Financial Statements and Board of Directors' Report for 2015

sanoma get the world

Turn over to read
the statement of CEO
Susan Duinhoven

Dear shareholders,

Sanoma touches the lives of millions of people in the Netherlands, Finland, Belgium, Poland and Sweden every day.

From the newspaper reader who accesses the world through our investigative reporting, to the young woman inspired by the world of beauty and styling at her fingertips through sites like FashionChick; from the advertiser who is able to reach an audience of targeted individuals with similar interests, to the little boy who masters arithmetic through one of our learning products.

One of the reasons I'm very excited to be part of Sanoma is this impact we have on the lives of our consumers and business customers. Consumers trust us and are loyal to our strong local brands, through which they acquire knowledge, are entertained and connect with others in like-minded communities. Our business customers benefit from our local expertise and our relationships with our consumers, which creates a wealth of opportunities for them. In order to deliver on this, a total focus on the customer is to be at the very heart of our company.

Our mission is to engage people with content that inspires, informs, entertains and educates – when, where and how they want it.

Industry changes require agility

Similar to many other industries, the media and learning markets we operate in are changing rapidly. The possibilities that have become available through the digital transformation of our business are virtually endless and I truly believe that we're only experiencing the beginning of the impact of this. These changes place special demands on our business and our organisation.

In media, we need to understand that the demands of our consumers will continue to change, fundamentally impacting previously solid business models. New business models will arise that are more complex and require different skills. Still the principles remain the same in that we provide quality information and entertainment for our consumers and that advertisers are interested in interacting and doing business with the audiences that we reach in this way.

New media formats enable increasing personalisation of both content and advertising, which creates an ever-improving cycle. As we learn more about consumers' preferences, we learn to serve them with more relevant content. This requires us to become more agile, data-driven and even more focused on the demands of the consumers – we are going from 'sending' to 'fulfilling the pull of the market demand'.

In Learning our focus is to enable teachers to maximise each pupils' learning capabilities developing the talents of every child.

Read all contents of Sanoma View at Sanomaview.com

Sanoma is on top of the game to meet the changing demands of pupils and teachers. We are a market leader in developing cross-media learning solutions that utilizes each medium to the fullest extent. We assist the teachers not only in providing more engaging learning materials, but also in ways to reduce their administrative and preparatory work in order to be able to spend more of their time directly interacting with pupils.

The future is cross-media

I'm often faced with people asking me how digitalisation affects our business. They might also say that media and learning companies should embrace 'digital' to remain relevant for their audiences. In itself this statement is not untrue – but I believe it is only a part of a bigger, much more complex picture.

The real challenge media and learning companies face is not how they become digital, it's how they embrace cross-media. Consumers don't stop and think about the medium through which they consume content. They want to get the benefits of each of the medium types and a product offering tailored to their needs – whether it's online, on TV, on the radio, in print, during events, or in stores. Brands can differentiate themselves by offering different services across different devices, all aligned with the overall brand experience. The teacher may want the pupils to use the books to take in its reading materials and beautiful graphics, but uses the digital applications for exercises and the extra videos and explanatory exercises on the whiteboard to maximise engagement and effectiveness of the learning method for the pupils.

At Sanoma we are increasingly seeing proof that this strategy works. Whether it's in home deco in the Netherlands where a SBS TV programme drives sales to a web shop and consumers want to relax with our inspirational magazine VTWonen, or whether it's in news where our different assets drive traffic across platforms.

To boost our ability to offer consumers and advertisers a true cross-media offering we made adjustments to our organisation in 2015. Sanoma Digital was re-integrated into the businesses to capture synergies, and its online assets are now part of the country-specific media portfolios. This way we can offer advertisers and consumers a full cross-media mix and develop the digital business more quickly and in line with our local strategy.

At the same time we've kept the strength of Sanoma Digital: a shared 'Big Data' and digital expertise team remains at the Group level to leverage insights and technologies quickly for the benefit of both Sanoma Media in Finland and the Netherlands/Belgium.

Susan Duinhoven
President & CEO
Sanoma

Contents

Key indicators

Key indicators, EUR million	2015	2014	2013*	2012**	2011
Net sales ***	**1 716.6**	1 901.6	2 083.5	2 376.3	2 378.1
Operating profit before depreciation, amortisation and impairment losses ***	**265.8**	461.4	377.5	506.1	482.2
% OF NET SALES	**15.5**	24.3	18.1	21.3	20.3
Operating profit excluding non-recurring items ***	**83.2**	118.8	154.6	231.0	224.1
% OF NET SALES	**4.8**	6.2	7.4	9.7	9.4
Non-recurring items ***	**-206.9**	15.0	-412.4	-50.0	-51.5
Operating profit ***	**-123.6**	133.8	-257.7	181.0	172.6
% OF NET SALES	**-7.2**	7.0	-12.4	7.6	7.3
Result before taxes ***	**-151.7**	90.7	-309.5	105.9	136.3
% OF NET SALES	**-8.8**	4.8	-14.9	4.5	5.7
Result for the period from continuing operations ***	**-158.0**	61.6	-320.3	69.9	78.6
% OF NET SALES	**-9.2**	3.2	-15.4	2.9	3.3
Result for the period	**-158.0**	61.6	-320.3	149.0	86.0
% OF NET SALES	**-9.2**	3.2	-15.4	6.0	3.1
Balance sheet total	**2 765.1**	3 016.5	3 349.1	4 019.8	4 328.3
Capital expenditure ***	**54.7**	50.7	65.6	59.5	76.2
% OF NET SALES	**3.2**	2.7	3.1	2.5	3.2
Return on equity (ROE), %	**-13.6**	4.9	-24.2	9.7	5.9
Return on investment (ROI), %	**-5.3**	6.5	-9.2	8.3	6.8
Equity ratio, %	**39.5**	42.2	37.2	41.3	37.0
Net gearing, %	**77.8**	66.7	95.7	78.7	105.7
Interest-bearing liabilities	**899.6**	918.1	1 280.2	1 408.7	1 727.2
Non-interest-bearing liabilities	**833.3**	888.9	888.2	1 034.5	1 077.0
Interest-bearing net debt	**801.2**	801.8	1 129.2	1 241.5	1 611.2
Average number of employees (full-time equivalents) ***	**6 776**	8 259	9 446	10 804	11 607
Number of emplyees at the end of the period (full-time equivalents) ***	**6 116**	7 583	9 035	10 381	10 960

Share indicators					
Earnings/share, EUR, continuing operations ***	**-0.91**	0.32	-1.89	0.39	0.47
Earnings/share, diluted, EUR, continuing operations ***	**-0.91**	0.32	-1.89	0.39	0.47
Earnings/share, EUR	**-0.91**	0.32	-1.89	0.88	0.52
Earnings/share, diluted, EUR	**-0.91**	0.32	-1.89	0.88	0.52
Earnings/share excluding non-recurring items, EUR	**0.13**	0.33	0.44	0.77	0.87
Cash flow from operations/share, EUR	**0.16**	0.45	0.73	1.18	1.68
Equity/share, EUR	**4.59**	5.54	5.42	7.82	7.70
Dividend/share, EUR ****	**0.10**	0.20	0.10	0.60	0.60
Dividend payout ratio, % ****	**neg.**	62.0	neg.	68.4	115.6
Dividend payout ratio excluding non-recurring items, % ****	**79.2**	61.5	22.6	77.5	69.4
Market capitalisation, EUR million *****	**633.7**	748.9	1039.6	1211.3	1443.3
Effective dividend yield, % ****	**2.6**	4.3	1.6	8.1	6.8
P/E ratio	**neg.**	14.3	neg.	8.5	17.1
Adjusted number of shares at the end of the period *****	**162 082 093**	162 812 093	162 812 093	162 812 093	162 812 093
Adjusted average number of shares *****	**162 721 764**	162 812 093	162 812 093	162 812 093	162 810 642
Lowest share price, EUR	**3.13**	4.19	5.28	5.79	7.83
Highest share price, EUR	**5.95**	6.85	8.95	11.70	17.79
Average share price, EUR	**4.28**	5.17	6.79	8.15	12.30
Share price at the end of the period, EUR	**3.91**	4.60	6.39	7.44	8.87
Trading volumes, shares	**81 355 104**	59 025 525	54 326 354	106 129 204	89 486 428
% OF SHARES	**50.0**	36.3	33.4	65.2	55.0

* The figures for 2013 have been restated because of adoptation of IFRS 11 Joint Arrangements. The standard permits only the equity method in consolidation of joint ventures, and the proportional consolidation method is not allowed any longer. The figures for 2011 and 2012 have not been restated.
** The figures for 2012 have been restated due to a change in IAS 19 'Employee benefits'. The revised standard eliminated the possibility of using the corridor approach in recognising the actuarial gains and losses from defined benefit plans. The revised IAS 19 standard requires the actuarial gains and losses to be recognised immediately in the statement of other comprehensive income. For 2012, the restated total equity has decreased by EUR 52.0 million to EUR 1,576.6 million and the restated operating profit excluding non-recurring items has decreased by EUR 1.3 million to EUR 231.0 million. The key figures for 2011 have not been adjusted.
*** The figures for 2012 and 2011 contain only continuing operations.
**** Year 2015 proposal of the Board of Directors.
***** The number of shares in 2011 includes 1,500 interim shares registered on 3 January 2012. Market capitalisation is calculated based on shares registered by 31 December 2011. The number of shares does not include treasury shares.

Definitions of key indicators

Return on equity (ROE), %	=	$\frac{\text{Result for the period}}{\text{Equity total (average of monthly balances)}} \times 100$
Return on investment (ROI), %	=	$\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average of monthly balances)}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity total}}{\text{Balance sheet total - advances received}} \times 100$
Net gearing, %	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity total}} \times 100$
Earnings/share (EPS)	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company - tax-adjusted interest on hybrid loan}}{\text{Adjusted average number of shares on the market}}$
Cash flow/share	=	$\frac{\text{Cash flow from operations}}{\text{Adjusted average number of shares on the market}}$
Equity/share	=	$\frac{\text{Equity attributable to the equity holders of the Parent Company}}{\text{Adjusted number of shares on the market at the balance sheet date}}$
Dividend payout ratio, %	=	$\frac{\text{Dividend/share}}{\text{Result/share}} \times 100$
Market capitalisation	=	Number of shares on the market at the balance sheet date x share price on the last trading day of the year
Effective dividend yield, %	=	$\frac{\text{Dividend/share}}{\text{Share price on the last trading day of the year}} \times 100$
P/E ratio	=	$\frac{\text{Share price on the last trading day of the year}}{\text{Result/share}}$
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents
EBITDA	=	Operating profit + depreciation, amortisation and impairments
Non-recurring items	=	Gains/losses on sale, restructuring expenses and impairments that exceed EUR 1 million, and expenses related to the Group-wide cost savings programmes

Net sales by strategic business unit

EUR million	1–3/ 2015	4–6/ 2015	7–9/ 2015	10–12/ 2015	**1–12/ 2015**	1–3/ 2014	4–6/ 2014	7–9/ 2014	10–12/ 2014	**1–12/ 2014**
MEDIA BENE										
Digital	67.1	83.9	70.6	94.9	**316.6**	65.9	84.6	67.8	90.3	**308.6**
Online & Mobile	20.9	21.6	19.8	27.4	**89.7**	20.4	21.8	20.1	24.9	**87.2**
TV	46.2	62.3	50.8	67.5	**226.9**	45.5	62.8	47.7	65.4	**221.4**
Print	105.6	109.4	102.6	102.3	**419.9**	114.9	125.7	115.6	123.2	**479.4**
Magazines	105.6	109.4	102.6	102.3	**419.9**	114.9	125.7	115.6	123.2	**479.4**
Other	16.8	22.7	23.1	30.4	**93.0**	13.2	21.4	20.2	28.0	**82.8**
Total	189.5	216.0	196.4	227.6	**829.5**	194.0	231.7	203.6	241.5	**870.8**
MEDIA FINLAND										
Digital	50.0	56.9	46.6	59.3	**212.8**	48.6	53.4	43.5	53.2	**198.7**
Online & Mobile	21.9	25.7	22.1	27.4	**97.2**	21.3	22.1	18.3	23.2	**84.8**
TV & Radio	28.0	31.2	24.6	31.9	**115.7**	27.3	31.4	25.1	30.1	**113.8**
Print	90.5	89.7	84.8	92.0	**356.9**	108.8	109.9	103.1	110.6	**432.5**
Magazines	28.4	27.9	26.8	29.7	**112.8**	34.0	33.6	31.8	35.0	**134.4**
News	62.3	61.9	58.1	62.4	**244.6**	75.3	77.0	71.8	76.2	**300.3**
Eliminations	-0.2	-0.1	-0.2	-0.1	**-0.5**	-0.5	-0.7	-0.4	-0.6	**-2.2**
Other	2.5	-0.9	0.5	0.9	**3.0**	1.6	1.3	1.4	1.7	**6.0**
Total	143.0	145.7	131.9	152.2	**572.8**	159.0	164.6	148.0	165.5	**637.2**
LEARNING										
Netherlands	21.5	39.9	27.5	6.4	**95.3**	24.5	40.7	24.6	8.3	**98.1**
Poland	6.6	12.8	57.2	7.4	**84.0**	5.2	17.8	51.1	12.6	**86.8**
Finland	3.8	25.5	11.0	3.4	**43.6**	4.8	28.8	10.6	4.1	**48.3**
Belgium	1.5	14.3	16.3	3.2	**35.2**	1.9	13.6	16.7	2.6	**34.8**
Sweden	4.1	5.7	10.2	3.4	**23.4**	4.9	6.5	10.7	3.9	**26.1**
Other companies and eliminations	-0.1	-0.2	-0.3	-0.4	**-1.1**	-0.1	-0.5	-0.7	-0.6	**-1.9**
Total	37.4	97.9	121.8	23.3	**280.5**	41.2	106.9	113.0	30.9	**292.0**
OTHER AND ELIMINATIONS										
Russia & CEE	2.5	2.4	1.2	0.2	**6.3**	22.0	21.7	5.7	4.7	**54.0**
Other operations	8.2	6.9	7.7	5.8	**28.7**	28.9	8.8	8.2	9.5	**55.3**
Eliminations	-0.6	-0.1	-0.1	-0.3	**-1.1**	-6.8	-0.6	-0.6	0.3	**-7.8**
Total	10.2	9.2	8.8	5.7	**33.9**	44.0	29.9	13.2	14.5	**101.6**
Total	380.1	468.8	458.8	408.8	**1 716.6**	438.3	533.1	477.8	452.5	**1 901.6**

Operating profit excluding non-recurring items by strategic business unit

EUR million	1–3/ 2015	4–6/ 2015	7–9/ 2015	10–12/ 2015	**1–12/ 2015**	1–3/ 2014	4–6/ 2014	7–9/ 2014	10–12/ 2014	**1–12/ 2014**
Media BeNe	5.8	27.1	20.1	10.9	**63.9**	8.3	25.7	13.9	23.3	**71.2**
Media Finland	-2.1	-2.5	2.0	15.6	**13.0**	0.4	7.5	9.9	5.6	**23.5**
Learning	-12.7	32.5	49.8	-24.9	**44.7**	-7.0	41.2	44.4	-27.1	**51.4**
Other companies and eliminations	-10.9	-7.6	-9.3	-10.5	**-38.3**	-5.7	-8.1	-6.1	-7.5	**-27.3**
Total	-19.9	49.4	62.5	-8.9	**83.2**	-4.0	66.3	62.1	-5.6	**118.8**

Operating profit by strategic business unit

EUR million	1–3/ 2015	4–6/ 2015	7–9/ 2015	10–12/ 2015	**1–12/ 2015**	1–3/ 2014	4–6/ 2014	7–9/ 2014	10–12/ 2014	**1–12/ 2014**
Media BeNe	2.7	29.6	17.2	-72.3	**-22.8**	6.4	-29.4	20.5	-3.2	**-5.7**
Media Finland	13.1	-1.8	-11.7	-7.6	**-8.1**	133.1	4.8	12.5	-4.3	**146.2**
Learning	-12.8	31.6	49.1	-34.7	**33.1**	-7.0	39.7	52.9	-30.5	**55.1**
Other companies and eliminations	-14.0	-50.2	-44.5	-17.2	**-125.9**	29.5	-11.8	-8.3	-71.2	**-61.8**
Total	-11.0	9.2	10.1	-131.8	**-123.6**	162.1	3.2	77.6	-109.2	**133.8**

Income statement by quarter

EUR million	1–3/ 2015	4–6/ 2015	7–9/ 2015	10–12/ 2015	**1–12/ 2015**	1–3/ 2014	4–6/ 2014	7–9/ 2014	10–12/ 2014	**1–12/ 2014**
Net sales	380.1	468.8	458.8	408.8	**1 716.6**	438.3	533.1	477.8	452.5	**1 901.6**
Other operating income	20.0	11.3	5.0	0.8	**37.1**	179.0	7.3	28.9	9.3	**224.5**
Materials and services	-117.2	-137.3	-141.2	-131.6	**-527.2**	-143.0	-167.1	-150.9	-148.3	**-609.2**
Employee benefit expenses	-120.6	-126.8	-115.0	-109.9	**-472.2**	-138.0	-147.8	-113.7	-141.2	**-540.7**
Other operating expenses	-100.8	-130.9	-97.5	-125.1	**-454.3**	-104.3	-121.7	-100.4	-114.3	**-440.7**
Share of results in joint ventures	0.5	1.2	-24.0	-11.8	**-34.1**	0.4	-33.3	-2.0	-39.2	**-74.1**
Depreciation, amortisation and impairment losses	-73.1	-77.1	-76.1	-163.1	**-389.4**	-70.2	-67.1	-62.1	-128.1	**-327.6**
Operating profit	-11.0	9.2	10.1	-131.8	**-123.6**	162.1	3.2	77.6	-109.2	**133.8**
Share of results in associated companies	0.0	1.4	0.0	-2.0	**-0.7**	0.0	0.2	-0.1	-1.3	**-1.2**
Financial income	18.6	-2.6	4.6	5.7	**26.4**	2.4	2.7	10.2	6.6	**21.8**
Financial expenses	-20.8	-6.9	-11.8	-14.3	**-53.8**	-15.8	-12.7	-17.5	-17.6	**-63.7**
Result before taxes	-13.3	1.1	2.9	-142.4	**-151.7**	148.7	-6.6	70.3	-121.6	**90.7**
Income taxes	5.0	-16.0	-6.0	10.7	**-6.3**	-22.4	-11.0	-13.3	17.5	**-29.1**
Result for the period	-8.3	-14.9	-3.1	-131.7	**-158.0**	126.3	-17.6	57.0	-104.1	**61.6**
Result attributable to:										
Equity holders of the Parent Company	-8.3	-17.9	-5.1	-111.6	**-142.9**	126.4	-19.9	56.0	-104.2	**58.3**
Non-controlling interests	0.0	3.0	2.0	-20.0	**-15.0**	-0.1	2.3	1.0	0.1	**3.3**
Earnings per share for result attributable to the equity holders of the Parent Company:										
Earnings per share, EUR	-0.06	-0.12	-0.04	-0.70	**-0.91**	0.77	-0.13	0.34	-0.65	**0.32**
Diluted earnings per share, EUR	-0.06	-0.12	-0.04	-0.70	**-0.91**	0.77	-0.13	0.34	-0.65	**0.32**

Board of Directors’ Report

Net sales

In 2015, Sanoma’s net sales decreased by 9.7% and amounted to EUR 1,716.6 million (2014: 1,901.6; 2013: 2,083.5). Divestments as well as lower print circulation and print advertising sales led to a decline in the Group’s net sales, whereas new media sales recorded good growth. Adjusted for changes in the Group structure, net sales decreased by 3.4%.

New media sales grew by 4.4% to EUR 577.1 million (2014: 552.8).

Advertising sales decreased by 8.2% to EUR 597.8 million (2014: 651.3). Circulation sales decreased by 14.2% to EUR 583.5 million (2014: 680.1). Advertising and circulation sales were negatively impacted by divestments of non-core operations. Learning’s net sales decreased by 3.9% to EUR 280.5 million (2014: 292.0) and other sales by 8.4% to EUR 254.8 million (2014: 278.2).

Group’s net sales by country, %	1–12/2015	1–12/2014
Netherlands	**44.5**	41.8
Finland	**37.1**	38.0
Belgium	**11.5**	11.1
Other	**6.9**	9.1
Total Group	**100.0**	100.0

Group’s net sales by type of sales, %	1–12/2015	1–12/2014
Advertising	**34.8**	34.3
Subscription	**22.6**	23.1
Single copy	**11.4**	12.7
Learning	**16.3**	15.4
Other	**14.8**	14.6
Total Group	**100.0**	100.0

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

Result

Sanoma’s operating profit excluding non-recurring items in 2015 totalled EUR 83.2 million (2014: 118.8; 2013: 154.6). Additional TV amortisations in the Dutch and Finnish TV operations lowered the profitability.

The operating profit excluding non-recurring items amounted to 4.8% (2014: 6.2%) of net sales.

In 2015, the Group’s total expenses, excluding non-recurring items, decreased by 11.9%. The cost of sales decreased by 13.7% and fixed costs by 10.7%. Paper costs decreased by 23.5% and employee benefit expenses by 15.0%.

Sanoma’s operating profit in 2015 was EUR -123.6 million (2014: 133.8; 2013 : -257.7) or -7.2% (2014: 7.0%; 2013: -12.4%) of net sales.

Operating profit in 2015 included EUR -206.9 million (2014: 15.0) of non-recurring items mainly related to impairments of goodwill and other intangible assets as well as restructuring expenses. In 2014, non-recurring items were mainly related to capital gains, impairment of goodwill and other intangible assets, realisation of FX loss (Russia) and restructuring expenses.

Sanoma’s full-year result included a EUR -0.7 million (2014: -1.2) result from associated companies.

Sanoma’s net financial items totalled EUR -27.4 million (2014: -41.9). Financial income amounted to EUR 26.4 million (2014: 21.8), of which EUR 18.0 million were exchange rate gains (2014: 20.1). Financial expenses amounted to EUR -53.8 million (2014: -63.7), of which EUR 15.2 million were exchange rate losses (2014:19.9). Interest expenses amounted to EUR -27.7 million (2014: -35.7).

The result before taxes amounted to EUR -151.7 million (2014: 90.7). Earnings per share were EUR -0.91 (2014: EUR 0.32). Earnings per share excluding non-recurring items were EUR 0.13 (2014: 0.33).

Balance sheet and financial position

At the end of 2015, Sanoma's consolidated balance sheet totalled EUR 2,765.1 million (2014: 3,016.5). The decrease is mainly due to goodwill impairments and divestments. In 2015, the Group's cash flow from operations decreased to EUR 25.2 million (2014: 73.7) as a result of lower profitability, change in working capital and higher taxes related to gain on sale of Sanoma House. Cash flow from operations per share was EUR 0.16 (2014: 0.45).

Sanoma's equity ratio was 39.5% (2014: 42.2%; 2013: 37.2%) at the end of 2015. A total of EUR 3.2 million was spent on the acquisition of treasury shares during the financial year. The return on equity (ROE) was -13.6% (2014: 4.9%; 2013: -24.2%) and the return on investment (ROI) was -5.3% (2014: 6.5%; 2013: -9.2%). Equity totalled EUR 1,029.1 million (2014: 1,201.3). Equity per share was EUR 4.59 (2014: 5.54). Interest-bearing liabilities decreased to EUR 899.6 million (2014: 918.1). Interest-bearing net debt was EUR 801.2 million (2014: 801.8).

In December 2013, Sanoma issued a EUR 100 million hybrid bond, i.e. capital securities. The proceeds of the hybrid bond were used to reduce debt. The settlement date of the bond was 12 December 2013 and the coupon rate of the bond is 7.25% per annum. The bond has no maturity, but the company may exercise an early redemption option after three years.

Investments, acquisitions and divestments

In 2015, investments in tangible and intangible assets, including finance leases, amounted to EUR 54.7 million (2014: 50.7). Investments were mainly related to digital business and ICT systems, the same as in the comparable period. In 2015, Sanoma's business acquisitions totalled EUR 5.7 million (2014: 22.7). The impact of acquisitions on the Group's assets and liabilities was limited.

In August 2013, Sanoma announced the divestment of its Romanian operations. As a result of the transaction, Sanoma recognised a capital loss of EUR 1.1 million in the first quarter of 2014.

In August 2013, Sanoma announced the divestment of Sanoma Bliasak Bulgaria. As a result of the transaction, Sanoma recognised a capital loss of EUR 0.5 million in the second quarter of 2014.

In October 2013, Sanoma sold its Learning operations in Hungary. As a result of the transaction, Sanoma recognised a capital loss of EUR 35.3 million in 2013 and a positive adjustment to the capital loss of EUR 8.6 million in the third quarter of 2014.

In December 2013, Sanoma announced the divestment of its Czech operations. As a result of the transaction, Sanoma recognised a capital gain of EUR 1.0 million in 2014.

In January 2014, Sanoma sold its Sanomala printing facility and office properties located in Martinlaakso, Vantaa, as well as office and production properties located in Koivuvaara, Vantaa. As a result of the transaction in Koivuvaara, Sanoma recognised a non-recurring impairment of EUR 5.6 million in the fourth quarter of 2013 to reflect the sales price. The sale of Sanomala resulted in a capital gain of EUR 37.9 million, recognised in the first quarter of 2014.

In February 2014, Sanoma sold its Finnish press distribution company Lehtipiste. As a result of the transaction, Sanoma recognised a capital gain of EUR 23.6 million.

In March 2014, Sanoma sold Sanoma House through a sale and leaseback transaction. As a result of the transaction, Sanoma recognised a capital gain of EUR 110.5 million.

In March 2014, Sanoma acquired the Belgian school and teacher management software company Pronoia.

In March 2014, Sanoma Pro, the Finnish learning business, sold its B2B operations (digital and training services and business books). As a result of the transaction, Sanoma recognised a capital gain of EUR 0.6 million in the second quarter.

In April 2014, Sanoma announced the divestment of its majority ownership in Sanoma Lehtimedia (a publisher of newspapers in southeast Finland) and in local printing companies. The first stage of the corporate arrangement was completed in January 2015, and the company will transfer fully to the ownership of Länsi-Savo in five years. As a result of the transaction, Sanoma recognised a capital gain of EUR 3.5 million in 2015.

In April 2014, Sanoma announced the divestment of its Hungarian media operations. As a result of the transaction, Sanoma recognised a capital gain of EUR 4.3 million in the third quarter.

In June 2014, Sanoma sold Wees Wegwijs, a small part of Sanoma's Belgian learning business. As a result of the transaction, Sanoma recognised a capital loss of EUR 1.5 million.

In June and July 2014, Sanoma announced the divestments of 22 of its Dutch magazine titles. As a result of the two transactions, Sanoma recognised in total a capital gain of EUR 10.8 million in the third quarter.

In June 2014, Sanoma announced the divestment of its stake in De Vijver Media (SBS Belgium). As part of the arrangement, Sanoma increased its ownership of HUMO NV from 33% to 100% with immediate effect. As a result of the transaction, Sanoma recognised a write-down of EUR 26.0 million to reflect the sales price of Belgian TV operations. In addition, Sanoma recognised a capital loss of EUR 8.0 million related to Sanoma's share of HUMO owned by De Vijver Media.

In June 2014, Sanoma announced the divestment of four of its Finnish magazine titles. As a result of the transaction, Sanoma recognised a capital gain of EUR 3.1 million in the third quarter.

In September 2014, Sanoma increased its ownership in the Dutch e-commerce company SB Commerce from 40% to 100%.

In November 2014, Sanoma sold its ownership in Croatian Adria Media Zagreb.

In December 2014, Sanoma announced the divestment of its 50% ownership in Russian Fashion Press. In August 2015, Sanoma was informed that the Russian Government Commission for Monitoring Foreign Investments has at this time decided not to issue approval for the transaction.

In December 2014, Sanoma announced the sale of real estate located in Southeast Finland. The transaction will be finalised in 2017.

In February 2015 Sanoma acquired 51% of the shares and in November 20% of the shares of the Dutch social media creator agency Social1nfluencer B.V.

In March 2015, Sanoma increased its ownership in the Finnish mobile marketing company Routa from 25% to 51%.

In April 2015, Sanoma sold its 33.3% stake in Delovoi Standard, the publisher of Russia's leading daily financial newspaper Vedomosti. Additionally, Sanoma sold its United Press portfolio of titles and its 50% stake in Viadeo. As a result of the transactions, Sanoma recognised a capital loss of EUR 6.6 million, including the currency translation adjustment.

In May 2015, Sanoma announced the divestments of three of its Belgian magazine titles. The transaction was closed in September. As a result of the transaction, Sanoma recognised a capital loss of EUR 12.2 million.

In October 2015 Oikotie, part of Sanoma Media Finland, acquired Jokakoti.fi real estate classified service and all of the shares of Jokakoti Oy.

In November 2015, Sanoma divested its majority ownership in the Finnish book-printing company Bookwell. As a result of the transaction, Sanoma recognised a EUR 3.9 million capital loss.

In November and December 2015 Sanoma sold Belgium titles Moustique, Télé Pocket and Bloemschikken. As a result of the transactions, Sanoma recognised a capital gain of EUR 2.5 million.

In December Sanoma sold Hämeen Paino shares and buildings to DA-Design Oy. As a result of the transaction, Sanoma recognised a capital loss of EUR 6.7 million.

In December 2015, Sanoma sold its 50% stake in Fashion Press and other remaining Russian assets (the remaining operations in United Press and 50% stake in Mondadori Independent Media). The closing of the transactions is subject to governmental approvals and certain other conditions.

