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Olli Turunen: Good morning, and welcome to Sanoma's result presentation of Q2 2015. My name is Olli Turunen and I'm Head of Investor Relations. Next to me is our President and CEO, Harri-Pekka Kaukonen, who will go through the main items of the second quarter. After Harri-Pekka, our CFO, Kim Ignatius will recap the financials.

As always, you will have a chance to ask questions after the presentation here in the studio and also over the phone by dialing the number provided in the invitation. Harri-Pekka, please go ahead.

Harri-Pekka Kaukonen: Thank you, Olli. Ladies and gentlemen, welcome also on my behalf to this Q2 presentation.

As you know from our profit warning from last week, Q2 was a soft quarter for us. It was particularly weak in Finland. But I would like to go a little bit more deep into the highlights of – or the high level of the quarter. Actually, when we go deeper two out of three SBUs are going according to plan. So our Media BeNe operation is stable overall. Top line declined organically during Q2 driven by two factors, an ongoing decline in print but also a weak TV market. But on the other hand, EBIT performance was good and we actually exceeded last year's comparable EBIT in BeNe. And overall, we see, you know, a solid momentum for the second half of the year.

Learning is suffering from timing shifts. We communicated those in Q1 as well. So the question really is that our ordering patterns are shifting towards fall which is a natural consequence also from our customers managing their working capital in a more tight manner. In addition, we have the headwinds in the Polish market due to the shift and the change in the underlying business structure, i.e., the shift from the parents into a government pay modeled – coupled with a lowering of the price points in the market. But having said that, we expect the Learning business to deliver during H2 as planned.

However, the Finnish situation is more worrisome. The underlying difficulty relates with the market conditions. We are the most cyclical media company in Finland. 50 percent of our revenues come from advertising. And it's clear that the development of the advertising market where we're in the business has a tremendous impact on our business. And it has had 13 quarters in a row including Q2. June was the worst in two to three years with 8 percent negative overall media market development. That's the main reason.

However, on top of that, we have not been able to adjust our operating costs and efficiencies as quickly as the market has changed. Having said that, we've done a lot. Our 100 million program is completed and half of that is really in Finland. So it's not like we haven't done anything, but just the shift in the market have out-taken even these efforts, and we need to become faster and take more action. I will get back to that more later in my presentation.

In addition to these two factors, we also took write-downs in our TV operations and I will get a bit more in detail. But fundamentally, it's a question about the shift in the market where viewing is moving towards more local, and that means that the international series and movies inventory is losing its value in our stock. And as we're going through our thorough review of the Finnish operations, that write-down had to be made at this point.

The second part of it relates to the hockey league investment as well. The outlook for the remainder of the right's period is negative, and therefore, there's a shift in the way that we need to do the accounting treatment.

All in all, these lead to a substantially weaker outlook for the Finnish, and that's a key trigger for our change in the 2015 outlook. And as a consequence of that, if we don't see ourselves hitting our 2015 numbers, it's clear that then it's prudent to also take the 2016 forecast or revise them at this point. We withdraw it completely and I think it's a better way then get back to the normal course when we give you the 2016 guidance.

In terms of numbers, organic growth was minus 6.6. I see this as a speed bump in our overall trajectory. Expect us to do better on the second half of the year. But nevertheless, it is a blimp in our good sort of outward going trend towards getting to flat or positive growth. Also, given the fact that we had challenge with top line and then the TV market being pressured both in Finland and Holland led to the fact that the new media sales was also unsatisfactory, so it was basically flat during Q2.

And then finally, our EBIT for Q2 was fairly lower on a comparable basis than it was last year. So all in all, no other quarter that one could be proud of.

Going in a bit more detail; let's talk about the organic growth. The chart shows the trendline and then this downward shift in the trend. Unfortunately, some of the factors underpinning this development is – on a positive side, we had relatively more stronger quarter in SBS. At that point, I'd like to point out that the reference year last year included the football world championships, and therefore, this is to be expected as well. But overall, I think also the momentum into July looks quite good. The viewing shares are keeping on a good level and that gives, you know, a positive sentiment for the business as in total.

On the online side, we have a tough competition in Holland as everywhere else. And the big shift is now towards more programmatic buying and that puts pressure on price. And then I would like to remind you that we're still undergoing a portfolio change so a part of our asset base in Holland is sort of 1.0 portal-based business, namely, Startpagina which is under structural decline, and that also gives us a part of the portfolio which has structurally negative development. So you would expect lower online growth numbers in Finland than – sorry, Holland than in Finland.

In Finland, we actually see a better development in online and digital. And I think that is some evidence to the investments we've made on the digital side. Unfortunately, you know, we still have a bigger exposure to print, particularly, in news print has been an area where we've been losing share in the advertising market, and given that is the biggest of our advertising pie. It clearly puts some pressure on our overall performance.

In Learning, I mentioned the timing shift and the legislation change in Poland, and that impacts negatively the top line in Poland. And then in Poland and Finland are the two markets where the ordering patterns are moving more towards Q3 and beyond.

But all in all, as I've said, a declining development in what we expect to see a continued trendline towards flat. As a result of this, New Media sales were flat technically the percentages increased as I believe it had. But that's mainly because of the declining share of print.

