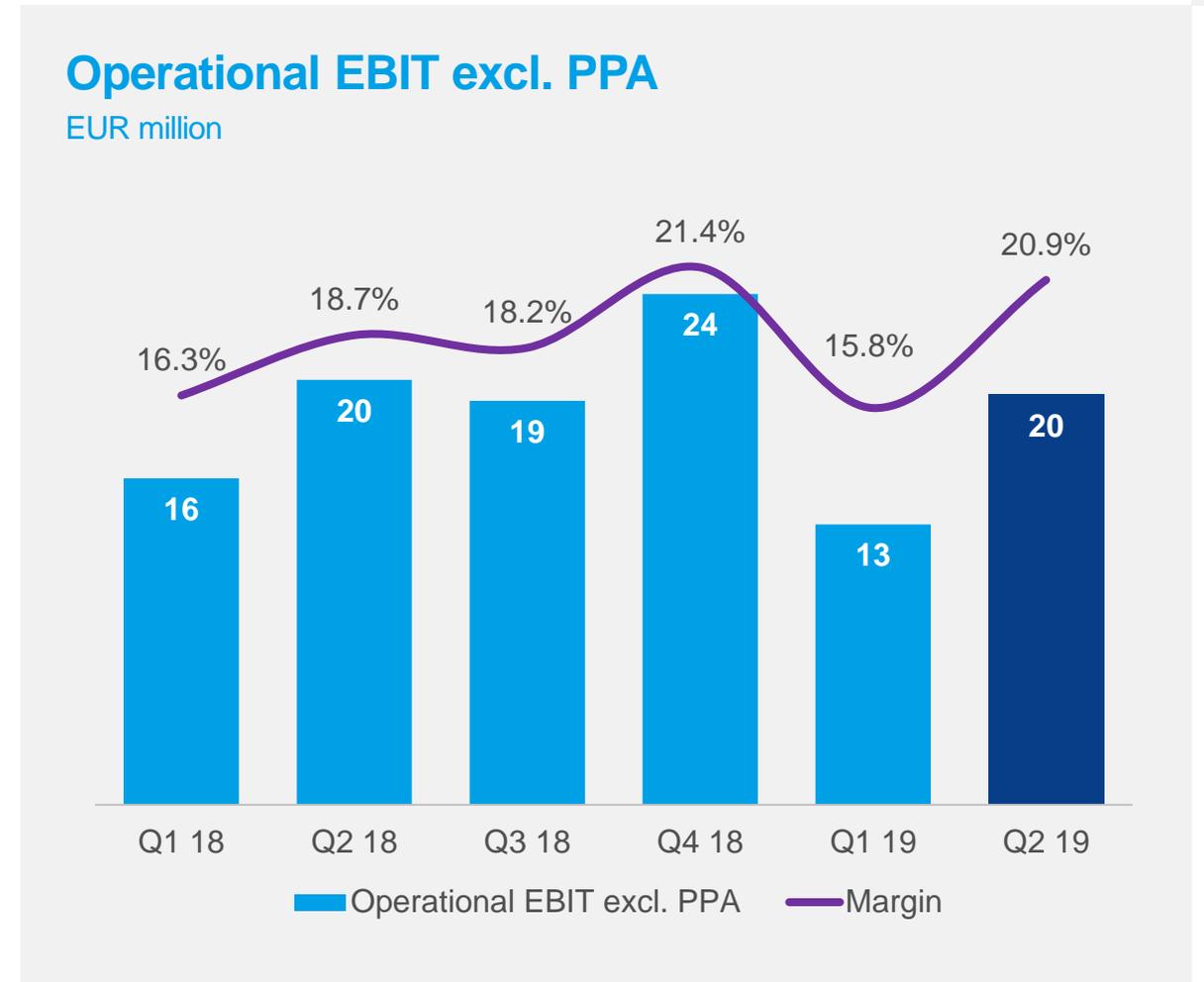
# Media Finland Q2 2019: Net sales grew as a result of acquisitions, earnings improved slightly

