Annual Review 2019

Contents

This Sanoma Annual Review 2019 consists of the following parts:

1. Board of Directors' Report, including non-financial information
2. Audited consolidated and parent company financial statements
3. Corporate Governance Statement
4. Remuneration Statement

Unless otherwise stated, all income statement-related figures for 2018 and 2019 cover continuing operations only. Figures related to balance sheet and cash flow cover both continuing and discontinued operations.

Further information on Sanoma as an investment is available at sanoma.com/investors

Financial highlights 2019

Operational EBIT margin excl. PPA

14.8%

(2018: 13.8%)

- Earnings improved in Learning and were stable in Media Finland
- Net sales grew mainly as a result of the Iddink acquisition

Leverage

2.7

(2018: 1.4)

- Net debt / Adj. EBITDA temporarily above the long-term target level (below 2.5) due to the Iddink acquisition and IFRS 16
- Learning business strengthened with four acquisitions
- 400M€ headroom for M&A

Dividend per share

€ 0.50

(2018: 0.45)

- Adjusted* free cash flow per share EUR 0.86 (2018: 0.77)
- Pay-out ratio 58% (2018: 58%) of adjusted free cash flow

* Excl. 10m€ (2018: 17) of costs related to discontinued operations divested in June 2018 in Belgium.

Sanoma in brief

Sanoma is a front running learning and media company impacting the lives of millions every day. We enable teachers to excel at developing the talents of every child, provide consumers with engaging content, and offer unique marketing solutions to business partners.

We have two strong businesses: Sanoma Learning and Sanoma Media Finland. Today, we have operations in ten countries including Finland, the Netherlands and Poland. Our net sales totalled EUR 900 million and we employed approx. 3,500 professionals in 2019.

Transforming Sanoma

Sanoma has been an integral part of the Finnish media industry since 1889 when the first issue of Päivälehti newspaper, predecessor of Helsingin Sanomat, was published.

Building of the European learning business started in 1999 with the incorporation of Sanoma WSOY.

2019

Sanoma divested LINDA. magazine in the Netherlands and the transformation was completed with the divestment of strategic business unit Sanoma Media Netherlands.*

* Sanoma annouced the intention to divest Media Netherlands on 10 December 2019. The divestment is expected to be completed latest during Q3 2020.

2017–2018

After a significant profitability turnaround, Sanoma divested its Dutch TV business SBS in 2017 and Belgian women's magazine portfolio in 2018.

Sanoma strengthened its cross-media entertainment position in Finland by continuing to build its festival and event business.

The acquisition of Iddink significantly increased the scale of Sanoma's learning business, and allowed an entry to the integrated digital learning platform business.

Acquisitions and divestments in 2019

Acquisitions

MEDIA FINLAND

Oikotie

Sanoma increased its ownership in the online classifieds company Oikotie Ltd. from 90% to 100%.

MEDIA FINLAND

Two radio stations, Business FM and Aito Radio

LEARNING

Iddink

Sanoma completed the aquisition of Iddink, a leading Dutch provider of digital platforms for learning and school administration. Iddink operates in the Netherlands, Belgium and Spain and employs 300 people, about 50% working in edtech. Net sales in 2019 were M€ 157 and operational EBIT excl. PPA M€ 22.

LEARNING

Essener

To complement its current product portfolio for secondary education in the Netherlands, Sanoma acquired Essener, the leading Dutch publisher of blended learning methods for social sciences. Net sales in 2018 were M€ 3.

LEARNING

itslearning

Sanoma acquired itslearning, an international provider of award-winning cloud-based learning platforms with operations in nine countries. Net sales in 2018 were approx. M€ 30.

LEARNING

Clickedu

Sanoma strengthened its position within the learning services market in Spain by acquiring Clickedu, one of the leading providers of digital learning platforms. Net sales in 2018 were M€ 3.

Divestments

MEDIA NETHERLANDS

LINDA.

Sanoma divested Mood for Magazines, publisher of LINDA. magazine to Linda de Mol, founder and minority shareholder of Mood for Magazines and Talpa. Net sales in 2018 were M€ 27.

MEDIA NETHERLANDS

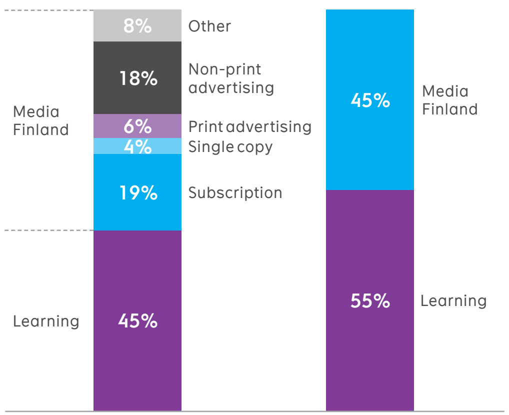
Media Netherlands SBU

As an important step in its strategic transformation, Sanoma announced an intention to divest its strategic business unit Sanoma Media Netherlands to DPG Media. Media Netherlands consists of leading Dutch and Belgian magazines (incl. Libelle, Donald Duck, vtwonen) and the online news brand NU.nl. The divestment is expected to be completed latest during Q3 2020. Net sales in 2019 were M€ 368. Media Netherlands is reported as discontinued operations in the 2019 financial reporting.

Sanoma as an investment

Solid net sales and profitability

We have a well-balanced business portfolio and after the Media Netherlands divestment, 55% of the Group's earnings will come from the learning business.



LTM Q3 2019 incl. Iddink, Essener and itslearning, excl. Media Netherlands

6% Share of print advertising of the Group's net sales

Sanoma Learning:

Growing business with strong digital footprint and benefits of scale

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

Long-term financial targets

- Comparable net sales growth **2–5%**
- Operational EBIT margin excl. PPA **20–22%**

Net sales

- Organic growth with curriculum changes and increasing digitalisation
- New geographies and expanding technology and service offering

Profitability

- Steady profitability
- Synergies of recent acquisitions
- Scale benefits to be leveraged through acquisitions

15m Serving 15m students

Sanoma Media Finland:

Leading cross-media offering with stable net sales and improving profitability

Sanoma Media Finland is the leading media company in Finland, reaching 97% of all Finns weekly. We provide information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. We have leading brands and services, like Helsingin Sanomat, Ilta-Sanomat, Me Naiset, Aku Ankka, Oikotie, Nelonen, Ruutu and Radio Suomipop. For advertisers, we are a trusted partner with insight, impact and reach.

Long-term financial targets

- Comparable net sales growth **+/-2%**
- Operational EBIT margin excl. PPA **12-14%**

Net sales

- Stable revenue in a transforming media market
- Growth especially in news and entertainment subscriptions, radio and events

Profitability

- Increased profitability through digitalisation
- Simplification of the business and operations

Strong, independent domestic media for generations to come

Focus on growth through M&A

In Learning, we are using our scale and capabilities in learning design, technology and services to enter new geographies and expand offering in existing markets.

In Media Finland, we are looking for synergistic acquisitions in news & feature, entertainment or B2B marketing solutions.

M&A headroom of

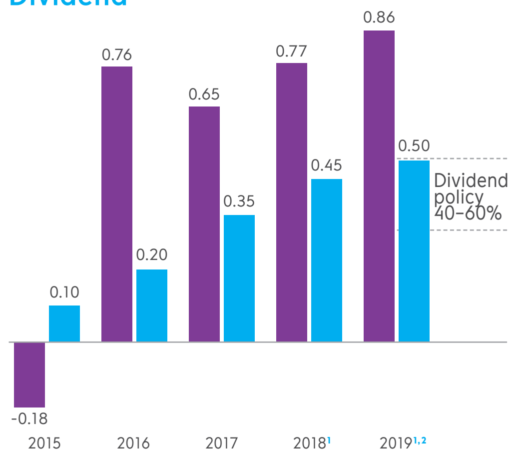
400m€

Solid M&A pipelines for both businesses; expected to materialise in 12–18 months

Growing dividend

Sanoma aims to pay an increasing dividend, equal to 40–60% of annual free cash flow. When proposing a dividend to the AGM, the Board of Directors will look at the general macro-economic environment, Sanoma's current and target capital structure, Sanoma's future business plans and investment needs as well as both previous year's cash flows and expected future cash flows affecting capital structure.

Dividend



1 FCF excl. one-off costs related to the divestment of Belgian women's magazine portfolio
2 Board's proposal

0.50€ Board's proposal for the dividend to be paid in two installments

Sanoma value creation model

The value creation model describes Sanoma's business model as well as Sanoma's role and impacts in its value chain. Sanoma uses certain resources and inputs in developing, producing, curating and distributing learning and media content and offering services. The model also describes the most material outputs of Sanoma's business operations, and their impacts on Sanoma's audiences, customers, society and other stakeholders. The value creation model is part of non-financial information included in the Report of the Board of Directors. All numbers presented in the model are for continuing operations in 2019.

Inputs

Operational

- Systems and applications
- Own and external printing facilities
- Distribution and transportation
- User data

Human, social & intellectual

- Committed and diverse personnel (about 4,000 employees at the end of 2019) and freelancers, who have competence and know-how in learning and media content creation, innovation and development
- Key stakeholder relations and engagement with teachers, readers and users to understand customers' needs

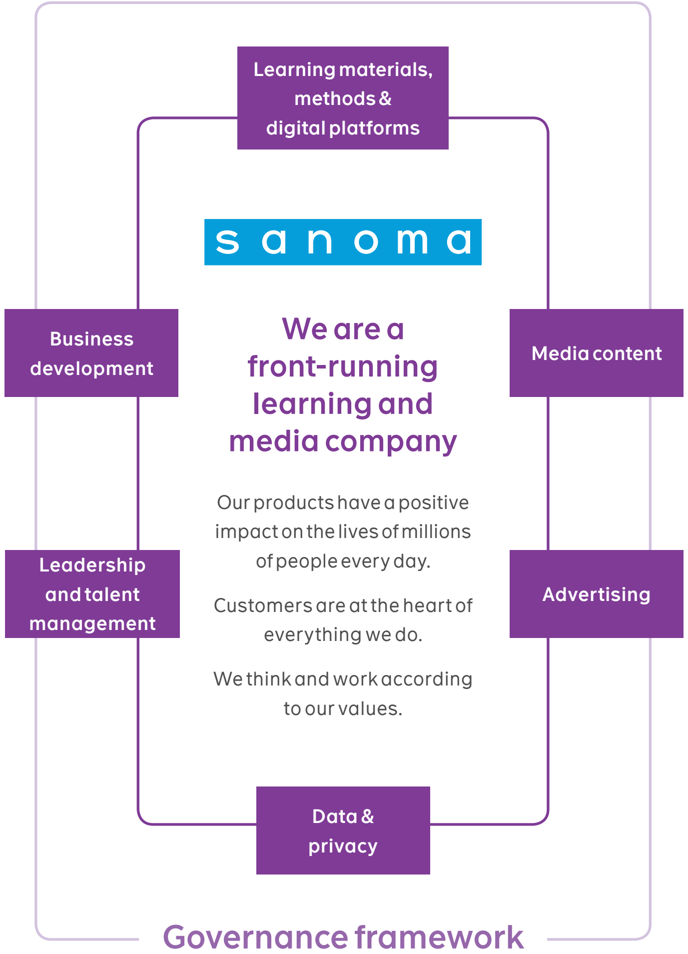
Financial

- Equity M€ 551
- Net debt M€ 795

Natural

- Paper used 55,700 tonnes
- Electricity used 20.8 GWh

Business activities



Outputs

Operational, intellectual & social

- Modern learning materials, methods and digital platforms
- Independent, high-quality journalism
- Local entertainment
- Optimal reach and targeting for successful and responsible advertising
- Customer value by responsible use of data
- New products and solutions to meet the changing customer needs

Human

- Engaged employees
- Increased knowledge and knowhow

Financial

- Earnings* M€ 135
- Employee benefits M€ 244
- Net financial costs M€ 22
- Taxes and employer charges M€ 57
- Free cash flow M€ 131
- Dividends paid M€ 75

Natural

- GHG emissions 5,733 t CO_2/e

* Operational EBIT excl. PPA

Impacts

- Our products have a positive impact on the lives of millions of people every day
- Our modern, high-quality materials, methods and digital platforms support high learning results and contribute to successful and stable development of societies
- Our independent, high-quality journalism supports freedom of speech and increases people's awareness and intellectual capital
- We enrich people's lives by entertainment contributing to shared values and experiences
- We contribute to economic growth via responsible advertising and employment
- We support users' awareness about the benefits of data and their trust on our data integrity
- We play an active role in responsible and forward-looking development of learning and media industries
- We work to minimise the environmental impact across our value chain

Both learning and media have a meaningful role in society

Sanoma is a growing European-based learning company and the leading cross-media company in Finland. Our products have a positive impact on the lives of millions of people every day. We aim to maximise our positive social and economic impacts and minimise the negative environmental impacts across our business. Rigorous ethical principles and responsible business practices are fundamental to us.

Learning

Our modern, high-quality materials, methods and digital platforms support high learning results and contribute to successful and stable development of societies.

Media

Independent, high-quality journalism supports freedom of speech and increases people's awareness and intellectual capital. Local entertainment enriches people's lives and contributes to shared values and experiences. Responsible advertising plays an important role in supporting economic growth.

Responsible business practices across the value chain

- **Compliance and Code of Conduct**
- **Data integrity**
- **Environmental impacts**
- **Sanoma as an employer**
- **Supply chain**

Chairman's greetings

"Our ambition is to create growing value for both our customer groups as well as our shareholders."

Dear Shareholders,

I am pleased to share this Annual Review with you. 2019 was another successful year for Sanoma and a year of good financial development.

Sanoma has consistently implemented its strategy and developed the company further. Our ambition is to create growing value for both our customer groups as well as our shareholders. Today, the company is in a state where it has good and stable growth prospects, the ability to pay growing dividends, and the financial resources to choose its growth paths. We are well positioned to take advantage of future opportunities.

In 2019, we took another important step on our carefully selected strategic path to change Sanoma into a growing European learning company and a strong local Finnish cross-media company. In the future, we will operate in two different markets where we are best placed to serve our customers for generations to come. We see learning as a stable and growing business where we have a strong foothold in some of the best and most digitised education markets in the world. In Finland, our unique cross-media solutions give us a strong position to succeed in the digital era and attract new customers.

Change is a permanent phenomenon. The key in understanding change, its effects and opportunities, is by comprehending the scale of it. The scale changes the way we view and perceive the operating environment and how it changes. By understanding and anticipating change, we can find new areas of growth for ourselves and respond more quickly to our customers' changing expectations and needs. By also looking towards the long-term future, we can determine the right questions for forthcoming strategic options, even when we do not yet have all the answers.

Digitalisation is the underlying force of change. It will continue and proceed to cover new areas and thereby affect our daily lives in new ways. Sanoma embraces digitalisation as a sea of vast opportunities. Data is the fuel of digitalisation. With data we can tailor content and learning services and create a better fit with consumer needs. Data is closely linked to trust and responsibility. We highly value this trust of our customers and apply high standard processes to secure the integrity of personal data.

2019 marked the 130th anniversary of the launch of Helsingin Sanomat's predecessor, Päivälehti. For Finnish news journalism, the emphasis on freedom of expression and journalistic independence has always been at the heart of our news reporting. These strong values have guided us for 130 years, and we continue to rely on them with the same determination for future decades to come. Our recent announcement to acquire Alma Media's regional news media business supports a sustainable future of independent news media in Finland. Freedom of expression must be defended when it is at its strongest, because once it has lost its power and confidence, there is no longer means to defend it. It should not be taken for granted.

Both learning and media are businesses with a high purpose for society and this attracts both employees and shareholders to Sanoma. High-quality educational content and services support teachers and schools to reach high learning results and thus supporting a prosperous and fair society. Media supports the freedom of speech, and local entertainment ensures shared values and experiences creating a fair, open and transparent society. This is not a side effect of our business, it is the essence of it. The Board and Sanoma's employees are highly committed to our unique role in social responsibility.

> **"Both learning and media are businesses with a high purpose for society and this attracts both employees and shareholders to Sanoma."**

I would like to express my gratitude to all Sanoma employees. Without your input and dedication, the company could not succeed and develop. Change requires curiosity, courage, commitment and humility. I strongly believe that Sanoma will continue to be able to offer interesting challenges and opportunities for our personnel while creating value for our customers and shareholders.

Dear Shareholders, I would like to thank you for your continued trust and support, and wish you interesting moments of reading with this Annual Review.

Pekka Ala-Pietilä
Chairman of the Board

CEO's greetings

Dear Shareholders,

2019 was a transformative and financially successful year for Sanoma. I am very pleased to share an overview of our year with you in this Annual Review.

2019 was a transformative year for Sanoma: becoming a learning and media company

In 2019, we transitioned from a predominantly media company to a growing European learning company with a strong cross-media business in Finland. The decision to divest our media business in the Netherlands was communicated early in December 2019, and was a major step for Sanoma. In recent years, we had already divested our Dutch TV business, SBS, and the Belgian magazine portfolio. The remaining media business in the Netherlands was largely a standalone magazine business for which we had limited growth opportunities. It proved to be difficult to give it a strong digital future without the support of a wider range of media products, especially news media like we have in Finland.

The divestment of Media Netherlands gives us a M&A headroom of EUR 400 million, and thus opportunities to continue on our growth path and make carefully selected strategic acquisitions in our learning business, and to a lesser extent also in our Finnish media business.

Transforming with our customers

Digitalisation is the key driver of change in both education and media. To succeed, we must follow and fulfil the needs of our customers. "Following our customers" has been at the heart of our strategy now for five years and it has proven to give us the guidance needed to be successful in the markets.

To keep our content and services relevant, we must maintain a constant dialogue with our customers – schools, teachers, students, advertisers, readers and audiences – and understand their changing needs. We embrace digitalisation with all the opportunities it brings in enriching both our learning and media content.

A growing European education business in the most advanced education markets in the world

Sanoma has chosen K12 (from kindergarten to 12th grade) learning services as one of its key strategic business areas in which to grow. By nature, the education business is more stable and less affected by short-term economic changes, and it is positively impacted by digitalisation.

We have come a long way in the past 20 years since Sanoma Learning was initiated by merging Sanoma's and WSOY's educational publishing business. We started 2019 being present in five countries and serving 6 million users on Sanoma platforms, and ended the year being active in 10 countries serving over 15 million students and teachers through our platforms and learning materials.

We closed the acquisition of Iddink, a leading Dutch educational platform and service provider, in September, having already announced that deal at the end of 2018. And we ended the year 2019 by acquiring three smaller and very carefully targeted learning businesses: Essener, itslearning and Clickedu. In 2020, we expect net sales of our learning business to be around EUR 500 million, double the size it had four years ago. We see interesting growth opportunities to explore, both in those markets where we are already active and in adjacent markets.

We are now actively involved in the digital learning platform business, providing us with a strong foothold in future digital learning environments. This key vertical integration into digital learning platform solutions will also facilitate the introduction for Sanoma Learning into some of the larger European educational markets. We also announced long-term financial targets for Sanoma Learning to be comparable net sales growth of 2–5% and operational EBIT margin excluding PPA of 20–22%.

Our strong Finnish cross-media business provides independent news and local entertainment for generations to come

Sanoma Media Finland is the leading cross-media business in Finland with a very unique market position and strong presence in almost all media segments. Its roots extend back to 1889 when Päivälehti, predecessor of Helsingin Sanomat, was founded; and in 2019 we celebrated Helsingin Sanomat's 130th birthday.

The Finnish media business, with its leading positions in news & feature, entertainment, and B2B marketing solutions, has managed to further digitalise and grow its business. The strength of the combination of the various media positions allows us to follow the changing preferences of consumers across all media types. At the end of 2019, we also announced long-term financial targets for Sanoma Media Finland: comparable net sales growth of +/-2% and operational EBIT margin excluding PPA of 12–14%.

Helsingin Sanomat continued to grow its subscription base for the third consecutive year. This is also truly remarkable when compared on a global scale. What is especially interesting is that Helsingin Sanomat has managed to attract new readers and subscribers from the younger, more demanding, audiences. This shows how the younger generation increasingly values independent and reliable news. With the experience of this successful digital development and the requirement of scale in the digital era, we announced our intention to acquire Alma Media's regional news media business in February 2020 in order to make both businesses even more sustainable with increasing digitalisation.

We made a major simplification in our business by combining the two news media brands – Helsingin Sanomat, the leading national subscription news, and Ilta-Sanomat, the leading tabloid and digital news service – with seven of our feature magazine brands into one organisation. All to better serve our readers and to offer our advertising customers strong marketing solutions to grow their businesses.

In entertainment, we grew our video-on-demand subscription base by more than 25%, and Supla application for audio-on-demand also gained further user base. This clearly shows that increasing consumer preference for subscription-based, on-demand, content services are playing to Sanoma's strengths in content and subscription management.

Learning and media have a clear contribution to society in common

Our two businesses, learning and media, both contribute positively to society.

The objective of modern education is to develop the full potential of every student, which helps in building a strong foundation for a stable, productive and prosperous society. Our modern, high-quality materials, methods and digital platforms for schools, teachers and students contribute to students' motivation, excellent learning outcomes and achieving students' full potential.

Domestic, independent journalism reflects and supports society and its values. It ensures that multiple voices and perspectives in society get heard and contributes to a strong, vibrant, transparent and fair democracy. Our responsible B2B marketing solutions enable entrepreneurs to reach their customers and contribute to overall economic growth and employment. Advertising also increases consumers' awareness of products and services.

Data is an increasingly essential part of both the learning and media businesses putting privacy and consumer trust at the core of our daily operations. Through optimal use of data-enabled tailoring and targeting, we can provide individualised learning paths and even more compelling media content – and create value to our users and customers.

With responsible business practices, we aim to prevent and minimise negative environmental impacts across our business by focusing on efficient operations and use of materials as well as responsible value chain by asking our suppliers to operate in a similar manner.

Our teams make the transformation happen

Transforming the company takes a lot from our teams. Constant focus on our customers and their changing needs and preferences means that no team, no individual can rely solely on past experiences. Curiosity, learning and constant adaption are a reality for all of us. Constantly challenging ourselves and our teams is essential for business success.

With our recent acquisitions, we welcomed 600 new Sanoma colleagues at Iddink, Itslearning, Essener, and Clickedu. And during 2020, we hope to be able to welcome nearly another 400 colleagues from Alma Media regional news media business.

At the year end, John Martin – our valued colleague and CEO of Sanoma Learning, and member of Sanoma's Executive Management Team – decided to leave Sanoma after a successful career of 10 years leading the digital transformation of Sanoma Learning and creating one European learning company out of our five operating companies in as many countries. We are very grateful for his drive and commitment with which he has led the team and the business to this success, and we wish him the best in his future endeavours.

Rob Kolkman, CEO of Sanoma Media Netherlands, was appointed CEO for Sanoma Learning as of 1 January 2020. Rob is an experienced, well-respected and results-driven business leader with a strong international track record. He knows both the digital and publishing businesses, and will be a great leader for our Learning team. Rob Kolkman will continue as a member of Sanoma's Executive Management Team and lead Media Netherlands till the divestment is finalised.

I want to thank you, our shareholders, customers, partners and employees, for your trust and commitment in making our transformation journey possible and supporting us in developing Sanoma further into a European learning and Finnish cross-media company. We look forward to making 2020 another successful year for Sanoma, continuing on our path to growth.

Susan Duinhoven
President & CEO

Board of Directors' Report

Report of the Board of Directors for 2019

On 10 December 2019, Sanoma announced it had signed an agreement to divest its strategic business unit (SBU) Sanoma Media Netherlands. Media Netherlands is consequently reported as discontinued operations in Sanoma's financial statements for 2019 and in this report. Unless otherwise stated, all income statement-related figures as well as non-financial information for 2018 and 2019 cover continuing operations only. Figures related to balance sheet and cash flow cover both continuing and discontinued operations. Continuing operations include two SBUs, i.e. Sanoma Learning and Sanoma Media Finland, which are also Sanoma's reporting segments. After the divestment, the remaining Group costs have been allocated to Learning and Media Finland SBUs and SBU-level comparative information for 2018 and 2019 has been adjusted accordingly.

Strategic review

During 2019 Sanoma took further significant steps in its successful strategic transformation from a predominantly media company into a combination of a growing European-based learning company and the leading cross-media company in Finland. Learning was strengthened with four acquisitions during the second half of the year – Iddink, Essener, itslearning and Clickedu – and the intention to divest Media Netherlands to DPG Media was announced in December. The Group's business portfolio is well-balanced: after the recent acquisitions and the divestment of Media Netherlands approx. 45% of the Group's net sales and 55% of operational earnings will come from Learning.

In Learning, the most sizable acquisition was Iddink, a leading Dutch educational platform and service provider, which was closed in September 2019 after signing already in December 2018. Iddink operates in the Netherlands, Belgium and Spain and provides Sanoma new business opportunities with its direct access to the school management. With acquisitions done in 2019, Learning's customer base grew by 50% to about 15 million primary, secondary and vocational education students. Its operations expanded into five new European countries and its offering of blended learning materials and methods were complemented with digital platforms for teaching and school administration, learning material distribution business, as well as testing and analytics tools.

Media Finland focuses increasingly on its three core strategic businesses: news & feature, entertainment and B2B marketing solutions. During the year its news & feature operations were combined into a new unit to respond better to the transforming media consumption. The new organisation consists of the two main news media brands, Helsingin Sanomat and Ilta-Sanomat, as well as a number of lifestyle magazine brands. With a more focused organisation Media Finland aims to be successful in the subscribed and ad-funded journalism both in the current hybrid and in the future digital era. The entertainment business was strengthened with Rockfest, Finland's largest rock and metal music festival, and two small local radio stations. Share of more volatile print advertising continued to decline and today it represents only 7% of the Group's total net sales. In June, Sanoma increased its ownership in the Finnish online classifieds company Oikotie to 100% to simplify further development of the business.

After the divestment of Media Netherlands, Sanoma has two strong businesses, Learning and Media Finland, ready for growth, and a EUR 400 million headroom for M&A. Sanoma has solid M&A pipelines for both Learning and Media Finland. In Learning, it is looking for growth opportunities in new geographies and in expanding its offering in the current ten operating countries. In Media Finland, it is interested in synergistic acquisitions in its strategic focus areas of news & feature, entertainment or B2B marketing solutions. Also in light of its growth agenda, Sanoma is committed to its dividend policy: an increasing dividend corresponding to 40–60% of annual free cash flow.

Financial review

Net sales grew to EUR 913 million (2018: 891). Acquisition of Iddink had a EUR 22 million contribution on net sales growth. Net sales were stable in Media Finland. The Group's comparable net sales development was -1% (2018: -4%).

NET SALES BY SBU

EUR million	FY 2019	FY 2018	Change
Learning	336.7	313.3	7%
Media Finland	576.8	578.5	0%
Other operations	-0.3	-0.4	30%
Group total	**913.3**	**891.4**	**2%**

Operational EBIT excl. PPA improved to EUR 135 million (2018: 123), corresponding to a margin of 14.8% (2018: 13.8%). Earnings improved in Learning as a result of the Iddink acquisition and the benefits of the "High Five" business development programme. Earnings were stable in Media Finland. Costs booked in Other operations declined across cost categories.

OPERATIONAL EBIT EXCL. PPA BY SBU

EUR million	FY 2019	FY 2018	Change
Learning	73.2	63.5	15%
Media Finland	69.4	69.6	0%
Other operations	-7.4	-10.3	28%
Group total	**135.2**	**122.8**	**10%**

EBIT was EUR 102 million (2018: 107). Net IACs totalled EUR -23 million (2018: -10) and consisted of costs related to acquisitions and divestments, strategic business development and changes in IT infrastructure and services. PPA amortisations increased to EUR 11 million (2018: 7) due to recent acquisitions.

IACs, PPAs AND RECONCILIATION OF OPERATIONAL EBIT

EUR million	FY 2019	FY 2018
EBIT	**102.1**	**106.7**
Items affecting comparability		
Restructuring expenses	-23.1	-14.6
Capital gains / losses	0.5	5.0
IACs total	**-22.5**	**-9.6**
Purchase price allocation amortisations (PPAs)	**-10.5**	**-6.5**
Operational EBIT excl. PPA	**135.2**	**122.8**

A detailed reconciliation on SBU level is presented on p. 31.

Net financial items increased to EUR -22 million (2018: -12) and included an impact of EUR -5 million related to the implementation of the IFRS 16 standard and a EUR 3 million exchange rate loss related to Sanoma's earlier Ukrainian subsidiary, which was liquidated during Q3 2019.

Result before taxes amounted to EUR 80 million (2018: 94). Income taxes were EUR 17 million (2018: 22). Result for the period was EUR 63 million (2018: 73) and EUR 13 million (2018: 126) including discontinued operations, which includes a EUR 105 million capital loss related to the divestment of Media Netherlands.

Operational earnings per share were EUR 0.49 (2018: 0.49) and EUR 0.80 (2018: 0.84) including discontinued operations. Earnings per share were EUR 0.38 (2018: 0.44) and EUR 0.07 (2018: 0.76) including discontinued operations.

Financial position

At the end of December 2019, interest-bearing net debt was EUR 795 million (2018: 338). The increase was due to the acquisition of Iddink, completed in September, and the implementation of IFRS 16, which had an impact of EUR 188 million. In November, Sanoma repaid a EUR 200 million bond. The repayment reduced the average interest rate of external loans to 2.3% (2018: 2.5%). Net debt to adjusted EBITDA ratio was 2.7 (2018: 1.4). Due to the Iddink acquisition and the implementation of the IFRS 16 standard, the ratio increased temporarily above the long-term target level of below 2.5.

At the end of December 2019, equity totalled EUR 551 million (2018: 611), including EUR 105 million capital loss (impairment loss on classification as asset-held-for-sale under IFRS 5) related to the divestment of Media Netherlands. Equity ratio declined to 30.5% (2018: 44.7%). Due to the Iddink acquisition, the divestment of Media Netherlands and the implementation of the IFRS 16 standard, the ratio decreased temporarily below the long-term target level of 35–45%. The consolidated balance sheet totalled EUR 1,998 million (2018: 1,519).

Cash flow

The Group's free cash flow grew to EUR 131 million (2018: 109). The implementation of the IFRS 16 standard improved the free cash flow by EUR 25 million. The improvement was further supported by lower taxes paid. A EUR 10 million settlement of a rental contract related to discontinued operations divested in June 2018 in Belgium and expenditures related to changes in IT infrastructure and services across the Group had an adverse impact on free cash flow. Capital expenditure included in free cash flow was EUR 32 million (2018: 32). Free cash flow per share was EUR 0.81 (2018: 0.67), impact of the implementation of the IFRS 16 standard being EUR 0.15.

Acquisitions and divestments

On 17 December 2019, Sanoma announced the acquisition of Clickedu, one of the leading providers of digital platforms for teaching and administration in Spain. In 2018, net sales of Clickedu were EUR 3 million, and it employed 65 people.

On 10 December 2019, Sanoma announced it had signed an agreement to divest its strategic business unit Sanoma Media Netherlands to DPG Media. Sanoma Media Netherlands consists of leading Dutch and Belgian magazines (incl. Libelle, Donald Duck, vtwonen) and the online news brand NU.nl. Net sales of the divested business were EUR 368 million (2018: 424) and operational EBIT excl. PPA EUR 70 million (2018: 80) in 2019. At the end of December 2019, Media Netherlands had 922 employees, who will transition with the divested business to the buyer. Media Netherlands is reported as discontinued operations in this report. The agreed enterprise value (EV) of Sanoma Media Netherlands is EUR 460 million, corresponding to an EV / EBITDA multiple of 6.5. Sanoma will use the funds received from the divestment to reduce its debt. Due to the divestment, Sanoma has booked a non-cash capital loss of EUR 105 million (incl. divestment-related transaction costs) in discontinued operations Q4 2019 result. The loss has temporarily reduced the Group's equity ratio to 30.5%, below the long-term target level of 35–45%. The transaction is subject to customary closing conditions and is expected to be completed latest during Q3 2020.

On 5 December 2019, Sanoma announced the acquisition of itslearning, an international provider of award-winning cloud-based learning platforms. In 2018, net sales of itslearning were approx. EUR 30 million. Itslearning operates in nine countries and has approx. 200 employees.

On 18 November 2019, Sanoma announced the acquisition of Essener, the leading Dutch publisher of blended learning methods for social sciences. In 2018, net sales of Essener were EUR 3 million.

On 13 September 2019, Sanoma announced that it had completed the acquisition of Iddink, a leading Dutch educational platform and service provider. The acquisition was originally announced on 11 December 2018 and was subject to customary closing conditions, including the approval of Dutch competition authorities, which was announced on 29 August 2019. In 2019, net sales of Iddink were EUR 157 million (incl. Sanoma Group internal sales of EUR 17 million) and operational EBIT excl. PPA was EUR 22 million. Iddink had 385 employees (FTE) at the end of December 2019. The final purchase price of Iddink was EUR 212 million. Transaction related costs of approx. EUR 6 million have been booked as items affecting comparability (IACs) in Learning's Q3 and Q4 2019 result.

On 28 June 2019, Sanoma announced it had increased its ownership in the Finnish online classifieds company Oikotie Ltd. from 90% to 100% by acquiring shares held by TS Group. The transaction clarifies the ownership structure of Oikotie and simplifies further development of the business.

On 14 February 2019, Sanoma announced the divestment of Mood for Magazines, publisher of LINDA. magazine, in the Netherlands. The buyer was Linda de Mol, founder and minority shareholder of Mood for Magazines, together with Talpa. In 2018, net sales of Mood for Magazines were EUR 27 million, operational EBIT EUR 6 million and free cash flow EUR 4 million. Value of Mood for Magazines, of which Sanoma owned 86%, was EUR 47 million, representing an EV/EBIT multiple of 7.9. Mood for Magazines had 53 employees. The transaction was completed at the end of February 2019.

Events during the year

On 17 December 2019, Sanoma amended its long-term financial targets with new targets on comparable net sales growth and profitability for both of its strategic business units, Sanoma Learning and Sanoma Media Finland. The new long-term financial targets for the SBUs are:

Long-term target	Sanoma Learning	Sanoma Media Finland
Comparable net sales growth	2–5%	+/-2%
Operational EBIT margin excl. PPA	20–22%	12–14%

The Group's earlier long-term financial targets remained unchanged and valid, being:

Long-term target	Sanoma Group
Net debt / Adj. EBITDA	below 2.5
Equity ratio	35–45%
Dividend policy	Increasing dividend corresponding to 40–60% of annual free cash flow

On 4 February 2019, Sanoma signed a EUR 550 million syndicated credit facility with a group of nine relationship banks. The facility has two tranches, a EUR 250 million amortising term loan facility with four-year maturity and a EUR 300 million bullet revolving credit facility with five-year maturity. The term loan was used for the Iddink acquisition in September. The revolving credit facility replaced the earlier revolving credit facility of similar size and will be used for general corporate purposes.