On the Learning side, actually we're at the 50 percent mark. And this is an area where our continued investment into digitally learning materials will mean that there will be continued shift for increased share of digital and hybrid services on the Learning side.

Then looking at the advertising market a little bit more in detail, you can clearly see that the Finnish and the Dutch markets are going in a – have a different pattern. Holland has turned from red to dark numbers over a couple of quarters ago and that's also supported with the consumer confidence numbers. Whereas, unfortunately, in Finland, as I mentioned, the market has been under structure decline. And what was particularly weak in June was TV market which was double-digit negative.

And I think it just shows that the monthly deviations in the market are just extremely high and that really indicates that the volatility, the concerns, the basic – the Finnish economy and uncertainty puts on marketing investments. It's something to reckon with. So predictability is very, very difficult in this market. And that combines with the fact that 50 percent plus of our revenues in media is advertising related. I hope you can at least somewhat relate to the difficulty we have in being able focus the market development.

Then going back deeper into Media Finland. On the left-had side, you can see a little bit more historical perspective of the Finnish economy. I mean, we're at the end of the – lower end of the pack in terms of GDP development. And obviously, given the tight correlation between GDP and overall advertising market development, you see this red series of numbers and that we have to deal with. This means really tough adjustments quarter-on-quarter to mitigate because these revenues obviously go directly off the bottom line and one needs to find compensatory measures in order to keep EBIT. And as you can see from the numbers, we have not been able to keep up with the decline.

We need to pick up pace. I mean, market is core reason, but it's not an excuse to having a big unit that is driving negative EBIT even for six months. And it's just really not a fundamental shift strategy, so it think it's – personally I would like to – we know what we're doing, we just need to do it better and faster, and we need to do it bolder. We need to make decisions. We need to implement them in a new kind of manner. We made changes at the top – the new CEO Pia Kalsta started in early March. We made some other shifts in sales for example, and we're taking some actions.

Unfortunately, I cannot give you a comprehensive plan at this point, neither the magnitude of the total actions, and that's for two reasons. First of all, there's a process by which these actions are planned and then discussed with employees. And secondly, rather than giving you tidbits or estimates, I want to give you a firm number and a comprehensive plan when it's ready.

But the other point I'd like to make is that it's not like we just woke up after summer break and realized that things aren't going on track. We've been at it for quite some time now. Some evidence of that is, you know, there are labor discussions now in printing and distribution. We've also planned – specifically, we are addressing the structural issues in distribution through own measures but also in industry-wide. Earlier this year, the industry started the Jakeluyhtiö Suomi as an initiative to try to find improved solutions for distribution in the early parts of the day. And we made shifts in the commercial B2B operations. And we have a procurement program lead by Kim that has started last year which also expected to do – to help me to get the top line pressures.

And then finally, a big area of spending is technology and digital. And as you know, we also made changes where we combined technology and digital. And with that, you know, expect to be able to increase efficiency of a close 140 million spend in our P&L.

And on product side, we are speeding up also digital launches. One of the examples is the combo of Helsingin Sanomat and magazines that was just launched a while ago. I mean, these are small examples and some are actually bigger examples, but the point that I would like to make, we are taking action but we will share with you a more structured view of the total plan delivers what will change and the expected impact that we feel that this would have. So that's about Finland.

In summary, I would say that this is where we need to focus and management will focus our effort. This should turn the Finnish business around. And in that sense, hopefully get the third link in good shape or at least in a clearly better shape.

Then a word about SBS, clearly something that needs to improve. We've talked about it a lot. We've done a lot in there, and so far, with mixed results. Not claiming victory here but, you know, it's always nice to show some positive development. We have been increasing viewing share. It's partly because of softer competition. There's no championship in football helping us. But you know, there are also underlying changes, stability in the grid, better operations that support this development.

I think real proof of the matter will be in the fall where we need to perform against very tough competition. There we have an extra ace in our sleeves and that's the championship league preparations from a technical commercial concept point of view going according to plan. We're going to broadcast it in a true multi-channel fashion across all our big platforms. And given, you know, the Dutch propensity to watch soccer so I'm sure that that will positively contribute to viewing share. And we've been able to attract new customers because this is really a primetime property that people want to be associated with. Now, the proof of this will then be seen in Q3 and Q4, and too early to say, but Q2 was good.

A few words about the 100-million program, it's now done. We have a full 100 million run rate of savings as per Q2 and we also have taken close 90 million of restructuring costs associated with the program. So it's sort of unfortunate that it's close to one-to-one between savings and costs associated with it. But that is something that we've swallowed in our cash flow. 100-million program will be now closed so we won't officially follow that program, but it's obvious and I hope clear also from what I've said that we will go and push for more savings. We've identified a number of opportunities, and not only identified, but also pushed implementation in all units.

And obviously, a big focus will be in Finland. And just to remind you again or repeating myself that out of this 100 million, more than half was really in Finland. So again, we've taken 50 million of structural cost out and despite of this, the EBIT for H1 was flat. So that just shows, you know, the magnitude of the challenge that we have been facing and now still facing.

