sanoma

Annual Review 2020

Contents

● Audited ○ Part of the Board of Directors' Report

This Sanoma Annual Review 2020 consists of the following parts:

1. Board of Directors' Report, including non-financial information
2. Audited consolidated and parent company financial statements

Unless otherwise stated, all income statement-related figures for 2019 and 2020 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/en/investors

Financial highlights 2020

Operational EBIT margin excl. PPA

14.7%
(2019: 15.1%)

- Earnings improved in Learning and were stable in Media Finland
- Net sales grew through acquisitions

Leverage

2.6
(2019: 2.7)

- In December, the Group's leverage target (net debt / adj. EBITDA) was updated to 'below 3.0'
- 300–400m€ headroom for M&A

Dividend per share

€ 0.52
(2019: € 0.50)

- Adjusted* free cash flow per share €0.58 (2019: 0.81)
- Pay-out ratio 73% (2019: 58%) of adjusted free cash flow

* In 2020, excl. free cash flow of the divested Media Netherlands, -22m€. (2019: excl. 10 m€ of costs related to discont. operations divested in 2018 in Belgium) .

Sanoma in brief

Sanoma is an innovative and agile learning and media company impacting the lives of millions every day.

Our learning products and services enable teachers to develop the talents of every child to reach their full potential. We offer printed and digital learning content as well as digital learning and teaching platforms for primary, secondary and vocational education, and want to grow our business across Europe.

Our Finnish media provide independent journalism and engaging entertainment also for generations to come. Our unique cross-media position offers the widest reach and tailored marketing solutions for our business partners.

Today, we operate in eleven European countries and employ close to 5,000 professionals. In 2020, our net sales amounted to approx. 1.1bn€ and our operational EBIT margin excl. PPA was 14.7%. Sanoma shares are listed on Nasdaq Helsinki. More information is available at www.sanoma.com.

Key investments highlights

We continue to grow Sanoma Learning, the leading European K12 learning business

- We focus on K12 (= primary, secondary and vocational) learning services, which have high barriers to entry due to local nature of the business
- We are the leading player in a highly fragmented European market with a market share of about 13%

We are the leading cross-media company in Finland and continue our successful digital transformation

- Focused media company with scale: news & feature, entertainment and B2B marketing solutions
- Increasing share of consumer income and subscriptions in both news and entertainment - B2C sales now about 50% of total net sales
- Proven track record of a successful digital transformation

We have a M&A headroom of 300-400m€ and focus on growing our learning business further

- Continued focus on European K12 learning services; ongoing consolidation driven e.g. by digitalisation in a fragmented market
- Entering new geographies and expanding our offering in current markets both in learning content and digital platforms
- Highly synergistic, bolt-on acquisitions in the media business in Finland could be considered

We pay a solid dividend

- Dividend policy: Sanoma aims to pay an increasing dividend, equal to 40-60% of annual free cash flow
- Pay-out ratio in 2020 was 73% (2019: 58%)

Sanoma is a sustainable investment with learning and media having a positive impact on society

- Sanoma's Sustainability Strategy was launched in March 2021. It focuses on the following five themes: Inclusive learning, Sustainable media, Trustworthy data, Vital environment and Valued People
- Responsible and ethical business practices and supply chain integrity are fundamental for us

Sanoma Sustainability Strategy

Sanoma impacts the lives of millions of people every day. We work hard to provide them with the highest-quality learning resources and Finnish independent media and local entertainment. We aim to create better understanding for people, communities and businesses to evolve and thrive. To improve our sustainability efforts, we conduct regular materiality assessments and stakeholder engagement for our impact and activities. Our most recent assessment was conducted in autumn 2020. As a result, we identified six material themes that provide the framework for our work. The Sanoma Board of Directors approved the strategy in December 2020. The updated Sanoma Sustainability Strategy is designed to maximise our positive impact on society – our 'brain-print' – and to minimise our environmental footprint.

Inclusive learning

We develop inclusive learning solutions that help all students to achieve their potential.

4 QUALITY EDUCATION | 17 PARTNERSHIPS FOR THE GOALS

Sustainable media

We provide trusted Finnish journalism and inspiring entertainment, now and in the future.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

Trustworthy data

We use the data you trust us with to make learning and media better.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 17 PARTNERSHIPS FOR THE GOALS

Vital environment

We act to reduce our climate impact and build fact-based awareness of sustainability

12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 17 PARTNERSHIPS FOR THE GOALS

Valued people

We promote equality and provide an inspiring workplace with excellent opportunities to develop.

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES | 17 PARTNERSHIPS FOR THE GOALS

Responsible and ethical business practices and supply chain integrity are fundamental for us.

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 2020.

Inputs

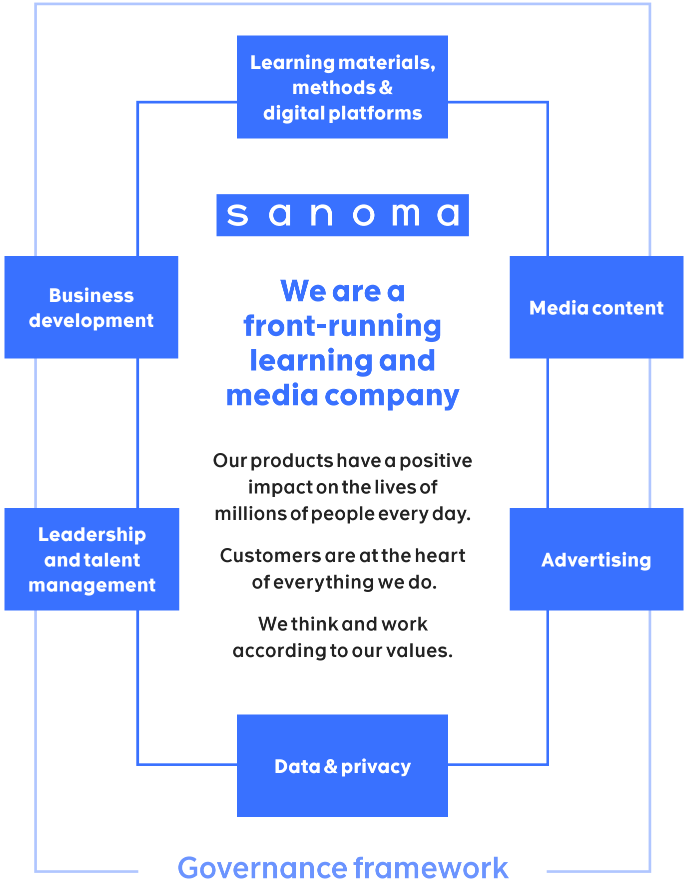
Operational
- Systems and applications
- Own and external printing facilities
- Distribution and transportation
- User data

Human, social & intellectual
- Committed and diverse personnel (about 5,000 employees at the end of 2020) 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€ 710
- Net debt M€ 661

Natural
- Energy used 46,800 MWh
- Paper used 57,700 tonnes

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 diverse employees
- Increased knowledge and knowhow

Financial
- Earnings* M€ 157
- Employee benefits M€ 295
- Net financial costs M€ 9
- Taxes and employer charges M€ 60
- Free cash flow M€ 95
- Dividends paid M€ 83

Natural
- GHG emissions 89,100 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 environment and climate impact across our value chain

We accelerated our transformation during 2020

≈ 800m€ invested

More than 400m€ new, highly profitable net sales acquired

Four acquisitions in K12 learning services in 2019

Iddink | Itslearning | Clickedu | Essener

Regional news media business in Finland

Santillana Spain, leading provider of K12 learning content in Spain; closed on 31 December

ACQUISITIONS

DIVESTMENTS

Media Netherlands

Online classified business Oikotie

≈ 700m€ divestment proceeds received

≈ 400m€ net sales divested

Two focused, leading businesses with solid profitability and cash flows

300-400m€ headroom for M&A

- Our learning business
- Our media business

Chairman's greetings

Dear Shareholders,

I am very pleased to share this Annual Review with you. The year 2020 was a successful and transformative year for Sanoma despite the significant impact of the corona pandemic on our markets, our customers and also on our ways of working.

We continued to execute our thoroughly prepared strategic transformation. 2020 became a milestone year for Sanoma. From a predominantly media company, we have transformed into the leading European K12 learning company with a strong, local cross-media business in Finland. The learning business has, by nature, dimensions of stability and predictability with a relatively high entry cost for new entrants. For our shareholders, this means predictability and increasing dividends while we are simultaneously able to grow the company through M&A and to invest in developing our businesses.

Change for us is an everyday reality. Anticipating the direction and magnitude of change helps us evaluate and understand the driving forces behind the change. This way, we can capture opportunities to grow in an early stage by taking advantage of our strengths. Our leading driver in this is to serve our customers better in their changing needs.

We work hard to equip students and teachers with the highest-quality learning materials and platforms. We aim at creating better understanding for people and communities to develop and thrive. A high-quality education system, skilful and motivated teachers, first class materials and teaching platforms support every child in reaching their full potential. Education is empowering people. It builds knowledge, capacities and confidence, and it opens up new opportunities for children and communities. A knowledgeable nation is a prosperous nation.

We relentlessly promote the prerequisites for freedom of expression and high quality journalism, and we nurture the interest of finding facts. Independent media is an essential part of an open and democratic society. Freedom of expression should never be taken for granted. By delivering information, inspiration, entertainment and experiences, we increase awareness of different viewpoints, developments and lifestyles in our society in Finland.

Learning and media have an intrinsically positive impact on society. In 2020 we have further harnessed our formulation of our sustainability programme and set our goals for the coming years. Sustainability has already for years been part of our way of working in our core businesses, inclusive learning and responsible media. Handling data with care, reducing our climate impact and respecting people and diversity are among the critical challenges facing all players in our industries and societies. These responsible and ethical business practices will guide our own organisation and we expect our partners to commit to the same.

We will continue to explore growth opportunities both in learning and media. With our solid financial position and balance sheet we have headroom of 300–400 million euros for further acquisitions. Our ambition is to continue to create increasing value for both our customers and our shareholders.

I would like to thank the President and CEO, Susan Duinhoven, the Executive Management Team and all employees for the remarkable performance in this challenging year 2020. In these exceptional conditions, we managed to make progress on our strategic path, integrate acquired businesses while being focused on serving our customers who themselves were strongly impacted by the pandemic.

Dear shareholders, I would like to once again thank you for your trust and support. I hope that this Annual Review will give you a good overview of Sanoma's transformative year 2020.

Pekka Ala-Pietilä
Chairman of the Board

CEO's greetings

Dear Shareholders,

The year 2020 was very exceptional, for the entire world and certainly also for Sanoma. The global pandemic crisis had a profound effect on everyone in the world. Looking back at 2020, I am proud to say that despite these unprecedented conditions, we were able to keep our staff safe and continue our business with satisfactory results. Our revenue grew through acquisitions and our margin stayed at 14.7%, compared to 15.1% the previous year.

We worked remotely from the moment the pandemic broke out and kept our staff safe. It was the way that we were able to continue to serve and support our customers. We proceeded on our transformation path by divesting Media Netherlands and Oikotie, integrating the regional news business acquired from Alma and acquiring Santillana Learning business in Spain. Sanoma now consists of two focused and leading businesses, Learning and Media Finland, poised for further growth.

I am very pleased to share with you an overview of our transformative year in this Annual Review.

Managing through the Corona pandemic crisis with three key priorities

The year 2020 was unprecedented. The coronavirus pandemic hit all societies hard and brought profound changes to our daily lives. Many of our daily routines were uprooted and things we have taken for granted for so long were suddenly no longer possible.

Early in the pandemic, we set our priorities, and these guided us well through these difficult times.

Our first and foremost responsibility was and still is safety. The health of our own staff and their families, all externals and suppliers working for us, was central in our way of working. We wanted to make sure that our behaviour did not endanger others, nor that it stimulated others to behave dangerously. We went almost overnight from 'business as usual' to working almost fully remotely.

The second priority was supporting our customers. Many of their businesses were hit very hard but also new opportunities emerged. Many of our advertising customers were, and still are, going through very difficult times and, when we could, we decided to support them with lenient terms and conditions. We did our utmost to support our teachers and schools with our tools and content to teach at a distance and, if needed, free-of-charge.

Our third priority was to ensure our long-term strategy stayed intact and our capabilities improved. We focused on continuing the integrations of our recently acquired businesses and supporting the buyers of our divested businesses through Transaction Service Agreements. We learned how to work more efficiently together while working remotely. Our goal was to come out as a better and stronger company than we went into this pandemic.

Business-wise the Corona pandemic had its most significant impact on Media Finland's events and advertising business. Even though our advertising sales declined by 13% in January–September we saw a strong recovery in the last months of the year. Over the year we gained 2–3 percentage points in market share proving the success of the "customers first" approach from the onset of the pandemic. No live events and festivals took place in 2020; the business still contributed due to insurance compensation. In Learning, the prolonged pandemic had negative impacts on the training services typically sold with our platforms and higher hosting costs; however, costs savings in the daily operations compensated for that mostly.

With the exception of our events business team in Finland, we have been fully employed through the pandemic and we did not apply for governmental support.

Having become the leading K12 learning company in Europe

Sanoma is today the leading European K12 learning company with a 13% market share of the highly fragmented European

K12 learning market. With half of our net sales, our European Learning business is now generating close to 70% of the Group's earnings. Our path towards this position started in 1999 when Sanoma merged with WSOY. A local education business in Finland was our entry point into the learning business. Since then, we have grown by further acquisitions and also by growing organically especially at the moment of curriculum changes in our markets. Today we have learning businesses in 11 European countries with advanced educations systems.

We continue to grow Sanoma Learning within its focus area of K12 learning services, K12 being primary, secondary and vocational education. Our Learning services cover blended learning content (print & digital), digital platforms for teaching and administration as well as content distribution. We are aiming to invest in further expanding in the K12 learning market. Our leading market position in highly digitalised markets and our experience in our international platforms give us strong competitive advantages.

The Learning business has elements of stability and predictability and it requires high investments for new players to enter a market. We explore and utilise the opportunities to increase our market share in existing markets and by expanding into new markets and transitioning towards a subscription model. We continue to grow our learning business through M&A and for that we have a well-developed pipeline and good momentum for further acquisitions.

Continuing to be the leading media company in Finland successful in its digital transformation

Our Finnish Media business is the leader in News & Feature and Entertainment and B2B Marketing solutions. Our strong investment in the digitization of both consumer and advertiser products has produced new solutions to serve the needs of our customers.

The demand for reliable news has increased as a counter force to increasing misinformation through social media. We have experienced a sharp increase in news consumption. Helsingin Sanomat news subscriptions increased for the fourth consecutive year, now already above 400,000. Helsingin Sanomat also launched the new weekly newspaper "HS Lasten uutiset" (translated: News for Kids) in August. We opened up our online news service covering the pandemic to ensure correct and trustworthy news for everyone. And the daily users of Ilta-Sanomat grew strongly i.e. 18% compared to last year – proving again that it truly provides the news for all Finns!

In April, we acquired Alma media's regional news business, the most prominent titles being Aamulehti and Satakunnan Kansa in addition to 13 local newspapers. These regional titles are strong brands and have an extensive and dedicated customer base in their regions and are complementary to our news media offering. They will remain fully editorially independent and we will continue to build on their heritage and regional relationships. We believe the sharing of learnings and successes between the regional and local titles and Helsingin Sanomat can accelerate our combined digital usage and increase attractiveness especially for the younger audiences across the regions.

Also on the entertainment side of the business, we see an increasing focus on subscriptions and, with that, consumer income. We also managed to grow our Ruutu+ Video-on-Demand to more than 300,000 subscriptions and launched a paid Supla+ extension to the Supla platform, focused on audio-on-demand with over 300,000 downloads.

"Sanoma is a sustainable investment with learning and media having an intrinsically positive impact on society."

Even in a year of turmoil, we have been able to continue on our transformational path towards a more digital and subscription driven business model. In 2021, we hope that the events business will be able to continue successfully as this will most likely be in high consumer demand after a year of pandemic.

Sanoma as an investment

Sanoma consists of two focused and leading businesses, each in their own field, poised for further growth. Sanoma is the leading K12 European learning company and the leading cross-media player in Finland with proven success in its digitalisation.

Even though growing in Learning through M&A we find it important that our shareholders receive a solid dividend.

Our Dividend policy has remained unchanged. We pay an increasing dividend, equal to 40–60% of annual free cash flow. A solid dividend is reflected in the over 4% dividend yield for a company that today obtains close to 70% of its earnings from the stable and predictable learning business.

With the increasing share of the learning business we have also increased our leverage target to 'below 3.0' (previous target: below 2.5). This gives us an M&A headroom of 300–400 million euros by 2022 allowing us to participate in the ongoing consolidation in the European K12 learning services market and growing our learning business further.

Sanoma is a sustainable investment with learning and media having an intrinsically positive impact on society while the company has a very light environmental footprint. As you can read in the Chairman's annual review, we have further focused on formulating our sustainability goals last year.

Our teams make our success

Our teams both in Learning and Media Finland have done a great job in this difficult year and managed to mitigate the financial impact of the Corona pandemic. It has been impressive to see how well our teams adapted to remote working, committed to completing the important projects and found new ways of collaborating and serving our customers.

It was also a year of saying goodbye to our respected colleagues in the Media Netherlands and Oikotie businesses. We know that they will flourish under excellent new ownership but still we are sorry to see them leave Sanoma. We also welcomed many new colleagues in the Regional news business in Finland and in Santillana in Spain and we are looking forward to working closely with them.

My complements to all of our teams for their excellent performance and dedication in this far from easy year.

I want to thank you as our shareholders, customers, partners and employees for your trust and commitment during this difficult year 2020. We will continue to develop and grow the company and focus on our sustainability goals. We hope that we will see the end of the pandemic in 2021 and that we all can find a 'new and better normal' to work, explore and enjoy together!

Susan Duinhoven
President & CEO

Report of the Board of Directors for 2020

Strategic review

Sanoma continued its successful transformation and growth strategy in 2020. Sanoma's aim is to grow its European K12 learning business further through M&A in current operating countries or by entering new geographical markets, and to strengthen its media business in Finland in the chosen core businesses: news & feature, entertainment and B2B marketing solutions. During the year, Sanoma completed four significant and transformative M&A transactions. It acquired Santillana Spain, the leading provider of learning materials in Spain, and Alma Media's regional news media business in Finland, and divested Sanoma Media Netherlands and online classifieds business Oikotie in Finland. After completion of these transactions, Learning will contribute close to 70% of the Group's earnings, and the Group has a balanced revenue profile with approx. 75% of the revenues attributable to the stable learning and B2C media businesses.

2020 was an exceptional year also for Sanoma due to the coronavirus pandemic. Sanoma's first priority has been ensuring the health and safety of its employees and providing solid support to its customers and business partners. With its approach to the pandemic, the company's management and employees have demonstrated responsibility and agility due to which Sanoma's operational and financial performance were safeguarded, its strategic transformation continued and its financial position remained solid. More information on the impacts of the coronavirus pandemic on Sanoma is available on p. 25 of this report.

Sanoma Learning is the leading European K12 learning company serving more than 20 million students across Europe. In 2020, the Learning business grew and continued to focus exclusively on K12 mainly through four acquisitions completed at the end of 2019. The most significant of these acquisitions was Iddink, a leading Dutch provider of educational platforms and distribution services operating also in Belgium and Spain. Iddink's integration proceeded according to expectations during the year. Future growth levers of Learning focus on three pillars: 1) growing market share in particular in connection to curriculum renewals, 2) increasing value per student by extending the service portfolio and transitioning towards a subscription model and 3) M&A. During 2020, Learning had a strong comparable growth of 5% driven especially by ongoing curriculum renewals in Poland and in the Netherlands. The business is driving a longer term, favourable shift towards subscription sales, which integrates printed and digital products and services into an annually subscribed package and offers clear benefits to students, schools, distributors and publishers. At the end of December 2020, the company closed the acquisition of Santillana Spain, the leading Spanish provider of K-12 learning materials. Sanoma sees longer term growth potential in the Spanish market related both to the upcoming curriculum renewal, expected to be implemented in 2022–23, and market share gains through increasing digitalisation, which has been stimulated by higher use of remote learning during the coronavirus pandemic, and which Sanoma can benefit from with its digital capabilities and experience from more digitalised countries.

Media Finland is increasingly focused on its three core strategic businesses: news & feature, entertainment and B2B marketing solutions. At the end of April, Sanoma closed the acquisition of Alma Media's regional news media business in Finland. The acquisition is an important investment in the growth of Sanoma's digital subscription base, and in the sustainable future of independent domestic journalism in Finland. It allows increasing investments in digital news media products, thus accelerating growth in digital subscription base and attracting younger audiences. The integration of the acquired business proceeded well and according to expectations during the year. On a comparable basis, subscription sales of Media Finland continued to grow driven by the growing number of subscriptions both at the leading daily newspaper Helsingin Sanomat, the video-on-demand service Ruutu+ and the recently launched audio-on-demand service Supla+. During the year, Media Finland's advertising and events businesses were severely impacted by the coronavirus pandemic. Despite the market turbulence, the Finnish media team was successful in strengthening the company's market positions and longer term competitive advantages in its strategic core businesses.

Going forward, Sanoma's aim is to grow its European K12 learning business further through M&A in current operating countries or new geographical markets, and to strengthen its media business in Finland in the chosen core businesses: news & feature, entertainment and B2B marketing solutions. The Group has a EUR 300-400 million financial headroom for M&A and it focuses on growing its European K12 learning business further. In light of its growth agenda, Sanoma is also committed to its dividend policy: an increasing dividend corresponding to 40-60% of annual free cash flow.

Sustainability is in the DNA of Sanoma. Its learning and media businesses have a positive impact on the lives of millions of people every day and its environmental footprint is small. Sanoma has further enforced its positive role in society through an updated Sustainability Stratery, which highlights six themes: Inclusive learning, Sustainable media, Trustworthy data, Vital environment, Valued people, and Responsible business practices, and incorporates aspiring targets towards sustainable business across the value chain also in the coming years.

Financial review

NET SALES BY SBU

EUR million	FY 2020	FY 2019	Change
Learning	499.7	336.0	49%
Media Finland	562.6	576.8	-2%
Other operations	-0.5	-0.3	-90%
Group total	**1,061.7**	912.6	16%

The Group's net sales grew to EUR 1,062 million (2019: 913). Net sales grew in Learning as a result of the Iddink acquisition and 5% comparable net sales growth. In Media Finland, the positive net sales contribution of the acquisition of regional news media business in the end of April was more than offset by the adverse impact of the coronavirus pandemic on events and advertising sales. The Group's comparable net sales development was -4% (2019: -1%).

