1HFY17 Results Presentation Speakers' Notes

Opening slide – Tim Worner

Welcome to the Seven West Media 2017 half year results and thank you for joining us.

I'm Tim Worner.

Joining me here today for the presentation are:

- Warwick Lynch - Chief Financial Officer,
- Kurt Burnette - Chief Revenue Officer;
- Clive Dickens - Chief Digital Officer; and
- Gereurd Roberts - CEO of Pacific.

We will take questions at the end of the presentation.

Over the past two months, much has been written and discussed concerning the ongoing claims of a former employee. I have apologized for what did happen and we don't wish to give any more oxygen to things that did not happen.

The company has made a number of public statements on the matter and will continue to keep the market informed.

Our team has been and continues to be totally focused on driving home our leadership.

We have not been distracted.

Our performance and the commitment of our people, in particular in the past two months, has been unwavering. In fact, our television business had its best summer in five years, growing its audience summer on summer and winning every key demographic.

As a group, we are focused on evolving the company to meet the changing demands of our customers whether they be viewers, readers or advertisers and delivering an even stronger performance for our shareholders.

Right let's get started.

Slide 2

Disclaimer – Tim Worner

On page 2 is our disclaimer, which is customary for presentations of financial results.

Slide 3

Agenda - Tim Worner

On slide 3 is the agenda for today. I will run through our half year result for 2017, covering our progress on each key strategic pillar, and then update you on our outlook for the rest of the financial year.

Warwick will then take you through the financial results in more detail before I review the performance of each of our businesses in Seven, The West and Pacific. After which we will cover the strategic outlook.

Slide 4

Performance & Outlook: Maintain Leadership – Tim Worner

Slide 4 outlines the output of our strategy from not just the last half year. This is the product of our plans and actions executed over the last three years, a strategy that provides us with a clear continuous and sustainable plan out to 2020 and beyond. This is not an accident, make no mistake this is our strategy in action with a lot more to come – it has been bumpy and will take time but in the long term we believe it will reap rewards for our shareholders.

The scoreboard is clear, number 1 television business, in every category, ratings, revenue, and profitability, number 1 digital publisher, number 1 live streaming and catch up TV app, the clear result of our moves into the rapidly growing digital video advertising market. No other media company in Australia can show those unparalleled statistics.

We no longer solely focus on the $2.8bn metro television ad market. We are after our share of the $6.2bn total video ad market.

We have used big live events to secure audience leadership. We set out to become the nation's number one Australian media company online and that is what we have done.

No coincidence we first took that lead in the month of August with the Rio Olympics and we have kept that lead every month since and we'll keep it for January as well when Nielsen releases those figures.

This achievement has been led by live, free premium content from our television business where we are again number one, Plus 7 from Yahoo7 also number one, The West where we now have Perth Now and thewest.com.au and Pacific, Australia's fastest growing digital publisher in 2016.

Maintaining leadership underpins our strategy, wherever we choose to compete. This has kept us more profitable than our peers for more than a decade and enabled us to extract the greatest value from our assets. We've achieved our 21st consecutive half of ratings and revenue leadership in television. That's our traditional core and we expect to build on that record.

We secured a 40.8 share of the traditional free to air market - 5.8 points clear of our nearest rival and representing the best Olympic revenue share half since Sydney 2000 and Beijing in 2008, both incidentally also delivered by Seven.

But standing still is not an option.

We know we have to keep up with consumer demands and that means constant innovation. This is about creating and building leadership beyond our core media businesses, using our content and the marketing muscle of our media assets.

Leadership is one thing. How we manage our business and its costs is another.

On slide 5:

Performance & Outlook: Redefine the Operating Model – Tim Worner

On slide 5, much has been achieved in this half on redefining the operating model. As part of our transformation, securing greater cost efficiencies and maximising the return from investments have become daily priorities and our businesses are measured on delivering these outcomes.

There is a new found close collaboration and understanding across our industry that we all need to think differently and deepen the extent of our cost sharing programs in areas which do not impact the ability for us to vigorously compete. We now have programs in place to reduce costs on captioning, news links, transmission towers and the news helicopters JV is working well. Work is ongoing on the next phase of this cost sharing.

We are also making rapid progress in our publishing businesses.