Learning

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

KEY INDICATORS [1]

EUR million	FY 2019	FY 2018	Change
Net sales	336.7	313.3	7%
Operational EBIT excl. PPA	73.2	63.5	15%
Margin	21.7%	20.3%	
EBIT [2]	55.0	55.0	0%
Capital expenditure	21.9	19.8	11%
Average number of employees (FTE)	1,488	1,351	10%

1 Including continuing operations only. Certain minor subsidiaries acquired in 2019 and planned to be divested in the future are reported as discontinued operations. More information on discontinued operations' financial performance is available on p. 84–85.

2 Including IACs of EUR -12.1 million in FY 2019 (2018:-5.1) and PPA amortisations of EUR 6.1 million in FY 2019 (2018: 3.4).

Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 31.

NET SALES BY COUNTRY

EUR million	FY 2019	FY 2018	Change
The Netherlands	106.9	90.2	19%
Poland	95.6	91.5	5%
Finland	52.5	56.0	-6%
Belgium	57.1	51.7	11%
Other countries and eliminations [1]	24.5	24.0	2%
Net sales total	**336.7**	**313.3**	**7%**

1 Other countries include Sweden, Spain, Norway, Denmark, France and Germany.

As a result of acquisitions, in particular Iddink, net sales grew to EUR 337 million (2018: 313). On a comparable basis, Learning's net sales were stable, comparable net sales growth development being 0%. Net sales grew in Belgium and Poland driven by increased demand during curriculum renewals. In the Netherlands, comparable net sales were at the previous year's level. Net sales declined in Finland due to lower demand after the ending of the curriculum renewal at the end of 2018 and an increasing share of digital learning materials, where sales are recognised monthly throughout the school year.

Operational EBIT excl. PPA improved and was EUR 73 million (2018: 64). Half of the earnings improvement was attributable to the acquisition of Iddink and half to lower variable and fixed expenses in the underlying business as a result of the business development programme "High Five". Change in the allocation of Group costs related to the divestment of Media Netherlands had an adverse impact on earnings.

EBIT was EUR 55 million (2018: 55). IACs totalled EUR -12 million (2018: -5) and mainly consisted of costs related to acquisitions, business development programme "High Five" and changes in IT infrastructure and services. PPA amortisations increased to EUR 6 million (2018: 3) due to the acquisition of Iddink.

Capital expenditure was EUR 22 million (2018: 20) and consisted of growth investments in digital platforms and ICT.

Media Finland

Sanoma Media Finland is the leading media company in Finland, reaching 97% of all Finns weekly. We provide information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. We have leading brands and services, like Helsingin Sanomat, Ilta-Sanomat, Me Naiset, Aku Ankka, Oikotie, Nelonen, Ruutu and Radio Suomipop. For advertisers, we are a trusted partner with insight, impact and reach.

KEY INDICATORS

EUR million	FY 2019	FY 2018	Change
Net sales	576.8	578.5	0%
Operational EBIT excl. PPA	69.4	69.6	0%
Margin	12.0%	12.0%	
EBIT [1]	54.9	59.3	-7%
Capital expenditure	3.8	4.1	-7%
Average number of employees (FTE)	1,804	1,781	1%

1 Including IACs of EUR -10.0 million in FY 2019 (2018: -7.1), and PPA amortisations of EUR 4.4 million in FY 2019 (2018: 3.2).

Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 31.

NET SALES BY CATEGORY

EUR million	FY 2019	FY 2018	Change
Print	271.5	294.0	-8%
Non-print	305.3	284.4	7%
Net sales total	**576.8**	**578.5**	**0%**

EUR million	FY 2019	FY 2018	Change
Advertising sales	247.3	250.0	-1%
Subscription sales	195.8	202.6	-3%
Single copy sales	45.1	45.2	0%
Other	88.6	80.6	10%
Net sales total	**576.8**	**578.5**	**0%**

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

Net sales of Media Finland were stable and amounted to EUR 577 million (2018: 579). Comparable net sales development was -2%. During the year, TV, radio and digital advertising sales grew, while print advertising sales declined. As a result of strong growth in digital subscription sales, total subscription sales of Helsingin Sanomat were at an all-time-high. Subscription sales of Ruutu+ grew, while discontinuation of pay-TV in 2018 had a negative impact on subscription sales in the first half of 2019. In the second half of the year, single copy sales of Ilta-Sanomat and lifestyle magazines were supported by the decline in VAT of single copies, which became effective on 1 July 2019. Increase in other sales was attributable to growth in the festival and events sales, as well as the music publishing business acquired in Q4 2018.

According to the Finnish Advertising Trends survey for December 2019 by Kantar TNS, the advertising market in Finland declined by 1% on a net basis in 2019. Advertising declined by 9% in newspapers, by 7% in magazines and by 5% in TV, whereas advertising in radio increased by 6% and in online, including search and social media, by 9%.

Operational EBIT excl. PPA was at the previous year's level and amounted to EUR 69 million (2018: 70). Improved profitability of the festival and events business, as well as lower marketing, paper, distribution and other operating costs all had a positive contribution on earnings. Higher TV programme costs related to FOX channels, as well as change in the allocation of Group costs related to the divestment of Media Netherlands, had an adverse impact on earnings.

EBIT was EUR 55 million (2018: 59). IACs totalled EUR -10 million (2018: -7) and included costs related to strategic business development as well as changes in the IT infrastructure and services. PPA amortisations were EUR 4 million (2018: 3).

Capital expenditure totalled EUR 4 million (2018: 4) and consisted of maintenance investments.

Personnel

In 2019, the average number of employees in full-time equivalents (FTE) in continuing operations was 3,567 (2018: 3,404). The average number of employees (FTE) per SBU was as follows: Learning 1,488 (2018: 1,351), Media Finland 1,804 (2018: 1,781) and Other operations 275 (2018: 273). At the end of December, the number of employees (FTE) of the Group was 3,953 (2018: 3,410) and 985 (2018: 1,075) in discontinued operations. Number of employees increased as a consequence of the acquisitions.

Wages, salaries and fees paid to Sanoma's employees, including the expense recognition of share-based payments, amounted to EUR 244 million (2018: 239).

Non-financial information

As a growing European-based learning company and the leading cross-media company in Finland, Sanoma plays an important role in its operating markets and its products have a positive impact on the lives of millions of people every day. Sanoma aims to maximise its positive social and economic impacts and minimise the negative environmental impacts across its business. In its operations and governance, Sanoma follows laws and regulations applicable in its operating countries, ethical guidelines set by the Sanoma Code of Conduct as well as the Group's internal policies and standards. Sanoma is committed to promoting ethical and responsible business practices in its own business operations and in its interaction with its suppliers and customers. Sanoma's business model as well as role and impacts in its value chain are described in more detail in the value creation model on p. 7.

Sanoma's Corporate Social Responsibility (CSR) Agenda is described below.

Risks related to non-financial aspects are reported as part of the Risk review included in this report. Sanoma's governance structure and framework are discussed in the Corporate Governance Statement 2019.

Sanoma has a programme in place to continuously develop CSR. Further information on CSR at Sanoma is available at sanoma.com/corporate-responsibility and in a separate Global Reporting Initiative GRI G4 Index, which will be published in spring 2020.

Compliance and Code of Conduct

Sanoma applies responsible business practices and promotes responsible behaviour of employees by enforcing a common set of rules and values and ensuring that all employees commit to them. Sanoma supports international standards, including The Ten Principles of the United Nation's Global Compact, on human rights, labour conditions, anti-corruption and the environment.

Sanoma's Code of Conduct ("Code") together with the Corporate Governance Framework is the umbrella for all policies, and outlines how Sanoma aims to conduct its business in an ethical and responsible manner. The Code is an integral part of shared values that guide working and decision making throughout Sanoma. It sets out the principles of business and is publicly available on Sanoma's website. All Sanoma employees are required to apply the Code in full in their day-to-day conduct and business decisions.

Specific policies define how Sanoma's operations are managed, and give a framework to daily work. The Board of Directors of Sanoma Corporation approves new policies and amendments to existing policies. Each policy has a specified owner in the organisation. Once a year, or when needed, the owners submit necessary updates or new policies to the Board for approval. The policies are applicable to all employees in the Sanoma Group, and available on the intranet.

In addition to the Code and Corporate Governance Framework, policies on e.g. the following topics are currently in force:

- Anti-bribery & corruption
- Diversity & inclusion
- Donations
- Enterprise risk management
- Fair competition
- Information security
- M&A
- Privacy and data protection
- Procurement.

To ensure compliance with the policies, different training requirements and controls are used. Sanoma has a Code of Conduct e-learning, which is compulsory for all employees. In 2019, completion rate of the e-learning was 94% (2018: 98% incl. discontinued operations). In the newly acquired companies, the e-learning takes place within 3–6 months after the acquisition is completed.

SANOMA'S CORPORATE SOCIAL RESPONSIBILITY (CSR) AGENDA

Learning	Media
Sanoma's modern, high-quality materials, methods and digital platforms support teachers in developing the full potential of every student, which helps in building a strong foundation for a stable, productive and prosperous society.	Independent, high-quality journalism supports freedom of speech and increases people's awareness and intellectual capital. Local entertainment enriches people's lives and contributes to shared values and experiences. Responsible advertising plays an important role in supporting economic growth.

Responsible business practices across the value chain			
Compliance and Code of Conduct			
Data integrity	Environmental impacts	Sanoma as an employer	Supply chain

Sanoma expects commitment to ethical and responsible business conduct also from its suppliers. Sanoma has a Supplier Code of Conduct, which sets out the ethical standards and responsible business principles suppliers are required to comply with in their dealings with Sanoma. Suppliers are expected to apply these standards and principles to their employees, affiliates and sub-contractors.

Together, Sanoma Code of Conduct and the Supplier Code of Conduct set out overall principles to promote and achieve compliance e.g. with anti-corruption, anti-bribery and money laundering laws.

Reporting Channels

Sanoma Code of Conduct, the Supplier Code of Conduct, and Sanoma's group policies and operating procedures are intended to prevent and detect improper or illegal activities. Any suspicions about violations can be reported anonymously through internal or external reporting channels. Sanoma has an external online whistle-blowing tool, which is hosted by an independent third party, in use. Link to the whistle-blowing tool is available on Sanoma's website and intranet.

Head of Internal Audit and the Compliance Officer receive emails of the allegations reported through the whistle-blowing tool. Cases are also identified during internal audits or through other internal channels, such as a network of nominated Local Compliance Officers. All allegations are reviewed and investigative activities planned without delay. All cases and conclusions of investigations are reported to the Ethics and Compliance Committee and to the Audit Committee of the Board.

Data integrity

Data is an increasingly essential part of Sanoma's business putting privacy and consumer trust at the core of the Group's daily operations. Through optimal use of data-enabled tailoring and targeting, Sanoma can provide individualised learning paths and even more compelling media content.

Sanoma has invested in data-security-related technologies and runs a Group-wide privacy programme to ensure that employees know how to apply data security and privacy practices in their daily work. Privacy is incorporated into product development through a "Privacy by Design" process supported by "Privacy Champions", who are nominated employees with privacy responsibilities in their respective business areas.

Sanoma has a privacy e-learning in use. In addition, role-based privacy and information security trainings are offered to specific employee groups. In 2019, completion rate of the e-learning among targeted employees was 94% (2018: 98% incl. discontinued operations). In the newly acquired companies, the e-learning takes place within 3–6 months after the acquisition is completed.

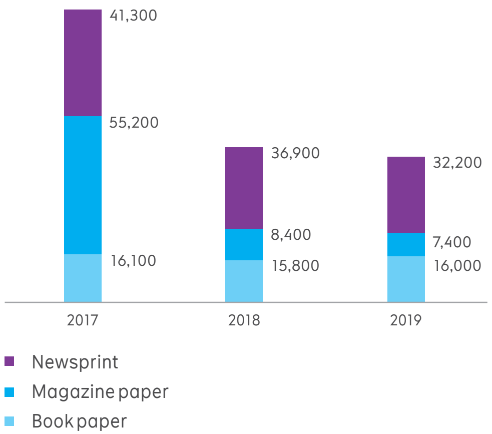
Environmental impact

The most significant environmental impacts of Sanoma's operations result from the use of paper and print supplies, energy use e.g. in printing houses, offices and for digital services, as well as transportation and distribution of products. Sanoma aims to prevent and minimise its negative environmental impacts by efficient operations and use of materials as well as responsible procurement.

Sanoma's Paper Procurement Standard is annexed to all paper procurement agreements. The aim of the standard is to ensure that paper used by Sanoma is produced responsibly and originates from traceable and verified sources. At least 80% of wood fibre in the paper qualities used by Sanoma originates from certified sources.

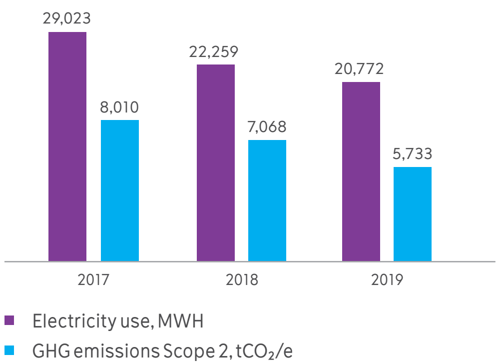
In 2019, Sanoma's paper use in continuing operations declined by 5,600 tons, or by 10% driven by the prevailing media trend of consumers moving from printed to hybrid or digital media products. Use of newsprint declined by 15% and magazine paper by 14%. In the learning business, use of book paper was stable being in-line with the comparable net sales development.

PAPER USE
tonnes



Includes paper used in Sanoma's own printing facilities for own and externally sold print products, as well as paper acquired for own products printed by third parties. Book paper is used in Learning and newsprint and magazine paper in Media Finland. For 2018–2019, paper use includes continuing operations only.

ELECTRICITY USE AND GHG EMISSIONS



An average emission multiple of EU28 countries has been used in calculating the emissions. For 2018–2019, electricity use and emissions include continuing operations only.

Sanoma uses purchased electricity e.g. in printing and office facilities, as well as for digital services and technological solutions. The indirect CO_2 emissions resulting from Sanoma's electricity use are dependent on the mix of energy sources used in the national energy grids in Sanoma's operating countries. In 2019, Sanoma's energy use declined by 7% mainly as a result of lower energy use in the largest printing house, Sanomala, in Finland.

Responsible employer

Sanoma Code of Conduct sets out the general principles of ethical conduct and Sanoma's responsibilities as an employer. Sanoma is committed to creating a working environment and culture that inspires employees, values their diversity, embraces their views, and respects their individual rights. Sanoma has zero tolerance for any form of discrimination, harassment or bullying at the workplace. Sanoma provides equal opportunities for all employees and ensures fair treatment, remuneration and good working conditions.

Professional development of employees is crucially important to Sanoma, and on-going learning is strongly encouraged. Learning opportunities are offered both online and through training courses. The main focus is continuing development of employees' skills.

Sanoma sees visible and transparent leadership important in its daily business. Sanoma's managers provide employees with clarity regarding the direction of the company. Employees' autonomy and freedom in achieving results is supported, which fosters creativity.

Among other things, professional development, motivation, creativity and engagement are facilitated in regular performance review discussions. In 2019, approx. 90% (2018: 90%) of employees had a regular performance review with their manager.

Sanoma measures employee engagement, leadership, internal communication and decision making annually in the beginning of each calendar year. In January 2020, the Employee Engagement Survey was completed by 88% (2018: 92% incl. discontinued operations) of employees. The scores are measured in People Power Rating, an inclusive overall metric between 0 and 100. In 2020, the results improved somewhat from the previous year being overall at a very good level. The results of the survey are also utilised in the management incentive system.

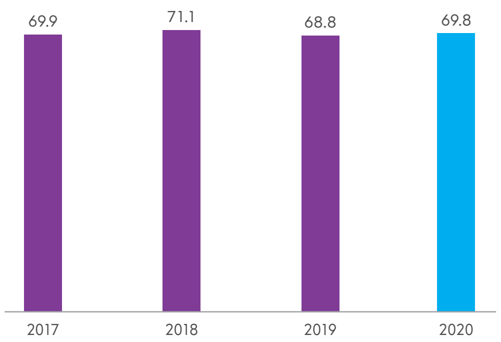
According to the Employee Engagement Survey, employees feel that Sanoma's strengths as an employer include

- sufficient learning opportunities offered for the employees,
- support for growth and development at work from the management, and
- opportunities for career development.

Diversity at Sanoma is guided by a Group-wide Diversity policy. According to the policy, Sanoma recruits, develops and rewards all employees irrespective of age, gender, ethnic origin, sexual orientation, family status, disability or other personal circumstances (e.g. wealth), or any other form of discrimination. Recruitment, remuneration and career advancement are based on employee competence and performance.

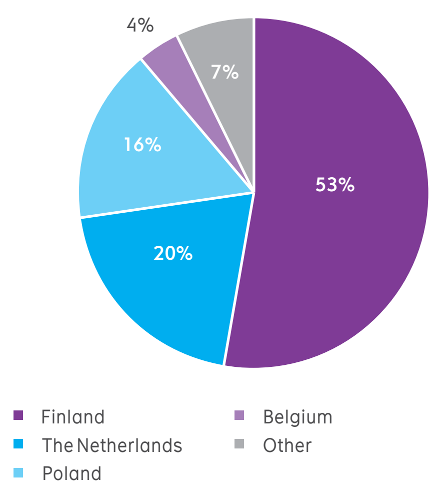
RESULTS OF EMPLOYEE ENGAGEMENT SURVEY

People power rating, 0–100

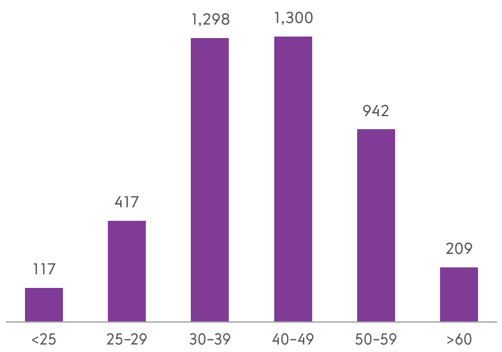


Response rate 2020: 88%, 2019: 92%, 2018: 92%, 2017: 88%

PERSONNEL BY COUNTRY



PERSONNEL BY AGE



MANAGEMENT AND PERSONNEL BY GENDER

	Women	Men
Board of Directors	33%	67%
Executive Management Team[1]	50%	50%
All employees	54%	46%

1 As of 1 January 2020

Supply chain, anti-bribery and corruption

Sanoma's anti-bribery and corruption policy gives specific rules and monetary limits (EUR 75) for received and given gifts, entertainment and hospitality, and sets out the process to seek further approval through a separate gift and hospitality tool if necessary. When it comes to public officials, receiving and giving gifts is totally forbidden.

Sanoma has an anti-bribery and corruption e-learning in use. In 2019, completion rate of the e-learning among targeted employees was 93% (2018: 97% incl. discontinued operations). In the newly acquired companies, the e-learning takes place within 3–6 months after the acquisition is completed.

The Supplier Code of Conduct forms an important component of the procurement and purchasing framework, including supplier selection, evaluation and performance appraisal. All new supplier engagements initiated via Sanoma's source-to-contract solution incorporate the Supplier Code of Conduct as a mandatory step for successful selection. The Supplier Code of Conduct is part of Sanoma's standard contractual framework and general terms of purchase.

A Know Your Counterparty (KYC) process identifies the risk of doing business with third parties by looking at their ownership, activities and role. The process includes anti-bribery, sanctions and other due diligence checks according to the level of risk identified. Systematic KYC checks covering certain existing and almost all new vendors were carried out during the year by Group Procurement.

A KYC due diligence tool for the use of Sanoma employees is available on the intranet to screen thoroughly not just suppliers, but any third party Sanoma intends to do business with. The tool aims to identify and prevent possible third party compliance and corruption-related risks, according to customised criteria. In cases of medium or high risk, the tool refers employees to consult Group Legal before engaging in any business or transaction with the counterparty.

Corporate Governance

Sanoma has published a separate Corporate Governance Statement and Remuneration Statement. The statements are available at sanoma.com/investors.

Share capital and shareholders

At the end of December 2019, Sanoma's registered share capital was EUR 71 million (2018: 71) and the total number of shares was 163,565,663 (2018: 163,565,663), including 549,140 (2018: 1,061,293) own shares. Own shares represented 0.3% (2018: 0.7%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 163,016,523 (2018: 162,504,370).

In March 2019, Sanoma delivered a total of 512,153 own shares (without consideration and after taxes) as part of its long-term share-based incentive plans.

Sanoma had 20,730 (2018: 20,741) registered shareholders at the end of December 2019. Lists of the largest shareholders as well as shareholder distributions by number of shares and sector are available on p. 27-28.

Acquisition of own shares

Sanoma did not acquire own shares in 2019. In 2018, Sanoma acquired a total of 900,000 own shares for an average price of EUR 8.57 per share. The repurchased shares were acquired on the basis of the authorisation given by the Annual General Meeting on 22 March 2018 to be used as part of the Company's incentive programme.

Share trading and performance

At the end of December 2019, Sanoma's market capitalisation was EUR 1,541 million (2018: 1,380) with Sanoma's share closing at EUR 9.45 (2018: 8.49). In 2019, the volume-weighted average price of Sanoma's share on Nasdaq Helsinki Ltd. was EUR 9.03 (2018: 9.28), with a low of EUR 7.96 (2018: 8.01) and a high of EUR 10.44 (2018: 11.47).

In 2019, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 172 million (2018: 365). The trading volume of 19 million shares (2018: 39) equalled an average daily turnover of 76k shares (2018: 157k). The traded shares accounted for some 12% (2018: 24%) of the average number of shares. Sanoma's share turnover including alternative trading venues BATS and Chi-X was 24 million shares (2018: 53). Nasdaq Helsinki represented 81% (2018: 75%) of the share turnover. (Source: Euroland)

Decisions of the Annual General Meeting 2019

Sanoma Corporation's Annual General Meeting (AGM) was held on 27 March 2019 in Helsinki. The meeting adopted the Financial Statements, the Board of Directors' Report and the Auditor's Report for the year 2018 and discharged the members of the Board of Directors as well as the President and CEO from liability for the financial year 2018.

The AGM resolved that a dividend of EUR 0.45 per share shall be paid and a sum of EUR 350,000 be reserved for charitable donations to be used at the Board of Directors' discretion. The dividend was paid in two instalments. The first instalment of EUR 0.25 per share was paid to a shareholder who was registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the dividend record date 29 March 2019. The payment date for this instalment was 5 April 2019. The second instalment of EUR 0.20 per share was paid to a shareholder who, on the dividend record date, was registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd. In its meeting on 24 October 2019 the Board of Directors decided the dividend record date for the second instalment to be 28 October 2019 and the dividend payment date 4 November 2019.

The AGM resolved that the number of the members of the Board of Directors shall be set at nine. Pekka Ala-Pietilä, Antti Herlin, Anne Brunila, Mika Ihamuotila, Nils Ittonen, Denise Koopmans, Rafaela Seppälä and Kai Öistämö were re-elected as members, and Sebastian Langenskiöld was elected as a new member of the Board of Directors. Pekka Ala-Pietilä was elected as the Chairman of the Board and Antti Herlin as the Vice Chairman. The term of all the Board members ends at the end of the AGM 2020. The remuneration payable to the members of the Board of Directors shall remain as before.

The AGM appointed audit firm PricewaterhouseCoopers Oy as the auditor of the Company with Samuli Perälä, Authorised Public Accountant, as the auditor with principal responsibility. The Auditor shall be reimbursed against invoice approved by the Company.

Board authorisations

The AGM held on 27 March 2019 authorised the Board of Directors to decide on the repurchase of a maximum of 16,000,000 of the Company's own shares (approx. 9.8% of all shares of the Company) in one or several instalments. Own shares shall be repurchased with funds from the Company's unrestricted shareholders' equity, and the repurchases shall reduce funds available for distribution of profits. The authorisation will be valid until 30 June 2020 and it terminates the corresponding authorisation granted by the AGM 2018.

The AGM held on 27 March 2019 authorised the Board of Directors to decide on issuance of new shares and the conveyance of the Company's own shares held by the Company (treasury shares) and the issuance of option rights and other special rights entitling to shares as specified in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act. Option rights and other special rights entitling to shares as specified in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act may not be granted as part of the Company's incentive programme. The Board will be entitled to decide on the issuance of a maximum of 18,000,000 new shares as well as conveyance of a maximum of 5,000,000 treasury shares held by the Company in one or several instalments. The issuance of shares, the conveyance of treasury shares and the granting of option rights and other special rights entitling to shares may be done in deviation from the shareholders' pre-emptive right (directed issue). The authorisation will be valid until 30 June 2020 and it replaces the authorisation to decide on issuance of shares, option rights and other special rights entitling to shares which was granted to the Board of Directors by the Annual General Meeting on 12 April 2016.

Executive Management Team

Sanoma's Executive Management Team as of 1 January 2020 consists of the following members: Susan Duinhoven, President and CEO; Markus Holm, CFO and COO; Pia Kalsta, CEO of Sanoma Media Finland and Rob Kolkman, CEO of Sanoma Learning and CEO of Sanoma Media Netherlands.

Changes in management

On 10 December 2019, Rob Kolkman was appointed CEO for Sanoma Learning as of 1 January 2020. He will report to Susan Duinhoven, President and CEO of Sanoma Corporation, and continue as a member of Sanoma's Executive Management Team. As CEO of Sanoma Learning, Rob Kolkman succeeds John Martin, who will leave Sanoma in spring 2020. Rob Kolkman will continue as the CEO for Sanoma Media Netherlands until the closing of the divestment.

Risk review

Sanoma is exposed to numerous risks and opportunities, which may arise from its own operations or the changing operating environment. Sanoma divides its key risks into four main categories: strategic, operational, non-financial and financial risks. The most significant risks that could have a negative impact on Sanoma's business, performance, or financial status are described below. Under the categories, the most material risks are presented first.

The structure of Sanoma's business will change significantly with the divestment of Media Netherlands (announced in December 2019 and expected to be completed latest during Q3 2020) and its currently estimated main impacts on Sanoma's overall risk position are included in this review. In addition to risks presented in this review, currently unknown or immaterial risks may arise or become material in the future.

Risk management and internal control policies, processes, roles and responsibilities are presented in the Corporate Governance Statement 2019. Significant near-term risks and uncertainties are reported on a continuous basis in each Interim Report during the course of the year.

Strategic risks

Mergers & Acquisitions (M&A)

Sanoma's strategic aim is to grow through acquisitions. In M&A, the key risks may relate to the availability of potential M&A targets, suitability of timing, transaction process, integration of the acquired business, retention of key personnel, or achievement of the targets set.

Sanoma mitigates the risks by actively maintaining its industrial networks, proactively seeking for potential targets, working with well-known parties during the transaction processes and following its internal policies and procedures in decision-making, organisation and follow-up of M&A cases.

Changes in customer preferences and the threat of new entrants

Changes in customer preferences are visible not only in consumer behaviour, but also both directly and indirectly in B2B and public demand. Ongoing digitalisation and mobilisation are the main drivers behind many of these changes. In education, digital learning materials, methods and platforms are gradually penetrating the market. The increasing use of mobile devices is changing the way people consume media, while viewing time of free-to-air TV is decreasing.

Sanoma partially mitigates the risk by continuous development of digital and hybrid learning and media products and services. In learning, close and long-term relations with schools, teachers and governing bodies play a significant role in the business, and digital solutions are typically combined and sold together with printed materials. The wide cross-media offering provides Sanoma a solid base to constantly develop its offering to advertisers and to introduce new services, such as cross-media solutions, native or branded and premium content. Nevertheless, new entrants and/or new technological developments entering the markets possess a risk for Sanoma's established businesses.

Political and legislative risks

Changes in governmental or legislative bodies or general political instability in the operating countries may affect Sanoma's ability to effectively conduct business. Key legislative risks may relate to changing educational regulation, changes in the use of consumer data for commercial purposes, deterioration of publishers' and broadcasters' copyright protection, or changes in tax legislation or in the interpretation of tax laws and practices. These risks can have a significant impact on Sanoma's commercial propositions, content investment needs or financial performance.

Close monitoring and anticipation of political and regulatory development and adaption of business models accordingly are ways to partially mitigate these risks. Legislation related to education, in particular, is typically country-specific, limiting the magnitude of the risk on the Group level.

General economic conditions

The general economic conditions in Sanoma's operating countries and the overall industry trends could influence Sanoma's business, performance or financial status. In general, risks associated with the performance of the learning business relate to development of public and private education spending especially during the curriculum renewals. In the media business, risks associated with business and financial performance typically relate to advertising demand and consumer spending. The volume of media advertising is especially sensitive to overall economic development and consumer confidence.

Sanoma's diverse business portfolio partially mitigates the risk. In 2019, approx. 37% (2018: 23%) of Sanoma's net sales was derived from learning, approx. 26% (2018: 36%) from single copy or subscription sales, approx. 7% (2018: 7%) from print advertising, approx. 20% (2018: 18%) from non-print advertising and approx. 10% (2018: 15%) from other sales (2018 comparison figures include continuing and discontinued operations).

Operational risks

Data and privacy risks

Data is an increasingly essential part of Sanoma's products and services in both the learning and media business. The EU General Data Protection Regulation (GDPR) sets strict requirements for implementing data subject rights, and for companies to demonstrate their accountability for complying with the regulation. Non-compliance with the GDPR could lead to fines of up to 4% of the annual global turnover. In addition, the ePrivacy Directive imposes requirements for online data collection and use.

The most relevant risks pertaining to data privacy are potential data breaches resulting from unauthorised or accidental loss of or access to personal data managed by Sanoma or by third parties processing data on Sanoma's behalf, or other failure to comply with privacy laws.

To mitigate the risk and ensure compliance, Sanoma runs a Privacy Programme that monitors development and enforcement of privacy regulations and has oversight of the implementation of Privacy Policy. Key privacy implementation processes include data lifecycle management, negotiating data processing agreements with third parties, information security measures to protect data, data breach management procedures, and implementation of data subject rights. Privacy requirements and threat assessments are incorporated into product development and privacy impact assessments are regularly conducted to ensure compliance of products and services. Employees with privacy responsibilities have been nominated and trained to act as a first line of privacy support, and role-based privacy trainings are offered to key target groups. During 2019 Sanoma participated in the development of a standardised approach to manage online data consents by the IAB (Interactive Advertising Bureau) Finland's Transparency and Consent Framework.

Information and communication technology (ICT)

Reliable ICT systems form an integral part of Sanoma's business. The systems include online services, digital learning platforms, newspaper and magazine subscriptions, advertising and delivery systems, as well as various systems for production control, customer relations management, and supporting functions. ICT security risks relate to confidentiality, integrity, and/or availability of information, as well as to reliability and compliance of data processing. The risks can be divided into physical risks (e.g. fire, sabotage and equipment breakdown) and logical risks (e.g. information security risks, such as malware attacks, hacking of persona data or other sensitive data assets, and employee or software failure).

To mitigate the risks, Sanoma has continuity and disaster recovery plans for its critical systems and clear responsibilities regarding ICT security in place. Information security controls include the use of threat intelligence capabilities, cyber security incident detection capabilities, identity and access management solutions, log management capabilities and the use of external information security audits. During 2019 Sanoma invested in a transition to cloud to improve flexibility, security, availability and to decrease costs.

Risks related to third parties

A wide network of third parties plays an integral role in Sanoma's daily business. Third-party suppliers in Sanoma's value chain include, among others, paper and print suppliers and transport, distribution, technology solution and IT hosting service providers. Freelancers support Sanoma's own editorial staff in creating learning materials and media content. The status of freelancers may vary by authority and by country. However, no individual case is estimated to become material unless it escalates to concern a large group of freelancers. Certain advertising and marketing efforts are executed with the help of third parties. The advertising technology ecosystem consists of players, such as Google and Facebook, that have a dominant market power, which may lead to an imbalance between their rights and liabilities. Cooperation with third parties exposes Sanoma to certain financial, operational, legal as well as data and GDPR-related risks, which are described in more detail in other sections of this risk review.

To mitigate the risks related to third parties, Sanoma follows the guiding principles of supplier risk management set in the Group's Procurement policy, Supplier Code of Conduct and legal framework. The most significant suppliers are selected through competitive bidding and qualification process. Sanoma performs Know Your Counterparty -controls as part of the supplier approval process, and monitors the performance of third parties by performance approvals and service-level agreements.

Intellectual Property Rights (IPRs)

Key IPRs related to Sanoma's products and services are copyrights including publishing rights, trademarks, business names, domains, and know-how, as well as patents related to e-business and utility models owned and licensed by the Group. Sanoma manages its IPR in accordance with the Group-wide IPR policy and procedures. Because of a dispersed IPR portfolio, no material risks are expected to arise from individual IPR cases.

Hazard risks

Hazard risks include risks associated with business interruption, health and safety or environmental issues. They are mitigated through operational policies, efficient and accurate process management, 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.

Non-financial risks

Talent attraction and retention

Sanoma's success depends on competence and continuous development of the skills of its management and personnel. In particular, the ability to develop appealing customer products and services in changing environment is crucial for success. The ability to ensure the right skillset for the digital transformation as well as to attract and retain the right talents, especially in relation to acquisitions, may possess a risk to Sanoma's business and financial performance.

To mitigate the risk, Sanoma enhances a corporate culture supporting innovation, creativity, diversity, as well as an ethical and efficient way of working. The culture is further supported by open and transparent leadership and communications, knowledge sharing between businesses and functions, as well as opportunities and resources for learning and professional development. The Code of Conduct and Diversity Policy set the framework for corporate culture and employee relations. Sanoma follows employee engagement closely by an annual survey.

Environmental risks

Sanoma's main environmental impacts derive from energy use, paper and printing ink use and distribution. Sanoma aims to prevent and minimise negative environmental impacts by focusing on efficient operations and material use as well as responsible procurement. Sanoma's processes support compliance with relevant environmental legislative, regulatory and operating standards. Due to the nature of Sanoma's business, no material environmental risks are expected to arise.

Risks related to human rights, anti-corruption and bribery

Sanoma operates in ten European countries, all of which score high or average on Transparency International's corruption perception index and where risks related to human rights are assessed as low or medium by Verisk Maplecroft. In the learning business, the business partners mainly include municipalities, schools and teachers, while the media business is based on creating and selling content to individual people, and selling advertising space to companies. All Sanoma employees must comply with Sanoma's Code of Conduct, which supports the international standards on human rights and labour conditions and clearly prohibits all corruption and bribery. The requirements of the Code are extended to Sanoma's suppliers through the Supplier Code of Conduct. Sanoma mitigates the compliance risk e.g. by a mandatory annual e-learning on the Code of Conduct to all employees. Due to the nature of Sanoma's business and the current situation in its operating countries, no material risks related to human rights, anti-corruption or bribery are likely to arise.

Financial risks

Sanoma is exposed to financial risks including interest rate, currency, liquidity and credit risk. Other financial risks are related to equity and impairment of assets. Financial risks are mitigated according to the Group's Treasury Policy e.g. with various financial instruments and derivatives. Financial risk management is centralised to Group Treasury, and aims at hedging the Group against material risks. A more detailed description of the Group's financial risks and their management is available in Note 25.