OPERATIONAL EBIT EXCL. PPA BY SBU

EUR million	FY 2020	FY 2019	Change
Learning	95.9	75.6	27%
Media Finland	66.6	69.4	-4%
Other operations	-5.9	-7.4	20%
Group total	**156.5**	137.6	14%

Operational EBIT excl. PPA improved to EUR 157 million (2019: 138). Earnings improved in Learning as a result of both acquisitions and comparable net sales growth, while remaining relatively stable in Media Finland as a consequence of the coronavirus pandemic.

IACs, PPAs AND RECONCILIATION OF OPERATIONAL EBIT

EUR million	FY 2020	FY 2019
EBIT	**270.1**	104.5
Items affecting comparability		
Restructuring expenses	-28.5	-23.0
Impairments	-0.6	
Capital gains / losses	165.0	0.5
IACs total	**135.9**	-22.5
Purchase price allocation adjustments and amortisations (PPAs)	**-22.3**	-10.5
Operational EBIT excl. PPA	**156.5**	137.6

A detailed reconciliation on SBU level is presented on p. 32.

EBIT was EUR 270 million (2019: 105). Net IACs totalled EUR 136 million (2019: -23) and included a capital gain of EUR 165 million related to the divestment of Oikotie. In addition, the IACs consisted of transaction and integration costs related to recent acquisitions, in particular Santillana Spain and the regional news media business in Finland. PPA amortisations amounted to EUR 22 million (2019: 11) and increased due to recent acquisitions especially in Learning.

Net financial items declined to EUR -9 million (2019: -22). The improvement was mainly due to decreased interest costs resulting from lower interest-bearing debt after the divestments of Media Netherlands and Oikotie in 2020 and repayment of the EUR 200 million bond, which had a high interest rate, in November 2019.

Result before taxes amounted to EUR 261 million (2019: 83). Income taxes increased to EUR 23 million (2019: 18) due to higher taxable profit. Result for the period was EUR 238 million (2019: 65) and EUR 247 million (2019: 13) including discontinued operations.

Operational earnings per share were EUR 0.58 (2019: 0.50) and EUR 0.67 (2019: 0.80) including discontinued operations. Earnings per share were EUR 1.46 (2019: 0.39) and EUR 1.51 (2019: 0.07) including discontinued operations.

Financial position

At the end of December 2020, interest-bearing net debt was EUR 661 million (2019: 795) and net debt to adjusted EBITDA ratio was 2.6 (2019: 2.7). Equity ratio was 37.4% (2019: 30.5%). Compared to the end of September 2020, net debt increased due to the Santillana Spain acquisition, which was closed on 31 December 2020.

At the end of December 2020, the Group's equity totalled EUR 710 million (2019: 551) and the consolidated balance sheet totalled EUR 2,048 million (2019: 1,998).

Cash flow

In 2020, the Group's free cash flow declined to EUR 95 million (2019: 131) or EUR 0.58 per share (2019: 0.81). Free cash flow of Learning grew significantly driven by both acquisitive and comparable net sales growth. In Media Finland, free cash flow declined as the coronavirus pandemic had an adverse impact on EBITDA. The Group's cash flow development was adversely impacted by the divestment of Media Netherlands, which contributed approx. EUR 30 million to the free cash flow in 2019. In 2020, free cash flow of Media Netherlands was approx. EUR -22 million for 1 January 20 April following its typical seasonal pattern. For dividend calculation purposes, the Group's free cash flow for 2020 will be adjusted for the divested Media Netherlands. In 2020, free cash flow of the continuing operations compared to the previous year.

Capital expenditure included in the Group's free cash flow grew to EUR 43 million (2019: 32) driven by higher investments in digital platform and ICT development as a result of recent acquisitions in Learning.

Acquisitions and divestments

On 19 October 2020, Sanoma announced the acquisition of Santillana Spain, a leading Spanish provider of K-12 learning materials, from Promotora de Informaciones S.A. (Grupo Prisa). Net sales of the acquired business were EUR 128 million and pro forma adjusted EBITDA was EUR 50 million in 2019, which was the peak year of the current curriculum. During the current curriculum in 2016–2019, Santillana Spain's annual net sales were EUR 122 million, and operational EBITDA EUR 48 million on average. The acquisition is estimated to create annual net synergies of approx. EUR 4 million, which are expected to be realised during 2022. The agreed enterprise value of the acquired business is EUR 465 million, corresponding to a multiple of 9.3 (EV / Pro forma adjusted EBITDA 2019). The 586 employees working in the acquired business became employees of Sanoma Learning at closing. The transaction was completed on 31 December 2020. Total assets and liabilities in the Group's consolidated balance sheet at the end of December 2020 include Santillana Spain, while income statement and cash flow of Santillana Spain will be reported as part of Sanoma Learning SBU as of 1 January 2021.

On 16 July 2020, Sanoma announced it had divested its online classifieds' business Oikotie to Schibsted. Enterprise value (EV) of Oikotie was EUR 185 million, corresponding to an EV/EBITDA multiple of 19.6 (based on 2019 pro forma EBITDA). Pro forma 2019, net sales of Oikotie were EUR 27.6 million and operational EBITDA was EUR 9.4 million. Oikotie had 93 employees (88 FTE) at the end of June 2020, who transferred to the buyer. The divestment concluded the evaluation of strategic options for Oikotie, which was announced on 11 February 2020.

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

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

Information on acquisitions and divestments conducted in 2019 and earlier is available at Sanoma.com.

Events during the year

On 8 December 2020, Sanoma updated its long-term financial targets. The profitability target of Sanoma Learning was increased to an operational EBIT margin excl. PPA of 'above 23%' (previous: 20-22%) and the Group's leverage target (net debt / adjusted EBITDA) will be increased to 'below 3.0' (previous: below 2.5). Sanoma's long-term financial targets are presented in the following tables:

Sanoma Group	Target
Net debt / Adj. EBITDA	below 3.0
Equity ratio	35-45%
Dividend policy[1]	increasing dividend corresponding to 40-60% of annual free cash flow

Sanoma Learning	Target
Comparable net sales growth	2-5%
Operational EBIT margin excl. PPA	above 23%

Sanoma Media Finland	Target
Comparable net sales growth	+/- 2%
Operational EBIT margin excl. PPA	12-14%

1 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.

On 3 December 2020, Sanoma signed a EUR 200 million syndicated credit facility with a group of ten relationship banks Maturity of the loan is three years, with a one year extension option. The term loan will be repaid in annual instalments of EUR 25 million starting from Q4 2022, with a final repayment at maturity. The term loan was used to partially finance the acquisition of Santillana Spain, which was closed on 31 December 2020. With the term loan, Sanoma converted part of the acquisition-related EUR 480 million bridge loan facility into long-term financing.

Learning

Sanoma Learning is the leading European learning company, serving over 20 million students in 11 countries. Our learning products and services enable teachers to develop the talents of every child to reach their potential. We offer printed and digital learning materials as well as digital learning and teaching platforms for K12, i.e. primary, secondary and vocational education, and we aim to grow our business throughout Europe. We develop our methodologies based on deep teacher and student insight and truly understanding their individual needs. By combining our educational technologies and pedagogical expertise, we create learning products and services with the highest learning impact.

KEY INDICATORS

EUR million	FY 2020	FY 2019	Change
Net sales	499.7	336.0	49%
Operational EBITDA [1]	167.1	127.3	31%
Operational EBIT excl. PPA [2]	95.9	75.6	27%
Margin [2]	19.2%	22.5%	
EBIT	66.4	57.4	16%
Capital expenditure	32.6	21.4	53%
Average number of employees (FTE)	1,987	1,472	35%

1 Excluding IACs.

2 Excluding IACs of EUR -13.2 million in FY 2020 (2019: -12.0) and PPA amortisations of EUR 16.2 million in FY 2020 (2019: 6.1).

Full reconciliation of operational EBITDA and operational EBIT excl. PPA is presented in a separate table on p. 32.

NET SALES BY COUNTRY

EUR million	FY 2020	FY 2019	Change
The Netherlands	199.8	106.9	87%
Poland	112.5	95.6	18%
Finland	52.9	52.5	1%
Belgium	76.1	57.1	33%
Other countries and eliminations [1]	58.4	23.9	145%
Net sales total	**499.7**	336.0	49%

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

The learning business has, by its nature, an annual cycle with strong seasonality. Most net sales and earnings are accrued during the second and third quarters, while the first and fourth quarters are typically smaller in net sales and loss-making. The recent acquisition of Santillana Spain will further increase the importance of the third quarter, when the new school year starts, for the business. Shifts of single orders between quarters may have a material impact when comparing quarterly net sales and earnings on a year-on-year basis, and, therefore year-to-date figures typically provide a more comprehensive picture of Learning's business performance and development than quarterly figures.

Net sales of Learning grew significantly and amounted to EUR 500 million (2019: 336). A majority, EUR 143 million, of the net sales growth was attributable to acquisitions, in particular Iddink. On a comparable basis, net sales growth was strong in Poland, driven by the ongoing curriculum renewal both in upper primary and upper secondary education. Net sales also grew in the Netherlands as a result of curriculum renewals. Learning's comparable net sales growth was 5% (2019: 0%). The coronavirus pandemic had a limited impact on net sales, though some adverse impact on on-site training sales was visible during the second and fourth quarters.

Operational EBIT excl. PPA improved to EUR 96 million (2019: 76) as a result of acquisitions and net sales growth in Poland and the Netherlands. Faster than expected shift from renting to selling books in Iddink had a negative impact on the operational EBIT margin. In addition, the margin was adversely impacted by the acquisitions of Iddink and itslearning, which have a lower margin than the Learning SBU on average.

EBIT was EUR 66 million (2019: 57). IACs totalled EUR -13 million (2019: -12) and mainly consisted of costs related to recent acquisitions. PPA amortisations increased to EUR 16 million (2019: 6) as a result of acquisitions completed in 2019.

Capital expenditure increased to EUR 33 million (2019: 21) as a result of acquisitions and consisted of growth investments in digital platforms and ICT.

Media Finland

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, Aamulehti, Me Naiset, Aku Ankka, Nelonen, Ruutu, Supla and Radio Suomipop. For advertisers, we are a trusted partner with insight, impact and reach.

KEY INDICATORS

EUR million	FY 2020	FY 2019	Change
Net sales	562.6	576.8	-2%
Operational EBITDA [1]	146.6	151.7	-3%
Operational EBIT excl. PPA [2]	66.6	69.4	-4%
Margin [2]	11.8%	12.0%	
EBIT	209.6	54.9	281%
Capital expenditure	5.1	3.8	32%
Average number of employees (FTE)	2,052	1,804	14%

1 Excluding IACs.

2 Excluding IACs of EUR 149.1 million in FY 2020 (2019: -10.0) and PPA amortisations of EUR 6.1 million in FY 2020 (2019: 4.4).

Full reconciliation of operational EBITDA and operational EBIT excl. PPA is presented in a separate table on p. 32.

NET SALES BY CATEGORY

EUR million	FY 2020	FY 2019	Change
Print	291.4	271.5	7%
Non-print	271.1	305.3	-11%
Net sales total	**562.6**	576.8	-2%

EUR million	FY 2020	FY 2019	Change
Advertising sales	231.6	247.3	-6%
Subscription sales	230.0	195.8	17%
Single copy sales	42.8	45.1	-5%
Other	58.1	88.6	-34%
Net sales total	**562.6**	576.8	-2%

Other sales mainly include festivals and events, marketing services, event marketing, custom publishing, books and printing. In 2020, net sales of the events business amounted to EUR 0.6 million (2019: 35).

Net sales of Media Finland declined slightly and amounted to EUR 563 million (2019: 577). Net sales of the regional news media business acquired on 30 April 2020 amounted to EUR 54 million being impacted by the coronavirus pandemic. On a comparable basis (excl. the acquired regional news media business), subscription sales grew steadily throughout the year driven by strong development in both Helsingin Sanomat, Ruutu+ and Supla+. Comparable advertising sales declined by 9%, or approx. EUR 20 million, as the coronavirus pandemic had a negative impact especially on print advertising. Digital advertising sales were at the previous year's level, while TV advertising sales declined slightly. During the year, there was significant fluctuation in advertising demand between months and categories due to the coronavirus pandemic. Media Finland outperformed the market during the year gaining market share especially in TV, online and radio advertising. Due to restrictions set by the Finnish authorities, all Media Finland's festivals and events for the season 2020 were cancelled. The impact of the cancellation, approx. EUR 35 million, is visible in other sales. Divestment of the online classifieds business Oikotie had an adverse net sales impact of EUR 11 million. Media Finland's comparable net sales development was 10% (2019: 2%).

According to the Finnish Advertising Trends survey for December 2020 by Kantar TNS, the advertising market in Finland declined by 17% on a net basis in 2020. The decline was driven by the coronavirus pandemic. Advertising declined by 25% in newspapers, by 19% in magazines, by 9% in TV and by 4% in radio, and increased by 3% in online (including search and social media).

Operational EBIT excl. PPA was stable and amounted to EUR 67 million (2019: 69). Good profitability level was maintained mainly due to active cost mitigation actions across cost categories, including personnel, operating expenses, content and paper costs throughout the year, which almost offset the adverse earnings impact of lower advertising sales. Net earnings impact of the acquisition of the regional news media business and the divestment of the online classifieds business Oikotie was flat. Profitability of the events business was somewhat positive due to the insurance compensation received.

EBIT was EUR 210 million (2019: 55). IACs totalled EUR 149 million (2019: -10) and included a capital gain of EUR 165 million related to the divestment of Oikotie as well as the transaction and integration costs related to the acquisition of the regional news media business. PPA amortisations increased to EUR 6 million (2019: 4) due to the acquisition of the regional news media business.

Capital expenditure totalled EUR 5 million (2019: 4) and consisted of maintenance investments.

Personnel

In 2020, the average number of employees in full-time equivalents (FTE) in continuing operations was 4,255 (2019: 3,551). The average number of employees (FTE) per SBU was as follows: Learning 1,987 (2019: 1,472), Media Finland 2,052 (2019: 1,804) and Other operations 216 (2019: 275). At the end of December, the number of employees (FTE) of the Group was 4,806 (2019: 3,937) and 19 (2019: 1,000) in discontinued operations. The number of employees increased as a consequence of acquisitions.

Wages, salaries and fees paid to Sanoma's employees, including the expense recognition of share-based payments, amounted to EUR 295 million (2019: 243).

Non-financial information

As a leading European K12 learning company and the leading cross-media company in Finland, Sanoma plays an important role in society, 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 impact and minimise its environmental footprint across its business. Sanoma is committed to promoting ethical and responsible business practices in its own business operations and in its interaction with 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. 5.

In addition to non-financial information included in this report, Sanoma has published a separate Sustainability Review 2020 in accordance with the Core option of the GRI (Global Reporting Initiative) Standards. Sustainability Review 2020 and further information on sustainability is available at www.sanoma.com/en/sustainability.

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 2020 available at www.sanoma.com/en/investors.

Sanoma sustainability strategy

Sanoma conducts regular materiality assessmnts and stake-holder engagement for its sustainability impact and activities. The most recent assessment was conducted in autumn 2020. As a result, Sanoma identified six material themes that provide the framework for the Sanoma Sustainability Strategy. The Board approved the strategy in December 2020. Topics in the Sanoma Sustainability Strategy relate to the themes reported in this non-financial review: environmental, social and employee, respect for human rights, and anti-corruption and anti-bribery. Sanoma is committed to working towards a more sustainable future by implementing the UN Sustainable Development Goals into its Sustainability Strategy.

The updated Sanoma Sustainability Strategy focuses on the following material themes:

- **Inclusive learning:** We develop equal learning solutions that help all students to achieve their potential
- **Sustainable media:** We provide trusted Finnish journalism and inspiring entertainment, now and in the future
- **Trustworthy data:** We use the data you trust us with to make learning and media better
- **Vital environment:** We act to reduce our climate impact and build fact-based awareness of sustainability
- **Valued people:** We promote diversity and provide an inspiring workplace with excellent opportunities to develop
- **Responsible and ethical business practices** and supply chain integrity are fundamental for us

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. 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 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 encompasses the Ten Principles of the UN Global Compact on human rights, labour, environment and anti-corruption and 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.

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

In addition to the Code and Corporate Governance Framework, the following policies are currently in force:

- Anti-bribery & corruption policy
- Disclosure policy
- Diversity & inclusion policy
- Donations policy
- Enterprise risk management policy
- External travel policy
- Fair competition policy
- Information security policy
- Insider policy
- Internal audit policy
- Internal control policy
- IPR policy
- M&A policy
- Privacy and data protection policy
- Procurement policy
- Related party policy
- Tax policy
- Travel policy
- Treasury policy.

Compliance with the policies is ensured by using various controls, such as requiring completion of compliance related trainings from all employees. Sanoma has a Code of Conduct e-learning, which is compulsory for all employees. In 2020, completion rate of the e-learning was 95% (2019: 94%). In the newly acquired companies, the e-learning takes place within 3–6 months after the acquisition is completed.

Together, the Code of Conduct and the Sanoma Supplier Code of Conduct ("Supplier Code") set out the overall principles to promote and achieve compliance e.g. with anti-corruption, anti-bribery and money laundering laws. The Supplier Code 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. New suppliers go through Sanoma's source-to-contract solution, which incorporates the Supplier Code as a mandatory step for successful selection. The Supplier Code is an integral component of the standard contractual procurement and purchasing framework, including supplier selection, evaluation and performance appraisal.

Reporting Channels

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

The 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.

Trustworthy data

Data is an increasingly essential part of Sanoma's business putting privacy and consumer trust at the core of the Group's sustainability and daily operations. Data empowers teachers to optimise teaching and students to receive personalised learning. With the data entrusted to us, we develop high-quality and personalised media.

Trustworthy data is one of the six key themes in the Sanoma Sustainability Strategy. Sanoma has invested in data-security-related technologies and runs a Group-wide Privacy Programme that monitors development and enforcement of privacy regulations, has oversight of the implementation of the Sanoma Privacy Policy, and ensures 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 2020, the completion rate of the privacy e-learning was 95% (2019: 93%) and the completion rate of the information security training was 95% (2019: 93%). In the newly acquired companies, the e-learning takes place within 3–6 months after the acquisition is completed.

In 2021, sustainability targets will make up 20% of Sanoma's annual short-term management incentives on target level. 50% of these sustainability targets are related to achieving certain data and privacy targets.

Vital environment

Sanoma's most significant environmental impacts derive from emissions in its supply chain, mainly resulting from the transportation and distribution of its learning and media products as well as the energy use for the paper and print supplies production. In addition, Sanoma's own operations create environmental impacts through the emissions resulting from energy and materials use e.g. in printing houses and offices. Sanoma's direct and indirect GHG emissions totalled 99,200 tCO_2e in 2020 (2019: 82,800 tCO_2e). About 90% of Sanoma's emissions result from the indirect supply chain emissions (Scope 3) while only 10% of the emissions come from Sanoma's own operations (Scope 1 and 2). Sanoma's emissions increased during 2020 mainly due to the growth of the business with new office facilities and a new printing facility related to the acquisition of the regional news media business while the emission intensity per employee compared to year 2019 remained stable. In addition we were able to develop Sanoma's emission calculations for the transportation and distribution significantly in 2020.

Together, the Sanoma Code of Conduct and the Supplier Code set out Sanoma's environmental principles. Sanoma aims to prevent and minimise environmental and climate impacts with concrete targets set out in Sanoma Sustainability Strategy.

Sanoma's goal is to become carbon neutral throughout the value chain by 2030. In its own operations this will require modest investments in energy efficiency of printing plants and office facilities across Europe. Despite the acquisitions completed in 2019 and 2020, Sanoma's energy intensity per employee remained stable reflecting actions taken to develop energy efficiency and to move to renewable energy sources in certain office facilities. Due to the growth of the business through the acquisition of the regional news media business in Finland, including a modern, state-of-the-art printing plant in Tampere as well as new office facilities, Sanoma's energy use increased during 2020.

Sanoma cooperates with its suppliers and partners to reach its climate goals. To ensure the fact-base of its climate actions, Sanoma calculates its emissions annually throughout the supply chain according to the Greenhouse Gas Protocol (GHG). In addition, this supports identification of the effects of climate change for Sanoma's business, transparent reporting and comparable monitoring of emissions on annual basis.

ENERGY USE

	2019	2020
Energy consumption within the organisation, MWh	34,680	46,800
Energy intensity, MWh/employee	9.7	11.0

GHG EMISSIONS

	2019	2020
Scope 1. Direct GHG emissions tCO_2e, total	51	70
Scope 2. Energy indirect GHG emissions tCO_2e, market based, total	8,449	10,116
Scope 3. Other indirect GHG emissions tCO_2e, total	74,300	89,100
Own direct and indirect (Scope 1 + 2) GHG emissions intensity, tCO_2e /employee	2.4	2.4
GHG emissions intensity, tCO_2e /employee	23	23

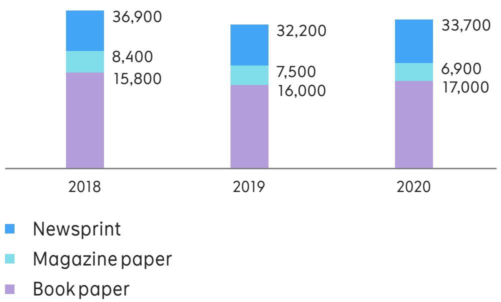
Emissions calculated according to GHG protocol. More detailed calculations are available in Sustainability Review 2020.

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. Our target is that all wood fibre in paper qualities used by Sanoma originates from certified sources. In 2020, the share was 85%.

Sanoma's paper use increased by 2,000 tonnes, or by 3.7% due to the acquisition of the regional news media business in Finland at the end of April 2020. Overall, driven by the prevailing media trend of consumers moving from printed to hybrid or digital media products, comparable paper usage continued to decline. In the learning business, use of book paper grew in-line with 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. Figures refer to continuing operations.

Valued people

Valuing our people is one of the six main themes of the Sanoma Sustainability Strategy and Sanoma is committed to promoting equality and providing an inspiring workplace with excellent opportunities to develop. Sanoma's Code of Conduct sets out the general principles of ethical conduct and Sanoma's responsibilities as an employer. 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.

In 2020, Sanoma's visible and transparent leadership model became a crucial part of the crisis management during the coronavirus pandemic. During the pandemic, Sanoma's first priority has been ensuring the health and safety of its employees and providing solid support to its customers and business partners. To foster creativity, Sanoma's corporate culture supports employees' autonomy and freedom in achieving results, which, together with recent investments on user-friendly, cloud-based IT tools and systems, also supported Sanoma's fast transition to remote working when the pandemic started in spring 2020.