Putting then this into overall perspective and summarizing why we lowered our guidance for 2015 and 2016. So breaking it down to the different businesses, in Media BeNe, which is a key profit contributor, we see no changes in the trajectory, so that one is working and going according to plan. So that was not a reason. However, the core reason was Finland. And I've already went through the reasons and it's a combination. The bigger contributing factor is really the depressed outlook. It's weaker than we anticipated.

And then on top of that, we have not performed as we expected. This relates really mainly to print advertising. In Q2, TV advertising was also weak but I don't see a structural issue there. And then it is really on a top level of our sort of lack of agility to really be able to adjust as fast and quickly as we could to the underlying changes. So this really means with agility costs, speed of implementing new things and this kind of things.

In Learning, the Polish market development is now validated. It's going to be negative. I think for this year we can compensate for it through our measures and from an overall level. But this is something that clearly is a risk for 2016 and beyond.

And then finally, we have a number of individual and perhaps smaller but still negative items that are relative to what we had anticipated going into the year. It's the Russian market and the delayed of the divestment. And then we also – we had expected that we could conclude also structure solutions regarding the remaining holding assets that in total also are negative EBIT contributing. And those, you know, then also contribute here.

And then we also expect that the Belgian sale of selected assets in Belgium will be closed this year. It's still uncertain but that is in our expectations. And for this year, that will have a negative contribution impact. We will be able to compensate through cost cutting and integration measure for this deviation but that will be on next year onwards. So all of these things together, but clearly, Finland being the major contributing factor.

The guidance is above 4. I will go into that in detail. But just to give you a perspective of the first half, last year was 6.4 EBIT margin; this year, only 3.5. And for the full year, the guidance now is above 4 compared to the 6.2.

Then concluding with the official outlook, on top line, we are not changing the outlook. As I mentioned, I see the Q2 development as a speed bump. Overall, also for our development, we are continuing on a steady path when it comes to top line. But on EBIT, the expectations are lowered and the guidance now stays above 4 percent, where previously it was 6.2 percent. And the 2016 guidance will then be given in conjunction with our annual full year results in February.

So putting it all together, a weak quarter, no doubt. But overall, we know what we're doing. We are implementing our plan. We need to fix Finland. There is a bigger hold than we anticipated. That takes some time, and naturally, we'll get back to you with that in the fall. Expect second half to be relatively better than the first half. But overall, clearly, a weaker performance than what we had previously got.

With that, I will hand it over to Kim who will then take us through the financials in a bit more detail, and then we'll take questions which I'm sure there will be.

Kim Ignatius: Thank you, Harri-Pekka. Good morning, everybody. Good to see all of you participating.

Again, this quarter, before going through the financials, I would like to take some time to go through specific topics, one being the amortization in the TV program rights and the other one being the phasing in the Learning operations. Starting with the amortizations, we do amortize program rights on an ongoing basis according to the forecasting of the different programs naturally.

In addition to this, we also need to ongoingly look at the valuation that we carry in our balance sheet for the rights. And this we have now done for the international TV rights, movies and series. And because of the change in the market landscape, the additional competition especially in the international offering, it has led to the fact that the domestic production is increasing in importance in the linear TV part.

This has led to the fact that we see that the carrying amount of the series and movies that we have is not recoverable going forward, and therefore, we have a need to take an additional write-down. This write-down adds up to 6 million and is now booked into the Q2 numbers. We've done similar type of additional amortizations during the last years both in the Finnish business and in the Dutch business. It is considered to be part of the recurring operations. Naturally, our intention is to limit it to as low numbers as possible going forward.

In addition to the international rights, we have now again looked at the TV rights for the Finnish ice hockey league. We did sign a deal for the seasons from 2013 to 2018 in 2012. But the sales have not developed as we planned originally. And today, when we look at the total five-year investment for the business case, it will be loss making for the whole period. So this has changed compared to the original plans, and also how we have seen it through the last two years.

So what we will do now is, at the beginning of every season, look at the booked value for the starting season and compare that to the estimated plan that we have for the coming season. We've done this now for 2015, 2016 and have come to the conclusion that an additional write-down of 3 million for the year of 2015 is needed. But this will cover the total season 2015 and 2016.

So we will book 6 million additional costs in the Q3. But this will lead to the fact that in Q4, we will have lower amortizations, lower losses than with the normal scheduling of the cost. And also in the spring season in 2016, the cost will be lower. So we're booking the unrecoverable amount of the value of the rights in one go for the coming season. This will be a recurring event during the coming two years since we have the right naturally. Our intention is do everything we can to improve the business case, do a better job in marketing and selling these assets to reduce the losses going forward.

Looking at the learning volatility and seasonality, you are all very familiar that Learning is a seasonal business. Typically, we book around 75 percent of sales and 160 percent of EBIT in Q2 and Q3. We've seen during the past years that in addition to the seasonality, there has been quite a bit of volatility between the quarters as well. Still on annual basis, we've been able to stick to the guidance that we've given on Learning, and also the final outcomes for each year have been pretty much according to the expectations that we've had, and it's according to the expectations that the markets have also had.

