Financial Statements, Directors' Report and Statement of Non-Financial Information for 2017

Contents

Sanoma in Brief 5
Board of Directors' Report 10
Consolidated income statement 18
Statement of comprehensive income 19
Consolidated balance sheet 20
Changes in consolidated equity 21
Consolidated cash flow statement 22
Notes to the consolidated financial statements 23
1. Accounting policies for consolidated financial statements 23
2. Operating segments 30
3. Reconciliation of operational EBIT 32
4. Assets held for sale and discontinued operations 33
5. Acquisitions and divestments 34
6. Net sales 36
7. Other operating income 36
8. Employee benefit expenses 37
9. Materials and services and other operating expenses 41
10. Financial items 41
11. Income taxes and deferred taxes 42
12. Earnings per share 44
13. Property, plant and equipment 45
14. Investment property 46
15. Intangible assets 47
16. Equity-accounted investees 50
17. Available-for-sale financial assets 51
18. Trade and other receivables, non-current 51
19. Inventories 51
20. Trade and other receivables, current 52
21. Cash and cash equivalents 52
22. Equity 53
23. Share-based payments 54
24. Provisions 58
25. Financial liabilities 59
26. Trade and other payables 60
27. Contingent liabilities 60
28. Operating lease liabilities 61
29. Financial risk management 61
30. Most significant subsidiaries 65
31. Information on subsidiaries with material non-controlling interests 66
32. Related party transactions 67
33. Management compensation, benefits and ownership 68
34. Events after the balance sheet date 70
Shares and shareholders 72
Parent Company income statement, FAS 76
Parent Company balance sheet, FAS 76
Parent Company cash flow statement, FAS 77
Notes to the Parent Company financial statements 78
1. Parent Company's accounting policies for financial statements 78
2. Other operating income 79
3. Personnel expenses 79
4. Other operating expenses 79
5. Financial income and expenses 79
6. Income taxes 79
7. Intangible assets 80
8. Tangible assets 81
9. Investments 82
10. Long-term receivables 83
11. Short-term receivables 83
12. Shareholders' equity 83
13. Appropriations 84
14. Non-current liabilities 84
15. Current liabilities 84
16. Contingent liabilities 84
Board's proposal for distribution of profits and signatures 85
Auditor's report 87
Statement of Non-Financial Information 93
Corporate Governance Statement 104
Risk management 113
Investing in Sanoma 116

Dear shareholders,

The year 2017 was a successful year for Sanoma. More than a year earlier than estimated, we are in the position where we can look towards the future with confidence based on what we have achieved and start to seek growth opportunities.

Media and learning are industries that have an important role in society. Providing means to understand the world around us is the essence of media and education. High quality content produced with rigorous ethics supports the formation of opinions and strengthens democracy.

Digitalisation has transformed media into an uninterrupted information stream present to all users at any time, day or night. We experience an ever more global media era where platforms have become a forum for self-expression and sharing information. However, the importance of locality is not diminished by the advancement of global alternatives. There is a growing space for understanding and covering customer needs in local markets. Sanoma is well positioned to understand and fulfil the needs of our local audiences, whether they are readers, advertisers, teachers or pupils.

The customer is at the heart of the change. A profound understanding of the needs of consumers and advertisers is central for success in this vast change. We must continuously develop and improve our content and user experiences of our digital products and services. Innovation is key to success both for creating new products and developing existing ones.

In our 2016 annual report, I stressed the importance of separating things we can influence from the things that are out of our control. By focusing on the ones we can affect, we can find growth pockets and build on our strengths. In a year, the number of things that we can affect has increased. This year has shown that by strategically selecting and effectively taking action, we gained more control and broadened our future options.

During the year 2017, we made major changes in our Media BeNe portfolio as we divested the Dutch TV business SBS and announced our intention to divest the Belgian women's magazine portfolio. This concluded the major restructuring of our portfolio. In all of our businesses throughout the organisation, we continued to innovate and develop our operations. With our improved financial performance, we have a good foundation to seek growth both in existing businesses and in adjacent areas.

As a result of well executed strategic actions and success in our business operations, our share price developed favourably during the year 2017. Our improved financial performance will reflect our ability to pay dividends to our shareholders. I would like to warmly thank Sanoma's management and all employees for their perseverance and contribution in bringing the company faster than estimated to a stage, where we can look towards the future with confidence in exploring new opportunities.

I hope you will enjoy our annual report. Thank you for your continued trust and support.

Pekka Ala-Pietilä
Chairman of the Board
Sanoma


Pekka Ala-Pietilä


Susan Duinhoven

Dear shareholders,

This year 2017 can be characterised as one of “continuing our Improvement” after the turn-around year of 2016. Also, 2017 was still a year of major change, especially in our Dutch and Belgium media business. The sale of our Dutch TV business SBS to our long-standing partner and co-owner Talpa and our recently announced intention to divest our Belgian women’s magazine portfolio brings us back to our stronghold businesses. From here on we can now focus on growing Sanoma again.

The improvement went faster than we expected leading to several positive profitability outlook upgrades during the year as our outlook improved due to the continued success of our business and the reduction of the risks from divesting our FTA TV business SBS. The markets reacted positively and were supportive of our chosen strategic path, which resulted in an increase in our share price during the second half of the year.

We were able to pay twice as high dividends for 2016 compared to 2015 and still executed our plan to deleverage ahead of the original schedule. We continued to pursue constant cost innovation and improvement of all our processes and the discontinuation of our less profitable businesses and activities. As a consequence, we were well below our long-term leverage target already at the end of 2017.

A continued need for quality journalism

We are living in an era where readers have a strong and increasing need to distinguish between true and fake news. This more than ever emphasized the demand for trustworthy news to provide analysis, guidance and support so that everyone can form their own opinion based on facts. For us as a publisher, this means that we do not always write only what people want to read. Our journalists need to stay true to the facts and show all the angles to a topic. In increasingly polarized societies, where social media and twitter create the platform for disseminating (sometimes too) fast, opinionated and not always fully informed ‘news’ to large numbers of people, we aim to remain an independent reference point. We believe that quality journalism is and will continue to be essential as the trusted source for everyone who wants to get a well-considered and balanced (over) view of the world around us.

The continued need for this proposition is very clearly shown by the increased demand for our news services. Helsingin Sanomat has for the first time in 25 years increased its total number of subscribers. Since May 2017, it had every month more subscribers than the month before. Ilta-Sanomat constantly increased its number of digital users and the number of visits to its site. In the Netherlands too, where we publish the leading online news platform NU.nl, we experienced record high level user engagement. The growing user base and number of visits prove the need for trustworthy and independent news in our society.

Now more than ever there is a demand for independent, high-quality journalism with high ethical standards. Our founders already recognized that the prerequisite for truly independent media is solid financial business performance. This makes it all the more important for us to have been able to reduce our debts and get our business back on solid financial ground. We thank all our stakeholders and shareholders in supporting us to achieve this.

A competent and skilful society is a successful society

The objective of modern education is to develop the full potential of every pupil. This is central in building a strong foundation for a productive and prosperous society. Sanoma’s mission is to support teachers and pupils to realise the best possible learning outcomes and to reach the maximum potential of each child. These opportunities are manifold, especially with the new digital and data driven platforms that enable us to create superior and personalized learning solutions and to engage pupils.

In 2017, we continued with the successful ‘one stop shop’ proposition to Polish schools in order to assist them through the major educational reform and changing school landscape. We increased our market share and benefited from this unique peak in demand in the Polish market. We saw both in Sweden and Finland the continued benefits for our business of rolling out our shared Bingle exercise platform. We view our learning business as an important business area of opportunity for Sanoma now that we are turning to growth with a significantly stronger balance sheet.

The customer in the heart of our strategy

Customer centricity – “following our customer” – is in the heart of our strategy. Transformation is a must in the complex and challenging markets in which we are in, but it is not a goal in itself. It cannot be detached from the customers’ needs. We are focused on fulfilling the needs of our readers as well as teachers, pupils and advertisers. This leads to constant change and improvements supported by a strive to excel while staying humble in our behaviour and company culture. We can only prosper in our business, when our customers value our products and services.

We benefited this year also from a slightly more positive economic outlook in the geographies in which we operate, most notably in Finland where the economic uplift came slightly later in 2016. We provide advertisers means to grow their businesses. The positive interaction between advertising and economic growth reinforces itself as studies show that every euro spent on advertising creates 6–7 euros of GDP (Deloitte, 2017), which leads to increased consumer confidence further reinforcing the value of advertising spend.

Team effort is key to success

I am both grateful and proud of the good and hard work by all our teams and their success in improving their results under still difficult market conditions. Success is truly a team effort. This year, we made some changes in our Executive Management Group. Peter de Mönnink, CEO of Sanoma Media BeNe, moved with the SBS business to Talpa at the end of 2017 after having rounded off the successful transformation of our media business in Belgium and the Netherlands. Marc Duijndam took over from him as the CEO for Sanoma Media BeNe at the beginning of 2018. Kim Ignatius began his well-deserved retirement at the end of year, after having handed over his positions as the Group CFO & COO to Markus Holm already at the beginning of 2017.

I would like to take the opportunity to thank all our shareholders, financial partners, advertisers and customers for supporting us also this year and making it possible for us to continue on our path of improvement.

Susan Duinhoven
President & CEO
Sanoma

Sanoma 2017 in brief

Net sales €
1.4 bn

Operational EBIT margin
12.4%

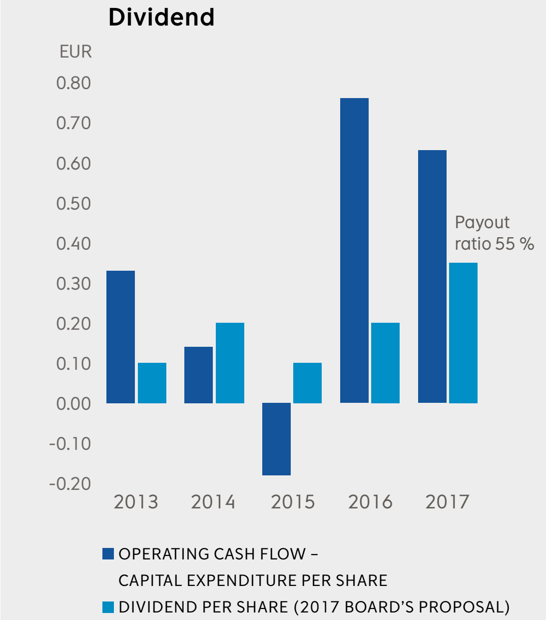
Employees
4,400

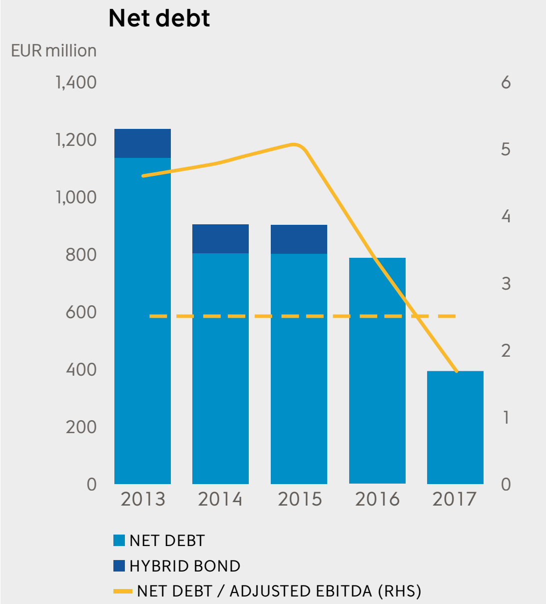
Sanoma is a front running media and learning company impacting the lives of millions every day. We provide consumers with engaging content, offer unique marketing solutions to business partners and enable teachers to excel at developing the talents of every child. We operate in Finland, the Netherlands, Poland, Belgium and Sweden. Sanoma's shares are listed on Nasdaq Helsinki.

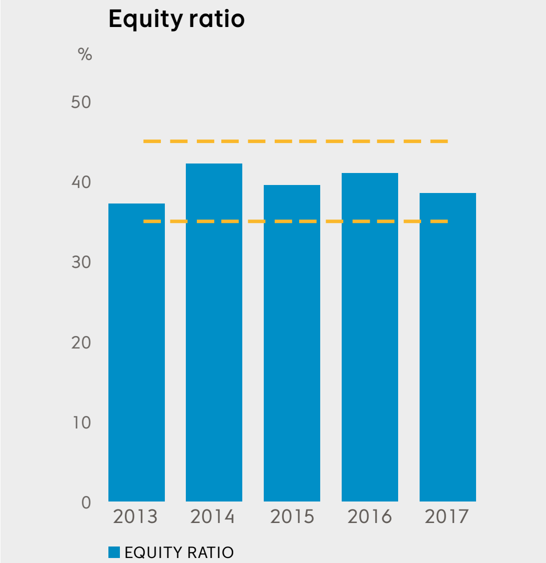
Media BeNe has a leading cross media portfolio in the Netherlands. With strong brands it has a solid market position in many parts of the media industry: magazines, news, events, customer media, e-commerce sites and apps.

Media Finland is the leading Finnish multi-channel media company. Its newspapers, magazines, tv and radio channels as well as online and mobile media offer information, experiences and entertainment, and reach most Finns every day.

Learning is one of Europe's leading learning companies. Its seamlessly integrated print, digital and hybrid solutions help make primary, secondary and vocational education more effective.







Key indicators

EUR million	2017	2016	2015****	2014	2013***
Net sales *	**1,433.4**	1,554.4	1,716.7	1,901.6	2,083.5
EBITDA *	**-48.0**	502.2	266.3	461.4	377.5
% OF NET SALES	**-3.3**	32.3	15.5	24.3	18.1
Operational EBIT *	**178.2**	164.9	83.7	118.8	154.6
% OF NET SALES	**12.4**	10.6	4.9	6.2	7.4
Items affecting comparability in operating profit *	**-417.2**	42.0	-206.8	15.0	-412.4
Operating profit *	**-238.9**	206.9	-123.1	133.8	-257.7
% OF NET SALES	**-16.7**	13.3	-7.2	7.0	-12.4
Result before taxes *	**-260.9**	167.3	-151.4	90.7	-309.5
% OF NET SALES	**-18.2**	10.8	-8.8	4.8	-14.9
Result for the period from continuing operations *	**-300.3**	122.7	-157.7	61.6	-320.3
% OF NET SALES	**-21.0**	7.9	-9.2	3.2	-15.4
Result for the period	**-298.1**	116.0	-157.7	61.6	-320.3
% OF NET SALES	**-20.8**	7.5	-9.2	3.2	-15.4
Balance sheet total	**1,589.2**	2,605.6	2,765.1	3,016.5	3,349.1
Cash flow from operations **	**141.2**	158.1	25.5	73.7	119.1
Capital expenditure *	**38.2**	34.9	54.7	50.7	65.6
% OF NET SALES	**2.7**	2.2	3.2	2.7	3.1
Return on equity (ROE), %	**-47.4**	10.9	-13.6	4.9	-24.2
Return on investment (ROI), %	**-17.3**	9.9	-5.3	6.5	-9.2
Equity ratio, %	**38.5**	41.0	39.5	42.2	37.2
Net gearing, %	**70.7**	78.4	77.8	66.7	95.7
Interest-bearing liabilities	**412.4**	829.6	899.6	918.1	1,280.2
Non-interest-bearing liabilities	**611.8**	773.3	833.3	888.9	888.2
Interest-bearing net debt	**391.8**	786.2	801.2	801.8	1,129.2
Average number of employees (full-time equivalents) *	**4,746**	5,171	6,776	8,259	9,446
Number of employees at the end of the period (full-time equivalents) *	**4,425**	5,038	6,116	7,583	9,035

* The figures for 2017 and 2016 contain only continuing operations. The figures for 2013–2015 include also operations classified as discontinued operations in 2017.
** Dividends received have been transferred from the Cash flow from investments to the Cash flow from operations in 2016 and 2017.
*** The figures for 2013 have been restated because of adoptation of IFRS 11 Joint Arrangements. The standard permits only the equity method in consolidation of joint ventures, and the proportional consolidation method is not allowed any longer.
**** In 2016, Sanoma has adapted a new method for currency translation, changing from cumulative translation to periodic translation. Due to this, there are some minor changes in the historical figures. All figures in these financial statements are presented according to the new method.

Sanoma presents certain financial performance measures (alternative performance measures or APMs) on a non-IFRS basis. The APMs are provided to reflect the underlying business performance and to enhance comparability from period to period. APMs should not be considered as a substitute for measures of performance in accordance with IFRS. More information is available at Sanoma.com.

EUR million	2017	2016	2015****	2014	2013***
Share indicators					
Earnings/share, EUR, continuing operations *	**-1.01**	0.69	-0.91	0.32	-1.89
Earnings/share, EUR	**-0.99**	0.65	-0.91	0.32	-1.89
Earnings/share, diluted, EUR, continuing operations *	**-1.01**	0.69	-0.91	0.32	-1.89
Earnings/share, diluted, EUR	**-0.99**	0.65	-0.91	0.32	-1.89
Operational earnings/share, EUR, continuing operations *	**0.71**	0.50	0.13	0.33	0.44
Operational earnings/share , EUR	**0.73**	0.51	0.13	0.33	0.44
Cash flow from operations/share, EUR **	**0.87**	0.97	0.16	0.45	0.73
Equity/share, EUR	**3.39**	4.39	4.59	5.54	5.42
Dividend/share, EUR *****	**0.35**	0.20	0.10	0.20	0.10
Dividend payout ratio, % *****	**neg.**	30.8	neg.	62.0	neg.
Operational dividend payout ratio, % *****	**47.8**	39.2	78.3	61.5	22.6
Market capitalisation, EUR million ******	**1,774.5**	1,338.4	633.7	748.9	1,039.6
Effective dividend yield, % *****	**3.2**	2.4	2.6	4.3	1.6
P/E ratio	**neg.**	12.7	neg.	14.3	neg.
Adjusted number of shares at the end of the period ******	**163,249,144**	162,333,596	162,082,093	162,812,093	162,812,093
Adjusted average number of shares ******	**162,544,637**	162,291,679	162,721,764	162,812,093	162,812,093
Lowest share price, EUR	**7.58**	3.51	3.13	4.19	5.28
Highest share price, EUR	**12.03**	9.39	5.95	6.85	8.95
Average share price, EUR	**8.90**	6.14	4.28	5.17	6.79
Share price at the end of the period, EUR	**10.87**	8.25	3.91	4.60	6.39
Trading volumes, shares	**36,232,649**	48,152,687	81,355,104	59,025,525	54,326,354
% OF SHARES	**22.3**	29.7	50.0	36.3	33.4

* The figures for 2017 and 2016 contain only continuing operations. The figures for 2013–2015 include also operations classified as discontinued operations in 2017.
** Dividends received have been transferred from the Cash flow from investments to the Cash flow from operations in 2016 and 2017.
*** The figures for 2013 have been restated because of adoptation of IFRS 11 Joint Arrangements. The standard permits only the equity method in consolidation of joint ventures, and the proportional consolidation method is not allowed any longer.
**** In 2016, Sanoma has adapted a new method for currency translation, changing from cumulative translation to periodic translation. Due to this, there are some minor changes in the historical figures. All figures in these financial statements are presented according to the new method.
***** Year 2017 proposal of the Board of Directors.
****** The number of shares does not include treasury shares.

Sanoma presents certain financial performance measures (alternative performance measures or APMs) on a non-IFRS basis. The APMs are provided to reflect the underlying business performance and to enhance comparability from period to period. APMs should not be considered as a substitute for measures of performance in accordance with IFRS. More information is available at Sanoma.com.

Comparable key indicators, adjusted for the SBS divestment

EUR million	1–12/2017	1–12/2016
Net sales	**1,326.6**	1,322.3
EBITDA	**345.7**	359.3
Operational EBIT	**180.6**	149.6
% OF NET SALES	**13.6**	11.3
Operating profit	**187.9**	198.6
Result for the period from continuing operations	**125.8**	116.9
Result for the period *	**128.0**	110.2
Cash flow from operations *	**140.9**	141.2
Capital expenditure **	**36.4**	30.5
% OF NET SALES	**2.7**	2.3
Number of employees at the end of the period (FTE)	**4,425**	4,658
Average number of employees (FTE)	**4,562**	4,792
Earnings/share, EUR, continuing operations	**0.77**	0.67
Earnings/share, EUR *	**0.78**	0.63
Operational earnings/share, EUR, continuing operations	**0.72**	0.46
Operational earnings/share, EUR *	**0.74**	0.47
Cash flow from operations/share, EUR *	**0.87**	0.87

* Includes both continuing and discontinued operations.
** Including finance leases.

Reconciliation of operational EPS

EUR million	1–12/2017	1–12/2016
Result for the period attributable to the equity holders of the Parent Company	**-161.5**	110.8
Current year interest on the hybrid bond net of tax		-5.5
Items affecting comparability *	**280.5**	-22.5
Operational result for the period attributable to the equity holders of the Parent Company	**119.0**	82.8
Adjusted average number of shares	**162,544,637**	162,291,679
Operational EPS	**0.73**	0.51

* When calculating operational earnings per share, the tax effect and the non-controlling interest's share of the items affecting comparability has been deducted.

Reconciliation of interest-bearing net debt

EUR million	31.12.2017	31.12.2016
Non-current financial liabilities	**196.3**	239.1
Current financial liabilities	**216.1**	590.5
Cash and cash equivalents	**-20.6**	-43.4
Interest-bearing net debt	**391.8**	786.2

Definitions of key indicators

Return on equity (ROE), % =
$$\frac{\text{Result for the period}}{\text{Equity total (average of monthly balances)}} \times 100$$

Return on investment (ROI), % =
$$\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average of monthly balances)}} \times 100$$

Equity ratio, % =
$$\frac{\text{Equity total}}{\text{Balance sheet total – advances received}} \times 100$$

Net gearing, % =
$$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Equity total}} \times 100$$

Earnings/share (EPS) =
$$\frac{\text{Result for the period attributable to the equity holders of the Parent Company – tax-adjusted interest on hybrid bond}}{\text{Adjusted average number of shares on the market}}$$

Cash flow/share =
$$\frac{\text{Cash flow from operations}}{\text{Adjusted average number of shares on the market}}$$

Equity/share =
$$\frac{\text{Equity attributable to the equity holders of the Parent Company}}{\text{Adjusted number of shares on the market at the balance sheet date}}$$

Dividend payout ratio, % =
$$\frac{\text{Dividend/share}}{\text{Result/share}} \times 100$$

Market capitalisation = Number of shares on the market at the balance sheet date x share price on the last trading day of the year

Effective dividend yield, % =
$$\frac{\text{Dividend/share}}{\text{Share price on the last trading day of the year}} \times 100$$

P/E ratio =
$$\frac{\text{Share price on the last trading day of the year}}{\text{Result/share}}$$

Interest-bearing net debt = Interest-bearing liabilities - cash and cash equivalents

EBITDA = Operating profit + depreciation, amortisation and impairments

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

Items affecting comparability = Gains/losses on sale, restructuring expenses and impairments that exceed EUR 1 million

Operational EPS =
$$\frac{\text{Result for the period attributable to the equity holders of the Parent Company - tax-adjusted interest on hybrid bond - items affecting comparability}}{\text{Adjusted average number of shares on the market}}$$

Operational dividend payout ratio, % =
$$\frac{\text{Dividend/share}}{\text{Operational EPS}} \times 100$$

Board of Directors' Report

Net sales

Net sales amounted to EUR 1,433.4 million (2016: 1,554.4). Adjusted for the SBS divestment, net sales were stable and amounted to EUR 1,326.6 million (2016: 1,322.3). Non-print media sales, adjusted for the SBS divestment, were stable at EUR 380.0 million (2016: 378.2) and represented 28.6% (2016: 28.6%) of the Group's net sales.

Adjusted for the SBS divestment, advertising sales decreased by 6% to EUR 346.2 million (2016: 366.5) due to divestment of comparison website Kieskeurig.nl and slightly weaker print advertising sales both in Finland and in the Netherlands. Circulation sales decreased by 3% to EUR 474.8 million (2016: 488.6), largely due to lower single copy sales. Net sales from learning grew by 13% to EUR 319.9 million (2016: 282.5) driven by good development in Poland and the acquisition of De Boeck in Belgium. Other sales were stable at EUR 185.8 million (2016: 184.8).

Group's net sales by country

			Adjusted for the SBS divestment	
%	2017	2016	2017	2016
Finland	**43.4**	40.2	**46.9**	47.2
Netherlands	**42.8**	49.1	**38.2**	40.2
Other	**13.8**	10.7	**14.9**	12.6
Total Group	**100.0**	100.0	**100.0**	100.0

Group's net sales by type of sales

			Adjusted for the SBS divestment	
%	2017	2016	2017	2016
Advertising	**30.4**	36.4	**26.1**	27.7
Subscription	**24.8**	23.2	**26.8**	27.2
Single copy	**8.3**	8.3	**9.0**	9.7
Learning	**22.3**	18.2	**24.1**	21.4
Other	**14.2**	14.0	**14.0**	14.0
Total Group	**100.0**	100.0	**100.0**	100.0

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

Adjustments and alternative performance measures

Sanoma announced on 16 January 2018 an intention to divest its Belgian women's magazine portfolio, part of Media BeNe Strategic Business Unit (SBU). Net sales of the divested business were EUR 80.5 million and operational EBIT EUR 6.5 million (EBIT margin 8.1%) in 2017. The divested business is consequently classified as Discontinued operations in this report. All key indicators and income statement related quarterly and FY figures presented in this report, including corresponding periods in 2016, cover Continuing operations only unless otherwise stated.

Sanoma completed the divestment of the Dutch TV operations of SBS on 19 July 2017. SBS was consolidated in Sanoma's income statement until 30 June 2017. To illustrate the effect of the divestment on the Group, some comparable adjusted key figures are presented in this report. Comparable adjusted figures fully exclude the divested operations of SBS, but include 100% of Veronica Uitgeverij. All other figures in this report are based on reported figures and include SBS until the end of June.

Sanoma presents certain financial performance measures (alternative performance measures or APMs) on a non-IFRS basis. The APMs are provided to reflect the underlying business performance and to enhance comparability from period to period. APMs should not be considered as a substitute for measures of performance in accordance with IFRS. More information is available at Sanoma.com.

Result

Operational EBIT improved to EUR 178.2 million (2016: 164.9), corresponding to a margin of 12.4% (2016: 10.6%). Adjusted for the SBS divestment, operational EBIT improved by 21% to EUR 180.6 million (2016: 149.6), corresponding to a margin of 13.6% (2016: 11.3%).

Growth in operational EBIT was driven by strong profitability improvement in Media Finland, including EUR 4.4 million one-off corrections related to changes in accounting estimates in Q1 2017. Significant decline in Group costs booked into Other operations further supported profitability. Operational EBIT, adjusted for the SBS divestment, improved slightly in Media BeNe. Operational EBIT was stable in Learning, with a positive earnings impact of well managed cost innovations and net sales growth offsetting the negative impact of higher development costs as well as increased depreciation and amortisation due to higher investments and certain acquired assets in Belgium.

The Group's operating expenses, adjusted for the SBS divestment and excluding items affecting comparability, decreased by 3%. Cost of sales increased slightly. Paper costs grew slightly, driven by higher net sales in Learning, while transport and distribution costs as well as employee benefit expenses decreased clearly. Fixed costs decreased by 6%.

Operating profit included EUR -417.2 million (2016: 42.0) net of items affecting comparability, mainly related to the capital loss from the divestment of SBS and capital gains related to the sales of real estate in Finland. In the previous year, items affecting comparability included a EUR 74.6 million adjustment for a settlement of defined benefit pension plans in the Netherlands. Operating profit was EUR -238.9 million (2016: 206.9). Adjusted for the SBS divestment, operating profit was EUR 187.9 million (2016: 198.6).

Net financial items totalled EUR -23.3 million (2016: -37.2). The improvement is due to lower interest expenses resulting from the significant decrease of interest-bearing liabilities and lower average interest rate.

Result before taxes amounted to EUR -260.9 million (2016: 167.3). Earnings per share were EUR -1.01 (2016: 0.69) and EUR -0.99 (2016: 0.65) including Discontinued operations. The decrease is related to the items affecting comparability, especially the capital loss related to the divestment of SBS. Operational earnings per share improved by 41% to EUR 0.71 (2016: 0.50).

Balance sheet, financial position and cash flow

At the end of December 2017, the consolidated balance sheet totalled EUR 1,589.2 million (2016: 2,605.6). The decrease is mainly attributable to the deconsolidation of the SBS TV operations.

Equity totalled EUR 554.4 million (2016: 1,002.5). The decrease is related to the capital loss booked due to the SBS divestment and the corresponding deconsolidation of non-controlling interest. Equity per share was EUR 3.39 (2016: 4.39). Interest-bearing net debt amounted to EUR 391.8 million (2016: 786.2).

Equity ratio was 38.5% (2016: 41.0%) at the end of 2017, being at the long-term target corridor of 35%–45% despite the negative impact of the SBS divestment on the total amount of equity.

The return on equity (ROE) was -47.4% (2016: 10.9%) and the return on investment (ROI) was -17.3% (2016: 9.9%).

At the end of 2017, net debt to adjusted EBITDA ratio was 1.7 (2016: 3.2) being clearly below the Group's long-term target level (< 2.5). The adjusted EBITDA used in this ratio is the 12-month rolling operational EBITDA, in which acquired operations are included and divested operations excluded, and depreciation of both programming and prepublication rights have been raised above EBITDA on cash flow basis. The divestment of SBS had a positive effect on this ratio as the net cash consideration of the transaction, EUR 237 million, was used to reduce debt.

In 2017, the Group's cash flow from operations was EUR 141.2 million (2016: 158.1). The positive cash flow impact of higher EBITDA and lower financial items was offset by certain cash-based restructuring costs and changes in working capital. Capital expenditure was EUR 38.2 million (2016: 34.9).

Sanoma's dividend policy is based on cash flow from operations, less capital expenditure. In 2017, cash flow from operations per share was EUR 0.87 (2016: 0.97) and capital expenditure per share was EUR 0.22 (2016: 0.21).

Cash flow from investments amounted to EUR 245.2 million. It was positively impacted by the proceeds from operations sold, including SBS, Sanoma Baltics, and Kieskeurig.nl as well as divested real estate in Finland. In 2016, operations sold included Autotrader.nl, AAC Global, the remaining Russian magazine operations and the Head Office custom publishing operations in Finland.