Sanoma's consolidated balance sheet included EUR 949 million (2018: 1,186) of goodwill, immaterial rights and other intangible assets at the end of December 2019. After the Iddink acquisition, most of this is related to the learning business. In accordance with IFRS, instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. The impairment losses on goodwill, immaterial rights and other immaterial intangible assets for continuing and discontinued operations totalled EUR 110 million in 2019 (2018: 6). Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity-related ratios.

More information on impairment testing is available in Note 12.

Significant near-term risks and uncertainties

Sanoma is exposed to numerous risks and opportunities, which may arise from its own operations or the changing operating environment. The most significant risks that could have a negative impact on Sanoma's business, performance, or financial status are described below. However, other currently unknown or immaterial risks may arise or become material in the future.

Sanoma's strategic aim is to grow through acquisitions. In M&A, the key risks may relate to the availability of potential M&A targets, suitability of timing, transaction process, integration of the acquired business, retention of key personnel, or achievement of the targets set.

Many of Sanoma's identified strategic risks relate to changes in customer preferences, which apply not only to the changes in consumer behaviour, but also to the direct and indirect impacts on changes in B2B and public demand. Ongoing digitalisation and mobilisation are the main drivers behind many of these changes. In education, digital learning materials, methods and platforms are gradually penetrating the market. The increasing use of mobile devices is changing the way people consume media, while viewing time of free-to-air TV is decreasing. New entrants might be able to better utilise these changes and therefore gain market share from Sanoma's established businesses.

Sanoma faces political risks in particular in Poland, where legislative changes can have significant impacts on the learning business. Changes in the Digital Single Market Initiative, approved by the EU Commission in the end of March 2019, could have a significant impact on Sanoma's cost efficient access to high quality TV content for the Finnish market. Changes in taxation applied to Sanoma's products and services in its operating countries may have an impact on their demand.

The general economic conditions in Sanoma's operating countries and overall industry trends could influence Sanoma's business activities and operational performance. General business risks associated with the performance of the learning business relate to development of public and private education spending especially during the curriculum renewals. In the media business, risks associated with business and financial performance typically relate to advertising demand and consumer spending. The volume of media advertising is especially sensitive to overall economic development and consumer confidence.

Data is an increasingly essential part of Sanoma's business putting privacy and consumer trust at the core of the Group's daily operations. Sanoma has invested in data-security-related technologies and runs a Group-wide privacy programme to ensure that employees know how to apply data security and privacy practices in their daily work. Regulatory changes regarding the use of customer and consumer data could have a negative impact on Sanoma's ability to to utilise data in its business.

Outlook for 2020

In 2020, Sanoma expects that the Group's comparable net sales will be stable, and operational EBIT margin excl. PPA will be around 15% (2019: 14.8%).

Dividend proposal

On 31 December 2019, Sanoma Corporation's distributable funds were EUR 354 million, of which loss for the year made up EUR 62 million. Including the fund for non-restricted equity of EUR 210 million, the distributable funds amounted to EUR 564 million. The Board of Directors proposes to the Annual General Meeting that:

- A dividend of EUR 0.50 per share shall be paid for the year 2019. The dividend shall be paid in two instalments. The first instalment of EUR 0.25 per share shall be paid to a shareholder who is registered in the shareholders' register of the company maintained by Euroclear Finland Ltd on the dividend record date 27 March 2020. The payment date for this instalment is 3 April 2020. Record date for the second instalment of EUR 0.25 per share will be decided by the Board of Directors in October, and the estimated payment date will be in November 2020.
- A sum of EUR 350,000 shall be transferred to the donation reserve and used at the Board's discretion.
- The amount left in equity shall be EUR 482 million.

According to its dividend policy from 2017 onwards, Sanoma aims to pay an increasing dividend, equal to 40–60% of the annual free cash flow. When proposing a dividend to the AGM, the Board of Directors looks at the general macro-economic environment, Sanoma's current and target capital structure, Sanoma's future business plans and investment needs, as well as both previous year's cash flows and expected future cash flows affecting capital structure.

Annual General Meeting 2020

Sanoma's Annual General Meeting 2020 will be held on Wednesday, 25 March 2020 at 14:00 EET at Marina Congress Centre (Katajanokanlaituri 6, 00160 Helsinki, Finland).

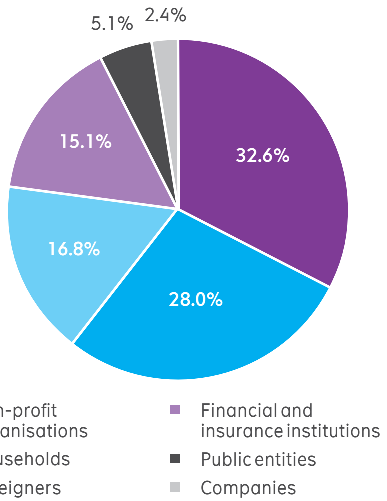
Share and shareholders

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. Sanoma share has no nominal value or book value.

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

On 31 December 2019, the combined holdings in the Company's shares of the 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 18.9% (2018: 25.9%) of all shares and votes. More information on management shareholding and remuneration is available in Note 30.

SHAREHOLDERS BY SECTOR 31 DECEMBER 2019



MAJOR SHAREHOLDERS 31 DECEMBER 2019

	Shareholders	Shares	% of shares
1	Jane and Aatos Erkko Foundation	39,820,286	24.35
2	Herlin Antti	19,506,800	11.93
	Holding Manutas Oy	19,475,000	11.91
	Herlin Antti	31,800	0.02
3	Langenskiöld Lars Robin Eljas	12,273,371	7.50
4	Seppälä Rafaela Violet Maria	10,273,370	6.28
5	Helsingin Sanomat Foundation	5,701,570	3.49
6	Ilmarinen Mutual Pension Insurance Company	4,667,597	2.85
7	Noyer Alex	1,903,965	1.16
8	Foundation for Actors´ Old-Age Home	1,900,000	1.16
9	Aubouin Lorna	1,852,470	1.13
10	The State Pension Fund	1,760,000	1.08
11	Evli Finnish Small Cap Fund	954,611	0.58
12	Elo Mutual Pension Insurance Company	890,101	0.54
13	Folkhälsan i svenska Finland rf Inez och Julius Polins fond	646,149	0.40
14	Langenskiöld Lars Christoffer Robin	645,996	0.39
15	Langenskiöld Bo Sebastian Eljas	645,963	0.39
16	Langenskiöld Pamela	645,963	0.39
17	Pension Fund of Sanoma	553,666	0.34
18	Oy Etra Invest Ab	550,000	0.34
19	Sanoma Oyj	549,140	0.34
20	Evli Finland Select Fund	530,000	0.32
	20 largest shareholders total	**106,271,018**	**64.97**
	Nominee registered	**23,336,162**	**14.27**
	Other shares	**33,958,483**	**20.76**
	Total	**163,565,663**	**100.00**

SHAREHOLDERS BY NUMBER OF SHARES HELD 31 DECEMBER 2019

Number of shares	Number of shareholders	%	Number of shares	%
1 - 100	5,671	27.36	318,821	0.20
101 - 500	8,105	39.10	2,256,954	1.38
501 - 1,000	2,939	14.18	2,305,551	1.41
1,001 - 5,000	3,130	15.10	6,953,776	4.25
5,001 - 10,000	437	2.11	3,124,251	1.91
10,001 - 50,000	331	1.60	6,661,422	4,07
50,001 - 100,000	46	0.22	3,306,209	2,02
100,001 - 500,000	48	0.23	8,998,827	5.50
500,001 +	23	0.11	129,560,403	79,21
Total	**20,730**	**100.00**	**163,486,214**	**99.95**
In the joint account			79,449	0.05
Total			**163,565,663**	**100.00**

Alternative performance measures

Sanoma presents certain financial performance measures on a non-IFRS basis as alternative performance measures (APMs). The APMs exclude certain non-operational or non-cash valuation items affecting comparability (IACs) and are provided to reflect the underlying business performance and to enhance comparability between reporting periods. The APMs should not be considered as a substitute for performance measures in accordance with IFRS.

Sanoma has included Operational EBIT excluding purchase price allocation amortisations (Operational EBIT excl. PPA), and the corresponding margin, as an APM in its financial reporting from Q1 2019 interim report. Operational EBIT excl. PPA is used as a basis in Sanoma's Outlook for 2020.

More information is available at sanoma.com. Definitions of key IFRS indicators and APMs are available on p. 32. Reconciliations are presented on p. 31 in this report.

Key indicators

EUR million	2019	2018	2017[4]	2016	2015[5]
Net sales[1]	913.3	891.4	1,434.7	1,554.4	1,716.7
Operational EBIT excl. PPA[1]	135.2	122.8			
% of net sales	14.8	13.8			
Operational EBIT[1]			176.7	164.9	83.7
% of net sales			12.3	10.6	4.9
Items affecting comparability in EBIT[1]	-22.5	-9.6	-417.2	42.0	-206.8
Purchase price allocation amortizations (PPAs)	10.5	6.5			
EBIT[1]	102.1	106.7	-240.5	206.9	-123.1
% of net sales	11.2	12.0	-16.8	13.3	-7.2
Result before taxes[1]	80.3	94.2	-262.4	167.3	-151.4
% of net sales	8.8	10.6	-18.3	10.8	-8.8
Result for the period from continuing operations[1]	63.1	72.6	-301.6	122.7	-157.7
% of net sales	6.9	8.1	-21.0	7.9	-9.2
Result for the period	13.3	125.6	-299.3	116.0	-157.7
% of net sales	1.5	14.1	-20.9	7.5	-9.2
Balance sheet total	1,997.9	1,519.0	1,590.1	2,605.6	2,765.1
Capital expenditure[2]	31.7	32.0	36.5	34.9	54.7
% of net sales	2.5	2.4	2.4	2.2	3.2
Free cash flow[3]	131.3	108.9	104.7	123.2	-29.2
Return on equity (ROE), %	2.2	22.1	-48.0	10.9	-13.6
Return on investment (ROI), %	5.4	18.1	-17.0	9.9	-5.3
Equity ratio, %	30.5	44.7	38.2	41.0	39.5
Net gearing, %	144.2	55.3	71.6	78.4	77.8
Interest-bearing liabilities	817.9	356.7	412.4	829.6	899.6
Non-interest-bearing liabilities	644.5	550.9	620.1	773.3	833.3
Interest-bearing net debt	794.7	337.8	391.8	786.2	801.2
Net debt / Adj. EBITDA	2.7	1.4	1.7		
Average number of employees (FTE)[1]	3,567	3,404	4,746	5,171	6,776
Number of employees at the end of the period (FTE)[1]	3,953	3,410	4,425	5,038	6,116

1 Figures for 2016-2019 contain only continuing operations. Figures for 2015 include also operations classified as discontinued operations in 2017.

2 Capital expenditure is presented on cash basis for 2017–2019 and on an accrual basis for 2015–2016.

3 Dividends received have been reported as part of free cash flow from 2016 onwards.

4 2017 figures have been restated due to the implementation of IFRS 15 Revenue from Contracts with Customers.

5 In connection with a reporting system change in 2016, Sanoma adapted a new method for currency translation, changing from cumulative translation to periodic translation. Due to this, there are some minor changes in the historical figures.

Share indicators

EUR	2019	2018	2017[3]	2016	2015[4]
Earnings/share, continuing operations[1]	0.38	0.44	-1.02	0.69	-0.91
Earnings/share	0.07	0.76	-1.00	0.65	-0.91
Earnings/share, diluted, continuing operations[1]	0.38	0.43	-1.02	0.69	-0.91
Earnings/share, diluted	0.07	0.76	-1.00	0.65	-0.91
Operational earnings/share, continuing operations[1]	0.49	0.49	0.70	0.50	0.13
Operational earnings/share	0.80	0.84	0.72	0.51	0.13
Free cash flow per share[2]	0.81	0.67	0.64	0.76	-0.18
Equity/share	3.25	3.73	3.34	4.39	4.59
Dividend/share[5]	0.50	0.45	0.35	0.20	0.10
Dividend payout ratio, %[5]	707.0	59.1	neg.	30.8	neg.
Operational dividend payout ratio, %[5]	62.5	53.4	48.3	39.2	78.3
Market capitalisation, EUR million[6]	1,539.7	1,379.7	1,774.5	1,338.4	633.7
Effective dividend yield, %[5]	5.3	5.3	3.2	2.4	2.6
P/E ratio	133.6	11.1	neg.	12.7	neg.
Adjusted number of shares at the end of the period[6]	163,016,523	162,504,370	163,249,144	162,333,596	162,082,093
Adjusted average number of shares[6]	162,933,737	163,084,958	162,544,637	162,291,679	162,721,764
Lowest share price	7.96	8.01	7.58	3.51	3.13
Highest share price	10.44	11.47	12.03	9.39	5.95
Average share price	9.03	9.28	8.90	6.14	4.28
Share price at the end of the period	9.45	8.49	10.87	8.25	3.91
Trading volumes, shares	19,098,115	39,317,670	36,232,649	48,152,687	81,355,104
% of shares	11.7	24.1	22.3	29.7	50.0

1 Figures for 2016–2019 contain only continuing operations. Figures for 2015 include also operations classified as discontinued operations in 2017.

2 Dividends received have been reported as part of free cash flow from 2016 onwards.

3 2017 figures have been restated due to the implementation of IFRS 15 Revenue from Contracts with Customers.

4 In connection with a reporting system change in 2016, Sanoma adapted a new method for currency translation, changing from cumulative translation to periodic translation. Due to this, there are some minor changes in the historical figures.

5 Year 2019 proposal of the Board of Directors.

6 The number of shares does not include treasury shares.

Reconciliation of operational EBIT excl. PPA

EUR million	2019	Restated 2018
EBIT	**102.1**	106.7
Items affecting comparability (IACs) and PPA amortisations [1]		
Learning		
Restructuring expenses	-12.1	-5.1
PPA amortisations	-6.1	-3.4
Media Finland		
Capital gains/losses		2.3
Restructuring expenses	-10.0	-9.4
PPA amortisations	-4.4	-3.2
Other companies		
Capital gains/losses	0.5	2.7
Restructuring expenses	-1.0	-0.1
Items affecting comparability (IACs) and PPA amortisations total	**-33.1**	-16.2
Operational EBIT excl PPA, continuing operations	**135.2**	122.8
Items affecting comparability (IACs) in financial income and expenses		
Capital gains/losses	1.0	
Impairments	-1.1	-0.7
Total	**-0.2**	-0.7
Items affecting comparability (IACs) in discontinued operations		
Capital gains/losses	10.8	30.3
Impairments [2]	-105.1	-0.4
Restructuring expenses	-9.1	-40.3
Others		7.2
PPA amortisations	-3.9	-3.0
Total	**-107.3**	-6.2

1 Items affecting comparability and PPA amortisations are unaudited.

2 2019, the impairment of EUR 105.1 million relates to the impairment loss on classification as assets held for sale under IFRS 5 following the announcement to divest Media Netherlands.

Reconciliation of operational EPS

EUR million	2019	2018
Result for the period attributable to the equity holders of the Parent Company	11.5	124.2
Items affecting comparability [1]	118.9	13.2
Operational result for the period attributable to the equity holders of the Parent Company	**130.4**	137.4
Adjusted average number of shares	162,933,737	163,084,958
Operational EPS	**0.80**	0.84

1 When calculating operational earnings per share, the tax effect and the non-controlling interests' share of the items affecting comparability have been deducted.

Reconciliation of interest-bearing net debt

EUR million	2019	2018
Non-current financial liabilities	227.9	4.3
Current financial liabilities	400.7	352.4
Non-current lease liabilities	162.0	
Current lease liabilities	27.3	
Cash and cash equivalents	-23.2	-18.8
Interest-bearing net debt	**794.7**	337.8

In 2019, net debt has increased as a consequence of the Iddink acquisition and the implementation of IFRS 16 leases standard.

Interest-bearing net debt includes financial assets and liabilities of Sanoma Media Netherlands that are presented as part of assets and liabilities held for sale in the balance sheet 31 December 2019. More details are presented in Note 26.

Definitions of key indicators

Indicator		Definition	
Comparable net sales growth	=	Net sales growth adjusted for the impact of acquisitions and divestments	
Equity ratio, %	=	Equity total / Balance sheet total - advances received	x 100
Net gearing, %	=	Interest-bearing liabilities - cash and cash equivalents / Equity total	x 100
Free cash flow	=	Cash flow from operations - capital expenditure	
Free cash flow/share	=	Free cash flow / Adjusted average number of shares on the market	
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents	
EBITDA	=	Operating profit + depreciation, amortisation and impairments	
Net debt/adj. EBITDA	=	The adjusted EBITDA used in this ratio is the 12-month rolling operational EBITDA, where acquired operations are included and divested operations excluded, and where programming rights and prepublication rights have been raised above EBITDA on cash flow basis	
Return on equity (ROE), %	=	Result for the period / Equity total (average of monthly balances)	x 100
Return on investment (ROI), %	=	Result before taxes + interest and other financial expenses / Balance sheet total - non-interest-bearing liabilities (average of monthly balances)	x 100
Earnings/share (EPS)	=	Result for the period attributable to the equity holders of the Parent Company - tax-adjusted interest on hybrid bond / Adjusted average number of shares on the market	
Items affecting comparability	=	Gains/losses on sale, restructuring expenses and impairments that exceed EUR 1 million	
Operational EPS	=	Result for the period attributable to the equity holders of the Parent Company - tax-adjusted interest on hybrid bond - items affecting comparability / Adjusted average number of shares on the market	
Equity/share	=	Equity attributable to the equity holders of the Parent Company / Adjusted number of shares on the market at the balance sheet date	
Dividend payout ratio, %	=	Dividend/share / Result/share	x 100
Operational dividend payout ratio, %	=	Dividend/share / Operational EPS	x 100
Effective dividend yield, %	=	Dividend/share / Share price on the last trading day of the year	x 100
P/E ratio	=	Share price on the last trading day of the year / Result/share	
Market capitalisation	=	Number of shares on the market at the balance sheet date x share price on the last trading day of the year	

Consolidated Financial Statements

- Audited

Consolidated income statement

EUR million	Note	2019	Restated[1] 2018
NET SALES	2, 3	**913.3**	891.4
Other operating income	4	31.0	38.0
Materials and services	6	-282.7	-282.3
Employee benefit expenses	5, 20, 30	-244.0	-238.9
Other operating expenses	6	-165.3	-179.6
Share of results in joint ventures	13	0.4	0.4
Depreciation, amortisation and impairment losses	10–12	-150.5	-122.4
EBIT		**102.1**	106.7
Share of results in associated companies	13	0.0	-0.1
Financial income	7	3.1	5.0
Financial expenses	7	-24.9	-17.4
RESULT BEFORE TAXES		**80.3**	94.2
Income taxes	8	-17.2	-21.5
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS		**63.1**	72.6
DISCONTINUED OPERATIONS			
Result for the period from discontinued operations	26	-49.8	53.0
RESULT FOR THE PERIOD		**13.3**	125.6

EUR million	Note	2019	Restated[1] 2018
Result from continuing operations attributable to:			
Equity holders of the Parent Company		61.4	71.3
Non-controlling interests		1.7	1.3
Result from discontinued operations attributable to:			
Equity holders of the Parent Company		-49.9	53.0
Non-controlling interests		0.1	-
Result attributable to:			
Equity holders of the Parent Company		11.5	124.2
Non-controlling interests		1.8	1.3
Earnings per share for result attributable to the equity holders of the Parent Company:	9		
Earnings per share, EUR, continuing operations		0.38	0.44
Diluted earnings per share, EUR, continuing operations		0.38	0.43
Earnings per share, EUR, discontinued operations		-0.31	0.32
Diluted earnings per share, EUR, discontinued operations		-0.31	0.32
Earnings per share, EUR		0.07	0.76
Diluted earnings per share, EUR		0.07	0.76

1 Comparable figures have been restated due to the classification of Sanoma Media Netherlands as discontinued operations according to IFRS 5.

In 2019, discontinued operations include Sanoma Media Netherlands and certain minor subsidiaries acquired in 2019 and planned to be divested in the future. In addition, discontinued operations in 2018 include Belgian women's magazine portfolio, which was divested on 29 June 2018.

Statement of comprehensive income [1]

EUR million	2019	2018
Result for the period	13.3	125.6
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Change in translation differences	2.5	-0.8
Share of other comprehensive income of equity-accounted investees	0.1	0.0
Items that will not be reclassified to profit or loss		
Defined benefit plans	6.1	-7.7
Income tax related to defined benefit plans	-1.1	1.5
Other comprehensive income for the period, net of tax	7.6	-6.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**20.9**	118.6
Total comprehensive income attributable to:		
Equity holders of the Parent Company	19.1	117.3
Non-controlling interests	1.8	1.3

1 Statement of comprehensive income includes both continuing and discontinued operations.

Consolidated balance sheet

ASSETS

EUR million	Note	31 Dec 2019	31 Dec 2018
NON-CURRENT ASSETS			
Property, plant and equipment	4, 6, 10	78.0	37.4
Right-of-use assets	10	157.0	
Investment property	4, 6, 11	9.1	10.3
Goodwill	12	505.8	935.7
Other intangible assets	12	443.3	250.4
Equity-accounted investees	13	1.9	18.4
Other investments	14	3.9	3.7
Deferred tax receivables	8	12.6	9.9
Trade and other receivables	5, 15	13.6	14.3
NON-CURRENT ASSETS, TOTAL		**1,225.2**	1,280.1
CURRENT ASSETS			
Inventories	16	25.4	36.9
Income tax receivables		7.6	10.4
Contract assets	3	0.4	5.2
Trade and other receivables	17	103.8	167.6
Cash and cash equivalents	18	16.3	18.8
CURRENT ASSETS, TOTAL		**153.5**	238.8
Assets held for sale and discontinued operations	26	619.2	
ASSETS, TOTAL		**1,997.9**	1,519.0

EQUITY AND LIABILITIES

EUR million	Note	31 Dec 2019	31 Dec 2018
EQUITY	19, 20		
Share capital		71.3	71.3
Treasury shares		-4.6	-8.4
Fund for invested unrestricted equity		209.8	209.8
Translation differences		-16.6	-19.3
Retained earnings		269.7	353.0
Total equity attributable to the equity holders of the Parent Company		**529.4**	606.4
Non-controlling interests		21.5	5.0
EQUITY, TOTAL		**550.9**	611.4
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	74.6	32.7
Pension obligations	5	7.1	8.4
Provisions	21	0.6	8.9
Financial liabilities	22	221.3	4.3
Lease liabilities	22	138.4	
Contract liabilities	3	4.2	5.1
Trade and other payables	23	6.5	11.0
NON-CURRENT LIABILITIES, TOTAL		**452.8**	70.4
CURRENT LIABILITIES			
Provisions	21	1.3	25.1
Financial liabilities	22	398.4	352.4
Lease liabilities	22	22.5	
Income tax liabilities		8.4	13.3
Contract liabilities	3	129.7	142.1
Trade and other payables	23	210.4	304.2
CURRENT LIABILITIES, TOTAL		**770.8**	837.2
Liabilities related to assets held for sale and discontinued operations	26	223.3	
LIABILITIES, TOTAL		**1,447.0**	907.6
EQUITY AND LIABILITIES, TOTAL		**1,997.9**	1,519.0

Changes in consolidated equity

		Equity attributable to the equity holders of the Parent Company							
EUR million	**Note**	**Share capital**	**Treasury shares**	**Fund for invested unrestricted equity**	**Translation differences**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
Equity at 31 Dec 2017		**71.3**	**-1.4**	**209.8**	**-18.5**	**284.3**	**545.4**	**1.7**	**547.1**
Effect of IFRS 9 on 1 Jan 2018						1.1	1.1		1.1
Effect of amendments to IFRS 2 on 1 Jan 2018						5.8	5.8		5.8
Equity at 1 Jan 2018	19	**71.3**	**-1.4**	**209.8**	**-18.5**	**291.2**	**552.3**	**1.7**	**553.9**
Result for the period						124.2	124.2	1.3	125.6
Other comprehensive income					-0.8	-6.2	-6.9		-6.9
Total comprehensive income					**-0.8**	**118.1**	**117.3**	**1.3**	**118.6**
Purchase of treasury shares			-7.7				-7.7		-7.7
Share-based compensation	20					2.9	2.9		2.9
Shares delivered	20		0.7			-0.7			
Dividends paid						-57.1	-57.1	-0.8	-57.9
Total transactions with owners of the company			**-7.0**			**-54.8**	**-61.8**	**-0.8**	**-62.6**
Acquisitions and other changes in non-controlling interest						-1.3	-1.3	2.8	1.5
Total change in ownership interest						**-1.3**	**-1.3**	**2.8**	**1.5**
Equity at 31 Dec 2018		**71.3**	**-8.4**	**209.8**	**-19.3**	**353.0**	**606.4**	**5.0**	**611.4**
Equity at 1 Jan 2019	19	**71.3**	**-8.4**	**209.8**	**-19.3**	**353.0**	**606.4**	**5.0**	**611.4**
Result for the period						11.5	11.5	1.8	13.3
Other comprehensive income					2.6	5.0	7.6		7.6
Total comprehensive income					**2.6**	**16.5**	**19.1**	**1.8**	**20.9**
Share-based compensation	20					-0.4	-0.4		-0.4
Shares delivered	20		3.8			-3.8			
Dividends paid						-73.4	-73.4	-1.2	-74.5
Total transactions with owners of the company			**3.8**			**-77.5**	**-73.8**	**-1.2**	**-74.9**
Acquisitions and other changes in non-controlling interest						-22.3	-22.3	15.9	-6.4
Total change in ownership interest						**-22.3**	**-22.3**	**15.9**	**-6.4**
Equity at 31 Dec 2019		**71.3**	**-4.6**	**209.8**	**-16.6**	**269.7**	**529.4**	**21.5**	**550.9**

Consolidated cash flow statement

Includes continuing and discontinued operations.

EUR million	Note	2019	2018
OPERATIONS			
Result for the period		13.3	125.6
Adjustments			
Income taxes	8	32.5	44.3
Financial expenses	7	26.7	22.5
Financial income	7	-3.2	-5.1
Share of results in equity-accounted investees	13	-4.3	-4.7
Depreciation, amortisation and impairment losses		266.2	131.4
Gains/losses on sales of non-current assets		-12.4	-36.0
Other adjustments		-4.1	2.9
Adjustments total		301.4	155.2
Change in working capital			
Change in trade and other receivables		19.9	44.0
Change in inventories		3.2	3.4
Change in trade and other payables, and provisions		-41.5	-59.2
Acquisitions of broadcasting rights, prepublication costs and rental books		-83.9	-77.3
Dividends received		4.7	5.1
Interest paid		-15.0	-10.0
Other financial items		-2.9	-1.5
Taxes paid		-36.2	-44.4
CASH FLOW FROM OPERATIONS		**163.0**	140.9
INVESTMENTS			
Capital expenditure		-31.7	-32.0
Operations acquired	27	-236.3	-15.9
Joint ventures and associated companies acquired	13	-0.7	0.0
Acquisition of other investments			-0.1
Proceeds from sale of tangible and intangible assets		2.5	9.7

EUR million	Note	2019	2018
Operations sold	27	53.4	22.0
Joint ventures and associated companies sold	13	0.1	0.2
Sales of other investments			0.8
Loans granted		-0.4	0.0
Repayments of loan receivables		0.0	1.2
Interest received		0.3	0.5
CASH FLOW FROM INVESTMENTS		**-212.8**	-13.7
CASH FLOW BEFORE FINANCING		**-49.7**	127.2
FINANCING			
Contribution by non-controlling interests		0.2	2.2
Purchase of treasury shares			-7.7
Change in loans with short maturity	22	193.6	-1.1
Drawings of other loans	22	250.3	0.0
Repayments of other loans	22	-289.2	-51.2
Payment of lease liabilities (2018: Payment of finance lease liabilities)	22	-24.8	-0.3
Acquisitions of non-controlling interests	27	-8.4	-11.2
Dividends paid		-74.5	-57.9
CASH FLOW FROM FINANCING		**47.3**	-127.0
Change in cash and cash equivalents according to cash flow statement		**-2.4**	0.2
Effect of exchange rate differences on cash and cash equivalents		-0.1	-0.3
Net increase(+)/decrease(-) in cash and cash equivalents		**-2.6**	-0.1
Cash and cash equivalents at 1 Jan		18.4	18.6
Cash and cash equivalents at 31 Dec	18	**15.9**	18.4

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 7.4 million (2018: 0.4) at the end of the period.

Cash and cash equivalents in the cash flow statement include EUR 6.9 million cash and cash equivalents of discontinued operations, which are presented as part of assets held for sale in the balance sheet 31 December 2019.

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. Accounting policies for consolidated financial statements

Corporate information

In 2019, Sanoma Group included two operating segments which are its two strategic business units Sanoma Learning and Sanoma Media Finland. This is aligned with the way Sanoma manages the businesses. Sanoma Learning is a growing European-based education company serving about 15 million students in ten countries. Through a portfolio of modern, blended learning materials and methods, material distribution and digital platforms it supports learning and teaching in primary, secondary and vocational education. Sanoma Learning's mission is to make a positive impact on learning by enabling teachers and schools to help all students to reach their full potential. Through its local companies, it contributes to some of the world's best-performing education systems. Sanoma Media Finland is the leading media company in Finland, reaching 97% of all Finns weekly. It provides information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. Sanoma Media Finland has leading brands and services, like Helsingin Sanomat, Ilta-Sanomat, Me Naiset, Aku Ankka, Oikotie, Nelonen, Ruutu and Radio Suomipop. For advertisers, it is a trusted partner with insight, impact and reach. Sanoma Media Netherlands is reported as discontinued operations starting from December 2019 and comparable figures in income statement have been restated. In 2018 discontinued operations included also Belgian women's magazines operations.

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 6 February 2020, 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 2019, 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 2019:

- **IFRS 16 Leases (effective for financial periods beginning on or after 1 January 2019).** Sanoma adopted the new IFRS 16 Leases standard as of 1 January 2019. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases. Group's lease contracts are mostly related to leased premises and leased cars.

  Sanoma applies the modified retrospective method and consequently the comparative financials have not been restated. Lease liabilities were measured at the present value of the remaining lease payments discounted using the incremental borrowing rate at 1 January 2019. The weighted-average discount rate was 3.3%. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

  As part of the initial application of IFRS 16, the Group chose to apply the practical expedient, which allows it to adjust the right-of-use asset by the amount of any provision for onerous contract recognised in balance sheet immediately before the date of initial application. Group also excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application and used hindsight in determining the lease term if the contracts contained options to extend or terminate the lease. In addition, operating leases with a remaining lease term of less than 12 months as at 1 January 2019 were accounted for as short-term leases.

  The effect of applying IFRS 16 was recognised in 1 January 2019 opening balance sheet. As a consequence of applying the standard, lease assets increased by EUR 183.9 million and lease liabilities by EUR 191.6 million. The application of the standard had no impact on retained earnings.

The reconciliation of operating lease liabilities and lease liability is presented below:

RECONCILIATION OF OPERATING LEASE LIABILITIES AND LEASE LIABILITY

EUR million	
Operating lease liabilities at 31 December 2018	**219.1**
Minimum lease payments on financial lease liabilities	2.2
Short-term leases recognised on a straight-line basis as expenses	-0.9
Low-value leases recognised on a straight-line basis as expenses	-0.1
Onerous contracts	5.3
Adjustments as a result of a different treatment of extension options	3.1
Adjustments as a result of a different treatment of termination options	-0.7
Variable lease liabilities	-4.7
Gross lease liabilities 1 January 2019	**223.3**
Discounting	-29.9
Lease liabilities at 1 January 2019	**193.3**
Present value of finance lease liabilities at 31 December 2018	1.8
Additional lease liabilities as a result of initial application of IFRS 16 as at 1 January 2019 [1]	**191.6**

1 Current portion EUR 22.2 million and non-current portion EUR 169.4 million.

- Interpretation IFRIC 23 **Uncertainty over Income Tax Treatments** (effective for financial periods beginning on or after 1 January 2019). The interpretation clarifies the accounting treatment for uncertainties in income taxes as part of the application of IAS 12 (Income taxes). The Group's existing accounting policy for uncertain income tax treatments is consistent with the requirements in IFRIC 23 and did not have an effect on the Group's financial statements.

- Annual Improvements to IFRSs (2015–2017 cycle) (effective for financial periods beginning on or after 1 January 2019). 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. Improvements issued in December 2017 include clarifications to previously held interest in a joint operation (IFRS 3 and IFRS 11), income tax consequences of payments on financial instruments classified as equity (IAS 12) and borrowing costs eligible for capitalization (IAS 23). The improvements do not have material impact on the Group's financial statements.

- Amendments to IAS 19 **Plan Amendment, Curtailment or Settlement** (effective for financial periods beginning on or after 1 January 2019). The amendments clarify the accounting for defined benefit plan amendments, curtailments and settlements. The amendments do not have 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 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 amortisation methods for broadcasting rights, prepublication assets and other intangible assets. In addition, management judgement is used when determining the valuation of deferred taxes, defined benefit pension assets and pension obligations and provisions. The assumptions are derived from external sources wherever available. In case of high dependency on assumptions, sensitivity analyses are performed to determine the impact on carrying amounts. 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 has an obligation to increase ownership in a subsidiary and the risks and rewards of ownership have transferred to Group due to this obligation, 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 business combinations. 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 Group's share of 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. The investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income of the investee. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Joint ventures are entities that are controlled jointly based on a contractual agreement by the Group and one or several other owners.

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 or joint 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 the 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.

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 reported in the financial statements 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 monthly average exchange rates 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.

Assets held for sale and discontinued operations

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.

Operations are classified as discontinued operations in case a component of an entity has either been disposed of, or is classified as held for sale, and when it represents a separate major line of business or geographical area of operations. The Group makes this assessment on strategic business unit level. In addition the disposal should be part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. A discontinued operation can be also a subsidiary acquired exclusively with a view to resale.

A component of an entity is defined as operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

The result for the period of discontinued operations is presented as a separate item in the consolidated income statement.

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. 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
- Prepublication costs 3–8 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 12.

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 12.

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 PPE. Any subsequent costs are included in the carrying value of the item of PPE 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 PPE 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 using the information on equal real estate business transactions in the market. Also outside surveyor has been used when determining the fair 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 releasability as well as the development of environment and area planning.

Leases (Accounting policy applied from 1 January 2019)

At inception of a contract, an entity assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of property, plant and equipment, where the Group is the lessee, are recognised as assets and liabilities for the lease term. The cost of right-of-use asset comprises the amount of initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives and any initial direct costs incurred by the lessee. The asset is depreciated during the lease term or, if shorter, during its useful life.

In leases of premises there are extension and termination options. The entity considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Lease term is reassessed if there's a significant event or change in circumstances that is within the control of the lessee and affects whether the lessee is reasonably certain to exercise option not previously included in lease term or not to exercise an option previously included in the lease term.