The industry trend is changing, meaning that the wholesale layer between the school system and us is placing orders later than they used to in the past. This we have discussed over the – during the last two quarters. This has impacted Q1 and Q2; in case of Q2, the Polish sales and the Finnish sales. So what it means to the volatility this year is that an increase in the amount of orders will be booked in Q3, and to some extent, even in Q4.

When we look at our numbers, we also see that there will be a lower cost level in Q4 this year than what we have last year. So part of the kind of mix change between Q3 and Q4 is also because of the different split between the course in Q3 and Q4.

A word of warning, that in Q1 2016, we believe that the order pattern change will be even stronger than it was in 2015. So the wholesale layer is really pushing time-wise to put orders forward. All of this volatility, all of this change is in no way changing the view we've had on Learning for this year, for what we have communicated above the operation.

Then going into the financials starting with the income statement, we booked net sales of 468 million for the quarter. The reported numbers are down 12 percent versus last year's Q2.

The comparable numbers are down 6.6 percent.

When you look at the EBITDA numbers, the margins are – or the reported EBITDA numbers, the margins are actually improving. And this is something we're seeing quite a few quarters in a row already that the markets and the cost levels do adjust to the changes in the businesses and naturally our own initiatives play an important role here as well.

So the total operating expense level for us in this quarter came down by 14 percent, so more than the reported sales – cost of sales by 18 percent. And the key driver in getting the cost of sales down is the decline in paper costs which is naturally lower volume space but also lower price as papers cost came down 27 percent this quarter compared to the last, last year. Fixed cost 11 percent down, of which employee costs are minus 13 percent. So we are able to adjust to the changes and the market is doing – doing the same.

Of course, the EBITDA doesn't tell the whole or give the whole picture of the profitability profile, an important part of our cost is the amortization related to TV program rights even if we would only look at the kind of ongoing operational amortizations.

Here, we have for the quarter 53 million versus 42 million last year. The majority of this delta can be explained by two factors, one is the additional 6 million amortization on the international program rights, the other number is the 3 million amortization for the Belgium TV operations, so we had a Libelle TV operation in Belgium which now in the restructuring of the BeNe operation has been closed down and the program inventory for the Belgium operation has been – has been written down.

If we look at the cumulative numbers, so we have some additional costs in addition to these two items and that is the underlying program spending both in Netherlands and Finland, pretty much half and half.

Regarding SBS, we can happily say that even if the program spending has been higher for the first half of the year, the profitability has still improved so the development is good.

What comes to prepublication right amortization, nothing specific there. Other amortizations and depreciation coming down, pretty much a reflection of the structural changes in the – in the company, so EBIT at 49 million and 10.5 percent of sales for the quarter.

In the nonrecurring items, we have 40 million, of it, we have 14 million kind of goodwill write-downs offset partly by the transaction gain, both relating to selling some magazines in the Belgium operation, and then we have 22 million of restructuring costs, the rest is related to capital – or transaction results and FX impact from the Russian business. All in all, earnings per share, EUR0.30 for the quarter, last, last year, EUR0.23.

Moving to the SBU performance on a group level, organic growth 6.6 percent, down as mentioned here already. Media BeNe down by 15.6 million, 5.5 percent. The TV sales actually in BeNe were fairly flat. We saw a strongly declining TV market for the full quarter in Netherlands but still our sales were pretty much flat and that is the result of improving share of viewing and share of advertising plus some gains in the distribution sales.

Print magazines continue to come down, that’s kind of normal trend but also because of some divested titles.

In Media Finland, the online and mobile sales continue having double digit growth, but as you know, the base being fairly low, it does not set for the decline in the kind of traditional print sales.

TV and radio sales are pretty much flat. The operations sold are SaLe newspaper business in the Southeastern part of the Finland and some magazine titles had together a 12 million impact, negative impact on the reported sales.

Learning, 9 million down, it is pretty much all because of the time shift in Poland and Finland, so no concerns regarding that.

Other and eliminations is related to selling – mainly related to selling on Hungarian media operations.

EBIT excluding nonrecurring items, here, starting with Media BeNe, has mentioned here already the reported number was 27.1 million, so a bit better than what we had for Q2 last year. It's a combination of efficiency improvements, solid quarter for the TV business, good quarter also for our press distribution in the BeNe area and then some kind of trend-related declines in the print sales and the divestments.

But all in all, one can say that the whole business in the BeNe area is being managed well and the profitability development is very good.

Media Finland, 10 million down, we have discussed quite a bit already what the drivers behind that are. And then Learning really related to the time shifts as mentioned here as well. The legislative changes in the Polish market, of course, do burden our operations, the competitive situation is changing. We're putting a lot of efforts of offsetting the negative part of the change in additional sales and also managing the cost base.

The other and eliminations all in all, a combination of many things, sale of some operations like the Hungarian part as we mentioned, some of the non-core business is still holding up, performing not that well, but these negatives then being offset by savings in the group functions.

Moving to free cash flow, you know that the first half of the year for us also always is a heavy one on the free cash flow we make, all our – most of our cash flow during the Q3 and Q4 periods.

When you look at the operational performance here kind of combining the EBITDA, the TV program rights and the prepublication costs, so for the quarter, we were 14 million below last year's Q2 and cumulatively with 26 million below. So that's the operations impact on the – on the cash flow.