Events after the end of 2015

In January 2016, Sanoma divested the Finnish language service company AAC Global.

In February 2016, Sanoma sold Autotrader.nl. As a result of the transaction, Sanoma will recognise a capital gain of around EUR 13 million.

In February 2016, Sanoma signed a new EUR 500 million Revolving Credit Facility. The facility has a maturity of four years and it has a 1 year extension option. The margin depends on the leverage of the borrower, the initial margin being 1.75% over Euribor.

Group Outlook

In 2016, Sanoma expects that the Group's consolidated net sales development adjusted for structural changes will be in line with last year or improve (2015: -3.4%). The Operational EBIT* margin is estimated to be over 7%.

*Due to upcoming changes in regulation by the European Securities and Market Authority, Sanoma has decided to replace operating profit excluding non-recurring items by Operational EBIT. The changes will be effective from the beginning of 2016.

Cost savings programme

As a part of streamlining operations and ensuring competitive cost level, in August 2015 Sanoma implemented a EUR 50 million cost savings programme.

The programme is proceeding according to plan. The full impact of savings is projected to be realised in 2016.

Consumer Media

The Consumer Media segment includes two strategic business units Media BeNe and Media Finland.

Key indicators, EUR million	1–12/ 2015	1–12/ 2014
Net sales	**1 402.2**	1 508.0
Operating profit excluding non-recurring items	**76.9**	94.6
% OF NET SALES	**5.5**	6.3
Operating profit	**-30.9**	140.5
Capital expenditure	**19.8**	25.8
Return on investment (ROI), %	**-2.4**	10.7
Number of employees at the end of the period (full-time equivalents)	**3 883**	4 990
Average number of employees (full-time equivalents)	**4 227**	5 308

Consumer Media sales by type of sales, %	1–12/ 2015	1–12/ 2014
Advertising	**42.4**	41.5
Subscription	**27.7**	28.7
Single copy	**13.9**	15.1
Other	**16.1**	14.8
Total Consumer Media	**100.0**	100.0

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

Circulation sales growth, % (based on reported figures, not adjusted for structural changes)	1–12/2015 vs. 1–12/2014		
	Subscription	Single copy	**Total circulation**
Media BeNe	-7	-17	**-12**
Media Finland	-13	-8	**-12**
of which Magazines incl. online	-15	-22	**-15**
of which Newspapers incl. online	-15	-6	**-13**
of which Pay-TV & Pay-VOD	+19	-21	**+16**
Total Consumer Media	**-10**	**-15**	**-12**

Advertising sales growth, % (based on reported figures, not adjusted for structural changes)	1–12/2015 vs. 1–12/2014			
	Print	Online & Mobile	TV & Radio	**Total advertising**
Media BeNe	-10	+1	+1	**-2**
Media Finland	-22	+2	+2	**-9**
Total Consumer Media	**-18**	**+1**	**+1**	**-5**

Media BeNe

Sanoma Media BeNe includes Dutch and Belgian consumer media operations as well as the Dutch press distribution business Aldipress. In the Netherlands, Sanoma has a leading portfolio with strong brands and strong market positions in every part of the media industry: magazines, TV, events, custom media, e-commerce sites and apps. In Belgium, Sanoma is a prominent multi-media company, with quality magazines and digital media. Our portfolio consists of many leading brands, including AutoWeek, Donald Duck, Flair, Flow, Kieskeurig.nl, Libelle, LINDA., Margriet, NU.nl, Schoolbank.nl, Startpagina.nl, Tina, VIVA and VTWonen. In the Netherlands Sanoma has four free-to-air TV channels: Net5, SBS6, SBS9 and Veronica.

- TV viewing share of SBS TV operation improved from 20.0% to 21.2% during 2015.
- Profitability was negatively impacted by an additional amortisation of around EUR 15 million of the TV programming rights in the Netherlands during the fourth quarter. Changes in the competitive landscape and consumer habits led to the devaluation of especially international fiction.
- Net sales declined in 2015 mainly due to divestments and closure of non-focus magazine titles. Organic net sales increased during the fourth quarter of 2015 supported by TV as well as online and mobile sales.

Key indicators, EUR million (based on reported figures, not adjusted for structural changes)	**1–12/ 2015**	1–12/ 2014	Change %
Net sales	**829.5**	870.8	-4.7
Digital	**316.6**	308.6	2.6
Online & Mobile	**89.7**	87.2	2.8
TV	**226.9**	221.4	2.5
Print	**419.9**	479.4	-12.4
Magazines	**419.9**	479.4	-12.4
Other	**93.0**	82.8	12.4
Operating profit excluding non-recurring items	**63.9**	71.2	-10.2
% OF NET SALES	**7.7**	8.2	
Operating profit	**-22.8**	-5.7	
Capital expenditure	**9.4**	10.5	-10.5
Number of employees at the end of the period (FTE)	**2 020**	2 483	-18.6
Average number of employees (FTE)	**2 104**	2 644	-20.4

Operational indicators, %	1–12/ 2015	1–12/ 2014
Dutch TV operations		
TV channels' share of TV advertising	**24.4**	24.0
TV channels' national viewing share (20–54 years)	**21.2**	20.0

2015

In January–December, Media BeNe's sales decreased by 4.7% to EUR 829.5 million (2014: 870.8). Net sales declined mainly due to divestments of non-focus magazine titles as well as lower print advertising sales. Adjusted for structural changes, net sales decreased by 1.4%.

Sanoma estimates that the advertising market in the Netherlands decreased on a net basis in consumer magazines by 13%, and increased in TV by 1% and in online excluding search by 8% in 2015.

Operating profit excluding non-recurring items in Media BeNe decreased by 10.2% to EUR 63.9 million (2014: 71.2), mainly due to the additional amortisation of TV rights in the Netherlands during the fourth quarter.

Non-recurring items included in operating profit totalled EUR -86.7 million (2014: -76.9) and were related to impairments as well as restructuring costs. In 2014 the non-recurring items consisted of restructuring expenses and a write-down to reflect the sales price of sold operations.

Media BeNe's investments in tangible and intangible assets totalled EUR 9.4 million (2014: 10.5), and consisted mainly of maintenance investments related to ICT.

Media Finland

Sanoma Media Finland is the leading multichannel media company in Finland. We provide information, experiences and entertainment through magazines, newspapers, TV, radio, online and mobile channels. We have leading brands and services, including Aku Ankka, Gloria, ET, Helsingin Sanomat, Huuto.net, Hyvä Terveys, Ilta-Sanomat, Jim, Kodin Kuvalehti, Liv, Me Naiset, Metro, Oikotie, Nelonen, Radio Aalto, Radio Rock, Radio Suomipop, Ruutu and Taloussanomat, which reach almost all Finns every day.

- Despite the challenging advertising market, Media Finland's comparable advertising sales remained at last year's level during the fourth quarter.
- Online and mobile sales continued on a solid growth path in 2015. New media sales represented already 38% of Media Finland's total net sales.
- Profitability improved during the second half of 2015 due to market share gains in advertising sales as well as cost savings.
- Divestments, especially the sale of regional newspaper business Sanoma Lehtimedia had a visible impact in Media Finland's net sales in 2015. In 2014, Lehtimedia's sales were EUR 37 million.

Key indicators, EUR million (based on reported figures, not adjusted for structural changes)	**1–12/ 2015**	1–12/ 2014	Change %
Net sales	**572.8**	637.2	-10.1
Digital	**212.8**	198.7	7.1
Online & Mobile	**97.2**	84.8	14.5
TV & Radio	**115.7**	113.8	1.6
Print	**356.9**	432.5	-17.5
Magazines	**112.8**	134.4	-16.1
News	**244.6**	300.3	-18.5
Eliminations	**-0.5**	-2.2	
Other	**3.0**	6.0	-50.0
Operating profit excluding non-recurring items	**13.0**	23.5	-44.8
% OF NET SALES	**2.3**	3.7	
Operating profit	**-8.1**	146.2	
Capital expenditure	**10.5**	15.4	-31.7
Number of employees at the end of the period (FTE)	**1 863**	2 508	-25.7
Average number of employees (FTE)	**2 123**	2 664	-20.3

Operational indicators, %	1–12/ 2015	1–12/ 2014
Finnish TV operations		
TV channels' share of TV advertising	**32.2**	32.6
TV channels' national commercial viewing share (10–44 years)	**31.5**	32.8
TV channels' national viewing share (10+ years)	**15.1**	15.1

2015

In January–December, Media Finland's sales decreased by 10.1% to EUR 572.8 million (2014: 637.2). Divestments had a negative impact on net sales. Adjusted for structural changes, net sales decreased by 4.1%.

According to TNS Gallup, the advertising market in Finland decreased on a net basis in magazines by 15%, in newspapers by 8%, and in TV by 4%, whereas advertising increased in radio by 3% and online excluding search by 7% in 2015.

Operating profit excluding non-recurring items in Media Finland decreased by 44.8% to EUR 13.0 million (2014: 23.5). Cost savings were able to offset lower net sales but additional TV amortisations decreased operating profit.

Non-recurring items included in operating profit totalled EUR -21.0 million (2014: 122.7) and were mainly related to restructuring expenses. In 2014 non-recurring items were mainly related to capital gains.

Media Finland's investments in tangible and intangible assets totalled EUR 10.5 million (2014: 15.4), and consisted mainly of investments related to ICT and maintenance capital expenditure.

Learning

Learning is a leading European provider of multi-channel learning solutions.

- Net sales decreased by 4% in 2015 when adjusted for acquisitions and divestments. Non-print sales increased by 15% in footprint markets.
- Profitability in 2015 was negatively impacted by underperformance and write-downs in the digital operations of YDP.
- Nowa Era is adjusting well to the difficult legislation change driven educational text book market with increased market share and adjusted cost base.
- During the fourth quarter of 2015, Sanoma decided to change the amortisation period for Learning's prepublication rights to be better aligned with the general market practice and to better reflect the expected economic lifetime of the products. The change had a positive impact of around EUR 2 million on profitability in the fourth quarter, and will have a positive impact of around EUR 6 million on 2016 figures as well.

Key indicators, EUR million (based on reported figures, not adjusted for structural changes)	1–12/ 2015	1–12/ 2014	Change %
Net sales	**280.5**	292.0	-4.0
Netherlands	**95.3**	98.1	-2.9
Poland	**84.0**	86.8	-3.2
Finland	**43.6**	48.3	-9.6
Belgium	**35.2**	34.8	1.3
Sweden	**23.4**	26.1	-10.3
Other companies and eliminations	**-1.1**	-1.9	
Operating profit excluding non-recurring items	**44.7**	51.4	-13.1
% OF NET SALES	**15.9**	17.6	
Operating profit	**33.1**	55.1	-39.8
Capital expenditure	**25.5**	18.9	35.2
Number of employees at the end of the period (FTE)	**1 507**	1 563	-3.6
Average number of employees (FTE)	**1 519**	1 589	-4.5

2015

The Learning segment's net sales decreased by 4.0% to EUR 280.5 million (2014: 292.0). Adjusted for structural changes, net sales decreased by 4.0%.

Operating profit excluding non-recurring items in the Learning segment decreased by 13.1% to EUR 44.7 million (2014: 51.4) mainly due to lower profitability and write-downs in the international YDP operations.

Non-recurring items included in the operating profit totalled EUR -11.5 million (2014: 3.6), mainly related to restructuring expenses.

Learning's investments in tangible and intangible assets totalled EUR 25.5 million (2014: 18.9). They comprised mainly of investments in ICT for digital platforms.

The Group

Personnel

In 2015, the average number of personnel (FTE) employed by the Sanoma Group was 6,776 (2014: 8,259; 2013: 9,446). At the end of 2015, the number of Group employees (FTE) was 6,116 (2014: 7,583; 2013: 9,035). Divestments and restructuring decreased the number of personnel. In full-time equivalents, Media BeNe had 2,020 (2014: 2,483) employees at the end of 2015 and Media Finland 1,863 (2014: 2,508). Learning had 1,507 (2014: 1,563) and other operations 726 (2014: 1,029) employees (FTE) at the end of 2015.

Wages, salaries and fees to Sanoma's employees, including the expense recognition of share based payments, amounted to EUR 381.0 million (2014: 439.4; 2013: 460.6).

Dividend

On 31 December 2015, Sanoma Corporation's distributable funds were EUR 407.7 million, of which loss for the year made up EUR 100.6 million. Including the fund for non-restricted equity of EUR 203.3 million the distributable funds amounted to EUR 611.0 million at 31 December 2015.

The Board of Directors proposes to the Annual General Meeting that:

- a dividend of EUR 0.10 per share, or in total an estimated EUR 16.2 million, shall be paid.
- a sum of EUR 0.4 million shall be transferred to the donation reserve and used at the Board's discretion.
- the amount left in equity shall be EUR 594.5 million.

In accordance with the Annual General Meeting's decision in April 2015, Sanoma paid out a per-share dividend of EUR 0.20 for 2014. Sanoma conducts an active dividend policy and primarily distributes over half of the Group result excluding non-recurring items for the period in dividends.

Corporate Governance

For more information on Sanoma's Corporate Governance, please see the Corporate Governance Statement, pp. 80–86.

Shares and holdings

In 2015, a total of 81,355,104 (2014: 59,025,525) Sanoma shares were traded on the Nasdaq Helsinki and traded shares accounted for some 50% (2014: 36%) of the average number of shares. Sanoma's shares traded on the Nasdaq Helsinki corresponded to around 84% (2014: 82%) of the total traded share volume on stock exchanges.

During 2015, the volume-weighted average price of a Sanoma share on the Nasdaq Helsinki was EUR 4.28, with a low of EUR 3.13 and a high of EUR 5.95. At the end of 2015, Sanoma's market capitalization excluding treasury shares held by the company was EUR 634 million (2014: 749), with Sanoma's share closing at EUR 3.91 (2014: 4.60). At the end of 2015, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 162,812,093.

In October–December, Sanoma acquired a total 730,000 of the company's own shares at the cost of EUR 3.2 million. At the end of 2015, the company holds a total of 730,000 own shares. Shares held by the company represented 0.4% of the total number of shares and votes.

+ For more information on Sanoma's shares and shareholders, stock options and management ownership, see the Shares and shareholders section of the Financial Statements, pp. 68–74 as well as Notes 23 and 33 to the Financial Statements. For key indicators, see p. 4 of the Financial Statements.

Board of Directors, auditors and management

The AGM held on 8 April 2015 confirmed the number of Sanoma's Board members as ten. Board member Robin Langenskiöld was reelected and Susan Duinhoven and Denise Koopmans were elected as new Board members. The Board of Directors of Sanoma consists of Antti Herlin (Chairman), Pekka Ala-Pietilä (Vice Chairman), Anne Brunila, Susan Duinhoven, Mika Ihamuotila, Nils Ittonen, Denise Koopmans, Robin Langenskiöld, Rafaela Seppälä, and Kai Öistämö as members.

The AGM appointed chartered accountants KPMG Oy Ab as the auditor of the company, with Virpi Halonen, Authorised Public Accountant, as the Auditor in Charge.

At the end of 2015, the Executive Management Group (EMG) comprises: Susan Duinhoven (President and CEO of the Sanoma Group, chairman of the EMG), Jacqueline Cuthbert (CHRO), Arthur Hoffman (CEO, Sanoma Digital), Kim Ignatius (CFO), Pia Kalsta (CEO, Sanoma Media Finland), John Martin (CEO, Sanoma Learning) and Peter de Mönnink (CEO, Sanoma Media BeNe).

On 18 September 2015, Sanoma announced that Harri-Pekka Kaukonen stepped down as Sanoma's President and CEO effective immediately.

Board authorisations

The AGM held on 3 April 2013 authorised the Board of Directors to decide on an issuance of a maximum of 82,000,000 new shares and a transfer of a maximum of 5,000,000 treasury shares. The authorisation will be valid until 30 June 2016. The Board of Directors is authorised to grant a maximum of 5,000,000 stock options as part of the Company's incentive programme. In a directed share issue, a maximum of 41,000,000 shares can be issued or transferred.

The AGM held on 8 April 2015 authorised the Board to decide on the repurchase of maximum of 16,000,000 Company's own shares. The authorisation is effective until 30 June 2016 and terminates the corresponding authorisation granted by the AGM on 9 April 2014.

These shares will be purchased with the Company's unrestricted shareholders' equity, and the repurchases will reduce funds available for distribution on profits. The shares will be repurchased to develop the Company's capital structure, carry out or finance potential corporate acquisitions or other business arrangements, to be used as a part of the Company's incentive programme or to be otherwise conveyed further, retained as treasury shares, or cancelled.

The shares can be repurchased either through a tender offer made to all shareholders on equal terms or in other proportion than that of the current shareholders at the market price of the repurchase moment on the Nasdaq Helsinki.

Seasonal Fluctuation

The net sales and results of media businesses 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 and the Netherlands is usually strongest in the second and fourth quarters.

Learning accrues most of its net sales and results during the second and third quarters. Seasonal business fluctuations influence the Group's net sales and operating profit, with the first quarter traditionally being clearly the smallest one for both.

Significant risks and uncertainty factors

The most significant risks and uncertainty factors Sanoma currently faces are described in the Financial Statements (pp. 87-89) and on the Group's website at Sanoma.com, together with the Group's main principles of risk management.

Many of the identified risks relate to changes in customer preferences. The driving force behind these changes is the on-going digitisation process. Sanoma takes actions in all its strategic business units to respond to this challenge.

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

Normal business risks associated with the industry relate to developments in media advertising and consumer spending. Media advertising is sensitive to economic fluctuations. Therefore, general economic conditions and economic trends in the industry influence Sanoma's business activities and operational performance.

Sanoma's financial risks include interest rate and currency risks, liquidity risk and credit risk. Other risks include risks related to equity, impairment and the availability of capital. At the Group level, the most significant risks relate to liquidity risk and changes in exchange rates and interest rates.

Sanoma's consolidated balance sheet includes about EUR 2.1 billion in goodwill, publishing rights and other intangible assets. Most of this is related to magazine and TV operations. 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. Major changes in business fundamentals could lead to further impairment.

⊕ Definitions of key indicators used in this report are presented on p. 5 of the Financial Statements.

Consolidated income statement

EUR million	Note	1.1.–31.12.2015	1.1.–31.12.2014
Net sales	2, 6	**1 716.6**	1 901.6
Other operating income	7	**37.1**	224.5
Materials and services		**-527.2**	-609.2
Employee benefit expenses	8, 23, 33	**-472.2**	-540.7
Other operating expenses	9	**-454.3**	-440.7
Share of results in joint ventures	16	**-34.1**	-74.1
Depreciation, amortisation and impairment losses	13–15	**-389.4**	-327.6
Operating profit		**-123.6**	133.8
Share of results in associated companies	16	**-0.7**	-1.2
Financial income	10	**26.4**	21.8
Financial expenses	10	**-53.8**	-63.7
Result before taxes		**-151.7**	90.7
Income taxes	11	**-6.3**	-29.1
Result for the period		**-158.0**	61.6
Result attributable to:			
Equity holders of the Parent Company		**-142.9**	58.3
Non-controlling interests	31	**-15.0**	3.3
Earnings per share for result attributable to the equity holders of the Parent Company:	12		
Earnings per share, EUR		**-0.91**	0.32
Diluted earnings per share, EUR		**-0.91**	0.32

Statement of comprehensive income

EUR million	Note	1.1.–31.12.2015	1.1.–31.12.2014
Result for the period		**-158.0**	61.6
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Change in translation differences		**-0.7**	-28.0
Share of other comprehensive income of equity-accounted investees		**1.1**	-1.9
Realisation of translation differences related to assets held for sale		**0.7**	36.8
Reclassification of translation differences of sold earnings		**12.8**	-2.3
Cash flow hedges	29	**-0.2**	2.8
Income tax related to cash flow hedges		**0.0**	-0.6
Items that will not be reclassified to profit or loss			
Defined benefit plans		**12.8**	-34.6
Income tax related to defined benefit plans		**-1.5**	8.1
Other comprehensive income for the period, net of tax		**25.0**	-19.6
Total comprehensive income for the period		**-133.0**	42.0
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**-118.0**	38.7
Non-controlling interests	31	**-15.0**	3.3

Consolidated balance sheet

EUR million	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Property, plant and equipment	7, 9, 13	**69.4**	94.4
Investment property	7, 9, 14	**31.6**	30.3
Goodwill	15	**1 665.3**	1 749.2
Other intangible assets	15	**458.3**	513.3
Equity-accounted investees	16	**33.1**	22.9
Available-for-sale financial assets	17	**3.6**	4.9
Deferred tax receivables	11	**41.3**	36.9
Trade and other receivables	8, 18	**37.6**	12.0
Non-current assets, total		**2 340.3**	2 463.8
Current assets			
Inventories	19	**39.5**	44.6
Income tax receivables		**5.0**	9.5
Trade and other receivables	20	**271.0**	282.4
Cash and cash equivalents	21	**98.5**	116.3
Current assets, total		**414.0**	452.8
Assets classified as held for sale	4	**10.9**	99.9
ASSETS, TOTAL		**2 765.1**	3 016.5
EQUITY AND LIABILITIES			
Equity	22, 23		
Equity attributable to the equity holders of the Parent Company			
Share capital		**71.3**	71.3
Treasury shares		**-3.2**	
Fund for invested unrestricted equity		**203.3**	203.3
Other reserves		**-0.5**	-0.4
Translation differences		**-16.3**	-30.3
Retained earnings		**389.8**	559.3
Hybrid bond		**99.1**	99.1
		743.4	902.4
Non-controlling interests	31	**285.7**	298.9
Equity, total		**1 029.1**	1 201.3
Non-current liabilities			
Deferred tax liabilities	11	**62.0**	78.0
Pension obligations	8	**89.1**	94.2
Provisions	24	**1.7**	2.1
Financial liabilities	25	**507.4**	521.5
Trade and other payables	26	**46.7**	41.6
Non-current liabilities, total		**706.9**	737.4
Current liabilities			
Provisions	24	**26.5**	26.8
Financial liabilities	25	**392.3**	396.6
Income tax liabilities		**6.3**	26.8
Trade and other payables	26	**600.9**	619.4
Current liabilities, total		**1 026.0**	1 069.5
Liabilities related to assets held for sale	4	**3.1**	8.2
LIABILITIES, TOTAL		**1 736.0**	1 815.2
EQUITY AND LIABILITIES, TOTAL		**2 765.1**	3 016.5

On 31 December 2015, assets classified as held for sale included OOO United Press and joint venture OOO Mondadori Independent Media that were classified as assets held for sale in December 2015 and Hearst Independent Media Publishing B.V. that was classified as assets held for sale in December 2014.
On 31 December 2014, assets classified as held for sale included Sanoma Lehtimedia, Saimaan Lehtipaino, Lehtikanta, De Vijver Media N.V. as well as Hearst Independent Media Publishing B.V.

Changes in consolidated equity

EUR million	Equity attributable to the equity holders of the Parent Company										
	Note	Share capital	Treasury shares	Fund for invested un-restricted equity	Other reserves	Trans-lation differ-ences	Retained earnings	Hybrid bond	Total	Non-controlling interests	Equity, total
Equity at 1 Jan 2014	22	**71.3**		**203.3**	**-2.6**	**-34.9**	**546.3**	**99.1**	**882.5**	**296.8**	**1 179.3**
Profit for the period							58.3		58.3	3.3	61.6
Other comprehensive income					2.2	4.7	-26.5		-19.6		-19.6
Total comprehensive income					**2.2**	**4.7**	**31.8**		**38.7**	**3.3**	**42.0**
Share-based compensation	23						0.7		0.7		0.7
Dividends paid							-16.3		-16.3	-0.3	-16.6
Total transactions with owners of the company							**-15.6**		**-15.6**	**-0.3**	**-15.9**
Acquisitions and other changes in non-controlling interest							0.3		0.3	-0.9	-0.6
Total change in ownership interest							**0.3**		**0.3**	**-0.9**	**-0.6**
Tax-adjusted interest paid on hybrid bond							-5.9		-5.9		-5.9
Recognition of unpaid dividends							0.1		0.1		0.1
Reclassification of foreign currency differences on loss of significant influence							2.3		2.3		2.3
Equity at 31 Dec 2014		**71.3**		**203.3**	**-0.4**	**-30.3**	**559.3**	**99.1**	**902.4**	**298.9**	**1 201.3**
Equity at 1 Jan 2015	22	**71.3**		**203.3**	**-0.4**	**-30.3**	**559.3**	**99.1**	**902.4**	**298.9**	**1 201.3**
Profit for the period							-142.9		-142.9	-15.0	-158.0
Other comprehensive income					-0.2	13.9	11.2		25.0		25.0
Total comprehensive income					**-0.2**	**13.9**	**-131.7**		**-118.0**	**-15.0**	**-133.0**
Purchase of treasury shares			-3.2						-3.2		-3.2
Share-based compensation	23						1.1		1.1		1.1
Dividends paid							-32.6		-32.6	-0.6	-33.2
Total transactions with owners of the company			**-3.2**				**-31.5**		**-34.6**	**-0.6**	**-35.2**
Acquisitions and other changes in non-controlling interest							-0.6		-0.6	2.4	1.8
Total change in ownership interest							**-0.6**		**-0.6**	**2.4**	**1.8**
Tax-adjusted interest paid on hybrid bond							-5.8		-5.8		-5.8
Recognition of unpaid dividends							0.1		0.1		0.1
Equity at 31 Dec 2015		**71.3**	**-3.2**	**203.3**	**-0.5**	**-16.3**	**389.8**	**99.1**	**743.4**	**285.7**	**1 029.1**

Consolidated cash flow statement

EUR million	Note	1.1.–31.12.2015	1.1.–31.12.2014
Operations			
Result for the period		**-158.0**	61.6
Adjustments			
Income taxes	11	**6.3**	29.1
Financial expenses	10	**53.8**	63.7
Financial income	10	**-26.4**	-21.8
Share of results in equity-accounted investees	16	**34.8**	75.3
Depreciation, amortisation and impairment losses		**389.4**	327.6
Gains/losses on sales of non-current assets		**20.6**	-198.6
Acquisitions of broadcasting rights and prepublication costs		**-226.5**	-213.2
Other adjustments		**0.9**	0.6
Change in working capital			
Change in trade and other receivables		**-5.6**	10.7
Change in inventories		**3.9**	4.7
Change in trade and other payables, and provisions		**1.0**	7.5
Interest paid		**-27.6**	-35.1
Other financial items		**-5.4**	-14.6
Taxes paid		**-36.0**	-23.9
Cash flow from operations		**25.2**	73.7
Investments			
Acquisition of tangible and intangible assets		**-55.1**	-51.0
Operations acquired	5	**-4.7**	-17.1
Associated companies acquired	16	**-4.8**	-3.1
Acquisition of other holdings		**-0.1**	-1.2
Proceeds from sale of tangible and intangible assets		**3.1**	246.4
Operations sold	5	**37.7**	83.1
Associated companies sold	16	**28.6**	0.7
Sales of other companies		**0.5**	0.1
Loans granted		**-4.3**	-4.0
Repayments of loan receivables		**6.3**	12.2
Sales of short-term investments			0.1
Interest received		**0.6**	1.5
Dividends received		**6.2**	15.5
Cash flow from investments		**14.0**	283.2
Cash flow before financing		**39.2**	356.9
Financing			
Contribution by non-controlling interests		**0.1**	
Purchase of treasury shares		**-3.2**	
Change in loans with short maturity		**62.1**	-31.2
Drawings of other loans		**202.5**	193.6
Repayments of other loans		**-224.4**	-506.6
Payment of finance lease liabilities		**-6.4**	-0.1
Interest paid on hybrid bond		**-7.3**	-7.3
Dividends paid		**-33.2**	-16.6
Cash flow from financing		**-9.7**	-368.1
Change in cash and cash equivalents according to cash flow statement		**29.6**	-11.2
Effect of exchange rate differences on cash and cash equivalents		**0.9**	-1.4
Net increase(+)/decrease(-) in cash and cash equivalents		**30.5**	-12.6
Cash and cash equivalents at 1 Jan		**52.0**	64.7
Cash and cash equivalents at 31 Dec	21	**82.5**	52.0

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

Notes to the consolidated financial statements

1. Accounting policies for consolidated financial statements

Corporate information

In 2015, Sanoma Group included two reportable segments: Consumer Media and Learning. Consumer Media is responsible for magazines, TV operations as well as online and mobile operations in Finland, the Netherlands and Belgium. In addition, Sanoma has newspapers and radio operations in Finland. Consumer Media consisted of two strategic business units in 2015: Sanoma Media BeNe and Sanoma Media Finland. Learning is a leading European provider of multichannel learning solutions. Learning's main markets are Belgium, Finland, the Netherlands, Poland and Sweden.

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

On 8 February 2016, Sanoma's Board of Directors approved these financial statements to be disclosed. In accordance with the Finnish Limited Liability Companies Act, the shareholders can either adopt or reject the financial statements in the Annual General Meeting held after the disclosure. The AGM can also resolve to amend the financial statements.

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

Basis of preparation of financial statements

Sanoma has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) while adhering to related IAS and IFRS standards, effective at 31 December 2015, as well as SIC and IFRIC interpretations. IFRS refers to the approved standards and their interpretations applicable within the EU under the Finnish Accounting Act and its regulations in accordance with European Union Regulation No. 1606/2002. The notes to the consolidated financial statements are in accordance with Finnish Accounting Standards and Finnish Limited Liability Companies Act.

