

Interim Report

# Q1 2020

S

a

a n

m

o

## SANOMA CORPORATION, INTERIM REPORT JANUARY-MARCH 2020

# Solid start to the year, long-term priorities unchanged

## Q1 2020

- Net sales grew to EUR 188 million (2019: 163) mainly as a result of the Iddink acquisition. Comparable net sales growth was 2% (2019: -3%).
- Operational EBIT excl. PPA declined to EUR -8 million (2019: -5) due to planned, seasonally higher TV and marketing expenses in Media Finland. The first quarter is a structurally small quarter, both in Learning and Media Finland, and typically loss-making due to the annual seasonality in Learning.
- EBIT was EUR -18 million (2019: -11). Items affecting comparability (IACs) totalled EUR -4 million (2019: -4). PPA amortisations were EUR 5 million (2019: 2).
- Operational EPS was EUR -0.06 (2019: -0.05) and EUR 0.01 (2019: 0.01) including discontinued operations.
- EPS was EUR -0.08 (2019: -0.07) and EUR -0.02 (2019: 0.05) including discontinued operations.
- On 11 February, Sanoma announced it signed an agreement to acquire Alma Media's regional news media business in Finland, with an enterprise value of EUR 115 million. The acquisition was approved unconditionally by the Finnish Competition and Consumer Authorities on 19 March and will be completed on 30 April.
- On 11 February, Sanoma also announced it is evaluating strategic options for its online classifieds' business Oikotie in Finland. The evaluation is ongoing.
- On 24 March, Sanoma temporarily withdrew its Outlook for 2020 due to the corona virus pandemic.
- On 25 March, the Annual General Meeting decided that a dividend of EUR 0.50 per share shall be paid in two equal instalments. The first instalment was paid on 3 April and the second instalment will be paid in November (estimated timing).
- On 20 April, Sanoma completed the divestment of Sanoma Media Netherlands to DPG Media with an enterprise value of EUR 460 million. Sanoma's net debt / Adj. EBITDA and equity ratio will return to their long-term target levels after the divestment.

## Outlook for 2020 (temporarily withdrawn due to the corona virus pandemic on 24 March) and key impacts of the corona virus pandemic

On 24 March, Sanoma temporarily withdrew its Outlook for 2020, which was given on 7 February, due to the corona virus pandemic. In the current continuously and rapidly evolving situation, it is too early to make reliable and specific estimates for an adjusted Outlook. Sanoma expects to give an updated Outlook for 2020 later during the year.

Sanoma estimates that the corona virus pandemic will have significant impacts on its business during 2020. For its own part, the Group's well-balanced business portfolio mitigates the impacts to a certain extent; after the acquisitions completed in Learning in 2019 and the divestment of Media Netherlands, a majority of the Group's operational earnings will come from Learning in 2020.

In Learning, no major impacts on net sales and profitability are currently expected. In Media Finland, subscription and other B2C sales represent more than half of the total net sales and are not expected to be significantly affected, unless the exceptional situation is prolonged or intensifies. Sanoma estimates that the corona virus pandemic will have a material impact on the net sales and profitability of Media Finland's B2B advertising business, but it is too early to make reliable and specific estimates of the size of the impact. On 22 April, the Finnish government decided to prohibit all large events until end of July 2020. As a consequence, all Media Finland's festivals for the summer season 2020 will be cancelled. Sanoma estimates that net sales and operational EBIT for Media Finland's events business will be close to zero in 2020. In 2019, net sales of the events business was approx. EUR 35 million and its operational EBIT margin was above the margin of the Media Finland SBU (12.0%).

More information on the impacts and risks related to the corona virus pandemic on Sanoma's business and financials are reported on p. 12.

## Discontinued operations

On 10 December 2019, Sanoma announced it had signed an agreement to divest its strategic business unit Sanoma Media Netherlands. The divestment was completed on 20 April 2020. Media Netherlands is reported as discontinued operations for 2019 and 2020. Unless otherwise stated, all income-statement-related quarterly and FY figures presented in this report cover continuing operations only. For Q1 2020 and earlier periods, figures related to balance sheet and cash flow cover both continuing and discontinued operations. Continuing operations include Sanoma Learning and Sanoma Media Finland SBUs, which are also Sanoma's reporting segments. More information is available on p. 8 and p. 9.

## 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.

More information is available at [Sanoma.com](http://Sanoma.com). Definitions of key IFRS indicators and APMs are available on p. 33. Reconciliations are available on p. 14.

## Key indicators for continuing operations

EUR million	Q1 2020	Q1 2019	Change	FY 2019
Net sales	187.7	163.0	15%	913.3
Operational EBIT excl. PPA <sup>1)</sup>	-8.4	-4.5	-87%	135.2
Margin <sup>1)</sup>	-4.5%	-2.8%		14.8%
EBIT	-17.6	-10.7	-64%	102.1
Result for the period	-12.9	-11.4	-13%	63.1
Operational EPS, EUR <sup>2)</sup>	-0.06	-0.05	-34%	0.49
EPS, EUR	-0.08	-0.07	-10%	0.38
Average number of employees (FTE)	3,959	3,391	17%	3,567
Number of employees at the end of the period (FTE)	3,970	3,396	17%	3,953

## Key indicators incl. continuing and discontinued operations <sup>3)</sup>

EUR million	Q1 2020	Q1 2019	Change	FY 2019
Result for the period	-3.8	7.3		13.3
Free cash flow	-60.2	-41.3	-46%	131.3
Equity ratio	25.2%	35.3%		30.5%
Net debt	856.3	531.1	61%	794.7
Net debt / Adj. EBITDA	3.0	2.0	46%	2.7
Operational EPS, EUR	0.01	0.01	34%	0.80
EPS, EUR	-0.02	0.05		0.07
Free cash flow per share, EUR	-0.37	-0.25	-46%	0.81

1) Excluding IACs and purchase price allocation amortisations (PPAs)

2) Excluding IACs

3) In 2020 and 2019, discontinued operations include Sanoma Media Netherlands and certain minor subsidiaries acquired in 2019 and planned to be divested in the future. In Q1 2020, result of discontinued operations include further EUR 3 million (FY 2019: 105) capital loss mainly related to costs to sell for the divestment of Media Netherlands. More information on discontinued operations' financial performance is available on p. 30.

## President and CEO Susan Duinhoven:

“We had a good start to the year with solid business performance both in Learning and Media Finland.

In Learning, the first quarter of the year is always seasonally small, and together with our customers, we prepare ourselves for the forthcoming high season of the second and especially the third quarter. This year, the corona virus pandemic put a challenge to our customers and our teams, who have jointly done an amazing job in turning the operating model into remote work and digital support for the teachers and students overnight. During March, we have seen strong growth in the user numbers of our digital platforms across our operating countries. Currently, we estimate that the pandemic will not have a significant impact on Learning’s business performance of 2020. We are well prepared for orders and deliveries for the start of the new school year in autumn as well as for mitigating the possible risks and capturing opportunities arising from the increased penetration of our digital platforms in the short- or long-term.

In Media Finland, our business performed well during January-February, and among other things, we successfully prepared for the launch of Supla+, our subscription-based audio-on-demand service, in March. We started to experience the first signs of the corona virus pandemic impact on advertising in the second half of March. In the B2C business, the success of Helsingin Sanomat in growing the number of digital subscriptions continued during the quarter, offsetting the decline in the number of print subscriptions of HS and magazines. Ilta-Sanomat has hit new all-time records in the number of daily site visits, proving to be a source of reliable news for all Finns. The number of subscriptions for VOD service Ruutu+ has also grown well. Our teams have done a great job in serving the readers with free and paid up-to-date news and entertainment across all media channels, while working completely remotely, and in supporting our B2B customers with insight and innovative ideas for advertising to fit for these unprecedented times.

In mid-February, we announced the acquisition of Alma Media’s regional news media business. The acquisition was unconditionally approved by the Finnish competition authorities on March 19 and will be completed tomorrow, 30 April. The acquired business will support further growth of Media Finland’s digital subscription base in its news & feature business. We are looking forward to integrating the business, learning the best practises from each other and welcoming about 365 new colleagues to Sanoma - while working safely and mostly remotely. At the same time in February, we started a strategic evaluation of our online classifieds business Oikotie in Finland. The evaluation is proceeding according to our plans and is ongoing with all possible outcomes still open.

