sanoma

Annual Review

2018

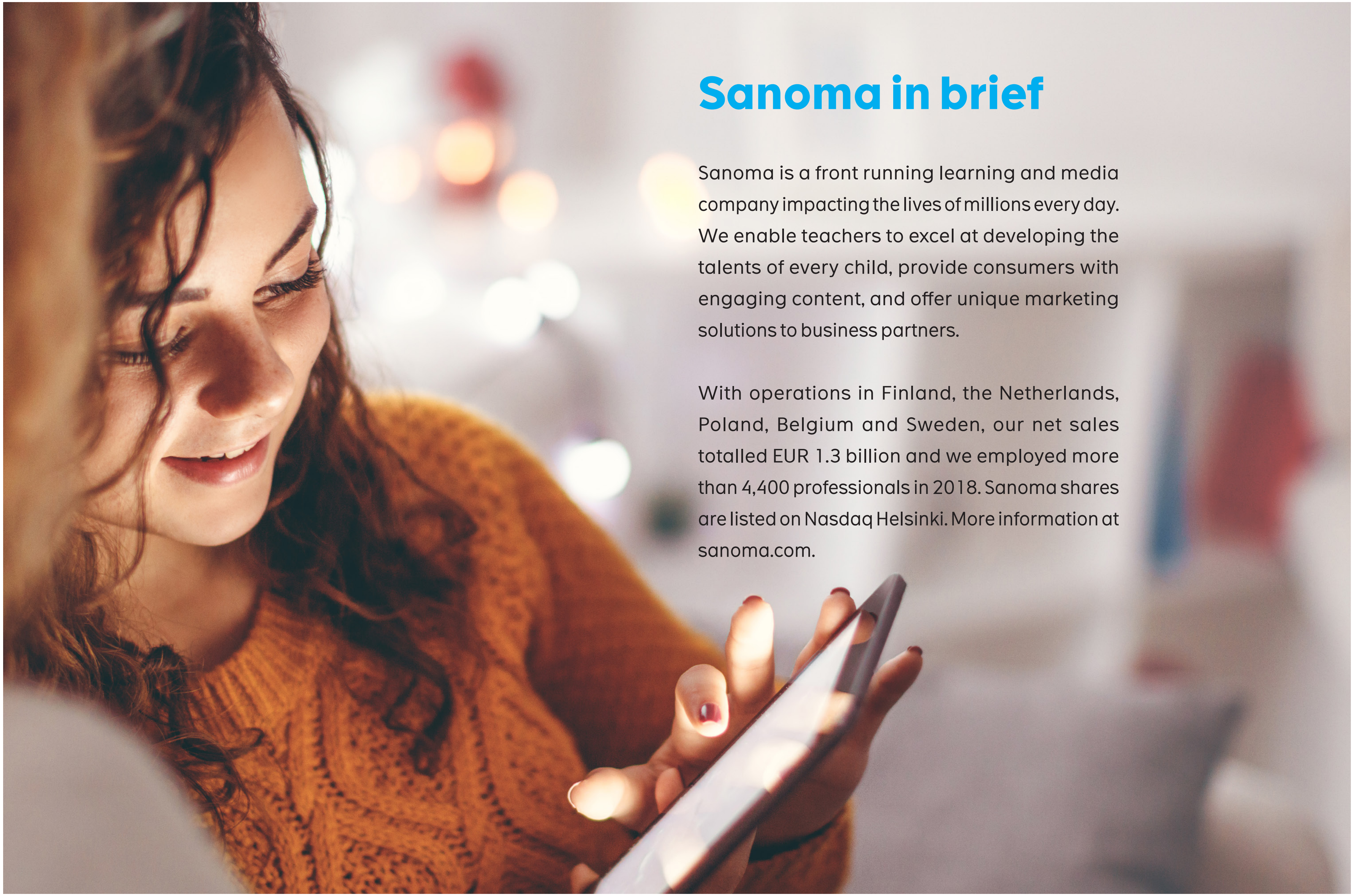
Contents

This Sanoma Annual Review 2018 consists of the following parts:

1. Board of Directors' Report, including non-financial information
2. Audited consolidated and parent company financial statements
3. Corporate Governance Statement
4. Remuneration Statement

Further information on Sanoma as an investment is available at sanoma.com/investors

● Audited
○ Part of the Board of Directors' Report



Sanoma in brief

Sanoma is a front running learning and media company impacting the lives of millions every day. We enable teachers to excel at developing the talents of every child, provide consumers with engaging content, and offer unique marketing solutions to business partners.

With operations in Finland, the Netherlands, Poland, Belgium and Sweden, our net sales totalled EUR 1.3 billion and we employed more than 4,400 professionals in 2018. Sanoma shares are listed on Nasdaq Helsinki. More information at sanoma.com.

Highlights 2018

Operational EBIT margin

14.9%

(2017: 13.5%)

- Operational EBIT improved in all SBUs
- Net sales were stable
- More than 4,400 employees

Free cash flow

M€ 109

(2017: 106)

- Free cash flow excluding one-off costs related to the Discontinued operations in Belgium was M€ 126

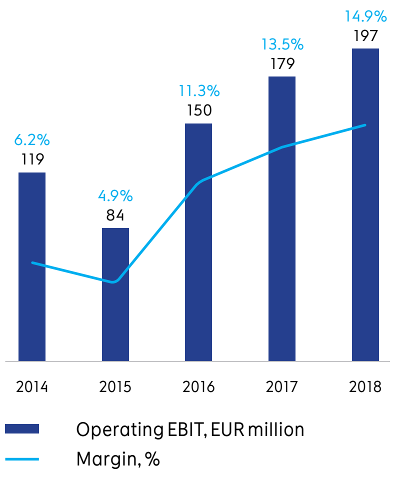
Dividend per share

€ 0.45

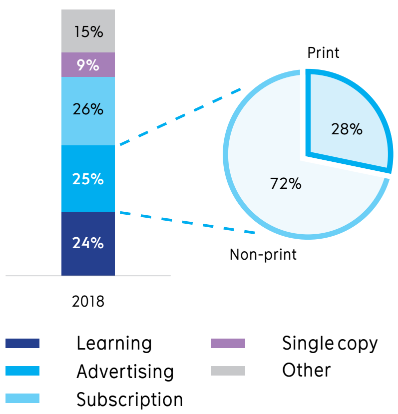
(2017: 0.35)

- Several growth enhancing acquisitions during the year
- Focusing of the business portfolio continued

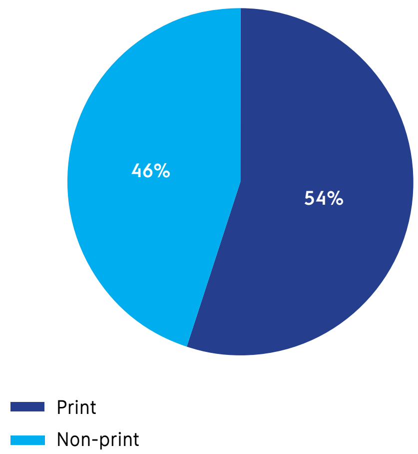
Operational EBIT



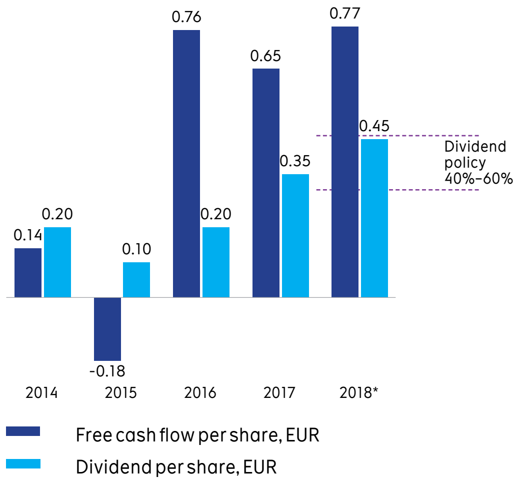
Net sales by category



Print and non-print sales

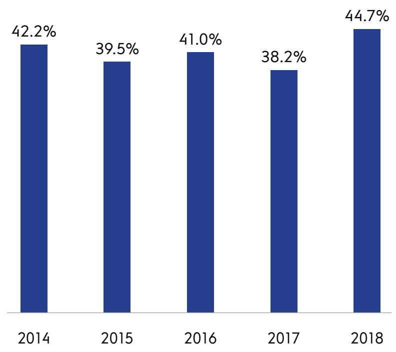


Dividend

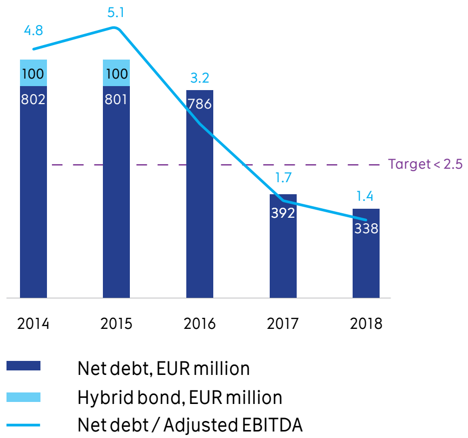


* Board's proposal, FCF excl. one-off costs related to the divestment of Belgian women's magazine portfolio

Equity ratio



Net debt



Chairman's greetings

"Innovative combinations of new and existing ideas create new, insightful and unexpected services."

Dear Shareholders,

It gives me a great pleasure to share with you this Annual Review. Year 2018 was the third consecutive year on Sanoma's positive financial track.

In the annual report three years ago I stated that we need to be aware of and comprehend change, yet focus on things we can affect. This allows us to invest our resources in key areas. We have firmly progressed along this path and made appropriate choices. Our improved financial results along with our healthy balance sheet widen the range of future options in our scope.

By acquisitions Sanoma has expanded its business in each of the SBUs already in 2018. We have acquired or increased our shareholding in companies we already know well and have cooperated with for some time. By doing so, we have expanded our accessible market and position in the value chain.

Discourse on values in our society is getting more polarised. Learning and media play a crucial role in maintaining and improving equality. The task of learning and media is to provide people with readiness to understand the changing world, thereby enabling them to form their own opinions and ability to be active members of the society. In this context, Sanoma has had and will have a special and important role to play.

The total number of subscriptions for Helsingin Sanomat grew for the second year in a row. An important element of our success is that we have reached new customer groups. It is very pleasing to see that half of the growth comes from new subscribers under 40 years of age. Young people are once more becoming interested in quality journalism when forming their own world view. Also our Dutch news service NU.nl has attracted new users.

Transformation is a continuum but also cycles. Sanoma's different business sectors balance one another and involvement in different businesses is richness for us. Transformation brings about new opportunities for Sanoma particularly in the learning sector. Digitalisation in learning opens up intriguing paths of development for us.

“The task of learning and media is to provide people with readiness to understand the changing world, thereby enabling them to form their own opinions and ability to be active members of the society.”

Innovations are at the core of all successful businesses. Innovation and creativity are the source of inspiration for the organisation and people. All things, from the social way of working to deeper understanding and development of the digital user experience, are important elements of innovation. Successful companies discover means to work together and exceed limits. Innovative combinations of new and existing ideas create new, insightful and unexpected services.

Transformation opens us opportunities to work together with our partners in a new way. In times of transformation, successful companies share the capability to endure uncertainty. In times when the future is difficult to predict, errors must be accepted, tolerated and learned from.

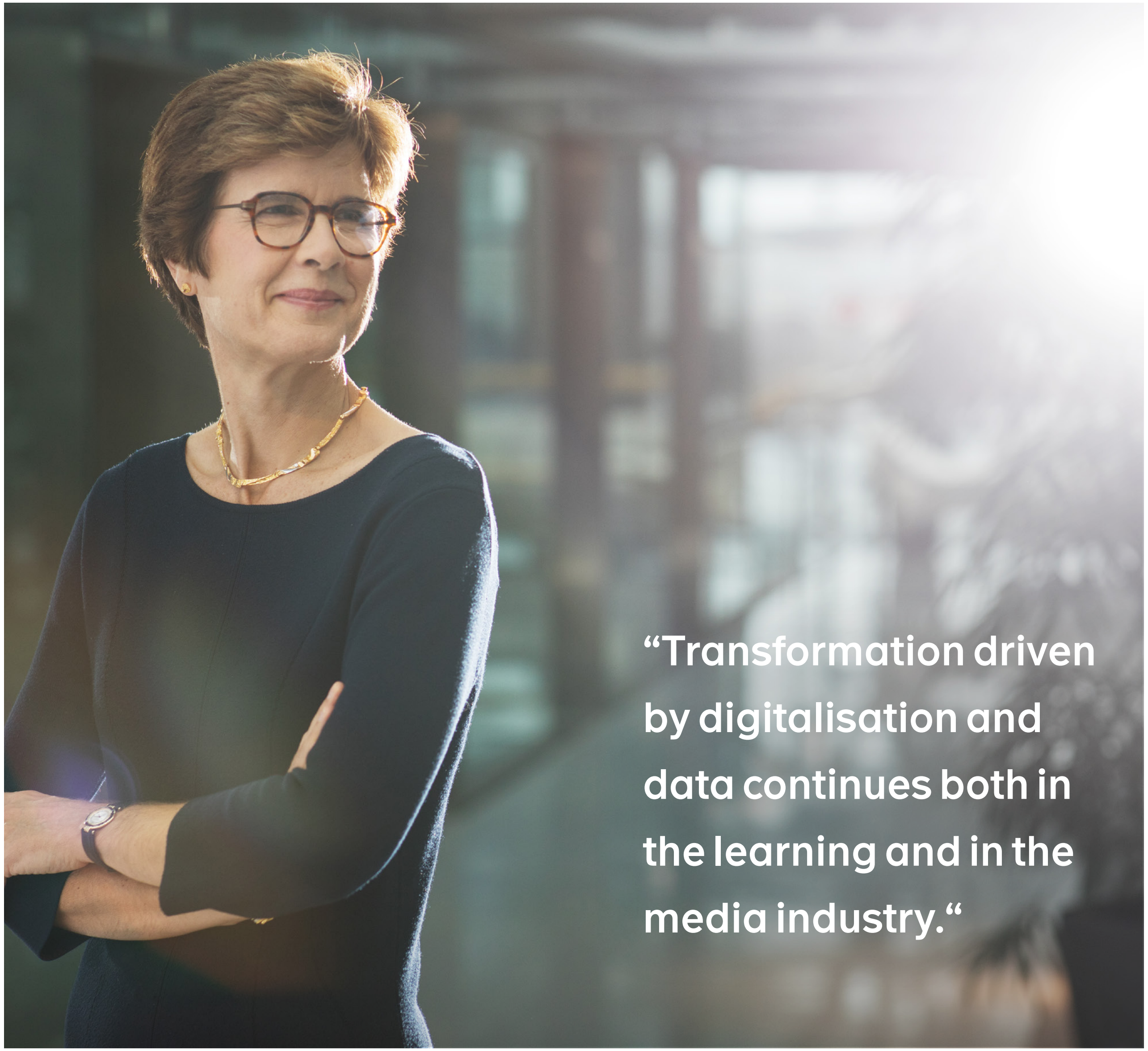
Sanoma wants to foster a culture of positive renewal and way of working. People, who with courage and humbleness aspire and envisage opportunities as individuals and teams, can reach out over their own current capabilities and knowledge, which is the profound foundation of renewal.

Dear shareholders, this year marks 130 years since the first newspaper called Päivälehti was published. Sanoma plays an important role in society and has a firm foundation to look confidently into the future. I would like to take this opportunity to thank Sanoma's management and employees for their valuable input, and Sanoma's shareholders for their continued trust.

I wish you interesting moments reading this annual review.

Pekka Ala-Pietilä
Chairman of the Board

CEO's greetings



Dear Shareholders,

2018 was another successful year for Sanoma even though the media markets continue to be a tough business environment. I am very pleased to share this review with you.

Starting to grow again

Last year, we spoke about being prepared for growth as the next phase in Sanoma's development. We are very excited that this year we've managed to accomplish the beginning of this growth by acquiring several companies that we already knew well and had partnered with successfully.

Sanoma Media Finland expanded into festivals and events by acquiring N.C.D. Productions, one of the largest festival and events companies in Finland, followed up by the acquisition of Tikkurila Festival. These acquisitions significantly strengthen Sanoma's cross-media entertainment proposition and complement our existing businesses by creating advantages for advertisers, consumers as well as creative talents.

Sanoma Media Netherlands increased its share in the marketing and cash back service Scoupy and integrated this into its media business. These transactions show that in both our media businesses, where autonomous growth proves to be hard to come by, we can expand into interesting adjacent businesses that utilise and complement our strong core skills, assets and brands.

An important milestone for Sanoma was its announcement of the intention to acquire Iddink, a leading Dutch educational platform and service provider, in December. Closing of the acquisition is expected in summer 2019. This is a sizeable acquisition and a major step in the transformation of Sanoma from a predominantly media company into a learning and media company. Learning is a stable, slightly growing business, in which we have leading positions in five European countries.

The transformation continues

Transformation driven by digitalisation and data continues both in the learning and in the media industry.

We see a clear digital future in both news and entertainment, as consumers continue to convert and consume content in digital devices, optimised and personalised through use of data. Though the traditional media markets continued their slow decline also this year, we saw the total number of subscriptions for Helsingin Sanomat and Ruutu+, our Finnish VOD platform, increase.

As seen for example in Sweden and in the Netherlands, one could expect consolidation to occur in some media markets as scale will be of increasing importance, not only for the digital products but also to sustain the hybrid offering during the transition phase. One example in the Finnish market was our partnering with FOX to sell their video and TV advertising to Finnish B2B-customers.

Digitalisation is a driver of positive change in education. Enriching learning materials with digital interactive content increases engagement. Simple dashboards showing pupils' performance in digital exercises give teachers more time to teach. Digitalisation also enables learning to become personalised – tailored for each pupil's individual abilities and needs. These important opportunities in combination with Sanoma's strong technology platforms and experiences in Europe's more advanced markets are key reasons for Sanoma's strategic ambition to expand its learning business. The recently announced acquisition of Iddink is an excellent next step on the path of growth.

Transforming and growing with customer focus

We continue to keep our customers at the core of our strategy. "Following our customers" means ensuring their success and fulfilling their needs. Success in our businesses is dependent on how our customers value the content, services or audiences we offer them. For that we are constantly maintaining a dialogue with them to understand their changing needs. Our customers determine the speed and direction of the change, not only in our existing businesses but also in our choices of acquisitions. We aim to develop our business in order to enrich and enhance the offering to our customers.

Social responsibility at the heart of our company

Sanoma provides people with local high-value content and services. Respect for freedom, democracy and equality are key pillars of our society. The need for high-quality journalism with rigorous fact checking is more important than ever. There is also a strong need for local entertainment, as it builds bridges in the society by shared experiences, and strengthens shared values and national identities.

Sanoma Learning's mission is to support teachers and pupils to realise the best possible learning outcomes and to reach the maximum potential of each pupil. The highest learning outcomes are achieved and the most engaged and motivated pupils are supported by skillful teachers with well-fitting and high-quality learning methods and technologies to efficiently manage their classes. These high learning outcomes are essential to our future generations and our welfare as a society.

Our highly committed teams

I am very proud of the strong commitment and the hard work our teams have shown again last year. Success is truly a team effort. We are on a constant transformation and development path, which makes our business both challenging and exciting at the same time.

During the year, we made a change in our leadership team in Media Netherlands. We are very happy that Rob Kolkman has taken on the position of CEO for Sanoma Media Netherlands as of 1 January 2019.

We also had to make changes in our organisations to pre-empt future market trends. We divested our Belgian women's magazine portfolio to Roularta and made some smaller and larger restructurings in all three of our businesses. This is often painful, but in this rapidly changing market, it is an unavoidable necessity in order to remain profitable and continue independently providing our readers, viewers, listeners, teachers and pupils with top-quality content and services that fulfil their everyday needs.

* * *

We have now entered the year 2019 with a more balanced business portfolio and less exposure to the volatile media advertising market. Sanoma is well underway in transforming into a learning and media company.

We will continue to focus on our customers and offer them constantly enriched products and services. We follow our long-term strategy of growth by synergetic bolt-on acquisitions. We will continue to develop and adapt our operations to market needs. To our shareholders, we are committed to paying an increasing dividend.

I would like to thank you, our shareholders, employees, partners and customers, for your continued trust and support, and for making it possible to continue to offer inspiring content, and to transform and grow Sanoma.

Susan Duinhoven
President & CEO

Our businesses in brief

Media Finland

is the leading media company in Finland. Our strong brands in newspapers, TV, radio, events, magazines and online reach 95% of Finns weekly. For advertisers, we are a trusted partner with insight, impact and reach.

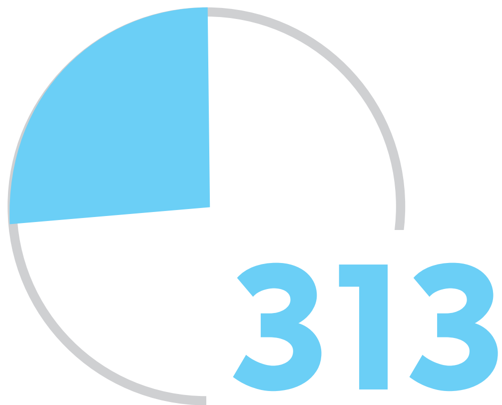
Media Netherlands

has a leading Dutch cross media portfolio. Our strong brands especially in magazines, news and digital media reach nearly 12 million consumers every month. Our content combined with data provides successful solutions for advertisers.

Learning

has leading positions in some of the world's best-performing education systems. Through blended learning solutions, we support over one million teachers in developing the talents of every child.

Net sales, M€



Media Finland

- Operational EBIT M€ 69
  - Margin 11.9%
- Growth in digital subscriptions continued both in HS and Ruutu

Media Netherlands

- Operational EBIT M€ 77
  - Margin 18.1%
- Stable circulation sales with growth in certain titles

Learning

- Operational EBIT M€ 61
  - Margin 19.5%
- Strong performance in Finland and Poland
- Acquisition of Iddink announced in December

Key acquisitions and divestments in 2018

MEDIA FINLAND

N.C.D. Production

Sanoma strengthened its cross-media entertainment position by acquiring N.C.D. Production, one of the largest festival and event companies in Finland. Net sales in 2017 were M€ 20.

MEDIA NETHERLANDS

Scoupy

To enhance its position in the Dutch online news and data business, Sanoma increased its ownership in the dutch data-driven marketing and cashback service Scoupy to 95%. Net sales in 2017 were M€ 7.

MEDIA FINLAND

STT

To sustain and develop domestic news agency services in Finland, Sanoma increased its ownership in the Finnish News Agency STT from 33% to 75%. Net sales in 2017 were M€ 12.

LEARNING

Iddink

Sanoma announced its intention to acquire Iddink, a leading Dutch educational platform and service provider. Iddink operates in the Netherlands, Belgium and Spain and employs 300 people, about 50% working in edtech. Net sales in 2017 were M€ 141 and operational EBITDA was M€ 27. Closing expected in Q2-Q3 2019.

Acquisitions

Divestments

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

MEDIA NETHERLANDS

Belgian women's magazine portfolio

Net sales in 2017 were M€ 81.*

MEDIA NETHERLANDS

Head Office Belgium

Content marketing operations.
Net sales in 2017 were M€ 13.

* Reported as discontinued operations for 2017-2018.

Sanoma value creation model

The value creation model describes Sanoma's business model as well as Sanoma's role and impacts in its value chain. Sanoma uses certain resources and inputs in developing, producing, curating and distributing learning and media content and offering services. The model also describes the most material outputs of Sanoma's business operations, and their impacts on Sanoma's audiences, customers, society and other stakeholders. The value creation model is based on the model provided by the International Integrated Reporting Framework. It is part of non-financial information included in the Board of Directors' Report. All numbers presented in the model are for continuing operations in 2018.

Inputs

Operational

- Systems and applications
- Printing facilities
- Logistics
- User data

Human, social & intellectual

- Committed and diverse personnel (more than 4,400 FTE) and freelancers, who have competence and know-how in content creation, curation, innovation and development
- Key stakeholder relations and engagement with teachers, readers and users to understand customers' needs

Financial

- Equity M€ 611
- Net debt M€ 338

Natural

- Paper used 103,200 tonnes
- Electricity used 25.5 GWh

Business activities

Our ambition

Customers are at the heart of everything we do. We aim to serve them in the best way.

We aim to be the learning and media company of the future.

We think and work according to our values.

Data and privacy

Learning and media content

Business development

Advertising

Leadership and talent management

Governance framework

Outputs

Operational, intellectual & social

- Impactful and high-quality learning and media content
- Local entertainment
- Optimal reach and targeting for successful and responsible advertising
- Customer value by responsible use of data
- New products and solutions to meet the changing customer needs

Human

- Engaged employees
- Increased knowledge and knowhow

Financial

- Operational EBIT M€ 197
- Employee benefits M€ 316
- Net financial costs M€ 17
- Taxes and employer charges M€ 73
- Free cash flow M€ 109
- Dividends paid M€ 58

Natural

- GHG emissions 7,041 t CO_2/e

Impacts

- Contribution to the democratic and open society
- High learning results that contribute to successful, developing and stable societies
- Increase in people's intellectual capital and awareness
- Enrichment of people's lives by entertainment
- Contribution to economic growth via advertising and employment
- People's awareness of benefits of data and trust on responsible data use
- Contribution to responsible development of learning and media industries
- Well-managed nature and climate impact of own operations

Board of Directors' Report

Board of Directors' Report

Strategic and financial review

Sanoma's strategic focus areas include growth through selective bolt-on acquisitions, solid profitability and improving cash flow, as well as a growing dividend. In 2018, growth returned to the company's agenda and several acquisitions across SBUs were announced during the year. Media Finland strengthened its cross-media proposition in entertainment by acquiring one of the leading festival and event companies in Finland, N.C.D. Production. Media Netherlands increased its ownership in the data-driven cash-back service Scoupy to 95% in June. In addition, it focused its business portfolio by divesting the Belgian women's magazines and the content marketing operations, Head Office, in Belgium.

In December, Sanoma took a significant step in its growth path from a predominantly media company into a learning and media company by announcing its intention to acquire Iddink, a leading Dutch educational platform and service provider. Iddink provides Sanoma Learning a platform for future growth not only in the Netherlands, but also in Belgium and Spain, and significantly increases Learning's share of Sanoma's operational EBIT excl. PPA. The transaction is expected to be closed during Q2–Q3 2019.

In 2018, the Group's net sales were stable and amounted to EUR 1,315 million (2017: 1,435; adjusted 1,328). Net sales of Media Finland were on the previous year's level as a result of the acquisition of N.C.D. Production. Net sales of Media Netherlands declined slightly, partially due to the divestment of the comparison site Kieskeurig.nl, which contributed EUR 5 million in 2017 net sales. Net sales remained stable in Learning compared to strong growth in 2017 with the two overlapping curriculum reforms in Poland. The Group's net sales development adjusted for structural changes was -3% (2017: 1%).

Operational EBITDA was stable at EUR 326 million (2017: 392; adjusted 329). Operational EBIT improved clearly to EUR 197 million (2017: 177; adjusted 179), corresponding to a margin of 14.9% (2017: 12.3%; adjusted 13.5%). Earnings improved in all SBUs. In Media Netherlands, this was mainly driven by the improved cost structure resulting from the continued focusing of the business portfolio. In Learning, earnings grew following the launch of the business development programme "High Five" and solid performance especially in Poland and in Finland. Lower amortisations of TV programming rights, in particular related to the discontinuation of the ice hockey TV-rights, and continued cost innovations had a positive impact in Media Finland's operational EBIT.

EBIT decreased to EUR 169 million (2017: -241; adjusted 186) due to costs related to restructuring of the businesses during the year. The EBIT included EUR -28 million (2017: -417; adjusted 7) net of IACs. Restructuring expenses included in the IACs were related to discontinuation of Media Netherlands' Home Deco e-commerce operations, which have been licensed to a third party, as well as conclusion of targeted co-operative negotiations in Media Finland and the launch of business development programme "High Five" in Learning. In addition, there were restructuring expenses related to the Discontinued operations [1], which included provisions related to onerous contracts of vacated office space and discontinued IT services. The net capital gain consists of the divestment of Sanoma Baltics, sale of properties in Finland and the divestment of Head Office in Belgium. The net capital loss in 2017 was related to the divestment of the Dutch TV business SBS. Other IACs include a pension settlement related to the Discontinued operations in Belgium.

1 Adjustments and definitions are available on p. 28.

NET SALES BY SBU

EUR million	FY 2018	FY 2017 adjusted	Change	FY 2017
Media Finland	578.5	570.4	1%	570.4
Media Netherlands	424.0	439.6	-4%	546.4
Learning	313.3	318.3	-2%	318.3
Other operations	-0.4	-0.4	0%	-0.4
Group total	**1,315.4**	1,328.0	-1%	1,434.7

OPERATIONAL EBIT BY SBU

EUR million	FY 2018	FY 2017 adjusted	Change	FY 2017
Media Finland	68.8	65.5	5%	65.5
Media Netherlands	76.6	68.1	12%	65.8
Learning	61.2	55.6	10%	55.6
Other operations	-10.0	-10.2	2%	-10.2
Group total	**196.6**	179.0	10%	176.7

ITEMS AFFECTING COMPARABILITY (IACs) AND RECONCILIATION OF OPERATIONAL EBIT

EUR million	FY 2018	FY 2017
EBIT	**168.5**	-240.5
Items affecting comparability		
Restructuring expenses	-34.1	-23.3
Impairments		-7.8
Capital gains / losses	2.3	-388.4
Other	3.6	2.3
Items affecting comparability total	**-28.2**	-417.2
Operational EBIT	**196.6**	176.7

A detailed reconciliation on SBU level is presented on p. 31.

Net financial items decreased and totalled EUR -17 million (2017: -23). The improvement is due to a lower amount of interest-bearing liabilities.

Result before taxes amounted to EUR 151 million (2017: -262). Income taxes were EUR -38 million (2017: -39). Result for the period was EUR 113 million (2017: -302) and including Discontinued operations EUR 126 million (2017: -299).

Operational earnings per share were EUR 0.83 (2017: 0.70; adjusted 0.71). Earnings per share were EUR 0.68 (2017: -1.02; adjusted 0.76) and including Discontinued operations EUR 0.76 (2017: -1.00; adjusted 0.77).

Financial position

Interest-bearing net debt decreased during the year and was EUR 338 million (2017: 392) at the end of December 2018. Net debt to adjusted EBITDA ratio improved to 1.4 (2017: 1.7).

At the end of December 2018, equity totalled EUR 611 million (2017: 547). Equity ratio was 44.7% (2017: 38.2%). The consolidated balance sheet totalled EUR 1,519 million (2017: 1,590).

Cash flow

The Group's free cash flow improved slightly and amounted to EUR 109 million (2017: 105; adjusted 106). The positive impact of lower TV programming spend and net financial items was sufficient to offset the negative impact of higher taxes, including the tax on the sale of an office property in Helsinki, and one-off costs of EUR 17 million related to Discontinued operations in Belgium, which will be added back to the free cash flow for dividend calculation purposes. Free cash flow excluding the one-off costs related to Discontinued operations was EUR 126 million (2017: 105; adjusted 106). Capital expenditure included in the free cash flow was EUR 32 million (2017: 37; adjusted 35). Free cash flow per share was EUR 0.67 (2017: 0.64; adjusted 0.65), and free cash flow per share excluding the one-off costs related to Discontinued operations was EUR 0.77 (2017: 0.64; adjusted 0.65).

Acquisitions and divestments

On 11 December 2018, Sanoma announced its intention to acquire Iddink, a leading Dutch educational platform and service provider. In 2017, net sales of Iddink were EUR 141 million and operational EBITDA was EUR 27 million. Iddink operates in the Netherlands, Belgium and Spain and employs approx. 300 people, about half of the employees working in educational technology. With the acquisition, Sanoma enters the integrated digital educational platform business for secondary and vocational education in the Netherlands, where Iddink's business is complementary to Sanoma's Dutch learning subsidiary Malmberg. Iddink is currently owned by private equity firm NPM Capital and Iddink's management. The purchase price on a cash and debt free basis is EUR 277 million. The transaction is expected to be finalised in Q2-Q3 2019. After closing, the acquired business will be reported as part of the Learning SBU.

On 15 November 2018, Sanoma announced that it has divested its content marketing operations, Head Office, in Belgium. Net sales of the divested business were EUR 13 million in 2017 and it employed 51 people (FTE).

On 27 June 2018, Sanoma announced that it has increased its ownership in the Finnish News Agency (STT) from 33% to 75% by acquiring Alma Media's and TS Group's shares in STT. Net sales of STT were approx. EUR 12 million in 2017. STT is reported as part of Media Finland as of 27 June 2018.

On 26 June 2018, Sanoma announced that it has increased its ownership in the Dutch data-driven marketing and cashback service Scoupy from 72% to 95%. Net sales of Scoupy were approx. EUR 7 million in 2017. The founding partners of Scoupy continue to hold the remaining 5% of the company. They also continue to work in a non-executive capacity with Scoupy with a focus on further developing the business. Scoupy will continue to be reported as part of Media Netherlands.

On 7 March 2018, Sanoma announced that it has entered into an agreement to acquire the festival and event business of N.C.D. Production Ltd. and its group companies. Net sales of the acquired operations were approx. EUR 20 million in 2017. The acquired operations have been moved into a newly established company, of which Sanoma holds 60% and the previous owner of N.C.D. Production the remainder. The transaction was completed on 18 April 2018 and the acquired business is reported as part of Media Finland as of Q2 2018.

On 16 January 2018, Sanoma announced an intention to divest its Belgian women's magazine portfolio to Roularta Media Group. Enterprise value of the divested assets was EUR 34 million. Net sales were EUR 81 million and operational EBIT EUR 7 million (EBIT margin 8.1%) in 2017. The divested business is classified as Discontinued operations in Sanoma's financial reporting. The divestment was completed on 29 June 2018. Restructuring costs, capital gains and similar one-off items related to the transaction amounted to a net EBIT gain of EUR 12 million and were booked as IACs into the Discontinued operations' net result for H1 2018 (detailed reconciliation on p. 31). In addition, IACs of EUR -13 million related to onerous contracts of vacated office space and discontinued IT services were booked in the continuing operations' FY 2018 result. More information on the Discontinued operations' financial performance is available in Note 26.

Media Finland

Sanoma Media Finland is the leading media company in Finland, reaching 95% of all Finns weekly. We provide information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. We have leading brands and services, like Helsingin Sanomat, Ilta-Sanomat, Me Naiset, Aku Ankka, Oikotie, Nelonen, Ruutu and Radio Suomipop. For advertisers, we are a trusted partner with insight, impact and reach.

KEY INDICATORS

EUR million	FY 2018	FY 2017	Change
Net sales	578.5	570.4	1%
Operational EBITDA	142.8	155.7	-8%
Operational EBIT	68.8	65.5	5%
margin	11.9%	11.5%	
EBIT [1]	61.8	71.8	-14%
Capital expenditure	4.1	6.4	-35%
Average number of employees (FTE)	1,781	1,744	2%

1 Including IACs of EUR -7.1 million (2017: 6.2).
Reconciliation of operational EBITDA and operational EBIT is presented in a separate table on p. 31.

NET SALES BY CATEGORY

EUR million	FY 2018	FY 2017	Change
Print	294.0	319.6	-8%
Non-print	284.4	250.9	13%
Net sales total	**578.5**	570.4	1%

EUR million	FY 2018	FY 2017	Change
Advertising sales	250.0	263.4	-5%
Subscription sales	202.6	211.9	-4%
Single copy sales	45.2	48.3	-6%
Other	80.6	46.8	72%
Net sales total	**578.5**	570.4	1%

Other sales mainly include festivals and events, marketing services, event marketing, custom publishing, books, and printing.

Net sales of Media Finland were stable and amounted to EUR 579 million (2017: 570). Digital subscription sales continued to grow, driven by Ruutu and Helsingin Sanomat (HS). The total number of HS subscriptions grew for the second year in a row. Print subscription sales declined, in particular in magazines. Advertising sales decreased due to lower print advertising volume in line with the market. In 2017, advertising sales included EUR 3 million of one-off corrections related to changes in accounting estimates. Taking this into account, the comparable advertising sales decline was 4%. Growth in other sales was attributable to the festival and events business N.C.D. Production acquired in April 2018.

According to the Finnish Advertising Trends survey for December 2018 by Kantar TNS, the advertising market in Finland decreased by 2% on a net basis in 2018. Advertising in newspapers decreased by 11% and in magazines by 5%. Advertising on TV was at the previous year's level, while advertising in radio grew by 4% and online, excluding search and social media, by 3%.

Operational EBIT improved to EUR 69 million (2017: 66), representing a margin of 11.9% (2017: 11.5%). Lower amortisations of TV programme rights, including the EUR 6 million impact of the discontinuation of ice-hockey TV-rights, had a positive impact on earnings. As a result of prudent cost containment and lower comparable sales, cost of sales declined. The acquired festival and events business had a positive contribution on earnings despite certain integration and one-off costs. 2017 operational EBIT included one-off corrections of EUR 4 million related to changes in accounting estimates.

EBIT was EUR 62 million (2017: 72). IACs included in EBIT totalled EUR -7 million (2017: 6) and consisted of restructuring costs related to co-operative negotiations conducted during Q4 2018, certain one-off costs related to earlier restructuring programmes and certain inventory write-downs.

Capital expenditure totalled EUR 4 million (2017: 6) and consisted of maintenance investments.

Media Netherlands

Sanoma Media Netherlands includes the Dutch consumer media operations, Home Deco media operations in Belgium and the press distribution business Aldipress. We have a leading cross media portfolio with strong brands and market positions in magazines, news, events, custom media, e-commerce, websites and apps. Through combining content and customer data, we develop successful marketing solutions for our clients. In total, Sanoma Media Netherlands reaches nearly 12 million consumers every month.

KEY INDICATORS

EUR million	FY 2018	FY 2017 adjusted	Change	FY 2017
Net sales	424.0	439.6	-4%	546.4
Operational EBITDA	81.7	77.2	6%	141.0
Operational EBIT	76.6	68.1	12%	65.8
margin	18.1%	15.5%		12.0%
EBIT [1]	58.0	55.6	4%	-366.0
Capital expenditure	2.3	2.2	5%	4.0
Average number of employees (FTE)	1,059	1,132	-6%	1,316

1 Including IACs of EUR -18.5 million (2017: -12.5).
Reconciliation of operational EBITDA and operational EBIT is presented in a separate table on p. 31.

NET SALES BY CATEGORY

EUR million	FY 2018	FY 2017 adjusted	Change
Print	255.1	262.1	-3%
Non-print	120.5	129.2	-7%
Other	48.4	48.4	0%
Net sales total	**424.0**	439.6	-4%

Other sales mainly include press distribution services.

EUR million	FY 2018	FY 2017 adjusted	Change
Circulation sales	216.8	219.7	-1%
subscription sales (print)	143.9	144.2	0%
single copy sales (print)	72.9	75.5	-3%
Advertising sales	84.1	89.6	-6%
Other	123.0	130.3	-6%
Net sales total	**424.0**	439.6	-4%

Other sales mainly include press distribution and marketing services, event marketing, custom publishing and books.

Net sales of Media Netherlands declined slightly and amounted to EUR 424 million (2017: 440). Circulation sales were stable with growth in the sales of certain magazine titles, such as Donald Duck and vtwonen. On a comparable basis, advertising sales were flat. The negative impact of the divestment of the comparison site Kieskeurig.nl, EUR 5 million, was offset by the growing digital advertising sales. The divestment of Kieskeurig.nl was also visible in the decline in non-print sales. Other sales declined mainly due to the divestment of Head Office in Belgium.

