Alma Media Q3 2014

Kai Telanne, President and CEO
Juha Nuutinen, CFO
24 October 2014
Agenda

Highlights
Market development
Financial development
Strategy and outlook
Q & A
Q3/2014 highlights

- There was a slight decline in group revenue during Q3. The decline in revenue was attributable to the Group’s operations in Finland. The growth of international operations balanced out the decline in Alma Media’s Finnish units.

- Excluding the impact of divested business operations, the revenue of Alma Media’s units outside Finland grew by 17.4%, particularly due to the strong development of recruitment services.

- Alma Media’s digital advertising sales exceeded print advertising sales for the first time.

- In the Financial Media and Business Services segment, the share of digital business has increased this year to reach 43.1% of revenue. Digital advertising sales grew, although the rate of growth was not as high as earlier in the year. In the Regional Media segment, print media circulations decreased, while the additional sales brought about by the new printing facility offset the decline.

- Alma 360, IL-Media and Alma Manu Oy reformed their organisations to improve their competitiveness and to be better able to respond to customer needs.

- Alma Media expects its full-year revenue 2014 to remain at the 2013 level. The operating profit excluding non-recurring items for 2014 is expected to be lower than in 2013. The full-year revenue 2013 was MEUR 300.2 and operating profit excluding non-recurring items was MEUR 24.2.
Revenue Q3/2014

- Revenue for the quarter decreased by 1.8% to MEUR 70.5.
- Online business revenue increased by 9.4%.
- Digital products and services accounted for 31.4% (28.2%) of Group revenue in the third quarter.
- Content revenue decreased by 3.9%.
  - Content revenue from digital channels does not completely cover the decline in print content revenue.
- Advertising revenue decreased by 1.7%. Digital advertising sales exceeded print advertising sales.
  - Digital advertising sales increased by 9.4%.
  - Advertising sales for print media decreased by 10.7%.
Operating profit Q3/2014

- Operating profit excluding non-recurring items decreased by 9.9% to MEUR 7.0.
- Operating profit was MEUR 6.5, or 9.2% of revenue.
  - The operating profit includes net non-recurring items of MEUR -0.5.
- Total expenses excluding non-recurring items decreased by 1.0% year-on-year to MEUR 63.5.
Growth in digital business

**Revenue from digital business**

- 2008: 44 MEUR (12.9%)
- 2009: 40 MEUR (13.1%)
- 2010: 49 MEUR (15.7%)
- 2011: 57 MEUR (18.0%)
- 2012: 78 MEUR (24.3%)
- 2013: 84 MEUR (28.1%)
- YTD Q314: 70 MEUR (31.8%)

**Share of total revenue**

- 2008: 0%
- 2009: 5%
- 2010: 10%
- 2011: 15%
- 2012: 20%
- 2013: 25%
- YTD Q314: 30%

**Segment’s share of the Group’s digital revenue**

- Regional Media: 4.1%
- National Consumer Media: 12.2%
- Financial Media and Business Services: 23.9%
- Digital Consumer Services: 59.9%
Market development in Finland
Change in advertising 9/2013 – 9/2014

<table>
<thead>
<tr>
<th>Change % YTD 9/14 vs. 9/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspapers</td>
</tr>
<tr>
<td>Magazines</td>
</tr>
<tr>
<td>TV</td>
</tr>
<tr>
<td>Radio</td>
</tr>
<tr>
<td>Internet</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: TNS Media Intelligence
Growth in digital advertising

YTD change from previous year, %

Source: TNS Media Intelligence
Advertising volume in printed newspapers* continued to weaken

YTD change from previous year, %

Source: TNS Media Intelligence
* Newspapers, local and free issue papers
Advertising declined across almost all industries

Advertising by branch Q1-Q3 / 2014

Total market, change from Q1-Q3 2013

<table>
<thead>
<tr>
<th>Branch</th>
<th>MEUR</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>158</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Food &amp; bev.</td>
<td>69</td>
<td>2.1%</td>
</tr>
<tr>
<td>Motor v.</td>
<td>68</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Houses</td>
<td>34</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Tourism</td>
<td>33</td>
<td>1.3%</td>
</tr>
<tr>
<td>Entert</td>
<td>32</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Recru</td>
<td>23</td>
<td>-11.4%</td>
</tr>
<tr>
<td>Tele</td>
<td>15</td>
<td>-14.3%</td>
</tr>
<tr>
<td>Other</td>
<td>280</td>
<td>-0.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>711</strong></td>
<td><strong>-3.2%</strong></td>
</tr>
</tbody>
</table>