As a learning and media company, professional development of employees is crucially important to Sanoma, and on-going learning opportunities are offered continuously both online and in a normal year also as live training courses. The main focus is continuous development of employees' skills and motivation and ensuring skills and capabilities in the future, fast-moving and digitalising operating environment are in place.

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

Sanoma also supports professional development, motivation, creativity and engagement by regular performance review discussions. In 2020, approx. 90% (2019: 90%) of employees had a regular performance review with their manager. During the year, with the high level of remote working, Sanoma followed employee wellbeing through frequent and systematic Pulse survey's for employees to ensure, that the management has real-time information on employee motivation, work-life balance and other wellbeing issues.

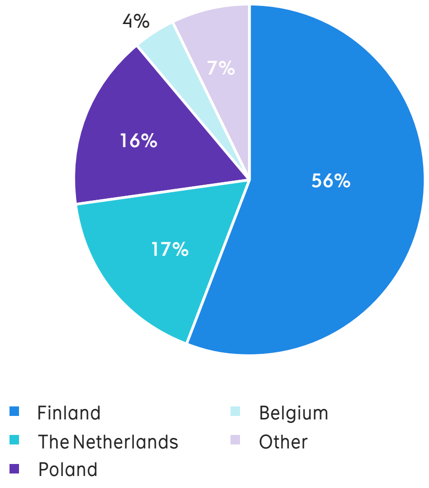
Sanoma measures employee engagement, leadership, the feeling of inclusiveness, internal communication and decision making annually in the beginning of each calendar year. In January 2021, the Employee Engagement Survey was completed by 88% (2019: 88%) of employees. The scores are measured in People Power Rating, an inclusive overall metric between 0 and 100. In 2021, the results improved from the previous year being overall at a very good level.

In 2021, sustainability targets will make up 20% of Sanoma's annual short-term management incentives on target level. 50% of these sustainability targets are related to the results of the Employee Engagement Survey.

According to the Employee Engagement Survey, employees e.g.

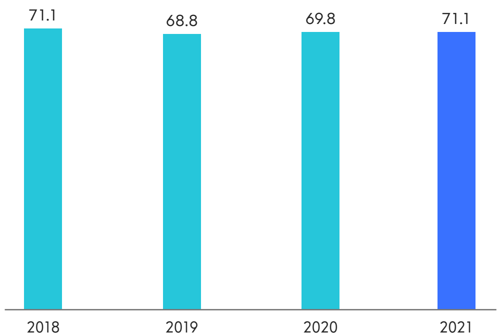
- show commitment to their employer,
- enjoy their work and find it meaningful,
- appreciate how the employer has managed the coronavirus pandemic, and
- support and appreciate the company's leadership culture.

EMPLOYEES BY COUNTRY



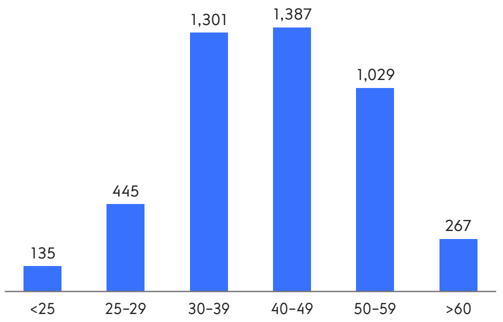
RESULTS OF EMPLOYEE ENGAGEMENT SURVEY

People power rating, 0–100



Response rate 2021: 88%, 2020: 88%, 2019: 92%, 2018: 92%

EMPLOYEES BY AGE



MANAGEMENT AND PERSONNEL BY GENDER

	Women	Men
Board of Directors	20%	80%
Executive Management Team	50%	50%
All employees	55%	45%

Anti-bribery, corruption and supply chain

Sanoma's anti-bribery and corruption policy gives specific rules and monetary limits for received and given gifts (EUR 75), and entertainment and hospitality (EUR 100), 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 always subject to approval.

Sanoma has an anti-bribery and corruption e-learning in use. In 2020, completion rate of the e-learning among targeted employees was 94% (2019: 93%). In the newly acquired companies, the e-learning takes place within 3–6 months after the acquisition is completed.

Sanoma expects the same commitment to ethical and responsible business conduct also from its suppliers.

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 questionnaire is available for Sanoma employees on the intranet to screen thoroughly not just suppliers, but any third party Sanoma intends to do business with. The questionnaire 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.

Share capital and shareholders

At the end of December 2020, Sanoma's registered share capital was EUR 71 million (2019: 71), and the total number of shares was 163,565,663 (2019: 163,565,663), including 528,977 (2019: 549,140) own shares. Own shares represented 0.3% (2019: 0.3%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 163,036,686 (2019: 163,016,523).

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

Sanoma had 22,748 (2019: 20,730) registered shareholders at the end of December 2020. List of the largest shareholders, shareholder distribution by number of shares and distribution of holding by sector are available on p. 28.

Acquisition of own shares

Sanoma repurchased own shares from 26 March until 2 April 2020. During that time, Sanoma acquired a total of 304,000 own shares for an average price of EUR 7.95 per share. The shares were acquired in public trading on Nasdaq Helsinki Ltd. at the market price prevailing at the time of purchase. The repurchased shares were acquired on the basis of the authorisation given by the Annual General Meeting on 25 March 2020 to be used as part of the Company's incentive programme.

Share trading and performance

At the end of December 2020, Sanoma's market capitalisation was EUR 2,240 million (2019: 1,541) with Sanoma's share closing at EUR 13.74 (2019: 9.45). In 2020, the volume-weighted average price of Sanoma's share on Nasdaq Helsinki Ltd. was EUR 10.15 (2019: 9.03), with a low of EUR 6.84 (2019: 7.96) and a high of EUR 14.00 (2019: 10.44).

In 2020, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 298 million (2019: 172). The trading volume of 29 million shares (2019: 19) equalled an average daily turnover of 116k shares (2019: 76k). The traded shares accounted for some 18% (2019: 12%) of the average number of shares. Sanoma's share turnover, including alternative trading venues BATS and Chi-X, was 34 million shares (2019: 24). Nasdaq Helsinki represented 87% (2019: 81%) of the share turnover. (Source: Euroland)

Corporate Governance

Sanoma has published a separate Corporate Governance Statement and Remuneration Report. They are available at www.sanoma.com/en/investors.

Decisions of the Annual General Meeting 2020

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

The AGM resolved that a dividend of EUR 0.50 per share shall be paid and a sum of EUR 350,000 be reserved for charitable donations to be used at the Board of Directors' discretion. The dividend shall be paid in two instalments. The first instalment of EUR 0.25 per share 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 27 March 2020. The payment date for this instalment was 3 April 2020.

The second instalment of EUR 0.25 per share shall be paid to a shareholder who, on the dividend record date, is registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd. In its meeting on 28 October 2020 the Board of Directors decided the dividend record date for the second instalment to be 30 October 2020 and the dividend payment date 6 November 2020.

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

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

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

Board authorisations

The AGM authorised the Board of Directors to decide on the repurchase of a maximum of 16,000,000 of the Company's own shares (approx. 9.8% of all shares of the Company) in one or several instalments. Own shares shall be repurchased with funds from the Company's unrestricted shareholders' equity, and the repurchases shall reduce funds available for distribution of profits. The authorisation will be valid until 30 June 2021, and it terminated the corresponding authorisation granted by the AGM 2019.

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

Executive Management Team

Sanoma's Executive Management Team 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.

Related party transactions

Sanoma has a Related Party Policy, under which members of the Board of Directors, the Executive Management Team and the SBU management teams are under obligation to submit certain related party transactions, as defined in the policy, for a prior approval. In addition, the Board Charter includes instructions for Board members' conduct in related party transactions and other conflict of interest situations.

Sanoma reports related party transactions in accordance with IFRS. More information on transactions with related parties is available in Financial Statements 2020, Note 29.

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. In addition to the risks presented in this review, the currently unknown or immaterial risks may arise or become material in the future.

Sanoma's Risk Management Policy defines the Group-wide risk management principles, objectives, roles, responsibilities and procedures also covering sustainability and the climate-related risks. The President and CEO supported by the Executive Management Team is responsible for defining the risk management strategies, procedures and setting the risk management priorities. Strategic Business Units are responsible for identifying, measuring, reporting, and managing risks. Reporting of the updated risk assessment results with related ongoing or planned mitigation actions is done to the Audit Committee and further to the Board of Directors twice a year.

Risk management and internal control policies, processes, roles and responsibilities are presented in more detail in the Corporate Governance Statement 2020. 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. The key risks in M&A may relate to the availability and valuation of potential targets as well as the suitability of timing for the parties and the transaction process itself, including the regulation of M&A activity by the competition authorities, for example. Sanoma may not be able to identify suitable M&A opportunities or suitable targets may not be available at the right valuation. Even if suitable M&A opportunities were identified and feasible, M&A risks may relate to unidentified liabilities of the target companies or their assets, changes in market conditions, the inability to ensure the right valuation and effective integration of acquisitions or that the anticipated economies of scale or synergies do not materialise.

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

Changes in customer preferences and the threat of new entrants

In learning, digital and blended (= print-and-digital) learning materials, methods and platforms have gradually been gaining ground, and the outbreak of the coronavirus pandemic has further amplified the growing need for remote learning tools and digital learning materials. Also in the learning material distribution services, this shift is being paralleled by a move from renting and selling books towards subscription-based commercial models. Both trends and/or their acceleration may have an impact on the operational performance, financial performance and/or financial position of Sanoma Learning.

With the continued development of alternative forms of media, particularly digital media, the Group's media businesses and the strength of its media brands depend on its continued ability to identify and respond to constantly shifting consumer preferences and industry trends as well as its ability to develop new and appealing products and services in a timely manner. Changes in customer preferences are visible not only in consumer behaviour, but also both directly and indirectly in advertising demand. Demand for digital advertising has been growing, while demand for print advertising has been declining in recent years, and the trend is expected to continue. The increasing use of mobile devices is changing the way people consume media, while the viewing time of free-to-air TV is decreasing.

The media and learning markets in which the Group operates are highly competitive and include many regional, national and international companies. In media, competition is affected by the level of consolidation within the Group's markets as well as by the development of alternative distribution channels for the products and services offered by the Group. Competition may arise from large international media and telecom companies entering new geographic markets or expanding the distribution of their products and services to new distribution channels, which may have a significant impact on competition as these companies enjoy high brand awareness and often have greater financial and other resources to penetrate new markets and gain market share. In addition, new entrants in the market may be able to take advantage of alternative forms of media and new technologies faster than the Group and, therefore, gain market share from Sanoma's established businesses. In Learning there is a similar risk stemming from large international media companies, digital entrants, educational technology companies, open educational resources and user generated content. New entrants and/or new technological developments entering the markets possess a risk for Sanoma's established businesses.

Sanoma partially mitigates the risk by the 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. Sanoma's leading position and its wide cross-media offering provide it 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. The share of print advertising of the Group's total net sales has decreased, being 6% (2019: 7%) in 2020.

Political and legislative risks

The Group's operations are subject to various the laws and regulations in the countries the Group operates and changes in such laws and regulations could have a material effect on Sanoma's ability to conduct its business effectively. For example, changes in educational regulation could have a material effect on Sanoma's commercial propositions, content investments needs or financial performance. Although legislation related to learning is typically country-specific, which limits the magnitude of said risk at group level, Sanoma faces an increased legislative risk in Poland, one of its largest markets, where broad or abrupt education-related legislative changes could have a material effect on Sanoma Learning business. While this risk is most notable in the Polish market, the introduction or delay, pace, scope and timing of changes in education-related legislation in Sanoma Learning's other operating countries may also influence the performance of Sanoma Learning as a whole.

Data is an increasingly essential part of Sanoma's business putting privacy and consumer trust at the core of the Group's daily operations. Regulatory changes regarding the use of consumer data for commercial purposes could, therefore, have an adverse effect on Sanoma's ability to utilise data in its business. The proposed ePrivacy Regulation related to telesales and content personalisation may have an impact on B2C media sales and B2B advertising business. Changes in the digital advertising ecosystem, such as the deprecation of third party cookies, may result in changes in business models used in digital advertising sales.

Changes in taxation as well as in the interpretation of tax laws and practices applicable to Sanoma's products and services or their distribution, e.g. the VAT, may have an effect on the operations of the Group or on its financial performance. For example, imposing additional value added taxes on newspapers and magazines could have a material adverse effect on the Group's circulation sales due to a decrease of demand. Furthermore, the deterioration of publishers' and broadcasters' copyright protection or increase in legal obligations (such as reporting or monetary obligations) towards original authors of copyright protected works affects the Group's ability to provide its customers with new products and services and may increase costs related to acquiring and managing copyrights.

In addition, changes in the Digital Single Market Initiative, approved by the EU Commission in the end of March 2019, could have a material effect on Sanoma's cost efficient access to high quality TV content for the Finnish market.

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. To mitigate the risk related to the proposed ePrivacy regulation, Sanoma is increasingly moving to alternative market and sales channels (e.g. online). The risk related to changing digital advertising ecosystems is mitigated through Sanoma's direct customer contacts and domestic capabilities in direct display sales, digital sales channels, digital direct sales product portfolio and roadmap as well as a relatively high and growing user identification base.

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, the risks associated with the performance of the learning business relate to the 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 the advertising demand and consumer spending. Economic downturns characterised by declines in overall economic activity and consumer spending typically result in a decreased demand for advertising.

Economic conditions may be affected by various additional events that are beyond Sanoma's control, such as natural disasters and pandemics. For example, the ongoing coronavirus pandemic has, in general, caused a reduction in business activity and financial transactions, lockdowns, quarantines, labour shortages, supply chain interruptions and overall economic and financial market instability. In 2020, the coronavirus pandemic affected certain parts of Sanoma's businesses, particularly advertising and events sales more than others. In the future, such pandemics may have an effect on different parts of the Group's business.

Sanoma's diverse business portfolio and active actions to manage the risks and costs related to prevailing and expected economic conditions partially mitigate the risk. In 2020, approx. 47% (2019: 37%) of Sanoma's net sales was derived from learning, approx. 26% (2019: 26%) from single copy or subscription sales, approx. 6% (2019: 7%) from print advertising, approx. 16% (2019: 20%) from non-print advertising and approx. 5% (2019: 10%) from other sales.

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 some other failure to comply with privacy laws.

To mitigate the risk and ensure compliance, Sanoma runs a Privacy Programme that monitors the development and enforcement of privacy regulations and has oversight of the implementation of Sanoma's 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 the implementation of data subject rights. Privacy requirements and threat assessments are incorporated into product development, and privacy impact assessments are conducted to ensure the compliance of new uses of data in 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. Sanoma participates in industry-level cooperation in creating and implementing standardised approaches to manage data both in learning and media businesses.

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 or systems as well as to the 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, ransomware, 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.

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, technology solution and service providers, paper, print and logistics suppliers as well as content providers for learning materials and media content. Sanoma also utilises freelancers to support its own editorial staff in content creation. The status of freelancers may vary by authority and 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 with dominant market power, which may lead to an imbalance between their rights and liabilities in agreements entered into with Sanoma. 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.

Although Sanoma is not dependent on any individual suppliers, Sanoma's daily business is dependent on its ability to work with third party suppliers that meet Sanoma standards and identified business and technology requirements. 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 the 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)

Sanoma's products and services largely consist of intellectual property delivered through a variety of media. Key intellectual property rights related to Sanoma's products and services are copyrights including publishing rights, trademarks, business names, domains and know-how owned and licensed by the Group. The Group relies on copyright, trademark and other intellectual property laws as well as its Group-wide IPR policy and procedures to establish and protect its proprietary rights in these products. Because of a dispersed IPR portfolio, no material risks are expected to arise from individual IPR cases.

Hazard risks and business disruption

Operational disruption to the Group's business may be caused by a major disaster and/or external threats that could restrict its ability to supply products and services to its customers. The Group is exposed to various health and safety and environmental risks, such as natural disasters, which are beyond Sanoma's control and that could cause business interruption and result in significant costs. External threats, including, but not limited to pandemics, terrorist attacks, strikes and weather conditions, could affect the Group's businesses and employees, disrupting daily business activities. Any failure to maintain high levels of safety management could result in physical injury, sickness or liability to Sanoma's employees, which could, in turn, result in the impairment of Sanoma's reputation or inability to attract and retain skilled employees.

Sanoma mitigates hazard risks through its operational policies, efficient and accurate process management and contingency planning. In addition, Sanoma's insurance programme provides coverage for insurable hazard risks, but may not adequately cover all or any costs related to the realisation of such risks. Due to the nature of Sanoma's business, hazard risks are not likely to have a material effect on Sanoma's operational or financial performance.

Non-financial risks

Talent attraction and retention

The Group's success depends on having competent, skilled and engaged management and employees, and on their competencies and skills in developing appealing products and services in accordance with customer needs in a changing environment. Recruiting and retaining skilled and motivated personnel may become increasingly difficult as a result of various factors, including a shortage of skills in the labour market and intensifying competition for personnel. Should the Group fail to attract, retain, develop, train and motivate qualified, engaged and diverse employees at all levels, it could have an adverse effect on the Group's profitability and value creation, competitiveness and development of its business operations in the long-term. Related to M&A, inability to retain key personnel of the acquired operations may possess a risk to the performance of the acquired businesses after closing.

To mitigate the risk, Sanoma aims to enhance a corporate culture that supports training, innovation, creativity, diversity, as well as an ethical and efficient way of working, for which the framework is set in Sanoma's Code of Conduct and Diversity Policy. 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. For acquired businesses, Sanoma typically engages the key personnel of the acquired operations with comprehensive, long-term incentive plans and by enhancing the corporate culture as part of the integration plan. Sanoma follows employee engagement closely by an annual survey, and takes actions based on the results.

Environmental and climate risks

Sanoma's most significant environmental impacts derive from emissions and energy use in its value chain, use of paper as well as print supplies, Sanoma's own energy use, e.g. in printing houses and offices as well as the emissions from the transportation and distribution of its learning and media products. Even though Sanoma's business as a media and learning company is not highly carbon-intensive, all companies face increasing stakeholder interest in their environmental practices. Sanoma uses purchased electricity in its printing and office facilities, as well as for digital services and technological solutions, and it may not be able to directly impact the mix of energy sources used. In addition, Sanoma may not be able to control the use of energy of its third-party suppliers. The declining demand trend for printed media decreases Sanoma's newsprint and magazine production emissions and paper use over time, while the use of book paper in the learning business is expected to remain relatively stable on a comparable basis.

Sanoma prevents and minimises negative environmental impacts by focusing on efficient operations and material use as well as responsible procurement. To mitigate its environmental and climate risks, Sanoma has in its Sustainability Strategy set concrete targets and action plans to minimise its environmental impacts related to energy and paper use and emissions. Sanoma's processes support compliance with relevant environmental legislative, regulatory and operating standards. Due to the nature of Sanoma's business, no material environmental or climate risks are expected to arise.

Risks related to human rights, anti-corruption and bribery

Sanoma operates in eleven European countries and is committed to conducting business in a legal and ethical manner in compliance with local and international laws and regulations applicable to its business as well as its Code of Conduct. Nevertheless, there is a risk that Sanoma's employees or business partners may act in a way that violates human rights or anti-corruption and bribery laws and regulations or they may act unethically. In the learning business, Sanoma's business partners mainly include municipalities, other governmental units and schools, while the media business is based on creating and selling content to individual people as well as selling advertising space to companies. Breaches of the applicable laws and regulations or corporate policies by Sanoma's employees or business partners may lead to legal processes, sanctions and fines as well as reputational damages affecting Sanoma's operations, which could have a material adverse effect on Sanoma's business, financial condition or results of operations.

All of Sanoma's employees must comply with Sanoma's Code of Conduct, which supports the international standards on human rights and labour conditions, and it clearly prohibits all corruption and bribery. The requirements of the Code are extended to Sanoma's suppliers through the Supplier Code of Conduct. Sanoma aims to ensure compliance with a mandatory e-learning course on the Code of Conduct to all employees.

Sanoma uses an external online whistle-blowing tool hosted by an independent third party, through which any suspicions about violations against the Code can be reported anonymously.

Financial risks

Sanoma is exposed to financial risks, including interest rate, currency, liquidity and credit risk. Other financial risks are related to equity and the 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 aimed 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 1,438 million (2019: 949) of goodwill, immaterial rights and other intangible assets at the end of December 2020. After the acquisitions of Iddink and Santillana Spain, most of this is related to the learning business. In accordance with IFRS, instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. Changes in business fundamentals could lead to further impairment, thereby impacting Sanoma's equity-related ratios. Based on the impairment testing at the end of 2020, there was no need to book any impairments.

More information on impairment testing is available in Note 12.

Key impacts of the coronavirus pandemic

The coronavirus pandemic had a significant impact on certain parts of Sanoma's business in 2020. For its own part, the Group's well-balanced business portfolio mitigated the impacts to a certain extent; after the acquisitions completed in Learning in 2019, and the divestments of Media Netherlands and the online classifieds business Oikotie in Finland, the majority of the Group's operational earnings came from Learning in 2020.

In Learning, the coronavirus pandemic had some adverse impact on net sales due to lower on-site training sales and on earnings due to higher warehousing handling and hosting costs. The earnings impact was mostly offset by lower travel and office costs. In 2021, the prolonged closure of schools in Sanoma's main operating countries may lead to continuing net sales impact related to training sales and opportunities for market share gains in connection to curriculum renewals.

In Media Finland, subscription and other B2C sales represent approx. half of the total net sales, which, apart from the events business, were not significantly affected by the pandemic. In 2020, the subscription sales of Media Finland grew slightly on a comparable basis, and by 17% including the acquired regional news media business with total subscription sales amounting to EUR 230 million (2019: 196).

On 22 April, the Finnish authorities decided to prohibit all large events until the end of July 2020. As a consequence, all Media Finland's festivals and events for the summer season 2020 were cancelled. In 2020, net sales of the events business amounted to EUR 0.6 million and its profitability was somewhat positive due to the insurance compensation received. In 2019, net sales of the events business were approx. EUR 35 million and its operational EBIT margin was above the margin of the Media Finland SBU (12.0%). Sanoma is preparing the 2021 event season with caution on committing to any fixed costs, but with an expectation that no prohibitive restrictions for organising events will be in place.

The coronavirus pandemic had a material impact on the full year net sales and profitability of Media Finland's B2B advertising business. The monthly advertising market decline varied between 1% and 43% during the year with great variations also between customer categories and media channels. In 2020, Media Finland's advertising sales declined by 9% on a comparable basis (excl. the impact of acquisitions and divestments), and by 6% on a reported basis, with total advertising sales amounting to EUR 232 million (2019: 247). As the coronavirus pandemic continues, Sanoma expects continued uncertainty and low visibility in the advertising demand in 2021.

