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Kaisa Uurasmaa: Good morning, ladies and gentlemen. Welcome to Sanoma Q3 2018 results conference. My name is Kaisa Uurasmaa, I'm heading Investor Relations at Sanoma. Today here with me, I have president and CEO Susan Duinhoven and CFO and COO Markus Holm, who will give the presentation. After the presentation, we have a Q&A session. We will first take questions here at Sanomatalo, and then hand over to the conference line. With this short introduction, I will now hand over to Susan to start with, please.

Susan Duinhoven: Thank you, Kaisa. Good morning, everyone. We are happy with the results of the Q3 operational EBIT further improved, and if we then look at a couple of the highlights, I will summarise the first three quarters, because we now have our peak season in Learning behind us, and this gives us a good overview of where the business stands to date. If we look at net sales, stable, slightly over a billion. Operational EBIT improved, with €4 million to 179, and with that, the operational EBIT margin went up to 17.6%. Operational EPS, 10% up, now at 77 cents, and free cash flow, €40 million, up from €23 million last year. The profitability improved due to good performance of the media business in the Netherlands and then Learning, and a strong free cash flow, supported by both lower net financial items, but also some positive working capital developments. Parts of which will disappear in Q4. Two weeks ago, we also improved our outlook for 2018, and indicated that our operation EBIT margin will be above 14%. If we then look into the operational EBIT by business unit, you see clearly that the improvement is driven by media business in the Netherlands, and the Learning business, and the media business in Finland shows a slight decline, but that is easily explained with the €4 million correction, and the one-off that was in the results of last year. So, without that €4 million, also Media Finland underlying business goes up by €2 million. And, you see the other operational cost going slightly down, as it has done in the last year.

With then focus on Finland, and the Finnish business is, as you know, exposed to the advertising market, so first looking at the advertising market as a whole, and we're looking here at the measured media market. You see that the same trend of the last quarters continues, slight decrease in the total market, and this quarter, the summer season, a little bit less of a decline in newspapers and in magazines, but there, for magazines, I do need to indicate that we were, as a market, slightly helped with one extra week for the weeklies. So, that sometimes changes a bit in the number of issues, and this was one extra compared to last year.

Overall, you see the online business not increasing as much as it did last year, 2% up, and that is the same level as in Q2. If you then look at our business, Finland, very stable performance. The net sales went up as expected, a good development in the festival and event business that we acquired this year that created that uplift in revenues, but also continued growth in digital subscriptions, both in *Ruutu* and in *Helsingin Sanomat*, while the magazine subscriptions as we indicated before, declined a little bit off the slightly lower acquisition sales in the first half of the year. The advertising sales performed along with the market, so we kept our market share, but therefore showed slightly lower sales on advertising.

Operational EBIT improved significantly, and that was due to the discontinuation of Liiga, no amortisation, so not the €6 million that we had last year, and also no other cost of production and amortisation around Liiga. We had some one-off cost in the festival and event business, and some adverse impact from higher paper prices that compensated a little bit from that benefit of the discontinuation of Liiga. Now, our development and our transmission continues, as does the whole of the media industry. We're therefore growing in some areas of our business, and decreasing in others. We have on October 8 indicated targeted cooperation negotiations in certain parts of the business, most specifically in B2B and printing operations and some of the media units, and we've indicated that the maximum number of employees to be reduced is 80. The related cost to that reduction will be expected in Q4 because this is a Q4 action, and the cash impact will be in Q4, and remain there in Q1 of next year.

If we then look at the Netherlands, there we had a very significant earnings improvement during Q3. Net sales stable, due to very stable circulation sales, and stable advertising sales as well, Scoupy growing significantly as well, and with that compensating for the decline in print and some of the non-print advertising sales assets. I do need to give a bit of a warning that when you look at Q1 to Q3, you will still see a decline in advertising, and that is due to the divestment of Kieskeurig.nl, the comparison site, in 2017.

Operational EBIT improved significantly, and that was off the restructuring that we have done after the divestment of SBS, strong cost control on top of that, with a little bit of a negative on the cost, due to the sales mix in advertising, and some of the cost increases due to paper price increase. We were very happy to announce, as well, in September, Rob Kolkman will be the new CEO for our media business in the Netherlands. He will start on January 1, so the beginning

of the new year, and he's already spending now a couple of days in the business to get introduced.