- Net sales grew to EUR 155 million (2018: 146)
  - Growth in advertising sales attributable to good development in radio and digital, partially driven by elections
  - TV advertising overall in line with market but did not grow despite Fox TV channels being included in the offering
  - Subscription sales of Ruutu+ and Helsingin Sanomat continued to grow, partially compensating decline in magazine subscription sales and discontinuation of pay-TV
  - Other sales grew as a result of acquisitions: Finland's largest rock and metal music festival Rockfest and the Finnish News Agency STT
- Earnings improved slightly
  - As part of the deal structure, no positive earnings contribution from the acquired Rockfest to Sanoma yet this year
  - STT had a break-even result
- On 28 June, Sanoma increased its ownership in the Finnish online classifieds company Oikotie to 100%



# Media Netherlands Q2 2019: Divestments impacted reported financials, underlying business stable

- Net sales declined to EUR 94 million (2018: 108)
  - Impact of EUR -12 million due to divestments of LINDA magazine, Head Office content marketing operations in Belgium and discontinuation of Home Deco e-commerce operations
  - Digital advertising sales grew driven by strong development of NU.nl: Time spent on site grew by 10% in Q2 and by 11% in H1, with respective sales growth of 18% and 16%
  - Circulation sales continued to be impacted by the increase in the VAT of magazines, which came into force as of 1 January limiting our pricing flexibility
- Operational earnings stable, margin improved
  - Good cost containment on fixed costs offset the adverse impact of lower net sales
  - Solid profitability in H1 2019 with improved margin of 18.5% (2018: 17.6%)



# Outlook for 2019 unchanged

In 2019, Sanoma expects that the Group's

- **Comparable net sales will be in line with 2018**
- **Operational EBIT margin excl. PPA \* will be around 15% (2018: 15.7%).**

The outlook is based on an assumption of the consumer confidence and advertising market development in Finland and in the Netherlands to be in line with 2018.

The outlook does not include any assumptions of the intended acquisition of Iddink (disclosed on 11 Dec 2018), which is expected to be closed by the end of Q3 2019.

\* Operational EBIT margin excluding purchase price allocation amortisations

# Financials



# Operational earnings stable across SBUs

## Learning

- + Net sales growth in Poland driven by newly launched niche products
- + Continued benefits from High Five
- Some shift in net sales in the Netherlands (to Q1) and in Finland (to Q3)
- Higher amortisations following investments in digital platforms and renewed learning methods

## Media Finland

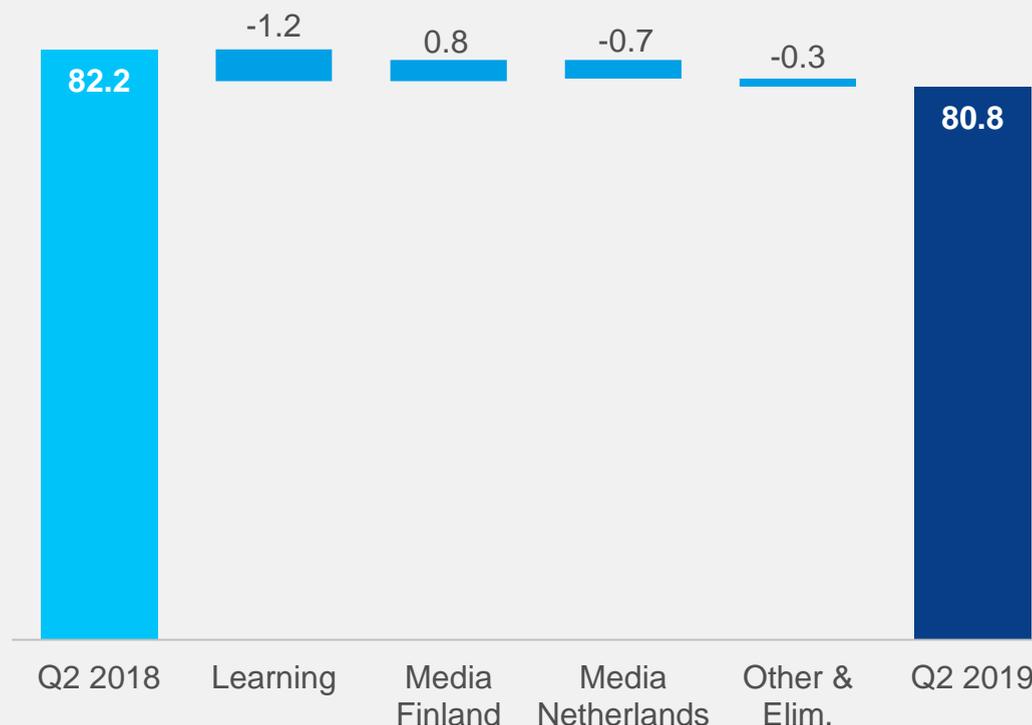
- + Net sales growth, esp. advertising and events
- Soft development in TV
- No contribution from the acquired Rockfest yet this year, as agreed with the seller
- STT at break-even