Then change in net working capital, again, always negative for the first two quarters, now, here, a bit more than we've had for the first six months last year. It's a long list of timing related matters, nothing specific, no really bigger reason for concern. I do believe that the cash flows and then the net working capital development will follow the similar type of pattern during the balance of the year as we have seen earlier.

Interest paid, lower, following the lower debt levels. Other financial items, there are some 6 million worth of unrealized gains on derivative instruments which is kind of – has a negative impact in the net working capital, so those could actually be offset with one another.

Taxes paid are 50 million, higher this quarter, and pretty much the same picture for the cumulative period, and this comes solely from the taxes on the sales gain on Sanoma House. Taxes were paid this year, transaction done last year.

Other adjustments here always relate to the nonrecurring restructuring costs, and as we have said, quite a bit of these negative cash flows last year and continue having this year. And at least what comes to the 100 million program next year, the negative cash flow impact shouldn't be at the same levels, question, of course, is then what kind of new programs will be launched going forward.

Capital structure, we have positive and negative parts. When describing the capital structure, the net debt overall at 930 million, a bit lower than what we had at the end of Q2 last year. And as you know, if we go back a bit further, the net debt levels have come down quite a bit because of all the transactions that we – the divestments that we have done.

Clearly, the negative part of the description here is the net debt to EBITDA adjusted bringing the program rise above the EBITDA line which is 5.5 times.

This is a level that we definitely kind of going to be satisfied with and really the only way to solve this going forward is the improvement in our operational performance.

What comes to the covenants, we have no issues, not on the net debt to EBITDA levels or on the equity ratio. The equity ratio actually is fairly strong, it's close to 42 percent. This quarter, it was positively impacted by some pension liability bookings, long-term interest rates increasing and reducing the present value of the liabilities, and that boosted our equity this year by some 70 million.

This concludes my part of the presentation. I'll hand back to Olli for questions.

Olli Turunen: Thank you, Kim. So as always, there is a chance for you to ask questions. Just a friendly reminder, please state your name and company. And also, if you wonder if the microphone is on, it is on, the microphone is for the webcast viewers. Thank you.

The first question, Sami?

Sami Sarkamies: Thank you. Sami Sarkamies, Nordea Markets. I have three questions. First two relate to Q2 developments and then one on Learning.

Firstly, just trying to understand what happened in Q2. I mean if you look at slide 3 that is showing the organic sales development, I mean Q2 sort of clearly brought the pattern in a big way. Was this some kind of a cleanup quarter for – to the new head of Media Finland?

Looking at the net sales development, I mean you had pretty, pretty good development in online and the mobile, but it seems that print sales were sort of driving this development. And then also I mean you chose not to – not to downgrade the net sales guidance so you also seem to look at this as some kind of one-off quarter.

And then second question relates to the program write-down that was made in Q2 to EUR6 million (thing), can you give a bit more background on this because I guess, for example, earlier, the plan with the Hero channel was that you would be able to show all the sort of rights there, you know, when was this deal made and was it some kind of cleanup by the new head of Media Finland?

And then on Learning, you were saying that in Q4, you will have lower costs than last year, but does that mean that the costs will be just moved to next year because of the change in seasonality? Thanks.

Harri-Pekka Kaukonen: OK. So I'll start with number two, that's the program write-downs. The fundamental reason is really the shift in viewing patterns from international to local.

And in the case of Hero, we also have seen the fact that we have adjusted the grid accordingly and slightly. And that I think that this relates more broader than Hero. It's the international rights in total. For sure, Hero has been an outlet of these rights as well.

Is this a cleanup or not, this relates to contracts that were made earlier. We don't make such contracts anymore, so they're more output-related contracts with studios. So this is – you know, in that sense, it's a cleanup of old sins.

And that if this is a cleanup of the old management, you know, well, yes, because this is part of the total review of stuff and, you know, this is something then that we took a little bit earlier, a view and then we're doing a kind of an annual, you know, schedule because when we're sort of adjusting for stuff.

So there is an element of that, but not – I mean there is no order or suggestion to cleanup, it's just, you know, as a matter of costs. And when things come up then we need to deal with them as the system goes.

What happened in Q2, you're right, so in the sense that if we now take the online mobile, you're right, it is developing quite nicely for us. And in Finland, the bigger problem was in print advertising. And that's where we are not performing relatively as well, so actually losing share in print.

It's partly due to also the structure, so national and newspaper is perhaps a little bit more higher in pressure than the local so far, but still something that we need to – we have room to improve.

I think overall, Q2 I see is a little bit of a speed bump because you had – on one hand, you had the Learning shift, but relatively given the weakness in TV, also some of the structural changes and the fact that you'll now – we increased also our share of print with the Belgium integration, all these things related to that, it was a weaker quarter.

I've already mentioned, I expect us to get better (background) to the growth trend and that's also the reason why the top-line guidance was kept. So we're – you could say then we're a bit more conservative there given this situation, but I think it's more a seasonality, a slight underperformance in Q2.

And then on the – on the Q4 lower costs, I think it's a shift in the year, not across years. So it's between Q4 and Q3, and then there's a little bit of relative adjustment. There are some reservations last year and that changes that comparison a little bit as well. But there is, to our understanding today, no material shift from 2015 to 2016, so the year should be comparable. It's a quarterly comparison that is unfortunately a bit tricky again for Learnings.