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

Applied new and amended standards

The Group has applied the following new standards, interpretations and amendments to standards and interpretations as of 1 January 2015:

- Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions* (effective for financial years beginning on or after 1 July 2014). The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments do not impact the Group's financial statements.
- Annual Improvements to IFRSs (2011–2013 cycle and 2010–2012 cycle, December 2013) (effective for financial years beginning on or after 1 July 2014). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011–2013 cycle) and seven (2010–2012 cycle) standards. The improvements do not have material impact on the Group's financial statements.
- IFRIC 21 *Levies* (effective in EU for financial years beginning on or after 17 June 2014). The interpretation covers the accounting treatment of a liability arising from a public contribution. The interpretation has no material impact on the Group's financial statements.

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

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

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

Consolidation principles

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

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

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

Sanoma uses the acquisition method when accounting for acquisitions. The acquisitions carried out after 1 January 2004 are measured at fair value on the date of acquisition but acquisitions prior to that date have not been adjusted retrospectively. For acquisitions prior to 1 January 2010, Sanoma applies the version of IFRS 3 standard effective as at the acquisition date.

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

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

Sanoma's equity-accounted investees include joint ventures and associated companies, which are accounted for using the equity method. The Group's share of the strategically important joint ventures' and associated companies' result is disclosed separately in operating profit. The result of other equity-accounted investees is reported below operating profit. The carrying amount of equity-accounted investees is presented on one line in the balance sheet and it includes the goodwill originating from those acquisitions.

Joint ventures are entities that are controlled jointly based on a contractual agreement by the Group and one or several other owners. All Sanoma's joint ventures are strategically important.

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

Joint operations are consolidated using the proportionate consolidation method. Sanoma has one mutual property company that is classified as joint operation.

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

Foreign currency items

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

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

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

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

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

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

Government grants

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

Non-current assets held for sale

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

Goodwill and other intangible assets

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

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

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

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

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

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

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

Goodwill and other intangible assets are described in more detail in Note 15.

Impairment testing

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

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

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

Impairment testing is described in more detail in Note 15.

Property, plant and equipment

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

The depreciation periods of PPE are based on the estimated useful lives and are:
- Buildings and structures 5–40 years
- Machinery and equipment 2–20 years
- Other tangible assets 3–10 years

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

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

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

Investment property

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

The fair value of investment properties is presented in the notes to the consolidated financial statements. Fair values are determined by using the yield value method or on the basis of similar property deals carried out in the market, and they correspond to the properties' market value. The risk of the yield value method takes into account, among others, the term of the lease period, other conditions of the lease, the location of the premises and the nature of re-rentability as well as the development of environment and area planning. The fair values of investment property are not principally based on the valuations of external certified real estate agents but, when necessary, the views of real estate agents are used to support the Group's own judgement. Investment in shares consists of a number of small properties whose fair value the Group determines internally using the yield value method.

Leases

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

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

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

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

Inventories

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

Financial assets

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

Financial assets acquired for trading purposes are classified as *financial assets at fair value through profit or loss* in Sanoma. Financial assets held for trading are acquired primarily to gain from short-term fluctuations in market prices. Derivatives that do not fulfil the conditions for hedge accounting are accounted for as held for trading purposes. Derivative instruments are initially recognised at fair value on the date when the Group becomes a party to the contractual provision of the derivative, and subsequently measured at fair value on each balance sheet date. Both the unrealised and realised gains and losses arising from changes in fair value are recognised in the income statement on the period the changes arise.

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

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

Cash and cash equivalents

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

Financial liabilities

Sanoma's financial liabilities are classified either as financial liabilities at amortised cost or as financial liabilities at fair value through profit or loss. Financial liabilities are classified as short-term liabilities unless the Group has an unconditional right to postpone settling of the liability at least with 12 months from the end of the reporting period. The financial liability or a part of it can be derecognised only when the liability has ceased to exist, meaning that the obligations identified by the agreement have been fulfilled, abolished or expired.

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

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

Hybrid bond

A hybrid bond is a bond that is subordinated to the company's other debt instruments but senior to other equity instruments. The interest on a hybrid loan is paid if the Group will pay a dividend. If a dividend is not paid, the Group decides separately on whether to pay the interest. Unpaid interest accumulates. Hybrid loan holders have no control over the Group and no right to vote at shareholders' meetings.

Derivatives and hedge accounting

Sanoma may use derivative instruments, such as forward currency exchange contracts and interest rate swaps, in order to hedge against fluctuations in exchange rates and interest rates. The Group applies hedge accounting to part of the interest rate swaps and they have been accounted for as cash flow hedges. The Group also has interest rate swaps for which hedge accounting is not applied. The Group uses forward currency exchange contracts which are not hedge-accounted.

The Group documents and assesses the effectiveness of the hedging at the commencement of the hedge and on every reporting date, by controlling the ability of the hedging instrument to offset the cash flows of the hedged item. Derivatives are initially recognised at fair value on the date of entering to a hedging agreement and they are subsequently measured at their fair value on each balance sheet date.

When the hedging instrument meets the criteria, the effective portion of the changes in fair value of the instrument is recognised in other comprehensive income and is presented in the hedging reserve. The cumulative changes in the fair value of derivatives are transferred to financial items in the income statement, when the hedge item impacts profit or loss. Derivative contracts are shown in other current receivables and liabilities on the balance sheet.

⊕ The risk management principles of financial risks are presented in more detailed in Note 29.

Fair value hierarchy

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

Income taxes

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

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

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

Provisions

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

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

Share-based payments

Sanoma has Performance Share Plan and Restricted Share Plan. Share Plans replace Sanoma's option schemes, under which no new option grants will be made. Vesting of Performance Share Plan is subject to meeting Group's performance targets set by the Board of Directors for annually commencing new plans. The Restricted Share Plan consists of annually commencing new plans subject to the approval of the Board of Directors in each case. Each new Restricted Share Plan offers a possibility to receive Sanoma shares as a long–term incentive reward, provided that the condition of continued employment is fulfilled at the time of the delivery of the share reward.

The possible reward is paid as a combination of shares and cash. The reward's cash component is dedicated to cover taxes and tax-related costs. In jurisdictions where shares cannot be granted, the possible reward is paid fully in cash.

The fair value for the equity settled portion has been determined at grant using the fair value of Sanoma share as of the grant date less the expected dividends paid before possible share delivery. The fair value for the cash settled portion is remeasured at each reporting date until the possible reward payment. The fair value of the liability will thus change in accordance with the Sanoma share price. The fair value is charged to personnel expenses until vesting.

Stock option schemes continue to run until their respective expiration dates. Stock options have been granted to a group of Sanoma's key personnel as part of their remuneration package, in addition to cash salary and other employment benefits. Expenses are no longer recognised related to stock option schemes as the vesting periods of all stock option schemes have ended. The exercise price of the new shares subscribed by the rights options is recognised in Fund for invested unrestricted equity.

A more detailed description of the share-based payments is provided in Note 23.

Revenue recognition

Revenue from the sale of goods is recognised when the risks and rewards related to ownership have been transferred to the buyer and the seller no longer has possession of, and control over, the goods. Revenue from sale of goods subject to subscription (magazines/newspapers) is recognised at the time of their delivery to customers. Rendering of services consists of advertising sales in magazines, newspapers, TV, radio and online as well as sale of online marketplaces. Rendering of services also include press distribution sales and training and language services. Service revenue is recognised once the service has been rendered. Net sales derive from sales net of discounts granted and indirect taxes. Net sales generated from commission sales include commissions. Delivery of magazines from publishers other than Sanoma to retailers is treated as commission sales and only the commission fee is recognised in net sales.

Research and development expenditure

Research expenditure is expensed as incurred.

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

Pensions

The Group's pension schemes in different countries are arranged in accordance with local requirements and legislation. Pension schemes are classified into two categories: defined contribution plans and defined benefit plans. In addition to the TyEL insurance policies (based on the Finnish Employees' Pensions Act), the Group also has pension funds in Finland responsible for the statutory pension cover for certain Group companies, as well as for supplementary pension schemes. The Group's foreign units employ both defined benefit and defined contribution schemes, and the related pension cover is managed by both pension funds and insurance companies.

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

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

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

IFRS standards and amendments to be applied later

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

- Annual Improvements to IFRSs (2012–2014 cycle, September 2014) (effective for financial years beginning on or after 1 January 2016). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2012–2014 cycle) standards. The improvements will not have material impact on the Group's financial statements.

- Amendments to IFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations* (effective for financial years beginning on or after 1 January 2016). The change requires applying accounting principles of business combinations in accounting of an interest in a joint operation in which the activity constitutes a business.

- Amendments to IAS 1 *Presentation of Financial Statements – Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The amendment will not have material impact on Group's financial statements.

- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016). The change prohibits using revenue-based method to depreciate property, plant and equipment. Amortising intangible assets using revenue-based method may only be used in limited circumstances. The amendments will not impact the Group's financial statements.

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date of the amendments has been deferred for an indefinite period). The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business whether it is a subsidiary or not. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in subsidiary. The EU has not yet adopted the amendments. The amendments will not have material impact on Group's financial statements.

- IFRS 9 *Financial Instruments* and changes there to (effective for periods beginning on or after 1 January 2018). IFRS 9 replaces the current IAS 39 Financial Instruments: Recognition and Measurement. The standard includes updated principles for classification and measurement of financial assets and liabilities. In addition, the rules related to hedge accounting have been revised. The EU has not yet adopted the new standard. The Group is currently assessing the impact of IFRS 9.

- IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018). Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The EU has not yet adopted the new standard. The Group is currently assessing the impact of IFRS 15.

2. Operating segments

In 2015, Sanoma Group included two reportable segments: Consumer Media and Learning. Consumer Media consisted of two strategic business units in 2015: Sanoma Media BeNe and Sanoma Media Finland. Consumer Media is responsible for magazines, TV operations and newspapers, with operations in Finland, the Netherlands and Belgium. The segment also has a great variety of online and mobile services. Learning is a leading European provider of multichannel learning solutions. Learning's main markets are Belgium, Finland, the Netherlands, Poland and Sweden.

Consumer Media

Sanoma Media BeNe includes Dutch and Belgian consumer media operations as well as the Dutch press distribution business Aldipress. In the Netherlands, Sanoma has a leading portfolio with strong brands and strong market positions in every part of the media industry: magazines, TV, events, custom media, e-commerce sites and apps. In Belgium, Sanoma is a prominent multi-media company, with quality magazines and digital media. Our portfolio consists of many leading brands, including AutoWeek, Donald Duck, Flair, Flow, Kieskeurig.nl, Libelle, LINDA., Margriet, NU.nl, Schoolbank.nl, Startpagina.nl, Tina, VIVA and VTWonen. In the Netherlands Sanoma has four free-to-air TV channels: Net5, SBS6, SBS9 and Veronica.

Sanoma Media Finland is the leading multichannel media company in Finland. We provide information, experiences and entertainment through magazines, newspapers, TV, radio, online and mobile channels. We have leading brands and services, including Aku Ankka, Gloria, ET, Helsingin Sanomat, Huuto.net, Hyvä Terveys, Ilta-Sanomat, Jim, Kodin Kuvalehti, Liv, Me Naiset, Metro, Oikotie, Nelonen, Radio Aalto, Radio Rock, Radio Suomipop, Ruutu and Taloussanomat, which reach almost all Finns every day.

Learning

Sanoma Learning is one of Europe's leading learning companies driven by a single passion to improve learning impact. Our print, digital and hybrid learning solutions help make primary, secondary and vocational education more effective. Through our local companies, we contribute to national educational systems that consistently score high on PISA rankings, including Belgium, Finland, the Netherlands, Poland and Sweden.

Unallocated/eliminations

In addition to the Group eliminations, the column Unallocated/Eliminations includes media operations in Russia & CEE countries as well as non-core operations, head office functions, real estate companies and items not allocated to segments.

Segments 2015, EUR million	Consumer Media	Learning	Unallocated / Eliminations	Consolidated
External net sales	1 401.9	280.5	34.2	1 716.6
Internal net sales	0.3	0.0	-0.3	
Net sales	1 402.2	280.5	33.9	1 716.6
Depreciation, amortisation and impairment losses	-344.3	-39.4	-5.6	-389.4
Operating profit	-30.9	33.1	-125.9	-123.6
Operating profit excluding non-recurring items	76.9	44.7	-38.3	83.2
Share of results in associated companies	-0.7	0.0	0.0	-0.7
Financial income			26.4	26.4
Financial expenses			-53.8	-53.8
Profit before taxes				-151.7
Capital expenditure	19.8	25.5	9.4	54.7
Goodwill	1 393.8	268.0	3.5	1 665.3
Interests in associated companies	25.0	7.5	0.5	33.1
Segment assets	2 060.9	480.5	71.8	2 613.1
Other assets			152.0	152.0
Total assets				2 765.1
Segment liabilities	1 159.8	124.8	-516.6	768.0
Other liabilities				968.0
Total liabilities				1 736.0
Cash flow from operations	54.3	42.1	-71.2	25.2
Average number of employees (full-time equivalents)	4 227	1 519	1 030	6 776

Segments 2014, EUR million	Consumer Media	Learning	Unallocated / Eliminations	Consolidated
External net sales	1 507.8	292.0	101.8	1 901.6
Internal net sales	0.1	0.1	-0.2	0.0
Net sales	1 508.0	292.0	101.6	1 901.6
Depreciation, amortisation and impairment losses	-255.2	-40.6	-31.8	-327.6
Operating profit	140.5	55.1	-61.8	133.8
Operating profit excluding non-recurring items	94.6	51.4	-27.3	118.8
Share of results in associated companies	-1.2	0.0		-1.2
Financial income			21.8	21.8
Financial expenses			-63.7	-63.7
Profit before taxes				90.7
Capital expenditure	25.8	18.9	6.0	50.7
Goodwill	1 447.3	267.1	34.7	1 749.2
Interests in associated companies	52.5	0.5	-30.1	22.9
Segment assets	2 250.0	455.1	136.6	2 841.8
Other assets				174.7
Total assets				3 016.5
Segment liabilities	1 260.5	130.3	-598.5	792.3
Other liabilities				1 022.9
Total liabilities				1 815.2
Cash flow from operations	78.5	47.4	-52.1	73.7
Average number of employees (full-time equivalents)	5 308	1 589	1 362	8 259

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

Information about geographical areas 2015, EUR million	Finland	The Netherlands	Other EU countries	Non-EU countries	Eliminations	Consolidated
External net sales	636.5	764.1	309.6	6.4	0.0	1 716.6
Non-current assets	259.7	1 822.1	179.6	1.1	0.0	2 262.5

Information about geographical areas 2014, EUR million	Finland	The Netherlands	Other EU countries	Non-EU countries	Eliminations	Consolidated
External net sales	722.5	794.3	362.8	22.0	0.0	1 901.6
Non-current assets	262.4	1 888.6	268.1	-1.7	0.0	2 417.4

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

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

3. Non-recurring items

Non-recurring items in operating profit, EUR million	2015	2014
Media BeNe		
Impairment of goodwill and intangible assets	-78.2	-16.6
Impairment of equity-accounted investees **		-0.8
Gain on sale (Netherlands, magazines)	-0.2	10.8
Write-down to reflect the sales price (Belgium, TV) **		-34.0
Loss on sale (Belgium, magazines) ***	-12.2	
IFRS-pensions curtailment effect		6.4
Gain on sale (Belgium, magazines)	2.5	
Restructuring expenses	-34.3	-42.6
Media Finland		
Gain on sale (real estate, Sanomala) *		37.9
Gain on sale (real estate, Sanoma House)		110.5
Gain on sale (magazines)	1.7	3.1
Gain on sale (regional newspapers)	3.5	
Loss on sale and impairment of building (Hämeen Paino)	-7.6	
Compensation and impairment related to an ICT system		-1.3
Restructuring expenses	-18.4	-14.9
Learning		
Loss on sale (Belgium)		-1.5
Adjustment to capital loss (Hungary)		8.6
Restructuring expenses	-11.5	-3.4
Other companies		
Net of gain on sale and realisation of cumulative FX loss (Russia)	-6.6	
Loss on sale (Romania)		-1.1
Gain on sale (Czech Republic)		1.0
Gain on sale (Hungary)		4.3
Gain on sale of joint venture (Bulgaria) **		-0.5
Impairment of goodwill and intangible assets		-24.9
Impairment and realisation of cumulative FX losses - Equity-accounted investees Russia and Ukraine **	-38.0	-40.4
Impairment of equity-accounted investees **		-2.3
Gain on sale (press distribution in Finland)		23.6
Gain on sale (book printing in Finland)	-3.9	
Restructuring expenses	-3.6	-6.9
Total	**-206.9**	15.0

* EUR 12.6 million of the gain on sale of Sanomala is included in 'Other companies' figures.
** Is included in the income statement on line share of results in joint ventures.
*** EUR -35.4 million of the loss on sale is included in 'Other companies' figures.

Non-recurring items in results in associated companies, EUR million	2015	2014
Media Finland		
Fair value remeasurement of previously held equity interest (mobile marketing company Routa)	1.9	
Media BeNe		
Impairment of equity-accounted investees	-1.8	
Total	**0.1**	

Non-recurring items in financial expenses, EUR million	2015	2014
Restructuring expenses (termination of lease agreement)	5.5	-2.7
Impairment of loan	-1.4	
Impairment losses on available-for-sale investments		-0.1
Total	**4.1**	-2.8

4. Non-current assets held for sale

Non-current assets held for sale in 2015

In August 2015, Sanoma was informed that the Russian Government Commission for Monitoring Foreign Investments had decided not to issue approval for the sale of Sanoma's 50% stake in Fashion Press to Hearst Communications Inc. In December 2015, Sanoma agreed to sell its 50% stake in Hearst Independent Media Publishing B.V., OOO United Press and its 50% stake in OOO Mondadori Independent Media to InVenture Partners. The closing of the transactions is subject to governmental approvals and certain other conditions. United Press and joint venture Mondadori Independent Media were classified as held for sale on 31 December 2015 and Hearst Independent Media Publishing was classified as held for sale on 31 December 2014. In 2015, the value of these Russian operations were written off by EUR 37.3 million to reflect the lower fair value less cost to sell. In segment information Hearst Independent Media Publishing, United Press and Mondadori Independent Media are presented in Unallocated / Eliminations column.

Non-current assets held for sale in 2014

In April 2014, Sanoma announced that it will divest its majority ownership in Sanoma Lehtimedia (publisher of newspapers in southeast Finland) and in local printing companies to the Länsi-Savo Group. As a consequence Sanoma Lehtimedia Oy, Saimaan Lehtipaino Oy and Lehtikanta Oy in Consumer Media segment were classified as held for sale on 30 June 2014. The completion of the first stage of the corporate arrangement was in January 2015, and the company will transfer fully to the ownership of Länsi-Savo in five years.

In June 2014, Sanoma came to an agreement with Corelio and Waterman&Waterman to sell it's 33.3% stake in Belgian De Vijver Media. Joint venture De Vijver Media N.V. was classified as held for sale on 30 June 2014. The divestment was completed in February 2015. In segment information De Vijver Media is presented in Unallocated / Eliminations column.

The assets and liabilities classified as held for sale are presented in the following tables.

Assets classified as held for sale, EUR million	2015	2014
Property, plant and equipment	0.1	3.5
Goodwill		20.8
Other intangible assets		0.5
Equity-accounted investees	7.5	71.0
Available-for-sale financial assets		0.1
Deferred tax assets	0.2	
Inventories	0.0	0.3
Income tax receivables	0.1	0.0
Trade and other receivables	3.1	3.7
Total	**10.9**	99.9

Liabilities related to assets held for sale, EUR million	2015	2014
Deferred tax liabilities	0.0	
Provisions	0.8	
Financial liabilities		0.4
Income taxes	0.0	0.1
Trade and other payables	2.3	7.7
Total	**3.1**	8.2

Part of the assets held for sale are valued at fair value less cost to sell and part at carrying value.

5. Acquisitions and divestments

Impact of business acquisitions on Group's assets and liabilities, EUR million	2015	2014
Tangible assets	**0.0**	0.2
Intangible assets	**4.5**	15.3
Other non-current assets	**0.1**	10.4
Inventories		1.0
Other current assets	**3.3**	5.6
Assets, total	**7.9**	32.6
Non-current liabilities	**-0.8**	-6.6
Current liabilities	**-1.9**	-11.6
Liabilities, total	**-2.7**	-18.2
Fair value of acquired net assets	**5.2**	14.4
Acquisition cost	**5.1**	22.7
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities	**2.2**	
Fair value of previously held interest	**2.8**	
Fair value of acquired net assets	**-5.2**	-14.4
Goodwill from the acquisitions	**4.9**	8.3

Acquisitions of non-controlling interests, EUR million	2015	2014
Acquisition cost	**0.7**	
Book value of the acquired interest	**0.1**	
Impact on consolidated equity	**-0.6**	

Cash flow from operations acquired, EUR million	2015	2014
Acquisition costs recognised during the financial year	**5.7**	22.7
Cash and cash equivalents of acquired operations	**-1.6**	-0.9
Decrease (+) / increase (-) in acquisition liabilities	**0.5**	-4.7
Cash flow from operations acquired	**4.7**	17.1

Acquisitions in 2015

In 2015, Sanoma invested EUR 5.7 million (2014: EUR 22.7 million) in business acquisitions. The impact of each individual acquisition on the Group's assets and liabilities was minor. The combined effect of the acquisitions since the acquisition date on the Group's net sales amounted to EUR 7.3 million, and on operating profit EUR -0.3 million.

In February, Sanoma acquired 51% of the shares and in November 20% of the shares of Dutch social media creator agency Social1nfluencer BV. Social1nfluencer BV employs 13 people.

In March, Sanoma increased its ownership in the Finnish mobile marketing company Routa from 25% to 51%. Mobiilimarkkinointi Routa employs 77 people.

In October, Oikotie, part of Sanoma Media Finland, acquired Jokakoti.fi real estate classified service and all of the shares of Jokakoti Oy. This transaction brings together two housing market places under the Oikotie brand.

Acquisitions in 2014

In 2014, Sanoma invested EUR 22.7 million in business acquisitions. The impact of each individual acquisition on the Group's assets and liabilities was minor. The combined effect of the acquisitions since the acquisition date on the Group's net sales amounted to EUR 18.9 million, and on operating profit EUR 0.2 million.

In March, Sanoma Learning acquired all of the shares of the Belgian school- and teacher management software company Pronoia BVBA. Pronoia provides online software programmes under the brand Schoolonline for preschool, primary and secondary education and is one of the leading players in the educational software industry in Belgium. Pronoia employs 8 people.

In June, Sanoma announced the divestment of its stake in De Vijver Media (SBS Belgium). As part of the arrangement, Sanoma increased its ownership of HUMO NV from 33% to 100% with immediate effect. Stake of HUMO was originally transferred to De Vijver NV with a transaction between the parties in 2010. HUMO NV publishes Sanoma's Belgian flagship brand Humo. Humo employs 38 people.

In September, Sanoma Media Netherlands increased its ownership in the Dutch joint venture SB Commerce BV from 40% to 100% and in December in the joint venture Vault BV from 55% to 100%.

Divestments in 2015

Impact of divestments on Group's assets and liabilities, EUR million	2015	2014
Non-current assets	**62.6**	36.8
Inventories	**1.5**	1.8
Other current assets	**56.1**	56.4
Assets, total	**120.1**	94.9
Non-current liabilities	**-13.1**	-0.3
Current liabilities	**-28.2**	-45.8
Liabilities, total	**-41.3**	-46.1
Net assets	**78.8**	48.8
Adjustment to capital loss (Hungary)	**0.2**	8.6
Loan receivable sold	**-4.5**	
Reclassification of foreign currency differences	**-10.2**	-5.6
Sales price	**67.5**	94.3
Net result from sale of operations	**-25.7**	48.5

Cash flow from sale of operations, EUR million	2015	2014
Sales price	**67.5**	94.3
Cash and cash equivalents of divested operations	**-13.3**	-21.6
Decrease (+) / increase (-) in receivables from divestment	**-16.8**	1.8
Adjustment to capital loss (Hungary)	**0.2**	8.6
Cash flow from sale of operations	**37.6**	83.1

In April 2014, Sanoma announced the divestment of its majority ownership in Sanoma Lehtimedia (a publisher of newspapers in southeast Finland) and in local printing companies. The first stage of the corporate arrangement was completed in January 2015, and the company will transfer fully to the ownership of Länsi-Savo in five years. Based on loss of control, Sanoma recognised a capital gain of EUR 3.5 million as a result of the transaction in 2015.

In April, Sanoma sold its 33.3% stake in Delovoi Standard, the publisher of Russia's leading daily financial newspaper Vedomosti. Additionally, Sanoma sold its United Press portfolio of titles and its 50% stake in Viadeo. As a result of the transactions, Sanoma recognised a capital loss of EUR 6.6 million, including the currency translation adjustment.

In June, Sanoma Media Netherlands sold Dutch magazine titles and as a result of the transaction recognised a capital loss of EUR 0.2 million.

In May, Sanoma announced the divestments of three of its Belgian magazine titles Humo, Story and TeVeBlad. The transaction was closed in September. As a result of the transaction, Sanoma recognised a capital loss of EUR 12.2 million.

In November, Sanoma divested its majority ownership in the Finnish book-printing company Bookwell. As a result of the transaction, Sanoma recognised a capital loss of EUR 3.9 million.

In November and December, Sanoma Media Belgium sold Belgian titles Moustique, Télé Pocket and Bloemschikken. As a result of the transactions, Sanoma recognised a capital gain of EUR 2.5 million.

In December, Sanoma sold Hämeen Paino shares and buildings to DA-Design Oy. As a result of the transaction, Sanoma recognised a capital loss of EUR 6.7 million.

Divestments in 2014

In January, Sanoma Media Finland sold operations of Tietokone magazine to Talentum Media as well as Radio Helsinki operations.

In February, Sanoma sold its Finnish press distribution company Lehtipiste. As a result of the transaction, Sanoma recognised a capital gain of EUR 23.6 million.

In March, Sanoma Pro, the Finnish learning business, sold its B2B operations (digital and training services and business books). As a result of the transaction, Sanoma recognised a capital gain of EUR 0.6 million in the second quarter.

In March, Sanoma closed the divestment of Romanian operations. As a result of transaction, Sanoma recognised a capital loss of EUR 1.1 million.

In April, Sanoma closed the divestment of its Czech media operations. As a result of the transaction, Sanoma recognised a capital gain of EUR 1.0 million.

In April, Sanoma Media Finland sold online news service Apollo in Latvia.

In June, Sanoma Learning sold Wees Wegwijs, a small part of Sanoma's Belgian learning business. As a result of the transaction, Sanoma recognised a capital loss of EUR 1.5 million.

In July and September Sanoma Media Netherlands sold 22 of its Dutch magazine titles. As a result of the two transactions, Sanoma booked the capital gain of EUR 10.8 million.

In October 2013, Sanoma sold its Learning operations in Hungary. As a result of the transaction, Sanoma recognised a capital loss of EUR 35.3 million in 2013 and a positive adjustment to the capital loss of EUR 8.6 million in August 2014.

In September, Sanoma Media Finland sold four of its Finnish magazine titles. As a result of the transaction, Sanoma recognised a capital gain of EUR 3.1 million.

In September, Sanoma closed the divestment of its Hungarian media operations. As a result of the transaction, Sanoma recognised a capital gain of EUR 4.3 million.

6. Net sales

Distribution of net sales between goods and services, EUR million	2015	2014
Sale of goods	**851.8**	1 057.4
Rendering of services	**864.8**	844.2
Total	**1 716.6**	1 901.6

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

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

7. Other operating income

Other operating income, EUR million	2015	2014
Gains on sale of property, plant and equipment	**1.1**	150.2
Gains on sale of Group companies and operations	**8.6**	51.1
Gains on sale of associated companies	**4.7**	0.2
Rental income from investment property	**1.9**	0.8
Other rental income	**2.9**	3.3
Government grants	**0.3**	0.4
Other	**17.6**	18.5
Total	**37.1**	224.5

In 2015, gains on sale of Group companies and operations includes EUR 3.5 million gain on sale of Lehtimedia and local printing companies as well as EUR 3.1 million gain on sale of Belgian magazine titles.

In 2014, gains on sale of property, plant and equipment includes gain on sale of Sanoma House EUR 110.5 million and gain on sale of Sanomala printing facility and office properties EUR 37.9 million. Gains on sale of Group companies and operations includes EUR 23.6 million gain on sale of ownership in the Finnish press distribution company Lehtipiste, EUR 10.8 million gain on sale of Dutch magazine titles, EUR 8.6 million positive adjustment to the capital loss related to the sale of Learning Hungary operations in 2013 and EUR 4.3 million gain on sale of media operations in Hungary.

Other operating income include e.g. reprography fee income, income related to alternative payment methods and income from recharge of broadcasting costs.

More information on investment property can be found in Note 14.

8. Employee benefit expenses

Employee benefit expenses, EUR million	2015	2014
Wages, salaries and fees	**-379.1**	-438.5
Expense recognition of granted options		-0.4
Equity-settled share-based payments	**-1.1**	-0.3
Cash-settled share-based payments	**-0.8**	-0.2
Pension costs, defined contribution plans	**-34.8**	-40.6
Pension costs, defined benefit plans	**-15.7**	-11.2
Other social expenses	**-40.7**	-49.5
Total	**-472.2**	-540.7

Wages, salaries and other compensations for key management are presented in Note 33. Share-based payments are described in Note 23.