Operational EBIT improved clearly to EUR 77 million (2017: 68), representing a solid margin of 18.1% (2017: 15.5%). The improvement was mainly attributable to lower personnel, marketing and other fixed expenses resulting from the streamlining of the organisation during the course of the year. Efficient cost containment clearly offset the somewhat adverse impact of sales mix and cost increases especially for paper.

EBIT was EUR 58 million (2017: 56). IACs included in EBIT totalled EUR -19 million (2017: -12). IACs included provisions related to onerous contracts of vacated office space and discontinued IT services as well as a pension settlement, which were all related to the Discontinued operations. Additionally, the IACs included restructuring costs related to discontinuation of the Home Deco e-commerce operations, which have been licensed to a third party, and a capital loss related to the divestment of Head Office in Belgium.

Capital expenditure totalled EUR 2 million (2017: 2) and consisted of investments in both maintenance and business expansion.

Learning

Sanoma Learning is a leading European learning company. We support over 1 million teachers in developing every pupil's talents to the maximum. Through our blended learning solutions, we help to engage pupils in achieving good learning outcomes and support the effective work of the professional teachers in primary, secondary and vocational education. Through our local companies, we contribute to some of the world's best-performing education systems including Poland, the Netherlands, Finland, Belgium and Sweden.

KEY INDICATORS

EUR million	FY 2018	FY 2017	Change
Net sales	313.3	318.3	-2%
Operational EBITDA	105.2	100.0	5%
Operational EBIT	61.2	55.6	10%
margin	19.5%	17.5%	
EBIT [1]	56.1	43.9	28%
Capital expenditure	19.8	19.2	3%
Average number of employees (FTE)	1,351	1,401	-4%

1 Including IACs of EUR -5.1 million (2017: -11.7).

Reconciliation of operational EBITDA and operational EBIT is presented in a separate table on p. 31.

NET SALES BY COUNTRY

EUR million	FY 2018	FY 2017	Change
Poland	91.5	100.0	-8%
The Netherlands	90.2	91.6	-1%
Finland	56.0	52.4	7%
Belgium	51.7	52.2	-1%
Sweden	21.9	22.5	-3%
Other companies and eliminations	2.1	-0.4	
Net sales total	**313.3**	318.3	-2%

Net sales of Learning were on the previous year's level and amounted to EUR 313 million (2017: 318). In Poland, the market normalised after strong growth with two simultaneous curriculum renewals in 2017, resulting in a net sales decline. In Finland, net sales grew driven by curriculum renewal, which was completed by the end of 2018. In the Netherlands, net sales were stable with strong performance in primary education. Net sales were stable in Belgium. In Sweden, net sales grew in local currency, while declining slightly when converted into euros.

Operational EBIT increased clearly to EUR 61 million (2017: 56), representing a solid margin of 19.5% (2017: 17.5%). The improvement was mainly driven by the benefits of the recently launched business development programme "High Five", which were visible across operations. Lower marketing and development costs in Poland, as well as lower depreciation and amortisation further supported earnings growth.

EBIT was EUR 56 million (2017: 44). IACs included in EBIT totalled EUR -5 million (2017: -12) and consisted of restructuring expenses related to the ongoing business development programme "High Five".

Capital expenditure was EUR 20 million (2017: 19) and consisted of investments in digital platforms and ICT.

Personnel

In 2018, the average number of employees in full-time equivalents (FTE) employed by the Sanoma Group was 4,463 (2017: 4,746). The average number of employees (FTE) per SBU was as follows: Media Finland 1,781 (2017: 1,744), Media Netherlands 1,059 (2017: 1,316), Learning 1,351 (2017: 1,401) and Other operations 273 (2017: 285). At the end of December, the number of employees (FTE) of the Group was 4,485 (2017: 4,425).

Wages, salaries and fees paid to Sanoma's employees, including the expense recognition of share-based payments, amounted to EUR 316 million (2017: 340).

Non-financial information

As a learning and media company, Sanoma plays an important role in its operating markets. Sanoma's cultural and social objectives are founded on shared values of human dignity, democracy and freedom. In its operations and governance, Sanoma follows laws and regulations applicable in its operating countries, ethical guidelines set by the Sanoma Code of Conduct as well as the Group's internal policies and standards. Sanoma is committed to promoting ethical and responsible business practices in its own business operations and towards its suppliers. Sanoma's business model as well as role and impacts in its value chain are described in more detail in the value creation model on p. 12.

Risks related to non-financial information are reported as part of the Risk review included in this report. Sanoma's governance structure and framework are discussed in the Corporate Governance Statement 2018.

Sanoma has a programme in place to continuously develop CSR. Further information on CSR at Sanoma and performance in 2018 is available at sanoma.com/corporate-responsibility and in a separate Global Reporting Initiative GRI G4 Index, which will be published in spring 2019.

SANOMA'S CORPORATE SOCIAL RESPONSIBILITY (CSR) AGENDA

Value creation: How Sanoma is creating a positive impact on society	**Content impact**	**Learning impact**	**Data and privacy**
	Providing media content for consumers to form their opinion	Contributing to high learning results through educational content and services that motivate pupils	Insights created through analytics with consumer trust and privacy as a priority
Responsible business practices across the value chain: How Sanoma ensures compliance and mitigates negative impacts on society	**Compliance and Code of Conduct**		
	Environmental impacts	**Responsible employer**	**Know your counterparties**

Compliance and Code of Conduct

Sanoma applies responsible business practices and promotes responsible behaviour of employees by enforcing a common set of rules and values and ensuring that all employees commit to them. Sanoma supports international standards, including The Ten Principles of the United Nation's Global Compact, on human rights, labour conditions, anti-corruption and the environment.

Sanoma's Code of Conduct together with the Corporate Governance Framework is the umbrella for all policies, and outlines how Sanoma aims to conduct its business in an ethical and responsible manner. The Code of Conduct is an integral part of shared values that guide working and decision making throughout Sanoma. It sets out the principles of business and is publicly available on Sanoma's website. All Sanoma employees are required to apply the Code of Conduct in full in their day-to-day conduct and business decisions.

Specific policies define how Sanoma's operations are managed, and give a framework to daily work. The Board of Directors of Sanoma Corporation approves new policies and amendments to existing policies. Each policy has a specified owner in the organisation. Once a year, or when needed, the owners submit necessary updates or new policies to the Board for approval. The policies are applicable to all employees in the Sanoma Group, and available on the intranet.

In addition to the Code of Conduct and Corporate Governance Framework, policies on e.g. the following topics are currently in force:

- Anti-bribery & corruption
- Diversity
- Donations
- Enterprise risk management
- Fair competition
- M&A
- Privacy
- Procurement.

To ensure compliance with the policies, different training requirements and controls are used. Sanoma has launched a Code of Conduct e-learning, which is compulsory for all employees. In 2018, completion rate of the e-learning was 98% (2017: 98%).

Sanoma expects commitment to ethical and responsible business conduct also from its suppliers. Sanoma has a Supplier Code of Conduct, which sets out the ethical standards and responsible business principles suppliers are required to comply with in their dealings with Sanoma. Suppliers are expected to apply these standards and principles to their employees, affiliates and sub-contractors.

The Code of Conduct as well as the Supplier Code of Conduct set out overall principles to promote and achieve compliance e.g. with anti-corruption, anti-bribery and money laundering laws.

Reporting Channels

The Code of Conduct, the Supplier Code of Conduct, and Sanoma's group policies and operating procedures are intended to prevent and detect improper or illegal activities. Any suspicions about violations can be reported anonymously through internal or external reporting channels. The external web-based whistle-blowing hotline is hosted by an independent third party. The link to the whistle-blowing hotline is provided on Sanoma's website and the intranet.

Head of Internal Audit and the Compliance Officer receive emails of the allegations reported through the whistle blowing hotline. Cases are also identified during internal audits or through other internal channels. The allegations are reviewed and investigative activities planned without delay. All cases and conclusions of investigations are reported to the Ethics and Compliance Committee and to the Audit Committee of the Board.

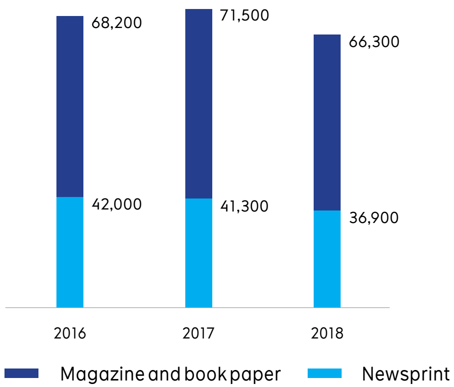
Environmental impacts

The most significant environmental impacts of Sanoma's operations result from the use of paper and print supplies, energy use e.g. in printing houses, offices and for digital services, as well as transportation and distribution of products. Sanoma aims to prevent and minimise its negative environmental impacts within its financial means by focusing on efficient operations and use of materials as well as responsible procurement.

Sanoma's Paper Procurement Standard is annexed to all paper procurement agreements. The aim of the standard is to ensure that paper used by Sanoma is produced responsibly and originates from traceable and verified sources.

In 2018, Sanoma's total paper use declined by 10,000 tonnes, or 10%. The use of newsprint declined by 12%. The decline follows the prevailing media trend of consumers moving from printed to hybrid or digital products. Majority of the decline in magazine and book paper was attributable to the divestment of the Belgian women's magazine portfolio, which was completed in the end of June 2018. In addition, use of book paper declined in Poland, where sales of printed learning materials had been particularly strong in 2017 with two overlapping curriculum reforms.

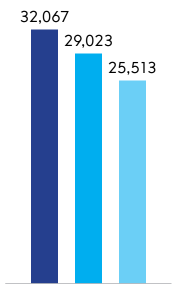
PAPER USE
tonnes



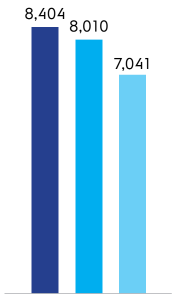
Includes paper used in Sanoma's own printing facilities and paper acquired for externally printed products.

Sanoma uses purchased electricity e.g. in printing and office facilities as well as for digital services and technological solutions. The indirect CO_2 emissions resulting from Sanoma's electricity use are dependent on the mix of energy sources used in the national energy grids in Sanoma's operating countries. In 2018, Sanoma's energy use declined by 12%. The decline was mainly attributable to lower electricity use in printing facilities in Finland, where certain energy saving initiatives were implemented in the beginning of the year.

ELECTRICITY USE
MWH



GHG EMISSIONS
Scope 2, t CO_2/e



2016 2017 2018

An average emission multiple of EU28 countries has been used in calculating the emissions. 2017 electricity use and emissions restated to exclude the Discontinued operations in Belgium.

Responsible employer

The Code of Conduct sets out the general principles of ethical conduct and Sanoma's responsibilities as an employer. Sanoma is committed to creating a working environment and culture that inspires employees, values their diversity, embraces their views, and respects their individual rights. Sanoma has zero tolerance for any form of discrimination, harassment or bullying at the workplace. Sanoma provides equal opportunities for all employees and ensures fair treatment and rewards as well as good working conditions.

Professional development of employees is crucially important to Sanoma, and on-going learning is strongly encouraged. Learning opportunities are offered both online and through training courses. The main focus is transforming employees' current skills to ones required in the future.

Sanoma sees visible and transparent leadership important in its daily business. Sanoma's managers provide employees with clarity regarding the direction of the company. Employees' autonomy and freedom in achieving results is supported, which fosters creativity.

Among other things, professional development, motivation, creativity and engagement are facilitated in regular performance review discussions. In 2018, approx. 90% (2017: 98%) of employees had a regular performance review with their manager. The lower coverage compared to the previous year was due to new employees entering the Group during the course of the year especially along with the acquired businesses.

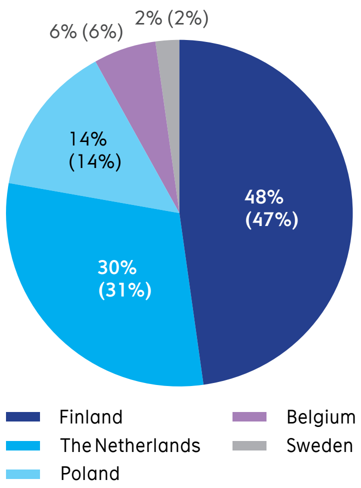
Sanoma measures employee engagement, leadership, internal communication and decision making annually in the beginning of each calendar year. In January 2019, the Employee Engagement Survey was completed by 92% (2018: 92%) of employees. The scores are measured in People Power Rating, an inclusive overall metric between 0 and 100. In 2019, the results were approximately at the same very good level as in the previous year. The results of the survey are also utilised in the management incentive system.

According to the Employee Engagement Survey, employees feel that Sanoma's strengths as an employer include

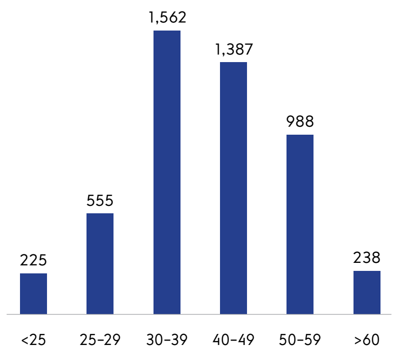
- sufficient learning opportunities offered for the employees,
- living up to the values of the company, and
- support for growth and development at work from the management.

Diversity at Sanoma is guided by a Group-wide Diversity policy. According to the policy. Sanoma recruits, develops and rewards all employees irrespective of age, gender, ethnic origin, sexual orientation, family status, disability or other personal circumstances (e.g. wealth), or any other form of discrimination. Recruitment, remuneration and career advancement are based on employee competence and performance.

PERSONNEL BY COUNTRY

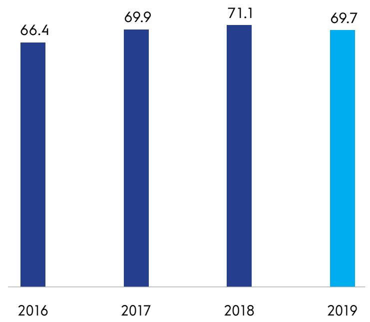


PERSONNEL BY AGE



RESULTS OF EMPLOYEE ENGAGEMENT SURVEY

People power rating, 0–100



Response rate 2019: 92%, 2018: 92%, 2017: 88%

MANAGEMENT AND PERSONNEL BY GENDER

	Women	Men
Board of Directors	33%	67%
Executive Management Team	40%	60%
All employees	59%	41%

Know your counterparty

The Supplier Code of Conduct forms an important component of the procurement and purchasing framework, including supplier selection, evaluation and performance appraisal. All new supplier engagements initiated via Sanoma's source-to-contract solution incorporate the Supplier Code of Conduct as a mandatory step for successful selection. The Supplier Code of Conduct is part of Sanoma's standard contractual framework and general terms of purchase.

A Know Your Counterparty (KYC) process identifies the risk of doing business with third parties by looking at their ownership, activities and role. The process includes anti-bribery, sanctions and other due diligence checks according to the level of risk identified.

A KYC due diligence tool for the use of Sanoma employees is available on the intranet to screen thoroughly not just suppliers, but any third party Sanoma intends to do business with. The tool aims to identify and prevent possible third party compliance and corruption-related risks, according to customised criteria. In cases of medium or high risk, the tool refers employees to consult Group Legal before engaging in any business or transaction with the counterparty. A systematic process to carry out KYC checks by Group Procurement was started during the year, covering certain existing and most new vendors.

The Anti-bribery and corruption policy gives specific rules and monetary limits (EUR 75) for received and given gifts, entertainment and hospitality, and sets out the process to seek further approval if necessary. When it comes to public officials, receiving and giving gifts is totally forbidden. A separate Gift and Hospitality tool for requesting and recording approvals was implemented in 2018.

Sanoma has an Anti-bribery and corruption e-learning in use, and a wider launch of the training started in the beginning of 2018. Completion rate of the e-learning among targeted employees was 97%.

Corporate Governance

Sanoma has published a separate Corporate Governance Statement and Remuneration Statement. The statements are available at sanoma.com/investors.

Share capital and shareholders

At the end of December 2018, Sanoma's registered share capital was EUR 71 million (2017: 71) and the total number of shares was 163,565,663 (2017: 163,565,663), including 1,061,293 (2017: 316,519) own shares. Own shares represented 0.7% (2017: 0.2%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 162,504,370 (2017: 163,249,144).

Sanoma had 20,741 (2017: 20,393) registered shareholders at the end of December 2018. List of the largest shareholders as well as shareholder distributions by number of shares and sector are available on p. 27–28.

Acquisition of own shares

Sanoma repurchased own shares from 22 August until 12 October 2018. During that time, Sanoma acquired a total of 900,000 own shares for an average price of EUR 8.57 per share. The shares were acquired in public trading on Nasdaq Helsinki Ltd. at the market price prevailing at the time of purchase. The repurchased shares were acquired on the basis of the authorisation given by the Annual General Meeting on 22 March 2018 to be used as part of the Company's incentive programme.

Share trading and performance

At the end of December 2018, Sanoma's market capitalisation was EUR 1,380 million (2017: 1,775) with Sanoma's share closing at EUR 8.49 (2017: 10.87). In 2018, the volume-weighted average price of Sanoma's share on the Nasdaq Helsinki Ltd. was EUR 9.28 (2017: 8.90), with a low of EUR 8.01 (2017: 7.58) and a high of EUR 11.47 (2017: 12.03).

In 2018, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 365 million (2017: 322). The trading volume of 39 million (2017: 36) shares equalled an average daily turnover of 157k (2017: 144k) shares. The traded shares accounted for some 24% (2017: 22%) of the average number of shares. The cumulative value of Sanoma's share turnover including alternative trading venues was EUR 805 million (2017: 699). In 2018, 55% (2017: 54%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, fragmentation.fidessa.com).

Decisions of the Annual General Meeting 2018

Sanoma Corporation's Annual General Meeting of Shareholders (AGM) was held on 22 March 2018 in Helsinki. The meeting adopted the Financial Statements, the Board of Directors' Report and the Auditors' Report for the year 2017 and discharged the members of the Board of Directors as well as the President and CEO from liability for the financial year 2017.

As proposed by the Board of Directors, dividend for 2017 was set at EUR 0.35 (2016: EUR 0.20) per share. The dividend was paid in two instalments. The first instalment of EUR 0.20 was paid to a shareholder who was registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the dividend record date 26 March 2018, and the payment date was 4 April 2018. The second instalment of EUR 0.15 per share was paid to a shareholder who, on the dividend record date, was registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd. In its meeting on 23 October 2018 the Board of Directors decided that the dividend record date for the second instalment to be 25 October 2018 and the dividend payment date 1 November 2018.

The AGM resolved that the number of members of the Board of Directors shall be set at nine. Pekka Ala-Pietilä, Antti Herlin, Anne Brunila, Mika Ihamuotila, Nils Ittonen, Denise Koopmans, Robin Langenskiöld, Rafaela Seppälä and Kai Öistämö were re-elected as members of the Board of Directors. Pekka Ala-Pietilä was elected as the Chairman of the Board and Antti Herlin as the Vice Chairman. The term of all the Board members ends at the end of the AGM 2019. The remuneration payable to the members of the Board of Directors shall remain as before.

The AGM appointed audit firm PricewaterhouseCoopers Oy as the auditor of the Company with Samuli Perälä, Authorised Public Accountant, as the auditor with principal responsibility.

Board authorisations

The AGM held on 22 March 2018 authorised the Board of Directors to decide on the repurchase a maximum of 16,000,000 of the Company's own shares (approx. 9.8% of all shares of the Company) in one or several instalments. Own shares shall be repurchased with funds from the Company's unrestricted shareholders' equity, and the repurchases shall reduce funds available for distribution of profits. The authorisation will be valid until 30 June 2019 and it terminates the corresponding authorisation granted by the AGM 2017.

The AGM held on 12 April 2016 authorised the Board of Directors to decide on an issuance of a maximum of 50,000,000 new shares and a transfer of a maximum of 5,000,000 treasury shares. The authorisation will be valid until 30 June 2019. In a directed share issue, a maximum of 41,000,000 shares can be issued or transferred.

Executive Management Team

Sanoma's Executive Management Team as of 1 January 2019 consists of following members: Susan Duinhoven, President and CEO; Markus Holm, CFO and COO; Pia Kalsta, CEO of Sanoma Media Finland; Rob Kolkman, CEO of Sanoma Media Netherlands and John Martin, CEO of Sanoma Learning.

Changes in management

On 6 September 2018, Rob Kolkman was appointed CEO for Sanoma Media Netherlands as of 1 January 2019. He reports to Susan Duinhoven, President and CEO of Sanoma Corporation, and is a member of Sanoma's Executive Management Team.

On 15 August 2018, Marc Duijndam, CEO of Sanoma Media Netherlands and member of Sanoma's Executive Management Team, left Sanoma by mutual agreement with immediate effect. Susan Duinhoven, the President and CEO of Sanoma Corporation, acted as the interim CEO of Sanoma Media Netherlands in addition to her regular duties until 31 December 2018.

Risk review

Sanoma is exposed to numerous risks and opportunities, which may arise from its own operations or the changing operating environment. Sanoma divides its key risks into four main categories: strategic, operational, non-financial and financial risks. The most significant risks that could have a negative impact on Sanoma's business, performance, or financial status are described below. However, other currently unknown or immaterial risks may arise or become material in the future.

Risk management and internal control policies, processes, roles and responsibilities are presented in the Corporate Governance Statement 2018. Significant near-term risks and uncertainties are reported on a continuous basis in each Interim Report during the course of the year.

Strategic risks

General economic conditions

The general economic conditions in Sanoma's operating countries and the overall industry trends could influence Sanoma's business, performance or financial status. Risks associated with the performance of learning and media industries in general relate to developments in public and private education spending, media advertising and consumer spending. The volume of media advertising is especially sensitive to overall economic development and consumer confidence.

Sanoma's diverse business portfolio partially mitigates the risk. In 2018, approx. 35% (2017: 33%) of Sanoma's net sales was derived from single copy or subscription sales, approx. 25% (2017: 31%) from media advertising, approx. 24% (2017: 22%) from learning and approx. 16% (2017: 14%) from other sales (2017 comparison figures include the Dutch TV business SBS until the end of June).

Changes in customer preferences and the threat of new entrants

Changes in customer preferences are visible not only in consumer behaviour, but also both directly and indirectly in B-to-B demand. Ongoing digitalisation and mobilisation are the main drivers behind many of these changes. The increasing use of mobile devices is changing the way people consume media, while viewing time of free-to-air TV is decreasing. In education, digital learning methods are gradually penetrating the market.

Sanoma partially mitigates the risk by continuous development of digital and hybrid learning and media products and services. In learning, close and long-term relations with schools and teachers play a significant role in the business, and digital solutions are typically combined and sold together with printed materials. The wide cross-media offering provides Sanoma a solid base to constantly develop its offering to advertisers and to introduce new services, such as cross-media solutions, native or branded and premium content. Nevertheless, new entrants and/or new technological developments entering the markets possess a risk for Sanoma's established businesses.

Mergers & Acquisitions (M&A)

Sanoma's strategic aim is to grow through acquisitions. In M&A, the key risks may relate to the availability of potential M&A targets, suitability of timing, transaction process, integration of the acquired business, retention of key personnel, or achievement of the targets set.

Sanoma mitigates the risks by actively maintaining its industrial networks, proactively seeking for potential targets, working with well-known parties during the transaction processes and following its internal policies and procedures in decision-making, organisation and follow-up of M&A cases.

Political and legislative risks

Changes in governmental or legislative bodies or general political instability in the operating countries may affect Sanoma's ability to effectively conduct business. Key legislative risks may relate to changing regulations regarding the use of consumer data for commercial purposes, deterioration of publishers' and broadcasters' copyright protection, or changes in educational or tax legislation. These risks can have a significant impact on Sanoma's commercial propositions, content investment needs or financial performance.

Close monitoring and anticipation of political and regulatory development and adaption of business models accordingly are ways to partially mitigate these risks. Legislation related to education, in particular, is typically country-specific, limiting the magnitude of the risk on the Group level.

Operational risks

Data and privacy risks

Data is an increasingly essential part of Sanoma's products and services. It is used e.g. for personalised features, content recommendations, product development as well as targeted digital advertising and marketing. The relevance of data in Sanoma's business puts privacy and consumer trust at the core of its daily operations. The importance of privacy is further enhanced by new regulation, such as the EU General Data Protection Regulation (GDPR), which came into force in May 2018, and the proposed ePrivacy Regulation. Non-compliance with the GDPR could lead to fines of up to 4% of the annual global turnover.

To mitigate the risk and ensure compliance, Sanoma runs a Privacy Programme that has oversight of the implementation of its Privacy Policy through key processes, such as regular data inventories and management of data lifecycle, data processing agreements with third parties, information security measures to protect data, data breach management procedures, and implementation of consumer rights. Privacy is incorporated into product development through a "Privacy by Design" process and supplemented with "Privacy Champions" (nominated employees with privacy responsibilities) as well as role-based privacy trainings. Privacy impact assessments are regularly conducted to ensure compliance of main products and services.

Risks related to third parties

A wide network of third parties plays an integral role in Sanoma's daily business. Third-party suppliers in Sanoma's value chain include, among others, paper and print suppliers and transport, distribution, technology solution and IT hosting service providers. Freelancers support Sanoma's own editorial staff in creating media and learning content. The status of freelancers may vary by authority and by country. However, no individual case is estimated to become material unless it escalates to concern a large group of freelancers. Certain advertising and marketing efforts are executed with the help of third parties. The advertising technology ecosystem consists of players, such as Google and Facebook, that have a dominant market power, which may lead to an imbalance between their rights and liabilities. Cooperation with third parties exposes Sanoma to certain financial, operational, legal as well as data and GDPR-related risks, which are described in more detail in other sections of this risk review.

To mitigate the risks related to third parties, Sanoma follows the guiding principles of supplier risk management set in the Group's Procurement policy, Supplier Code of Conduct and legal framework. The most significant suppliers are selected through competitive bidding and qualification process. Sanoma performs Know Your Counterparty -controls as part of the supplier approval process, and monitors the performance of third parties by performance approvals and service-level agreements.

Information and communication technology (ICT)

Reliable ICT systems form an integral part of Sanoma's business. The systems include online services, newspaper and magazine subscriptions, advertising and delivery systems, digital learning platforms, as well as various systems for production control, customer relations' management, and supporting functions. ICT security risks relate to confidentiality, integrity, and/or availability of information, as well as to reliability and compliance of data processing. The risks can be divided into physical risks (e.g. fire, sabotage and equipment breakdown) and logical risks (e.g. information security, employees and software failure).

To mitigate the risks, Sanoma has continuity plans for its critical systems and clear responsibilities regarding ICT security in place.

Intellectual Property Rights (IPRs)

Key IPRs related to Sanoma's products and services are copyrights including publishing rights, trademarks, business names, domains, and know-how, as well as patents related to e-business and utility models owned and licensed by the Group. Sanoma manages its IPR in accordance with the Group-wide IPR policy and procedures. Because of a dispersed IPR portfolio, no material risks are expected to arise from individual IPR cases.

Hazard risks

Hazard risks include risks associated with business interruption, health and safety or environmental issues. They are mitigated through operational policies, efficient and accurate process management, contingency planning and insurance. Due to the nature of Sanoma's business, hazard risks are not likely to have a material effect on Sanoma's performance.

Non-financial risks

Talent attraction and retention

Sanoma's success depends on competence and continuous development of the skills of its management and personnel. In particular, the ability to develop appealing customer products and services in a constantly and rapidly changing environment is crucial for success. The ability to ensure the right skillset for the digital transformation as well as to attract and retain the right talents may possess a risk to Sanoma's business and financial performance.

To mitigate the risk, Sanoma enhances a corporate culture supporting innovation, creativity, diversity, as well as an ethical and efficient way of working. The culture is further supported by open and transparent leadership and communications, knowledge sharing between businesses and functions, as well as opportunities and resources for learning and professional development. The Code of Conduct and Diversity Policy set the framework for corporate culture and employee relations. Sanoma follows employee engagement closely by an annual survey.

Environmental risks

Sanoma's main environmental impacts derive from energy use, paper and printing ink use and distribution. Sanoma aims to prevent and minimise negative environmental impacts by focusing on efficient operations and material use as well as responsible procurement. Sanoma's processes support compliance with relevant environmental legislative, regulatory and operating standards. Due to the nature of Sanoma's business, no material environmental risks are expected to arise.

Risks related to human rights, anti-corruption and bribery

Sanoma operates in countries that score high on Transparency International's corruption perception index and where risks related to human rights are assessed as low (Finland, Sweden, the Netherlands and Belgium) or medium (Poland) by Verisk Maplecraft. The media business is based on creating and selling content to individual people, and selling advertising space to companies, while in learning, the business partners mainly include municipalities, schools and teachers. All employees must comply with Sanoma's Code of Conduct, which supports the international standards on human rights and labour conditions and clearly prohibits all corruption and bribery. The requirements of the Code are extended to Sanoma's suppliers through the Supplier Code of Conduct. Sanoma mitigates the compliance risk e.g. by an annual e-learning on the Code of Conduct, which is mandatory for all employees. Due to the nature of Sanoma's business and the current situation in its operating countries, no material risks related to human rights, anti-corruption or bribery are likely to arise.

Financial risks

Sanoma is exposed to financial risks including interest rate, currency, liquidity and credit risk. Other financial risks are related to equity and impairment of assets. Financial risks are mitigated according to the Group's Treasury Policy e.g. with various financial instruments and derivatives. Financial risk management is centralised to Group Treasury, and aims at hedging the Group against material risks. A more detailed description of the Group's financial risks and their management is available in Note 25.

Sanoma's consolidated balance sheet included EUR 1,186 million (2017: 1,186) of goodwill, immaterial rights and other intangible assets at the end of December 2018. Most of this is related to media operations in the Netherlands. In accordance with the IFRS, instead of being amortised, goodwill is tested for impairment on an annual basis, or whenever there is any indication of impairment. The impairment losses on goodwill, immaterial rights and other immaterial intangible assets for 2018 totalled EUR 6 million (2017: 17). Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity-related ratios. More information on impairment testing is available in Note 12.

Significant near-term risks and uncertainties

General business risks associated with media and learning industries relate to developments in media advertising, consumer spending and public and private education spend. The volume of media advertising in specific is sensitive to overall economic development and consumer confidence. The general economic conditions in Sanoma's operating countries and overall industry trends could influence Sanoma's business activities and operational performance. In paper supply, continued market tightness and increasing demand driven by good overall economic conditions may have an adverse impact on paper prices. Changes in taxation applied to Sanoma's products and services in its operating countries may have an impact on their demand.

Many of Sanoma's identified strategic risks relate to changes in customer preferences, which apply not only to the changes in consumer behaviour, but also to the direct and indirect impacts on the behaviour of business-to-business customers. The driving forces behind these changes are the on-going digitisation and mobilisation and the decrease of viewing time of free-to-air TV. Sanoma takes actions in all its strategic business units to respond to these challenges.

With regard to changing customer preferences, digitisation and mobilisation, new entrants might be able to better utilise these changes and therefore gain market share from Sanoma's established businesses.

Privacy and data protection are an integral part of Sanoma's business. Risks related to data security become more relevant as digital business is growing. Sanoma has invested in data security related technologies and runs a Group-wide privacy programme to ensure that employees know how to apply data security and privacy practices in their daily work. Regulatory changes regarding the use of subscriber and customer data could have a negative impact on Sanoma's ability to acquire subscribers for its content and to utilise data in its business.

Sanoma faces political risks in particular in Poland, where legislative changes can have significant impacts on the learning business. EU level changes currently considered for the Digital Single Market Initiative could have a significant impact on Sanoma's cost efficient access to high quality TV content for the Finnish market.

Events after the reporting period

On 4 February 2019, Sanoma signed a EUR 550 million syndicated credit facility with a group of nine relationship banks. The facility has two tranches, a EUR 250 million term loan facility with four year maturity and a EUR 300 million bullet revolving credit facility with five year maturity. The term loan will be used for the intended acquisition of Iddink, which Sanoma announced on 11 December 2018. The revolving credit facility replaces the earlier revolving credit facility of similar size and will be used for general corporate purposes.

Outlook for 2019

In 2019, Sanoma expects that the Group's comparable net sales will be in-line with 2018 and operational EBIT margin excluding PPA will be around 15% (2018: 15.7%).

The outlook is based on an assumption of the consumer confidence and advertising market development in Finland and in the Netherlands to be in line with 2018. The outlook does not include any assumptions of the intended acquisition of Iddink (announced on 11 December 2018), which is expected to be closed in Q2-Q3 2019.

Dividend proposal

On 31 December 2018, Sanoma Corporation's distributable funds were EUR 486 million, of which profit for the year made up EUR 85 million. Including the fund for non-restricted equity of EUR 210 million, the distributable funds amounted to EUR 695 million. The Board of Directors proposes to the Annual General Meeting that:

- A dividend of EUR 0.45 per share shall be paid for the year 2018. The dividend shall be paid in two instalments. The first instalment of EUR 0.25 per share shall be paid to a shareholder who is registered in the shareholders' register of the company maintained by Euroclear Finland Ltd on the dividend record date 29 March 2019. The payment date for this instalment is 5 April 2019. Record date for the second instalment of EUR 0.20 per share will be decided by the Board of Directors in October, and the estimated payment date will be in November 2019.
- A sum of EUR 350,000 shall be transferred to the donation reserve and used at the Board's discretion.
- The amount left in equity shall be EUR 622 million.

According to its dividend policy from 2017 onwards, Sanoma aims to pay an increasing dividend, equal to 40–60% of the annual free cash flow. When proposing a dividend to the AGM, the Board of Directors looks at the general macro-economic environment, Sanoma's current and target capital structure, Sanoma's future business plans and investment needs, as well as both previous year's cash flows and expected future cash flows affecting capital structure.

Annual General Meeting 2019

Sanoma's Annual General Meeting 2019 will be held on Wednesday, 27 March 2019 at 14:00 EET at Marina Congress Center (Katajanokanlaituri 6, 00160 Helsinki, Finland).

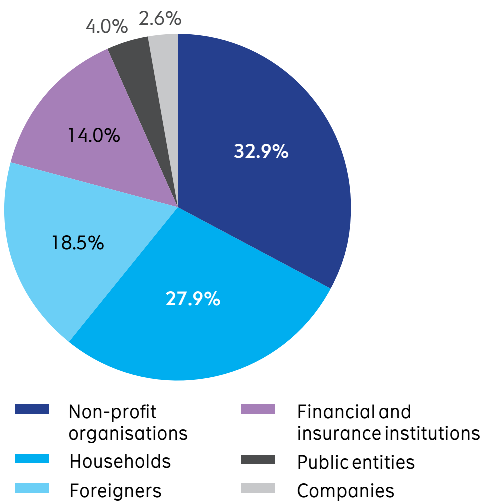
Share and shareholders

Sanoma has one series of shares, with all shares producing equal voting rights and other shareholder rights. The shares have no redemption or consent clauses, or any other transfer restrictions. Sanoma share has no nominal value or book value.

The Board of Directors is not aware of any effective agreements related to holdings in Sanoma shares and the exercise of voting rights.

On 31 December 2018, the combined holdings in the Company's shares of the members of the Board of Directors, the President and CEO, and the bodies they control (as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act) accounted for 25.9% (2017: 25.6%) of all shares and votes. More information on management shareholding and remuneration is available in Note 30.

SHAREHOLDERS BY SECTOR 31 DECEMBER 2018



MAJOR SHAREHOLDERS 31 DECEMBER 2018

	Shareholder	Shares	% of shares
1	Jane and Aatos Erkko Foundation	39,820,286	24.4
2	Herlin Antti	19,506,800	11.9
	Holding Manutas Oy	19,475,000	
	Herlin Antti	31,800	
3	Langenskiöld Lars Robin Eljas	12,273,371	7.5
4	Seppälä Rafaela Violet Maria	10,273,370	6.3
5	Helsingin Sanomat Foundation	5,701,570	3.5
6	Ilmarinen Mutual Pension Insurance Company	3,572,220	2.2
7	Foundation for Actors' Old-Age Home	2,000,000	1.2
8	Noyer Alex	1,908,965	1.2
9	The State Pension Fund	1,860,000	1.1
10	Aubouin Lorna	1,852,470	1.1
11	Sanoma Corporation	1,061,293	0.7
12	Evli Finnish Small Cap Fund	823,950	0.5
13	Folkhälsan i Svenska Finland rf Inez och Julius Polins Fond	646,149	0.4
14	Langenskiöld Lars Christoffer Robin	645,996	0.4
15	Langenskiöld Bo Sebastian Eljas	645,963	0.4
16	Langenskiöld Pamela	645,963	0.4
17	WSOY Literary Foundation	558,609	0.3
18	Pension Fund of Werner Söderström Osakeyhtiö	553,666	0.3
19	Oy Etra Invest Ab	550,000	0.3
20	Finnish Cultural Foundation	502,240	0.3
	20 largest shareholders total	**105,402,881**	**64.4**
	Nominee registered	**26,219,523**	**16.0**
	Other shares	**31,943,259**	**19.6**
	Total	**163,565,663**	**100.0**

SHAREHOLDERS BY NUMBER OF SHARES HELD 31 DECEMBER 2018

Number of shares	Number of shareholders	%	Number of shares	%
1–100	5,524	26.6	320,781	0.2
101–500	8,296	40.0	2,307,868	1.4
501–1,000	2,988	14.4	2,349,953	1.4
1,001–5,000	3,091	14.9	6,839,515	4.2
5,001–10,000	425	2.1	3,036,077	1.9
10,001–50,000	308	1.5	6,098,464	3.7
50,001–100,000	43	0.2	3,183,072	2.0
100,001–500,000	44	0.2	8,498,385	5.2
500,001 +	22	0.1	130,852,099	80.0
Total	**20,741**	100.0	**163,486,214**	99.9
In the joint account			79,449	0.1
Total			**163,565,663**	100.0

Adjustments and definitions

Discontinued operations

On 16 January 2018, Sanoma announced the intention to divest its Belgian women's magazine portfolio. The divested business was consequently classified as Discontinued operations in 2017 financial reporting. All key indicators and income statement related figures presented in this report, including corresponding figures in 2017, cover Continuing operations only unless otherwise stated. The divestment was completed on 29 June 2018. More information on the Discontinued operations' financial performance is available in Note 26.

Impact of the SBS transaction – Adjusted KPIs for 2017

Sanoma divested the Dutch TV operations of SBS on 19 July 2017. SBS was consolidated in Sanoma's income statement until 30 June 2017 as part of Media Netherlands. To enhance comparability between the reporting periods, certain comparable adjusted key figures for FY 2017 for the Group and for Media Netherlands are presented in this report. The comparable adjusted figures fully exclude the divested operations of SBS and include 100% of Veronica Uitgeverij and are named as "adjusted".

Alternative performance measures

Sanoma presents certain financial performance measures on a non-IFRS basis as alternative performance measures (APMs). The APMs exclude certain non-operational or non-cash valuation items affecting comparability (IACs) and are provided to reflect the underlying business performance and to enhance comparability between reporting periods. The APMs should not be considered as a substitute for performance measures in accordance with IFRS.

Sanoma has updated its cash flow terminology and defined free cash flow as operating cash flow less capital expenditure. From 6 February 2019, the terms free cash flow and free cash flow per share will also be used as the basis of Sanoma's dividend policy. The dividend policy is available on p. 26. The updated terminology is used in this report.

More information is available at sanoma.com. Reconciliations are presented on p. 31–32 in this report. Definitions of key IFRS indicators and APMs are available on p. 33.

