Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Sanoma Corporation

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

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

What we have audited

We have audited the financial statements of Sanoma Corporation (business identity code 1524361-1) for the year ended 31 December 2017. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies

- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

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

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

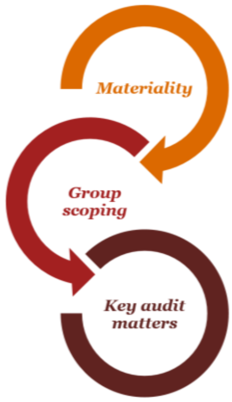
Independence

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

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 9 to the Financial Statements.

Our Audit Approach

Overview



- We have applied an overall group materiality of 11 500 000 euros.

- The group audit scope encompassed all significant group companies and covers the vast majority of group's revenues, assets and liabilities.

- Valuation of goodwill
- Valuation of TV broadcasting rights and prepublication rights included in intangible assets
- Revenue recognition
- Accounting for changes in group structure
- Valuation of interests in group companies and receivables from group companies in the Parent Company's financial statements

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

Materiality

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

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

Overall group materiality	11 500 000 euros
How we determined it	We used a combination of total revenues and profit before tax as benchmarks to determine overall group materiality.
Rationale for the materiality benchmark applied	We assessed the suitability of the commonly accepted benchmarks for the determination of materiality. We determined that total revenue and profit before tax as a combination provide a suitable representation of the magnitude of Sanoma's operations.

How we tailored our group audit scope

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

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

Key Audit Matters

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

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

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of goodwill *Refer to Accounting policies for consolidated financial statements and Note 15* Goodwill in the group's balance sheet amounted to EUR 934.6 million as of 31 December. As such, goodwill represents 59 % of total assets in the balance sheet. The balance has significantly decreased during the financial year due to divestments. Goodwill is not amortized but is subject to annual impairment testing. For the purpose of impairment testing, goodwill has been allocated to three cash flow generating units (CGU): – Sanoma Media Finland, goodwill of EUR 78 million – Sanoma Media BeNe, goodwill of EUR 581 million – Sanoma Learning, goodwill of EUR 276 million. The goodwill impairment testing is carried out by determining the present value of future cash flows of the CGUs. This assessment involves considerable judgment with respect to assumptions used in the cash flow projections specifically relating to the long-term growth rate, profitability level and discount rate. The valuation of goodwill is considered a key audit matter due to its financial significance as well as due to the high degree of management judgement involved in the valuation.	Our audit procedures included, for example, the following: – We obtained an understanding of the methodology used in the goodwill impairment testing including the determination of the CGUs – We tested the mathematical accuracy of the calculations – We assessed the reasonableness of the estimated future profitability levels and their consistency with the approved budgets and forecasts – We involved our valuation experts to test the reasonableness of the discount rates, the long term growth rates and other assumptions by e.g. comparing the inputs to observable market data – We tested management's sensitivity analysis to ascertain the extent of change in key assumptions that either individually or collectively could result in an impairment of goodwill – We assessed the adequacy of the disclosures particularly related to assumptions and sensitivities

Valuation of TV broadcasting rights and prepublication rights included in intangible assets

Refer to Accounting policies for consolidated financial statements and Note 15

As of December 31, 2017 the TV broadcasting rights amount to EUR 28.4 million and the prepublication rights to EUR 63.0 million. The amount of TV broadcasting rights has significantly decreased during the financial year due to the divestment of the Dutch TV business SBS.

The cost of TV broadcasting rights is recognized in intangible assets and amortized based on broadcasting runs. The prepublication rights of learning materials and solutions are mostly internally generated intangible assets that are amortized over their useful lives. The group reviews the carrying values of these intangible assets to determine that they do not exceed the estimated future economic benefits.

Valuation of these intangible assets is considered a key audit matter due to management judgement involved in determining the amortization methods and in assessing the recoverability of these assets.

Our audit procedures included, for example, the following:

– We obtained an understanding of the accounting and valuation principles of the TV broadcasting rights and prepublication rights
– We tested, on sample basis, the adequacy and correctness of the amortization methods for TV broadcasting rights based on the broadcasting runs
– We evaluated the management's estimate of the amortization period used for the prepublication rights
– We evaluated management's estimate of the future economic benefits and recoverability of these assets
– We tested, on a sample basis, the additions to the prepublication asset

Revenue recognition

Refer to Accounting policies for consolidated financial statements and Note 6

The group's total net sales from continued and discontinued operations amount to EUR 1,512.6 million. The group's main revenue streams include magazine and newspaper publishing (circulation sales and advertising sales), TV and Radio operations, online and mobile revenues and learning solutions. Revenue recognition principles vary depending on the nature of the revenue stream.

Revenue recognition is considered a key audit matter due to the significance for revenue to the financial statements and due to management judgement involved in selecting the appropriate revenue recognition method for the different revenue streams.

Our audit procedures included, for example, the following:

– We obtained an understanding of the company's revenue recognition policies and compared these to the respective standards on revenue recognition
– We tested the internal controls that the company uses to assess the completeness, accuracy and timing of revenue recognized
– We tested revenue transactions on a sample basis
– We tested, on a sample basis, revenue related balances in the balance sheet, such as provision for returns and advances received

Accounting for changes in group structure

Refer to Accounting policies for consolidated financial statements and Note 4, 5 and 34

The group has announced several acquisitions and

Our audit procedures included, for example, the following:

– We obtained an understanding of the company's

divestments during the financial year, the most significant being the divestment of the Dutch TV business SBS. This transaction had a EUR -286.2 million impact on the net result. Furthermore the company announced the intention to divest the Belgian women's magazine portfolio which has been classified as a discontinued operation as of the December 31, 2017. Accounting for changes in group structure is considered a key audit matter due to the significance of the SBS divestment, in particular, to the financial statements and due to the significant management judgment involved in the classification and accounting treatment of the transactions.	accounting policies for acquisitions and divestments – We assessed management's application of the accounting policies and the assumptions related to the accounting treatment of the significant divestments and acquisitions – We tested the gain or loss of significant divestments and the impact of the transaction on the non-controlling interest and goodwill – We tested, on a sample basis, the appropriate disclosure of the discontinued operations in the financial statements

Key audit matter in the audit of the parent company	**How our audit addressed the key audit matter**
Valuation of interests in group companies and receivables from group companies in the Parent Company's financial statements	
Refer to the Parent Company's accounting policies and Note 9 The investments in group companies' shares amounts to EUR 910 million representing 58 % of the Parent Company's balance sheet. During the financial year the company has recognized impairment losses of EUR 257 million related to these shares. The Parent Company's investments include also EUR 525 million of receivables from group companies. Interest in group companies is tested for impairment annually using the income approach. In applying this approach the fair value of an investment is calculated based on the discounted cash flow model or the dividend discount model. Valuation of interests in group companies and receivables from group companies is considered a key audit matter in the audit of the Parent Company due to the significance of these investments to the financial statements and due to the high degree of management judgement involved in the income approach used to test the valuation of these investments.	Our audit procedures included, for example, the following: – We assessed the reasonableness of management assumptions relating to the estimated future results by e.g. checking their consistency with the approved budgets and forecasts – We involved our valuation specialists when assessing the inputs and methodology in determining the discount rates, and in evaluating the long-term growth rates compared to external market data – We reviewed the Parent Company's disclosures in respect of the impairment testing.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Appointment

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

Other Information

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

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

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

In our opinion

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

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

Other statements

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

Helsinki 27 February 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)