The lease liability is valued at the present value of the unpaid rents at the valuation date (commencement date of the lease). Rental costs include fixed rents and variable rents that depend on changes in the index or price level specified in the agreement. Sanoma applies the practical expedient and will not separate non-lease component from lease components and will instead account for each lease component and any associated non-lease components as a single lease component. Other variable rents included in the lease are treated as an expense for the period. Rents are discounted at the internal rate of the lease. If the internal rate is not readily determinable, the company's additional credit interest rate is used.

In income statement leasing costs are classified as depreciation and interest. Lease payments are apportioned between the interest expenses and the repayment of lease liabilities. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In cash flow statement the cash payments for the interest portion of the lease liability are presented in cash flow from operations. Cash payments for the principal portion of the lease liability are shown in cash flow from financing. The right-of-use assets and lease liabilities are presented separately in the balance sheet. The cash payments for the principal portion of the lease liability, which are paid in the next 12 months, are shown in current lease liabilities in balance sheet.

Sanoma applies the exemption for short-term leases (lease term 12 month or shorter than 12 months) and for leases for which underlying asset is of low value and continues to recognise those leases straight-line basis as an expense. In cash flow statement short-term lease payments and payments for leases of low-value assets are included in cash flow from operations.

The lease payments received for operating leases are shown under other operating income. The Group has no leases classified as finance leases in which it is a lessor.

Leases (Accounting policy applied before 1 January 2019)

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 liabilities.

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

Group's financial assets are classified as subsequently measured at amortised cost and at fair value through profit or loss.

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Sanoma has only one business model for debt instruments which is a business model whose objective is to hold assets in order to collect contractual cash flows. Financial assets are not reclassified subsequently to their initial recognition unless the Group changes its business model for managing financial assets. All equity instruments are measured at fair value.

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.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are **measured at amortised cost.** In Sanoma financial assets measured at amortised cost include loan receivables, trade receivables and cash. According to IFRS 9 an entity shall recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. Sanoma has adopted the general expected credit loss model for debt instruments carried at amortised cost. For trade receivables, Sanoma applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivable. Sanoma uses provision matrix as a practical expedient for measuring expected credit losses for trade receivables.

Assets that do not meet the criteria for amortised cost are measured at **fair value through profit or loss**. A gain or loss on an investment that is subsequently measured at fair value through profit or loss is recognised in the financial items in the income statement. In Sanoma financial assets measured at fair value through profit or loss include other equity investments and derivatives.

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. If the Group issues a new debt instrument and uses the received reserves to repurchase earlier issued debt instrument (whole or part) with not substantially different terms, any costs or fees incurred adjust the carrying amount of the new liability and are amortised over the remaining term of the issued instrument. A gain or loss arising from the difference in contractual cash flows is recognised in the income statement at the time of the modification.

The financial debt of Sanoma Group is classified as **financial liabilities at amortised cost** which are initially recognised at fair value including the transaction costs 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 financial items in the income statement on the period the changes arise.

Derivatives

Sanoma may use derivative instruments, such as forward foreign exchange contracts and interest rate swaps, in order to hedge against fluctuations in foreign exchange or interest rates. Sanoma does not apply hedge accounting.

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. The fair value of foreign exchange contracts is based on the contract forward rates in effect on the balance sheet date. Derivative contracts are shown in other current receivables and liabilities on the balance sheet. Both the unrealised and realised gains and losses arising from changes in fair values of the derivatives are recognised in the financial items in the income statement on the period the changes arise.

Risk management principles of financial risks are presented in more detail in Note 25.

Fair value hierarchy

Financial assets and 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. Tax on 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.

The amount of current and deferred tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The recorded receivable and payable amounts are adjusted where it is not considered probable that a tax authority will accept an uncertain tax treatment used by the Group in an income tax filing. The amounts recorded are based on the most likely amount or the expected value, depending on which method the Group expects to better predict the resolution of the uncertainty.

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

The share-based incentive plans introduced at Sanoma offer the Group's management an opportunity to receive Sanoma shares after a vesting period of two to three years, provided that the conditions set for receiving the shares are met. Shares in the Restricted Share Plans are delivered to the participants provided that their employment with Sanoma continues uninterrupted throughout the duration of the plan until the shares are delivered. In addition to the continuous employment condition, vesting of the Performance Shares is subject to meeting (partially or fully) the Group's performance targets set by the Board for annually commencing new plans.

The possible reward is paid as a combination of shares and cash. The cash component is dedicated to cover reward-related taxes and tax-related costs.

Share-based payments that are settled net in shares after withholding taxes are accounted for in full as equity-settled arrangements despite the fact that the employer pays in cash the taxes related to the rewards on behalf of the participants.

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. Liabilities arising from share-based payments represent estimate of the employers' social costs relating to the payable rewards. The fair value is charged to personnel expenses until vesting.

A more detailed description of the share-based payments is provided in Note 20.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes the amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Revenue recognition is described in more detail in Note 3.

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. The Group has both defined contribution and defined benefit plans 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 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 whose duration essentially corresponds with 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.

- Amendments to IAS 1 and IAS 8 **Definition of Material** (effective for financial periods on or after 1 January 2020). The amendments clarify the definition of "material" and align the definition used in Conceptual Framework and the standards themselves.

- Amendments to IFRS 3 **Definition of a Business** (effective for financial periods on or after 1 January 2020). The objective of the amendments is to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amended definition of a business requires an acquisition to include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

- **Revised Conceptual Framework for Financial Reporting** (effective for financial periods on or after 1 January 2020). Key changes include:

  - increasing the prominence of stewardship in the objective of financial reporting
  - reinstating prudence as a component of neutrality
  - a description of the reporting entity, which may be a legal entity, or a portion of an entity
  - definitions of an asset and a liability
  - removing the probability threshold for recognition and adding guidance on derecognition
  - measurement bases and guidance on when to use them
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

2. Operating segments

In 2019, Sanoma Group included two operating segments which are its two strategic business units Sanoma Learning and Sanoma Media Finland. This is aligned with the way Sanoma manages the businesses. Sanoma Media Netherlands is reported as discontinued operations starting from December 2019 and comparable figures in income statement have been restated. In 2018 discontinued operations included also Belgian women's magazines operations.

Learning

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

Media Finland

Sanoma Media Finland is the leading media company in Finland, reaching 97% of all Finns weekly. We provide information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. We have leading brands and services, like Helsingin Sanomat, Ilta-Sanomat, Me Naiset, Aku Ankka, Oikotie, Nelonen, Ruutu and Radio Suomipop. For advertisers, we are a trusted partner with insight, impact and reachs.

Unallocated/eliminations

In addition to the Group eliminations, the column Unallocated/Eliminations includes non-core operations, head office functions and items not allocated to segments.

SEGMENTS 2019

EUR million	Learning	Media Finland	Unallocated / Eliminations	Total
External net sales	336.7	576.5	0.1	913.3
Internal net sales	0.0	0.3	-0.4	0.0
NET SALES	336.7	576.8	-0.3	913.3
Depreciations, amortisations and impairment losses	-58.6	-86.8	-5.1	-150.5
EBIT	55.0	54.9	-7.9	102.1
OPERATIONAL EBIT EXCL PPA[1]	73.2	69.4	-7.4	135.2
Share of results in associated companies		0.0		0.0
Financial income			3.1	3.1
Financial expenses			-24.9	-24.9
RESULT BEFORE TAXES				80.3
Income taxes				-17.2
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS				63.1
Result for the period from discontinued operations				-49.8
RESULT FOR THE PERIOD				13.3
Capital expenditure	21.9	3.8	4.8	30.6
Goodwill	588.8	84.7	-167.7	505.8
Equity-accounted investees		1.8	0.1	1.9
Segment assets	1,140.3	345.5	-144.0	1,341.8
Other assets				36.9
Asset held for sale and discontinued operations				619.2
TOTAL ASSETS				1,997.9
Segment liabilities	197.7	200.6	-38.5	359.9
Other liabilities				863.8
Liabilities related to assets held for sale and discontinued operations				223.3
TOTAL LIABILITIES				1,447.0
Free cash flow from continuing operations[1]	50.6	78.3	-27.0	102.0
Free cash flow from discontinued operations[1]				29.5
Free cash flow[1]				131.3
Average number of employees (full-time equivalents)	1,488	1,804	275	3,567

1 Non-audited

Operational EBIT excl PPA is adjusted by items affecting comparability.

SEGMENTS 2018, RESTATED

EUR million	Learning	Media Finland	Media Netherlands	Unallocated / Eliminations	Total
External net sales	313.3	578.0			891.4
Internal net sales	0.0	0.4		-0.4	0.0
NET SALES	313.3	578.5		-0.4	891.4
Depreciation, amortisation and impairment losses	-44.0	-74.0		-4.4	-122.4
EBIT	55.0	59.3		-7.7	106.7
OPERATIONAL EBIT EXCL PPA [1]	63.5	69.6		-10.3	122.8
Share of results in associated companies		-0.1			-0.1
Financial income				5.0	5.0
Finanial expenses				-17.4	-17.4
RESULT BEFORE TAXES					94.2
Income taxes					-21.5
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS					72.6
Result for the period from discontinued operations					53.0
RESULT FOR PERIOD					125.6
Capital expenditure	19.8	4.1	2.3	5.8	32.0
Goodwill	444.3	83.0	576.1	-167.7	935.7
Equity-accounted investees	0.0	2.5	15.9	0.1	18.4
Segment assets	665.5	230.6	719.2	-136.2	1,479.2
Other assets					39.8
TOTAL ASSETS					1,519.0
Segment liabilities	129.5	229.7	676.6	-531.0	504.9
Other liabilities					402.7
TOTAL LIABILITIES					907.6
Free cash flow [1]	43.6	56.1	45.5	-36.3	108.9
Average number of employees (full-time equivalents)	1,351	1,781	1,059	363	4,554

1 Non-audited

Operational EBIT excl PPA is adjusted by items affecting comparability.

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' EBIT and operational EBIT excl PPA. Sanoma's President and CEO 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 liabilities, 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 2019

EUR million	Finland	The Netherlands	Other EU countries	Other countries	Eliminations	Total
External net sales	629.0	106.8	176.0	1.4	0.1	913.3
Non-current assets	443.8	553.1	186.3	15.8		1,199.1

INFORMATION ABOUT GEOGRAPHICAL AREAS 2018, RESTATED

EUR million	Finland	The Netherlands	Other EU countries	Other countries	Eliminations	Total
External net sales	634.0	90.2	167.1	0.0	0.0	891.4
Non-current assets	327.6	166.9	149.3	-0.2		643.6

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. Net sales

Nature of goods and services

The following is a description of principal activities – separated by operating segments – from which the Group generates its revenue. Sanoma Group includes two operating segments, which are its strategic business units Sanoma Learning and Sanoma Media Finland. For more detailed information about operating segments, see Note 2.

Learning segment

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

Sales are primarily generated through the sale of educational books and granting access to online learning platforms. In most cases, customer contracts include a combination of books, CDs and access to platforms. In these cases educational books and the access to the online platform are considered distinct and therefore identified as separate performance obligations. The consideration is allocated between the separate performance obligations based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the identifiable products and services. For items that are not sold separately by the Group, the stand-alone selling prices are estimated using the adjusted market assessment approach.

Products and services	Nature of products and services, timing of satisfaction of performance obligations and significant payment terms
Educational books	**Educational books** include revenue from publishing books for primary, secondary and vocational education. Revenue is recognised when the books are delivered to the customer (point-in-time). Revenue from books with a right of return is presented after deducting the estimated returns. Books are usually billed upon delivery and paid before the end of the year.
Access to online learning platforms	**Access to online learning platforms** can either be sold separately or in combination with educational books. Revenue of access to online learning platforms is recognised over the period (over-time) the customer has access to the platform (usually during a school year). Access services are usually paid in advance in monthly, quarterly or annual instalments.
Access to online teacher solutions and school management systems	**Access to online teacher solutions and school management systems** includes revenue of access to online platforms and applications for which revenue is recognised over the period (over-time) that the customer has access to the platform.
Other	**Other sales** mainly include physical distribution of learning materials. For learning materials sold, the revenue is recognised when the books are delivered to the customer. For rental learning books, revenue is recognised over the period (over-time) that the customer rents the book. Other sales also include consultancy services in the Dutch testing and assessment activities. This is considered a separate performance obligation which is recognised in revenue over time when the service is delivered. Testing and assessment services are billed and paid on a monthly basis.

Media Finland segment

Sanoma Media Finland is the leading media company in Finland, reaching 97% of all Finns weekly. We provide information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. We have leading brands and services, like Helsingin Sanomat, Ilta-Sanomat, Me Naiset, Aku Ankka, Oikotie, Nelonen, Ruutu and Radio Suomipop. For advertisers, we are a trusted partner with insight, impact and reach.

Sanoma Media Finland principally generates consumer revenue from providing consumer magazines, newspapers, events, online services and SVOD (Subscription video on demand). Through combining media content and customer data, advertising revenue is generated by providing successful marketing solutions for our clients. The typical length of customer contracts is 12 months or less.

Print sales are generated primarily from circulation sales, both subscriptions and single copy sales. In addition, print sales include advertising sales. Non-print sales include advertising sales generated through TV, VOD, radio, online and mobile channels. Also revenue generated from events (both consumer income and other B2B revenue) is included in non-print sales.

For each customer contract, the Group accounts for individual performance obligations separately if they are distinct. A product or service is considered distinct if it is separately identifiable from other promises in the contract and if a customer can benefit from it on its own. The consideration is allocated between separate performance obligations based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the identifiable products and services. For items that are not sold separately by the Group, the stand-alone selling prices are estimated using the adjusted market assessment approach.

Products and services	Nature of products and services, timing of satisfaction of performance obligations and significant payment terms
Advertising	**Print advertising** is generated through classical pages, classified ads (small advertisements categorised by topic) or plus propositions and inserts (flyers, cards, etc). Revenue recognition is at issue date (point-in-time) of the magazine/newspaper. Revenue is the net price; discounts are subtracted. Discounts can be agency discounts, generic discounts or volume discounts. Advertising services are usually billed and paid on a weekly or monthly basis. **TV and radio advertising** mainly relates to spot advertising for both free-to-air (FTA) channels and video-on-demand (VOD) generated from contracts with media agencies. Revenue is recognised when the commercial is broadcasted (point-in-time). Advertising services are usually billed and paid on a weekly or monthly basis. **Online and mobile advertising** is generated through display sales (e.g. banners and buttons) and non-display sales, which is primarily branded content. Both display and non-display sales are recognised over-time, during the running time of the advertising campaign. Performance based revenue is generated based on number of clicks and/or fee for leads generated through the Group's websites (affiliate sales). Performance based revenue is recognised at a point-in-time. Advertising services are usually billed and paid on a weekly or monthly basis.
Subscription	**Print subscriptions** relate to magazines and newspapers. The subscription terms vary from a few months up to more than 12 months. A part of the subscriptions are continuous, and end only when the customer ends them. Revenue is recognised based on publication dates over the contract term (over-time). Contracts are ended after the contract term and renewals are agreed at regular prices, therefore treated as new contracts. New subscriptions are offered at full price or at a discount. Revenue is presented net of the granted discount. When a new subscription is made, the customer may be offered a free premium article. The article is considered a separate performance obligation for which the stand-alone selling price is recognised when the control of the product is transferred to the customer (point-in-time). For subscription bundles (combination of print, online and/or event), the separate products are identified as separate performance obligations. Revenue is recognised based on the issue dates of respective products during the contract term (over-time). Print subscriptions are usually paid in advance in monthly, quarterly or annual instalments. **TV subscriptions** include consumer subscriptions to VOD. Revenue is recognised over the length of the subscription term (over-time). TV subscriptions are usually paid in advance in monthly, quarterly or annual instalments.
Single copy	**Single copy sales** relate to magazines and newspapers sold in kiosks, supermarkets and other retail channels. Retailers have a right of return for unsold copies. Revenue is recognised at the moment the products are delivered to the retailer (point-in-time), taking into account a provision for estimated returns. Single copy are usually billed and paid on a weekly or monthly basis.
Other B2C sales	**Other B2C sales** consist of product sales, income from events (consumer part), newspaper consumer announcements and other consumer income. Revenue is recognised at a point-in-time. Other B2C sales are usually billed and paid on a monthly basis.
Other B2B sales	**Other B2B sales** include printing sales, income from events (B2B part), licensing, gift cards, service sales, commission sales and distribution sales. Based on the nature of the performance obligations other B2B sales are recognised both at a point-in-time and over-time. Other B2B are usually billed and paid on a monthly basis.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/services lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue by the Group's two operating segments. Information on operating segments is presented in Note 2.

DISAGGREGATION OF REVENUE 2019

EUR million	Learning	Media Finland	Unallocated/ eliminations	Total
Finland	52.5	576.8	-0.3	629.1
The Netherlands	106.9			106.9
Poland	95.6			95.6
Belgium	57.1			57.1
Other companies and eliminations	24.5			24.5
Primary geographical markets	**336.7**	**576.8**	**-0.3**	**913.3**
Learning solutions	323.2		0.0	323.2
Advertising		247.3	-0.1	247.2
Subscription		195.8	0.0	195.8
Single copy		45.1		45.1
Other	13.5	88.6	-0.2	102.0
Major product lines/ services	**336.7**	**576.8**	**-0.3**	**913.3**
Recognition at a point-in-time	266.1	217.2	-0.3	483.0
Recognition over-time	70.6	359.6		430.2
Timing of revenue recognition	**336.7**	**576.8**	**-0.3**	**913.3**

DISAGGREGATION OF REVENUE 2018, RESTATED

EUR million	Learning	Media Finland	Unallocated/ eliminations	Total
Finland	56.0	578.5	-0.4	634.1
The Netherlands	90.2			90.2
Poland	91.5			91.5
Belgium	51.7			51.7
Other companies and eliminations	24.0			24.0
Primary geographical markets	**313.3**	**578.5**	**-0.4**	**891.4**
Learning solutions	313.3		0.0	313.3
Advertising		250.0	-0.2	249.8
Subscription		202.6	0.0	202.6
Single copy		45.2		45.2
Other		80.6	-0.2	80.5
Major product lines/ services	**313.3**	**578.5**	**-0.4**	**891.4**
Recognition at a point-in-time	264.6	226.0	-0.4	490.2
Recognition over-time	48.7	352.5		401.2
Timing of revenue recognition	**313.3**	**578.5**	**-0.4**	**891.4**

The revenue per country is based on the location of the entity that generates the revenue.

Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

CONTRACT BALANCES

	2019		2018	
EUR million	Contract assets	Contract liabilities	Contract assets	Contract liabilities
1 Jan	**5.2**	**147.2**	6.2	153.3
Revenue recognised that was included in the contract liability at beginning of the period		-142.1		-153.3
Increases due to cash received, excluding amounts recognised as revenue during the period		128.9		147.2
Transfers from contract assets recognised at the beginning of the period to receivables	-5.2		-6.2	
Increase in contract assets due to fulfilled performance obligations not yet invoiced	0.4		5.2	
31 Dec	**0.4**	**133.9**	5.2	147.2

The contract assets primarily relate to performance obligations that have been fulfilled, but for which invoicing has not yet taken place. The contract assets are transferred to receivables upon invoicing and therefore becoming unconditional. The contract liabilities primarily relate to advance considerations received from customers and for which revenue is recognised at the moment of fulfilling the performance obligation. Contract assets and liabilities relate to customer contracts that are generally settled within 12 months after inception of the contract, with the exception of customer contracts for digital products in Sanoma Learning, which are settled between 6 months to maximum 8 years after inception of the contract.

Information on trade receivables is further disclosed in Notes 15 and 17 Trade and other receivables and Note 25 Financial risk management.

Transaction price allocated to remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

UNSATISFIED PERFORMANCE OBLIGATIONS

EUR million	2020	> 2020	Total
Learning	67.3	4.2	71.5
Media Finland	62.4		62.4
Total	**129.7**	**4.2**	**133.9**

DISTRIBUTION OF NET SALES BETWEEN GOODS AND SERVICES, CONTINUING OPERATIONS

EUR million	2019	Restated 2018
Sale of goods	488.9	559.0
Rendering of services	424.3	332.4
Total	**913.3**	891.4

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. In addition, sales of services include income from renting learning books as well as user fees for e-learning solutions and databases.

4. Other operating income

OTHER OPERATING INCOME, CONTINUING OPERATIONS

EUR million	2019	Restated 2018
Technology service fees	9.9	12.9
Gains on sale of property, plant and equipment	0.8	1.5
Gains on sale of Group companies and operations	0.3	2.5
Gains on sale of investment property	0.5	3.6
Rental income from investment property	0.1	1.0
Other rental income	5.3	5.0
Government grants	1.4	0.2
Other	12.7	11.2
Total	**31.0**	38.0

Following the announcement to divest the Sanoma Media Netherlands business, Sanoma Media Netherlands is reported as discontinued operations in 2019 financial statements. Although intra-group transactions have been fully eliminated in the consolidated financial results, the elimination of transactions between the continuing operations and the discontinued operation before the disposal have been attributed in a way that would reflect the continuance of these transactions subsequent to the disposal. Consequently recharged centralised technology service fees have been reported within other operating income from continuing operations.

Group's other rental income is mostly related to sub-leases.

Other operating income includes EUR 2.8 million (2018: 2.5) reprography fee income and EUR 1.7 million (2018: 1.4) income related to alternative payment methods.

More information on investment property can be found in Note 11.

5. Employee benefit expenses

EMPLOYEE BENEFIT EXPENSES, CONTINUING OPERATIONS

EUR million	2019	Restated 2018
Wages, salaries and fees	-196.7	-189.6
Equity-settled share-based payments	-2.8	-3.0
Pension costs, defined contribution plans	-29.7	-29.1
Pension costs, defined benefit plans	-1.6	-3.6
Other social expenses	-13.3	-13.6
Total	**-244.0**	-238.9

Wages, salaries and other compensations for key management are presented in Note 30. Share-based payments are described in Note 20.

Post-employment benefits

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 29.7 million (2018: 29.1).

In 2018 in connection with the divestment of Belgian women's magazine portfolio the major part of defined benefit plans of Belgian media operations were transferred to Roularta Media Group. Remaining Media Belgium pension obligations were transferred to a third party insurance company, eliminating all further legal or constructive obligations of the pension plan. At the end of 2019 the defined benefit pension plans were mainly related to Finland.

In Finland the Group has a pension fund 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. In addition to the pension fund in Finland the Group has also other supplementary defined benefit pension schemes which are managed by insurance companies.

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.

The Finnish defined benefit plans are administered by a 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 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 came into force in 2017. The impacts on supplementary pensions were considered and the company decided to compensate the rise of statutory retirement age by supplementary pensions.

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

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

PENSION COSTS RECOGNISED IN THE INCOME STATEMENT

EUR million	2019	2018
Current service costs	-1.5	-2.1
Net interest	0.1	0.1
Past service cost	-0.1	-2.0
Effect of settlements		8.5
Administration costs	-0.1	-0.2
Total	**-1.7**	4.5

Includes continuing and discontinued operations.

In 2018 the effect of settlements included a EUR 4.8 million gain related to the divestment of Belgian women's magazine portfolio and a gain of EUR 3.7 million following the transfer of the remaining pension obligations to a third party insurance company, eliminating all further legal or constructive obligations of the pension plan. The settlement gain of EUR 4.8 million related to divestment of Belgian women's magazine portflio was reported as part of sales gain of Belgian divestment in discontinued operations.

In 2019, defined benefit pension cost includes EUR 0.0 million (2018: 0.5) cost related to defined benefit plans classified as discontinued operations.

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

NET DEFINED BENEFIT PENSION LIABILITIES (ASSETS) IN THE BALANCE SHEET

EUR million	2019	2018
Net defined benefit pension liabilities	7,1	8,4
Net defined benefit pension assets [1]	12,9	9,8
Net defined benefit pension liability (asset) total	**-5,8**	-1,4

1 2019 includes EUR 0.2 million pension assets classified as held for sale.

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

EUR million	Defined benefit obligation	Fair value of plan assets	Total
1 Jan 2018	190.4	-193.4	-3.0
Current year service cost	2.1		2.1
Interest cost/income	2.5	-2.7	-0.1
Past service cost	2.0		2.0
Effect of settlements	-31.1	22.5	-8.5
Administration cost		0.2	0.2
Total recognised in the result for the period	-24.5	20.0	-4.5
Remeasurement of the net defined benefit liability:			
Gains/losses arising from financial assumptions	-4.9		-4.9
Experience adjustments	0.2		0.2
Return on plan assets excluding interest income		12.1	12.1
Total recognised in other comprehensive income	-4.7	12.1	7.4
Group companies acquired	-0.2	0.1	-0.1
Contributions by the employer		-1.2	-1.2
Contributions by plan participants	2.4	-2.4	
Benefits paid from funds	-9.0	9.0	
31 Dec 2018	**154.4**	**-155.8**	**-1.4**

EUR million	Defined benefit obligation	Fair value of plan assets	Total
1 Jan 2019	**154.4**	**-155.8**	**-1.4**
Current year service cost	1.5		1.5
Interest cost/income	2.3	-2.3	-0.1
Past service cost	0.1		0.1
Administration cost		0.1	0.1
Total recognised in the result for the period	3.9	-2.2	1.7
Remeasurement of the net defined benefit liability:			
Gains/losses arising from financial assumptions	15.9		15.9
Experience adjustments	0.6		0.6
Return on plan assets excluding interest income		-22.6	-22.6
Total recognised in other comprehensive income	16.5	-22.6	-6.1
Contributions by the employer		0.0	0.0
Contributions by plan participants	0.4	-0.4	
Benefits paid from funds	-8.9	8.9	
Other changes	-0.1	0.1	
31 Dec 2019	**166.2**	**-172.0**	**-5.8**

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

NET DEFINED BENEFIT PENSION LIABILITIES (ASSETS) IN THE BALANCE SHEET 2019

EUR million	Finland	Belgium	Total
Present value of funded obligations	151.1	15.0	166.2
Fair value of plan assets	-163.0	-8.9	-172.0
Total	**-11.9**	**6.1**	**-5.8**

NET DEFINED BENEFIT PENSION LIABILITIES (ASSETS) IN THE BALANCE SHEET 2018

EUR million	Finland	Belgium	Total
Present value of funded obligations	141.5	13.0	154.4
Fair value of plan assets	-147.3	-8.5	-155.8
Total	**-5.8**	**4.5**	**-1.4**

The Sanoma Group's estimated contributions to the defined benefit plans for 2020 are about EUR 1.8 million.

PLAN ASSETS BY MAJOR CATEGORIES

%	2019	2018
Equity instruments	46.2	49.0
Bonds and debentures	46.7	43.2
Other items	6.1	6.2
Cash	1.0	1.7
Total	**100.0**	100.0

The fair value of plan assets included investments in Sanoma shares totalling EUR 5.2 million (2018: 4.7). None of the properties included in the plan assets are occupied by the Group.

Equity instruments consist mainly of investment funds and have quoted prices in active markets.

PRINCIPAL ACTUARIAL ASSUMPTIONS AT 31 DEC [1]

%	2019	2018
Discount rate	0.6	1.5
Expected future salary increase	1.8	2.1
Expected future pension increases	0.8	1.1

1 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	2019	2018
Longevity at age 65 for current pensioners		
Males	21.4	21.4
Females	25.4	25.4
Longevity at age 65 for current members aged 45		
Males	23.7	23.7
Females	28.1	28.1

The weighted average duration of the defined benefit obligation at 31 December 2019 was 14.7 years (2018: 13.7).

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 AT 31 DEC

	2019		2018	
%	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate (0.5% movement)	-6.3	7.2	-6.0	6.7
Expected future salary increase (0.5% movement)	1.0	-1.0	0.9	-0.9
Expected future pension increases (0.5% movement)	6.6	-6.2	6.3	-5.9
Future mortality (1 year movement)	3.9	-3.8	3.8	-3.6

6. Materials and services and other operating expenses

MATERIALS AND SERVICES, CONTINUING OPERATIONS

EUR million	2019	Restated 2018
Paper costs	-26.2	-27.9
Raw materials and supplies	-18.9	-25.7
Purchased transport and distribution service	-71.2	-72.2
Purchased printing	-26.5	-26.8
Sales and commission costs	-14.7	-14.3
Editorial subcontracting	-10.0	-11.6
Royalties	-35.4	-39.8
Other purchased services	-53.4	-41.2
Other	-26.4	-22.9
Total	**-282.7**	-282.3

OTHER OPERATING EXPENSES, CONTINUING OPERATIONS

EUR million	2019	Restated 2018
Losses on sales of Group companies and operations		-1.9
Operating costs of premises	-7.2	-8.4
Rents	-2.3	-23.3
Advertising and marketing	-35.5	-38.2
Office and ICT expenses	-77.6	-69.1
Professional fees	-22.4	-17.7
Travel expenses	-5.4	-5.5
Other	-15.0	-15.5
Total	**-165.3**	-179.6

Due to the initial application of IFRS 16 Leases, rents decreased by EUR 22.7 million in 2019.

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

In 2019, other operating expenses include the following expenses related to lease contracts.

EUR million	2019
Expense relating to short-term leases	-0.9
Expense relating to leases of low-value assets	-0.3
Expense relating to variable lease payments not included in lease liabilities	-0.7

AUDIT FEES

EUR million	2019	Restated 2018
Statutory audit	-1.0	-0.9
Audit related services	-0.1	-0.2
Tax services	0.0	0.0
Other non-audit services	-0.4	-0.5
Total	**-1.6**	-1.6

In 2019, PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, acted as Sanoma's auditor.

PricewaterhouseCoopers Oy has provided non-audit services to entities of Sanoma Group in total EUR 0.0 million (2018: 0.6) during the financial year 2019. The services for the year 2019 included auditors's statements, tax services and other services.

7. Financial items

FINANCIAL ITEMS, CONTINUING OPERATIONS

EUR million	2019	Restated 2018
Dividend income	0.1	0.1
Interest income from financial assets measured at amortised cost	0.3	0.5
Gains on sale of other investments		0.1
Forward currency exchange contracts, no hedge accounting, change in fair value	0.0	0.7
Exchange rate gains	1.6	2.9
Other financial income	1.0	0.6
Financial income total	**3.1**	5.0
Interest expenses from financial liabilities measured at amortised cost	-11.6	-11.3
Interest expenses on leases	-4.9	
Forward currency exchange contracts, no hedge accounting, change in fair value	-0.2	
Impairment losses on other investments	-0.1	-0.8
Exchange rate losses	-3.7	-3.0
Other financial expenses	-4.3	-2.2
Financial expenses total	**-24.9**	-17.4
Total	**-21.8**	-12.4

8. Income taxes and deferred taxes

INCOME TAXES, CONTINUING OPERATIONS

EUR million	2019	Restated 2018
Income taxes on operational income	-21.5	-22.3
Income taxes from previous periods	1.6	0.6
Change in deferred tax	2.7	0.1
Other		0.0
Tax expense in the income statement	**-17.2**	-21.5

The Group's tax expenses, EUR 32.5 million (2018: 44.3), include the tax expense in the income statement of EUR 17.2 million (2018: 21.5), and the income taxes of the discontinued operations, EUR 15.3 million (2018: 22.8).

INCOME TAX RECONCILIATION AGAINST LOCAL TAX RATES, CONTINUING OPERATIONS

EUR million	2019	Restated 2018
Result before taxes	80.3	94.2
Tax calculated at (Finnish) statutory rate	-16.1	-18.8
Effect of different tax rates in the operating countries	-0.8	-1.0
Non-taxable income	2.2	1.2
Non-deductible expenses	-6.1	-3.9
Tax relating to previous accounting periods	1.6	0.6
Change in deferred tax due to change in tax rate	1.3	0.5
Effect of joint ventures and associated companies	0.1	0.1
Other items	0.6	-0.2
Income taxes in the income statement	**-17.2**	-21.5
Tax rate of the Parent Company	**20.0%**	20.0%

DEFERRED TAX RECEIVABLES AND LIABILITIES 2019

EUR million	At 1 Dec	Recorded in the income statement [1]	Operations acquired/ sold	Recorded in other comprehensive income	Translation differences and reclassifications	At 31 Dec
Deferred tax receivables						
Tax losses carried forward and unused credits	3.4	-1.7	5.8		-1.7	5.8
PPE and intangible assets	2.0	0.5			-0.8	1.7
Inventories	0.1	0.0			0.0	0.1
Trade and other receivables	0.2	0.0				0.2
Provisions	5.5	0.7			-2.1	4.1
Pension obligations, defined benefit plans	1.9	0.1		-0.2	-0.1	1.7
Other items	0.1	-0.9	1.4		0.2	0.8
Total	13.1	-1.3	7.2	-0.2	-4.5	14.4
Offsetting of deferred tax assets and liabilities	-3.2					-1.8
Total	9.9					**12.6**
Deferred tax liabilities						
PPE and intangible assets	33.6	-4.0	49.6		-5.8	73.3
Inventories	0.2				-0.2	
Pension assets, defined benefit plans	2.1	-0.4		1.0	-0.2	2.5
Other items	0.1	-0.3	-0.1		0.9	0.5
Total	36.0	-4.7	49.4	1.0	-5.4	76.4
Offsetting of deferred tax assets and liabilities	-3.2					-1.8
Total	32.7					**74.6**

1 Includes the change from continuing operations EUR 2.7 million and from discontinued operations EUR 0.6 million, total EUR 3.3 million.

In 2019 reclassifications include assets EUR 4.1 million and liabilities EUR 5.6 million related to Media Netherlands classified as assets held for sale.

Operations acquired/sold includes aquisitions of Iddink and itslearning.

DEFERRED TAX RECEIVABLES AND LIABILITIES 2018

EUR million	At 1 Jan	Recorded in the income statement[1]	Operations acquired/ sold	Recorded in other comprehensive income	Translation differences and reclassifications	At 31 Dec
Deferred tax receivables						
Tax losses carried forward and unused credits	5.8	-3.1	0.7		0.0	3.4
PPE and intangible assets	2.6	-0.7			0.0	2.0
Inventories	0.0	0.1			0.0	0.1
Trade and other receivables	0.5	-0.3				0.2
Provisions	5.3	0.2	-0.3		0.2	5.5
Pension obligations, defined benefit plans	2.9	-0.9	-1.0	-0.1	0.9	1.9
Other items	0.8	-1.7	-0.9		1.9	0.1
Total	18.0	-6.3	-1.4	-0.1	3.1	13.1
Offsetting of deferred tax assets and liabilities						-3.2
Total						**9.9**
Deferred tax liabilities						
PPE and intangible assets	34.6	-1.8	0.9		-0.1	33.6
Inventories	0.3	-0.1				0.2
Pension assets, defined benefit plans	3.3	0.0		-1.5	0.2	2.1
Other items	0.4	-0.2	-0.2		0.2	0.1
Total	38.5	-2.0	0.7	-1.5	0.2	36.0
Offsetting of deferred tax assets and liabilities						-3.2
Total						**32.7**

1 Includes the change from continuing operations EUR 0.1 million and from discontinued operations EUR -4.4 million, total EUR -4.3 million.