Key indicators

EUR million	2018	2017 [4]	2016	2015 [5]	2014
Net sales [1]	1,315.4	1,434.7	1,554.4	1,716.7	1,901.6
Operational EBITDA [1]	326.3	392.3	445.1	389.7	392.0
% of net sales	24.8	27.3	28.6	22.7	20.6
EBITDA [1]	299.3	-49.5	502.2	266.3	461.4
% of net sales	22.8	-3.5	32.3	15.5	24.3
Operational EBIT [1]	196.6	176.7	164.9	83.7	118.8
% of net sales	14.9	12.3	10.6	4.9	6.2
Items affecting comparability in EBIT [1]	-28.2	-417.2	42.0	-206.8	15.0
EBIT [1]	168.5	-240.5	206.9	-123.1	133.8
% of net sales	12.8	-16.8	13.3	-7.2	7.0
Result before taxes [1]	151.1	-262.4	167.3	-151.4	90.7
% of net sales	11.5	-18.3	10.8	-8.8	4.8
Result for the period from continuing operations [1]	112.7	-301.6	122.7	-157.7	61.6
% of net sales	8.6	-21.0	7.9	-9.2	3.2
Result for the period	125.6	-299.3	116.0	-157.7	61.6
% of net sales	9.5	-20.9	7.5	-9.2	3.2
Balance sheet total	1,519.0	1,590.1	2,605.6	2,765.1	3,016.5
Capital expenditure [2]	32.0	36.5	34.9	54.7	50.7
% of net sales	2.4	2.4	2.2	3.2	2.7
Free cash flow [3]	108.9	104.7	123.2	-29.2	23.0
Return on equity (ROE), %	22.1	-48.0	10.9	-13.6	4.9
Return on investment (ROI), %	18.1	-17.0	9.9	-5.3	6.5
Equity ratio, %	44.7	38.2	41.0	39.5	42.2
Net gearing, %	55.3	71.6	78.4	77.8	66.7
Interest-bearing liabilities	356.7	412.4	829.6	899.6	918.1
Non-interest-bearing liabilities	550.9	620.1	773.3	833.3	888.9
Interest-bearing net debt	337.8	391.8	786.2	801.2	801.8
Net debt / Adj. EBITDA	1.4	1.7			
Average number of employees (FTE) [1]	4,463	4,746	5,171	6,776	8,259
Number of employees at the end of the period (FTE) [1]	4,485	4,425	5,038	6,116	7,583

1 Figures for 2016-2018 contain only continuing operations. Figures for 2014 and 2015 include also operations classified as discontinued operations in 2017.

2 Capital expenditure is presented on cash basis for 2017-2018 and on an accrual basis for 2014-2016.

3 Dividends received have been reported as part of free cash flow from 2016 onwards.

4 2017 figures have been restated due to the implementation of IFRS 15 Revenue from Contracts with Customers.

5 In connection with a reporting system change in 2016, Sanoma adapted a new method for currency translation, changing from cumulative translation to periodic translation. Due to this, there are some minor changes in the historical figures.

Share indicators

EUR	2018	2017 [3]	2016	2015 [4]	2014
Earnings/share, continuing operations [1]	0.68	-1.02	0.69	-0.91	0.32
Earnings/share	0.76	-1.00	0.65	-0.91	0.32
Earnings/share, diluted, continuing operations [1]	0.68	-1.02	0.69	-0.91	0.32
Earnings/share, diluted	0.76	-1.00	0.65	-0.91	0.32
Operational earnings/share, continuing operations [1]	0.83	0.70	0.50	0.13	0.33
Operational earnings/share	0.84	0.72	0.51	0.13	0.33
Free cash flow per share [2]	0.67	0.64	0.76	-0.18	0.14
Equity/share	3.73	3.34	4.39	4.59	5.54
Dividend/share [5]	0.45	0.35	0.20	0.10	0.20
Dividend payout ratio, % [5]	59.1	neg.	30.8	neg.	62.0
Operational dividend payout ratio, % [5]	53.4	48.3	39.2	78.3	61.5
Market capitalisation, EUR million [6]	1,379.7	1,774.5	1,338.4	633.7	748.9
Effective dividend yield, % [5]	5.3	3.2	2.4	2.6	4.3
P/E ratio	11.1	neg.	12.7	neg.	14.3
Adjusted number of shares at the end of the period [6]	162,504,370	163,249,144	162,333,596	162,082,093	162,812,093
Adjusted average number of shares [6]	163,084,958	162,544,637	162,291,679	162,721,764	162,812,093
Lowest share price	8.01	7.58	3.51	3.13	4.19
Highest share price	11.47	12.03	9.39	5.95	6.85
Average share price	9.28	8.90	6.14	4.28	5.17
Share price at the end of the period	8.49	10.87	8.25	3.91	4.60
Trading volumes, shares	39,317,670	36,232,649	48,152,687	81,355,104	59,025,525
% of shares	24.1	22.3	29.7	50.0	36.3

1 Figures for 2016-2018 contain only continuing operations. Figures for 2014 and 2015 include also operations classified as discontinued operations in 2017.

2 Dividends received have been reported as part of free cash flow from 2016 onwards.

3 2017 figures have been restated due to the implementation of IFRS 15 Revenue from Contracts with Customers.

4 In connection with a reporting system change in 2016, Sanoma adapted a new method for currency translation, changing from cumulative translation to periodic translation. Due to this, there are some minor changes in the historical figures.

5 Year 2018 proposal of the Board of Directors.

6 The number of shares does not include treasury shares.

Reconciliation of operational EBIT

CONTINUING OPERATIONS

EUR million	2018	2017
EBIT	**168.5**	-240.5
Items affecting comparability [1]		
MEDIA FINLAND		
Capital gains/losses	2.3	10.8
Restructuring expenses	-9.4	-4.5
MEDIA NETHERLANDS		
Capital gains/losses [2]	-2.7	-424.9
Restructuring expenses	-19.4	-12.1
Others		
Settlement of Belgium defined benefit pension plans	3.6	
LEARNING		
Impairments		-7.8
Restructuring expenses	-5.1	-6.2
Others		
Settlement of defined benefit pension plans		2.3
OTHER COMPANIES		
Capital gains/losses	2.7	25.8
Restructuring expenses	-0.1	-0.5
Total	**-28.2**	-417.2
Operational EBIT, continuing operations	**196.6**	176.7

EUR million	2018	2017
Operational EBIT, continuing operations	**196.6**	176.7
Depreciation, amortisation and impairments	130.8	191.0
Items affecting comparability in depreciation, amortisation and impairments	1.1	-24.6
Operational EBITDA, continuing operations	**326.3**	392.3
Items affecting comparability in financial income and expenses		
Impairments	-0.7	-0.1
Total	**-0.7**	-0.1
Items affecting comparability in non-controlling interests [2]		138.4
Items affecting comparability in discontinued operations		
Capital gains/losses [3]	33.0	
Impairments	-0.4	-2.5
Restructuring expenses	-20.9	-0.5
Others	3.6	
Total	**15.3**	-3.1

1 Items affecting comparability are unaudited.
2 In 2017, the capital loss of EUR -424.2 million and a EUR 138.3 million adjustment in non-controlling interests were related to the SBS divestment. Total impact of the transaction in the net result was EUR -286.2 million.
3 In 2018, the capital gain of EUR 33.0 million is related to the divestment of Belgian women's magazine portfolio.

Reconciliation of operational EPS

EUR million	2018	2017
Result for the period attributable to the equity holders of the Parent Company	124.2	-162.7
Items affecting comparability [1]	13.2	280.5
Operational result for the period attributable to the equity holders of the Parent Company	**137.4**	117.8
Adjusted average number of shares	163,084,958	162,544,637
Operational EPS	**0.84**	0.72

1 When calculating operational earnings per share, the tax effect and the non-controlling interests' share of the items affecting comparability have been deducted.

Reconciliation of interest-bearing net debt

EUR million	31 Dec 2018	31 Dec 2017
Non-current financial liabilities	4.3	196.3
Current financial liabilities	352.4	216.1
Cash and cash equivalents	-18.8	-20.6
Interest-bearing net debt	**337.8**	391.8

Definitions of key indicators

Equity ratio, % = $\frac{\text{Equity total}}{\text{Balance sheet total - advances received}} \times 100$

Net gearing, % = $\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity total}} \times 100$

Free cash flow = Cash flow from operations - capital expenditure

Free cash flow/share = $\frac{\text{Free cash flow}}{\text{Adjusted average number of shares on the market}}$

Interest-bearing net debt = Interest-bearing liabilities - cash and cash equivalents

EBITDA = Operating profit + depreciation, amortisation and impairments

Net debt/adj. EBITDA = The adjusted EBITDA used in this ratio is the 12-month rolling operational EBITDA, where acquired operations are included and divested operations excluded, and where programming rights and prepublication rights have been raised above EBITDA on cash flow basis

Return on equity (ROE), % = $\frac{\text{Result for the period}}{\text{Equity total (average of monthly balances)}} \times 100$

Return on investment (ROI), % = $\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average of monthly balances)}} \times 100$

Earnings/share (EPS) = $\frac{\text{Result for the period attributable to the equity holders of the Parent Company - tax-adjusted interest on hybrid bond}}{\text{Adjusted average number of shares on the market}}$

Items affecting comparability = Gains/losses on sale, restructuring expenses and impairments that exceed EUR 1 million

Operational EPS = $\frac{\text{Result for the period attributable to the equity holders of the Parent Company - tax-adjusted interest on hybrid bond - items affecting comparability}}{\text{Adjusted average number of shares on the market}}$

Equity/share = $\frac{\text{Equity attributable to the equity holders of the Parent Company}}{\text{Adjusted number of shares on the market at the balance sheet date}}$

Dividend payout ratio, % = $\frac{\text{Dividend/share}}{\text{Result/share}} \times 100$

Operational dividend payout ratio, % = $\frac{\text{Dividend/share}}{\text{Operational EPS}} \times 100$

Effective dividend yield, % = $\frac{\text{Dividend/share}}{\text{Share price on the last trading day of the year}} \times 100$

P/E ratio = $\frac{\text{Share price on the last trading day of the year}}{\text{Result/share}}$

Market capitalisation = Number of shares on the market at the balance sheet date x share price on the last trading day of the year

Consolidated Financial Statements

- Audited

Consolidated income statement

EUR million	Note	2018	Restated [1] 2017
NET SALES	2, 3	**1,315.4**	1,434.7
Other operating income	4	29.6	64.8
Materials and services [2]	6	-466.4	-469.2
Employee benefit expenses	5, 20, 30	-316.0	-340.1
Other operating expenses [2 3]	6	-268.1	-744.1
Share of results in joint ventures	13	4.8	4.4
Depreciation, amortisation and impairment losses	10–12	-130.8	-191.0
EBIT		**168.5**	-240.5
Share of results in associated companies	13	-0.1	1.4
Financial income	7	5.1	12.9
Financial expenses	7	-22.5	-36.2
RESULT BEFORE TAXES		**151.1**	-262.4
Income taxes	8	-38.4	-39.1
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS		**112.7**	-301.6
DISCONTINUED OPERATIONS			
Result for the period from discontinued operations	26	12.9	2.3
RESULT FOR THE PERIOD		**125.6**	-299.3

EUR million	Note	2018	Restated [1] 2017
Result from continuing operations attributable to:			
Equity holders of the Parent Company		111.3	-165.0
Non-controlling interests [3]		1.3	-136.6
Result from discontinued operations attributable to:			
Equity holders of the Parent Company		12.9	2.3
Non-controlling interests		-	-
Result attributable to:			
Equity holders of the Parent Company		124.2	-162.7
Non-controlling interests [3]		1.3	-136.6
Earnings per share for result attributable to the equity holders of the Parent Company:	9		
Earnings per share, EUR, continuing operations		0.68	-1.02
Diluted earnings per share, EUR, continuing operations		0.68	-1.02
Earnings per share, EUR, discontinued operations		0.08	0.01
Diluted earnings per share, EUR, discontinued operations		0.08	0.01
Earnings per share, EUR		0.76	-1.00
Diluted earnings per share, EUR		0.76	-1.00

1 Comparable figures have been restated due to the implementation of IFRS 15 Revenue from Contracts with Customers.
2 Sales and commission costs directly related to sales were transferred from Other operating expenses to Materials and services.
3 In 2017 the capital loss of EUR -424.2 million and a EUR 138.3 million adjustment in non-controlling interests were related to the SBS divestment. Total impact of the transaction in the net result was EUR -286.2 million.

Discontinued operations include Belgian women's magazine portfolio, which was classified as discontinued operations in 2017 and divested on 29 June 2018.

Statement of comprehensive income [2]

EUR million	2018	Restated [1] 2017
Result for the period	125.6	-299.3
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Change in translation differences	-0.8	2.7
Share of other comprehensive income of equity-accounted investees	0.0	0.0
Items that will not be reclassified to profit or loss		
Defined benefit plans	-7.7	6.9
Income tax related to defined benefit plans	1.5	-1.9
Other comprehensive income for the period, net of tax	-6.9	7.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**118.6**	-291.6
Total comprehensive income attributable to:		
Equity holders of the Parent Company	117.3	-155.0
Non-controlling interests	1.3	-136.6

1 Comparable figures have been restated due to the implementation of IFRS 15 Revenue from Contracts with Customers.

2 Statement of comprehensive income includes both continuing and discontinued operations.

Consolidated balance sheet

ASSETS EUR million	Note	31 Dec 2018	Restated[1] 31 Dec 2017	Restated[1] 1 Jan 2017
NON-CURRENT ASSETS				
Property, plant and equipment	4, 6, 10	37.4	44.7	57.8
Investment property	4, 6, 11	10.3	13.9	24.5
Goodwill	12	935.7	934.6	1,663.0
Other intangible assets	12	250.4	251.1	432.8
Equity-accounted investees	13	18.4	20.8	21.3
Available-for-sale financial assets	14		4.0	5.0
Other investments	14	3.7		
Deferred tax receivables	8	9.9	18.0	30.5
Trade and other receivables	5, 15	14.3	22.7	21.8
NON-CURRENT ASSETS, TOTAL		**1,280.1**	1,309.8	2,256.6
CURRENT ASSETS				
Inventories	16	36.9	40.5	41.4
Income tax receivables		10.4	6.9	2.2
Contract assets	3	5.2	6.2	6.0
Trade and other receivables	17	167.6	203.7	250.0
Cash and cash equivalents	18	18.8	20.6	43.4
CURRENT ASSETS, TOTAL		**238.8**	277.8	343.1
Assets held for sale and discontinued operations	26		2.4	6.8
ASSETS, TOTAL		**1,519.0**	1,590.1	2,606.4

EQUITY AND LIABILITIES EUR million	Note	31 Dec 2018	Restated[1] 31 Dec 2017	Restated[1] 1 Jan 2017
EQUITY	19, 20			
Equity attributable to the equity holders of the Parent Company				
Share capital		71.3	71.3	71.3
Treasury shares		-8.4	-1.4	-2.1
Fund for invested unrestricted equity		209.8	209.8	203.3
Translation differences		-19.3	-18.5	-21.3
Retained earnings		353.0	284.3	455.7
		606.4	**545.4**	**706.8**
Non-controlling interests		5.0	1.7	289.5
EQUITY, TOTAL		**611.4**	547.1	996.4
NON-CURRENT LIABILITIES				
Deferred tax liabilities	8	32.7	38.5	60.4
Pension obligations	5	8.4	9.7	13.7
Provisions	21	8.9	9.0	7.6
Financial liabilities	22	4.3	196.3	239.1
Contract liabilities	3	5.1		
Trade and other payables	23	11.0	19.7	42.9
NON-CURRENT LIABILITIES, TOTAL		**70.4**	273.3	363.7
CURRENT LIABILITIES				
Provisions	21	25.1	17.1	18.1
Financial liabilities	22	352.4	216.1	590.5
Income tax liabilities		13.3	13.0	6.8
Contract liabilities	3	142.1	153.3	152.8
Trade and other payables	23	304.2	359.7	477.9
CURRENT LIABILITIES, TOTAL		**837.2**	759.2	1,246.1
Liabilities related to assets held for sale and discontinued operations	26		10.6	0.3
LIABILITIES, TOTAL		**907.6**	1,043.0	1,610.1
EQUITY AND LIABILITIES, TOTAL		**1,519.0**	1,590.1	2,606.4

1 Comparable figures have been restated due to the implementation of IFRS 15 Revenue from Contracts with Customers.

On 31 December 2017, assets held for sale and discontinued operations included Belgian women's magazines portfolio.

Changes in consolidated equity

		Equity attributable to the equity holders of the Parent Company							
EUR million	**Note**	**Share capital**	**Treasury shares**	**Fund for invested unrestricted equity**	**Translation differences**	**Retained earnings**	**Total**	**Non-controlling interests**	**Equity, total**
Equity at 31 Dec 2016		**71.3**	**-2.1**	**203.3**	**-21.3**	**461.8**	**713.0**	**289.5**	**1,002.5**
Effect of IFRS 15 on 1 Jan 2017						-6.1	-6.1		-6.1
Equity at 1 Jan 2017	19	**71.3**	**-2.1**	**203.3**	**-21.3**	**455.7**	**706.8**	**289.5**	**996.4**
Result for the period						-162.7	-162.7	-136.6	-299.3
Other comprehensive income					2.8	4.9	7.7		7.7
Total comprehensive income					**2.8**	**-157.8**	**-155.0**	**-136.6**	**-291.6**
Share subscription with options				6.4			6.4		6.4
Share-based compensation	20					1.8	1.8		1.8
Shares delivered	20		0.7			-0.7			
Dividends paid						-32.5	-32.5	-1.6	-34.1
Total transactions with owners of the company			**0.7**	**6.4**		**-31.4**	**-24.3**	**-1.6**	**-25.9**
Acquisitions and other changes in non-controlling interest						17.8	17.8	-149.7	-131.9
Total change in ownership interest						**17.8**	**17.8**	**-149.7**	**-131.9**
Recognition of unpaid dividends						0.0	0.0		0.0
Equity at 31 Dec 2017		**71.3**	**-1.4**	**209.8**	**-18.5**	**284.3**	**545.4**	**1.7**	**547.1**
Equity at 31 Dec 2017		**71.3**	**-1.4**	**209.8**	**-18.5**	**284.3**	**545.4**	**1.7**	**547.1**
Effect of IFRS 9 on 1 Jan 2018						1.1	1.1		1.1
Effect of amendments to IFRS 2 on 1 Jan 2018						5.8	5.8		5.8
Equity at 1 Jan 2018	19	**71.3**	**-1.4**	**209.8**	**-18.5**	**291.2**	**552.3**	**1.7**	**553.9**
Result for the period						124.2	124.2	1.3	125.6
Other comprehensive income					-0.8	-6.2	-6.9		-6.9
Total comprehensive income					**-0.8**	**118.1**	**117.3**	**1.3**	**118.6**
Purchase of treasury shares			-7.7				-7.7		-7.7
Share-based compensation	20					2.9	2.9		2.9
Shares delivered	20		0.7			-0.7			
Dividends paid						-57.1	-57.1	-0.8	-57.9
Total transactions with owners of the company			**-7.0**			**-54.8**	**-61.8**	**-0.8**	**-62.6**
Acquisitions and other changes in non-controlling interests						-1.3	-1.3	2.8	1.5
Total change in ownership interest						**-1.3**	**-1.3**	**2.8**	**1.5**
Equity at 31 Dec 2018		**71.3**	**-8.4**	**209.8**	**-19.3**	**353.0**	**606.4**	**5.0**	**611.4**

Consolidated cash flow statement

Includes continuing and discontinued operations.

EUR million	Note	2018	Restated [1] 2017
OPERATIONS			
Result for the period		125.6	-299.3
Adjustments			
Income taxes	8	44.3	40.5
Financial expenses	7	22.5	36.2
Financial income	7	-5.1	-12.9
Share of results in equity-accounted investees	13	-4.7	-5.7
Depreciation, amortisation and impairment losses		131.4	195.1
Gains/losses on sales of non-current assets		-36.0	420.3
Other adjustments		2.9	1.1
Adjustments total		155.2	674.5
Change in working capital			
Change in trade and other receivables		44.0	3.6
Change in inventories		3.4	0.9
Change in trade and other payables, and provisions		-59.2	-21.5
Acquisitions of broadcasting rights and prepublication costs		-77.3	-167.2
Dividends received		5.1	5.5
Interest paid		-10.0	-22.1
Other financial items		-1.5	1.6
Taxes paid		-44.4	-34.7
CASH FLOW FROM OPERATIONS		**140.9**	141.2
INVESTMENTS			
Capital expenditure		-32.0	-36.5
Operations acquired	27	-15.9	-3.1
Joint ventures and associated companies acquired	13	0.0	-1.5
Acquisition of other investments		-0.1	
Proceeds from sale of tangible and intangible assets [2]		9.7	47.6
Operations sold [3]	27	22.0	235.4
Joint ventures and associated companies sold	13	0.2	2.0
Sales of other investments		0.8	0.8
Loans granted		0.0	0.0
Repayments of loan receivables		1.2	0.3
Interest received		0.5	0.3
CASH FLOW FROM INVESTMENTS		**-13.7**	245.2
CASH FLOW BEFORE FINANCING		**127.2**	386.4
FINANCING			
Proceeds from share subscriptions			6.4
Contribution by non-controlling interests		2.2	
Purchase of treasury shares		-7.7	
Change in loans with short maturity		-1.1	-217.8
Drawings of other loans		0.0	172.5
Repayments of other loans		-51.2	-326.3
Payment of finance lease liabilities		-0.3	-0.3
Acquisitions of non-controlling interests	27	-11.2	-11.2
Dividends paid		-57.9	-34.1
CASH FLOW FROM FINANCING		**-127.0**	-410.7
Change in cash and cash equivalents according to cash flow statement		**0.2**	-24.3
Effect of exchange rate differences on cash and cash equivalents		-0.3	-0.2
Net increase(+)/decrease(-) in cash and cash equivalents		**-0.1**	-24.5
Cash and cash equivalents at 1 Jan		18.6	43.1
Cash and cash equivalents at 31 Dec	18	**18.4**	18.6

1 Comparable figures have been restated due to the implementation of IFRS 15 Revenue from Contracts with Customers.

2 Proceeds from sale of tangible assets in 2017 included the divestment of the property at Ludviginkatu in Helsinki.

3 The divestment of Belgian women's magazine portfolio and content marketing operations, Head Office, are included in the operations sold in 2018. Operations sold in 2017 included SBS, Sanoma Baltics and Kieskeurig.nl.

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 0.4 million (2017: 2.0) at 31 Dec.

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. Accounting policies for consolidated financial statements

Corporate information

In 2018, Sanoma Group included three operating segments i.e. its strategic business units: Sanoma Media Finland, Sanoma Media Netherlands and Sanoma Learning. This is aligned with the way Sanoma manages the businesses. Media Finland is the leading media company in Finland. It provides information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. Media Netherlands includes the Dutch consumer media operations (magazines, news, events, custom media, e-commerce, websites and apps), Home Deco media operations in Belgium and the press distribution business Aldipress. Learning is a leading European learning company, whose blended learning solutions are used by over 1 million teachers. It operates in Poland, the Netherlands, Finland, Belgium and Sweden. Discontinued operations include Belgian women's magazines operations, which were classified as discontinued operations in 2017. Sanoma divested these operations at the end of the second quarter of year 2018.

The share of Sanoma Corporation, the Parent of Sanoma Group, is listed on the Nasdaq Helsinki. The Parent Company is domiciled in Helsinki and its registered office is Töölönlahdenkatu 2, 00100 Helsinki.

On 5 February 2019, Sanoma's Board of Directors approved these financial statements to be disclosed. In accordance with the Finnish Limited Liability Companies Act, the shareholders can either adopt or reject the financial statements in the Annual General Meeting held after the disclosure. The AGM can also resolve to amend the financial statements.

Copies of the consolidated financial statements are available at sanoma.com or from the Parent Company's head office.

Basis of preparation of financial statements

Sanoma has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) while adhering to related IAS and IFRS standards, effective at 31 December 2018, as well as SIC and IFRIC interpretations. IFRS refers to the approved standards and their interpretations applicable within the EU under the Finnish Accounting Act and its regulations in accordance with European Union Regulation No. 1606/2002. The notes to the consolidated financial statements are in accordance with Finnish Accounting Standards and Finnish Limited Liability Companies Act.

Financial statements are presented in millions of euros, based on historical cost conventions unless otherwise stated in the accounting policies. All figures have been rounded and consequently the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

Applied new and amended standards

The Group has applied the following new standards, interpretations and amendments to standards and interpretations as of 1 January 2018:

- IFRS 15 **Contracts with Customers** (effective for periods beginning on or after 1 January 2018). The Group has adopted IFRS 15 with a date of initial application of 1 January 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed below. The Group applied IFRS 15 retrospectively. The details and quantification of the changes in accounting policies are disclosed below.

  Media Segments – Premium articles of new subscriptions
  The premium article that is delivered to the new subscriber is considered as a separate performance obligation. Under IFRS 15 the stand-alone selling price of the premium article is recognized when the control of the product is transferred to the customer (point-in-time). This change affects both Media Netherlands and Media Finland.

  Learning Segment – Hybrid learning solutions
  For hybrid learning solutions (combining print and digital products) the previous recognition was a combination of point-in-time and over-time recognition. Under IFRS 15 the components of the hybrid learning solutions are identified as separate performance obligations. For print products, revenue is recognized when the control of the product is transferred to the customer (point-in-time). Digital products relate to providing access to online learning platforms and revenue is recognised over the period (over-time) the customer has access to the platform (usually during a school year).

The impact of change in Accounting policy on comparison figures presented in the comprehensive income statement 2017 is shown in the table below. More information on the impact of IFRS 15 was disclosed in a separate release 29 March 2018.

INCOME STATEMENT

EUR million	Restated 2017	Change 2017	As published 2017
NET SALES	1434.7	1.4	1433.4
Other operating income	64.8	1.4	63.4
Materials and services [1]	-469.2	-4.1	-453.2
Employee benefit expenses	-340.1	0.0	-340.1
Other operating expenses [1]	-744.1	-0.2	-755.8
Share of results in joint ventures	4.4	0.0	4.4
Depreciation, amortisation and impairment losses	-191.0	0.0	-191.0
EBIT	-240.5	-1.5	-238.9
Share of results in associated companies	1.4	0.0	1.4
Financial income	12.9	0.0	12.9
Financial expenses	-36.2	0.0	-36.2
RESULT BEFORE TAXES	-262.4	-1.5	-260.9
Income taxes	-39.1	0.3	-39.4
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	-301.6	-1.2	-300.3
DISCONTINUED OPERATIONS			
Result for the period from discontinued operations	2.3	0.0	2.3
RESULT FOR THE PERIOD	-299.3	-1.2	-298.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-291.6	-1.2	-290.3

1 Sales and commission costs directly related to sales transferred from Other operating expenses to Materials and services.

The impact on comparison figures related to the balance sheet and cash flow statement are shown in the following tables.

IFRS 15 IMPACT ON CONSOLIDATED BALANCE SHEET

EUR million	31 Dec 2017
ASSETS	
Deferred tax receivables	0.6
Trade and other receivables	0.3
ASSETS, TOTAL	0.9
EQUITY AND LIABILITIES	
Equity total	-7.4
Deferred tax liabilities	0.3
Income tax liabilities	-2.1
Trade and other payables	10.2
EQUITY AND LIABILITIES, TOTAL	0.9

IFRS 15 IMPACT ON CONSOLIDATED CASH FLOW STATEMENT

EUR million	2017
OPERATIONS	
Result for the period	-1.2
Adjustments	
Income taxes	-0.3
Change in working capital	1.5
CASH FLOW FROM OPERATIONS	-

- IFRS 9 **Financial instruments** and changes there to (effective for periods beginning on or after 1 January 2018). IFRS 9 replaces the current IAS 39 Financial Instruments: Recognition and Measurement. The standard includes updated principles for classification and measurement of financial assets and liabilities and a new model for estimating impairments of financial assets based on expected credit losses. In addition, the regulations related to hedge accounting have been revised.

  Applying the standard changed the classification and measurement of financial assets. IFRS 9 contains three classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. In Sanoma the measurement of financial assets did not change except for equity investments. The standard eliminated the exemption that equity investments, which are not traded in an active market and cannot be reliably measured at fair value, can be measured at cost. Sanoma had applied this exemption, but started to measure such equity investments at fair value following the application of IFRS 9. The amount of such equity investments is limited, and the change did not have a material effect.

  IFRS 9 changed also the accounting for modifications of financial liabilities. In 2016 Sanoma issued a bond, the proceeds of which were fully used for a partial redemption of the bond issued in 2012. According to IFRS 9 a gain or loss arising from the difference in contractual cash flows should be recognised in the income statement at the time of the modification. When applying IAS 39, Sanoma amortised the gain over the life of the modified financial liability. The effect of this change in accounting policies was not material.

  Group's financial assets measured at amortised cost are mostly trade receivables. In addition to trade receivables Sanoma has some debt instruments whose amount is not material. Applying IFRS 9 changed the process of booking impairment allowances for trade receivables as according to IFRS 9 impairment allowances are booked also on trade receivables not yet past due, and future expectations should also be taken into account when booking impairment allowances. For trade receivables, Sanoma applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivable. This change did not have material impact on the impairment allowance of trade receivables. Sanoma has adopted the general expected credit loss model of IFRS 9 for debt instruments carried at amortised cost but no expected credit losses were booked on debt instruments carried at amortised cost as amount of those debt instruments is very limited in Sanoma and the credit risk related to these instruments is estimated to be low.

  Sanoma has no derivative instruments for which hedge accounting is applied, and thus the regulations related to hedge accounting did not affect Sanoma Group.

Sanoma did not apply IFRS 9 retrospectively and adjusted the 1 January 2018 opening balance for the effects of the standard. Comparative information has not been restated. In total the impact of applying IFRS 9 is insignificant for Sanoma Group.

The following table summarises the impact, net of tax, on transition to IFRS 9 on retained earnings at 1 January 2018.

IMPACT OF ADOPTING IFRS 9 ON RETAINED EARNINGS

	1 Jan 2018
Recognition of expected credit losses under IFRS 9	0.0
Equity instruments	1.1
Bond	0.2
Tax effect	-0.2
Total	**1.1**

In the following table the old classification according to IAS 39 and new classification according to IFRS 9 are presented for financial assets and liabilites.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Difference
Non-current financial assets						
Equity instruments	14. Other investments	Available-for-sale investments	FVPL [1]	4.0	5.1	1.1
Loan receivables	15. Trade and other receivables, non-current	Loans and other receivables	Amortised cost	1.8	1.8	-
Other receivables	15. Trade and other receivables, non-current	Loans and other receivables	Amortised cost	4.1	4.1	-
Current financial assets						
Trade receivables	17. Trade and other receivables, current	Loans and other receivables	Amortised cost	144.9	144.9	0.0
Cash and cash equivalents	18. Cash and cash equivalents	Loans and other receivables	Amortised cost	20.6	20.6	-
Other receivables	17. Trade and other receivables, current	Loans and other receivables	Amortised cost	2.7	2.7	-
Derivatives	17. Trade and other receivables, current	FVPL [1]	FVPL [1]	0.0	0.0	-
Non-current financial liabilities						
Bonds	22. Financial liabilities	Amortised cost	Amortised cost	194.7	194.5	-0.2
Finance lease liabilities	22. Financial liabilities	Amortised cost	Amortised cost	1.5	1.5	-
Other liabilities	22. Financial liabilities	Amortised cost	Amortised cost	0.1	0.1	-
Other financial liabilities at amortised cost	23. Trade and other payables	Amortised cost	Amortised cost	12.6	12.6	-
Current financial liabilities						
Loans from financial institutions	22. Financial liabilities	Amortised cost	Amortised cost	52.0	52.0	-
Commercial papers	22. Financial liabilities	Amortised cost	Amortised cost	148.6	148.6	-
Finance lease liabilities	22. Financial liabilities	Amortised cost	Amortised cost	0.2	0.2	-
Other liabilities	22. Financial liabilities	Amortised cost	Amortised cost	15.2	15.2	-
Trade payables	23. Trade and other payables	Amortised cost	Amortised cost	109.1	109.1	-
Other payables	23. Trade and other payables	Amortised cost	Amortised cost	37.7	37.7	-
Derivatives	23. Trade and other payables	FVPL [1]	FVPL [1]	0.6	0.6	-

1 FVPL = financial assets measured ar fair value through profit or loss

- Amendments to IFRS 2 **Share-based Payment – Classification and Measurement of Share-based Payment Transactions** (effective for periods beginning on or after 1 January 2018). The amendments cover three accounting areas: measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings and accounting for a modification of a share-based payment from cash-settled to equity-settled. Sanoma has share-based payment transactions with net settlement features for withholding tax obligations and the amendments had an impact on Group's financial statements. According to the amendments Sanoma's share-based payment transactions with net settlement features are treated as equity-settled in entirety. Sanoma reclassified the recognised liability of EUR 5.8 million from liabilities to equity in the 1 January 2018 opening balance sheet.

- Amendments to IAS 40 **Transfers of Investment Property** (effective for financial periods beginning on or after 1 January 2018). These amendments clarify when transfers of property to, or from, investment property are to be made. The amendments do not have material impact on Group's financial statements.

- Annual Improvements to IFRSs (2014–2016 cycle, December 2016) (IFRS 12 change effective for financial years beginning on or after 1 January 2017 and IFRS 1 and IAS 28 changes effective for financial years beginning on or after 1 January 2018). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The improvements do not have material impact on the Group's financial statements.

Management judgement in applying the most significant accounting policies and other key sources of estimation uncertainty

Preparing the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. During the preparation of the financial statements, such estimates were used when making calculations for impairment testing of goodwill, allocating acquisition cost of acquired businesses and determining the estimated useful lives and depreciation methods for property, plant and equipment and amortisation methods for broadcasting rights, prepublication assets and other intangible assets. In addition, management judgement is used when determining the valuation of deferred taxes, defined benefit pension assets and pension obligations and provisions. The assumptions are derived from external sources wherever available. In case of high dependency on assumptions, sensitivity analyses are performed to determine the impact on carrying amounts. Although these estimates are based on the management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

Impairment testing is discussed later in the accounting policies and notes to the financial statements. Other uncertainties related to management judgement are presented, as applicable, in the relevant notes.

Consolidation principles

The consolidated financial statements are prepared by consolidating the Parent Company's and its subsidiaries' income statements, comprehensive income statements, balance sheets, cash flow statements and notes to the financial statements. Prior to consolidation, the Group companies' financial statements are adjusted, if necessary, to ensure consistency with the Group's accounting policies.

The consolidated financial statements include the Parent Company Sanoma Corporation and companies in which the Parent Company has control. Control means that the Group is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Intra-group shareholdings are eliminated using the acquisition method. In cases where the Group has an obligation to increase ownership in a subsidiary and the risks and rewards of ownership have transferred to Group due to this obligation, the consolidation has taken the ownership into account in accordance with the obligation.

Companies acquired during the financial year are included in the consolidated financial statements from the date on which control was transferred to the Group, and divested subsidiaries are consolidated until the date on which said control ceased. Intra-group transactions, receivables and liabilities, intra-group margins and distribution of profits within the Group are eliminated in the consolidated financial statements.

Sanoma uses the acquisition method when accounting for business combinations. For acquisitions prior to 1 January 2010, Sanoma applies the version of IFRS 3 standard effective as at the acquisition date.

On the date of acquisition, the cost is allocated to the assets and liabilities of the acquired business by recognising them at their fair value. In business combinations achieved in stages, the interest in the acquired company that was held by the acquirer before the control was acquired shall be measured at fair value at the date of acquiring control. This value has an impact on calculating the goodwill from this acquisition and it is presented as a loss or gain in the income statement.

The consideration transferred and the identifiable assets and the liabilities assumed in the business combination are measured at fair value on the date of acquisition. The acquisition-related costs are expensed excluding the costs to issue debt or equity securities. The potential contingent purchase price is the consideration paid to the seller after the original consolidation of the acquired business or the share of paid consideration that the previous owners return to the buyers. Whether any consideration shall be paid or returned is usually dependent on the performance of the acquired business after the acquisition. The contingent consideration shall be classified as a liability or as equity. The contingent consideration classified as a liability is measured at fair value on the acquisition date and subsequently on each balance sheet date. Changes in the fair value are presented in income statement.

Sanoma's equity-accounted investees include joint ventures and associated companies, which are accounted for using the equity method. The Group's share of the strategically important joint ventures' and associated companies' result is disclosed separately in operating profit. The Group's share of the result of other equity-accounted investees is reported below operating profit. The carrying amount of equity-accounted investees is presented on one line in the balance sheet and it includes the goodwill originating from those acquisitions. The investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income of the investee. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Joint ventures are entities that are controlled jointly based on a contractual agreement by the Group and one or several other owners.

Associated companies are entities in which the Group has significant influence. Significant influence is assumed to exist when the Group holds over 20% of the voting rights or when the Group has otherwise obtained significant influence but not control or joint control over the entity. If Sanoma's share of the losses from an associated company exceeds the carrying value of the investment, the investment in the associated company will be recognised at zero value on the balance sheet. Losses exceeding the carrying amount of investments will not be consolidated unless the Group has been committed to fulfil the obligations of the associated company.

Joint operations are consolidated by recognising the Group's interest in the assets, and obligations for the liabilities, relating to the arrangement, and recognising its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

Profit or loss for the period attributable to equity holders of the Parent Company and to the holders of non-controlling interests is presented in the income statement. The statement of comprehensive income shows the total comprehensive income attributable to the equity holders of the Parent Company and to the holders of non-controlling interests. The amount of equity attributable to equity holders of the Parent Company and to holders of non-controlling interests is presented as a separate item on the balance sheet within equity.

Foreign currency items

Items reported in the financial statements of each Group company are recognised using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that company (the functional currency). The consolidated financial statements are presented in euros, which is the Parent Company's functional and presentation currency.

Foreign currency transactions of the Group entities are translated to the functional currency at the exchange rate quoted on the transaction date. The monetary assets and liabilities denominated in foreign currencies on the balance sheet are translated into the functional currency at the exchange rate prevailing on the balance sheet date.

The gains and losses resulting from the foreign currency transactions and translating the monetary items are recognised in income statement. The exchange rate gains and losses are reported in financial income and expenses.

The income and expense items in the income statement and in the statement of comprehensive income of the non-euro Group entities (subsidiaries, associated companies and joint ventures) are translated into euro using the monthly average exchange rates and balance sheets using the exchange rate quoted on the balance sheet date. The profit for the period being translated into euro by different currency rates in the comprehensive income statement and balance sheet results in a translation difference in equity. The change in translation difference is recognised in other comprehensive income.

Exchange rate differences resulting from the translation of foreign subsidiaries' and equity accounted investees' balance sheets are recognised under shareholders' equity. When a foreign entity is disposed of, in whole or in part, cumulative translation differences are recognised in the income statement as part of the gain or loss on disposal.

During the reporting year or preceding financial year, the Group did not have subsidiaries in hyperinflationary countries.

Government grants

Grants from the government or other similar public entities that become receivable as compensation for expenses already incurred are recognised in the income statement on the period on which the company complies with the attached conditions. These government grants are reported in other operating income in income statement. Government grants related to the purchase of property, plant and equipment or intangible assets are recognised as a reduction of the asset's book value and credited to the income statement over the asset's useful life.

Assets held for sale and discontinued operations

Assets are classified as held for sale if their carrying amount is recovered principally through a sale rather than through continuing use and a sale is considered highly probable. Such assets are stated at the lower of carrying amount and fair value less cost of disposal. Non-current assets held for sale are no longer depreciated. When equity-accounted investees meet the criteria to be classified as held-for-sale, equity accounting ceases at the time of reclassification.

Operations are classified as discontinued operations in case a component of an entity has either been disposed of, or is classified as held-for-sale, and when it represents a separate major line of business or geographical area of operations. The Group makes this assessment on strategic business unit level. In addition the disposal should be part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

A component of an entity is defined as operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

The result for the period of discontinued operations is presented as a separate item in the consolidated income statement.