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 ongoing coronavirus pandemic may possess a near-term risk for the Group's business and financial performance in 2021. Key impacts and risk mitigation actions related to the pandemic in 2020 are presented under the title "Key impacts of the coronavirus pandemic". Other significant risks that could have a negative impact on Sanoma's business, performance, or financial status, and how the coronavirus pandemic has impacted their likelihood and/or magnitude, are described below. However, in addition to risks mentioned below, other currently unknown or immaterial risks may arise or become material in the future.

Sanoma's strategic aim is to grow through acquisitions. The key risks in M&A may relate to the availability and valuation of the potential targets as well as the suitability of timing for the parties and the transaction process itself, including the regulation of M&A activity by the competition authorities, for example. Sanoma may not be able to identify suitable M&A opportunities or suitable targets may not be available at the right valuation. Even if suitable M&A opportunities were identified and feasible, M&A risks may relate to the unidentified liabilities of the target companies or their assets, changes in market conditions, the inability to ensure the right valuation and effective integration of acquisitions or that the anticipated economies of scale or synergies do not materialise.

In learning, digital and blended (= print-and-digital) learning materials, methods and platforms have gradually been gaining ground, and the outbreak of the coronavirus pandemic has further amplified the growing need for remote learning tools and digital learning materials. Also in the learning material distribution services, this shift is being paralleled by a move from renting and selling books towards subscription-based commercial models. Both trends and/or their acceleration may have an impact on the operational performance, financial performance and/or financial position of Sanoma Learning.

With the continued development of alternative forms of media, particularly digital media, the Group's media businesses and the strength of its media brands depend on its continued ability to identify and respond to constantly shifting consumer preferences and industry trends as well as its ability to develop new and appealing products and services in a timely manner. Changes in customer preferences are visible not only in consumer behaviour, but also both directly and indirectly in advertising demand. Demand for digital advertising has been growing, while demand for print advertising has been declining in recent years, and the trend is expected to continue. The increasing use of mobile devices is changing the way people consume media, while the viewing time of free-to-air TV is decreasing.

The media and learning markets in which the Group operates are highly competitive and include many regional, national and international companies. In media, competition is affected by the level of consolidation within the Group's markets as well as by the development of alternative distribution channels for the products and services offered by the Group. Competition may arise from large international media and telecom companies entering new geographic markets or expanding the distribution of their products and services to new distribution channels, which may have a significant impact on competition. In Learning there is a similar risk stemming from large international media companies, digital entrants, educational technology companies, open educational resources and user generated content. New entrants and/or new technological developments entering the markets possess a risk for Sanoma's established businesses.

The Group's operations are subject to various laws and regulations in the countries the Group operates and changes in such laws and regulations could have a material effect on Sanoma's ability to conduct its business effectively. For example, changes in educational regulation could have a material effect on Sanoma's commercial propositions, content investments needs or financial performance. Although legislation related to learning is typically country-specific, which limits the magnitude of said risk at group level, Sanoma faces an increased legislative risk in Poland, one of its largest markets, where broad or abrupt education-related legislative changes could have a material effect on Sanoma Learning business.

Furthermore, the deterioration of publishers' and broadcasters' copyright protection or increase in legal obligations towards original authors of copyright protected works affects the Group's ability to provide its customers with new products and services and may increase costs related to acquiring and managing copyrights. In addition, changes in the Digital Single Market Initiative could have a material effect on Sanoma's cost efficient access to high quality TV content for the Finnish market. Changes in taxation as well as in the interpretation of tax laws and practices applicable to Sanoma's products and services or their distribution, e.g. the VAT, may have an effect on the operations of the Group or on its financial performance.

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, the risks associated with the performance of the learning business relate to the 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 the advertising demand and consumer spending. Economic downturns characterised by declines in overall economic activity and consumer spending typically result in a decreased demand for advertising.

Data is an increasingly essential part of Sanoma's business putting privacy and consumer trust at the core of the Group's daily operations. Regulatory changes regarding the use of consumer data for commercial purposes could, therefore, have an adverse effect on Sanoma's ability to utilise data in its business. The proposed ePrivacy Regulation related to telesales and content personalisation may have an impact on B2C media sales and B2B advertising business. Changes in the digital advertising ecosystem, such as the deprecation of third party cookies, may result in changes in business models used in digital advertising sales.

Sanoma's financial risks include interest rate, currency, liquidity and credit risks. Other risks include risks related to equity and impairment of assets. As part of the full-year reporting, Sanoma has reviewed the potential impact of the coronavirus pandemic on the expected credit losses and adjusted provisions related to Media Finland accordingly.

Sanoma's consolidated balance sheet included EUR 1,438 million (2019: 949) of goodwill, immaterial rights and other intangible assets at the end of December 2020. After the acquisitions of Iddink and Santillana Spain, most of this is related to the learning business. In accordance with IFRS, instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity-related ratios. Based on the impairment testing at the end of 2020, there was no need to book any impairments.

Outlook for 2021

In 2021, Sanoma expects that the Group's reported net sales will be EUR 1.2–1.3 billion (2020: 1.1). The Group's operational EBIT margin excluding PPA is expected to be 14%–16% (2020: 14.7%).

The mid-points of the outlook ranges are based on the assumption that the advertising market will be relatively stable compared to the previous year and that there are no major restrictions related to the events business in Finland. In addition, it is assumed that the learning business will not be significantly impacted by prolonged school closures in its main operating countries.

Dividend proposal

On 31 December 2020, Sanoma Corporation's distributable funds were EUR 313 million, of which profit for the year made up EUR 40 million. Including the fund for non-restricted equity of EUR 210 million, the distributable funds amounted to EUR 523 million. The Board of Directors proposes to the Annual General Meeting that:

- A dividend of EUR 0.52 per share shall be paid for the year 2020. The dividend shall be paid in two instalments. The first instalment of EUR 0.26 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 15 April 2021. The payment date for this instalment is 22 April 2021. Record date for the second instalment of EUR 0.26 per share will be decided by the Board of Directors in October, and the estimated payment date will be in November 2021.
- A sum of EUR 700,000 shall be transferred to the donation reserve and used at the Board's discretion.
- The amount left in equity shall be EUR 438 million.

According to its dividend policy, 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 2021

Sanoma's Annual General Meeting 2021 will be held on Tuesday, 13 April 2021 pursuant to temporary legislation (667/2020) that entered into force on 3 October 2020. The shareholders of the Company and their proxy representatives can only participate in the meeting and exercise the shareholder's rights by voting in advance as well as by submitting counterproposals and asking questions in advance in accordance with the instructions set out in the Notice to the Annual General Meeting of the Company published on 10 February 2021. More information is available on the Company's website www.sanoma.com/en/investors.

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, nor 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 2020, 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 19.1% (2019: 18.9%) of all shares and votes. More information on management shareholding and remuneration is available in Note 30.

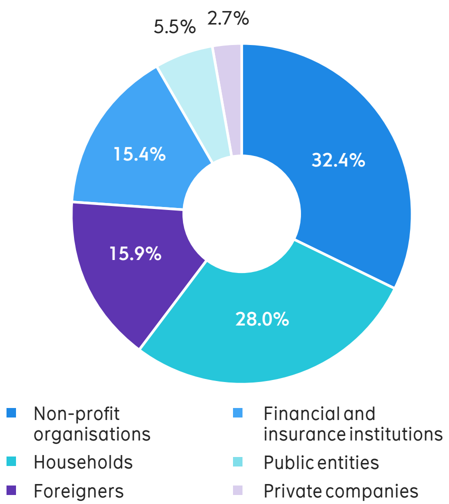
MAJOR SHAREHOLDERS 31 DECEMBER 2020

	Shareholders	Shares	% of shares
1	Jane and Aatos Erkko Foundation	39,820,286	24.35
2	Herlin Antti	19,716,800	12.05
	Holding Manutas Oy	19,685,000	12.03
	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	4,701,570	2.87
6	Ilmarinen Mutual Pension Insurance Company	4,400,000	2.69
7	Noyer Alex	1,903,965	1.16
8	Aubouin Lorna	1,852,470	1.13
9	Foundation for Actors´ Old-Age Home	1,800,000	1.10
10	The State Pension Fund	1,760,000	1.08
11	Elo Mutual Pension Insurance Company	1,538,804	0.94
12	Evli Finnish Small Cap Fund	1,079,402	0.66
13	Stiftelsen för Åbo Akademi	1,000,000	0.61
14	OP-Finland Small Firms Fund	924,255	0.57
15	Varma Mutual Pension Insurance Company	766,771	0.47
16	Folkhälsan i svenska Finland rf Inez och Julius Polins fond	646,149	0.40
17	Langenskiöld Lars Christoffer Robin	645,996	0.39
18	Langenskiöld Bo Sebastian Eljas	645,963	0.39
19	Langenskiöld Pamela	645,963	0.39
20	Oy Etra Invest Ab	550,000	0.34
	20 largest shareholders total	**106,945,135**	**65.38**
	Nominee registered	**21,970,801**	**13.43**
	Other shares	**34,649,727**	**21.19**
	Total	**163,565,663**	**100.00**

SHAREHOLDERS BY NUMBER OF SHARES HELD 31 DECEMBER 2020

Number of shares	Number of shareholders	%	Number of shares	%
1 - 100	7,374	32.42	379,437	0.23
101 - 500	8,553	37.60	2,346,818	1.44
501 - 1,000	2,932	12.89	2,302,488	1.41
1,001 - 5,000	3,023	13.29	6,704,193	4.10
5,001 - 10,000	422	1.86	3,017,869	1.85
10,001 - 50,000	324	1.42	6,436,330	3.94
50,001 - 100,000	49	0.22	3,599,899	2.20
100,001 - 500,000	47	0.21	9,270,813	5.67
500,001 +	24	0.11	129,428,367	79.13
Total	**22,748**	**100.00**	**163,486,214**	**99.95**
In the joint account			79,449	0.05
Total			**163,565,663**	**100.00**

HOLDINGS BY SECTOR 31 DECEMBER 2020



Discontinued operations

On 10 December 2019, Sanoma announced it had signed an agreement to divest its strategic business unit Sanoma Media Netherlands. The divestment was completed on 20 April 2020. Media Netherlands is reported as discontinued operations for 2019 and 2020. Unless otherwise stated, all income statement and cash flow related FY figures presented in this report cover continuing operations only. For 2020 and earlier periods, figures related to balance sheet and cash flow cover both continuing and discontinued operations.

In addition to Media Netherlands, certain Learning operations that are under strategic review were classified as discontinued operations during the course of the year. Sanoma's continuing operations include Learning and Media Finland, which are also Sanoma's reporting segments. More information is available on p. 14 and p. 15.

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 EBITDA, and the corresponding margin, as a new APM in its financial reporting from this report onwards. The new APM is considered to extend Sanoma's financial reporting and provide better transparency on its financial performance, especially on profitability before non-cash based depreciation and amortisation, for investors. The new APM will be complementary to other performance measures.

More information is available at Sanoma.com. Definitions of key IFRS indicators and APMs are available on p. 34. Reconciliations are available on p. 32–33.

Key indicators

EUR million	2020	2019	2018	2017[4]	2016
Net sales[1]	1,061.7	912.6	891.4	1,434.7	1,554.4
Operational EBITDA[1]	309.9	276.8	244.7	392.3	445.1
Margin[1]	29.2	30.3	27.4	27.3	28.6
Operational EBIT excl. PPA[1]	156.5	137.6	122.8		
% of net sales	14.7	15.1	13.8		
Operational EBIT[1]				176.7	164.9
% of net sales				12.3	10.6
Items affecting comparability in EBIT[1]	135.9	-22.5	-9.6	-417.2	42.0
Purchase price allocation adjustments and amortisations (PPAs)	22.3	10.5	6.5		
EBIT[1]	270.1	104.5	106.7	-240.5	206.9
% of net sales	25.4	11.5	12.0	-16.8	13.3
Result before taxes[1]	261.0	82.7	94.2	-262.4	167.3
% of net sales	24.6	9.1	10.6	-18.3	10.8
Result for the period from continuing operations[1]	237.8	64.8	72.6	-301.6	122.7
% of net sales	22.4	7.1	8.1	-21.0	7.9
Result for the period	247.1	13.3	125.6	-299.3	116.0
% of net sales	23.3	1.5	14.1	-20.9	7.5
Balance sheet total	2,048.3	1,997.9	1,519.0	1,590.1	2,605.6
Capital expenditure[2]	42.5	31.7	32.0	36.5	34.9
% of net sales	3.7	2.5	2.4	2.4	2.2
Free cash flow[3]	94.8	131.3	108.9	104.7	123.2
Return on equity (ROE), %	40.7	2.2	22.1	-48.0	10.9
Return on investment (ROI), %	24.0	5.4	18.1	-17.0	9.9
Equity ratio, %	37.4	30.5	44.7	38.2	41.0
Net gearing, %	93.1	144.2	55.3	71.6	78.4
Interest-bearing liabilities	775.3	817.9	356.7	412.4	829.6
Non-interest-bearing liabilities	560.4	644.5	550.9	620.1	773.3
Net debt	660.7	794.7	337.8	391.8	786.2
Net debt / Adj. EBITDA	2.6	2.7	1.4	1.7	
Average number of employees (FTE)[1]	4,255	3,551	3,404	4,746	5,171
Number of employees at the end of the period (FTE)[1]	4,806	3,937	3,410	4,425	5,038

1 Figures for 2016-2020 contain only continuing operations.

2 Capital expenditure is presented on cash basis for 2017-2020 and on an accrual basis for 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.

Share indicators

EUR	2020	2019	2018	2017[3]	2016
Earnings/share, continuing operations [1,6]	1.46	0.39	0.44	-1.02	0.69
Earnings/share [6]	1.51	0.07	0.76	-1.00	0.65
Earnings/share, diluted, continuing operations [1,6]	1.45	0.39	0.43	-1.02	0.69
Earnings/share, diluted [6]	1.51	0.07	0.76	-1.00	0.65
Operational earnings/share, continuing operations [1,6]	0.58	0.50	0.49	0.70	0.50
Operational earnings/share [6]	0.67	0.80	0.84	0.72	0.51
Free cash flow per share [2]	0.58	0.81	0.67	0.64	0.76
Equity/share	4.23	3.25	3.73	3.34	4.39
Dividend/share [4]	0.52	0.50	0.45	0.35	0.20
Dividend payout ratio, % [4]	34.4	707.0	59.1	neg.	30.8
Operational dividend payout ratio, % [4]	77.9	62.5	53.4	48.3	39.2
Market capitalisation, EUR million [5]	2,240.1	1,539.7	1,379.7	1,774.5	1,338.4
Effective dividend yield, % [4]	3.8	5.3	5.3	3.2	2.4
P/E ratio	9.1	133.6	11.1	neg.	12.7
Adjusted number of shares at the end of the period [5]	163,036,686	163,016,523	162,504,370	163,249,144	162,333,596
Adjusted average number of shares [5]	163,041,596	162,933,737	163,084,958	162,544,637	162,291,679
Lowest share price	6.84	7.96	8.01	7.58	3.51
Highest share price	14.00	10.44	11.47	12.03	9.39
Average share price	10.15	9.03	9.28	8.90	6.14
Share price at the end of the period	13.74	9.45	8.49	10.87	8.25
Trading volumes, shares	29,310,738	19,098,115	39,317,670	36,232,649	48,152,687
% of shares	18.0	11.7	24.1	22.3	29.7

1 Figures for 2016-2020 contain only continuing operations.

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 Year 2020 proposal of the Board of Directors.

5 The number of shares does not include treasury shares.

6 Year 2016 Earnings/share figures include adjustment related to interest on hybrid bond.

Reconciliation of operational EBIT excl. PPA

EUR million	2020	2019
EBIT	**270.1**	104.5
Items affecting comparability (IACs) and PPA adjustments and amortisations[1]		
Learning		
Impairments	-0.6	
Restructuring expenses	-12.7	-12.0
PPA adjustments and amortisations	-16.2	-6.1
Media Finland		
Capital gains/losses	164.8	
Restructuring expenses	-15.7	-10.0
PPA adjustments and amortisations	-6.1	-4.4
Other companies		
Capital gains/losses	0.2	0.5
Restructuring expenses	-0.2	-1.0
Items affecting comparability (IACs) and PPA adjustments and amortisations total	**113.6**	-33.0
Operational EBIT excl PPA, continuing operations	**156.5**	137.6
Depreciations of buildings and structures	-23.8	-18.5
Depreciation of rental books	-13.2	-3.7
Amortisation of film and TV broadcasting rights	-52.4	-57.2
Amortisation of prepublication rights	-20.7	-19.9
Other depreciations, amortisations and impairments	-43.8	-39.9
Items affecting comparability in depreciation, amortisation and impairments	0.6	
Operational EBITDA	**309.9**	276.8

EUR million	2020	2019
Items affecting comparability (IACs) in financial income and expenses		
Capital gains/losses		1.0
Financial items	0.6	
Impairments		-1.1
Total	**0.6**	-0.2
Items affecting comparability (IACs) and PPA adjustments and amortisations in discontinued operations		
Capital gains/losses	-1.8	10.8
Impairments[2]	-2.6	-105.1
Restructuring expenses	-0.6	-9.1
PPA adjustments and amortisations	-1.4	-3.9
Total	**-6.4**	-107.3

1 Items affecting comparability and PPA adjustments and amortisations are unaudited.

2 In 2020, capital gains/losses include capital loss of EUR 1.6 million related to costs to sell for the divestment of Media Netherlands. In 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	2020	2019
Result for the period attributable to the equity holders of the Parent Company	**246.7**	11.5
Items affecting comparability	-131.6	126.1
Tax effect of items affecting comparability	-6.3	-7.2
Non-controlling interests' share of items affecting comparability	0.0	0.0
Operational result for the period attributable to the equity holders of the Parent Company	**108.8**	130.4
Weighted average number of shares on the market	163,041,596	162,933,737
Operational EPS	**0.67**	0.80

Reconciliation of net debt

EUR million	31 Dec 2020	31 Dec 2019
Non-current financial liabilities	317.7	227.9
Current financial liabilities	265.0	400.7
Non-current lease liabilities	163.2	162.0
Current lease liabilities	29.5	27.3
Cash and cash equivalents	-114.6	-23.2
Net debt	**660.7**	794.7

Net debt includes financial assets and liabilities of certain Learning operations that are presented as part of assets and liabilities held for sale in the balance sheet 31 December 2020. In addition, net debt 31 December 2019 includes financial assets and liabilities of Sanoma Media Netherlands. More details are presented in Note 26.

Reconciliation of adjusted EBITDA

EUR million	2020	2019
12-month rolling operational EBITDA	329.3	356.4
Impact of acquired and divested operations	18.1	31.0
Impact of programming rights	-52.7	-59.9
Impact of prepublication rights	-31.9	-23.2
Impact of rental books	-10.7	-13.8
Adjusted EBITDA	**252.1**	290.4

Reconciliation of comparable net sales growth

EUR million	2020	2019
Net sales	1,061.7	912.6
Impact of acquired and divested operations	-201.9	-12.8
Comparable net sales	**859.8**	899.8

Reconciliation of return on equity (ROE), %

EUR million	2020	2019
Result for the period	247.1	13.3
Equity total (average of monthly balances)	607.5	606.8
Return on equity, %	**40.7**	2.2

Reconciliation of return on investment (ROI), %

EUR million	2020	2019
Result before taxes	273.6	45.8
Interest and other financial items	14.7	23.3
Result before taxes excl. interests and other financial items	288.3	69.1
Balance sheet total (average of monthly balances)	1,784.9	1,835.3
Non-interest-bearing liabilities (average of monthly balances)	-585.6	-560.4
Balance sheet total - non-interest-bearing liabilities (average of monthly balances)	1,199.2	1,274.9
Return on investment, %	**24.0**	5.4

Non-interest-bearing liabilities include certain Learning operations that are presented as part of assets and liabilities held for sale in the balance sheet 31 December 2020. In addition, non-interest-bearing liabilities 31 December 2019 include liabilities of Sanoma Media Netherlands. More details are presented in Note 26.

Definitions of key indicators

KPI		Definition	Reason to use
Comparable net sales (growth)	=	Net sales (growth) adjusted for the impact of acquisitions and divestments	Complements reported net sales by reflecting the underlying business performance and enhancing comparability between reporting periods
Items affecting comparability (IACs)	=	Gains/losses on sale, restructuring or efficiency program expenses and impairments that exceed EUR 1 million	Reflects the underlying business performance and enhances comparability between reporting periods
Operational EBITDA	=	Operating profit + depreciation, amortisation and impairments - IACs	Measures the profitability before non-cash based depreciation and amortisation, reflects the underlying business performance and enhances comparability between reporting periods
Operational EBIT excl. PPA	=	EBIT– IACs – Purchase price allocation (PPA) adjustments and amortisations	Measures the profitability excl. acquisition-related PPA adjustments and amortisations, reflects the underlying business performance and enhances comparability between reporting periods
Equity ratio, %	=	$\frac{\text{Equity total}}{\text{Balance sheet total – advances received}} \times 100$	One of Sanoma's long-term financial targets, measures the relative proportion of equity to total assets
Free cash flow	=	Cash flow from operations – capital expenditure	Basis for Sanoma's dividend policy
Free cash flow / share	=	$\frac{\text{Free cash flow}}{\text{Adjusted average number of shares on the market}}$	Basis for Sanoma's dividend policy
Net debt	=	Interest-bearing liabilities – cash and cash equivalents	Measures Sanoma's net debt position
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	One of Sanoma's long-term financial targets, provides investors information on Sanoma's ability to service its debt
Earnings/share (EPS)	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company}}{\text{Weighted average number of shares on the market}}$	Measures Sanoma's result for the period per share
Operational EPS	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company – IACs}}{\text{Weighted average number of shares on the market}}$	In addition to EPS, reflects the underlying business performance and enhances comparability between reporting periods
Net gearing, %	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity total}} \times 100$	Measures how much debt in relation to equity Sanoma is using to finance its assets
Return on equity (ROE), %	=	$\frac{\text{Result for the period}}{\text{Equity total (average of monthly balances)}} \times 100$	Measures the company's relative profitability, ie. the profit received for the equity employed
Return on investment (ROI), %	=	$\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average of monthly balances)}} \times 100$	Measures the company's relative profitability, ie. the profit and interest received for net assets employed

KPI		Definition
Non-interest-bearing liabilities	=	Non-interest-bearing liabilities include trade and other payables, contract liabilities, deferred and income tax liabilities, provisions and pension liabilities
Equity/share	=	$\frac{\text{Equity attributable to the equity holders of the Parent Company}}{\text{Adjusted number of shares on the market at the balance sheet date}}$
Dividend payout ratio, %	=	$\frac{\text{Dividend/share}}{\text{Result/share}} \times 100$
Operational dividend payout ratio, %	=	$\frac{\text{Dividend/share}}{\text{Operational EPS}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Dividend/share}}{\text{Share price on the last trading day of the year}} \times 100$
P/E ratio	=	$\frac{\text{Share price on the last trading day of the year}}{\text{Result/share}}$
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	2020	Restated 2019
NET SALES	2, 3	**1,061.7**	912.6
Other operating income	4	207.5	31.0
Materials and services	6	-356.5	-282.5
Employee benefit expenses	5, 20, 30	-294.9	-242.6
Other operating expenses	6	-171.9	-164.8
Share of results in joint ventures	13	0.5	0.4
Depreciation, amortisation and impairment losses	10–12	-176.3	-149.8
EBIT		**270.1**	104.5
Share of results in associated companies	13	-0.4	0.0
Financial income	7	6.9	3.1
Financial expenses	7	-15.7	-24.9
RESULT BEFORE TAXES		**261.0**	82.7
Income taxes	8	-23.2	-17.9
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS		**237.8**	64.8
DISCONTINUED OPERATIONS			
Result for the period from discontinued operations	26	9.3	-51.5
RESULT FOR THE PERIOD		**247.1**	13.3

EUR million	Note	2020	Restated 2019
Result from continuing operations attributable to:			
Equity holders of the Parent Company		237.4	63.1
Non-controlling interests		0.4	1.7
Result from discontinued operations attributable to:			
Equity holders of the Parent Company		9.3	-51.6
Non-controlling interests		0.1	0.1
Result attributable to:			
Equity holders of the Parent Company		246.7	11.5
Non-controlling interests		0.5	1.8
Earnings per share for result attributable to the equity holders of the Parent Company:	9		
Earnings per share, EUR, continuing operations		1.46	0.39
Diluted earnings per share, EUR, continuing operations		1.45	0.39
Earnings per share, EUR, discontinued operations		0.06	-0.32
Diluted earnings per share, EUR, discontinued operations		0.06	-0.32
Earnings per share, EUR		1.51	0.07
Diluted earnings per share, EUR		1.51	0.07

In 2020 and 2019, discontinued operations include Sanoma Media Netherlands and certain Learning operations that are under strategic review. The divestment of Sanoma Media Netherlands was completed on 20 April 2020.