## Media Netherlands

- + Good cost containment esp. on fixed costs
- Lower net sales esp. due to divestments

## Operational EBIT excl. PPA Q2 19 vs. Q2 18

EUR million

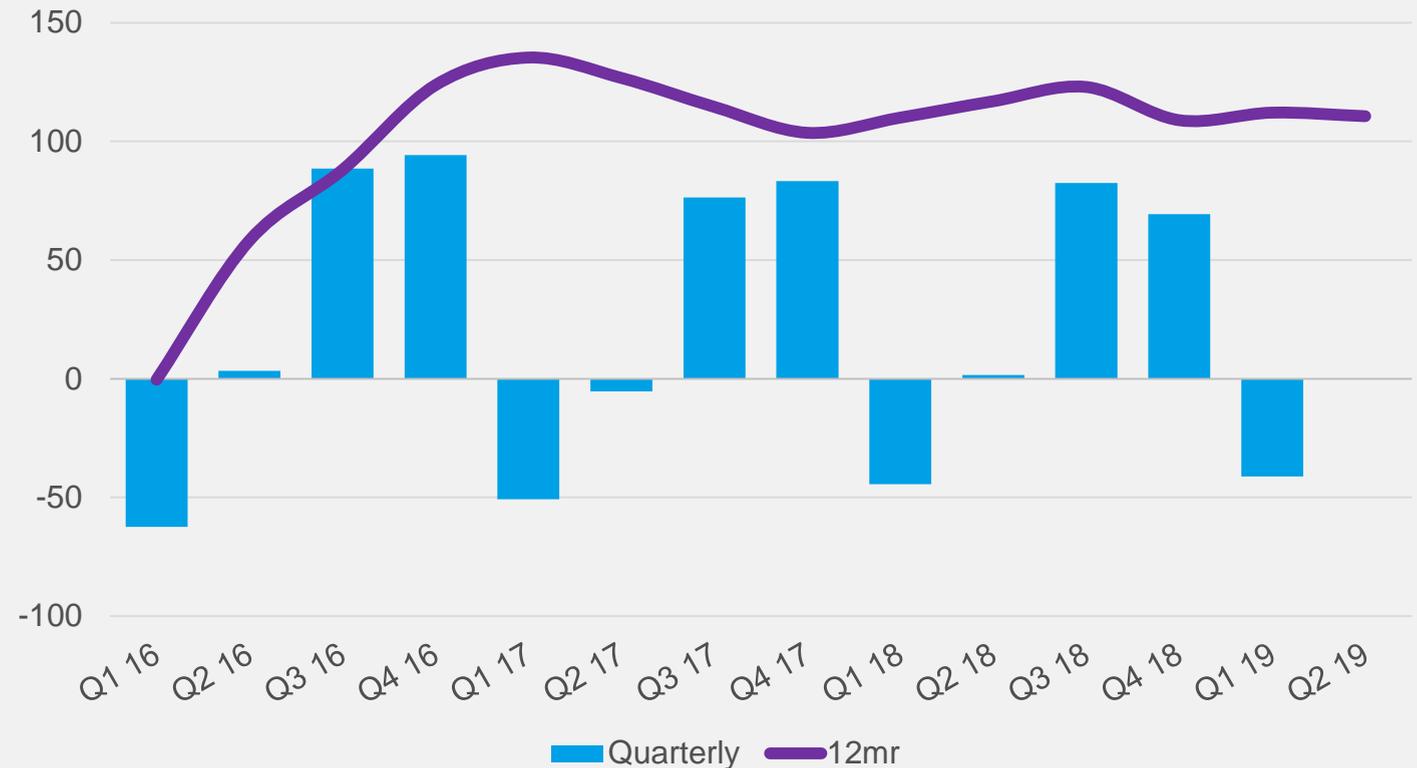


# Firm development of rolling free cash flow

- H1 free cash flow, EUR -41 million (2018: -43), at the previous year's level
- + Implementation of the IFRS 16 standard improved the free cash flow by EUR 12 million
- Improvement largely offset by the settlement of rental contract related to Discontinued operations in Belgium, paid in Q1