In 2018 translation differences and reclassifications include items related mainly to the divested Belgian women's magazine portfolio.

TAX LOSSES

	Tax losses carried forward		Recognised deferred tax asset		Unrecognised deferred tax asset	
EUR million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Expiry within five years	9.8	4.8	1.3	0.9	0.8	1.8
Expiry after five years	4.9	8.5	0.2	0.8	1.0	0.4
No expiry	36.8	6.5	6.2	1.4	2.0	0.5
Total	**51.4**	19.8	**7.8**	3.1	**3.8**	2.7

Includes continuing and discontinued operations.

Tax losses of EUR 25.1 million relate to previous losses of aquired company itslearning.

The recognition of deferred tax assets is based on the group's estimations of future taxable profits available from which the group can utilise the benefits.

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 3.8 million (2018: 2.7) 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.

9. Earnings per share

Undiluted earnings per share is calculated by dividing result for the period attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding.

EARNINGS PER SHARE

	2019	Restated 2018
Result attributable to the equity holders of the Parent Company, EUR million, continuing operations	61.4	71.3
Result attributable to the equity holders of the Parent Company, EUR million, discontinued operations	-49.9	53.0
Result attributable to the equity holders of the Parent Company, EUR million	11.5	124.2
Weighted average number of shares, thousands	162,934	163,085
Earnings per share, EUR, continuing operations	0.38	0.44
Earnings per share, EUR, discontinued operations	-0.31	0.32
Earnings per share, EUR	**0.07**	0.76

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.

DILUTED EARNINGS PER SHARE

	2019	2018
Profit used to determine diluted earnings per share, EUR million, continuing operations	61.4	71.3
Profit used to determine diluted earnings per share, EUR million, discontinued operations	-49.9	53.0
Profit used to determine diluted earnings per share, EUR million	11.5	124.2
Weighted average number of shares, thousands	162,934	163,085
Effect of share plans, thousands	593	832
Diluted average number of shares, thousands	163,527	163,917
Diluted earnings per share, EUR, continuing operations	0.38	0.43
Diluted earnings per share, EUR, discontinued operations	-0.31	0.32
Diluted earnings per share, EUR	**0.07**	0.76

Information on share plans is presented in Note 20. For more information on shares and shareholders, see pages 27–28.

10. Property, plant and equipment and right-of-use assets

PROPERTY, PLANT AND EQUIPMENT 2019

EUR million	Land and water	Buildings and structures	Machinery and equipment	Rental books	Other tangible assets	Advance payments	Total
Acquisition cost at 31 Dec	0.6	24.0	235.5		57.6	0.9	318.6
Effect of IFRS 16			-1.8				-1.8
Acquisition cost at 1 Jan	0.6	24.0	233.7		57.6	0.9	316.8
Increases			3.0	0.7	1.0	1.8	6.5
Acquisition of operations		0.0	13.5	48.5	3.2		65.2
Decreases		-0.2	-10.1				-10.3
Disposal of operations			-0.2		-0.1	-0.8	-1.1
Reclassifications			0.3		0.1	-0.8	-0.4
Transfer to assets held for sale		-5.7	-40.7		-41.5		-87.8
Exchange rate differences	0.0	0.0	0.1		0.0	0.0	0.1
Acquisition cost at 31 Dec	0.6	18.2	199.6	49.2	20.4	1.1	289.0
Accumulated depreciation and impairment losses at 31 Dec		-16.4	-214.6		-50.2		-281.2
Effect of IFRS 16			0.9				0.9
Accumulated depreciation and impairment losses at 1 Jan		-16.4	-213.7		-50.2		-280.3
Decreases, disposals and acquisitions			-0.5	-2.6	-0.9		-4.0
Depreciation for the period		-0.3	-6.6	-3.7	-2.6		-13.3
Impairment losses for the period			0.0		0.0		0.0
Transfer to assets held for sale		5.6	40.5		40.8		86.8
Exchange rate differences		-0.1	-0.1		0.0		-0.2
Accumulated depreciation and impairment losses at 31 Dec		-11.3	-180.5	-6.4	-12.8		-210.9
Carrying amount at 31 Dec 2019	**0.6**	**6.9**	**19.1**	**42.8**	**7.5**	**1.1**	**78.0**

PROPERTY, PLANT AND EQUIPMENT 2018

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	0.8	24.3	234.9	56.6	0.8	317.4
Increases			3.0	1.6	1.1	5.6
Acquisition of operations			2.4	0.0		2.4
Decreases	-0.2	-0.3	-3.7	-0.1		-4.3
Disposal of operations			-0.5	-1.2		-1.8
Reclassifications			-0.2	0.8	-0.9	-0.4
Exchange rate differences	0.0	0.0	-0.3	0.0	0.0	-0.4
Acquisition cost at 31 Dec	0.6	24.0	235.5	57.6	0.9	318.6
Accumulated depreciation and impairment losses at 1 Jan		-16.3	-209.1	-47.2		-272.6
Decreases, disposals and acquisitions		0.1	1.4	0.8		2.3
Depreciation for the period		-0.3	-7.4	-3.8		-11.5
Reclassifications			0.4			0.4
Exchange rate differences		0.0	0.2	0.0		0.3
Accumulated depreciation and impairment losses at 31 Dec		-16.4	-214.6	-50.2		-281.2
Carrying amount at 31 Dec 2018	**0.6**	**7.5**	**20.9**	**7.4**	**0.9**	**37.4**

As at 31 December 2018, machinery and equipment included the following amounts where the group was a lessee under finance leases.

EUR million	2018
Acquisition cost	1.8
Accumulated depreciation and impairment losses	-0.9
Carrying amount	0.9

From 2019 leased assets are presented as a separate line item in the balance sheet, see Right-of-use assets 2019 table below. Refer to Note 1 for details about the changes in accounting policy.

Right-of-use assets 2019

DEPRECIATION OF RIGHT-OF-USE ASSETS, CONTINUING OPERATIONS

EUR million	2019
Depreciation for the period	
Buildings	-18.3
Vehicles	-2.0
Total	**-20.4**

CARRYING AMOUNT OF RIGHT-OF-USE ASSETS

EUR million	31.12.2019	1.1.2019
Carrying amount		
Buildings	152.0	178.9
Vehicles	5.0	5.9
Total	**157.0**	**184.8**

Additions to the right-of-use assets in continuing operations during the 2019 financial year were EUR 4.5 million.

Carrying amount of ROU assets has decreased by EUR 24.1 million due to classification of Sanoma Media Netherlands as discontinued operations. For information on discontinued operations, see Note 26.

The group's leasing activities

The Group leases buildings for its office space. Rental contracts are typically made for fixed periods of 5 to 15 years. Some leases include an option to extend the lease for an additional period after the end of the contract term or terminate the contract during the lease term. The Group assesses at the lease commencement whether it is reasonably certain to exercise the extension option or termination option. During the lease term the Group reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control. The most significant lease contracts are related to properties of Sanomala and Sanoma House.

Group leases also cars which have lease terms of three to five years. Leased IT equipment and machinery are leases of low value items and Group has elected not to recognise right-of-use assets and lease liabilities for these leases. Also short-term leases are reported as expense in income statement.

Lease liabilities are presented in Note 22.

11. Investment Property

INVESTMENT PROPERTY 2019

EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	9.4	7.5	16.9
Decreases	-0.5	-1.6	-2.1
Acquisition cost at 31 Dec	8.9	5.9	14.8
Accumulated depreciation and impairment losses at 1 Jan		-6.6	-6.6
Decreases		0.9	0.9
Depreciation for the period		-0.1	-0.1
Accumulated depreciation and impairment losses at 31 Dec		-5.7	-5.7
Carrying amount at 31 Dec 2019	**8.9**	**0.2**	**9.1**
Fair values at 31 Dec 2019	**20.9**	**0.2**	**21.1**

INVESTMENT PROPERTY 2018

EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	11.7	8.9	20.6
Decreases	-2.3	-1.4	-3.7
Acquisition cost at 31 Dec	9.4	7.5	16.9
Accumulated depreciation and impairment losses at 1 Jan		-6.7	-6.7
Decreases		0.3	0.3
Depreciation for the period		-0.2	-0.2
Accumulated depreciation and impairment losses at 31 Dec		-6.6	-6.6
Carrying amount at 31 Dec 2018	**9.4**	**0.9**	**10.3**
Fair values at 31 Dec 2018	**22.0**	**0.9**	**22.8**

The fair values of investment property have been determined by using either the yield 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 yield method calculations investor's return requirement range is 5–30%. Investment properties are classified at fair value hierarchy level 3.

The investment property includes land areas in the City of Vantaa, village of Keimola (Finland). In 2019 and 2018, Sanoma sold parcels of land from the area.

The investment property also includes land areas in the City of Vantaa, village of Vantaankoski, which are partly unplanned raw land and partly lots and parcels of land.

Furthermore Sanoma sold in August 2018 the property at Teollisuustie in Porvoo.

OPERATING EXPENSES OF INVESTMENT PROPERTY

EUR million	2019	Restated 2018
Investment property, rental income	0.0	-1.1
Investment property, no rental income	0.0	0.0
Total	**0.0**	-1.1

RENTAL INCOME OF INVESTMENT PROPERTY

EUR million	2019	Restated 2018
Rental income of investment property	0.1	1.0

12. Intangible assets

INTANGIBLE ASSETS 2019

EUR million	Goodwill	Immaterial rights	Prepublication rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	1,327.3	524.4	310.9	195.8	16.5	2,375.0
Increases		62.1	23.2	19.8	4.4	109.5
Acquisition of operations	149.4	45.1		214.3		408.9
Decreases		-42.8		-0.3		-43.1
Disposal of operations	-38.8	-12.4				-51.2
Reclassifications		-20.1		18.5	-2.6	-4.2
Transfer to assets held for sale [1]	-874.9	-161.7		-3.6		-1,040.1
Exchange rate differences	-0.1	0.1	0.1	0.0	0.0	0.1
Acquisition cost at 31 Dec	562.9	394.8	334.3	444.5	18.4	1,754.8
Accumulated amortisation and impairment losses at 1 Jan	-391.6	-421.1	-247.5	-128.6		-1,188.9
Decreases, disposals and acquisitions	0.9	54.9		-27.4		28.4
Amortisation for the period		-68.1	-20.1	-30.1		-118.2
Impairment losses for the period		-2.2	-0.7	-2.2		-5.0
Reclassifications		8.1		-1.4		6.7
Transfer to assets held for sale [1]	333.6	134.9		2.9		471.4
Exchange rate differences	0.1	0.0	-0.2	0.0		-0.1
Accumulated amortisation and impairment losses at 31 Dec	-57.1	-293.5	-268.4	-186.7		-805.8
Carrying amount at 31 Dec 2019	**505.8**	**101.3**	**65.9**	**257.7**	**18.4**	**949.1**

1 Due to the Sanoma Media Netherlands divestment Sanoma has booked a non-cash capital loss of EUR 105.1 million including divestment related transaction costs. More information on assets held for sale and discontinued operations can be found in note 26.

INTANGIBLE ASSETS 2018

EUR million	Goodwill	Immaterial rights	Prepublication rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	1,383.0	520.0	288.2	166.5	18.4	2,376.2
Increases		54.0	24.6	18.4	6.1	103.2
Acquisition of operations	5.0	13.7		6.1	0.0	24.7
Decreases		-48.6				-48.6
Disposal of operations	-62.5	-6.3		-0.1		-68.9
Reclassifications	1.2	-7.9		5.2	-8.0	-9.6
Exchange rate differences	0.7	-0.5	-1.9	-0.4	0.0	-2.1
Acquisition cost at 31 Dec	1,327.3	524.4	310.9	195.8	16.5	2,375.0
Accumulated amortisation and impairment losses at 1 Jan	-448.4	-415.8	-225.2	-101.1		-1,190.5
Decreases, disposals and acquisitions	58.0	53.3		-2.6		108.7
Amortisation for the period		-67.0	-23.3	-23.1		-113.4
Impairment losses for the period		-3.4	-0.5	-1.9		-5.8
Reclassifications	-1.3	11.5				10.2
Exchange rate differences		0.2	1.5	0.2		2.0
Accumulated amortisation and impairment losses at 31 Dec	-391.6	-421.1	-247.5	-128.6		-1,188.9
Carrying amount at 31 Dec 2018	**935.7**	**103.3**	**63.4**	**67.2**	**16.5**	**1,186.1**

Immaterial rights include film and TV broadcasting rights amounting to EUR 20.8 million (2018: 23.8). The prepublication rights of learning materials and solutions are internally generated intangible assets.

Excluding goodwill the Group has no intangible assets with indefinite useful lives at the end of the financial year.

Impairment losses recognised from immaterial rights and other intangibles assets

Intangible assets with definite useful lives are amortised using the straight-line method, except for the immaterial rights where the diminishing method is used for broadcasting rights and the straight-line method for other immaterial rights. At each reporting date it is assessed whether there is any indication that these intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated by determining the present value of future cash flows of the asset.

Impairment losses totaling EUR 5.0 million (2018: 5.8) were recognised from intangible assets with definite useful lives, of which EUR 1.0 million related to Sanoma Learning strategic business unit (SBU) (2018: 0.7), EUR 2.0 million related to the Sanoma Media Finland SBU (2018: 3.3) and EUR 2.0 million to impairment of corporate intangible assets (2018: 1.8).

In Sanoma Media Finland SBU, the impairment related mainly to TV program rights. The impairments in the Sanoma Learning SBU mainly related to outdated learning solutions. The impairment of corporate intangible assets related to ICT legacy systems.

Allocation of goodwill and intangible assets with indefinite useful life

For the purpose of impairment testing, goodwill has been allocated to two CGUs which are operating segments/SBUs. The allocation of goodwill is as presented in the table below.

CARRYING AMOUNTS OF GOODWILL IN THE CGUS

EUR million	2019	2018
Sanoma Learning	421.1	276.6
Sanoma Media Finland	84.7	83.0
CGUs, total	**505.8**	935.7

Impairment losses recognised from goodwill

There were no impairment losses recognised from goodwill in the financial year related to continuing operations (2018: EUR 0.0).

Methodology and assumptions used in impairment testing

Impairment testing of assets is principally carried out on a cash flow basis whereby the Value in Use is used as the recoverable amount. The recoverable amount is determined based on the present value of future cash flows of the Group's CGUs, using a post-tax WACC. Deferred and current income tax assets and liabilities (including deferred tax liabilities related to previous purchase price allocations) have been included in the carrying amount.

Calculations of the recoverable amount 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.

On 13 September 2019, Sanoma completed the acquisition of Iddink Group ("Iddink"), a leading Dutch educational platform and service provider. Iddink is reported as part of Sanoma Learning SBU. As the date of acquisition of Iddink by Sanoma and the moment of the annual impairment testing were very close, the goodwill resulted from the acquisition has not been included in the annual impairment testing. At the end of the financial year, goodwill related to the Iddink acquisition amounted to EUR 122.2 million which is included in the EUR 421.1 million carrying amount of goodwill for Sanoma Learning mentioned in the table above. Going forward, Iddink will be integrated into the Sanoma Learning SBU and will then be part of the Sanoma Learning carrying amount to be tested and the Sanoma Learning CGU recoverable amount.

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 Team 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 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 RECOVERABLE AMOUNT

%	2019	2018
Sanoma Learning	1.6	1.1
Sanoma Media Finland	-1.4	-1.0

Following the Finnish market changes in combination with the changes in the Sanoma Media Finland CGU portfolio (acquisitions in the event business and the transformation of traditional media to digital), the terminal growth rate is expected to be somewhat more negative than last year. Based on review and projections of the various curriculum cycles across its Footprint markets, while also taking into account the expected effects of new reforms and potential industry developments, the terminal growth rate assumption used for the Sanoma Learning CGU is somewhat higher than last year.

THE DISCOUNT RATE USED IN CALCULATION OF THE RECOVERABLE AMOUNT

%	2019 Post-tax	2018 Post-tax
Sanoma Learning	4.9	6.2
Sanoma Media Finland	4.9	7.2

The CGU-specific discount rates represent the blended average cost of capital of each CGU. On an annual basis Sanoma re-assesses the WACC calculation based on updated market parameters and updates the WACC accordingly. 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 recoverable amount 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 two CGUs (where Iddink is not included in the carrying amount of the Sanoma Learning CGU, as explained above):

EXCESS OF RECOVERABLE AMOUNT IN RELATION TO CARRYING AMOUNT

%	2019	2018
Sanoma Learning	over 50	over 50
Sanoma Media Finland	over 50	over 50

For the Sanoma Learning SBU, the critical key assumptions are the development of profitability and the discount rate. According to management's estimate, the carrying amount of the segment (not including Iddink) exceeds the recoverable amount if EBITDA falls 45% below the planned level each year, or if the post-tax discount rate rises above 18.7%. These estimates exclude simultaneous changes in other variables.

For the Sanoma Media Finland SBU, the critical key assumptions are the development of profitability and the discount rate. According to management's estimate, the carrying amount of the SBU exceeds the recoverable amount if EBITDA falls 48% below the planned level each year, or if the post-tax discount rate rises above 28.9%. These estimates exclude simultaneous changes in other variables.

13. Equity-accounted investees

INTERESTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

EUR million	2019	2018
Interests in joint ventures	1.1	17.0
Interests in associated companies	0.8	1.4
Total	**1.9**	18.4

Joint ventures

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

INTERESTS IN JOINT VENTURES

EUR million	2019	2018
Carrying amount at 1 Jan	17.0	17.1
Share of total comprehensive income	4.4	4.8
Dividends received	-4.5	-4.9
Transfer to assets held for sale	-15.7	
Exchange rate differences	0.0	0.0
Carrying amount at 31 Dec	**1.1**	17.0

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	2019	2018
Carrying amount at 1 Jan	1.4	3.8
Share of total comprehensive income	0.0	-0.1
Dividends received	-0.1	-0.1
Increases	0.7	0.0
Transfer to assets held for sale	0.0	
Other changes [1]	-1.3	-2.2
Carrying amount at 31 Dec	**0.8**	1.4

1 In March 2019 Suomen Sopimustieto Oy changed from associated company to other investments. In June 2018 Suomen Tietotoimisto Oy (Finnish News Agency STT) changed from associated company to subsidiary.

List of equity-accounted investees, see note 28.

14. Other investments

EUR million	2019	2018
Other investments, non-current	3.9	3.7

Other investments mainly include investments in shares, and the Group does not intend to sell these assets. Other investments are measured at fair value and are classified at fair value hierarchy level 3.

15. Trade and other receivables, non-current

EUR million	2019	2018
Financial assets at amortised cost		
Loan receivables	0.4	0.7
Other receivables	0.4	3.7
Accrued income	0.1	0.2
Net defined benefit pension assets [1]	12.6	9.8
Total	**13.6**	14.3

1 Net defined benefit pension assets, see Note 5

In 2018, Other receivables include a 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 was transferred fully to ownership of Länsi-Savo in February 2019. Since control was transferred in the first stage of the corporate arrangement, so the asset was 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.

16. Inventories

EUR million	2019	2018
Materials and supplies	2.6	7.0
Work in progress	2.0	1.4
Finished products/goods	19.3	27.2
Other	1.5	1.3
Total	**25.4**	36.9

EUR 0.5 million (2018: 0.5) was recognised as impairment in the financial year. The carrying amount of inventories was written down to reflect their net realisable value.

17. Trade and other receivables, current

EUR million	2019	2018
Financial assets at amortised cost		
Trade receivables [1]	70.4	113.1
Loan receivables		0.0
Other receivables	13.1	12.9
Financial assets at fair value		
Derivatives, non-hedge accounted [2]		0.2
Accrued income	15.2	29.3
Advance payments	3.1	6.1
Other receivables	2.0	6.0
Total	**103.8**	167.6

1 Trade receivables, see Note 25

2 Derivatives, see Note 25

The Group has recognised a total of EUR 1.0 million (2018: 2.3) in credit losses and change in impairment allowances on trade receivables. Information on how impairment allowance for trade receivables has been defined is included in Note 25.

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

Accrued income

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

18. Cash and cash equivalents

CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET

EUR million	2019	2018
Cash in hand and at bank	16.2	18.7
Deposits	0.1	0.1
Total	**16.3**	18.8

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	2019	2018
Cash and cash equivalents in the balance sheet	16.3	18.8
Bank overdrafts	-7.4	-0.4
Cash and cash equivalents of discontinued operations	6.9	
Total	**15.9**	18.4

Cash and cash equivalents in the cash flow statement include cash and cash equivalents of continuing and discontinued operations less bank overdrafts.

19. Equity

	Number of shares			Share capital and funds, EUR million			
	All shares	Treasury shares	Total	Share capital	Treasury shares	Fund for invested unrestricted equity	Total
At 1 Jan 2018	163,565,663	-316,519	163,249,144	71.3	-1.4	209.8	279.6
Purchase of treasury shares		-900,000	-900,000		-7.7		-7.7
Shares delivered		155,226	155,226		0.7		0.7
At 31 Dec 2018	**163,565,663**	**-1,061,293**	**162,504,370**	**71.3**	**-8.4**	**209.8**	272.6
Shares delivered		512,153	512,153		3.8		3.8
At 31 Dec 2019	**163,565,663**	**-549,140**	**163,016,523**	**71.3**	**-4.6**	**209.8**	**276.4**

The maximum amount of share capital cannot exceed EUR 300.0 million (2018: 300.0). The share has no nominal value and no accountable par is in use. The shares have been fully paid.

Treasury shares

In 2019, the Group did not purchase shares. In 2018, the Group purchased 900,000 shares from the stock exchange. The cost of the purchased treasury shares was EUR 7.7 million and it was recognised as a deduction from equity.

In 2019, Sanoma delivered a total of 512,153 Sanoma shares held by the company to 168 employees of the Group based on Restricted Share Plan 2016–2018, Restricted Share Plan 2017–2018 and Performance Share Plan 2016–2018 (without consideration and after taxes). In 2018, Sanoma delivered 155,226 Sanoma shares held by the company to 233 employees based on the Restricted Share Plan 2015-2017 and Restricted Share Plan 2016–2017 (without consideration and after taxes). At the end of the financial year, the company held a total of 549,140 (2018: 1,061,293) own shares.

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.

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.

Information on the capital risk management is presented in the Note 25 Financial Risk management.

20. 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.

Shares conditionally granted to the President and CEO and EMT 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 EMT members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance shares received.

The performance measures for the performance period 2016-2018 are based on adjusted earnings per share and adjusted free cash flow targets in 2016. The performance measures for the performance period 2017–2019 are based on adjusted earnings per share and adjusted free cash flow targets in 2017. The performance measures for the performance period 2018–2020 are based on adjusted earnings per share and adjusted free cash flow targets in 2018. The performance measures for the performance period 2019–2021 are based on adjusted earnings per share and adjusted free cash flow targets in 2019. The President and CEO and EMT members are part of Sanoma's Performance Share Plan.

In 2019, Sanoma delivered 364,089 Sanoma shares held by the company to 49 employees based on the Performance Share Plan 2016-2018 (without consideration and after taxes).

Restricted Share Plan

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. In 2018, Sanoma delivered 75,070 Sanoma shares held by the company to 173 employees based on the Restricted Share Plan 2015-2017 (without consideration and after taxes).

The Board of Directors of Sanoma Corporation has on 8 February 2016 approved a share-based long-term incentive programme 2016-2018 (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 2016-2017 plan (50%) and 3-year in 2016-2018 plan (50%) periods and vesting is subject to meeting service condition. In 2018, Sanoma delivered 80,156 Sanoma shares held by the company to 197 employees based on the Restricted Share Plan 2016-2017 (without consideration and after taxes). In 2019, Sanoma delivered 68,586 Sanoma shares held by the company to 157 employees based on the Restricted Share Plan 2016-2018 (without consideration and after taxes).

The Board of Directors of Sanoma Corporation has on 6 February 2017 approved a share-based long-term incentive programme 2017 (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 in 2017-2018 and vesting is subject to meeting service condition. In 2019, Sanoma delivered 79,478 Sanoma shares held by the company to 2 employees based on the Restricted Share Plan 2017-2018 (without consideration and after taxes).

The Board of Directors of Sanoma Corporation has on 5 February 2019 approved a share-based long-term incentive programme 2019-2021 (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 3-year period in 2019-2021 and vesting is subject to meeting service condition.

The possible rewards are paid net in shares.

Shares conditionally granted to the President and CEO and EMT 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 EMT members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance shares received.

More specific information on the performance and restricted share plan grants are presented in the following tables. Information on the management ownership is presented in Note 30.

Basic information

Plan	Performance Share Plan				Restricted Share Plan					
Instrument	Performance Share Plan 2016–2018	Performance Share Plan 2017–2019	Performance Share Plan 2018–2020	Performance Share Plan 2019–2021	Restricted Share Plan 2015–2017 [1]	Restricted Share Plan 2016–2017 [2]	Restricted Share Plan 2016–2018 [2]	Restricted Share Plan 2017–2018	Restricted Share Plan 2019–2021	Total/ Average
Initial amount, gross pcs (includes share and cash portions)	794,338	855,000	609,000	667,500	324,325	209,950	209,950	150,000	50,000	3,870,063
Initial allocation date	8.2.2016	6.2.2017	7.2.2018	6.2.2019	4.2.2015	8.2.2016	8.2.2016	6.2.2017	6.2.2019	
Vesting date / reward payment at the latest	30.4.2019	30.4.2020	30.4.2021	30.4.2022	30.4.2018	30.4.2018	30.4.2019	30.4.2019	30.4.2022	
Maximum contractual life, yrs	3.2	3.2	3.2	3.2	3.2	2.2	3.2	2.2	3.3	3.2
Remaining contractual life, yrs	Expired	0.3	1.3	2.3	Expired	Expired	Expired	Expired	2.3	1.3
Number of persons at the end of the reporting year		185	193	188					4	
Payment method	Equity and cash	Equity and cash	Equity and cash	Equity and cash	Equity and cash	Equity and cash	Equity and cash	Equity and cash	Equity and cash	

1 Restricted Share Plan 2015–2017 is divided in two vesting periods: 2015–2016 and 2015–2017.

2 Restricted Share Plan 2016–2018 is divided in two vesting periods: 2016–2017 and 2016–2018.

Changes	Performance Share Plan				Restricted Share Plan					
	Performance Share Plan 2016–2018	**Performance Share Plan 2017–2019**	**Performance Share Plan 2018–2020**	**Performance Share Plan 2019–2021**	**Restricted Share Plan 2015–2017 [1]**	**Restricted Share Plan 2016–2017 [2]**	**Restricted Share Plan 2016–2018 [2]**	**Restricted Share Plan 2017–2018**	**Restricted Share Plan 2019–2021**	**Total/ Average**
1 Jan 2018										
Outstanding at the beginning of the reporting period	**711,098**	**740,726**			**157,175**	**166,563**	**165,438**	**150,000**		**2,090,999**
Changes during the period										
Granted			576,731							576,731
Forfeited	18,938	56,075	39,615		4,500	5,500	24,938			149,566
Exercised					152,675	161,063				313,738
31 Dec 2018										
Outstanding at the end of the period	**692,160**	**684,651**	**537,116**		**0**	**0**	**140,500**	**150,000**		**2,204,427**
1 Jan 2019										
Outstanding at the beginning of the reporting period	**692,160**	**684,651**	**537,116**				**140,500**	**150,000**		**2,204,427**
Changes during the period										
Granted				633,150					44,250	677,400
Forfeited		19,575	50,539	12,525			3,250			85,889
Exercised	692,160						137,250	150,000		979,410
31 Dec 2019										
Outstanding at the end of the period	**0**	**665,076**	**486,577**	**620,625**			**0**	**0**	**44,250**	**1,816,528**

1 Restricted Share Plan 2015–2017 is divided in two vesting periods: 2015–2016 and 2015–2017.

2 Restricted Share Plan 2016–2018 is divided in two vesting periods: 2016–2017 and 2016–2018.

Fair value determination

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

- Liabilities arising from share-based payments at the end of the period represent estimate of the employers social costs relating to the payable rewards. The fair value of the liability 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 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 is expensed until vesting.

VALUATION PARAMETERS FOR INSTRUMENTS GRANTED DURING PERIOD

EUR	2019	2018
Share price at grant	8.69	10.11
Share price at reporting period end	9.45	8.49
Expected dividends	0.49	0.35
Fair value of the equity-settled portion at grant	6.76	8.71

EFFECT OF SHARE-BASED INCENTIVES ON THE RESULT AND FINANCIAL POSITION DURING THE PERIOD, CONTINUED OPERATIONS

EUR million	2019	2018
Expenses for the financial year, share-based payments	3.3	3.2
of which equity-settled	3.3	3.2
Liabilities arising from share-based payments at the end of the period	0.2	0.5

At the end of the period the estimated future cash payment to be paid to the tax authorities from share-based payments are EUR 7.2 million (2018: 9.0).

21. Provisions

CHANGES IN PROVISIONS

EUR million	Restructuring provisions	Other provisions	Total
At 31 Dec 2018	9.9	24.2	34.1
Effect of IFRS 16 on 1 Jan 2019 [1]		-5.3	-5.3
At 1 Jan 2019	9.9	18.9	28.8
Exchange rate differences		0.0	0.0
Acquisition of operations		0.1	0.1
Increases	2.3	4.1	6.4
Amounts used	-8.5	-13.2	-21.6
Unused amounts reversed	-0.4	-3.5	-3.8
Transfer to assets held for sale	-1.8	-6.1	-7.9
At 31 Dec 2019	**1.6**	**0.4**	**1.9**

1 As part of the initial application of IFRS 16 Leases, Sanoma chose to apply the practical expedient, which allows it to adjust the right-of-use asset by the amount of any provision for onerous contract recognised in balance sheet immediately before the date of initial application.

CARRYING AMOUNTS OF PROVISIONS

EUR million	2019	2018
Non-current	0.6	8.9
Current	1.3	25.1
Total	**1.9**	34.1

Provisions are based on best estimates on the balance sheet date. Other provisions include provisions related to contracts with customers and other smaller provisions. Individual provisions are not material at the Group level.

22. Financial liabilities and lease liabilities

EUR million	2019	2018
Non-current financial liabilities at amortised cost		
Loans from financial institutions	200.0	
Lease liabilities	138.4	1.5
Other liabilities	21.3	2.8
Total	**359.8**	4.3
Current financial liabilities at amortised cost		
Loans from financial institutions	57.2	0.5
Commercial papers	341.2	147.5
Lease liabilities	22.5	0.3
Bonds		197.3
Other liabilities	0.1	6.8
Total	**420.9**	352.4
Total	**780.7**	356.7

Due to the initial application of IFRS 16 Leases as at January 2019, liabilities from leases increased. Maturities of lease liabilities are presented in Note 25.

Fair values of loans from financial institutions and other liabilities are close to their carrying values. The bond was repaid on 27 November 2019.

RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOW ARISING FROM FINANCIAL ACTIVITIES

EUR million	Non-current financial liabilities	Current financial liabilities	Lease liabilities	Total	Cash and cash equivalents	Interest-bearing net debt	Non-current other liabilities	Total
1 Jan 2018	196.3	216.1		412.4	20.6	391.8	13.9	405.7
Cash flows	-0.3	-51.1		-51.4	-1.4	-49.9	-1.2	-51.1
Disposal of operations							-0.2	-0.2
Exchange rate differences	0.0			0.0	-0.3	0.3	0.0	0.2
Other non cash movements	-191.7	187.4		-4.3		-4.3	3.6	-0.7
At 31 Dec 2018	**4.3**	**352.4**		**356.7**	**18.8**	**337.8**	**16.1**	**353.9**
31 Dec 2018	4.3	352.4		356.7	18.8	337.8	16.1	353.9
Reclassification	-1.5	-0.3	1.8					
Effect of IFRS 16 on 1 Jan 2019			191.6	191.6		191.6		191.6
1 Jan 2019	2.8	352.1	193.3	548.2	18.8	529.4	16.1	545.5
Cash flows	111.2	43.6	-24.8	130.0	4.4	125.6	0.0	125.6
Aquisition of operations	88.8		16.5	105.3		105.3	0.3	105.6
Disposal of operations		-6.8		-6.8		-6.8		-6.8
Exchange rate differences			0.0	0.0	-0.1	0.1	0.0	0.1
Other non cash movements	25.2	11.8	4.2	41.1		41.1	-5.7	35.4
At 31 Dec 2019	**227.9**	**400.7**	**189.2**	**817.9**	**23.2**	**794.7**	**10.7**	**805.4**
Transfer to liabilities related to assets held for sale	-6.6	-2.3	-28.3	-37.2	-6.9			
In the balance sheet 31 Dec 2019	**221.3**	**398.4**	**161.0**	**780.7**	**16.3**		**10.7**	

Includes continuing and discontinued operations

Total cash flow for leases was EUR -32.6 million in 2019. For more information on Group's lease activities, please see Note 10.

Loans from financial institutions

In 2019 the Group's loans from financial institutions consisted mainly of a EUR 250 million syndicated term loan facility, out of which EUR 50 million is booked in current liabilities. Loans are valued at amortised cost.

The average interest rate for loans (excluding arrangement fees and finance leases) during the financial year was 2.3% (2018: 0.9%). The interest rates of all loans are tied to Euribor.

Bonds

In May 2016 the Group issued a Senior Unsecured Eurobond with nominal value of EUR 200 million, issue price 100, maturity of 3.5 years and fixed coupon of 3.50%. The proceeds were fully used for a partial redemption of a bond issued in 2012. The tender premium was capitalised, and will be amortised over the life of the current bond, thus raising the effective interest rate to 5.01%. The bond was repaid fully in 27 November 2019.

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 a committed syndicated credit facilities with banks. These credit facilities are partially reserved for securing the repayment of outstanding commercial paper during possible market disruption.

Finance lease liabilities

Finance lease liabilities were included in financial liabilities until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the IFRS 16 Leases standard. See note 1 for further information about the change in accounting policy for leases.

EUR million	2019	2018
Total minimum lease payments		
Not more than 1 year	-	0.4
1–5 years	-	1.3
More than 5 years	-	0.5
Total	**-**	2.2
Present value of minimum lease payments		
Not more than 1 year	-	0.3
1–5 years	-	1.0
More than 5 years	-	0.4
Total	**-**	1.8
Future finance charges	**-**	0.5

23. Trade and other payables

EUR million	2019	2018
Non-current		
Accrued expenses	1.6	1.5
Other financial liabilities at amortised cost	4.9	9.5
Total	**6.5**	11.0
Current		
Trade payables	59.9	99.6
Other liabilities	23.4	32.0
Derivatives, non-hedge accounted [1]	0.1	0.2
Accrued expenses	126.9	167.6
Advances received	0.0	4.9
Total	**210.4**	304.2
Total	**216.9**	315.2

1 Derivatives, see Note 25

Accrued expenses

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

24. Contingent liabilities

EUR million	2019	2018
Contingencies for own commitments		
Pledges	1.4	1.4
Other items	15.0	15.0
Total	**16.4**	16.4
Other commitments		
Operating lease liabilities	-	219.1
Royalties	6.0	8.3
Commitments for acquisitions of intangible assets (film and TV broadcasting rights included)	22.6	33.6
Other items	50.7	53.0
Total	**79.4**	314.0
Total	**95.8**	330.4

Operating lease liabilities have been reported in accordance with the requirements of IFRS 16 Leases since 1 January 2019.