Last week, we completed another important transaction, the divestment of Media Netherlands. I want to thank the team that created excellent value for Sanoma during the past nearly 19 years and wish them all the best as part of DPG Media, the most prominent cross-media business in the Dutch and Belgian markets. The divestment provides Sanoma with a EUR 400 million headroom for future acquisitions in both of our continuing businesses.

During this corona pandemic, our first and foremost priorities are maintaining the health and safety of our employees and giving solid support to our customers. Practically all our teams have successfully shifted to remote operations and many of them have performed clearly above our expectations. Remote work is largely supported by our improved, cloud-based IT infrastructure, in which we made a major investments in the last years. Due to the current uncertainty in our markets, we have temporarily withdrawn our Outlook for 2020, while we remain committed to our long-term strategy and financial targets as well as the payment of our second dividend instalment, EUR 0.25 per share, in November as decided by the AGM in March. I am grateful for the agility and commitment of our team across the Group to take us and our customers through the current challenges – with a focus on our long-term strategic priorities.”

## Financial review Q1 2020

### Net sales by SBU

EUR million	Q1 2020	Q1 2019	Change
Learning	58.1	31.4	85%
Media Finland	129.9	131.6	-1%
Other operations	-0.2	-0.1	
<b>Group total</b>	<b>187.7</b>	<b>163.0</b>	<b>15%</b>

The Group's net sales grew to EUR 188 million (2019: 163). Net sales grew in Learning as a result of acquisitions done in 2019. Net sales were stable in Media Finland with only a limited impact of the corona virus pandemic on advertising sales at the end of March. The Group's comparable net sales development was 2% (2019: -3%).

### Operational EBIT excl. PPA by SBU

EUR million	Q1 2020	Q1 2019	Change
Learning	-15.7	-16.7	6%
Media Finland	9.5	13.5	-29%
Other operations	-2.2	-1.3	-65%
<b>Group total</b>	<b>-8.4</b>	<b>-4.5</b>	<b>-87%</b>

Operational EBIT excl. PPA declined to EUR -8 million (2019: -5). The first quarter is a structurally small quarter both in Learning and Media Finland and typically loss-making due to the annual seasonality in Learning. Earnings improved slightly in Learning as a result of comparable net sales growth with certain seasonal orders moving from the second to the first quarter. Earnings declined in Media Finland due to a larger proportion of annual TV and marketing expenses related to new product launches falling into the first quarter as planned.

### IACs, PPAs and reconciliation of operational EBIT

EUR million	Q1 2020	Q1 2019
<b>EBIT</b>	<b>-17.6</b>	<b>-10.7</b>
<b>Items affecting comparability</b>		
Restructuring expenses	-4.1	-4.3
<b>IACs total</b>	<b>-4.1</b>	<b>-4.3</b>
<b>Purchase price allocation amortisations (PPAs)</b>	<b>-5.1</b>	<b>-1.9</b>
<b>Operational EBIT excl. PPA</b>	<b>-8.4</b>	<b>-4.5</b>

A detailed reconciliation on SBU level is presented on p.14.

EBIT was EUR -18 million (2019: -11). Net IACs totalled EUR -4 million (2019: -4) and mainly consisted of costs related to the recent acquisitions as well as changes in IT infrastructure and services. PPA amortisations amounted to EUR 5 million (2019: 2) and increased due to recent acquisitions in Learning.

Net financial items declined to EUR -1 million (2019: -5). The improvement was due to lower average interest rate of external loans following the repayment of the EUR 200 million bond, which had a high interest rate, in November 2019. In addition, foreign currency translation impact and one-time interest income related to a settled tax receivable had a positive impact on net financial items.

Result before taxes amounted to EUR -18 million (2019: -15). Income taxes were EUR 5 million positive (2019: 4). Result for the period was EUR -13 million (2019: -11) and EUR -4 million (2019: 7) including discontinued operations, which included a capital loss of EUR 3 million related to the divestment of Media Netherlands.

Operational earnings per share were EUR -0.06 (2019: -0.05) and EUR 0.01 (2019: 0.01) including discontinued operations. Earnings per share were EUR -0.08 (2019: -0.07) and EUR -0.02 (2019: 0.05) including discontinued operations.

## Financial position

At the end of March 2020, interest-bearing net debt was EUR 856 million (2019: 531). The increase was due to the acquisition of Iddink, completed in September 2019. Net debt to adjusted EBITDA ratio increased to 3.0 (2019: 2.0). The ratio was temporarily above the long-term target level of below 2.5 due to the acquisition of Iddink and will return to the target level after the divestment of Media Netherlands, which was completed on 20 April 2020.

At the end of March 2020, equity totalled EUR 456 million (2019: 547). Equity ratio declined to 25.2% (2019: 35.3%). Due to the Iddink acquisition and the capital loss related to the divestment of Media Netherlands, the ratio was temporarily below the long-term target level of 35-45%, and will return to the target level after the divestment of Media Netherlands, which was completed on 20 April 2020. The consolidated balance sheet totalled EUR 1,976 million (2019: 1,691).

## Cash flow

The Group's free cash flow declined to EUR -60 million (2019: -41). The main reason for the cash flow development was the negative working capital change. In Learning, this was driven by Iddink and itslearning, acquired in 2019, while in Media Finland, the timing of working capital between quarters differed compared to the previous year. Free cash flow of Media Netherlands is included in the Group's free cash flow until closing of the divestment on 20 April and was preliminarily approx. EUR -25 million for 1 January–20 April. A majority of that fell in the first quarter. For dividend calculation purposes, the Group's free cash flow for 2020 will be adjusted for the divested Media Netherlands. Capital expenditure included in free cash flow was EUR 10 million (2019: 6). Free cash flow per share was EUR -0.37 (2019: -0.25).

## Acquisitions and divestments

On 20 April 2020, Sanoma announced it had completed the divestment of Sanoma Media Netherlands to DPG Media. The divestment was announced on 10 December 2019, and it was subject to customary closing conditions, including the approval of Dutch competition authorities, which was announced on 10 April 2020. The agreed enterprise value (EV) of EUR 460 million was paid at closing. The EV corresponds to an EV / Adjusted EBITDA multiple of 6.5. Sanoma will use the funds received from the divestment to reduce its debt.

On 11 February 2020, Sanoma announced it had signed an agreement to acquire Alma Media's regional news media business in Finland. In 2019, net sales of the acquired business were EUR 99 million (2018: 103), of which 60% were subscription and 40% advertising sales. Pro forma adjusted EBITDA was EUR 15 million (2018: 13) or approx. EUR 20 million (2018: 18) including the impact of the delivery outsourcing agreement that came into effect on 1 January 2020. The acquisition is estimated to create annual net synergies of approx. EUR 13 million, which are expected to be realised in full as of 2022. The agreed enterprise value of the acquired business is EUR 115 million, corresponding to a multiple of 5.8 (EV / Pro forma adjusted EBITDA including the impact of the delivery outsourcing agreement), and 3.5 including also synergies. In the beginning of 2020, the acquired business had approx. 365 employees (FTE). The employees will become employees of Sanoma Group after the closing of the acquisition. The transaction is subject to customary closing conditions, including approval by the Finnish Competition and Consumer Authority, which was received unconditionally on 19 March 2020. The transaction is expected to be finalised on 30 April 2020.

Information on acquisitions and divestments conducted in 2019 and earlier is available at [Sanoma.com](http://Sanoma.com).

## Events during the reporting period

On 11 February 2020, Sanoma announced it will evaluate strategic options for its online classifieds' business, Oikotie Ltd., in Finland. Pro forma 2019, net sales of Oikotie Ltd., were EUR 26 million (pro forma 2018: 24) and operational EBITDA EUR 10 million (pro forma 2018: 9). Oikotie Ltd. had 94 employees (FTE) at the end of December 2019. Divestment of the business could be one of the potential outcomes of the evaluation. Sanoma will release further information, as required under the applicable rules, as soon as the evaluation is completed.

## Learning

Sanoma Learning is a growing European-based education company serving about 15 million students in ten countries. Through a portfolio of modern, blended learning materials and methods, material distribution and digital platforms, we support learning and teaching in primary, secondary and vocational education. Our mission is to make a positive impact on learning by enabling teachers and schools to help all students to reach their full potential. Through our local companies, we contribute to some of the world's best-performing education systems.