If you then look at Learning, there we were very pleased with the result, very good performance year-to-date, net sales stable, €274 million, and even though it might sound a bit counterintuitive, but we're very happy with the Polish performance. There was a decrease of €10 million in net sales, but that is considered a very strong performance, given the exceptional growth that the market had in 2017, and I already warned a little bit at that time that two simultaneous reforms in that market sort of made that really peak year for the market as a whole. But, we see that we have gained market share during that reform, and that has sort of benefitted this year, and therefore only a €10 million decrease in top line. But, also growth in Finland, also there supported by curriculum change, and also there a market share gain that we'll benefit from in the coming years. The Dutch, Belgian and Swedish business, nicely stable. So, even with the slight decrease in top line, an increase in operational EBIT to €79 million in year-to-date. And there you see somewhat first benefits coming in from the business development High Five, which aims to integrate the back offices of the five Learning businesses. Combined with solid profitability improved in the growing businesses, and of course in the first half of the year, less of a marketing and development spend in Poland were in the comparable year in 2017, we had to do the expenses for the curriculum reform.

So, overall, good year-to-date performance of Learning, and that was then also the basis of the outlook improvement that we did on October 11th, where we confirmed that the consolidated net sales, adjusted for structural changes of course, will be slightly below 2017, but that the operation EBIT margin will be above 14%. With that, I would like to hand over to Markus, to give a little bit more detail on the financial results.

Markus Holm: Thank you. I will start by analysing the Q3 profitability, which saw an improvement in the media businesses, in Media Finland, the operational EBIT was up by €7 million on the back of discontinuation of Liiga. Also, lower TV programme amortisations, and the acquired festival and events business NCD production had also a positive effect on the results. Among the negatives, we had a declining advertising magazine subscription and single copy sales, and also somewhat higher paper prices. Media Netherlands EBIT was up by €5 million, thanks to lower marketing personnel and other fixed costs, due to the streamlined operations, post-divestments of SBS and Belgian women's portfolio. On the negatives, we saw slightly adverse sales mix, and also the cost of sales, especially paper were negative. In Learning, EBIT was down by €3 million. There we saw the first benefits of High Five business development programme, and net sales growth in Finland was a positive as well in the quarter, as well as lower marketing and development costs in Poland. And, overall, naturally lower total net sales from Learning Poland there where the quarter last year was strong. If you look on the free cash flow, that continues to be on a good level, free cash flow improved to €40 million,

compared to €23 million in the first three quarters – very much thanks to lower net financial items, also positive working capital development, which part is timing and will go out in Q4. Higher taxes, as a negative, due to the strong results, and then also the restructuring costs of €13 million related to the divested Belgian women's magazine portfolio that we paid in Q3. And, I just want to repeat that in the dividend calculation for 2018, the items related to the divestment of Belgian women's magazine portfolio will be excluded from the free cash flow.

Our net debt is substantially lower compared to the end of Q3 2017, and the net debt is €392 million, compared to 590 a year ago, and net debt to adjusted EBITDA 1.6 compared to 2.4 a year ago. Also, the equity ratio at 40.9, a very good level. And, we repaid €50 million term loan in September, and the net financial items declined €14 million compared to €16 million a year ago. The average interest rate was slightly up to 2.4%. That is due to loan, or funding mix that the bond is a bit higher in proportion to the rest of the funding.

I just want to repeat that we will be paying the second dividend instalment of 15 cents per share on 1 November, record date 25 October. The first instalment of 20 cents we paid in April, and the total dividend for 2017 is 35 cents that we paid this year.

Sanoma will adopt IFRS 16 Leases standard as of 1 January 2019, and we have made preliminary impact simulation on our key ratios. According to IFRS 16, the lease agreements will be recognised in the balance sheet as right-of-use assets and interest-bearing liabilities, and the cost of leasing will be recognised as the depreciation and the interest expense, instead of operational rental expense. We have decided to apply the modified retrospective method, which means that the restated 2018 financials will not be published. On the other hand, we will report certain key ratios, and their impact of the IFRS 16 on those separately in the 2019 interim reports. In the table, here you can see the impacts on the main key ratios that we expect, the operational EBITDA we expect to improve by approximately €28 million. Operational EBIT, we don't see significantly affected. The cash flow from operations will improve by approximately €28 million, however offset by cash flow from financing €28 million, so the net cash flow is unchanged. The net debt is expected to increase by some €200 million, and net debt to adjusted EBITDA by approximately 0.6, and the equity ratio we expect to decrease by approximately 5%-points. The effect on our leverage may seem big, but the IFRS 16 does not really change our business and banks are aware of our lease liabilities. Therefore, with the solid profitability development and balance sheet that we have, we reiterate the M&A headroom of 300 to 400 million in 2019/20 that we have stated earlier at our capital markets day. And, finally, on the financial reporting in 2019, the full year result will be published on 6 February. That concludes my part of the presentation. Now to Kaisa.