NON-CANCELLABLE MINIMUM LEASE LIABILITIES BY MATURITY

EUR million	2019	2018
Not later than 1 year	-	29.1
1–5 years	-	100.0
Later than 5 years	-	90.0
Total	**-**	219.1

In 2018, operating lease liabilities included both premises and other operating lease liabilities.

NON-CANCELLABLE MINIMUM LEASE PAYMENTS TO BE RECEIVED BY MATURITY

EUR million	2019	2018
Not later than 1 year	4.6	4.5
1–5 years	6.1	7.7
Later than 5 years	0.1	0.0
Total	**10.9**	12.2

Most of the non-cancellable minimum lease payments to be received are related to subleases. The group sub-leases parts of its office buildings. The group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the head lease.

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.

25. Financial risk management

Sanoma's treasury operations are managed centrally by the Group Treasury. 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. The Sanoma Board of Directors has approved the guidelines in the Group Treasury Policy.

In the long-term, to ensure financial flexibility, Sanoma's goal is to reach a capital structure where net debt/adjusted EBITDA ratio is below 2.5, and equity ratio is between 35% and 45%. 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 currency forward contracts to hedge against financial risks during the year. The Group does not apply hedge accounting.

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. In 2019 all loans were denominated in Euro. The Group manages its exposure to interest rate risk by ensuring that the interest duration of the gross debt of the Group shall be between certain time range approved by the Sanoma Board of Directors as part of the Treasury Policy. According to the Treasury Policy interest rate derivatives may also be utilised.

LOAN PORTFOLIO BY INTEREST RATE

EUR million	2019	2018
Floating-rate loans	591.0	157.6
Fixed-rate loans		199.0
Total	**591.0**	356.7
Average duration, years	0.2	0.8
Average interest rate, %	0.7	3.1
Interest sensitivity, EUR million [1]	3.6	0.8

1 Interest rate sensitivity is calculated by assuming a one percentage point increase in interest rates. The sensitivity represents the effect on profit before taxes.

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. The majority of the transaction risk in 2019 was related to the acquisition of programming rights denominated in US dollars. The Group has adopted forward contracts as means of hedging against significant transaction risks. If the hedged currencies weakened by 10% against the euro at the year end date, the change in the value of forward contracts would increase financial expenses by EUR 0.4 million (2018: 0.7). If the currencies strengthened by 10% against the euro, financial income would increase by EUR 0.4 million (2018: 0.7). Derivative instruments are used to hedge future cash flows, hence changes in their value will offset changes in the value of cash flows.

Internal funding transactions within the Group are mainly carried out in the functional currency of the subsidiary. Group Treasury is responsible for monitoring and hedging the currency risks related to intra-Group loans. A euro denominated loan granted to the Ukranian subsidiary in liquidation was repaid in full in 2016. The loan has been treated as net investment in subsidiary, and the exchange rate differences were booked into equity. The exchange loss of EUR 3.0 million on the loan was booked in September 2019 when the liquidation of the company was completed.

The Group is also exposed to translation risk resulting from converting the income statement and balance sheet items of foreign subsidiaries into euros. Business operations outside the euro area (countries in which the currency is not pegged to the euro) account for about 12.7% (2018: 8.4%) of consolidated net sales of continuing operations and mainly consist of revenues in Polish zloty and Swedish krona. If all reporting currencies had been 10% weaker against the euro during the year, the Group net sales would have decreased by EUR 10.5 million (2018: 10.3). If all reporting currencies had been 10% stronger against the euro, the Group net sales would have increased by EUR 12.9 million (2018: 12.6). A significant change in exchange rates may also have an effect on the value of the businesses in Poland and Sweden. The Group did not hedge against translation risk in 2019, in accordance with the Treasury Policy approved by the Board.

Derivative instruments

Nominal values of derivative instruments

The nominal value of derivative instruments is EUR 5.2 million (2018: 13.4). The nominal value includes gross nominal values of all active agreements. The outstanding nominal value is not necessarily a measure or indicator of market risks. Due to divestments of certain operations the derivatives include EUR 1 million of terminated contracts, which in accordance with netting agreements are settled as net amounts.

FAIR VALUES OF DERIVATIVE INSTRUMENTS

EUR million	2019	2018
Forward currency exchange contracts - Outside hedge accounting		
Positive fair values		0.2
Negative fair values	-0.1	-0.2
Total	**-0.1**	0.0

Derivative instruments have been classified in level 2 of the IFRS fair value hierarchy. This means that fair values are based on valuation models for which all inputs are observable, either directly or indirectly.

Sanoma has entered into netting agreements with all of its derivative instrument counterparties. Including netting agreements, financial liability to banks amount to EUR 0.1 million (2018: 0.0 receivable).

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 revenues, 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 committed funding must be sufficient to cover all of the obligations and funding needed for the normal business operations during the following 12 months, and part of the outstanding commercial paper commitments. The undrawn committed credit facilities are EUR 400 million at year end. 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 liquidity reserves.

Sanoma signed a EUR 550 million Syndicated Term and Revolving Credit Facilities with a group of eleven relationship banks in February 2019. The EUR 250 million Term Loan Facility has a maturity of four years with three EUR 50 million annual instalments and EUR 100 million instalment at the end of the loan period. The EUR 300 million Revolving Credit Facility has a maturity of five years. The purpose of the Term Loan was to fund the acquisition of Iddink in the Netherlands. The Revolving Credit Facility is for general corporate purposes. Sanoma signed an additional EUR 100 million Revolving Facility in November 2019. The Facility has a maturity of one year.

The Group's financing agreements include customary covenants related to factors such as the use of pledges and mortgages, disposals of assets and key financial ratios. In 2019 the Group fulfilled the requirements of all covenants.

THE GROUP'S FINANCING PROGRAMMES IN 2019

EUR million	Amount of limits	Unused credit lines
Syndicated RCF	400.0	400.0
Syndicated term loan	250.0	
Commercial paper programmes	1,100.0	758.8
Current account limits	51.0	43.6

FINANCIAL LIABILITIES

	2019				2018			
EUR million	**Carrying amount**	**Cashflow [1]**	**Undrawn from limits**	**Total**	**Carrying amount**	**Cashflow [1]**	**Undrawn from limits**	**Total**
Loans from financial institutions	257.2	257.5	400.0	657.5	0.5	0.5	300.0	300.5
Bonds					197.3	207.0		207.0
Commercial paper programmes	341.2	341.5		341.5	147.5	148.0		148.0
Lease liabilities	161.0	161.0		161.0	1.8	1.8		1.8
Other interest-bearing liabilities	21.4	21.4		21.4	9.6	9.6		9.6
Trade payables and other liabilities [2]	88.3	88.3		88.3	141.1	141.1		141.1
Derivatives								
Inflow	-5.2	-5.2		-5.2	-6.9	-6.9		-6.9
Outflow	5.2	5.2		5.2	6.8	6.8		6.8
Total	**869.0**	**869.7**	**400.0**	**1,269.7**	**497.7**	**507.8**	**300.0**	**807.8**

1 The estimate of the interest liability is based on the interest level at the balance sheet date.

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

MATURITY OF FINANCIAL LIABILITIES 2019

EUR million	2020	2021	2022	2023	2024	2025–	Total
Loans from financial institutions	57.5	50.0	50.0	100.0			257.5
Commercial paper programmes	341.5						341.5
Lease liabilities	22.5	21.6	20.6	17.8	17.5	60.9	161.0
Other interest-bearing liabilities	21.4						21.4
Trade payables and other liabilities [1]	83.8	4.5					88.3
Derivatives							
Inflow (-)	-5.2						-5.2
Outflow (+)	5.2						5.2
Total	**526.8**	**76.1**	**70.6**	**117.8**	**17.5**	**60.9**	**869.7**

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

MATURITY OF FINANCIAL LIABLITIES 2018

EUR million, restated	2019	2020	2021	2022	2023	2024–	Total
Loans from financial institutions	0.5						0.5
Bonds	207.0						207.0
Commercial paper programmes	148.0						148.0
Lease liabilities	0.3	0.3	0.3	0.3	0.3	0.4	1.8
Other interest-bearing liabilities	9.6						9.6
Trade payables and other liabilities [1]	135.3	0.7	4.3	0.7			141.1
Derivatives							
Inflow (-)	-6.9						-6.9
Outflow (+)	6.6	0.2					6.8
Total	**500.4**	**1.2**	**4.6**	**1.0**	**0.3**	**0.4**	**507.8**

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

In 2016 Sanoma issued a EUR 200 million bond, and used all the proceeds for a partial redemption of a previously issued bond. The terms of these bonds do not differ materially, so the fees and expenses incurred are netted against the book value of the new bond, and will be amortised over the life of the new bond. Sanoma repaid the bond fully on 27 November, 2019.

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.

Sanoma applies the simplified approach permitted by IFRS 9 Financial Instruments for trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Sanoma uses a provision matrix to measure expected credit losses of trade receivables. Loss rates are defined separately for different geographic regions, type of business and types of customers (B2B and B2C). Loss rates are based on past information on actual credit loss experience. These rates are adjusted by current information and future expectations on economic conditions where deemed necessary.

Sanoma's other receivables include small items and risk involved to individual items is not considered material. Thus, no impairment allowance has been recognised for these receivables.

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 table on the next page.

THE AGING OF TRADE RECEIVABLES

	2019				2018			
EUR million	**Gross**	**Weighted average loss rate (%)**	**Impairment**	**Net**	**Gross**	**Weighted average loss rate (%)**	**Impairment**	**Net**
Not due	51.9	0.0		51.9	84.3	0.1	-0.1	84.2
Past due 1-30 days	11.5	0.4	0.0	11.5	17.4	6.1	-1.1	16.3
Past due 31-120 days	6.3	4.4	-0.3	6.1	9.8	8.8	-0.9	8.9
Past due 121-180 days	0.6	41.1	-0.3	0.4	3.2	16.9	-0.5	2.7
Past due 181-360 days	0.9	71.7	-0.6	0.2	1.5	67.0	-1.0	0.5
Past due more than 1 year	3.4	89.7	-3.0	0.3	3.0	83.5	-2.5	0.5
Total	**74.6**		**-4.2**	**70.4**	**119.2**		**-6.1**	**113.1**

Trade receivables and other receivables are presented in Notes 15 and 17.

The credit risk relating to financing transactions is low. The Group's Treasury Policy specifies that financing and derivative 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.

Capital risk management

The Group targets an equity ratio between 35% and 45% and a net debt/adjusted EBITDA ratio below 2.5 in the long term.

When calculating the net debt/adjusted EBITDA ratio, the following adjustments are made to the reported EBITDA: items affecting comparability 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.

In 2019, the Group's equity ratio is 30.5% (2018: 44.7%) and net debt/adjusted EBITDA ratio is 2.7 (2018: 1.4).

NET DEBT

EUR million	**2019**	**2018**
Interest-bearing liabilities	817.9	356.7
Cash and cash equivalents	23.2	18.8
Total	**794.7**	337.8

Sanoma Group does not have an official credit rating.

26. Assets held for sale and discontinued operations

In December 2019, Sanoma signed an agreement to divest the strategic business unit Sanoma Media Netherlands to DPG Media. The transaction is subject to customary closing conditions and is expected to be completed latest during Q3 2020.

Media Netherlands is consequently reported as discontinued operations in the income statement and the comparable figures have been restated. Assets and liabilities related to discontinued operations are presented as assets held for sale in the 2019 balance sheet. Group's cash flow statement includes both continuing and discontinued operations.

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

On 16 January 2018, Sanoma announced the intention to divest its Belgian women's magazine portfolio to Roularta Media Group. The divestment was completed on 29 June 2018. The operations were reported as discontinued operations starting from FY 2017 financial reporting.

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

INCOME STATEMENT OF DISCONTINUED OPERATIONS

EUR million	2019	Restated 2018
NET SALES	**368.7**	460.6
Other operating income	15.0	41.7
Materials and services	-154.7	-198.8
Employee benefit expenses	-74.2	-101.5
Other operating expenses	-75.8	-116.8
Share of results in joint ventures	4.0	4.5
Depreciation, amortisation and impairment losses	-115.6	-9.0
EBIT	**-32.7**	80.7
Financial income	0.1	0.2
Financial expenses	-1.8	-5.1
RESULT BEFORE TAXES	**-34.5**	75.7
Income taxes	-15.3	-22.8
RESULT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**-49.8**	53.0

CASH FLOWS RELATED TO DISCONTINUED OPERATIONS

EUR million	2019	Restated 2018
Cash flow from operations	30.7	31.1
Cash flow from investments	64.1	6.4
Cash flow from financing	-92.5	-38.5

ASSETS RELATED TO DISCONTINUED OPERATIONS

EUR million	2019
Property, plant and equipment and right-of-use assets	25.2
Goodwill [1]	440.9
Other intangible assets	27.4
Equity-accounted investees	15.7
Non-current trade and other receivables	0.9
Deferred tax receivables	4.5
Inventories	11.8
Income tax receivables	0.8
Trade and other receivables	76.4
Contract assets	8.7
Cash and cash equivalents	6.9
Total	**619.2**

1 Due to the Sanoma Media Netherlands divestment Sanoma has booked a non-cash capital loss of EUR 105.1 million including divestment related transaction costs. Impairment on assets held for sale of EUR 100.4 million is presented in this table as a decrease in goodwill.

LIABILITIES RELATED TO DISCONTINUED OPERATIONS

EUR million	2019
Deferred tax liabilities	5.6
Non-current provisions	3.0
Non-current financial liabilities and lease liabilities	30.2
Current provisions	4.9
Current financial liabilities and lease liabilities	7.1
Income tax liabilities	0.8
Current trade and other payables	122.3
Contract liabilities	49.5
Total	**223.3**

27. Acquisitions and divestments

Acquisitions in 2019

Iddink

On 13 September 2019 Sanoma completed the acquisition of Iddink Group ("Iddink"), a leading Dutch educational platform and service provider. The acquisition was announced on 11 December 2018 and it was subject to customary closing conditions, including the approval of Dutch competition authorities, which was announced on 29 August 2019.

Iddink's integrated learning and school administration platforms provide its customers – pupils, parents, schools and teachers – with access, communication and learning tools. Iddink's business is complementary to Sanoma's Dutch subsidiary Malmberg, a leading educational publisher for primary, secondary and vocational education. The acquisition enables further development of integrated digital learning platforms for secondary and vocational education in the Netherlands. Iddink will remain a separate operational company within Sanoma Learning and continues to serve all educational publishers and content providers in its markets on fair, reasonable and non-discriminatory terms.

Iddink's net sales in 2019 were EUR 157 million (including Sanoma Group internal sales of EUR 17 million) and operational EBIT excl. PPA was EUR 22 million. Iddink had 385 employees (FTE) at the end of December 2019.

Final purchase price of Iddink was EUR 212 million. Sanoma has financed the acquisition with a four-year term loan facility as announced on 4 February 2019. The acquisition has temporarily increased Sanoma's net debt / adj. EBITDA ratio above its long-term target level of below 2.5.

Acquisition accounting for Iddink is disclosed in the 2019 financial statements as provisional and subject to changes. The final purchase price of EUR 212 million has been allocated to identified net assets which include preliminarily customer relationships, brand, software/platforms and deferred income with the remaining residual accounted for as goodwill. The goodwill is attributable mainly to the skills and technical talent of Iddink's work force and the synergies expected to be achieved from integrating the company into the Sanoma Learning business. None of the goodwill recognised is expected to be deductible for tax purposes.

Sanoma has booked transaction related costs of approx. EUR 6 million as items affecting comparability (IAC) in Sanoma Learning's 2019 result.

Sanoma acquired 94% of the shares and recognises a non-controlling interest. The Group elected to recognise the non-controlling interests in Iddink at its proportionate share of the acquired net identifiable assets.

Other

On 6 February Sanoma Media Netherlands acquired 70% of the shares of Panel Inzicht B.V.

On 15 March 2019 Sanoma Media Finland acquired Rockfest festival business from WKND Festival Oy and Bushman Capital Oü and incorporated it into Nelonen's Media Live festival offering.

On 1 April 2019 Sanoma Media Netherlands acquired 70% of the shares of Pro Shots Photo Agency B.V. Pro Shots is Holland's leading photo agency in sports, news and entertainment.

On 18 June 2019 Sanoma Media Finland acquired Asuntomarkkinat event business from Image Builder Oy. Asuntomarkkinat event complements the offer of Rakennuslehti, published by Sanoma Tekniikkajulkaisut Oy.

On 28 June 2019, Sanoma Media Finland increased its ownership in the online classified company Oikotie Ltd. from 90% to 100% by acquiring shares held by TS Group. The transaction clarifies the ownership structure of Oikotie and simplifies further development of the business.

On 2 September 2019, Sanoma Media Finland acquired Aito Radios and Business FM, which will become part of Nelonen Media's radios. The acquisition implements Sanoma Media Finland's growth strategy and strengthens Nelonen Media's position as Finland's largest multi-channel entertainment house.

On 15 November 2019 Sanoma Learning acquired Essener, the leading Dutch publisher of blended learning methods for social sciences, from its founders. In 2018, Essener's net sales were EUR 3 million. Essener's product offering complements Sanoma's current product portfolio for secondary education in the Netherlands.

The Group applies acquisition accounting for Essener based on which the purchase price has been allocated to identified net assets which mainly include publishing rights.

On 5 December 2019 Sanoma Learning acquired itslearning, an international provider of award-winning cloud-based learning platforms founded in 1999 in Norway, from the investment organisation EQT. In 2018, itslearning's net sales were approx. EUR 30 million. It has operations in nine countries and about 200 employees. The acquisition expands Sanoma's footprint in digital learning into Norway, France and Germany, and extends Sanoma's position in several core markets.

Acquisition accounting for itslearning is disclosed in the 2019 financial statements as provisional and subject to changes. The purchase price has been allocated to identified net assets which mainly include learning technology platform.

On 17 December 2019 Sanoma Learning acquired Clickedu, one of the leading providers of digital educational platforms in Spain, from its founders. In 2018, Clickedu's net sales were EUR 3 million. It employs 65 people. With the acquisition of Clickedu, Sanoma strengthens its position within the learning services market in Spain.

Sanoma acquired 67.3% of the shares of Clickedu and recognises a non-controlling interest. The Group elected to recognise the non-controlling interests in Clickedu at its proportionate share of the acquired net identifiable assets.

IMPACT OF BUSINESS ACQUISITIONS ON GROUP'S ASSETS AND LIABILITIES

	2019			
EUR million	**Iddink**	**Other**	**Total**	**2018**
Property, plant and equipment	51.1	0.3	51.4	0.4
Right-of-use assets	16.2	2.5	18.6	
Intangible assets	192.1	40.1	232.1	17.1
Other non-current assets	1.4	5.9	7.2	0.1
Inventories	3.9	0.1	4.0	0.0
Other current assets	52.3	11.6	63.9	6.1
Assets, total	**316.9**	**60.4**	**377.3**	23.7
Non-current liabilities	-143.3	-11.1	-154.4	-1.3
Current liabilities	-83.8	-17.6	-101.3	-3.4
Liabilities, total	**-227.0**	**-28.7**	**-255.7**	-4.7
Fair value of acquired net assets	89.9	31.7	121.6	19.0
Acquisition cost	212.1	58.8	270.9	20.8
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities	0.0	0.2	0.2	1.2
Fair value of previously held interest				1.8
Fair value of acquired net assets	-89.9	-31.7	-121.6	-19.0
Goodwill from the acquisitions	**122.2**	**27.2**	**149.4**	4.9

ACQUISITIONS OF NON-CONTROLLING INTERESTS

EUR million	**2019**	**2018**
Acquisition cost	8.4	11.2
Book value of the acquired interest	1.0	0.4
Decrease (+) / increase (-) in acquisition liabilities		9.1
Impact on consolidated equity	**-7.4**	-1.6

CASH PAID TO OBTAIN CONTROL, NET OF CASH ACQUIRED

	2019			
EUR million	**Iddink**	**Other**	**Total**	**2018**
Acquisition cost	212.1	58.8	270.9	20.8
Cash and cash equivalents of acquired operations	-4.5	-7.8	-12.3	-3.9
Decrease (+) / increase (-) in acquisition liabilities	-11.0	-11.2	-22.2	-1.0
Cash paid to obtain control, net of cash acquired	**196.5**	**39.7**	**236.3**	15.9
Cash paid on acquisitions of non-controlling interests			**8.4**	11.2

Acquisitions in 2018

In 2018, Sanoma invested EUR 20.8 million in business acquisitions. The impact of each individual acquisition on the Group's figures was minor. The combined effect of the acquisitions since the acquisition date on the Group's net sales amounted to EUR 37.6 million, and on operating profit EUR 0.5 million.

On 7 March 2018, Sanoma announced that it had entered into an agreement to acquire the festival and event business of N.C.D. Production Ltd. and its group companies. Net sales of the acquired operations were approx. EUR 20 million in 2017. The acquired operations have been moved into a newly established company Nelonen Media Live Oy, of which Sanoma holds 60% and the previous owner of N.C.D. Production the remainder. The transaction was completed on 18 April 2018 and the acquired business is reported as part of Sanoma Media Finland as of Q2 2018.

On 31 May 2018, Sanoma Media Finland acquired T-Media's employer image and attraction services and incorporated them into the Oikotie Työpaikat. The deal included all shares of TAT-Palvelu Oy.

On 6 June 2018 Sanoma Media Finland acquired the company running the Tikkurila Festival business and incorporated it as part of the established company Nelonen Media Live Oy. Net sales of the acquired company was about EUR 2 million in 2017.

On 26 June 2018, Sanoma announced that it had increased its ownership in the Dutch data-driven marketing and cashback service Scoupy from 72% to 95%. Net sales of Scoupy were approx. EUR 7 million in 2017. The founding partners of Scoupy continue to hold the remaining 5% of the company. They also continue to work in a non-executive capacity with Scoupy with a focus on further developing the business.

On 27 June 2018, Sanoma announced that it had increased its ownership in the Finnish News Agency (STT) from 33% to 75% by acquiring Alma Media's and TS Group's shares in STT. Net sales of STT were approx. EUR 12 million in 2017. STT is reported as part of Sanoma Media Finland as of 27 June 2018.

On 27 November 2018, Sanoma Media Finland acquired a stake in the music company Kaiku Entertainment. Kaiku Entertainment is part of Nelonen Media, but will remain its own independent company. The music company Kaiku Entertainment consists of Kaiku Recordings and Rähinä Records labels as well as Kaiku Songs. In 2017, Kaiku Entertainment's net sales amounted to approx. EUR 1 million.

Divestments in 2019

On 14 February 2019, Sanoma announced the divestment of Mood for Magazines, publisher of LINDA. magazine, in the Netherlands. The buyer was Linda de Mol, founder and minority shareholder of Mood for Magazines, together with Talpa. In 2018, net sales of Mood for Magazines were EUR 27 million, operational EBIT EUR 6 million and free cash flow EUR 4 million. Value of Mood for Magazines, of which Sanoma owned 86%, was EUR 47 million, representing an EV/EBIT multiple of 7.9x. Mood for Magazines had 53 employees. The transaction was completed at the end of February 2019.

On 21 October 2019, Sanoma Media Finland sold Huuto.net and Hintaseuranta.fi services to ePrice Oy, which focuses on continuing the business of Huuto.net and Hintaseuranta.fi. As a result of the business acquisition, 11 people were transferred to the new company as existing employees.

IMPACT OF DIVESTMENTS ON GROUP'S ASSETS AND LIABILITIES

		2018		
EUR million	**2019**	**Belgian magazines**	**Other**	**Total**
Property, plant and equipment	3.0		0.6	0.6
Goodwill	37.9		4.4	4.4
Other intangible assets	0.3	0.7	1.0	1.6
Inventories	0.3	0.2		0.2
Trade and other receivables	2.3	1.5	4.7	6.2
Cash and cash equivalents	3.0		1.1	1.1
Assets, total	**46.9**	2.4	11.9	14.2
Deferred tax liabilities		-0.2	-0.2	-0.5
Financial liabilities	-8.9			
Trade and other payables	-5.9	-11.7	-2.1	-13.7
Liabilities, total	**-14.8**	-11.9	-2.3	-14.2
Net assets	32.1	-9.5	9.5	0.0
Recognised in Other comprehensive income			0.2	0.2
Sales price	44.3	23.5	7.2	30.7
Transaction fees paid	-1.1			
Net result from sale of operations	**11.1**	33.0	-2.1	30.9

CASH FLOW FROM SALE OF OPERATIONS

		2018		
EUR million	**2019**	**Belgian magazines**	**Other**	**Total**
Sales price	44.3	23.5	7.2	30.7
Cash and cash equivalents of divested operations	-3.0		-1.1	-1.1
Decrease (+) / increase (-) in receivables from divestment	12.1	-8.2	0.7	-7.6
Cash flow from sale of operations	**53.4**	15.3	6.8	22.0

Divestments in 2018

On 16 January 2018, Sanoma announced an intention to divest its Belgian women's magazine portfolio to Roularta Media Group. Enterprise value of the divested assets was EUR 34 million. Net sales were EUR 81 million and operational EBIT EUR 7 million (EBIT margin 8.1%) in 2017. The divestment was completed on 29 June 2018.

On 26 October 2018 Sanoma divested its content marketing operations, Head Office, in Belgium to the original founders of the business. Net sales of the divested business were EUR 13 million in 2017 and it employs 51 people (FTE).

28. Subsidiaries and equity-accounted investees

SUBSIDIARIES AT 31 DEC 2019	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %	Book value in Parent Company, EUR million
Subsidiaries of Parent Company				
Sanoma Trade Oy, Finland	100.0		100.0	0.7
Sanoma Media Finland Oy, Finland [1]	100.0		100.0	152.2
Sanoma B.V., The Netherlands [1]	100.0		100.0	285.1
Sanoma Pro Oy, Finland [1]	100.0		100.0	290.5
Young Digital Planet S.A., Poland	100.0		100.0	0.0
Subsidiaries of Sanoma Learning B.V.				
Bureau ICE B.V., The Netherlands			100.0	
ICE Opleidingen B.V., The Netherlands			100.0	
L.C.G. Malmberg B.V., The Netherlands			100.0	
Uitgeverij Van In N.V., Belgium			100.0	
Bolster Workforce B.V., The Netherlands			100.0	
Iddink Holding B.V., The Netherlands			94.1	
Subsidiary of Sanoma Trade Oy				
Forum Cinemas Ltd, Ukraine			100.0	
Subsidiaries of Sanoma B.V.				
Sanoma Regional Belgium N.V., Belgium		100.0	100.0	
Independent Media Holding B.V., The Netherlands		100.0	100.0	
Sanoma Media Belgium N.V., Belgium		100.0	100.0	
Sanoma Media Deutschland GmbH, Germany		100.0	100.0	
Sanoma Media France SARL, France		90.0	100.0	
Sanoma Media Russia & CEE B.V., The Netherlands		100.0	100.0	
Sanoma Media Participations B.V., The Netherlands		100.0	100.0	
Uitgeverij W.V.M. Europublinet B.V., The Netherlands			100.0	
B.V. Aldipress, The Netherlands		100.0	100.0	
Sanoma Media Netherlands B.V., The Netherlands		100.0	100.0	
Subsidiaries of Sanoma Media Russia & CEE B.V.				
IM Ukraine Publishing, Ukraine			100.0	

1 Parent Company of sub group

SUBSIDIARIES AT 31 DEC 2019	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %	Book value in Parent Company, EUR million
Subsidiaries of Sanoma Media Netherlands B.V.				
MediaKiosk B.V., The Netherlands			100.0	
Sanoma Custom Publishing B.V., The Netherlands			100.0	
Sanoma Uitgevers Digitaal Ontwikkeling B.V., The Netherlands			100.0	
Sanoma Digital Group The Netherlands B.V., The Netherlands			100.0	
Sanoma Digital The Netherlands B.V., The Netherlands			100.0	
Sanoma Media Customer Services B.V., The Netherlands			100.0	
SB Commerce B.V., The Netherlands			100.0	
Scoupy B.V., The Netherlands			95.0	
Veronica Uitgeverij B.V., The Netherlands			100.0	
Panel Inzicht B.V., The Netherlands			70.0	
Pro Shots Photo Agency B.V., The Netherlands			70.0	
Subsidiaries of Sanoma Media Finland Oy				
Netwheels Oy, Finland		55.8	55.8	
Oikotie Oy, Finland		100.0	100.0	
Sanomala Oy, Finland		100.0	100.0	
Sanoma Kids Finland Oy, Finland		100.0	100.0	
Sanoma Tekniikkajulkaisut Oy, Finland		60.0	60.0	
Savon Paino Oy, Finland		100.0	100.0	
Routa Markkinointi Oy, Finland		90.1	90.1	
Nelonen Media Live Oy, Finland		60.0	60.0	
Oy Suomen Tietotoimisto - Finska Notisbyrån Ab, Finland		75.4	75.4	
Kaiku Entertainment Oy, Finland		60.0	60.0	
H.I.P. Music Productions Oy, Finland		100.0	100.0	
Businessradio Finland Oy, Finland		100.0	100.0	
Subsidiaries of Sanoma Pro Oy				
Nowa Era Sp. z.o.o., Poland		100.0	100.0	
Sanoma Learning B.V., The Netherlands		100.0	100.0	

SUBSIDIARIES AT 31 DEC 2019

	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %	Book value in Parent Company, EUR million
Sanoma Utbildning AB, Sweden		100.0	100.0	
Tutorhouse Oy, Finland		80.0	80.0	
itslearning AS, Norway		100.0	100.0	
Subsidiaries of itslearning AS				
itslearning Ltd, United Kingdom			100.0	
itslearning UK Ltd, United Kingdom			100.0	
itslearning Inc, USA			100.0	
itslearning AB, Sweden			100.0	
itslearning GmbH, Germany			100.0	
itslearning France SA, France			100.0	
itslearning Nederland BV, The Netherlands			100.0	
itslearning A/S, Denmark			100.0	
itslearning München GmbH, Germany			100.0	
itslearning Oy, Finland			100.0	
Subsidiary of Nowa Era Sp. z.o.o.				
Vulcan Sp. z.o.o., Poland			100.0	
Subsidiaries of Iddink Holding B.V.				
Iddink Group B.V., The Netherlands			100.0	
Subsidiaries of Iddink Group B.V.				
De Rode Planet B.V., The Netherlands			100.0	
Iddink Digital B.V., The Netherlands			100.0	
Iddink Learning Materials B.V., The Netherlands			100.0	
Iddink Spain Srl, Spain			100.0	
The Implementation Group B.V., The Netherlands			100.0	
SBDC BvbA, Belgium			100.0	

SUBSIDIARIES AT 31 DEC 2019

	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %	Book value in Parent Company, EUR million
Subsidiaries of Iddink Spain Srl				
Clickart, Taller De Comunicacio, S.L., Spain			67.3	
Subsidiaries of L.C.G. Malmberg B.V.				
Uitgeverij Essener B.V., The Netherlands			100.0	
				728.5

1 Parent Company of sub group

In 2019 Sanoma did not have subsidiaries with material non-controlling interests. Total non-controlling interest reported in the balance sheet 31 Dec 2019 is EUR 21.5 million (2018: 5.0).

EQUITY-ACCOUNTED INVESTEES AT 31 DEC 2019

	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %	Book value in Parent Company, EUR million
Sanoma Corporation				
Valkeakosken Yhteistalo Oy, Finland	21.9		21.9	0.2
Sanoma Media Belgium N.V.				
Repropress CVBA, Belgium			31.9	
Sanoma Media Russia & CEE B.V.				
Adria Media Holding GmbH, Austria			50.0	
Hearst Independent Media Distribution B.V., The Netherlands			50.0	
PII Independent Media Ukraine, Ukraine				
Sanoma Media Netherlands B.V.				
AKN CV, The Netherlands			25.0	
Bindinc B.V, The Netherlands			25.0	
Dutch Creative Industry Fund B.V., The Netherlands			28.6	
Quattro Voci B.V., The Netherlands			25.0	
Sanoma Media Finland Oy				
Egmont Kustannus Oy Ab, Finland		50.0	50.0	
Platco Oy, Finland		33.3	33.3	
Media Metrics Finland Oy, Finland		25.0	25.0	
Oy Suomen Tietotoimisto - Finska Notisbyrån Ab				
Retriever Suomi Oy, Finland			49.0	
				0.2

29. Related party transactions

Sanoma Group's related parties include subsidiaries, associated companies, joint ventures, members of the Board, President and CEO and persons closely associated with them as well as entities controlled by management personnel. Remuneration for key management is presented in Note 30. Transactions with joint ventures, associated companies and entities controlled by management personnel 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. Subsidiaries are presented in Note 28. In addition, the Sanoma Group's related parties include pension funds and employees' profit-sharing funds. 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 5.

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, joint ventures and entities controlled by management personnel are presented in the table below.

TRANSACTIONS WITH RELATED PARTIES

	Transaction values for the year		Balance as at 31 December	
EUR million	**2019**	**2018**	**2019**	**2018**
Sale of goods and services				
Entities controlled by management personnel	0.1	0.0	0.0	0.0
Joint ventures	0.0	0.1	1.5	1.5
Associates	0.1	0.2		
Total	**0.2**	0.4	**1.5**	1.5
Purchase of goods and services				
Entities controlled by management personnel	-1.3	-1.4	0.2	0.1
Joint ventures		0.0	0.6	0.4
Associates	0.0	-0.8	0.5	0.0
Total	**-1.4**	-2.2	**1.3**	0.5

The sale of goods and services to related parties are based on the Group's effective market prices.