### Key indicators <sup>1)</sup>

EUR million	Q1 2020	Q1 2019	Change	FY 2019
Net sales	58.1	31.4	85%	336.7
Operational EBIT excl. PPA <sup>2)</sup>	-15.7	-16.7	6%	73.2
Margin <sup>2)</sup>	-27.1%	-53.1%		21.7%
EBIT	-20.6	-18.6	-11%	55.0
Capital expenditure	6.6	3.8	75%	21.9
Average number of employees (FTE)	1,917	1,355	41%	1,488

<sup>1)</sup> Including continuing operations only. Certain minor subsidiaries acquired in 2019, and planned to be divested in the future, are reported as discontinued operations. More information on discontinued operations' financial performance is available on p. 30.

<sup>2)</sup> Excluding IACs of EUR -0.9 million in Q1 2020 (2019: -1.1) and EUR -12.1 million in FY 2019 and PPA amortisations of EUR 4.0 million in Q1 2020 (2019: 0.8) and EUR 6.1 million in FY 2019.

Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 14.

### Net sales by country

EUR million	Q1 2020	Q1 2019	Change	FY 2019
The Netherlands	32.3	14.2	128%	106.9
Poland	5.8	5.2	13%	95.6
Finland	5.3	5.4	-1%	52.5
Belgium	4.7	3.6	30%	57.1
Other countries and eliminations <sup>1)</sup>	10.0	3.1	220%	24.5
<b>Net sales total</b>	<b>58.1</b>	<b>31.4</b>	<b>85%</b>	<b>336.7</b>

<sup>1)</sup> Other countries include Sweden, Spain, Norway, Denmark, France and Germany.

### Q1 2020

Net sales of Learning grew and amounted to EUR 58 million (2019: 31). A majority of the net sales growth was attributable to acquisitions, in particular Iddink. On a comparable basis, net sales grew in the Netherlands with certain seasonal orders moving from the second to the first quarter, partially as a precautionary measure by the customers to the possible operational impact of the corona virus pandemic. In other markets, comparable net sales were relatively stable.

The learning business has, by nature, an annual cycle with strong seasonality. Most net sales and earnings are accrued during the second and third quarters, while the first and fourth quarters are typically small in net sales and loss-making.

Operational EBIT excl. PPA improved slightly and was EUR -16 million (2019: -17). Comparable net sales growth had a positive contribution on earnings.

EBIT was EUR -21 million (2019: -19). IACs totalled EUR -1 million (2019: -1) and consisted of costs related to the business development programme "High Five", ICT and recent acquisitions. PPA amortisations increased to EUR 4 million (2019: 1) as a result of the Iddink acquisition.

Capital expenditure increased to EUR 7 million (2019: 4) as a result of acquisitions and consisted of growth investments in digital platforms and ICT.



## Media Finland

Sanoma Media Finland is the leading media company in Finland, reaching 97% 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, Supla and Radio Suomipop. For advertisers, we are a trusted partner with insight, impact and reach.

### Key indicators

EUR million	Q1 2020	Q1 2019	Change	FY 2019
Net sales	129.9	131.6	-1%	576.8
Operational EBIT excl. PPA <sup>1)</sup>	9.5	13.5	-29%	69.4
Margin <sup>1)</sup>	7.3%	10.3%		12.0%
EBIT	5.3	9.3	-44%	54.9
Capital expenditure	2.1	0.7		3.8
Average number of employees (FTE)	1,773	1,764	1%	1,804

<sup>1)</sup> Excluding IACs of EUR -3.2 million in Q1 2020 (2019: -3.1) and EUR -10.0 million in FY 2019, and PPA amortisations of EUR 1.1 million in Q1 2020 (2019: 1.1) and EUR 4.4 million in FY 2019.

Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 14.

### Net sales by category

EUR million	Q1 2020	Q1 2019	Change	FY 2019
Print	64.4	69.7	-8%	271.5
Non-print	65.4	62.0	6%	305.3
<b>Net sales total</b>	<b>129.9</b>	<b>131.6</b>	<b>-1%</b>	<b>576.8</b>

EUR million	Q1 2020	Q1 2019	Change	FY 2019
Advertising sales	55.9	57.8	-3%	247.3
Subscription sales	49.5	49.8	0%	195.8
Single copy sales	10.4	10.2	2%	45.1
Other	13.9	13.8	1%	88.6
<b>Net sales total</b>	<b>129.9</b>	<b>131.6</b>	<b>-1%</b>	<b>576.8</b>

Other sales mainly include festivals and events, marketing services, event marketing, custom publishing, books and printing. In 2019, net sales of the events business amounted to EUR 35 million.

### Q1 2020

Net sales of Media Finland were stable at EUR 130 million (2019: 132). Advertising sales developed favourably in January-February but started to decline during the last weeks of March due to the corona virus pandemic. TV advertising sales grew as a result of positive market share development. Growth in radio advertising sales was supported by new channels and frequencies acquired in 2019. The corona virus pandemic had a negative impact on print and digital advertising sales in March. Strong growth in digital subscription sales of the daily newspaper Helsingin Sanomat and VOD service Ruutu+ offset the decline in printed newspaper and magazine subscription sales.

According to the Finnish Advertising Trends survey for March 2020 by Kantar TNS, the advertising market in Finland declined by 7% on a net basis in Q1 2020 and by 16% in March 2020. During the quarter, advertising declined by 19% in newspapers, by 10% in magazines, by 3% in TV, and by 10% in radio whereas advertising in online, excluding search and social media increased by 2%. In March, advertising declined by 32% in newspapers, by 14% in magazines, by 7% in TV, by 22% in radio and by 1% in online, excluding search and social media.

Operational EBIT excl. PPA declined to EUR 10 million (2019: 14) driven by planned, seasonally higher TV and marketing costs related to new product launches, most notably Supla+, a subscription-based audio-on-demand service including also audio-books. The level of these costs is expected to even out during the rest of the year. Lower advertising sales also had an adverse impact on earnings, while earnings were positively impacted by lower paper costs.

EBIT was EUR 5 million (2019: 9). IACs totalled EUR -3 million (2019: -3) and included costs related to integration planning, strategic business development and changes in the IT infrastructure and services. PPA amortisations were EUR 1 million (2019: 1).

Capital expenditure totalled EUR 2 million (2019: 1) and consisted of maintenance investments.

## Personnel

In January–March 2020, the average number of employees in full-time equivalents (FTE) in continuing operations was 3,959 (2019: 3,391). The average number of employees (FTE) per SBU was as follows: Learning 1,917 (2019: 1,355), Media Finland 1,773 (2019: 1,764) and Other operations 269 (2019: 273). At the end of March, the number of employees (FTE) of the Group was 3,970 (2019: 3,396) and 980 (2019: 938) in discontinued operations. Number of employees increased as a consequence of acquisitions.

Wages, salaries and fees paid to Sanoma's employees, including the expense recognition of share-based payments, amounted to EUR 72 million (2019: 58).

## Changes in management

On 1 January 2020, Rob Kolkman started as a CEO for Sanoma Learning. He reports to Susan Duinhoven, President and CEO of Sanoma Corporation, and continues as a member of Sanoma's Executive Management Team. Rob Kolkman was the CEO for Sanoma Media Netherlands until the closing of the divestment on 20 April 2020.

## Share capital and shareholders

At the end of March 2020, Sanoma's registered share capital was EUR 71 million (2019: 71), and the total number of shares was 163,565,663 (2019: 163,565,663), including 431,977 (2019: 549,140) own shares. Own shares represented 0.3% (2019: 0.3%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 163,133,686 (2019: 163,016,253).

In March 2020, Sanoma delivered a total of 324,163 own shares (without consideration and after taxes) as part of its long-term share-based incentive plans.

Sanoma had 22,333 (2019: 20,871) registered shareholders at the end of March 2020.

## Acquisition of own shares

Sanoma repurchased own shares from 26 March until 2 April 2020. During that time, Sanoma acquired a total of 304,000 own shares for an average price of EUR 7.95 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 25 March 2020 to be used as part of the Company's incentive programme.

## Share trading and performance

At the end of March 2020, Sanoma's market capitalisation was EUR 1,363 million (2019: 1,425) with Sanoma's share closing at EUR 8.36 (2019: 8.74). During January-March, the volume-weighted average price of Sanoma's share on Nasdaq Helsinki Ltd. was EUR 9.76 (2019: 8.74), with a low of EUR 6.84 (2019: 8.02) and a high of EUR 12.49 (2019: 9.35).