Goodwill and other intangible assets

Acquired subsidiaries are consolidated using the acquisition method, whereby the cost is allocated to the acquired assets and liabilities assumed at their fair value on the date of acquisition. Goodwill represents the excess of the cost over the fair value of the acquired company's net assets. Goodwill reflects e.g. expected future synergies resulting from acquisitions.

Goodwill is not amortised but it is tested for impairment annually or if there are some triggering events.

The identifiable intangible assets are recognised separately from goodwill if the assets fulfil the related recognition criteria – i.e. they are identifiable, or based on contractual or other legal rights – and if their fair value can be reliably measured. Intangible assets are initially measured at cost and amortised over their expected useful lives. Intangible assets for which the expected useful lives cannot be determined are not amortised but they are subject to annual impairment testing. In Sanoma, expected useful lives can principally be determined for intangible rights. With regard to the acquisition of new assets, the Group assesses the expected useful life of the intangible right, for example, in light of historical data and market position, and determines the useful life on the basis of the best knowledge available on the assessment date.

The Group recognises the cost of broadcasting rights to TV programmes under intangible assets and their cost is amortised based on broadcasting runs. The prepublication costs of learning materials and solutions are recognised in intangible assets and amortised over the useful lives. In cash flow, acquisitions of broadcasting rights and prepublication costs are part of cash flow from operations.

The known or estimated amortisation periods for intangible assets with finite useful lives are:

- Publishing rights 2–20 years
- Software licenses 2–10 years
- Copy- and trademark rights 2–10 years
- Software projects 3–10 years
- Online sites 3–10 years
- Prepublication costs 3–8 years

Amortisation is calculated using the straight-line method. Recognising amortisation is discontinued when an intangible asset is classified as held for sale.

Goodwill and other intangible assets are described in more detail in Note 12.

Impairment testing

The carrying amounts of assets are reviewed whenever there is any indication of impairment. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups of assets. Those CGUs for which goodwill has been allocated are tested for impairment at least once a year. Intangible assets with indefinite useful lives are also tested at least annually.

The test assesses the asset's recoverable amount, which is the higher of either the asset's fair value less cost of disposal or value in use based on future cash flows. In Sanoma, impairment tests are principally carried out on a cash flow basis by determining the present value of estimated future cash flows of each CGU. If the carrying amount of the CGU exceeds its recoverable amount, an impairment loss is recorded in the income statement. Primarily, the impairment loss is deducted from the goodwill of the cash-generating unit and after that it is deducted proportionally from other non-current assets of the cash-generating unit. The useful life of the asset is re-estimated when an impairment loss is recognised.

If the recoverable amount of an intangible asset has changed due to a change in the key expectations, previously recognised impairment losses are reversed. However, impairment losses are not reversed beyond the amount the asset had before recognising impairment losses. Impairment losses recognised for goodwill are not reversed under any circumstances.

Impairment testing is described in more detail in Note 12.

Property, plant and equipment

Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any impairment losses. The cost includes any costs directly attributable to acquiring the item of PPE. Any subsequent costs are included in the carrying value of the item of PPE only if it is probable that it will generate future benefits for the Group and that the cost of the asset can be measured reliably. Lease premises' renovation expenses are treated as other tangible assets in the consolidated balance sheet. Ordinary repairs and maintenance costs are expensed as incurred.

The depreciation periods of PPE are based on the estimated useful lives and are:

- Buildings and structures 5–40 years
- Machinery and equipment 2–20 years
- Other tangible assets 3–10 years

Depreciation is calculated using the straight-line method. Land areas are not depreciated. Recognising depreciation is discontinued when the PPE is classified as held for sale.

The residual value and the useful life of an asset are reviewed at least at the end of each financial year and if necessary, they are adjusted to reflect the changes in expectations of financial benefits.

Gains and losses from disposing or selling items of PPE are recognised in the income statement and they are reported in other operating income or expenses.

Investment property

A property is classified as investment property if the Group mainly holds the property to earn rental yields or for capital appreciation. Investment property is initially measured at cost and presented as a separate item on the balance sheet. Investment properties include buildings, land and investments in shares of property and housing companies not in Sanoma's own use. Based on their nature, such shareholdings are divided into land or buildings.

The fair value of investment properties is presented in the notes to the consolidated financial statements. Fair values are determined by using the yield value method or using the information on equal real estate business transactions in the market. Also outside surveyor has been used when determining the fair value. The risk of the yield value method takes into account, among others, the term of the lease period, other conditions of the lease, the location of the premises and the nature of releasability as well as the development of environment and area planning.

Leases

Leases of property, plant and equipment, where the Group is the lessee and substantially has all the rewards and risks of ownership, are classified as finance leases and recognised as assets and liabilities for the lease term. Such an asset is recorded at the commencement of the lease term based on the estimated present value of the underlying minimum lease payments or, if lower, the fair value of the leased asset. The asset is depreciated during the lease term or, if shorter, during its useful life. Lease payments are apportioned between the interest expenses and the repayment of financial lease liabilities. Finance lease liabilities are included in financial liabilities.

The Group has no leases classified as finance leases in which a Group company is a lessor.

A lease is accounted for as an operating lease if the risks and rewards incidental to ownership remain with the lessor.

Expenses under operating leases are charged to other operating expenses using the straight-line method during the lease period and the total future minimum lease payments are presented as off-balance sheet liabilities in the notes to the financial statements.

Inventories

Inventories are stated at the lower of cost and net realisable value, using the average cost method. The cost of finished goods and work in progress includes the purchase price, direct production wages, other direct production costs and fixed production overheads to their substantial extent. Net realisable value is the estimated selling price, received as part of the normal course of business, less estimated costs necessary to complete the product and make the sale.

Financial assets (Accounting policy applicable from 1 January 2018)

As of 1.1.2018 Group's financial assets are classified as subsequently measured at amortised cost and at fair value through profit or loss.

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Sanoma has only one business model for debt instruments which is a business model whose objective is to hold assets in order to collect contractual cash flows. Financial assets are not reclassified subsequently to their initial recognition unless the Group changes its business model for managing financial assets. All equity instruments are measured at fair value.

Transaction costs are included in the initial carrying value of the financial assets if the item is not classified as a financial asset at fair value through profit or loss. Derecognition of financial assets takes place when Sanoma has lost the contractual right to the cash flows from the asset or it has transferred the essential risks and benefits to third parties.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are **measured at amortised cost**. In Sanoma financial assets measured at amortised cost include loan receivables, trade receivables and cash. According to IFRS 9 an entity shall recognize a loss allowance for expected credit losses on a financial asset measured at amortised cost. Sanoma has adopted the general expected credit loss model for debt instruments carried at amortised cost. For trade receivables, Sanoma applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivable. Sanoma uses provision matrix as a practical expedient for measuring expected credit losses for trade receivables.

Assets that do not meet the criteria for amortised cost are measured at **fair value through profit or loss**. A gain or loss on an investment that is subsequently measured at fair value through profit or loss is recognised in the financial items in the income statement. In Sanoma financial assets measured at fair value through profit or loss include other equity investments and derivatives.

Financial assets (Accounting policy applicable before 1 January 2018)

The Group holds financial assets at fair value through profit or loss, loans and other receivables and available-for-sale financial assets. The classification of a financial asset is based on the initial purpose for acquiring the financial instrument on the date of the initial recognition. Transaction costs are included in the initial carrying value of the financial assets if the item is not classified as a financial asset at fair value through profit or loss. Derecognition of financial assets takes place when Sanoma has lost the contractual right to the cash flows from the asset or it has transferred the essential risks and benefits to third parties.

Derivatives that do not fulfil the conditions for hedge accounting are classified as **financial assets at fair value through profit or loss**. Derivative instruments are initially recognised at fair value on the date when the Group becomes a party to the contractual provision of the derivative, and subsequently measured at fair value on each balance sheet date. Both the unrealised and realised gains and losses arising from changes in fair value are recognised in the financial items in the income statement on the period the changes arise.

Loans and other receivables are assets with a fixed or defined series of payments. These assets are unlisted and not held for trading. These assets are measured at amortised cost and they are presented as current or non-current financial assets. Trade receivables are carried at the expected realisable value. An impairment on trade receivables is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. In addition, an impairment allowance is booked on trade receivables more than 121 days past due.

Available-for-sale financial assets are non-derivative assets that are either determined to be available-for-sale or for which other classification is not applicable. These assets are included in non-current assets unless the Group's intention is to hold the investment for less than 12 months from the balance sheet date. All non-current investments held by the Group are classified as available-for-sale and mainly consist of a number of assets not related to business operations. Sanoma's available-for-sale financial assets do not contain publicly traded investments. These assets are carried at cost according to IAS 39. Investments do not have any material effect on the consolidated balance sheet.

Cash and cash equivalents

Cash and cash equivalents include bank accounts and short-term deposits with a maturity of less than three months. Bank overdrafts are shown under current financial liabilities on the balance sheet.

Financial liabilities (Accounting policy applied from 1 January 2018)

Sanoma's financial liabilities are classified either as financial liabilities at amortised cost or as financial liabilities at fair value through profit or loss. Financial liabilities are classified as short-term liabilities unless the Group has an unconditional right to postpone settling of the liability at least with 12 months from the end of the reporting period. The financial liability or a part of it can be derecognised only when the liability has ceased to exist, meaning that the obligations identified by the agreement have been fulfilled, abolished or expired. If the Group issues a new debt instrument and uses the received reserves to repurchase earlier issued debt instrument (whole or part) with not substantially different terms, any costs or fees incurred adjust the carrying amount of the new liability and are amortised over the remaining term of the issued instrument. A gain or loss arising from the difference in contractual cash flows is recognised in the income statement at the time of the modification.

The financial debt of Sanoma Group is classified as **financial liabilities at amortised cost** which are initially recognised at fair value including the transaction costs directly attributable to the acquisition of the financial liability. Subsequently, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss include derivatives that do not comply with the conditions for hedge accounting. Both the unrealised and realised gains and losses arising from the changes in fair values of the derivatives are recognised in the financial items in the income statement on the period the changes arise.

Financial liabilities (Accounting policy applied before 1 January 2018)

The accounting policy applied for the comparative information for 2017 is similar to that applied for 2018. However, before 1 January 2018 if the Group issued a new debt instrument and used the received reserves to repurchase earlier issued debt instrument (whole or part) with not substantially different terms, a gain or loss arising from the difference in contractual cash flows was amortised over the life of the modified financial liability.

Derivatives

Sanoma may use derivative instruments, such as forward foreign exchange contracts and interest rate swaps, in order to hedge against fluctuations in foreign exchange or interest rates. Sanoma does not apply hedge accounting.

Derivatives are initially recognised at fair value on the date of entering to a hedging agreement and they are subsequently measured at their fair value on each balance sheet date. The fair value of foreign exchange contracts is based on the contract forward rates in effect on the balance sheet date. Derivative contracts are shown in other current receivables and liabilities on the balance sheet. Both the unrealised and realised gains and losses arising from changes in fair values of the derivatives are recognised in the financial items in the income statement on the period the changes arise.

Risk management principles of financial risks are presented in more detail in Note 25.

Fair value hierarchy

Financial assets and liabilities measured at fair value are divided into three levels in the fair value hierarchy. In level 1, fair values are based on quoted prices in active markets. In level 2, fair values are based on valuation models for which all inputs are observable, either directly or indirectly. For assets and liabilities in level 3, the fair values are based on input data that is not based on observable market data.

Income taxes

The income tax charge presented in the income statement is based on taxable profit for the financial period, adjustments for taxes from previous periods and changes in deferred taxes. Tax on taxable profit for the period is based on the tax rate and legislation effective in each country. Income taxes related to transactions impacting the profit or loss for the period are recognised in the income statement. Tax related to transactions or other items recognised in other comprehensive income or directly in equity, are recognised accordingly in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are recorded principally on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates effective on the balance sheet date. Changes in the applicable tax rate are recorded as changes in deferred tax in the income statement. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

No deferred tax liability on undistributed retained earnings of subsidiaries has been recognised in that respect, as such distribution is not probable within the foreseeable future. The most significant temporary differences relate to depreciation differences, defined benefit pension plans, subsidiaries' tax losses carried forward and the fair value measurement of assets acquired in business combinations.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of this obligation can be made.

A restructuring provision is recognised when the Group has prepared a detailed restructuring plan and started to implement that plan or announced the matter.

Share-based payments

The share-based incentive plans introduced at Sanoma offer the Group's management an opportunity to receive Sanoma shares after a vesting period of two to three years, provided that the conditions set for receiving the shares are met. Shares in the Restricted Share Plans are delivered to the participants provided that their employment with Sanoma continues uninterrupted throughout the duration of the plan until the shares are delivered. In addition to the continuous employment condition, vesting of the Performance Shares is subject to meeting (partially or fully) the Group's performance targets set by the Board for annually commencing new plans.

The possible reward is paid as a combination of shares and cash. The cash component is dedicated to cover reward-related taxes and tax-related costs.

Before 1 January 2018 arrangements in which gross reward earned is settled partly in shares and partly in cash due to an obligation to withhold tax from the participants were accounted partly as equity-settled and party as cash-settled. 1 January 2018 onwards share-based payments that are settled net in shares after withholding taxes are accounted for in full as equity-settled arrangements despite the fact that the employer pays in cash the taxes related to the rewards on behalf of the participants.

The fair value for the equity settled portion has been determined at grant using the fair value of Sanoma share as of the grant date less the expected dividends paid before possible share delivery. The fair value for the cash settled portion is remeasured at each reporting date until the possible reward payment. The fair value of the liability will thus change in accordance with the Sanoma share price. Liabilities arising from share-based payments represent estimate of the employers' social costs relating to the payable rewards. The fair value is charged to personnel expenses until vesting.

A more detailed description of the share-based payments is provided in Note 20.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes the amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Revenue recognition is described in more detail in Note 3.

Research and development expenditure

Research expenditure is expensed as incurred.

Development expenditure refers to costs that an entity incurs with the aim of developing new products or services for sale, or fundamentally improving the features of its existing products or services, as well as extending its business. Development expenses are mainly incurred before the entity begins to make use of the new product/service for commercial or profitable purposes. Development expenditure is either expensed as incurred or recorded as other intangible asset if it meets the recognition criteria.

Pensions

The Group's pension schemes in different countries are arranged in accordance with local requirements and legislation. Pension schemes are classified into two categories: defined contribution plans and defined benefit plans. The Group has both defined contribution and defined benefit plans and the related pension cover is managed by both pension funds and insurance companies.

Contributions under defined contribution plans are expensed as incurred, and once they are paid to insurance companies the Group has no obligation to pay further contributions. All other post-employment benefit plans are regarded as defined benefit plans.

The present value of Sanoma Group's obligation of defined benefit plans is determined separately for each scheme using the projected unit credit method. Within the defined benefit plan, pension obligations or pension assets represent the present value of future pension payments less the fair value of the plan assets and potential past service cost. The present value of the defined benefit obligation is determined by using discount interest rates that are based on high-quality corporate bonds or government bonds whose duration essentially corresponds with the duration of the pension obligation. Pension expenses under the defined benefit plan are recognised as expenses for the remaining working lives of the employees within the plan based on the calculations of authorised actuaries.

Remeasurements of the net defined benefit liability are recognised immediately in other comprehensive income.

IFRS standards and amendments to be applied later

IASB and IFRIC have issued the following standards and interpretations, but they are not yet effective, and the Group has not applied these requirements before the effective date.

- IFRS 16 **Leases** (effective for financial periods beginning on or after 1 January 2019). IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases. Group's lease contracts are mostly related to leased premises and leased cars. Sanoma will apply the exemption for short-term leases and for leases which underlying asset is of low value and will continue to recognise those leases as an expense. Sanoma will adopt IFRS 16 Leases standard as of 1 January 2019. Sanoma will apply the modified retrospective method and consequently the comparative financials will not be restated. Based on current simulation on preliminary impacts, Sanoma has made indicative estimates of the annual impacts of IFRS 16 on certain key ratios. As lease liabilities will be included in the balance sheet, net debt is estimated to increase by approx. EUR 200 million, and Net debt / Adj. EBITDA ratio by approx. 0.6. Payments for lease liabilities will be disclosed in the financing cash flow, which is estimated to decline by approx. EUR 28 million. Respectively, cash flow from operations is expected to improve by approx. EUR 28 million. EBITDA is estimated to increase by approx. EUR 28 million following the classification of leasing costs in depreciation and interest. Equity ratio is expected to decrease by approx. 5%-points.

- Annual Improvements to IFRSs (2015–2017 cycle) (effective for financial periods beginning on or after 1 January 2019). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. Improvements issued in December 2017 include clarifications to previously held interest in a joint operation (IFRS 3 and IFRS 11), income tax consequences of payments on financial instruments classified as equity (IAS 12) and borrowing costs eligible for capitalization (IAS 23). The EU has not yet adopted the amendments. The improvements do not have material impact on the Group's financial statements.

- Amendments to IAS 19 **Plan Amendment, Curtailment or Settlement** (effective for financial periods beginning on or after 1 January 2019). The amendments clarify the accounting for defined benefit plan amendments, curtailments and settlements. The EU has not yet adopted the amendments. The amendments do not have material impact on the Group's financial statements.

2. Operating segments

In 2018, Sanoma Group included three operating segments i.e. its strategic business units: Sanoma Media Finland, Sanoma Media Netherlands and Sanoma Learning. This is aligned with the way Sanoma manages the businesses. Discontinued operations include Belgian women's magazines portfolio, which Sanoma divested at the end of the second quarter of year 2018.

Media Finland

Media Finland is the leading media company in Finland. We provide information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. We have leading brands and services, like Helsingin Sanomat, Ilta-Sanomat, Me Naiset, Aku Ankka, Oikotie, Nelonen, Ruutu and Radio Suomipop. Sanoma's brands reach almost all Finns every day. For advertisers we are a trusted partner with insight, impact and reach.

Media Netherlands

Media Netherlands includes the Dutch consumer media operations, Home Deco media operations in Belgium and the press distribution business Aldipress. Sanoma has a leading cross media portfolio with strong brands and market positions in magazines, news, events, custom media, e-commerce, websites and apps. Through combining content and customer data, Sanoma develops successful marketing solutions for our clients. In total, Media Netherlands reaches nearly 12 million consumers every month.

Learning

Learning is a leading European learning company. We support over 1 million teachers in developing every student's talents to the maximum. Through our blended learning solutions we help to engage pupils in achieving good learning outcomes and support the effective work of the professional teachers in primary, secondary and vocational education. Through our local companies, we contribute to some of the world's best-performing education systems including Poland, the Netherlands, Finland, Belgium and Sweden.

Unallocated/eliminations

In addition to the Group eliminations, the column Unallocated/Eliminations includes non-core operations, head office functions, real estate companies and items not allocated to segments.

SEGMENTS 2018

EUR million	Media Finland	Media Netherlands	Learning	Unallocated / Eliminations	Continuing Operations	Discontinued Operations	Eliminations	Consolidated
External net sales	578.0	424.0	313.3		1,315.4	36.6		1,352.0
Internal net sales	0.4		0.0	-0.4		0.5	-0.5	
NET SALES	578.5	424.0	313.3	-0.4	1,315.4	37.1	-0.5	1,352.0
Depreciation, amortisation and impairment losses	-74.0	-6.1	-44.0	-6.7	-130.8	-0.5		-131.4
EBIT	61.8	58.0	56.1	-7.4	168.5	18.8		187.3
OPERATIONAL EBIT [1]	68.8	76.6	61.2	-10.0	196.6	3.5		200.1
Share of results in associated companies	-0.1				-0.1			-0.1
Financial income				5.1	5.1			5.1
Financial expenses				-22.5	-22.5	0.0		-22.5
PROFIT BEFORE TAXES					151.1	18.8		169.9
Capital expenditure	4.1	2.3	19.8	5.8	32.0			32.0
Goodwill	83.0	576.1	444.3	-167.7	935.7			935.7
Equity-accounted investees	2.5	15.9	0.0	0.1	18.4			18.4
Segment assets	230.6	719.2	665.5	-136.2	1,479.2			1,479.2
Other assets								39.8
TOTAL ASSETS								1,519.0
Segment liabilities	229.7	676.6	129.5	-531.0	504.9			504.9
Other liabilities								402.7
TOTAL LIABILITIES								907.6
Cash flow from operations	60.2	47.8	63.4	-13.4	157.9	-17.1		140.9
Average number of employees (full-time equivalents)	1,781	1,059	1,351	273	4,463	91		4,554

1 Non-audited

Operational EBIT is adjusted by items affecting comparability.

SEGMENTS 2017, RESTATED

EUR million	Media Finland	Media Netherlands	Learning	Unallocated / Eliminations	Continuing Operations	Discontinued Operations	Eliminations	Consolidated
External net sales	570.1	546.4	318.3		1,434.7	79.2		1,513.9
Internal net sales	0.4		0.0	-0.4		1.3	-1.3	
NET SALES	570.4	546.4	318.3	-0.4	1,434.7	80.5	-1.3	1,513.9
Depreciation, amortisation and impairment losses	-90.2	-42.3	-52.7	-5.8	-191.0	-4.2		-195.1
EBIT	71.8	-366.0	43.9	9.8	-240.5	3.6		-236.9
OPERATIONAL EBIT [1]	65.5	65.8	55.6	-10.2	176.7	6.5		183.2
Share of results in associated companies	0.2	1.2			1.4			1.4
Financial income				12.9	12.9	0.2	-0.2	12.9
Finanial expenses				-36.2	-36.2	-0.1	0.2	-36.2
PROFIT BEFORE TAXES					-262.4	3.6		-258.8
Capital expenditure	6.4	4.0	19.2	7.0	36.5	0.0		36.5
Goodwill	77.7	581.0	443.6	-167.7	934.6			934.6
Equity-accounted investees	4.9	15.6		0.4	20.8	0.0		20.8
Segment assets	230.6	767.2	672.7	-129.0	1,541.6	1.3		1,542.8
Other assets								47.2
TOTAL ASSETS								1,590.1
Segment liabilities	219.1	752.9	130.1	-533.5	568.6	10.6		579.2
Other liabilities								463.9
TOTAL LIABILITIES								1,043.0
Cash flow from operations	61.6	38.4	62.3	-26.9	135.4	5.1	0.7	141.2
Average number of employees (full-time equivalents)	1,744	1,316	1,401	285	4,746	182		4,928

1 Non-audited

Operational EBIT is adjusted by items affecting comparability.

The accounting policies for segment reporting do not differ from the accounting policies for the consolidated financial statements. The decisions concerning assessing the performance of operating segments and allocating resources to the segments are based on segments' EBIT and operational EBIT. Sanoma's President and CEO acts as the chief operating decision maker. Segment assets do not include cash and cash equivalents, interest-bearing receivables, tax receivables and deferred tax receivables. Segment liabilities do not include financial liabilities, tax liabilities and deferred tax liabilities. Capital expenditure includes investments in tangible and intangible assets. Transactions between segments are based on market prices.

INFORMATION ABOUT GEOGRAPHICAL AREAS 2018

EUR million	Finland	The Netherlands	Other EU countries	Non-EU countries	Continuing operations	Discontinued operations	Consolidated
External net sales	634.0	496.0	185.3		1,315.4	36.6	1,352.0
Non-current assets	327.6	855.7	73.0	-0.2	1,256.1		1,256.1

INFORMATION ABOUT GEOGRAPHICAL AREAS 2017, RESTATED

EUR million	Finland	The Netherlands	Other EU countries	Non-EU countries	Continuing operations	Discontinued operations	Consolidated
External net sales	621.4	615.6	197.8		1,434.7	79.2	1,513.9
Non-current assets	329.3	862.8	76.2	-0.2	1,268.2	1.1	1,269.3

External net sales and non-current assets are reported based on where the company is domiciled. Non-current assets do not include financial instruments, deferred tax receivables and assets related to defined benefit plans.

The Group's revenues from transactions with any single external customer do not amount to 10% or more of the Group's net sales.

3. Net sales

Nature of goods and services

The following is a description of principal activities – separated by operating segments – from which the Group generates its revenue. In 2018, Sanoma Group included three operating segments i.e. its strategic business units: Media Finland, Media Netherlands and Learning. For more detailed information about operating segments, see Note 2.

Media segments

Media Finland is the leading media company in Finland. It provides information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. Media Netherlands includes the Dutch consumer media operations (magazines, news, events, custom media, e-commerce, websites and apps), Home Deco media operations in Belgium and the press distribution business Aldipress.

The media segments of the Group principally generate consumer revenue from providing consumer magazines, newspapers, events, website services, SVOD and apps. Through combining media content and customer data, revenue is generated by providing successful marketing solutions for our clients. The typical length of customer contracts is 12 months or less.

Print sales are generated primarily from circulation sales, both subscriptions and single copy sales. In addition, print sales include advertising sales. Non-print sales include advertising sales generated through TV, VOD, radio, online and mobile channels. Also revenue generated from events (both consumer income and other B2B revenue) is included in non-print sales.

For each customer contract, the Group accounts for individual performance obligations separately if they are distinct. A product or service is considered distinct if it is separately identifiable from other promises in the contract and if a customer can benefit from it on its own. The consideration is allocated between separate performance obligations based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the identifiable products and services. For items that are not sold separately by the Group, the stand-alone selling prices are estimated using the adjusted market assessment approach.

Products and services	Nature of products and services, timing of satisfaction of performance obligations and significant payment terms
Advertising	**Print advertising** is generated through classical pages, classified ads (small advertisements categorized by topic) or plus propositions and inserts (flyers, cards, etc). Revenue recognition is at issue date (point-in-time) of the magazine/newspaper. Revenue is the net price; discounts are subtracted. Discounts can be agency discounts, generic discounts or volume discounts. Advertising services are usually billed and paid on a weekly or monthly basis. **TV and radio advertising** mainly relates to spot advertising for both free-to-air (FTA) channels and video-on-demand (VOD) generated from contracts with media agencies. Revenue is recognized when the commercial is broadcasted (point-in-time). Advertising services are usually billed and paid on a weekly or monthly basis. **Online and mobile advertising** is generated through display sales (e.g. banners and buttons) and non-display sales, which is primarily branded content. Both display and non-display sales are recognised over-time, during the running time of the advertising campaign. Performance based revenue is generated based on number of clicks and/or fee for leads generated through the Group's websites (affiliate sales). Performance based revenue is recognized at a point-in-time. Advertising services are usually billed and paid on a weekly or monthly basis.
Subscription	**Print subscriptions** relate to magazines and newspapers. The subscription terms vary from a few months up to more than 12 months. A part of the subscriptions are continuous, and end only when the customer ends them. Revenue is recognized based on publication dates over the contract term (over-time). Contracts are ended after the contract term and renewals are agreed at regular prices, therefore treated as new contracts. New subscriptions are offered at full price or at a discount. Revenue is presented net of the granted discount. If subscription is made at full price, customer is offered a free premium article. The article is considered a separate performance obligation for which the stand-alone selling price is recognized when the control of the product is transferred to the customer (point-in-time). For subscription bundles (combination of print, online and/or event), the separate products are identified as separate performance obligations. Revenue is recognised based on the issue dates of respective products during the contract term (over-time). Print subscriptions are usually paid in advance in monthly, quarterly or annual instalments. **TV subscriptions** include consumer subscriptions to VOD. Revenue is recognized over the length of the subscription term (over-time). TV subscriptions are usually paid in advance in monthly, quarterly or annual instalments.
Single copy	**Single copy sales** relate to magazines and newspapers sold in kiosks, supermarkets and other retail channels. Retailers have a right of return for unsold copies. Revenue is recognised at the moment the products are delivered to the retailer (point-in-time), taking into account a provision for estimated returns. Single copy are usually billed and paid on a weekly or monthly basis.
Other B2C sales	**Other B2C sales** consist of product sales, income from events (consumer part), newspaper consumer announcements and other consumer income. Revenue is recognised at a point-in-time. Other B2C sales are usually billed and paid on a monthly basis.
Other B2B sales	**Other B2B sales** include printing sales, income from events (B2B part), licensing, gift cards, service sales, commission sales and distribution sales. Based on the nature of the performance obligations other B2B sales are recognized both at a point-in-time and over-time. Other B2B are usually billed and paid on a monthly basis.

Learning segment

Learning is a leading European learning company, whose blended learning solutions are used by over 1 million teachers. It operates in Poland, the Netherlands, Finland, Belgium and Sweden. Sales are primarily generated through the sale of educational books and granting access to online learning platforms. In most cases, customer contracts include a combination of books, CDs and access to platforms. In these cases educational books and the access to the online platform are considered distinct and therefore identified as separate performance obligations. The consideration is allocated between the separate performance obligations based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the identifiable products and services. For items that are not sold separately by the Group, the stand-alone selling prices are estimated using the adjusted market assessment approach.

Products and services	Nature of products and services, timing of satisfaction of performance obligations and significant payment terms
Educational books	**Educational books** include revenue from publishing books for primary, secondary and vocational education. Revenue is recognised when the books are delivered to the customer (point-in-time). Revenue from books with a right of return is presented after deducting the estimated returns. Books are usually billed upon delivery and paid before the end of the year.
Access to on-line learning platforms	**Access to online learning platforms** can either be sold separately or in combination with educational books. Revenue of access to online learning platforms is recognised over the period (over-time) the customer has access to the platform (usually during a school year). Access services are usually paid in advance in monthly, quarterly or annual instalments.
Other	**Other sales** include consultancy services in the Dutch testing and assessment activities. This is considered a separate performance obligation which is recognised in revenue over time when the service is delivered. Testing and assessment services are billed and paid on a monthly basis.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/services lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's three strategic business units, which are its operating segments. Information on operating segments is presented in Note 2.

DISAGGREGATION OF REVENUE 2018

EUR million	Media Finland	Media Netherlands	Learning	Unallocated/ eliminations	Total
Finland	578.5		56.0	-0.4	634.1
The Netherlands		403.7	90.2	0.0	493.9
Poland			91.5		91.5
Belgium		21.4	51.7		73.0
Sweden			21.9		21.9
Other companies and eliminations		-1.0	2.1	0.0	1.0
Primary geographical markets	**578.5**	**424.0**	**313.3**	**-0.4**	**1,315.4**
Advertising	250.0	84.1		-0.2	333.9
Subscription	202.6	143.9		0.0	346.6
Single copy	45.2	72.9			118.1
Learning solutions			313.3	0.0	313.3
Other	80.6	123.0		-0.2	203.5
Major product lines/ services	**578.5**	**424.0**	**313.3**	**-0.4**	**1,315.4**
Recognition at a point-in-time	226.0	262.7	264.6	-0.4	752.8
Recognition over-time	352.5	161.4	48.7		562.6
Timing of revenue recognition	**578.5**	**424.0**	**313.3**	**-0.4**	**1,315.4**

DISAGGREGATION OF REVENUE 2017, RESTATED

EUR million	Media Finland	Media Netherlands	Learning	Unallocated/ eliminations	Total
Finland	570.4		52.4	-1.5	621.4
The Netherlands		523.9	91.6	0.0	615.5
Poland			100.0	-0.1	99.9
Belgium		22.5	52.2		74.6
Sweden			22.5		22.5
Other			-0.4	1.2	0.8
Primary geographical markets	**570.4**	**546.4**	**318.3**	**-0.4**	**1,434.7**
Advertising	263.4	179.2		-0.2	442.5
Subscription	211.9	144.2		0.0	356.2
Single copy	44.3	75.5			119.7
Learning solutions			318.3	0.0	318.3
Other	50.8	147.5		-0.2	198.1
Major product lines/ services	**570.4**	**546.4**	**318.3**	**-0.4**	**1,434.7**
Recognition at a point-in-time	208.4	400.0	274.8	-0.4	882.9
Recognition over-time	362.0	146.4	43.5		551.8
Timing of revenue recognition	**570.4**	**546.4**	**318.3**	**-0.4**	**1,434.7**

The revenue per country is based on the location of the entity that generates the revenue.

Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

CONTRACT BALANCES

	2018		Restated 2017	
EUR million	Contract assets	Contract liabilities	Contract assets	Contract liabilities
1 Jan	**6.2**	**153.3**	6.0	152.8
Revenue recognised that was included in the contract liability at beginning of the period		-153.3		-152.8
Increases due to cash received, excluding amounts recognised as revenue during the period		147.2		153.3
Transfers from contract assets recognised at the beginning of the period to receivables	-6.2		-6.0	
Increase in contract assets due to fulfilled performance obligations not yet invoiced	5.2		6.2	
31 Dec	**5.2**	**147.2**	6.2	153.3

The contract assets primarily relate to performance obligations that have been fulfilled, but for which invoicing has not yet taken place. The contract assets are transferred to receivables upon invoicing and therefore becoming unconditional. The contract liabilities primarily relate to advance considerations received from customers and for which revenue is recognized at the moment of fulfilling the performance obligation. Contract assets and liabilities relate to customer contracts that are generally settled within 12 months after inception of the contract, with the exception of customer contracts for digital products in Sanoma Learning, which are settled between 6 months to maximum 8 years after inception of the contract.

Information on trade receivables is further disclosed in Notes 15 and 17 Trade and other receivables and Note 25 Financial risk management.

Transaction price allocated to remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

UNSATISFIED PERFORMANCE OBLIGATIONS

EUR million	2019	> 2019	Total
Media Finland	59.6		59.6
Media Netherlands	53.7		53.7
Learning	28.8	5.1	33.9
Total	**142.1**	**5.1**	**147.2**

DISTRIBUTION OF NET SALES BETWEEN GOODS AND SERVICES, CONTINUING OPERATIONS

EUR million	2018	Restated 2017
Sale of goods	819.7	854.3
Rendering of services	495.6	580.5
Total	**1,315.4**	1,434.7

The sale of goods includes sales of magazines, newspapers and books as well as sale of other physical items.

Rendering of services consists of advertising sales in magazines, newspapers, TV, radio and online as well as sales of online marketplaces, and also press distribution sales. In addition, sales of services include user fees for e-learning solutions and databases.

4. Other operating income

OTHER OPERATING INCOME, CONTINUING OPERATIONS

EUR million	2018	Restated 2017
Gains on sale of property, plant and equipment	1.5	1.1
Gains on sale of Group companies and operations	2.5	10.8
Gains on sale of investment property	3.6	25.8
Rental income from investment property	1.0	2.9
Other rental income	5.0	4.2
Government grants	0.2	0.1
Other	15.7	19.8
Total	**29.6**	64.8

In 2018, gains on sale of Group companies and operations include an adjustment for the gain on sale of online classifieds business of Sanoma Baltics AS, which was divested in 2017. In 2017 the gain on sale of Sanoma Baltics AS was EUR 9.9 million. In 2017 gains on sale of investment property included EUR 24.3 million gain on the sale of the property at Ludviginkatu in Helsinki.

Other operating income includes EUR 2.9 million (2017: 3.1) reprography fee income, EUR 3.8 million (2017: 4.2) income related to alternative payment methods and EUR 0.0 million (2017: 1.7) income from recharge of broadcasting costs.

More information on investment property can be found in Note 11.

5. Employee benefit expenses

EMPLOYEE BENEFIT EXPENSES, CONTINUING OPERATIONS

EUR million	2018	Restated 2017
Wages, salaries and fees	-253.1	-272.9
Equity-settled share-based payments	-4.5	-1.8
Cash-settled share-based payments		-4.4
Pension costs, defined contribution plans	-33.9	-33.5
Pension costs, defined benefit plans	0.2	-0.4
Other social expenses	-24.7	-27.1
Total	**-316.0**	-340.1

Wages, salaries and other compensations for key management are presented in Note 30. Share-based payments are described in Note 20.

Post-employment benefits

The Sanoma Group has various schemes for personnel's pension cover that comprise both defined contribution and defined benefit pension plans. Pension schemes are arranged in accordance with local requirements and legislation. The majority of the pension plans are of defined contribution structure, where the employer contribution and resulting income charge is fixed at a set level or is set at a percentage of employee's pay. Contributions made to defined contribution pension plans and charged to the income statement totalled EUR 33.9 million (2017: 33.5).

In 2018 in connection with the divestment of Belgian women's magazine portfolio the major part of defined benefit plans of Belgian media operations were transferred to Roularta Media Group. Remaining Media Belgium pension obligations were transferred to a 3rd party insurance company, eliminating all further legal or constructive obligations of the pension plan. Thus at the end of 2018 the defined benefit pension plans were mainly related to Finland.

In Finland the Group has a pension fund responsible for the statutory pension cover for certain Group companies, as well as for supplementary pension schemes. The pension schemes arranged by a pension fund are classified as defined benefit plans. In addition to the pension fund in Finland the Group has also other supplementary defined benefit pension schemes which are managed by insurance companies.

The supplementary pension schemes are final average pay plans, and the benefits comprise old-age, disability and surviving dependent pensions. The supplementary pension schemes entitle a retired employee to receive a monthly pension payment based on the employee's final average salary.

The Finnish defined benefit plans are administered by a pension fund that is legally separated from the Group. The pension fund is governed by a board, which is composed of employee and employer representatives. The board appoints the delegate for the pension fund, who is also a member of the board.

The board of the Finnish pension fund sets out on annual basis the strategic investment policy and plan. The Investment Committee of the Sanoma Group is assisting the board and delegate of the pension fund. Pension fund is entitled to use external asset manager who is authorised to do investments in accordance with the investment policy. The investments are allocated mainly to instruments, which have quoted prices in active markets, like listed shares, bonds and investment funds.

Finnish voluntary defined benefit pension plans are fully and statutory pension plans partially funded.

The risks in Finnish pension plans are mainly related to the adequacy of the pension liability and investment operations. The pension liability may prove insufficient if the related insurance portfolio essentially differs from that of other pension institutions and the average lifetime exceeds the calculated assumption. A pension expense development forecast has been prepared for the pension fund in aid of risk management. The actuary of the pension fund is responsible for the solvency of the pension liability. The pension fund's key risks in investment operations include the interest rate risk, stock market risk, credit risk, currency risk and liquidity risk. Risks related to various asset classes are managed through the effective distribution of investments between asset classes. Liquidity risks are managed by making investments that can be converted into cash very rapidly.

Finnish Parliament has adopted pension reform which came into force in 2017. The impacts on supplementary pensions were considered and the company decided to compensate the rise of statutory retirement age by supplementary pensions.

The actuarial calculations for the Group's defined benefit pension plans have been prepared by external actuaries. In addition to pension plans, the Sanoma Group has no other defined benefit plans.

The Sanoma Group recognized total defined benefit costs related to all pension plans as follows:

PENSION COSTS RECOGNISED IN THE INCOME STATEMENT

EUR million	2018	Restated 2017
Current service costs	-2.1	-2.5
Net interest	0.1	
Past service cost	-2.0	-1.0
Effect of settlements	8.5	2.3
Administration costs	-0.2	-0.2
Total	**4.5**	-1.3

Includes continuing and discontinued operations.

In 2018 the effect of settlements includes a EUR 4.8 million gain related to the divestment of Belgian women's magazine portfolio and a gain of EUR 3.7 million following the transfer of the remaining pension obligations to a 3rd party insurance company, eliminating all further legal or constructive obligations of the pension plan. The settlement gain of EUR 4.8 million related to divestment of Belgian women's magazine portflio is reported as part of sales gain of Belgian divestment in Discontinued operations. In 2017, the effect of settlement related to a change in defined benefit plan in Finland.

In 2018, defined benefit pension cost includes EUR 0.5 (2017: 0.9) million cost related to Belgian defined benefit plans classified as discontinued operations.

Per year-end the net pension liability can be specified as follows:

PENSION LIABILITIES AND PENSION ASSETS IN THE BALANCE SHEET

EUR million	2018	Restated 2017
Pension liabilities [1]	8.4	13.7
Pension assets	9.8	16.6
Net liability total	**-1.4**	-3.0

1 2017 includes EUR 4.0 million pension liabilities classified as held for sale.