30. Management compensation, benefits and ownership

MANAGEMENT REMUNERATION AND OWNERSHIP, 2019

	Remuneration (EUR 1,000)	Number of shares on 31 December 2019	Performance and restricted share plan costs (EUR 1,000)	Number of performance shares and restricted shares: Performance Share Plan 2017–2019 [2]	Performance Share Plan 2018–2020 [2]	Performance Share Plan 2019–2021 [2]	Restricted Share Plan 2019–2021 [2]
Board of Directors							
Pekka Ala-Pietilä, Chairman	102	10,000					
Antti Herlin, Vice Chairman [1]	78	19,506,800					
Anne Brunila	76	910					
Mika Ihamuotila	70	150,000					
Nils Ittonen	75	59,000					
Denise Koopmans	80						
Robin Langenskiöld (until 27 March 2019)	18						
Sebastian Langenskiöld (as of 27 March 2019)	50	645,963					
Rafaela Seppälä	70	10,273,370					
Kai Öistämö	74	8,265					
Total	**692**	**30,654,308**					
President and CEO							
Susan Duinhoven	3,455	250,935	1,382	225,000	211,200	150,000	
Total	**3,455**	**250,935**	**1,382**	**225,000**	**211,200**	**150,000**	
Executive Management Team							
Markus Holm		39,205		31,500	22,528	18,500	
Pia Kalsta		24,833		22,500	16,192	13,500	
Rob Kolkman						21,600	27,000
John Martin		32,856		28,500	18,304	15,000	
Total	**3,512**	**96,894**	**615**	**82,500**	**57,024**	**68,600**	**27,000**

1 Includes the holdings of interest parties.

2 Sanoma Performance Share Plan has been adopted in 2013. Sanoma Restricted Share Plan has been adopted in 2014. Number of Sanoma performance shares granted in the Performance Share Plan 2019–2021 to the President and CEO and EMT members is presented on target level. Should the maximum level of performance measures be reached the earned share reward is 150% of the shares at target level. Shares conditionally granted to the President and CEO and EMT 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 EMT members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance and restricted shares received.

Figures include the remuneration (meeting fees, base salaries, fringe benefits, short and long term incentives) that has been paid for assignments handled by those persons during the period. EMT members do not receive separate remuneration for their Board memberships in the Group companies. Performance and restricted share plan costs include costs during membership. The Group has no outstanding receivables or loans from the management. Remuneration does not include pension costs. The pension cost of the President and CEO and EMT is presented in paragraph 'Other benefits of the management'.

MANAGEMENT REMUNERATION AND OWNERSHIP, 2018

				Number of performance shares and restricted shares				
	Remuneration (EUR 1,000)	**Number of shares on 31 December 2018**	**Performance and restricted share plan costs (EUR 1,000)**	**Performance Share Plan 2016–2018** [2]	**Performance Share Plan 2017–2019** [2]	**Performance Share Plan 2018–2020** [2]	**Restricted Share Plan 2016–2018** [2]	**Restricted Share Plan 2017–2018** [2]
Board of Directors								
Pekka Ala-Pietilä, Chairman	102	10,000						
Antti Herlin, Vice Chairman [1]	78	19,506,800						
Anne Brunila	74	910						
Mika Ihamuotila	70	150,000						
Nils Ittonen	78	59,000						
Denise Koopmans	82							
Robin Langenskiöld	70	12,273,371						
Rafaela Seppälä	70	10,273,370						
Kai Öistämö	74	8,265						
Total	**698**	**42,281,716**						
President and CEO								
Susan Duinhoven	1,071	75,000	1,337	225,000	225,000	150,000		50,000
Total	**1,071**	**75,000**	**1,337**	**225,000**	**225,000**	**150,000**		**50,000**
Executive Management Team								
Marc Duijndam (until 15 August 2018)								
Markus Holm		25,795			31,500	16,000	25,000	
Pia Kalsta		3,573		45,000	22,500	11,500		
John Martin		13,873		45,000	28,500	13,000		
Total	**2,027**	**43,241**	**551**	**90,000**	**82,500**	**40,500**	**25,000**	

1 Includes the holdings of interest parties.

2 Sanoma Performance Share Plan has been adopted in 2013. Sanoma Restricted Share Plan has been adopted in 2014. Number of Sanoma performance shares granted in the Performance Share Plan 2018–2020 to the President and CEO and EMT members is presented on target level. Should the maximum level of performance measures be reached the earned share reward is 150% of the shares at target level. Shares conditionally granted to the President and CEO and EMT 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 EMT members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance and restricted shares received.

Figures include the remuneration that has been paid for assignments handled by those persons during the period. EMT members do not receive separate remuneration for their Board memberships in the Group companies. Remuneration includes fringe benefits. Performance and restricted share plan costs include costs during membership. The Group has no outstanding receivables or loans from the management. Remuneration does not include pension costs. The pension cost of the President and CEO and EMT is presented in paragraph 'Other benefits of the management'.

The remuneration and benefits payable to the President and CEO and Executive Management Team (EMT) 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 EMT members receive bonuses according to the short-term incentive plan approved each year by the Board of Directors. For the year 2019 the short-term incentive for the President and CEO is 66.7% of her salary at target level and 100% at maximum level. For other EMT members the short-term incentive varies from 40% to 50% of salary at target level and from 60% to 75% at maximum level. The criteria in the 2019 short-term incentive plan of EMT members are based on achieving financial targets of operational EBIT, free cash flow as well as Sanoma's employee satisfaction objective.

The President and CEO and EMT 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.

Notifications of the President & CEO's transactions are announced on Group's website sanoma.com as of 3 July 2016. More details on remuneration principles are available in the Corporate Governance section at sanoma.com.

Other benefits of the management

The President and CEO Susan Duinhoven's period of notice is six months either from the President and 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 EMT members are based on defined contribution. The President and CEO is entitled to an additional pension benefit contribution, which amounts to 15% of her salary. The President and CEO's and part of the EMT members' retirement age is the usual retirement age in their home country. One EMT member's retirement age (63 years) is lower than the statutory retirement age.

For the President and CEO Susan Duinhoven, the additional pension contribution cost was EUR 86,952 for the year 2019 (2018: 86,918), and the statutory pension cost for the year 2019 was EUR 145,152 (2018: 174,366). The pension costs of EMT members were EUR 323,556 in 2019 (2018: 351,057).

31. Events after the balance sheet date

The management of Sanoma has not become aware of any major events after the balance sheet date that would have resulted in major adjustments to the figures in the financial reports.

No such events have arisen after the balance sheet date that would have a significant impact on the Group's financial position.

Parent Company Financial Statements

- Audited

Parent Company income statement, FAS

EUR million	Note	2019	2018
Other operating income	2	110.1	104.6
Personnel expenses	3	-24.0	-21.6
Depreciation, amortisation and impairment losses	7–9	-170.2	-3.8
Other operating expenses	4	-91.2	-87.9
OPERATING PROFIT (LOSS)		**-175.3**	-8.7
Financial income and expenses	5	67.1	44.8
RESULT BEFORE APPROPRIATIONS AND TAXES		**-108.2**	36.1
Appropriations	13	52.9	58.7
Income taxes	6	-7.0	-10.1
RESULT FOR THE YEAR		**-62.3**	84.7

Parent Company balance sheet, FAS

ASSETS

EUR million	Note	31 Dec 2019	31 Dec 2018
NON-CURRENT ASSETS			
Intangible assets	7	4.8	5.3
Tangible assets	8	11.9	12.7
Investments	9	1,555.1	1,431.2
NON-CURRENT ASSETS, TOTAL		**1,571.7**	1,449.1
CURRENT ASSETS			
Long-term receivables	10		0.1
Short-term receivables	11	103.3	115.1
Cash and cash equivalents		1.6	4.2
CURRENT ASSETS, TOTAL		**104.9**	119.3
ASSETS, TOTAL		**1,676.7**	1,568.5

EQUITY AND LIABILITIES

EUR million	Note	31 Dec 2019	31 Dec 2018
SHAREHOLDERS' EQUITY	12		
Share capital		71.3	71.3
Treasury shares		-4.6	-8.4
Fund for invested unrestricted equity		209.8	209.8
Retained earnings		421.1	409.2
Profit for the year		-62.3	84.7
SHAREHOLDERS' EQUITY, TOTAL		**635.2**	766.6
APPROPRIATIONS	13	**0.4**	0.7
LIABILITIES			
Non-current liabilities	14	200.1	0.5
Current liabilities	15	841.0	800.7
EQUITY AND LIABILITIES, TOTAL		**1,676.7**	1,568.5

Parent Company cash flow statement, FAS

EUR million	2019	2018
OPERATIONS		
Result for the period	-62.3	84.7
Adjustments		
Income taxes	7.0	10.1
Appropriations	-52.9	-58.7
Financial income and expenses	-67.1	-44.8
Depreciation, amortisation and impairment losses	170.2	3.8
Gains / losses on sale of non-current assets	-0.6	-3.4
Other adjustments	0.8	2.5
Change in working capital		
Change in trade and other receivables	-5.7	4.2
Change in trade and other payables, and provisions	3.8	-1.4
Dividends received and refunds of capital	99.5	28.5
Interest paid	-11.4	-8.8
Other financial items	2.1	-1.0
Taxes paid	-9.9	-9.6
CASH FLOW FROM OPERATIONS	**73.6**	6.1

EUR million	2019	2018
INVESTMENTS		
Acquisition of tangible and intangible assets	-3.8	-3.5
Sales of tangible and intangible assets	1.1	5.5
Group companies sold	0.0	0.5
Sales of other investments		0.6
Loans granted	-324.0	-13.8
Repayments of loan receivables	20.2	21.6
Interest received	7.0	8.2
CASH FLOW FROM INVESTMENTS	**-299.6**	19.1
CASH FLOW BEFORE FINANCING	**-226.0**	25.2
FINANCING		
Purchase of treasury shares		-7.7
Change in loans with short maturity	201.3	-3.2
Drawings of other loans	343.8	58.9
Repayments of other loans	-306.7	-67.6
Dividends paid	-73.4	-57.1
Group contributions	58.4	50.6
CASH FLOW FROM FINANCING	**223.5**	-26.0
Change in cash and cash equivalents according to cash flow statement	**-2.6**	-0.8
Net increase(+)/decrease(-) in cash and cash equivalents	**-2.6**	-0.8
Cash and cash equivalents at 1 Jan	4.2	5.0
Cash and cash equivalents at 31 Dec	**1.6**	4.2

Notes to the Parent Company financial statements

1. Parent Company's accounting policies for Financial Statements

Sanoma Corporation is a public limited-liability company, which is domiciled in Helsinki. Sanoma Corporation was founded in 1999, on May 1st, as the result of a combination merger. Sanoma Corporation's financial statements have been prepared according to Finnish Accounting Standards (FAS). Sanoma Corporation is the Parent Company of Sanoma Group. Sanoma has prepared its consolidated financial statements in accordance with most recent International Financial Reporting Standards (IFRS). The Finnish accounting practices applied by Sanoma Corporation and accounting principles of IFRS standards are mainly consistent thus the main accounting principles are available in accounting policies of consolidated financial statements.

The most significant differences between the accounting policies of Parent company and Sanoma Group are the following:

Pensions

Statutory pension cover of Sanoma Corporation's employees is managed by pension insurance companies. Supplementary pension benefits are managed by Sanoma Pension Fund and by insurance companies. Pension settlements and pension costs are recognised during the period in which they are incurred. The potential deficit of pension fund's pension liability has been recognised as an obligatory provision under the balance sheet of Sanoma Corporation.

Interest in Group companies

Interest in Group companies is measured at cost less any impairment losses. Interest in Group companies is tested for impairment annually.

The fair value of the subsidiary shares has been assessed based on income approach, in which the fair value of investment is calculated based on the discounted cash flow model (DCF) or the dividend discount model. Impairment need is assessed by comparing the fair value of the subsidiary shares to the book value in the parent company's balance sheet and possible write-down is booked through profit or loss.

Real estate investments and housing property investments

In accordance with Finnish Accounting Act investments in real estates and housing property are presented as investments of non-current assets.

2. Other operating income

EUR million	2019	2018
Technology management fee	25.5	19.8
Other management and service fees	67.8	73.9
Rental income	0.1	1.0
Capital gains	0.6	3.5
Gains on mergers	1.8	
Other	14.2	6.3
Total	**110.1**	104.6

In 2018 capital gains include gains on the sales of land areas.

3. Personnel expenses

EUR million	2019	2018
Wages, salaries and fees	-21.1	-19.4
Pension costs	-2.4	-1.7
Other social expenses	-0.5	-0.5
Total	**-24.0**	-21.6
Average number of employees (full-time equivalents)	179	171

The remuneration to the President and CEO and Board of Directors is presented separately, divided by persons, in Note 30 to the Financial Statements.

4. Other operating expenses

EUR million	2019	2018
Office and ICT expenses	-56.3	-48.2
Professional fees	-29.4	-33.5
Rents	-0.8	-1.3
Losses on sales	-0.1	-0.1
Other	-4.6	-4.8
Total	**-91.2**	-87.9

PRINCIPAL AUDIT FEES

EUR million	2019	2018
Statutory audit	-0.3	-0.2
Audit related services		-0.1
Tax services	0.0	0.0
Other non-audit services	-0.4	0.0
Total	**-0.7**	-0.3

5. Financial income and expenses

EUR million	2019	2018
Dividend income		
From Group companies	66.8	48.5
Total	**66.8**	48.5
Interest income from investments under non-current assets		
From Group companies	8.0	7.1
From other companies		0.0
Total	**8.0**	7.1
Other interest and financial income		
From Group companies	5.9	1.6
From other companies	0.1	0.7
Exchange rate gains	1.4	3.5
Total	**7.5**	5.8
Interest and other financial expenses		
To Group companies	-0.2	-0.2
To other companies	-13.2	-13.2
Exchange rate losses	-1.8	-3.3
Total	**-15.2**	-16.6
Total	**67.1**	44.8

6. Income taxes

EUR million	2019	2018
Income tax on operational income	-7.5	-10.1
Income taxes from previous periods	0.6	
Total	**-7.0**	-10.1

7. Intangible assets

INTANGIBLE ASSETS 2019

EUR million	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2.8	10.8	2.1	15.7
Increases		1.3	2.2	3.5
Decreases		-2.6		-2.6
Reclassifications		2.4	-2.1	0.3
Acquisition cost at 31 Dec	2.8	11.8	2.2	16.7
Accumulated amortisation and impairment losses at 1 Jan	-2.5	-7.8		-10.4
Decreases		0.7		0.7
Depreciation for the period	-0.1	-2.1		-2.3
Accumulated amortisation and impairment losses at 31 Dec	-2.7	-9.3		-12.0
Book value at 31 Dec 2019	**0.1**	**2.5**	**2.2**	**4.8**

INTANGIBLE ASSETS 2018

EUR million	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2.8	9.5	0.9	13.2
Increases		1.0	2.0	3.0
Decreases		-0.5		-0.5
Reclassifications		0.9	-0.9	
Acquisition cost at 31 Dec	2.8	10.8	2.1	15.7
Accumulated amortisation and impairment losses at 1 Jan	-2.3	-5.9		-8.3
Depreciation for the period	-0.2	-1.9		-2.1
Accumulated amortisation and impairment losses at 31 Dec	-2.5	-7.8		-10.4
Book value at 31 Dec 2018	**0.2**	**3.0**	**2.1**	**5.3**

8. Tangible assets

TANGIBLE ASSETS 2019

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other	Advance payments	Total
Acquisition cost at 1 Jan	11.4	0.3	3.1	0.5	0.3	15.6
Increases			0.4			0.4
Decreases	-0.5		-0.4	-0.2	-0.3	-1.4
Acquisition cost at 31 Dec	10.9	0.3	3.1	0.3	0.0	14.6
Accumulated depreciation and impairment losses at 1 Jan		-0.1	-2.8			-2.9
Decreases			0.3			0.3
Depreciation for the period		0.0	-0.2			-0.2
Accumulated depreciation and impairment losses at 31 Dec		-0.1	-2.7			-2.8
Book value at 31 Dec 2019	**10.9**	**0.2**	**0.4**	**0.3**	**0.0**	**11.9**

TANGIBLE ASSETS 2018

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other	Advance payments	Total
Acquisition cost at 1 Jan	7.5	0.5	3.1	0.3	0.0	11.5
Increases[1]	5.9			0.3	0.3	6.5
Decreases	-2.0	-0.2		-0.2		-2.5
Acquisition cost at 31 Dec	11.4	0.3	3.1	0.5	0.3	15.6
Accumulated depreciation and impairment losses at 1 Jan		-0.2	-2.6			-2.8
Decreases		0.1	0.1			0.2
Depreciation for the period		0.0	-0.3			-0.3
Accumulated depreciation and impairment losses at 31 Dec		-0.1	-2.8			-2.9
Book value at 31 Dec 2018	**11.4**	**0.2**	**0.3**	**0.5**	**0.3**	**12.7**

1 In 2018 increases include land areas of merged companies.

9. Investments

INVESTMENTS 2019

EUR million	Interest in Group companies	Receivables from Group companies	Interest in associated companies	Other shares and holdings	Total
Acquisition cost at 1 Jan	1,196.1	519.4	0.2	5.7	1,721.4
Increases		318.2			318.2
Decreases [1]	-12.6	-15.9		-0.2	-28.7
Acquisition cost at 31 Dec	1,183.5	821.7	0.2	5.4	2,010.9
Accumulated impairment losses at 1 Jan	-289.3			-0.8	-290.1
Impairment losses for the period	-165.7				-165.7
Accumulated impairment losses at 31 Dec	-455.0			-0.8	-455.8
Book value at 31 Dec 2019	**728.5**	**821.7**	**0.2**	**4.6**	**1,555.1**

1 In 2019 decreases in interests in Group companies include capital refunds of EUR 11.5 million.

INVESTMENTS 2018

EUR million	Interest in Group companies	Receivables from Group companies	Interest in associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost at 1 Jan	1,198.1	525.2	0.2	5.8	1.1	1,730.4
Increases	3.3	8.0				11.3
Decreases	-5.3	-13.8		-0.1	-1.1	-20.3
Acquisition cost at 31 Dec	1,196.1	519.4	0.2	5.7		1,721.4
Accumulated impairment losses at 1 Jan	-288.0			-0.2		-288.2
Decreases	2.0					2.0
Impairment losses for the period	-3.3			-0.6		-4.0
Accumulated impairment losses at 31 Dec	-289.3			-0.8		-290.1
Book value at 31 Dec 2018	**906.8**	**519.4**	**0.2**	**4.9**		**1,431.2**

Impairment losses recognised from interest in Group companies in the financial year amounted to EUR 165.7 million (2018: 3.3). Impairment loss for 2019 relates to Dutch subsidiary in consequence of Sanoma Media Netherlands classification as discontinued operations.

The fair value of the subsidiary shares has been assessed based on income approach, in which the fair value of investment is calculated based on the discounted cash flow model (DCF) or the dividend discount model. Impairment need is assessed by comparing the fair value of the subsidiary shares to the book value in the parent company's balance sheet and possible write-down is booked through P/L.

Increases in receivables from group companies mainly relate to the acquisition of Iddink.

10. Long-term receivables

EUR million	2019	2018
Accrued income[1]		0.1
Total		0.1

1 Accrued income consists of accrued financial costs of long term loans.

According to FAS transactions costs of bonds are included in accrued income. In Group's financial statements prepared according to IFRS these costs are transferred to net the loan amount.

11. Short-term receivables

EUR million	2019	2018
Trade receivables	8.1	3.3
Loan receivables	28.5	22.6
Other receivables		0.2
Accrued income[1]	66.7	89.0
Total	**103.3**	115.1
Receivables from Group companies		
Trade receivables	8.1	3.2
Loan receivables	28.5	22.6
Accrued income	59.8	82.9
Total	**96.4**	108.7

1 Most significant items under accrued items are the Group contributions and interest income accruals.

12. Shareholders' equity

EUR million	2019	2018
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	-8.4	-1.4
Purchase of treasury shares		-7.7
Shares delivered	3.8	0.7
Treasury shares at 31 Dec	-4.6	-8.4
Fund for invested unrestricted equity at 1 Jan	209.8	209.8
Fund for invested unrestricted equity at 31 Dec	209.8	209.8
Retained earnings at 1 Jan	494.0	463.7
Dividends paid	-73.4	-57.1
Share-based compensation	2.0	2.1
Shares delivered	-1.4	0.5
Retained earnings at 31 Dec	421.1	409.2
Profit (loss) for the year	-62.3	84.7
Unrestricted equity 31 Dec	**564.0**	695.3
Total	**635.2**	766.6

Further information on share capital is presented in Note 19 to the Financial Statements.

DISTRIBUTABLE EARNINGS

EUR million	2019	2018
Treasury shares	-4.6	-8.4
Fund for invested unrestricted equity	209.8	209.8
Retained earnings	421.1	409.2
Profit (loss) for the year	-62.3	84.7
Total	**564.0**	695.3

13. Appropriations

EUR million	2019	2018
Cumulative depreciation differences	0.4	0.7
Total	**0.4**	0.7

Appropriations in the income statement include group contributions EUR 52.6 million (2018: 58.0) and change in cumulative depreciation differences.

14. Non-current liabilities

EUR million	2019	2018
Loans from financial institutions	200.0	
Accrued expenses	0.1	0.5
Total	**200.1**	0.5

15. Current liabilities

EUR million	2019	2018
Debentures		200.0
Loans from financial institutions	57.4	0.4
Commercial papers	341.2	147.5
Trade payables	18.6	14.6
Accrued expenses [1]	15.5	18.4
Other liabilities	408.3	419.7
Total	**841.0**	800.7
Liabilities to Group companies		
Trade payables	8.7	5.6
Accrued expenses	0.7	0.4
Other liabilities [2]	408.1	419.6
Total	**417.4**	425.7

1 Most significant items under accrued items are related to expense accruals and accrued personnel expenses.

2 Other liabilities to group companies include balances in IHC account.

16. Contingent liabilities

EUR million	2019	2018
Contingencies for own commitments		
Other contingent liability for own commitments	15.0	15.0
Total	**15.0**	15.0
Contingencies incurred on behalf of Group companies		
Guarantees	186.3	186.0
Total	**186.3**	186.0
Other liabilities	15.4	26.5
Total	**15.4**	26.5
Total	**218.5**	227.4

NOMINAL VALUES OF DERIVATIVES

EUR million	2019	2018
Currency derivatives		
Forward exchange contracts, external	5.2	13.4
Forward exchange contracts, internal	-4.4	-6.6
Total	**0.8**	6.8

FAIRVALUES OF DERIVATIVES

EUR million	2019	2018
Currency derivatives		
Forward exchange contracts, external	-0.1	0.0
Forward exchange contracts, internal		-0.2
Total	**-0.1**	-0.1

Board's proposal for distribution of profits

The retained earnings of the parent company Sanoma Corporation according to the balance sheet as at 31 December 2019 were EUR 354,204,193.40 of which the loss for the financial year 2019 was 62,274,165.95 and treasury shares -4,643,027.90. Including the fund for non-restricted equity of EUR 209,767,212.33 the distributable funds amounted to EUR 563,971,405.73 at 31 December 2019.

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

■ a dividend of EUR 0.50 per share shall be paid	EUR 81,508,261.50 *
■ 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 482,113,144.23

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 in two instalments. The first instalment of EUR 0.25 per share will be paid to a shareholder who is registered in the shareholders' register of the company maintained by the Euroclear Finland Ltd on the dividend record date set by the Board for payment of the dividend, Friday 27 March 2020. The Board will propose to the Annual General Meeting that the dividend will be paid on Friday 3 April 2020.

The second instalment of EUR 0.25 per share will be paid in November 2020 to a shareholder who is registered in the shareholders' register of the company maintained by the Euroclear Finland Ltd on the dividend record date, which, together with the payment date, will be decided by the Board in its meeting scheduled for 28 October 2020. The estimated dividend record date for the second instalment would be 30 October 2020 and the dividend payment date 6 November 2020.

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

Helsinki, 6 February 2020

Pekka Ala-Pietilä
Chairman

Antti Herlin
Vice Chairman

Anne Brunila

Mika Ihamuotila

Nils Ittonen

Denise Koopmans

Sebastian Langenskiöld

Rafaela Seppälä

Kai Öistämö

Susan Duinhoven
President and CEO

Auditor's note
A report on the audit carried out has been submitted today.
Helsinki, 28 February 2020

PricewaterhouseCoopers Oy
Authorized Public Accountants

Samuli Perälä
APA

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 2019. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, cash flows statement 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 6 to the Financial Statements.

Our Audit Approach

Overview

- We have applied an overall group materiality of 10 400 000 euros.
- The group audit scope encompassed the most 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	10 400 000 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 determined that total revenue and profit before tax as a combination provide a suitable representation of the volume of Sanoma's operations and profitability.

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.

At the end of year 2019 Sanoma Group includes two reportable segments: Sanoma Media Finland and Sanoma Learning. 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 discontinued operations of Sanoma Media Netherlands and the income statement and balance sheet of the acquired Iddink Group 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 12 Goodwill in the group's balance sheet amounted to EUR 506 million as of 31 December 2019. Goodwill is not amortised but tested at least once a year for possible impairment. For the purpose of impairment testing, goodwill has been allocated to two cash flow generating units (CGU): ■ Sanoma Media Finland, goodwill of EUR 85 million ■ Sanoma Learning, goodwill of EUR 421 million. The goodwill impairment testing is carried out by determining the present value of future cash flows of the CGUs. This assessment involves considerable management 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 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 ■ 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.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of TV broadcasting rights and prepublication rights included in intangible assets	
Refer to Accounting policies for consolidated financial statements and Note 12 As of December 31, 2019, the TV broadcasting rights amount to EUR 21 million and the prepublication rights to EUR 66 million. The cost of TV broadcasting rights is recognised in intangible assets and amortised based on broadcasting runs. The prepublication rights of learning materials and solutions are mostly internally generated intangible assets that are amortised 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 of these assets ■ We tested, on a sample basis, additions to the prepublication rights.
Revenue recognition	
Refer to Note 3 in the consolidated financial statements The group's total net sales from continued operations amount to EUR 913 million. The main revenue streams from continued operations include magazine and newspaper publishing (circulation sales and advertising sales), TV and Radio operations, online and mobile revenues, events 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 of 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 recognised ■ 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.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Accounting for changes in group structure	
Refer to Accounting policies for consolidated financial statements and Note 26 and 27 The group has announced several acquisitions and divestments during the financial year, the most significant being the acquisition of the Dutch educational platform and service provider Iddink and the divestment of the strategic business unit Sanoma Media Netherlands. Sanoma Media Netherlands has been presented as a discontinued operation. Accounting for changes in group structure is considered a key audit matter due to their significance to the financial statements and due to the significant management judgment involved in the classification and accounting treatment of the transactions.	Our audit procedures included, for example, the following: ■ We obtained an understanding of the company's 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.
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 729 million. The Parent Company's investments include also EUR 822 million of loan 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 discounted dividend 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 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 experts to assess the inputs and methodology in determining the discount rates, and in evaluating the long-term growth rates by e.g. comparing the inputs to observable market data ■ We reviewed the Parent Company's disclosures in respect of the impairment testing.

We have not identified 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 scepticism 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 Review but does not include the financial statements and our auditor's report thereon.

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 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, we conclude that there is a material misstatement of the 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, 28 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

Corporate Governance Statement

Corporate Governance Statement

Sanoma Corporation (the 'Company' or 'Sanoma') complies with the Finnish Corporate Governance Code (the 'Code') issued by the Securities Market Association in 2019 and in force as of 1 January 2020. This Corporate Governance Statement ('Statement') has been prepared in accordance with the Code.

The Statement has been reviewed by Sanoma's Audit Committee. The statutory auditors of Sanoma have checked that the Statement has been issued and that its description of the main features of internal control and risk management systems related to the financial reporting process complies with the financial statements of the Company. This Statement is presented as a separate report from the Board of Directors' Report.

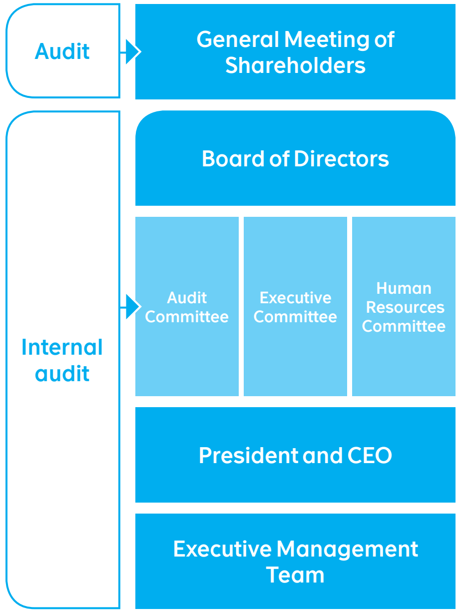
More information on the remuneration principles of the Board of Directors, the President and CEO and the Executive Management Team is available in a separate Remuneration Statement, prepared in accordance with the Code.

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

Updated information on Sanoma's governance is available on the Company's website at sanoma.com/investors/corporate-governance/.

Corporate Governance Structure

In its operations and governance, Sanoma follows laws and regulations applicable in its operating countries, ethical guidelines set by the Sanoma Code of Conduct as well as the Group's internal policies and standards. Sanoma's administrative bodies are the General Meeting of Shareholders, the Board of Directors ('Board') and its committees, the President and CEO and the Executive Management Team ('EMT').



Board of Directors

Election and term

In accordance with the Articles of Association of Sanoma, the Board 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.

The term of a member of the Board begins at the end of the AGM in which he or she has been elected and expires at the end of the AGM following the election.

Sanoma has not established a Nomination Committee, but the largest shareholders of Sanoma may propose new members to the Board based on applicable rules and regulations, including the Finnish Corporate Governance Code.

Composition, diversity and independence

The members of the Board shall have the qualifications and experience necessary to perform their duties as well as the possibility to devote sufficient time for the Board work. They shall also meet the independence and other requirements applicable to publicly listed companies in Finland. Both genders shall be represented in the Board.

In order to ensure that the Board has sufficient and versatile competencies, mutually complementing experience and knowledge of the industry, the Board considers a range of diversity aspects, such as business experience, international experience, age, education and gender, when preparing its proposal of the composition of the Board to the AGM.

Matters related to the diversity of the Board are defined in the Group's Diversity Policy, approved by the Board.

At the end of 2019, 33% of the Board members were women. During 2012–2018, the share of women in the Board has varied between 30–50%. Sanoma has Board members with versatile business experience, both from Finland and the Netherlands.

Nine members were elected to the Board of Directors at the AGM 2019: Pekka Ala-Pietilä, Antti Herlin, Anne Brunila, Mika Ihamuotila, Nils Ittonen, Denise Koopmans, Sebastian Langenskiöld, Rafaela Seppälä and Kai Öistämö.

According to the Board's annual evaluation all members of the Board are non-executive and independent of the Company. Seven out of nine members are also independent of major shareholders. Reason of the two members, Antti Herlin and Nils Ittonen, not being independent of major shareholders is reported in the following details of each member.

Board of Directors

Pekka Ala-Pietilä (Chairman)

- Born 1957, Finnish citizen
- Independent of the company and major shareholders
- Chairman of the Board of Sanoma since 2016
- Sanoma Board member since 2014, term ends in 2020
- Member of the Executive Committee
- Education: M.Sc. (Econ.), D.Sc. (Tech.) h.c., D.Sc. (Econ.) h.c.
- Main occupation: Huhtamäki Oyj, Chairman of the Board
- Primary work experience: Blyk Services Oy, co-founder and CEO 2006–2012; Nokia Corporation, various positions 1984–2005, among others as President 1999–2005, Nokia Mobile Phones, President, 1992–1998 and Group Executive Board Member 1992–2005
- Key board memberships: Huhtamäki Oyj (Chairman), SAP AG (Supervisory Board)

Antti Herlin (Vice Chairman)

- Born 1956, Finnish citizen
- Independent of the company
- Non-independent of major shareholders: 19,506,800 (11.9%) Company's shares in direct and indirect ownership on 31 December 2019
- Vice Chairman of the Board of Sanoma since 2016
- Sanoma Board member since 2010, term ends in 2020
- Member of the Executive Committee
- Education: 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. (The Aalto University school of technology)
- Main occupation: KONE Corporation, Chairman of the Board
- Primary work experience: KONE Corporation, Vice Chairman of the Board 1996–2003 and CEO 1996–2006
- Key board memberships: KONE Corporation (Chairman), Caverion Corporation, Holding Manutas Oy (Chairman), Security Trading Oy (Chairman), Thorsvik Invest Oy (Chairman)
- Other board memberships or positions of trust: KONE Corporation Centennial Foundation (Chairman), Tiina and Antti Herlin Foundation (Chairman), Archive Foundation of the President of Finland

Anne Brunila

- Born 1957, Finnish citizen
- Independent of the company and major shareholders
- Sanoma Board member since 2013, term ends in 2020
- Chairman of the Audit Committee
- Education: Ph. D. (Econ.), D.Sc. (Econ.) h.c.
- Main occupation: -
- Primary work experience: Fortum, Executive Vice President, Corporate Relations and Strategy, and Member of the Management Team 2009–2012; the Finnish Forest Industries Federation, President and CEO 2006–2009; the Finnish Ministry of Finance 2002–2006, e.g. Director General 2003–2006; several advisory and executive positions in the European Commission 2000–2002 and in Bank of Finland 1992–2000
- Key board memberships: KONE Corporation
- Other board memberships or positions of trust: The Finnish Film Foundation (chair) 2019–2021

Mika Ihamuotila

- Born 1964, Finnish citizen
- Independent of the company and major shareholders
- Sanoma board member since 2013, term ends in 2020
- Member of the Human Resources Committee
- Education: Ph.D. (Econ.)
- Main occupation: Marimekko Corporation, Executive Chairman of the Board
- Primary work experience: Marimekko Corporation, Chairman of the Board and CEO 2015–2016, President and CEO and Vice Chairman of the Board 2008–2015; Sampo Bank Plc, President and CEO 2001–2007; Mandatum Bank Plc, President and CEO 2000–2001, Executive Director 1998–2000; Mandatum & Co Ltd, Partner 1994–1998, Yale University, Visiting scholar 1992–1993
- Key board memberships: Marimekko Corporation (Executive Chairman), Rovio Entertainment Ltd. (Chairman), Mannerheim Foundation (Chairman)
- Other board memberships or positions of trust: Foundation for Economic Education, Finnish Cultural Foundation (Supervisory Board)

Nils Ittonen

- Born 1954, Finnish citizen
- Independent of the company
- Non-independent of major shareholders: Chairman of Jane and Aatos Erkko Foundation that held 39,820,286 (24.4%) Company's shares on 31 December 2019
- Sanoma Board member since 2014, term ends in 2020
- Member of the Audit Committee and the Executive Committee
- Education: B.Sc. (Econ.)
- Main occupation: -
- Primary work experience: Sanoma Group, various positions, including Senior Vice President of Group Treasury, Real Estate and Risk Management 1977–2010, Member of the Executive Management Group 1999–2007
- Key positions of trust: Jane and Aatos Erkko Foundation (Chairman)

Denise Koopmans

- Born 1962, Dutch citizen
- Independent of the company and major shareholders
- Sanoma Board member since 2015, term ends in 2020
- Member of the Audit Committee
- Education: LL.M., AMP Harvard Business School, IDP-C Insead
- Main occupation: Independent Board Director
- Primary work experience: Wolters Kluwer Law & Business, Managing Director of the Legal & Regulatory Division 2011–2015; LexisNexis Business Information Solutions, CEO and LexisNexis International, member of the Senior Leadership team 2007–2011; Altran Group, various senior executive roles 2000–2007
- Key board memberships: Coöperatie VGZ (Supervisory Board), Janssen de Jong Groep B.V. (Supervisory Board), Swiss Post (from 2 July 2019), Wenk (Supervisory Board) (until 1 January 2020), UDG United Digital Group (Chairman) (until 30 June 2019)

Sebastian Langenskiöld

- Born 1982, Finnish citizen
- Independent of the company and major shareholders
- Sanoma Board member since 2019, term ends in 2020
- Education: Master of Science International Business Aalto University School of Business, Master of International Management CEMS Aalto University & the University of Sydney (2009–2011)
- Main occupation: Salesforce ISV, Principal Partner Account Manager, EMEA Nordics 2017–
- Primary work experience: Fingertip Ltd., Founding Partner 2012–2017; Cargotec Corporation, M&A Coordinator 2011; Hansaprint Ltd., Key Account Manager 2006–2009
- Key board memberships. -

Rafaela Seppälä

- Born 1954, Finnish citizen
- Independent of the company and major shareholders
- Sanoma Board member since 2008, term ends in 2020
- Member of the Human Resources Committee
- Education: M.Sc. (Journalism), Columbia University School of Journalism
- Main occupation: -
- Primary work experience: SanomaWSOY, Member of the Board 1999–2003; Lehtikuva Oy, President 2001–2004; Helsinki Media Company Oy, Project Manager 1994–2000, Sanoma Osakeyhtiö, Member of the Board 1994–1999
- Key board memberships: Finnish National Gallery, Globart Projects Oy (Chairman), Globart Projects Sweden AB (Chairman), Rafaela and Kaj Forsblom Foundation (Chairman)
- Other board memberships or positions of trust: ELO Foundation for the Promotion of Finnish Food Culture

Kai Öistämö

- Born 1964, Finnish citizen
- Independent of the company and major shareholders
- Sanoma Board member since 2011, term ends in 2020
- Chairman of the Human Resources Committee
- Education: Ph.D. (Tech.), M.Sc. (Eng.)
- Main occupation: Chief Operating Officer, InterDigital, Inc.
- Primary work experience: -
- Key board memberships: Fastems Oy (Chairman), Helvar Oy (Chairman)

In addition, Mr. Robin Langenskjöld has acted as a member of the Board since 2013. His membership ended at the AGM 2019 and his CV is presented as it was on 27 March 2019

Robin Langenskiöld

- Born 1946, Finnish citizen
- Independent of the company and major shareholders
- Board member since 2013, term ended in 2019
- Member of the Audit Committee
- Education: B.Sc. (Econ.)
- Main occupation: -
- Primary work experience: Sanoma Osakeyhtiö, Member of the Board 1990–1999; Sanoma WSOY Corporation, Member of the Board 1999–2008. Further work experience starting from 1974 includes executive positions in Finnautik Sarl, Société Copap SA, Rauma Repola France and Enso France
- Key positions of trust: -

SANOMA SHARES OWNED BY THE MEMBERS OF THE BOARD

Board member	Shareholding [1] at 31 December 2019
Pekka Ala-Pietilä (Chairman)	10,000
Antti Herlin (Vice Chairman)	19,506,800
Anne Brunila	910
Mika Ihamuotila	150,000
Nils Ittonen	59,000
Denise Koopmans	0
Sebastian Langenskiöld [2]	645,963
Rafaela Seppälä	10,273,370
Kai Öistämö	8,265
Robin Langenskiöld [3]	12,273,371

1 Shares owned by the Board members and the corporations over which the member exercises control.

2 Member of the Board since 27 March 2019

3 Member of the Board until 27 March 2019

Duties of the board of directors

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

The operating principles and main duties of the Board have been defined in the Charter of the Board of Directors. The Board, for example,

- decides on the long-term goals and business strategy of the Group for achieving the long-term goals;
- approves the Group's reporting structure;
- decides on acquisitions and divestments, financial matters and investments, which have a value exceeding EUR 5.0 million, or are otherwise strategically significant, or involve significant risks, or relate to divestment, lay-off or termination of employment of 100 employees or more (for the time being, the Board has delegated its decision-making authority to the President and CEO on acquisitions and divestments, financial matters and investments which have a value exceeding EUR 0.5 million but below EUR 5.0 million);
- 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 Half-Year Report, the Financial Statements and the Board of Directors' Report as well as the Corporate Governance Statement and the Remuneration 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 the SBUs,
  - members of the EMT and
  - certain executive positions as determined by the Board;
- confirms the Group's values; and
- approves the Group's key policies.