## Free cash flow

EUR million



Free cash flow = Cash flow from operations less capital expenditure

# Solid balance sheet despite the IFRS 16 impact

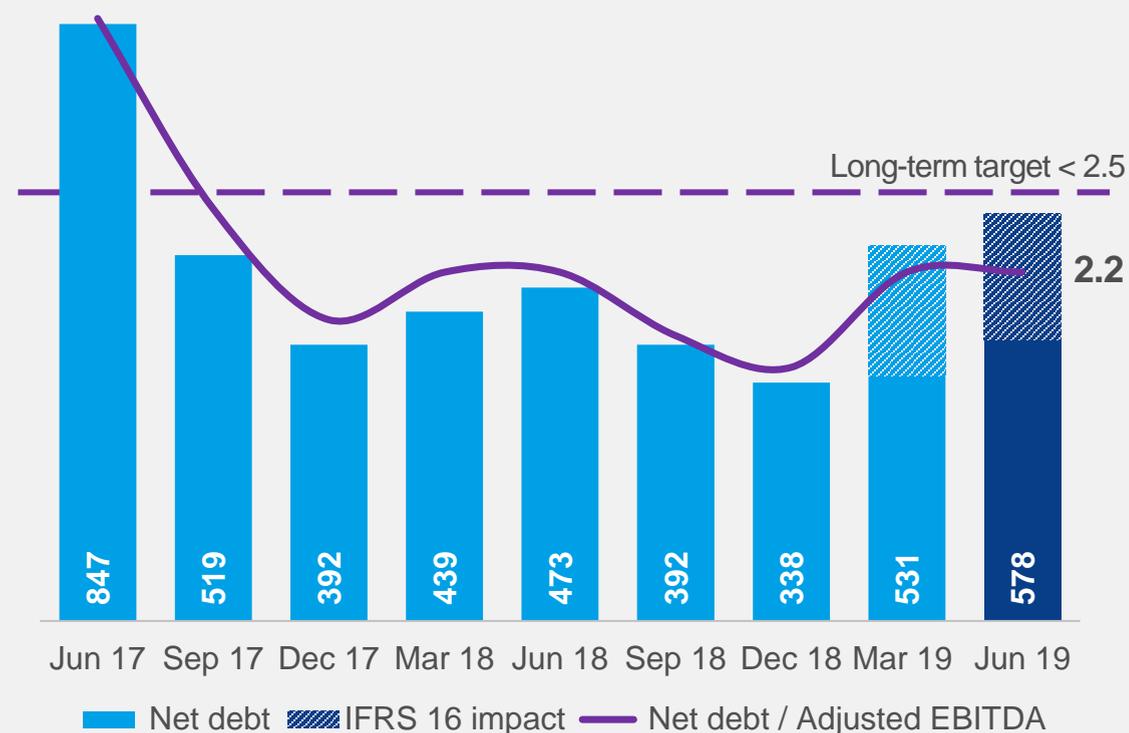
	Q2 18	Q2 19	IFRS 16 impact
Net debt	473	578	+179
Net debt / Adj. EBITDA	2.1	2.2	+0.5
Equity ratio	36.6%	37.2%	-4.6 pp

- Net financial items incl. the IFRS 16 impact
  - EUR -6 million (2018: -6) in Q2 19
  - EUR -10 million (2018: -9) in H1 19
- Average interest rate 2.7% (2018: 2.4) in H1 19

Summary of key impacts of the implementation of IFRS 16 on P/L, BS and CF is available in the Appendix, p. 26.

## Net debt

EUR million



# Iddink reported financials for 2018

According to Dutch GAAP

## Key income statement figures

<i>EUR million</i>	2018	2017	2016
Net sales	142	139	136
Reported EBITDA	40	40	40
Rental book depreciations	16	16	15
Operational EBITDA *	24	24	25
Depreciation and amortisation	19	21	17
Reported EBIT	4	3	8

## Key balance sheet figures

<i>EUR million</i>	2018	2017	2016
Non-current assets	181	187	196
Current assets (incl. rental books)	66	62	64
<b>Total assets</b>	<b>247</b>	249	260
Total equity	85	87	92
Liabilities	161	162	168
<b>Total equity &amp; liabilities</b>	<b>247</b>	249	260

\* Operational EBITDA = Reported EBITDA – rental book depreciations. Reported EBITDA includes one-off restructuring, acquisition, integration, start-up and personnel costs of approx. EUR 5 million in 2018 and EUR 3 million in 2017.