The reconciliation from the opening balances to the closing balances for the net pension liability and its components is presented in the following table.

EUR million	Defined benefit obligation	Fair value of plan assets	Total
1 Jan 2017, restated	196.3	-192.3	4.0
Current year service cost	2.5		2.5
Interest cost/income	3.3	-3.3	0.1
Past service cost	1.0		1.0
Effect of settlements	-10.9	8.6	-2.3
Administration cost		0.2	0.2
	-4.1	5.5	1.4
Remeasurement of the net defined benefit liability:			
Gains/losses arising from financial assumptions	3.8		3.8
Experience adjustments	-0.7		-0.7
Return on plan assets excluding interest income		-10.1	-10.1
	3.1	-10.1	-7.0
Group companies acquired	0.7	-0.3	0.3
Contributions by the employer		-1.7	-1.7
Contributions by plan participants	2.6	-2.6	
Benefits paid from funds	-11.0	11.0	
Other changes	2.9	-2.8	0.1
31 Dec 2017, restated	**190.4**	**-193.4**	**-3.0**

EUR million	Defined benefit obligation	Fair value of plan assets	Total
1 Jan 2018	**190.4**	**-193.4**	**-3.0**
Current year service cost	2.1		2.1
Interest cost/income	2.5	-2.7	-0.1
Past service cost	2.0		2.0
Effect of settlements	-31.1	22.5	-8.5
Administration cost		0.2	0.2
	-24.5	20.0	-4.5
Remeasurement of the net defined benefit liability:			
Gains/losses arising from financial assumptions	-4.9		-4.9
Experience adjustments	0.2		0.2
Return on plan assets excluding interest income		12.1	12.1
	-4.7	12.1	7.4
Group companies sold	-0.2	0.1	-0.1
Contributions by the employer		-1.2	-1.2
Contributions by plan participants	2.4	-2.4	
Benefits paid from funds	-9.0	9.0	
31 Dec 2018	**154.4**	**-155.8**	**-1.4**

A breakdown of net defined benefit liability and the split between countries is shown below.

NET DEFINED BENEFIT PENSION LIABILITIES IN THE BALANCE SHEET 2018

EUR million	Finland	Belgium	Total
Present value of funded obligations	141.5	13.0	154.4
Fair value of plan assets	-147.3	-8.5	-155.8
Total	**-5.8**	**4.5**	**-1.4**

NET DEFINED BENEFIT PENSION LIABILITIES IN THE BALANCE SHEET 2017, RESTATED

EUR million	Finland	Belgium	Total
Present value of funded obligations	149.3	41.2	190.4
Fair value of plan assets	-164.9	-28.5	-193.4
Total	**-15.6**	**12.7**	**-3.0**

The Sanoma Group's estimated contributions to the defined benefit plans for 2019 are about EUR 0.5 million.

PLAN ASSETS BY MAJOR CATEGORIES

%	2018	Restated 2017
Equity instruments	49.0	42.7
Bonds and debentures	43.2	51.0
Other items	6.2	5.6
Cash	1.7	0.7
Total	**100.0**	100.0

The fair value of plan assets included investments in Sanoma shares totalling EUR 4.7 million (2017: 7.1). None of the properties included in the plan assets are occupied by the Group.

Equity instruments consist mainly of investment funds and have quoted prices in active markets.

PRINCIPAL ACTUARIAL ASSUMPTIONS AT 31 DEC [1]

%	2018	Restated 2017
Discount rate	1.5	1.4
Expected future salary increase	2.1	2.3
Expected future pension increases	1.1	1.3

1 Expressed as weighted averages

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligations at the reporting date were as follows:

LONGEVITIES AT 31 DEC

Years	2018	Restated 2017
Longevity at age 65 for current pensioners		
Males	21.4	21.4
Females	25.4	25.4
Longevity at age 65 for current members aged 45		
Males	23.7	23.7
Females	28.1	28.1

The weighted average duration of the defined benefit obligation at 31 December 2018 was 13.7 years (2017: 14.3).

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the percentages shown below.

SENSITIVITY ANALYSIS AT 31 DEC

	2018		Restated 2017	
%	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	-6.0	6.7	-6.1	6.9
Expected future salary increase (0.5% movement)	0.9	-0.9	1.3	-1.3
Expected future pension increases (0.5% movement)	6.3	-5.9	5.6	-5.2
Future mortality (1 year movement)	3.8	-3.6	3.3	-3.1

6. Materials and services and other operating expenses

MATERIALS AND SERVICES, CONTINUING OPERATIONS

EUR million	2018	Restated 2017
Paper costs	-43.1	-42.5
Raw materials and supplies	-56.2	-60.7
Purchased transport and distribution service	-156.2	-160.4
Purchased printing	-42.3	-45.9
Sales and commission costs[1]	-14.3	-11.9
Editorial subcontracting	-31.5	-32.0
Royalties	-44.6	-48.9
Other purchased services	-52.5	-30.9
Other	-25.8	-36.0
Total	**-466.4**	-469.2

OTHER OPERATING EXPENSES, CONTINUING OPERATIONS

EUR million	2018	Restated 2017
Losses on sales of Group companies and operations	-4.6	-457.8
Operating costs of premises	-10.3	-11.1
Rents	-35.1	-36.8
Advertising and marketing [1]	-63.9	-72.8
Office and ICT expenses	-83.2	-92.3
Professional fees	-35.2	-36.7
Travel expenses	-8.3	-9.5
Other	-27.5	-27.2
Total	**-268.1**	-744.1

1 Sales and commission costs directly related to sales were transferred from Other operating expenses to Material and services.

The Group had no material research and development expenditure during the financial year or during the comparative year.

AUDIT FEES

EUR million	2018	Restated 2017
Statutory audit	-0.9	-1.1
Certificates and statements	-0.2	-0.1
Tax counselling	0.0	-0.1
Other services	-0.5	-0.1
Total	**-1.6**	-1.4

In 2018, PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, acted as Sanoma's auditor.

PricewaterhouseCoopers Oy has provided non-audit services to entities of Sanoma Group in total EUR 0.6 million (2017: 0.2) during the financial year 2018. The services for the year 2018 included auditors's statements (EUR 0.1 million), tax services (EUR 0.0 million) and other services (EUR 0.5 million).

7. Financial items

FINANCIAL ITEMS, CONTINUING OPERATIONS

EUR million	2018	Restated 2017
Dividend income	0.1	0.1
Interest income from loans and receivables		0.3
Interest income from financial assets measured at amortised cost	0.5	
Gains on sale of available-for-sale financial assets		0.3
Gains on sale of other investments	0.1	
Forward currency exchange contracts, no hedge accounting, change in fair value	0.7	
Exchange rate gains	2.9	12.1
Other financial income	0.8	0.1
Financial income total	**5.1**	12.9
Interest expenses from financial liabilities measured at amortised cost	-12.4	-16.7
Interest rate swaps, no hedge accounting, change in fair value		-0.4
Forward currency exchange contracts, no hedge accounting, change in fair value		-7.2
Impairment losses on available-for-sale financial assets		-0.1
Impairment losses on other investments	-0.8	
Exchange rate losses	-3.0	-3.8
Other financial expenses	-6.2	-8.0
Financial expenses total	**-22.5**	-36.2
Total	**-17.3**	-23.3

8. Income taxes and deferred taxes

INCOME TAXES, CONTINUING OPERATIONS

EUR million	2018	Restated 2017
Income taxes on operational income	-38.8	-32.0
Income taxes from previous periods	0.7	-2.1
Change in deferred tax	-0.3	-5.0
Other	0.0	0.0
Tax expense in the income statement	**-38.4**	-39.1

The Group's tax expenses, EUR 44.3 million (2017: 40.5), include the tax expense in the income statement of EUR 38.4 million (2017: 39.1), and the income taxes of the discontinued operations, EUR 5.9 million (2017: 1.4).

INCOME TAX RECONCILIATION AGAINST LOCAL TAX RATES, CONTINUING OPERATIONS

EUR million	2018	Restated 2017
Result before taxes	**151.1**	-262.4
Tax calculated at (Finnish) statutory rate	-30.2	52.5
Effect of different tax rates in the operating countries	-2.1	18.4
Non-taxable income	3.4	12.9
Non-deductible expenses	-8.9	-121.3
Tax relating to previous accounting periods	0.7	-2.1
Change in deferred tax due to change in tax rate	0.5	1.2
Effect of joint ventures and associated companies	0.1	0.1
Other items	-1.8	-0.7
Income taxes in the income statement	**-38.4**	-39.1
Tax rate of the Parent Company	**20.0%**	20.0%

In 2017 non-deductible expenses included loss on sale of the Dutch TV business SBS.

DEFERRED TAX RECEIVABLES AND LIABILITIES 2018

EUR million	At 1 Jan	Recorded in the income statement [1]	Operations acquired/ sold	Recorded in other comprehensive income	Translation differences and reclassifications	At 31 Dec
Deferred tax receivables						
Tax losses carried forward and unused credits	5.8	-3.1	0.7		0.0	3.4
PPE and intangible assets	2.6	-0.7			0.0	2.0
Inventories	0.0	0.1			0.0	0.1
Trade and other receivables	0.5	-0.3				0.2
Provisions	5.3	0.2	-0.3		0.2	5.5
Pension obligations, defined benefit plans	2.9	-0.9	-1.0	-0.1	0.9	1.9
Other items	0.8	-1.7	-0.9		1.9	0.1
Total	18.0	-6.3	-1.4	-0.1	3.1	13.1
Offsetting of deferred tax assets and liabilities						-3.2
Total						**9.9**
Deferred tax liabilities						
PPE and intangible assets	34.6	-1.8	0.9		-0.1	33.6
Inventories	0.3	-0.1				0.2
Pension assets, defined benefit plans	3.3	0.0		-1.5	0.2	2.1
Other items	0.4	-0.2	-0.2		0.2	0.1
Total	38.5	-2.0	0.7	-1.5	0.2	36.0
Offsetting of deferred tax aseets and liabilities						-3.2
Total						**32.7**

1 Include the change from continuing operations EUR -0.3 million and from discontinued operations EUR -4.0 million, total EUR -4.3 million.

In 2018 translation differences and reclassifications include items related mainly to the divested Belgian women's magazine portfolio.

DEFERRED TAX RECEIVABLES AND LIABILITIES 2017, RESTATED

EUR million	At 1 Jan	Recorded in the income statement [1]	Operations acquired/ sold	Recorded in other comprehensive income	Translation differences and reclassifications	At 31 Dec
Deferred tax receivables						
Tax losses carried forward and unused credits	15.8	-9.9			-0.1	5.8
PPE and intangible assets	4.5	-1.2			-0.6	2.6
Inventories	0.2	-0.1			0.0	0.0
Trade and other receivables	0.1	0.4			0.0	0.5
Provisions	4.8	0.3			0.2	5.3
Pension obligations, defined benefit plans	4.6	0.3		-1.7	-0.2	2.9
Other items	0.6	0.9	-0.8		0.1	0.8
Total	30.5	-9.5	-0.8	-1.7	-0.6	**18.0**
Deferred tax liabilities						
PPE and intangible assets	57.5	-5.3	-17.4		-0.3	34.6
Inventories	0.2	0.0				0.3
Pension assets, defined benefit plans	1.9	0.3		1.3	-0.2	3.3
Other items	0.7	1.8	-1.5		-0.6	0.4
Total	60.4	-3.1	-18.9	1.3	-1.1	**38.5**

1 Include the change from continuing operations EUR -5.0 million and from discontinued operations EUR -1.3 million, total EUR -6.4 million.

TAX LOSSES 31 DECEMBER 2018

	Tax losses carried forward		Recognised deferred tax asset		Unrecognised deferred tax asset	
EUR million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Expiry within five years	4.8	1.9	0.9	0.4	1.8	5.3
Expiry after five years	8.5	30.0	0.8	1.3	0.4	0.4
No expiry	6.5	13.9	1.4	4.6	0.5	
Total	**19.8**	45.8	**3.1**	6.3	**2.7**	5.7

Includes continuing and discontinued operations.

Tax losses of EUR 7.5 million (2017: 7.6) million relate to The Netherlands and tax losses of EUR 6.5 million (2017: 13.9) million relate to Belgium.
The recognition of deferred tax assets is based on the group's estimations of future taxable profits available from which the group can utilise the benefits.

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 2.7 million (2017: 5.7) have not been recorded in the consolidated balance sheet based on management's judgement. These unrecognised receivables relate mainly to tax losses carried forward of subsidiaries.

9. Earnings per share

Undiluted earnings per share is calculated by dividing result for the period attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding.

EARNINGS PER SHARE

	2018	Restated 2017
Result attributable to the equity holders of the Parent Company, EUR million, continuing operations	111.3	-165.0
Result attributable to the equity holders of the Parent Company, EUR million, discontinued operations	12.9	2.3
Result attributable to the equity holders of the Parent Company, EUR million	124.2	-162.7
Weighted average number of shares, thousands	163,085	162,545
Earnings per share, EUR, continuing operations	0.68	-1.02
Earnings per share, EUR, discontinued operations	0.08	0.01
Earnings per share, EUR	**0.76**	-1.00

Diluted earnings per share is calculated by adjusting the weighted average number of shares so that option schemes and share plans are taken into account.

DILUTED EARNINGS PER SHARE

	2018	Restated 2017
Profit used to determine diluted earnings per share, EUR million, continuing operations	111.3	-165.0
Profit used to determine diluted earnings per share, EUR million, discontinued operations	12.9	2.3
Profit used to determine diluted earnings per share, EUR million	124.2	-162.7
Weighted average number of shares, thousands	163,085	162,545
Effect of share plans, thousands	832	-
Diluted average number of shares, thousands	163,917	162,545
Diluted earnings per share, EUR, continuing operations	0.68	-1.02
Diluted earnings per share, EUR, discontinued operations	0.08	0.01
Diluted earnings per share, EUR	**0.76**	-1.00

Information on share plans is presented in Note 20. For more information on shares and shareholders, see pages 27–28.

10. Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT 2018

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	0.8	24.3	234.9	56.6	0.8	317.4
Increases			3.0	1.6	1.1	5.6
Acquisition of operations			2.4	0.0		2.4
Decreases	-0.2	-0.3	-3.7	-0.1		-4.3
Disposal of operations			-0.5	-1.2		-1.8
Reclassifications			-0.2	0.8	-0.9	-0.4
Exchange rate differences	0.0	0.0	-0.3	0.0	0.0	-0.4
Acquisition cost at 31 Dec	0.6	24.0	235.5	57.6	0.9	318.6
Accumulated depreciation and impairment losses at 1 Jan		-16.3	-209.1	-47.2		-272.6
Decreases, disposals and acquisitions		0.1	1.4	0.8		2.3
Depreciation for the period		-0.3	-7.4	-3.8		-11.5
Reclassifications			0.4			0.4
Exchange rate differences		0.0	0.2	0.0		0.3
Accumulated depreciation and impairment losses at 31 Dec		-16.4	-214.6	-50.2		-281.2
Carrying amount at 31 Dec 2018	**0.6**	**7.5**	**20.9**	**7.4**	**0.9**	**37.4**

PROPERTY, PLANT AND EQUIPMENT 2017, RESTATED

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	0.8	57.6	249.8	54.6	1.3	364.0
Increases		0.1	5.5	2.5	0.7	8.7
Decreases		-0.3	-4.3	-1.7	-0.3	-6.6
Disposal of operations		-33.1	-17.1	-0.3		-50.5
Reclassifications			0.5	1.5	-0.8	1.2
Exchange rate differences	0.0	0.1	0.5	0.1	0.0	0.6
Acquisition cost at 31 Dec	0.8	24.3	234.9	56.6	0.8	317.4
Accumulated depreciation and impairment losses at 1 Jan		-48.0	-217.7	-40.4		-306.1
Decreases, disposals and acquisitions		32.2	18.2	0.7		51.1
Depreciation for the period		-0.4	-8.7	-5.1		-14.2
Impairment losses for the period			-0.3	-2.7		-3.0
Reclassifications			-0.3	0.3		0.0
Exchange rate differences		0.0	-0.4	-0.1		-0.4
Accumulated depreciation and impairment losses at 31 Dec		-16.3	-209.1	-47.2		-272.6
Carrying amount at 31 Dec 2017	**0.8**	**8.0**	**25.8**	**9.4**	**0.8**	**44.7**

CARRYING AMOUNT OF ASSETS LEASED BY FINANCE LEASE AGREEMENTS

EUR million	2018	Restated 2017
Machinery and equipment	**0.9**	0.9

11. Investment Property

INVESTMENT PROPERTY 2018

EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	11.7	8.9	20.6
Decreases	-2.3	-1.4	-3.7
Acquisition cost at 31 Dec	9.4	7.5	16.9
Accumulated depreciation and impairment losses at 1 Jan		-6.7	-6.7
Decreases		0.3	0.3
Depreciation for the period		-0.2	-0.2
Accumulated depreciation and impairment losses at 31 Dec		-6.6	-6.6
Carrying amount at 31 Dec 2018	**9.4**	**0.9**	**10.3**
Fair values at 31 Dec 2018	**22.0**	**0.9**	**22.8**

INVESTMENT PROPERTY 2017, RESTATED

EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	13.2	17.5	30.7
Increases		0.1	0.1
Decreases	-1.5	-8.7	-10.2
Acquisition cost at 31 Dec	11.7	8.9	20.6
Accumulated depreciation and impairment losses at 1 Jan		-6.2	-6.2
Decreases		0.3	0.3
Depreciation for the period		-0.7	-0.7
Accumulated depreciation and impairment losses at 31 Dec		-6.7	-6.7
Carrying amount at 31 Dec 2017	**11.7**	**2.2**	**13.9**
Fair values at 31 Dec 2017	**25.9**	**6.9**	**32.8**

The fair values of investment property have been determined by using either the yield value method or using the information on equal real estate business transactions in the market. Also outside surveyor has been used when determining the fair value. In yield method calculations investor's return requirement range is 5–30%. Investment properties are classified at fair value hierarchy level 3.

The investment property includes land areas in the City of Vantaa, village of Keimola (Finland). In 2018 and 2017, Sanoma sold parcels of land from the area.

The investment property also includes land areas in the City of Vantaa, village of Vantaankoski, which are partly unplanned raw land and partly lots and parcels of land.

Furthermore Sanoma sold in August 2018 the property at Teollisuustie in Porvoo. In December 2017 the property at Ludviginkatu in Helsinki was sold.

OPERATING EXPENSES OF INVESTMENT PROPERTY

EUR million	2018	Restated 2017
Investment property, rental income	-1.1	-1.3
Investment property, no rental income	0.0	0.0
Total	**-1.1**	-1.3

RENTAL INCOME OF INVESTMENT PROPERTY

EUR million	2018	Restated 2017
Rental income of investment property	1.0	2.9

12. Intangible assets

INTANGIBLE ASSETS 2018

EUR million	Goodwill	Immaterial rights	Prepublication rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	1,383.0	520.0	288.2	166.5	18.4	2,376.2
Increases		54.0	24.6	18.4	6.1	103.2
Acquisition of operations	5.0	13.7		6.1	0.0	24.7
Decreases		-48.6				-48.6
Disposal of operations	-62.5	-6.3		-0.1		-68.9
Reclassifications	1.2	-7.9		5.2	-8.0	-9.6
Exchange rate differences	0.7	-0.5	-1.9	-0.4	0.0	-2.1
Acquisition cost at 31 Dec	1,327.3	524.4	310.9	195.8	16.5	2,375.0
Accumulated amortisation and impairment losses at 1 Jan	-448.4	-415.8	-225.2	-101.1		-1,190.5
Decreases, disposals and acquisitions	58.0	53.3		-2.6		108.7
Amortisation for the period		-67.0	-23.3	-23.1		-113.4
Impairment losses for the period		-3.4	-0.5	-1.9		-5.8
Reclassifications	-1.3	11.5				10.2
Exchange rate differences	0.0	0.2	1.5	0.2		2.0
Accumulated amortisation and impairment losses at 31 Dec	-391.6	-421.1	-247.5	-128.6		-1,188.9
Carrying amount at 31 Dec 2018	**935.7**	**103.3**	**63.4**	**67.2**	**16.5**	**1,186.1**

INTANGIBLE ASSETS 2017, RESTATED

EUR million	Goodwill	Immaterial rights	Prepublication rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2,188.1	1,113.7	260.9	146.9	22.8	3,732.4
Increases		146.4	25.9	16.9	7.4	196.5
Acquisition of operations	0.9			3.2		4.1
Decreases		-56.9		-1.9		-58.8
Disposal of operations	-807.0	-688.5		-0.1	-6.8	-1,502.4
Reclassifications		2.5	0.0	1.3	-4.9	-1.2
Transfer to discontinued operations	-0.4	-0.7				-1.1
Exchange rate differences	1.4	3.5	1.4	0.2	0.0	6.6
Acquisition cost at 31 Dec	1,383.0	520.0	288.2	166.5	18.4	2,376.2
Accumulated amortisation and impairment losses at 1 Jan	-525.0	-838.0	-193.2	-80.4		-1,636.7
Decreases, disposals and acquisitions	77.2	549.2		1.9		628.3
Amortisation for the period		-115.6	-22.6	-21.9		-160.2
Impairment losses for the period		-8.4	-8.2	-0.5		-17.0
Reclassifications		0.0	0.0	0.0		0.0
Exchange rate differences	-0.6	-3.0	-1.2	-0.3		-5.0
Accumulated amortisation and impairment losses at 31 Dec	-448.4	-415.8	-225.2	-101.1		-1,190.5
Carrying amount at 31 Dec 2017	**934.6**	**104.3**	**63.0**	**65.4**	**18.4**	**1,185.7**

Immaterial rights include film and TV broadcasting rights amounting to EUR 23.8 million (2017: 28.4).

The prepublication rights of learning materials and solutions are internally generated intangible assets.

Excluding goodwill the Group has no intangible assets with indefinite useful lives at the end of the financial year.

Impairment losses recognised from immaterial rights and other intangibles assets

Intangible assets with definite useful lives are amortised using the straight-line method, except for the immaterial rights where the diminishing method is used for broadcasting rights and the straight-line method for other immaterial rights. At each reporting date it is assessed whether there is any indication that these intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated by determining the present value of future cash flows of the asset.

Impairment losses totaling EUR 5.8 million (2017: 17.0) were recognized from intangible assets with definite useful lives, of which EUR 3.3 million related to the Sanoma Media Finland SBU (2017: 7.2), EUR 0.7 million to the Sanoma Learning strategic business unit (SBU) (2017: 9.3), and EUR 1.8 million to impairment of corporate intangible assets (2017: 0.4). There were no impairments at Sanoma Media Netherlands SBU (2017: 0.1). In Sanoma Media Finland SBU, the impairment related mainly to TV program rights. The impairments in the Sanoma Learning SBU mainly related to outdated learning solutions. The impairment of corporate intangible assets related to ICT legacy systems.

Allocation of goodwill and intangible assets with indefinite useful life

For the purpose of impairment testing, goodwill has been allocated to three CGUs which are operating segments/SBUs. The allocation of goodwill is as presented in the table below.

Impairment losses recognised from goodwill

There were no impairment losses recognised from goodwill in the financial year (2017: EUR 0.0).

Methodology and assumptions used in impairment testing

Impairment testing of assets is principally carried out on a cash flow basis whereby the Value in Use is used as the recoverable amount. The recoverable amount is determined based on the present value of future cash flows of the Group's CGUs, using a post-tax WACC. Deferred and current income tax assets and liabilities (including deferred tax liabilities related to previous purchase price allocations) have been included in the carrying amount.

Calculations of the recoverable amount are based on a five-year forecast period. Cash flow estimates are based on management approved strategic plans at the time of testing, including assumptions on the development of the business environment. Actual cash flows may differ from estimated cash flows if the key assumptions do not realise as estimated.

The key assumptions in the calculations include profitability level, discount rate, long-term growth rate, as well as market positions. Assumptions are based on medium-term strategic plans and forecasts made annually in each business unit and approved by the Sanoma Executive Management Team and the Board in a separate process. Market position and profitability level assumptions are based on past experience, the assessment of the SBU and Group management of the development of the competitive environment and competitive position of each CGU, as well as the impact of Sanoma's transformation strategy and cost savings initiatives.

CARRYING AMOUNTS OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE IN THE CGUs

	2018			Restated 2017		
EUR million	**Goodwill**	**Intangible assets** [1]	**Total**	**Goodwill**	**Intangible assets** [1]	**Total**
Sanoma Media Finland	83.0		83.0	77.7		77.7
Sanoma Media Netherlands	576.1		576.1	581.0	0.7	581.7
Sanoma Learning	276.6		276.6	275.9		275.9
CGUs, total	**935.7**		**935.7**	934.6	0.7	935.3

1 The intangible assets with indefinite useful life reported at the end of the financial year 2017 have been divested during 2018.

The terminal growth rate used in the calculations is based on management's assessment of long-term growth. The growth rate is estimated by taking into account growth projections by market that are available from external sources of information, as well as the characteristics of each CGU. The terminal growth rates used for the CGUs in the reporting and comparable period were as follows:

THE TERMINAL GROWTH RATE USED IN CALCULATION OF THE RECOVERABLE AMOUNT

%	2018	2017
Sanoma Media Finland	-1.0	-1.5
Sanoma Media Netherlands	-0.5	-1.4
Sanoma Learning	1.1	1.2

Following the Finnish market changes in combination with the changes in the Sanoma Media Finland CGU portfolio (acquisitions in the event business and the transformation of traditional media to digital), the terminal growth rate is expected to be less negative than last year. Though still negative, the terminal growth rate assumption used for the Sanoma Media Netherlands CGU improved which is mainly caused by a lower decrease in the consumption of traditional media comprising a significant share of operations, together with a positive growth trend in the digital business. Based on review and projections of the various curriculum cycles across its footprint markets, the terminal growth rate assumption used for the Sanoma Learning CGU is in line with last year.

THE DISCOUNT RATE USED IN CALCULATION OF THE RECOVERABLE AMOUNT

%	2018 Post-tax	2017 Post-tax
Sanoma Media Finland	7.2	6.9
Sanoma Media Netherlands	6.7	6.3
Sanoma Learning	6.2	6.5

The CGU-specific discount rates represent the blended average cost of capital of each CGU. On an annual basis Sanoma re-assesses the WACC calculation based on updated market parameters and updates the WACC accordingly. In impairment test calculations, capital expenditure is assumed to comprise normal replacement investments, and foreign exchange rates are based on euro rates at the time of testing.

Sensitivity analysis of the impairment testing

The amount by which the CGU's recoverable amount exceeds its carrying amount has been assessed as 0%, 1–5%, 6–10%, 11–20%, 21–50% and over 50%, and is presented in the following table for the three CGUs:

EXCESS OF RECOVERABLE AMOUNT IN RELATION TO CARRYING AMOUNT

%	2018	2017
Sanoma Media Finland	over 50	over 50
Sanoma Media Netherlands	11–20	11–20
Sanoma Learning	over 50	over 50

For the Sanoma Media Finland SBU, the critical key assumptions are the development of profitability and the discount rate. According to management's estimate, the carrying amount of the SBU exceeds the recoverable amount if EBITDA falls 62% below the planned level each year, or if the post-tax discount rate rises above 63.9%. These estimates exclude simultaneous changes in other variables.

For the Sanoma Media Netherlands SBU, the critical key assumptions are the development of profitability, the terminal growth rate and the discount rate. According to management's estimate, the carrying amount of the SBU exceeds the recoverable amount if EBITDA falls 14% below the planned level each year, if the terminal growth rate would be lower than -2.2%, or if the post-tax discount rate rises above 8.0%. These estimates exclude simultaneous changes in other variables.

For the Sanoma Learning SBU, the critical key assumptions are the development of profitability and the discount rate. According to management's estimate, the carrying amount of the segment exceeds the recoverable amount if EBITDA falls 38% below the planned level each year, or if the post-tax discount rate rises above 12.3%. These estimates exclude simultaneous changes in other variables.

13. Equity-accounted investees

INTERESTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

EUR million	2018	Restated 2017
Interests in joint ventures	17.0	17.1
Interests in associated companies	1.4	3.8
Total	**18.4**	20.8

Joint ventures

The Group had no material joint ventures in the financial year or previous year. The information on Group's joint ventures has been presented as aggregated in the table below.

INTERESTS IN JOINT VENTURES

EUR million	2018	Restated 2017
Carrying amount at 1 Jan	17.1	17.8
Share of total comprehensive income	4.8	4.4
Dividends received	-4.9	-5.1
Exchange rate differences	0.0	0.0
Carrying amount at 31 Dec	**17.0**	17.1

Associated companies

The Group had no material associated companies in the financial year or previous year. The information on Group's associated companies has been presented as aggregated in the table below.

INTERESTS IN ASSOCIATED COMPANIES

EUR million	2018	Restated 2017
Carrying amount at 1 Jan	3.8	3.5
Share of total comprehensive income	-0.1	0.3
Dividends received	-0.1	-0.2
Increases	0.0	1.5
Sold associated companies		-1.3
Other changes [1]	-2.2	
Exchange rate differences		0.0
Carrying amount at 31 Dec	**1.4**	3.8

1 In June 2018 Suomen Tietotoimisto Oy (Finnish News Agency STT) changed from associated company to subsidiary.

List of equity-accounted investees, see Note 28.

14. Other investments

EUR million	2018	Restated 2017
Available-for-sale financial assets, non-current		4.0
Other investments, non-current	3.7	

Other investments (2017: available-for-sale financial assets) mainly include investments in shares, and the Group does not intend to sell these assets. From 1 January 2018 other investments are measured at fair value. Before 1 January 2018 other investments were valued at cost less potential impairment losses. Other investments are classified at fair value hierarchy level 3.

15. Trade and other receivables, non-current

EUR million	2018	Restated 2017
Loans and receivables		
Loan receivables		1.8
Other receivables		4.1
Financial assets at amortised cost		
Loan receivables	0.7	
Other receivables	3.7	
Accrued income	0.2	0.1
Pension assets [1]	9.8	16.6
Total	**14.3**	22.7

1 Pension assets, see Note 5

Other receivables include a receivable from Länsi-Savo Oy. In April 2014, Sanoma announced the divestment of majority ownership in Sanoma Lehtimedia (a publisher of newspapers in south-east Finland) and in local printing companies. The completion of the first stage of the corporate arrangement was in January 2015, and the company will transfer fully to ownership of Länsi-Savo in five years. Since control was transferred in the first stage of the corporate arrangement, so the asset is presented as a receivable instead of an interest in associated companies.

The fair values of receivables do not significantly differ from the carrying amounts of receivables.

The interests on loan receivables are based on the market interest rates and on predetermined repayment plans.

16. Inventories

EUR million	2018	Restated 2017
Materials and supplies	7.0	6.3
Work in progress	1.4	2.0
Finished products/goods	27.2	30.5
Other	1.3	1.6
Total	**36.9**	40.5

EUR 0.5 million (2017: 0.5) was recognised as impairment in the financial year. The carrying amount of inventories was written down to reflect their net realisable value.

17. Trade and other receivables, current

EUR million	2018	Restated 2017
Loans and receivables		
Trade receivables[1]		138.6
Other receivables		2.7
Financial assets at amortised cost		
Trade receivables[1]	113.1	
Loan receivables	0.0	
Other receivables	12.9	
Financial assets at fair value		
Derivatives, non-hedge accounted[2]	0.2	-
Accrued income	29.3	51.3
Advance payments	6.1	4.4
Other receivables	6.0	6.6
Total	**167.6**	203.7

1 Trade receivables, see Note 25
2 Derivatives, see Note 25

The Group has recognised a total of EUR 2.3 million (2017: 3.5) in credit losses and change in impairment allowances on trade receivables. Information on how impairment allowance for trade receivables has been defined is included in Note 25.

The fair values of receivables do not significantly differ from the carrying amounts of receivables.

Accrued income

The most significant items under accrued income relate to normal business activities and include e.g. accruals for delivered newspapers and magazines.

18. Cash and cash equivalents

CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET

EUR million	2018	Restated 2017
Cash in hand and at bank	18.7	20.6
Deposits	0.1	
Total	**18.8**	20.6

Deposits include overnight deposits and money market deposits with maturities less than three months. Average maturity is very short and the fair values do not differ significantly from the carrying amounts.

CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

EUR million	2018	Restated 2017
Cash and cash equivalents in the balance sheet	18.8	20.6
Bank overdrafts	-0.4	-2.0
Total	**18.4**	18.6

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts.

19. Equity

	Number of shares			Share capital and funds, EUR million			
	All shares	**Treasury shares**	**Total**	**Share capital**	**Treasury shares**	**Fund for invested unrestricted equity**	**Total**
At 1 Jan 2017	162,812,093	-478,497	162,333,596	71.3	-2.1	203.3	272.5
Share subscription with options	753,570		753,570			6.4	6.4
Shares delivered		161,978	161,978		0.7		0.7
At 31 Dec 2017	**163,565,663**	**-316,519**	**163,249,144**	**71.3**	**-1.4**	**209.8**	**279.6**
Purchase of treasury shares		-900,000	-900,000		-7.7		-7.7
Shares delivered		155,226	155,226		0.7		0.7
At 31 Dec 2018	**163,565,663**	**-1,061,293**	**162,504,370**	**71.3**	**-8.4**	**209.8**	**272.6**

The maximum amount of share capital cannot exceed EUR 300.0 million (2017: 300.0). The share has no nominal value and no accountable par is in use. The shares have been fully paid.

Treasury shares

In 2018, the Group purchased 900,000 shares from the stock exchange. The cost of the purchased treasury shares was EUR 7.7 million and it was recognised as a deduction from equity. In 2017, the Group did not purchase shares.

In 2018, Sanoma delivered 155,226 Sanoma shares held by the company to 233 employees based on the Restricted Share Plan 2015–2017 and Restricted Share Plan 2016–2017 (without consideration and after taxes). In 2017, Sanoma delivered 161,978 Sanoma shares held by the company to 239 employees based on the Performance Share Plan 2014–2016 and Restricted Share Plan 2015–2016 (without consideration and after taxes). At the end of the financial year, the company held a total of 1,061,293 (2017: 316,519) own shares.

Fund for invested unrestricted equity

The fund for invested unrestricted equity includes other equity-related investments and that part of the share subscription price which is not recognised in share capital according to a specific decision. According to the AGM decision on 1 April 2008, all subscription prices from share subscriptions based on the Group's option plans are recognised as invested unrestricted equity. The exercise period of Sanoma's last stock option scheme ended on 30 November 2017.

Translation differences

Translation differences include those items that have arisen in converting the financial statements of foreign group companies from their operational currencies into euros.

Dividend proposal

The Board of Directors proposes a dividend of EUR 0.45 (2017: 0.35) per share for 2018.

Information on the capital risk management is presented in Note 25 Financial risk management.

20. Share-based payments

Performance share plan and restricted share plan

The Performance Share Plan and the Restricted Share Plan form the long-term part of the remuneration and commitment programme for the executives and other selected key employees of Sanoma and its subsidiaries. The purpose of the Performance Share Plan and the Restricted Share Plan is to encourage the executives and the selected key employees to work on a long-term basis to increase shareholder value and to commit to the company.

Performance Share Plan

The Board of Directors of Sanoma Corporation has on 7 February 2013 approved a share-based long-term incentive programme (Performance Share Plan, PSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Performance Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. In general, Performance Shares vest over 3-year period and vesting is subject to meeting Group performance targets set by the Board of Directors for annually commencing new plans. The possible reward is paid as a combination of shares and cash. The reward's cash component is dedicated to cover taxes and tax-related costs.

Shares conditionally granted to the President and CEO and EMT members under the Performance Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required share holding is achieved, the President and the CEO and EMT members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance shares received.

The performance measures for the performance period 2016–2018 are based on adjusted earnings per share and adjusted free cash flow targets in 2016. The performance measures for the performance period 2017–2019 are based on adjusted earnings per share and adjusted free cash flow targets in 2017. The performance measures for the performance period 2018–2020 are based on adjusted earnings per share and adjusted free cash flow targets in 2018. The President and CEO and EMT members are part of Sanoma's Performance Share Plan.

In 2017, Sanoma delivered 56,753 Sanoma shares held by the company to 28 employees based on the Performance Share Plan 2014–2016 (without consideration and after taxes).

Restricted Share Plan

The Board of Directors of Sanoma Corporation has on 4 February 2015 approved a share-based long-term incentive programme 2015 (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year in 2015–2016 plan (50%) and 3-year in 2015–2017 plan (50%) periods and vesting is subject to meeting service condition. In 2018, Sanoma delivered 75,070 Sanoma shares held by the company to 173 employees based on the Restricted Share Plan 2015–2017 (without consideration and after taxes).

The Board of Directors of Sanoma Corporation has on 8 February 2016 approved a share-based long-term incentive programme 2016–2018 (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year in 2016–2017 plan (50%) and 3-year in 2016–2018 plan (50%) periods and vesting is subject to meeting service condition. In 2018, Sanoma delivered 80,156 Sanoma shares held by the company to 197 employees based on the Restricted Share Plan 2016–2017 (without consideration and after taxes).

The Board of Directors of Sanoma Corporation has on 6 February 2017 approved a share-based long-term incentive programme 2017 (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year period in 2017–2018 and vesting is subject to meeting service condition.

The possible rewards are paid net in shares.

Shares conditionally granted to the President and CEO and EMT members under the Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required share holding is achieved, the President and the CEO and EMT members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance shares received.

More specific information on the performance and restricted share plan grants are presented in the tables on the next page. Information on the management ownership is presented in Note 30.

Basic information

Plan	Performance Share Plan					Restricted Share Plan					
Instrument	**Performance Share Plan 2014–2016**	**Performance Share Plan 2015–2017**	**Performance Share Plan 2016–2018**	**Performance Share Plan 2017–2019**	**Performance Share Plan 2018–2020**	**Restricted Share Plan 2015–2016 [1]**	**Restricted Share Plan 2015–2017 [1]**	**Restricted Share Plan 2016–2017 [2]**	**Restricted Share Plan 2016–2018 [2]**	**Restricted Share Plan 2017–2018**	**Total/ Average**
Initial amount, gross pcs (includes share and cash portions)	260,000	483,463	794,338	855,000	609,000	324,325	324,325	209,950	209,950	150,000	4,220,351
Initial allocation date	6.2.2014	4.2.2015	8.2.2016	6.2.2017	7.2.2018	4.2.2015	4.2.2015	8.2.2016	8.2.2016	6.2.2017	
Vesting date / reward payment at the latest	30.4.2017	30.4.2018	30.4.2019	30.4.2020	30.4.2021	30.4.2017	30.4.2018	30.4.2018	30.4.2019	30.4.2019	
Maximum contractual life, yrs	3.2	3.2	3.2	3.2	3.2	2.2	3.2	2.2	3.2	2.2	3.0
Remaining contractual life, yrs	Expired	Expired	0.3	1.3	2.3	Expired	Expired	Expired	0.3	0.3	1.1
Number of persons at the end of the reporting year			49	202	216				162	2	
Payment method	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	

1 Restricted Share Plan 2015–2017 is divided in two vesting periods: 2015–2016 and 2015–2017.

2 Restricted Share Plan 2016–2018 is divided in two vesting periods: 2016–2017 and 2016–2018.

Changes	Performance Share Plan					Restricted Share Plan					
	Performance Share Plan 2014–2016	**Performance Share Plan 2015–2017**	**Performance Share Plan 2016–2018**	**Performance Share Plan 2017–2019**	**Performance Share Plan 2018–2020**	**Restricted Share Plan 2015–2016** [1]	**Restricted Share Plan 2015–2017** [1]	**Restricted Share Plan 2016–2017** [2]	**Restricted Share Plan 2016–2018** [2]	**Restricted Share Plan 2017–2018**	**Total/ Average**
1 Jan 2017											
Outstanding at the beginning of the reporting period	**124,670**	**0**	**756,282**			**202,300**	**202,300**	**190,875**	**190,875**		**1,667,302**
Changes during the period											
Granted				802,301				25,000	25,000	150,000	1,002,301
Forfeited			45,184	61,575		11,125	45,125	49,313	50,438		262,759
Exercised	124,670					191,175					315,845
31 Dec 2017											
Outstanding at the end of the period	**0**	**0**	**711,098**	**740,726**		**0**	**157,175**	**166,563**	**165,438**	**150,000**	**2,090,999**
1 Jan 2018											
Outstanding at the beginning of the reporting period			**711,098**	**740,726**			**157,175**	**166,563**	**165,438**	**150,000**	**2,090,999**
Changes during the period											
Granted					576,731						576,731
Forfeited			18,938	56,075	39,615		4,500	5,500	24,938		149,566
Exercised							152,675	161,063			313,738
31 Dec 2018											
Outstanding at the end of the period			**692,160**	**684,651**	**537,116**		**0**	**0**	**140,500**	**150,000**	**2,204,427**

1 Restricted Share Plan 2015–2017 is divided in two vesting periods: 2015–2016 and 2015–2017.

2 Restricted Share Plan 2016–2018 is divided in two vesting periods: 2016–2017 and 2016–2018.

Fair value determination

Assumptions made in determining the fair value of share rewards in the performance and restricted share plan:

- Liabilities arising from share-based payments at the end of the period represent estimate of the employers social costs relating to the payable rewards. The fair value of the liability is remeasured at each reporting date until the possible reward payment. The fair value of the liability will thus change in accordance with the Sanoma share price.
- The fair value for the equity settled portion has been determined at grant using the fair value of Sanoma share as of the grant date less the expected dividends paid before possible share delivery.
- The fair value is expensed until vesting.