Sami Sarkamies: OK, thanks.

Olli Turunen: Panu?

Panu Laitinmäki: Thanks. It's Panu Laitinmäki from Danske Bank. I have three questions as well.

Firstly, on Learning, how good visibility do you have to take you – you expect that kind of orders actually coming in in Q3? It is kind of an improvement that you are indicating to happen in the second half. And maybe further on the Polish situation, so has something changed in the legislation and how big impact is this.

The second question is on Netherlands. What are the expectations for the second half given that Q2 profitability improved in a difficult market and that the markets would probably start to help you in some time, so are there any expectations for the second half?

And third question is on the development cost that I remember you mentioned in last year's guidance and also this year that you are – you have increased costs for this development. Is this something that will remain at the level or is there kind of possibility to reduce those at some point? Thanks.

Harri-Pekka Kaukonen: OK. Learning, let me answer in a way that traditionally, Learning has been quite accurate in the ability to forecast the actual revenues. The reason is that we actually know the orders from the schools. It's just when they realized, that's the question.

So again, you know, nothing is guaranteed in this world as we've seen, but I think there is a relatively high degree of comfort that I have at present that the Learning core revenues will realize as we say today. But let's see, but that has historically also been the case.

Netherlands, I think that we have a couple of positives that we don't give, you know, guidance on SBU level, but the focus program is moving and what we see is that the impact of the structural cost measures will support earnings in H2.

And the second thing is, which is really the biggest swing factor is how well will SBS perform, and that's one where I really hesitate to give any kind of, you know, statement. We've seen how volatile and fragile it is, but we have the momentum builder in the Champions League in terms of viewing share for sure.

And we sense good interest from customers. So it depends on the underlying health of the TV market and then our relative performance in the core programming grid. But, you know, these are the positives but then the market is very volatile. Online competition is increasing their price pressures. So there are also counteracting trends. And then the print decline is true there as well.

But all I'd like to say is that I – you know, compared to where we expect the Dutch business now is on a solid footing and there are – they're clearly on the lower cost base, they've been able to adjust faster to the underlying market renditions relative to what we've been doing in Finland, and that gives support to the positive development but I don't want to give guidance on the actual number.

But in total, as mentioned, for the group, you know, we expect H2 in absolute numbers to be better than H1, but – and the bar is not very high unfortunately.

Olli Turunen: Then there were questions about the development costs and also…

Harri-Pekka Kaukonen: Yes.

Olli Turunen: … regarding the Polish legislation, has something changed.

Harri-Pekka Kaukonen: Yes, yes. There is no change in legislation but what is more difficult to estimate is then the competitive dynamics, how will the market develop. And specifically, what we're talking about is kind of what kind of solutions packages and what kind of competitive scenarios we expect because first, you have a collapsing market which leads to very tough competition, it's also leading to consolidation.

What is the net impact of this on market shares and the price level in the market, all these things are still uncertain. I think what we flagged here is that there's bigger range of outcomes that we see for next year than – that we have seen, but nothing fundamental changing.

For this year, the team has been able to adjust and implement according to plan and that's why we keep that outlook for this year for Learning the same. But it's a very interesting development and – but nothing in our reading that would signal fundamental shift in the legislation.

Olli Turunen: Then the development cost in digital.

Harri-Pekka Kaukonen: I think there are two buckets. The Learning digital development higher expending levels will continue. So they will continue this year and expect them to be continuing the following year. And the driver for that is there is an upcoming curriculum changes in the number of markets that flag much more digital content as part of it, for example, in Sweden, in Poland as well, and that means that we need to continuously invest to upgrade our methods.

So at least for the next couple of years, I see that happening. And the second driver is that we are unifying the architecture so that we get a more scalable underlying architecture in Learning, so that will stay.

On consumer media, on the other hand, I think there is room for increased efficiency in digital development and that's one of the things that we will be doing also not only in Finland but that's one of the areas that now Arthur Hoffman where we combine digital and technology will look for, you know, where are the platforms that we need to invest and how can we increase efficiency on digital development. So in short, Learning will stay, I would expect, efficiency improvement on the digital development spend and technology spend on the consumer media side.

Panu Laitinmäki: OK.

Olli Turunen: Next question.

Sauli Vilen: Sauli Vilen, Inderes, hi. I have three questions also. So first off, about the league rights, can you give us any insight how much the cost structure is on the programming rights and how much actually production cost so we have an idea of how much you can actually do in order to not lose 3 million again a year from here?

Then about the Media Finland, just can you give us any idea? Like a few years ago, you gave out this plan, how you will turn around Media Finland. Obvious that the market has been worse than you originally expected but there has to be also something else, I mean in the execution, maybe in leadership, so again, give us any grasp of what internal things has happened, what hasn't gone in your way?

Then third, when I look at the consensus, the consensus is expecting your HQ cost being around maybe 25 million for this year. So how do you feel about that? Is the HQ cost, do you see, there any room to come down or is like a normalized level? Thanks.