Kaisa Uurasmaa: Thank you, Markus. Thank you, Susan. We will now open the floor for questions at Sanomatalo. Before asking the question, please wait for the microphone.

Petri Aho: Thank you. About Scoupy's growth. How much was the impact roughly on the Media Netherlands, and can this Scoupy's business model be taken to Finnish market in the future?

Susan Duinhoven: The impact in Q3 is, I think, a couple of million. I mean, I would need to look up what the exact number is... a bit more than a million. The extrapolation of that model to the Finnish market is definitely something that we will investigate, and we will look into. You see that it has its working on the fast-moving consumer goods companies, so it is specifically of interest to them, but I do know that the Dutch are very keen on discounts. So, that is a little bit of a Dutch feature in there that this of course starts from a cashback mechanism, and we would need to examine if that has the same appeal in the Finnish market.

Petri Aho: Thank you. Finns more like "a free bucket". And, then on the Learning segment, you mentioned that the High Five is proceeding and you had benefits from that programme. When will you expect to have the full benefits from that programme, and roughly how much of the benefits did you see this quarter?

Susan Duinhoven: Yeah. I think on the High Five, we will do that in the same way also operationally, we do that in the same way as the Suunta programme that we have done in the media business in Finland. And, with that, I mean we are doing multiple programmes, each with their own timeline, and each with their own, sort of, decisions on, are these costs that we need to sometimes invest in order to get the benefits out. Are they worthwhile or not? And, that goes area by area, and also in the case of Learning, geography by geography. So therefore, we do not disclose, and would say it's not that interesting to really sort of figure out what exactly sort of programme is delivering what, because this is agile development. Literally. We're coming to new things every time when we're furthering the project. We do know that it will be beneficial. The payback periods on the investments that we do are relatively short. So, I'm talking one to two years in most cases. So, a very beneficial programme, but I'm not going to disclose in a sort of an item-by-item, or quarter-by-quarter basis how much that was.

Petri Aho: Okay. And then on the curriculum changes, are you still expecting the Netherlands to proceed with a curriculum change – I think it was in mathematics, or something like that, I think next year? And did it have any impact on this year's Q3?

Susan Duinhoven: Yes, that curriculum change is still going through, even though it is not a curriculum change as such as you've seen in Poland and Finland. It is more of a natural ending of the maths methods that are then renewed. The consequence of the fact that it is not a hard curriculum change is that not all schools will change at the same moment. So, this is something that will start in 2019, and then start flowing in, and have its peak most likely in 2020, or 2021 even. So, you have a different mechanism, depending on the territories in the type of change.

Petri Aho: Okay. Finally, on the IFRS 16, did I understand correctly that these will not have an impact on your dividend target at all?

Markus Holm: No. As we have a range of the dividend target, anyway, so we don't see an impact there.

Petri Aho: Okay. Thank you.

Kaisa Uurasmaa: Okay, thank you. Do you have more questions from Sanomatalo? If not, I will now hand over to the Operator from the questions from the teleconference.

Operator: Ladies and gentlemen. If you have a question for our speakers, please press 01 on your telephone keypad. Please hold until we have the first question. [pause] First question received from Sami Sarkamies. Your line is now open, sir.

Sami Sarkamies: Hi, thanks. I have a couple of questions starting from Media Finland. Just trying to understand the underlying profitability development. You are €3 million euros behind last year on EBIT level after the first three quarters. If you think about the puts and takes, you did benefit €6 million from the ending of Liiga. I think the NCD acquisition benefits you about €2 million, and there was this €4 million accounting correction, so there is quite big gap – like €7 million euros – how much of that is explained by timing of costs that will be different this year, and how much is then something else that you will not be able to recover during this year?