A photograph of an office environment. In the foreground, a man in a blue and orange plaid shirt is sitting at a desk, looking at a computer monitor. In the background, another person is sitting at a desk with multiple monitors, and a man in a dark jacket is standing near a desk. The office has modern desks, chairs, and various office supplies.

# Financial reporting in 2019

25 October    Q3 2019 Interim Report



# Appendix

# Group key figures Q2 2019

EUR million	Q2 2019	Q2 2018
Net sales	353.4	362.9
Operational EBIT excl. PPA margin	80.8	82.2
EBIT	22.9%	122.6%
Result for the period <sup>1</sup>	72.7	70.6
	50.0	68.0
Free cash flow <sup>1</sup>	0.1	1.6
Equity ratio	37.2%	36.6%
Net debt <sup>1</sup>	578.0	472.8
Net debt / Adj. EBITDA <sup>1</sup>	2.2	2.1
Average number of employees (FTE)	4,365	4,420

EUR	Q2 2019	Q2 2018
Operational EPS, continuing operations	0.33	0.33
Operational EPS <sup>1</sup>	0.33	0.34
EPS, continuing operations	0.31	0.28
EPS <sup>1</sup>	0.31	0.41
Free cash flow per share <sup>1</sup>	0.00	0.01

Impacts of the implementation of IFRS 16 are available on p. 26.

# Group key figures H1 2019

EUR million	H1 2019	H1 2018
Net sales	601.6	624.5
Operational EBIT excl. PPA margin	90.9	92.4
EBIT	15.1%	14.8%
Result for the period <sup>1</sup>	84.6	79.0
Free cash flow <sup>1</sup>	57.4	62.9
Equity ratio	-41.2	-42.8
Net debt <sup>1</sup>	37.2%	36.6%
Net debt / Adj. EBITDA <sup>1</sup>	578.0	472.8
Average number of employees (FTE)	2.2	2.1
	4,365	4,420

EUR	H1 2019	H1 2018
Operational EPS, continuing operations	0.34	0.35
Operational EPS <sup>1</sup>	0.34	0.36
EPS, continuing operations	0.35	0.30
EPS <sup>1</sup>	0.35	0.38
Free cash flow per share <sup>1</sup>	-0.25	-0.26

Impacts of the implementation of IFRS 16 are available on p. 26.

# Group key figures 2018

2017 adjusted for the SBS divestment

EUR million	2018	2017
Net sales	1,315.4	1,328.0
Operational EBITDA	326.3	328.5
margin	24.8%	24.7%
Operational EBIT	196.6	179.0
margin	14.9%	13.5%
EBIT	168.5	186.4
Result for the period <sup>1</sup>	125.6	126.8
Free cash flow <sup>1</sup>	108.9	106.2
Equity ratio <sup>2</sup>	44.7%	38.2%
Net debt <sup>1</sup>	337.8	391.8
Net debt / Adj. EBITDA <sup>1, 2</sup>	1.4	1.7
Average number of employees (FTE)	4,463	4,562

EUR	2018	2017
Operational EPS, continuing operations	0.83	0.71
Operational EPS <sup>1</sup>	0.84	0.74
EPS, continuing operations	0.68	0.76
EPS <sup>1</sup>	0.76	0.77
Free cash flow per share <sup>1</sup>	0.67	0.65

# Learning: Quarterly key figures

EUR million	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Net sales	105.4	31.4	39.8	136.3	108.3	28.9
Operational EBIT excl. PPA	43.3	-16.3	-16.9	54.2	44.5	-17.2
margin	41.1%	-51.9%	-42.6%	39.8%	41.1%	-59.3%
EBIT	41.3	-18.2	-20.0	52.1	42.4	-18.4
Capital expenditure	5.2	3.8	6.8	5.2	4.3	3.5
Average number of employees (FTE)	1,361	1,355	1,351	1,350	1,352	1,353