Harri-Pekka Kaukonen: OK. The cost structure of the Hockey League is it's – the biggest part of it is the license, the right, but production cost is also a sizeable element and there's a fixed element in the sense that we have committed to showing all the matches, right, so there is a number which is fixed.

Then the way to do it better would be then to do it smarter, more efficient, you know, separating quality of different things, maybe doing smaller crew. So there is an element of that.

But there also the other element is, which we need to become better is, you know, helping Hockey League and also in monetizing this getting our media assets to support the Hockey League brand and then product better.

Again, that – but currently, you know, as Kim explained, we expect that it would remain negative during the – still the remaining three years but obviously, we'll do whatever we can, and this is one of the biggest holes we have in our Finnish performance is this bit and we need to address it, again, you know, firmer, faster, quicker, more broadly.

And that brings maybe to that Media Finland question. A couple of years back, and I guess it's fair that I thought that the 50 million chunk that we are going to take out would take us to a firmer level. But clearly, that wasn't overly optimistic perception of the view – of the world as we can see it.

And then I think that the difficult has been then that once we have realized it then we haven't sort of been able to switch in the extra gear and that – and it is – I think a big driver there is leadership and culture, the way we work.

Again, we work in independent type of silos too much versus bringing it altogether. This type of elements are there and, you know, we've also made that call that we need a new type of leadership, so there is a shift in management where you have strengthened the sales by appointing the head of

Nelonen sales to look at all of sales operation because we have good performing sales structures and creative solution selling in the Nelonen side and we need to make sure that the other – the print side and this work together. So it is a broader part.

And we need a new kind of mindset, new kind of leadership, new kind of culture in how we manage the Finnish business. And as a result of that, we need to, you know, get the clock speed up a notch as well. So it is – you're absolutely right, it is not only the market, we need to also adjust the way we manage the Finnish business.

Then finally, you're call on consensus, I think that's a very good point as well. We have – the group has shrunk over the last couple of years. We have done things to adjust the overall group support functions but this is something that we need to have a close look at.

And it's not just Headquarter. I think the meaningful – more meaningful approach is to look at the total support functions because business support is – sits in SBUs and – locally and – but overall, this is something that we are – we are looking at presently with the functional leaders. So that is part of the remit that we have now in front of us.

Olli Turunen: Are there further questions here in the studio? If not, operator, we're ready to take questions over the phone.

Operator: Thank you. To ask a question on the phone line, please press star-1.

Your first question comes from Rasmus Engberg from Handelsbanken. Please ask your question.

Rasmus Engberg: Yes, yes, hi. This is Rasmus with Handelsbanken. I wanted to ask you first, with regards to disposals, are there further cash flows coming in, in the second half of the year from already announced disposal that we should be aware of?

Harri-Pekka Kaukonen: Kim, you get the …

Kim Ignatius: Well, the biggest open transaction we have is selling the Russian asset of Fashion Press which we signed already in December last year, and this is a transaction still pending some official approvals which are unsure if we will get them or not, but that will provide us with additional cash flows if we are able to close the deal. We also have some smaller non-core assets in the holding entity where we are looking into disposals but those are not any significant amount of money that is involved.

Harri-Pekka Kaukonen: We have also the Belgium.

Kim Ignatius: Yes, yes, some.

Harri-Pekka Kaukonen: Some – the Belgium titles but that's also subject to competition review but that's, you know, also should bring some cash.

Rasmus Engberg: OK. Can you give sort of a round figure of what we're talking about?

Kim Ignatius: Well, the transaction, we announced the Russian…

Olli Turunen: Yes, regarding the – regarding the Belgian magazine titles, we have said that roughly around 30 million of cash will be received once the deal will be closed. Regarding the Russian assets, we have been – or we have not given the precise amount.

Rasmus Engberg: OK. All right. And then onto the business and with regards to Media Finland, do you think you'll be able to make a profit this year? And then the second question, with 50 percent of your revenue from advertising, can you actually raise your profit in a weak market?

Harri-Pekka Kaukonen: Yes. That – I mean again stating that we're not giving the SBU guidance here, but I think you need to take into account in your modeling the write-downs that we said so there is an additional 9 million on kind of a comparable basis that will impact the Finnish underlying performance.

The second question was – remind me, I'm getting old here.

Olli Turunen: Are we able to increase…

Harri-Pekka Kaukonen: Yes. Obviously, in a – with 50 percent advertising market and in structurally declining market at least in current economic conditions, it’s very difficult to base it on advertising sales because that would mean that we need to be able to gain market share.

Where I see opportunities is really on streamlining things, so it is fundamentally cost-related, it’s also opportunities on advertising-related things like dealing with content marketing, there are some buckets of opportunity in that space.

And then it is to increase the efficiency of our core operating processes really around content creation, content delivery and, you know, the sales process both in consumer sales and B2B sales. And I feel that we still have, I mean not only feel, we already have in the works, you know, things that we’ll be able to improve.

The big unknown question here is that how much will that do relative to the market development. That has been the problem with the Finnish situation all along and we just haven't been able to take out efficiency as fast as a top-line has been melting.

(Crosstalk)

Harri-Pekka Kaukonen: So long answer. But there are opportunities to improve underlying efficiency then what is more uncertain is what will – how will the top-line develop.