Source: TNS Media Intelligence
Growth in tourism and food & beverages advertising

Advertising change by branch

Total market, change from previous year

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>-10.8%</td>
<td>-3.9%</td>
<td>-4.8%</td>
</tr>
<tr>
<td>Food &amp; bev.</td>
<td>-2.6%</td>
<td>-6.8%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Motor v.</td>
<td>6.9%</td>
<td>-16.6%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Tourism</td>
<td>20.6%</td>
<td>27.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Houses</td>
<td>1.3%</td>
<td>0.6%</td>
<td>-15.2%</td>
</tr>
<tr>
<td>Entert</td>
<td>7.5%</td>
<td>-4.8%</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Recru</td>
<td>-30.9%</td>
<td>4.0%</td>
<td>-15.4%</td>
</tr>
<tr>
<td>Tele</td>
<td>1.2%</td>
<td>-18.9%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Other</td>
<td>-0.1%</td>
<td>1.1%</td>
<td>-6.0%</td>
</tr>
</tbody>
</table>

Total -1.3% Total -2.2% Total -3.7%

Source: TNS Media Intelligence
Financial review

Juha Nuutinen, CFO
## Long-term financial targets

<table>
<thead>
<tr>
<th>Alma Media’s financial targets</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 YTD</th>
<th>2014 Q3</th>
<th>Target level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital business growth</td>
<td>16.3%</td>
<td>36.8%</td>
<td>8.4%</td>
<td>11.2%</td>
<td>9.4%</td>
<td>&gt; 15%</td>
</tr>
<tr>
<td>Return on Investment (ROI), %</td>
<td>26.1%</td>
<td>13.8%</td>
<td>10.0%</td>
<td>9.5%</td>
<td>12.0%</td>
<td>&gt; 15%</td>
</tr>
<tr>
<td>Dividend payout ratio*</td>
<td>103%</td>
<td>45%</td>
<td>50%</td>
<td>n/a</td>
<td>n/a</td>
<td>&gt; 50%</td>
</tr>
</tbody>
</table>

* Includes capital repayment to shareholders.
Operating profit decreased in the third quarter

Revenue, MEUR

Operating profit, MEUR

Non-recurring items

-0.9% -1.8% +37.3% -9.9%
Content revenue decreased, digital advertising sales exceeded print advertising sales
Digital Consumer Services Q3/2014

- Revenue grew by 10.1% to MEUR 13.5.
  - Revenue from operations in Finland decreased by 0.8%.
  - The devaluation of the Czech koruna in November 2013 decreased the euro revenue by MEUR 0.3.
  - Revenue was increased by MEUR 0.4 by new recruitment service companies in Hungary, the Czech Republic and Poland.
- Recruitment service revenue increased by 13.7% and accounted for 66.1% of the segment’s revenue.
- Total expenses excl. non-recurring items increased by 7.6% to MEUR 10.9.
  - Expenses were increased by new recruitment service companies in Hungary, the Czech Republic and Poland.
- Operating profit excl. non-recurring items increased by 17.7% to MEUR 2.6.

### Revenue and operating profit, MEUR & %
Excluding non-recurring items

- Revenue:
  - Q3 13: 12.3
  - Q4 13: 18.2
  - Q1 14: 14.0
  - Q2 14: 18.1
  - Q3 14: 13.5

- Operating profit:
  - Q3 13: 2.2
  - Q4 13: 2.5
  - Q1 14: 2.5
  - Q2 14: 2.6
  - Q3 14: 2.6