In January–March 2020, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 119 million (2019: 40). The trading volume of 12 million shares (2019: 5) equalled an average daily turnover of 193k shares (2019: 72k). The traded shares accounted for some 7% (2019: 3%) of the average number of shares. Sanoma's share turnover, including alternative trading venues BATS and Chi-X, was 14 million shares (2019: 6). Nasdaq Helsinki represented 87% (2019: 76%) of the share turnover. (Source: Euroland)

## Decisions of the Annual General Meeting

Sanoma Corporation's Annual General Meeting (AGM) was held on 25 March 2020 in Helsinki. The meeting adopted the Financial Statements, the Board of Directors' Report and the Auditor's Report for the year 2019, considered the Remuneration Policy for governing bodies and discharged the members of the Board of Directors as well as the President and CEO from liability for the financial year 2019.

The AGM resolved that a dividend of EUR 0.50 per share shall be paid and a sum of EUR 350,000 be reserved for charitable donations to be used at the Board of Directors' discretion. 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 27 March 2020. The payment date for this instalment was 3 April 2020. The second instalment 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, which, together with the dividend payment date, shall be decided by the Board of Directors in its meeting scheduled for 28 October 2020. The dividend record date would then be on or about 30 October 2020 and the dividend payment date on or about 6 November 2020.

The AGM resolved that the number of the members of the Board of Directors shall be set at ten. Pekka Ala-Pietilä, Antti Herlin, Mika Ihmuotila, Nils Ittonen, Denise Koopmans, Sebastian Langenskiöld, Rafaela Seppälä and Kai Öistämö were re-elected as members, and Julian Drinkall and Rolf Grisebach were elected as new 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 2021.

The AGM resolved that the monthly remuneration payable to the members of the Board of Directors shall be increased. The monthly remunerations are: EUR 12,000 for the Chairman of the Board, EUR 7,000 for the Vice Chairman of the Board, and EUR 6,000 for the members of the Board. The meeting fees of the Board of Directors remained unchanged.

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. The Auditor shall be reimbursed against invoice approved by the Company.

The AGM authorised the Board of Directors to decide on the repurchase of 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 2021, and it terminated the corresponding authorisation granted by the AGM 2019.

The AGM authorised the Board of Directors to decide on issuance of new shares and the conveyance of the Company's own shares held by the Company (treasury shares) and the issuance of option rights and other special rights entitling to shares as specified in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act. Option rights and other special rights entitling to shares as specified in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act may not be granted as part of the Company's incentive programme. The Board will be entitled to decide on the issuance of a maximum of 18,000,000 new shares as well as conveyance of a maximum of 5,000,000 treasury shares held by the Company in one or several instalments. The issuance of shares, the conveyance of treasury shares and the granting of option rights and other special rights entitling to shares may be done in deviation from the shareholders' pre-emptive right (directed issue). The authorisation will be valid until 30 June 2021, and it replaced the authorisation to decide on issuance of shares, option rights and other special rights entitling to shares, which was granted to the Board of Directors by the Annual General Meeting on 27 March 2019.

## Seasonal fluctuation

The learning business has, by nature, an annual cycle with strong seasonality. Most net sales and earnings are accrued during the second and third quarters, while the first and fourth quarters are typically loss making. In the media business, net sales and results are particularly affected by the development of advertising. Advertising sales are influenced, for example, by the number of newspaper and magazine issues published each quarter, which varies annually. TV advertising in Finland is usually strongest in the second and fourth quarters. The events business in Finland is focused on the second and third quarters. Seasonal business fluctuations influence the Group's net sales and EBIT, with the first and fourth quarter traditionally being the smallest ones for both.

## Key impacts and risks related to the corona virus pandemic

Sanoma estimates that the corona virus pandemic will have significant impacts on its business during 2020. For its own part, the Group's well-balanced business portfolio mitigates the impacts to a certain extent; after the acquisitions completed in Learning in 2019 and the divestment of Media Netherlands, a majority of the Group's operational earnings will come from Learning in 2020. In addition, Sanoma is actively and perseveringly taking actions to mitigate the risks and continuously updating the risk situation and mitigation plans. Mitigation actions include careful cost containment of all non-mandatory cost categories.

In Learning, no major impacts on net sales and profitability are expected. Due to the pandemic and related restriction measures, risks related to reliability, capacity and costs of paper, printing and digital hosting services, as well as success in capturing new business opportunities, may rise in importance.

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 pandemic will have a material impact on the net sales and profitability of Media Finland's B2B advertising business as well as events business.

- 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. The size of the impact is dependent on the duration of the crisis and the pace of the recovery, but it is too early to make reliable and specific estimates of the size of the impact. After the financial crisis in 2008, Sanoma's advertising sales declined by approx. 17% in-line with the market.
- On 22 April, the Finnish government decided to prohibit all large events until end of July 2020. As a consequence, all Media Finland's festivals for the summer season 2020 will be cancelled. Sanoma estimates that net sales and operational EBIT for Media Finland's events business will be close to zero in 2020. In 2019, net sales of the events business was approx. EUR 35 million and its operational EBIT margin was above the margin of the Media Finland SBU (12.0%).

Additionally, the crisis may lead to increased credit risk related to receivables from B2B and B2C customers in both SBUs. It may also limit the possibilities for production of new TV content or lead to disruptions in printing and distribution of printed media products. The overall economic uncertainty may result in lower demand for recruitment and/or real estate advertising.

In the current continuously and rapidly evolving situation it is too early to make reliable and specific estimates of the likelihood and magnitude of the risks related to the corona virus pandemic. Consequently, Sanoma has on 24 March temporarily withdrawn its Outlook for 2020 and expects to give an updated outlook later during the year.

## Other significant near-term risks and uncertainties

Sanoma is exposed to numerous risks and opportunities, which may arise from its own operations or the changing operating environment. 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.

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.

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 changes in B2B and public demand. Ongoing digitalisation and mobilisation are the main drivers behind many of these changes. In education, digital learning materials, methods and platforms are gradually penetrating the market. The increasing use of mobile devices is changing the way people consume media, while viewing time of free-to-air TV and subscriptions for print media are decreasing. New entrants might be able to better utilise these changes and therefore gain market share from Sanoma's established businesses.

Sanoma faces political risks, in particular in Poland, where legislative changes can have significant impacts on the learning business. Changes in taxation applied to Sanoma's products and services or in the interpretation of tax legislation or practices in its operating countries may have an impact on the demand of the products or on financial performance.

The general economic conditions in Sanoma's operating countries and overall industry trends could influence Sanoma's business activities and operational performance. General business risks associated with the performance of the learning business relate to development of public and private education spending especially during the curriculum renewals. In the

media business, risks associated with business and financial performance typically relate to advertising demand and consumer spending. The volume of media advertising is especially sensitive to overall economic development and consumer confidence.

Data is an increasingly essential part of Sanoma's business, putting privacy and consumer trust at the core of the Group's daily operations. 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 customer and consumer data could have a negative impact on Sanoma's ability to utilise data in its business.

Sanoma's financial risks include interest rate, currency, liquidity and credit risks. Other risks include risks related to equity and impairment of assets.

Sanoma's consolidated balance sheet included EUR 941 million (2019: 1,166) of goodwill, immaterial rights and other intangible assets at the end of March 2020. After the Iddink acquisition, most of this is related to the learning business. In accordance with IFRS, instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity-related ratios.

More information on Sanoma's most significant risks and uncertainty factors and the main principles of risk management is available in the Report of the Board of Directors, Financial Statements and Corporate Governance Statement for 2019 on [www.sanoma.com/investors](http://www.sanoma.com/investors).

## Financial reporting in 2020

Sanoma will publish the following financial reports during 2020:

Half-Year Report 1 January–30 June 2020

Friday, 24 July, approx. at 8:30

Interim Report 1 January–30 September 2020

Thursday, 29 October, approx. at 8:30

Helsinki, 28 April 2020

Board of Directors

Sanoma Corporation

## Reconciliation of operational EBIT excl. PPA

EUR million	Q1 2020	Q1 2019	FY 2019
<b>EBIT</b>	<b>-17.6</b>	<b>-10.7</b>	<b>102.1</b>
<b>Items affecting comparability (IACs) and PPA amortisations</b>			
<b>Learning</b>			
Restructuring expenses	-0.9	-1.1	-12.1
PPA amortisations	-4.0	-0.8	-6.1
<b>Media Finland</b>			
Restructuring expenses	-3.2	-3.1	-10.0
PPA amortisations	-1.1	-1.1	-4.4
<b>Other companies</b>			
Capital gains/losses			0.5
Restructuring expenses	0.0	-0.1	-1.0
<b>Items affecting comparability (IACs) and PPA amortisations total</b>	<b>-9.2</b>	<b>-6.2</b>	<b>-33.1</b>
<b>Operational EBIT excl. PPA amortisations total</b>	<b>-8.4</b>	<b>-4.5</b>	<b>135.2</b>
<b>Items affecting comparability (IACs) in financial income and expenses</b>			
Capital gains/losses		1.0	1.0
Financial items	0.6		
Impairments		-1.1	-1.1
<b>Total</b>	<b>0.6</b>	<b>-0.2</b>	<b>-0.2</b>
<b>Items affecting comparability (IACs) and PPA amortisations in discontinued operations</b>			
Capital gains/losses		10.8	10.8
Impairments <sup>1)</sup>	-3.1		-105.1
Restructuring expenses	-0.5	-1.9	-9.1
PPA amortisations	-1.1	-0.8	-3.9
<b>Total</b>	<b>-4.7</b>	<b>8.1</b>	<b>-107.3</b>

<sup>1</sup> In 2020, the impairment of EUR 3.1 million (FY 2019: 105.1) mainly relates to costs to sell for the divestment of Media Netherlands classified as assets held for sale under IFRS 5 following the announcement to divest.