# Media Finland: Quarterly key figures

EUR million	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Net sales	154.5	131.6	144.5	150.7	146.2	137.0
Operational EBIT excl. PPA	20.1	14.2	17.1	22.1	19.3	13.5
margin	13.0%	10.8%	11.8%	14.7%	13.2%	9.9%
EBIT	15.4	10.0	9.9	19.8	20.5	11.6
Capital expenditure	1.2	0.7	1.1	0.7	0.5	1.8
Average number of employees (FTE)	1,793	1,764	1,781	1,779	1,742	1,709

# Media Netherlands: Quarterly key figures

EUR million	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Net sales	93.6	85.3	113.8	106.0	108.4	95.8
Operational EBIT excl. PPA	19.6	13.4	24.4	19.3	20.3	15.6
margin	20.9%	15.8%	21.4%	18.2%	18.7%	16.3%
EBIT	17.6	21.5	13.4	19.1	8.7	16.9
Capital expenditure	0.1	0.9	0.8	0.3	0.3	0.9
Average number of employees (FTE)	937	979	1,059	1,051	1,049	1,054

# Group Operational EBIT excl. PPA

EUR million	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	FY 18
EBIT	72.7	11.9	0.6	88.9	70.6	8.4	168.5
Items affecting comparability (IACs)	-5.2	4.6	-17.0	-2.1	-9.2	0.2	-28.2
Purchase price allocation (PPA) amortisations	-3.0	-2.7	-2.6	-2.6	-2.4	-2.1	-9.6
Operational EBIT excl. PPA	80.8	10.1	20.2	93.6	82.2	10.3	206.2
margin	22.9%	4.1%	6.8%	23.8%	22.6%	3.9%	15.7%

# Operational EBIT excl. PPA by SBU 1/2

Quarterly comparison figures for 2018

## Learning

EUR million	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	FY 18
EBIT	41.3	-18.2	-20.0	52.1	42.4	-18.4	56.1
Items affecting comparability (IACs)	-1.1	-1.1	-2.2	-1.3	-1.3	-0.4	-5.1
Purchase price allocation (PPA) amortisations	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-3.4
Operational EBIT excl. PPA	43.3	-16.3	-16.9	54.2	44.5	-17.2	64.6

## Media Finland

EUR million	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	FY 18
EBIT	15.4	10.0	9.9	19.8	20.5	11.6	61.8
Items affecting comparability (IACs)	-3.6	-3.1	-6.2	-1.4	1.9	-1.5	-7.1
Purchase price allocation (PPA) amortisations	1.1	-1.1	-1.0	-1.0	-0.7	-0.4	-3.2
Operational EBIT excl. PPA	20.1	14.2	17.1	22.1	19.3	13.5	72.0

# Operational EBIT excl. PPA by SBU 2/2

Quarterly comparison figures for 2018

## Media Netherlands

EUR million	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	FY 18
EBIT	17.6	21.5	13.4	19.1	8.7	16.9	58.0
Items affecting comparability (IACs)	-0.9	8.9	-10.3	0.5	-10.8	2.0	-18.5
Purchase price allocation (PPA) amortisations	-1.0	-0.8	-0.7	-0.8	-0.8	-0.8	-3.0
Operational EBIT excl. PPA	19.6	13.4	24.4	19.3	20.3	15.6	79.6

# IFRS 16 impact on key ratios

- Sanoma has adopted the new IFRS 16 Leases standard as of 1 Jan 2019
  - Lease agreements are recognised in the balance sheet as right-of-use assets and interest-bearing liabilities
  - Cost of leasing is recognised as depreciation and interest expense, not as operational rental expense
- Sanoma applies the modified retrospective method
  - 2018 financials have not been restated
  - Main impacts on key ratios are summarised on this page
  - More information is available in the Half-year Report 2019

- Main impacts related to the implementation of IFRS 16 standard on key ratios in Q2 2019 and H1 2019:

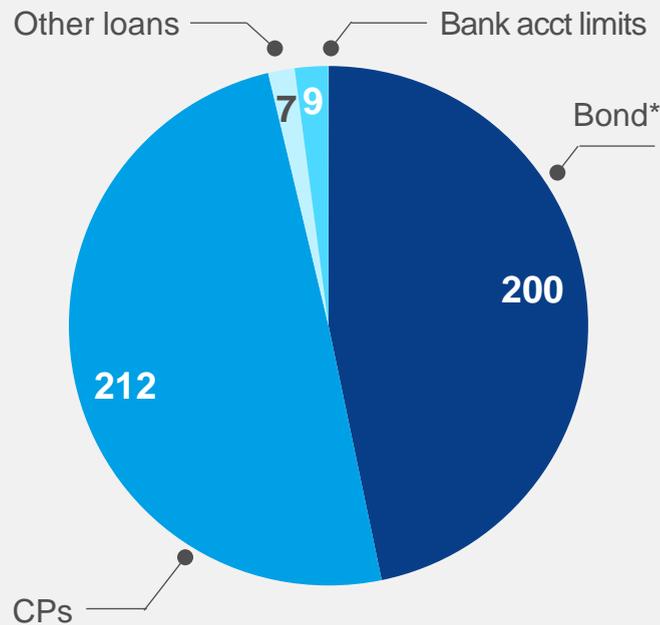
<b>MEUR</b>	<b>Q2 2019</b>	<b>H1 2019</b>
Operational EBITDA	+6.7	+13.1
Depreciation	-6.0	-12.2
Operational EBIT excl. PPA	+0.7	+1.0
Net financial expenses	-1.5	-3.1
Net result	-0.6	-1.7
Cash flow from operations	+5.7	+11.9
Cash flow from financing	-5.7	-11.9
Net cash flow	+/-0	+/-0
Net debt		+178.8
Net debt / Adj. EBITDA		+0.5 units
Equity ratio		-4.6%-points

# Funding profile unchanged vs. end of Q1 2019

- Gross external debt EUR 607 million (2018: 507) at the end of Q2 2019
  - Including lease liabilities of EUR 179 million according to IFRS 16
- Refinancing of the EUR 200 million bond maturing in November will be reviewed in Q3 2019