### Q3 13 Q4 13 Q1 14 Q2 14 Q3 14
- -12.4% +17.7%
Financial Media and Business Services Q3/2014

- Revenue declined by 6.8% to MEUR 12.2.
  - Digital business accounted for 43.1% of revenue.
  - The divestment of the BNS business had an effect of MEUR 1.0 on the decrease in revenue.
- Content revenue decreased by 3.9%.
  - Kauppalehti’s digital content revenue increased by 21.3%, partially covering the decline in content revenue for print media.
- Advertising sales were unchanged from the previous year at MEUR 3.6.
  - Online advertising sales increased by 13.6%.
- Total expenses excl. non-recurring items decreased by 7.7% due to the divestment of the BNS business.
  - The non-recurring expenses of MEUR 0.5 recorded during the period were related to the reorganisation of Alma 360’s operations.
- Operating profit excl. non-recurring items was on a par with the comparison period, 2.2 MEUR.
Revenue declined by 6.0% to MEUR 11.5.
  - Online business accounted for 23.3% of the segment’s revenue.

Content revenue decreased by 3.4% due to a decline in Iltalehti’s circulation.

Advertising sales decreased by 10.1%.
  - Online advertising sales increased slower than at the beginning of the year; by 2.7% to MEUR 2.6.
  - Advertising sales for print media decreased by 29.2%.

Total expenses increased to MEUR 10.7.
  - The increase in total expenses was attributable to online content production costs and investments in sales and marketing.

Operating profit was MEUR 0.8, or 6.6% of revenue.
  - No non-recurring income or expenses were reported in the review period.
Regional Media Q3/2014

- Revenue totalled MEUR 34.6.
  - Digital business accounted for 2.6% of revenue.
- Content revenue decreased by 4.1% due to declining circulations.
- Advertising sales decreased by 7.9%.
  - Digital advertising sales increased by 19.5%.
  - Advertising sales for print media decreased by 8.7%.
- Service revenue increased by 46.8% due to an increase in Alma Manu’s external printing service revenue.
- Total expenses amounted to MEUR 32.0 (32.4).
  - Total expenses were reduced by the efficiency improvement measures for newspapers as well as printing operations.
- Operating profit was MEUR 2.6, or 7.7% of revenue.
  - No non-recurring expenses were reported during the review period.
Cash flow from operating activities
Cash flow and capital expenditure

IFRS

From operating activities
Before financing activities

Gross investments
Proceeds from sales of assets
Interest-bearing liabilities

Net debt Q1/2012–Q3/2014

Net debt distribution

<table>
<thead>
<tr>
<th></th>
<th>Q3/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial leasing</td>
<td>70.7</td>
</tr>
<tr>
<td>Financial loans</td>
<td>9.0</td>
</tr>
<tr>
<td>Commercial papers</td>
<td>11.0</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-10.5</td>
</tr>
<tr>
<td>Total</td>
<td>80.3</td>
</tr>
</tbody>
</table>
Key indicators

IFRS

Equity ratio, %

<table>
<thead>
<tr>
<th></th>
<th>Q3 13</th>
<th>Q3 14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>35.4</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Gearing, %

<table>
<thead>
<tr>
<th></th>
<th>Q3 13</th>
<th>Q3 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>111.9</td>
<td></td>
<td>80.4</td>
</tr>
</tbody>
</table>
Earnings per share and equity per share

Q3 2013 | Q3 2014
---|---
Non-recurring items
EPS wo non-recurring items

Retained earnings
Restricted equity
## Balance sheet

<table>
<thead>
<tr>
<th>MEUR</th>
<th>Q3 2014</th>
<th>Q3 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangibles and goodwill</td>
<td>111.5</td>
<td>115.6</td>
</tr>
<tr>
<td>Tangibles</td>
<td>81.8</td>
<td>87.7</td>
</tr>
<tr>
<td>Associated companies</td>
<td>24.7</td>
<td>30.5</td>
</tr>
<tr>
<td>Inventory</td>
<td>1.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Receivables</td>
<td>37.9</td>
<td>37.4</td>
</tr>
<tr>
<td>Cash</td>
<td>10.5</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td><strong>267.5</strong></td>
<td><strong>281.8</strong></td>
</tr>
<tr>
<td>Equity</td>
<td>99.8</td>
<td>93.0</td>
</tr>
<tr>
<td>Reserves-obligatory</td>
<td>3.7</td>
<td>3.9</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>2.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Ib debt</td>
<td>90.7</td>
<td>113.9</td>
</tr>
<tr>
<td>Non-Ib debt</td>
<td>52.4</td>
<td>49.1</td>
</tr>
<tr>
<td>Advances received</td>
<td>17.9</td>
<td>19.1</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td><strong>267.5</strong></td>
<td><strong>281.8</strong></td>
</tr>
</tbody>
</table>
Strategy and outlook