Post-employment benefits

The Sanoma Group has various schemes for personnel's pension cover that comprise both defined contribution and defined benefit pension plans. Pension schemes are arranged in accordance with local requirements and legislation. The majority of the pension plans are of defined contribution structure, where the employer contribution and resulting income charge is fixed at a set level or is set at a percentage of employee's pay. Contributions made to defined contribution pension plans and charged to the income statement totalled EUR 34.8 million (2014: EUR 40.6 million). Within the Sanoma Group, there are several defined benefit pension plans. The most significant plans comprise around 95% of the present value of obligations accrued to date and relate to the Netherlands and Finland.

The Netherlands

The defined benefit plans provided by the Sanoma Group in the Netherlands are statutory plans in accordance with the rules and requirement of the Collective Labor Agreement. The benefits comprise old-age, disability and surviving dependent pensions. In the Netherlands, the Group contributes to the following main post-employment defined benefit plans:

- A final salary pension plan that applies to employees in service before 1 January 2009 (the plan is a closed plan). The plan entitles a retired employee to receive a monthly pension payment based on the employee's final salary minus a social security offset. Normal retirement age is 67 (effective 1 January 2015, before it was 65). Besides the employer's contribution, employees also contribute based on a fixed percentage of the pension base.
- An average salary pension plan that applies to employees in service on or after 1 January 2009. The plan entitles a retired employee to receive a monthly pension payment based on the employee's average salary over the years of service minus a social security offset. Normal retirement age is 67 (effective 1 January 2015, before it was 65). Besides the employer's contribution, employees also contribute based on a fixed percentage of the pension base.
- Other pension plans. These mainly relate to early retirement plans that apply to certain employees who were born before 1 January 1950 and who were a participant in the plan at 31 December 2005. Early retirement age is 63. Monthly prepension payment is based on the employee's final salary. Besides the employer's contribution, employees also contribute based on a fixed percentage of the pension base. Employees participating in this plan and in service at 30 June 2002, receive a supplementary payment if certain conditions are met.

In these notes the Dutch defined benefit pension plans have been disclosed aggregated on the basis that these plans are not exposed to materially different risks.

The Dutch defined benefit plans are administered by a single pension fund that is legally separated from the Group. The pension fund is governed by a board that is responsible for the operation of the pension fund and empowered to decide on such fundamental aspects as the level and structure of the benefits and the fund's investment strategy. The board is composed of employer and employee representatives. An independent supervisory board composed of representatives of active and retired employees, has an advisory and monitoring role towards the board and can also make proposals to the board.

The defined benefit pension plans are insured by the pension fund. The assets of the pension fund are managed by an external party, based on the investment policy determined by the pension fund's board.

On a periodical basis, the board of the Dutch pension fund sets out its strategic investment policy. The strategic investment policy is based on the most recent Asset-Liability Matching (ALM) study performed by the pension fund's external investment advisor and on any other policy-supporting studies. The latest ALM study was done in 2015. Based on that study the pension fund's board set-out an investments policy whereby the funding ratio determines the percentage available for the risk budget and the percentage to be held as defense policy for the funding ratio. The risk budget determines which risk may be taken with the investment policy. A lower funding ratio implies a lower risk budget.

In order to achieve its investment goals, the pension fund holds investments in the following investment categories:

- Fixed rate bonds, government bonds, corporate bonds and interest derivatives
- Equities
- Commodities
- Cash and cash equivalents
- Private equity

On an annual basis the board organises an investment day during which the strategic investment policy is laid down in an investment plan based on the advises of external experts. The 2015 investment plan defines an asset mix comprising 50–90% fixed rate bonds, 19–39% equity securities, 0–2.5% commodities/private equity, 0–5% real estate and 0–5% cash and cash equivalents.

The Dutch defined benefit Pension Plans are fully funded by the employers (Group's subsidiaries) and the employees with minimum required funding rules. Employee's contributions are based on a fixed percentage of the pension base. The employer's funding requirements are based on the pension fund's actuarial measurement framework as set out in the funding policies of the pension plans. Funding of all plans is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. In case of insufficient pension reserves, the contribution by the employer shall be based on the cost-effective premium (without premium cushion).

Through the Dutch defined benefit plan, the Sanoma Group is exposed to a number of risks, the most significant of which are detailed below:

- Solvency risk. The most important short-term risk for the pension fund is the risk that the pension fund would not be able to fulfil its pension obligation. The solvency is measured based on actuarial valuations in accordance with the general and statutory rules set out by the supervising authorities. Following the the new execution agreement that became effective 1 January 2015, employers will pay an unconditional lump-sum nominal amount of EUR 20.0 million as compensation for ending the employers' obligation for future additional funding. The amount will be paid in various installments over the years 2015-2017. Interest will be due on these payments. According to the former execution agreement between the pension fund and the employers that ended 31 December 2014, employers would have been liable for additional funding in case of insolvency of the pension fund. No additional funding was required during 2013 and 2014.
- The interest risk is managed by ensuring that the interest coverage in the investment portfolio amounts to 60%, based on the investment plan 2015.
- Currency risk. The currency risk on equities is managed by spreading the investments over a broad region as well as spreading those over broad classes of industries. The currency risk on fixed rate bonds is limited since these bonds are mainly nominated in Euro.
- The longevity risk is managed by using the AG generational table 2014 with adequate correction for experience mortality that is part of the actuarial assumptions used for calculating the pension obligations and its funding.

There is no unconditional opportunity for the Sanoma Group to recover a surplus from the Dutch pension fund. A reduction in future contributions is possible only if the funding ratio exceeds a very high percentage which is not deemed likely to occur within a long period of time.

Finland

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

The supplementary pension schemes are final average pay plans, and the benefits comprise old-age, disability and surviving dependent pensions.

The supplementary pension schemes entitle a retired employee to receive a monthly pension payment based on the employee's final average salary. Normal retirement age is 65, but can be lower in certain cases.

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

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

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

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

Finnish Parliament has adopted pension reform which will come into force in 2017. The potential impact on supplementary pensions has not yet been identified.

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

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

Pension costs recognised in the income statement, EUR million	**2015**	2014
Current service costs	**-16.9**	-16.1
Net interest	**-1.5**	-1.2
Past service cost	**-1.2**	-0.2
Effect of curtailments and settlements	**5.8**	7.7
Administration costs	**-1.9**	-1.4
Total	**-15.7**	-11.2

Following the announcement in October 2013 to strategically redesign its consumer media operations, Sanoma decided to implement some significant restructurings in the Netherlands and Belgium starting in 2014. In addition some other cost saving measures were announced in 2014 that led to further restructurings. These restructurings affect many employees that have a defined benefit pension plan. According to IAS19, when an entity significantly reduces the numbers of employees covered by a pension plan, this is considered to be a curtailment. The total effect of these curtailments amounted to EUR 5.8 million in 2015 (2014: EUR 7.7 million)

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

Pension liabilities and pension assets in the balance sheet, EUR million	2015	2014
Pension liabilities	**89.1**	94.2
Pension assets	**14.8**	0.6
Net liability total	**74.2**	93.5

As part of the new Dutch execution agreement that became effective 1 January 2015 for a period of three years, the Dutch subsidiaries of Sanoma Group, which belong to pension plans, will pay an unconditional lump-sum nominal amount of EUR 20.0 million as compensation for ending the employers' obligation for future additional funding. The amount will be paid in various installments over the years 2015–2017. Above pension liability does not include the compensation obligation that is not due yet. Future payments will be included in the pension liabilities upon payment.

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

EUR million	Defined benefit obligation	Fair value of plan assets	Total
1 Jan 2014	695.6	-636.7	59.0
Current year service cost	16.1		16.1
Interest cost/income	24.1	-23.0	1.2
Past service cost	0.2		0.2
Effect of curtailments and settlements	-7.8	0.0	-7.7
Administration cost		1.4	1.4
	32.7	-21.5	11.2
Remeasurement of the net defined benefit liability:			
Gains/losses arising from demographic assumptions	5.5		5.5
Gains/losses arising from financial assumptions	133.8		133.8
Experience adjustments	-8.6		-8.6
Return on plan assets excluding interest income		-96.3	-96.3
	130.8	-96.3	34.5
Group companies acquired	1.6	-1.2	0.4
Contributions by the employer		-11.5	-11.5
Contributions by plan participants	3.6	-3.6	
Benefits paid from funds	-19.3	19.3	
31 Dec 2014	**846.3**	**-752.7**	**93.5**

EUR million	Defined benefit obligation	Fair value of plan assets	Total
1 Jan 2015	**846.3**	**-752.7**	**93.5**
Current year service cost	16.9		16.9
Interest cost/income	18.3	-16.8	1.5
Past service cost	1.2		1.2
Effect of curtailments and settlements	-6.0	0.2	-5.8
Administration cost		1.9	1.9
	30.5	-14.8	15.7
Remeasurement of the net defined benefit liability:			
Gains/losses arising from demographic assumptions	-4.5		-4.5
Gains/losses arising from financial assumptions	-18.0		-18.0
Experience adjustments	0.1		0.1
Return on plan assets excluding interest income		9.7	9.7
	-22.4	9.7	-12.7
Group companies sold	-3.9	2.2	-1.7
Contributions by the employer		-20.6	-20.6
Contributions by plan participants	2.7	-2.7	
Benefits paid from funds	-20.3	20.3	
31 Dec 2015	**832.9**	**-758.7**	**74.2**

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

Net defined benefit pension liabilities in the balance sheet 2015, EUR million	Netherlands	Finland	Other	Total
Present value of funded obligations	641.9	153.1	38.0	832.9
Fair value of plan assets	-571.9	-161.5	-25.3	-758.7
Total	**70.0**	**-8.4**	**12.7**	**74.2**

Net defined benefit pension liabilities in the balance sheet 2014, EUR million	Netherlands	Finland	Other	Total
Present value of funded obligations	608.6	191.6	46.1	846.3
Fair value of plan assets	-563.4	-162.0	-27.3	-752.7
Total	45.1	29.6	18.8	93.5

The Sanoma Group's estimated contributions to the defined benefit plans for 2016 are about EUR 15.6 million.

Plan assets by major categories, %	2015	2014
Equity instruments	**30.2**	25.4
Bonds and debentures	**60.8**	66.5
Properties		0.9
Other items	**7.6**	6.7
Cash	**1.4**	0.5
Total	**100.0**	100.0

The fair value of plan assets included investments in Sanoma shares totalling EUR 2.5 million (2014: EUR 3.0 million). None of the properties included in the plan assets are occupied by the Group.

Equity instruments in the Netherlands and Finland consist mainly of investment funds and have quoted prices in active markets. In the Netherlands all government bonds are rated AA and corporate bonds are investments grade bonds with limited credit risk. The investments in emerging market debt and global high yield imply a credit risk. By participating in an investments fund, the credit risk per debtor is limited.

Principal actuarial assumptions at 31 Dec *	2015	2014
Discount rate, %	**2.3**	2.2
Expected future salary increase, %	**3.0**	3.2
Expected future pension increases, %	**1.7**	2.0

* Expressed as weighted averages

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

Longevities at 31 Dec, years	2015	2014
Longevity at age 65 for current pensioners		
Males	**21.7**	21.1
Females	**24.6**	24.4
Longevity at age 65 for current members aged 45		
Males	**24.0**	23.2
Females	**26.7**	26.3

The weighted average duration of the defined benefit obligation at 31 December 2015 was 21.4 years (2014: 20.4 years).

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

Sensitivity analysis, %	2015		2014	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**-9.9**	**11.6**	-9.9	11.6
Expected future salary increase (0.5% movement)	**0.8**	**-0.8**	0.9	-0.9
Expected future pension increases (0.5% movement)	**11.0**	**-9.6**	10.8	-9.5
Future mortality (1 year movement)	**3.5**	**-3.5**	2.4	-2.4

9. Other operating expenses

Other operating expenses, EUR million	2015	2014
Losses on sales of Group companies and operations	**-34.9**	-3.5
Operating costs of premises	**-13.2**	-14.5
Rents	**-50.8**	-52.7
Advertising and marketing	**-117.5**	-127.4
Office and ICT expenses	**-117.1**	-89.5
Professional fees	**-55.3**	-73.0
Travel expenses	**-17.6**	-20.6
Other	**-47.8**	-59.4
Total	**-454.3**	-440.7

⊕ Losses on sales are presented in Note 3 Non-recurring items.

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

Audit fees, EUR million	2015	2014
Statutory audit	**-1.2**	-1.3
Certificates and statements	**-0.1**	-0.1
Tax counselling	**0.0**	0.0
Other services	**-0.1**	-0.6
Total	**-1.4**	-2.0

In 2015, KPMG Oy Ab, a firm of Authorised Public Accountants, acted as Sanoma's auditor. Other services were paid to auditors for e.g. circulation audits in countries with no official national circulation audit in place and for consulting services related to matters such as corporate transactions.

10. Financial items

Financial items, EUR million	2015	2014
Dividend income	**2.2**	0.3
Interest income from loans and receivables	**0.6**	1.4
Capital gains of available-for-sale investments	**0.1**	0.0
Forward currency exchange contracts, no hedge accounting, change in fair value	**0.7**	10.8
Exchange rate gains	**17.3**	9.3
Other financial income	**5.5**	0.0
Financial income total	**26.4**	21.8
Interest expenses from financial liabilities measured amortised at cost	**-27.9**	-36.1
Interest rate swaps, no hedge accounting, change in fair value	**0.2**	0.4
Impairment losses on available-for-sale financial assets	**-0.2**	-0.2
Exchange rate losses	**-15.2**	-19.9
Other financial losses	**-10.7**	-7.9
Financial expenses total	**-53.8**	-63.7
Total	**-27.4**	-41.9

11. Income taxes and deferred taxes

Income taxes, EUR million	2015	2014
Income taxes on operational income	**-20.7**	-41.3
Income taxes from previous periods	**1.6**	6.1
Change in deferred tax due to change in tax rate		0.2
Other change in deferred tax	**14.7**	6.4
Other taxes	**-1.9**	-0.5
Tax expense in the income statement	**-6.3**	-29.1

Income tax reconciliation against local tax rates, EUR million	2015	2014
Tax calculated at (Finnish) statutory rate	**30.3**	-18.1
Effect of different tax rates in the operating countries	**8.1**	-0.3
Tax based on tax rate in each operating country	**38.5**	-18.5
Non-taxable income	**4.9**	14.5
Deductible amortisation	**0.3**	0.4
Non-deductible amortisation and impairment losses	**-22.7**	-12.1
Other non-deductible expenses	**-22.8**	-5.1
Effect of joint ventures and associated companies	**0.0**	-10.5
Loss for the period for which a deferred tax receivable has not been recorded	**-4.0**	-0.9
Reassessment of deferred tax assets related to losses from previous years	**0.0**	-2.6
Other taxes	**-1.9**	-0.5
Tax relating to previous accounting periods	**1.6**	6.1
Change in deferred tax due to change in tax rate		0.2
Income taxes in the income statement	**-6.3**	-29.1
Tax rate of the Parent Company	**20.0%**	20.0%

Deferred tax receivables and liabilities 2015, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Recorded in other comprehensive income	Change in tax rate	Translation and other items	At 31 Dec
Deferred tax receivables							
Internal margin in inventories	0.1	0.0					**0.0**
Provisions	2.7	0.4					**3.1**
Tax losses carried forward	7.8	5.0	-0.2			0.0	**12.5**
Impairment losses on tangible non-current assets	0.1						**0.1**
Pension obligations, defined benefit plans	18.8	0.6	-0.2	-0.4		0.2	**19.0**
Hedge accounting	0.1			0.0			**0.1**
Other items	7.3	-2.3	0.0			1.3	**6.3**
Total	36.9	3.7	-0.4	-0.4		1.4	**41.3**
Deferred tax liabilities							
Fair value adjustments in acquisitions	54.6	-8.4	-4.0				**42.2**
Depreciation difference and other untaxed reserves	9.9	-1.9	-2.1			0.0	**5.9**
Pension assets, defined benefit plans	0.2	0.5		1.1		0.0	**1.8**
Other items	13.4	-1.3	0.0			0.0	**12.1**
Total	78.0	-11.0	-6.1	1.1		0.0	**62.0**

Deferred tax receivables and liabilities 2014, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Recorded in other comprehensive income	Change in tax rate	Translation and other items	At 31 Dec
Deferred tax receivables							
Internal margin in inventories	0.1	0.0				0.0	0.1
Provisions	2.6	0.2				-0.1	2.7
Tax losses carried forward	6.2	1.3				0.2	7.8
Impairment losses on tangible non-current assets	0.1						0.1
Pension obligations, defined benefit plans	16.6	-5.5	0.1	8.3		-0.7	18.8
Hedge accounting	0.6			-0.6			0.1
Other items	10.3	-4.2				1.2	7.3
Total	36.7	-8.2	0.1	7.7		0.6	36.9
Deferred tax liabilities							
Fair value adjustments in acquisitions	57.3	-7.5	3.9		-0.2	1.1	54.6
Depreciation difference and other untaxed reserves	16.5	-5.6	-0.3			-0.6	9.9
Pension assets, defined benefit plans	0.9	-0.2				-0.5	0.2
Other items	14.8	-1.3	0.0			-0.1	13.4
Total	89.5	-14.6	3.5		-0.2	-0.2	78.0

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 5.6 million (2014: EUR 2.4 million) have not been recorded in the consolidated balance sheet based on management's judgement. These unrecognised receivables relate mainly to tax losses carried forward of subsidiaries.

A deferred tax liability of EUR 1.1 million (2014: EUR 2.2 million) on undistributed retained earnings of subsidiaries has not been recognised in consolidated figures as such distribution is not probable within the foreseeable future. These unrecognised deferred tax liabilities were related to earnings for which tax payment would be realised when distributing dividends.

12. Earnings per share

Undiluted earnings per share is calculated by dividing result for the period attributable to the equity holders of the Parent Company, adjusted by the tax-adjusted interest on the hybrid bond, by the weighted average number of shares outstanding.

Earnings per share	2015	2014
Result attributable to the equity holders of the Parent Company, EUR million	**-142.9**	58.3
Accrued interest on the hybrid bond	**-7.3**	-7.3
Tax effect	**1.5**	1.5
Net effect	**-5.8**	-5.8
Weighted average number of shares, thousands	**162 722**	162 812
Earnings per share, EUR	**-0.91**	0.32

Diluted earnings per share is calculated by adjusting the weighted average number of shares so that option schemes and share plans are taken into account. Options have a dilution effect when the exercise price is lower than the market value of the share. The dilution effect is the number of gratuitous shares, because the received funds from the exercised options do not cover the issue of new shares at their fair values. The fair value of the share is determined as the average market price of the shares during the period.

Diluted earnings per share	2015	2014
Profit used to determine diluted earnings per share, EUR million	**-142.9**	58.3
Accrued interest on the hybrid bond	**-7.3**	-7.3
Tax effect	**1.5**	1.5
Net effect	**-5.8**	-5.8
Weighted average number of shares, thousands	**162 722**	162 812
Effect of options and share plans, thousands	**0**	0
Diluted average number of shares, thousands	**162 722**	162 812
Diluted earnings per share, EUR	**-0.91**	0.32

Information on option schemes and share plans is presented in Note 23. For more information on shares and shareholders, see pages 68-74.

13. Property, plant and equipment

Property, plant and equipment 2015, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	3.8	89.3	374.8	55.1	0.2	523.2
Increases		1.0	7.5	5.3	0.5	14.3
Acquisition of operations			0.0			0.0
Decreases		-16.6	-69.9	-1.6		-88.1
Disposal of operations	-1.4	-34.5	-50.9	-0.3		-87.1
Reclassifications	-0.4	20.1	-5.7	-0.1	-0.3	13.6
Transfer to assets classified as held for sale			-0.8	-1.0		-1.8
Exchange rate differences	0.0	0.0	0.1	0.1	0.0	0.2
Acquisition cost at 31 Dec	2.0	59.3	255.1	57.4	0.3	374.2
Accumulated depreciation and impairment losses at 1 Jan	0.0	-64.5	-326.3	-38.0		-428.8
Decreases, disposals and acquisitions	0.0	39.4	118.4	1.8		159.6
Depreciation for the period		-1.7	-14.1	-4.5		-20.3
Impairment losses for the period			-0.1	-1.5		-1.6
Reclassifications		-21.3	5.1	0.9		-15.3
Transfer to assets classified as held for sale			0.7	1.0		1.7
Exchange rate differences		0.0	-0.1	-0.1		-0.1
Accumulated depreciation and impairment losses at 31 Dec		-48.1	-216.3	-40.4		-304.8
Carrying amount at 31 Dec 2015	**2.0**	**11.3**	**38.8**	**17.0**	**0.3**	**69.4**

Property, plant and equipment 2014, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	9.1	128.5	439.7	72.2	1.7	651.1
Increases		0.5	10.5	2.5	1.4	14.9
Acquisition of operations			0.0	0.4		0.4
Decreases	-0.1	-8.5	-37.5	-11.0	-0.1	-57.2
Disposal of operations	-3.1	-5.6	-16.6	-2.2	-0.1	-27.6
Reclassifications	-2.0	-25.0	-0.5	-4.9	-2.7	-35.2
Transfer to assets classified as held for sale	-0.1	-0.6	-19.2	-1.0		-20.9
Exchange rate differences	0.0	-0.1	-1.4	-0.9	0.0	-2.4
Acquisition cost at 31 Dec	3.8	89.3	374.8	55.1	0.2	523.2
Accumulated depreciation and impairment losses at 1 Jan	-3.1	-72.5	-374.7	-51.9		-502.1
Decreases, disposals and acquisitions	3.1	10.6	47.7	12.3		73.7
Depreciation for the period		-3.7	-17.5	-4.0		-25.3
Impairment losses for the period		-10.2	-0.1	-0.2		-10.4
Reclassifications		10.8	0.8	4.3		15.9
Transfer to assets classified as held for sale		0.4	16.3	0.8		17.4
Exchange rate differences	0.0	0.0	1.2	0.8		2.0
Accumulated depreciation and impairment losses at 31 Dec	0.0	-64.5	-326.3	-38.0		-428.8
Carrying amount at 31 Dec 2014	**3.8**	**24.8**	**48.5**	**17.1**	**0.2**	**94.4**

Carrying amount of assets leased by finance lease agreements, EUR million	2015	2014
Machinery and equipment	**0.2**	0.2

14. Investment property

Investment property 2015, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	13.6	30.3	43.9
Increases		0.8	0.8
Decreases	0.0		0.0
Reclassifications	0.4	0.7	1.1
Acquisition cost at 31 Dec	14.0	31.8	45.8
Accumulated depreciation and impairment losses at 1 Jan		-13.6	-13.6
Depreciation for the period		-1.1	-1.1
Reclassifications		0.5	0.5
Accumulated depreciation and impairment losses at 31 Dec		-14.2	-14.2
Carrying amount at 31 Dec 2015	**14.0**	**17.6**	**31.6**
Fair values at 31 Dec 2015	**43.5**	**23.9**	**67.3**

Investment property 2014, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	11.3	7.1	18.3
Increases	0.3		0.3
Reclassifications	2.0	23.3	25.3
Acquisition cost at 31 Dec	13.6	30.3	43.9
Accumulated depreciation and impairment losses at 1 Jan		-5.9	-5.9
Depreciation for the period		-0.1	-0.1
Reclassifications		-7.6	-7.6
Accumulated depreciation and impairment losses at 31 Dec		-13.6	-13.6
Carrying amount at 31 Dec 2014	**13.6**	**16.7**	**30.3**
Fair values at 31 Dec 2014	**46.9**	**22.0**	**68.9**

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

The investment property includes a land area in the City of Vantaa, Village of Keimola (Finland). This land area is located in the old motor stadium, most of which has been allocated for residential use in the disposition plan prepared by the City of Vantaa in the 2000s. Sanoma Corporation acquired the land area in the 1980s as a potential site for productions facilities.

The draft city plan prepared by the City of Vantaa was completed in the autumn of 2008, and the Vantaa City Council approved the plan on 19 January 2009. The city plan became legally valid in February 2011. During autumn 2011, Sanoma sold about 41,000 square metres of floor residential building right to construction companies for EUR 12.9 million. In 2012, Sanoma gave a part of the Keimola land area to the City of Vantaa as consideration for the city plan. The value of the city plan preparation increased the acquistion cost of Keimola land area.

Investment property consists of land, water areas and buildings as well as premises that are not in the company's own use and are owned through shares in property companies.

Operating expenses of investment property, EUR million	2015	2014
Investment property, rental income	**-1.3**	-0.2
Investment property, no rental income	**-0.1**	0.0
Total	**-1.4**	-0.2

Rental income of investment property, EUR million	2015	2014
Rental income of investment property	**1.9**	0.8

15. Intangible assets

Intangible assets 2015, EUR million	Goodwill	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2 218.7	1 575.7	287.1	34.6	4 116.0
Increases		207.6	51.4	7.1	266.1
Acquisition of operations	4.9	4.1	0.4		9.4
Decreases	-7.3	-594.1	-4.4		-605.8
Disposal of operations	-2.6	-27.5			-30.1
Reclassifications	0.0	4.4	7.6	-14.2	-2.3
Exchange rate differences	0.4	-4.8	0.3	0.0	-4.1
Acquisition cost at 31 Dec	2 214.0	1 165.4	342.3	27.5	3 749.2
Accumulated amortisation and impairment losses at 1 Jan	-469.5	-1 186.9	-197.1		-1 853.6
Decreases, disposals and acquisitions	-23.8	606.8	4.3		587.2
Amortisation for the period		-221.2	-38.5		-259.7
Impairment losses for the period	-55.8	-47.1	-3.7		-106.7
Reclassifications	0.0	2.2	-0.1		2.1
Exchange rate differences	0.4	4.9	-0.1		5.1
Accumulated amortisation and impairment losses at 31 Dec	-548.7	-841.5	-235.3		-1 625.5
Carrying amount at 31 Dec 2015	**1 665.3**	**323.9**	**107.0**	**27.5**	**2 123.7**

Intangible assets 2014, EUR million	Goodwill	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2 269.3	1 543.8	281.5	38.2	4 132.8
Increases		199.4	45.9	3.4	248.7
Acquisition of operations	8.3	15.0	0.7		24.0
Decreases	0.0	-89.3	-27.0	-0.1	-116.4
Disposal of operations	-29.8	-59.5	-20.7		-110.0
Reclassifications	-0.8	-0.2	8.3	-6.9	0.4
Transfer to assets classified as held for sale	-20.8	-0.7	-0.2	-0.1	-21.8
Exchange rate differences	-7.5	-32.9	-1.5	0.0	-41.8
Acquisition cost at 31 Dec	2 218.7	1 575.7	287.1	34.6	4 116.0
Accumulated amortisation and impairment losses at 1 Jan	-461.7	-1 146.2	-190.4		-1 798.3
Decreases, disposals and acquisitions	19.3	144.8	35.4		199.4
Amortisation for the period		-194.5	-37.6		-232.2
Impairment losses for the period	-31.9	-24.7	-3.1		-59.7
Reclassifications	0.8	1.1	-2.5		-0.6
Transfer to assets classified as held for sale		0.3	0.1		0.4
Exchange rate differences	4.1	32.4	0.9		37.4
Accumulated amortisation and impairment losses at 31 Dec	-469.5	-1 186.9	-197.1		-1 853.6
Carrying amount at 31 Dec 2014	**1 749.2**	**388.8**	**89.9**	**34.6**	**2 262.4**

At the end of the financial year, the commitments for acquisitions of intangible assets (film and TV broadcasting rights included) were EUR 202.3 million (2014: EUR 236.5 million).

Of total immaterial rights, the carrying amount of intangible assets with indefinite useful lives was EUR 0.7 million (2014: EUR 0.7 million).

Impairment losses recognised from intangible right

Assets with indefinite useful life are not amortised but are subject to annual impairment testing. During the financial year, no impairment losses were recognised from immaterial rights with indefinite useful life (2014: EUR 0.0 million), and neither were there any reversals of impairment losses (2014: EUR 0.0 million).

Intangible assets with definite useful lives are amortised using the diminishing method for broadcasting rights and the straight-line method for other immaterial rights. At each reporting date, the carrying value of these intangible assets are evaluated to determine that these do not exceed the estimated future economic benefits. Evaluation is made on a cash flow basis by determining the present value of future cash flows of the asset.

Impairment losses totaling EUR 47.1 million (2014: EUR 24.7 million) were recognized from intangible assets with definite useful lives, of which EUR 39.1 million related to the Sanoma Media BeNe strategic business unit (SBU), EUR 7.8 million to the Sanoma Media Finland SBU, and EUR 0.2 million to Other operations. In the Sanoma Media BeNe SBU, the impairments concerned intangible rights related to the TV, digital as well as custom and magazines publishing operations (mainly program rights, web services, publishing and other immaterial rights). In Sanoma Media Finland SBU, the impairment related mainly to program rights.

Allocation of goodwill and intangible assets with indefinite useful life

For the purpose of impairment testing, goodwill has been allocated to three CGUs which are either operating segments, SBUs, or businesses below the SBU level. The allocation of goodwill and intangible assets with indefinite useful lives is as presented in the table below.

Carrying amounts of goodwill and intangible assets with indefinite useful life in the CGUs, EUR million	2015			2014		
	Goodwill	**Intangible assets ***	**Total**	Goodwill	Intangible assets *	Total
Sanoma Media BeNe	**1 308.3**	**0.7**	**1 309.0**	1 396.7	0.7	1 397.4
Sanoma Media Finland	**86.4**	**0.0**	**86.4**	82.6	0.0	82.6
Sanoma Learning	**270.7**	**0.0**	**270.7**	269.8	0.0	269.8
CGUs, total **	**1 665.3**	**0.7**	**1 666.0**	1 749.2	0.7	1 749.8

* Only intangible assets with indefinite useful life.
** 4 units in the comparable year (Sanoma Media Netherlands, Sanoma Media Finland, Sanoma Learning and Sanoma Media Belgium), of which Sanoma Media Netherlands and Sanoma Media Belgium comprised Sanoma Media BeNe as of 1 January 2015.