Statement of comprehensive income [1]

EUR million	2020	2019
Result for the period	247.1	13.3
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Change in translation differences	-2.4	2.5
Share of other comprehensive income of equity-accounted investees		0.1
Items that will not be reclassified to profit or loss		
Defined benefit plans	4.1	6.1
Income tax related to defined benefit plans	-0.8	-1.1
Other comprehensive income for the period, net of tax	0.9	7.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**248.0**	20.9
Total comprehensive income attributable to:		
Equity holders of the Parent Company	247.6	19.1
Non-controlling interests	0.5	1.8

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

Consolidated balance sheet

ASSETS

EUR million	Note	31 Dec 2020	31 Dec 2019
NON-CURRENT ASSETS			
Property, plant and equipment	4, 6, 10	73.9	78.0
Right-of-use assets	10	186.7	157.0
Investment property	4, 6, 11	7.9	9.1
Goodwill	12	752.7	505.8
Other intangible assets	12	685.7	443.3
Equity-accounted investees	13	2.3	1.9
Other investments	14	4.0	3.9
Deferred tax receivables	8	18.2	12.6
Trade and other receivables	5, 15	15.3	13.6
NON-CURRENT ASSETS, TOTAL		**1,746.7**	1,225.2
CURRENT ASSETS			
Inventories	16	45.8	25.4
Income tax receivables		19.4	7.6
Contract assets	3	0.4	0.4
Trade and other receivables	17	120.9	103.8
Cash and cash equivalents	18	114.6	16.3
CURRENT ASSETS, TOTAL		**301.1**	153.5
Assets held for sale and discontinued operations	26	0.4	619.2
ASSETS, TOTAL		**2,048.3**	1,997.9

EQUITY AND LIABILITIES

EUR million	Note	31 Dec 2020	31 Dec 2019
EQUITY	19, 20		
Share capital		71.3	71.3
Treasury shares		-4.3	-4.6
Fund for invested unrestricted equity		209.8	209.8
Translation differences		-19.0	-16.6
Retained earnings		432.4	269.7
Total equity attributable to the equity holders of the Parent Company		**690.2**	529.4
Non-controlling interests		19.7	21.5
EQUITY, TOTAL		**709.9**	550.9
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	140.9	74.6
Pension obligations	5	7.4	7.1
Provisions	21	0.8	0.6
Financial liabilities	22	317.7	221.3
Lease liabilities	22	163.2	138.4
Contract liabilities	3	3.5	4.2
Trade and other payables	23	2.8	6.5
NON-CURRENT LIABILITIES, TOTAL		**636.4**	452.8
CURRENT LIABILITIES			
Provisions	21	0.9	1.3
Financial liabilities	22	265.0	398.4
Lease liabilities	22	29.4	22.5
Income tax liabilities		22.5	8.4
Contract liabilities	3	148.1	129.7
Trade and other payables	23	235.4	210.4
CURRENT LIABILITIES, TOTAL		**701.4**	770.8
Liabilities related to assets held for sale and discontinued operations	26	0.7	223.3
LIABILITIES, TOTAL		**1,338.4**	1,447.0
EQUITY AND LIABILITIES, TOTAL		**2,048.3**	1,997.9

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 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**
Equity at 1 Jan 2020	19	**71.3**	**-4.6**	**209.8**	**-16.6**	**269.7**	**529.4**	**21.5**	**550.9**
Result for the period						246.7	246.7	0.5	247.1
Other comprehensive income					-2.4	3.2	0.9		0.9
Total comprehensive income					**-2.4**	**249.9**	**247.6**	**0.5**	**248.0**
Purchase of treasury shares			-2.4				-2.4		-2.4
Share-based compensation	20					-0.4	-0.4		-0.4
Shares delivered	20		2.8			-2.8			
Dividends paid						-81.6	-81.6	-1.0	-82.6
Total transactions with owners of the company			**0.3**			**-84.8**	**-84.4**	**-1.0**	**-85.4**
Acquisitions and other changes in non-controlling interest						-2.4	-2.4	-1.3	-3.6
Total change in ownership interest						**-2.4**	**-2.4**	**-1.3**	**-3.6**
Equity at 31 Dec 2020		**71.3**	**-4.3**	**209.8**	**-19.0**	**432.4**	**690.2**	**19.7**	**709.9**

Consolidated cash flow statement

EUR million	Note	2020	2019
OPERATIONS			
Result for the period		247.1	13.3
Adjustments			
Income taxes	8	26.5	32.5
Financial expenses	7	16.0	26.7
Financial income	7	-6.9	-3.2
Share of results in equity-accounted investees	13	-1.2	-4.3
Depreciation, amortisation and impairment losses		177.8	266.2
Gains/losses on sales of non-current assets		-161.1	-12.4
Other adjustments		-3.9	-4.1
Adjustments total		47.1	301.4
Change in working capital			
Change in trade and other receivables		8.6	19.9
Change in inventories		1.5	3.2
Change in trade and other payables, and provisions		-39.3	-41.5
Acquisitions of broadcasting rights, prepublication costs and rental books		-88.0	-83.9
Dividends received		0.5	4.7
Interest paid		-9.9	-15.0
Other financial items		-3.7	-2.9
Taxes paid		-26.6	-36.2
CASH FLOW FROM OPERATIONS		**137.4**	163.0
INVESTMENTS			
Capital expenditure		-42.5	-31.7
Operations acquired	27	-461.3	-236.3
Joint ventures and associated companies acquired	13	-0.7	-0.7
Proceeds from sale of tangible and intangible assets		2.5	2.5
Operations sold	27	606.5	53.4
Joint ventures and associated companies sold	13		0.1
Loans granted		0.0	-0.4
Repayments of loan receivables		0.3	0.0
Interest received		1.4	0.3
CASH FLOW FROM INVESTMENTS		**106.1**	-212.8
CASH FLOW BEFORE FINANCING		**243.5**	-49.7
FINANCING			
Contribution by non-controlling interests			0.2
Purchase of treasury shares		-2.4	
Change in loans with short maturity	22	-325.8	193.6
Drawings of other loans	22	405.0	250.3
Repayments of other loans	22	-109.3	-289.2
Payment of lease liabilities	22	-29.4	-24.8
Acquisitions of non-controlling interests	27		-8.4
Dividends paid		-82.6	-74.5
CASH FLOW FROM FINANCING		**-144.4**	47.3
Change in cash and cash equivalents according to cash flow statement		**99.1**	-2.4
Effect of exchange rate differences on cash and cash equivalents		-0.4	-0.1
Net increase(+)/decrease(-) in cash and cash equivalents		**98.7**	-2.6
Cash and cash equivalents at 1 Jan		15.9	18.4
Cash and cash equivalents at 31 Dec	18	**114.6**	15.9

Includes continuing and discontinued operations.
Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 0.0 million (2019: 7.4) at the end of the period.
Cash and cash equivalents in the cash flow statement include EUR 0.0 million (31 Dec 2019: 6.9) cash and cash equivalents of discontinued operations, which are presented as part of assets held for sale in the balance sheet 31 December 2020.

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. Accounting policies for consolidated financial statements

Corporate information

In 2020, 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 the leading European learning company serving over 20 million students in 11 countries. Its learning products and services enable teachers to develop the talents of every child to reach their potential. Sanoma Learning offers printed and digital learning materials as well as digital learning and teaching platforms for K12, i.e. primary, secondary and vocational education, and it aims to grow the business throughout Europe. Sanoma Learning develops its methodologies based on deep teacher and student insight and truly understanding their individual needs. By combining educational technologies and pedagogical expertise, Sanoma Learning creates learning products and services with the highest learning impact. 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, Aamulehti, Me Naiset, Aku Ankka, Nelonen, Ruutu, Supla and Radio Suomipop. For advertisers, it is a trusted partner with insight, impact and reach.

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 9 February 2021, 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 2020, 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 2020:

- Amendments to IAS 1 and IAS 8 Definition of Material (effective for financial periods beginning 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 beginning 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. Sanoma has applied the Amendments to IFRS 3 to business combinations which are acquired on or after 1 January when assessing whether it acquired a business or a group of assets.

- Revised Conceptual Framework for Financial Reporting (effective for financial periods beginning 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.

- Amendments to IFRS 16 COVID-19-Related Rent Concessions (effective on 1 June 2020). The amendments provide practical relief to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic. The amendments do not have effect 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. Impact of covid-19 on impairment testing and financial assets is explained later in the accounting policies and notes. 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 euros 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 euros 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. 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 2-20 years
- Customer relationships 3-20 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 5-50 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

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 months 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.

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. 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, adjusted by current information and future expectations on economic conditions where deemed necessary. As part of the 2020 reporting, Sanoma has reviewed the potential impact of the corona virus pandemic on the expected credit losses. Effects are described in more detail in Note 25.

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.

In Sanoma Group, 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 certain new standards and interpretations, which are not yet effective, and the Group has not applied these requirements before the effective date. These standards and amendments are not expected to have material Impact on the Group's financial statements.

2. Operating segments

In 2020, 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. The divestment of Sanoma Media Netherlands was completed on 20 April 2020.

Learning

Sanoma Learning is the leading European learning company serving over 20 million students in 11 countries. Our learning products and services enable teachers to develop the talents of every child to reach their potential. We offer printed and digital learning materials as well as digital learning and teaching platforms for K12, i.e. primary, secondary and vocational education, and we aim to grow our business throughout Europe. We develop our methodologies based on deep teacher and student insight and truly understanding their individual needs. By combining our educational technologies and pedagogical expertise, we create learning products and services with the highest learning impact.

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, Aamulehti, Me Naiset, Aku Ankka, Nelonen, Ruutu, Supla and Radio Suomipop. For advertisers, we are a trusted partner with insight, impact and reach.

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 2020

EUR million	Learning	Media Finland	Unallocated / Eliminations	Total
External net sales	499.7	562.0		1,061.7
Internal net sales	0.0	0.5	-0.5	
NET SALES	499.7	562.6	-0.5	1,061.7
Depreciation, amortisation and impairment losses	-88.1	-86.2	-2.0	-176.3
EBIT	66.4	209.6	-5.8	270.1
OPERATIONAL EBIT EXCL PPA [1]	95.9	66.6	-5.9	156.5
Share of results in associated companies		-0.4		-0.4
Financial income			6.9	6.9
Financial expenses			-15.7	-15.7
RESULT BEFORE TAXES				261.0
Income taxes				-23.2
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS				237.8
Result for the period from discontinued operations				9.3
RESULT FOR THE PERIOD				247.1
Capital expenditure	32.6	5.1	0.4	38.1
Goodwill	812.5	107.3	-167.1	752.7
Equity-accounted investees		2.3	0.1	2.3
Segment assets	1,604.9	422.3	-132.1	1,895.2
Other assets				152.7
Asset held for sale and discontinued operations				0.4
TOTAL ASSETS				2,048.3
Segment liabilities	229.9	209.5	-40.3	399.1
Other liabilities				938.6
Liabilities related to assets held for sale and discontinued operations				0.7
TOTAL LIABILITIES				1,338.4
Free cash flow from continuing operations [1]	77.1	70.3	-8.6	138.8
Free cash flow from discontinued operations [1]				-44.4
Free cash flow [1]				94.8
Average number of employees (full-time equivalents)	1,987	2,052	216	4,255

1 Non-audited
Operational EBIT excl PPA is adjusted by items affecting comparability.

SEGMENTS 2019, RESTATED

EUR million	Learning	Media Finland	Unallocated / Eliminations	Total
External net sales	336.0	576.5	0.1	912.6
Internal net sales	0.0	0.3	-0.4	0.0
NET SALES	336.0	576.8	-0.3	912.6
Depreciation, amortisation and impairment losses	-57.9	-86.8	-5.1	-149.8
EBIT	57.4	54.9	-7.9	104.5
OPERATIONAL EBIT EXCL PPA [1]	75.6	69.4	-7.4	137.6
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				82.7
Income taxes				-17.9
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS				64.8
Result for the period from discontinued operations				-51.5
RESULT FOR PERIOD				13.3
Capital expenditure	21.4	3.8	4.8	30.0
Goodwill	588.8	84.7	-167.7	505.8
Equity-accounted investees		1.8	0.1	1.9
Segment assets	1,137.5	345.5	-141.3	1,341.8
Other assets				36.9
Asset held for sale and discontinued operations			619.2	619.2
TOTAL ASSETS				1,997.9
Segment liabilities	197.3	200.6	-38.0	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]	52.8	78.3	-27.0	104.1
Free cash flow from discontinued operations [1]				27.3
Free cash flow [1]				131.3
Average number of employees (full-time equivalents)	1,472	1,804	275	3,551

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 2020

EUR million	Finland	The Netherlands	Other EU countries	Other countries	Eliminations	Total
External net sales	614.9	199.2	230.4	17.2	0.0	1,061.7
Non-current assets	522.3	538.4	642.2	10.2		1,713.2

INFORMATION ABOUT GEOGRAPHICAL AREAS 2019

EUR million	Finland	The Netherlands	Other EU countries	Other countries	Eliminations	Total
External net sales	629.0	106.8	175.3	1.4	0.1	912.6
Non-current assets	443.8	553.1	183.9	15.8		1,196.6

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 the leading European learning company serving over 20 million students in 11 countries. Our learning products and services enable teachers to develop the talents of every child to reach their potential. We offer printed and digital learning materials as well as digital learning and teaching platforms for K12, i.e. primary, secondary and vocational education, and we aim to grow our business throughout Europe. We develop our methodologies based on deep teacher and student insight and truly understanding their individual needs. By combining our educational technologies and pedagogical expertise, we create learning products and services with the highest learning impact.

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, Aamulehti, Me Naiset, Aku Ankka, Nelonen, Ruutu, Supla 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 2020

EUR million	Learning	Media Finland	Unallocated/ eliminations	Total
Finland	52.9	562.6	-0.5	614.9
The Netherlands	199.8			199.8
Poland	112.5			112.5
Belgium	76.1			76.1
Other companies and eliminations	58.4			58.4
Primary geographical markets	**499.7**	**562.6**	**-0.5**	**1,061.7**
Learning solutions	377.2		0.0	377.2
Advertising		231.6	-0.3	231.3
Subscription		230.0	0.0	230.0
Single copy		42.8		42.8
Other	122.5	58.1	-0.2	180.4
Major product lines/ services	**499.7**	**562.6**	**-0.5**	**1,061.7**
Recognition at a point-in-time	363.0	166.2	-0.5	528.7
Recognition over-time	136.7	396.3		533.0
Timing of revenue recognition	**499.7**	**562.6**	**-0.5**	**1,061.7**

DISAGGREGATION OF REVENUE 2019, RESTATED

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	23.9			23.9
Primary geographical markets	**336.0**	**576.8**	**-0.3**	**912.6**
Learning solutions	322.5		0.0	322.5
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	**336.0**	**576.8**	**-0.3**	**912.6**
Recognition at a point-in-time	265.5	216.6	-0.3	481.8
Recognition over-time	70.6	360.2		430.8
Timing of revenue recognition	**336.0**	**576.8**	**-0.3**	**912.6**

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

EUR million	2020 Contract assets	2020 Contract liabilities	2019 Contract assets	2019 Contract liabilities
1 Jan	**0.4**	**133.9**	5.2	147.2
Revenue recognised that was included in the contract liability at beginning of the period		-129.7		-142.1
Increases due to cash received, excluding amounts recognised as revenue during the period		147.5		128.9
Transfers from contract assets recognised at the beginning of the period to receivables	-0.4		-5.2	
Increase in contract assets due to fulfilled performance obligations not yet invoiced	0.4		0.4	
31 Dec	**0.4**	**151.6**	0.4	133.9

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	2021	> 2021	Total
Learning	78.4	3.5	81.9
Media Finland	69.8		69.8
Total	**148.1**	**3.5**	**151.6**

DISTRIBUTION OF NET SALES BETWEEN GOODS AND SERVICES, CONTINUING OPERATIONS

EUR million	2020	Restated 2019
Sale of goods	600.7	489.0
Rendering of services	461.1	423.6
Total	**1,061.7**	912.6

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

Rendering of services consists of advertising sales in magazines, newspapers, TV, radio and online as well as sales of online marketplaces. 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	2020	Restated 2019
Technology service fees	13.9	9.9
Gains on sale of property, plant and equipment	0.5	0.8
Gains on sale of Group companies and operations	164.8	0.3
Gains on sale of investment property	0.2	0.5
Rental income from investment property	0.1	0.1
Other rental income	5.0	5.3
Government grants	0.1	1.4
Other	22.8	12.7
Total	**207.5**	31.0

In 2020, gains on sale of Group companies and operations include EUR 165 million gain on sale of Oikotie Oy.

Sanoma Media Netherlands is reported as discontinued operations in 2019 and 2020 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 3.7 million (2019: 2.8) reprography fee income, EUR 1.5 million (2019: 1.7) income related to alternative payment methods and EUR 7.2 million insurance claims related to cancelled festivals due to a coronavirus pandemic.

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

5. Employee benefit expenses

EMPLOYEE BENEFIT EXPENSES, CONTINUING OPERATIONS

EUR million	2020	Restated 2019
Wages, salaries and fees	-242.7	-195.5
Equity-settled share-based payments	-3.7	-2.8
Pension costs, defined contribution plans	-30.0	-29.5
Pension costs, defined benefit plans	-2.3	-1.6
Other social expenses	-16.2	-13.1
Total	**-294.9**	-242.6

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 30.0 million (2019: 29.5).

Defined benefit pension plans in Sanoma are 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 recognized total defined benefit costs related to all pension plans as follows:

PENSION COSTS RECOGNISED IN THE INCOME STATEMENT

EUR million	2020	2019
Current service costs	-1.8	-1.5
Net interest	0.0	0.1
Past service cost	-0.4	-0.1
Administration costs	-0.1	-0.1
Total	**-2.3**	-1.7

Includes continuing and 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	2020	2019
Net defined benefit pension liabilities	7.4	7.1
Net defined benefit pension assets [1]	13.8	12.9
Net defined benefit pension liability (asset) total	**-6.4**	-5.8

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 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**

EUR million	Defined benefit obligation	Fair value of plan assets	Total
1 Jan 2020	**166.2**	**-172.0**	**-5.8**
Current year service cost	1.8		1.8
Interest cost/income	0.9	-1.0	0.0
Past service cost	0.4		0.4
Effect of settlements	-1.3	1.3	
Administration cost		0.1	0.1
Total recognised in the result for the period	1.9	0.4	2.3
Remeasurement of the net defined benefit liability:			
Gains/losses arising from financial assumptions	3.5		3.5
Experience adjustments	0.7		0.7
Return on plan assets excluding interest income		-7.9	-7.9
Total recognised in other comprehensive income	4.1	-7.9	-3.8
Group companies acquired	3.8	-3.5	0.3
Group companies sold	-1.4	1.6	0.2
Contributions by the employer		0.4	0.4
Contributions by plan participants	2.8	-2.8	
Benefits paid from funds	-8.8	8.8	
31 Dec 2020	**168.7**	**-175.1**	**-6.4**

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 2020

EUR million	Finland	Belgium	Total
Present value of funded obligations	154.7	14.0	168.7
Fair value of plan assets	-167.6	-7.4	-175.1
Total	**-12.9**	**6.6**	**-6.4**

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**

The Sanoma Group's estimated contributions to the defined benefit plans for 2021 are about EUR 2.0 million.

PLAN ASSETS BY MAJOR CATEGORIES

%	2020	2019
Equity instruments	52.4	46.2
Bonds and debentures	39.1	46.7
Other items	7.6	6.1
Cash	0.9	1.0
Total	**100.0**	100.0

The fair value of plan assets included investments in Sanoma shares totalling EUR 3.9 million (2019: 5.2). 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]

%	2020	2019
Discount rate	0.4	0.6
Expected future salary increase	1.9	1.8
Expected future pension increases	0.7	0.8

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	2020	2019
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 2020 was 14.8 years (2019: 14.7).