Investments, acquisitions and divestments

In 2017, capital expenditure including finance leases amounted to EUR 38.2 million (2016: 34.9). Capital expenditure was mainly related to investments in digital business as well as ICT system development and maintenance. Majority of the investments was made to support growth in the learning business.

In November 2017, Sanoma sold an office property at Ludviginkatu 2–10, Helsinki, Finland and recognised a capital gain of EUR 24.3 million.

In July 2017, Sanoma divested 67% of the Dutch TV business SBS for a net cash consideration of EUR 237 million and obtaining 100% ownership of the TV guide business Veronica Uitgeverij. As a result of the transaction Sanoma recognised a non-cash capital loss of EUR -308.1 million. The total impact of the transaction on the Group's net result is EUR -286.2 million.

In June 2017, Sanoma divested the comparison website Kieskeurig.nl in the Netherlands.

In June 2017, Sanoma increased its holding in the Finnish marketing service company Routa from 51% to 80%.

In April 2017, Sanoma divested the online classifieds business of Sanoma Baltics AS and recognised a capital gain of EUR 9.9 million.

In January 2016, Sanoma acquired an 80% stake in the Finnish learning services company Tutorhouse.

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

In February 2016, Sanoma sold its Dutch online car classifieds business Autotrader.nl to AutoScout24. As a result of the transaction, Sanoma recognised a capital gain of EUR 13.3 million.

In June 2016, Sanoma acquired Kortingisleuk.nl and the remaining shares of Scoupy, two Dutch cashback marketing companies.

In June 2016, Sanoma acquired the K-12 educational publishing activities of Group De Boeck in Belgium.

In September 2016, Sanoma sold its Finnish Head Office custom publishing operations.

Events after the reporting period

On 16 January 2018, Sanoma announced an intention to divest its Belgian women's magazine portfolio, part of Media BeNe SBU, to Roularta Media Group. Enterprise value of the divested assets is EUR 34 million. Net sales were EUR 80.5 million and operational EBIT EUR 6.5 million (EBIT margin 8.1%) in 2017.

The divested business is consequently classified as Discontinued operations in this report. All key indicators and income statement related quarterly and FY figures presented in this report, including corresponding periods in 2016, cover Continuing operations only unless otherwise stated.

The transaction is subject to closing conditions including customary regulatory approvals and social consultation with the employee representatives, and is expected to be closed by the end of Q2 2018. Restructuring costs, capital gains and similar one-off items related to the transaction will be booked into the Discontinued operations' net result for 2018.

More information on the Discontinued operations' financial performance is available in Note 4.

Media BeNe

Sanoma Media BeNe includes the Dutch consumer media operations and the press distribution business Aldipress. We have a leading cross media portfolio with strong brands and market positions in magazines, news, events, custom media, e-commerce, websites and apps. Through combining content and customer data, we develop successful marketing solutions for our clients. In total, Sanoma Media BeNe reaches over 12 million consumers every month.

Key indicators

				Adjusted for the SBS divestment		
EUR million	**2017**	**2016**	**Change %**	**2017**	**2016**	**Change %**
Net sales	**543.3**	691.2	-21.4	**436.5**	459.1	-4.9
Non-print	**236.0**	368.3	-35.9	**129.2**	136.1	-5.1
Print	**260.8**	276.8	-5.8	**260.9**	276.9	-5.8
Other	**46.5**	46.1	0.9	**46.5**	46.1	0.8
EBITDA	**-323.7**	267.8		**64.7**	124.9	-48.2
Operational EBIT *	**65.8**	82.7	-20.4	**68.1**	67.3	1.1
% OF NET SALES	**12.1**	12.0		**15.6**	14.7	
Operating profit	**-366.0**	110.9		**55.6**	102.6	-45.8
Capital expenditure	**5.1**	5.9	-14.6	**3.3**	1.5	118.2
Number of employees at the end of the period (FTE)	**1,083**	1,579	-31.4	**1,083**	1,199	-9.7
Average number of employees (FTE)	**1,316**	1,586	-17.0	**1,132**	1,208	-6.3

* Reconciliation of operational EBIT is presented in Note 3.

Media BeNe's net sales were EUR 543.3 million (2016: 691.2) and in 2017 included SBS only for the first half of the year. Net sales, adjusted for the SBS divestment, declined to EUR 436.5 million (2016: 459.1) mainly due to lower advertising sales following the divestment of Kieskeurig.nl. Non-print sales, adjusted for the SBS divestment, amounted to EUR 129.2 million (2016: 368.3; adjusted for the SBS divestment 136.1). Share of non-print sales, adjusted for the SBS divestment, remained stable and represented 29.6% (2016: 53.3%; adjusted for the SBS divestment 29.6%) of net sales.

Adjusted for the SBS divestment, advertising sales decreased by 16% mainly due to the divestment of Kieskeurig.nl and represented 19.0% (2016: 43.1%; adjusted for the SBS divestment 21.5%) of net sales. Circulation sales decreased by 4% and represented 50.0% (2016: 33.0%; adjusted for the SBS divestment 49.6%) of net sales. Majority of the decline was due to lower single copy sales. Other sales were stable.

Based on preliminary market information, Sanoma estimates that the advertising market in the Netherlands decreased on a net basis in consumer magazines by 6% and increased in online including search by 11% in 2017.

Operational EBIT was EUR 65.8 million (2016: 82.7) and in 2017 included SBS only for the first half of the year. Operational EBIT, adjusted for the SBS divestment, improved slightly to EUR 68.1 million (2016: 67.3) as the positive earnings impact of continued cost innovations and streamlined organisation more than offset the negative impact of lower net sales and higher depreciations.

Items affecting comparability included in operating profit totalled EUR -437.1 million (2016: 28.2) and were mainly related to the capital loss on the divestment of SBS, restructuring costs related to the streamlining of the Dutch back office organisation and a provision for unused office space. Related to the SBS divestment a gain of EUR 138.4 million was booked under items affecting comparability in non-controlling interests. The net result impact of the divestment of SBS was EUR -286.2 million. In the comparable period, items affecting comparability consisted of EUR 40.8 million settlement related to changes in the Dutch pension plans, capital gains, restructuring expenses as well as impairments. Operating profit was EUR -366.0 million (2016: 110.9) and adjusted for the SBS divestment EUR 55.6 million (2016: 102.6).

Capital expenditure was EUR 5.1 million (2016: 5.9). Capital expenditure, adjusted for the SBS divestment, totalled EUR 3.3 million (2016: 1.5) and consisted mainly of ICT development and maintenance investments.

Media Finland

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

Key indicators

EUR million	2017	2016	Change %
Net sales	**570.6**	580.9	-1.8
Non-print	**250.9**	242.0	3.6
Print	**319.7**	338.9	-5.6
EBITDA	**162.1**	135.2	19.9
Operational EBIT *	**65.7**	49.5	32.6
% OF NET SALES	**11.5**	8.5	
Operating profit	**71.9**	41.3	74.2
Capital expenditure	**6.3**	5.2	20.0
Number of employees at the end of the period (FTE)	**1,703**	1,718	-0.9
Average number of employees (FTE)	**1,744**	1,797	-3.0

* Reconciliation of operational EBIT is presented in Note 3.

Media Finland's net sales decreased to EUR 570.6 million (2016: 580.9). Non-print sales grew by 4% to EUR 250.9 million (2016: 242.0) and represented 44.0% (2016: 41.7%) of net sales.

Advertising sales were stable and Media Finland's market share in the advertising markets improved in a slightly declining market. Advertising sales represented 46.2% (2016: 46.1%) of net sales. Circulation sales were stable and represented 44.9% (2016: 44.9%) of net sales. Subscription sales grew driven by digital news and VOD, while single copy sales decreased.

According to the Finnish Advertising Trends 2017 survey by Kantar TNS, the advertising market in Finland decreased on a net basis by 3% during the year. Advertising in magazines declined by 6%, in newspapers by 11%, and in TV by 5%, whereas advertising increased on radio by 4% and online excluding search by 7%.

Operational EBIT improved significantly to EUR 65.7 million (2016: 49.5), driven by cost innovations. The operational EBIT also includes EUR 4.4 million one-off corrections related to changes in accounting estimates in Q1 2017.

Items affecting comparability included in the operating profit totalled EUR 6.2 million (2016: -8.2). They included a capital gain related to the divestment of Sanoma Baltics in the second quarter and restructuring expenses. Operating profit increased to EUR 71.9 million (2016: 41.3).

Capital expenditure grew to EUR 6.3 million (2016: 5.2) and included investments in the B2B and data platforms.

Learning

Sanoma Learning is one of Europe's leading learning companies, serving some 10 million pupils and one million teachers. Through our multi-channel learning solutions we help to engage pupils in achieving good learning outcomes, and support the effective work of the professional teachers in primary, secondary and vocational education. Through our local companies, we contribute to some of the world's best-performing education systems including Poland, the Netherlands, Finland, Belgium and Sweden.

Key indicators

EUR million	2017	2016	Change %
Net sales	**319.9**	282.6	13.2
Netherlands	**92.1**	94.4	-2.5
Poland	**100.0**	70.8	41.2
Finland	**53.0**	48.1	10.2
Belgium	**52.7**	44.8	17.5
Sweden	**22.5**	25.1	-10.3
Other companies and eliminations	**-0.4**	-0.6	
EBITDA	**98.0**	107.3	-8.7
Operational EBIT *	**57.0**	56.8	0.3
% OF NET SALES	**17.8**	20.1	
Operating profit	**45.3**	67.4	-32.8
Capital expenditure	**19.7**	17.7	11.3
Number of employees at the end of the period (FTE)	**1,358**	1,439	-5.6
Average number of employees (FTE)	**1,401**	1,413	-0.9

* Reconciliation of operational EBIT is presented in Note 3.

The Learning segment's net sales grew by 13.2% to EUR 319.9 million (2016: 282.6). Majority of the growth came from Poland, where the market momentum, in particular during the third quarter high season, was exceptionally positive due to two simultaneous curriculum reforms. Net sales grew also in Belgium, mainly following the integration of De Boeck acquired in June 2016. Net sales development was positive in Finland, but negative in Sweden versus high growth due to new Swedes in 2016. Net sales declined slightly in the Netherlands, while Learning maintained its market share.

Operational EBIT was stable at EUR 57.0 million (2016: 56.8) with a positive earnings impact of well managed cost innovations and net sales growth offsetting the negative impact of higher development costs as well as increased depreciation and amortisation due to higher investments and certain acquired assets in Belgium.

Items affecting comparability included in the operating profit totalled EUR -11.7 million (2016: 10.5), consisting mainly of impairments and restructuring expenses related to discontinuation of YDP, the international operations based in Poland. In 2016, the items affecting comparability included a positive impact related to the settlement of changing defined benefit pension plans to a defined contribution plan in the Netherlands. Operating profit decreased to EUR 45.3 million (2016: 67.4).

Capital expenditure increased to EUR 19.7 million (2016: 17.7). Majority of the capital expenditure consisted investments in digital platforms and ICT.

Personnel

In 2017, the average number of personnel in full-time equivalents (FTE) employed by the Sanoma Group was 4,746 (2016: 5,171). At the end of 2017, the number of Group employees (FTE) was 4,425 (2016: 5,038). The number of employees (FTE) per SBU at the end of 2017 was following: Media BeNe 1,083 (2016: 1,579), Media Finland 1,703 (2016: 1,718), Learning 1,358 (2016: 1,439) and Other operations 281 (2016: 302).

Wages, salaries and fees paid to Sanoma's employees, including the expense recognition of share based payments, amounted to EUR 340.1 million (2016: 299.6). In 2016, the employee benefit expenses included a EUR 74.6 million adjustment for a settlement of defined benefit pension plans in the Netherlands.

Corporate governance

Sanoma has published separate Corporate Governance Statement and Remuneration Statement in connection with the Board of Directors' Report. The statements are available at Sanoma.com.

Non-financial information

Sanoma has published a separate Statement of Non-Financial Information in connection with the Board of Directors' Report. The statement is available at Sanoma.com.

Share development and trading

In 2017, a total of 36,232,649 (2016: 48,152,687) Sanoma shares were traded on the Nasdaq Helsinki, and traded shares accounted for some 22% (2016: 30%) of the average number of shares. Sanoma's shares traded on the Nasdaq Helsinki corresponded to approx. 73% (2016: 72%) of the total traded share volume on stock exchanges.

During the year, the volume-weighted average price of a Sanoma share on the Nasdaq Helsinki was EUR 8.90 (2016: EUR 6.14), with a low of EUR 7.58 (2016: EUR 3.51) and a high of EUR 12.03 (2016: EUR 9.39). At the end of December, Sanoma's market capitalisation excluding the company's own shares was EUR 1,775 million (2016: 1,338), with Sanoma's share closing at EUR 10.87 (2016: 8.25).

Sanoma's own shares

At the end of December, the company held a total of 316,519 (2016: 478,497) of its own shares, representing 0.2% (2016: 0.3%) of all Sanoma shares and votes.

Share capital and shareholders

At the end of December, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 163,565,663.

More information on Sanoma's share and shareholders is presented on p. 72–75 of the Financial Statements.

Decisions of the Annual General Meeting 2017

The Annual General Meeting (AGM) held on 21 March 2017 adopted the Financial Statements, the Board of Directors' Report and the Auditors' Report for the year 2016 and discharged the members of the Board of Directors as well as the President and CEO from the liability for the financial year 2016. The AGM approved the payment of a dividend of EUR 0.20 per share, as proposed by the Board of Directors.

The AGM confirmed the number of Sanoma's Board members as nine and decided to amend the term of office of Board members to be one year. Board members Pekka Ala-Pietilä, Antti Herlin, Anne Brunila, Mika Ihamuotila, Nils Ittonen, Denise Koopmans, Robin Langenskiöld, Rafaela Seppälä and Kai Öistämö were re-elected as Board members. Pekka Ala-Pietilä was elected as Chairman of the Board and Antti Herlin as Vice Chairman.

The AGM appointed audit firm PricewaterhouseCoopers Oy, with Samuli Perälä, Authorised Public Accountant, as the auditor with principal responsibility, as the auditor of the Company.

BOARD AUTHORISATIONS

The AGM authorised the Board to decide on the repurchase of maximum of 16,000,000 Company's own shares. The authorisation is effective until 30 June 2018 and terminates the corresponding authorisation granted by the 2016 AGM.

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

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

The Board of Directors did not exercise its right under the authorisation during 2017.

Management

At the end of 2017, the Executive Management Group (EMG) comprised the following members: Susan Duinhoven (President and CEO of the Sanoma Group), Markus Holm (CFO and COO), Pia Kalsta (CEO Sanoma Media Finland) and John Martin (CEO Sanoma Learning). Kim Ignatius (Executive Vice President) and Peter de Mönnink (CEO Sanoma Media BeNe) served as members of the EMG until the end of 2017. Marc Duijndam was appointed as the CEO of Sanoma Media BeNe as of 1 January 2018.

Seasonal fluctuation

The net sales and results of media businesses are particularly affected by the development of advertising. Advertising sales are influenced, for example, by the number of newspaper and magazine issues published each quarter, which varies annually. TV advertising in Finland is usually strongest in the second and fourth quarters. Learning accrues most of its net sales and results during the second and third quarters. Seasonal business fluctuations influence the Group's net sales and operating profit, with the first quarter traditionally being clearly the smallest one for both.

Significant near term risks and uncertainty factors

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

General business risks associated with media and learning industries relate to developments in media advertising, consumer spending and public and private education spend. The volume of media advertising in specific is sensitive to overall economic development and consumer confidence. The general economic conditions in Sanoma's operating countries and overall industry trends could influence Sanoma's business activities and operational performance.

Many of Sanoma's identified strategic risks relate to changes in customer preferences, which apply not only to the changes in consumer behaviour, but also to the direct and indirect impacts on the behaviour of business-to-business customers. The driving forces behind these changes are the on-going digitisation and mobilisation and the decrease of viewing time of free-to-air TV. Sanoma takes actions in all its strategic business units to respond to these challenges.

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

Privacy and data protection are an integral part of Sanoma's business. Risks related to data security become more relevant as digital business is growing. Sanoma has invested in data security related technologies and runs a Group-wide privacy programme to ensure that employees know how to apply data security and privacy practices in their daily work. Regulatory changes regarding the use of subscriber and customer data could have a negative impact on Sanoma's ability to acquire subscribers for its content and to utilize data in its business.

Sanoma faces political risks in particular in Poland, where legislative changes can have significant impacts on the learning business. EU level changes currently considered for the Digital Single Market Initiative could have a significant impact on Sanoma's cost efficient access to high quality TV content for the Finnish market.

Sanoma's financial risks include interest rate, currency, liquidity and credit risks. Other risks include risks related to equity and impairment of assets.

Sanoma's consolidated balance sheet included at the end of 2017 EUR 1,185.7 million (2016: 2,095.8) of goodwill, immaterial rights and other intangible assets. Most of this is related to media operations in the Netherlands. Sanoma divested its Dutch TV operations, SBS, on 19 July 2017, which reduced the amount of goodwill, immaterial rights and other intangible assets by EUR 915.8 million. 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.

Outlook for 2018

In 2018, Sanoma expects that the Group's consolidated net sales adjusted for structural changes will be slightly below 2017, and operational EBIT margin will be around 14%.

The outlook is based on an assumption of the consumer confidence and advertising markets in the Netherlands and Finland being in line with that of 2017.

Dividend proposal

On 31 December 2017, Sanoma Corporation's distributable funds were EUR 462.3 million, of which profit for the year made up EUR 156.9 million. Including the fund for non-restricted equity of EUR 209.8 million the distributable funds amounted to EUR 672.0 million.

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

- A dividend of EUR 0.35 per share shall be paid for the year 2017. The dividend shall be paid in two instalments. The first instalment of EUR 0.20 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 26 March 2018. The payment date for this instalment is 4 April 2018. The second instalment of EUR 0.15 per share shall be paid on 1 November 2018.
- A sum of EUR 0.35 million shall be transferred to the donation reserve and used at the Board's discretion.
- The amount left in equity shall be EUR 614.5 million.

According to its dividend policy from 2017 onwards, Sanoma aims to pay an increasing dividend, equal to 40–60% of annual cash flow from operations less capital expenditure.

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.

Annual General Meeting 2018

Sanoma Corporation's AGM will be held on 22 March 2018 at 14:00 Finnish time (CET+1) at Marina Congress Center (Katajanokanlaituri 6, 00160 Helsinki, Finland).

Consolidated financial statements 2017

Consolidated income statement
Continuing operations

EUR million	Note	1.1–31.12.2017	1.1–31.12.2016
Net sales	2, 6	**1,433.4**	1,554.4
Other operating income	7	**63.4**	48.9
Materials and services	9	**-453.2**	-466.7
Employee benefit expenses	8, 23, 33	**-340.1**	-299.6
Other operating expenses *	9	**-755.8**	-334.6
Share of results in joint ventures	16	**4.4**	-0.1
Depreciation, amortisation and impairment losses	13–15	**-191.0**	-295.3
Operating profit		**-238.9**	206.9
Share of results in associated companies	16	**1.4**	-2.4
Financial income	10	**12.9**	10.5
Financial expenses	10	**-36.2**	-47.7
Result before taxes		**-260.9**	167.3
Income taxes	11	**-39.4**	-44.6
Result for the period from continuing operations		**-300.3**	122.7
Discontinued operations			
Result for the period from discontinued operations	4	**2.3**	-6.7
Result for the period		**-298.1**	116.0
Result from continuing operations attributable to:			
Equity holders of the Parent Company		**-163.8**	117.5
Non-controlling interests *	31	**-136.6**	5.2
Result from discontinued operations attributable to:			
Equity holders of the Parent Company		**2.3**	-6.7
Non-controlling interests		**-**	-
Result attributable to:			
Equity holders of the Parent Company		**-161.5**	110.8
Non-controlling interests *	31	**-136.6**	5.2
Earnings per share for result attributable to the equity holders of the Parent Company:	12		
Earnings per share, EUR, continuing operations		**-1.01**	0.69
Diluted earnings per share, EUR, continuing operations		**-1.01**	0.69
Earnings per share, EUR, discontinued operations		**0.01**	-0.04
Diluted earnings per share, EUR, discontinued operations		**0.01**	-0.04
Earnings per share, EUR		**-0.99**	0.65
Diluted earnings per share, EUR		**-0.99**	0.65

* A capital loss of EUR -424.2 million and a EUR 138.3 million adjustment in non-controlling interests relate to the SBS divestment. Total impact of the transaction in the net result is EUR -286.2 million.
On 16 January 2018 Sanoma announced an intention to divest its Belgian women's magazine portfolio. The divested business is classified as Discontinued operations in the 2017 reporting. Accordingly, the consolidated income statement for 2016 has been restated.

Statement of comprehensive income*

EUR million	Note	1.1–31.12.2017	1.1–31.12.2016
Result for the period		**-298.1**	116.0
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Change in translation differences		**2.7**	-4.5
Share of other comprehensive income of equity-accounted investees		**0.0**	-0.3
Cash flow hedges	29		0.6
Income tax related to cash flow hedges			-0.1
Items that will not be reclassified to profit or loss			
Defined benefit plans		**6.9**	-19.5
Income tax related to defined benefit plans		**-1.9**	5.0
Other comprehensive income for the period, net of tax		**7.7**	-18.8
Total comprehensive income for the period		**-290.3**	97.2

Total comprehensive income attributable to:			
Equity holders of the Parent Company		**-153.8**	92.0
Non-controlling interests	31	**-136.6**	5.2

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

Consolidated balance sheet

EUR million	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	7, 9, 13	**44.7**	57.8
Investment property	7, 9, 14	**13.9**	24.5
Goodwill	15	**934.6**	1,663.0
Other intangible assets	15	**251.1**	432.8
Equity-accounted investees	16	**20.8**	21.3
Available-for-sale financial assets	17	**4.0**	5.0
Deferred tax receivables	11	**17.3**	29.9
Trade and other receivables	8, 18	**22.7**	21.8
Non-current assets, total		**1,309.2**	2,256.0
Current assets			
Inventories	19	**40.5**	41.4
Income tax receivables		**6.9**	2.2
Trade and other receivables	20	**209.6**	255.8
Cash and cash equivalents	21	**20.6**	43.4
Current assets, total		**277.5**	342.9
Assets held for sale	4	**2.4**	6.8
ASSETS, TOTAL		**1,589.2**	2,605.6
EQUITY AND LIABILITIES			
Equity	22, 23		
Equity attributable to the equity holders of the Parent Company			
Share capital		**71.3**	71.3
Treasury shares		**-1.4**	-2.1
Fund for invested unrestricted equity		**209.8**	203.3
Translation differences		**-18.5**	-21.3
Retained earnings		**291.7**	461.8
		552.8	713.0
Non-controlling interests	31	**1.7**	289.5
Equity, total		**554.4**	1,002.5
Non-current liabilities			
Deferred tax liabilities	11	**38.3**	60.1
Pension obligations	8	**9.7**	13.7
Provisions	24	**9.0**	7.6
Financial liabilities	25	**196.3**	239.1
Trade and other payables	26	**19.7**	42.9
Non-current liabilities, total		**273.0**	363.4
Current liabilities			
Provisions	24	**17.1**	18.1
Financial liabilities	25	**216.1**	590.5
Income tax liabilities		**15.1**	8.8
Trade and other payables	26	**502.9**	622.1
Current liabilities, total		**751.1**	1,239.5
Liabilities related to assets held for sale	4	**10.6**	0.3
LIABILITIES, TOTAL		**1,034.7**	1,603.1
EQUITY AND LIABILITIES, TOTAL		**1,589.2**	2,605.6

Includes continuing and discontinued operations.
On 31 December 2017, assets held for sale included Belgian women's magazine portfolio, which was classified as Discontinued operations.
On 31 December 2016, assets held for sale included Kiinteistö Oy Lehtikaari 1 and Kiinteistö Oy Lepolankatu 15 that were classified as assets held for sale in December 2016.

Changes in consolidated equity

EUR million	Note	Share capital	Treasury shares	Fund for invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling interests	Equity, total
		Equity attributable to the equity holders of the Parent Company									
Equity at 1 Jan 2016	22	**71.3**	**-3.2**	**203.3**	**-0.5**	**-16.6**	**390.0**	**99.1**	**743.4**	**285.7**	**1,029.1**
Result for the period							110.8		110.8	5.2	116.0
Other comprehensive income					0.5	-4.7	-14.6		-18.8		-18.8
Total comprehensive income					**0.5**	**-4.7**	**96.2**		**92.0**	**5.2**	**97.2**
Share-based compensation	23						1.0		1.0		1.0
Shares delivered	23		1.0				-1.0				
Dividends paid							-16.2		-16.2	-1.4	-17.6
Total transactions with owners of the company			**1.0**				**-16.3**		**-15.2**	**-1.4**	**-16.6**
Acquisitions and other changes in non-controlling interest							-1.4		-1.4	0.0	-1.4
Total change in ownership interest							**-1.4**		**-1.4**	**0.0**	**-1.4**
Redemption of hybrid bond							-0.9	-99.1	-100.0		-100.0
Tax-adjusted interest paid on hybrid bond							-5.8		-5.8		-5.8
Equity at 31 Dec 2016		**71.3**	**-2.1**	**203.3**		**-21.3**	**461.8**		**713.0**	**289.5**	**1,002.5**
Equity at 1 Jan 2017	22	**71.3**	**-2.1**	**203.3**		**-21.3**	**461.8**		**713.0**	**289.5**	**1,002.5**
Result for the period							-161.5		-161.5	-136.6	-298.1
Other comprehensive income						2.8	4.9		7.7		7.7
Total comprehensive income						**2.8**	**-156.6**		**-153.8**	**-136.6**	**-290.3**
Share subscription with options				6.4					6.4		6.4
Share-based compensation	23						1.8		1.8		1.8
Shares delivered	23		0.7				-0.7				
Dividends paid							-32.5		-32.5	-1.6	-34.1
Total transactions with owners of the company			**0.7**	**6.4**			**-31.4**		**-24.3**	**-1.6**	**-25.9**
Acquisitions and other changes in non-controlling interest							17.8		17.8	-149.7	-131.9
Total change in ownership interest							**17.8**		**17.8**	**-149.7**	**-131.9**
Recognition of unpaid dividends							0.0		0.0		0.0
Equity at 31 Dec 2017		**71.3**	**-1.4**	**209.8**		**-18.5**	**291.7**		**552.8**	**1.7**	**554.4**

Consolidated cash flow statement

EUR million	Note	1.1–31.12.2017	1.1–31.12.2016
Operations			
Result for the period		**-298.1**	116.0
Adjustments			
Income taxes	11	**40.8**	41.2
Financial expenses	10	**36.2**	47.5
Financial income	10	**-12.9**	-10.5
Share of results in equity-accounted investees	16	**-5.7**	2.4
Depreciation, amortisation and impairment losses		**195.1**	299.7
Gains/losses on sales of non-current assets		**420.3**	-19.5
Acquisitions of broadcasting rights and prepublication costs		**-167.2**	-207.2
Other adjustments		**1.1**	1.1
Adjustments total		**507.5**	154.6
Change in working capital			
Change in trade and other receivables		**3.7**	18.8
Change in inventories		**0.9**	1.6
Change in trade and other payables, and provisions		**-23.1**	-68.2
Dividends received *		**5.5**	4.7
Interest paid		**-22.1**	-41.5
Other financial items		**1.6**	-4.3
Taxes paid		**-34.7**	-23.4
Cash flow from operations		**141.2**	158.1
Investments			
Acquisition of tangible and intangible assets		**-36.5**	-34.5
Operations acquired	5	**-3.1**	-19.8
Joint ventures and associated companies acquired	16	**-1.5**	-2.1
Proceeds from sale of tangible and intangible assets **		**47.6**	3.0
Operations sold ***	5	**235.4**	34.1
Joint ventures and associated companies sold	5, 16	**2.0**	9.0
Sales of other companies		**0.8**	
Loans granted		**0.0**	-1.7
Repayments of loan receivables		**0.3**	3.5
Interest received		**0.3**	0.4
Cash flow from investments		**245.2**	-8.1
Cash flow before financing		**386.4**	150.1
Financing			
Proceeds from share subscriptions		**6.4**	
Redemption of hybrid bond			-100.0
Contribution by non-controlling interests			0.0
Change in loans with short maturity		**-217.8**	14.1
Drawings of other loans		**172.5**	240.1
Repayments of other loans		**-326.3**	-318.0
Payment of finance lease liabilities		**-0.3**	-0.2
Interest paid on hybrid bond			-7.3
Acquisitions of non-controlling interests	5	**-11.2**	
Dividends paid		**-34.1**	-17.6
Cash flow from financing		**-410.7**	-188.9
Change in cash and cash equivalents according to cash flow statement		**-24.3**	-38.8
Effect of exchange rate differences on cash and cash equivalents		**-0.2**	-0.7
Net increase(+)/decrease(-) in cash and cash equivalents		**-24.5**	-39.5
Cash and cash equivalents at 1 Jan		**43.1**	82.5
Cash and cash equivalents at 31 Dec	21	**18.6**	43.1

Includes continuing and discontinued operations.
* Dividends received have been transferred from the Cash flow from investments to the Cash flow from operations.
** Proceeds from sale of tangible assets in 2017 include the divestment of the property at Ludviginkatu in Helsinki.
*** Operations sold in 2017 include SBS, Sanoma Baltics and Kieskeurig.nl.
Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 2.0 million (2016: 0.4).

Notes to the consolidated financial statements

1. Accounting policies for consolidated financial statements

Corporate information

In 2017, Sanoma Group included three reportable segments i.e. its strategic business units: Sanoma Media BeNe, Sanoma Media Finland and Sanoma Learning. Sanoma Media BeNe includes the Dutch consumer media operations (magazines, events, custom media, websites and apps) as well as the Dutch press distribution business Aldipress. Sanoma Media Finland is the leading multi-channel media company in Finland with a portfolio of magazines, newspapers, TV, radio, online and mobile channels. Sanoma Learning is a leading European provider of multichannel learning solutions. Learning's main markets are Poland, the Netherlands, Finland, Belgium and Sweden. Discontinued operations include Belgian women's magazines operations, which Sanoma intends to divest by the end of the second quarter of year 2018.