Impairment losses recognised from goodwill

Impairment losses recognised from goodwill in the financial year amounted to EUR 55.8 million (2014: EUR 31.9 million). A goodwill impairment loss of EUR 53.3 million was recorded in the Sanoma Media BeNe SBU following the annual impairment testing carried out in the fourth quarter of the financial year. The impairment loss was caused by the lower sales and profit expectations resulting from the weakened market outlook. In addition, in the third quarter a goodwill impairment loss of EUR 2.5 million was recorded in the Sanoma Media BeNe SBU relating to a strategic review of one magazine title.

Methodology and assumptions used in impairment testing

Impairment testing of assets is principally carried out on a cash flow basis by determining the present value of future cash flows (value in use) of the Group's CGUs.

Calculations of the value in use are based on a five-year forecast period. Cash flow estimates are based on management approved strategic plans at the time of testing, including assumptions on the development of the business environment. Actual cash flows may differ from estimated cash flows if the key assumptions do not realise as estimated. The fair value corresponded to the estimated selling price at the moment of testing.

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

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

The terminal growth rate used in calculation of the value in use in the most important CGUs in terms of goodwill, %	2015	2014
Sanoma Media BeNe *	**1.6**	1.7
Sanoma Media Finland	**0.0**	1.0
Sanoma Learning	**2.0**	2.0

* 2014 terminal growth rate for the Sanoma Media Netherlands CGU.

The decrease in the terminal growth rate assumption used for the Sanoma Media Finland CGU is mainly caused by a continued decrease in the consumption of traditional media, and its significant share of operations.

The discount rate used in calculation of the value in use in the most important CGUs in terms of goodwill, %	2015 After taxes	2015 Before taxes	2014 After taxes	2014 Before taxes
Sanoma Media BeNe *	**6.8**	**9.1**	6.8	8.5
Sanoma Media Finland	**6.4**	**8.1**	6.4	8.3
Sanoma Learning	**6.4**	**8.4**	6.4	8.6

* 2014 discount rate for the Sanoma Media Netherlands CGU.

The CGU-specific discount rates represent the weighted average cost of capital of each CGU. Due to the unusually low market interest rates, the discount rates from 2013 were used also in the financial year 2014 and 2015 impairment tests. For the Sanoma Media BeNe SBU the discount rate of the Sanoma Media Netherlands SBU from 2013 and 2014 was used in the 2015 impairment testing as the impact on the discount rate from the combining of Sanoma Media Belgium's operations with Sanoma Media Netherlands was immaterial. In impairment test calculations, capital expenditure is assumed to comprise normal replacement investments, and foreign exchange rates are based on euro rates at the time of testing.

Sensitivity analysis of the impairment testing

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

Excess of value in use in relation to carrying amount of the most important CGUs in terms of goodwill, %	2015	2014
Sanoma Media BeNe *	**0**	1–5
Sanoma Media Finland	**over 50**	over 50
Sanoma Learning	**over 50**	over 50

* 2014 excess value for the Sanoma Media Netherlands CGU.

The Sanoma Media BeNe SBU's value in use decreased below the carrying amount due to the lower sales and profit expectations caused by the weakened market situation. After the EUR 55.8 million impairment loss recognised in the financial year, the SBU's value in use is now equal to the carrying amount of the SBU (EUR 1 474.1 million), and any change in the key assumptions would result in an additional impairment loss.

For the Sanoma Media Finland SBU, the critical key assumptions are the development of profitability and the discount rate. According to the management's estimate, the carrying amount of the SBU exceeds the value in use if EBITDA falls 55% below the planned level each year, or if the post-tax discount rate rises above 15.7%. These estimates exclude simultaneous changes in other variables.

For the Learning segment, the critical key assumptions are the development of profitability and the discount rate. According to the management's estimate, the carrying amount of the segment exceeds the value in use if EBITDA falls 21% below the planned level each year, or if the post-tax discount rate rises above 9.0%. These estimates exclude simultaneous changes in other variables.

16. Equity-accounted investees

Interests in joint ventures and associated companies, EUR million	2015	2014
Interests in joint ventures	**24.5**	15.5
Interest in associated companies	**8.6**	7.3
Total	**33.1**	22.9

Joint ventures

The Group has no material joint ventures. In 2014, the Group had two material joint ventures: De Vijver Media N.V. and Hearst Independent Media Publishing B.V.

In December 2015, Sanoma agreed to sell its 50% stake in Hearst Independent Media Publishing B.V. and its 50% stake in OOO Mondadori Independent Media to InVenture Partners. The closing of the transactions is subject to governmental approvals and certain other conditions. Joint venture Mondadori Independent Media was classified as held for sale on 31 December 2015 and joint venture Hearst Independent Media Publishing was classified as held for sale on 31 December 2014.

In June 2014, Sanoma came to an agreement with Corelio and Waterman&Waterman to sell it's 33.3% stake in Belgian De Vijver Media. Joint venture De Vijver Media N.V. was classified as held for sale on 30 June 2014. The divestment was completed in February 2015.

More information on assets held for sale can be found in Note 4.

The information on Group's joint ventures has been presented as aggregated in the table below.

Interests in joint ventures, EUR million	2015	2014
Carrying amount at 1 Jan	**15.5**	168.1
Share of total comprehensive income *	**3.8**	-66.9
Dividends received during the year	**-3.9**	-15.5
Increases	**7.3**	0.6
Decreases	**0.1**	-6.9
Sold joint ventures	**2.2**	
Transfer to assets classified as held for sale	**-0.4**	-71.0
Exchange rate differences	**-0.1**	7.1
Carrying amount at 31 Dec	**24.5**	15.5

* In the consolidated income statement share of results in joint ventures includes EUR 38.0 million impairment and realisation of cumulative FX losses of Russian operations.

Associated companies

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

Interests in associated companies, EUR million	2015	2014
Carrying amount at 1 Jan	**7.3**	5.8
Share of total comprehensive income *	**-0.7**	-1.2
Dividends	**-0.1**	
Increases	**4.9**	3.5
Sold associated companies	**-2.9**	-0.7
Other changes	**0.0**	
Exchange rate differences	**0.0**	-0.1
Carrying amount at 31 Dec	**8.6**	7.3

* In 2015, the share of total comprehensive income included EUR -1.9 million (2014: EUR -0.6 million) impairment.

17. Available-for-sale financial assets

Available-for-sale financial assets, EUR million	2015	2014
Available-for-sale financial assets, non-current	**3.6**	4.9

Available-for-sale financial assets mainly include investments in shares, and the Group does not intend to sell these assets. These assets were non-listed shares for which fair values could not be reliably defined. Assets have been valued at cost less potential impairment losses.

18. Trade and other receivables, non-current

Trade and other receivables, non-current, EUR million	2015	2014
Loans and receivables		
Trade receivables *	**0.9**	
Loan receivables	**6.8**	7.8
Other receivables	**14.0**	1.0
Accrued income	**0.6**	1.3
Advance payments	**0.5**	1.2
Pension assets **	**14.8**	0.6
Total	**37.6**	12.0

* Trade receivables, see Note 29
** Pension assets, see Note 8

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

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

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

19. Inventories

Inventories, EUR million	2015	2014
Materials and supplies	**7.5**	9.7
Work in progress	**1.5**	2.9
Finished products/goods	**29.8**	31.4
Other inventories	**0.6**	0.3
Other	**0.1**	0.3
Total	**39.5**	44.6

EUR 0.2 million (2014: EUR 0.5 million) was recognised as impairment in the financial year. The carrying amount of inventories was written down to reflect its net realisable value.

20. Trade and other receivables, current

Trade and other receivables, current, EUR million	2015	2014
Loans and receivables		
Trade receivables *	**168.0**	175.2
Loan receivables	**0.4**	3.7
Other receivables	**11.7**	11.7
Derivatives, other **	**8.0**	7.3
Accrued income	**69.4**	74.7
Advance payments	**13.4**	9.9
Total	**271.0**	282.4

* Trade receivables, see Note 29
** Derivatives, see Note 29

The Group has recognised a total of EUR 8.4 million (2014: EUR 4.4 million) in credit losses and change in impairment allowances on trade receivables.

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

Accrued income

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

21. Cash and cash equivalents

Cash and cash equivalents in the balance sheet, EUR million	2015	2014
Cash in hand and at bank	**95.8**	116.0
Deposits	**2.7**	0.3
Total	**98.5**	116.3

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

Cash and cash equivalents in the cash flow statement, EUR million	2015	2014
Cash and cash equivalents in the balance sheet	**98.5**	116.3
Bank overdrafts	**-16.0**	-64.3
Total	**82.5**	52.0

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

22. Equity

	Number of shares			Share capital and funds, EUR million				
	All shares	Treasury shares	Total	Share capital	Treasury shares	Fund for invested unrestricted equity	Hybrid bond	Total
At 1 Jan 2014	162 812 093		162 812 093	71.3		203.3	99.1	373.7
At 31 Dec 2014	162 812 093		162 812 093	71.3		203.3	99.1	373.7
Purchase of treasury shares		-730 000	-730 000		-3.2			-3.2
At 31 Dec 2015	**162 812 093**	**-730 000**	**162 082 093**	**71.3**	**-3.2**	**203.3**	**99.1**	**370.5**

The maximum amount of share capital cannot exceed EUR 300.0 million (2014: EUR 300.0 million). The share has no nominal value and no accountable par is in use. The shares have been fully paid.

Treasury shares

During the financial period the Group has purchased 730,000 shares from stock exchange. The cost of the purchased treasury shares was EUR 3.2 million and it is disclosed as a deduction from equity.

Fund for invested unrestricted equity

The fund for invested unrestricted equity includes other equity-related investments and that part of the share subscription price which is not recognised in share capital according to a specific decision. According to the AGM decision on 1 April 2008, all subscription prices from share subscriptions based on the Group's option plans will be recognised as invested unrestricted equity.

Hybrid loan

To strengthen its capital structure, the Group issued a hybrid bond of EUR 100 million in December 2013. The hybrid bond is subordinated to the Group's other debt obligations, but has priority over other equity items. The coupon rate of the bond is 7.25%, and it has no maturity. The interest from the hybrid bond must be paid to the investors if the Group pays dividends. If dividends are not paid, the Group will make a separate decision regarding interest payment on the hybrid bond. Unpaid interest is accrued. The Group may exercise an early redemption option three years after the date when the hybrid bond was issued. The holders of the hybrid bond do not have the right to exercise control or vote at Annual General Meetings. The transaction costs have been deducted from the capital.

Other reserves

Other reserves consists of the hedging reserve. The hedging reserve includes the effective portions of changes in the fair value of derivative instruments used for cash flow hedging.

Translation differences

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

23. Share-based payments

Performance share plan and restricted share plan

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

PERFORMANCE SHARE PLAN

The Board of Directors of Sanoma Corporation has on 7 February 2013 approved a share-based long-term incentive programme (Performance Share Plan, PSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Performance Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. In general, Performance Shares vest over 3-year period and vesting is subject to meeting Group performance targets set by the Board of Directors for annually commencing new plans. The possible reward is paid as a combination of shares and cash. The reward's cash component is dedicated to cover taxes and tax-related costs. In jurisdictions where shares cannot be granted, the possible reward is paid fully in cash (Cash Subplan).

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

The performance measures for the first two performance periods (2013-2014 and 2014-2016) are based on the earnings per share (excluding non-recurring items) and the development of digital and other new media sales. The performance measures for the third performance period, 2015-2017 are based on the earnings per share (excluding non-recurring items) and the growth in net sales adjusted for structural changes in 2015. The President and CEO and EMG members are part of Sanoma's Performance Share Plan.

RESTRICTED SHARE PLAN

The Board of Directors of Sanoma Corporation has on 6 February 2014 approved a share-based long-term incentive programme (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year period and vesting is subject to meeting service condition.

The Board of Directors of Sanoma Corporation has on 4 February 2015 approved a share-based long-term incentive programme 2015 (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year in 2015-2016 plan (50%) and 3-year in 2015-2017 plan (50%) periods and vesting is subject to meeting service condition.

The possible rewards under these plans are paid as a combination of shares and cash. The reward's cash component is dedicated to cover taxes and tax-related costs.

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

More specific information on the performance share plan grants are presented in the tables on the next page. Information on the management ownership is presented in Note 33.

Basic information								
Plan	**Performance Share Plan**				**Restricted Share Plan**			
Instrument	**Cash Subplan 2013–2014**	**Performance Share Plan 2013–2014**	**Performance Share Plan 2014–2016**	**Performance Share Plan 2015–2017**	**Restricted Share Plan 2014–2015**	**Restricted Share Plan 2015–2016***	**Restricted Share Plan 2015–2017***	**Total/ Average**
Initial amount, gross pcs (includes share and cash portions)	14 250	1 055 750	260 000	483 463	710 000	324 325	324 325	3 172 113
Initial allocation date	7.2.2013	7.2.2013	6.2.2014	4.2.2015	6.2.2014	4.2.2015	4.2.2015	
Vesting date / reward payment at the latest	30.4.2015	30.4.2015	30.4.2017	30.4.2018	30.4.2016	30.4.2017	30.4.2018	
Maximum contractual life, yrs	2.2	2.2	3.2	3.2	2.2	2.2	3.2	2.6
Remaining contractual life, yrs	Expired	Expired	1.3	2.3	0.3	1.3	2.3	1.5
Number of persons at the end of the reporting year	3	179	30	32	230	289	289	
Payment method	Cash	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	

*Restricted Share Plan 2015-2017 is divided in two vesting periods: 2015-2016 and 2015-2017.

Changes	**Performance Share Plan**				**Restricted Share Plan**			
	Cash Subplan 2013–2014	**Performance Share Plan 2013–2014**	**Performance Share Plan 2014–2016**	**Performance Share Plan 2015–2017**	**Restricted Share Plan 2014–2015**	**Restricted Share Plan 2015–2016***	**Restricted Share Plan 2015–2017***	**Total**
1 Jan 2014								
Outstanding at the beginning of the reporting period	**14 250**	**895 950**						**910 200**
Changes during the period								
Granted			208 163		705 600			913 763
Forfeited		142 218	5 625		76 250			224 093
Exercised								0
Expired								0
31 Dec 2014								
Outstanding at the end of the period	**14 250**	**753 732**	**202 538**		**629 350**			**1 599 870**
1 Jan 2015								
Outstanding at the beginning of the reporting period	**14 250**	**753 732**	**202 538**		**629 350**			**1 599 870**
Changes during the period								
Granted				412 950	8 000	311 550	303 550	1 036 050
Forfeited			2 250	102 188	99 625	68 125	68 125	340 313
Exercised								0
Expired	14 250	753 732	72 752					840 734
31 Dec 2015								
Outstanding at the end of the period	**0**	**0**	**127 536**	**310 763**	**537 725**	**243 425**	**235 425**	**1 454 874**

*Restricted Share Plan 2015-2017 is divided in two vesting periods: 2015-2016 and 2015-2017.

Fair value determination

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

- The fair value for the cash-settled portion is remeasured at each reporting date until the possible reward payment. The fair value of the liability will thus change in accordance with the Sanoma share price.
- For the 2013-2014, 2014-2016, 2015-2016 and 2015-2017 earning periods granted in 2013, 2014 and 2015, the fair value for the equity settled portion based on non-market vesting conditions has been determined at grant using the fair value of Sanoma share as of the grant date less the expected dividends paid before possible share delivery.
- The fair value is expensed until vesting.

Valuation parameters for instruments granted during period, EUR	2015	2014
Share price at grant	**5.59**	6.05
Share price at reporting period end	**3.91**	4.60
Expected dividends	**0.20**	0.20
Fair value of the equity-settled portion at grant	**4.86**	5.41

Effect of share-based Incentives on the result and financial position during the period, EUR million	2015	2014
Expenses for the financial year, share-based payments	**2.0**	0.6
of which equity-settled	**1.1**	0.3
Liabilities arising from share-based payments at the end of the period	**1.5**	0.7

Stock option schemes

Sanoma has had three option schemes during the financial year 2015: Stock Option Scheme 2009 issued on the basis of an authorisation received at the AGM of 4 April 2007 and Stock Option Schemes 2010 and 2011 issued on the basis of an authorisation received at AGM of 8 April 2010. Stock options are granted to the management of the Sanoma Group by a decision of the Board of Directors.

STOCK OPTION SCHEME 2009

The Stock Option Scheme 2009 comprises a maximum of 1,800,000 stock options, which entitle their holders to subscribe for a maximum total of 1,800,000 new or existing shares held by the Company. On 18 December 2009 the Board of Directors of Sanoma Corporation decided to distribute 1,395,400 stock options to 297 senior managers of Sanoma Corporation and its subsidiaries. The remaining 404,600 stock options were given to Lastannet Oy, a fully-owned subsidiary of the Company for possible use at a later stage. An obligation to own Company shares is included in the distribution of stock options to the President and CEO, members of the Executive Management Group and other senior managers as defined by the Board of Directors. The exercise price of a 2009 stock option is the volume-weighted average price of a Sanoma share as quoted by Nasdaq Helsinki between 1 November–31 December 2009 with the addition of 20%. Thus, the exercise price of a stock option was originally EUR 17.41. Paid dividends or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2009 stock options was 1 November 2012–30 November 2015. The exercise price is recognised in the reserve for invested unrestricted equity.

STOCK OPTION SCHEME 2010

The Stock Option Scheme 2010 comprises a maximum of 1,600,000 stock options, which entitle their holders to subscribe for a maximum total of 1,600,000 new or existing shares held by the Company. On 22 December 2010 the Board of Directors of Sanoma Corporation decided to distribute 1,369,200 stock options to 294 senior managers of Sanoma Corporation and its subsidiaries. The remaining 230,800 stock options were given to Lastannet Oy, a fully-owned subsidiary of the Company for possible use at a later stage. An obligation to own Company shares is included in the distribution of stock options to the President and CEO, members of the Executive Management Group and other senior managers as defined by the Board of Directors. The exercise price of a 2010 stock option is the volume-weighted average price of a Sanoma share as quoted by Nasdaq Helsinki between 1 November–31 December 2010 with the addition of 20%. Thus, the exercise price of a stock option was originally EUR 19.51. Paid dividends or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2010 stock options will be 1 November 2013–30 November 2016. The exercise price is recognised in the reserve for invested unrestricted equity.

STOCK OPTION SCHEME 2011

The Stock Option Scheme 2011 comprises a maximum of 1,700,000 stock options, which entitle their holders to subscribe for a maximum total of 1,700,000 new or existing shares held by the Company. On 20 December 2011 the Board of Directors of Sanoma Corporation decided to distribute 1,355,500 stock options to 234 senior managers of Sanoma Corporation and its subsidiaries. The remaining 344,500 stock options were given to Lastannet Oy, a fully-owned subsidiary of the Company for possible use at a later stage. An obligation to own Company shares is included in the distribution of stock options to the President and CEO, members of the Executive Management Group and other senior managers as defined by the Board of Directors. The exercise price of a 2011 stock option is the volume-weighted average price of a Sanoma share as quoted by Nasdaq Helsinki between 1 November–31 December 2011 with the addition of 20%. Thus, the exercise price of a stock option was originally EUR 10.35. Paid dividends or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2011 stock options will be 1 November 2014–30 November 2017. The exercise price is recognised in the reserve for invested unrestricted equity.

⊕ More specific information on options are presented in the tables below. Information on management ownership is presented in note 33. Changes in ownership of management during the financial year can be found in Sanoma's insider register at Sanoma.com.

Stock options

Basic information	2009	2010	2011
Maximum number of stock options	1 800 000	1 600 000	1 700 000
The number of shares exercised by one stock option	1	1	1
Initial exercise price, EUR	17.41	19.51	10.35
Dividend adjustment	Yes	Yes	Yes
Exercise price at 31 Dec 2015, EUR *	14.01	16.91	8.85
Beginning of exercise period, date (vesting)	1.11.2012	1.11.2013	1.11.2014
End of exercise period, date (expiration)	30.11.2015	30.11.2016	30.11.2017
Remaining expiry time at 31 Dec 2015, years	Expired	0.9	1.9
Number of persons at 31 Dec 2015	0	183	119

* The dividend is deducted from the exercise price annually. The dividend for 2014 was EUR 0.20 per share (record date 10 April 2015). The dividend for 2013 was EUR 0.10 per share (record date 14 April 2014).

Expenses are no longer recognised related to stock option schemes (2014: EUR 0.4 million) as the vesting periods of all stock option schemes have ended.

	2015		2014	
Changes in stock options during the period and the weighted average exercise prices	**Number of stock options**	**Exercise price, EUR ***	Number of stock options	Exercise price, EUR **
Granted at 1 Jan	4 141 100	13.48	5 540 350	12.23
Outstanding at 1 Jan	2 795 500	13.75	4 013 150	12.18
Granted during the period				
Returned during the period			115 200	9.05
Exercised during the period				
Expired during the period	1 020 000	17.41	1 698 500	8.15
Granted at 31 Dec	4 141 100	13.26	5 540 350	12.13
Outstanding at 31 Dec	1 775 500	13.29	2 795 500	13.75

* The exercise price at the beginning of the period is the status at 31 December 2014. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 December 2015.
** The exercise price at the beginning of the period is the status at 31 December 2013. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 December 2014.

24. Provisions

Changes in provisions, EUR million	Restructuring provisions	Other provisons	Total
At 1 Jan 2015	21.3	7.5	28.8
Translation differences		0.0	0.0
Increases	31.1	6.2	37.3
Amounts used	-27.0	-6.2	-33.3
Unused amounts reversed	-3.7	-0.9	-4.7
At 31 Dec 2015	**21.7**	**6.5**	**28.2**

Carrying amounts of provisions, EUR million	2015	2014
Non-current	**1.7**	2.1
Current	**26.5**	26.8
Total	**28.2**	28.8

Provisions were based on best estimates on the balance sheet date. Restructuring provisions were mainly related to restructuring of the new Media BeNe organisation (announced at the end of 2014). Other provisions comprised provisions related to contracts with customers and other smaller provisions. Cancellation of provisions was due to re-evaluating realised expenses. Individual provisions were not material at the Group level.

25. Financial debt

Financial liabilities, EUR million	2015	2014
Non-current financial liabilities at amortised cost		
Loans from financial institutions	**106.6**	108.7
Bonds	**399.6**	399.3
Pension loans		2.0
Finance lease liabilities	**1.0**	11.4
Other liabilities	**0.1**	0.1
Total	**507.4**	521.5
Current financial liabilities at amortised cost		
Loans from financial institutions	**28.0**	92.5
Pension loans	**1.1**	1.5
Commercial papers	**352.4**	290.3
Finance lease liabilities	**0.1**	1.4
Other liabilities	**10.6**	10.9
Total	**392.3**	396.6
Total	**899.6**	918.1

The fair values of financial liabilities are presented in Note 29 Financial Risk Management.

Loans from financial institutions

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

The average interest rate for loans (excluding agency fees) during the financial year, excluding finance leases, was 1.2% (2014: 1.5%).

Bonds

In 2012, the Group issued a EUR 400 million five-year Senior Unsecured Eurobond for European investors. The bond pays a fixed coupon of 5.000% and has an issue price of 99.413.

Commercial papers

Sanoma Corporation has domestic and foreign commercial paper programmes which are used for short-term liquidity needs. Commercial papers are valued at amortised cost, and transaction costs are recognised directly as expenses due to their immaterial value. In accordance with its Treasury Policy, the Group has established committed credit lines with banks. At minimum, the total amount of these credit lines equals the total amount of commercial papers issued by the Group at any time.

Finance lease liabilities

Finance lease liabilities, EUR million	2015	2014
Total minimum lease payments		
Not more than 1 year	**0.2**	1.5
1–5 years	**0.6**	6.2
More than 5 years	**0.8**	9.0
Total	**1.6**	16.7
Present value of minimum lease payments		
Not more than 1 year	**0.1**	1.4
1–5 years	**0.4**	5.1
More than 5 years	**0.6**	6.2
Total	**1.1**	12.8
Future finance charges	**0.5**	4.0

In 2015, Sanoma Group did not have any significant finance lease liabilities. In 2014, the most significant item under finance lease liabilities was related to Aldipress' logistics centre in Duiven in the Netherlands that was closed down during the first quarter of year 2015. The lease contract terminated on 30 June 2015.

26. Trade and other payables

Trade and other payables, EUR million	2015	2014
Non-current		
Trade payables	**35.6**	29.7
Accrued expenses	**2.4**	1.8
Advances received	**0.0**	0.0
Other financial liabilities at amortised cost	**8.7**	10.2
Total	**46.7**	41.6
Current		
Current financial liabilities at amortised cost		
Trade payables	**155.7**	151.0
Other liabilities	**49.2**	52.5
Derivatives, hedge accounting *	**0.7**	0.5
Derivatives, other *	**0.9**	1.1
Accrued expenses	**233.6**	245.4
Advances received	**160.9**	168.8
Total	**600.9**	619.4
Total	**647.7**	661.0

* Derivatives, see Note 29

Accrued expenses

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

27. Contingent liabilities

Contingent liabilities, EUR million	2015	2014
Contingencies for own commitments		
Mortgages	**10.6**	10.7
Pledges	**2.4**	2.4
Other items	**25.6**	55.7
Total	**38.6**	68.8
Other commitments		
Operating lease liabilities (Note 28)	**323.7**	352.3
Royalties	**12.5**	6.3
Other items	**69.9**	74.0
Total	**406.0**	432.6
Total	**444.7**	501.4

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

Interest on hybrid bond

On 12 December 2013, Sanoma issued a hybrid bond of EUR 100 million. At the reporting date, the unpaid interest on the bond was EUR 0.4 million (2014: EUR 0.4 million).

Disputes and litigations

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

28. Operating lease liabilities

Non-cancellable minimum lease liabilities by maturity, EUR million	2015	2014
Not later than 1 year	**37.6**	41.6
1–5 years	**127.3**	143.2
Later than 5 years	**158.7**	167.6
Total	**323.7**	352.3

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

Non-cancellable minimum lease payments to be received by maturity, EUR million	2015	2014
Not later than 1 year	**0.2**	0.1
1–5 years	**2.5**	0.6
Later than 5 years	**1.1**	1.2
Total	**3.8**	2.0

Total minimum lease payments to be received did not include sublease payments at the end of the financial year or the comparable year.

29. Financial risk management

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

In the medium term, to ensure financial flexibility, Sanoma's goal is to regain a capital structure corresponding to an investment-grade rating. This will ensure access to low-cost funding. Financial risks can be mitigated with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable.

The Group used interest rate and currency swaps to hedge against financial risks during the year.

Interest rate risks

The Group's interest rate risk is mainly related to changes in the reference rates and loan margins of floating rate loans in the Group's loan portfolio. The Group manages its exposure to interest rate risk by using a mix of fixed and floating rate loans. Interest rate derivatives are also utilised.

Loan portfolio by interest rate, EUR million	2015	2014
Floating-rate loans	**497.6**	502.4
of which converted to fixed-rate using interest rate swap	**200.0**	300.0
Fixed-rate loans	**402.0**	415.7
Total	**899.6**	918.1
Floating-rate loans including the effect of interest rate swap	**297.6**	202.4
Average duration, years	**0.9**	1.7
Average rate (excluding agency fees), %	**2.7**	3.0
Interest sensitivity, EUR million *	**2.0**	1.5

* Interest rate sensitivity is calculated by assuming a one percentage point increase in interest rates. The sensitivity represents the effect on profit before taxes. With an increase of one percentage point in the interest rate, the value of derivatives recognised in the Group's equity increases by EUR 0.8 million (2014: EUR 0.5 million).

Currency risks

The majority of the Group cash flow from operations is denominated in euros. However, the Group is exposed to transaction risk resulting from cash flows related to revenue and expenditure in different currencies. Group companies are responsible for monitoring and hedging against transaction risk related to their business operations in accordance with the Group Treasury Policy. Business operations outside the euro area (countries in which the currency is not pegged to the euro) account for about 6.8% (2014: 8.5%) of consolidated net sales and mainly consist of sales denominated in Russian roubles, Polish zlotys and Swedish kronor. The majority of the transaction risk in 2016 will be related to the acquisition of programming rights denominated in US dollars. The Group has adopted forward contracts as a means of hedging against major transaction risks. If the currencies mentioned above weakened by 10% against the euro, the change in the value of forward contracts would have a negative effect of EUR -9.8 million (2014: EUR -8.6 million) on financial expenses. If the currencies strengthened by 10% against the euro, the positive effect on financial income would be EUR 9.8 million (2014: EUR 8.6 million). Derivative instruments are used to hedge future cash flows; hence changes in their value will be offset by changes in the value of cash flows. The loan receivable from Ukrainian subsidiary to be discontinued is treated as part of the net investment and the exchange rate differences on the loan are recorded in equity.

The Group is also exposed to translation risk resulting from converting the income statement and balance sheet items of foreign subsidiaries into euros. If all reporting currencies weakened by 10% against the euro, the Group net sales would decrease by EUR 10,5 million (based on the figures of 31 December 2015) (2014: EUR -15.8 million). If all reporting currencies strengthened by 10% against the euro, the Group net sales would increase by EUR 12.9 million (2014: EUR 19.3 million). The less-developed currency markets in Russia restrict hedging opportunities. However, a significant change in exchange rates may have an effect on the value of the businesses in Russia, Poland and Sweden. The Group did not hedge against translation risk in 2015.