The West marked a significant milestone in its history with the acquisition of The Sunday Times and PerthNow. A pivotal transaction which delivers both revenue and cost synergies while also driving greater utilisation from our assets and content. It also increases our digital scale and broadens our reach into younger demographics.

In September Pacific executed the first phase of a transformation plan to rapidly evolve to an audience centric business, and improve profitability. The Pacific portfolio of titles has been refined. As a result of these measures, Pacific has not only driven significant cost out of the business but been able to reduce headcount by more than 20%. Driven by its digital revenue and audience performance, Pacific will deliver material earnings growth in the second half.

Slide 6

Performance & Outlook: Fuel New Growth – Tim Worner

On slide 6

We continue to fuel new growth across our company through greenfield initiatives and investment. As a result of this strategy we will incur upfront periods of investment that may impact short term profitability, however we are investing in what we believe will be a strong future.

Our role as the largest production company in Australia differentiates us in the local market and we have continued to invest in growing our global footprint in content production. This period we added a scripted drama company to our portfolio, launched a new production company in New Zealand and have several opportunities in the pipeline which will take us closer to the critical level of scale to pursue the next phase of growth for this division.

Slide 7

FY17 Half Year Overview- Tim Worner

On slide 7

Now to the 2017 half year financials.

Group EBIT declined 27.7% to $148.5 million. This is in line with our guidance for the first half performance to be lower than the full year due to major one off events.

Excluding major events and third party productions, our costs declined 3.8%

Underlying net profit after tax of $95.7 million, which excludes significant items, was down 31.8% on the prior comparative period.

Operating cashflows of $174.7 million was at a cash conversion of 102% for the period.

Net debt reduced to $681 million.

The Board has declared an interim dividend of 2 cents per share fully franked.

We maintain the guidance we outlined at our AGM, based on current revenue visibility. Group EBIT for the financial year is expected to be down approximately 20% year-on -year.

Excluding the Olympics and 3rd party productions, we now forecast operating cost to be lower year on year.

Also consistent with previous guidance, the metro television advertising market is forecast to be down low single digits for the financial year but I would add it has been encouraging to see growth in February and now March. That's the first time we've seen growth outside of the Olympics since 2014 and also for the first time in several years, we are seeing the market get longer. I'm sure Kurt will expand on this if he is asked later.

We have been very upfront in the past about television not doing the best job of marketing itself compared to other media. That has now changed with the establishment of Think TV and we are already seeing the results.

We've been promoting the benefits of TV with data, not our data, independent data. Independent studies that show the ROI of advertising spend across different media. You will see more of these reports over the next 12 months across a range of categories, including Automotive in April. The first study covered FMCG and clearly outlined the substantial premium TV delivers in ROI vs other media, in this case over double the next nearest medium. The result, we've started to see FMCG budgets grow again and this was one of the first categories to pull back on TV advertising. Our transparency is tried and tested and TV is proven to deliver results.

TV can no longer be solely measured and traded by overnight metro ratings. Don't get me wrong they are still critically important, but it does not represent all the ways we deliver content to consumers. We are now using the new official OzTAM measurement system, Total Audience, which covers broadcast, live streaming, AVOD catchup and PVR viewing to provide a total audience view matching how TV consumption has evolved.

During the last six months the Australian advertising market has experienced increased uncertainty around the accuracy, validity and definition of video views within leading social networks. The TV industry has its measurement house in order and we want to see the social networks do the same thing. We call on our advertisers to hold them to the same level of accountability and transparency. Let's insist they invest in audited independent measurement.

Program sales and 3rd party commissions are on track to deliver 25% growth. We forecast EBITDA for this division to be greater than 20% of our television earnings by the end of the financial year.

Digital is on track to deliver our guidance of over 150% growth for the financial year.

I will now ask Warwick to take you through the financials in more detail.

Slide 9

Financials – Warwick Lynch

Thanks Tim.

Turning to slide 9 and the group financial results.

Seven West Media reported a statutory profit after tax for the first half of the year of $12.4 million. Excluding significant items of $83.3 million, underlying net profit after tax was $95.7 million. This underlying result is a decrease of 31.8% on the prior year.

Our basic earnings per share for the half was 6.4 cents per share excluding significant items.

A fully franked interim dividend of 2 cents per share has been declared and will be paid to shareholders in April.

Slide 10

Income Statement – Warwick Lynch

Slide 10 shows the income statement for the half year and a reconciliation of EBIT to the statutory outcome.