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 7 February 2018, 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 2017, 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 2017:

- Amendments to IAS 12 **Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses** (effective for periods beginning on or after 1 January 2017). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendments do not have material impact on the Group's financial statements.
- Amendments to IAS 7 **Statement of Cash Flows – Disclosure Initiatives** (effective for periods beginning on or after 1 January 2017). The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. In accordance with new disclosure requirements, the Group presents a reconciliation of changes in liabilities arising from financing activities.

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 as well as defined benefit pension assets and pension obligations. The assumptions are derived from external sources wherever available. In case of high dependency on assumptions, sensitivity analyses are performed to determine the impact on carrying amounts. Although these estimates are based on the management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

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

Consolidation principles

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

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

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

Sanoma uses the acquisition method when accounting for business combinations. For acquisitions prior to 1 January 2010, Sanoma applies the version of IFRS 3 standard effective as at the acquisition date.

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

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

Sanoma's equity-accounted investees include joint ventures and associated companies, which are accounted for using the equity method. The Group's share of the strategically important joint ventures' and associated companies' result is disclosed separately in operating profit. The Group's share of the result of other equity-accounted investees is reported below operating profit. The carrying amount of equity-accounted investees is presented on one line in the balance sheet and it includes the goodwill originating from those acquisitions. The investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income of the investee. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

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

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

Joint operations are consolidated by recognising the Group's interest in the assets, and obligations for the liabilities, relating to the arrangement, and recognising its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

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

Foreign currency items

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

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

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

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

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

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

Government grants

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

Assets held for sale and discontinued operations

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

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

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

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

Goodwill and other intangible assets

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

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

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

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

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

• Publishing rights	2–20 years
• Software licenses	2–10 years
• Copy- and trademark rights	2–10 years
• Software projects	3–10 years
• Online sites	3–10 years
• Prepublication costs	3–8 years

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

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

Impairment testing

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

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

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

Impairment testing is described in more detail in Note 15.

Property, plant and equipment

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

The depreciation periods of PPE are based on the estimated useful lives and are:

- Buildings and structures 5–40 years
- Machinery and equipment 2–20 years
- Other tangible assets 3–10 years

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

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

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

Investment property

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

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

Leases

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

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

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

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

Inventories

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

Financial assets

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

Derivatives that do not fulfil the conditions for hedge accounting are classified as **financial assets at fair value through profit or loss**. Derivative instruments are initially recognised at fair value on the date when the Group becomes a party to the contractual provision of the derivative, and subsequently measured at fair value on each balance sheet date. Both the unrealised and realised gains and losses arising from changes in fair value are recognised in the financial items in the income statement on the period the changes arise.

Loans and other receivables are assets with a fixed or defined series of payments. These assets are unlisted and not held for trading. These assets are measured at amortised cost and they are presented as current or non-current financial assets. Trade receivables are carried at the expected realisable value. An impairment on trade receivables is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. In addition, an impairment allowance is booked on trade receivables more than 121 days past due.

Available-for-sale financial assets are non-derivative assets that are either determined to be available-for-sale or for which other classification is not applicable. These assets are included in non-current assets unless the Group's intention is to hold the investment for less than 12 months from the balance sheet date. All non-current investments held by the Group are classified as available-for-sale and mainly consist of a number of assets not related to business operations. Sanoma's available-for-sale financial assets do not contain publicly traded investments. These assets are carried at cost according to IAS 39. Investments do not have any material effect on the consolidated balance sheet.

Cash and cash equivalents

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

Financial liabilities

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

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

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

Derivatives

Sanoma may use derivative instruments, such as forward foreign exchange contracts and interest rate swaps, in order to hedge against fluctuations in foreign exchange or interest rates. Sanoma does not apply IAS 39 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.

Risk management principles of financial risks are presented in more detail in Note 29.

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.

Provisions

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

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

Share-based payments

Sanoma has a Performance Share Plan and a Restricted Share Plan. Vesting of Performance Share Plan is subject to meeting the Group's performance targets set by the Board of Directors for annually commencing new plans. The Restricted Share Plan consists of annually commencing new plans subject to the approval of the Board of Directors in each case. Each new Restricted Share Plan offers a possibility to receive Sanoma shares as a long-term incentive reward, provided that the condition of continued employment is fulfilled at the time of the delivery of the share reward.

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

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

The exercise period of Sanoma's last stock option scheme ended on 30 November 2017.

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

Revenue recognition

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

Research and development expenditure

Research expenditure is expensed as incurred.

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

Pensions

The Group's pension schemes in different countries are arranged in accordance with local requirements and legislation. Pension schemes are classified into two categories: defined contribution plans and defined benefit plans. The Group has both defined contribution and defined benefit plans and the related pension cover is managed by both pension funds and insurance companies.

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

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

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

IFRS standards and amendments to be applied later

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

- IFRS 9 **Financial Instruments** and changes there to (effective for periods beginning on or after 1 January 2018). IFRS 9 replaces the current IAS 39 Financial Instruments: Recognition and Measurement. The standard includes updated principles for classification and measurement of financial assets and liabilities and a new model for estimating impairments of financial assets based on expected credit losses. In addition, the regulations related to hedge accounting have been revised.

  Group's financial assets are mostly trade receivables. In addition to trade receivables Sanoma has some other financial assets whose amount is not material. Applying the standard will change the process of booking impairment allowances for trade receivables. Earlier Sanoma has booked impairment allowances on trade receivables that are more than 121 days past due using a provision matrix. According to IFRS 9 impairment allowances should be booked also on trade receivables not yet past due, and future expectations should also be taken into account when booking impairment allowances. This change does not have material impact on the impairment allowance of trade receivables.

  Applying the standard changes also the classification of financial assets as it eliminates the categories of financial assets of the current IAS 39 Financial instruments. IFRS 9 contains three classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. In Sanoma the measurement of financial assets does not change except for equity investments. The standard eliminates the exemption that equity investments, which are not traded in an active market and cannot be reliably measured at fair value, can be measured at cost. Sanoma has used this exemption, but will start measuring such equity investments at fair value following the application of IFRS 9. The amount of such equity investments is limited, and the change does not have a material effect.

IFRS 9 changes also the accounting for modifications of financial liabilities. In 2016 Sanoma issued a bond, the proceeds of which were fully used for a partial redemption of the bond issued in 2012. According to IFRS 9 a gain or loss arising from the difference in contractual cash flows should be recognised in the income statement at the time of the modification. When applying IAS 39, Sanoma has amortised the gain over the life of the modified financial liability. The effect of this change in accounting policy has been calculated and it is not material.

Sanoma has no derivative instruments for which hedge accounting is applied, and thus the regulations related to hedge accounting will not affect Sanoma Group.

Sanoma will not apply the standard retrospectively but will adjust the 1 January 2018 opening balance for the effects of the standard instead. The impact of applying IFRS 9 is insignificant for Sanoma Group.

- IFRS 15 **Revenue from Contracts with Customers** and **Clarifications to IFRS 15** (both effective for financial periods beginning on or after 1 January 2018). Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

  Sanoma started a project to assess the impact of IFRS 15 in 2016 and it continued in 2017. The differences between current revenue recognition policies and the IFRS 15 requirements have been identified and quantified. Sanoma's main revenue streams include magazine and newspaper publishing (circulation sales and advertising sales), TV and Radio operations, online and mobile revenues and learning solutions. For all revenue streams contract reviews of the key revenue contracts have been documented. In magazines and newspaper publishing, the main finding is the need to identify additional performance obligations in cases of providing gifts as premiums to new subscribers. Current TV and Radio revenue recognition is already strongly linked to individual performance obligations, hence the impact of IFRS 15 is considered to be limited. In learning solutions, the main findings are related to revenues of hybrid products (combining print and digital products). In some cases, there is a need to acknowledge multiple performance obligations, which are to be recognised at different moments (over time or at a point in time), depending on the characteristics of the performance obligations. The impact of IFRS 15 on the Group's annual net sales is considered insignificant, although the phasing over individual quarters will be affected. In order to ensure full comparability, Sanoma has decided to apply the retrospective method and not to apply any of the available practical expedients. To enable compliance with IFRS 15 requirements, required changes in the accounting systems will be implemented in Q1 2018. Restated financial figures for 2017 will be disclosed in a separate release during Q1 2018.

- Amendments to IFRS 2 **Share-based Payment – Classification and Measurement of Share-based Payment Transactions** (effective for periods beginning on or after 1 January 2018). The amendments cover three accounting areas: measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings and accounting for a modification of a share-based payment from cash-settled to equity-settled. Sanoma has share-based payment transactions with net settlement features for withholding tax obligations and the amendments will have an impact on Group's financial statements. The EU has not yet adopted the amendments.

- Amendments to IAS 40 **Transfers of Investment Property** (effective for financial periods beginning on or after 1 January 2018). These amendments clarify when transfers of property to, or from, investment property are to be made. The EU has not yet adopted the amendments.

- Annual Improvements to IFRSs (2014–2016 cycle, December 2016) (IFRS 12 change effective for financial years beginning on or after 1 January 2017 and IFRS1 and IAS 28 changes effective for financial years beginning on or after 1 January 2018). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The EU has not yet adopted the amendments. The improvements do not have material impact on the Group's financial statements.

- IFRS 16 **Leases** (effective for financial periods beginning on or after 1 January 2019). IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases. Sanoma has started a project to assess the impact of IFRS 16 in 2017. Information on Sanoma Group's lease contracts has been collected. Sanoma Group's lease contracts are mostly related to leased premises and leased cars. As at the reporting date, Sanoma has non-cancellable lease liabilities of EUR 249.4 million which could result in a material impact on Sanoma Group's financial figures. In the next phase Sanoma will assess system requirements and review solutions able to generate the required lease bookings. In addition, the transition method (full retrospective or modified retrospective approach) and practical expedients to be applied will be chosen.

2. Operating segments

In 2017, Sanoma Group included three reportable segments i.e. its strategic business units: Sanoma Media BeNe, Sanoma Media Finland and Sanoma Learning. Sanoma Media BeNe includes the Dutch consumer media operations (magazines, events, custom media, websites and apps) as well as the Dutch press distribution business Aldipress. Sanoma Media Finland is the leading multi-channel media company in Finland with a portfolio of magazines, newspapers, TV, radio, online and mobile channels. Sanoma Learning is a leading European provider of multi-channel learning solutions. Learning's main markets are Poland, the Netherlands, Finland, Belgium and Sweden. Discontinued operations include Belgian women's magazines portfolio, which Sanoma intends to divest by the end of the second quarter of year 2018.

Sanoma Media BeNe

Sanoma Media BeNe includes the Dutch consumer media operations as well as the Dutch press distribution business Aldipress. In the Netherlands, Sanoma has a leading cross media portfolio with over 30 strong brands and good market positions in magazines, events, custom media, e-commerce, websites and apps. Through combining content and customer data, Sanoma develops successful marketing solutions for advertising clients. In total, Sanoma Media BeNe reaches over 12 million consumers every month.

Sanoma Media Finland

Sanoma Media Finland is the leading media company in Finland. Sanoma provides information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, magazines, online and mobile channels. It has leading brands and services, like Aku Ankka, Me Naiset, Helsingin Sanomat, Oikotie, Ilta-Sanomat, Nelonen, Radio Suomipop and Ruutu. Sanoma's brands reach almost all Finns every day. For advertisers we are a trusted partner with insight, impact and reach.

Sanoma Learning

Sanoma Learning is one of Europe's leading learning companies, serving some 10 million pupils and one million teachers. Through the multi-channel learning solutions Sanoma helps to engage pupils in achieving good learning outcomes, and supports the effective work of the professional teachers in primary, secondary and vocational education. Through the local companies, Sanoma contributes to some of the world's best performing education systems including Poland, the Netherlands, Finland, Belgium and Sweden.

Unallocated/eliminations

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

Segments 2017, EUR million	Media Bene	Media Finland	Learning	Unallocated / Eliminations	Continuing operations	Discontinued operations	Eliminations	Consolidated
External net sales	543.3	570.2	319.9		1,433.4	79.2		1,512.6
Internal net sales		0.4	0.0	-0.4		1.3	-1.3	
Net sales	543.3	570.6	319.9	-0.4	1,433.4	80.5	-1.3	1,512.6
Depreciation, amortisation and impairment losses	-42.3	-90.2	-52.7	-5.8	-191.0	-4.2		-195.1
Operating profit	-366.0	71.9	45.3	9.8	-238.9	3.6		-235.4
Operational EBIT	65.8	65.7	57.0	-10.2	178.2	6.5		184.8
Share of results in associated companies	1.2	0.2			1.4			1.4
Financial income				12.9	12.9	0.2	-0.2	12.9
Financial expenses				-36.2	-36.2	-0.1	0.2	-36.2
Profit before taxes					-260.9	3.6		-257.3
Capital expenditure	5.1	6.3	19.7	7.1	38.2	0.0		38.2
Goodwill	581.0	77.7	443.6	-167.7	934.6			934.6
Equity-accounted investees	15.6	4.9		0.4	20.8			20.8
Segment assets	767.2	230.6	672.5	-129.0	1,541.3	1.3		1,542.6
Other assets								46.6
Total assets								1,589.2
Segment liabilities	753.3	220.4	118.3	-533.5	558.4	10.6		569.0
Other liabilities								465.7
Total liabilities								1,034.7
Cash flow from operations	38.4	61.6	62.3	-26.9	135.4	5.1	0.7	141.2
Average number of employees (full-time equivalents)	1,316	1,744	1,401	285	4,746	182		4,928

Segments 2016, EUR million	Media Bene	Media Finland	Learning	Unallocated / Eliminations	Continuing operations	Discontinued operations	Eliminations	Consolidated
External net sales	691.2	580.5	282.5	0.3	1,554.4	84.7		1,639.1
Internal net sales		0.4	0.1	-0.6		0.8	-0.8	
Net sales	691.2	580.9	282.6	-0.3	1,554.4	85.5	-0.8	1,639.1
Depreciation, amortisation and impairment losses	-156.9	-93.9	-39.9	-4.5	-295.3	-4.4		-299.7
Operating profit	110.9	41.3	67.4	-12.6	206.9	-10.3		196.6
Operational EBIT	82.7	49.5	56.8	-24.0	164.9	2.9		167.9
Share of results in associated companies	-2.2	0.3	-0.4	-0.2	-2.4			-2.4
Financial income				10.5	10.5	0.2	-0.2	10.5
Financial expenses				-47.7	-47.7	0.0	0.2	-47.5
Profit before taxes					167.3	-10.2		157.2
Capital expenditure	5.9	5.2	17.7	6.0	34.9	-0.1		34.8
Goodwill	1,301.8	86.5	274.2	0.4				1,663.0
Equity-accounted investees	17.1	3.7	0.1	0.4				21.3
Segment assets	1,720.2	258.1	505.0	43.6				2,526.9
Other assets								78.7
Total assets								2,605.6
Segment liabilities	932.1	215.9	110.3	-553.6				704.7
Other liabilities								898.5
Total liabilities								1,603.1
Cash flow from operations	79.7	81.0	56.5	-59.1				158.1
Average number of employees (full-time equivalents)	1,586	1,797	1,413	374	5,171	213		5,384

The accounting policies for segment reporting do not differ from the accounting policies for the consolidated financial statements. The decisions concerning assessing the performance of operating segments and allocating resources to the segments are based on segments' operating profit. Sanoma's 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 2017, EUR million	Finland	The Netherlands	Other EU countries	Non-EU countries	Eliminations	Continuing operations	Discontinued operations	Eliminations	Consolidated
External net sales	622.1	613.0	198.3			1,433.4	79.2		1,512.6
Non-current assets	329.3	862.8	76.2	-0.2	0.0	1,268.2	1.1	0.0	1,269.3

Information about geographical areas 2016, EUR million	Finland	The Netherlands	Other EU countries	Non-EU countries	Eliminations	Continuing operations	Discontinued operations	Eliminations	Consolidated
External net sales	624.1	762.9	167.2	0.2	0.0	1,554.4	84.7	0.0	1,639.1
Non-current assets	234.3	1,770.9	199.5					0.0	2,204.8

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. Reconciliation of operational EBIT

Continuing operations, EUR million	2017	2016
Operating profit	-238.9	206.9
Items affecting comparability *		
Media BeNe		
Impairments		-13.6
Capital gains/losses **	-424.9	13.3
Restructuring expenses	-12.1	-12.3
Others		
Settlement of Dutch defined benefit pension plans		40.8
Media Finland		
Capital gains/losses	10.8	0.5
Restructuring expenses	-4.5	-7.5
Others		
Transfer of surplus assets in Sanoma Pension Fund		-1.2
Learning		
Impairments	-7.8	-4.4
Restructuring expenses	-6.2	-10.9
Others		
Settlement of defined benefit pension plans	2.3	22.9
Transfer of surplus assets in Sanoma Pension Fund		3.0
Other companies		
Capital gains/losses	25.8	2.7
Restructuring expenses	-0.5	-0.4
Others		
Transfer of surplus assets in Sanoma Pension Fund		-1.8
Settlement of Dutch defined benefit pension plans		11.0
Total	-417.2	42.0
Operational EBIT, continuing operations	178.2	164.9

Items affecting comparability in financial income and expenses, EUR million	2017	2016
Impairment of loan		-4.6
Impairments	-0.1	
Total	-0.1	-4.6
Items affecting comparability in non-controlling interest **	138.4	2.5

Items affecting comparability in discontinued operations, EUR million	2017	2016
Impairments	-2.5	
Restructuring expenses	-0.5	-13.2
Total	-3.1	-13.2

* Items affecting comparability are unaudited.
** A capital loss of EUR -424.2 million and a EUR 138.4 million adjustment in non-controlling interests relate to the SBS divestment. Total impact of the transaction in the net result is EUR -286.2 million.

4. Assets held for sale and discontinued operations

Discontinued operations in 2017

On 16 January 2018, Sanoma announced an intention to divest its Belgian women's magazine portfolio to Roularta Media Group by the end of the second quarter of 2018. The operations were reclassified as discontinued operations. The income statement, balance sheet and cash flow statement are presented in the following tables.

Income statement of discontinued operations

EUR million	1.1.–31.12.2017	1.1.–31.12.2016
Net sales	**80.5**	85.5
Other operating income	**0.0**	0.1
Materials and services	**-34.5**	-36.1
Employee benefit expenses	**-14.9**	-25.9
Other operating expenses	**-23.4**	-29.7
Share of results in joint ventures		0.2
Depreciation, amortisation and impairment losses	**-4.2**	-4.4
Operating profit	**3.6**	-10.3
Financial income	**0.2**	0.2
Financial expenses	**-0.1**	0.0
Result before taxes	**3.6**	-10.2
Income taxes	**-1.4**	3.5
Result for the period from discontinued operations	**2.3**	-6.7

Cash flows related to discontinued operations

EUR million	1.1.–31.12.2017	1.1.–31.12.2016
Cash flow from operations	**5.1**	-14.8
Cash flow from investments	**-5.8**	16.0
Cash flow from financing	**0.0**	-0.1

Assets and liabilities related to discontinued operations in 2017

Assets related to discontinued operations, EUR million	2017
Goodwill	0.4
Other intangible assets	0.7
Deferred tax receivables	1.2
Inventories	0.1
Total	**2.4**

Liabilities related to discontinued operations, EUR million	2017
Pension obligations	4.0
Trade and other payables	6.7
Total	**10.6**

The assets held for sale are valued at carrying value.

Assets held for sale in 2016

In March 2016, Sanoma closed the transaction to sell the remaining operations in Russia that were classified as assets held for sale on 31 December 2015.

In December 2016, real estate companies Kiinteistö Oy Lehtikaari 1 and Kiinteistö Oy Lepolankatu 15 were classified as assets held for sale. Sanoma signed an agreement to sell these two printing and office facilities in Kouvola and Lappeenranta to Länsi-Savo Oy in December 2014. The transaction was closed in March 2017.

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

Assets held for sale, EUR million	2016
Property, plant and equipment	6.8
Trade and other receivables	0.0
Total	**6.8**

Liabilities related to assets held for sale, EUR million	2016
Deferred tax liabilities	0.2
Trade and other payables	0.0
Total	**0.3**

The assets held for sale are valued at carrying value.

5. Acquisitions and divestments

Impact of business acquisitions on Group's assets and liabilities, EUR million	2017	2016
Property, plant and equipment		0.5
Intangible assets	3.2	23.9
Other non-current assets		2.0
Inventories		3.5
Other current assets		5.3
Assets, total	3.2	35.3
Non-current liabilities		-16.9
Current liabilities	-0.4	-6.7
Liabilities, total	-0.4	-23.5
Fair value of acquired net assets	2.8	11.7
Acquisition cost	2.9	25.5
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities		0.0
Fair value of previously held interest		2.2
Fair value of acquired net assets	-2.8	-11.7
Goodwill from the acquisitions	0.1	15.9

Acquisitions of non-controlling interests, EUR million	2017	2016
Acquisition cost	14.0	1.7
Book value of the acquired interest	2.6	-0.2
Impact on consolidated equity	-11.4	-1.9

Cash paid to obtain control, net of cash acquired, EUR million	2017	2016
Purchase price paid in cash	2.9	27.2
Cash and cash equivalents of acquired operations		-0.9
Decrease (+) / increase (-) in acquisition liabilities	0.1	-6.6
Cash paid to obtain control, net of cash acquired	3.1	19.8
Cash paid on acquisitions of non-controlling interests	11.2	

Acquisitions in 2017

In 2017, Sanoma invested EUR 16.9 million in business acquisitions. The impact of each individual acquisition on the Group's figures was minor.

In May, Sanoma Media Finland acquired Urheilulehti from A-lehdet. With the deal the brands of Urheilusanomat and Urheilulehti were combined.

In June, Sanoma Media Finland increased its holding in the Finnish marketing service company Routa from 51% to 80% and transferred its own small and medium sized enterprises advertising sales, know-how and personnel to the company.

In September, Sanoma Media Finland acquired the operations of Talovertailu.fi from Nettirakentajat Oy. No personnel was transferred with the transaction.

In October, Sanoma Media Finland acquired the operations of LKI-Asiantuntijapalvelut Oy. The company's product portfolio includes Finland's leading real estate brokerage system PDX + and PDX Construction, a housing sales and marketing tool for construction companies. With the transaction, employees of LKI-Asiantuntijapalvelut Oy were transferred to Oikotie.

Acquisitions in 2016

In 2016, Sanoma invested EUR 27.2 million in business acquisitions. The impact of each individual acquisition on the Group's assets and liabilities was minor. The combined effect of the acquisitions since the acquisition date on the Group's net sales amounted to EUR 13.0 million, and on operating profit EUR -4.3 million.

In January, Sanoma acquired 80% stake in the Finnish learning services company Tutorhouse.

In June, Sanoma acquired the Dutch cashback marketing companies, Kortingisleuk.nl and the remaining shares of Scoupy. Companies had 38 employees at the end of 2016.

In June, Sanoma acquired the K-12 educational publishing activities of Group De Boeck in Belgium from Ergon Capital Partners. De Boeck had 82 employees at the end of 2016.

Divestments in 2017

Impact of divestments on Group's assets and liabilities, EUR million	SBS	Other	2017 Total	2016
Property, plant and equipment	2.6	0.1	2.7	2.6
Goodwill	715.5	14.3	729.8	10.0
Other intangible assets	200.3	2.6	202.9	4.5
Inventories				0.0
Trade and other receivables	38.3	0.7	39.0	14.5
Cash and cash equivalents	25.8	3.1	28.9	2.3
Assets, total	982.5	20.8	1,003.3	34.1
Deferred tax liabilities	-18.1	-0.6	-18.7	-1.1
Financial liabilities	-46.0		-46.0	-0.6
Trade and other payables	-112.4	-0.6	-113.0	-5.0
Liabilities, total	-176.6	-1.1	-177.7	-6.7
Derecognised non-controlling interest	-117.2		-117.2	
Net assets	688.7	19.7	708.4	27.4
Adjustment to capital loss		0.3	0.3	
Reclassification of foreign currency differences				0.4
Sales price	237.1	29.0	266.1	44.7
Transaction fees paid	-5.6	-0.3	-5.9	
Net result from sale of operations	-457.2	9.3	-448.0	17.7

Cash flow from sale of operations, EUR million	SBS	Other	2017 Total	2016
Sales price	237.1	29.0	266.1	44.7
Transaction fees paid	-5.6	-0.3	-5.9	
Cash and cash equivalents of divested operations	-25.8	-3.1	-28.9	-2.3
Decrease (+) / increase (-) in receivables from divestment		4.2	4.2	0.7
Cash flow from sale of operations	205.6	29.7	235.4	43.1

In April 2017, Sanoma divested the online classifieds business of Sanoma Baltics AS and recognised a capital gain of EUR 9.9 million.

In June, Sanoma divested the comparison website Kieskeurig.nl in the Netherlands.

In July, Sanoma divested 67% of the Dutch TV business SBS for a net cash consideration of EUR 237 million and obtaining 100% ownership of the TV guide business Veronica Uitgeverij. As a result of the transaction Sanoma recognised a non-cash capital loss of EUR -308.1 million. The total impact of the transaction on the Group's net result is EUR -286.2 million.

Divestments in 2016

In December 2015, Sanoma sold its 50% stake in Fashion Press and other remaining Russian assets (the remaining operations in United Press and 50% stake in Mondadori Independent Media). Sanoma closed the transaction in March 2016.

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

In February, Sanoma sold its Dutch online car classifieds business Autotrader.nl to AutoScout24. As a result of the transaction Sanoma recognised a capital gain of EUR 13.3 million.

In September, Sanoma sold its Finnish Head Office custom publishing operations to Fokus Media.

6. Net sales

Distribution of net sales between goods and services, continuing operations, EUR million	2017	2016*
Sale of goods	**854.3**	752.8
Rendering of services	**579.0**	801.6
Total	**1,433.4**	1,554.4

* Comparative figures have been adjusted because Belgian women's magazine portfolio was classified as Discontinued operations.

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, and also press distribution sales. In addition, sales of services include user fees for e-learning solutions and databases.

7. Other operating income

Other operating income, continuing operations, EUR million	2017	2016*
Gains on sale of property, plant and equipment	**1.1**	1.0
Gains on sale of Group companies and operations	**10.8**	16.8
Gains on sale of joint ventures and associated companies		0.8
Gains on sale of investment property	**25.8**	
Rental income from investment property	**2.9**	2.8
Other rental income	**4.2**	3.1
Government grants	**0.1**	0.3
Other	**18.4**	24.1
Total	**63.4**	48.9

* Comparative figures have been adjusted because Belgian women's magazine portfolio was classified as Discontinued operations.

In 2017, gains on sale of Group companies and operations includes EUR 9.9 million gain on sale of online classifieds business of Sanoma Baltics AS. Gains on sale of investment property includes EUR 24.3 million gain on the sale of the property at Ludviginkatu in Helsinki.

In 2016, gains on sale of Group companies and operations included EUR 13.3 million gain on sale of Dutch online car classified business Autotrader.nl and EUR 1.9 million gain on sale of Finnish language service company AAC Global Oy.

Other operating income includes EUR 3.1 million (2016: 2.0) reprography fee income, EUR 4.2 million (2016: 2.9) income related to alternative payment methods and EUR 1.7 million (2016: 4.9) income from recharge of broadcasting costs.

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

8. Employee benefit expenses

Employee benefit expenses, continuing operations, EUR million	2017	2016*
Wages, salaries and fees	**-272.9**	-301.4
Equity-settled share-based payments	**-1.8**	-1.0
Cash-settled share-based payments	**-4.4**	-2.6
Pension costs, defined contribution plans	**-33.5**	-36.5
Pension costs, defined benefit plans	**-0.4**	71.6
Other social expenses	**-27.1**	-29.7
Total	**-340.1**	-299.6

* Comparative figures have been adjusted because Belgian women's magazine portfolio was classified as Discontinued operations.

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

Post-employment benefits

The Sanoma Group has various schemes for personnel's pension cover that comprise both defined contribution and defined benefit pension plans. Pension schemes are arranged in accordance with local requirements and legislation. The majority of the pension plans are of defined contribution structure, where the employer contribution and resulting income charge is fixed at a set level or is set at a percentage of employee's pay. Contributions made to defined contribution pension plans and charged to the income statement totalled EUR 33.5 million (2016: 36.5). Within the Sanoma Group, there are several defined benefit pension plans. At the end of 2017 the defined benefit pension plans relate to Finland and Belgium. In 2016 the defined benefit pension plans in the Netherlands were replaced by a new defined contribution plan. During 2016 all further legal and constructive obligations for the benefits provided under the former Dutch defined benefit pension plans were eliminated, as a result of which a settlement gain EUR 75.3 million according to IAS19 was accounted for in 2016.

Finland

In addition to TyEL insurance policies, the Group also has a pension fund in Finland responsible for the statutory pension cover for certain Group companies, as well as for supplementary pension schemes. The pension schemes arranged by a pension fund are classified as defined benefit plans. In addition to pension fund, in Finland 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. Normal retirement age is 65, but can be lower in certain cases.

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

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

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

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

Finnish Parliament has adopted pension reform which 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.

Belgium

Sanoma Media Belgium has two pension plans that both qualify as defined benefit pension plan according to IAS19:

- A defined benefit plan for employees in service before 2005
- A contribution plan with guaranteed minimal returns for employees in service since 2005

The plan rules of both pension schemes are in accordance with the Belgian Law on Supplementary Pensions.

The defined benefit plan guarantees a lump sum payment at retirement based on the final salary and the years of service. In case of death before retirement a lump sum payment for the heirs is insured. The employee contribution is limited to a fixed percentage of the annual salary whereas the employer contribution is variable based on the required accrual to end at the guaranteed retirement payment.

Employer and employee contributions in the contribution plan are based on a fixed percentage of the annual salary. Within this budget each employee has the free choice to choose the life assurance and disability insurance he prefers. The remaining budget is invested in a retirement lump sum. The plan does guarantee a minimal return which has been partly insured, leaving a limited remaining defined benefit liabilitity for the employer. The possible funding risk of the minimal employer guarantee is valuated and accounted for in accordance with IAS19.

Both pension schemes are fully insured with an external insurance company. This means that the contributions are invested on individual insurance contracts with different rates of return guaranteed by the insurer on different premium levels. Each year the insurer can offer a supplementary return as profit sharing or participation in benefits but the value of the reserves can never decrease due to the guaranteed minimal return. The actual return on assets is determined by the guaranteed interest rates (plus a possible profit sharing) and is not dependent on the valuation of underlying investments of the insurer. For that reason the investment risk and the investment policy rest with the insurer.