Derivative instruments

Nominal values of derivative instruments, EUR million	2015	2014
Interest rate swaps		
Cash flow hedges under IAS 39 hedge accounting	**100.0**	100.0
Outside hedge accounting	**100.0**	200.0
Forward currency exchange contracts		
Outside hedge accounting	**100.2**	94.6
Total	**300.2**	394.6

Nominal values of derivative instruments include gross nominal values from all active agreements. The outstanding nominal value is not necessarily a measure or indicator of market risks.

Fair values of derivative instruments, EUR million	2015	2014
Interest rate swaps (incl. accrued interests)		
Cash flow hedges under IAS 39 hedge accounting	**-0.7**	-0.5
Outside hedge accounting	**-0.9**	-1.1
Forward currency exchange contracts		
Outside hedge accounting	**8.0**	7.3
Total	**6.4**	5.7

Based on the interest level on the balance sheet date, cash flows related to the cash flow hedge are not expected to have a significant effect on the results for 2016–2019.

Liquidity risks

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

The Group's financing programmes in 2015, EUR million	Amount of limits	Unused credit lines
Bilateral committed facilities	844.0	725.4
Commercial paper programmes	1 100.0	747.6
Bond	400.0	
Current account limits	51.0	35.0

Out of EUR 844.0 million of committed facilities, EUR 87.0 million will mature in 2016, EUR 644.5 million in 2017, EUR 49.5 million in 2018, EUR 12.0 million in 2019 and EUR 51.0 million in 2020. The Group's financing agreements include customary covenants related to factors such as the position of creditors, key financial indicators and the use of pledges and mortgages. In 2015, the Group fulfilled the requirements of all covenants.

Financial liabilities, EUR million	2015				2014			
	Carrying amount	**Cash-flow ***	**Undrawn from limits**	**Total**	Carrying amount	Cash-flow *	Undrawn from limits	Total
Loans from financial institutions	134.6	138.3	725.4	863.7	201.2	204.3	712.5	916.8
Bond	399.6	440.0		440.0	399.3	460.0		460.0
Commercial paper programmes	352.4	354.0		354.0	290.3	291.5		291.5
Finance lease liabilities	1.1	1.1		1.1	12.8	12.8		12.8
Other interest-bearing liabilities	11.9	11.9		11.9	14.5	14.7		14.7
Trade payables and other liabilities **	249.2	249.2		249.2	243.7	243.7		243.7
Derivatives	1.6	1.9		1.9	1.6	1.7		1.7
Total	**1 150.4**	**1 196.4**	**725.4**	**1 921.8**	1 163.4	1 228.7	712.5	1 941.2

* The estimate of the interest liability is based on the interest level at the balance sheet date.
** Trade payables and other liabilities do not include accrued expenses and advances received.

Maturity of financial liabilities 2015, EUR million	2016	2017	2018	2019	2020	2021–	Total
Loans from financial institutions	28.9	33.1	12.6	12.5	51.2		138.3
Bond	20.0	420.0					440.0
Commercial paper programmes	354.0						354.0
Finance lease liabilities	0.1	0.1	0.1	0.1	0.1	0.6	1.1
Other interest-bearing liabilities	11.8	0.1					11.9
Trade payables and other liabilities *	200.1	30.0	12.9	2.3	1.2	2.8	249.2
Derivatives	1.1	0.8					1.9
Total	**616.0**	**484.1**	**25.6**	**14.9**	**52.5**	**3.4**	**1 196.4**

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

Maturity of financial liabilities 2014, EUR million	2015	2016	2017	2018	2019	2020–	Total
Loans from financial institutions	125.4	3.1	75.8				204.3
Bond	20.0	20.0	420.0				460.0
Commercial paper programmes	291.5						291.5
Finance lease liabilities	1.2	1.2	1.2	1.2	1.2	6.8	12.8
Other interest-bearing liabilities	13.5	1.2					14.7
Trade payables and other liabilities *	209.2	18.5	8.8	1.9	1.2	4.1	243.7
Derivatives	1.0	0.5	0.2				1.7
Total	**661.8**	**44.5**	**506.0**	**3.1**	**2.4**	**10.9**	**1 228.7**

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

Credit risks

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

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

The aging of trade receivables, EUR million	2015			2014		
	Gross	**Impairment**	**Net**	Gross	Impairment	Net
Not due	142.4	-3.2	139.2	137.7		137.7
Past due 1–30 days	16.2	-0.5	15.7	18.5	0.0	18.5
Past due 31–120 days	5.4	-0.9	4.5	12.0	-0.3	11.7
Past due 121–360 days	10.0	-2.1	7.9	8.5	-1.8	6.7
Past due more than 1 year	5.9	-4.4	1.5	5.8	-5.3	0.6
Total	**179.9**	**-11.0**	**168.9**	182.6	-7.4	175.2

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

Trade receivables and other receivables are presented in Notes 18 and 20.

Capital risk management

The Group's goal is to regain a capital structure corresponding to an investment-grade credit rating. The Group targets an equity ratio between 35% and 45%, net debt/EBITDA ratio below 3.5 and gearing under 100%.

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

To strengthen its capital structure, the Group issued a hybrid bond of EUR 100 million in December 2013. The hybrid bond is subordinated to the Group's other debt obligations, but has priority over other equity items. The coupon rate of the bond is 7.25%, and it has no maturity. The interest from the hybrid bond must be paid to the investors if the Group pays dividends. If dividends are not paid, the Group will make a separate decision regarding interest payment on the hybrid bond. Unpaid interest is accrued. The Group may exercise an early redemption option three years after the date of issue. The holders of the hybrid bond do not have the right to exercise control or to vote at Annual General Meetings.

In 2015, the Group's equity ratio was 39.5% (2014: 42.2%), net debt/EBITDA ratio was 5.1 (2014: 4.8) and gearing 77.8% (2014: 66.7%).

Net debt, EUR million	2015	2014
Interest-bearing liability	**899.6**	918.1
Cash and cash equivalents	**98.5**	116.3
Total	**801.2**	801.8

The Sanoma Group does not have an official credit rating.

Fair value hierarchy of financial liabilities and financial assets

Fair value hierarchy of financial assets and financial liabilities EUR million, 2015	Carrying amount		Fair value			
	Note		Level 1	Level 2	Level 3	Total
Financial assets						
Forward currency exchange contracts						
Outside hedge accounting	20	8.0	8.0			8.0
Non-current trade receivables	18	0.9			0.9	0.9
Financial liabilities						
Interest rate swaps						
Cash flow hedges under IAS 39 hedge accounting	26	0.7		0.7		0.7
Outside hedge accounting	26	0.9		0.9		0.9
Loans from financial institutions	25	134.6			134.6	134.6
Bonds	25	399.6	409.9			409.9
Other liabilities	25	13.0			13.0	13.0

Fair value hierarchy of financial assets and financial liabilities EUR million, 2014	Carrying amount		Fair value			
	Note		Level 1	Level 2	Level 3	Total
Financial assets						
Forward currency exchange contracts						
Outside hedge accounting	20	7.3	7.3			7.3
Financial liabilities						
Interest rate swaps						
Cash flow hedges under IAS 39 hedge accounting	26	0.5		0.5		0.5
Outside hedge accounting	26	1.1		1.1		1.1
Loans from financial institutions	25	201.2			201.2	201.2
Bonds	25	399.3	411.6			411.6
Other liabilities	25	27.3			27.3	27.3

- Level 1: fair values are based on quoted prices in active markets.
- Level 2: fair values are based on valuation models for which all inputs are observable, either directly or indirectly.
- Level 3: fair values are based on input data that is not based on observable market data.

During the financial period and the comparable year, no transfers were made between the fair value hierarchy levels 1, 2 and 3.

Available netting agreements and derivative instruments

Sanoma has entered into netting agreements with all of its derivative instrument counterparties. Including netting agreements, financial receivables from banks amount to EUR 6.4 million (2014: EUR 5.7 million).

30. Most significant subsidiaries

Most significant subsidiaries at 31 Dec 2015	Parent Company holding, %	Group holding, %
CONSUMER MEDIA		
Sanoma Media BeNe		
Sanoma Image B.V., The Netherlands	67.0	67.0
Sanoma Media Netherlands B.V., The Netherlands		100.0
Sanoma Digital The Netherlands B.V., The Netherlands		100.0
2BLOND B.V., The Netherlands		77.8
SBS Broadcasting B.V., The Netherlands		100.0
Head Office Nederland B.V., The Netherlands		100.0
V8 Broadcasting B.V., The Netherlands		100.0
SBS Productions B.V., The Netherlands		100.0
Veronica Uitgeverij B.V., The Netherlands		100.0
SB Commerce B.V., The Netherlands		100.0
B.V. Aldipress, The Netherlands		100.0
Sanoma Media Belgium N.V., Belgium		100.0
Sanoma Media Finland		
Sanoma Media Finland Oy, Helsinki	100.0	100.0
Sanoma Tekniikkajulkaisut Oy, Helsinki		60.0
Netwheels Oy, Helsinki		55.8
Oikotie Oy, Helsinki		75.0
AS Sanoma Baltics, Estonia		100.0
Sanomala Oy, Vantaa		100.0
Savon Paino Oy, Varkaus		100.0
Mobiilimarkkinointi Routa Oy, Turku		51.0
LEARNING		
Sanoma Learning		
Sanoma Learning B.V., The Netherlands	100.0	100.0
L.C.G. Malmberg B.V., The Netherlands		100.0
Nowa Era Sp. z.o.o., Poland	100.0	100.0
Sanoma Utbildning AB, Sweden	100.0	100.0
Uitgeverij Van In N.V., Belgium		100.0
Vulcan SP. z.o.o., Poland		100.0
Young Digital Planet S.A., Poland	100.0	100.0
Bureau ICE B.V., The Netherlands		100.0
Sanoma Pro Oy, Helsinki	100.0	100.0
OTHER COMPANIES		
Sanoma Media Russia & CEE B.V., The Netherlands		100.0
Independent Media B.V., The Netherlands		100.0
Independent Media Holding B.V., The Netherlands		100.0
OOO United Press, Russia *		100.0
Sanoma B.V., The Netherlands	100.0	100.0
Sanoma Media Nederland Holding B.V., The Netherlands		100.0
AAC Global AB, Sweden		100.0
AAC Global Oy, Helsinki	100.0	100.0

* Classified as assets held for sale

31. Information on subsidiaries with material non-controlling interests

The Group has one subsidiary with material non-controlling interests, Sanoma Image B.V.

Summary of financial information, EUR million	Sanoma Image B.V. 2015	2014
The principal place of business	**The Netherlands**	The Netherlands
Non-controlling interests holding, %	**33.0%**	33.0%
Net sales	**266.2**	263.9
Result for the period	**-46.6**	9.7
Total comprehensive income for the period	**-46.6**	9.7
Total comprehensive income allocated to non-controlling interests	**-15.3**	3.2
Non-current assets	**1 019.6**	1 082.3
Current assets	**123.7**	142.9
Non-current liabilities	**150.8**	167.3
Current liabilities	**139.6**	157.9
Net assets	**852.9**	900.0
Carrying amount of non-controlling interests	**281.5**	297.0
Dividends paid to non-controlling interests	**-**	-
Cash flow from operations	**23.6**	31.4
Cash flow from investments	**-7.0**	-3.6
Cash flow from financing	**-45.5**	-39.0
Net increase(+)/decrease(-) in cash and cash equivalents	**-28.9**	-11.3

32. Related party transactions

Sanoma Group's related parties include subsidiaries, associated companies and joint ventures as well as the members of the Board, President and CEO and members of the Executive Management Group. Remuneration for key management is presented in Note 33. Transactions with joint ventures and associated companies are presented below. Transactions within the Sanoma Group are not presented as related party transactions because they are eliminated in the consolidated figures. The transactions of the other shareholders of joint ventures are not presented as related party transactions because those shareholders are not considered to be related parties on the basis of the joint control agreement. Material subsidiaries are presented in Note 30. In addition, the Sanoma Group's related parties include pension funds and employees' profit-sharing funds. The sickness fund was liquidated at the end of 2012. Besides pension plans, transactions with those parties are not material.

⊕ Pension funds are described in more detail in accounting policies and pension calculations in Note 8.

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

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

Associated companies

Associated company transactions, EUR million	2015	2014
Sale of goods	0.0	0.1
Rendering of services	0.5	1.3
Purchases of goods		0.0
Receiving of services	-2.4	-5.3

Receivables from associated companies, non-current, EUR million	2015	2014
Other receivables	0.4	0.4
Total	**0.4**	0.4

Receivables from associated companies, current, EUR million	2015	2014
Trade receivables	0.3	0.1
Other receivables		0.7
Total	**0.3**	0.8

Trade and other payables to associated companies, current, EUR million	2015	2014
Other liabilities	0.0	0.0
Total	**0.0**	0.0

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

In 2015 and 2014, there were no other significant transactions or other related party arrangements with associated companies.

Joint ventures

Transactions with joint ventures, EUR million	2015	2014
Sale of goods		0.1
Rendering of services	0.5	1.7
Other operating income	0.5	0.0
Financial income		0.5
Total income	**0.9**	2.2
Purchases of goods		0.0
Receiving of services	-0.8	0.0
Other operating expenses		-1.6
Financial expenses	0.0	-0.2
Total expenses	**-0.8**	-1.8

Receivables from joint ventures, current, EUR million	2015	2014
Trade receivables	2.2	2.5
Accrued income		0.3
Other receivables	0.1	0.2
Non-interest-bearing receivables	**2.3**	3.0
Total	**2.3**	3.0

Payables to joint ventures, current, EUR million	2015	2014
Trade payables		0.8
Accrued expenses		0.0
Other debts	4.7	0.9
Non-interest-bearing liabilities	**4.7**	1.7
Total	**4.7**	1.7

33. Management compensation, benefits and ownership

Management remuneration and ownership, 2015	Remuneration (EUR 1 000)	Number of shares on 31 December 2015	Number of stock options		Number of performance shares and restricted shares				
			2010	2011	Performance and restricted share plan costs (EUR 1 000)	Performance Share Plan 2014–2016 ****	Performance Share Plan 2015–2017 ****	Restricted Share Plan 2014–2015 ****	Restricted Share Plan 2015–2017 ****
Board of Directors									
Antti Herlin, Chairman **	102	17 971 800							
Pekka Ala-Pietilä, Vice Chairman (as of 9 April 2015)	74								
Sakari Tamminen, Vice Chairman (until 9 April 2015)	34								
Annet Aris (until 9 April 2015)	32								
Anne Brunila	73	910							
Susan Duinhoven (as of 8 April 2015)	48								
Mika Ihamuotila	67	100 000							
Nils Ittonen ***	69	59 000							
Denise Koopmans (as of 8 April 2015)	49								
Robin Langenskiöld	70	12 273 371							
Rafaela Seppälä	69	10 273 370							
Kai Öistämö	72	8 265							
Total	**758**	**40 686 716**							
President and CEO									
Susan Duinhoven (as of 1 October 2015)	135								
Harri-Pekka Kaukonen (until 18 September 2015) *	878	25 050	60 000	60 000		20 439	21 875	21 400	
Total	**1 013**	**25 050**	**60 000**	**60 000**	**76**	**20 439**	**21 875**	**21 400**	**0**
Executive Management Group									
Jacqueline Cuthbert		6 500		30 000		7 641		8 000	
Arthur Hoffman						14 327		15 000	
Kim Ignatius		18 000	30 000	30 000		7 641	15 750	8 000	5 250
Pia Kalsta (as of 1 March 2015)			4 000	5 000		2 149	18 750	6 750	6 250
John Martin		7 844	10 000	30 000		8 596	18 750	9 000	6 250
Peter de Mönnink						23 400	45 000	24 500	15 000
Pekka Soini (until 28 February 2015)		10 000	30 000	30 000		8 596		9 000	
Heike Tyler (until 30 June 2015)				15 000					
Total	**5 411**	**42 344**	**74 000**	**140 000**	**376**	**72 350**	**98 250**	**80 250**	**32 750**

Figures include the remuneration that has been paid for assignments handled by those persons during the period including severance payments related to the termination of employment. Remuneration includes fringe benefits. Option and performance share plan costs include costs during membership. The Group had no outstanding receivables or loans from the management. Remuneration does not include pension costs. The pension cost of CEO and EMG is presented on the following page in paragraph Other benefits of the management.

* In addition, salary for the notice period and the severance payment payable to the President and CEO amounts to EUR 1,071,379.

** Includes the holdings of interest parties.

*** Includes the holdings of persons closely related.

**** Sanoma Performance Share Plan has been adopted in 2013. Sanoma Restricted Share Plan has been adopted in 2014. Number of Sanoma performance shares and restricted shares conditionally granted to the President and CEO and EMG members on target level. Shares conditionally granted to the President and CEO and EMG members under the Performance Share and Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 25% of performance and restricted shares received.

Management remuneration and ownership, 2014	Remu-neration (EUR 1 000)	Number of shares on 31 December 2014	Option costs (EUR 1 000)	Number of stock options			Perfor-mance and restricted share plan costs (EUR 1 000)	Number of performance shares and restricted shares		
				2009	2010	2011		Perfor-mance Share Plan 2013–2014 ****	Perfor-mance Share Plan 2014–2016 ****	Restricted Share Plan 2014–2015 ****
Board of Directors										
Antti Herlin, Chairman **	102	16 756 800								
Sakari Tamminen, Vice Chairman	88	5 000								
Pekka Ala-Pietilä (as of 9 April 2014)	50									
Annet Aris	76									
Anne Brunila	70	910								
Jane Erkko (until 16 March 2014) *	17									
Mika Ihamuotila	66	20 000								
Nils Ittonen (as of 9 April 2014) ***	50	59 000								
Robin Langenskiöld	71	12 273 371								
Nancy McKinstry (until 9 April 2014)	18									
Rafaela Seppälä	68	10 273 370								
Kai Öistämö	68	8 265								
Total	**742**	**39 396 716**								
President and CEO										
Harri-Pekka Kaukonen	665	25 025			60 000	60 000		42 800	21 400	21 400
Total	**665**	**25 025**	**36**		**60 000**	**60 000**	**11**	**42 800**	**21 400**	**21 400**
Executive Management Group										
Jacqueline Cuthbert		6 500				30 000		16 000	8 000	8 000
Jacques Eijkens (until 1 March 2014)				34 000	34 000	17 000		18 000	1 500	4 500
Arthur Hoffman (as of 21 August 2014)									15 000	15 000
Kim Ignatius		18 000		30 000	30 000	30 000		16 000	8 000	8 000
John Martin		7 844		10 000	10 000	30 000		16 000	9 000	9 000
Peter de Mönnink									24 500	24 500
Pekka Soini		10 000		13 000	30 000	30 000		18 000	9 000	9 000
Heike Tyler						15 000		14 000		
Total	**3 878**	**42 344**	**109**	**87 000**	**104 000**	**152 000**	**101**	**98 000**	**75 000**	**78 000**

Figures include the remuneration that has been paid for assignments handled by those persons during the period. Remuneration includes fringe benefits. Option and performance share plan costs include costs during membership. The Group had no outstanding receivables or loans from the management. Remuneration does not include pension costs. The pension cost of CEO and EMG is presented in paragraph Other benefits of the management.

* Jane Erkko passed away on 16 March, 2014.

** Includes the holdings of interest parties.

*** Includes the holdings of persons closely related.

**** Sanoma Performance Share Plan has been adopted in 2013. Sanoma Restricted Share Plan has been adopted in 2014. Number of Sanoma performance shares and restricted shares conditionally granted to the President and CEO and EMG members on target level. Shares conditionally granted to the President and CEO and EMG members under the Performance Share and Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 25% of performance and restricted shares received.

The remuneration and benefits payable to the President and CEO and Executive Management Group (EMG) members are approved by the Board of Directors of Sanoma, in accordance with the Human Resources Committee's proposal. In addition, the President and CEO and EMG members receive bonuses according to the short-term incentive plan approved each year by the Board of Directors. For the year 2015, the maximum bonus for the President and CEO is 90% of their salary, and for other EMG members it is from 60% to 90% of salary.

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

Details on President and CEO's and EMG members' holdings can be found in the Insiders section at Sanoma.com. A more detailed presentation on remuneration principles is available in the Corporate Governance section at Sanoma.com.

Other benefits of the management

The President and CEO Susan Duinhoven's and Harri-Pekka Kaukonen's (CEO until 18 September 2015) period of notice is six months either from the CEO's or the Company's part. If the executive contract is terminated by the company, a severance payment equaling to 12 month's salary in addition to the salary for the notice period will be paid to the President and CEO. The severance pay is accompanied by a fixed-term non-competition clause.

The additional pension benefits of the President and CEO and other EMG members are currently based on defined contribution. Contracts made prior to 2009 are based on defined benefit. President and CEO is entitled to an additional pension benefit contribution, which amounts to 20% of her salary subject to statutory pension cover. President and CEO's and part of the EMG members' retirement age is the usual retirement age in their home country. Some EMG members have a lower than statutory retirement age in the range of 61–63 years. The pensions of the EMG members whose additional pension benefits are based on defined benefit plan, amount to approximately 60% of their pensionable salary applicable in their home country, together with the statutory pension cover.

For President and CEO Harri-Pekka Kaukonen, the additional pension contribution cost was EUR 133,048 for the year 2015 (2014: EUR 141,497), and the statutory pension cost for the year 2015 was EUR 181,450 (2014: EUR 94,131). The statutory pension cost of the President and CEO Susan Duinhoven for the year 2015 was EUR 22,258. The pension costs of EMG members were EUR 534,417 in 2015 (2014: EUR 453,232).

34. Events after the balance sheet date

In January, 2016 Sanoma divested the Finnish language service company AAC Global to Korona Invest. In 2015, the net sales of AAC Global totalled around EUR 15 million and the company employed around 120 FTEs. This divestment is in line with Sanoma's strategy to focus its operations and divest selected ownerships. The transaction price was not significant.

In February, Sanoma sold its Dutch online car classifieds business Autotrader.nl to AutoScout24. Autotrader.nl is the third largest car classifieds website in the Dutch market. In 2015, the net sales of Autotrader.nl totaled around EUR 6 million. The agreed selling price of the deal is around EUR 28 million. As a result of the transaction, Sanoma will recognise a non-recurring capital gain of around EUR 13 million.

In February, Sanoma signed a new EUR 500 million Revolving Credit Facility. The facility has a maturity of four years and it has a 1 year extension option. The margin depends on the leverage of the borrower, the initial margin being 1.75% over Euribor.

Shares and shareholders

Basic share information

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

At the end of 2015, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 162,812,093.

Listing of share and options

The Sanoma share (SAA1V) and the Company's options 2010 and 2011 are listed on the Nasdaq Helsinki.

The Sanoma share is included in the Consumer Services sector and in multiple indices in the Nasdaq Helsinki. The Sanoma share has been listed since 1 May 1999. The Company's shares belong to the book-entry securities system of Euroclear Finland Ltd.

Treasury shares

At the end of 2015, the company held a total of 730,000 Sanoma shares, representing 0.4% of the company's shares and votes.

Board authorisations

The AGM held on 3 April 2013 authorised the Board of Directors to decide on an issuance of a maximum of 82,000,000 new shares and a transfer of a maximum of 5,000,000 treasury shares. The authorisation will be valid until 30 June 2016. The Board of Directors is authorised to grant a maximum of 5,000,000 stock options as part of the Company's incentive programme. In a directed share issue, a maximum of 41,000,000 shares can be issued or transferred.

The AGM held on 8 April 2015 authorised the Board to decide on the repurchase of maximum of 16,000,000 Company's own shares. The authorisation is effective until 30 June 2016 and terminates the corresponding authorisation granted by the AGM on 9 April 2014.

These shares will be purchased with the Company's unrestricted shareholders' equity, and the repurchases will reduce funds available for distribution on profits. The shares will be repurchased to develop the Company's capital structure, carry out or finance potential corporate acquisitions or other business arrangements, to be used as a part of the Company's incentive programme or to be otherwise conveyed further, retained as treasury shares, or cancelled.

The shares can be repurchased either through a tender offer made to all shareholders on equal terms or in other proportion than that of the current shareholders at the market price of the repurchase moment on the Nasdaq Helsinki.

Trading codes	Shares	2010 stock options	2011 stock options
Nasdaq Helsinki	SAA1V	SAA1VEW110	SAA1VEW111
Startel	SAA1V	SAA1VEW110	SAA1VEW111
Bloomberg	SAA1V:FH	SAA1V110:FH	SAA1V111:FH
Reuters	SAA1V.HE	SAA1VEW110.HE	SAA1VEW111.HE

Number of shares and options

Number of shares on 31 December 2015	
Number of registered shares on 31 December 2015	162 812 093
Adjusted average number of shares	162 721 764
Total number of treasury shares	730 000
Number of outstanding shares*	162 082 093
Number of shares plus stock options **	
Number of outstanding shares on 31 December 2015	162 082 093
Stock options 2010	977 100
Stock options 2011	798 400
Number of outstanding shares plus options	163 857 593

* Does not include treasury shares held by the company.
** Provided that all issued options are converted into shares.

The shares to be subscribed for on the basis of the options issued would represent 1.1% of all Sanoma shares and votes after the conversion if all outstanding stock options were exercised.

Option schemes

Sanoma has two option schemes in place:
- Stock Option Scheme 2010, authorised by the AGM of 8 April 2010
- Stock Option Scheme 2011, authorised by the AGM of 8 April 2010

The stock option schemes cover all of Sanoma's strategic business units and the Group's Parent Company. Stock options have been and will be distributed to executives and managers of the Sanoma Group in accordance with the decisions of the Board of Directors. The number of option holders within the Company at the end of 2015 is shown in the table below.

Stock Option Scheme	Number of option holders
Stock Option Scheme 2010	183
Stock Option Scheme 2011	119

The Board of Directors may extend the group of parties entitled to stock options, or decide on the issuance of stock options in connection with corporate transactions or recruitment. In the event the stock option holder's contract of employment or service terminates before the beginning of the share subscription period, he or she will be required to offer the stock options back to the Company, without receiving compensation for any value increment related to these stock options. However, this does not apply to those whose employment or service contract is rendered no longer effective for reason of retirement or death.

The stock options 2010 and 2011 are listed on the Nasdaq Helsinki. The subscription period of 2009 stock options ended on 30 November 2015, and their listing on the Nasdaq Helsinki ended on 24 November 2015. In 2015, no shares with stock options were subscribed.

Information on stock options held by Sanoma's Board of Directors and the Executive Management Group can be found in Note 33. A daily update on insider holdings in traded stock options can be found at Sanoma.com. More detailed information on the terms and conditions for these schemes (e.g. subscription prices and periods) can be found in Note 23.

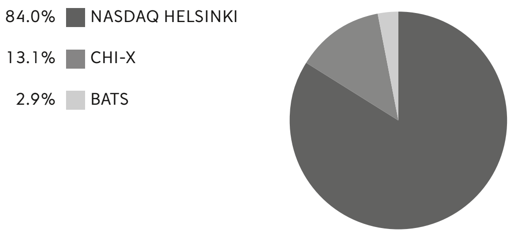
Share performance

In 2015, 81,355,104 (2014: 59,025,525) Sanoma shares were traded on the Nasdaq Helsinki and traded shares accounted for some 50% (2014: 36%) of the average number of shares. Sanoma's Nasdaq Helsinki stock exchange turnover was EUR 348.1 million (2014: 305.3). Sanoma's shares traded on the Nasdaq Helsinki corresponded to around 84% (2014: 82%) of the total traded share volume on stock exchanges.

During 2015, the volume-weighted average price of a Sanoma share on the Nasdaq Helsinki was EUR 4.28, with a low of EUR 3.13 and a high of EUR 5.95. At the end of the year, Sanoma's market capitalisation excluding treasury shares was EUR 634 million (2014: EUR 749), with Sanoma's share closing at EUR 3.91 (2014: 4.60).

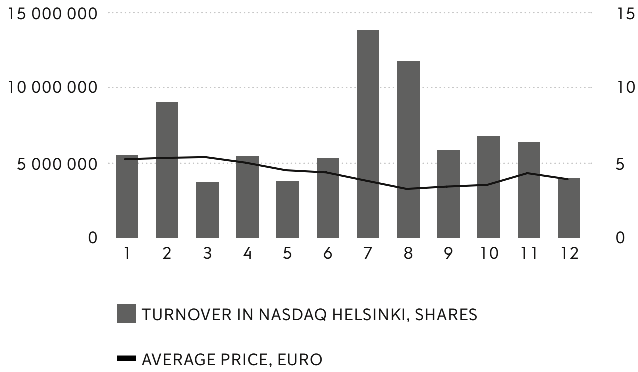
Regularly updated prices of Sanoma's share and listed stock options are available at Sanoma.com.