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

	2020		2019	
%	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	-6.4	7.2	-6.3	7.2
Expected future salary increase (0.5% movement)	1.0	-1.0	1.0	-1.0
Expected future pension increases (0.5% movement)	6.7	-6.2	6.6	-6.2
Future mortality (1 year movement)	4.0	-3.8	3.9	-3.8

6. Materials and services and other operating expenses

MATERIALS AND SERVICES, CONTINUING OPERATIONS

EUR million	2020	Restated 2019
Paper costs	-27.5	-26.2
Raw materials and supplies	-81.3	-18.9
Purchased transport and distribution service	-90.9	-71.2
Purchased printing	-26.8	-26.5
Sales and commission costs	-18.2	-14.7
Editorial subcontracting	-11.7	-10.0
Royalties	-37.0	-35.3
Other purchased services	-34.5	-53.3
Other	-28.7	-26.4
Total	**-356.5**	-282.5

OTHER OPERATING EXPENSES, CONTINUING OPERATIONS

EUR million	2020	Restated 2019
Operating costs of premises	-8.4	-7.2
Rents	-2.2	-2.3
Advertising and marketing	-34.5	-35.4
Office and ICT expenses	-94.4	-77.5
Professional fees	-28.8	-22.4
Travel expenses	-3.1	-5.3
Other	-0.6	-14.6
Total	**-171.9**	-164.8

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

In 2020 and 2019, other operating expenses include the following expenses related to lease contracts.

EUR million	2020	Restated 2019
Expense relating to short-term leases	-1.2	-0.9
Expense relating to leases of low-value assets	-0.4	-0.3
Expense relating to variable lease payments not included in lease liabilities	-0.7	-0.7

AUDIT FEES

EUR million	2020	Restated 2019
Statutory audit	-1.0	-1.0
Audit related services	0.0	-0.1
Tax services	0.0	0.0
Other non-audit services	-0.5	-0.4
Total	**-1.6**	-1.6

In 2020, 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 (2019: 0.0) during the financial year 2020. The services for the year 2020 included auditors' statements, tax services and other services.

7. Financial items

FINANCIAL ITEMS, CONTINUING OPERATIONS

EUR million	2020	Restated 2019
Dividend income	0.1	0.1
Interest income from financial assets measured at amortised cost	1.5	0.3
Forward currency exchange contracts, no hedge accounting, change in fair value	0.0	0.0
Exchange rate gains	2.8	1.6
Other financial income	2.5	1.0
Financial income total	**6.9**	3.1
Interest expenses from financial liabilities measured at amortised cost	-4.4	-11.6
Interest expenses on leases	-5.5	-4.9
Forward currency exchange contracts, no hedge accounting, change in fair value		-0.2
Impairment losses on other investments		-0.1
Exchange rate losses	-2.9	-3.7
Other financial expenses	-2.9	-4.3
Financial expenses total	**-15.7**	-24.9
Total	**-8.8**	-21.8

In 2019, exchange rate losses include an item related to liquidated Ukrainian subsidiary. A euro denominated loan granted to a liquidated Ukranian subsidiary was repaid in full in 2016. The loan was 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.

8. Income taxes and deferred taxes

INCOME TAXES, CONTINUING OPERATIONS

EUR million	2020	Restated 2019
Income taxes on operational income	-27.7	-22.2
Income taxes from previous periods	4.3	1.6
Change in deferred tax	0.2	2.8
Tax expense in the income statement	**-23.2**	-17.9

The Group's tax expenses, EUR 26.5 million (2019: 32.5), include the tax expense in the income statement of EUR 23.2 million (2019: 17.9), and the income taxes of the discontinued operations, EUR 3.3 million (2019: 14.6).

INCOME TAX RECONCILIATION AGAINST LOCAL TAX RATES, CONTINUING OPERATIONS

EUR million	2020	Restated 2019
Result before taxes	261.0	82.7
Tax calculated at (Finnish) statutory rate 20 %	-52.2	-16.5
Effect of different tax rates in the operating countries	-1.2	-1.0
Non-taxable income	35.9	2.2
Non-deductible expenses	-3.2	-6.1
Tax relating to previous accounting periods	4.3	1.6
Change in deferred tax due to change in tax rate	-6.8	1.3
Effect of joint ventures and associated companies	0.0	0.1
Other items	-0.1	0.6
Income taxes in the income statement	**-23.2**	-17.9
Effective tax rate	**8.9**	21.6

In 2020 non-taxable income mainly relates to gain on sale of subsidiary, which according to Finnish tax legislation is tax-exempt.

DEFERRED TAX RECEIVABLES AND LIABILITIES 2020

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	1.4	0.4		0.1	7.7
PPE and intangible assets	1.7	0.3	0.3		0.6	2.8
Inventories	0.1	0.2			0.0	0.3
Trade and other receivables	0.2	-0.1			0.2	0.2
Provisions	4.1	-0.3			0.1	3.9
Pension obligations, defined benefit plans	1.7	0.1		0.0	-0.1	1.8
Other items	0.8	-0.7	2.9		0.4	3.5
Total	14.4	1.0	3.6	0.0	1.3	20.2
Offsetting of deferred tax assets and liabilities	-1.8					-2.0
Total	12.6					**18.2**
Deferred tax liabilities						
PPE and intangible assets	73.3	2.0	63.9		0.5	139.7
Inventories		0.0			0.0	0.0
Pension assets, defined benefit plans	2.5	-0.5	-0.1	0.8	0.0	2.8
Other items	0.5	0.3			-0.5	0.4
Total	76.4	1.8	63.9	0.8	0.0	142.9
Offsetting of deferred tax assets and liabilities	-1.8					-2.0
Total	74.6					**140.9**

1 Includes the change from continuing operations EUR 0.2 million and from discontinued operations EUR -1.1 million, total EUR -0.9 million.

Operations acquired/sold includes mainly acquisition of Santillana.

DEFERRED TAX RECEIVABLES AND LIABILITIES 2019

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	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 acquisitions of Iddink and itslearning.

TAX LOSSES

	Tax losses carried forward		Recognised deferred tax asset		Unrecognised deferred tax asset	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Expiry within five years	1.3	9.8	0.1	1.3	1.0	0.8
Expiry after five years	6.6	4.9	0.4	0.2	0.3	1.0
No expiry	38.2	36.8	7.1	6.2	1.4	2.0
Total	**46.1**	51.4	**7.7**	7.8	**2.6**	3.8

Includes continuing and discontinued operations.

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 2.6 million (2019: 3.8) 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

	2020	Restated 2019
Result attributable to the equity holders of the Parent Company, EUR million, continuing operations	237.4	63.1
Result attributable to the equity holders of the Parent Company, EUR million, discontinued operations	9.3	-51.6
Result attributable to the equity holders of the Parent Company, EUR million	246.7	11.5
Weighted average number of shares on the market, thousands	163,042	162,934
Earnings per share, EUR, continuing operations	1.46	0.39
Earnings per share, EUR, discontinued operations	0.06	-0.32
Earnings per share, EUR	**1.51**	0.07

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

	2020	2019
Profit used to determine diluted earnings per share, EUR million, continuing operations	237.4	63.1
Profit used to determine diluted earnings per share, EUR million, discontinued operations	9.3	-51.6
Profit used to determine diluted earnings per share, EUR million	246.7	11.5
Weighted average number of shares on the market, thousands	163,042	162,934
Effect of share plans, thousands	457	593
Diluted average number of shares, thousands	163,498	163,527
Diluted earnings per share, EUR, continuing operations	1.45	0.39
Diluted earnings per share, EUR, discontinued operations	0.06	-0.32
Diluted earnings per share, EUR	**1.51**	0.07

Information on share plans is presented in Note 20. For more information on shares and shareholders, see pages 28–29.

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

PROPERTY, PLANT AND EQUIPMENT 2020

EUR million	Land and water	Buildings and structures	Machinery and equipment	Rental books	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	0.6	18.2	199.6	49.2	20.4	1.1	289.0
Increases		0.0	3.3	10.7	1.8	1.3	17.2
Acquisition of operations		1.6	5.4		0.0	0.0	7.1
Decreases		-0.1	-1.8		0.0		-1.8
Disposal of operations			-0.4		0.0	-0.4	-0.8
Reclassifications			2.3		0.3	-1.3	1.3
Transfer to assets held for sale			0.0				0.0
Exchange rate differences	0.0	-0.1	-0.4		-0.1	0.0	-0.6
Acquisition cost at 31 Dec	0.6	19.7	207.9	59.8	22.5	0.8	311.3
Accumulated depreciation and impairment losses at 1 Jan		-11.3	-180.5	-6.4	-12.8		-210.9
Decreases, disposals and acquisitions		-0.2	-2.4		-0.1		-2.8
Depreciation for the period		-0.3	-7.1	-13.2	-1.9		-22.5
Impairment losses for the period	-0.1	-0.5	0.0				-0.6
Reclassifications		0.0	-1.1		0.0		-1.1
Transfer to assets held for sale			0.0				0.0
Exchange rate differences	0.0	0.0	0.4		0.1		0.5
Accumulated depreciation and impairment losses at 31 Dec	-0.1	-12.2	-190.7	-19.6	-14.7		-237.3
Carrying amount at 31 Dec 2020	**0.4**	**7.5**	**17.2**	**40.3**	**7.7**	**0.8**	**73.9**

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		
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**

Right-of-use assets

DEPRECIATION OF RIGHT-OF-USE ASSETS, CONTINUING OPERATIONS

EUR million	2020	2019
Depreciation for the period		
Buildings	-23.6	-18.3
Machinery	-1.9	
Vehicles	-2.9	-2.0
Total	**-28.3**	**-20.4**

CARRYING AMOUNT OF RIGHT-OF-USE ASSETS

EUR million	31.12.2020	31.12.2019
Carrying amount		
Buildings	156.8	152.0
Machinery	24.1	
Vehicles	5.8	5.0
Total	**186.7**	**157.0**

Additions to the right-of-use assets in continuing operations during the 2020 financial year were EUR 5.0 million (2019: 4.5).

Carrying amount of right-of-use assets has increased by EUR 54.1 million due to acquisitions.

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. Machinery includes printing press. 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 2020

EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	8.9	5.9	14.8
Increases	0.0		0.0
Decreases	-1.2		-1.2
Acquisition cost at 31 Dec	7.7	5.9	13.6
Accumulated depreciation and impairment losses at 1 Jan		-5.7	-5.7
Accumulated depreciation and impairment losses at 31 Dec		-5.7	-5.7
Carrying amount at 31 Dec 2020	**7.7**	**0.2**	**7.9**
Fair values at 31 Dec 2020	**19.4**	**0.2**	**19.6**

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**

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, 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. In 2020, a parcel of land was sold from the area.

OPERATING EXPENSES OF INVESTMENT PROPERTY

EUR million	2020	Restated 2019
Investment property, rental income		0.0
Investment property, no rental income	0.0	0.0
Total	**0.0**	0.0

RENTAL INCOME OF INVESTMENT PROPERTY

EUR million	2020	Restated 2019
Rental income of investment property	0.1	0.1

12. Intangible assets

INTANGIBLE ASSETS 2020

EUR million	Goodwill	Immaterial rights	Prepublication rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	562.9	394.8	334.3	444.5	18.4	1,754.8
Increases		52.7	24.7	30.2	6.1	113.7
Acquisition of operations	262.9	86.6	68.1	174.9		592.6
Decreases		-55.9	-0.5	-0.2		-56.6
Disposal of operations	-16.4	-0.7		-8.4	-0.7	-26.2
Reclassifications		-2.2		2.5	-0.6	-0.3
Transfer to assets held for sale			-1.2	-3.0		-4.2
Exchange rate differences	0.3	-0.6	-2.0	-0.8	-0.2	-3.3
Acquisition cost at 31 Dec	809.7	474.7	423.5	639.7	23.0	2,370.5
Accumulated amortisation and impairment losses at 1 Jan	-57.1	-293.5	-268.4	-186.7		-805.8
Decreases, disposals and acquisitions		53.4	-56.7	-0.9		-4.2
Amortisation for the period		-61.3	-20.9	-42.1		-124.2
Impairment losses for the period		-1.7	-0.3	-0.1		-2.0
Reclassifications		0.1		-0.6		-0.4
Transfer to assets held for sale			0.6	1.5		2.1
Exchange rate differences		0.2	1.8	0.4		2.4
Accumulated amortisation and impairment losses at 31 Dec	-57.1	-302.7	-343.9	-228.4		-932.1
Carrying amount at 31 Dec 2020	**752.7**	**171.9**	**79.6**	**411.2**	**23.0**	**1,438.4**

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.

Immaterial rights include film and TV broadcasting rights amounting to EUR 14.7 million (2019: 20.8). 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 totalling EUR 2.0 million (2019: 5.0) were recognised from intangible assets with definite useful lives, of which EUR 0.5 million related to Sanoma Learning strategic business unit (SBU) (2019: 1.0), EUR 1.6 million related to the Sanoma Media Finland SBU (2019: 2.0) and EUR 0.0 million to impairment of corporate intangible assets (2019: 2.0).

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. In the comparable year, 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	2020	2019
Sanoma Learning	644.8	421.1
Sanoma Media Finland	107.9	84.7
CGUs, total	**752.7**	505.8

Impairment losses recognised from goodwill

There were no impairment losses recognised from goodwill in the financial year related to continuing operations (2019: 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 31 December 2020, Sanoma completed the acquisition of Santillana Spain, a leading Spanish provider of K12 learning materials. Santillana Spain is reported as part of Sanoma Learning SBU. Santillana Spain has not been included in the annual impairment testing. Goodwill related to the Santillana Spain acquisition amounted to EUR 230.1 million which is included in the EUR 644.8 million carrying amount of goodwill for Sanoma Learning mentioned in the table above. Going forward, Santillana Spain 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

%	2020	2019
Sanoma Learning	1.0	1.6
Sanoma Media Finland	-1.1	-1.4

Following the Finnish market changes in combination with the changes in the Sanoma Media Finland CGU portfolio (the transformation of traditional media to digital), the terminal growth rate is expected to be somewhat less negative than last year. The terminal growth rate for the Sanoma Learning CGU is somewhat lower than last year based on review and projections of the various curriculum cycles across its Footprint markets. Management has also estimated the expected effects of new reforms and potential industry developments, while carefully considering low expectations of the inflation.

THE DISCOUNT RATE USED IN CALCULATION OF THE RECOVERABLE AMOUNT

%	2020 Post-tax	2019 Post-tax
Sanoma Learning	5.1	4.9
Sanoma Media Finland	5.1	4.9

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:

EXCESS OF RECOVERABLE AMOUNT IN RELATION TO CARRYING AMOUNT

%	2020	2019
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 exceeds the recoverable amount if EBITDA falls 33% below the planned level each year, or if the post-tax discount rate rises above 14.0%. 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 43% below the planned level each year, or if the post-tax discount rate rises above 21.8%. These estimates exclude simultaneous changes in other variables.

The coronavirus pandemic has impacted, and is expected to continue to impact, certain parts of Sanoma's business. For its own part, the Group's well-balanced business portfolio mitigates the impacts to a certain extent. In Sanoma Learning, no major impacts on net sales and profitability are currently expected due to the pandemic. In Sanoma Media Finland coronavirus pandemic has had material impact on B2B advertising and events business as all Sanoma Media Finland's festivals and events for the summer season were cancelled.

13. Equity-accounted investees

INTERESTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

EUR million	2020	2019
Interests in joint ventures	1.2	1.1
Interests in associated companies	1.1	0.8
Total	**2.3**	1.9

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	2020	2019
Carrying amount at 1 Jan	1.1	17.0
Share of total comprehensive income	0.5	4.4
Dividends received	-0.4	-4.5
Transfer to assets held for sale		-15.7
Exchange rate differences		0.0
Carrying amount at 31 Dec	**1.2**	1.1

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	2020	2019
Carrying amount at 1 Jan	0.8	1.4
Share of total comprehensive income	-0.4	0.0
Dividends received		-0.1
Increases	0.7	0.7
Transfer to assets held for sale		0.0
Other changes [1]		-1.3
Carrying amount at 31 Dec	**1.1**	**0.8**

1 In March 2019 Suomen Sopimustieto Oy changed from associated company to other investments.

List of equity-accounted investees, see note 28.

14. Other investments

EUR million	2020	2019
Other investments, non-current	4.0	3.9

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	2020	2019
Financial assets at amortised cost		
Loan receivables	0.4	0.4
Other receivables	1.1	0.4
Accrued income		0.1
Net defined benefit pension assets [1]	13.8	12.6
Total	**15.3**	13.6

1 Net defined benefit pension assets, see Note 5

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	2020	2019
Materials and supplies	6.5	2.6
Work in progress	2.8	2.0
Finished products/goods	35.4	19.3
Other	1.1	1.5
Total	**45.8**	25.4

EUR 0.4 million (2019: 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	2020	2019
Financial assets at amortised cost		
Trade receivables [1]	85.8	70.4
Other receivables	13.7	13.1
Financial assets at fair value		
Accrued income	18.4	15.2
Advance payments	1.9	3.1
Other receivables	1.2	2.0
Total	**120.9**	103.8

1 Trade receivables, see Note 25

The Group has recognised a total of EUR 0.6 million (2019: 1.0) in credit losses and change in impairment allowances on trade receivables. Information on how impairment allowance for trade receivables has been defined and impact of the corona virus pandemic on the expected credit losses are 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	2020	2019
Cash in hand and at bank	114.5	16.2
Deposits	0.1	0.1
Total	**114.6**	16.3

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

CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

EUR million	2020	2019
Cash and cash equivalents in the balance sheet	114.6	16.3
Bank overdrafts		-7.4
Cash and cash equivalents of discontinued operations		6.9
Total	**114.6**	15.9

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 2019	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**
Purchase of treasury shares		-304,000	-304,000		-2.4		-2.4
Shares delivered		324,163	324,163		2.8		2.8
At 31 Dec 2020	**163,565,663**	**-528,977**	**163,036,686**	**71.3**	**-4.3**	**209.8**	**276.7**

The maximum amount of share capital cannot exceed EUR 300.0 million (2019: 300.0). The share has no nominal value and no accountable par is in use. The shares have been fully paid.

Treasury shares

In 2020, the Group purchased 304,000 shares from the stock exchange. The cost of the purchased treasury shares was EUR 2.4 million and it was recognised as a deduction from equity. In 2019, the Group did not purchase shares.

In 2020, Sanoma delivered a total of 324,163 Sanoma shares held by the company to 183 employees of the Group based on Performance Share Plan 2017-2019 (without consideration and after taxes). 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). At the end of the financial year, the company held a total of 528,977 (2019: 549,140) 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 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 performance measures for the performance period 2020-2022 are based on adjusted earnings per share and adjusted free cash flow targets in 2020. The President and CEO and EMT members are part of Sanoma's Performance Share Plan.

In 2020, Sanoma delivered 324,163 Sanoma shares held by the company to 183 employees based on the Performance Share Plan 2017-2019 (without consideration and after taxes).

Restricted Share Plan

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**	**Performance Share Plan 2020–2022**	**Restricted Share Plan 2016–2018**[1]	**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	525,000	209,950	150,000	50,000	3,860,788
Initial allocation date	8.2.2016	6.2.2017	7.2.2018	6.2.2019	6.2.2020	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	30.4.2023	30.4.2019	30.4.2019	30.4.2022	
Maximum contractual life, yrs	3.2	3.2	3.2	3.2	3.2	3.2	2.2	3.3	3.2
Remaining contractual life, yrs	Expired	Expired	0.3	1.3	2.3	Expired	Expired	1.3	1.3
Number of persons at the end of the reporting year			135	131	186			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	

1 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**	**Performance Share Plan 2020–2022**	**Restricted Share Plan 2016–2018[1]**	**Restricted Share Plan 2017–2018**	**Restricted Share Plan 2019–2021**	**Total/ Average**
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 Jan 2020									
Outstanding at the beginning of the reporting period		**665,076**	**486,577**	**620,625**	**0**			**44,250**	**1,816,528**
Changes during the period									
Granted					516,038				516,038
Forfeited		2,094	54,377	94,359	347,300				498,130
Exercised		662,982							662,982
31 Dec 2020									
Outstanding at the end of the period		**0**	**432,200**	**526,266**	**168,738**			**44,250**	**1,171,454**

1 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 the amount booked until the end of the reporting period 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	2020	2019
Share price at grant	10.90	8.69
Share price at reporting period end	13.74	9.45
Expected dividends pa.	0.55	0.49
Fair value of the equity-settled portion at grant	8.70	6.76

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

EUR million	2020	2019
Expenses for the financial year, share-based payments	3.4	3.3
of which equity-settled	3.2	3.3
Liabilities arising from share-based payments at the end of the period	0.2	0.2

At the end of the period the estimated future cash payment to be paid to the tax authorities from share-based payments are EUR 7.7 million (2019: 7.2).

In addition to the Performance Share Plan and the Restricted Share Plan, following the conclusion of acquisition of all the shares of itslearning AS, Sanoma has established a management investment program which is accounted for as cash-settled share-based payment transaction. The purpose of the program is to align the incentives of certain key employees of itslearning AS participating in the management incentive program with those of Sanoma. In 2020, accrued cost related to this program was EUR 0.5 million.

21. Provisions

CHANGES IN PROVISIONS

EUR million	Restructuring provisions	Other provisions	Total
At 1 Jan 2020	1.6	0.4	1.9
Exchange rate differences		0.0	0.0
Acquisition of operations		0.5	0.5
Increases	0.4	0.1	0.5
Amounts used	-0.7	-0.4	-1.0
Unused amounts reversed	0.0	-0.1	-0.1
At 31 Dec 2020	**1.2**	**0.5**	**1.7**

CARRYING AMOUNTS OF PROVISIONS

EUR million	2020	2019
Non-current	0.8	0.6
Current	0.9	1.3
Total	**1.7**	1.9

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	2020	2019
Non-current financial liabilities at amortised cost		
Loans from financial institutions	299.5	200.0
Lease liabilities	163.2	138.4
Other liabilities	18.2	21.3
Total	**480.9**	359.8
Current financial liabilities at amortised cost		
Loans from financial institutions	249.6	57.2
Commercial papers	15.4	341.2
Lease liabilities	29.4	22.5
Other liabilities	0.0	0.1
Total	**294.4**	420.9
Total	**775.3**	780.7

Fair values of loans from financial institutions and other liabilities are close to their carrying values.

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

EUR million	Non-current financial liabilities	Current financial liabilities	Lease liabilities	Total	Non-current other liabilities	Total
1 Jan 2019	2.8	352.1	193.3	548.2	16.1	564.3
Cash flows	111.2	43.6	-24.8	130.0	0.0	130.0
Acquisition of operations	88.8		16.5	105.3	0.3	105.6
Disposal of operations		-6.8		-6.8		-6.8
Exchange rate differences		0.0	0.0	0.0	0.0	0.1
Other non-cash movements	25.2	11.8	4.2	41.1	-5.7	35.4
At 31 Dec 2019	**227.9**	**400.7**	**189.2**	**817.9**	**10.7**	**828.6**
Transfer to liabilities related to assets held for sale	-6.6	-2.3	-28.3	-37.2		
In the balance sheet 31 Dec 2019	**221.3**	**398.4**	**161.0**	**780.7**	**10.7**	
1 Jan 2020	221.3	398.4	161.0	780.7	10.7	791.4
Cash flows	100.0	-125.8	-29.4	-55.2	-4.2	-59.4
Acquisition of operations			54.1	54.1	9.2	63.3
Exchange rate differences			-0.2	-0.2	-0.1	-0.3
Other non-cash movements	-3.7	-7.7	7.3	-4.0	-9.3	-13.3
At 31 Dec 2020	**317.7**	**265.0**	**192.7**	**775.3**	**6.4**	**781.7**
Transfer to liabilities related to assets held for sale			-0.1	-0.1		
In the balance sheet 31 Dec 2020	**317.7**	**265.0**	**192.6**	**775.3**	**6.4**	

Includes continuing and discontinued operations

Total cash flow for leases was EUR -37.1 million in 2020 (2019: -32.6). For more information on Group's lease activities, please see Note 10.