Since the Belgian pension plans guarantee lump-sum payments at retirement, the longevity risk is limited. Although pensioners have the choice to transform the lump-sum payment into a lifelong periodic pension, the vast majority of pensioners choose to receive the lump-sum payment since due to advantageous taxation. At this moment no pensioners of Sanoma Media Belgium have chosen yet for the lifelong pension.

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

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

Pension costs recognised in the income statement, EUR million	2017	2016
Current service costs	**-2.5**	-2.5
Net interest		-0.7
Past service cost	**-1.0**	-1.5
Effect of curtailments and settlements	**2.3**	76.4
Administration costs	**-0.2**	-0.2
Total	**-1.3**	71.4

In 2017, defined benefit pension cost includes EUR 0.9 million (2016: 0.1) cost related to defined benefit plan classified as discontinued operations.

In 2017, the effect of curtailment is related to change in defined benefit plan in Finland. The 2016 effect of curtailments and settlements included EUR 75.3 million gain on settlement of the former Dutch defined benefit plans. The difference between the effect of curtailments and settlements recognised as pension costs and the effect of curtailment and settlement included in the defined benefit obligation, was explained by settlement payments made directly in connection with the settlement of the Dutch pensions. Amongst these settlement payments were the costs for the remaining liability of the EUR 20 million unconditional lump-sum compensation for ending the employers' obligation for future additional funding that was agreed in 2015 to be paid in various installments over the years 2015–2017.

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

Pension liabilities and pension assets in the balance sheet, EUR million	2017	2016
Pension liabilities *	**13.7**	13.7
Pension assets	**16.6**	9.7
Net liability total	**-3.0**	4.0

* 2017 includes EUR 4.0 million pension liabilities classified as held for sale.

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

EUR million	Defined benefit obligation	Fair value of plan assets	Total
1 Jan 2016	832.9	-758.7	74.2
Current year service cost	2.5		2.5
Interest cost/income	10.4	-9.7	0.7
Past service cost	1.5		1.5
Effect of curtailments and settlements	-709.1	616.5	-92.6
Administration cost		0.2	0.2
	-694.7	607.0	-87.7
Remeasurement of the net defined benefit liability:			
Gains/losses arising from financial assumptions	76.8		76.8
Experience adjustments	-2.2		-2.2
Return on plan assets excluding interest income		-55.1	-55.1
	74.6	-55.1	19.5
Contributions by the employer		-2.1	-2.1
Contributions by plan participants	-0.5	0.5	
Benefits paid from funds	-16.1	16.1	
31 Dec 2016	**196.3**	**-192.3**	**4.0**
1 Jan 2017	**196.3**	**-192.3**	**4.0**
Current year service cost	2.5		2.5
Interest cost/income	3.3	-3.3	0.1
Past service cost	1.0		1.0
Effect of curtailments and settlements	-10.9	8.6	-2.3
Administration cost		0.2	0.2
	-4.1	5.5	1.4
Remeasurement of the net defined benefit liability:			
Gains/losses arising from financial assumptions	3.8		3.8
Experience adjustments	-0.7		-0.7
Return on plan assets excluding interest income		-10.1	-10.1
	3.1	-10.1	-7.0
Group companies acquired	0.7	-0.3	0.3
Contributions by the employer		-1.7	-1.7
Contributions by plan participants	2.6	-2.6	
Benefits paid from funds	-11.0	11.0	
Other changes	2.9	-2.8	0.1
31 Dec 2017	**190.4**	**-193.4**	**-3.0**

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

Net defined benefit pension liabilities in the balance sheet 2017, EUR million	Finland	Belgium	Total
Present value of funded obligations	149.3	41.2	190.4
Fair value of plan assets	-164.9	-28.5	-193.4
Total	**-15.6**	**12.7**	**-3.0**

Net defined benefit pension liabilities in the balance sheet 2016, EUR million	Finland	Belgium	Total
Present value of funded obligations	158.2	38.0	196.3
Fair value of plan assets	-167.0	-25.3	-192.3
Total	**-8.7**	**12.7**	**4.0**

The Sanoma Group's estimated contributions to the defined benefit plans for 2017 are about EUR 1.6 million.

Plan assets by major categories, %	2017	2016
Equity instruments	**42.7**	40.2
Bonds and debentures	**51.0**	54.6
Other items	**5.6**	3.5
Cash	**0.7**	1.7
Total	**100.0**	100.0

The fair value of plan assets included investments in Sanoma shares totalling EUR 7.1 million (2016: 5.4). 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 *	2017	2016
Discount rate, %	**1.4**	1.7
Expected future salary increase, %	**2.3**	2.2
Expected future pension increases, %	**1.3**	1.4

* 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	2017	2016
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 2017 was 14.3 years (2016: 15.1).

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, %	2017 Increase	2017 Decrease	2016 Increase	2016 Decrease
Discount rate (0.5% movement)	-6.1	6.9	-6.5	7.4
Expected future salary increase (0.5% movement)	1.3	-1.3	1.3	-1.2
Expected future pension increases (0.5% movement)	5.6	-5.2	6.0	-5.6
Future mortality (1 year movement)	3.3	-3.1	3.2	-3.1

9. Materials and services and other operating expenses

Materials and services, continuing operations, EUR million	2017	2016*
Paper costs	-41.1	-40.3
Raw materials and supplies	-60.7	-51.6
Purchased transport and distribution service	-159.4	-169.7
Purchased printing	-45.9	-40.9
Editorial subcontracting	-32.0	-36.2
Royalties	-49.1	-50.6
Other purchased services	-29.0	-41.0
Other	-36.0	-36.3
Total	**-453.2**	-466.7

Other operating expenses, continuing operations, EUR million	2017	2016*
Losses on sales of Group companies and operations	-457.8	0.0
Operating costs of premises	-11.1	-11.0
Rents	-36.8	-38.7
Advertising and marketing	-84.5	-87.2
Office and ICT expenses	-92.3	-103.8
Professional fees	-36.7	-41.0
Travel expenses	-9.5	-11.2
Other	-27.2	-41.7
Total	**-755.8**	-334.6

* Comparative figures have been adjusted because Belgian women's magazine portfolio was classified as Discontinued operations.

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

Audit fees, EUR million	2017	2016
Statutory audit	-1.1	-1.2
Certificates and statements		0.0
Other services	-0.3	-0.2
Total	**-1.4**	-1.4

Other services paid to PricewaterhouseCoopers Oy amounted to EUR 0.2 million.

In 2017, PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, acted as Sanoma's auditor. Other services were paid to auditors for e.g. circulation audits in countries with no official national circulation audit in place and for consulting services related to matters such as corporate transactions.

10. Financial items

Financial items, continuing operations, EUR million	2017	2016*
Dividend income	0.1	0.1
Interest income from loans and receivables	0.3	0.4
Gains on sale of available-for-sale financial assets	0.3	
Exchange rate gains	12.1	10.0
Other financial income	0.1	0.0
Financial income total	**12.9**	10.5
Interest expenses from financial liabilities measured at amortised cost	-16.7	-25.5
Interest rate swaps, no hedge accounting, change in fair value	-0.4	-0.5
Forward currency exchange contracts, no hedge accounting, change in fair value	-7.2	-1.8
Impairment losses on available-for-sale financial assets	-0.1	-0.2
Exchange rate losses	-3.8	-8.5
Other financial expenses	-8.0	-11.3
Financial expenses total	**-36.2**	-47.7
Total	**-23.3**	-37.2

* Comparative figures have been adjusted because Belgian women's magazine portfolio was classified as Discontinued operations.

11. Income taxes and deferred taxes

Income taxes, continuing operations, EUR million	2017	2016
Income taxes on operational income	**-32.2**	-29.9
Income taxes from previous periods	**-2.1**	1.6
Change in deferred tax due to change in tax rate	**1.2**	
Change in deferred tax	**-6.3**	-16.3
Other taxes	**0.0**	0.0
Tax expense in the income statement	**-39.4**	-44.6

The tax expense of the Group, EUR 40.8 million (2016: 41.2), includes the tax expense in the income statement of EUR 39.4 million (2016: 44.6), and the income taxes of the discontinued operations, EUR 1.4 million (2016: -3.5).

Income tax reconciliation against local tax rates, continuing operations, EUR million	2017	2016
Tax calculated at (Finnish) statutory rate	**52.2**	-33.5
Effect of different tax rates in the operating countries	**18.3**	-7.6
Tax based on tax rate in each operating country	**70.5**	-41.1
Non-taxable income	**12.9**	6.3
Deductible amortisation	**0.0**	0.2
Non-deductible amortisation and impairment losses	**-1.3**	-3.5
Other non-deductible expenses	**-120.0**	-3.9
Effect of joint ventures and associated companies	**0.1**	0.6
Loss for the period for which a deferred tax receivable has not been recorded	**-0.3**	-2.2
Reassessment of deferred tax assets related to losses from previous years	**-0.5**	-2.6
Other taxes	**0.0**	0.0
Tax relating to previous accounting periods	**-2.1**	1.6
Change in deferred tax due to change in tax rate	**1.2**	
Income taxes in the income statement	**-39.4**	-44.6
Tax rate of the Parent Company	**20.0%**	20.0%

Deferred tax receivables and liabilities 2017, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Recorded in other comprehensive income	Change in tax rate	Translation and other items	At 31 Dec
Deferred tax receivables							
Internal margin in inventories	0.0	0.0				0.0	**0.0**
Provisions	4.8	0.3				0.2	**5.3**
Tax losses carried forward	15.8	-9.1			-0.8	-0.1	**5.8**
Impairment losses on tangible non-current assets	0.1						**0.1**
Pension obligations, defined benefit plans	4.6	0.3		-1.7	0.0	-0.2	**2.9**
Other items	4.6	-0.1	-0.8		-0.1	-0.3	**3.2**
Total	29.9	-8.7	-0.8	-1.7	-0.9	-0.4	**17.3**
Deferred tax liabilities							
Fair value adjustments in acquisitions	41.4	-2.8	-17.4		-1.4	-0.2	**19.7**
Depreciation difference and other untaxed reserves	5.6	-0.3				-0.1	**5.3**
Pension assets, defined benefit plans	1.9	0.3		1.3		-0.2	**3.3**
Other items	11.2	1.0	-1.5			-0.5	**10.0**
Total	60.1	-1.8	-18.9	1.3	-1.4	-1.0	**38.3**

Includes continuing and discontinued operations.

Deferred tax receivables and liabilities 2016, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Recorded in other comprehensive income	Translation and other items	At 31 Dec
Deferred tax receivables						
Internal margin in inventories	0.0	0.0			0.0	**0.0**
Provisions	3.1	1.8			-0.1	**4.8**
Tax losses carried forward	12.5	1.7	1.6		-0.1	**15.8**
Impairment losses on tangible non-current assets	0.1					**0.1**
Pension obligations, defined benefit plans	19.0	-19.8		5.5	0.0	**4.6**
Hedge accounting	0.1			-0.1		
Other items	6.3	-3.6	0.4		1.4	**4.6**
Total	41.3	-19.9	2.0	5.3	1.2	**29.9**
Deferred tax liabilities						
Fair value adjustments in acquisitions	42.2	-6.0	5.2		0.0	**41.4**
Depreciation difference and other untaxed reserves	5.9	0.0			-0.3	**5.6**
Pension assets, defined benefit plans	1.8	-0.3		0.4	0.0	**1.9**
Other items	12.1	-0.7	-0.2		0.0	**11.2**
Total	62.0	-7.0	5.0	0.4	-0.3	**60.1**

Includes continuing and discontinued operations.

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 5.4 million (2016: 5.2) 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.

12. Earnings per share

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

Earnings per share	**2017**	2016
Result attributable to the equity holders of the Parent Company, EUR million, continuing operations	**-163.8**	117.5
Result attributable to the equity holders of the Parent Company, EUR million, discontinued operations	**2.3**	-6.7
Result attributable to the equity holders of the Parent Company, EUR million	**-161.5**	110.8
Current year interest on the hybrid bond		-6.9
Tax effect		1.4
Net effect		-5.5
Weighted average number of shares, thousands	**162,545**	162,292
Earnings per share, EUR, continuing operations	**-1.01**	0.69
Earnings per share, EUR, discontinued operations	**0.01**	-0.04
Earnings per share, EUR	**-0.99**	0.65

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	**2017**	2016
Profit used to determine diluted earnings per share, EUR million, continuing operations	**-163.8**	117.5
Profit used to determine diluted earnings per share, EUR million, discontinued operations	**2.3**	-6.7
Profit used to determine diluted earnings per share, EUR million	**-161.5**	110.8
Current year interest on the hybrid bond		-6.9
Tax effect		1.4
Net effect		-5.5
Weighted average number of shares, thousands	**162,545**	162,292
Effect of options and share plans, thousands	**-**	610
Diluted average number of shares, thousands	**162,545**	162,901
Diluted earnings per share, EUR, continuing operations	**-1.01**	0.69
Diluted earnings per share, EUR, discontinued operations	**0.01**	-0.04
Diluted earnings per share, EUR	**-0.99**	0.65

Information on option schemes and share plans is presented in Note 23. For more information on shares and shareholders, see pages 72–75.

13. Property, plant and equipment

Property, plant and equipment 2017, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	0.8	57.6	249.8	54.6	1.3	364.0
Increases		0.1	5.5	2.5	0.7	8.7
Decreases		-0.3	-4.3	-1.7	-0.3	-6.6
Disposal of operations		-33.1	-17.1	-0.3		-50.5
Reclassifications			0.5	1.5	-0.8	1.2
Exchange rate differences	0.0	0.1	0.5	0.1	0.0	0.6
Acquisition cost at 31 Dec	0.8	24.3	234.9	56.6	0.8	317.4
Accumulated depreciation and impairment losses at 1 Jan		-48.0	-217.7	-40.4		-306.1
Decreases, disposals and acquisitions		32.2	18.2	0.7		51.1
Depreciation for the period		-0.4	-8.7	-5.1		-14.2
Impairment losses for the period			-0.3	-2.7		-3.0
Reclassifications			-0.3	0.3		0.0
Exchange rate differences		0.0	-0.4	-0.1		-0.4
Accumulated depreciation and impairment losses at 31 Dec		-16.3	-209.1	-47.2		-272.6
Carrying amount at 31 Dec 2017	**0.8**	**8.0**	**25.8**	**9.4**	**0.8**	**44.7**

Property, plant and equipment 2016, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2.0	59.3	255.1	57.4	0.3	374.2
Increases		0.1	5.5	1.5	1.3	8.4
Acquisition of operations			0.0	0.6		0.6
Decreases		0.6	-9.8	-3.5		-12.7
Disposal of operations	-1.2	-2.5	-1.7	-1.5		-6.9
Reclassifications			0.3	0.1	-0.3	0.1
Exchange rate differences	0.0	0.0	0.3	-0.1	0.0	0.2
Acquisition cost at 31 Dec	0.8	57.6	249.8	54.6	1.3	364.0
Accumulated depreciation and impairment losses at 1 Jan		-48.1	-216.3	-40.4		-304.8
Decreases, disposals and acquisitions		0.8	9.9	4.9		15.6
Depreciation for the period		-0.8	-11.1	-4.9		-16.8
Impairment losses for the period			0.0			0.0
Reclassifications		0.0	0.1	0.0		0.1
Exchange rate differences		0.0	-0.2	0.0		-0.2
Accumulated depreciation and impairment losses at 31 Dec		-48.0	-217.7	-40.4		-306.1
Carrying amount at 31 Dec 2016	**0.8**	**9.5**	**32.1**	**14.2**	**1.3**	**57.8**

Carrying amount of assets leased by finance lease agreements, EUR million	2017	2016
Machinery and equipment	**0.9**	0.4

14. Investment property

Investment property 2017, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	13.2	17.5	30.7
Increases		0.1	0.1
Decreases	-1.5	-8.7	-10.2
Acquisition cost at 31 Dec	11.7	8.9	20.6
Accumulated depreciation and impairment losses at 1 Jan		-6.2	-6.2
Decreases		0.3	0.3
Depreciation for the period		-0.7	-0.7
Accumulated depreciation and impairment losses at 31 Dec		-6.7	-6.7
Carrying amount at 31 Dec 2017	**11.7**	**2.2**	**13.9**
Fair values at 31 Dec 2017	**25.9**	**6.9**	**32.8**

Investment property 2016, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	14.0	31.8	45.8
Increases	0.5	0.4	0.9
Transfer to assets held for sale	-1.2	-14.7	-15.9
Acquisition cost at 31 Dec	13.2	17.5	30.7
Accumulated depreciation and impairment losses at 1 Jan		-14.2	-14.2
Depreciation for the period		-1.2	-1.2
Transfer to assets held for sale		9.1	9.1
Accumulated depreciation and impairment losses at 31 Dec		-6.2	-6.2
Carrying amount at 31 Dec 2016	**13.2**	**11.2**	**24.5**
Fair values at 31 Dec 2016	**38.0**	**20.6**	**58.7**

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

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

The investment property includes land areas in the City of Vantaa, Village of Keimola (Finland). In 2016, Sanoma gave to the City of Vantaa the last part from Keimolanmäki land areas as a contribution of the city plan according to the preliminary and transfer agreement concluded in 2012. In 2017, Sanoma sold a parcel of land from the area.

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

Furthermore Sanoma sold in December 2017 the property at Ludviginkatu in Helsinki.

Operating expenses of investment property, EUR million	2017	2016
Investment property, rental income	**-1.3**	-1.4
Investment property, no rental income	**0.0**	0.0
Total	**-1.3**	-1.4

Rental income of investment property, EUR million	2017	2016
Rental income of investment property	**2.9**	2.8

15. Intangible assets

Intangible assets 2017, EUR million	Goodwill	Immaterial rights	Prepublication rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2,188.1	1,113.7	260.9	146.9	22.8	3,732.4
Increases		146.4	25.9	16.9	7.4	196.5
Acquisition of operations	0.9			3.2		4.1
Decreases		-56.9		-1.9		-58.8
Disposal of operations	-807.0	-688.5		-0.1	-6.8	-1,502.4
Reclassifications		2.5	0.0	1.3	-4.9	-1.2
Transfer to discontinued operations	-0.4	-0.7				-1.1
Exchange rate differences	1.4	3.5	1.4	0.2	0.0	6.6
Acquisition cost at 31 Dec	1,383.0	520.0	288.2	166.5	18.4	2,376.2
Accumulated amortisation and impairment losses at 1 Jan	-525.0	-838.0	-193.2	-80.4		-1,636.7
Decreases, disposals and acquisitions	77.2	549.2		1.9		628.3
Amortisation for the period		-115.6	-22.6	-21.9		-160.2
Impairment losses for the period		-8.4	-8.2	-0.5		-17.0
Reclassifications		0.0	0.0	0.0		0.0
Exchange rate differences	-0.6	-3.0	-1.2	-0.3		-5.0
Accumulated amortisation and impairment losses at 31 Dec	-448.4	-415.8	-225.2	-101.1		-1,190.5
Carrying amount at 31 Dec 2017	**934.6**	**104.3**	**63.0**	**65.4**	**18.4**	**1,185.7**

Intangible assets 2016, EUR million	Goodwill	Immaterial rights	Prepublication rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2,214.0	1,165.4	230.4	112.0	27.5	3,749.2
Increases		182.8	27.9	16.5	5.5	232.7
Acquisition of operations	15.9	0.7	4.7	18.5		39.8
Decreases	-5.8	-225.3		-3.0		-234.1
Disposal of operations	-34.4	-26.6		0.0		-61.0
Reclassifications		7.0	-0.4	3.4	-10.1	-0.3
Exchange rate differences	-1.6	9.6	-1.6	-0.3	0.0	6.0
Acquisition cost at 31 Dec	2,188.1	1,113.7	260.9	146.9	22.8	3,732.4
Accumulated amortisation and impairment losses at 1 Jan	-548.7	-841.5	-172.1	-63.2		-1,625.5
Decreases, disposals and acquisitions	30.2	247.3		3.0		280.5
Amortisation for the period		-206.5	-20.4	-18.2		-245.1
Impairment losses for the period	-5.2	-27.4	-1.8	-2.2		-36.6
Reclassifications		0.1		0.0		0.0
Exchange rate differences	-1.3	-10.0	1.1	0.2		-10.0
Accumulated amortisation and impairment losses at 31 Dec	-525.0	-838.0	-193.2	-80.4		-1,636.7
Carrying amount at 31 Dec 2016	**1,663.0**	**275.8**	**67.7**	**66.5**	**22.8**	**2,095.7**

Intangible assets include film and TV broadcasting rights EUR 28.4 million (2016: 116.3).

The prepublication rights of learning materials and solutions are mostly internally generated intangible assets.

Of total immaterial rights, the carrying amount of intangible assets with indefinite useful lives was not material.

Impairment losses recognised from immaterial rights and other intangibles assets

Assets with indefinite useful life are not amortised but are subject to annual impairment testing. During the financial year, no impairment losses were recognised from immaterial rights with indefinite useful life (2016: 0.0), and neither were there any reversals of impairment losses (2016: 0.0).

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

Impairment losses totaling EUR 17.0 million (2016: 31.4) were recognized from intangible assets with definite useful lives, of which EUR 9.3 million related to the Sanoma Learning strategic business unit (SBU), EUR 7.2 million to the Sanoma Media Finland SBU and EUR 0.4 million to impairment of corporate intangible assets. Sanoma Media BeNe SBU impaiments are not material. The impairments in the Sanoma Learning SBU mainly related to outdated learning solutions. In Sanoma Media Finland SBU, the impairment related mainly to program rights. 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 three CGUs which are operating segments/SBUs. The allocation of goodwill and intangible assets with indefinite useful lives is as presented in the table below.

Carrying amounts of goodwill and intangible assets with indefinite useful life in the CGUs, EUR million	2017			2016		
	Goodwill	**Intangible assets ***	**Total**	Goodwill	Intangible assets *	Total
Sanoma Media BeNe	**581.0**	**0.7**	**581.7**	1,302.3	0.7	1,302.9
Sanoma Media Finland	**77.7**	**0.0**	**77.7**	86.5	0.0	86.5
Sanoma Learning	**275.9**	**0.0**	**275.9**	274.2	0.0	274.2
CGUs, total	**934.6**	**0.7**	**935.3**	1,663.0	0.7	1,663.7

* Only intangible assets with indefinite useful life.

Impairment losses recognised from goodwill

There were no impairment losses recognised from goodwill in the financial year (2016: EUR 5.2 million).

Methodology and assumptions used in impairment testing

Impairment testing of assets is principally carried out on a cash flow basis by determining the present value of future cash flows (recoverable amount) of the Group's CGUs. The recoverable amount is determined based on the Fair Value Less Cost of Disposal method. Therefore, Sanoma has estimated the recoverable amount by 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.

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

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

The terminal growth rate used in calculation of the recoverable amount, %	2017	2016
Sanoma Media BeNe	**-1.4**	1.8
Sanoma Media Finland	**-1.5**	-1.5
Sanoma Learning	**1.2**	2.0

The decrease in the terminal growth rate assumption used for the Sanoma Media BeNe CGU is mainly caused by a continued decrease in the consumption of traditional media comprising a significant share of operations, together with increasing competition in the digital business. Based on review of the various curriculum cycles across its Footprint markets, the terminal growth rate assumption used for the Sanoma Learning CGU was adjusted.

The discount rate used in calculation of the recoverable amount, %	2017 Post-tax	2016 Post-tax
Sanoma Media BeNe	**6.3**	6.2
Sanoma Media Finland	**6.9**	6.7
Sanoma Learning	**6.5**	6.4

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 three CGUs:

Excess of recoverable amount in relation to carrying amount, %	2017	2016
Sanoma Media BeNe	**11-20**	1-5
Sanoma Media Finland	**over 50**	over 50
Sanoma Learning	**over 50**	over 50

For the Sanoma Media BeNe SBU, the critical key assumptions are the development of profitability, the terminal growth rate and the discount rate. According to management's estimate, the carrying amount of the SBU exceeds the recoverable amount if EBITDA falls 7% below the planned level each year, if the terminal growth rate would be lower than -2.5%, or if the post-tax discount rate rises above 7.2%. 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 58% below the planned level each year, or if the post-tax discount rate rises above 25.3%. These estimates exclude simultaneous changes in other variables.

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 28% below the planned level each year, or if the post-tax discount rate rises above 14.1%. These estimates exclude simultaneous changes in other variables.

16. Equity-accounted investees

Interests in joint ventures and associated companies, EUR million	2017	2016
Interests in joint ventures	17.1	17.8
Interests in associated companies	3.8	3.5
Total	**20.8**	21.3

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	2017	2016
Carrying amount at 1 Jan	17.8	24.5
Share of total comprehensive income *	4.4	-2.0
Dividends received	-5.1	-4.3
Sold joint ventures		-0.2
Exchange rate differences	0.0	-0.2
Carrying amount at 31 Dec	**17.1**	17.8

* In 2017, the share of total comprehensive income does not include any impairments (2016: EUR -6.4 million).

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	2017	2016
Carrying amount at 1 Jan	3.5	8.6
Share of total comprehensive income	0.3	-2.3
Dividends received	-0.2	-0.3
Increases	1.5	0.1
Sold associated companies	-1.3	-2.7
Other changes		0.0
Exchange rate differences	0.0	0.0
Carrying amount at 31 Dec	**3.8**	3.5

17. Available-for-sale financial assets

Available-for-sale financial assets, EUR million	2017	2016
Available-for-sale financial assets, non-current	**4.0**	5.0

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

18. Trade and other receivables, non-current

Trade and other receivables, non-current, EUR million	2017	2016
Loans and receivables		
Loan receivables	**1.8**	2.7
Other receivables	**4.1**	8.9
Accrued income	**0.1**	0.1
Advance payments	**0.0**	0.4
Pension assets *	**16.6**	9.7
Total	**22.7**	21.8

* Pension assets, see Note 8

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

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

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

19. Inventories

Inventories, EUR million	2017	2016
Materials and supplies	**6.3**	7.2
Work in progress	**2.0**	1.6
Finished products/goods	**30.5**	32.0
Other	**1.6**	0.8
Total	**40.5**	41.4

EUR 0.5 million (2016: 1.6) was recognised as impairment in the financial year. The carrying amount of inventories was written down to reflect its net realisable value.

20. Trade and other receivables, current

Trade and other receivables, current, EUR million	2017	2016
Loans and receivables		
Trade receivables *	**144.9**	165.3
Loan receivables		0.3
Other receivables	**9.3**	9.6
Derivatives, non-hedge accounted **	**0.0**	6.3
Accrued income	**51.3**	68.7
Advance payments	**4.1**	5.7
Total	**209.6**	255.8

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

The Group has recognised a total of EUR 3.5 million (2016: 3.6) in credit losses and change in impairment allowances on trade receivables.

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

Accrued income

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

21. Cash and cash equivalents

Cash and cash equivalents in the balance sheet, EUR million	2017	2016
Cash in hand and at bank	**20.6**	43.4

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	2017	2016
Cash and cash equivalents in the balance sheet	**20.6**	43.4
Bank overdrafts	**-2.0**	-0.4
Total	**18.6**	43.1

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

22. Equity

	Number of shares			Share capital and funds, EUR million				
	All shares	Treasury shares	Total	Share capital	Treasury shares	Fund for invested unrestricted equity	Hybrid bond	Total
At 1 Jan 2016	162,812,093	-730,000	162,082,093	71.3	-3.2	203.3	99.1	370.5
Shares delivered		251,503	251,503		1.0			1.0
Redemption of hybrid bond							-99.1	-99.1
At 31 Dec 2016	162,812,093	-478,497	162,333,596	71.3	-2.1	203.3		272.5
Share subscription with options	753,570		753,570			6.4		6.4
Shares delivered		161,978	161,978		0,7			0.7
At 31 Dec 2017	**163,565,663**	**-316,519**	**163,249,144**	**71.3**	**-1.4**	**209.8**		**279.6**

The maximum amount of share capital cannot exceed EUR 300.0 million (2016: 300.0). The share has no nominal value and no accountable par is in use. The shares have been fully paid.

Treasury shares

In 2017 and 2016, the Group has not purchased shares. In 2015, the Group purchased 730,000 shares from stock exchange. The cost of the purchased treasury shares was EUR 3.2 million and it was recognised as a deduction from equity.

In 2017, Sanoma delivered 161,978 Sanoma shares held by the company to 239 employees based on the Performance Share Plan 2014–2016 and Restricted Share Plan 2015–2016 (without consideration and after taxes). In 2016, Sanoma delivered 251,503 Sanoma shares held by the company to 215 employees based on the Restricted Share Plan 2014–2015 (without consideration and after taxes). At the end of the financial year, the company held a total of 316,519 (2016: 478,497) 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. According to the AGM decision on 1 April 2008, all subscription prices from share subscriptions based on the Group's option plans will be recognised as invested unrestricted equity.

Hybrid loan

To strengthen its capital structure, the Group issued a hybrid bond of EUR 100 million in December 2013. Sanoma redeemed the hybrid bond on 12 December 2016 for the full outstanding amount in accordance with the terms and conditions of the hybrid bond.

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.

Dividends

The Board of Directors proposes a dividend of EUR 0.35 (2016: 0.20) per share for 2017.

Information on the capital risk management is presented in Note 29 Financial risk management.

23. Share-based payments

Performance share plan and restricted share plan

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

PERFORMANCE SHARE PLAN

The Board of Directors of Sanoma Corporation has on 7 February 2013 approved a share-based long-term incentive programme (Performance Share Plan, PSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Performance Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. In general, Performance Shares vest over 3-year period and vesting is subject to meeting Group performance targets set by the Board of Directors for annually commencing new plans. The possible reward is paid as a combination of shares and cash. The reward's cash component is dedicated to cover taxes and tax-related costs.

Shares conditionally granted to the President and CEO and EMG members under the Performance Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required share holding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance shares received.

The performance measures for the performance period 2014–2016 are based on the earnings per share (excluding items affecting comparability) and the development of digital and other new media sales. The performance measures for the performance period 2015–2017 are based on the earnings per share (excluding items affecting comparability) and the growth in net sales adjusted for structural changes in 2015. The targets for performance period 2015–2017 were not met. 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 President and CEO and EMG members are part of Sanoma's Performance Share Plan.

In 2017, Sanoma delivered 56,753 Sanoma shares held by the company to 28 employees based on the Performance Share Plan 2014–2016 (without consideration and after taxes).