Trading of Sanoma share in different market places in 2015



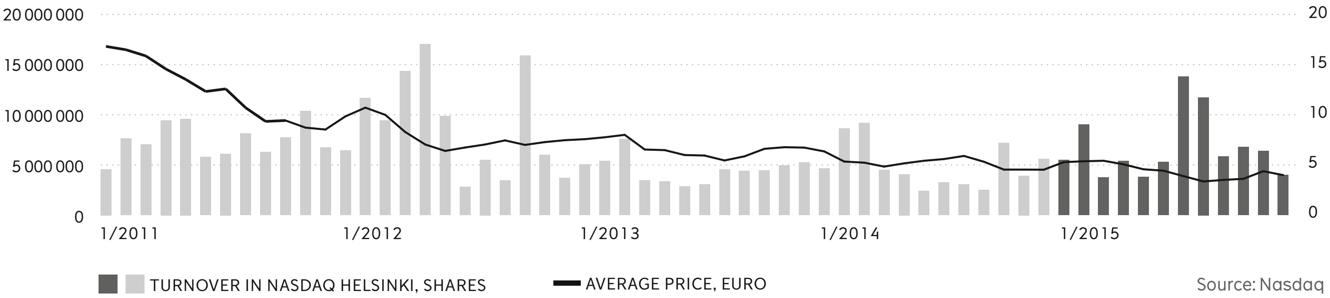
Source: Euroland

Average share price and turnover 2015



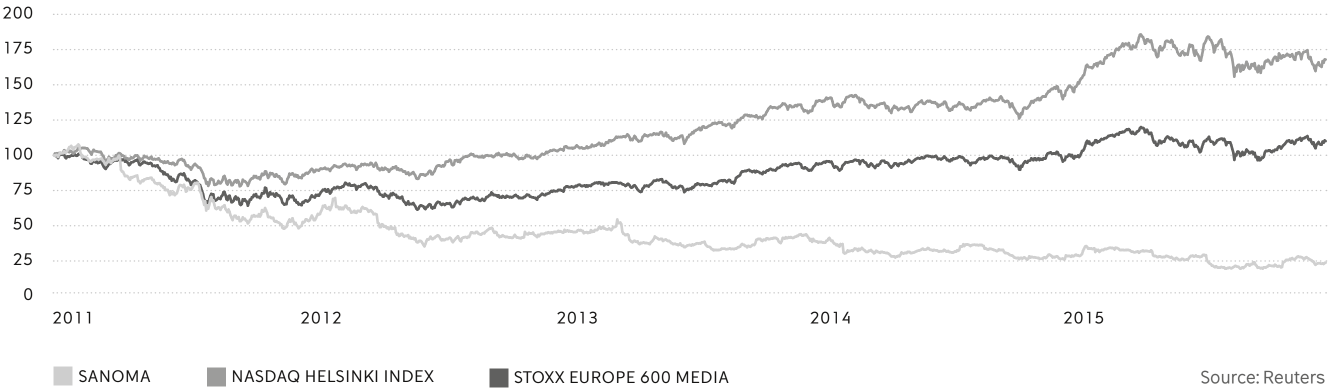
Source: Nasdaq

Average share price and turnover 2011–2015



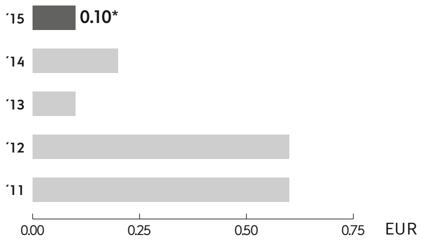
Source: Nasdaq

Sanoma share against indexes



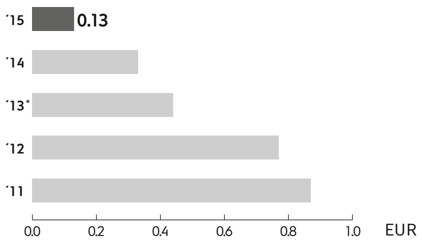
Source: Reuters

Dividend/share



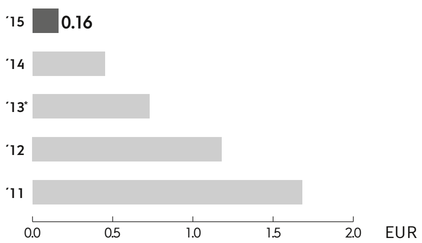
* Proposal of the Board of Directors to the AGM

Earnings/share excluding non-recurring items



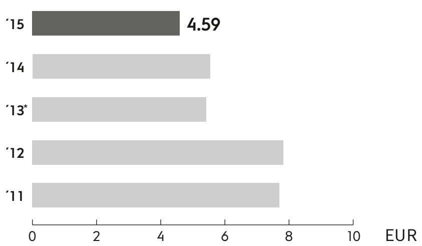
* 2013 figures have been restated due to IFRS 11 'Joint Arrangements'

Cash flow from operations/share



* 2013 figures have been restated due to IFRS 11 'Joint Arrangements'

Equity/share



* 2013 figures have been restated due to IFRS 11 'Joint Arrangements'

Dividend policy

Sanoma follows an active dividend policy and primarily pays out over half of the Group's result excluding non-recurring items for the period in dividends.

The Board of Directors proposes a dividend of EUR 0.10 (2014: EUR 0.20) per share for 2015.

Shareholders

On 31 December 2015, the Company had 25,635 (2014: 27,660) shareholders, with foreign holdings accounting for 9.7% (2014: 10.7%) of all shares and votes.

Shareholder agreements

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

Management shareholdings

On 31 December 2015, the combined holdings in the Company shares of members of the Board of Directors, the President and CEO, and the bodies they control (as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act) accounted for 25.0% (2014: 24.2%) of all shares and votes. If all outstanding, non-distributed and returned stock options were to be converted into shares through subscriptions and the President and CEO exercised all of her subscription rights, the combined holdings of the Board members and the President and CEO (including the bodies they control) would account for 24.7% (2014: 23.9%) of the total post-conversion number of shares and votes, provided that no other changes occur.

More detailed information on stock options held by Sanoma's Board of Directors and the Executive Management Group can be found in Note 33 and at Sanoma.com.

Sanoma's guidelines on insider trading can be found at Sanoma.com.

Major changes in shareholdings

Sanoma has given the following flagging announcements of the changes in its ownership during 2015:

On 13 February 2015, Sanoma Corporation has received flagging notification pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act concerning shares in Sanoma Corporation. According to the flagging notification, the total ownership to shares in Sanoma Corporation held by Holding Manutas Oy, a company Mr Antti Herlin controls, has increased from 14,905,000 shares to 16,905,000, thus totaling 10.38 per cent of all shares and votes in Sanoma Corporation, and his total ownership to shares in Sanoma Corporation held by Security Trading Oy, a company he controls, has decreased from 2,000,000 shares to 0 shares. The total ownership to shares in Sanoma held by Mr Antti Herlin and the companies he controls has not changed.

Major shareholders on 31 December 2015

	Shareholder	Shares total	Of shares and votes %
1	**Jane and Aatos Erkko Foundation**	38 163 922	23.44
2	**Herlin Antti**	17 971 800	11.04
	Holding Manutas Oy	17 940 000	11.02
	Herlin Antti	31 800	0.02
3	**Langenskiöld Robin**	12 273 371	7.54
4	**Seppälä Rafaela**	10 273 370	6.31
5	**Helsingin Sanomat Foundation**	5 701 570	3.50
6	**Ilmarinen Mutual Pension Insurance Company**	3 572 220	2.19
7	**Foundation for Actors´ Old-Age Home**	2 249 357	1.38
8	**The State Pension Fund**	2 090 000	1.28
9	**Noyer Alex**	1 968 965	1.21
10	**The WSOY´s Literature Foundation**	1 915 000	1.18
11	**Auboin Lorna**	1 868 970	1.15
12	**Tiiviste-Group Oy**	1 250 000	0.77
13	**Oy Karl Fazer Ab**	875 322	0.54
14	**Nordea Life Assurance Finland Ltd.**	845 750	0.52
15	**Sanoma Oyj**	730 000	0.45
16	**Pension Fund of Werner Söderström Osakeyhtiö**	651 008	0.40
17	**Inez och Julius Polins fond**	646 149	0.40
18	**Langenskiöld Lars Christoffer R.**	645 996	0.40
19	**Langenskiöld Bo Sebastian Eljas**	645 963	0.40
20	**Langenskiöld Pamela**	645 963	0.40
	Total	**104 984 696**	**64.48**
	Nominee registrations and foreign shareholders total	15 806 381	9.7

The shareholdings have been grouped for Antti Herlin.

A list of the major shareholders (updated monthly) can be found at Sanoma.com.

Shareholders by sector on 31 December 2015

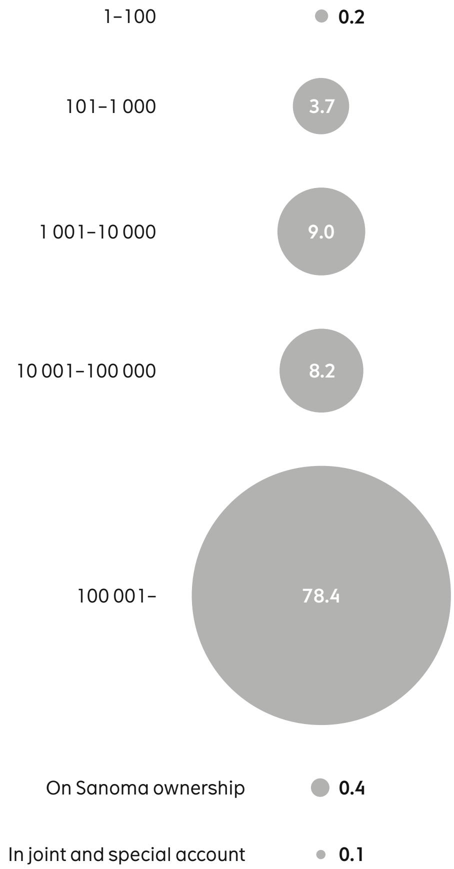
Sector	Number of shareholders	%	Number of shares	%
Companies	1 172	4.6	26 912 448	16.5
Financial and insurance institutions	62	0.2	3 216 800	2.0
Public entities	23	0.1	7 319 016	4.5
Households	23 864	93.1	53 937 852	33.1
Non-profit organisations	407	1.6	55 058 150	33.8
Foreign registrations	107	0.4	4 427 712	2.7
Nominee registrations	9	0.0	11 124 786	6.8
Total	**25 635**	**100**	**161 996 764**	**99.5**
On Sanoma ownership	1	0.0	730 000	0.4
In joint and special account			85 329	0.1
Number of shares on the market			**162 812 093**	**100**

Shareholders by number of shares held on 31 December 2015

Number of shares	Number of shareholders	%	Number of shares	%
1–100	5 854	22.8	365 012	0.2
101–1 000	14 071	54.9	6 076 685	3.7
1 001–10 000	5 108	19.9	14 597 042	9.0
10 001–100 000	521	2.0	13 260 170	8.2
100 001–	81	0.3	127 697 855	78.4
Total	**25 635**	**100**	**161 996 764**	**99.5**
On Sanoma ownership	1	0.0	730 000	0.4
In joint and special account			85 329	0.1
Number of shares on the market			**162 812 093**	**100**

Sanoma shareholders by sector 31 December 2015 (% shares and votes)

Sanoma shareholders by number of shares held 31 December 2015 (% shares and votes)



Parent Company income statement, FAS

EUR million	1.1.–31.12.2015	1.1.–31.12.2014
Other operating income	108.0	102.9
Personnel expenses	-23.9	-17.2
Depreciation, amortisation and impairment losses	-185.5	-24.8
Other operating expenses	-113.2	-43.5
Operating profit (loss)	-214.6	17.3
Financial income and expenses	94.3	111.7
Result before extraordinary items	-120.2	129.0
Extraordinary items	16.1	82.2
Result before appropriations and taxes	-104.2	211.2
Appropriations	0.0	-0.1
Income taxes	3.5	13.7
Result for the year	-100.6	224.8

Parent Company balance sheet, FAS

EUR million	31.12.2015	31.12.2014
ASSETS		
Non-current assets		
Intangible assets	6.7	4.1
Tangible assets	11.5	11.2
Investments	1 890.0	2 189.8
Non-current assets, total	1 908.1	2 205.2
Current assets		
Long-term receivables	1.7	3.8
Short-term receivables	73.9	147.8
Cash and cash equivalents	9.7	1.9
Current assets, total	85.2	153.5
ASSETS, TOTAL	1 993.4	2 358.7
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	71.3	71.3
Treasury shares	-3.2	
Fund for invested unrestricted equity	203.3	203.3
Retained earnings	511.5	319.3
Profit for the year	-100.6	224.8
Shareholders' equity, total	682.3	818.6
Appropriations	1.0	1.0
Liabilities		
Non-current liabilities	520.3	575.1
Current liabilities	789.8	964.0
EQUITY AND LIABILITIES, TOTAL	1 993.4	2 358.7

Parent Company cash flow statement, FAS

EUR million	1.1.–31.12.2015	1.1.–31.12.2014
Operations		
Result for the period	**-100.6**	224.8
Adjustments		
Income taxes	**-3.5**	-13.7
Appropriations	**0.0**	0.1
Extraordinary items	**-16.1**	-82.2
Financial income and expenses	**-94.3**	-111.7
Depreciation, amortisation and impairment losses	**185.5**	24.8
Gains / losses on sale of non-current assets	**3.2**	-32.4
Other adjustments		-34.1
Change in working capital		
Change in trade and other receivables	**-5.1**	-8.4
Change in trade and other payables, and provisions	**4.8**	11.1
Interest paid	**-32.4**	-39.5
Other financial items	**-3.1**	-4.4
Group contributions	**104.2**	52.9
Dividends received	**113.2**	157.5
Taxes paid	**-7.3**	-0.9
Cash flow from operations	**148.5**	143.8
Investments		
Acquisition of tangible and intangible assets	**-6.0**	-3.2
Group companies acquired	**-6.7**	
Acquisition of other holdings		0.0
Sales of tangible and intangible assets	**0.5**	0.2
Group companies sold	**-0.1**	53.1
Associated companies sold	**26.5**	
Loans granted	**-23.1**	-15.2
Repayments of loan receivables	**107.4**	146.0
Interest received	**18.6**	15.3
Cash flow from investments	**117.1**	196.2
Cash flow before financing	**265.6**	339.9
Financing		
Purchase of treasury shares	**-3.2**	
Change in loans with short maturity	**14.4**	-57.9
Drawings of other loans	**192.8**	398.1
Repayments of other loans	**-429.3**	-666.4
Dividends paid	**-32.6**	-16.3
Cash flow from financing	**-257.8**	-342.6
Change in cash and cash equivalents according to cash flow statement	**7.8**	-2.7
Net increase(+)/decrease(-) in cash and cash equivalents	**7.8**	-2.7
Cash and cash equivalents at 1 Jan	**1.9**	4.5
Cash and cash equivalents at 31 Dec	**9.7**	1.9

Parent Company shareholders' equity

Shareholders' equity, EUR million	2015	2014
Restricted equity		
Share capital at 1 Jan	**71.3**	71.3
Share capital at 31 Dec	**71.3**	71.3
Restricted equity 31 Dec	**71.3**	71.3
Unrestricted equity		
Treasury shares at 1 Jan		
Purchase of treasury shares	**-3.2**	
Treasury shares at 31 Dec	**-3.2**	
Fund for invested unrestricted equity at 1 Jan	**203.3**	203.3
Fund for invested unrestricted equity at 31 Dec	**203.3**	203.3
Retained earnings at 1 Jan	**544.0**	335.4
Dividends	**-32.6**	-16.3
Other changes	**0.1**	0.1
Retained earnings at 31 Dec	**511.5**	319.3
Profit (loss) for the year	**-100.6**	224.8
Unrestricted equity 31 Dec	**611.0**	747.3
Total	**682.3**	818.6

Further information on share capital is presented in Note 22 to the Financial Statements.

Distributable earnings. EUR million	2015	2014
Treasury shares	**-3.2**	
Fund for invested unrestricted equity	**203.3**	203.3
Retained earnings	**511.5**	319.3
Profit (loss) for the year	**-100.6**	224.8
Total	**611.0**	747.3

Parent Company contingent liabilities

Contingent liabilities, EUR million	2015	2014
Contingencies for own commitments		
Other contingent liability for own commitments	**24.7**	54.8
Total	**24.7**	54.8
Contingencies incurred on behalf of Group companies		
Guarantees *	**328.5**	329.3
Total	**328.5**	329.3
Other commitments		
Operating lease liabilities		0.1
Total		**0.1**
Other liabilities	**11.9**	
Total	**11.9**	
Total	**365.2**	384.1

* Includes the lease guarantee of Sanomala real estate sold in January 2014.

Nominal values of derivatives, EUR million	2015	2014
Interest derivatives		
Interest rate swaps	**200.0**	300.0
Total	**200.0**	300.0
Currency derivatives		
Forward exchange contracts	**100.2**	94.6
Total	**100.2**	94.6
Total	**300.2**	394.6

Fair values of derivatives, EUR million	2015	2014
Interest derivatives		
Interest rate swaps	**-1.5**	-0.7
Total	**-1.5**	-0.7
Currency derivatives *		
Forward exchange contracts	**8.0**	7.3
Total	**8.0**	7.3
Total	**6.5**	6.6

* Includes only external currency derivatives.

Board’s proposal for distribution of profits and signatures

The distributable earnings of the Parent Company at 31 December 2015 were EUR 407,694,675.75, of which the loss for the financial year 2015 is EUR 100,646,025.37. Including the fund for non-restricted equity of EUR 203,324,188.83 the distributable funds amount to EUR 611,018,864.58 at 31 December 2015.

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

• a dividend of EUR 0.10 per share shall be paid	EUR 16,208,209.30 *
• the following amount shall be transferred to the donation reserve and used at the Board’s discretion	EUR 350,000.00
• shareholders’ equity shall be set at	EUR 594,460,655.28

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

*) The dividend will be paid to shareholders registered with the Shareholder Register maintained by the Euroclear Finland Ltd on the record date set by the Board for payment of the dividend, Thursday 14 April 2016. The Board will propose to the Annual General Meeting that the dividend will be paid on Thursday 21 April 2016.

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

Helsinki, 8 February 2016

Antti Herlin
Chairman

Pekka Ala-Pietilä
Vice Chairman

Anne Brunila

Mika Ihamuotila

Nils Ittonen

Denise Koopmans

Robin Langenskiöld

Rafaela Seppälä

Kai Öistämö

Susan Duinhoven
President and CEO

Auditor's report

To the Annual General Meeting of Sanoma Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Sanoma Corporation for the year ended 31 December 2015. The financial statements comprise the consolidated balance sheet, consolidated income statement, statement of comprehensive income, statement of changes in consolidated equity and consolidated cash flow statement, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

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, 8 February 2016

KPMG OY AB

Virpi Halonen
Authorized Public Accountant

Corporate Governance Statement

Sanoma Corporation (the 'Company' or 'Sanoma') complies with the Finnish Corporate Governance Code issued by the Securities Market Association in 2015, with the exception of recommendation 6 of the Code governing the term of Board members (see also Section Election and term of this Statement) and with the exception to the recommendation 9 of the code governing the Diversity of the Board of Directors. The Articles of Association of Sanoma approved by the General Meeting, stipulates a three-year term, as the Company considers that the nature of its business makes it necessary for the members of the Board of Directors to be there for a longer term than one year in order to familiarise themselves with and commit themselves to the Group's operations.

This Corporate Governance Statement has been prepared in accordance with the above-mentioned Code. The Statement has been reviewed by Sanoma's Audit Committee and the statutory auditors have checked that it has been issued and that its description of the main features of internal control and risk management systems related to the financial reporting process is in line with the financial statements. This Statement is presented as a separate report from the Board of Director's Report.

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

Organisational Structure and Statutory Governance Bodies

Sanoma consists of two segments, Consumer Media and Learning, and three Strategic Business Units: Sanoma Media BeNe, Sanoma Media Finland and Sanoma Learning. The line item 'Other companies and eliminations' includes non-core operations, head office functions, real estate companies and Group. Sanoma Corporation is the Parent Company of the Sanoma Group (the 'Parent Company'). Sanoma's administrative bodies are the General Meeting, the Board of Directors and its committees and the President and CEO.

GENERAL MEETING

The General Meeting is Sanoma's highest decision-making body, convening at least once a year in accordance with the Sanoma Articles of Association.

The Annual General Meeting is held by the end of June each year and it handles the matters that fall under its authority according to the Finnish Companies Act as well as any matters proposed to a General Meeting. Extraordinary General Meetings are convened to handle specific matters proposed to a General Meeting.

Notices of General Meetings shall be published in at least one widely circulated newspaper determined by the Board of Directors no earlier than three (3) months prior to the record date of the General Meeting under Chapter 4, Section 2, Subsection 2 of the Finnish Companies Act and no later than three (3) weeks prior to the General Meeting, but in any case the notice must be published at least nine (9) days before the record date of the General Meeting.

The General Meeting handles the matters presented on the agenda by the Board of Directors. According to the Finnish Companies Act, a shareholder may also request that his or her proposal to be handled at the next General Meeting. Such a request shall be made in writing to the company's Board of Directors and the proposed matters shall fall within the competence of the General Meetings according to the Finnish Companies Act. Sanoma informs well in advance on its website the date by which a shareholder shall notify the Board of Directors of any proposals that he or she requests to be included on the agenda of the General Meeting. The request is always deemed to be on time if the Board of Directors has been notified of the request no later than four weeks before the delivery of the notice of the General Meeting.

Shareholders holding a minimum of ten (10) per cent of all shares and the Company's auditor may request the handling of a specified matter at a General Meeting, which the Board of Directors shall convene without a delay upon receipt of such request.

According to the Finnish Companies Act, e.g. the following matters are subject to the decision-making power of a General Meeting:

- amendments to the Articles of Association;
- increases or decreases in share capital;
- issues of shares or other rights entitling to shares;
- acquisition of own shares;
- decisions on the number, election and remuneration of Directors;
- adoption of the financial statements; and
- distribution of profits / allocation of losses.

BOARD OF DIRECTORS

Election and term

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

The term of a member of the Board of Directors begins at the end of the Annual General Meeting and expires at the end of the third Annual General Meeting following the election. If the office of a member of the Board of Directors becomes vacant before the end of the three-year term, a new member shall be elected for the remaining term. In order to secure the continuity of operations, Sanoma has adopted a practice whereby approximately one third (1/3) of its Board members are elected every year.

According to the Finnish Corporate Governance Code, the term of a member of the Board of Directors is recommended to be one year. The Articles of Association of Sanoma, however, stipulates a three-year term, as the Company considers that the nature of its business makes it necessary for the members of the Board of Directors to be there for a longer term than one year in order to familiarise themselves with and commit themselves to the Group's operations.

The following persons served on Sanoma's Board of Directors at the end of 2015:

Director	Born	Education	Nationality
Antti Herlin, Chairman	1956	D.Sc. (Econ.) h.c. (The State University of Economics and Finance of St. Petersburg), D.Sc. (Econ.) h.c. (Helsinki School of Economics), D.Sc. (Art and Design) h.c. (University of Art and Design Helsinki), D.Sc. (Tech.) h.c. (Aalto University School of Technology).	Finnish
Pekka Ala-Pietilä, Vice Chairman	1957	M.Sc. (Econ.), D.Sc. (Tech.) h.c., D.Sc. h.c.	Finnish
Anne Brunila	1957	Ph.D. (Econ.), D.Sc. (Econ.) h.c.	Finnish
Susan Duinhoven	1965	Ph.D. (Physical Chemistry), B.S. (Physical Chemistry)	Dutch
Mika Ihamuotila	1964	Ph.D. (Econ.)	Finnish
Nils Ittonen	1954	B.Sc. (Econ.)	Finnish
Denise Koopmans	1962	LL.M.	Dutch
Robin Langenskiöld	1946	B.Sc. (Econ.)	Finnish
Rafaela Seppälä	1954	M.Sc. (Journalism)	Finnish
Kai Öistämö	1964	M.Sc. (Tech.), Ph.D. (Tech.)	Finnish

Director	Shares and share-based rights *)	Independence **)	Main occupation	Attendance rate ***)	Term ends
Antti Herlin, Chairman	17 971 800 shares	1	Chairman of the Board of Directors of KONE Corporation	100%	2016 AGM
Pekka Ala-Pietilä, Vice Chairman	0 shares	1, 2	Chairman of the Board of Directors of Huhtamäki	100%	2017 AGM
Anne Brunila	910 shares	1, 2	Professor of Practice, Hanken	93%	2016 AGM
Susan Duinhoven	0 shares	2	President and CEO, Sanoma	93%	2018 AGM
Mika Ihamuotila	100 000 shares	1, 2	Chairman of the Board of Directors of Marimekko	100%	2016 AGM
Nils Ittonen	52 000 shares	1	Chairman of the Board of Directors of Jane and Aatos Erkko Foundation	93%	2017 AGM
Denise Koopmans	0 shares	1, 2	Board Member of Sanoma	93%	2018 AGM
Robin Langenskiöld	12 273 371 shares	1, 2	Board Member of Sanoma	93%	2018 AGM
Rafaela Seppälä	10 273 370 shares	1, 2	Board Member of Sanoma	100%	2017 AGM
Kai Öistämö	8 265 shares	1, 2	Chairman of the Board of Directors of Oikian Solutions	93%	2017 AGM

*) Shares and share-based rights in Sanoma, including corporations over which the director excerices control
**) Independence:
1: Member is a non-executive director and independent of the Company
2: Member is independent of major shareholders as stipulated in the Finnish Corporate Governance Code
***) The Board of Directors of Sanoma convened 14 times in 2015, with an average attendance rate of 97%.

Sanoma has not established a Nomination Committee. The largest shareholder(s) of Sanoma may propose new Board members based on applicable rules and regulations (including the Finnish Corporate Governance Code).

In order to develop its performance, the Board of Directors employs an assessment process on a regular basis.

Duties of the Board of Directors

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

The operating principles and main duties of the Board of Directors have been defined in the charter of the Board of Directors.

The Board of Directors, for example:
- decides on the long-term goals and business strategy of the Group;
- approves the Group's reporting structure;
- decide on acquisitions and divestments, financial matters and investments which have a value exceeding EUR 5.0 million or otherwise are strategically significant or involve significant risks or relate to divestment, lay-off or termination of employment of 100 employees or more;
- ensures the adequacy of planning, internal control and risk management systems and reporting procedures;
- performs reviews and follow-ups of the operations and performance of the Group companies;
- approves the Interim Reports, the Financial Statements and the Board of Directors' Report as well as the Corporate Governance Statement of the Company;
- appoints and dismisses as well as decides on the remuneration of
    - the President and CEO,
    - his or her deputy,
    - the CEOs of Strategic Business Units,
    - the executives of Sanoma, who are Executive Management Group members,
    - certain executive positions ('Key Executives') as determined by the Board of Directors;
- confirms the Group's values; and
- approves the Group's key policies.

Committees appointed by the Board

The Board of Directors may appoint committees, executive committees and other permanent or fixed-term bodies for duties assigned by the Board of Directors. It also confirms the charter of the committees as well as provides the policies given to other bodies appointed by the Board of Directors.

Sanoma has an Executive Committee that prepares proposals for matters to be decided or noted by the Board of Directors.

In addition to the Executive Committee, Sanoma's Board committees include the Audit Committee and the Human Resources Committee. The respective charters have been approved by the Board of Directors. The committees report regularly to the Board of Directors.

The members of the committees, except for the members of the Executive Committee, are appointed among the members of the Board of Directors in accordance with the charter of the respective committee. The committees are neither decision-making nor executive bodies.

Executive Committee

Executive Committee prepares matters to be considered at the Board of Directors' meetings. In addition the Board has delegated its decision making authority to Executive Committee on acquisitions and divestments, financial matters and investments which have a value exceeding EUR 3.0 million but below EUR 5.0. The Executive Committee consists of Chairman and Vice Chairman of the Board, President and CEO and at Chairman's invitation one or several members of the Board. In 2015, the Executive Committee comprised Antti Herlin (Chairman), Pekka Ala-Pietilä, Nils Ittonen and Susan Duinhoven (from 1 October 2015, until 18 September Harri-Pekka Kaukonen). The Executive Committee convened 7 times

Audit Committee

The Audit Committee is established by the Board of Directors to assist the Board in fulfilling its oversight responsibilities for matters pertaining to financial reporting and control, risk management as well as to external auditing, and the internal audit activity in accordance with the charter approved by the Board of Directors, the Finnish Corporate Governance Code and applicable laws and regulations. The Audit committee shall review the Corporate Governance Statement.

During the financial year 2015 the Audit Committee:
- discussed the outlook for 2015;
- discussed compliance driven amendments to the Audit Committee Charter and recommended approval of a revised charter to the Board;
- reviewed regular compliance updates:
- reviewed the changes forthcoming due to EU Audit reform;
- reviewed reports prepared by the auditors
- discussed accounting principles and changes in IFRS standards
- reviewed results of Related Party Assessment;
- proposed to the 2015 AGM that KPMG Oy AB, Authorised Public Accountants, be re-elected as the auditor for the fiscal year 2015;
- reviewed the plan for share purchase and delivery under the Share Based Incentive Plan;
- reviewed the group cost allocation principles;
- reviewed group contribution plan;
- handled regular status reports regarding major divestments from the financials perspective;
- reviewed and approved the internal audit plan and followed up its progress (including audit assurance updates);
- reviewed quarterly claim overviews to assess litigation risks;
- followed the progress of the internal control roadmap;
- reviewed interim reports and quarterly investor presentations;
- reviewed impairment calculations;
- discussed handling of prepublication costs under IAS 38;
- reviewed quarterly reports on treasury matters and mid- and long-term refinancing and funding plans;
- reviewed the risk management process, discussed the risk analyses, the biggest risks and related risk management measures; and
- reviewed new Sanoma Procurement Policy, revised Information Security Policy and new Business Travel Policy and recommended their approval to Board.

In accordance with its Charter, the Audit Committee comprises three to five members, appointed annually by the Board of Directors. Members of the Committee shall be independent of the Company and at least one member shall also be independent of significant shareholders. The Committee meets at least four times a year. The Charter of the Audit Committee will be revised e.g. due to new Corporate Governance Code during the first half of 2016.

In 2015 the Audit Committee comprised Sakari Tamminen (Chairman until 8 April 2015) Anne Brunila (Chairman as of 8 April 2015), Nils Ittonen (as of 8 April 2015), and Robin Langenskiöld. All members of the Committee are independent of the Company and two members (Anne Brunila and Nils Ittonen) independent of significant shareholders. The Audit Committee convened 5 times in 2015 with an average attendance rate of 100%.