Total group revenue before associates was 1.0% higher than the same period last year, at $906 million.

Group operating costs increased by 10.1% to $756.6 million, delivering EBIT at $148.5 million, which is 27.7% lower than the prior period.

Finance costs of $19.1 million are down 2.1%, due to lower borrowing costs on the prior period.

Tax expense was $34.4 million for the half, with the underlying effective rate of tax at approximately 26%.

Net profit after tax of $12.4million was impacted by significant items of $83.3 million, which predominantly related to a $75.5 million reduction in the carrying value of Yahoo7. Additional significant items of $7.8 million include the closure of Presto, sale of Sky News and magazine titles.

The adjustment in the valuation of Yahoo7 relates to an acceleration in the transition from premium display to programmatic revenue and the loss of a service contract in the New Zealand market.

We note that this transition at Yahoo7 has largely transpired and the company is undertaking measures to improve profitability.

Moving to slide 11.

Slide 11

Cash Flow – Warwick Lynch

We are a strong cash generating company and this period is no exception, recording operating cashflow of $174.7 million with an EBITDA conversion rate of 102%.

The inflow of working capital of $18.7 million relates to the unwinding of pre-payments for Olympic rights incurred in FY16. Other differences represent movement of our investment in both local production and purchased programs.

Redundancy costs were $16.4 million, and related to the transformation programs across all business units.

Net tax payments of $33.8 million compared to $7.0 million in the prior period, which is more reflective of our normal tax instalment rate.

Net finance payments of $14.9 million have reduced year on year.

Capex is in line with the previous year at $11.9 million. Capex for the full year is forecast in the normal range of $30-40 million, as we look to further implement our strategic initiatives.

Payments for investments during the period of $20.9 million included The Sunday Times, PerthNow, Slim Productions and a number of smaller strategic investments in early stage businesses.

Slide 12

Net Debt – Warwick Lynch

Turning to net debt on slide 12.

We have continued to apply our strong operating cashflows to manage our net debt position lower. Net debt for the half was $681 million, bringing the group's leverage ratio to 2.2 times EBITDA. The interest cover ratio stood at 9.9 times.

We remain committed to managing our debt levels downward, ensuring a strong balance sheet for the future. During the period, we successfully extended our existing debt facilities for an additional 2 years, with maturity now extended until 2020. Our covenants remain the same at 4x leverage ratio and 3x interest cover ratio.

As is normally the case, net debt will be lower at the half year than in the full financial year due to regular seasonal factors which impact the timing of payments.

Turning to performance levels for each business.

Slide 13

Seven Divisional Performance – Warwick Lynch

Slide 13 covers the performance of Seven.

Total revenue is up 5.4% to $699m, equivalent to a $36 million increase in the face of a 4.5% decline in the traditional metro television ad market and a 2.7% decline in the newly defined total TV market which includes AVOD and live streaming.

Seven's metro and regional advertising revenues including broadcast and digital increased 4.6% against prior period.

Seven's share of the metro ad market was 40.8% in a half that benefited from the Rio Olympics.

Program sales and 3rd party commissions revenue grew by 16.7% or $7.2 million. This is another great result for our production business with double digit growth continuing into a 6th year.

Costs increased 16.4% or $78.4m. This increase is due to one off Olympic rights and third party commission expenses. Ongoing focus on cost management in our television business resulted in an underlying cost reduction of 3.4% excluding Olympic and 3rd party commission costs.

EBIT for the half was $143.0 million.

Slide 14

The West Divisional Performance – Warwick Lynch

Moving onto The West's performance on slide 14

The West now includes The West Australian, The Sunday Times, TheWest.com.au and PerthNow. Ad revenues declined by 15.8%, against a national market decline of 18.5% according to SMI data. The Sunday Times acquisition was completed on the 16th of November.

Due to continuing economic challenges in Western Australia local display advertising conditions are difficult. As a result, the advertising market remains very short.

Circulation revenue was 4.6% lower, with digital edition sales up over 90% in the period, representing 11% of circulation volume.

Cost control remains an ongoing focus as part of The West's transformation program. This half, management delivered a reduction in costs of 3.9%. Excluding the Sunday Times and Perth Now acquisition, costs were down 6.5%. The West generated an EBITDA margin of 23.4% for the half year. EBIT declined to $14.9 million.