RESTRICTED SHARE PLAN

The Board of Directors of Sanoma Corporation has on 6 February 2014 approved a share-based long-term incentive programme (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year period and vesting is subject to meeting service condition. In 2016, Sanoma delivered 251,503 Sanoma shares held by the company to 215 employees based on the Restricted Share Plan 2014–2015 (without consideration and after taxes).

The Board of Directors of Sanoma Corporation has on 4 February 2015 approved a share-based long-term incentive programme 2015 (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year in 2015–2016 plan (50%) and 3-year in 2015–2017 plan (50%) periods and vesting is subject to meeting service condition. In 2017, Sanoma delivered 105,225 Sanoma shares held by the company to 229 employees based on the Restricted Share Plan 2015–2016 (without consideration and after taxes).

The Board of Directors of Sanoma Corporation has on 8 February 2016 approved a share-based long-term incentive programme 2016–2018 (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year in 2016–2017 plan (50%) and 3-year in 2016–2018 plan (50%) periods and vesting is subject to meeting service condition.

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.

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

Shares conditionally granted to the President and CEO and EMG members under the Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required share holding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 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 33.

Basic information											
Plan	**Performance Share Plan**				**Restricted Share Plan**						
Instrument	**Performance Share Plan 2014–2016**	**Performance Share Plan 2015–2017**	**Performance Share Plan 2016–2018**	**Performance Share Plan 2017–2019**	**Restricted Share Plan 2014–2015**	**Restricted Share Plan 2015–2016***	**Restricted Share Plan 2015–2017***	**Restricted Share Plan 2016–2017****	**Restricted Share Plan 2016–2018****	**Restricted Share Plan 2017–2018**	**Total/ Average**
Initial amount, gross pcs (includes share and cash portions)	260,000	483,463	794,338	855,000	710,000	324,325	324,325	209,950	209,950	150,000	4,321,351
Initial allocation date	6.2.2014	4.2.2015	8.2.2016	6.2.2017	6.2.2014	4.2.2015	4.2.2015	8.2.2016	8.2.2016	6.2.2017	
Vesting date / reward payment at the latest	30.4.2017	30.4.2018	30.4.2019	30.4.2020	30.4.2016	30.4.2017	30.4.2018	30.4.2018	30.4.2019	30.4.2019	
Maximum contractual life, yrs	3.2	3.2	3.2	3.2	2.2	2.2	3.2	2.2	3.2	2.2	2.9
Remaining contractual life, yrs	Expired	Expired	1.3	2.3	Expired	Expired	0.3	0.3	1.3	1.3	1.4
Number of persons at the end of the reporting year			57	246			181	205	203	2	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	

* Restricted Share Plan 2015–2017 is divided in two vesting periods: 2015–2016 and 2015–2017.
** 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 2014–2016	Performance Share Plan 2015–2017	Performance Share Plan 2016–2018	Performance Share Plan 2017–2019	Restricted Share Plan 2014–2015	Restricted Share Plan 2015–2016*	Restricted Share Plan 2015–2017*	Restricted Share Plan 2016–2017**	Restricted Share Plan 2016–2018**	Restricted Share Plan 2017–2018	Total
1 Jan 2016											
Outstanding at the beginning of the reporting period	**127,536**	**310,763**			**537,725**	**243,425**	**235,425**				**1,454,874**
Changes during the period											
Granted			780,750					205,500	205,500		1,191,750
Forfeited	2,866		24,468		27,000	41,125	33,125	14,625	14,625		157,834
Exercised					510,725						510,725
Expired		310,763									310,763
31 Dec 2016											
Outstanding at the end of the period	**124,670**	**0**	**756,282**	**0**	**0**	**202,300**	**202,300**	**190,875**	**190,875**	**0**	**1,667,302**
1 Jan 2017											
Outstanding at the beginning of the reporting period	**124,670**	**0**	**756,282**	**0**	**0**	**202,300**	**202,300**	**190,875**	**190,875**	**0**	**1,667,302**
Changes during the period											
Granted				802,301				25,000	25,000	150,000	1,002,301
Forfeited			45,184	61,575		11,125	45,125	49,313	50,438		262,759
Exercised	124,670					191,175					315,845
31 Dec 2017											
Outstanding at the end of the period	**0**	**0**	**711,098**	**740,726**	**0**	**0**	**157,175**	**166,563**	**165,438**	**150,000**	**2,090,999**

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

- The fair value for the cash settled portion is remeasured at each reporting date until the possible reward payment. The fair value of the liability will thus change in accordance with the Sanoma share price.
- 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	2017	2016
Share price at grant	**8.64**	3.71
Share price at reporting period end	**10.87**	8.25
Expected dividends	**0.29**	0.12
Fair value of the equity-settled portion at grant	**7.57**	3.22

Effect of share-based incentives on the result and financial position during the period, EUR million	2017	2016
Expenses for the financial year, share-based payments	**6.5**	4.0
of which equity-settled	**1.8**	1.0
Liabilities arising from share-based payments at the end of the period	**6.4**	3.3

Stock option schemes

Sanoma had no option schemes at the end of the financial year.

Stock options	
Basic information	**2011**
Maximum number of stock options	1,700,000
The number of shares exercised by one stock option	1
Initial exercise price, EUR	10,35
Dividend adjustment	Yes
Exercise price at expiration, EUR *	8,55
Beginning of exercise period, date (vesting)	01.11.2014
End of exercise period, date (expiration)	30.11.2017
Remaining expiry time at 31 Dec 2017, years	Expired
Number of persons at 31 Dec 2017	-

* The dividend is deducted from the exercise price annually. The dividend for 2016 was EUR 0.20 per share (record date 23 March 2017).The dividend for 2015 was EUR 0.10 per share (record date 14 April 2016).

	2017		2016	
Changes in stock options during the period and the weighted average exercise prices	**Number of stock options**	**Exercise price, EUR ***	Number of stock options	Exercise price, EUR **
Outstanding at 1 Jan	798,400	8.75	1,775,500	13.29
Exercised during the period	753,570	8.55		
Expired during the period	44,830	8.55	977,100	16.81
Outstanding at 31 Dec			798,400	8.75

* The exercise price at the beginning of the period is the status at 31 December 2016. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 December 2017.
** The exercise price at the beginning of the period is the status at 31 December 2015. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 December 2016.

24. Provisions

Changes in provisions, EUR million	Restructuring provisions	Other provisions	Total
At 1 Jan 2017	12.7	13.0	25.6
Exchange rate differences	0.0	0.0	0.0
Increases	11.6	13.7	25.2
Amounts used	-13.2	-6.1	-19.3
Unused amounts reversed	-3.1	-2.1	-5.2
Companies sold		-0.4	-0.4
At 31 Dec 2017	**7.9**	**18.1**	**26.1**

Carrying amounts of provisions, EUR million	2017	2016
Non-current	**9.0**	7.6
Current	**17.1**	18.1
Total	**26.1**	25.6

Provisions were based on best estimates on the balance sheet date. Restructuring provisions were mainly related to restructuring of the new Media BeNe organisation. Other provisions include EUR 9.4 million provisions related to rented premises. Other provisions also include provisions related to contracts with customers and other smaller provisions. Cancellation of provisions was due to re-evaluating realised expenses. Individual provisions were not material at the Group level.

25. Financial liabilities

Financial liabilities, EUR million	2017	2016
Non-current financial liabilities at amortised cost		
Loans from financial institutions		39.9
Bonds	**194.7**	192.0
Finance lease liabilities	**1.5**	1.2
Other liabilities	**0.1**	6.0
Total	**196.3**	239.1
Current financial liabilities at amortised cost		
Loans from financial institutions	**52.0**	12.4
Commercial papers	**148.6**	366.4
Finance lease liabilities	**0.2**	0.2
Bonds		200.0
Other liabilities	**15.2**	11.5
Total	**216.1**	590.5
Total	**412.4**	829.6

Fair values of loans from financial institutions and other receivables are close to their carrying values. The fair value of the bond is EUR 212.7 million (2016: 411.2). It has been classified in level 1 of the IFRS fair value hierarchy, which means that the fair value is based on quoted prices in active markets.

Reconciliation of movement of liabilities to cash flow arising from financial activities, EUR million	Non-current financial liabilities	Current financial liabilities	Total	Cash and cash equivalents	Interest-bearing net debt	Non-current other liabilities	Total
1 Jan 2017	239.1	590.5	829.6	43.4	786.2	40.0	826.2
Cash flows	-6.5	-370.3	-376.7	-22.8	-354.0	4.9	-349.1
Disposal of operations	-36.0	-10.0	-46.0		-46.0	-26.7	-72.7
Exchange rate differences	0.0	0.0	0.0	-0.1	0.1	0.1	0.2
Other non cash movements	-0.4	5.8	5.5		5.5	-4.3	1.2
At 31 Dec 2017	**196.3**	**216.1**	**412.4**	**20.6**	**391.8**	**13.9**	**405.7**

Loans from financial institutions

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

In February 2016, Sanoma signed a four year EUR 500 million Syndicated Revolving Credit Facility with a group of seven relationship banks. In 2017, the Group reduced the facility to EUR 300 million, due to lower funding needs. For the same reason all bilateral credit facilities were also cancelled during the year.

In March 2017 Sanoma drew down a new EUR 50 million bilateral term loan, which matures in November 2018.

The average interest rate for loans (excluding agency fees) during the financial year, excluding finance leases, was 0.9% (2016: 1.3%). The interest rates of all loans are tied to Euribor.

Bonds

In 2012, the Group issued a EUR 400 million five-year Senior Unsecured Eurobond for European investors. The bond paid a fixed coupon of 5.00% and had an issue price of 99.413. In May 2016 Sanoma redeemed and cancelled EUR 200 million of the bond, and the remaining EUR 200 million matured in March 2017.

In May 2016 the Group issued another Senior Unsecured Eurobond with nominal value of EUR 200 million, issue price 100, maturity of 3.5 years and fixed coupon of 3.50%. The proceeds were fully used for a partial redemption of the bond issued in 2012. The tender price was 104.10. The tender premium was capitalised, and will be amortised over the life of the bond, thus raising the effective interest rate of the new bond to 5.01%.

Sanoma bond is listed on the Helsinki stock exchange.

Commercial paper

Sanoma Corporation has domestic and foreign commercial paper programmes which are used for short-term liquidity needs. Commercial papers are valued at amortised cost, and transaction costs are recognised directly as expenses due to their immaterial value. In accordance with its Treasury Policy, the Group has established a committed credit line with banks. This credit line is partially reserved for securing the repayment of outstanding commercial paper during possible market disruption.

Finance lease liabilities

Finance lease liabilities, EUR million	2017	2016
Total minimum lease payments		
Not more than 1 year	**0.3**	0.2
1–5 years	**1.3**	0.8
More than 5 years	**0.6**	0.6
Total	**2.2**	1.7
Present value of minimum lease payments		
Not more than 1 year	**0.2**	0.2
1–5 years	**1.0**	0.6
More than 5 years	**0.5**	0.5
Total	**1.8**	1.3
Future finance charges	**0.4**	0.4

26. Trade and other payables

Trade and other payables, EUR million	2017	2016
Non-current		
Trade payables		31.7
Accrued expenses	**7.1**	4.1
Other financial liabilities at amortised cost	**12.6**	7.2
Total	**19.7**	42.9
Current		
Current financial liabilities at amortised cost		
Trade payables	**109.1**	176.1
Other liabilities	**37.7**	43.1
Derivatives, non-hedge accounted *	**0.6**	0.4
Accrued expenses	**207.7**	243.8
Advances received	**147.8**	158.7
Total	**502.9**	622.1
Total	**522.6**	665.1

* Derivatives, see Note 29

Accrued expenses

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

27. Contingent liabilities

Contingent liabilities, EUR million	2017	2016
Contingencies for own commitments		
Pledges	**1.5**	2.4
Other items	**24.7**	25.0
Total	**26.2**	27.4
Other commitments		
Operating lease liabilities (Note 28)	**249.4**	298.2
Royalties	**7.8**	14.6
Other items	**49.3**	71.2
Total	**306.4**	384.0
Total	**332.6**	411.4

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

At the end of the financial year, the commitments for acquisitions of intangible assets (film and TV broadcasting rights included) were EUR 18.0 million (2016: 159.0).

Disputes and litigations

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

28. Operating lease liabilities

Non-cancellable minimum lease liabilities by maturity, EUR million	2017	2016
Not later than 1 year	**33.6**	38.1
1–5 years	**117.3**	129.7
Later than 5 years	**98.6**	130.4
Total	**249.4**	298.2

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

Non-cancellable minimum lease payments to be received by maturity, EUR million	2017	2016
Not later than 1 year	**5.4**	3.6
1–5 years	**11.3**	17.7
Later than 5 years	**1.5**	3.7
Total	**18.2**	25.0

Most of the non-cancellable minimum lease payments to be received are related to subleases.

29. Financial risk management

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

In the long-term, to ensure financial flexibility, Sanoma's goal is to reach a capital structure where net debt/EBITDA ratio is below 2.5, and equity ratio 35% - 45%. This will ensure access to low-cost funding.

Financial risks can be mitigated with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable. The Group used interest rate swaps and currency forward contracts to hedge against financial risks during the year. The Group does not apply IAS 39 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 2017, all loans were denominated in Euro. The Group manages its exposure to interest rate risk by using a mix of fixed and floating rate loans. Interest rate derivatives may also be utilised. The proportion of fixed rate debt of the gross debt of the Group, including interest rate hedges, is determined by the Board as part of the Treasury Policy.

Loan portfolio by interest rate, EUR million	2017	2016
Floating-rate loans	**215.9**	436.2
of which converted to fixed-rate using interest rate swap		100.0
Fixed-rate loans	**196.4**	393.4
Total	**412.4**	829.6
Floating-rate loans including the effect of interest rate swap	**215.9**	335.4
Average duration, years	**1.1**	1.0
Average interest rate, %	**2.8**	2.8
Interest sensitivity, EUR million *	**1.6**	2.2

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

Currency risks

The majority of the Group cash flow from operations is denominated in euros. However, the Group is exposed to transaction risk resulting from cash flows related to revenue and expenditure in different currencies. Group companies are responsible for monitoring and hedging against transaction risk related to their business operations in accordance with the Group Treasury Policy. The majority of the transaction risk in 2017 was related to the acquisition of programming rights denominated in US dollars. The Group has adopted forward contracts as a 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 0.7 million (2016: 4.8). If the currencies strengthened by 10% against the euro, financial income would increase by EUR 0.7 million (2016: 4.8). 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 done in the functional currency of the subsidiary. Group Treasury is responsible for monitoring and hedging the currency risks related to intra-Group loans. A EUR denominated loan granted to the Ukranian subsidiary in liquidation was repaid in full in 2016. The loan has been treated as net investment in subsidiary, and the exchange rate differences were booked into equity. The exchange loss on the loan is EUR 3 million, and this will be released when the liquidation of the company is completed.

The Group is also exposed to translation risk resulting from converting the income statement and balance sheet items of foreign subsidiaries into euros. Business operations outside the euro area (countries in which the currency is not pegged to the euro) account for about 8.1% (2016: 5.8%) of consolidated net sales and mainly consist of revenues in Polish zloty and Swedish krona. If all reporting currencies had been 10% weaker against the euro during the year, the Group net sales would have decreased by EUR 11.1 million (2016: 8.7). If all reporting currencies had been 10% stronger against the euro, the Group net sales would have increased by EUR 13.6 million (2016:10.6). A significant change in exchange rates may also have an effect on the value of the businesses in Poland and Sweden. The Group did not hedge against translation risk in 2017, in accordance with the Treasury Policy approved by the Board.

Derivative instruments

Nominal values of derivative instruments, EUR million	2017	2016
Interest rate swaps		
Outside hedge accounting		100.0
Forward currency exchange contracts		
Outside hedge accounting	**66.4**	82.1
Total	**66.4**	182.1

Nominal values of derivative instruments include gross nominal values from all active agreements. The outstanding nominal value is not necessarily a measure or indicator of market risks. Due to divestments of certain operations the derivatives include EUR 50 million of terminated contracts, which in accordance with netting agreements are settled as net amounts.

Fair values of derivative instruments, EUR million	2017	2016
Interest rate swaps (incl. accrued interests)		
Outside hedge accounting		-0.4
Forward currency exchange contracts		
Outside hedge accounting *	**-0.6**	6.3
Total	**-0.6**	5.9

* Includes EUR 1.7 million negative and EUR 1.1 million positive fair values.

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 liabilities to banks amount to EUR 0.6 million (2016: 5.9 receivable).

Liquidity risks

Liquidity risk relates to servicing debt, financing investments and retaining adequate working capital. Sanoma aims to minimise its liquidity risk by ensuring sufficient revenue financing, maintaining adequate committed credit limits, using several financing institutions and forms of financing, and spreading loan repayment programmes over a number of calendar years. The Group's undrawn committed credit limits must be sufficient to cover its estimated funding requirements and loan repayments, and part of the outstanding commercial paper commitments. The undrawn committed credit facilities were 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 cash reserves.

The Group's financing programmes in 2017, EUR million	Amount of limits	Unused credit lines
Syndicated RCF	300.0	300.0
Bilateral term loan	50.0	
Commercial paper programmes	1,100.0	951.4
Bonds	200.0	
Current account limits	51.0	49.0

Sanoma Corporation signed a new EUR 500 million Syndicated Revolving Credit Facility with a group of seven relationship banks in February 2016. The facility has a maturity of four years. The Group reduced the facility to EUR 300 million in 2017, due to lower funding needs. For the same reason all bilateral credit facilities were also cancelled during the year.

The Group's financing agreements include customary covenants related to factors such as the use of pledges and mortgage, disposals of assets and key financial ratios. In 2017 the Group fulfilled the requirements of all covenants.

Financial liabilities, EUR million	2017				2016			
	Carrying amount	Cash-flow *	Undrawn from limits	Total	Carrying amount	Cash-flow *	Undrawn from limits	Total
Loans from financial institutions	52.0	52.3	300.0	352.3	52.4	55.6	670.5	726.1
Bonds	194.7	214.0		214.0	392.0	431.5		431.5
Commercial paper programmes	148.6	149.1		149.1	366.4	368.0		368.0
Finance lease liabilities	1.8	1.8		1.8	1.3	1.3		1.3
Other interest-bearing liabilities	15.3	15.3		15.3	17.5	17.5		17.5
Trade payables and other liabilities **	159.4	159.4		159.4	258.0	258.0		258.0
Derivatives	0.6	0.6		0.6	0.4	0.4		0.4
Total	**572.4**	**592.5**	**300.0**	**892.5**	1,088.0	1,132.3	670.5	1,802.8

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

Maturity of financial liabilities 2017, EUR million	2018	2019	2020	2021	2022	2023–	Total
Loans from financial institutions	52.3						52.3
Bonds	7.0	207.0					214.0
Commercial paper programmes	149.1						149.1
Finance lease liabilities	0.2	0.2	0.2	0.2	0.2	0.5	1.8
Other interest-bearing liabilities	15.3						15.3
Trade payables and other liabilities *	147.0	5.0	1.2	4.8	1.2	0.2	159.4
Derivatives **	0.5	0.1	0.0				0.6
Total	**371.4**	**212.3**	**1.5**	**5.0**	**1.5**	**0.8**	**592.5**

* Trade payables and other liabilities do not include accrued expenses and advances received.
** Derivatives include gross settled inflows of EUR 16.6 million and outflows of EUR 17.2 million.

Maturity of financial liabilities 2016, EUR million	2017	2018	2019	2020	2021	2022–	Total
Loans from financial institutions	12.9	12.3	12.2	18.2			55.6
Bonds	217.5	7.0	207.0				431.5
Commercial paper programmes	368.0						368.0
Finance lease liabilities	0.2	0.2	0.2	0.2	0.2	0.3	1.3
Other interest-bearing liabilities		17.5					17.5
Trade payables and other liabilities *	225.4	23.7	4.7	1.5	1.2	1.5	258.0
Derivatives	0.4						0.4
Total	**824.4**	**60.7**	**224.1**	**19.9**	**1.4**	**1.8**	**1,132.3**

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

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

Credit risks

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

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

The aging of trade receivables, EUR million	2017			2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Not due	115.5		115.5	125.4	-1.2	124.2
Past due 1–30 days	19.1	-1.1	18.0	26.5	-1.0	25.6
Past due 31–120 days	6.6	-0.5	6.1	14.7	-1.9	12.8
Past due 121–360 days	6.4	-2.7	3.7	3.8	-2.0	1.8
Past due more than 1 year	4.2	-2.7	1.5	3.7	-2.8	0.9
Total	**151.9**	**-7.0**	**144.9**	174.2	-8.9	165.3

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

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.

Net debt, EUR million	2017	2016
Interest-bearing liability	**412.4**	829.6
Cash and cash equivalents	**20.6**	43.4
Total	**391.8**	786.2

Sanoma Group does not have an official credit rating.

Capital risk management

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

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

In 2017, the Group's equity ratio was 38.5% (2016: 41.0%) and net debt/adjusted EBITDA ratio was 1.7 (2016: 3.2).

30. Most significant subsidiaries

Most significant subsidiaries at 31 Dec 2017	Parent Company holding, %	Group holding, %
SANOMA MEDIA BENE		
Sanoma Media Netherlands B.V., The Netherlands		100.0
Sanoma Digital The Netherlands B.V., The Netherlands		100.0
2BLOND B.V., The Netherlands		77.8
Head Office Nederland B.V., The Netherlands		100.0
Veronica Uitgeverij B.V., The Netherlands		100.0
SB Commerce B.V., The Netherlands		100.0
Scoupy B.V., The Netherlands		72.4
B.V. Aldipress, The Netherlands		100.0
Sanoma Regional Belgium N.V., Belgium		100.0
Sanoma Media Belgium N.V., Belgium		100.0
Head Office N.V., Belgium		100.0
SANOMA MEDIA FINLAND		
Sanoma Media Finland Oy, Helsinki	100.0	100.0
Sanoma Tekniikkajulkaisut Oy, Helsinki		60.0
Netwheels Oy, Helsinki		55.8
Oikotie Oy, Helsinki		82.0
Sanomala Oy, Vantaa		100.0
Savon Paino Oy, Varkaus		100.0
Mobiilimarkkinointi Routa Oy, Turku		80.1
SANOMA LEARNING		
Sanoma Learning B.V., The Netherlands		100.0
L.C.G. Malmberg B.V., The Netherlands		100.0
Nowa Era Sp. z.o.o., Poland		100.0
Sanoma Utbildning AB, Sweden		100.0
Uitgeverij Van In N.V., Belgium		100.0
Vulcan SP. z.o.o., Poland		100.0
Young Digital Planet S.A., Poland		100.0
Bureau ICE B.V., The Netherlands		100.0
Sanoma Pro Oy, Helsinki	100.0	100.0
OTHER COMPANIES		
Sanoma B.V., The Netherlands	100.0	100.0

31. Information on subsidiaries with material non-controlling interests

In July 2017, Sanoma divested 67% of the Dutch TV business SBS for a net cash consideration of EUR 237 million and obtaining 100% ownership of the TV guide business Veronica Uitgeverij. In 2017, the Dutch TV business SBS was included in Sanoma's reported result until the end of June. On 31 December 2017 the Group had no subsidiary with material non-controlling interests.

In 2016, the Group had one subsidiary with material non-controlling interests, Sanoma Image B.V.

Summary of financial information, EUR million	**Sanoma Image B.V.** 2016
The principal place of business	The Netherlands
Non-controlling interests holding, %	33.0%
Net sales	261.7
Result for the period	9.9
Total comprehensive income for the period	9.9
Total comprehensive income allocated to non-controlling interests	3.2
Non-current assets	994.5
Current assets	87.9
Non-current liabilities	97.4
Current liabilities	122.3
Net assets	862.7
Carrying amount of non-controlling interests	284.7
Dividends paid to non-controlling interests	-
Cash flow from operations	19.5
Cash flow from investments	-28.7
Cash flow from financing	-45.0
Net increase(+)/decrease(-) in cash and cash equivalents	-54.2

32. Related party transactions

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

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

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

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

Transactions with joint ventures and associated companies, EUR million	2017	2016
Sale of goods	**0.0**	0.0
Rendering of services	**0.6**	0.7
Total income	**0.6**	0.7
Receiving of services	**-2.1**	-2.3
Total expenses	**-2.1**	-2.3

Receivables from joint ventures and associated companies, current, EUR million	2017	2016
Trade receivables	**0.6**	1.3
Other receivables		0.1
Total	**0.6**	1.4

Payables to joint ventures and associated companies, current, EUR million	2017	2016
Trade payables	**0.1**	0.0
Other debts	**0.2**	0.3
Total	**0.3**	0.3

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

In 2017 and 2016, there were no other significant transactions or other related party arrangements with joint ventures and associated companies.

33. Management compensation, benefits and ownership

Management remuneration and ownership, 2017	Remuneration (EUR 1,000)	Number of shares on 31 December 2017	Performance and restricted share plan costs (EUR 1,000)	Number of performance shares and restricted shares **** Performance Share Plan 2016–2018***	Performance Share Plan 2017–2019***	Restricted Share Plan 2015–2017***	Restricted Share Plan 2016–2018***	Restricted Share Plan 2017–2018***
Board of Directors								
Pekka Ala-Pietilä, Chairman	102	10,000						
Antti Herlin, Vice Chairman *	78	19,036,800						
Anne Brunila	76	910						
Mika Ihamuotila	70	150,000						
Nils Ittonen **	75	59,000						
Denise Koopmans	83							
Robin Langenskiöld	70	12,273,371						
Rafaela Seppälä	70	10,273,370						
Kai Öistämö	74	8,265						
Total	**698**	**41,811,716**						
President and CEO								
Susan Duinhoven	1,122	75,000	1,257	225,000	150,000			50,000
Total	**1,122**	**75,000**	**1,257**	**225,000**	**150,000**			**50,000**
Executive Management Group								
Markus Holm (as of 1 February 2017)		18,185			21,000		50,000	
Kim Ignatius (until 31 December 2017)		9,500		45,000		2,625		
Pia Kalsta		5,655		45,000	15,000	3,125		
John Martin		12,395		45,000	19,000	3,125		
Peter de Mönnink (until 31 December 2017)		10,973		112,500	42,000	7,500		100,000
Total	**4,295**	**56,708**	**2,232**	**247,500**	**97,000**	**16,375**	**50,000**	**100,000**

* Includes the holdings of interest parties.
** Includes the holdings of persons closely related.
*** Sanoma Performance Share Plan has been adopted in 2013. Sanoma Restricted Share Plan has been adopted in 2014. Number of Sanoma performance shares granted in the Performance Share Plan 2017–2019 to the President and CEO and EMG 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 EMG members under the Performance Share and Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance and restricted shares received.
**** Performance Share Plan 2015–2017 has not been presented in the table as no rewards were paid since the minimum levels of the performance criteria were not achieved.

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

			Number of stock options		Number of performance shares and restricted shares ****		
Management remuneration and ownership, 2016	**Remuneration (EUR 1,000)**	**Number of shares on 31 December 2016**	**2011**	**Performance and restricted share plan costs (EUR 1,000)**	**Performance Share Plan 2014–2016 *** **	**Performance Share Plan 2016–2018 *** **	**Restricted Share Plan 2015–2017 *** **
Board of Directors							
Pekka Ala-Pietilä, Chairman (as of 12 April 2016)	94	10,000					
Antti Herlin, Vice Chairman (as of 12 April 2016) *	86	18,711,800					
Anne Brunila	78	910					
Susan Duinhoven	22						
Mika Ihamuotila	72	150,000					
Nils Ittonen **	92	59,000					
Denise Koopmans	77						
Robin Langenskiöld	71	12,273,371					
Rafaela Seppälä	72	10,273,370					
Kai Öistämö	78	8,265					
Total	**742**	**41,486,716**					
President and CEO							
Susan Duinhoven	581	71,629		334		150,000	
Total	**581**	**71,629**		**334**		**150,000**	
Executive Management Group							
Kim Ignatius		4,701			7,641	30,000	5,250
Pia Kalsta		3,189	5,000		2,149	30,000	6,250
John Martin		12,096			8,596	30,000	6,250
Peter de Mönnink		2,375			23,400	75,000	15,000
Total	**2,381**	**22,361**	**5,000**	**715**	**41,786**	**165,000**	**32,750**

* Includes the holdings of interest parties.
** Includes the holdings of persons closely related.
*** Sanoma Performance Share Plan has been adopted in 2013. Sanoma Restricted Share Plan has been adopted in 2014. Number of Sanoma performance shares granted in the Performance Share Plan 2016–2018 to the President and CEO and EMG members is presented on target level. Shares conditionally granted to the President and CEO and EMG members under the Performance Share and Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance and restricted shares received.
**** Performance Share Plan 2015–2017 has not been presented in the table as no rewards were paid since the minimum levels of the performance criteria were not achieved.

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

The remuneration and benefits payable to the President and CEO and Executive Management Group (EMG) members are approved by the Board of Directors of Sanoma, in accordance with the Human Resources Committee's proposal. In addition, the President and CEO and EMG members receive bonuses according to the short-term incentive plan approved each year by the Board of Directors. For the year 2017 the short-term incentive for the President and CEO is 66.7% of her salary at target level and 100% at maximum level. For other EMG members the short-term incentive varies from 40% to 60% of salary at target level and from 60% to 90% at maximum level. The criteria in the 2017 short-term incentive plan of EMG members are based on achieving financial targets of operational EBIT, free cash flow, net sales as well as Sanoma's employee satisfaction objective.

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

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

Other benefits of the management

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

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

For the President and CEO Susan Duinhoven, the additional pension contribution cost was EUR 87,223 for the year 2017 (2016: 107,110), and the statutory pension cost for the year 2017 was EUR 182,684 (2016: 95,829). The pension costs of EMG members were EUR 900,409 in 2017 (2016: 529,411).

34. Events after the balance sheet date

On 16 January 2018, Sanoma announced an intention to divest its Belgian women's magazine portfolio, part of Media BeNe SBU, to Roularta Media Group. Enterprise value of the divested assets is EUR 34 million. Net sales were EUR 80.5 million and operational EBIT EUR 6.5 million (EBIT margin 8.1%) in 2017. The divested business is reported as Discontinued operations in this report. The transaction is subject to closing conditions including customary regulatory approvals and social consultation with the employee representatives, and is expected to be closed by the end of Q2 2018. Restructuring costs, capital gains and similar one-off items related to the transaction will be booked into the Discontinued operations' net result for 2018.