Markus Holm: Yes, so in the improvement in Finland, a substantial part of costs, as you see, is from the discontinuation of Liiga – the €6 million write-off, and also lower TV amortisations, and there is a bit of also timing effect there, looking on the full year as we stated earlier is that we also see then that if you compare to Q4 and previous year Q4, we see less of those marketing and some other costs that we had last year in the Q4 this year.

Sami Sarkamies: Okay, are you able to quantify those at all? What's roughly the cost reduction related to that, going into Q4?

Markus Holm: Okay, we don't want to give a specific number, but we're talking about a few millions.

Sami Sarkamies: Okay, and then still in Media Finland, you disclosed that you s had a one-off cost impacting the acquired events business. So, I mean, how much was that, roughly?

Markus Holm: That's a couple of million, €1 to €2 million, roughly.

Sami Sarkamies: Okay, and then on Media Netherlands, you did mention that you benefited in the magazines business from one extra week, did you suffer from this in Q2, or will it be felt, then, in Q4? And how much is the impact, roughly?

Susan Duinhoven: Yeah, the impact is smallish. I don't have the exact number. The impact will be in Q4.

Sami Sarkamies: Okay. And then on the Learning business, I guess you were a bit positively surprised by the Polish sales. How much more were those in comparison with your earlier expectations? Was there like a material positive surprise?

Susan Duinhoven: It was a material surprise, but I'm not going to disclose earlier expectations and then compare to current actuals.

Sami Sarkamies: Okay, and then finally, on the full year cash flow outlook, you said that after Q3, you had some sort of tailwinds that will go away in Q4, so what should we expect from cash flow on full year basis?

Markus Holm: As I guided earlier, we see that the full year cash flow is somewhat above €100 million and then the free cash flow that we see year-to-date of that upside, some is explained by timing in Q3, in the working capital, so should not see as big upside, perhaps in the full year, is my expectation.

Sami Sarkamies: Okay, thanks, I have no further questions.

Operator: Thank you. Next question is from Mr. Laitinmäki, Danske Bank. Your line is now open, sir.

Panu Laitinmäki: Thank you. Most of my questions were answered. But just to further to clarify on Media Netherlands, so was this positive revenue growth fully organic?

Susan Duinhoven: Yeah, this revenue growth is organic. There was no acquisition done in the Netherlands, so all of this is organic.

Panu Laitinmäki: Okay, thank you. And then secondly, still on the impact to the Media Finland underlying profitability, which was already touched, but if you think that in Q3, the improvement came from TV rights, which is a one-off for this year, and then, it was also supported by an acquisition, so underlying was down, can you share us any thoughts on kind of 2019 and beyond? What is the potential in this business? Can you improve the margins, and what are the actions to actually do that?

Susan Duinhoven: Yeah, I think that we're not giving out 2019 outlooks at this moment, and we typically only do that on the full, complete group level, but just to give you a feel of course that the negotiations cooperation negotiations that we're currently in, that in order to adapt our business to the top line decline in some of the areas, that is of course on of the areas where we aim to keep the profitability at a good level. We've also indicated that the festival business we acquired just before the summer, so we had very little time to take the measures there, and

specifically on B2B sales, where there is big part of the synergy on the festival business, is to be expected from there, that is something that we will find next year, at least we sort of will target that type of income stream in the coming years. So, there are various areas where you'll see various improvements, both on the cost side and the revenue side, but all realism, we also need to have that in a market where the advertising is a significant part of the revenues, that the decline in the advertising market that we see is of course impacting Media Finland, and Media Finland the strongest. The Dutch business is much smaller part of the total revenues is actually advertising income, and of that, even a smaller part is print. So, therefore you see a different pattern in these two businesses. So, I hope that helps you a bit without going into specific numbers.

Panu Laitinmäki: Yes, indeed. Thank you.

Operator: We have a question from Mr. Riikonen, Carnegie. Your line is now open, sir.

Matti Riikonen: Hi, it's Matti Riikonen from Carnegie. All my questions have been asked already, except one, and that is the Finnish business related thing. You mentioned in the report that there's been growth in both *Ruutu* and *Helsingin Sanomat* digital subscriptions, and I was wondering how much – how big subscriber intake did you get, and how much that was in relation to last year, and how much growth contribution did you get from that, from those kind of two items?