It is worth highlighting the pro-forma results for The West if the Sunday Times/Perth Now transaction had been at the start of this financial period. Pro-forma revenue would have been up 4.4% on the prior period to $127million with a pro-forma EBIT of $22m million. On that basis The Sunday Times and PerthNow would have contributed $18 million revenue and $6.7 million in EBIT.

Slide 15

Pacific Divisional Performance – Warwick Lynch

On slide 15, we show the financial performance of the Pacific business.

This business has undergone significant portfolio restructuring which commenced in September.

Circulation revenue declined by 13.8%, on a like-for-like basis excluding the closed and sold titles, the decline would have been 6.5%.

Financial performance was impacted by the weakness in print advertising revenue which declined by 22.5%, again impacted by closed and sold titles (19.1% like-for-like) against a market decline of 18.3% (*SMI Data Dec-16 – Consumer Magazines Advertising*).

Pacific is making material investment in new digital initiatives, the revenue of which is included in other revenue. Overall other revenue increased by 43% YOY. Digital ad revenue is now approximately 15% of total revenue. These digital initiatives partially offset the full extent of the business's ongoing cost transformation program. Costs were down 8.2% for the period. Further material savings are expected to be realised in the next six months, with costs to be down approximately 20%. Material earnings growth is expected in the second half.

Magazines EBIT for the half was $1.3 million. I note that if the restructure of the magazine portfolio had been in place for the full 6 months, EBIT would have been $5.1 million, down $0.3m on a like for like basis.

Moving to slide 16.

Slide 16

Other Business and New Ventures – Warwick Lynch

Other business and new ventures is comprised of regional radio and events business in WA, Red Live, our share of Yahoo7 profit, Sky News, WA Community Newspapers and early stage investments.

EBIT prior to early stage investments was $5.1 million, with the result impacted by lower share of net profit from Yahoo7, Community Newspapers and the sale of Sky News.

Losses from early stage businesses of $8 million reduced in the period primarily due to the closure of Presto. It should be noted that these losses represent our equity share of early stage losses and do not impact cashflow in the period outside of the upfront investment. Obviously we expect these businesses to grow profitably in the medium term, delivering substantial returns on the existing portfolio value which stands at an estimated $70 million.

The loss of $2.9 million for the period therefore reflects the impact of our various early stage investments.

Now back to Tim, for the operating highlights.

Slide 18

Seven – Tim Worner

Now to slide 18 and the most profitable television business in Australia.

2016 marked another strong Olympic year for Seven both in terms of ratings and revenue share. Not only that, but we've delivered audience growth as per guidance.

Our programming continues to dominate the others with 10 of the top 20 regular programs on Seven. On the right of this slide we outline just how well we perform across the board. Number one in each of the key categories. That is what really reinforces the consistency and the breadth of an offering that wins everywhere. That is what our customers are after.

Our drive for leadership is not confined to ratings and revenue. Maintaining leadership in profitability is even more important. We continue to drive greater efficiencies across our business. Programming is the largest cost across our company and this has been a major area of focus, an area in which we have delivered a 22% reduction in the cost per hour for local production. Owning and controlling our content is a key advantage in driving that sort of outcome, particularly as Australian audiences show they want Australian programming and we increase the number of local shows we're producing.

Excluding the impact of the Olympics and 3rd party commissions, our underlying costs declined 3.4% year on year.

While we are committed to driving savings, at the same time television licence fees remain the most pressing regulatory cost issue facing our business. Removal of this outdated supertax is now well overdue and we are hopeful that the Government will address it in the May Budget. The television landscape has radically changed since these fees were introduced in the 1960s. There are now new players who pay neither corporate taxes nor licence fees, don't employ Australians and don't make Australian programs.

Moving on to slide 19

Slide 19

Sports Rights – Tim Worner

Earlier I referred to the importance of big live events for us. Our run to 2020 will confirm that. But the coming eighteen months delivers an unprecedented opportunity for us.

The big push begins in September with the AFL Grand Final and finals series, the Rugby League World Cup in Australia and New Zealand starting in October and the Spring Carnival which culminates in November. We are then onto the 2018 Australian Open followed by the Winter Olympics in PyeongChang South Korea, so a great time zone and then the best time zone of all, the Commonwealth Games on the Gold Coast in April. What is important to appreciate is we have secured the rights to monetise these events across all platforms.