Loans from financial institutions

In 2020 the Group's loans from financial institutions consisted of two term loans; EUR 150 million drawn in 2019, of which EUR 50 million is booked in current liabilities, and EUR 200 million drawn in December 2020. In addition to the term loans there was also a bridge loan of EUR 200 million outstanding at year end. Loans are valued at amortised cost.

The average interest rate for loans (excluding arrangement fees and leases) during the financial year was 0.8% (2019: 2.3%). The interest rates of all loans are tied to Euribor.

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 Group Treasury Policy, outstanding commercial papers are fully backed up with a committed syndicated credit facility with banks in case of possible market disruption.

23. Trade and other payables

EUR million	2020	2019
Non-current		
Accrued expenses	2.0	1.6
Other financial liabilities at amortised cost	0.9	4.9
Total	**2.8**	6.5
Current		
Trade payables	68.7	59.9
Other liabilities	30.6	23.4
Derivatives, non-hedge accounted[1]	0.1	0.1
Accrued expenses	135.5	126.9
Advances received	0.5	0.0
Total	**235.4**	210.4
Total	**238.3**	216.9

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	2020	2019
Contingencies for own commitments		
Pledges	0.8	1.4
Other items	24.8	15.0
Total	**25.6**	16.4
Other commitments		
Royalties	2.5	6.0
Commitments for acquisitions of intangible assets (film and TV broadcasting rights included)	17.0	22.6
Other items	36.1	50.7
Total	**55.6**	79.4
Total	**81.2**	95.8

NON-CANCELLABLE MINIMUM LEASE PAYMENTS TO BE RECEIVED BY MATURITY

EUR million	2020	2019
Not later than 1 year	4.1	4.6
1–5 years	3.4	6.1
Later than 5 years	0.0	0.1
Total	**7.5**	10.9

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

Finnish Tax Administration has performed tax audits in Sanoma Media Finland Oy covering years 2015 and 2016-2018. Tax audit reports did not include any adjustments to the VAT treatment of magazines distributed from Norway, which has been treated exempt from value added tax. Tax Ombudsman has, however, made an appeal to the Tax Adjustment Board claiming that the Tax Administration's tax audit decisions regarding tax years 2015 and 2016-2018 need to be adjusted by approximately EUR 20 million value added tax. The amount does not include potential penalties or interests. Sanoma considers the claims unjustified. The case is pending decision from the Tax Adjustment Board. Sanoma has not made any provisions related to the matter.

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 focus on ensuring financing on flexible and competitive terms, optimised liquidity management, cost-efficiency of operations 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 and access to various forms of funding, Sanoma's goal is to have a capital structure where net debt/adjusted EBITDA ratio is below 3.0, and equity ratio is between 35% and 45%. The leverage target was updated from 2.5 to 3.0 in December 2020 based on the growing contribution of the more stable and resilient learning business in the Group's earnings.

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 2020 all loans were denominated in euros. The Group manages its exposure to interest rate risk by ensuring that the interest duration of the gross debt of the Group is within a 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	2020	2019
Floating-rate loans	565.4	591.0
Total	**565.4**	591.0
Average duration, years	0.3	0.2
Average interest rate, %	1.0	0.7
Interest sensitivity, EUR million [1]	2.6	3.6

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 some 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 2020 was related to the procurement of IT services for the Group and programming rights for Nelonen Media, both 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 0.3 million (2019: 0.4). If the currencies strengthened by 10% against the euro, financial income would increase by EUR 0.3 million (2019: 0.4). 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.

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 14.1% (2019: 12.7%) of consolidated net sales of continuing operations and mainly consist of revenues in Polish zloty, Norwegian krone 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 13.6 million (2019: 10.5). If all reporting currencies had been 10% stronger against the euro, the Group net sales would have increased by EUR 16.6 million (2019: 12.9). A significant change in exchange rates may also have an effect on the value of the businesses in Poland, Norway and Sweden. The Group did not hedge against translation risk in 2020, 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 2.7 million (2019: 5.2). 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.

FAIR VALUES OF DERIVATIVE INSTRUMENTS

EUR million	2020	2019
Forward currency exchange contracts - Outside hedge accounting		
Negative fair values	-0.1	-0.1

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 (2019: 0.1).

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 any outstanding commercial paper commitments. The undrawn committed credit facilities are EUR 300 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.

The corona virus pandemic did not have any material impact on the funding sources or general availability of liquid funds for Sanoma in 2020. Due to the increased risk relating to uncertainty in the financial markets, particular attention has been paid to ensuring the availability of sufficient liquidity buffers and flexible funding sources.

THE GROUP'S FINANCING PROGRAMMES IN 2020

EUR million	Amount of limits	Unused credit lines
Syndicated RCF	300.0	300.0
Syndicated term loan	350.0	
Bridge facility	200.0	
Commercial paper programmes	1,100.0	1,084.6
Current account limits	47.0	47.0

In October 2020 Sanoma signed a EUR 480 million bridge loan facility with two relationship banks as funding for the planned Santillana Spain acquisition. This was subsequently converted into EUR 200 million syndicated term loan with a group of ten relationship banks in December 2020. Maturity of the term loan is three years, with a one year extension option. The loan was fully used for the acquisition of Santillana Spain, which closed at the end of the year. The acquisition was further financed with a drawdown of EUR 200 million from the bridge facility, which will be converted to long-term funding in 2021. The remaining EUR 80 million bridge facility was cancelled.

Sanoma also has a EUR 550 million Syndicated Term Loan and Revolving Credit Facility with a group of nine relationship banks, signed in February 2019. The EUR 250 million Term Loan Facility has a maturity of four years, with a balance of EUR 150 million outstanding at the end of 2020. The purpose of the Term Loan was to fund the acquisition of Iddink in the Netherlands. The EUR 300 million Revolving Credit Facility has a maturity of five years and is available for general corporate purposes. Sanoma signed an additional EUR 100 million Revolving Credit Facility in November 2019, which was cancelled in April 2020.

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 2020 the Group fulfilled the requirements of all covenants.

FINANCIAL LIABILITIES

	2020				2019			
EUR million	**Carrying amount**	**Cashflow** [1]	**Undrawn from limits**	**Total**	**Carrying amount**	**Cashflow** [1]	**Undrawn from limits**	**Total**
Loans from financial institutions	549.1	552.1	300.0	852.1	257.2	257.5	400.0	657.5
Commercial paper programmes	15.4	15.5		15.5	341.2	341.5		341.5
Lease liabilities	192.6	192.6		192.6	161.0	161.0		161.0
Other interest-bearing liabilities	18.1	18.1		18.1	21.4	21.4		21.4
Trade payables and other liabilities [2]	100.2	100.2		100.2	88.3	88.3		88.3
Derivatives								
Inflow	-2.6	-2.6		-2.6	-5.2	-5.2		-5.2
Outflow	2.7	2.7		2.7	5.2	5.2		5.2
Total	**875.6**	**878.7**	**300.0**	**1,178.7**	**869.0**	**869.7**	**400.0**	**1,269.7**

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 2020

EUR million	2021	2022	2023	2024	2025	2026–	Total
Loans from financial institutions	252.1	75.0	225.0				552.1
Commercial paper programmes	15.5						15.5
Lease liabilities	29.4	27.3	39.7	20.6	17.8	57.8	192.6
Other interest-bearing liabilities	18.1						18.1
Trade payables and other liabilities [1]	99.9	0.2	0.2				100.2
Derivatives							
Inflow (-)	-2.6						-2.6
Outflow (+)	2.7						2.7
Total	**415.1**	**102.5**	**264.9**	**20.6**	**17.8**	**57.8**	**878.7**

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

MATURITY OF FINANCIAL LIABLITIES 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	**526.7**	**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.

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.

In 2020, Sanoma has reviewed the potential impact of the corona virus pandemic on the expected credit losses. For the Learning SBU, management currently considers the impact of the corona virus pandemic to be very limited and not material, mainly due to the fact that the majority of the customers are B2B customers funded by state, regional or municipal governments. With respect to Sanoma Media Finland's B2B customer receivables there has not yet been any significant change in payment delays. However, if the corona virus pandemic continues or would even intensify, it will potentially increase the credit risk. The financial crisis of 2008-2009 was used as a reference point for estimating the impact of the corona virus pandemic, and the subsequent financial downturn caused by it, on the future B2B credit losses of Sanoma Media Finland. The credit losses have been adjusted to reflect the increased risk accordingly.

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 following table.

THE AGING OF TRADE RECEIVABLES

	2020				2019			
EUR million	**Gross**	**Weighted average loss rate (%)**	**Impairment**	**Net**	**Gross**	**Weighted average loss rate (%)**	**Impairment**	**Net**
Not due	54.4	0.0	0.0	54.4	51.9	0.0		51.9
Past due 1-30 days	15.9	0.3	-0.1	15.8	11.5	0.4	0.0	11.5
Past due 31-120 days	10.0	1.1	-0.1	9.9	6.3	4.4	-0.3	6.1
Past due 121-180 days	2.3	6.4	-0.1	2.1	0.6	41.1	-0.3	0.4
Past due 181-360 days	2.8	7.6	-0.2	2.6	0.9	71.7	-0.6	0.2
Past due more than 1 year	5.2	82.6	-4.3	0.9	3.4	89.7	-3.0	0.3
Total	**90.6**		**-4.9**	**85.8**	**74.6**		**-4.2**	**70.4**

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 3.0 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 2020, the Group's equity ratio is 37.4% (2019: 30.5%) and net debt/adjusted EBITDA ratio is 2.6 (2019: 2.7).

NET DEBT

EUR million	**2020**	**2019**
Interest-bearing liabilities	775.3	817.9
Cash and cash equivalents	114.6	23.2
Total	**660.7**	794.7

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 was subject to customary closing conditions and the Dutch ACM gave its unconditional approval for DPG Media to acquire Sanoma Media Netherlands on 10 April 2020. Sanoma completed the transaction on 20 April 2020. Media Netherlands is reported as discontinued operations in 2019 and 2020 reporting as well as certain Learning operations that are under strategic review.

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

The discontinued operations' income statement and cash flow statement are presented in the following two tables.

INCOME STATEMENT OF DISCONTINUED OPERATIONS

EUR million	2020	Restated 2019
NET SALES	**101.5**	369.3
Other operating income	1.0	15.0
Materials and services	-39.0	-155.0
Employee benefit expenses	-26.5	-75.6
Other operating expenses	-21.6	-76.4
Share of results in joint ventures	1.1	4.0
Depreciation, amortisation and impairment losses	-3.5	-116.4
EBIT	**13.0**	-35.1
Financial income	0.0	0.1
Financial expenses	-0.3	-1.8
RESULT BEFORE TAXES	**12.6**	-36.9
Income taxes	-3.3	-14.6
RESULT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**9.3**	-51.5

CASH FLOWS RELATED TO DISCONTINUED OPERATIONS

EUR million	2020	Restated 2019
Cash flow from operations	-40.0	29.0
Cash flow from investments	511.0	63.7
Cash flow from financing	-415.3	-90.4

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

EUR million	2020	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	0.4	76.4
Contract assets		8.7
Cash and cash equivalents		6.9
Total	**0.4**	619.2

1 In 2019 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	2020	2019
Deferred tax liabilities	0.2	5.6
Non-current provisions		3.0
Non-current financial liabilities and lease liabilities	0.0	30.2
Current provisions		4.9
Current financial liabilities and lease liabilities	0.1	7.1
Income tax liabilities	0.0	0.8
Current trade and other payables	0.3	122.3
Contract liabilities	0.2	49.5
Total	**0.7**	223.3

27. Acquisitions and divestments

Acquisitions in 2020

On 30 April 2020 Sanoma completed the acquisition of Alma Media's regional news media business. The acquisition was announced on 11 February 2020 and unconditional approval of the Finnish Competition and Consumer Authority was received on 19 March 2020. Sanoma acquired 100 % of the shares of Alma Media Kustannus Oy and Alma Manu Oy.

The acquired business consists of Alma Media Kustannus Oy, publisher of leading regional newspapers Aamulehti and Satakunnan Kansa, as well as thirteen local newspapers in Tampere region, Western Finland and Central Finland. It also includes Alma Manu Oy, provider of printing services with a state-of-the-art printing facility in Tampere. Net sales of the acquired business were EUR 99 million in 2019. Subscription sales compose approx. 60% and advertising sales approx. 40% of the total net sales of the acquired business. 365 employees (FTE) working in the acquired business were with the closing become employees of Sanoma Group.

The net sales of the acquired business included in the Group's consolidated income statement since acquisition from 1 May 2020 were approx. EUR 53 million and result for the period was approx. EUR 3 million.

Sanoma estimates that, on top of the approx. EUR 5 million cost savings related to the delivery outsourcing agreement that came into effect on 1 January 2020, the acquisition will create net annual synergies of approx. EUR 13 million. These synergies are expected to be realised in full in 2022 and mainly relate to operational efficiency, procurement and IT, as well as shared operations and support functions.

Cash and debt free purchase price of the acquired business was EUR 115 million, including approx. EUR 37 million of net debt and advances received, and it was paid at closing. The enterprise value represents an EV / pro forma adjusted EBITDA multiple of 5.8 including the impact of the delivery outsourcing agreement, and 3.5 including also synergies. Sanoma has financed the acquisition with funds received from the divestment of Sanoma Media Netherlands, which was completed on 20 April 2020.

Acquisition accounting for acquired business is disclosed in 2020 financial statements as provisional and subjest to changes. The final purchase price of EUR 79 million has been allocated to identified net assets which include trademarks and publishing rights and advertising and printing customer relationships with the remaining residual accounted for as goodwill. The goodwill is attributable mainly to the synergies related to the leverage of Sanoma's digital capabilities, regional access and assembled workforce.

Sanoma booked EUR 12 million of transaction and integration costs as items affecting comparability (IACs) in Sanoma Media Finland's 2020 result. In the income statement transaction costs are mainly included in other operating expenses.

On 31 December 2020 Sanoma acquired 100% of the shares of Santillana Spain, a leading Spanish provider of K12 learning materials, from Promotora de Informaciones S.A. (Grupo Prisa). The acquisition was announced on 19 October 2020. The acquired business is reported as part of Sanoma Learning SBU as of 31 December 2020.

Santillana Spain is a leading provider of learning materials, primarily textbooks, for primary and secondary education in Spain. It offers schools, students and parents recognised and reputable high-quality learning content under well-known brands, such as Santillana, Loqueleo and Richmond, which Sanoma has the right to use through exclusive license agreements. In total, K12 represents approx. 90% and primary education approx. 65% of Santillana Spain's net sales, offering the business high resilience over-the-cycle. Net sales of the acquired business were EUR 128 million in 2019. The 586 employees working in the acquired business became employees of Sanoma Learning as from closing.

Total assets and liabilities of Santillana are included in the Group's consolidated balance sheet on 31 December 2020. Santillana's income statement will be reported as part of Sanoma Learning SBU as of 1 January 2021.

Sanoma estimates that the acquisition will create run-rate net annual synergies of approx. EUR 4 million. The synergies are expected to be realised in full during 2022 and mainly relate to procurement, technology as well as shared operations and support functions.

Cash and debt free purchase price of the acquired business was EUR 465 million, including approx. EUR 56 million of net debt and adjustments, and it was paid at closing. The purchase price represents an EV / pro forma adjusted EBITDA 2019 multiple of 9.3. Sanoma has financed the acquisition fully with debt through two existing debt facilities: a syndicated three-year term loan of EUR 200 million with a group of ten relationship banks signed on 3 December 2020 and a committed bridge financing facility of EUR 280 million (original amount EUR 480 million) with Nordea Bank Abp and OP Corporate Bank plc of which EUR 200 million was utilized at closing. Subsequently, Sanoma will convert the bridge facility into long-term funding.

Acquisition accounting for Santillana Spain is disclosed in 2020 financial statements as provisional and subject to changes. The final purchase price of EUR 409 million has been allocated to identified net assets which include trademarks, customer relationships and inventory with the remaining residual accounted for as goodwill. The goodwill is attributable mainly to the skills of Santillana's work force and the synergies expected to be achieved from integrating the company into the Sanoma Learning business.

Sanoma booked EUR 5 million of transaction costs as items affecting comparability (IACs) in Sanoma Learning's 2020 result. In the income statement transaction costs are included in other operating expenses.

On 1 December 2020 Sanoma Media Finland acquired media sales operations of Four Partners.

Net sales of Sanoma Group would have totalled approx. EUR 1 196 million and result for the period approx. EUR 256 million, if acquisitions had taken place at the beginning of the year 2020.

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

On 5 December 2019 Sanoma Learning acquired itslearning, an international provider of award-winning cloud-based learning platforms founded in 1999 in Norway. Acquisition accounting for itslearning was disclosed in the 2019 financial statements as provisional. The purchase price allocation was finalized during Q2 2020 resulting in EUR 0.2 million decrease in goodwill. The purchase has been allocated to identified net assets which mainly include customer relationships and learning technology platform.

On 17 December 2019 Sanoma Learning acquired 67.3% of the shares of Clickedu, one of the leading providers of digital educational platforms in Spain. The Group elected to recognise the non-controlling interests in Clickedu at its proportionate share of the acquired net identifiable assets. Purchase price allocation was finalized during Q2 2020. The purchase price has been allocated to identified net assets which mainly include customer relationship and learning technology platform, resulting in EUR 8.1 million decrease in goodwill.

IMPACT OF BUSINESS ACQUISITIONS ON GROUP'S ASSETS AND LIABILITIES

	2020				2019		
EUR million	**Santillana**	**Alma**	**Other**	**Total**	**Iddink**	**Other**	**Total**
Property, plant and equipment	1.0	2.0		3.1	51.1	0.3	51.4
Right-of-use assets	5.6	48.5		54.1	16.2	2.5	18.6
Intangible assets	221.5	34.0	8.9	264.3	192.1	40.1	232.1
Other non-current assets	4.3	0.4		4.6	1.4	5.9	7.2
Inventories	18.1	2.5	0.0	20.6	3.9	0.1	4.0
Other current assets	21.4	33.5	0.0	54.9	52.3	11.6	63.9
Assets, total	**271.8**	**120.8**	**8.9**	**401.5**	316.9	60.4	377.3
Non-current liabilities	-67.3	-51.6	-2.3	-121.2	-143.3	-11.1	-154.4
Current liabilities	-25.9	-28.9	-0.1	-54.9	-83.8	-17.6	-101.3
Liabilities, total	**-93.2**	**-80.5**	**-2.4**	**-176.1**	-227.0	-28.7	-255.7
Fair value of acquired net assets	178.7	40.3	6.4	225.4	89.9	31.7	121.6
Acquisition cost	408.7	79.1	0.7	488.5	212.1	58.8	270.9
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities			-0.2	-0.2	0.0	0.2	0.2
Fair value of acquired net assets	-178.7	-40.3	-6.4	-225.4	-89.9	-31.7	-121.6
Goodwill from the acquisitions	**230.1**	**38.8**	**-5.9**	**262.9**	122.2	27.2	149.4

ACQUISITIONS OF NON-CONTROLLING INTERESTS

EUR million	**2020**	**2019**
Acquisition cost	-	8.4
Book value of the acquired interest	-	1.0
Impact on consolidated equity	**-**	-7.4

CASH PAID TO OBTAIN CONTROL, NET OF CASH ACQUIRED

	2020				2019		
EUR million	**Santillana**	**Alma**	**Other**	**Total**	**Iddink**	**Other**	**Total**
Acquisition cost	408.7	79.1	0.7	488.5	212.1	58.8	270.9
Cash and cash equivalents of acquired operations	-4.5	-24.7	0.0	-29.2	-4.5	-7.8	-12.3
Decrease (+) / increase (-) in acquisition liabilities			2.0	2.0	-11.0	-11.2	-22.2
Cash paid to obtain control, net of cash acquired	**404.2**	**54.4**	**2.7**	**461.3**	196.5	39.7	236.3
Cash paid on acquisitions of non-controlling interests							8.4

Acquisitions in 2019

Iddink

On 13 September 2019 Sanoma completed the acquisition of Iddink Group ("Iddink"), a leading Dutch provider of educational platforms and distribution services. 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 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.

Divestments in 2020

On 20 April 2020 Sanoma completed the divestment of Sanoma Media Netherlands to DPG Media. The divestment was announced on 10 December 2019 and it was subject to customary closing conditions, including the approval of Dutch competition authorities, which was announced on 10 April 2020. Sanoma Media Netherlands has been reported as discontinued operations in 2019 and 2020 financial statements.

In total, the divestment resulted in a non-cash capital loss of EUR 107 million (incl. divestment-related transaction costs), of which EUR 105 million has been booked in discontinued operations' 2019 result and EUR 2 million in discontinued operations' 2020 result. See more details in discontinued operations' disclosure on p.29.

The total sales consideration included a cash-based sales price of EUR 62.5 million and EUR 379.9 million of debt repayments.

On 16 July 2020 Sanoma Media Finland divested Oikotie Ltd, a leading online classifieds player in Finland, to Schibsted, the leading player within marketplaces in the Nordics. The agreed enterprise value (EV) of Oikotie was EUR 185 million, corresponding to an EV/EBITDA multiple of 19.6 (based on 2019 pro forma EBITDA). The divestment concluded the evaluation of strategic options for Oikotie, which was announced on 11 February 2020. Oikotie is included in Sanoma's financial reporting until 31 July 2020. Related to the transaction, Sanoma booked a non-cash capital gain of EUR 165 million including divestment-related transaction costs of EUR 2 million in Sanoma Media Finland's 2020 result.

On 27 August 2020 Sanoma divested itslearning Inc.

