

Q&A related to Sanoma's Annual General Meeting 2020

External (to be published at www.sanoma.com/investors before the meeting starts (at 14:00 EET) and updated with answers to questions during and after the meeting by the end of 26 March 2020)

Q: Could you tell us the background for the current dividend proposal of EUR 0.50 / share (2018: 0.45)?

A: Sanoma wants to be a good dividend payer. In line with its dividend policy, Sanoma's goal is to distribute a growing dividend of 40-60% of the annual free cash flow. Dividend proposal for 2019 corresponds to a pay-out ratio of 58% (2018: 58 % - in both years, cash flow adjusted by restructuring costs related to discontinued operations in Belgium) and to 5.3% yield based on the share price on 31 December 2019. The proposed dividend also leaves enough funds to develop the business. Therefore, the Board sees the dividend proposal as well-founded.

Q: Could the second dividend installment be paid lower than approved by the AGM or cancelled in full due to the impact of the current corona pandemic on Sanoma's financial situation?

A: If the AGM approves the proposed dividend of EUR 0.50, our intention is to pay both the first and the second installment according to the proposal. On 24 March 2020 we have published a stock exchange release in which we estimate there will be a significant impact of the corona virus outbreak on our B2B advertising business and events business. Taking these estimates into account, the Board did not see a need to change its dividend proposal to the AGM. Every year, it is the duty of the Board to assess the company's financial position before the payment of the second dividend installment. Sanoma has a solid financial position and a well-balanced business portfolio consisting of diverse revenue streams which support our commitment to the dividend payment.

Q: Yesterday, Sanoma announced it temporarily withdraws its Outlook for 2020 due to uncertainty related to the current corona virus outbreak. Could you please comment on the current operating environment as well as potential impacts of corona on Sanoma's business and financials?

A: In the current continuously and rapidly evolving situation it is too early to make reliable and specific estimates for an adjusted Outlook and thus Sanoma withdrew its Outlook temporarily. Sanoma expects to give an updated Outlook for 2020 later during the year. Sanoma's net sales and profitability have developed according to expectations during the first months of the year, but some of Sanoma's key business areas will be affected due to the outbreak.

The Group's business portfolio is well-balanced: after the acquisitions completed in Learning in 2019 and the divestment of Media Netherlands, majority of the Group's operational earnings comes from Learning. In Learning, no major impacts on net sales and profitability are expected.

In Media Finland, subscription and other B2C sales represents more than half of the total net sales and are not expected to be significantly affected, unless the current exceptional situation prolongs or intensifies significantly. Sanoma estimates that the corona virus outbreak will have a material impact on the net sales and profitability of Media Finland's B2B advertising business as well as events business, but it is too early to make reliable and specific estimates of the size of the impact.

- In the B2B advertising business (net sales of EUR 247 million in 2019) Sanoma estimates a material impact, which may greatly vary between customer categories and media channels. Size of the impact is dependent on the duration of the crisis and the pace of the recovery. After the financial crisis in 2008, Sanoma's advertising sales declined by approx. 17% in-line with the market.
- The events business (net sales of EUR 35 million in 2019) is heavily focused on the summer months of June to August. The potential impact is largely dependent on possible restrictions posed on the festivals and

events by the government at that time, and difficult to estimate at this moment. Sanoma has insurances in place covering the costs incurred and margin in cases, where the cancellation is ordered by the authorities.

Sanoma remains committed to its dividend policy and long-term financial targets.

Q: In accordance with the current legislation, Sanoma has brought the remuneration policy of the Company's governing bodies to the AGM for consideration. Could you introduce the key remuneration principles? How do these principles correlate with top executives' remuneration in practice?

A: Key remuneration principles are

- remuneration supports the business strategy,
- remuneration is for a significant part in based on performance,
- remuneration is competitive,
- remuneration encourages to share ownership and aligns with shareholder interests, and
- remuneration is fair, transparent and simple.

When determining the annual remuneration of the CEO, the Board's aim is that the value of the CEO's total remuneration is appropriately positioned relative to relevant market and that a substantial part of the total remuneration is dependent on the performance of the Company.

The remuneration of the CEO may consist of base salary and fringe benefits, short term incentives, performance shares and pension benefits. Restricted shares can be used as part of remuneration in exceptional cases. Same principles and practices are also followed in the remuneration of the Executive Management Team.

Q: A significant increase to the monthly remuneration for the Board members and especially for the Chairman has been proposed (table below). How do you rationalize this proposal?

A: Shareholders representing more than 10% of all shares and votes of the Company, Jane and Aatos Erkko Foundation (24.35% of the shares) and Antti Herlin (0.02% of the shares) and his holding company Holding Manutas Oy (11.95% of the shares), have announced their intention to propose to the Annual General Meeting that the remuneration payable to the members of the Board of Directors is as follows:

	monthly fee 2019	monthly fee 2020 (proposal)	Change
Chairman	8,500	12,000	41%
Vice Chairman	6,500	7,000	8%
Member	5,500	6,000	9%

Monthly remunerations have remained at the same level since 2008 and therefore the increase especially in the Chairman's remuneration seems exceptionally high. Sanoma has a challenging growth strategy requiring significant input and focus from the Chairman. Competitive remuneration important in order to attract and retain talent best suitable for current and future needs of the company and to create value for shareholders. To ensure the competitiveness of the remuneration, it has been aligned with the remuneration of the Chairman in relevant listed companies.

The meeting fees remain unchanged:

- 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.

A person serving the Company under a full- time employment or service agreement receives no fee for Board membership.

Q: There is a proposal of two new Board members, Julian Drinkall and Rolf Grisebach. Of current members, Anne Brunila has announced that she will not continue on the Board. How does the nominee's competence complement the Board? Why one leaving member will be replaced by two new members?

A: When making a proposal to the AGM, the Board of Directors examines various factors (professional background, international experience, age, education, gender) in order to ensure that members of the Board have sufficient and diverse expertise, complementary experience, and understanding of the industry.

With new members we want to enhance the Board's know-how especially on the learning business. The share of learning business is an increasingly important part of the Group. Net sales of the learning business has increased significantly being this year approx. 45% and it will be more than half of the Group's profitability. Sanoma wants to increase the learning business especially through M&A which puts additional demands on the Board's expertise.

Q: How would you summarise the CEO's message on year 2019?

A: 2019 was a good year for Sanoma, marking the successful transformation into a learning and media company. We strengthened our learning business with four acquisitions – Iddink, Essener, itslearning and Clickedu – and announced an intention to divest Media Netherlands to DPG Media. In February 2020, we announced our intention to acquire Alma Media's regional news media business, which strengthens Media Finland in one of its core strategic business, news & feature. After the divestment of Media Netherlands, we have two strong businesses, Learning and Media Finland, ready for growth, and a EUR 400 million headroom for M&A. Our net sales in 2019 totaled EUR 913 million (2018: 891) and operational EBIT excl. PPA was EUR 135 million (2018: 123), corresponding to a margin of 14.8% (2018: 13.8).

The Q&A will be updated with answers to questions received during and after the AGM by the end of Thursday 26 March 2020.

For further questions, please contact:

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