Kai Telanne
The focal points of the implementation of the strategy in 2014

We will build new capacities, seek efficiency and accelerate growth in digital services and media.
Multi-channel content
IL-Media’s new lifestyle editorial staff creates content for various channels

- The goal is to build one uniform editorial staff to produce content related to cars, health and travel to online and mobile services, print media and IL-TV.
  - Digital Ilona was launched in August.
  - A joint desk of print and online lifestyle reporters to come.
  - Closer cooperation with sales.
A digital afternoon edition for Aamulehti

- Aamulehti’s online content will be expanded with a paid digital afternoon edition.
- The new Aamulehti Ilta will be launched in January 2015 at the latest. The design versions of the afternoon edition were subjected to reader tests during the summer.
- The digital afternoon edition is an addition to the paid Premium service which was launched in January 2014.
- The structure of the Premium site will be clarified. The same paid service logic will also be transferred into mobile services.
- Where applicable, Aamulehti Ilta is available for all regional newspapers of Aluemedia.
Some 60 customerships and budgets will be transferred under the responsibility of the new joint sales team.

The goal is to offer an even wider range of media solutions to the customers, moving from pure media sales and campaign-based thinking towards working continuously together.

This is a pilot project that will last until the end of 2015. Further action will be decided on after the pilot project.

Customer responses have been very positive so far.
Media companies started cooperation in order to improve the measuring of media consumption

- The project, which is scheduled to run for a few years, will create common rules and terminology for measurement, and promote the development of new media planning tools.
- We are not aiming at ending the current measurement systems in the media sector; the new model is developed in parallel with the existing systems.
- At first, the change project is led by Finland’s biggest media companies: Alma Media, Sanoma Media Finland, Yleisradio and MTV. A team of experts will be hired to execute the project.
Digital services
Alma Mediapartners obtained a share of the Urakkamaailma.fi service

- Alma Mediapartners Oy bought 15 per cent of the share capital of Remonttibulevardi Oy which produces the Urakkamaailma.fi online service in the beginning of August.
- The service helps property managers and consumers arrange competitive bidding for renovations and contractors to find new contracts.
- Almost 2,000 contractors participate in the service. The number of requests for tender made through Urakkamaailma.fi has been increasing.
Resources and expertise
Lännen Media started operations in October

- The joint project of 12 newspapers officially started its operations on 1 October 2014.
- The Finnish news desk of Lännen Media was the first one to start. Online stories, theme pages, weekend and supplement materials and the foreign desk will begin their work at the end of this year.
- The first stories created by the joint editorial staff will be published in print on 7 October.
- Employees of Lännen Media gathered at a three-day training event in Tampere at the beginning of October.
- The project provides employment for 40 people in different offices.
Alma Manu was granted a licence for postal operations

- In September, Alma Manu was granted a licence by the government for postal operations, applicable to letter deliveries mainly in Pirkanmaa and Satakunta.
- The licence is valid for 10 years. The licence authorises Alma Manu Oy to provide postal services to contract customers in the geographic area covered by the licence, such as addressed mail.
- Alma Media will begin preparations to launch postal distribution operations, but the company is still seeking a change to the terms of the licence.
- Manu is studying the expansion of distribution to parcel and shopping bag services, amongst other things.
Outlook

24 October 2014

Economic growth in Europe, and in particular Finland, is expected to remain weak also in 2014. In this market situation, Alma Media’s growth in digital service revenue does not yet fully offset the decline in the sales of print media.

Alma Media expects its full-year revenue 2014 to remain at the 2013 level. The operating profit excluding non-recurring items for 2014 is expected to be lower than in 2013. The full-year revenue 2013 was MEUR 300.2 and operating profit excluding non-recurring items was MEUR 24.2.
Thank you! Questions?

Upcoming events in the investor calendar:
- Capital Markets Day 27 November 2014
- Q4 result 13 February 2015