VALUATION PARAMETERS FOR INSTRUMENTS GRANTED DURING PERIOD

EUR	2018	2017
Share price at grant	10.11	8.64
Share price at reporting period end	8.49	10.87
Expected dividends	0.35	0.29
Fair value of the equity-settled portion at grant	8.71	7.57

EFFECT OF SHARE-BASED INCENTIVES ON THE RESULT AND FINANCIAL POSITION DURING THE PERIOD

EUR million	2018	2017
Expenses for the financial year, share-based payments	4.5	6.5
of which equity-settled	4.4	1.8
Liabilities arising from share-based payments at the end of the period	0.5	6.4

At the end of the period the estimated future cash payment to be paid to the tax authorities from share-based payments are EUR 9.0 million.

21. Provisions

CHANGES IN PROVISIONS

EUR million	Restructuring provisions	Other provisions	Total
At 1 Jan 2018	7.9	18.1	26.1
Exchange rate differences		0.0	0.0
Acquisition of operations		0.1	0.1
Increases	23.8	15.1	38.9
Amounts used	-18.2	-4.7	-22.8
Unused amounts reversed	-3.7	-4.5	-8.2
At 31 Dec 2018	**9.9**	**24.2**	**34.1**

CARRYING AMOUNTS OF PROVISIONS

EUR million	2018	Restated 2017
Non-current	8.9	9.0
Current	25.1	17.1
Total	**34.1**	26.1

Provisions are based on best estimates on the balance sheet date. Restructuring provisions mainly relate to restructurings in Sanoma Media Netherlands. Other provisions include EUR 15.2 million provisions related to rented premises. Other provisions also include provisions related to contracts with customers and other smaller provisions. Cancellation of provisions has been due to re-evaluating realised expenses. Individual provisions are not material at the Group level.

22. Financial liabilities

EUR million	2018	Restated 2017
Non-current financial liabilities at amortised cost		
Bonds		194.7
Finance lease liabilities	1.5	1.5
Other liabilities	2.8	0.1
Total	**4.3**	196.3
Current financial liabilities at amortised cost		
Loans from financial institutions	0.5	52.0
Commercial papers	147.5	148.6
Finance lease liabilities	0.3	0.2
Bonds	197.3	
Other liabilities	6.8	15.2
Total	**352.4**	216.1
Total	**356.7**	412.4

Fair values of loans from financial institutions and other receivables are close to their carrying values. The fair value of the bond is EUR 206.0 million (2017: 212.7). It has been classified in level 1 of the IFRS fair value hierarchy, which means that the fair value is based on quoted prices in active markets.

RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOW ARISING FROM FINANCIAL ACTIVITIES

EUR million	Non-current financial liabilities	Current financial liabilities	Total	Cash and cash equivalents	Interest-bearing net debt	Non-current other liabilities	Total
1 Jan 2017, restated	239.1	590.5	829.6	43.4	786.2	40.0	826.2
Cash flows	-6.5	-370.3	-376.7	-22.8	-354.0	4.9	-349.1
Disposal of operations	-36.0	-10.0	-46.0		-46.0	-26.7	-72.7
Exchange rate differences	0.0	0.0	0.0	-0.1	0.1	0.1	0.2
Other non cash movements	-0.4	5.8	5.5		5.5	-4.3	1.2
At 31 Dec 2017, restated	**196.3**	**216.1**	**412.4**	**20.6**	**391.8**	**13.9**	**405.7**
1 Jan 2018	196.3	216.1	412.4	20.6	391.8	13.9	405.7
Cash flows	-0.3	-51.1	-51.4	-1.4	-49.9	-1.2	-51.1
Disposal of operations						-0.2	-0.2
Exchange rate differences	0.0		0.0	-0.3	0.3	0.0	0.2
Other non cash movements	-191.7	187.4	-4.3		-4.3	3.6	-0.7
At 31 Dec 2018	**4.3**	**352.4**	**356.7**	**18.8**	**337.8**	**16.1**	**353.9**

Loans from financial institutions

In 2018 the Group's loans from financial institutions consisted mainly of a EUR 300 million syndicated revolving credit facility, and a EUR 50 million term loan, which matured in September 2018. The portion of the loans for which a repayment plan is not defined in advance is presented in its entirety in non-current liabilities. Loans are valued at amortised cost.

The average interest rate for loans (excluding agency fees) during the financial year, excluding finance leases, was 0.9% (2017: 0.9%). The interest rates of all loans are tied to Euribor.

Bonds

In May 2016 the Group issued a Senior Unsecured Eurobond with nominal value of EUR 200 million, issue price 100, maturity of 3.5 years and fixed coupon of 3.50%. The proceeds were fully used for a partial redemption of a bond issued in 2012. The tender premium was capitalised, and will be amortised over the life of the current bond, thus raising the effective interest rate to 5.01%.

Sanoma bond is listed on the Nasdaq Helsinki Ltd.

Commercial papers

Sanoma Corporation has domestic and foreign commercial paper programmes which are used for short-term liquidity needs. Commercial papers are valued at amortised cost, and transaction costs are recognised directly as expenses due to their immaterial value. In accordance with its Treasury Policy, the Group has established a committed credit line with banks. This credit line is partially reserved for securing the repayment of outstanding commercial paper during possible market disruption.

FINANCE LEASE LIABILITIES

EUR million	2018	Restated 2017
Total minimum lease payments		
Not more than 1 year	0.4	0.3
1–5 years	1.3	1.3
More than 5 years	0.5	0.6
Total	**2.2**	2.2
Present value of minimum lease payments		
Not more than 1 year	0.3	0.2
1–5 years	1.0	1.0
More than 5 years	0.4	0.5
Total	**1.8**	1.8
Future finance charges	**0.5**	0.4

23. Trade and other payables

EUR million	2018	Restated 2017
Non-current		
Accrued expenses	1.5	7.1
Other financial liabilities at amortised cost	9.5	12.6
Total	**11.0**	19.7
Current		
Trade payables	99.6	108.9
Other liabilities	32.0	37.7
Derivatives, non-hedge accounted [1]	0.2	0.6
Accrued expenses	167.6	207.2
Advances received	4.9	5.4
Total	**304.2**	359.7
Total	**315.2**	379.4

1 Derivatives, see Note 25

Accrued expenses

Accrued expenses mainly consisted of accrued personnel expenses, royalty liabilities and accruals related to common business activities.

24. Contingent liabilities

EUR million	2018	Restated 2017
Contingencies for own commitments		
Pledges	1.4	1.5
Other items	15.0	24.7
Total	**16.4**	26.2
Other commitments		
Operating lease liabilities	219.1	249.4
Royalties	8.3	7.8
Commitments for acquisitions of intangible assets (film and TV broadcasting rights included)	33.6	18.0
Other items	53.0	49.3
Total	**314.0**	324.5
Total	**330.4**	350.7

The most significant items under operating lease liabilities are related to properties of Sanomala and Sanoma House.

NON-CANCELLABLE MINIMUM LEASE LIABILITIES BY MATURITY

EUR million	2018	Restated 2017
Not later than 1 year	29.1	33.6
1–5 years	100.0	117.3
Later than 5 years	90.0	98.6
Total	**219.1**	249.4

Operating lease liabilities include both premises and other operating lease liabilities.

NON-CANCELLABLE MINIMUM LEASE PAYMENTS TO BE RECEIVED BY MATURITY

EUR million	2018	Restated 2017
Not later than 1 year	4.5	5.4
1–5 years	7.7	11.3
Later than 5 years	0.0	1.5
Total	**12.2**	18.2

Most of the non-cancellable minimum lease payments to be received are related to subleases.

Disputes and litigations

The Group is periodically involved in incidental litigation or administrative proceedings primarily arising in the normal course of business. Sanoma feels that its gross liability, if any, under any pending or existing incidental litigation or administrative proceedings would not materially affect the Group's financial position or results of operations.

25. Financial risk management

Sanoma's treasury operations are managed centrally by the Group Treasury unit. Operating as a counterparty to the Group's operational units, Group Treasury is responsible for managing external financing, liquidity and external hedging operations. Centralised treasury operations aim to ensure financing on flexible and competitive terms, optimised liquidity management, cost-efficiency and efficient management of financial risks. Sanoma is exposed to interest rate, currency, liquidity and credit risks. Its risk management aims to hedge the Group against material risks. The Sanoma Board of Directors has approved the unit's guidelines in the Group Treasury Policy.

In the long-term, to ensure financial flexibility, Sanoma's goal is to reach a capital structure where net debt/EBITDA ratio is below 2.5, and equity ratio is between 35% and 45%. This will ensure access to low-cost funding.

Financial risks can be mitigated with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable. The Group used currency forward contracts to hedge against financial risks during the year. The Group does not apply hedge accounting.

Interest rate risks

The Group's interest rate risk is mainly related to changes in the reference rates and loan margins of floating rate loans in the Group's loan portfolio. In 2018 all loans were denominated in Euro. The Group manages its exposure to interest rate risk by using a mix of fixed and floating rate loans. Interest rate derivatives may also be utilised. The proportion of fixed rate debt of the gross debt of the Group, including interest rate hedges, is determined by the Board as part of the Treasury Policy.

LOAN PORTFOLIO BY INTEREST RATE

EUR million	2018	Restated 2017
Floating-rate loans	157.6	215.9
Fixed-rate loans	199.0	196.4
Total	**356.7**	412.4
Average duration, years	0.8	1.1
Average interest rate, %	3.1	2.8
Interest sensitivity, EUR million [1]	0.8	1.6

1 Interest rate sensitivity is calculated by assuming a one percentage point increase in interest rates. The sensitivity represents the effect on profit before taxes.

Currency risks

The majority of the Group cash flow from operations is denominated in euros. However, the Group is exposed to transaction risk resulting from cash flows related to revenue and expenditure in different currencies. Group companies are responsible for monitoring and hedging against transaction risk related to their business operations in accordance with the Group Treasury Policy. The majority of the transaction risk in 2018 was related to the acquisition of programming rights denominated in US dollars. The Group has adopted forward contracts as a means of hedging against significant transaction risks. If the hedged currencies weakened by 10% against the euro at the year end date, the change in the value of forward contracts would increase financial expenses by EUR 0.7 million (2017: 0.7). If the currencies strengthened by 10% against the euro, financial income would increase by EUR 0.7 million (2017: 0.7). Derivative instruments are used to hedge future cash flows, hence changes in their value will offset changes in the value of cash flows.

Internal funding transactions within the Group are mainly carried out in the functional currency of the subsidiary. Group Treasury is responsible for monitoring and hedging the currency risks related to intra-Group loans. A euro denominated loan granted to the Ukranian subsidiary in liquidation was repaid in full in 2016. The loan has been treated as net investment in subsidiary, and the exchange rate differences were booked into equity. The exchange loss on the loan is EUR 3 million, and this will be released when the liquidation of the company is completed.

The Group is also exposed to translation risk resulting from converting the income statement and balance sheet items of foreign subsidiaries into euros. Business operations outside the euro area (countries in which the currency is not pegged to the euro) account for about 8.4% (2017: 8.1%) of consolidated net sales and mainly consist of revenues in Polish zloty and Swedish krona. If all reporting currencies had been 10% weaker against the euro during the year, the Group net sales would have decreased by EUR 10.3 million (2017: 11.1). If all reporting currencies had been

10% stronger against the euro, the Group net sales would have increased by EUR 12.6 million (2017:13.6). A significant change in exchange rates may also have an effect on the value of the businesses in Poland and Sweden. The Group did not hedge against translation risk in 2018, in accordance with the Treasury Policy approved by the Board.

Derivative instruments

Nominal value of derivative instruments

The nominal value of derivative instruments is EUR 13.4 million (2017: 66.4). The nominal value includes gross nominal values of all active agreements. The outstanding nominal value is not necessarily a measure or indicator of market risks. Due to divestments of certain operations the derivatives include EUR 7 million of terminated contracts, which in accordance with netting agreements are settled as net amounts.

FAIR VALUES OF DERIVATIVE INSTRUMENTS

EUR million	2018	Restated 2017
Forward currency exchange contracts - Outside hedge accounting		
Positive fair values	0.2	1.1
Negative fair values	-0.2	-1.7
Total	**0.0**	-0.6

Derivative instruments have been classified in level 2 of the IFRS fair value hierarchy. This means that fair values are based on valuation models for which all inputs are observable, either directly or indirectly.

Sanoma has entered into netting agreements with all of its derivative instrument counterparties. Including netting agreements, financial receivables from banks amount to EUR 0.0 million (2017: 0.6 liability).

Liquidity risks

Liquidity risk relates to servicing debt, financing investments and retaining adequate working capital. Sanoma aims to minimise its liquidity risk by ensuring sufficient revenue financing, maintaining adequate committed credit limits, using several financing institutions and forms of financing, and spreading loan repayment programmes over a number of calendar years. The Group's undrawn committed credit limits must be sufficient to cover its estimated funding requirements and loan repayments, and part of the outstanding commercial paper commitments. The undrawn committed credit facilities are EUR 300 million at year end. Liquidity risk is monitored daily, based on a two-week forecast, and longer-term based on calendar year. In addition, the Sanoma Group Treasury Policy sets minimum requirements for cash reserves.

THE GROUP'S FINANCING PROGRAMMES IN 2018

EUR million	Amount of limits	Unused credit lines
Syndicated RCF	300.0	300.0
Commercial paper programmes	1,100.0	952.5
Bonds	200.0	
Current account limits	51.0	50.5

Sanoma signed a EUR 500 million Syndicated Revolving Credit Facility with a group of seven relationship banks in February 2016. The facility has a maturity of four years. The Group reduced the facility to EUR 300 million in 2017, due to lower funding needs.

The Group's financing agreements include customary covenants related to factors such as the use of pledges and mortgages, disposals of assets and key financial ratios. In 2018 the Group fulfilled the requirements of all covenants.

FINANCIAL LIABILITIES

	2018				Restated 2017			
EUR million	Carrying amount	Cashflow[1]	Undrawn from limits	Total	Carrying amount	Cashflow[1]	Undrawn from limits	Total
Loans from financial institutions	0.5	0.5	300.0	300.5	52.0	52.3	300.0	352.3
Bonds	197.3	207.0		207.0	194.7	214.0		214.0
Commercial paper programmes	147.5	148.0		148.0	148.6	149.1		149.1
Finance lease liabilities	1.8	1.8		1.8	1.8	1.8		1.8
Other interest-bearing liabilities	9.6	9.6		9.6	15.3	15.3		15.3
Trade payables and other liabilities[2]	141.1	141.1		141.1	159.3	159.3		159.3
Derivatives								
Inflow	-6.9	-6.9		-6.9	-16.6	-16.6		-16.6
Outflow	6.8	6.8		6.8	17.2	17.2		17.2
Total	**497.7**	**507.8**	**300.0**	**807.8**	**572.3**	**592.4**	**300.0**	**892.4**

1 The estimate of the interest liability is based on the interest level at the balance sheet date.

2 Trade payables and other liabilities do not include accrued expenses and advances received.

MATURITY OF FINANCIAL LIABILITIES 2018

EUR million	2019	2020	2021	2022	2023	2024–	Total
Loans from financial institutions	0.5						0.5
Bonds	207.0						207.0
Commercial paper programmes	148.0						148.0
Finance lease liabilities	0.3	0.3	0.3	0.3	0.3	0.4	1.8
Other interest-bearing liabilities	9.6						9.6
Trade payables and other liabilities[1]	135.3	0.7	4.3	0.7			141.1
Derivatives							
Inflow (-)	-6.9						-6.9
Outflow (+)	6.6	0.2					6.8
Total	**500.4**	**1.2**	**4.6**	**1.0**	**0.3**	**0.4**	**507.8**

1 Trade payables and other liabilities do not include accrued expenses and advances received.

MATURITY OF FINANCIAL LIABLITIES 2017, RESTATED

EUR million	2018	2019	2020	2021	2022	2023–	Total
Loans from financial institutions	52.3						52.3
Bonds	7.0	207.0					214.0
Commercial paper programmes	149.1						149.1
Finance lease liabilities	0.2	0.2	0.2	0.2	0.2	0.5	1.8
Other interest-bearing liabilities	15.3						15.3
Trade payables and other liabilities[1]	146.9	5.0	1.2	4.8	1.2	0.2	159.3
Derivatives							
Inflow (-)	-16.6						-16.6
Outflow (+)	17.0	0.1	0.0				17.2
Total	**371.3**	**212.4**	**1.5**	**5.0**	**1.5**	**0.8**	**592.4**

1 Trade payables and other liabilities do not include accrued expenses and advances received.

In 2016 Sanoma issued a EUR 200 million bond, and used all the proceeds for a partial redemption of a previously issued bond. The terms of these bonds do not differ materially, so the fees and expenses incurred are netted against the book value of the new bond, and will be amortised over the life of the new bond.

Credit risks

Sanoma's credit risks are related to its business operations. Sanoma Group's diversified operations significantly mitigate credit risk concentration, and no individual customer or group of customers is material to the Group. The Group's operational units are responsible for managing credit risks related to their businesses.

Sanoma applies the simplified approach permitted by IFRS 9 Financial Instruments for trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Sanoma uses a provision matrix to measure expected credit losses of trade receivables. Loss rates are defined separately for different geographic regions, type of business and types of customers (B2B and B2C). Loss rates are based on past information on actual credit loss experience. These rates are adjusted by current information and future expectations on economic conditions where deemed necessary.

Sanoma's other receivables include small items and risk involved to individual items is not considered material. Thus, no impairment allowance has been recognised for these receivables.

The carrying amounts of trade receivables and other receivables best indicate the amount that will be collected. The aging of trade receivables is presented in the following table.

The loss allowance provision for trade receivables as at 31 December 2018 reconciles to the opening loss allowance provision as follows.

RECONCILIATION OF ALLOWANCE PROVISION

EUR million	2018
1.1. calculated under IAS 39	-7.0
Amounts restated through opening retained earnings	0.0
Opening loss allowance as at 1 January 2017 - calculated under IFRS 9	-7.0
Change in loss allowance during the financial year	0.9
At 31 December 2018	**-6.1**

Trade receivables and other receivables are presented in Notes 15 and 17.

The credit risk relating to financing transactions is low. The Group's Treasury Policy specifies that financing and derivative transactions are carried out with counterparties of good credit standing, and divided between a sufficient number of counterparties in order to protect financial assets. The Group has spread its credit risks efficiently by dealing with several financing institutions.

THE AGING OF TRADE RECEIVABLES

	2018				Restated 2017		
EUR million	**Gross**	**Weighted average loss rate (%)**	**Impairment (calculated under IFRS 9)**	**Net**	**Gross**	**Impairment (calculated under IAS 39)**	**Net**
Not due	84.3	0.1	-0.1	84.2	115.5		115.5
Past due 1–30 days	17.4	6.1	-1.1	16.3	19.1	-1.1	18.0
Past due 31–120 days	9.8	8.8	-0.9	8.9	6.6	-0.5	6.1
Past due 121–180 days	3.2	16.9	-0.5	2.7			
Past due 181–360 days	1.5	67.0	-1.0	0.5			
Past due 121–360 days					6.4	-2.7	3.7
Past due more than 1 year	3.0	83.5	-2.5	0.5	4.2	-2.7	1.5
Total	**119.2**		**-6.1**	**113.1**	151.9	-7.0	144.9

Capital risk management

The Group targets an equity ratio between 35% and 45% and a net debt/adjusted EBITDA ratio below 2.5 in the long term.

When calculating the net debt/adjusted EBITDA ratio, the following adjustments are made to the reported EBITDA: items affecting comparability are removed, the effects of acquisitions are added and the effects of divestments are deducted, and the effects of the investments in programming and prepublication rights are deducted for the reporting period.

In 2018, the Group's equity ratio is 44.7% (2017: 38.2%) and net debt/adjusted EBITDA ratio is 1.4 (2017: 1.7).

NET DEBT

EUR million	2018	Restated 2017
Interest-bearing liability	356.7	412.4
Cash and cash equivalents	18.8	20.6
Total	**337.8**	391.8

Sanoma Group does not have an official credit rating.

26. Assets held for sale and discontinued operations

Discontinued operations

On 16 January 2018, Sanoma announced the intention to divest its Belgian women's magazine portfolio to Roularta Media Group by the end of the second quarter of 2018. The divestment was completed on 29 June 2018. The operations have been reclassified as discontinued operations. The income statement, balance sheet and cash flow statement are presented in the following tables.

INCOME STATEMENT OF DISCONTINUED OPERATIONS

EUR million	2018	Restated 2017
NET SALES	**37.1**	80.5
Other operating income	36.7	0.0
Materials and services	-15.2	-34.5
Employee benefit expenses	-24.4	-14.9
Other operating expenses	-14.8	-23.4
Depreciation, amortisation and impairment losses	-0.5	-4.2
EBIT	**18.8**	3.6
Financial income	0.0	0.2
Financial expenses	0.0	-0.1
RESULT BEFORE TAXES	**18.8**	3.6
Income taxes	-5.9	-1.4
RESULT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**12.9**	2.3

CASH FLOWS RELATED TO DISCONTINUED OPERATIONS

EUR million	2018	Restated 2017
Cash flow from operations	-17.1	5.1
Cash flow from investments	7.9	-5.8
Cash flow from financing	-	-

Assets and liabilities related to discontinued operations

ASSETS RELATED TO DISCONTINUED OPERATIONS

EUR million	2018	Restated 2017
Goodwill		0.4
Other intangible assets		0.7
Deferred tax receivables		1.2
Inventories		0.1
Total	-	2.4

LIABILITIES RELATED TO DISCONTINUED OPERATIONS

EUR million	2018	Restated 2017
Pension obligations		4.0
Trade and other payables		6.7
Total	-	10.6

The assets held for sale are valued at carrying value.

27. Acquisitions and divestments

IMPACT OF BUSINESS ACQUISITIONS ON GROUP'S ASSETS AND LIABILITIES

EUR million	2018	2017
Property, plant and equipment	0.4	
Intangible assets	17.1	3.2
Other non-current assets	0.1	
Inventories	0.0	
Other current assets	6.1	
Assets, total	**23.7**	3.2
Non-current liabilities	-1.3	
Current liabilities	-3.4	-0.4
Liabilities, total	**-4.7**	-0.4
Fair value of acquired net assets	19.0	2.8
Acquisition cost	20.8	2.9
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities	1.2	
Fair value of previously held interest	1.8	
Fair value of acquired net assets	-19.0	-2.8
Goodwill from the acquisitions	**4.9**	0.1

ACQUISITIONS OF NON-CONTROLLING INTERESTS

EUR million	2018	2017
Acquisition cost	11.2	14.0
Book value of the acquired interest	0.4	2.6
Decrease (+) / increase (-) in acquisition liabilities	9.1	
Impact on consolidated equity	**-1.6**	-11.4

CASH PAID TO OBTAIN CONTROL, NET OF CASH ACQUIRED

EUR million	2018	2017
Acquisition cost	20.8	2.9
Cash and cash equivalents of acquired operations	-3.9	
Decrease (+) / increase (-) in acquisition liabilities	-1.0	0.1
Cash paid to obtain control, net of cash acquired	**15.9**	3.1
Cash paid on acquisitions of non-controlling interests	**11.2**	11.2

Acquisitions in 2018

In 2018, Sanoma invested EUR 20.8 million in business acquisitions. The impact of each individual acquisition on the Group's figures was minor. The combined effect of the acquisitions since the acquisition date on the Group's net sales amounted to EUR 37.6 million, and on operating profit EUR 0.5 million.

On 7 March 2018, Sanoma announced that it had entered into an agreement to acquire the festival and event business of N.C.D. Production Ltd. and its group companies. Net sales of the acquired operations were approx. EUR 20 million in 2017. The acquired operations have been moved into a newly established company Nelonen Media Live Oy, of which Sanoma holds 60% and the previous owner of N.C.D. Production the remainder. The transaction was completed on 18 April 2018 and the acquired business is reported as part of Media Finland as of Q2 2018.

On 31 May 2018, Sanoma Media Finland acquired T-Media's employer image and attraction services and incorporated them into the Oikotie Työpaikat. The deal included all shares of TAT-Palvelu Oy.

On 6 June 2018, Sanoma Media Finland acquired the company running the Tikkurila Festival business and incorporated it as part of the established company Nelonen Media Live Oy. Net sales of the acquired company was about EUR 2 million in 2017.

On 26 June 2018, Sanoma announced that it had increased its ownership in the Dutch data-driven marketing and cashback service Scoupy from 72% to 95%. Net sales of Scoupy were approx. EUR 7 million in 2017. The founding partners of Scoupy continue to hold the remaining 5% of the company. They also continue to work in a non-executive capacity with Scoupy with a focus on further developing the business. Scoupy will continue to be reported as part of Media Netherlands.

On 27 June 2018, Sanoma announced that it had increased its ownership in the Finnish News Agency (STT) from 33% to 75% by acquiring Alma Media's and TS Group's shares in STT. Net sales of STT were approx. EUR 12 million in 2017. STT is reported as part of Media Finland as of 27 June 2018.

On 27 November 2018, Sanoma Media Finland acquired a stake in the music company Kaiku Entertainment. Kaiku Entertainment is part of Nelonen Media, but will remain its own independent company. The music company Kaiku Entertainment consists of Kaiku Recordings and Rähinä Records labels as well as Kaiku Songs. In 2017, Kaiku Entertainment's net sales amounted to approx. EUR 1 million.

Acquisitions in 2017

In 2017, Sanoma invested EUR 16.9 million in business acquisitions. The impact of each individual acquisition on the Group's figures was minor.

In May, Sanoma Media Finland acquired Urheilulehti from A-lehdet. With the deal the brands of Urheilusanomat and Urheilulehti were combined.

In June, Sanoma Media Finland increased its holding in the Finnish marketing service company Routa from 51% to 80% and transferred its own small and medium sized enterprises advertising sales, knowhow and personnel to the company.

In September, Sanoma Media Finland acquired the operations of Talovertailu.fi from Nettirakentajat Oy. No personnel was transferred with the transaction.

In October, Sanoma Media Finland acquired the operations of LKI-Asiantuntijapalvelut Oy. The company's product portfolio includes Finland's leading real estate brokerage system PDX + and PDX Construction, a housing sales and marketing tool for construction companies. With the transaction, employees of LKI-Asiantuntijapalvelut Oy were transferred to Oikotie.

IMPACT OF DIVESTMENTS ON GROUP'S ASSETS AND LIABILITIES

	2018			2017		
EUR million	**Belgian magazines**	**Other**	**Total**	**SBS**	**Other**	**Total**
Property, plant and equipment		0.6	0.6	2.6	0.1	2.7
Goodwill		4.4	4.4	715.5	14.3	729.8
Other intangible assets	0.7	1.0	1.6	200.3	2.6	202.9
Inventories	0.2		0.2			
Trade and other receivables	1.5	4.7	6.2	38.3	0.7	39.0
Cash and cash equivalents		1.1	1.1	25.8	3.1	28.9
Assets, total	**2.4**	**11.9**	**14.2**	982.5	20.8	1,003.3
Deferred tax liabilities	-0.2	-0.2	-0.5	-18.1	-0.6	-18.7
Financial liabilities				-46.0		-46.0
Trade and other payables	-11.7	-2.1	-13.7	-112.4	-0.6	-113.0
Liabilities, total	**-11.9**	**-2.3**	**-14.2**	-176.6	-1.1	-177.7
Derecognised non-controlling interest				-117.2		-117.2
Net assets	-9.5	9.5	0.0	688.7	19.7	708.4
Adjustment to capital loss					0.3	0.3
Recognised in Other comprehensive income		0.2	0.2			
Sales price	23.5	7.2	30.7	237.1	29.0	266.1
Transaction fees paid				-5.6	-0.3	-5.9
Net result from sale of operations	**33.0**	**-2.1**	**30.9**	-457.2	9.3	-448.0

CASH FLOW FROM SALE OF OPERATIONS

	2018			2017		
EUR million	**Belgian magazines**	**Other**	**Total**	**SBS**	**Other**	**Total**
Sales price	23.5	7.2	30.7	237.1	29.0	266.1
Transaction fees paid				-5.6	-0.3	-5.9
Cash and cash equivalents of divested operations		-1.1	-1.1	-25.8	-3.1	-28.9
Decrease (+) / increase (-) in receivables from divestment	-8.2	0.7	-7.6		4.2	4.2
Cash flow from sale of operations	**15.3**	**6.8**	**22.0**	205.6	29.7	235.4

Divestments in 2018

On 16 January 2018, Sanoma announced an intention to divest its Belgian women's magazine portfolio to Roularta Media Group. Enterprise value of the divested assets was EUR 34 million. Net sales were EUR 81 million and operational EBIT EUR 7 million (EBIT margin 8.1%) in 2017. The divested business is classified as Discontinued operations in Sanoma's financial reporting in 2017. The divestment was completed on 29 June 2018.

On 26 October 2018, Sanoma divested its content marketing operations, Head Office, in Belgium to the original founders of the business. Net sales of the divested business were EUR 13 million in 2017 and it employs 51 people (FTE).

Divestments in 2017

In April 2017, Sanoma divested the online classifieds business of Sanoma Baltics AS and recognised a capital gain of EUR 9.9 million.

In June, Sanoma divested the comparison website Kieskeurig.nl in the Netherlands.

In July, Sanoma divested 67% of the Dutch TV business SBS for a net cash consideration of EUR 237 million and obtaining 100% ownership of the TV guide business Veronica Uitgeverij. As a result of the transaction Sanoma recognised a non-cash capital loss of EUR -308.1 million. The total impact of the transaction on the Group's net result was EUR -286.2 million.

28. Subsidiaries and equity-accounted investees

SUBSIDIARIES AT 31 DEC 2018

	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %	Book value in Parent Company, EUR million
Subsidiaries of Parent Company				
Kiinteistö Oy Porvoon Teollisuustie 4, Finland	100.0		100.0	1.1
Lastannet Oy, Finland	100.0		100.0	0.0
Sanoma Trade Oy, Finland	100.0		100.0	10.5
Sanoma Media Finland Oy, Finland [1]	100.0		100.0	152.2
Sanoma B.V., The Netherlands [1]	100.0		100.0	450.8
Sanoma Pro Oy, Finland [1]	100.0		100.0	292.2
Young Digital Planet S.A., Poland	100.0		100.0	0.0
Subsidiaries of Sanoma Learning B.V.				
Bureau ICE B.V., The Netherlands			100.0	
ICE Opleidingen B.V., The Netherlands			100.0	
L.C.G. Malmberg B.V., The Netherlands			100.0	
Uitgeverij Van In N.V., Belgium			100.0	
Bolster Workforce B.V., The Netherlands			100.0	
Subsidiary of Bolster Workforce B.V.				
Sanoma SAM Safety Microlearning Belgium, Belgium			100.0	
Subsidiary of Sanoma Trade Oy				
Forum Cinemas Ltd, Ukraine			100.0	
Subsidiaries of Sanoma B.V.				
Sanoma Regional Belgium N.V., Belgium		100.0	100.0	
Independent Media Holding B.V., The Netherlands		100.0	100.0	
Sanoma Media Belgium N.V., Belgium		100.0	100.0	
Sanoma Media Deutschland GmbH, Germany		100.0	100.0	
Sanoma Media France SARL, France		90.0	100.0	
Sanoma Media Russia & CEE B.V., The Netherlands		100.0	100.0	
Sanoma Media Participations B.V., The Netherlands		100.0	100.0	

1 Parent Company of sub group

SUBSIDIARIES AT 31 DEC 2018

	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %	Book value in Parent Company, EUR million
Uitgeverij W.V.M. Europublinet B.V., The Netherlands		100.0	100.0	
B.V. Aldipress, The Netherlands		100.0	100.0	
Sanoma Media Netherlands B.V., The Netherlands		100.0	100.0	
Subsidiaries of Independent Media Holding B.V.				
I.M.H. Media Ltd., Cyprus			100.0	
Independent Media B.V., The Netherlands			100.0	
Subsidiaries of Sanoma Media Russia & CEE B.V.				
IM Ukraine Publishing, Ukraine			100.0	
LLC Publishing Initiatives, Ukraine			100.0	
Subsidiaries of Sanoma Media Netherlands B.V.				
2BLOND B.V., The Netherlands			85.8	
MediaKiosk B.V., The Netherlands			100.0	
Sanoma Custom Publishing B.V., The Netherlands			100.0	
Mood for Magazines B.V., The Netherlands			100.0	
Paardenbladen B.V., The Netherlands			100.0	
Sanoma Uitgevers Digitaal Ontwikkeling B.V., The Netherlands			100.0	
Sanoma Digital Group The Netherlands B.V., The Netherlands			100.0	
Sanoma Digital The Netherlands B.V., The Netherlands			100.0	
Sanoma Media Customer Services B.V. The Netherlands			100.0	
SB Commerce B.V., The Netherlands			100.0	
Scoupy B.V., The Netherlands			95.0	
Veronica Uitgeverij B.V., The Netherlands			100.0	
Subsidiaries of Sanoma Media Finland Oy				
Netwheels Oy, Finland		55.8	55.8	
Oikotie Oy, Finland		90.0	90.0	
Sanomala Oy, Finland		100.0	100.0	
Sanoma Kids Finland Oy, Finland		100.0	100.0	
Sanoma Tekniikkajulkaisut Oy, Finland		60.0	60.0	
Savon Paino Oy, Finland		100.0	100.0	
Routa Markkinointi Oy, Finland		80.1	80.1	
Nelonen Media Live Oy, Finland		60.0	60.0	
Oy Suomen Tietotoimisto – Finska Notisbyrån Ab, Finland		75.4	75.4	
Kaiku Entertainment Oy, Finland		48.0	48.0	
H.I.P. Music Productions Oy, Finland		100.0	100.0	
Subsidiaries of Oikotie Oy				
Oikotie Asunnot Oy, Finland			100.0	
TAT Palvelu Oy, Finland			100.0	
Subsidiaries of Nelonen Media Live Oy				
TL Marketing Oy, Finland			100.0	
TF Marketing Oy, Finland			100.0	
Subsidiaries of Oy Suomen Tietotoimisto – Finska Notisbyrån Ab				
STT Viestintäpalvelut Oy, Finland			100.0	
Nyhetsbyrån FNB Ab, Finland			100.0	
Subsidiaries of Sanoma Pro Oy				
Nowa Era Sp. z.o.o., Poland		100.0	100.0	
Sanoma Learning B.V., The Netherlands		100.0	100.0	
Sanoma Utbildning AB, Sweden		100.0	100.0	
Tutorhouse Oy, Finland		80.0	80.0	
Subsidiary of Nowa Era Sp. z.o.o.				
Vulcan Sp. z.o.o., Poland			100.0	
				906.8

1 Parent Company of sub group

In 2018 Sanoma did not have subsidiaries with material non-controlling interests. The total non-controlling interest reported in the balance sheet 31 Dec 2018 is EUR 5.0 million (2017: 1.7).

EQUITY-ACCOUNTED INVESTEES

	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %	Book value in Parent Company, EUR million
Sanoma Corporation				
Valkeakosken Yhteistalo Oy, Finland	21.9		21.9	0.2
Sanoma Media Belgium N.V.				
Repropress CVBA, Belgium			31.9	
Sanoma Media Russia & CEE B.V.				
Adria Media Holding GmbH, Austria			50.0	
Hearst Independent Media Distribution B.V., The Netherlands			50.0	
PII Independent Media Ukraine, Ukraine				
Publishing House Independent Media LLC, Ukraine				
Sanoma Media Netherlands B.V.				
AKN CV, The Netherlands			25.0	
Bindinc B.V, The Netherlands			25.0	
Dutch Creative Industry Fund B.V., The Netherlands			28.6	
Quattro Voci B.V., The Netherlands			25.0	
Sanoma Media Finland Oy				
Egmont Kustannus Oy Ab, Finland		50.0	50.0	
Platco Oy, Finland		33.3	33.3	
Kaakon Viestintä Oy, Finland		24.5	24.5	
Media Metrics Finland Oy, Finland		25.0	25.0	
GAGS Media Oy, Finland		50.0	50.0	
Suomen Sopimustieto Oy, Finland		22.5	22.5	
Oy Suomen Tietotoimisto – Finska Notisbyrån Ab				
Retriever Suomi Oy, Finland			49.0	
				0.2

29. Related party transactions

Sanoma Group's related parties include subsidiaries, associated companies and joint ventures as well as the members of the Board, President and CEO and members of the Executive Management Team. Remuneration for key management is presented in Note 30. Transactions with joint ventures and associated companies are presented below. Transactions within the Sanoma Group are not presented as related party transactions because they are eliminated in the consolidated figures. The transactions of the other shareholders of joint ventures are not presented as related party transactions because those shareholders are not considered to be related parties on the basis of the joint control agreement. Subsidiaries are presented in Note 28. In addition, the Sanoma Group's related parties include pension funds and employees' profit-sharing funds. Besides pension plans, transactions with those parties are not material.

Pension funds are described in more detail in accounting policies and pension calculations in Note 5.

The Sanoma Group had no other significant related parties, which indicate related party definitions or with which significant related party transactions exist during the financial year.

Transactions and outstanding balances with associated companies and joint ventures are presented in the table below.

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATED COMPANIES

EUR million	2018	Restated 2017
Sale of goods	0.0	0.0
Rendering of services	0.6	0.6
Other operating income	0.1	
Total income	**0.7**	0.6
Receiving of services	-0.9	-2.1
Total expenses	**-0.9**	-2.1

RECEIVABLES FROM JOINT VENTURES AND ASSOCIATED COMPANIES, CURRENT

EUR million	2018	Restated 2017
Trade receivables	0.7	0.6
Other receivables	0.8	
Total	**1.5**	0.6

PAYABLES TO JOINT VENTURES AND ASSOCIATED COMPANIES, CURRENT

EUR million	2018	Restated 2017
Trade payables	0.2	0.1
Other debts	0.2	0.2
Total	**0.4**	0.3

The sale of goods and rendering of services to joint ventures and associated companies are based on the Group's effective market prices, and interest on loans is based on market interest rates.