Attendance in the meetings by individual members of the Audit Committee: Sakari Tamminen (100%), Anne Brunila 100%, Nils Ittonen 100% and Robin Langenskiöld 100%.

Human Resources Committee

The Human Resources Committee is responsible for preparing human resources matters related to the compensation of the President and CEO and Key Executives, evaluation of the performance of the President and CEO and Key Executives, Group compensation policies, Human Resources policies and practices, development and succession plans for the President and CEO as well as Key Executives, and other preparatory tasks as may be assigned to the Committee from time to time by the Board of Directors and/or Chairman of the Board of Directors. In addition, the Committee discusses the composition of the Board of Directors and succession in the Board of Directors.

During the financial year 2015 the HR Committee:
- reviewed total compensation levels for key executives compared to the external benchmark and prepared their base salary reviews for the approval of the Board;
- discussed the 2014 performance rating distribution of the senior management;
- submitted the realization of 2014 short-term incentive targets for key executives to the Board for approval;
- submitted the realization of 2013 and 2014 long-term incentive targets to the Board for approval;
- prepared the proposal for 2015 long-term incentive grants for key executives for the approval of the Board;
- reviewed the proposed changes to the short- and long-term incentive principles and to the short-term incentive framework;
- discussed the 2016 annual targets for key executives and submitted them for the approval of the Board;
- discussed organizational changes as well as top-level leadership terminations and appointments with the management;
- discussed the composition of the Board; and
- discussed the employee engagement survey results with the management.

The Human Resources Committee comprises three to five members, appointed annually by the Board of Directors. A majority of the members shall be independent of the Company. The Committee meets at least twice a year.

In 2015 the Human Resources Committee comprised Kai Öistämö (Chairman), Mika Ihamuotila (Vice Chairman) and Rafaela Seppälä. All members of the Committee are independent of the Company and major shareholders. The Human Resources Committee convened 3 times with an average attendance rate of 100%.

Attendance in the meetings by individual members of the Human Resources Committee: Kai Öistämö 100%, Mika Ihamuotila 100% and Rafaela Seppälä 100%.

PRESIDENT AND CEO

The duties of the President and CEO of Sanoma are governed primarily by the Finnish Companies Act. The President and CEO assumes independent responsibility for the Group's daily operations, in line with the following duties, e.g.:
- seeing that the accounts of the Company are in compliance with the law and that its financial affairs have been arranged in a reliable manner;
- managing the Group's daily operations in line with the long-term goals and business strategy of the Group approved by the Board of Directors and in accordance general policies adopted by the Board of Directors and other applicable guidelines and decisions;
- decide on acquisitions and divestments, financial matters and investments which have a value up to EUR 3.0 million or otherwise are strategically significant or involve significant risks or relate to divestment, lay-off or termination of employment of 50 employees or more
- preparing decision proposals and matters for information for the Board of Directors meetings (together with the Chairman of the Board of Directors), and presenting these matters and the agenda to the Board of Directors and its Committees;
- approving Group level guidelines; and
- chairing Sanoma's Executive Management Group.

The President and CEO may take extraordinary or wide-ranging action only under a separate authorisation from the Board of Directors or when the time delay involved in waiting for a decision of the Board of Directors would cause substantial loss to Sanoma.

In 2015, Susan Duinhoven, born 1965, Ph.D. (Physical Chemistry), B.S. (Physical Chemistry) served as the President and CEO of the Company from 1 October 2015. Harri-Pekka Kaukonen, born 1963, M.Sc. (Tech.), D.Sc. (Tech.) served as the President and CEO of the Company until 18 September 2015.

Kim Ignatius, born 1956, B.Sc. (Econ.) served as the interim President and CEO of the company from 18 September until 1 October.

At the end of 2015, President and CEO Susan Duinhoven did not hold any Company shares.

EXECUTIVE MANAGEMENT GROUP

The Executive Management Group supports the President and CEO in his or her duties in co-ordinating the Group's management and preparing matters to be discussed at Board meetings, such as:
- the long-term goals and business strategy of the Group for achieving the long-term goals;
- acquisitions and divestments;
- organisational and management issues;
- development projects;
- internal control; and
- risk management systems.

The Executive Management Group is chaired by the President and CEO of Sanoma and in 2015 comprised the CEOs of Sanoma Media Finland, Sanoma Media BeNe, Sanoma Learning and Sanoma Digital as well as the CFO (Chief Financial Officer) and the CHRO (Chief Human Resources Officer).

The following persons served on Sanoma' Executive Management Group at the end of 2015:
- Susan Duinhoven, President and CEO, born 1965, Dutch citizen. Ph.D. (Physical Chemistry), B.S. (Physical Chemistry).
- Kim Ignatius, CFO, born 1956, Finnish citizen. B.Sc. (Econ.)
- Jacqueline Cuthbert, CHRO, born 1966, British citizen. B.A. Hons.
- Arthur Hoffman, CEO, Sanoma Digital, born 1969, Dutch citizen. M.Sc. (Chemistry), MBA from INSEAD
- Pia Kalsta, CEO, Sanoma Media Finland, born 1970, Finnish citizen. M.Sc. (Econ.)
- John Martin, CEO, Sanoma Learning, born 1970, British citizen. PhD in Molecular Biology, B.Sc. (Hons) in Biochemistry.
- Peter de Mönnink, CEO, Sanoma Media BeNe born 1963, Dutch citizen. B.Sc.

Shares and share-based rights of the members of Executive Management Group at the end of 2015:
- Susan Duinhoven: 0 shares and share-based rights.
- Kim Ignatius: 18,000 shares, 30,000 Options (2010), 30,000 options (2011). Total shares and share-based rights 78,000.
- Jacqueline Cuthbert: 6,500 shares, 30,000 options (2011). Total shares and share-based rights 36,500.
- Arthur Hoffman: 0 shares and share-based rights.
- Pia Kalsta: 0 shares, 4,000 Options (2010), 5,000 options (2011). Total shares and share-based rights 9,000.
- John Martin: 7,844 shares, 10,000 Options (2010), 30,000 Options (2011). Total shares and share-based rights 47,844.
- Peter de Mönnink: 0 shares and share-based rights.

More information about the members of the EMG and their holdings in the Company is available at Sanoma.com.

Internal Control and Risk Management Systems

AUDIT & ASSURANCE

Audit and Assurance function reports to Sanoma's President and CEO, and to the Audit Committee of the Board of Directors. It co-operates with the management of the Group and the SBUs as well as with the Group's statutory auditors.

The scope of Audit and Assurance covers Internal Audits and Risk Assessments as well as coordination of Internal Control process regarding all organisational levels and businesses. Audit and Assurance function supports the development of the organisation and provides additional assurance with a risk based approach.

The operations of the function are steered by Sanoma's Corporate Governance Principles and the Group Policies on Internal Audit, Internal Control and Risk Management.

INTERNAL CONTROLS

Sanoma's Internal Control Policy defines the internal control process applicable to all Sanoma entities. The internal control process includes control objective setting, control design and implementation, operating effectiveness testing, monitoring and continuous improvement, and reporting.

The company's values and Code of Conduct lay the foundations and set the tone for the internal control framework at Sanoma. Internal Controls framework has been defined by using a top-down, risk based approach. Internal Controls consist of Entity-level controls, Process level controls and ICT general controls.

Entity level controls are controls that apply to all levels of Sanoma (i.e. Group, SBU, business and entity-level) and can relate to more than one process. Entity-level control activities are, for example, existence and active implementation of code of conduct and different Group policies and guidelines.

Process-level control activities are designed to mitigate risks relating to certain key processes. Examples of such processes are sales, purchase-to-pay and payroll. Typical process-level controls are automated or manual reconciliations and approvals of transactions.

ICT general controls are embedded within ICT processes that provide a reliable operating environment and support the effective operation of application controls. Controls that prevent inappropriate and unauthorised use of the system and controls over the effective acquisition are examples of ICT general controls.

CONTROL ENVIRONMENT

Management of the Group and its businesses is based on a clear organisational structure, well-defined areas of authority and responsibility, common planning and reporting systems, and policies and guidelines.

The Sanoma Board of Directors approves all Group-level policies including governance-related policies such as Sanoma's Corporate Governance Principles, Code of Conduct, Group Risk Management Policy, Internal Control Policy and Treasury Policy. Sanoma's strategy and business objectives as well as Sanoma's Corporate Governance Principles set the foundation for the Internal Control processes.

The Audit Committee, in order to assist the Board of Directors in its responsibilities, deals with matters related to financial reporting procedures, the Group's risk management, the reliability and effectiveness of internal control systems, and compliance with Sanoma's Corporate Governance Principles, as well as matters related to statutory audit and internal audit work.

The Parent Company is responsible for carrying out Sanoma's statutory duties as a publicly listed company under, for example, the Finnish Securities Market Act, for managing communications with key stakeholders including investor relations, centralised treasury activities, as well as Group compliance with applicable laws and regulations. In addition, the Parent Company supports the President and CEO in driving the performance of the SBUs and in the management of the Group's daily operations. The Parent Company drives cross-business and cross-border co-operation projects and improvement initiatives and provides support and guidance to the SBUs in areas such as finance and control, human resources, communications, legal affairs, taxation, M&A, strategic planning, treasury, ICT/corporate systems, and real estate.

Sanoma's SBUs operate within the approved scope of strategic goals and financial targets, Sanoma's Corporate Governance Principles as well as within Group policies and guidelines. In addition, Sanoma's shared values govern the daily operations of the personnel.

RISK MANAGEMENT

Audit and Assurance function coordinates the Group risk management process and produces periodical risk reports for the President and CEO and the Executive Management Group. Updated Group risk assessment results with related ongoing or planned mitigation actions are communicated to the Audit Committee and further to the Board of Directors twice a year.

The main objective of Sanoma's Risk Management Policy is to identify and manage essential risks related to the execution of Sanoma Group's strategy and operations. The Risk Management Policy defines Group-wide risk management principles, objectives and responsibilities within the Sanoma Group.

The Board of Directors is responsible for approving and setting Sanoma's Risk Management Policy and for overseeing the effectiveness of risk management.

The Audit Committee regularly reviews and monitors the implementation of the Risk Management Policy and risk management process.

The President and CEO is responsible for defining risk management strategies and procedures, and setting risk management priorities.

Sanoma has a Group-wide risk reporting process for assessment of significant risks. Risk assessment is linked to the Group's strategy process and strategic objectives. A risk framework is used for identifying and assessing risks, as well as for defining risk management activities. Risks and their probability of occurrence are assessed in different stages of decision-making.

Managing business risks and the opportunities associated with them is a core element in the daily operational responsibilities of Sanoma's management. Risk-taking is an essential part of a competitive business. While executing strategy, Sanoma and its SBUs are exposed to numerous risks and risk taking opportunities.

COMPLIANCE

Sanoma is committed to complying with international and local laws and ethical policies in accordance with the Sanoma Code of Conduct approved in 2014. The Company has a Compliance function, which supports business operations and corporate administration by developing practices related to identifying and complying with applicable law and regulations, as well as internal policies and guidelines. The key tasks of Sanoma's Compliance function are to minimize the risk of infringement of applicable regulatory requirements in all operations, to maintain Sanoma's compliance program and to ensure the continuous development of an ethical business culture.

Each Group function in the Parent Company prepares policies for Board approval and general guidelines to be approved by the President and CEO regarding its area of responsibility. Group policies and operational guidelines are available on the Group intranet in full. In addition, Strategic Business Units and Business Units may have their own instructions within the set policies and operational guidelines. These instructions are available on the respective intranets.

There is a channel in place to report breaches of Code of Conduct or thereto related policies or laws. Any person who notices breaches of the Code of Conduct or thereto related policies or laws may confidentially report them as indicated in the Principles.

Claims against Sanoma are monitored by Group Legal Affairs through a process covering claims over EUR 0.2 million or resulting in a potential negative effect of over EUR 0.2 million, whether by a governmental body, partner, agreement counterpart, personnel or some other party.

MONITORING OF FINANCIAL REPORTING PROCESS

The Group Finance and Control functions as part of the Parent Company and prepares guidelines of the control points for the SBUs, approved by the President and CEO, both for transactions and for periodic controls. Periodic controls are linked to the monthly and annual reporting process and include reconciliations and analyses to ensure the accuracy of financial reporting. These control activities at the levels of both the Parent Company and SBU seek to ensure that potential deviations and errors are prevented, discovered and corrected. Internal control systems cover the whole financial reporting process.

The Group's financial performance is monitored on a monthly basis using a Group-wide financial planning and reporting system, which includes SBUs' management letters, actualised income statements, balance sheets, cash flow statements and key performance indicators, as well as estimates for the current financial year.

Furthermore, business reviews between Group and SBU management are held quarterly. In addition to the SBUs' financial performance, issues including changes in the operating environment, future expectations, structure and status of business development are also discussed in these meetings. The quarterly business reviews also have a role in the process of ensuring that the continuous risk assessment and internal control systems are functioning properly.

Audit

The main function of the statutory audit is to verify that the financial statements provide true, accurate and sufficient information on the Sanoma Group's performance and financial position for the financial year. The Sanoma Group's financial year is the calendar year.

The auditor's responsibility is to audit the correctness of the Group's accounting in the respective financial year and to provide an auditors' report to the General Meeting. In addition, Finnish law requires that the auditor monitors the lawfulness of the company's administration. The auditor reports to the Board of Directors at least once a year.

According to the Articles of Association, Sanoma shall have one auditor, which shall be an audit firm authorised by the Central Chamber of Commerce. The term of office of the auditor expires at the end of the next Annual General Meeting following the election.

According to the Finnish Auditing Act (2007/459), the aggregate duration of the consecutive terms of the person acting as the auditor in a public company may not exceed seven years.

In 2015, KPMG Oy Ab, with Virpi Halonen, Authorised Public Accountant, as Auditor in Charge acted as Sanoma's statutory auditor.

Remuneration paid for audit services in 2015 amounted to EUR 1.3 million. Remuneration paid to the Company's auditor for non-audit services in 2015 amounted to EUR 0.1 million.

Insider Administration

Sanoma's insider regulations comply with the Insider Guidelines issued by Nasdaq Helsinki. Those included in Sanoma's public insider register comprise, by law, Members of the Board of Sanoma, The President & CEO and Auditor, deputy auditor or the person of the auditing organisation having the main responsibility for the audit. Based on a decision made by Sanoma's Board of Directors, the Executive Management Group and the Board secretary are also included in the public insider register on other criteria.

Persons who, due to the nature of their work, have regular access to Inside Information (information of precise nature relating to Sanoma's Financial Instruments, which has not been published or otherwise been available in the market and which is likely to have material effect on the value of Sanoma's Financial Instruments) and whose duties involve processing such information, have been included in the company-specific insider register. Sanoma's Insider Regulations comply with the Insider Guidelines issued by the Nasdaq Helsinki insider regulations. In addition to permanent insider registers, Sanoma has project-specific registers as described in the Nasdaq Helsinki insider rules.

According to Sanoma's Insider Regulations, a person who has learned Inside Information – irrespectively of whether she or he is a Permanent or Project-specific Insider or not - may not use the information by acquiring or conveying Sanoma's Financial Instrument (either on his own behalf or on behalf of another, directly or indirectly), nor give advice on their acquisition or disposal (either directly or indirectly). This also applies to advice not to trade. Sanoma employees shall avoid giving advice in respect of Sanoma's Financial Instruments in general.

Any person possessing Inside Information related to Sanoma's Financial Instruments is not allowed to disclose Inside Information. The duty of confidentiality does not restrict information from being given by such employees who need to share this information to fulfil their tasks for Sanoma. Insiders shall time their trading in Sanoma Financial Instruments so that such trading shall not undermine the trust in the securities markets. Regardless, whether Insiders have Inside Information or not, they may not trade in Sanoma Financial Instruments during a period of twenty one (21) days preceding the date of the publication of the Company's Interim Report and twenty eight (28) days preceding the Financial Statements (closed window). Furthermore trading is not allowed during the entire publication day.

Further, Insiders should not engage in short-term trade in Sanoma Financial Instruments, i.e. to buy or sell the same Financial Instruments within six (6) months. The trading should be dated within the twenty-eight (28) day period after the publication of Interim Report or Financial Statements.

Related Party Transactions

Sanoma has a Related Party Policy under which certain members of the management as defined by the policy are under obligation to submit for prior approval envisaged related party transactions.

Risk management

While executing its strategy and reaching for agreed business objectives, Sanoma and its businesses encounter numerous risks as well as risk-taking opportunities. Managing business risks and the opportunities associated with them is a core element in the daily responsibilities of Sanoma's management.

Risk Management Policy and process

Sanoma's Risk Management Policy describes the scope, objectives, processes as well as roles and responsibilities of various corporate bodies.

The Board of Directors is responsible for approving and setting Sanoma's Risk Management Policy and for overseeing the effectiveness of risk management.

The Audit Committee regularly reviews and monitors the implementation of the Risk Management Policy and risk management process.

The President and CEO, with the support of the Executive Management Group, is responsible for defining risk management strategies and procedures, and for setting risk management priorities. The President and CEO is also responsible for defining changes in the risk reporting process, in the Sanoma common risk language and in the applied risk model.

The Group Risk Management function coordinates the Group risk management process and produces periodical risk reports for the President and CEO and the Executive Management Group. Updated Group risk assessment results with related ongoing or planned mitigation actions are communicated to the Audit Committee and further to the Board of Directors twice a year.

The Group's risk management process is integrated into the systems for strategic planning, management monitoring and quarterly reporting. Strategic business units ('SBU') and businesses identify, assess, manage and monitor risks related to achieving the objectives of their operations.

Group internal control systems, as well as internal audit and external audit activities are presented in more detail in the Corporate Governance Statement, on pp. 80–86, and at Sanoma.com.

Identified key risks

General business risks associated with the industry relate to developments in media advertising and consumer spending. Media advertising is sensitive to economic fluctuations. Therefore, the general economic conditions of the countries in which the Group operates, and the economic trends of the industry influence Sanoma's business activities and operational performance.

Around 35% of Sanoma's net sales is derived from media advertising and some 34% from single copy or subscription sales. Rapid changes in media advertising and consumer confidence will affect the Group's results. Newspaper, magazine and TV advertising react fastest to changes in media advertising expenditure.

In Sanoma's risk model, the Company-specific risks are divided into four main categories: strategic, operational, financial and hazard risks. The most significant risks in each category, that is, those that could have a negative impact on Sanoma's business activities, operations' performance, or financial status if realised, are illustrated below.

STRATEGIC RISKS

Strategic risks include risks related to changes in customer preferences or the competitive situation as well as risks regarding suppliers or operating countries, intellectual property rights, laws and regulations. Risks associated with mergers and acquisitions, Sanoma's strategic agility, development of technology and innovation capabilities are also included in strategic risks.

At the Group level, the most significant risks relate to changes in customer preferences, the threat of new entrants and regarding our digital development the success of mergers and acquisitions. The management and protection of intellectual property rights are also associated with many of these risks.

Changes in customer preferences and the threat of new entrants

Many of the identified risks relate to changes in customer preferences. This applies both to the changes in consumer behaviour as well as to the changes in the behaviour and influence of business-to-business customers.

Ongoing digitisation and mobilisation is the driving force behind many of these changes. The increased usage of mobile devices has changed the way people consume media. Although monetization of the mobile market so far proofs to be difficult Sanoma's mobile strategy is well prepared for this change and all strategic business units have action plans on how to respond to this challenge.

Nevertheless new entrants and / or new technological developments might be in a better position to utilise changes in customer preferences and digitisation, and therefore gain market share from Sanoma's established businesses. To further enhance capability to respond to changes and focus the digital transformation, Sanoma established at the end of 2015 the new Digital Centre of Expertise and integrated its Pure-Play digital businesses into Sanoma Media BeNe and Media Finland.

Mergers & Acquisitions ('M&A')

Sanoma has grown through acquisitions. Due to these acquisitions, the Group may become exposed to risks associated with new markets and different business environments. The acquisitions also include risks related to the actual transaction process, integration of the new business, retention of key personnel and achieving the targets set for operations.

Regarding risks associated with acquisition decisions, the Sanoma Corporate Governance Principles specify the approval procedures for investments (including acquisitions). The Group's M&A Policy defines the decision-making and follow-up within the Group for mergers and acquisitions, how the M&A projects are organised and how the decision-making is to be formatted. In addition, various bodies discuss investments when addressing strategies as well as action and operational plans that are outside the formal process set out in the M&A Policy. Final investment decisions are made on the basis of specific proposals, in accordance with the form set out in the M&A Policy and authorisations governing approval of investments. A specific proposal for a major acquisition is submitted for the purpose of decision-making, providing information on issues such as the strategic reasons for the transactions with related risks, key terms of the underlying documentation and synergy calculations. In the Group's M&A Policy, there is also a procedure for follow-up of acquisitions.

Laws and regulations

Changes in laws and regulations may affect Sanoma's ability to effectively conduct business.

Changing regulations regarding the use of consumer data for commercial purposes and the deterioration of publisher's and broadcaster's copyright protection can have impact on Sanoma's commercial propositions and content investments. Furthermore changes in tax legislation, such as higher value added tax rates for printed products, might have significant financial consequences.

Monitoring and anticipating developments regarding changing legislations are a priority for management in countries where Sanoma conducts business.

Intellectual Property Rights ('IPR's)

Key IPRs with regard to Sanoma's products and services are the copyrights including publishing rights, trademarks, business names, domains, know-how, and e-business-related patents and utility models owned and licensed by the Group.

The acquisition, management and exploitation of IPRs involve risks associated with the scope of rights, continuity of rights and insufficient protection of rights or infringements. Unauthorised use of IPRs increases with the digitisation of media. Copyright enforcement lags behind rapid technology development making it possible for new players to enter into the online advertising market without their own investments into content.

In the wake of the European Commission having published a Digital Agenda for a single 'one European digital market', new regulation increases not only competition but complexity and cost pressure.

Sanoma manages rights in accordance with the Group-wide IPR policy and procedures. Because of the dispersed IPR portfolio, no material risks arise in relation to any individual IPR cases.

Political Risks

Political changes or instability in countries Sanoma is operating in may affect the ability to effectively conduct business. Reasons can be a change in government, legislative bodies, other foreign policy makers, or even military intervention. Monitoring and anticipating developments regarding changing political climate are a priority for management in countries where Sanoma conducts business.

OPERATIONAL RISKS

Operational risks relate to the quality of products and services, customer satisfaction, readiness to change, information and communication technologies, integration of new operations, human resources and leadership as well as to knowledge management.

Operational risks related to product and service quality and customer satisfaction vary by strategic business unit. At the Group level, the most significant risks are associated with leadership and human resources, knowledge management and (security of) information technology systems.

Leadership and human resources

The Group's successful performance depends on how competent its management and other personnel are, and on the ongoing development of their competencies and skills in developing appealing products and services in accordance with customer needs. The Group's success also requires that the leadership culture supports innovation, change management and encourages managed risk taking.

Recruiting and retaining key individuals is becoming more difficult as a result of various factors, including changes in the age structure of the population and intensifying competition for personnel. Sanoma is responding to these challenges by continuously improving, among other things, in-house training programmes and increasing opportunities for job rotation. Special focus in leadership training, more systematic succession and career planning as well as the development of supporting HR systems are used in the mitigation of these risks. In addition, remuneration principles and practices are continuously developed and readjusted in order to enhance the retention and recruitment of talented personnel and help in change management.

Knowledge management

The management and transfer of knowledge across the Group are crucial for the success of Sanoma. It is important that information, best practices and successful business concepts are obtained and shared within and between strategic business units. Sanoma constantly works on making the information flow within the Group as smooth as possible. Introduction of Group-wide collaboration tools as well as cross-SBU teams are examples of actions used in the mitigation of risks related to the knowledge management.

Information and Communication Technologies ('ICT') systems

Reliable ICT systems are an integral aspect of the Group's business. These systems include online services, newspaper and magazine subscriptions, advertising and delivery systems, as well as various systems for production control and the management of customer relations. To be future proof it is highly important the Group succeeds in integrating its ICT platforms more closely and to reach a higher level of standardisation.

Regarding ICT security, risks relate to confidentiality, integrity or availability of information, as well as reliability and compliance of data processing. These can be divided into physical risks (fire, sabotage and equipment breakdown) and logical risks (related to data security, employees and software failure). Sanoma has established continuity plans for systems critical to the Group. Sanoma's ICT Governance model includes responsibilities regarding ICT security.

FINANCIAL RISKS

Financial risks include interest rate risk, currency risks, liquidity risk and credit risk. Other risks include risks related to equity, impairment and availability of capital. At the Group level, the most significant risks relate to liquidity and changes in exchange rates and interest rates.

Sanoma's medium-term objective is to achieve a capital structure that represents an investment-grade credit profile. This can be achieved by ensuring strong cash flow from operations, maintaining adequate committed credit lines with various financial institutions and managing financial risks efficiently. By centralising the financing, financial risk management and liquidity management to a centralised unit (Group Treasury) more cost-efficient and competitive financing terms and pricing can be achieved. Group Treasury operates as counterparty to business units. The Group mainly operates in the euro area, which essentially reduces the influence of currency risks. However, the Company has substantial transaction risks mainly related to TV programming rights purchases in US dollars. Sanoma mitigates financial risks with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable.

A more detailed description of the Group's financial risk management can be found in Note 29.

As a result of acquisitions, the consolidated balance sheet on 31 December 2015 included about EUR 2.1 billion in goodwill, publishing rights and other intangible assets, most of which is related to magazine and TV operations in the Netherlands. In accordance with the International Financial Reporting Standards (IFRS), instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. The impairment losses on goodwill, immaterial rights and other intangible assets for 2015 totalled EUR 106.7 million (2014: EUR 59.7 million), and there were no indicators of other impairment impacts on the Group's financials.

HAZARD RISKS

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

Investing in Sanoma

Annual General Meeting

Sanoma Corporation's Annual General Meeting of Shareholders (AGM) will be held on 12 April 2016 at 14:00 (CET+1) in the Congress Wing of Messukeskus, the Helsinki Exhibition & Convention Centre (Messuaukio 1, 00520 Helsinki, Finland).

NOTICE OF THE AGM

A notice of the AGM is published in at least one widely circulated newspaper. The meeting agenda is included in the notice. The notice of the meeting and the Board's proposals are also published as a Stock Exchange Release and on the Group's website.

In accordance with the Finnish Limited Liability Companies Act, a shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice.

ATTENDING THE AGM

Shareholders whose holding is registered in the list of shareholders, maintained by Euroclear Finland Ltd, on 31 March 2016 are welcome to attend the AGM.

REGISTRATION

Shareholders wishing to attend and to use their voting rights are kindly requested to register by 16:00 (CET+1) on Wednesday, 6 April 2016. Registration can be made at Sanoma.com, by phone +358 20 770 6864 or by fax +358 10 519 5058.

The holder of nominee registered shares is requested to ask, in good time, his/her asset manager to provide the necessary instructions for registration in the shareholder register, for issuing proxies and for registration for the AGM. The account operator of the asset manager must register the holder of nominee-registered shares wishing to attend the AGM to the Company's temporary shareholder register no later than on 7 April 2016 at 10:00 (CET+1).

Shareholders wishing to attend the AGM are requested to register within the time specified in the notice. Shareholders not able to participate in the AGM may appoint an authorised representative or statutory representative. Shareholders are requested to submit possible proxies within the registration time limit to:

Sanoma Corporation
AGM
P.O. Box 60
00089 SANOMA, Finland

DIVIDEND

The Board of Directors proposes to the AGM that a dividend of EUR 0.10 per share should be paid for 2015. All shareholders registered on the Company's list of shareholders (maintained by Euroclear Finland Ltd) on the record date of 14 April 2016 are entitled to the dividend decided by the AGM. In Finland, the dividend payment date will be 21 April 2016. Outside Finland, the actual dividend payment date will be determined by the practices of the intermediary banks transferring the payments.

Sanoma's financial reporting during 2016

The Group's Interim Reports in 2016 will be published:

- January–March on 3 May, at approximately 8:30 (CET+1);
- January–June on 27 July, at approximately 8:30 (CET+1);
- January–September on 28 October, at approximately 8:30 (CET+1).

The Financial Statements and Interim Reports are available in Finnish and English. Publications can be viewed at Sanoma.com. Shareholders can join the email distribution of Sanoma's Interim Reports and other releases at Sanoma.com.

Sanoma's annual review, the Sanoma View and Corporate Social Responsibility report 2015 can be viewed and ordered at Sanoma.com.

SILENT PERIOD

Sanoma's silent period starts four weeks prior to publishing of its interim financials (except for the Interim Report January-March, for which the silent period is three weeks) and four weeks prior to publishing of annual financial results. Sanoma will not comment on its business or meet with capital market representatives during that period.

Changes in contact information

Euroclear Finland Ltd maintains a list of Company shares and shareholders and a list of holders of option rights. Shareholders and holders of option rights who wish to make changes to their personal and contact information are kindly asked to contact their own account operator directly. Sanoma cannot make these changes.

Assessments regarding Sanoma as an investment object

According to information held by Sanoma, at least the following analysts publish investor analyses of the company: Carnegie Investment Bank, Danske Markets, Evli Bank, Handelsbanken Capital Markets, Inderes, Nordea, Pohjola Bank, and SEB Enskilda. Sanoma does not accept any responsibility for the views or opinions expressed by the analysts.

The analysts' contact details can be viewed at Sanoma.com.

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