## Debt structure

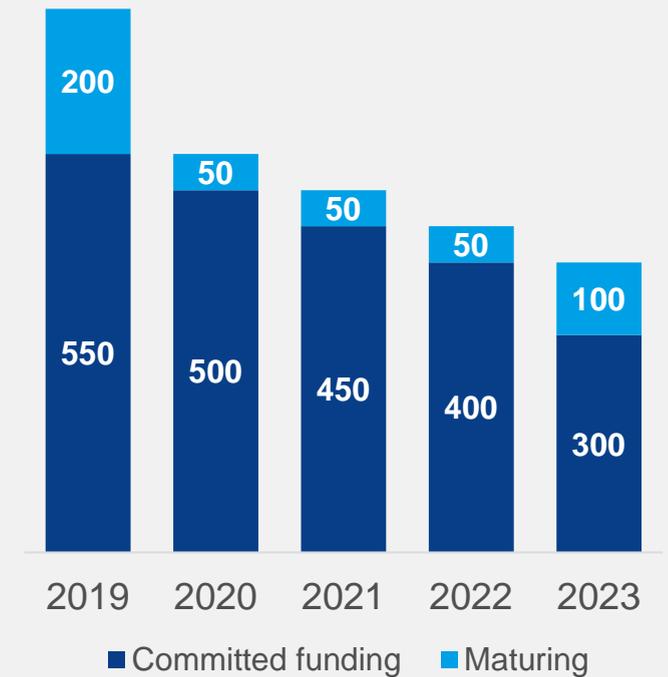
EUR million, 30 June 2019



\* Book value EUR 199 million

## Maturity profile

EUR million, 30 June 2019



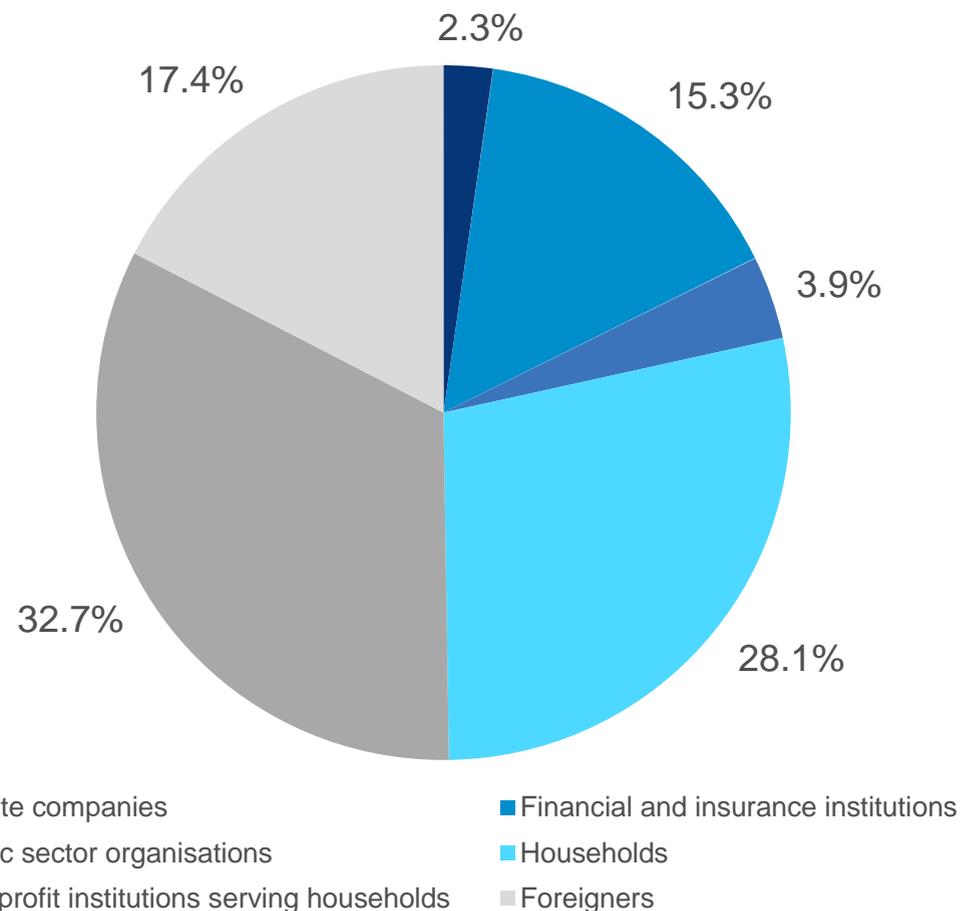
# Largest shareholders

30 June 2019

## Largest shareholders

	Number of shares	
1. Jane and Aatos Erkkö Foundation	39,820,286	24.4%
2. Antti Herlin (Holding Manutas Oy: 11.91%, personal: 0.02%)	19,506,800	11.9%
3. Robin Langenskiöld	12,273,371	7.5%
4. Rafaela Seppälä	10,273,370	6.3%
5. Helsingin Sanomat Foundation	5,701,570	3.5%
6. Ilmarinen Mutual Pension Insurance Company	4,041,240	2.5%
7. Foundation for Actors' Old-Age Home	2,000,000	1.2%
8. Alex Noyer	1,908,965	1.2%
9. Lorna Auboin	1,852,470	1.1%
10. The State Pension Fund	1,760,000	1.1%
<b>10 largest shareholders total</b>	<b>99,138,072</b>	<b>60.6%</b>
<b>Foreign holding *</b>	<b>28,418,850</b>	<b>17.4%</b>
<b>Other shareholders</b>	<b>36,008,741</b>	<b>22.0%</b>
<b>Total number of shares</b>	<b>163,565,663</b>	<b>100.0%</b>
<b>Total number of shareholders</b>	<b>20,807</b>	

## Holding by category



# Analyst coverage

**Carnegie Investment Bank**

Pia Rosqvist-Heinsalmi +358 9 6187 1232

**Danske Markets Equities**

Panu Laitinmäki +358 10 236 4867

**Handelsbanken CM**

Rasmus Engberg +46 8 701 5116

**Inderes**

Petri Aho +358 50 340 2986

**Kepler Cheuvreux**

Stefan Billing +46 8 723 51 48

**Nordea**

Sami Sarkamies +358 9 5300 5176

**Pohjola**

Joonas Häyhä +358 10 252 4504

**SEB Enskilda**

Pete-Veikko Kujala +358 9 6162 8578



# Disclaimer

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.

Nothing in this presentation constitutes investment advice and this presentation shall not constitute an offer to sell or the solicitation of an offer to buy any securities of Sanoma or otherwise to engage in any investment activity.

s a n o m a

**Please contact our Investor Relations:**

Kaisa Uurasmaa, Head of IR & CSR

M +358 40 560 5601

E [kaisa.uurasmaa@sanoma.com](mailto:kaisa.uurasmaa@sanoma.com)

[ir@sanoma.com](mailto:ir@sanoma.com)

[www.sanoma.com](http://www.sanoma.com)