These sports not only provide us the benefit of long term certainty on audience, but they also provide us the opportunity to secure long term revenue. We've been locking in major clients committing to a minimum 40% plus share all the way through to 2020.

These sports rights will also be critical to our future growth, six launch platforms for future products, six launch platforms for future programs.

Slide 20

Seven – Tim Worner

Moving on to slide 20.

The Rio Olympics reset the way Australians can watch live sport. No doubt we have seen changes in viewing behaviour that originated there.

Rio delivered the 3rd largest revenue result in history. Only behind Sydney and Beijing, both in our time zones. When you consider that the results were delivered against AOC litigation, unfavourable time zones and the toughest market conditions since the GFC. It highlights what a truly enormous opportunity the future Olympic Games will provide, with PyeongChang and Tokyo falling into the perfect time zone and a proven winning formula for advertisers, which our 2016 partners can attest to.

After the biggest AFL finals in a decade, our AFL coverage is already bigger in 2017 now running from February to October. Our new deal means every marquee game in high definition, more prime time games, highly successful coverage of Women's AFL which has started to stunning crowds and audiences. We now have more AFL screen real estate than we've ever had before, the WAFL, the SANFL and the VFL competitions all broadcast live.

Now that's fantastic for AFL fans, but it's also great for our advertisers with more premium ad inventory and integrations to sell in the upcoming season than ever before, including the most valuable screen real estate in the country, that ad straight after a goal on any screen.

On FTA the AFL delivers an average audience 37% higher than the NRL. Worth also remembering, whether they be watching games on Seven, Fox Sports, or Telstra's AFL offering, its Seven that is monetising that coverage.

The Tennis has once again provided an unparalleled launch platform for our programming. Tennis across January from the Hopman Cup right through to the Australian Open delivered more people and more revenue - a total broadcast reach of 12.8 million with streaming of all 620 matches increasing over 40% year on year. The dream match up in the men's final drove the highest ratings in a decade with a peak audience of 4.4 million and live streaming growing 188%. Every time we deliver these big, live events across all platforms, we improve the consumer offering and find new ways to incrementally monetise it.

Moving on to Slide 21 and Seven Productions.

Slide 21

Seven Productions – Tim Worner

We are well positioned to take advantage of changes in the local and international media landscape.

Our ability to identify and execute on ideas is gaining traction globally and driving growth for our business. Our program sales and 3rd party commissions continue to deliver strong revenue growth up 17% in the period.

Across our portfolio of assets we are now producing over 850 hours of content across multiple genres every year. In Australia, content originated and produced by Seven Productions this year will be seen not only on Seven, but on local channels including the ABC, Soho, BBC Knowledge, Discovery Kids, the Lifestyle Channel, Universal and UKTV. And that is only Australia.

The pipeline of third party program commissions is growing with 15 commissions secured this half. There is growing demand for local versions of My Kitchen Rules – Channel 4 has commissioned a second season; TVNZ commissioned a 3rd and 4th season; with a further two territories coming on line over the coming months.

The local version of Seven's original format House Rules on Net5 in the Netherlands has hit record breaking audience numbers and is now identified as a key brand for that channel.

Slide 22

Seven Digital – Tim Worner

On slide 22 we cover our major digital initiatives.

Our digital capabilities have come a very long way in the last two years. That's why we are now the leading Australian media company online. We have dramatically increased our scale, launched successful new video services and established the data platform - a critical step in our growth strategy. Our 100% owned digital revenue increased 200% across this half with every division delivering strong growth.

Yahoo7 is also in a period of transformation with its MAVENS strategy which focuses on mobile, video and native as core growth drivers, now representing over 50% of revenue. Trends in other display have continued to place pressure on yields due to the growth in programmatic advertising. As part of Yahoo7s transformation it has also undertaken a significant restructure in the past 6 months.

Our investments in early stage businesses are growing strongly, often benefiting substantially from the promotional power of Seven's assets. Nothing conveys this strategy in action better than a well placed Airtasker integration in Better Homes & Gardens driving an 1100% increase in users to the platform within a matter of minutes. This delivered a substantial and sustained uplift in sign ups and job volumes.

This is the power of television.