## Reconciliation of operational EPS

EUR million	Q1 2020	Q1 2019	FY 2019
<b>Result for the period attributable to the equity holders of the Parent Company</b>	<b>-3.6</b>	<b>7.4</b>	<b>11.5</b>
Items affecting comparability <sup>1)</sup>	5.7	-5.8	118.9
<b>Operational result for the period attributable to the equity holders of the Parent Company</b>	<b>2.1</b>	<b>1.6</b>	<b>130.4</b>
Adjusted average number of shares	163,056,436	162,680,778	162,933,737
<b>Operational EPS</b>	<b>0.01</b>	<b>0.01</b>	<b>0.80</b>

<sup>1)</sup> 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 Mar 2020	31 Mar 2019	31 Dec 2019
Non-current financial liabilities	227.9	8.3	227.9
Current financial liabilities	466.6	382.3	400.7
Non-current lease liabilities	157.2	162.5	162.0
Current lease liabilities	27.2	22.7	27.3
Cash and cash equivalents	-22.7	-44.7	-23.2
<b>Interest-bearing net debt</b>	<b>856.3</b>	<b>531.1</b>	<b>794.7</b>

Interest-bearing net debt includes financial assets and liabilities of Sanoma Media Netherlands that are presented as part of assets and liabilities held-for-sale in the balance sheet 31 March 2020 and 31 December 2019. More details are presented on p. 31.

## Income statement by quarter

EUR million	Q1 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
<b>NET SALES</b>	<b>187.7</b>	<b>163.0</b>	<b>259.8</b>	<b>284.9</b>	<b>205.6</b>	<b>913.3</b>
Other operating income	6.5	7.5	7.6	7.2	8.7	31.0
Materials and services	-55.3	-50.0	-77.9	-95.2	-59.6	-282.7
Employee benefit expenses	-72.0	-58.4	-59.1	-56.5	-70.0	-244.0
Other operating expenses	-40.7	-38.5	-39.2	-39.7	-48.0	-165.3
Share of results in joint ventures	0.1	0.1	0.1	0.1	0.1	0.4
Depreciation, amortisation and impairment losses	-43.8	-34.3	-37.5	-31.8	-46.9	-150.5
<b>EBIT</b>	<b>-17.6</b>	<b>-10.7</b>	<b>53.9</b>	<b>69.1</b>	<b>-10.2</b>	<b>102.1</b>
Share of results in associated companies	-0.1	-0.1	0.0	0.0	0.0	0.0
Financial income	4.1	1.4	0.5	0.6	0.5	3.1
Financial expenses	-4.8	-5.9	-5.9	-7.7	-5.4	-24.9
<b>RESULT BEFORE TAXES</b>	<b>-18.4</b>	<b>-15.3</b>	<b>48.6</b>	<b>61.9</b>	<b>-15.0</b>	<b>80.3</b>
Income taxes	5.5	3.8	-12.5	-13.4	4.8	-17.2
<b>RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>-12.9</b>	<b>-11.4</b>	<b>36.1</b>	<b>48.5</b>	<b>-10.2</b>	<b>63.1</b>
<b>DISCONTINUED OPERATIONS</b>						
Result for the period from discontinued operations	9.1	18.8	13.9	10.6	-93.1	-49.8
<b>RESULT FOR THE PERIOD</b>	<b>-3.8</b>	<b>7.3</b>	<b>50.0</b>	<b>59.2</b>	<b>-103.2</b>	<b>13.3</b>
<b>Result from continuing operations attributable to:</b>						
Equity holders of the Parent Company	-12.6	-11.4	36.0	47.1	-10.3	61.4
Non-controlling interests	-0.3	0.0	0.1	1.5	0.1	1.7
<b>Result from discontinued operations attributable to:</b>						
Equity holders of the Parent Company	9.0	18.8	13.9	10.6	-93.2	-49.9
Non-controlling interests	0.1	0.0	0.0	0.0	0.1	0.1
<b>Result attributable to:</b>						
Equity holders of the Parent Company	-3.6	7.4	50.0	57.7	-103.5	11.5
Non-controlling interests	-0.2	0.0	0.1	1.5	0.3	1.8
<b>Earnings per share for result attributable to the equity holders of the Parent Company:</b>						
Earnings per share, EUR, continuing operations	-0.08	-0.07	0.22	0.29	-0.06	0.38
Diluted earnings per share, EUR, continuing operations	-0.08	-0.07	0.22	0.29	-0.06	0.38
Earnings per share, EUR, discontinued operations	0.06	0.12	0.09	0.07	-0.57	-0.31
Diluted earnings per share, EUR, discontinued operations	0.06	0.12	0.09	0.06	-0.57	-0.31
Earnings per share, EUR	-0.02	0.05	0.31	0.35	-0.63	0.07
Diluted earnings per share, EUR	-0.02	0.05	0.31	0.35	-0.63	0.07

In 2020 and 2019, discontinued operations include Sanoma Media Netherlands and certain minor subsidiaries acquired in 2019 and planned to be divested in the future.



## Net sales by SBU

EUR million	Q1 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Learning	58.1	31.4	105.4	138.4	61.4	336.7
Media Finland	129.9	131.6	154.5	146.5	144.2	576.8
Other companies and eliminations	-0.2	-0.1	-0.1	0.0	-0.1	-0.3
<b>Total</b>	<b>187.7</b>	<b>163.0</b>	<b>259.8</b>	<b>284.9</b>	<b>205.6</b>	<b>913.3</b>

## EBIT by SBU

EUR million	Q1 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Learning	-20.6	-18.6	41.0	52.0	-19.3	55.0
Media Finland	5.3	9.3	14.7	19.0	11.9	54.9
Other companies and eliminations	-2.3	-1.5	-1.8	-1.9	-2.7	-7.9
<b>Total</b>	<b>-17.6</b>	<b>-10.7</b>	<b>53.9</b>	<b>69.1</b>	<b>-10.2</b>	<b>102.1</b>

## Operational EBIT excl. PPA by SBU

EUR million	Q1 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Learning	-15.7	-16.7	43.0	57.2	-10.3	73.2
Media Finland	9.5	13.5	19.4	21.7	14.7	69.4
Other companies and eliminations	-2.2	-1.3	-2.3	-1.4	-2.4	-7.4
<b>Total</b>	<b>-8.4</b>	<b>-4.5</b>	<b>60.1</b>	<b>77.5</b>	<b>2.1</b>	<b>135.2</b>

## Interim report (unaudited)

### Accounting policies

Sanoma Group prepares its Interim Report in accordance with IAS 34 'Interim Financial Reporting' while adhering to related IFRS standards and interpretations applicable within the EU on 31 March 2020. The accounting policies of the Interim Report, the definitions of key indicators as well as the explanations of use and definitions of Alternative Performance Measures (APMs) are available at [Sanoma.com](http://Sanoma.com). 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.