Shares and shareholders

Basic share information

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

At the end of 2017, Sanoma's registered share capital was EUR 71,258,986.82 (unchanged) and the number of shares was 163,565,663 (2016: 162,812,093).

Listing of shares

Sanoma share (SAA1V) is listed on the Nasdaq Helsinki Ltd.

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

Trading codes	Shares
Nasdaq Helsinki	SAA1V
Startel	SAA1V
Bloomberg	SAA1V:FH
Reuters	SAA1V.HE

Treasury shares

At the end of 2017, Sanoma held a total of 316,519 (2016: 478,497) of its own shares, representing 0.2% (2016: 0.3%) of all shares and votes.

Board authorisations

The AGM held on 21 March 2017 authorised the Board to decide on the repurchase of maximum of 16,000,000 Company's own shares. The authorisation is effective until 30 June 2018 and terminates the corresponding authorisation granted by the AGM on 12 April 2016.

The 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 shares shall be repurchased to develop the Company's capital structure, to carry out and finance potential corporate acquisitions or other business arrangements, be used as a part of the Company's incentive programme or to be conveyed further for other purposes, retained as treasury shares, or cancelled.

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

The Board of Directors did not exercise its right under the authorisation in 2017.

Number of shares	31 December 2017
Number of registered shares	163,565,663
Total number of treasury shares	316,519
Number of outstanding shares*	163,249,144
Adjusted average number of shares*	162,544,637

* Does not include treasury shares held by the company.

Option schemes

During 2017, Sanoma had one option scheme, Stock Option Scheme 2011 authorised by the AGM of 8 April 2010, in place. The subscription period of 2011 stock options ended on 30 November 2017, and their listing on Nasdaq Helsinki ended on 24 November 2017.

In 2017, a total of 753,570 (2016: 0) shares were subscribed with 2011 stock options.

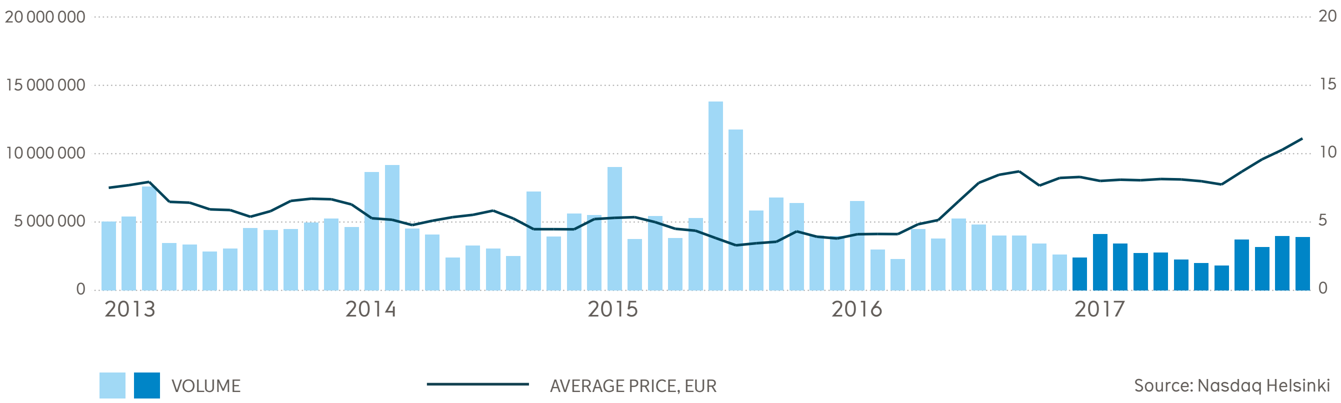
The stock option scheme covered all Sanoma's strategic business units and the Parent Company. Stock options were distributed to executives and managers of the Sanoma Group in accordance with the decisions of the Board of Directors. The amount of option holders within the Group in the beginning of 2017 was 92.

Share trading and performance

In 2017, a total of 36,232,649 (2016: 48,152,687) Sanoma shares were traded on Nasdaq Helsinki Ltd. Traded shares accounted for some 22% (2016: 30%) of the average number of shares. Share turnover in Nasdaq Helsinki was EUR 322.4 million (2016: 296.5). During the year, 73% (2016: 72%) of all trading took place in Nasdaq Helsinki and 27% (2016: 28%) in other trading venues, such as Cboe Global Markets.

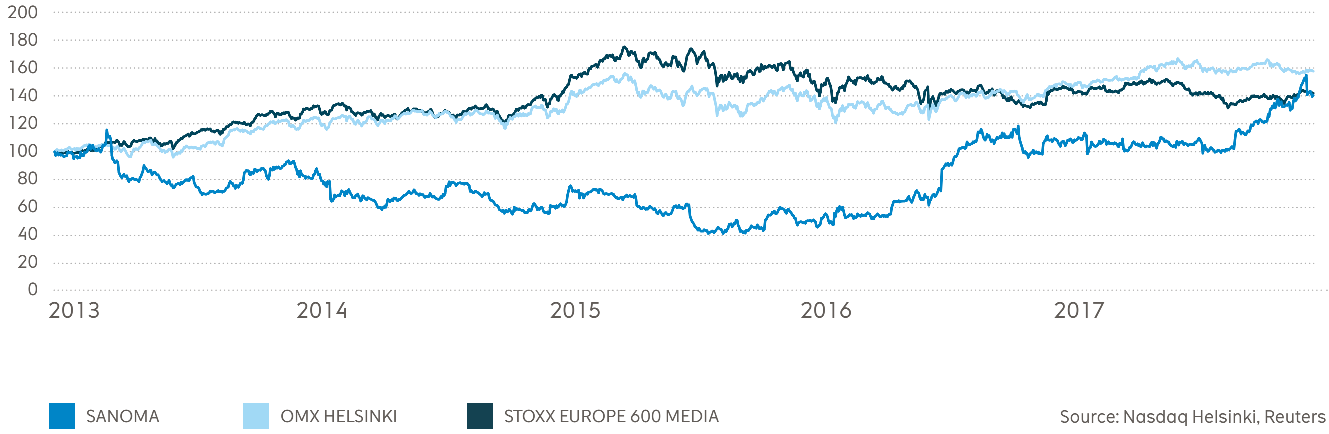
During 2017, the volume-weighted average price of the Sanoma share on Nasdaq Helsinki was EUR 8.90 (2016: 6.14), with a low of EUR 7.58 (2016: 3.51) and a high of EUR 12.03 (2016: 9.39). At the end of the year, Sanoma's market capitalisation excluding the company's own shares was EUR 1,775 million (2016: 1,338), with a closing price of EUR 10.87 (2016: 8.25).

Average share price and volume in 2013–2017



Source: Nasdaq Helsinki

Sanoma share price development compared to key indexes in 2013–2017



Source: Nasdaq Helsinki, Reuters

Dividend policy

According to its dividend policy since 2017, Sanoma aims to pay an increasing dividend, equal to 40–60% of annual cash flow from operations less capital expenditure.

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.

Shareholders

On 31 December 2017, the Company had 20,393 (2016: 21,830) shareholders with foreign holding accounting for 19.2% (2016: 15.4%) of all shares and votes.

Major shareholders on 31 December 2017

	Shareholder	Shares	% of shares
1	Jane and Aatos Erkko Foundation	39,820,286	24.4
2	Herlin Antti	19,036,800	11.6
	Holding Manutas Oy	19,005,000	
	Herlin Antti	31,800	
3	Langenskiöld Robin	12,273,371	7.5
4	Seppälä Rafaela	10,273,370	6.3
5	Helsingin Sanomat Foundation	5,701,570	3.5
6	Ilmarinen Mutual Pension Insurance Company	3,572,220	2.2
7	Foundation for Actors´ Old-Age Home	2,000,000	1.2
8	Noyer Alex	1,908,965	1.2
9	The State Pension Fund	1,860,000	1.1
10	Aubouin Lorna	1,852,470	1.1
11	WSOY Literary Foundation	915,000	0.6
12	Pension Fund of Werner Söderström Osakeyhtiö	651,008	0.4
13	Folkhälsan i Svenska Finland rf Inez och Julius Polins Fond	646,149	0.4
14	Langenskiöld Lars Christoffer Robin	645,996	0.4
15	Langenskiöld Bo Sebastian Eljas	645,963	0.4
16	Langenskiöld Pamela	645,963	0.4
17	Oy Etra Invest Ab	550,000	0.3
18	Finnish Cultural Foundation	502,240	0.3
19	Evli Finnish Small Cap Fund	480,000	0.3
20	Laakkonen Mikko	474,000	0.3
	20 largest shareholders total	**104,455,371**	**63.9**
	Nominee registered and foreign shareholders	**31,367,490**	**19.2**
	Other shareholders	**27,742,802**	**16.9**
	Total	**163,565,663**	**100.0**

Monthly updated shareholder information is available at Sanoma.com.

Shareholders by sector on 31 December 2017

Sector	Number of shareholders	%	Number of shares	%
Companies	783	3.8	23,243,890	14.2
Financial and insurance institutions	28	0.1	28,024,210	17.1
Public entities	23	0.1	6,606,632	4.0
Households	19,071	93.5	45,955,057	28.1
Non-profit organisations	356	1.8	54,802,598	33.5
Foreign registrations	122	0.6	4,853,827	3.0
Total	**20,383**	**100.0**	**163,486,214**	**99.9**
In joint and special accounts			79,449	0.1
Number of shares on the market			**163,565,663**	**100.0**
Of which nominee registered	10	0	26,513,663	16.2

Shareholders by number of shares held on 31 December 2017

Number of shares	Number of shareholders	%	Number of shares	%
1–100	5,330	26.1	317,418	0.2
101–1,000	11,019	54.0	4,630,236	2.8
1,001–10,000	3,615	17.7	10,113,891	6.2
10,001–100,000	361	1.8	9,554,142	5.8
100,001–	68	0.3	138,870,527	84.9
Total	**20,393**	**99.9**	**163,486,214**	**99.9**
In joint and special account			79,449	0.1
Number of shares on the market			**163,565,663**	**100.0**

Shareholder agreements

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

Management shareholdings

On 31 December 2017, the combined holdings in the Company shares of members of the Board of Directors, the President and CEO, and the bodies they control (as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act) accounted for 25.6% (2016: 25.5%) of all shares and votes.

More information on management shareholding and remuneration is available in Note 33.

Sanoma's guidelines on insider administration are presented in Corporate Governance Statement 2017.

Major changes in shareholdings

Sanoma has not given any flagging announcements of changes in its ownership during 2017.

Parent Company financial statements 2017

Parent Company income statement, FAS

EUR million	Note	1.1.–31.12.2017	1.1.–31.12.2016
Other operating income	2	**324.1**	108.5
Personnel expenses	3	**-22.1**	-20.9
Depreciation, amortisation and impairment losses	7–9	**-262.3**	-93.7
Other operating expenses	4	**-92.8**	-105.6
Operating profit (loss)		**-53.0**	-111.7
Financial income and expenses	5	**164.1**	11.4
Result before appropriations and taxes		**111.1**	-100.3
Appropriations	13	**40.7**	34.1
Income taxes	6	**5.0**	8.6
Result for the year		**156.9**	-57.6

Parent Company balance sheet, FAS

EUR million	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Intangible assets	7	**5.0**	7.3
Tangible assets	8	**8.7**	10.9
Investments	9	**1,442.2**	1,797.0
Non-current assets, total		**1,455.9**	1,815.2
Current assets			
Long-term receivables	10	**2.7**	7.5
Short-term receivables	11	**99.7**	90.2
Cash and cash equivalents		**5.0**	11.5
Current assets, total		**107.3**	109.2
ASSETS, TOTAL		**1,563.2**	1,924.4
EQUITY AND LIABILITIES			
Shareholders' equity	12		
Share capital		**71.3**	71.3
Treasury shares		**-1.4**	-2.1
Fund for invested unrestricted equity		**209.8**	203.3
Retained earnings		**306.8**	393.6
Profit for the year		**156.9**	-57.6
Shareholders' equity, total		**743.3**	608.4
Appropriations	13	**1.0**	1.3
Liabilities			
Non-current liabilities	14	**200.6**	200.7
Current liabilities	15	**618.3**	1,114.0
EQUITY AND LIABILITIES, TOTAL		**1,563.2**	1,924.4

Parent Company cash flow statement, FAS

EUR million	1.1.–31.12.2017	1.1.–31.12.2016
Operations		
Result for the period	**156.9**	-57.6
Adjustments		
Income taxes	**-5.0**	-8.6
Appropriations	**-0.3**	0.3
Extraordinary items	**-40.4**	-34.4
Financial income and expenses	**-164.1**	-11.4
Depreciation, amortisation and impairment losses	**262.3**	93.7
Gains / losses on sale of non-current assets	**-217.6**	0.7
Other adjustments	**0.9**	
Change in working capital		
Change in trade and other receivables	**5.6**	9.0
Change in trade and other payables, and provisions	**-7.2**	8.5
Interest paid	**-20.1**	-45.8
Other financial items	**-4.6**	-7.0
Group contributions	**43.0**	20.1
Dividends received	**183.2**	48.5
Taxes paid	**-0.2**	-0.1
Cash flow from operations	**192.3**	15.8
Investments		
Acquisition of tangible and intangible assets	**-2.4**	-3.5
Group companies acquired		-0.1
Acquisition of other holdings		-0.5
Sales of tangible and intangible assets	**10.1**	0.4
Group companies sold	**260.4**	3.4
Capital refund	**0.7**	
Loans granted	**-14.1**	-40.0
Repayments of loan receivables	**19.0**	24.5
Interest received	**14.5**	13.5
Cash flow from investments	**288.2**	-2.1
Cash flow before financing	**480.5**	13.7
Financing		
Proceeds from share subscriptions	**6.4**	
Change in loans with short maturity	**-216.2**	-0.8
Drawings of other loans	**249.9**	427.3
Repayments of other loans	**-494.7**	-422.1
Dividends paid	**-32.5**	-16.2
Cash flow from financing	**-487.1**	-11.8
Change in cash and cash equivalents according to cash flow statement	**-6.6**	1.9
Net increase(+)/decrease(-) in cash and cash equivalents	**-6.6**	1.9
Cash and cash equivalents at 1 Jan	**11.5**	9.7
Cash and cash equivalents at 31 Dec	**5.0**	11.5

Notes to the Parent Company financial statements

1. Parent Company's accounting policies for financial statements

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

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

Pensions

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

Derivatives

Sanoma Corporation has changed its accounting policy related to derivatives in 2017. Earlier only realized gains and losses related to derivatives were included in the financial statements of the Parent Company. Now fair value is applied to derivatives and also changes in fair values are included in Sanoma Corporation's financial statements.

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.

Share-based payments

Sanoma Corporation has changed its accounting policy related to share-based payments in 2017. Earlier only the fair value for the cash settled portion was recognized in the financial statements of Parent Company. Now both the fair value for the equity settled and cash settled portion are recognized in the financial statements of Parent Company.

2. Other operating income

Other operating income, EUR million	2017	2016
Technology management fee	**20.8**	26.4
Other management and service fees	**76.1**	69.1
Rental income	**2.7**	1.3
Rental income, internal	**0.7**	0.8
Capital gains	**217.5**	0.1
Other	**6.4**	10.7
Total	**324.1**	108.5

Company sold its subsidiaries Sanoma Learning B.V, Sanoma Utbildning AB and Nowa Era Sp.z.o.o to Sanoma Pro Oy. Capital gains include sales gain of EUR 167.7 million related to this transaction. Company also divested its property Ludviginkatu and investment in SBS.

3. Personnel expenses

Personnel expenses, EUR million	2017	2016
Wages, salaries and fees	**-18.6**	-17.0
Pension costs	**-2.7**	-3.1
Other social expenses	**-0.8**	-0.8
Total	**-22.1**	-20.9
Average number of employees (full-time equivalents)	**163**	164

The remuneration to the President and CEO and Board of Directors is presented separately, divided by persons, in Note 33 to the Financial Statements.

4. Other operating expenses

Other operating expenses, EUR million	2017	2016
Office and ICT expenses	**-50.4**	-52.9
Professional fees	**-34.1**	-45.8
Rents	**-3.7**	-2.1
Losses on sales	**-0.1**	-0.8
Other	**-4.5**	-4.0
Total	**-92.8**	-105.6

Principal Audit fees, EUR million	2017	2016
Statutory audit	**0.1**	0.1
Other services	**0.1**	0.0
Total	**0.2**	0.1

5. Financial income and expenses

Financial income and expenses, EUR million	2017	2016
Dividend income		
From Group companies	**183.2**	48.5
Total	**183.2**	48.5
Interest income from investments under non-current assets		
From Group companies	**10.3**	13.3
From other companies	**0.0**	0.0
Total	**10.3**	13.3
Other interest and financial income		
From Group companies	**0.5**	0.3
From other companies	**0.1**	6.9
Exchange rate gains	**7.6**	7.6
Total	**8.3**	14.9
Interest and other financial expenses		
To Group companies	**-9.8**	-20.9
To other companies	**-20.2**	-36.2
Exchange rate losses	**-7.7**	-8.2
Total	**-37.6**	-65.3
Total	**164.1**	**11.4**

6. Income taxes

Income taxes, EUR million	2017	2016
Income tax on operational income	**5.2**	8.6
Income taxes from previous periods	**-0.2**	0.0
Total	**5.0**	8.6

7. Intangible assets

Intangible assets 2017, EUR million	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2.9	9.4	1.2	13.5
Increases		1.3	0.9	2.3
Decreases	-0.2	-2.7		-2.8
Reclassifications		1.4	-1.2	0.3
Acquisition cost at 31 Dec	2.8	9.5	0.9	13.2
Accumulated amortisation and impairment losses at 1 Jan	-2.1	-4.2		-6.2
Decreases	0.1	1.0		1.1
Amortisation for the period	-0.3	-2.8		-3.1
Accumulated amortisation and impairment losses at 31 Dec	-2.3	-5.9		-8.3
Book value at 31 Dec 2017	**0.4**	**3.6**	**0.9**	**5.0**

Intangible assets 2016, EUR million	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2.7	6.8	1.2	10.6
Increases	0.2	1.6	1.1	3.0
Decreases		-0.2		-0.2
Reclassifications		1.2	-1.1	0.0
Acquisition cost at 31 Dec	2.9	9.4	1.2	13.5
Accumulated amortisation and impairment losses at 1 Jan	-1.7	-2.2		-4.0
Decreases		0.0		0.0
Amortisation for the period	-0.4	-1.9		-2.3
Accumulated amortisation and impairment losses at 31 Dec	-2.1	-4.2		-6.2
Book value at 31 Dec 2016	**0.9**	**5.3**	**1.2**	**7.3**

8. Tangible assets

Tangible assets 2017, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other	Advance payments	Total
Acquisition cost at 1 Jan	9.1	0.5	3.3	0.3	0.3	13.4
Increases			0.2		0.0	0.2
Decreases	-1.5		-0.3			-1.8
Reclassifications					-0.3	-0.3
Acquisition cost at 31 Dec	7.5	0.5	3.1	0.3	0.0	11.5
Accumulated depreciation and impairment losses at 1 Jan		-0.2	-2.3			-2.5
Decreases			0.2			0.2
Depreciation for the period		0.0	-0.4			-0.5
Accumulated depreciation and impairment losses at 31 Dec		-0.2	-2.6			-2.8
Book value at 31 Dec 2017	**7.5**	**0.3**	**0.5**	**0.3**	**0.0**	**8.7**

Tangible assets 2016, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other	Advance payments	Total
Acquisition cost at 1 Jan	9.1	0.5	3.6	0.3	0.0	13.5
Increases			0.2		0.3	0.5
Decreases			-0.5			-0.5
Reclassification					0.0	0.0
Acquisition cost at 31 Dec	9.1	0.5	3.3	0.3	0.3	13.4
Accumulated depreciation and impairment losses at 1 Jan		-0.1	-1.9			-2.0
Decreases			0.2			0.2
Depreciation for the period		0.0	-0.7			-0.7
Accumulated depreciation and impairment losses at 31 Dec		-0.2	-2.3			-2.5
Book value at 31 Dec 2016	**9.1**	**0.3**	**0.9**	**0.3**	**0.3**	**10.9**

9. Investments

Investments 2017, EUR million	Interest in Group companies	Receivables from Group companies	Interest in associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost at 1 Jan	1,771.5	412.6	0.2	6.9	1.6	2,192.9
Increases	280.5	130.1				410.6
Decreases	-853.9	-16.5		-1.1	-0.5	-872.1
Acquisition cost at 31 Dec	1,198.1	526.1	0.2	5.8	1.1	1,731.3
Accumulated impairment losses at 1 Jan	-395.7			-0.2		-395.9
Decreases	364.6			0.1		364.7
Impairment losses for the period	-256.9	-1.0		0.0		-257.9
Accumulated impairment losses at 31 Dec	-288.0	-1.0		-0.2		-289.1
Book value at 31 Dec 2017	**910.1**	**525.2**	**0.2**	**5.6**	**1.1**	**1,442.2**

Investments 2016, EUR million	Interest in Group companies	Receivables from Group companies	Interest in associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost at 1 Jan	1,798.2	412.0	0.3	6.1	1.2	2,217.9
Increases	0.1	21.5		0.8	0.7	23.0
Decreases	-26.8	-20.9	-0.1		-0.3	-48.0
Acquisition cost at 31 Dec	1,771.5	412.6	0.2	6.9	1.6	2,192.9
Accumulated impairment losses at 1 Jan	-327.9					-327.9
Decreases	22.6					22.6
Impairment losses for the period	-90.4			-0.2		-90.6
Accumulated impairment losses at 31 Dec	-395.7			-0.2		-395.9
Book value at 31 Dec 2016	**1,375.8**	**412.6**	**0.2**	**6.7**	**1.6**	**1,797.0**

Impairment losses recognised from interest in Group companies in the financial year amounted to EUR 256.9 million (2016: 90.4).

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.

10. Long-term receivables

Long-term receivables, EUR million	2017	2016
Accrued income *	2.7	7.5
Total	**2.7**	7.5

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

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

11. Short-term receivables

Short-term receivables, EUR million	2017	2016
Trade receivables	8.9	9.7
Loan receivables	27.0	23.0
Other receivables	0.1	0.1
Accrued income *	63.7	57.4
Total	**99.7**	90.2
Receivables from Group companies		
Trade receivables	7.7	9.4
Loan receivables	27.0	23.5
Accrued income	58.2	53.3
Total	**92.9**	86.2

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

12. Shareholders' equity

Shareholders' equity, EUR million	2017	2016
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	-2.1	-3.2
Shares delivered	0.7	1.0
Treasury shares at 31 Dec	-1.4	-2.1
Fund for invested unrestricted equity at 1 Jan	203.3	203.3
Share subscription with options	6.4	
Fund for invested unrestricted equity at 31 Dec	209.8	203.3
Retained earnings at 1 Jan	336.0	410.9
Adjustment to opening retained earnings*	1.2	
Dividends paid	-32.5	-16.3
Share-based compensation	1.8	
Shares delivered	0.3	-1.0
Other changes	0.0	0.1
Retained earnings at 31 Dec	306.8	393.6
Profit (loss) for the year	156.9	-57.6
Unrestricted equity 31 Dec	**672.0**	537.2
Total	**743.3**	608.4

* Adjustments to opening retained earnings are related to change in accounting policy related to share-based payments and derivatives.

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

Distributable earnings, EUR million	2017	2016
Treasury shares	-1.4	-2.1
Fund for invested unrestricted equity	209.8	203.3
Retained earnings	306.8	393.6
Profit (loss) for the year	156.9	-57.6
Total	**672.0**	537.2

13. Appropriations

Appropriations, EUR million	2017	2016
Cumulative depreciation differences	1.0	1.3
Total	**1.0**	1.3

Appropriations in the income statement include group contributions and change in cumulative depreciation differences.

14. Non-current liabilities

Non-current liabilities, EUR million	2017	2016
Debentures	200.0	200.0
Accrued expenses	0.6	0.7
Total	**200.6**	200.7

15. Current liabilities

Current liabilities, EUR million	2017	2016
Debentures		200.0
Loans from financial institutions	52.0	0.4
Commercial papers	148.6	366.4
Trade payables	15.4	21.5
Accrued expenses *	23.0	20.4
Other liabilities	379.4	505.3
Total	**618.3**	1,114.0
Liabilities to Group companies		
Trade payables	6.5	14.5
Accrued expenses	4.4	0.9
Other liabilities	379.0	504.3
Total	**390.0**	519.6

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

16. Contingent liabilities

Contingent liabilities, EUR million	2017	2016
Contingencies for own commitments		
Other contingent liability for own commitments	24.8	24.8
Total	**24.8**	24.8
Contingencies incurred on behalf of Group companies		
Guarantees*	188.2	308.8
Total	**188.2**	308.8
Other liabilities	13.6	15.7
Total	**13.6**	15.7
Total	**226.6**	349.3

* Includes EUR 54.9 million lease guarantee of Sanomala real estate sold in January 2014.

Nominal values of derivatives, EUR million	2017	2016
Interest derivatives		
Interest rate swaps		100.0
Total		100.0
Currency derivatives		
Forward exchange contracts, external	66.4	82.1
Forward exchange contracts, internal	-4.8	-61.1
Total	**61.6**	21.0
Total	**61.6**	121.0

Fair values of derivatives, EUR million	2017	2016
Interest derivatives		
Interest rate swaps		-0.4
Total		-0.4
Currency derivatives		
Forward exchange contracts, external	-0.6	6.3
Forward exchange contracts, internal	0.0	-6.1
Total	**-0.6**	0.1
Total	**-0.6**	-0.3

Board's proposal for distribution of profits and signatures

The retained earnings of the parent company Sanoma Corporation according to the balance sheet as at 31 December 2017 were EUR 462,256,473.59 of which the profit for the financial year 2017 was 156,880,443.18 and treasury shares -1,409,002.83. Including the fund for non-restricted equity of EUR 209,767,212.33 the distributable funds amounted to EUR 672,023,685.92 at 31 December 2017.

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

• a dividend of EUR 0.35 per share shall be paid	EUR 57,137,200.40 *
• the following amount shall be transferred to the donation reserve and used at the Board's discretion	EUR 350,000.00
• shareholders' equity shall be set at	EUR 614,536,485.52

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

* The dividend will be paid in two instalments. The first instalment of EUR 0.20 per share will be paid to a shareholder who is registered in the shareholders' register of the company maintained by the Euroclear Finland Ltd on the dividend record date set by the Board for payment of the dividend, Monday 26 March 2018. The Board will propose to the Annual General Meeting that the dividend will be paid on Wednesday 4 April 2018.

The second instalment of EUR 0.15 per share will be paid in November 2018 to a shareholder who is registered in the shareholders' register of the company maintained by the Euroclear Finland Ltd on the dividend record date, which, together with the payment date, will be decided by the Board in its meeting scheduled for 23 October 2018. The estimated dividend record date for the second instalment would be 25 October 2018 and the dividend payment date 1 November 2018.

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

Helsinki, 7 February 2018

Pekka Ala-Pietilä
Chairman

Antti Herlin
Vice Chairman

Anne Brunila

Mika Ihamuotila

Nils Ittonen

Denise Koopmans

Robin Langenskiöld

Rafaela Seppälä

Kai Öistämö

Susan Duinhoven
President and CEO

Auditor's Report

To the Annual General Meeting of Sanoma Corporation

Report on the audit of the financial statements

OPINION

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

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

What we have audited

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

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

BASIS FOR OPINION

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

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

Independence

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

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

OUR AUDIT APPROACH

Overview

Materiality

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

Group scoping

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

Key audit matters

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

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

Materiality

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

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

Overall group materiality
11,500,000 euros

How we determined it
We used a combination of total revenues and profit before tax as benchmarks to determine overall group materiality.

Rationale for the materiality benchmark applied
We assessed the suitability of the commonly accepted benchmarks for the determination of materiality. We determined that total revenue and profit before tax as a combination provide a suitable representation of the magnitude of Sanoma's operations.

How we tailored our group audit scope

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

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

KEY AUDIT MATTERS

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

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

Valuation of goodwill

Key audit matter in the audit of the group

Refer to Accounting policies for consolidated financial statements and Note 15

Goodwill in the Group's balance sheet amounted to EUR 934.6 million as of 31 December. As such, goodwill represents 59 % of total assets in the balance sheet. The balance has significantly decreased during the financial year due to divestments.

Goodwill is not amortized but is subject to annual impairment testing. For the purpose of impairment testing, goodwill has been allocated to three cash flow generating units (CGU):

- Sanoma Media Finland, goodwill of EUR 78 million
- Sanoma Media BeNe, goodwill of EUR 581 million
- Sanoma Learning, goodwill of EUR 276 million.

The goodwill impairment testing is carried out by determining the present value of future cash flows of the CGUs. This assessment involves considerable judgment with respect to assumptions used in the cash flow projections specifically relating to the long-term growth rate, profitability level and discount rate.

The valuation of goodwill is considered a key audit matter due to its financial significance as well as due to the high degree of management judgement involved in the valuation.

How our audit addressed the key audit matter

Our audit procedures included, for example, the following:

- We obtained an understanding of the methodology used in the goodwill impairment testing including the determination of the CGUs
- We tested the mathematical accuracy of the calculations
- We assessed the reasonableness of the estimated future profitability levels and their consistency with the approved budgets and forecasts
- We involved our valuation experts to test the reasonableness of the discount rates, the long term growth rates and other assumptions by e.g. comparing the inputs to observable market data
- We tested management's sensitivity analysis to ascertain the extent of change in key assumptions that either individually or collectively could result in an impairment of goodwill
- We assessed the adequacy of the disclosures particularly related to assumptions and sensitivities

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

Key audit matter in the audit of the group

Refer to Accounting policies for consolidated financial statements and Note 15

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

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

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

How our audit addressed the key audit matter

Our audit procedures included, for example, the following:

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

Revenue recognition

Key audit matter in the audit of the group

Refer to Accounting policies for consolidated financial statements and Note 6

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

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

How our audit addressed the key audit matter

Our audit procedures included, for example, the following:

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

Accounting for changes in group structure

Key audit matter in the audit of the group

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

The Group has announced several acquisitions and divestments during the financial year, the most significant being the divestment of the Dutch TV business SBS. This transaction had a EUR -286.2 million impact on the net result. Furthermore the company announced the intention to divest the Belgian women's magazine portfolio which has been classified as a discontinued operation as of the 31 December 2017.