Slide 23

Digital Audience – Tim Worner

On slide 23, we've highlighted our digital audiences and how our group performs across all these metrics. Number 1 total audience, number 1 millennial audience, number 1 across smartphones and yet again the number 1 AVOD catch up TV app.

Slide 24

The West – Tim Worner

Moving on to slide 24.

Local content 7 days a week across television, print and digital is our new mantra in Western Australia. The last six months has seen some of the most positive initiatives in WA Newspapers' history, with the acquisition of The Sunday Times and PerthNow in November, followed by the relaunch of The West Australian digital products in December.

These are pivotal developments in the transformation of The West. The acquisition provides synergies including a very short pay-back period, increases the utilisation of our assets and broadens our ability to target a younger online demographic. In its first month of operation it immediately delivered a positive contribution to the group.

Costs remain a focus across this business and while this transaction assists in improving profitability we continue to identify and extract further cost savings. Excluding the impact of The Sunday Times and Perth Now, costs would have declined 6.5% YoY.

In publishing, The West Australian was the best performing weekday metro newspaper in Australia in 2016, with 4.4% net readership weekday increase, while The Sunday Times was the best performing Sunday newspaper up 2.1%.

The December relaunch of The West Australian digital product was a critical milestone of the company's strategy. This, combined with the acquisition of Perth Now, has resulted in 163% YoY increase in digital audience. WAN digital revenue also increased by 107% YoY and continues to scale rapidly with short form video a core focus.

The biggest asset we have in WA is the integrated newsroom, with journalists from The West Australian, 7 News, and now The Sunday Times and Perth Now all working together across all platforms to deliver the best coverage of the events that matter most to Western Australians.

Finally, the company continues to execute its integration with television. The combined audience of The West, PerthNow and Seven locally delivers an unmatchable 92% reach. To take advantage of that there is a new West Australian Revenue Director to drive sales across all media, including TV, print, digital and radio.

Moving to slide 25

Slide 25

Pacific – Tim Worner

In the period Pacific implemented the first phase of a transformation plan designed to drive future growth, and which has also delivered immediate results.

Central to that plan were three things: the refinement of the portfolio to focus on key categories; the right-sizing of its core publishing business, leading to significant cost reductions; and investment in digital growth. We are now more efficient, and producing more quality content than ever before.

As a result of this restructuring, revenue and profit have been impacted as we absorb the year-on-year absence of those brands and the cost of implementing the transformation.

Despite this, Pacific extended its position in the period as Australia's best-performing magazine publisher, securing 27% of all readership with only 12% of titles published.

The cost-out program has also helped protect the business against continuing advertising trends in publishing, with the market down 18% in the period. Due to the timing of the cost-out, the business captured minimal benefit this half, but will see an $18 million total cost reduction in the second half.

The falls in traditional advertising revenue have also been partially offset by strong growth in digital revenue.

In June 2016 Pacific took in-house all of its digital properties, and over the last 6 months digital audiences grew 177% with 80% of the audience via mobile, making Pacific the leading mobile publisher in the country. Pacific grew digital revenue 102% in the period.

The transformation at Pacific is working. And at the same time the business is creating new revenue streams through its brands across online transactions, services, brand extensions, events, and strategic partnerships.

Slide 26

Strategy & Outlook – Tim Worner

To slide 26 and looking ahead.

The transformation of our company is continuing at great pace. We are evolving and we aim to lead the industry in this transformation.

Now one team creates, curates, markets, delivers and sells our content regardless of where it will be consumed.

Our success is built on that content and great ideas across our company. To that end, we will continue to grow our multi-platform content production presence in Asia, Europe and the US, leveraging the recent success we've had in those markets. We will also continue to focus on local content creation, where we remain proud to be Australia's leading producer of home-grown shows.

We remain focused on redefining our operating model and maintaining a sustainable cost base. This has meant that hard, yet necessary decisions have had to be made. And we will continue to make these decisions for the benefit of our company. We will leverage technology where it's of benefit. It is not enough to win. We have to win smarter.

In working smarter, we continue to look at ways to drive new growth. Our media assets are the best in the country. And we will leverage these assets to build and invest in new disruptive models across a number of key verticals to drive value creation. And we will continue to invest in growth businesses that can also benefit from the promotional power of our assets.

Slide 24

Questions – Tim Worner

That’s it. Now we open up for questions.