## Consolidated income statement

EUR million	Q1 2020	Q1 2019	FY 2019
<b>NET SALES</b>	<b>187.7</b>	<b>163.0</b>	<b>913.3</b>
Other operating income	6.5	7.5	31.0
Materials and services	-55.3	-50.0	-282.7
Employee benefit expenses	-72.0	-58.4	-244.0
Other operating expenses	-40.7	-38.5	-165.3
Share of results in joint ventures	0.1	0.1	0.4
Depreciation, amortisation and impairment losses	-43.8	-34.3	-150.5
<b>EBIT</b>	<b>-17.6</b>	<b>-10.7</b>	<b>102.1</b>
Share of results in associated companies	-0.1	-0.1	0.0
Financial income	4.1	1.4	3.1
Financial expenses	-4.8	-5.9	-24.9
<b>RESULT BEFORE TAXES</b>	<b>-18.4</b>	<b>-15.3</b>	<b>80.3</b>
Income taxes	5.5	3.8	-17.2
<b>RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>-12.9</b>	<b>-11.4</b>	<b>63.1</b>
<b>DISCONTINUED OPERATIONS</b>			
Result for the period from discontinued operations	9.1	18.8	-49.8
<b>RESULT FOR THE PERIOD</b>	<b>-3.8</b>	<b>7.3</b>	<b>13.3</b>
<b>Result from continuing operations attributable to:</b>			
Equity holders of the Parent Company	-12.6	-11.4	61.4
Non-controlling interests	-0.3	0.0	1.7
<b>Result from discontinued operations attributable to:</b>			
Equity holders of the Parent Company	9.0	18.8	-49.9
Non-controlling interests	0.1	0.0	0.1
<b>Result attributable to:</b>			
Equity holders of the Parent Company	-3.6	7.4	11.5
Non-controlling interests	-0.2	0.0	1.8
<b>Earnings per share for result attributable to the equity holders of the Parent Company:</b>			
Earnings per share, EUR, continuing operations	-0.08	-0.07	0.38
Diluted earnings per share, EUR, continuing operations	-0.08	-0.07	0.38
Earnings per share, EUR, discontinued operations	0.06	0.12	-0.31
Diluted earnings per share, EUR, discontinued operations	0.06	0.12	-0.31
Earnings per share, EUR	-0.02	0.05	0.07
Diluted earnings per share, EUR	-0.02	0.05	0.07

In 2020 and 2019, discontinued operations include Sanoma Media Netherlands and certain minor subsidiaries acquired in 2019 and planned to be divested in the future.

## Statement of comprehensive income <sup>1)</sup>

EUR million	Q1 2020	Q1 2019	FY 2019
<b>Result for the period</b>	<b>-3.8</b>	<b>7.3</b>	<b>13.3</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Change in translation differences	-3.8	-0.1	2.5
Share of other comprehensive income of equity-accounted investees		0.0	0.1
<b>Items that will not be reclassified to profit or loss</b>			
Defined benefit plans	-4.9	4.1	6.1
Income tax related to defined benefit plans	1.0	-0.8	-1.1
<b>Other comprehensive income for the period, net of tax</b>	<b>-7.7</b>	<b>3.2</b>	<b>7.6</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-11.4</b>	<b>10.5</b>	<b>20.9</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Parent Company	-11.3	10.6	19.1
Non-controlling interests	-0.2	0.0	1.8

<sup>1)</sup> Statement of comprehensive income includes both continuing and discontinued operations.

## Consolidated balance sheet

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>ASSETS</b>			
Property, plant and equipment	73.0	34.3	78.0
Right-of-use assets	151.6	176.1	157.0
Investment property	9.1	10.3	9.1
Goodwill	508.4	900.8	505.8
Other intangible assets	432.7	265.6	443.3
Equity-accounted investees	1.9	18.1	1.9
Other investments	3.8	3.8	3.9
Deferred tax receivables	14.9	8.9	12.6
Trade and other receivables	12.9	10.8	13.6
<b>NON-CURRENT ASSETS, TOTAL</b>	<b>1,208.4</b>	<b>1,428.7</b>	<b>1,225.2</b>
Inventories	30.2	38.3	25.4
Income tax receivables	15.2	14.7	7.6
Contract assets	2.0	8.5	0.4
Trade and other receivables	95.4	156.4	103.8
Cash and cash equivalents	17.2	44.7	16.3
<b>CURRENT ASSETS, TOTAL</b>	<b>160.1</b>	<b>262.6</b>	<b>153.5</b>
Assets held for sale and discontinued operations	607.3		619.2
<b>ASSETS, TOTAL</b>	<b>1,975.7</b>	<b>1,691.3</b>	<b>1,997.9</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	71.3	71.3	71.3
Treasury shares	-2.7	-4.6	-4.6
Fund for invested unrestricted equity	209.8	209.8	209.8
Other equity	156.2	260.0	253.0
Total equity attributable to the equity holders of the Parent Company	434.6	536.4	529.4
Non-controlling interests	21.1	10.6	21.5
<b>EQUITY, TOTAL</b>	<b>455.7</b>	<b>546.9</b>	<b>550.9</b>
Deferred tax liabilities	71.5	34.4	74.6
Pension obligations	12.0	4.3	7.1
Provisions	0.5	4.6	0.6
Financial liabilities	221.3	8.3	221.3
Lease liabilities	134.5	162.5	138.4
Contract liabilities	4.3	4.5	4.2
Trade and other payables	6.4	8.4	6.5
<b>NON-CURRENT LIABILITIES, TOTAL</b>	<b>450.4</b>	<b>226.9</b>	<b>452.8</b>
Provisions	1.0	8.7	1.3
Financial liabilities	466.6	382.3	398.4
Lease liabilities	22.2	22.7	22.5
Income tax liabilities	5.5	6.9	8.4
Contract liabilities	111.4	134.0	129.7
Trade and other payables	273.0	362.8	210.4
<b>CURRENT LIABILITIES, TOTAL</b>	<b>879.8</b>	<b>917.4</b>	<b>770.8</b>
Liabilities related to assets held for sale and discontinued operations	189.8		223.3
<b>LIABILITIES, TOTAL</b>	<b>1,520.0</b>	<b>1,144.3</b>	<b>1,447.0</b>
<b>EQUITY AND LIABILITIES, TOTAL</b>	<b>1,975.7</b>	<b>1,691.3</b>	<b>1,997.9</b>

## Changes in consolidated equity

EUR million	Equity attributable to the equity holders of the Parent Company						
	Share capital	Treasury shares	Fund for invested unrestricted equity	Other equity	Total	Non-controlling interests	Equity, total
<b>Equity at 1 Jan 2019</b>	<b>71.3</b>	<b>-8.4</b>	<b>209.8</b>	<b>333.8</b>	<b>606.4</b>	<b>5.0</b>	<b>611.4</b>
Comprehensive income for the period				10.6	10.6	0.0	10.5
Share-based compensation				-3.1	-3.1		-3.1
Shares delivered		3.8		-3.8			
Dividends				-73.4	-73.4		-73.4
Acquisitions and other changes in non-controlling interests				-4.1	-4.1	5.6	1.5
<b>Equity at 31 Mar 2019</b>	<b>71.3</b>	<b>-4.6</b>	<b>209.8</b>	<b>260.0</b>	<b>536.4</b>	<b>10.6</b>	<b>546.9</b>
<b>Equity at 1 Jan 2020</b>	<b>71.3</b>	<b>-4.6</b>	<b>209.8</b>	<b>253.0</b>	<b>529.4</b>	<b>21.5</b>	<b>550.9</b>
Comprehensive income for the period				-11.3	-11.3	-0.2	-11.5
Purchase of treasury shares		-0.8			-0.8		-0.8
Share-based compensation				-2.2	-2.2		-2.2
Shares delivered		2.8		-2.8			
Dividends				-81.6	-81.6	0.0	-81.7
Acquisitions and other changes in non-controlling interests				1.0	1.0	-0.1	0.9
<b>Equity at 31 Mar 2020</b>	<b>71.3</b>	<b>-2.7</b>	<b>209.8</b>	<b>156.2</b>	<b>434.6</b>	<b>21.1</b>	<b>455.7</b>