Accounting for changes in group structure is considered a key audit matter due to the significance of the SBS divestment, in particular, to the financial statements and due to the significant management judgment involved in the classification and accounting treatment of the transactions.

How our audit addressed the key audit matter

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

Key audit matter in the audit of the Parent Company

Refer to the Parent Company's accounting policies and Note 9.

The investments in Group companies' shares amounts to EUR 910 million representing 58% of the Parent Company's balance sheet. During the financial year the company has recognized impairment losses of EUR 257 million related to these shares. The Parent Company's investments include also EUR 525 million of receivables from Group companies.

Interest in Group companies is tested for impairment annually using the income approach. In applying this approach the fair value of an investment is calculated based on the discounted cash flow model or the dividend discount model.

Valuation of interests in Group Companies and receivables from Group companies is considered a key audit matter in the audit of the Parent Company due to the significance of these investments to the financial statements and due to the high degree of management judgement involved in the income approach used to test the valuation of these investments.

How our audit addressed the key audit matter

Our audit procedures included, for example, the following:

- We assessed the reasonableness of management assumptions relating to the estimated future results by e.g. checking their consistency with the approved budgets and forecasts
- We involved our valuation specialists when assessing the inputs and methodology in determining the discount rates, and in evaluating the long-term growth rates compared to external market data
- We reviewed the Parent Company's disclosures in respect of the impairment testing.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

APPOINTMENT

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

OTHER INFORMATION

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

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

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

In our opinion

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

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

OTHER STATEMENTS

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

Helsinki 27 February 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

Statement of Non-Financial Information

This Statement of Non-financial Information for 2017 ('Statement') has been prepared in accordance with the disclosure requirements of non-financial information stated in the Finnish Accounting Act (1376/2016, as amended). The Statement has been reviewed by the Board of Directors of Sanoma. This Statement is presented as a separate report from the Board of Directors' Report.

The statutory auditors of Sanoma have checked that the Statement has been issued and that it complies with the financial statements of the company. Sanoma announced on 16 January 2018 an intention to divest its Belgian women's magazine portfolio. The divested business was consequently classified as Discontinued operations in the Financial Statements 2017. Unless otherwise stated, the information presented in this Statement for 2017, including corresponding information for 2016, covers both Continuing and Discontinued operations, and thus the scope of this Statement differs from the scope of Financial Statements 2017.

This statement includes descriptions of material non-financial information regarding

- Sanoma's business environment and value creation model
- Policies and related due diligence processes
- Principal risks and their management focusing on the following matters
    - Privacy and information security
    - Environmental
    - Social and employee
    - Human rights
    - Anti-corruption and bribery
- Thematic matters specific to Sanoma
    - Content impact
    - Data impact
    - Learning impact
    - Value creation and tax footprint
- Thematic matters defined by regulation
    - Environmental
    - Social and employee
    - Human rights
    - Anti-corruption and bribery

Creating positive impact

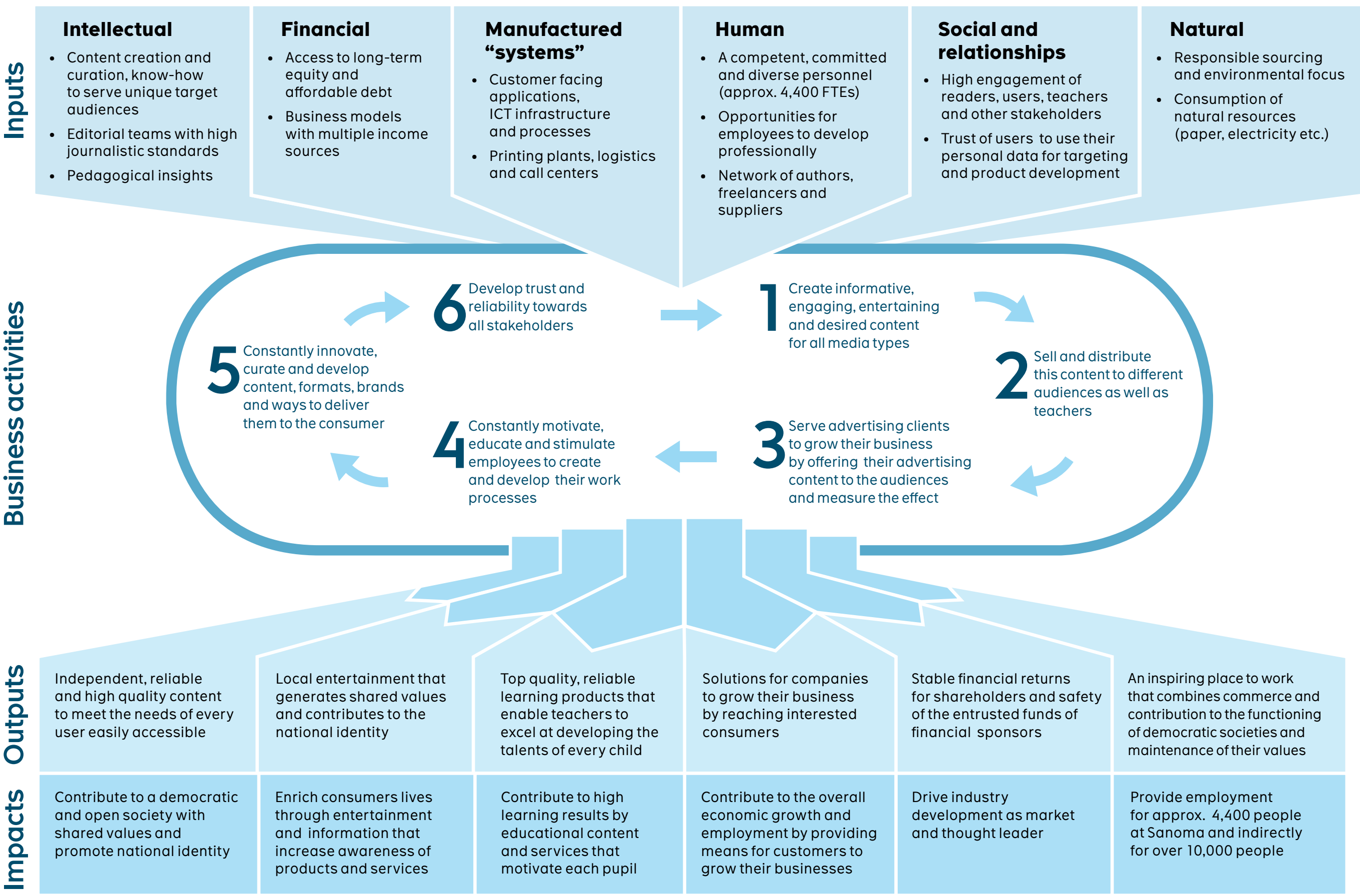
As a media and learning company, Sanoma plays an important role in the markets it is active in. Our cultural and social objectives are founded on shared values of human dignity, democracy and freedom.

Sanoma makes an impact on society by
- Providing media content for consumers to support their opinion formation: Sanoma's media offering produced according to high ethical standards contributes to a democratic and open society
- Enriching consumers' lives through entertainment, information and inspiration
- Contributing to high learning results through educational content and services that motivate pupils
- Contributing to overall economic growth and employment by providing customers means to grow their business.

Sanoma value creation model describes what resources and inputs Sanoma utilises in developing, producing, curating and distributing media and learning content, and in offering services. It also describes what the outputs of Sanoma's business processes are, and how they impact Sanoma's audiences, customers, society and other stakeholders.

Click to extend the picture

Sanoma value creation



Policies and related due diligence processes

Sanoma applies responsible business practices and promotes responsible behaviour of employees by enforcing a common set of rules and values and ensuring that all employees commit to them. Sanoma's Code of Conduct 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 of Conduct is an integral part of shared values that guide working and decision making throughout the Sanoma Group. It sets out the principles of business and is publicly available on Sanoma's website.

All Sanoma employees are required to apply the Code of Conduct in full in their day-to-day conduct and business decisions. In addition, Sanoma expects its business partners to apply equivalent standards.

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

In addition to the Code of Conduct and Corporate Governance Framework, policies on the following topics are currently in force:
- Fair Competition
- Related Party Transactions
- Donation
- Privacy
- Information Security
- Diversity
- Procurement
- Travel
- Anti-Bribery & Corruption
- Insider
- Disclosure
- Treasury
- M&A
- IPR
- Internal Audit
- Internal Control
- Enterprise Risk Management

Certain policies focus more on implementing the requirements of legislation (e.g. Insider Policy), while some policies entail a due diligence element (e.g. the Know Your Counterparty process and related tool) or specific disclosure requirements (e.g. Related Party Policy, under which all Related Party Transactions of the Group and SBU senior management need to be approved and disclosed). To ensure compliance with the policies, different training requirements and controls are used.

Management of the Group and its businesses is based on a clear organisational structure, well-defined areas of authority and responsibility, common planning and reporting systems as well as Sanoma's values and policies. The corporate functions and Business Units may have their own standards and instructions that are stricter than the Group's requirements. Practices that fall short of the Group requirements are not allowed.

Suppliers

In its operations, Sanoma is committed to ethical and responsible conduct and expects the same commitment from its suppliers.

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

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 Sanoma Supplier Code of Conduct as a mandatory step for successful selection.

For existing suppliers, Sanoma's target is to implement the Supplier Code of Conduct through an amendment to the frame agreement. This will in most cases be triggered when the relationship is up for renewal.

The Supplier Code of Conduct is part of Sanoma's standard contractual framework and General Terms of Purchase.

Reporting Channels

The Code of Conduct, the Supplier Code of Conduct, and Sanoma's group policies and operating procedures are intended to prevent and detect improper or illegal activities. Any suspicions about violations can be reported through internal or external reporting channels. The external web-based whistle blowing hotline is hosted by an independent third party and can be used anonymously. The link to the whistle blowing hotline is provided on Sanoma's website and the intranet.

Head of Internal Audit and the Compliance Officer receive emails of the allegations received through the whistle blowing hotline. Cases are also identified during internal audits or through other internal channels. The allegations are reviewed and investigative activities planned without delay. All cases and the conclusions of investigations are reported to the Ethics and Compliance Committee and further to the Audit Committee of the Board of Directors.

Principal risks and their management

While executing its strategy and reaching for agreed business objectives, Sanoma and its businesses encounter numerous risks and opportunities. Managing business risks and opportunities is a core element of the responsibilities of Sanoma's management.

The full risk assessment takes place annually in relation to the strategy round, usually during the third quarter. During the first quarter, a follow-up of the top risks and related mitigating actions are reported to the Audit Committee.

In this statement, the focus is on the following risks and their management:

- Privacy and information security risks
- Environmental risks
- Social and employee related risks
- Human rights related risks

Privacy and information security risks

Collecting, storing and using large amounts of data are necessary for Sanoma's core businesses. This is needed to produce personalised media and learning content for consumers, to create correctively targeted reach for advertisers and to avoid undesired advertisement for readers.

The General Data Protection Regulation (GDPR) of EU becomes enforceable from 25 May 2018 after a two-year transition period. Sanoma has used the transition period to duly prepare for the regulation. The processes to fulfil the requirements have been established and actions taken to ensure readiness to identify and respond to security incidents. Sanoma's approach has been to focus on privacy and information security when developing new products and applications. When it comes to privacy and information security, there are not only the policies, but also e-learning and a network of experts in the businesses in place to support the implementation, to raise awareness of the content of the policies and to ensure active reactivity.

Sanoma has assessed that its privacy and information security risk is modest.

Environmental risks

Sanoma's main environmental impacts derive from the use of energy, use of printing material, distribution of products, and transportation.

As stated in the Code of conduct, Sanoma aims to prevent and minimise negative environmental impacts by focusing on efficient operations and use of materials as well as responsible procurement. Sanoma's processes support compliance with relevant environmental legislative, regulatory and operating standards.

Sanoma has assessed that its environmental risk is low.

Social and employee related risks

Sanoma is committed to creating a working environment and culture that inspires employees, values their diversity, embraces their views, and respects their individual rights. Sanoma has a zero tolerance for any form of discrimination, harassment or bullying at the workplace.

Sanoma has assessed that its risk in social and employee matters is modest.

Risks related to human rights

Sanoma supports international standards on human rights, labour conditions, anti-corruption and the environment. Sanoma's actions are guided by the United Nations Global Compact's principles of human rights. Sanoma's media businesses strive to uphold and promote freedom of speech, in line with their editorial principles.

Sanoma operates in countries where human rights risk is assessed as low (Finland, Sweden, the Netherlands and Belgium) or medium (Poland) by Verisk Maplecraft.

Sanoma has assessed that its risk related to respect of human rights is low.

Anti-corruption and bribery risks

Sanoma operates in countries that score high on Transparency International's corruption perception index. Media business is based on creating and selling content to individual people (B2C), and selling advertising space in Sanoma's products (B2B). In learning, the business partners mainly include municipalities and teachers.

Sanoma has zero tolerance for corruption. Sanoma does not offer, pay, or accept bribes in order to obtain or retain business or influence decisions. Sanoma competes in a fair and professional manner and respects applicable competition laws and regulations in all dealings with competitors, customers, suppliers and other business partners.

Sanoma has assessed that its risk related to anti-corruption and bribery is low.

More information on Sanoma's risk management is available in a separate Risk Management review (part of Financial Statements) and in Corporate Governance Statement 2017, available at Sanoma.com.

Content impact

Respect for freedom, democracy and equality are key values and cultural and social goals of western society. Media and education have a key role in supporting these goals.

Local media plays a special role for citizens as an educator, entertainer, communicator and builder of a worldview. It creates and strengthens shared values and national identities, gives people views into the world, and opens windows to other cultures.

The advertising that reaches consumers increases their awareness of products and services, and informs them on the effects consumption has on nature and natural resources.

Local media reflects and influences the society and its values. It also supports language and culture, and is an integral part of free public opinion. It ensures that multiple voices and perspectives in society get heard, and supports strong, transparent and fair democracy.

Sanoma contributes to the fulfilment of these common social values through high ethical standards and rigorous journalism. Sanoma respects the editorial independence without exceptions.

Sanoma's advertising solutions provide customers means to grow their businesses, which contributes to overall economic growth. According to the Value of Advertising study by Deloitte (2017), one euro invested in advertising contributes 6–7 euros to Gross Domestic Product (GDP).

Data impact

Data, insights produced through analytics and customer trust are critical assets in the media and learning business. By analysing data, Sanoma can help consumers find relevant media content, and personalise its service offering and customer service. Data is an important element in keeping traditional media competitive in a digital environment as it helps identify the most relevant target groups for advertising and produce insights, which can further improve digital offering. In the learning business, data is used to deliver adaptive learning methods, and to measure learning impact.

The use of data – especially of personal data - requires that potentially adverse effects are taken into account. In order to do this, Sanoma has since 2013 run a Privacy Programme, which supports privacy implementation and demonstrates accountability required by the new EU General Data Protection Regulation. Measures taken to implement privacy include the following:

- Employees are trained to understand their responsibility for protecting data.
- Privacy and information security are implemented into all relevant Sanoma operations, for which Privacy Impact Assessments are conducted on a regular basis.
- Examples of privacy protection measures in digital product development are data minimisation, anonymisation, encryption and the provision of notices and choices to data subjects about their data use.
- Business units have procedures in place to handle a potential personal data breach or an information security incident.
- Sanoma carries its responsibility for data throughout its value chain by including privacy and security requirements as part of its contractual framework with vendors and partners.

Privacy compliance is regularly reported to the Audit Committee.

Data impact KPIs

Completion rate of privacy e-learning of targeted employees — **97%** (2016: 78%)

Completion rate of information security e-learning of targeted employees — **97%** (2016: 80%)

Learning impact

The objective of modern education is to develop the full potential of every pupil. It is critical that they get the right knowledge, skills and attitudes for the future. This helps in building a strong foundation for a stable, productive and prosperous society. Sanoma's mission is to support teachers and pupils to realise the best possible learning outcomes and to reach the maximum potential of each pupil. To do this, Sanoma develops and sells a variety of learning products and services. The main products are print and digital learning methods for primary and secondary education (K-12) as well as vocational education methods.

Sanoma's methods are designed around the teaching and learning process. They are based on the latest pedagogical concepts to engage pupils and support teachers' workflow. By engaging pupils and motivating them to learn, and by supporting teachers to teach and manage their classes efficiently, better learning outcomes can be realised. The impact of Sanoma's methods on learning outcomes, engagement, and workflow efficiency are measured annually in teacher surveys* to determine the following scores:

Learning Outcome Score: Percentage of teachers that believe Sanoma's methods support them in realising learning objectives of their class

Pupil Engagement Score: Percentage of teachers that believe Sanoma's methods support them in engaging and motivating pupils

Teacher Workflow Efficiency Score: Percentage of teachers that believe Sanoma's methods support them in teaching and managing their classes efficiently

Learning impact KPI's

Learning Outcome Score — **91**

Pupil Engagement Score — **78**

Teacher Workflow Efficiency Score — **86**

*) The survey is based on a selection of methods across the Netherlands, Poland, Finland, Belgium and Sweden. In 2017, over 6,700 methods were evaluated by nearly 3,000 teachers in the online survey. The number of method evaluations and the methods evaluated vary somewhat annually, which can lead to some natural variation in scores across years.

Environmental matters

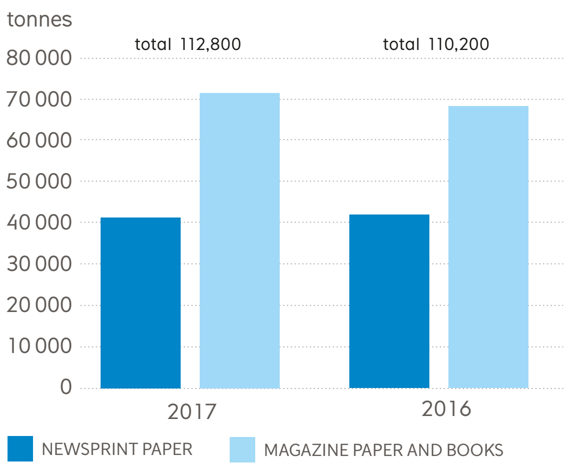
Sanoma aims to prevent and minimise its negative environmental impacts by focusing on efficient operations and use of materials as well as responsible procurement.

The most significant environmental impacts of Sanoma's operations result from the use of energy (digital services, print production and office space), use of printing materials, distribution of products and transportation.

Sanoma has Paper Procurement guidelines, which are annexed to all paper procurement agreements. The aim of the guidelines is to ensure that paper used by Sanoma is produced responsibly.

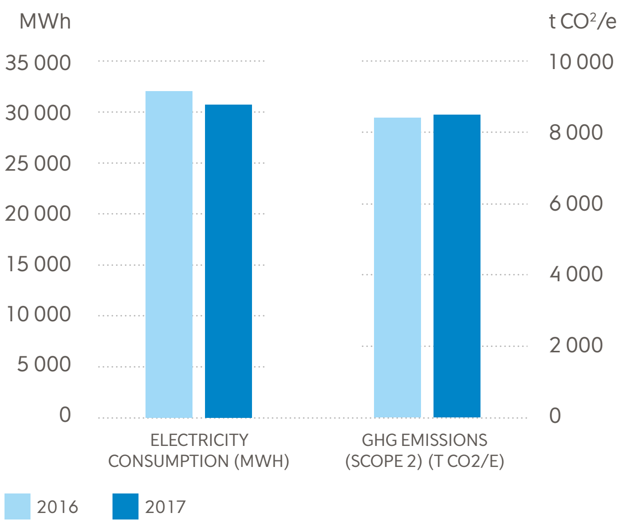
Environmental KPIs 2017

PAPER USAGE



Includes paper used in Sanoma's own printing facilities and paper acquired for externally printed products.

USE OF ELECTRICITY AND GHG EMISSIONS



An average emission multiple of EU28 countries has been used to calculate the Group's emissions.

Social and employee matters

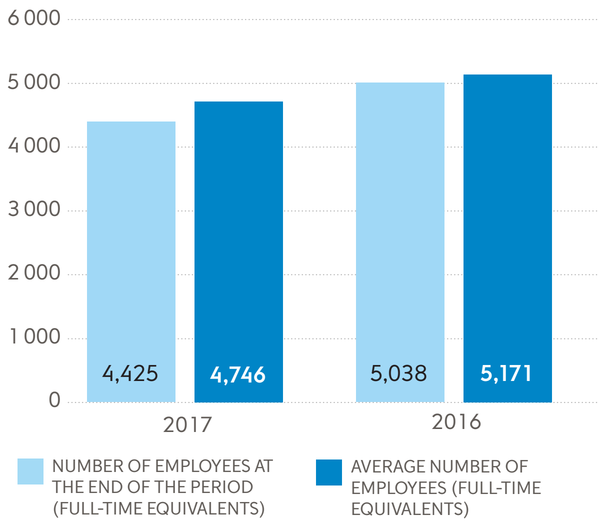
Sanoma employed 4,425 employees in the end of 2017. In addition, a large number of independent professionals provide services to Sanoma.

The Sanoma Code of Conduct sets out the general principles of ethical conduct and Sanoma's responsibilities as an employer. Sanoma is committed to creating a working environment and culture that inspires employees, values their diversity, embraces their views, and respects their individual rights.

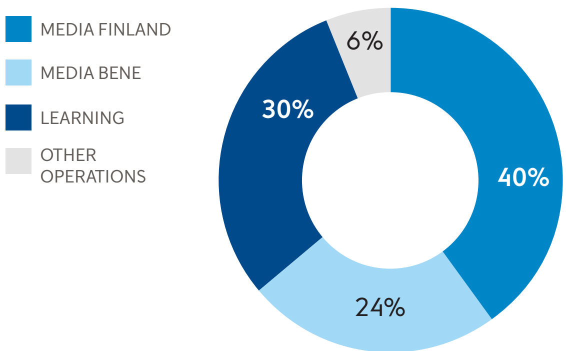
Sanoma's personnel

All HR KPIs are for continuing operations only and exclude Discontinued operations.

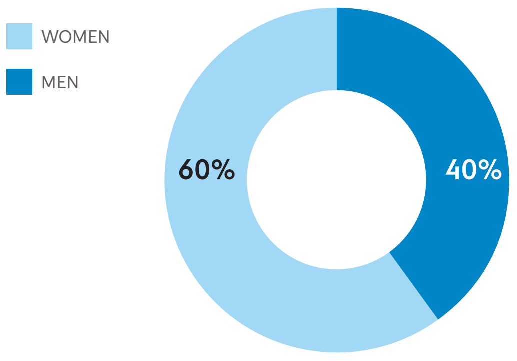
NUMBER OF EMPLOYEES



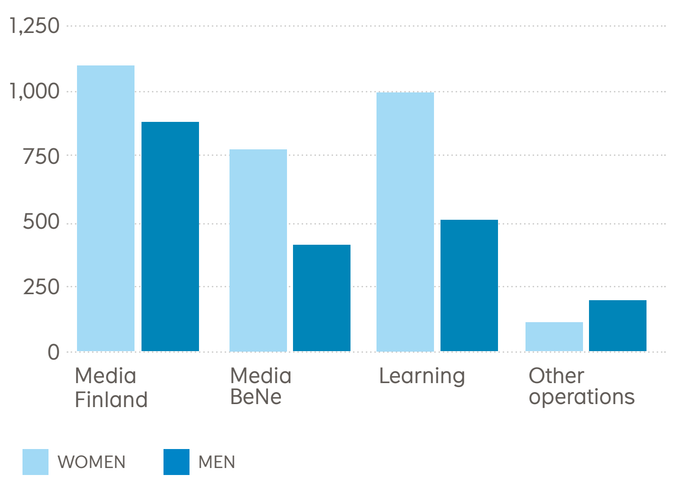
EMPLOYEES BY SBU



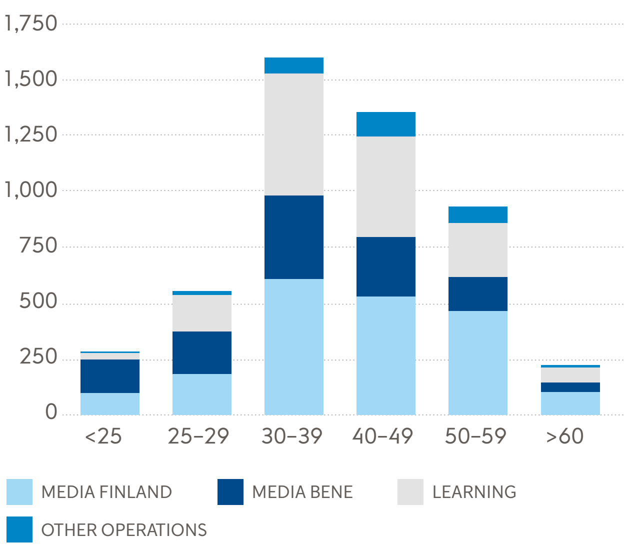
GROUP'S GENDER DISTRIBUTION



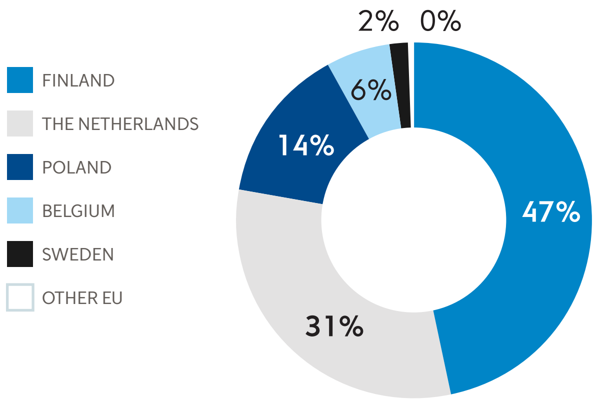
GENDER DISTRIBUTION BY SBU



PERSONNEL BY AGE



PERSONNEL BY COUNTRY



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 and rewards as well as good working conditions.

Sanoma measures employee engagement, leadership, internal communication and decision making annually in the beginning of each calendar year. In 2018, the Employee Engagement Survey was completed by 92% (2017: 88%) of employees. The scores are measured in People Power Rating, an inclusive overall metric between 0 and 100. In 2016-2018, the score has improved by 10%. The results of the survey are also utilised in the incentive system.

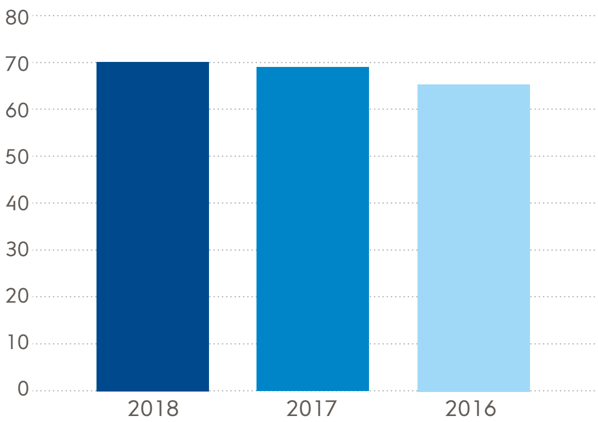
According to the Employee Engagement Survey, Sanoma's strengths as an employer include the following. Employees feel

- they have an opportunity to develop their career within the company,
- their departments live up to the values of the company, and
- their manager supports their growth and development at work.

Employee related KPIs

RESULTS OF EMPLOYEE ENGAGEMENT SURVEY

People power rating (0–100)



Response rate 2018: 92.3%, 2017: 88.3%

Employees covered by performance reviews **98%**

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

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

Human rights

Sanoma supports international standards on human rights, labour conditions, anti-corruption and the environment. Sanoma's actions are guided by the United Nations Global Compact's principles of human rights. Sanoma's media businesses strive to uphold and promote freedom of speech, in line with their editorial principles.

All Sanoma employees are required to apply the Code of Conduct in full in their day-to-day conduct and business decisions. In addition, Sanoma expects its business partners to apply equivalent standards. Sanoma has launched a Code of Conduct eLearning which is compulsory for all employees.

Sanoma operates in countries where human rights risk is assessed as low (Finland, Sweden, the Netherlands and Belgium) or medium (Poland) by Verisk Maplecraft.

Human rights related KPIs

Completion rate of Code of Conduct e-learning **98%** (2016: 89%)

Anti-corruption and bribery matters

The Code of Conduct as well as the Supplier Code of Conduct set out overall principles to promote and achieve compliance with anti-corruption, anti-bribery and money laundering laws.

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.

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

A systematic process to carry out KYC checks by Group Procurement will start in 2018, covering certain existing and most new vendors.

The Anti-Bribery and Corruption Policy gives specific rules and monetary limits (EUR 75) for received and given gifts, entertainment and hospitality, and sets out the process to seek further approval if necessary. The monetary limits do not apply to Public Officials. A separate Gift and Hospitality tool for requesting and recording approvals is being implemented step-by-step as of Q4 2017.

Sanoma has an Anti-Bribery and Corruption e-learning in use, and a wider launch of the training started in Q4 2017. Completion rate will be reported from 2018 onwards.

Value creation and tax footprint

Sanoma creates long-term value for its stakeholders by running its business profitably and responsibly. Improved profitability allows Sanoma to pay returns to financial stakeholders and to invest in growing its business and strengthening its position for the future. The Sanoma value creation model, presented earlier in this Statement, defines the impacts of the business to different stakeholders in more detail. In monetary terms, Sanoma creates value in the broader society by

- Offering of advertising opportunities for customers
    - Advertising creates economic growth. According to the Value of Advertising study made by Deloitte in 2017, each euro invested in advertising increased the GDP by 6–7 euros. In addition, advertising promotes competition for the benefit of consumers.
- Paying for goods and services to suppliers
- Paying wages and benefits to employees
- Paying interest to lenders
- Paying taxes on profits in its operating countries
- Paying dividends to shareholders
- Contributing with donations and charity.

Sanoma as a tax payer

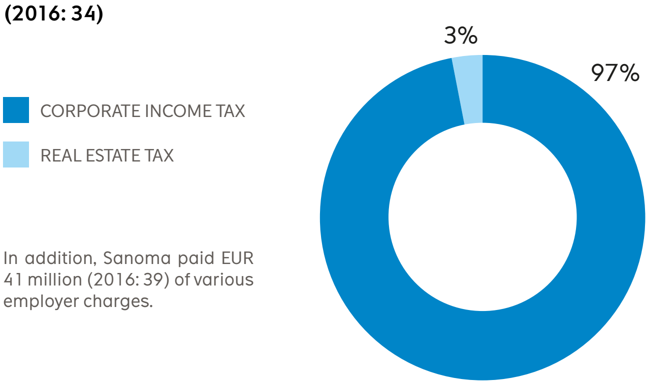
Sanoma is committed to paying all taxes and complying with related obligations according to local laws and regulations. Moreover, the Sanoma Code of Conduct, Corporate Governance Policy and Tax Strategy complement the framework for the tax-related decision making. Sanoma seeks to ensure tax treatment in advance, and to apply filing and payment obligations correctly. Tax facilities are used if appropriate and in accordance with the law.