In 2018 and 2017, there were no other significant transactions or other related party arrangements with joint ventures and associated companies.

30. Management compensation, benefits and ownership

MANAGEMENT REMUNERATION AND OWNERSHIP, 2018

	Remuneration (EUR 1,000)	Number of shares on 31 December 2018	Performance and restricted share plan costs (EUR 1,000)	Number of performance shares and restricted shares				
				Performance Share Plan 2016–2018 [2]	Performance Share Plan 2017–2019 [2]	Performance Share Plan 2018–2020 [2]	Restricted Share Plan 2016–2018 [2]	Restricted Share Plan 2017–2018 [2]
Board of Directors								
Pekka Ala-Pietilä, Chairman	102	10,000						
Antti Herlin, Vice Chairman[1]	78	19,506,800						
Anne Brunila	74	910						
Mika Ihamuotila	70	150,000						
Nils Ittonen	78	59,000						
Denise Koopmans	82							
Robin Langenskiöld	70	12,273,371						
Rafaela Seppälä	70	10,273,370						
Kai Öistämö	74	8,265						
Total	**698**	**42,281,716**						
President and CEO								
Susan Duinhoven	1,071	75,000	1,337	225,000	225,000	150,000		50,000
Total	**1,071**	**75,000**	**1,337**	**225,000**	**225,000**	**150,000**		**50,000**
Executive Management Team								
Marc Duijndam (until 15 August 2018)								
Markus Holm		25,795			31,500	16,000	25,000	
Pia Kalsta		3,573		45,000	22,500	11,500		
John Martin		13,873		45,000	28,500	13,000		
Total	**2,027**	**43,241**	**551**	**90,000**	**82,500**	**40,500**	**25,000**	

1 Includes the holdings of interest parties.

2 Sanoma Performance Share Plan has been adopted in 2013. Sanoma Restricted Share Plan has been adopted in 2014. Number of Sanoma performance shares granted in the Performance Share Plan 2018–2020 to the President and CEO and EMT members is presented on target level. Should the maximum level of performance measures be reached the earned share reward is 150% of the shares at target level. Shares conditionally granted to the President and CEO and EMT members under the Performance Share and Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMT members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance and restricted shares received.

Figures include the remuneration that has been paid for assignments handled by those persons during the period. EMT members do not receive separate remuneration for their Board memberships in the Group companies. Remuneration includes fringe benefits. Performance and restricted share plan costs include costs during membership. The Group has no outstanding receivables or loans from the management. Remuneration does not include pension costs. The pension cost of the President and CEO and EMT is presented in paragraph 'Other benefits of the management'.

MANAGEMENT REMUNERATION AND OWNERSHIP, 2017

	Remuneration (EUR 1,000)	Number of shares on 31 December 2017	Performance and restricted share plan costs (EUR 1,000)	Number of performance shares and restricted shares [3]				
				Performance Share Plan 2016–2018 [2]	Performance Share Plan 2017–2019 [2]	Restricted Share Plan 2015–2017 [2]	Restricted Share Plan 2016–2018 [2]	Restricted Share Plan 2017–2018 [2]
Board of Directors								
Pekka Ala-Pietilä, Chairman	102	10,000						
Antti Herlin, Vice Chairman [1]	78	19,036,800						
Anne Brunila	76	910						
Mika Ihamuotila	70	150,000						
Nils Ittonen	75	59,000						
Denise Koopmans	83							
Robin Langenskiöld	70	12,273,371						
Rafaela Seppälä	70	10,273,370						
Kai Öistämö	74	8,265						
Total	**698**	**41,811,716**						
President and CEO								
Susan Duinhoven	1,122	75,000	1,257	225,000	150,000			50,000
Total	**1,122**	**75,000**	**1,257**	**225,000**	**150,000**			**50,000**
Executive Management Team								
Markus Holm (as of 1 February 2017)		18,185			21,000		50,000	
Kim Ignatius (until 31 December 2017)		9,500		45,000		2,625		
Pia Kalsta		5,655		45,000	15,000	3,125		
John Martin		12,395		45,000	19,000	3,125		
Peter de Mönnink (until 31 December 2017)		10,973		112,500	42,000	7,500		100,000
Total	**4,295**	**56,708**	**2,232**	**247,500**	**97,000**	**16,375**	**50,000**	**100,000**

1 Includes the holdings of interest parties.

2 Sanoma Performance Share Plan has been adopted in 2013. Sanoma Restricted Share Plan has been adopted in 2014. Number of Sanoma performance shares granted in the Performance Share Plan 2017–2019 to the President and CEO and EMT members is presented on target level. Should the maximum level of performance measures be reached the earned share reward is 150% of the shares at target level. Shares conditionally granted to the President and CEO and EMT members under the Performance Share and Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMT members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance and restricted shares received.

3 Performance Share Plan 2015–2017 has not been presented in the table as no rewards were paid since the minimum levels of the performance criteria were not achieved.

Figures include the remuneration that has been paid for assignments handled by those persons during the period. EMT members do not receive separate remuneration for their Board memberships in the Group companies. Remuneration includes fringe benefits. Performance and restricted share plan costs include costs during membership. The Group had no outstanding receivables or loans from the management. Remuneration does not include pension costs. The pension cost of the President and CEO and EMT is presented in paragraph 'Other benefits of the management'.

The remuneration and benefits payable to the President and CEO and Executive Management Team (EMT) members are approved by the Board of Directors of Sanoma, in accordance with the Human Resources Committee's proposal. In addition, the President and CEO and EMT members receive bonuses according to the short-term incentive plan approved each year by the Board of Directors. For the year 2018 the short-term incentive for the President and CEO is 66.7% of her salary at target level and 100% at maximum level. For other EMT members the short-term incentive varies from 40% to 50% of salary at target level and from 60% to 75% at maximum level. The criteria in the 2018 short-term incentive plan of EMT members are based on achieving financial targets of operational EBIT, free cash flow, net sales as well as Sanoma's employee satisfaction objective.

The President and CEO and EMT members are part of Sanoma's long-term incentive schemes. The long-term incentives are part of the Group's incentive and commitment programme and are distributed by the Sanoma Board of Directors, in accordance with the Human Resources Committee's proposal.

Notifications of the President & CEO's transactions are announced on Group's website sanoma.com as of 3 July 2016. More details on remuneration principles are available in the Corporate Governance section at sanoma.com.

Other benefits of the management

The President and CEO Susan Duinhoven's period of notice is six months either from the President and CEO's or the Company's part. If the executive contract is terminated by the Company, a severance payment equaling to 12 month's salary in addition to the salary for the notice period will be paid to the President and CEO. The severance pay is accompanied by a fixed-term non-competition clause.

The additional pension benefits of the President and CEO and other EMT members are based on defined contribution. The President and CEO is entitled to an additional pension benefit contribution, which amounts to 15% of her salary. The President and CEO's and part of the EMT members' retirement age is the usual retirement age in their home country. One EMT member's retirement age (63 years) is lower than the statutory retirement age.

For the President and CEO Susan Duinhoven, the additional pension contribution cost was EUR 86,918 for the year 2018 (2017: 87,223), and the statutory pension cost for the year 2018 was EUR 174,366 (2017: 182,684). The pension costs of EMT members were EUR 351,057 in 2018 (2017: 900,409).

31. Events after the balance sheet date

On 4 February 2019, Sanoma signed a EUR 550 million syndicated credit facility with a group of nine relationship banks. The facility has two tranches, a EUR 250 million term loan facility with four year maturity and a EUR 300 million bullet revolving credit facility with five year maturity. The term loan will be used for the intended acquisition of Iddink, which Sanoma announced on 11 December 2018. The acquisition is expected to be finalised in Q2–Q3 2019. The revolving credit facility replaces the current revolving credit facility of similar size, which would have expired in February 2020, and will be used for general corporate purposes.

Parent Company Financial Statements

- Audited

Parent Company income statement, FAS

EUR million	Note	2018	2017
Other operating income	2	104.6	324.1
Personnel expenses	3	-21.6	-22.1
Depreciation. amortisation and impairment losses	7–9	-3.8	-262.3
Other operating expenses	4	-87.9	-92.8
OPERATING PROFIT (LOSS)		**-8.7**	-53.0
Financial income and expenses	5	44.8	164.1
RESULT BEFORE APPROPRIATIONS AND TAXES		**36.1**	111.1
Appropriations	13	58.7	50.8
Income taxes	6	-10.1	-5.1
RESULT FOR THE YEAR		**84.7**	156.9

Parent Company balance sheet, FAS

ASSETS

EUR million	Note	31 Dec 2018	31 Dec 2017
NON-CURRENT ASSETS			
Intangible assets	7	5.3	5.0
Tangible assets	8	12.7	8.7
Investments	9	1,431.2	1,442.2
NON-CURRENT ASSETS, TOTAL		**1,449.1**	1,455.9
CURRENT ASSETS			
Long-term receivables	10	0.1	2.7
Short-term receivables	11	115.1	99.7
Cash and cash equivalents		4.2	5.0
CURRENT ASSETS, TOTAL		**119.3**	107.3
ASSETS, TOTAL		**1,568.5**	1,563.2

EQUITY AND LIABILITIES

EUR million	Note	31 Dec 2018	31 Dec 2017
SHAREHOLDERS' EQUITY	12		
Share capital		71.3	71.3
Treasury shares		-8.4	-1.4
Fund for invested unrestricted equity		209.8	209.8
Retained earnings		409.2	306.8
Profit for the year		84.7	156.9
SHAREHOLDERS' EQUITY, TOTAL		**766.6**	743.3
APPROPRIATIONS	13	**0.7**	1.0
LIABILITIES			
Non-current liabilities	14	0.5	200.6
Current liabilities	15	800.7	618.3
EQUITY AND LIABILITIES, TOTAL		**1,568.5**	1,563.2

Parent Company cash flow statement, FAS

EUR million	2018	2017
OPERATIONS		
Result for the period	84.7	156.9
Adjustments		
Income taxes	10.1	5.1
Appropriations	-58.7	-50.8
Financial income and expenses	-44.8	-164.1
Depreciation, amortisation and impairment losses	3.8	262.3
Gains / losses on sale of non-current assets	-3.4	-217.6
Other adjustments	2.5	0.9
Change in working capital		
Change in trade and other receivables	4.2	5.6
Change in trade and other payables, and provisions	-1.4	-7.2
Dividends received	28.5	183.2
Interest paid	-8.8	-20.1
Other financial items	-1.0	-4.6
Group contributions	50.6	43.0
Taxes paid	-9.6	-0.2
CASH FLOW FROM OPERATIONS	**56.7**	192.3

EUR million	2018	2017
INVESTMENTS		
Acquisition of tangible and intangible assets	-3.5	-2.4
Sales of tangible and intangible assets	5.5	10.1
Group companies sold	0.5	260.4
Capital refund		0.7
Sales of other investments	0.6	
Loans granted	-13.8	-14.1
Repayments of loan receivables	21.6	19.0
Interest received	8.2	14.5
CASH FLOW FROM INVESTMENTS	**19.1**	288.2
CASH FLOW BEFORE FINANCING	**75.8**	480.5
FINANCING		
Proceeds from share subscriptions		6.4
Purchase of treasury shares	-7.7	
Change in loans with short maturity	-3.2	-216.2
Drawings of other loans	58.9	249.9
Repayments of other loans	-67.6	-494.7
Dividends paid	-57.1	-32.5
CASH FLOW FROM FINANCING	**-76.5**	-487.1
Change in cash and cash equivalents according to cash flow statement	**-0.8**	-6.6
Net increase(+)/decrease(-) in cash and cash equivalents	**-0.8**	-6.6
Cash and cash equivalents at 1 Jan	5.0	11.5
Cash and cash equivalents at 31 Dec	**4.2**	5.0

Notes to the Parent Company financial statements

1. Parent Company's accounting policies for Financial Statements

Sanoma Corporation is a public limited-liability company, which is domiciled in Helsinki. Sanoma Corporation was founded in 1999, on May 1st, as the result of a combination merger. Sanoma Corporation's financial statements have been prepared according to Finnish Accounting Standards (FAS). Sanoma Corporation is the Parent Company of Sanoma Group. Sanoma has prepared its consolidated financial statements in accordance with most recent International Financial Reporting Standards (IFRS). The Finnish accounting practices applied by Sanoma Corporation and accounting principles of IFRS standards are mainly consistent thus the main accounting principles are available in accounting policies of consolidated financial statements.

The most significant differences between the accounting policies of Parent company and Sanoma Group are the following:

Pensions

Statutory pension cover of Sanoma Corporation's employees is managed by pension insurance companies. Supplementary pension benefits are managed by Sanoma Pension Fund and by insurance companies. Pension settlements and pension costs are recognized during the period in which they are incurred. The potential deficit of pension fund's pension liability has been recognized as an obligatory provision under the balance sheet of Sanoma Corporation.

Interest in Group companies

Interest in Group companies is measured at cost less any impairment losses. Interest in Group companies is tested for impairment annually.

The fair value of the subsidiary shares has been assessed based on income approach, in which the fair value of investment is calculated based on the discounted cash flow model (DCF) or the dividend discount model. Impairment need is assessed by comparing the fair value of the subsidiary shares to the book value in the parent company's balance sheet and possible write-down is booked through profit or loss.

Real estate investments and housing property investments

In accordance with Finnish Accounting Act investments in real estates and housing property are presented as investments of non-current assets.

2. Other operating income

EUR million	2018	2017
Technology management fee	19.8	20.8
Other management and service fees	73.9	76.1
Rental income	1.0	2.7
Rental income, internal		0.7
Capital gains	3.5	217.5
Other	6.3	6.4
Total	**104.6**	324.1

In 2018 capital gains include gains on the sales of land areas. In 2017 company sold its subsidiaries Sanoma Learning B.V, Sanoma Utbildning AB and Nowa Era Sp.z.o.o to Sanoma Pro Oy. Capital gains include sales gain of EUR 167.7 million related to this transaction. Company also divested its property Ludviginkatu and investment in SBS.

3. Personnel expenses

EUR million	2018	2017
Wages, salaries and fees	-19.4	-18.6
Pension costs	-1.7	-2.7
Other social expenses	-0.5	-0.8
Total	**-21.6**	-22.1
Average number of employees (full-time equivalents)	171	163

The remuneration to the President and CEO and Board of Directors is presented separately, divided by persons, in Note 30 to the Financial Statements.

4. Other operating expenses

EUR million	2018	2017
Office and ICT expenses	-48.2	-50.4
Professional fees	-33.5	-34.1
Rents	-1.3	-3.7
Losses on sales	-0.1	-0.1
Other	-4.8	-4.5
Total	**-87.9**	-92.8

PRINCIPAL AUDIT FEES

EUR million	2018	2017
Statutory audit	0.2	0.1
Certificates and statements	0.1	
Tax counselling	0.0	
Other services	0.0	0.1
Total	**0.3**	0.2

5. Financial income and expenses

EUR million	2018	2017
Dividend income		
From Group companies	48.5	183.2
Total	**48.5**	183.2
Interest income from investments under non-current assets		
From Group companies	7.1	10.3
From other companies	0.0	0.0
Total	**7.1**	10.3
Other interest and financial income		
From Group companies	1.6	0.5
From other companies	0.7	0.1
Exchange rate gains	3.5	7.6
Total	**5.8**	8.3
Interest and other financial expenses		
To Group companies	-0.2	-9.8
To other companies	-13.2	-20.2
Exchange rate losses	-3.3	-7.7
Total	**-16.6**	-37.6
Total	**44.8**	164.1

6. Income taxes

EUR million	2018	2017
Income tax on operational income	-10.1	-4.9
Income taxes from previous periods		-0.2
Total	**-10.1**	-5.1

The presentation of taxes related to group contributions is changed for the year 2017.

7. Intangible assets

INTANGIBLE ASSETS 2018

EUR million	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2.8	9.5	0.9	13.2
Increases		1.0	2.0	3.0
Decreases		-0.5		-0.5
Reclassifications		0.9	-0.9	
Acquisition cost at 31 Dec	2.8	10.8	2.1	15.7
Accumulated amortisation and impairment losses at 1 Jan	-2.3	-5.9		-8.3
Depreciation for the period	-0.2	-1.9		-2.1
Accumulated amortisation and impairment losses at 31 Dec	-2.5	-7.8		-10.4
Book value at 31 Dec 2018	**0.2**	**3.0**	**2.1**	**5.3**

INTANGIBLE ASSETS 2017

EUR million	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2.9	9.4	1.2	13.5
Increases		1.3	0.9	2.3
Decreases	-0.2	-2.7		-2.8
Reclassifications		1.4	-1.2	0.3
Acquisition cost at 31 Dec	2.8	9.5	0.9	13.2
Accumulated amortisation and impairment losses at 1 Jan	-2.1	-4.2		-6.2
Decreases	0.1	1.0		1.1
Depreciation for the period	-0.3	-2.8		-3.1
Accumulated amortisation and impairment losses at 31 Dec	-2.3	-5.9		-8.3
Book value at 31 Dec 2017	**0.4**	**3.6**	**0.9**	**5.0**

8. Tangible assets

TANGIBLE ASSETS 2018

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other	Advance payments	Total
Acquisition cost at 1 Jan	7.5	0.5	3.1	0.3	0.0	11.5
Increases [1]	5.9			0.3	0.3	6.5
Decreases	-2.0	-0.2		-0.2		-2.5
Acquisition cost at 31 Dec	11.4	0.3	3.1	0.5	0.3	15.6
Accumulated depreciation and impairment losses at 1 Jan		-0.2	-2.6			-2.8
Decreases		0.1	0.1			0.2
Depreciation for the period		0.0	-0.3			-0.3
Accumulated depreciation and impairment losses at 31 Dec		-0.1	-2.8			-2.9
Book value at 31 Dec 2018	**11.4**	**0.2**	**0.3**	0.5	**0.3**	12.7

1 In 2018 increases include land areas of merged companies.

TANGIBLE ASSETS 2017

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other	Advance payments	Total
Acquisition cost at 1 Jan	9.1	0.5	3.3	0.3	0.3	13.4
Increases			0.2		0.0	0.2
Decreases	-1.5		-0.3			-1.8
Reclassifications					-0.3	-0.3
Acquisition cost at 31 Dec	7.5	0.5	3.1	0.3	0.0	11.5
Accumulated depreciation and impairment losses at 1 Jan		-0.2	-2.3			-2.5
Decreases			0.2			0.2
Depreciation for the period		0.0	-0.4			-0.5
Accumulated depreciation and impairment losses at 31 Dec		-0.2	-2.6			-2.8
Book value at 31 Dec 2017	**7.5**	**0.3**	**0.5**	**0.3**	**0.0**	**8.7**

9. Investments

INVESTMENTS 2018

EUR million	Interest in Group companies	Receivables from Group companies	Interest in associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost at 1 Jan	1,198.1	525.2	0.2	5.8	1.1	1,731.3
Increases	3.3	8.0				11.3
Decreases	-5.3	-13.8		-0.1	-1.1	-20.3
Acquisition cost at 31 Dec	1,196.1	519.4	0.2	5.7		1,722.3
Accumulated impairment losses at 1 Jan	-288.0			-0.2		-288.2
Decreases	2.0					2.0
Impairment losses for the period	-3.3			-0.6		-4.0
Accumulated impairment losses at 31 Dec	-289.3			-0.8		-290.1
Book value at 31 Dec 2018	**906.8**	**519.4**	**0.2**	**4.9**	**0.0**	**1,431.2**

INVESTMENTS 2017

EUR million	Interest in Group companies	Receivables from Group companies	Interest in associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost at 1 Jan	1,771.5	412.6	0.2	6.9	1.6	2,192.9
Increases	280.5	130.1				410.6
Decreases	-853.9	-16.5		-1.1	-0.5	-872.1
Acquisition cost at 31 Dec	1,198.1	526.1	0.2	5.8	1.1	1,731.3
Accumulated impairment losses at 1 Jan	-395.7			-0.2		-395.9
Decreases	364.6			0.1		364.7
Impairment losses for the period	-256.9	-1.0		0.0		-257.9
Accumulated impairment losses at 31 Dec	-288.0	-1.0		-0.2		-289.1
Book value at 31 Dec 2017	**910.1**	**525.2**	**0.2**	**5.6**	**1.1**	**1,442.2**

Impairment losses recognised from interest in Group companies in the financial year amounted to EUR 3.3 million (2017: 256.9).

The fair value of the subsidiary shares has been assessed based on income approach, in which the fair value of investment is calculated based on the discounted cash flow model (DCF) or the dividend discount model. Impairment need is assessed by comparing the fair value of the subsidiary shares to the book value in the parent company's balance sheet and possible write-down is booked through P/L.

10. Long-term receivables

EUR million	2018	2017
Accrued income [1]	0.1	2.7
Total	**0.1**	2.7

1 Accrued income consists of accrued financial costs of long term loans.

According to FAS transactions costs of bonds are included in accrued income. In Group's financial statements prepared accoring to IFRS these costs are transferred to net the loan amount.

11. Short-term receivables

EUR million	2018	2017
Trade receivables	3.3	8.9
Loan receivables	22.6	27.0
Other receivables	0.2	0.1
Accrued income [1]	89.0	63.7
Total	**115.1**	99.7
Receivables from Group companies		
Trade receivables	3.2	7.7
Loan receivables	22.6	27.0
Accrued income	82.9	58.2
Total	**108.7**	92.9

1 Most significant items under accrued items are the Group contributions and interest income accruals.

12. Shareholders' equity

EUR million	2018	2017
Restricted equity		
Share capital at 1 Jan	71.3	71.3
Share capital at 31 Dec	71.3	71.3
Restricted equity 31 Dec	**71.3**	71.3
Unrestricted equity		
Treasury shares at 1 Jan	-1.4	-2.1
Purchase of treasury shares	-7.7	
Shares delivered	0.7	0.7
Treasury shares at 31 Dec	-8.4	-1.4
Fund for invested unrestricted equity at 1 Jan	209.8	203.3
Share subscription with options		6.4
Fund for invested unrestricted equity at 31 Dec	209.8	209.8
Retained earnings at 1 Jan	463.7	336.0
Adjustment to opening retained earnings [1]		1.2
Dividends paid	-57.1	-32.5
Share-based compensation	2.1	1.8
Shares delivered	0.5	0.3
Other changes		0.0
Retained earnings at 31 Dec	409.2	306.8
Profit (loss) for the year	84.7	156.9
Unrestricted equity 31 Dec	**695.3**	672.0
Total	**766.6**	743.3

1 Adjustments to opening retained earnings are related to change in accounting policy related to share-based payments and derivates

Further information on share capital is presented in Note 19 to the Financial Statements.

DISTRIBUTABLE EARNINGS

EUR million	2018	2017
Treasury shares	-8.4	-1.4
Fund for invested unrestricted equity	209.8	209.8
Retained earnings	409.2	306.8
Profit (loss) for the year	84.7	156.9
Total	**695.3**	672.0

13. Appropriations

EUR million	2018	2017
Cumulative depreciation differences	0.7	1.0
Total	**0.7**	1.0

Appropriations in the income statement include group contributions and change in cumulative depreciation differences.

14. Non-current liabilities

EUR million	2018	2017
Debentures		200.0
Accrued expenses	0.5	0.6
Total	**0.5**	200.6

15. Current liabilities

EUR million	2018	2017
Debentures	200.0	
Loans from financial institutions	0.4	52.0
Commercial papers	147.5	148.6
Trade payables	14.6	15.4
Accrued expenses [1]	18.4	23.0
Other liabilities	419.7	379.4
Total	**800.7**	618.3
Liabilities to Group companies		
Trade payables	5.6	6.5
Accrued expenses	0.4	4.4
Other liabilities	419.6	379.0
Total	**425.7**	390.0

1 Most significant items under accrued items are related to expense accruals and accrued personnel expenses.

16. Contingent liabilities

EUR million	2018	2017
Contingencies for own commitments		
Other contingent liability for own commitments	15.0	24.8
Total	**15.0**	24.8
Contingencies incurred on behalf of Group companies		
Guarantees [1]	186.0	188.2
Total	**186.0**	188.2
Other liabilities	26.5	13.6
Total	**26.5**	13.6
Total	**227.4**	226.6

1 Includes the lease guarantee of Sanomala real estate sold in January 2014 for amount of EUR 54.9 million.

NOMINAL VALUES OF DERIVATIVES

EUR million	2018	2017
Currency derivatives		
Forward exchange contracts, external	6.8	66.4
Forward exchange contracts, internal	-6.6	-4.8
Total	**0.1**	61.6

FAIRVALUES OF DERIVATIVES

EUR million	2018	2017
Currency derivatives		
Forward exchange contracts, external	0.0	-0.6
Forward exchange contracts, internal	-0.2	0.0
Total	**-0.1**	-0.6

Board's proposal for distribution of profits

The retained earnings of the parent company Sanoma Corporation according to the balance sheet as at 31 December 2018 were EUR 485,531,718.03 of which the profit for the financial year 2018 was EUR 84,700,304.31 and treasury shares EUR -8,410,813.41. Including the fund for non-restricted equity of EUR 209,767,212.33 the distributable funds amounted to EUR 695,298,930.36 at 31 December 2018.

The Board of Directors will propose to the Annual General Meeting that

■ a dividend of EUR 0.45 per share shall be paid	EUR 73,126,966.50 *
■ the following amount shall be transferred to the donation reserve and used at the Board's discretion	EUR 350,000.00
■ shareholders' equity shall be set at	EUR 621,821,963.86

No essential changes have taken place in the financial status of the Company after the financial year. The Company's liquidity is good and according to the Board of Directors the proposed dividend will not compromise the Company's liquidity.

* The dividend will be paid in two instalments. The first instalment of EUR 0.25 per share will be paid to a shareholder who is registered in the shareholders' register of the company maintained by the Euroclear Finland Ltd on the dividend record date set by the Board for payment of the dividend, Friday 29 March 2019. The Board will propose to the Annual General Meeting that the dividend will be paid on Friday 5 April 2019.

The second instalment of EUR 0.20 per share will be paid in November 2019 to a shareholder who is registered in the shareholders' register of the company maintained by the Euroclear Finland Ltd on the dividend record date, which, together with the payment date, will be decided by the Board in its meeting scheduled for 24 October 2019. The estimated dividend record date for the second instalment would be 28 October 2019 and the dividend payment date 4 November 2019.

Signatures to the Financial Statements and the Board of Directors' Report

Helsinki, 5 February 2019

Pekka Ala-Pietilä
Chairman

Antti Herlin
Vice Chairman

Anne Brunila

Mika Ihamuotila

Nils Ittonen

Denise Koopmans

Robin Langenskiöld

Rafaela Seppälä

Kai Öistämö

Susan Duinhoven
President and CEO

Auditor's note

A report on the audit carried out has been submitted today.
Helsinki, 1 March 2019

PricewaterhouseCoopers Oy
Authorized Public Accountants

Samuli Perälä
APA

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Sanoma Corporation

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Sanoma Corporation (business identity code 1524361-1) for the year ended 31 December 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, cash flows statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

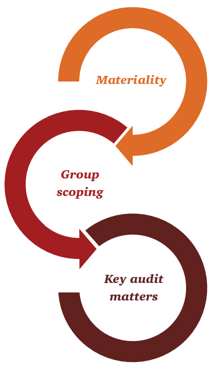
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6 to the Financial Statements.

Our Audit Approach

Overview



- We have applied an overall group materiality of 10 350 000 euros.
- The group audit scope encompassed the most significant group companies and covers the vast majority of group's revenues, assets and liabilities.
- Valuation of goodwill
- Valuation of TV broadcasting rights and prepublication rights included in intangible assets
- Revenue recognition
- Accounting for changes in group structure
- Valuation of interests in group companies and receivables from group companies in the Parent Company's financial statements

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	10 350 000 euros
How we determined it	We used a combination of total revenues and profit before tax as benchmarks to determine overall group materiality.
Rationale for the materiality benchmark applied	We determined that total revenue and profit before tax as a combination provide a suitable representation of the volume of Sanoma's operations and profitability

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Sanoma Group includes three reportable segments: Sanoma Media Netherlands, Sanoma Media Finland and Sanoma Learning. Majority of the continuing operations of Sanoma Media Netherlands are in the Netherlands. Sanoma Learning's main markets are Poland, the Netherlands, Finland, Belgium and Sweden. We have scoped our audit to obtain sufficient audit coverage of Sanoma Group consolidated financial statements. In addition, we have performed specific audit procedures related to the income statement of the divested Belgian women's magazine portfolio for the period it has been consolidated to Sanoma Group consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of goodwill	
Refer to Accounting policies for consolidated financial statements and Note 12 Goodwill in the group's balance sheet amounted to EUR 936 million as of 31 December, 2018. Goodwill is not amortised but tested at least once a year for possible impairment. For the purpose of impairment testing, goodwill has been allocated to three cash flow generating units (CGU): ▪ Sanoma Media Finland, goodwill of EUR 83 million ▪ Sanoma Media Netherlands, goodwill of EUR 576 million ▪ Sanoma Learning, goodwill of EUR 277 million. The goodwill impairment testing is carried out by determining the present value of future cash flows of the CGUs. This assessment involves considerable management judgment with respect to assumptions used in the cash flow projections specifically relating to the long-term growth rate, profitability level and discount rate. The valuation of goodwill is considered a key audit matter due to its financial significance as well as due to the management judgement involved in the valuation.	Our audit procedures included, for example, the following: ▪ We obtained an understanding of the methodology used in the goodwill impairment testing ▪ We tested the mathematical accuracy of the calculations ▪ We assessed the reasonableness of the estimated future profitability levels and their consistency with the approved budgets and forecasts ▪ We involved our valuation experts to test the reasonableness of the discount rates, the long term growth rates and other assumptions by e.g. comparing the inputs to observable market data ▪ We tested management's sensitivity analysis to ascertain the extent of change in key assumptions that either individually or collectively could result in an impairment of goodwill ▪ We assessed the adequacy of the disclosures.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of TV broadcasting rights and prepublication rights included in intangible assets	
Refer to Accounting policies for consolidated financial statements and Note 12	
As of December 31, 2018 the TV broadcasting rights amount to EUR 24 million and the prepublication rights to EUR 63 million. The cost of TV broadcasting rights is recognised in intangible assets and amortised based on broadcasting runs. The prepublication rights of learning materials and solutions are mostly internally generated intangible assets that are amortised over their useful lives. The group reviews the carrying values of these intangible assets to determine that they do not exceed the estimated future economic benefits. Valuation of these intangible assets is considered a key audit matter due to management judgement involved in determining the amortization methods and in assessing the recoverability of these assets.	Our audit procedures included, for example, the following: ■ We obtained an understanding of the accounting and valuation principles of the TV broadcasting rights and prepublication rights ■ We tested, on sample basis, the adequacy and correctness of the amortization methods for TV broadcasting rights based on the broadcasting runs ■ We evaluated the management's estimate of the amortization period used for the prepublication rights ■ We evaluated management's estimate of the future economic benefits of these assets ■ We tested, on a sample basis, additions to the prepublication rights.
Revenue recognition	
Refer to Note 3 in the consolidated financial statements	
The group's total net sales from continued and discontinued operations amount to EUR 1,352 million. The group's main revenue streams include magazine and newspaper publishing (circulation sales and advertising sales), TV and Radio operations, online and mobile revenues, events and learning solutions. Revenue recognition principles vary depending on the nature of the revenue stream. Revenue recognition is considered a key audit matter due to the significance for revenue to the financial statements and due to management judgement involved in selecting the appropriate revenue recognition method for the different revenue streams.	Our audit procedures included, for example, the following: ■ We obtained an understanding of the company's revenue recognition policies and compared these to the respective standards on revenue recognition ■ We tested the internal controls that the company uses to assess the completeness, accuracy and timing of revenue recognized ■ We tested revenue transactions on a sample basis ■ We tested, on a sample basis, revenue related balances in the balance sheet, such as provision for returns and advances received.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Accounting for changes in group structure	
Refer to Accounting policies for consolidated financial statements and Note 26 and 27	
The group has announced several acquisitions and divestments during the financial year, the most significant being the divestment of the Belgian women's magazine portfolio. This transaction has been presented as a discontinued operation . Accounting for changes in group structure is considered a key audit matter due to their significance to the financial statements and due to the significant management judgment involved in the classification and accounting treatment of the transactions.	Our audit procedures included, for example, the following: ■ We obtained an understanding of the company's accounting policies for acquisitions and divestments ■ We assessed management's application of the accounting policies and the assumptions related to the accounting treatment of the significant divestments and acquisitions ■ We tested the gain or loss of significant divestments and the impact of the transaction on the non-controlling interest and goodwill ■ We tested, on a sample basis, the appropriate disclosure of the discontinued operations in the financial statements.
Valuation of interests in group companies and receivables from group companies in the Parent Company's financial statements	
Refer to the Parent Company's accounting policies and Note 9	
The investments in group companies' shares amounts to EUR 907 million . The Parent Company's investments include also EUR 519 million of receivables from group companies. Interest in group companies is tested for impairment annually using the income approach. In applying this approach the fair value of an investment is calculated based on the discounted cash flow model or the discounted dividend model. Valuation of interests in group companies and receivables from group companies is considered a key audit matter in the audit of the Parent Company due to the significance of these investments to the financial statements and due to management judgement involved in the income approach used to test the valuation of these investments.	Our audit procedures included, for example, the following: ■ We assessed the reasonableness of management assumptions relating to the estimated future results by e.g. checking their consistency with the approved budgets and forecasts ■ We involved our valuation experts to assess the inputs and methodology in determining the discount rates, and in evaluating the long-term growth rates by e.g. comparing the inputs to observable market data ■ We reviewed the Parent Company's disclosures in respect of the impairment testing.

We have not identified significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 21 March 2017.

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Review, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other statements

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki 1 March 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

Corporate Governance Statement

Corporate Governance Statement

Sanoma Corporation (the 'Company' or 'Sanoma') complies with the Finnish Corporate Governance Code (the 'Code') issued by the Securities Market Association in 2015. This Corporate Governance Statement ('Statement') has been prepared in accordance with the Code.

The Statement has been reviewed by Sanoma's Audit Committee. The statutory auditors of Sanoma have checked that the Statement has been issued and that its description of the main features of internal control and risk management systems related to the financial reporting process complies with the financial statements of the Company. This Statement is presented as a separate report from the Board of Directors' Report.

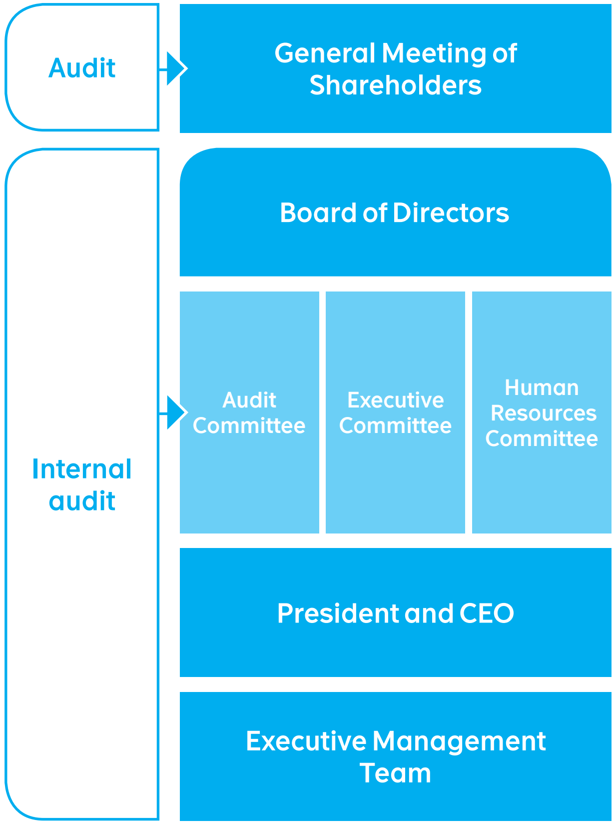
More information on the remuneration principles of the Board of Directors, the President and CEO and the Executive Management Team is available on a separate Remuneration Statement, prepared in accordance with the Code.

The Finnish Corporate Governance Code is available at cgcode.fi.

Updated information on Sanoma's governance is available on the Company's website under (Investors > Corporate Governance) sanoma.com/investors/corporate-governance/.

Corporate Governance Structure

In its operations and governance, Sanoma follows laws and regulations applicable in its operating countries, ethical guidelines set by the Sanoma Code of Conduct as well as the Group's internal policies and standards. Sanoma's administrative bodies are the General Meeting of Shareholders, the Board of Directors ('Board') and its committees, the President and CEO and the Executive Management Team ('EMT').



Board of Directors

Election and term

In accordance with the Articles of Association of Sanoma, the Board shall be composed of five to eleven members elected by the General Meeting. The General Meeting also elects the Chairman and the Vice Chairman of the Board.

The term of a member of the Board begins at the end of the AGM in which he or she has been elected and expires at the end of the AGM following the election.

Sanoma has not established a Nomination Committee, but the largest shareholders of Sanoma may propose new members to the Board based on applicable rules and regulations, including the Finnish Corporate Governance Code.

Composition, independence and diversity

The members of the Board shall have the qualifications and experience necessary to perform their duties as well as the possibility to devote sufficient time for the Board work. They shall also meet the independence and other requirements applicable to publicly listed companies in Finland. Both genders shall be represented in the Board.

In order to ensure that the Board has sufficient and versatile competencies, mutually complementing experience and knowledge of the industry, the Board considers a range of diversity aspects, such as business experience, international experience, age, education and gender, when preparing its proposal of the composition of the Board to the AGM.

Matters related to the diversity of the Board are defined in the Group's Diversity Policy, approved by the Board.

At the end of 2018, 33% of the Board members were women. During 2012–2017, the share of women in the Board has varied between 30–50%. Sanoma has Board members with versatile business experience, both from Finland and the Netherlands.

All members of the Board elected in the AGM 2018 are non-executive and independent of the Company. Seven out of nine members are also independent of major shareholders.

The following members were elected to the Board of Directors at the AGM 2018: Pekka Ala-Pietilä, Antti Herlin, Anne Brunila, Mika Ihamuotila, Nils Ittonen, Denise Koopmans, Robin Langenskiöld, Rafaela Seppälä and Kai Öistämö.