In order to develop its performance, the Board conducts an evaluation of its operations and working methods on an annual basis. The purpose of the evaluation is also to assess the composition of the Board and define qualifications for the possible new Board members. The evaluation may be done as an internal self-assessment or by using an external evaluator.

Board meetings

During 2019, the Board convened 17 times with an average attendance rate of 91%.

MEMBERS' ATTENDANCE AT BOARD MEETINGS

Board member	# of meetings attended	Attendance rate, %
Pekka Ala-Pietilä (Chairman)	15/17	88
Antti Herlin (Vice Chairman)	13/17	77
Anne Brunila	15/17	88
Mika Ihamuotila	15/17	88
Nils Ittonen	17/17	100
Denise Koopmans	16/17	94
Sebastian Langenskiöld [1]	13/14	93
Rafaela Seppälä	17/17	100
Kai Öistämö	14/17	82
Robin Langenskiöld [2]	3/3	100

1 Member of the Board since 27 March 2019

2 Member of the Board until 27 March 2019

Board's committees

The Board may appoint committees, executive committees and other permanent or fixed-term bodies to focus on certain duties assigned by the Board. The Board confirms the charter of these committees and provides the policies given to other bodies appointed by the Board. The committees report regularly to the Board.

The Board has an Executive Committee that prepares proposals for matters to be decided or noted by the Board. In addition, the Board has an Audit Committee and a Human Resources Committee.

The members of the committees are appointed among the members of the Board in accordance with the charter of the respective committee. In addition to Board members, the President and CEO is a member of the Executive Committee. The committees are neither decision-making nor executive bodies, but the Board can, if it so decides, delegate certain decision-making authority to the Committees or the President and CEO.

EXECUTIVE COMMITTEE

The Executive Committee prepares matters to be considered at the Board meetings. The Executive Committee consists of the Chairman and Vice Chairman of the Board, the President and CEO and, at the Chairman's invitation, one or several members of the Board.

In 2019, the Executive Committee comprised Pekka Ala-Pietilä (Chairman), Antti Herlin, Nils Ittonen and Susan Duinhoven. The Executive Committee convened five (5) times in 2019, with an average attendance rate of 100%.

MEMBERS' ATTENDANCE AT EXECUTIVE COMMITTEE MEETINGS

Board member	# of meetings attended	Attendance rate, %
Pekka Ala-Pietilä (Chairman)	5/5	100%
Antti Herlin	5/5	100%
Nils Ittonen	5/5	100%
Susan Duinhoven	5/5	100%

AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its oversight responsibilities for matters pertaining to financial reporting and control, risk management, external audit and internal audit, in accordance with the charter approved by the Board, the Finnish Corporate Governance Code as well as applicable laws and regulations. The Audit Committee e.g. reviews the Interim Reports and Half-Year Report, discusses ERM risk analyses including identified risks and mitigation plans, monitors the principles concerning the monitoring and assessment of related party transactions, prepares the appointment and monitors and evaluates the independence of the company's auditor as well as reviews and approves the internal audit plan and follows its progress. The Audit Committee also reviews the Corporate Governance Statement.

In accordance with its Charter, the Audit Committee comprises three to five members, appointed annually by the Board. Members of the Committee shall be independent of the Company, and at least one member shall also be independent of significant shareholders. As required by law, at least one member of the Audit Committee must have the expertise in accounting or auditing. The Committee meets at least four times a year.

From the date of the AGM 2019, the Audit Committee comprised Anne Brunila (Chairman), Nils Ittonen and Denise Koopmans. Robin Langenskiöld was a member of the Audit Committee until 27 March 2019. All members of the Committee are independent of the Company and two members (Anne Brunila and Denise Koopmans) independent of significant shareholders of the Company. The Audit Committee convened five (5) times in 2019, with an average attendance rate of 95%.

MEMBERS' ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Board member	# of meetings attended	Attendance rate, %
Anne Brunila (Chairman)	5/5	100
Nils Ittonen	5/5	100
Denise Koopmans	4/5	80
Robin Langenskiöld [1]	1/1	100

1 Member of the Audit Committee until 27 March 2019

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 it from time to time by the Board and/or the Chairman of the Board. In addition, the Committee prepares the Remuneration Policy and Remuneration Report for the company's governing bodies and discusses the composition and succession of the Board.

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

In 2019, the Human Resources Committee comprised Kai Öistämö (Chairman), Mika Ihamuotila and Rafaela Seppälä. All members of the Committee are independent of the Company and major shareholders of the Company. The Human Resources Committee convened four (4) times with an average attendance rate of 100%.

MEMBERS' ATTENDANCE AT HUMAN RESOURCES COMMITTEE MEETINGS

Board member	# of meetings attended	Attendance rate, %
Kai Öistämö (Chairman)	4/4	100
Mika Ihamuotila	4/4	100
Rafaela Seppälä	4/4	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, for example:

- ensuring the Company's accounts comply with the law and 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 and in accordance with the general policies adopted by the Board and other applicable guidelines and decisions
- deciding on acquisitions and divestments, as well as financial matters and investments, which have a value exceeding EUR 0.5 million but below EUR 5.0 million or relate to the divestment, lay-off or termination of employment of more than 50 but less than 100 employees
- preparing decision proposals and matters for information for the meetings of the Board (together with the Chairman of the Board and/or the Executive Committee) and presenting these matters and the agenda to the Board and its Committees
- approving Group-level standards
- chairing Sanoma's EMT

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

Susan Duinhoven has served as the President and CEO of Sanoma Corporation since 1 October 2015.

Executive Management Team

Susan Duinhoven, President and CEO

- Born 1965, Dutch citizen
- Chairman of the EMT since 2015
- Member of the Executive Committee
- Education: Ph.D. (Physical Chemistry), B.Sc. (Physical Chemistry)
- Work experience: Koninklijke Wegener N.V., CEO and Chairman of the Executive Board 2013–2015; Thomas Cook Group Plc, CEO of Western Europe/CEO Netherlands 2010–2013; Reader's Digest, Managing Director of Benelux & New Acquisitions Europe 2008–2010; De Gule Sider A/S, CEO 2005–2007. Further work experience starting from 1988 includes Unilever, McKinsey, VNU Gouden Gids and De Telefoongids

Markus Holm, CFO and COO

- Born 1967, Finnish citizen
- Member of the EMT since 2017
- Education: M.Sc. (Econ.)
- Work experience: Metsä Board Corporation, CFO 2014–2016; Metsä Tissue Corporation, CFO 2008–2013; GlaxoSmithKline Oy, Finance and ICT Director 2005–2008; Huhtamaki Group, various managerial positions in finance, treasury, global sourcing and investor relations in 1994–2004 in Finland and 1999–2002 in Brazil

Pia Kalsta, CEO, Sanoma Media Finland

- Born 1970, Finnish citizen
- Member of the EMT since 2015
- Education: M.Sc. (Econ.)
- Work experience: Nelonen Media (part of Sanoma Group) 2001–2015, e.g. President 2014–2015, President, acting 2013–2014, Senior Vice President, Head of Consumer Business, Marketing & Business Development 2012–2013, Senior Vice President, Sales and Marketing 2008–2012, Vice President, Sales 2006–2008, Marketing Manager 2001–2006; SCA Hygiene Products (Finland) 1996–2001, several positions e.g. Key Account Manager, Product Manager and Marketing Manager

Rob Kolkman, CEO, Sanoma Media Netherlands; CEO, Sanoma Learning as of 1 January 2020

- Born 1972, Dutch citizen
- Member of the EMT since 2019
- Education: MBA, Master in Economics (Accountancy)
- Work experience: Reed Business Information (part of RELX Group), Group Managing Director 2017–2018, Managing Director of ICIS 2016–2017, CEO Netherlands 2014–2016; Elsevier (part of RELX), Managing Director Australia and New Zealand 2008–2014; Reed Business Netherlands (part of RELX), Associate Director 2006-2008, Publishing Director (Finance and tax) 2004–2006, Director of Elsevier Baard 2003–2004; various roles at BPP Professional Education Netherlands 1992–2003; CEO, Sanoma Learning as of 1 January 2020

John Martin, CEO, Sanoma Learning until 31 December 2019

- Born 1970, British-Dutch dual nationality
- Member of the EMT since 2011
- Education: Ph.D. (Molecular Biology), B.Sc. (Hons) (Biochemistry)
- Work experience: Sanoma Digital, CEO acting 2014, Chief Strategy & Digital Officer 2011–2013, Chief Operating Officer, Learning at Sanoma Learning 2009–2011; ContentConnected, consulting on online publishing and information services, several positions 2006–2009; Swets Information Services, Chief Commercial Officer in the Executive Board 2004–2006; Swets & Zeitlinger Publishers, Managing Director 2001–2003; Swets and Wolters Kluwer, various roles in scientific publishing 1996–2001

Executive Management Team

The EMT supports the President and CEO in his or her duties in coordinating the Group's management and preparing matters to be discussed at Board meetings. The matters include e.g.

- long-term goals of the Group and its business strategy for achieving them
- acquisitions and divestments
- organisational and management issues
- development projects
- internal control
- risk management systems

The EMT is chaired by the President and CEO. In 2019, the EMT comprised the CEOs of Sanoma Media Finland, Sanoma Media Netherlands and Sanoma Learning, as well as the Chief Financial Officer and Chief Operating Officer (CFO and COO) of Sanoma Group.

The following persons served as members of the EMT at the end of 2019: Susan Duinhoven, Markus Holm, Pia Kalsta, Rob Kolkman and John Martin. Rob Kolkman succeeds John Martin as a CEO of Sanoma Learning as of 1 January 2020.

SANOMA SHARES OWNED BY THE PRESIDENT AND CEO AND THE MEMBERS OF EMT

Member	Shareholding at 31 December 2019
Susan Duinhoven	250,935
Markus Holm	39,205
Pia Kalsta	24,833
Rob Kolkman	0
John Martin	32,586

Risk Management and Internal Control

The management of Sanoma Group and its businesses is based on a clear organisational structure, well-defined areas of authority and responsibility, common planning and reporting systems as well as policies and guidelines. The roles and responsibilities of different administrative bodies in risk management and internal control are explained in the table below.

ROLES AND RESPONSIBILITIES

	Risk management	Internal control
Board of Directors	■ approval of Risk Management Policy ■ overseeing the effectiveness of risk management ■ aligning the strategic objectives and risk appetite of the company	■ approval of Internal Controls Policy
Audit Committee	■ reviews and monitors the implementation of the policy and the risk management process	■ reviews the reliability, effectiveness and compliance with Sanoma's Corporate Governance Framework of internal control systems ■ monitors matters related to statutory audit and internal audit
President and CEO	■ defining risk management strategies and procedures ■ setting priorities for risk management	■ sets the ground for the internal control environment by executing policies and standards ■ the EMT supports the President and CEO in his/her oversight role and in assuring compliance
Audit and Assurance function	■ coordinates the risk management process ■ produces risk reports ■ evaluates and provides recommendations for improvement on risk management	■ supports the President and CEO in ensuring the compliance of financial reporting with Group requirements by, for example, evaluating and providing recommendations for improvement on internal control ■ compiles reports on internal control to the Board of Directors, Audit Committee and/or the President and CEO and the EMT
SBUs	■ aligning the risk management guidelines, procedures and strategies with the Group ■ identifying, measuring, reporting and managing risks	■ ensuring that Sanoma policies and standards are implemented and followed in their business ■ reflecting possible local requirements in the implementation

Risk management

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

Risk management is integrated in Sanoma's management, strategic planning and internal control system, and covers all risk categories at Group, SBU and entity levels. The risk management process includes the following phases:

1. Setting strategic, operational, reporting and compliance objectives on the Group, SBU and business levels
2. Identification and assessment of risks affecting the achievement of objectives by using a risk framework
3. Defining risk management activities for key risks
4. Implementation of risk management activities (e.g. asset allocation, control activities, insuring, hedging or divestitures)
5. Monitoring the performance and efficiency of the risk management
6. Continuous improvement of the risk management processes, performance and capabilities
7. Reporting of updated risk assessment results with related ongoing or planned mitigation actions to the Audit Committee and further to the Board of Directors twice a year. The reporting includes identification and assessment of key risks and summary of risk management activities for each SBU, business, and selected subsidiaries. The reporting shall be linked as much as possible to the quarterly reporting and strategic planning processes.

More information on the most significant risks that could have a negative impact on Sanoma's business, performance, or financial status are described in the Board of Directors' Report 2019, available at sanoma.com.

Internal controls

Sanoma's Internal Control Policy defines the internal control process applied in the Group. Internal controls are in line with the Corporate Governance Framework, and aim to assure that all Group policies and standards are up to date, communicated and implemented.

Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations.

The process includes objective setting, control design and implementation, operating effectiveness testing, monitoring and continuous improvement, and reporting.

Internal controls consist of entity-level, process-level and IT controls. Entity-level controls are applied on all levels of Sanoma (i.e. Group, SBU and entity) and can relate to more than one process. The Code of Conduct, Group policies and guidelines and their active implementation are examples of entity-level control activities.

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

IT controls are embedded within IT 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 IT controls.

The operation of controls is monitored to ensure that they are implemented as designed, and that they operate effectively. The monitoring is performed as a management self-assessment, assessment of an independent party/internal audit or a combination of those.

Monitoring of financial reporting process

The financial reporting process is based on the Group Reporting Manual. Combined with the other Group reporting guidelines and additional instructions, it defines Sanoma Group's accounting principles and policies.

The Group Finance and Control function is part of the Parent Company and prepares control point guidelines for transactions and periodic controls for the SBUs. The guidelines are approved by the President and CEO. Periodic controls are linked to monthly and annual reporting processes and include reconciliations and analyses to ensure the accuracy of financial reporting. The control activities seek to ensure that potential deviations and errors are prevented, discovered and corrected, both at the Parent Company and the SBU level. 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 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 at least quarterly. In addition to the SBUs' financial performance, e.g. the operating environment, future expectations, and business development are discussed in the reviews. The business reviews also have a role in the process of ensuring the functioning of the continuous risk assessment and internal control systems.

Other information

Internal Audit

Sanoma's internal audit is steered by the Corporate Governance Framework as well as Group Policies on Internal Audit, Internal Control and Enterprise Risk Management. The Audit and Assurance function, reporting to the CFO and COO, and directly to the Audit Committee, is responsible for the internal audit at Sanoma.

The scope of Audit and Assurance covers examination and evaluation of internal control systems, risk management processes, compliance processes, information security and governance framework as well as monitoring of Internal Control process on all organisational levels and businesses. The Audit and Assurance function supports the development of the organisation and provides additional assurance with a risk-based approach.

Related Party Transactions

Sanoma has a Related Party Policy, under which members of the management defined by the policy are under obligation to submit planned related party transactions for prior approval. In 2019, Sanoma has amended the Related Party Policy to correspond the amended Finnish Companies Act.

More information on related party transactions in 2019 is available in Financial Statements 2019, Note 29.

Insider Administration

Sanoma's Insider Policy complies with the Guidelines for Insiders issued by Nasdaq Helsinki Ltd. and other relevant legislation, such as Market Abuse Regulation.

According to the Insider Policy, a person who has gained Inside Information may not use the information by acquiring or disposing of Sanoma's financial instruments (either on his own or a third party's behalf, directly or indirectly), or give either direct or indirect advice on trading.

Sanoma has a standardised process for assessing insider information, delaying disclosure and establishing of insider lists.

- People who have access to all Inside Information, due to the nature of their position at Sanoma, are listed as permanent Insiders. Currently, there are no permanent insiders at Sanoma.
- Deal-specific insider lists are established if a particular piece of information has been assessed to fulfil the criteria of inside information and if a decision to delay the disclosure has been made. Those who have been entered into a deal-specific insider list are not allowed to trade Sanoma instruments.

Sanoma applies the so called "Closed Period", which is a thirty (30) calendar day period, before the announcement of the year-end Financial Statements Release and the Interim Reports of Sanoma. During the Closed Period, the members of the Board and the President and CEO shall not conduct any transactions in Sanoma Instruments on their own account, or on the account of a third party, whether they possess Inside Information or not. Additionally, transactions are not allowed during the entire publication day. Sanoma also recommends that the EMT members and persons engaged in financial reporting do not trade in Sanoma Instruments during the Closed Period or the publication day.

Members of the Board and EMT shall always check beforehand the appropriateness of trading with the company secretary. Members of the Board and EMT may also issue an explicit, documented trading programme, which must comply with Nasdaq Helsinki Ltd. rules and regulations on trading programmes. Sanoma may publish such trading programmes on its website. There were no trading programmes at 31 December 2019.

The Board members, the President and CEO and "Persons Closely Associated" with them must notify Sanoma and the Finnish Financial Supervisory Authority of their transactions with Sanoma Instruments (the so-called Manager's Transactions). The notification must be done within two days of the transaction. Sanoma shall publish such a notification as a stock exchange release within three days of the transaction at the latest. A delay in giving the notification may lead to sanctions.

Audit

The main function of the statutory audit is to verify that the financial statements provide a true and fair view on the Group's financial performance and financial position for the financial year. Sanoma's financial year is the calendar year.

The auditor's responsibility is to audit the Group's and the Parent Company's financial statements and administration in the respective financial year and to provide auditors' opinion to the AGM. The auditor reports to the Board at least once a year.

According to the Articles of Association, Sanoma shall have one auditor, which shall be an audit firm approved by the Patent and Registration Office. The term of office of the auditor expires at the end of the next AGM following the election.

The AGM 2019 elected the Authorised Public Accounting firm PricewaterhouseCoopers Oy as the statutory auditor of the Company. Samuli Perälä, Authorised Public Accountant, acts as the Auditor in Charge. PricewaterhouseCoopers Oy, with Samuli Perälä as the Auditor in Charge, has acted as the statutory auditor of the Company since the AGM 2017.

FEES PAID TO THE COMPANY AUDITORS

EUR million	Group	Parent company
Fees paid for audit services	1.0	0.3
Fees paid for non-audit services	0.5	0.4

In 2018, the Group's fees paid for audit services totalled EUR 1.1 million and fees paid for non-audit services EUR 0.8 million.

Remuneration statement

Remuneration Statement

This Remuneration Statement (Statement) has been prepared in accordance with the Finnish Corporate Governance Code, issued by the Securities Market Association in 2015 (available at www.cgfinland.fi). In accordance to the Finnish Corporate Governance Code 2020, Sanoma has published a Remuneration Policy (available at sanoma.com/investors), which is presented to the Annual General Meeting (AGM) 2020. A Remuneration Report in accordance to the 2020 Code will be published for the first time in spring 2021 for the reporting year 2020 and presented to the AMG 2021.

This Statement has been reviewed by Sanoma's Human Resources (HR) Committee. It is presented as a separate report from the Board of Directors' Report and from the Corporate Governance Statement. The Statement describes the decision-making procedures and main principles of the remuneration of members of the Board of Directors (Board), the President and CEO (CEO), and members of the Executive Management Team (EMT) at Sanoma as applicable for remuneration in 2019. Remuneration principles applicable for 2020 are described in the Remuneration Policy.

Comprehensive report on remuneration paid to the members of the Board, the CEO, and members of the EMT during 2019 is available in Note 30 of the Financial Statements 2019.

Decision-making procedure concerning remuneration

Key roles of Sanoma's administrative bodies in remuneration decision-making are summarised in the following table.

BODY	ROLE
AGM	■ Determines the remuneration of the Board ■ The Remuneration Policy is presented to the AGM at least every four years ■ Reviews the annual Remuneration Report (from 2021 AGM onwards) ■ Authorises the Board to decide on the repurchase of the Company's own shares, which may be used as part of the Company's incentive program
Board	■ Approves remuneration of the CEO and EMT members ■ Approves the long-term share-based incentives granted for the CEO, EMT members and senior executives ■ Approves the Remuneration Policy to be presented to the AGM ■ Approves minor amendments and temporary deviations to the Remuneration Policy under predefined circumstances ■ Decides on the repurchase of the Company's own shares on the basis of the authorisation given by the AGM ■ Approves the annual Remuneration Statement / Report
HR Committee	■ Supports the largest shareholders in preparing the proposal of the Board remuneration to the AGM ■ Prepares the Remuneration Policy for the Board approval ■ Reviews the annual Remuneration Statement / Report ■ Prepares the remuneration of the CEO and EMT members for the Board approval ■ Prepares the long-term incentives granted for the CEO, EMT members and senior executives for the Board approval

Remuneration of the Board of Directors

The AGM determines the remuneration of the members of the Board and Board committees. The proposal for the Board members' remuneration is prepared by Sanoma's largest shareholders supported by the HR Committee.

Remuneration of the CEO and members of the EMT

The remuneration and fringe benefits (total salary), short term incentives and pension benefits of the CEO and members of the EMT as well as long-term incentives granted for the CEO, members of the EMT and senior executives of Sanoma are prepared by the HR Committee and approved by the Board.

The CEO and members of the EMT do not receive separate remuneration for their management group membership or other internal management positions, such as Board memberships in the Group companies.

Board's authorisations related to remuneration

The AGM held on 27 March 2019 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 2020 and it terminated the corresponding authorisation granted by the AGM 2018.The shares shall be repurchased to develop the Company's capital structure, to carry out and finance potential corporate acquisitions or other business arrangements, be used as a part of the Company's incentive programme or to be conveyed further for other purposes, retained as treasury shares, or cancelled.

Sanoma did not repurchase any own shares in 2019. In 2018, Sanoma repurchased a total of 900,000 own shares for an average price of EUR 8.57 per share. The repurchased shares were acquired on the basis of the authorisation given by the Annual General Meeting on 22 March 2018 and are used as part of the Company's incentive programme. As of 31 December 2019, the Company held 549,140 (2018: 1,061,293) own shares.

Main principles of remuneration

Remuneration of the Board

The AGM 2019 resolved that the monthly remuneration to the members of the Board of Directors remained as before:

- EUR 8,500 to Chairman
- EUR 6,500 to Vice Chairman and
- EUR 5,500 to members.

The meeting fees are:

- For Board members who reside outside Finland: EUR 1,000 / Board meeting where the member was present;
- For the Chairmen of Board's Committees: EUR 2,000 / Committee meeting participated;
- For Committee members who reside outside Finland: EUR 2,000 / Committee meeting where the member was present and EUR 1,000 / Committee meeting participated; and
- For Committee members who reside in Finland: EUR 1,000 / Committee meeting participated.

The members receive no other financial benefits, e.g. shares or share-based rights for their work on the Board.

Remuneration received by the Board members in 2019 is presented in Note 30 in the Financial Statements 2019.

Remuneration of the CEO and members of the EMT

The remuneration of the CEO and members of the EMT consists of total salary, short term incentives, performance shares, restricted shares and pension benefits. When determining the annual remuneration of the CEO and members of the EMT, the Board's aim is that a substantial part of the total remuneration is dependent on the performance of the company.

The HR committee commissions regular benchmarks of the remuneration of the Board and the EMT against its Finnish and European peers.

Short-term incentive plans

The short-term incentives are determined on the basis of achieving financial and non-financial targets set annually. The weighting of the targets and the maximum amount of the incentives vary according to the position of the person in question. The short-term incentive is at maximum 150% of the reward at the target level value and the payment is subject to reaching the threshold Group operational EBIT excl. PPA. Short-term incentives are paid in April following the year of determination.

In 2019, the criteria in the short-term incentive plan were, depending on the position and business unit, based on achieving targets related to operational EBIT excl. PPA, free cash flow and/or Sanoma's employee engagement.

In 2019, the short-term incentive for the CEO was 66.7% of her salary at the target level and 100% at the maximum level. For other members of the EMT, the short-term incentive varied from 40% to 50% of the salary at the target level, and from 60% to 75% at the maximum level. The levels remained unchanged compared to 2018.

Long-term incentive plans

Sanoma's long-term remuneration is built on share-based incentive plans, Performance Share Plans and Restricted Share Plans, which offer the Group's management an opportunity to receive Sanoma shares as long-term incentives. The purpose of the share-based incentives 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. The shares are paid after a vesting period of two to three years, provided that the conditions set for receiving the shares are met. The Board decides annually on issuance, conditions and performance criteria of new plans based on the HR Committee's proposal.

PERFORMANCE SHARE PLANS

A Performance Share Plan, PSP, was adopted in 2013. The individual plans created under the PSP are subject to meeting the Group's performance targets set by the Board for annually commencing new plans. At maximum, the incentive can be 150% of the reward on the target level. The plans are based on a one year performance followed by a 2-year vesting period, and the share delivery is conditional upon continued employment until the moment of transferring shares, or a good leaver ground.

The possible reward is paid as a combination of shares and cash. The cash component is dedicated to cover the taxes and tax-related costs related to the performance shares.

Shares conditionally granted to the CEO and members of the EMT under the PSP are subject to share ownership requirement that is determined by the Board in accordance with the HR Committee's proposal. Until the required shareholding is achieved, the CEO and the members of the EMT are required to hold, and not to sell, at least 50% of performance shares received. Shareholding of members of the EMT is presented in Note 30 in the Financial Statements 2019.

The following table summarises the key attributes of the ongoing Performance Plans on 31 December 2019.

PERFORMANCE SHARE PLANS (PSP)	2020–2022	2019–2021	2018–2020	2017–2019
Date granted	7 Feb 2020	5 Feb 2019	8 Feb 2018	7 Feb 2017
Number of participants on 31 December 2019	194[1]	188	193	185
Earnings criteria	Adjusted free cash flow and operational earnings per share in 2020	Adjusted free cash flow and operational earnings per share in 2019	Adjusted free cash flow and operational earnings per share in 2018	Adjusted free cash flow and operational earnings per share in 2017
Extent to which criteria were achieved	-	144.5%	141%	Max = 150%
Maximum number of gross shares (taxes included) payable	525,000[2]	598,034	486,577	665,076
Share delivery year	2023	2022	2021	2020

1 Number of participants on 7 February 2020

2 The maximum number of gross shares (taxes included) payable if the set earning criteria are achieved in full

RESTRICTED SHARE PLANS

A Restricted Share Plan (RSP) to be offered to executives and managers of Sanoma was adopted in 2014. After a vesting period, shares in the RSPs are usually delivered to the participants provided that their employment with Sanoma continues uninterrupted throughout the duration of the plan and until the shares are delivered. The possible rewards under the RSPs are paid as a combination of shares and cash. The cash component is dedicated to cover the taxes and tax-related costs related to restricted shares.

Shares conditionally granted to the CEO and members of the EMT under the RSP are subject to share ownership requirement that is determined by the Board in accordance with the HR Committee's proposal. Until the required shareholding is achieved, the CEO and members of the EMT are required to hold, and not sell, at least 50% of shares received.

RSP 2020–2022 was introduced on 7 February 2020. The shares vest over a 3-year period of 2020–2022 and will be delivered in 2023 subject to meeting the employment condition.

RSP 2019–2021 was introduced on 5 February 2019. The shares vest over a 3-year period of 2019–2021 and will be delivered in 2022 subject to meeting the employment condition.

RSP 2017–2018 was introduced on 7 February 2017. The restricted shares vested over a 2-year period of 2017–2018 and were delivered to the participants in March 2019.

More information on shares granted as part of the PSP and RSP is presented in Note 20 of the Financial Statements 2019.

Other information related to the CEO and the members of the EMT

The CEO's period of notice is six months both from the CEO's and the Company's part. If the executive contract is terminated by the Company, the CEO will be paid a severance payment equalling to 12 months' salary, plus the salary for the notice period. The severance pay is accompanied by a fixed-term non-competition clause.

Sanoma has different local pension arrangements to cover the pension security of its personnel. The additional pension benefits of the CEO and other members of the EMT are based on defined contribution. As part of her total remuneration, the CEO is entitled to an additional pension benefit contribution, which amounts to 15% of her annual base salary.

The CEO's and the EMT members' retirement age is the usual retirement age of their home country.

Remuneration paid in 2019

The remuneration paid in 2019 to CEO Susan Duinhoven and other EMT members is reported in the following table. Compared to the previous year, remuneration paid to the CEO in 2019 increased due to long-term share incentives received as a result of good financial performance of the Group in 2016.

	CEO Susan Duinhoven		Other EMT members	
	2019	**2018**	**2019**	**2018**
Annual fixed base salary and fringe benefits[1], EUR	585,661	585,053	1,785,788	1,313,020
Short-term				
Remuneration based on the previous year performance, EUR	448,920	486,000	714,124	409,584
Long-term incentives				
Number of shares (net) delivered as a reward	175,935	0	53,383	16,395
Value of the shares at the time of delivery, EUR	1,548,351	0	469,808	159,704
Amount of income taxes and tax-like charges, EUR arising based on the shares delivered	871,842	0	542,273	144,703
Total value of the received LTI reward, EUR	2,420,193	0	1,012,081	304,407
Total paid remuneration, EUR	**3,454,774**	**1,071,053**	**3,511,993**	**2,027,011**

1 Includes compensation relating to the commencement of employment and other special one-time compensation

Total share-based remuneration earned by the CEO Susan Duinhoven since she started in her position in October 2015 is summarised in the following table. From 2020 onwards, the number of earned gross shares on-target level for the CEO Susan Duinhoven will be 100,000 (previously 150,000) and she will under all circumstances be treated on a good leaver ground, all other conditions remaining unchanged. The final number of shares earned will be based on the fulfilment of the earnings criteria decided annually by the Board.

Plan	Granted	Achieved reward level	Gross shares earned	Net shares paid	Delivery time
PSP 2016–2018	2016	Max = 150%	225,000	143,947	Spring 2019
PSP 2017–2019	2017	Max = 150%	225,000		Spring 2020
PSP 2018–2020	2018	141%	211,200		Spring 2021
PSP 2019–2021	2019	144.5%	216,810		Spring 2022
PSP 2020–2022	2020	to be defined in spring 2021 based on 2020 performance	100,000 at target level		Spring 2023
RSP 2017–2018[1]	2017		50,000	31,988	Spring 2019

1 Granted as a compensation for lower pension payments than contractually agreed due to changes in regulation

For investors

Investor Relations at Sanoma

The main task of Sanoma Investor Relations is to ensure that the capital markets have correct and sufficient information in order to determine the value of Sanoma share. Sanoma has a centralised Investor Relations function that serves analysts and investors, and coordinates investor meetings and activities.

Financial Reporting and AGM 2020

Interim Report 1 January–31 March 2020	Wednesday, 29 April
Half-Year Report 1 January–30 June 2020	Friday, 24 July
Interim Report 1 January–30 September 2020	Thursday, 29 October

The Annual General Meeting 2020 will be held on Wednesday, 25 March 2020 at 14:00 Finnish time (EET) at Marina Congress Center (Katajanokanlaituri 6, 00160 Helsinki, Finland).

Changes in contact information

Euroclear Finland Ltd maintains a list of the Company's shares and shareholders. Shareholders who wish to change their personal or contact information are kindly asked to directly contact their own securities account operator.

IR contact

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