## Consolidated cash flow statement

EUR million	Q1 2020	Q1 2019	FY 2019
<b>OPERATIONS</b>			
Result for the period	-3.8	7.3	13.3
Adjustments			
Income taxes	-2.4	-0.2	32.5
Financial income and expenses	0.9	4.7	23.5
Share of results in equity-accounted investees	-0.9	-0.9	-4.3
Depreciation, amortisation and impairment losses	44.3	36.9	266.2
Gains/losses on sales of non-current assets	2.9	-11.1	-12.4
Other adjustments	-2.6	-0.6	-4.1
Adjustments, total	42.2	28.8	301.4
Change in working capital	-58.7	-30.5	-18.4
Acquisitions of broadcasting rights, prepublication costs and rental books	-18.5	-24.8	-83.9
Dividends received		0.1	4.7
Interest paid and other financial items	-1.7	-3.6	-17.9
Taxes paid	-10.0	-12.5	-36.2
<b>Cash flow from operations</b>	<b>-50.4</b>	<b>-35.1</b>	<b>163.0</b>
<b>INVESTMENTS</b>			
Capital expenditure	-9.8	-6.1	-31.7
Operations acquired	-2.3	-8.4	-237.0
Proceeds from sale of tangible and intangible assets	0.5	0.5	2.5
Operations sold	0.1	45.2	53.4
Loans granted		0.0	-0.4
Repayments of loan receivables	0.0		0.0
Interest received	1.4	0.1	0.3
<b>Cash flow from investments</b>	<b>-10.0</b>	<b>31.2</b>	<b>-212.8</b>
<b>Cash flow before financing</b>	<b>-60.5</b>	<b>-3.9</b>	<b>-49.7</b>
<b>FINANCING</b>			
Contribution by non-controlling interests		0.2	0.2
Purchase of treasury shares	-0.8		
Change in loans with short maturity	51.0	36.5	193.6
Drawings of other loans		0.0	250.3
Repayments of other loans	0.0	0.0	-289.2
Payment of lease liabilities	-7.0	-6.3	-24.8
Acquisitions of non-controlling interests		-0.4	-8.4
Dividends paid	0.0		-74.5
<b>Cash flow from financing</b>	<b>43.1</b>	<b>30.0</b>	<b>47.3</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS ACCORDING TO CASH FLOW STATEMENT</b>	<b>-17.4</b>	<b>26.1</b>	<b>-2.4</b>
Effect of exchange rate differences on cash and cash equivalents	-0.5	-0.1	-0.1
<b>Net change in cash and cash equivalents</b>	<b>-17.9</b>	<b>26.1</b>	<b>-2.6</b>
Cash and cash equivalents at the beginning of the period	15.9	18.4	18.4
Cash and cash equivalents at the end of the period	-2.0	44.5	15.9
<b>FREE CASH FLOW (Cash flow from operations – Capital expenditure)</b>	<b>-60.2</b>	<b>-41.3</b>	<b>131.3</b>

Includes continuing and discontinued operations.

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 24.7 million (2019: 0.2) at the end of the period. Cash and cash equivalents in the Q1 2020 cash flow statement include EUR 5.4 million (31 Dec 2019: 6.9) cash and cash equivalents of discontinued operations, which are presented as part of assets held for sale in the balance sheet at the end of the period.

## Segment information

Sanoma reports two operating segments which are its two strategic business units Sanoma Learning and Sanoma Media Finland. This is aligned with the way Sanoma manages the businesses. Sanoma Media Netherlands is reported as discontinued operations starting from December 2019. More information on discontinued operations is on p. 30.

Sanoma Learning is a growing European-based education company serving about 15 million students in ten countries. Through a portfolio of modern, blended learning materials and methods, material distribution and digital platforms we support learning and teaching in primary, secondary and vocational education. Our mission is to make a positive impact on learning by enabling teachers and schools to help all students to reach their full potential. Through our local companies, we contribute to some of the world's best-performing education systems.

Sanoma Media Finland is the leading media company in Finland, reaching 97% 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.

In addition to the Group eliminations, the column unallocated/eliminations includes non-core operations, head office functions and items not allocated to segments. Segment assets do not include cash and cash equivalents, interest-bearing receivables, tax receivables or deferred tax receivables. Transactions between segments are based on market prices.

### Segment information 1 January–31 March 2020

EUR million	Learning	Media Finland	Unallocated/ eliminations	Continuing operations
External net sales	58.1	129.7		187.7
Internal net sales	0.0	0.2	-0.2	
<b>Net sales, total</b>	<b>58.1</b>	<b>129.9</b>	<b>-0.2</b>	<b>187.7</b>
<b>EBIT</b>	<b>-20.6</b>	<b>5.3</b>	<b>-2.3</b>	<b>-17.6</b>
<b>Operational EBIT excl. PPA</b>	<b>-15.7</b>	<b>9.5</b>	<b>-2.2</b>	<b>-8.4</b>
Share of results in associated companies		-0.1		-0.1
Financial income			4.1	4.1
Financial expenses			-4.8	-4.8
<b>Result before taxes</b>				<b>-18.4</b>
Income taxes				5.5
<b>Result for the period from continuing operations</b>				<b>-12.9</b>
Result for the period from discontinued operations				9.1
<b>Result for the period</b>				<b>-3.8</b>
<b>Segment assets</b>	<b>1,129.2</b>	<b>338.6</b>	<b>-147.1</b>	<b>1,320.7</b>



## Segment information 1 January–31 March 2019

EUR million	Learning	Media Finland	Media Netherlands	Unallocated/ eliminations	Continuing operations
External net sales	31.4	131.5			163.0
Internal net sales	0.0	0.1		-0.1	
<b>Net sales, total</b>	<b>31.4</b>	<b>131.6</b>		<b>-0.1</b>	<b>163.0</b>
<b>EBIT</b>	<b>-18.6</b>	<b>9.3</b>		<b>-1.5</b>	<b>-10.7</b>
<b>Operational EBIT excl. PPA</b>	<b>-16.7</b>	<b>13.5</b>		<b>-1.3</b>	<b>-4.5</b>
Share of results in associated companies		-0.1			-0.1
Financial income				1.4	1.4
Financial expenses				-5.9	-5.9
<b>Result before taxes</b>					<b>-15.3</b>
Income taxes					3.8
<b>Result for the period from continuing operations</b>					<b>-11.4</b>
Result for the period from discontinued operations					18.8
<b>Result for the period</b>					<b>7.3</b>
<b>Segment assets</b>	<b>684.5</b>	<b>363.2</b>	<b>707.8</b>	<b>-133.2</b>	<b>1,622.3</b>

## Net sales

### 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 two operating segments, which are also its strategic business units.

#### Disaggregation of revenue 1 January–31 March 2020

EUR million	Learning	Media Finland	Unallocated/ eliminations	Total
Finland	5.3	129.9	-0.2	135.0
The Netherlands	32.3			32.3
Poland	5.8			5.8
Belgium	4.7			4.7
Other companies and eliminations	10.0			10.0
<b>Primary geographical markets</b>	<b>58.1</b>	<b>129.9</b>	<b>-0.2</b>	<b>187.7</b>
Learning solutions	49.1		0.0	49.1
Advertising		55.9	-0.1	55.9
Subscription		49.5		49.5
Single copy		10.4		10.4
Other	9.0	13.9	-0.1	22.8
<b>Major product lines/services</b>	<b>58.1</b>	<b>129.9</b>	<b>-0.2</b>	<b>187.7</b>
Recognition at a point-in-time	23.2	42.0		65.2
Recognition over-time	34.8	87.8	-0.2	122.4
<b>Timing of revenue recognition</b>	<b>58.1</b>	<b>129.9</b>	<b>-0.2</b>	<b>187.7</b>

## Disaggregation of revenue 1 January–31 March 2019

EUR million	Learning	Media Finland	Unallocated/eliminations	Total
Finland	5.4	131.6	-0.1	136.9
The Netherlands	14.2			14.2
Poland	5.2			5.2
Belgium	3.6			3.6
Other companies and eliminations	3.1			3.1
<b>Primary geographical markets</b>	<b>31.4</b>	<b>131.6</b>	<b>-0.1</b>	<b>163.0</b>
Learning solutions	31.4		0.0	31.4
Advertising		57.8	0.0	57.8
Subscription		49.8	0.0	49.8
Single copy		10.2		10.2
Other		13.8	0.0	13.8
<b>Major product lines/services</b>	<b>31.4</b>	<b>131.6</b>	<b>-0.1</b>	<b>163.0</b>
Recognition at a point-in-time	18.6	46.5	-0.1	65.0
Recognition over-time	12.8	85.2		97.9
<b>Timing of revenue recognition</b>	<b>31.4</b>	<b>131.6</b>	<b>-0.1</b>	<b>163.0</b>

## Changes in property, plant and equipment and right of use assets

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Carrying amount at 31 Dec	235.1	37.4	37.4
Effect of IFRS 16 on 1 Jan 2019		183.9	183.9
Carrying amount at 1 Jan	235.1	221.3	221.3
Increases	3.8	2.6	12.6
Acquisitions of operations		0.0	70.1
Decreases	-0.3	-1.9	-2.7
Disposal of operations		-3.0	-3.0
Depreciation for the period	-12.5	-8.5	-37.7
Impairment losses for the period			0.0
Transferred to assets held for sale	0.0		-25.1
Exchange rate differences and other changes	-1.4	-0.1	-0.3
<b>Carrying amount at the end of the period</b>	<b>224.6</b>	<b>210.4</b>	<b>235.1</b>

## Acquisitions and divestments

Sanoma had no acquisitions and divestments during the first quarter of 2020.