Olli Turunen: Rasmus, do you have further questions?

Rasmus Engberg: Yes, I have one more – two more actually. I’ll take both at the same time then. Is there an official independent outlook for the second half in the Netherlands for TV that you are aware of?

And then finally, I think your loans mature in 2017, almost all of them. Is that at the end of the year or is it in the middle of the year or when is that?

Harri-Pekka Kaukonen: Well, I'll take the first, Kim can take the second. The sort of official which is the kind of independent authority-based estimate is that the second half would be slightly positive in the TV market in Holland.

But, you know, they don't have a better crystal ball than we have, so – but that's been – that's the word in the market. And at least Jun, July supports that notion, that at least it's not getting worse.

So that's what – the official outlook is based on that. I assume that there is some kind of semi scientific at least understanding of what bigger customers are doing. So that's the current word anyway out there.

Kim Ignatius: You know, what comes to the facilities, the facilities are maturing in spring 2017. We have all in all EUR1 billion maturing, that is a 400 million bond and a 600 million revolving credit facility.

Naturally, we will not wait till 2017. These facilities will be restructured quite a bit earlier than that timeframe. It's good to understand also that our debt levels have come down quite a bit during the last year and a half, meaning that we will not need to have the same level of facilities in place when refinancing them, so the amounts will be quite a bit – quite a bit lower.

We have very recently also refinanced the financing that SBS is having directly from external bank, so activities are being taking all the time going forward, and we will start addressing this matter now during the fall and then going forward.

Rasmus Engberg: OK, thank you so much.

Olli Turunen: OK. Are there further questions over the phone?

Operator: Thank you. Your next question comes from Matti Riikonen from Carnegie. Please ask your question.

Matti Riikonen: Good afternoon. Yes, it's Matti Riikonen of Carnegie. I would have two questions firstly on the TV rights for the Finnish Ice Hockey League and second, Learning in Poland.

To some extent, it's probably overly discussed, but did I understand correctly for the Finnish Ice Hockey League TV rights that you have no booked losses for this season, so the 2015, 2016 season.

But although if you expect that it will be a negative investment case that – and you are expecting further losses in the next two years, you are not yet booking those losses right now but you expect to do them later. So that's the question number one.

And then again to the Learning in Poland question, is it possible to say that what part of the roughly 16 percent decline in top-line in the first half is related to the time shifts that you have mentioned earlier and how much is related to the new legislation or changed competition because it's a kind of black box trying to separate these two things, so any kind of help there would be – would be appreciated. Thank you.

Kim Ignatius: I'll take the questions in the order you placed them. So the TV rights first, we cannot kind of write down future years losses but we can analyze the value that we have for TV rights on our balance sheet. And we booked the rights on the balance sheet whenever the season is starting.

So when our right to broadcast the season starts and therefore we – at any given season start, we only have the cost and the investment in our balance sheet for the – for the coming season and therefore we need to take this in an annual basis, so your analysis was correct and the reason is that there is – there isn't any value for the – on the future seasons yet booked.

On the Learning in Poland, it's pretty much 50/50, so half of the deficit comes from the time sheets, half from the new market environment.

Matti Riikonen: OK, thank you. And is it then – is the annual loss for this season, is it the 12 million then annually based on what you say that if you take a 6 million charge in Q3 that also goes to the Q4 (boughts). So it's – is it 4 million really annually or how much is it?

Kim Ignatius: Well, we haven't given a direct kind of number for the annual loss but what we're doing is that we take one season at a time and compare that to kind of the current value of the rights to the business case that we have for the season, and this is the amount that we are booking.

And naturally, you know, when we look at the guidance, we compare – when we comment this to you is that we compare kind of the additional bookings compare to what has been the base in our thinking.

Matti Riikonen: OK, thank you.

Olli Turunen: OK. Are there further questions here in the studio? Sami?

Sami Sarkamies: Yes, one more question, still coming back to Q2 developments, I'll ask it in a bit different way. If you look at the underlying advertising market developments in Finland, they were basically unchanged between Q1 and Q2.

That leaves two alternatives, either you need something internally then that there was a change at the customer side, for example, change consumer behavior. So maybe could you provide a bit more color moving it at this way that why was Q2 so different from Q1. Thanks.

Harri-Pekka Kaukonen: Well, Q2 was and in particular, June, was weaker and then slightly weaker than we expected. And also, we felt that our view of the H2 development was a bit too positive compared to what we expect the markets to go.

And then we underperformed, so – in print advertising particularly, and that we see as a structural measure. So – and that's the biggest thing we have. And frankly then when we put these things together, our estimate of the B2B side particularly seemed to be too optimistic, and so that's the main reason, combined with then these write-downs led to the fact that it was just a substantial drop in the Finnish outlook between Q1 and Q2.

And so it's I guess to really put it in the simple terms, the negative market development surprised us and then we had anticipated that a performance in our B2B sales then we actually manage to do.

Sami Sarkamies: Thank you.

Olli Turunen: There are no further questions, so this concludes the whole result presentation. Thank you for your attention and have a good day.

Kim Ignatius: Thank you.

Harri-Pekka Kaukonen: Thank you for your attention. Thank you.

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