IMPACT OF DIVESTMENTS ON GROUP'S ASSETS AND LIABILITIES

	2020				2019
EUR million	**SMN**	**Oikotie**	**Other**	**Total**	**Total**
Property, plant and equipment	1.6	0.2	0.0	1.8	0.9
Right-of-use assets	24.2		0.2	24.4	2.1
Goodwill	440.3	17.0		457.3	37.9
Other intangible assets	30.8	2.4		33.2	0.3
Equity-accounted investees	16.8			16.8	
Inventories	10.2	0.0		10.2	0.3
Trade and other receivables	83.5	1.9	2.0	87.4	2.3
Cash and cash equivalents	18.5	7.9	0.6	27.0	3.0
Assets, total	**626.0**	**29.3**	**2.9**	**658.2**	46.9
Deferred tax liabilities	-5.3	-0.2		-5.4	
Financial liabilities	-37.2		-0.1	-37.3	-8.9
Trade and other payables	-518.6	-5.0	-3.2	-526.8	-5.9
Liabilities, total	**-561.1**	**-5.1**	**-3.3**	**-569.6**	-14.8
Derecognised non-controlling interest	-4.4			-4.4	
Net assets	60.4	24.2	-0.5	84.2	32.1
Sales price	62.4	191.0		253.4	44.3
Transaction fees paid	-3.5	-2.0	-0.2	-5.7	-1.1
Adjustment to capital loss	0.1		-0.5	-0.4	
Recognised in Other comprehensive income	-0.3			-0.3	
Net result from sale of operations	**-1.6**	**164.8**	**-0.2**	**163.0**	11.1

CASH FLOW FROM SALE OF OPERATIONS

	2020				2019
EUR million	**SMN**	**Oikotie**	**Other**	**Total**	**Total**
Sales price	62.4	191.0		253.4	44.3
Debt repayments	380.0			380.0	
Cash and cash equivalents of divested operations	-18.5	-7.9	-0.6	-27.0	-3.0
Decrease (+) / increase (-) in receivables from divestment	0.0	0.0	0.1	0.1	12.1
Cash flow from sale of operations	**423.8**	**183.1**	**-0.5**	**606.5**	53.4

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.

28. Subsidiaries and equity-accounted investees

SUBSIDIARIES AT 31 DEC 2020

	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	10.0
Sanoma Media Finland Oy, Finland [1]	100.0		100.0	152.2
Sanoma B.V., The Netherlands	100.0		100.0	0.7
Sanoma Pro Oy, Finland [1]	100.0		100.0	290.5
Young Digital Planet S.A., Poland	100.0		100.0	
Subsidiaries of Sanoma Learning B.V.				
Bureau ICE 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	
Uitgeverij Essener B.V., The Netherlands			100.0	
Subsidiary of Sanoma Trade Oy				
Forum Cinemas Ltd, Ukraine			100.0	
Subsidiaries of Sanoma B.V.				
Independent Media Holding B.V., The Netherlands			100.0	
Sanoma Media Deutschland GmbH, Germany			100.0	
Sanoma Media Russia & CEE B.V., The Netherlands			100.0	
Subsidiaries of Sanoma Media Finland Ltd				
Netwheels Oy, Finland		55.8	55.8	
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	

1 Parent Company of sub group

SUBSIDIARIES AT 31 DEC 2020

	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %	Book value in Parent Company, EUR million
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	
Sanoma Manu Oy, Finland		100.0	100.0	
Subsidiaries of Sanoma Pro Ltd				
Nowa Era Sp. z.o.o., Poland		100.0	100.0	
Sanoma Learning B.V., The Netherlands		100.0	100.0	
Sanoma Utbildning AB, Sweden		100.0	100.0	
Tutorhouse Oy, Finland		80.0	80.0	
itslearning AS, Norway		100.0	100.0	
Santillana Educatión, S.L., Spain			100.0	
Ítaca, S.L., Spain			100.0	
Subsidiaries of Santillana Education				
Grup Promotor D'Ensenyement i Difusió en Catalá, S.L., Spain			100.0	
Edicions Voramar, S.A., Spain			100.0	
Ediciones Grazalema, S.L., Spain			100.0	
Edicions Obradoiro, S.L., Spain			100.0	
Zubia Editoriala, S.L., Spain			100.0	
Santillana Infantil y Juvenil, S.L., Spain			100.0	
Subsidiaries of itslearning AS				
itslearning Ltd, United Kingdom			100.0	
itslearning UK Ltd, United Kingdom			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	

SUBSIDIARIES AT 31 DEC 2020

	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %	Book value in Parent Company, EUR million
itslearning Oy, Finland			100.0	
ITSL KeyMgmt AS, Norway			80.0	
Subsidiary of Nowa Era Sp. z.o.o.				
Vulcan Sp. z.o.o., Poland			100.0	
Subsidiary 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	
Subsidiary of Iddink Spain Srl				
Clickart, Taller De Comunicacio, S.L., Spain			67.3	
				453.4

1 Parent Company of sub group

In 2020 Sanoma did not have subsidiaries with material non-controlling interests. Total non-controlling interest reported in the balance sheet 31 Dec 2020 is EUR 19.7 million (2019: 21.5).

EQUITY-ACCOUNTED INVESTEES AT 31 DEC 2020

	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 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 Finland Ltd				
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	
GAGS Media Oy, Finland		50.0	50.0	
Beely Oy, Finland		26.9	26.9	
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	**2020**	**2019**	**2020**	**2019**
Sale of goods and services				
Entities controlled by management personnel	0.1	0.1	0.0	0.0
Joint ventures	0.0	0.0		1.5
Associates	0.0	0.1		
Total	**0.1**	0.2	**0.0**	1.5
Purchase of goods and services				
Entities controlled by management personnel	-1.3	-1.3	0.2	0.2
Joint ventures	0.0			0.6
Associates	-0.1	0.0		0.5
Total	**-1.3**	-1.4	**0.2**	1.3

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, 2020

	Remuneration (EUR 1,000)	Number of shares on 31 December 2020	Performance and restricted share plan costs (EUR 1,000)	Number of performance shares and restricted shares			
				Performance Share Plan 2018–2020 [2]	Performance Share Plan 2019–2021 [2]	Performance Share Plan 2020–2022 [2]	Restricted Share Plan 2019-2021 [2]
Board of Directors							
Pekka Ala-Pietilä, Chairman	134	15,000					
Antti Herlin, Vice Chairman [1]	83	19,716,800					
Anne Brunila (until 25 March 2020)	19						
Julian Drinkall (as of 25 March 2020)	57						
Rolf Grisebach (as of 25 March 2020)	59						
Mika Ihamuotila	79	150,000					
Nils Ittonen	79	59,000					
Denise Koopmans	83						
Sebastian Langenskiöld	73	645,963					
Rafaela Seppälä	74	10,273,370					
Kai Öistämö	77	8,265					
Total	**813**	**30,868,398**					
President and CEO							
Susan Duinhoven	3,546	358,341	1,409	211,200	216,810	50,000	
Total	**3,546**	**358,341**	**1,409**	**211,200**	**216,810**	**50,000**	
Executive Management Team							
Markus Holm		55,637		22,528	26,740	9,000	
Pia Kalsta		25,574		16,192	19,513	8,200	
Rob Kolkman					31,220	11,550	27,000
Total	**2,158**	**81,211**	**477**	**38,720**	**77,473**	**28,750**	**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 2020–2022 to the President and CEO and EMT members is (exceptionally) the maximum number of shares that can be reached should the adjusted performance measures be fully reached. 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, 2019

				Number of performance shares and restricted shares			
	Remuneration (EUR 1,000)	**Number of shares on 31 December 2019**	**Performance and restricted share plan costs (EUR 1,000)**	**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 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'.

All remuneration decisions for the President and CEO are made within the framework of the Remuneration Policy presented to the Annual General Meeting held on 25 March 2020. 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. The performance criteria set at the beginning of the year 2020 in the 2020 short-term incentive plan of EMT members were based on achieving financial targets of operational EBIT, free cash flow and net sales as well as Sanoma's employee satisfaction objective. For the year 2020 the short-term incentive earning opportunity for the President and CEO was set at 66.7% of her annual salary at target level and 100% at maximum level. For other EMT members the short-term incentive earning opportunity set at the beginning of the year 2020 varied from 45% to 60% of salary at target level and from 67.5% to 90% at maximum level. However, because of the extraordinary business environment due to coronavirus pandemic, the Board decided to adjust the performance targets for Sanoma Group and Sanoma Media Finland in September 2020 to reflect the extreme changes and challenges in the markets. Simultaneously, the Board decided to respectively decrease the maximum earning opportunities of the 2020 performance period to 50% of the original on-target value of the President and CEO and EMT members of those businesses.

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 equalling 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 87,020 for the year 2020 (2019: 86,952), and the statutory pension cost for the year 2020 was EUR 138,909 (2019: 145,152). The pension costs of EMT members were EUR 288,311 in 2020 (2019: 323,556).

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	2020	2019
Other operating income	2	93.9	110.1
Personnel expenses	3	-21.7	-24.0
Depreciation. amortisation and impairment losses	7–9	-277.1	-170.2
Other operating expenses	4	-82.6	-91.2
OPERATING PROFIT (LOSS)		**-287.5**	-175.3
Financial income and expenses	5	286.6	67.1
RESULT BEFORE APPROPRIATIONS AND TAXES		**-0.9**	-108.2
Appropriations	12	47.3	52.9
Income taxes	6	-6.9	-7.0
RESULT FOR THE YEAR		**39.6**	-62.3

Parent Company balance sheet, FAS

ASSETS

EUR million	Note	31 Dec 2020	31 Dec 2019
NON-CURRENT ASSETS			
Intangible assets	7	6.1	4.8
Tangible assets	8	11.0	11.9
Investments	9	1,380.5	1,555.1
NON-CURRENT ASSETS. TOTAL		**1,397.6**	1,571.7
CURRENT ASSETS			
Short-term receivables	10	91.3	103.3
Cash and cash equivalents		95.9	1.6
CURRENT ASSETS. TOTAL		**187.1**	104.9
ASSETS. TOTAL		**1,584.8**	1,676.7

EQUITY AND LIABILITIES

EUR million	Note	31 Dec 2020	31 Dec 2019
SHAREHOLDERS' EQUITY	11		
Share capital		71.3	71.3
Treasury shares		-4.3	-4.6
Fund for invested unrestricted equity		209.8	209.8
Retained earnings		278.1	421.1
Profit for the year		39.6	-62.3
SHAREHOLDERS' EQUITY. TOTAL		**594.4**	635.2
APPROPRIATIONS	12	**0.7**	0.4
LIABILITIES			
Non-current liabilities	13	300.4	200.1
Current liabilities	14	689.2	841.0
LIABILITIES. TOTAL		**989.6**	1,041.1
EQUITY AND LIABILITIES. TOTAL		**1,584.8**	1,676.7

Parent Company cash flow statement, FAS

EUR million	2020	2019
OPERATIONS		
Result for the period	39.6	-62.3
Adjustments		
Income taxes	6.8	7.0
Appropriations	-47.3	-52.9
Financial income and expenses	-286.6	-67.1
Depreciation, amortisation and impairment losses	277.1	170.2
Gains / losses on sale of non-current assets	-0.2	-0.6
Other adjustments	2.1	0.8
Change in working capital		
Change in trade and other receivables	-4.0	-5.7
Change in trade and other payables, and provisions	-7.0	3.8
Dividends received and refunds of capital	285.0	99.5
Interest paid	-4.3	-11.4
Other financial items	-3.5	2.1
Taxes paid	-6.2	-9.9
CASH FLOW FROM OPERATIONS	**251.4**	73.6

EUR million	2020	2019
INVESTMENTS		
Acquisition of tangible and intangible assets	-3.7	-3.8
Sales of tangible and intangible assets	1.6	1.1
Group companies sold	0.0	0.0
Loans granted	-419.2	-324.0
Repayments of loan receivables	327.1	20.2
Interest received	10.4	7.0
CASH FLOW FROM INVESTMENTS	**-83.7**	-299.6
CASH FLOW BEFORE FINANCING	**167.7**	-226.0
FINANCING		
Purchase of treasury shares	-2.4	
Change in loans with short maturity	-331.3	201.3
Drawings of other loans	567.1	343.8
Repayments of other loans	-277.8	-306.7
Dividends paid	-81.6	-73.4
Group contributions	52.6	58.4
CASH FLOW FROM FINANCING	**-73.5**	223.5
Change in cash and cash equivalents according to cash flow statement	**94.3**	-2.6
Net increase(+)/decrease(-) in cash and cash equivalents	**94.3**	-2.6
Cash and cash equivalents at 1 Jan	-1.6	4.2
Cash and cash equivalents at 31 Dec	**95.9**	1.6

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 on 1 may 1999 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	2020	2019
Technology management fee	12.2	25.5
Other management and service fees	54.7	67.8
Rental income	0.1	0.1
Capital gains	0.2	0.6
Gains on mergers		1.8
Other	26.7	14.2
Total	**93.9**	110.1

3. Personnel expenses

EUR million	2020	2019
Wages, salaries and fees	-18.7	-21.1
Pension costs	-2.4	-2.4
Other social expenses	-0.6	-0.5
Total	**-21.7**	-24.0
Average number of employees (full-time equivalents)	177	179

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	2020	2019
Office and ICT expenses	-56.6	-56.3
Professional fees	-21.6	-29.4
Rents	-0.8	-0.8
Losses on sales	0.0	-0.1
Other	-3.7	-4.6
Total	**-82.6**	-91.2

PRINCIPAL AUDIT FEES

EUR million	2020	2019
Statutory audit	-0.4	-0.3
Tax services	0.0	0.0
Other non-audit services		-0.4
Total	**-0.4**	-0.7

5. Financial income and expenses

EUR million	2020	2019
Dividend income		
From Group companies	285.0	66.8
Total	**285.0**	66.8
Interest income from investments under non-current assets		
From Group companies	8.1	8.0
Total	**8.1**	8.0
Other interest and financial income		
From Group companies	0.2	5.9
From other companies	0.1	0.1
Exchange rate gains	2.1	1.4
Total	**2.4**	7.5
Interest and other financial expenses		
To Group companies	-0.1	-0.2
To other companies	-7.0	-13.2
Exchange rate losses	-1.9	-1.8
Total	**-8.9**	-15.2
Total	**286.6**	67.1

In 2020 dividend income from Group companies relates mainly to Dutch subsidiary in consequence of the divestment of Sanoma Media Netherlands.

6. Income taxes

EUR million	2020	2019
Income tax on operational income	-7.2	-7.5
Income taxes from previous periods	0.4	0.6
Total	**-6.9**	-7.0

7. Intangible assets

INTANGIBLE ASSETS 2020

EUR million	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2.8	11.8	2.2	16.7
Increases		2.0	1.3	3.3
Decreases		-0.2		-0.2
Reclassifications		1.5	-1.5	
Acquisition cost at 31 Dec	2.8	15.0	2.0	19.9
Accumulated amortisation and impairment losses at 1 Jan	-2.7	-9.3		-12.0
Depreciation for the period	-0.1	-1.7		-1.8
Accumulated amortisation and impairment losses at 31 Dec	-2.8	-11.0		-13.8
Book value at 31 Dec 2020	**0.0**	**4.0**	**2.0**	**6.1**

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**

8. Tangible assets

TANGIBLE ASSETS 2020

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other	Advance payments	Total
Acquisition cost at 1 Jan	10.9	0.3	3.1	0.3		14.6
Increases			0.1		0.4	0.5
Decreases	-1.2					-1.2
Acquisition cost at 31 Dec	9.7	0.3	3.2	0.3	0.4	13.8
Accumulated depreciation and impairment losses at 1 Jan		-0.1	-2.7			-2.8
Depreciation for the period		0.0	-0.1			-0.1
Accumulated depreciation and impairment losses at 31 Dec		-0.1	-2.8			-2.9
Book value at 31 Dec 2020	**9.7**	**0.2**	**0.4**	**0.3**	**0.4**	**11.0**

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**

9. Investments

INVESTMENTS 2020

EUR million	Interest in Group companies	Receivables from Group companies	Interest in associated companies	Other shares and holdings	Total
Acquisition cost at 1 Jan	1,183.5	821.7	0.2	5.4	2,010.9
Increases		100.7			100.7
Decreases				-0.1	-0.1
Acquisition cost at 31 Dec	1,183.5	922.4	0.2	5.3	2,111.5
Accumulated impairment losses at 1 Jan	-455.0			-0.8	-455.8
Impairment losses for the period	-275.1				-275.1
Accumulated impairment losses at 31 Dec	-730.2			-0.8	-731.0
Book value at 31 Dec 2020	**453.4**	**922.4**	**0.2**	**4.5**	**1,380.5**

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.

Impairment losses recognised from interest in Group companies in the financial year amounted to EUR 275.1 million (2019: 165.7). Impairment loss for 2020 and 2019 relates to Dutch subsidiary in consequence of the divestment of Sanoma Media Netherlands.

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.

In 2020 increases in receivables from group companies include loan related to acquisition of Santillana. Increases in 2019 mainly relate to the acquisition of Iddink.

10. Short-term receivables

EUR million	2020	2019
Trade receivables	10.5	8.1
Loan receivables	19.7	28.5
Accrued income[1]	61.2	66.7
Total	**91.3**	103.3
Receivables from Group companies		
Trade receivables	8.5	8.1
Loan receivables	19.7	28.5
Accrued income	52.4	59.8
Total	**80.6**	96.4

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

11. Shareholders' equity

EUR million	2020	2019
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	-4.6	-8.4
Purchase of treasury shares	-2.4	
Shares delivered	2.8	3.8
Treasury shares at 31 Dec	-4.3	-4.6
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	358.8	494.0
Dividends paid	-81.6	-73.4
Share-based compensation	1.6	2.0
Shares delivered	-0.8	-1.4
Retained earnings at 31 Dec	278.1	421.1
Profit (loss) for the year	39.6	-62.3
Unrestricted equity 31 Dec	**523.1**	564.0
Total	**594.4**	635.2

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

DISTRIBUTABLE EARNINGS

EUR million	2020	2019
Treasury shares	-4.3	-4.6
Fund for invested unrestricted equity	209.8	209.8
Retained earnings	278.1	421.1
Profit (loss) for the year	39.6	-62.3
Total	**523.1**	564.0

12. Appropriations

EUR million	2020	2019
Cumulative depreciation differences	0.7	0.4
Total	**0.7**	0.4

Appropriations in the income statement include group contributions EUR 47.7 million (2019: 52.6) and change in cumulative depreciation differences.

13. Non-current liabilities

EUR million	2020	2019
Loans from financial institutions	300.0	200.0
Accrued expenses	0.4	0.1
Total	**300.4**	200.1

14. Current liabilities

EUR million	2020	2019
Loans from financial institutions	250.0	57.4
Commercial papers	15.4	341.2
Trade payables	13.2	18.6
Accrued expenses [1]	14.3	15.5
Other liabilities	396.3	408.3
Total	**689.2**	841.0
Liabilities to Group companies		
Trade payables	3.4	8.7
Accrued expenses	0.5	0.7
Other liabilities [2]	396.3	408.1
Total	**400.1**	417.4

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.

15. Contingent liabilities

EUR million	2020	2019
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	194.6	186.3
Total	**194.6**	186.3
Other liabilities	7.3	15.4
Total	**7.3**	15.4
Total	**216.9**	216.7

NOMINAL VALUES OF DERIVATIVES

EUR million	2020	2019
Currency derivatives		
Forward exchange contracts, external	2.7	5.2
Forward exchange contracts, internal		-4.4
Total	**2.7**	0.8

FAIRVALUES OF DERIVATIVES

EUR million	2020	2019
Currency derivatives		
Forward exchange contracts, external	-0.1	-0.1
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 2020 were EUR 313,371,937.32 of which the profit for the financial year 2020 was 39,560,876.16 and treasury shares -4,293,803.78. Including the fund for non-restricted equity of EUR 209,767,212.33 the distributable funds amounted to EUR 523,139,149.65 at 31 December 2020.

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

■ a dividend of EUR 0.52 per share shall be paid	EUR 84,779,076.72 *
■ the following amount shall be transferred to the donation reserve and used at the Board's discretion	EUR 700,000.00
■ shareholders' equity shall be set at	EUR 437,660,072.93

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 shall be paid in two instalments. The first instalment of EUR 0.26 per share shall be paid to a shareholder who is registered in the shareholder register of the Company maintained by Euroclear Finland Ltd on the dividend record date 15 April 2021. The payment date proposed by the Board of Directors for this instalment is 22 April 2021.

The second instalment of EUR 0.26 per share shall be paid in November 2021. The second instalment shall be paid to a shareholder who is registered in the shareholder register of the Company maintained by Euroclear Finland Ltd on the dividend record date, which, together with the dividend payment date, shall be decided by the Board of Directors in its meeting scheduled for 26 October 2021. The dividend record date would then be on or about 28 October 2021 and the dividend payment date on or about 4 November 2021.

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

Helsinki, 9 February 2021

Pekka Ala-Pietilä
Chairman

Antti Herlin
Vice Chairman

Julian Drinkall

Rolf Grisebach

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, 5 March 2021

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 2020. 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 flow 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 8 200 000 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 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	8,200,000 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

At the end of year 2020 Sanoma Group includes two reportable segments: Sanoma Media Finland and Sanoma Learning. Sanoma Learning's main markets are Poland, the Netherlands, Finland, Belgium, Sweden and Spain. 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 balance sheet of the acquired Santillana Group as 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 753 million as of 31 December 2020. Goodwill is not amortized 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 108 million ▪ Sanoma Learning, goodwill of EUR 645 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 prepublication rights included in intangible assets **Refer to Accounting policies for consolidated financial statements and Note 12** As of December 31, 2020, prepublication rights amount to EUR 80 million. The prepublication rights of learning materials and solutions are mostly internally generated intangible assets that are amortized using the straight-line method 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 period 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 prepublication rights ■ 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 1 062 million. Revenue from the Learning segment is primarily generated through sale of educational books and granting access to online learning platforms as well as physical distribution of learning materials. Media Finland segment principally generates revenue through magazine and newspaper publishing (circulation sales and advertising sales), TV and Radio operations, online and subscription video on demand services as well as events. 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 recognized ■ We tested revenue contracts and 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 Spanish learning material provider Santillana Spain, acquisition of Alma Media's regional news media business and the divestment of online classifieds business Oikotie. 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 453 million. The Parent Company's investments include also EUR 922 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Appointment

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

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual 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, 5 March 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (APA)

For investors

Investor Relations

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.

IR contact

Kaisa Uurasmaa
Head of Investor Relations and Sustainability
Mobile: +358 40 560 5601
kaisa.uurasmaa@sanoma.com

Financial reporting and 2021 AGM

- Interim Report 1 January–31 March 2021 Friday, 30 April
- Half-Year Report 1 January–30 June 2021 Wednesday, 28 July
- Interim Report 1 January–30 September 2021 Wednesday, 27 October

The 2021 Annual General Meeting will be held on Tuesday, 13 April 2021 pursuant to temporary legislation.

Meeting requests and inquiries

ir@sanoma.com
sanoma.com

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.

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