On 13 September 2019 Sanoma completed the acquisition of Iddink Group, a leading Dutch educational platform and service provider. Acquisition accounting for Iddink was disclosed in the 2019 financial statements as provisional and subject to changes. The final purchase price of EUR 212 million was allocated to identified net assets which include preliminarily customer relationships, brand, software/platforms and deferred income with the remaining residual accounted for as goodwill. Purchase price allocation was adjusted during Q1 2020 resulting in EUR 1.6 million increase in goodwill.

### Impact of business acquisitions on Group's assets and liabilities

EUR million	Q1 2020	Iddink	Other	FY 2019
Property, plant and equipment		51.1	0.3	51.4
Right-of-use assets		16.2	2.5	18.6
Intangible assets	-2.0	192.1	40.1	232.1
Other non-current assets		1.4	5.9	7.2
Inventories		3.9	0.1	4.0
Other current assets		52.3	11.6	63.9
Assets, total	-2.0	316.9	60.4	377.3
Non-current liabilities	0.4	-143.3	-11.1	-154.4
Current liabilities		-83.8	-17.6	-101.3
Liabilities, total	0.4	-227.0	-28.7	-255.7
Fair value of acquired net assets	-1.6	89.9	31.7	121.6
Acquisition cost		212.1	58.8	270.9
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities		0.0	0.2	0.2
Fair value of acquired net assets	1.6	-89.9	-31.7	-121.6
<b>Goodwill from the acquisitions</b>	<b>1.6</b>	<b>122.2</b>	<b>27.2</b>	<b>149.4</b>

### Acquisitions of non-controlling interests

EUR million	Q1 2020	FY 2019
Acquisition cost		8.4
Book value of the acquired interest		1.0
Decrease (+) / increase (-) in acquisition liabilities		
<b>Impact on consolidated equity</b>		<b>-7.4</b>

### Cash paid to obtain control, net of cash acquired

EUR million	Q1 2020	Iddink	Other	FY 2019
Acquisition cost		212.1	58.8	270.9
Cash and cash equivalents of acquired operations		-4.5	-7.8	-12.3
Decrease (+) / increase (-) in acquisition liabilities	2.3	-11.0	-11.2	-22.2
<b>Cash paid to obtain control, net of cash acquired</b>	<b>2.3</b>	<b>196.5</b>	<b>39.7</b>	<b>236.3</b>
<b>Cash paid on acquisitions of non-controlling interests</b>				<b>8.4</b>

### Impact of divestments on Group's assets and liabilities

EUR million	Q1 2020	FY 2019
Property, plant and equipment		3.0
Goodwill		37.9
Other intangible assets		0.3
Inventories		0.3
Trade and other receivables		2.3
Cash and cash equivalents		3.0
<b>Assets, total</b>		<b>46.9</b>
Financial liabilities		-8.9
Trade and other payables		-5.9
<b>Liabilities, total</b>		<b>-14.8</b>
Net assets		32.1
Sales price		44.3
Transaction fees paid		-1.1
<b>Net result from sale of operations</b>		<b>11.1</b>

### Cash flow from sale of operations

EUR million	Q1 2020	FY 2019
Sales price		44.3
Cash and cash equivalents of divested operations		-3.0
Decrease (+) / increase (-) in receivables from divestment	0.1	12.1
<b>Cash flow from sale of operations</b>	<b>0.1</b>	<b>53.4</b>

## Discontinued operations

In December 2019, Sanoma signed an agreement to divest the strategic business unit Sanoma Media Netherlands to DPG Media. The transaction was subject to customary closing conditions and the Dutch ACM gave its unconditional approval for DPG Media to acquire Sanoma Media Netherlands on the 10th of April. The transaction was completed on the 20<sup>th</sup> of April. Media Netherlands is reported as discontinued operations in the income statement and the associated assets and liabilities are presented as held for sale.

The consolidated income statement has been represented to show the discontinued operation separately from continuing operations. The elimination of transactions between the continuing operations and the discontinued operation is attributed in a way that reflects the continuance of these transactions subsequent to the disposal.

The discontinued operations income statement and cash flow statement are presented in the following two tables and also include certain minor subsidiaries acquired in 2019 and planned to be divested in the future.

### Income statement of discontinued operations

EUR million	Q1 2020	Q1 2019	FY 2019
<b>Net sales</b>	<b>81.3</b>	<b>85.3</b>	<b>368.7</b>
Other operating income	0.8	11.8	15.0
Materials and services	-31.7	-35.4	-154.7
Employee benefit expenses	-20.3	-19.5	-74.2
Other operating expenses	-18.6	-17.9	-75.8
Share of results in joint ventures	0.9	0.9	4.0
Depreciation, amortisation and impairment losses		-2.5	-115.6
<b>EBIT</b>	<b>12.4</b>	<b>22.6</b>	<b>-32.7</b>
Financial income	0.0	0.1	0.1
Financial expenses	-0.3	-0.3	-1.8
<b>Result before taxes</b>	<b>12.2</b>	<b>22.4</b>	<b>-34.5</b>
Income taxes	-3.1	-3.6	-15.3
<b>Result for the period from discontinued operations</b>	<b>9.1</b>	<b>18.8</b>	<b>-49.8</b>

### Cash flows related to discontinued operations

EUR million	Q1 2020	Q1 2019	FY 2019
Cash flow from operations	-28.1	-31.3	30.7
Cash flow from investments	18.8	86.2	64.1
Cash flow from financing	7.8	-52.0	-92.5

## Assets held for sale and discontinued operations

EUR million	31 Mar 2020	31 Dec 2019
Property, plant and equipment and right-of-use assets	25.8	25.2
Goodwill	440.4	440.9
Other intangible assets	27.5	27.4
Equity-accounted investees	16.6	15.7
Non-current trade and other receivables	0.9	0.9
Deferred tax assets	4.3	4.5
Inventories	9.3	11.8
Income tax receivables	0.0	0.8
Trade and other receivables	67.5	76.4
Contract assets	9.6	8.7
Cash and cash equivalents	5.4	6.9
<b>Total</b>	<b>607.3</b>	<b>619.2</b>

## Liabilities related to assets held for sale and discontinued operations

EUR million	31 Mar 2020	31 Dec 2019
Deferred tax liabilities	5.4	5.6
Non-current provisions	2.8	3.0
Non-current financial liabilities and lease liabilities	29.3	30.2
Current provisions	4.7	4.9
Current financial liabilities and lease liabilities	5.0	7.1
Income tax liabilities	3.1	0.8
Current trade and other payables	90.1	122.3
Contract liabilities	49.5	49.5
<b>Total</b>	<b>189.8</b>	<b>223.3</b>

## Contingent liabilities

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>Contingencies for own commitments</b>			
Pledges	1.4	1.4	1.4
Other items	15.0	15.0	15.0
Total	16.4	16.4	16.4
<b>Other commitments</b>			
Royalties	5.3	6.8	6.0
Commitments for acquisitions of intangible assets (film and TV broadcasting rights included)	20.2	21.7	22.6
Other items	46.2	43.2	50.7
Other commitments total	71.6	71.7	79.4
<b>Total</b>	<b>88.1</b>	<b>88.1</b>	<b>95.8</b>

## Derivative instruments

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>Fair values</b>			
<b>Currency derivatives</b>			
Forward contracts (positive fair values)	0.0	0.2	
Forward contracts (negative fair values)	0.0	-0.1	-0.1
<b>Nominal values</b>			
<b>Currency derivatives</b>			
Forward contracts	6.7	11.7	5.2

The fair value of the foreign currency forward contracts is determined using forward exchange market rates at the balance sheet date.



## Definitions of key indicators

Comparable net sales growth	=	Net sales (growth) adjusted for the impact of acquisitions and divestments
Items affecting comparability (IACs)	=	Gains/losses on sale, restructuring or efficiency program expenses and impairments that exceed EUR 1 million
Operational EBIT excl. PPA	=	EBIT – IACs – Purchase price allocation (PPA) amortisations
Equity ratio, %	=	$\frac{\text{Equity total}}{\text{Balance sheet total} - \text{advances received}} \times 100$
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
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
EPS	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company}}{\text{Adjusted average number of shares on the market}}$
Operational EPS	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company} - \text{IACs}}{\text{Adjusted average number of shares on the market}}$