KPMG Oy Ab
Töölönlahdenkatu 3 A
PO Box 1037
00101 Helsinki, FINLAND

Telephone +358 20 760 3000
www.kpmg.fi

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's report

To the Annual General Meeting of Sanoma Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sanoma Corporation (business identity code 1524361-1) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial performance and financial position 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 financial statements in Finland and comply with statutory requirements.

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 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.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the 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.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Goodwill (€1,663 million) and acquisition-related intangible assets - Refer to Accounting policies for consolidated financial statements and Note 15

Key audit matter	Our response
— In prior years the Group has expanded its activities through acquisitions. As a result, the Group's balance sheet include a significant amount of goodwill and intangible assets. — Goodwill represented 64 % of the consolidated total assets and 166 % of the consolidated total equity as of 31 December 2016. — Goodwill and intangible assets are tested for impairment annually. The Group calculates the recoverable amount for each cash-generating unit based on the value-in-use method. These recoverable amounts use discounted future cash flow forecasts in which management makes judgments over certain key assumptions, for example profitability level, discount rate and long-term growth rate. Overall, due to the high level of judgment, and the significant carrying amounts involved, this is considered one of the key areas that our audit is concentrated on.	— We have assessed the principles and integrity of the Group's discounted cash flow model. We have tested the mathematical accuracy of the calculations derived from each forecast model and assessed the reasonableness of the key assumptions, including profitability level, discount rate and long-term growth rates, by reference to the medium-term strategic plans and forecasts approved by the Board, data external to the Group and our own views. — We have involved KPMG valuation specialists when assessing the inputs and methodology in determining the discount rates, and evaluating the long-term growth rates by comparing to the external market data. We have also performed our own sensitivity analysis to understand the impact of reasonable changes in the key assumptions. — We have considered the Group's disclosures in respect of the impairment testing.

TV program rights (€116 million) and prepublication assets (€68 million) included in intangible assets - Refer to Accounting policies for consolidated financial statements and Note 15

Key audit matter

- Sanoma amortizes intangible assets with definite useful lives using the diminishing method for broadcasting rights and the straight-line method for prepublication assets. The Group reviews the carrying values of these intangible assets to determine that these do not exceed the estimated future economic benefits. The assessment is made on a discounted cash flow basis by determining the net present value of the future cash flows expected to be derived from the assets. To the extent that estimated future economic benefits are insufficient, the assets are written down to their recoverable value.
- Judgment is required to assess the recoverability of these assets and hence this is considered one of the key areas that our audit is concentrated on.

Our response

- Our audit procedures for program rights included, among others assessing the valuation principles applied in the Group, testing the amortization principles based on broadcasting runs and estimated future economic benefits. We have also evaluated management's estimate of the future economic benefits and recoverability of the asset.
- Our audit procedures for prepublication assets included, among others, testing a sample of costs deferred to the balance sheet as prepublication assets, assessing management's analysis of the carrying values of certain prepublication assets and obtaining supporting evidence for management's explanations.
- We have also considered the Group's disclosures in respect of the said intangible assets.

Revenue recognition - Refer to Accounting policies for consolidated financial statements and Note 6

Key audit matter

- Sanoma Group's net sales, €1,639 million, consists of several revenue streams, for example advertising revenues, revenues from circulation sales and learning solution sales. The revenue recognition principles applied vary depending on the nature of sales and the respective revenue recognition policies. Also Group's businesses continue to evolve and new digital products may result in new revenue arrangements. Consequently this can result in circumstances which require careful consideration to determine when revenue should be recognized.

Our response

- Our audit procedures included, among others:
  - Evaluating whether Sanoma applies appropriate revenue recognition policies through comparison with the relevant accounting standards.
  - Testing the internal controls that Sanoma uses to assess the completeness, accuracy and timing of revenue recognized.
  - Assessing the Group's disclosures in respect of the accounting policies on revenue recognition.

Interests in group companies in the parent company's financial statements (€1,470 million) - Note 9 to the parent company's financial statements

Key audit matter

- Sanoma has assessed the recoverable amounts for interests in group companies based on income approach. In applying this approach the fair value of an investment is calculated based on the discounted cash flow model or the dividend discount model.
- Due to the high level of judgment incorporated in respect of the future cash flows and the significant carrying amounts involved, this is considered one of the key areas that our audit is concentrated on.

Our response

- We have tested the accuracy of the calculations derived from each forecast model and assessed the reasonableness of the key assumptions, including profitability level, discount rate and long-term growth rates, by reference to the latest medium-term strategic plans and forecasts approved by the Board, data external to the Group and our own views.
- We involved KPMG valuation specialists when assessing the inputs and methodology in determining the discount rates, and evaluating the long-term growth rates compared to the external market data.
- We considered the parent company's disclosures in respect of the impairment testing.

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 President and CEO are responsible for assessing the parent company's and the group's ability to continue as 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 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 on 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 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

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

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 identified above 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 and 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 on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

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 6 February, 2017

KPMG OY AB

Virpi Halonen
Authorised Public Accountant, KHT