Board of Directors

Pekka Ala-Pietilä (Chairman)

- Born 1957, Finnish citizen
- Independent of the company and major shareholders
- Chairman of the Board of Sanoma since 2016
- Sanoma Board member since 2014, term ends in 2019
- Member of the Executive Committee
- Education: M.Sc. (Econ.), D.Sc. (Tech.) h.c., D.Sc. (Econ.) h.c.
- Main occupation: Huhtamäki Oyj, Chairman of the Board
- Primary work experience: Blyk Services Oy, co-founder and CEO 2006–2012; Nokia Corporation, various positions 1984–2005, among others as President 1999–2005, Nokia Mobile Phones, President, 1992–1998 and Group Executive Board Member 1992–2005
- Key board memberships: Huhtamäki Oyj (Chairman), SAP AG (Supervisory Board), Netcompany Group A/S (Chairman)

Antti Herlin (Vice Chairman)

- Born 1956, Finnish citizen
- Independent of the company
- Vice Chairman of the Board of Sanoma since 2016
- Sanoma Board member since 2010, term ends in 2019
- Member of the Executive Committee
- Education: D.Sc. (Econ.) h.c. (The State University of Economics and Finance of St. Petersburg), D.Sc. (Econ.) h.c. (Helsinki School of Economics), D.Sc. (Art and Design) h.c. (University of Art and Design Helsinki), D.Sc. (Tech.) h.c. (The Aalto University school of technology)
- Main occupation: KONE Corporation, Chairman of the Board
- Primary work experience: KONE Corporation, Vice Chairman of the Board 1996–2003 and CEO 1996–2006
- Key board memberships: KONE Corporation (Chairman), Caverion Corporation, Holding Manutas Oy (Chairman), Security Trading Oy (Chairman), Thorsvik Invest Oy (Chairman)
- Other board memberships or positions of trust: KONE Corporation Centennial Foundation (Chairman), Tiina & Antti Herlin Foundation (Chairman), Archive Foundation of the President of Finland

Anne Brunila

- Born 1957, Finnish citizen
- Independent of the company and major shareholders
- Sanoma Board member since 2013, term ends in 2019
- Chairman of the Audit Committee
- Education: Ph. D. (Econ.), D.Sc. (Econ.) h.c.
- Main occupation: Professor of Practice, Hanken School of Economics (until 31.12.2018)
- Primary work experience: Fortum, Executive Vice President, Corporate Relations and Strategy, and Member of the Management Team 2009–2012; the Finnish Forest Industries Federation, President and CEO 2006–2009; the Finnish Ministry of Finance 2002–2006, e.g. Director General 2003–2006; several advisory and executive positions in the European Commission 2000–2002 and in Bank of Finland 1992–2000
- Key board memberships: KONE Corporation, Stora Enso Oyj
- Other board memberships or positions of trust: Aalto University Board (Chair) (until 31.12.2018)

Mika Ihamuotila

- Born 1964, Finnish citizen
- Independent of the company and major shareholders
- Sanoma board member since 2013, term ends in 2019
- Member of the Human Resources Committee
- Education: Ph.D. (Econ.)
- Main occupation: Marimekko Corporation, Executive Chairman of the Board
- Primary work experience: Marimekko Corporation, Chairman of the Board and CEO 2015–2016, President and CEO and Vice Chairman of the Board 2008–2015; Sampo Bank Plc, President and CEO 2001–2007; Mandatum Bank Plc, President and CEO 2000–2001, Executive Director 1998–2000; Mandatum & Co Ltd, Partner 1994–1998, Yale University, Visiting scholar 1992–1993
- Key board memberships: Marimekko Corporation (Executive Chairman), Rovio Entertainment Ltd. (Chairman), Mannerheim Foundation (Chairman)
- Other board memberships or positions of trust: Foundation for Economic Education, Finnish Cultural Foundation (Supervisory Board)

Nils Ittonen

- Born 1954, Finnish citizen
- Independent of the company
- Sanoma Board member since 2014, term ends in 2019
- Member of the Audit Committee and the Executive Committee
- Education: B.Sc. (Econ.)
- Main occupation: -
- Primary work experience: Sanoma Group, various positions, including Senior Vice President of Group Treasury, Real Estate and Risk Management 1977–2010, Member of the Executive Management Group 1999–2007
- Key positions of trust: Jane and Aatos Erkko Foundation (Chairman)

Denise Koopmans

- Born 1962, Dutch citizen
- Independent of the company and major shareholders
- Sanoma Board member since 2015, term ends in 2019
- Member of the Audit Committee
- Education: LL.M., AMP Harvard Business School, IDP-C Insead
- Main occupation: Independent Board Director
- Primary work experience: Wolters Kluwer Law & Business, Managing Director of the Legal & Regulatory Division 2011–2015; LexisNexis Business Information Solutions, CEO and LexisNexis International, member of the Senior Leadership team 2007–2011; Altran Group, various senior executive roles 2000–2007
- Key board memberships: UDG United Digital Group (Chairman), Coöperatie VGZ (Supervisory Board), Janssen de Jong Groep B.V. (Supervisory Board), Wenk (Supervisory Board)

Robin Langenskiöld

- Born 1946, Finnish citizen
- Independent of the company and major shareholders
- Board member since 2013, term ends in 2019
- Member of the Audit Committee
- Education: B.Sc. (Econ.)
- Main occupation: -
- Primary work experience: Sanoma Osakeyhtiö, Member of the Board 1990–1999; Sanoma WSOY Corporation, Member of the Board 1999–2008
- Key board memberships: -

Rafaela Seppälä

- Born 1954, Finnish citizen
- Independent of the company and major shareholders
- Sanoma Board member since 2008, term ends in 2019
- Member of the Human Resources Committee
- Education: M.Sc. (Journalism), Columbia University School of Journalism
- Main occupation: -
- Primary work experience: SanomaWSOY, Member of the Board 1999–2003; Lehtikuva Oy, President 2001–2004; Helsinki Media Company Oy, Project Manager 1994–2000, Sanoma Osakeyhtiö, Member of the Board 1994–1999
- Key board memberships: Finnish National Gallery, Globart Projects Oy (Chairman), Globart Projects Sweden AB (Chairman)
- Other board memberships or positions of trust: ELO Foundation for the Promotion of Finnish Food Culture

Kai Öistämö

- Born 1964, Finnish citizen
- Independent of the company and major shareholders
- Sanoma Board member since 2011, term ends in 2019
- Chairman of the Human Resources Committee
- Education: Ph.D. (Tech.), M.Sc. (Eng.)
- Main occupation: Chief Operating Officer, InterDigital, Inc.
- Primary work experience: -
- Key board memberships: Fastems Oy (Chairman), Helvar Oy (Chairman)

SANOMA SHARES OWNED BY THE MEMBERS OF THE BOARD

Board member	Shareholding [1] at 31 December 2018
Pekka Ala-Pietilä (Chairman)	10,000
Antti Herlin (Vice Chairman)	19,506,800
Anne Brunila	910
Mika Ihamuotila	150,000
Nils Ittonen	59,000
Denise Koopmans	0
Robin Langenskiöld	12,273,371
Rafaela Seppälä	10,273,370
Kai Öistämö	8,265

1 Shares owned by the Board members and the corporations over which the member exercises control.

Duties of the board of directors

The duties of the Board are set forth in the Finnish Companies Act and other applicable legislation. The Board is responsible for the management of the Company and its business operations. In addition, the Board is responsible for the appropriate arrangement of the control of the Company's bookkeeping and financial administration.

The operating principles and main duties of the Board have been defined in the Charter of the Board of Directors. The Board, for example,

- decides on the long-term goals and business strategy of the Group for achieving the long-term goals;
- approves the Group's reporting structure;
- decides on acquisitions and divestments, financial matters and investments, which have a value exceeding EUR 5.0 million, or are otherwise strategically significant, or involve significant risks, or relate to divestment, lay-off or termination of employment of 100 employees or more (for the time being, the Board has delegated its decision-making authority to the President and CEO on acquisitions and divestments, financial matters and investments which have a value exceeding EUR 0.5 million but below EUR 5.0 million);
- ensures the adequacy of planning, internal control and risk management systems and reporting procedures;
- performs reviews and follow-ups of the operations and performance of the Group companies;
- approves the Interim Reports, the Half-Year Report, the Financial Statements and the Board of Directors' Report as well as the Corporate Governance Statement and the Remuneration Statement of the Company;
- appoints and dismisses as well as decides on the remuneration of
  - the President and CEO,
  - his or her deputy,
  - the CEOs of the SBUs,
  - members of the EMT and
  - certain executive positions as determined by the Board;
- confirms the Group's values; and
- approves the Group's key policies.

In order to develop its performance, the Board conducts an evaluation of its operations and working methods on an annual basis. The purpose of the evaluation is also to assess the composition of the Board and define qualifications for the possible new Board members. The evaluation may be done as an internal self-assessment or by using an external evaluator.

Board meetings

During 2018, the Board convened 12 times with an average attendance rate of 94%.

MEMBERS' ATTENDANCE AT BOARD MEETINGS

Board member	# of meetings attended	Attendance rate, %
Pekka Ala-Pietilä (Chairman)	12/12	100
Antti Herlin (Vice Chairman)	10/12	83
Anne Brunila	10/12	83
Mika Ihamuotila	11/12	92
Nils Ittonen	11/12	92
Denise Koopmans	12/12	100
Robin Langenskiöld	12/12	100
Rafaela Seppälä	12/12	100
Kai Öistämö	11/12	92

Board's committees

The Board may appoint committees, executive committees and other permanent or fixed-term bodies to focus on certain duties assigned by the Board. The Board confirms the charter of these committees and provides the policies given to other bodies appointed by the Board. The committees report regularly to the Board.

The Board has an Executive Committee that prepares proposals for matters to be decided or noted by the Board. In addition, the Board has an Audit Committee and a Human Resources Committee.

The members of the committees are appointed among the members of the Board in accordance with the charter of the respective committee. In addition to Board members, the President and CEO is a member of the Executive Committee. The committees are neither decision-making nor executive bodies, but the Board can, if it so decides, delegate certain decision-making authority to the Committees or the President and CEO.

EXECUTIVE COMMITTEE

The Executive Committee prepares matters to be considered at the Board meetings. The Executive Committee consists of the Chairman and Vice Chairman of the Board, the President and CEO and, at the Chairman's invitation, one or several members of the Board.

In 2018, the Executive Committee comprised Pekka Ala-Pietilä (Chairman), Antti Herlin, Nils Ittonen and Susan Duinhoven. The Executive Committee convened six (6) times in 2018, with an average attendance rate of 100%.

MEMBERS' ATTENDANCE AT EXECUTIVE COMMITTEE MEETINGS

Board member	# of meetings attended	Attendance rate, %
Pekka Ala-Pietilä (Chairman)	6/6	100
Antti Herlin	6/6	100
Nils Ittonen	6/6	100
Susan Duinhoven	6/6	100

AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its oversight responsibilities for matters pertaining to financial reporting and control, risk management, external audit and internal audit, in accordance with the charter approved by the Board, the Finnish Corporate Governance Code as well as applicable laws and regulations. The Audit Committee also reviews the Corporate Governance Statement.

During 2018, the Audit Committee

- approved the annual schedule for the Audit Committee
- discussed distributable funds, dividend and the outlook for 2018
- reviewed the Corporate Governance Statement and recommended its approval to the Board
- proposed certain amendments to the Audit Committee Charter
- discussed interest rate hedging and proposed to the Board temporary change to the maximum hedging ratio
- made a recommendation to the Board on the appointment of the statutory auditor
- reviewed or noted regular compliance updates
- reviewed the audit plan as well as audit and non-audit fees
- reviewed reports prepared by the auditors including additional report to the Audit Committee in accordance with EU-regulation 537/2014
- reviewed the draft of the Statement of Non-Financial Information 2017
- discussed accounting principles and changes in IFRS standards
- reviewed the results of the Related Party Assessment
- reviewed and discussed tax matters
- reviewed and approved the internal audit plan and followed up on its progress (including audit assurance updates)
- reviewed or noted quarterly claim overviews to assess litigation risks
- reviewed or noted information security and privacy reports (including data retention and privacy and security compliance in supplier management)
- followed the progress of internal controls (including segregation of duties)
- reviewed the interim reports, half-year report and related investor presentations
- reviewed impairment calculations and recommended their approval to the Board
- reviewed the Group Contribution plan
- reviewed or noted quarterly reports on treasury matters and mid- and long-term refinancing and funding plans as well as internal credit limits
- noted an update on the risk map
- noted and discussed ERM risk analyses including identified risks and mitigation plans
- noted an update on Group insurance policies
- reviewed proposed changes to Approval limits, the Insider Policy, the Privacy and Data Protection Policy and Related Party Policy and proposed recommendation of the same to the Board and
- reviewed insurance audit results and followed-up tender process for Cyber Insurance

In accordance with its Charter, the Audit Committee comprises three to five members, appointed annually by the Board. Members of the Committee shall be independent of the Company, and at least one member shall also be independent of significant shareholders. The Committee meets at least four times a year.

In 2018, the Audit Committee comprised Anne Brunila (Chairman), Nils Ittonen, Denise Koopmans and Robin Langenskiöld. All members of the Committee are independent of the Company and three members (Anne Brunila, Denise Koopmans and Robin Langenskiöld) independent of significant shareholders of the Company. The Audit Committee convened four (4) times in 2018, with an average attendance rate of 100%.

MEMBERS' ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Board member	# of meetings attended	Attendance rate, %
Anne Brunila (Chairman)	4/4	100
Nils Ittonen	4/4	100
Denise Koopmans	4/4	100
Robin Langenskiöld	4/4	100

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is responsible for preparing human resources matters related to the compensation of the President and CEO and key executives, evaluation of the performance of the President and CEO and key executives, Group compensation policies, Human Resources policies and practices, development and succession plans for the President and CEO as well as key executives and other preparatory tasks as may be assigned to it from time to time by the Board and/or the Chairman of the Board. In addition, the Committee discusses the composition and succession of the Board.

During 2018, the Human Resources Committee

- submitted the realisation of 2017 short-term and long-term incentive targets to the Board for approval
- submitted the pay-out of long-term incentive plans (50% of Restricted Share Plan 2015–2017 and 50% of Restricted Share Plan 2016–2018) to the Board for approval
- discussed and submitted the performance targets for the Performance Share Plans 2018–2020 and 2019–2021 to the Board for approval
- prepared the proposal for 2018 long-term incentive grants for Key Executives to the Board for approval
- discussed 2019 salary review principles of the senior management
- reviewed the long-term incentive principles and the short-term incentive framework
- discussed the annual targets for Key Executives and submitted them to the Board for approval

- discussed organisational changes as well as top-level leadership appointments and related compensation packages with the management
- discussed the succession plans for top management positions
- discussed the employee engagement survey results and actions based on the results with management
- reviewed and discussed Board remuneration, especially possible use of shares in Board remuneration
- discussed the preparations for say-on-pay (EU Shareholders' Rights Directive) with management, and
- reviewed and discussed with the management of remuneration reporting.

The Human Resources Committee comprises three to five members, who are appointed annually by the Board. The majority of the members shall be independent of the Company. The Committee meets at least twice a year.

In 2018, the Human Resources Committee comprised Kai Öistämö (Chairman), Mika Ihamuotila and Rafaela Seppälä. All members of the Committee are independent of the Company and major shareholders of the Company. The Human Resources Committee convened four (4) times with an average attendance rate of 100%.

MEMBERS' ATTENDANCE AT HUMAN RESOURCES COMMITTEE MEETINGS

Board member	# of meetings attended	Attendance rate, %
Kai Öistämö (Chairman)	4/4	100
Mika Ihamuotila	4/4	100
Rafaela Seppälä	4/4	100

President and CEO

The duties of the President and CEO of Sanoma are governed primarily by the Finnish Companies Act. The President and CEO assumes independent responsibility for the Group's daily operations, in line with the following duties, for example:

- ensuring the Company's accounts comply with the law and its financial affairs have been arranged in a reliable manner
- managing the Group's daily operations in line with the long-term goals and business strategy of the Group approved by the Board and in accordance with the general policies adopted by the Board and other applicable guidelines and decisions
- deciding on acquisitions and divestments, as well as financial matters and investments, which have a value exceeding EUR 0.5 million but below EUR 5.0 million or relate to the divestment, lay-off or termination of employment of more than 50 but less than 100 employees
- preparing decision proposals and matters for information for the meetings of the Board (together with the Chairman of the Board and/or the Executive Committee) and presenting these matters and the agenda to the Board and its Committees
- approving Group-level standards
- chairing Sanoma's EMT

The President and CEO may take extraordinary or wide-ranging actions only under a separate authorisation from the Board, or when the time delay involved in waiting for a decision from the Board would cause substantial losses to Sanoma.

Susan Duinhoven has served as the President and CEO of Sanoma Corporation since 1 October 2015.

Susan Duinhoven
President and CEO

- Born 1965, Dutch citizen
- Chairman of the EMT since 2015
- Member of the Executive Committee
- Education: Ph.D. (Physical Chemistry), B.Sc. (Physical Chemistry)
- Work experience: Koninklijke Wegener N.V., CEO and Chairman of the Executive Board 2013–2015; Thomas Cook Group Plc, CEO of Western Europe 2012–2013; Thomas Cook Nederland B.V., CEO 2010–2011; Reader's Digest, Managing Director of Benelux & New Acquisitions Europe 2008–2010; De Gule Sider A/S, CEO 2005–2007; De Telefoongids, COO & Marketing Director 2002–2005

Executive Management Team

Markus Holm
CFO and COO

- Born 1967, Finnish citizen
- Member of the EMT since 2017
- Education: M.Sc. (Econ.)
- Work experience: Metsä Board Corporation, CFO 2014–2016; Metsä Tissue Corporation, CFO 2008–2013; GlaxoSmithKline Oy, Finance and ICT Director 2005–2008; Huhtamaki Group, various managerial positions in finance, treasury, global sourcing and investor relations in 1994–2004 in Finland and 1999–2002 in Brazil

Pia Kalsta
CEO, Sanoma Media Finland

- Born 1970, Finnish citizen
- Member of the EMT since 2015
- Education: M.Sc. (Econ.)
- Work experience: Nelonen Media (part of Sanoma Group) 2001–2015, e.g. President 2014–2015, President, acting 2013–2014, Senior Vice President, Head of Consumer Business, Marketing & Business Development 2012–2013, Senior Vice President, Sales and Marketing 2008–2012, Vice President, Sales 2006–2008, Marketing Manager 2001–2006; SCA Hygiene Products (Finland) 1996–2001, several positions e.g. Key Account Manager, Product Manager and Marketing Manager

John Martin
CEO, Sanoma Learning

- Born 1970, British citizen
- Member of the EMT since 2011
- Education: Ph.D. (Molecular Biology), B.Sc. (Hons) (Biochemistry)
- Work experience: Sanoma Digital, CEO acting 2014, Chief Strategy & Digital Officer 2011–2013, Chief Operating Officer, Learning at Sanoma Learning 2009–2011; ContentConnected, consulting on online publishing and information services, several positions 2006–2009; Swets Information Services, Chief Commercial Officer in the Executive Board 2004–2006; Swets & Zeitlinger Publishers, Managing Director 2001–2003; Swets and Wolters Kluwer, various roles in scientific publishing 1996–2001

Executive Management Team

The EMT supports the President and CEO in his or her duties in coordinating the Group's management and preparing matters to be discussed at Board meetings. The matters include e.g.

- long-term goals of the Group and its business strategy for achieving them
- acquisitions and divestments
- organisational and management issues
- development projects
- internal control
- risk management systems

The EMT is chaired by the President and CEO. In 2018, the EMT comprised the President and CEO, the CEOs of Sanoma Media Finland, Sanoma Media Netherlands and Sanoma Learning, as well as the Chief Financial Officer and Chief Operating Officer (CFO and COO) of Sanoma Group.

The following persons served as members of the EMT at the end of 2018: Susan Duinhoven, Markus Holm, Pia Kalsta and John Martin.

Marc Duijndam was the CEO of Sanoma Media Netherlands and member of Sanoma's EMT from 1 January to 15 August 2018. Susan Duinhoven, the President and CEO of Sanoma Corporation, acted as the interim CEO of Sanoma Media Netherlands in addition to her regular duties between 15 August and 31 December 2018.

Rob Kolkman, born 1972, was appointed **CEO of Sanoma Media Netherlands** and member of Sanoma's EMT as of 1 January 2019.

SANOMA SHARES OWNED BY THE PRESIDENT AND CEO AND THE MEMBERS OF EMT

Member	Shareholding at 31 December 2018
Susan Duinhoven	75,000
Markus Holm	25,795
Pia Kalsta	3,573
John Martin	13,873

Risk management and internal control

The management of Sanoma Group and its businesses is based on a clear organisational structure, well-defined areas of authority and responsibility, common planning and reporting systems as well as policies and guidelines. The roles and responsibilities of different administrative bodies in risk management and internal control are explained in the table below.

Risk management

The main objective of the risk management of Sanoma is to identify and manage essential risks related to the execution of the Group's strategy and operations. The Risk Management Policy defines Group-wide risk management principles, objectives and responsibilities.

Risk management is integrated in Sanoma's management, strategic planning and internal control system, and covers all risk categories at Group, SBU and entity levels. The risk management process includes the following phases:

1. Setting strategic, operational, reporting and compliance objectives on the Group, SBU and business levels
2. Identification and assessment of risks affecting the achievement of objectives by using a risk framework
3. Defining risk management activities for key risks
4. Implementation of risk management activities (e.g. asset allocation, control activities, insuring, hedging or divestitures)
5. Monitoring the performance and efficiency of the risk management
6. Continuous improvement of the risk management processes, performance and capabilities
7. Reporting of updated risk assessment results with related ongoing or planned mitigation actions to the Audit Committee and further to the Board of Directors twice a year. The reporting includes identification and assessment of key risks and summary of risk management activities for each SBU, business, and selected subsidiaries. The reporting shall be linked as much as possible to the quarterly reporting and strategic planning processes.

More information on the most significant risks that could have a negative impact on Sanoma's business, performance, or financial status are described in the Board of Directors' Report 2018, available at sanoma.com.

Internal controls

Sanoma's Internal Control Policy defines the internal control process applied in the Group. Internal controls are in line with the Corporate Governance Framework, and aim to assure that all Group policies and standards are up to date, communicated and implemented.

ROLES AND RESPONSIBILITIES

	Risk management	Internal control
Board of Directors	■ approval of Risk Management Policy ■ overseeing the effectiveness of risk management ■ aligning the strategic objectives and risk appetite of the company	■ approval of Internal Controls Policy
Audit Committee	■ reviews and monitors the implementation of the policy and the risk management process	■ reviews the reliability, effectiveness and compliance with Sanoma's Corporate Governance Framework of internal control systems ■ monitors matters related to statutory audit and internal audit
President and CEO	■ defining risk management strategies and procedures ■ setting priorities for risk management	■ sets the ground for the internal control environment by executing policies and standards ■ the EMT supports the President and CEO in his/her oversight role and in assuring compliance
Audit and Assurance function	■ coordinates the risk management process ■ produces risk reports ■ evaluates and provide recommendations for improvement on risk management	■ supports the President and CEO in ensuring the compliance of financial reporting with Group requirements by, for example, evaluating and providing recommendations for improvement on internal control ■ compiles reports on internal control to the Board of Directors, Audit Committee and/or the President and CEO and the EMT
SBUs	■ aligning the risk management guidelines, procedures and strategies with the Group ■ identifying, measuring, reporting and managing risks	■ ensuring that Sanoma policies and standards are implemented and followed in their business ■ reflecting possible local requirements in the implementation

Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations.

The process includes objective setting, control design and implementation, operating effectiveness testing, monitoring and continuous improvement, and reporting.

Internal controls consist of entity-level, process-level and IT controls. Entity-level controls are applied on all levels of Sanoma (i.e. Group, SBU and entity) and can relate to more than one process. The Code of Conduct, Group policies and guidelines and their active implementation are examples of entity-level control activities.

Process-level control activities are designed to mitigate risks relating to certain key processes. Examples of such processes are purchase-to-pay and payroll processes. Automated or manual reconciliations and approvals of transactions are typical process-level controls.

IT controls are embedded within IT processes that provide a reliable operating environment and support the effective operation of application controls. Controls that prevent inappropriate and unauthorised use of the system and controls over the effective acquisition are examples of IT controls.

The operation of controls is monitored to ensure that they are implemented as designed, and that they operate effectively. The monitoring is performed as a management self-assessment, assessment of an independent party/internal audit or a combination of those.

Monitoring of financial reporting process

The financial reporting process is based on the Group Reporting Manual. Combined with the other Group reporting guidelines and additional instructions, it defines Sanoma Group's accounting principles and policies.

The Group Finance and Control function is part of the Parent Company and prepares control point guidelines for transactions and periodic controls for the SBUs. The guidelines are approved by the President and CEO. Periodic controls are linked to monthly and annual reporting processes and include reconciliations and analyses to ensure the accuracy of financial reporting. The control activities seek to ensure that potential deviations and errors are prevented, discovered and corrected, both at the Parent Company and the SBU level. Internal control systems cover the whole financial reporting process.

The Group's financial performance is monitored on a monthly basis, using a Group-wide financial planning and reporting system, which includes actualised income statements, balance sheets, cash flow statements and key performance indicators, as well as estimates for the current financial year.

Furthermore, business reviews between Group and SBU management are held at least quarterly. In addition to the SBUs' financial performance, e.g. the operating environment, future expectations, and business development are discussed in the reviews. The business reviews also have a role in the process of ensuring the functioning of the continuous risk assessment and internal control systems.

Other information

Internal Audit

Sanoma's internal audit is steered by the Corporate Governance Framework as well as Group Policies on Internal Audit, Internal Control and Enterprise Risk Management. The Audit and Assurance function, reporting to the CFO and COO, and directly to the Audit Committee, is responsible for the internal audit at Sanoma.

The scope of Audit and Assurance covers examination and evaluation of internal control systems, risk management processes, compliance processes, information security and governance framework as well as monitoring of Internal Control process on all organisational levels and businesses. The Audit and Assurance function supports the development of the organisation and provides additional assurance with a risk-based approach.

Related Party Transactions

Sanoma has a Related Party Policy, under which members of the management defined by the policy are under obligation to submit planned related party transactions for prior approval.

More information on related party transactions in 2018 is available in Financial Statements 2018, Note 29.

Insider Administration

Sanoma's Insider Policy complies with the Guidelines for Insiders issued by Nasdaq Helsinki Ltd. and other relevant legislation, such as Market Abuse Regulation.

According to the Insider Policy, a person who has gained Insider Information may not use the information by acquiring or disposing of Sanoma's financial instruments (either on his own or a third party's behalf, directly or indirectly), or give either direct or indirect advice on trading.

Sanoma has a standardised process for assessing insider information, delaying disclosure and establishing of insider lists.

- People who have access to all Insider Information, due to the nature of their position at Sanoma, are listed as permanent Insiders. Currently, there are no permanent insiders at Sanoma.
- Deal-specific insider lists are established if a particular piece of information has been assessed to fulfil the criteria of insider information and if a decision to delay the disclosure has been made. Those who have been entered into a deal-specific insider list are not allowed to trade Sanoma instruments.

Sanoma applies the so called "Closed Period", which is a thirty (30) calendar day period, before the announcement of the year-end Financial Statements Release and the Interim Reports of Sanoma. During the Closed Period, the members of the Board and the President and CEO shall not conduct any transactions in Sanoma Instruments on their own account, or on the account of a third party, whether they possess Inside Information or not. Additionally, transactions are not allowed during the entire publication day. Sanoma also recommends that the EMT members and persons engaged in financial reporting do not trade in Sanoma Instruments during the Closed Period or the publication day.

Members of the Board and EMT shall always check beforehand the appropriateness of trading with the company secretary. Members of the Board and EMT may also issue an explicit, documented trading programme, which must comply with Nasdaq Helsinki Ltd. rules and regulations on trading programmes. Sanoma may publish such trading programmes on its website. There were no trading programmes at 31 December 2018.

The Board members, the President and CEO and "Persons Closely Associated" with them must notify Sanoma and the Finnish Financial Supervisory Authority of their transactions with Sanoma Instruments (the so-called Manager's Transactions). The notification must be done within two days of the transaction. Sanoma shall publish such a notification as a stock exchange release within three days of the transaction at the latest. A delay in giving the notification may lead to sanctions.

Audit

The main function of the statutory audit is to verify that the financial statements provide a true and fair view on the Group's financial performance and financial position for the financial year. Sanoma's financial year is the calendar year.

The auditor's responsibility is to audit the Group's and the Parent Company's financial statements and administration in the respective financial year and to provide auditors' opinion to the AGM. The auditor reports to the Board at least once a year.

According to the Articles of Association, Sanoma shall have one auditor, which shall be an audit firm approved by the Patent and Registration Office. The term of office of the auditor expires at the end of the next AGM following the election.

The AGM 2018 elected the Authorised Public Accounting firm PricewaterhouseCoopers Oy as the statutory auditor of the Company. Samuli Perälä, Authorised Public Accountant, acts as the Auditor in Charge. PricewaterhouseCoopers Oy, with Samuli Perälä as the Auditor in Charge, has acted as the statutory auditor of the Company since the AGM 2017.

FEES PAID TO THE COMPANY AUDITORS

EUR million	Group	Parent company
Fees paid for audit services	0.9	0.2
Fees paid for non-audit services	0.7	0.1

In 2017, the Group's fees paid for audit services totalled EUR 1.1 million and fees paid for non-audit services EUR 0.3 million.

Remuneration statement

Remuneration Statement

This Remuneration Statement (Statement) has been prepared in accordance with the Finnish Corporate Governance Code, issued by the Securities Market Association in 2015 (available at cgfinland.fi).

The Statement has been reviewed by Sanoma's Human Resources (HR) Committee. It is presented as a separate report from the Board of Directors' Report and from the Corporate Governance Statement. The Statement describes the decision-making procedures and main principles of remuneration at Sanoma.

Comprehensive report on remuneration paid to the members of the Board, the President and CEO, and members of the Executive Management Team during 2018 is available in Note 30 of the Financial Statements 2018.

Decision-making procedure concerning remuneration

Remuneration of the Board

The Annual General Meeting (AGM) determines the remuneration of the members of the Board of Directors (Board) and Board committees. Sanoma's HR Committee prepares the proposal for the Board members' remuneration to the AGM.

Remuneration of the CEO and the other executives

The remuneration and fringe benefits (total salary), short term incentives and pension benefits of the President and CEO (CEO) and members of the Executive Management Team (EMT), as well as long-term incentives granted for Sanoma's senior executives are prepared by the HR Committee and approved by the Board.

The CEO and members of the EMT do not receive separate remuneration for their management group membership or other internal management positions, such as Board memberships in the Group companies.

Board's authorisations related to remuneration

The AGM held on 22 March 2018 authorised the Board of Directors to decide on the repurchase a maximum of 16,000,000 of the Company's own shares (approx. 9.8% of all shares of the Company) in one or several instalments. Own shares shall be repurchased with funds from the Company's unrestricted shareholders' equity, and the repurchases shall reduce funds available for distribution of profits. The authorisation will be valid until 30 June 2019 and it terminates the corresponding authorisation granted by the AGM 2017.

The AGM held on 12 April 2016 authorised the Board of Directors to decide on an issuance of a maximum of 50,000,000 new shares and a transfer of a maximum of 5,000,000 treasury shares. The authorisation will be valid until 30 June 2019. In a directed share issue, a maximum of 41,000,000 shares can be issued or transferred.

Sanoma repurchased own shares from 22 August until 12 October 2018. During that time, Sanoma acquired a total of 900,000 own shares, for an average price of EUR 8.57 per share. The shares were acquired in public trading on Nasdaq Helsinki Ltd. at the market price prevailing at the time of purchase. The repurchased shares were acquired on the basis of the authorisation given by the Annual General Meeting on 22 March 2018 to be used as part of the Company's incentive programme.

Main principles of remuneration

Remuneration of the Board

The AGM 2018 resolved that the monthly remuneration to the members of the Board of Directors remained as before:

- EUR 8,500 to Chairman
- EUR 6,500 to Vice Chairman and
- EUR 5,500 to members.

The meeting fees are:

- For Board members who reside outside Finland: EUR 1,000 / Board meeting where the member was present;
- For the Chairmen of Board's Committees: EUR 2,000 / Committee meeting participated;
- For Committee members who reside outside Finland: EUR 2,000 / Committee meeting where the member was present and EUR 1,000 / Committee meeting participated; and
- For Committee members who reside in Finland: EUR 1,000 / Committee meeting participated.

The members receive no other financial benefits, e.g. shares or share-based rights for their work on the Board.

Remuneration of the CEO and members of the EMT

The remuneration of the CEO and members of the EMT consists of the total salary, short term incentives, performance shares, restricted shares and pension benefits. When determining the annual remuneration of the CEO and members of the EMT, the Board's aim is that a substantial part of the total remuneration is dependent on the performance of the company.

The HR committee commissions regular benchmarks of the remuneration of the Board and the EMT against its Finnish and European peers.

Short-term incentive plans

The short-term incentives are determined on the basis of achieving financial and non-financial targets set annually. The weighting of the targets and the maximum amount of the incentives vary according to the position of the person in question. The short-term incentive is at maximum 150% of the reward at the target level value and the payment is subject to reaching the threshold Group operational EBIT. Short-term incentives are paid in April following the year of determination.

The criteria in the short-term incentive plan in 2018 were based on achieving targets related to operational EBIT, free cash flow, net sales and Sanoma's employee engagement.

In 2018, the short-term incentive for the CEO was 66.7% of her salary at the target level and 100% at the maximum level. For other members of the EMT, the short-term incentive varied from 40% to 50% of the salary at the target level, and from 60% to 75% at the maximum level.

Long-term incentive plans

Sanoma's long-term remuneration is built on share-based incentive plans, Performance Share Plans (PSP) and Restricted Share Plans (RSP), which offer the Group's management an opportunity to receive Sanoma shares as long-term incentives. The purpose of the share-based incentives is to encourage the executives and the selected key employees to work on a long-term basis to increase shareholder value and to commit to the company. The shares are paid after a vesting period of two to three years, provided that the conditions set for receiving the shares are met.

In the PSPs, the performance is measured based on the criteria set by the Board for annually commencing new plans. The incentive is at maximum 150% of the reward on the target level. The plan is based on a one year performance followed by a 2-year vesting period, and the share delivery is conditional upon continued employment until the moment of transferring shares, or a good leaver ground.

Shares in the RSPs are usually delivered to the participants provided that their employment with Sanoma continues uninterrupted throughout the duration of the plan until the shares are delivered.

More information on shares granted as part of the PSP and RSP is presented in Note 20 of the Financial Statements 2018. Information on management's shareholding in Sanoma is presented in Note 30.

PERFORMANCE SHARE PLAN

The Board approved on 7 February 2013 a share-based long-term incentive programme (Performance Share Plan, PSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries.

Each new plan introduced under the PSP is based on a one year performance period, followed by a 2-year vesting period. The vesting is subject to meeting the Group's performance targets set by the Board for the annually commencing new plans. The share delivery is also conditional upon continued employment until the moment of transferring the shares or a good leaver ground. The possible reward is paid as a combination of shares and cash. The cash component is dedicated to cover the taxes and tax-related costs related to the performance shares.

PSP 2019–2021 was introduced on 5 February 2019. The performance measures for the plan are based on performance targets for the adjusted free cash flow and operational earnings per share in 2019. The share rewards payable, subject to the achievement of the performance measures, will be delivered to the participants in the spring 2022, and are subject to meeting the continuous employment or good leaver ground conditions at the time of the payment.

PSP 2018–2020 was introduced on 8 February 2018. The performance measures for the plan were based on performance targets for the adjusted free cash flow and operational earnings per share in 2018. The performance measures were reached at close to maximum level i.e. 141% of the number of shares at target level will be delivered to the participants in the spring 2021 subject to meeting the continuous employment or good leaver ground conditions at the time of the payment.

PSP 2017–2019 was introduced on 7 February 2017. The performance measures for the plan were based on performance targets for the adjusted free cash flow and operational earnings per share in 2017. The performance measures were reached at the maximum level i.e. 150% of the shares at target level will be delivered to the participants in the spring 2020 subject to meeting the continuous employment or good leaver ground conditions at the time of the payment.

PSP 2016–2018 was introduced on 9 February 2016. The performance measures for the plan were based on performance targets for the adjusted free cash flow and operational earnings per share in 2016. The performance measures were reached at the maximum level i.e. 150% of the shares at target level will be delivered to the participants in the spring 2019 subject to meeting the continuous employment or good leaver ground conditions at the time of the payment.

Shares conditionally granted to the CEO and members of the EMT under the PSP are subject to share ownership requirement that is determined by the Board in accordance with the HR Committee's proposal. Until the required shareholding is achieved, the CEO and the members of the EMT are required to hold, and not to sell, at least 50% of performance shares received.

Performance measures for the performance periods are described in more detail in Note 20 of the Financial Statements 2018.

RESTRICTED SHARE PLAN

Sanoma has adopted a Restricted Share Plan (RSP) in 2014 to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the restricted shares are decided on by the Board in accordance with the HR Committee's proposal.

The Board approved on 5 February 2019 the establishment of RSP 2019–2021. The shares vest over a 3-year period of 2019–2021 and will be delivered in 2022 subject to meeting the service condition.

RSP 2016–2018 was introduced on 9 February 2016. The plan is divided in two vesting periods. 50% of the restricted shares vested over a 2-year period of 2016–2017and were delivered in 2018. 50% of the restricted shares vest over a 3-year period of 2016–2018 and will be delivered in 2019 subject to meeting the service condition.

RSP 2017–2018 was introduced on 7 February 2017. Restricted shares vest over a 2-year period of 2017–2018 and will be delivered in 2019.

The possible rewards under the RSPs are paid as a combination of shares and cash. The cash component is dedicated to cover the taxes and tax-related costs related to restricted shares.

Shares conditionally granted to the CEO and members of the EMT under the RSP are subject to share ownership requirement that is determined by the Board in accordance with the HR Committee's proposal. Until the required shareholding is achieved, the CEO and members of the EMT are required to hold, and not sell, at least 50% of performance shares received.

Other information related to the CEO and the members of the EMT

The CEO's period of notice is six months both from the CEO's and the Company's part. If the executive contract is terminated by the Company, the CEO will be paid a severance payment equalling to 12 months' salary, plus the salary for the notice period. The severance pay is accompanied by a fixed-term non-competition clause.

Sanoma has different local pension arrangements to cover the pension security of its personnel. The additional pension benefits of the CEO and other members of the EMT are based on defined contribution. As part of her total remuneration, the CEO is entitled to an additional pension benefit contribution, which amounts to 15% of her annual base salary.

The CEO's and the EMT members' retirement age is the usual retirement age of their home country.

Remuneration paid in 2018

In 2018, the CEO Susan Duinhoven was paid a total salary of EUR 585,053 (2017: 583,257), including a housing benefit and a health insurance benefit. Based on the 2017 short-term incentive plan, she was paid a short-term incentive of EUR 486,000 (2017: 538,884), representing 135% of the target level incentive.

Total remuneration paid to other members of the EMT in 2018 amounted to EUR 2 million (2017: 4), of which 35% (2017: 42%) was paid based on the variable short-term and long-term incentive plans.

Share-based remuneration earned by the CEO Susan Duinhoven since she started in her position in October 2015 is summarised in the table below.

SHARE-BASED REMUNERATION OF THE CEO SUSAN DUINHOVEN

Plan	Granted	Achieved reward level	Gross shares earned	Delivery time
PSP 2016–2018	2016	Max = 150%	225,000	Spring 2019
PSP 2017–2019	2017	Max = 150%	225,000	Spring 2020
PSP 2018–2020	2018	141%	211,200	Spring 2021
RSP 2017–2018 [1]	2017		50,000	Spring 2019

1 Granted as a compensation for lower pension payments than contractually agreed due to changes in regulation

For Investors

Investor relations at Sanoma

The main task of Sanoma Investor Relations is to ensure that the capital markets have correct and sufficient information in order to determine the value of Sanoma share. Sanoma has a centralised Investor Relations function that serves analysts and investors, and coordinates investor meetings and activities.

Financial Reporting and AGM 2019

Interim Report 1 January–31 March 2019	Tuesday, 30 April
Half-Year Report 1 January–30 June 2019	Thursday, 25 July
Interim Report 1 January–30 September 2019	Friday, 25 October

The Annual General Meeting 2019 will be held on Wednesday, 27 March 2019 at 14:00 Finnish time (EET) at Marina Congress Center (Katajanokanlaituri 6, 00160 Helsinki, Finland).

Changes in contact information

Euroclear Finland Ltd maintains a list of the Company's shares and shareholders. Shareholders who wish to change their personal or contact information are kindly asked to directly contact their own securities account operator.

IR contact

Kaisa Uurasmaa
Head of IR and CSR
mobile +358 40 560 5601
kaisa.uurasmaa@sanoma.com

Meeting requests and inquiries

ir@sanoma.com

sanoma.com

Sanoma Group
Visiting address:
Töölönlahdenkatu 2
00100 Helsinki
Finland

tel. +358 105 1999
sanoma.com