Susan Duinhoven: Yeah. I think the – you know – we don't disclose at this level, but I can say that on *Helsingin Sanomat* the digital subscriptions increased significantly, but overall, the total *Helsingin Sanomat* subscriber base, and that of course is a KPI that we keep closely in view, overall, that also increased year-on-year. So, I think that is an important part, that it is not only taking the print away, but that the total net sort of increases. For *Ruutu*, I think it was very good development, specifically given the fact that we no longer have Liiga, so you could have expected there a very sharp downfall that we did not see. So, we see that in *Ruutu*, the overall entertainment proposition is quite strong, and the proposition of using the free-to-air TV content onto the VOD platform really works, and also works in the logic of the consumer, so we're very pleased with those developments.

Matti Riikonen: Maybe a follow-up to that, because it's an interesting trend, regarding the *Helsingin Sanomat*. Have you made, kind of, extra efforts for *Helsingin Sanomat* compared to maybe other print titles that you have? And, have you made any, kind of, customer studies – what is driving the growth, because it's fairly unusual in the media market to get that kind of growth?

Susan Duinhoven: I fully agree with you, and I think it is, you know, I think I can see it because I have no hands-on contribution to it. I think it is the excellent content that really drives this

trend, and this unusual trend, in combination with a good technology platform. But there, I think there are maybe others who have similar sort of technology. I think the standing of *Helsingin Sanomat* in Finland, and the way they manage to write not only about hard-core news, but also about more lifestyle and – for example – science-oriented topics, that broad base that *Helsingin Sanomat* knows to appeal. Also to see the influx from younger audiences. So, I think it's truly of course a team effort, because then the consumer sales teams also need to be able to sell it. So, that, I think, I see as the key differentiator, and I think *Helsingin Sanomat* – if you just look at the number of subscribers overall in relation to the Finnish market size, is of course quite exceptional.

Matti Riikonen: Alright, thank you.

Operator: Next question we receive is from Pete-Veikko Kujala at SEB.

Pete-Veikko Kujala: Uh, yes, thank you. Most of my questions have already been answered, but a couple of specific ones. First of all, from Learning... you mentioned market shares gains in Poland. What do you now estimate your market share to be, as opposed to what you communicated at the CMD in 2018 – if I remember correctly – around 40%?

Susan Duinhoven: That is all that we give off. The year is not yet fully finalised, so we don't give off new numbers yet. But, if you come to the next CMD, then we will be very happy to update you.

Pete-Veikko Kujala: Yes, alright. And then the other question about Media Finland, and more specifically the NCD. You mentioned some one-off costs, but also some low-performing festivals. Could you give some colour to what causes a festival to be low-performing, and how sensitive is it to weather? So, basically, what percentage of the revenues is gathered at the festivals, so if it's bad weather, how big of a problem is that?

Susan Duinhoven: Yeah, I understand your question. I think, for those of you who were not in Finland during this summer, we had a sort of one big festival day, and that was midsummer night, where the weather was really horrendous. It was sort of the one bad day in the whole year. And that of course for the festival business is a pretty important day. So, we count the summer, even though the weather afterwards was wonderful, we count the summer not necessarily for the festival business as exceptionally good weather. To your question of, very significant part of the revenues is in food and beverages. So, the festival revenues onsite is significant part of the total. Very good weather, however, and certainly the heat that we had this summer, typically starts tailing off the statistics, I've been shown... start tailing off the revenue onsite. So, we had from that aspect - you should say - a sort of a good summer, but not exceptionally good. I just want to give some colour towards the future. It's not that this year was exceptionally good. To your question on the festivals that do well, and festivals... some

festivals, you know, they start a bit slow, and then you hope that they still grow once they have had a number of years where that proves to be all there is out of that area, because it's really local festivals. And, then, at some point you also need to decide to prune the portfolio and maybe to start a new festival at a slightly different location, slightly different theme, and close down one. So, this is a normal way. These are more than 30 festivals in total that we have, so there is a normal way where you will close down one, you will start up a new one, so that's typical part of the festival business.

Pete-Veikko Kujala: Alright, thank you.

Operator: I remind you that if you want to ask a question, you will have to press 01 on your telephone keypad. [pause] There are no further questions at this time, please go ahead, speakers.

Kaisa Uurasmaa: Okay, thank you everyone for participating. Thank you for your questions, and afterwards, please feel free to contact us at Investor Relations if you have anything further to ask. With this, I conclude the Q3 2018 results conference, and thank you, everyone. Have a good day. Bye.