Sanoma pays direct taxes on its earnings and property. Through taxes collected, Sanoma positively impacts the economies of the countries in which it operates. Taxes and similar charges collected include e.g. VAT, the employer's charges and social security premiums.

Tax footprint KPIs

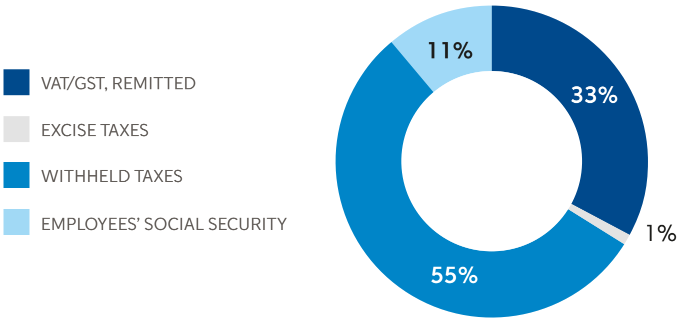
Continuing operations only

TAXES BORNE IN 2017: EUR 37 MILLION (2016: 34)



In addition, Sanoma paid EUR 41 million (2016: 39) of various employer charges.

TAXES COLLECTED IN 2017: EUR 163 MILLION (2016: 158)



For a detailed view on Sanoma's financial performance in 2017, please visit Sanoma's Financial Statements and Report of the Board of Directors for 2017.

Next steps: A click further

Sanoma's content, learning methods and data-enabled, tailor-made solutions have an impact on people and societies every day. Sanoma raises awareness with the content, renews education with its learning solutions, and has a vital role in promoting democracy and free speech.

Through optimal use of data-enabled tailoring and targeting, Sanoma can provide even more compelling content and individualised learning paths. With responsible business practices, Sanoma aims to minimise the negative environmental impacts and maximise positive social and economic impacts. Rigorous journalistic ethics are fundamental in creating the positive impact.

Sanoma continues to develop its corporate social responsibility further, which will be reflected in future reports.

Corporate Governance Statement

Introduction

Sanoma Corporation (the 'Company' or 'Sanoma') complies with the Finnish Corporate Governance Code (the 'Code') issued by the Securities Market Association in 2015. This Corporate Governance Statement ('Statement') has been prepared in accordance with the Code. The Statement has been reviewed by Sanoma's Audit Committee. The statutory auditors of Sanoma have checked that the Statement has been issued and that its description of the main features of internal control and risk management systems related to the financial reporting process complies with the financial statements of the Company. This Statement is presented as a separate report from the Board of Directors' Report.

In addition to this Statement, Sanoma has issued a separate Remuneration Statement, prepared in accordance with the Code.

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

Updated information on Sanoma's governance is available on the Company's website under the Investors – Corporate Governance section (**https://sanoma.com/investors/corporate-governance/**).

Organisational Structure and Statutory Governance Bodies

Sanoma Group consists of three operating segments, or Strategic Business Units ('SBUs'): Sanoma Media BeNe, Sanoma Media Finland and Sanoma Learning. In addition, non-core operations, head office functions, real estate companies and group eliminations are reported under 'Other companies and eliminations' in the Group's financial reporting. Sanoma Corporation is the Parent Company of the Sanoma Group. Sanoma's administrative bodies are the General Meeting of Shareholders, the Board of Directors ('Board') and its committees, the President and CEO and the Executive Management Group ('EMG').

General Meeting

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

The Annual General Meeting is to be held each year by the end of June. It handles the matters falling under its authority according to the Finnish Companies Act (624/2006, as amended) and any matters proposed to the General Meeting. Extraordinary General Meetings are convened to handle specific matters proposed to a General Meeting.

As required by the Finnish Companies Act, notices of General Meetings shall be published no earlier than three (3) months prior to the record date of the General Meeting, and no later than three (3) weeks prior to the General Meeting, but in any case at least nine (9) days before the record date of the General Meeting. The Notice shall be published in at least one widely circulated newspaper determined by the Board.

The General Meeting handles the matters presented on its agenda prepared by the Board. According to the Finnish Companies Act, a shareholder may request his or her proposal to be included in the agenda of the next General Meeting. Such request shall be made in writing to the company's Board and the proposed matters shall fall within the competence of General Meetings according to the Finnish Companies Act. Sanoma informs well in advance on its website the date by which a shareholder shall notify the Board of any proposals that he or she requests to be included in the agenda of the General Meeting.

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

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

- Amendments to the Articles of Association
- Increases or decreases in share capital
- Issues of shares or other rights entitling to shares
- Acquisition of own shares
- Decisions on the number, election and remuneration of members of the Board of Directors
- Adoption of the financial statements
- Distribution of profits or allocation of losses

Board of Directors

ELECTION AND TERM

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

The term of a member of the Board begins at the end of the Annual General Meeting in which he or she has been elected and expires at the end of the Annual General Meeting following the election. If the office of a member of the Board becomes vacant before the end of the term, a new member shall be elected for the remaining term.

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

COMPOSITION, INDEPENDENCE AND DIVERSITY

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

All members of the Board are non-executive and independent of the Company. Seven out of nine members are also independent of major shareholders.

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

Matters related to the diversity of the Board are defined in the Group's Diversity Policy, approved by the Board. At the end of 2017, 33% of Board members were women. During 2012–2016, the share of women in the Board has varied between 30–50%. Sanoma had Board members both from Finland and the Netherlands with versatile business experience.

The following members were elected to the Board of Directors at the AGM 2017:

Pekka Ala-Pietilä (Chairman)

- Born 1957, Finnish citizen
- Independent of the Company and major shareholders
- Board member since 2014, term ends in 2018
- Member of the Executive Committee
- Education: M.Sc. (Econ.), D.Sc. (Tech.) h.c., D.Sc. h.c.
- Main occupation: Chairman of the Board, Huhtamäki Oyj
- Primary work experience: Co-founder and CEO of Blyk Services Oy 2006–2012. Various positions with Nokia Corporation 1984–2005, among others as President 1999–2005, President, Nokia Mobile Phones 1992–1998 and Group Executive Board Member 1992–2005
- Key positions of trust: Huhtamäki Oyj (Finland) (Chairman), SAP AG (Germany) (Supervisory Board)

Antti Herlin (Vice Chairman)

- Born 1956, Finnish citizen
- Independent of the Company
- Board member since 2010, term ends in 2018
- Member of the Executive Committee
- Education: D.Sc. (Econ.) h.c. (The State University of Economics and Finance of St. Petersburg), D.Sc. (Econ.) h.c. (Helsinki School of Economics), D.Sc. (Art and Design) h.c. (University of Art and Design Helsinki), D.Sc. (Tech.) h.c. (The Aalto University Schools of Technology)
- Main occupation: Chairman of the Board, KONE Corporation
- Primary work experience: Vice Chairman of KONE Corporation 1996–2003 and CEO 1996–2006
- Key positions of trust: KONE Corporation (Finland) (Chairman), Caverion Corporation (Finland), Holding Manutas Oy (Finland) (Chairman), Security Trading Oy (Finland) (Chairman), Thorsvik Invest Oy (Finland) (Chairman), KONE Corporation Centennial Foundation (Finland) (Chairman), Tiina and Antti Herlin Foundation (Finland) (Chairman), Archive Foundation of the President of the Republic (Finland)

Anne Brunila

- Born 1957, Finnish citizen
- Independent of the Company and major shareholders
- Board member since 2013, term ends in 2018
- Chairman of the Audit Committee
- Education: Ph. D. (Econ.), D.Sc. (Econ.) h.c.
- Main occupation: Professor of Practice, Hanken School of Economics (Finland)
- Primary work experience: Executive Vice President, Corporate Relations and Strategy and Member of the Management Team of Fortum Group 2009–2012. President and CEO of the Finnish Forest Industries Federation 2006–2009. Finnish Ministry of Finance 2002–2006, of which Director General 2003–2006. Economic Advisor in the European Commission 2000–2002. Several specialist and managerial positions in the Bank of Finland 1991–1999
- Key positions of trust: KONE Plc (Finland), Stora Enso Oyj (Finland), Aalto University Board (Finland) (Chairman)

Mika Ihamuotila

- Born 1964, Finnish citizen
- Independent of the Company and major shareholders
- Board member since 2013, term ends in 2018
- Member of the Human Resources Committee
- Education: Ph. D. (Econ.)
- Main occupation: Executive Chairman of the Board of Marimekko Corporation
- Primary work experience: Chairman of the Board and CEO of Marimekko Corporation 2015–2016. President and CEO of Marimekko Corporation 2008–2015. President and CEO of Sampo Bank Plc 2001–2007. President and CEO of Mandatum Bank Plc 2000–2001. Executive Director of Mandatum Bank Plc 1998–2000. Partner of Mandatum & Co Ltd 1994–1998. Visiting scholar of Yale University (USA) 1992–1993
- Key positions of trust: Rovio Entertainment Ltd. (Chairman), Foundation for Economic Education (Finland), Finnish Cultural Foundation (Supervisory Board)

Nils Ittonen

- Born 1954, Finnish citizen
- Independent of the Company
- Board member since 2014, term ends in 2018
- Member of the Audit Committee and the Executive Committee
- Education: B.Sc. (Econ.)
- Main occupation: -
- Primary work experience: Various positions with Sanoma Group 1977–2010, including Group Treasurer, Senior Vice President of Group Treasury, Real Estate and Risk Management. Member of the Executive Management Group 1999–2007
- Key positions of trust: Jane and Aatos Erkko Foundation (Finland) (Chairman)

Denise Koopmans

- Born 1962, Dutch citizen
- Independent of the Company and major shareholders
- Board member since 2015, term ends in 2018
- Member of the Audit Committee
- Education: LL.M., AMP Harvard Business School, IDP Insead
- Main occupation: Independent Board Director
- Primary work experience: Managing Director of the Legal & Regulatory Division at Wolters Kluwer Law & Business (The Netherlands) 2011–2014. CEO at LexisNexis Intelligence Solutions and LexisNexis Analytics (France) and a member of the Senior Leadership team at LexisNexis International (UK) 2007–2011. Various senior executive roles at Altran Group (France, USA, Spain) 2000–2007
- Key positions of trust: UDG United Digital Group (Germany) (Chairman, Advisory Board), Coöperatie VGZ (the Netherlands) (Supervisory Board), Janssen de Jong Groep B.V. (the Netherlands) (Supervisory Board)

Robin Langenskiöld

- Born 1946, Finnish citizen
- Independent of the Company and major shareholders
- Board member since 2013, term ends in 2018
- Member of the Audit Committee
- Education: B.Sc. (Econ.)
- Main occupation: -
- Primary work experience: Member of the Board of Sanoma Osakeyhtiö 1990–1999 and Sanoma WSOY Corporation 1999–2008
- Key positions of trust: -

Rafaela Seppälä

- Born 1954, Finnish citizen
- Independent of the Company and major shareholders
- Board member since 2008, term ends in 2018
- Member of the Human Resources Committee
- Education: M.Sc. (Journalism), Columbia University School of Journalism
- Main occupation: -
- Primary work experience: SanomaWSOY Corporation Board member 1999–2003. President of Lehtikuva Oy 2001–2004. Project Manager at Helsinki Media Company Oy 1994–2000. Member of the Board of Directors of Sanoma Osakeyhtiö 1994–1999
- Key positions of trust: Finnish National Gallery, Globart Projects Oy (Finland) (Chairman), Globart Projects Sweden AB (Sweden) (Chairman), Adtile Technologies Inc. (USA), ELO Foundation for the Promotion of Finnish Food Culture

Kai Öistämö

- Born 1964, Finnish citizen
- Independent of the Company and major shareholders
- Board member since 2013, term ends in 2018
- Chairman of the Human Resources Committee
- Education: Ph.D. (Tech.), M.Sc. (Eng.)
- Main occupation: Executive Partner, Siris Capital Group LLC
- Primary work experience: -
- Key positions of trust: Fastems Oy (Finland) (Chairman), Helvar Oy (Finland) (Chairman), Oikian Solutions Oy (Finland) (Chairman), InterDigital Inc. (US), Qt Group Oyj (Finland), Mavenir LLC (UK)

SHARES OWNED BY THE MEMBERS OF THE BOARD OF DIRECTORS

The AGM determines the remuneration of the members of the Board and the Board committees. More information on the remuneration of the Board members is available in the Remuneration Statement, which is available on the Sanoma's website.

Sanoma shares owned by the members of the Board

Board member	Shareholding* at 31 December 2017
Pekka Ala-Pietilä (Chairman)	10,000
Antti Herlin (Vice Chairman)	19,036,800
Anne Brunila	910
Mika Ihamuotila	150,000
Nils Ittonen	59,000
Denise Koopmans	0
Robin Langenskiöld	12,273,371
Rafaela Seppälä	10,273,370
Kai Öistämö	8,265

* Shares owned by the Board member, including corporations over which the member exercises control.

DUTIES OF THE BOARD OF DIRECTORS

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

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

- decides on the long-term goals and business strategy of the Group for achieving the long-term goals;
- approves the Group's reporting structure;

- decides on acquisitions and divestments, financial matters and investments, which have a value exceeding EUR 3.0 million, are otherwise strategically significant, involve significant risks, or relate to divestment, lay-off or termination of employment of 100 employees or more (for the time being, the Board has delegated its decision-making authority to Executive Committee on acquisitions and divestments, financial matters and investments which have a value exceeding EUR 3.0 million but below EUR 5.0 million);
- ensures the adequacy of planning, internal control and risk management systems and reporting procedures;
- performs reviews and follow-ups of the operations and performance of the Group companies;
- approves the Interim Reports, the Half-Year Report, the Financial Statements and the Board of Directors' Report as well as the Statement of Non-financial Information, Corporate Governance Statement and Remuneration Statement of the Company;
- appoints and dismisses as well as decides on the remuneration of
    - the President and CEO,
    - his or her deputy,
    - the CEOs of the SBUs,
    - the executives of Sanoma, who are Executive Management Group members,
    - certain executive positions ('Key Executives') as determined by the Board;
- confirms the Group's values; and
- approves the Group's key policies.

During 2017, the Board convened 15 times with an average attendance rate of 94%.

Members' attendance at Board meetings in 2017

Board member	# of meetings attended	Attendance rate, %
Pekka Ala-Pietilä (Chairman)	15/15	100
Antti Herlin (Vice Chairman)	12/15	80
Anne Brunila	14/15	93
Mika Ihamuotila	15/15	100
Nils Ittonen	15/15	100
Denise Koopmans	14/15	93
Robin Langenskiöld	15/15	100
Rafaela Seppälä	14/15	93
Kai Öistämö	13/15	87

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

COMMITTEES APPOINTED BY THE BOARD OF DIRECTORS

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

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

The members of the committees are appointed among the members of the Board in accordance with the charter of the respective committee. In addition to Board members, the President and CEO is a member of the Executive Committee. The committees are neither decision-making nor executive bodies.

Executive Committee

The Executive Committee prepares matters to be considered at the Board meetings. For the time being, the Board has delegated its decision making authority to the Executive Committee on acquisitions and divestments, financial matters and investments, which have a value exceeding EUR 3.0 million, but below EUR 5.0 million. The Executive Committee consists of the Chairman and Vice Chairman of the Board, the President and CEO and at the Chairman's invitation one or several members of the Board.

In 2017, the Executive Committee comprised Pekka Ala-Pietilä (Chairman), Antti Herlin, Nils Ittonen and Susan Duinhoven. The Executive Committee convened 3 times in 2017 with an average attendance rate of 92%.

Members' attendance at Executive Committee meetings in 2017

Member	# of meetings attended	Attendance rate, %
Pekka Ala-Pietilä (Chairman)	3/3	100
Antti Herlin	2/3	67
Nils Ittonen	3/3	100
Susan Duinhoven	3/3	100

Audit Committee

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

During 2017 the Audit Committee
- approved the annual schedule for the Audit Committee,
- discussed distributable funds, dividend and the outlook for 2017,
- reviewed the Corporate Governance Statement and recommended its approval to the Board,
- proposed amendments to the Audit Committee Charter due to certain regulatory changes,
- discussed interest rate hedging and proposed to the Board temporary change to the maximum hedging ratio,
- reviewed or noted regular compliance updates,
- reviewed the audit plan as well as audit and non-audit fees,
- reviewed reports prepared by the auditors,
- reviewed the draft of the Statement of Non-Financial Information,
- discussed accounting principles and changes in IFRS standards,
- followed up certain improvement initiatives regarding financial reporting,
- reviewed the results of the Related Party Assessment,
- reviewed and discussed tax matters,
- reviewed and approved the internal audit plan and followed up on its progress (including audit assurance updates),
- reviewed or noted quarterly claim overviews to assess litigation risks,
- reviewed or noted information security and privacy reports,
- followed the progress of internal controls,
- reviewed the interim reports, half-year report and related investor presentations,
- reviewed impairment calculations and recommended their approval to the Board,
- reviewed the Group Contribution plan,
- reviewed or noted quarterly reports on treasury matters and mid- and long-term refinancing and funding plans as well as internal credit limits,
- noted an update on the risk map,
- noted an update on group insurance policies, and
- reviewed proposed changes to Information Security Policy, Code of Conduct and Travel Policy and proposed recommendation of the same to the Board.

In accordance with its Charter, the Audit Committee comprises three to five members, appointed annually by the Board. Members of the Committee shall be independent of the Company and at least one member shall also be independent of significant shareholders. The Committee meets at least four times a year.

In 2017, the Audit Committee comprised Anne Brunila (Chairman), Nils Ittonen, Denise Koopmans and Robin Langenskiöld. All members of the Committee are independent of the Company and three members (Anne Brunila, Denise Koopmans and Robin Langenskiöld) independent of significant shareholders of the Company. The Audit Committee convened 5 times in 2017 with an average attendance rate of 90%.

Members' attendance at Audit Committee meetings in 2017

Member	# of meetings attended	Attendance rate, %
Anne Brunila (Chairman)	5/5	100
Nils Ittonen	5/5	100
Denise Koopmans	5/5	100
Robin Langenskiöld	3/5	60

Human Resources Committee

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

During 2017 the Human Resources Committee
- reviewed total compensation levels for key executives and prepared their total compensation decisions for the approval of the Board,
- discussed 2018 salary review principles of the senior management,
- submitted the realisation of 2016 long-term incentive targets to the Board for approval,
- submitted the pay-out of the Performance Share Plan 2014–2016 and 50% of Restricted Share Plan 2015–2017 long-term incentive plans to the Board for approval,
- discussed and submitted the performance targets for the Performance Share Plans 2017–2019 and 2018–2020 for the approval of the Board,
- prepared the proposal for 2017 long-term incentive grants for Key Executives for the approval of the Board,
- reviewed the long-term incentive principles and the short-term incentive framework,
- discussed the annual targets for Key Executives and submitted them for the approval of the Board,
- discussed organisational changes as well as top-level leadership appointments and related compensation packages with the management,
- discussed the succession plans for top management positions,
- discussed the employee engagement survey results and actions based on the results with management,

- discussed the preparations for say-on-pay (EU Shareholders' Rights Directive) with management, and
- reviewed and discussed with the management of remuneration policy and remuneration reporting.

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

In 2017, the Human Resources Committee comprised Kai Öistämö (Chairman), Mika Ihamuotila and Rafaela Seppälä. All members of the Committee are independent of the Company and major shareholders of the Company. The Human Resources Committee convened 4 times with an average attendance rate of 100%.

Members' attendance at Human Resources Committee meetings in 2017

Member	# of meetings attended	Attendance rate, %
Kai Öistämö (Chairman)	4/4	100
Mika Ihamuotila	4/4	100
Rafaela Seppälä	4/4	100

President and CEO

The duties of the President and CEO of Sanoma are governed primarily by the Finnish Companies Act. The President and CEO assumes independent responsibility for the Group's daily operations, in line with, e.g., the following duties:

- Ensuring the Company's accounts comply with the law and its financial affairs have been arranged in a reliable manner
- Managing the Group's daily operations in line with the long-term goals and business strategy of the Group approved by the Board and in accordance with the general policies adopted by the Board and other applicable guidelines and decisions
- Deciding on acquisitions and divestments, as well as financial matters and investments, which have a value up to EUR 3.0 million or relate to the divestment, lay-off or termination of employment of 50 employees or more
- Preparing decision proposals and matters for information for the meetings of the Board (together with the Chairman of the Board and/or the Executive Committee) and presenting these matters and the agenda to the Board and its Committees
- Approving Group level standards
- Chairing Sanoma's Executive Management Group

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

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

Susan Duinhoven, President and CEO

- Born 1965, Dutch citizen
- Chairman of the EMG since October 2015
- Education: Ph.D. (Physical Chemistry), M.Sc. (Physical Chemistry)
- Work experience: CEO and Chairman of the Executive Board at Koninklijke Wegener N.V. (The Netherlands) 2013–2015. CEO of Western Europe at Thomas Cook Group Plc (The Netherlands, Belgium and France) 2012–2013. CEO at Thomas Cook Nederland B.V. 2010–2011. Managing Director of Benelux & New Acquisitions Europe at Reader's Digest 2008–2010. CEO at De Gule Sider A/S (Denmark) 2005–2007. COO & Marketing Director at De Telefoongids (The Netherlands) 2002–2005.

Executive Management Group

The Executive Management Group (EMG) supports the President and CEO in his or her duties in co-ordinating the Group's management and preparing matters to be discussed at Board meetings. The matters include, e.g.:

- The long-term goals of the Group and its business strategy for achieving them
- Acquisitions and divestments
- Organisational and management issues
- Development projects
- Internal control
- Risk management systems

The EMG is chaired by the President and CEO. In 2017 the EMG comprised the CEOs of Sanoma Media Finland, Sanoma Media BeNe and Sanoma Learning as well as the Chief Financial Officer and Chief Operating Officer (CFO and COO) of Sanoma Corporation.

The following persons served as members of the EMG at the end of 2017:

Susan Duinhoven, President and CEO

Markus Holm, CFO and COO

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

Kim Ignatius, Executive Vice President

- Born 1956, Finnish citizen
- Member of the EMG since 2008
- Education: B.Sc. (Econ.)
- Work experience: Executive Vice President and CFO of TeliaSonera (Finland) 2000–2008. CFO of Tamro Corporation (Finland) 1997–2000.

Pia Kalsta, CEO, Sanoma Media Finland

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

John Martin, CEO, Sanoma Learning

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

Peter de Mönnink, CEO, Sanoma Media BeNe

- Born 1963, Dutch citizen
- Member of the EMG since 2014
- Education: -
- Work experience: CEO of Reed Business Information International and the Netherlands (the Netherlands) 2009–2013 and Global Chief Strategy & Internet Officer 2002–2008. Several leadership positions at Reed since 1988.

Kim Ignatius, Executive Vice President, and Peter de Mönnink, CEO, Sanoma Media BeNe, acted as members of the EMG only until the end of 2017.

Marc Duijndam, born 1968, was appointed as the CEO of Sanoma Media BeNe as of 1 January 2018.

Sanoma shares owned by the President and CEO and the members of the EMG

Member	Shareholding as of 31 December 2017
Susan Duinhoven	75,000
Markus Holm	18,185
Pia Kalsta	5,655
John Martin	12,395
Kim Ignatius	9,500
Peter de Mönnink	10,973

Internal Control and Risk Management Systems

Audit & Assurance

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

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

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

Internal controls

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

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

Entity-level controls are applied on all levels of Sanoma (i.e. Group, SBU, business and entity-level) and can relate to more than one process. The existence and active implementation of codes of conduct and different Group policies and guidelines are examples of entity-level control activities.

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

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

Control environment

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

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

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

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

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

Risk management

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

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

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

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

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

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

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

More information on risk management at Sanoma is available on a separate Risk Management review and in the Statement of Non-Financial Information for 2017, available at Sanoma.com.

Compliance

Sanoma is committed to complying with international and local laws and ethical policies in accordance with the Sanoma Code of Conduct approved in 2014 and updated in 2017. The Company has a Compliance function, which supports business operations and Group administration by developing practices related to identifying and complying with applicable laws and regulations, as well as internal policies and guidelines. The key tasks of Sanoma's Compliance function are to minimize the risk of infringement of applicable regulatory requirements in all operations, to maintain Sanoma's compliance programme and to ensure the continuous development of an ethical business culture.

Each Group function in the Parent Company prepares policies for Board approval and standards to be approved by the President and CEO regarding its area of responsibility. Group policies and standards are available on the Sanoma intranet. In addition, SBUs and Business Units may have their own supplementary instructions. These instructions are available on the unit's intranet.

Breaches of the Code of Conduct or related policies or laws may be reported through internal channels or through an externally hosted confidential hotline, which may be used anonymously. Sanoma does not tolerate retaliation against any employee who makes a report in good faith.

Claims against Sanoma are monitored by Group Legal Affairs through a process covering material claims irrespective of whether they have been taken by a governmental body, partner, agreement counterpart, personnel, or any other party.

Monitoring of financial reporting process

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

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

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

Audit

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

The auditor's responsibility is to audit the Group's and the parent company's financial statements and administration in the respective financial year and to provide auditors' opinion to the Annual General Meeting. The auditor reports to the Board at least once a year.

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

According to the Finnish Auditing Act (1141/2015, as amended), the aggregate duration of the consecutive terms of a person or an audit firm acting as the auditor in a public company may not exceed ten years. The statutory auditor or audit firm shall be elected after the maximum term of ten years only if the audit is tendered in accordance with the EU Audit regulation[1] Article 16, paragraphs 2–5.

The Annual General Meeting 2017 elected the Authorised Public Accounting firm PricewaterhouseCoopers Oy as the statutory auditor of the Company. Samuli Perälä, Authorised Public Accountant, acts as the Auditor in Charge. Prior to the Annual General Meeting 2017, KPMG Oy Ab acted as Sanoma's statutory auditor since 2006, with Virpi Halonen, Authorised Public Accountant, as Auditor in Charge since 2012.

Remuneration paid for audit services in 2017 amounted to EUR 1.1 million (2016: 1.2). Remuneration paid to the Company's auditors for non-audit services in 2017 amounted to EUR 0.3 million (2016: 0.2).

[1] REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014

Insider Administration

Sanoma's Insider Policy complies with the Guidelines for Insiders issued by Nasdaq Helsinki Ltd.

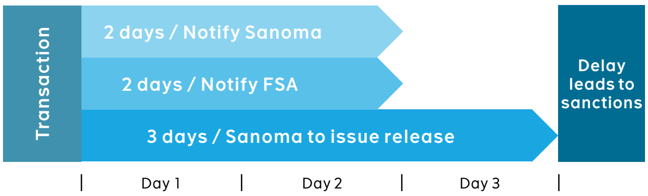
According to Sanoma's Insider Policy a person who has learned Inside Information may not use the information by acquiring or conveying Sanoma's Financial Instruments (either on his own or a third party's behalf, directly or indirectly), or give advice on their acquisition or disposal (either directly or indirectly). This also applies to advice not to trade.

A person possessing Inside Information related to Sanoma's Financial Instruments is not allowed to disclose Inside Information. The duty of confidentiality does not restrict providing such information to employees who need to share this information to fulfil their tasks for Sanoma.

Permanent insiders have access to all Inside Information due to the nature of their position at Sanoma ("Permanent Insider"). Permanent Insiders do not need to be reported separately on each deal-specific/event based insider list. Based on the decision by the Board on 26 July 2016, there are at the moment no Permanent Insiders at Sanoma.

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

The picture below illustrates the process that the Board members, the President and CEO and "Persons Closely Associated" with them strictly need to comply with when notifying the Finnish Financial Supervisory Authority (FSA) and Sanoma of their transactions with Sanoma Instruments.



Related Party Transactions

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

More information on related party transactions in 2017 is available in Note 32 in Financial Statements 2017.

Risk management

While executing its strategy and reaching for agreed business objectives, Sanoma and its businesses encounter numerous risks and opportunities. Managing them is one of the daily responsibilities of Sanoma's management.

Risk management policy and process

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

- The Board of Directors is responsible for approving Sanoma's Risk Management Policy and for overseeing the effectiveness of risk management.
- The Audit Committee regularly reviews and monitors the implementation of the Risk Management Policy and risk management process.
- The President and CEO, with the support of the Executive Management Group, is responsible for defining risk management strategies and procedures, and for setting risk management priorities. The President and CEO is also responsible for defining changes in the risk reporting process, in the Sanoma common risk language and in the applied risk model.
- The Audit and Assurance function coordinates the Group risk management process and produces periodical risk reports for the President and CEO and the Executive Management Group. Updated Group risk assessment results with related ongoing or planned mitigation actions are communicated to the Audit Committee and further to the Board of Directors at least twice a year.

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

Group internal control systems, as well as internal audit and external audit activities are presented in more detail in Corporate Governance Statement 2017, on p. 104. Additional information on management of non-financial risks is available in Statement of Non-financial Information 2017, p. 93.

Identified key risks

General business risks associated with media and learning industries relate to developments in media advertising, consumer spending, and public and private education spend. The general economic conditions in Sanoma's operating countries and the overall industry trends could influence Sanoma's business activities and operational performance. The volume of media advertising in specific is sensitive to overall economic development and consumer confidence.

In 2017, approx. 30% of Sanoma's net sales was derived from media advertising, approx. 33% from single copy or subscription sales, and approx. 22% from learning business.

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

STRATEGIC RISKS

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

At the Group level, the most significant risks relate to changes in customer preferences and the threat of new entrants, followed by risks related to the management and protection of customer and consumer data and intellectual property rights.

Changes in customer preferences and the threat of new entrants

Many of Sanoma's identified risks relate to changes in customer preferences. This applies not only to the changes in consumer behaviour, but also to the changes in the behaviour of business-to-business customers, and to the indirect impact of consumer behaviour on it. Ongoing digitalisation and mobilisation is the driving force behind many of these changes. The increased use of mobile devices has changed the way people consume media. There is also a trend of decreasing viewing time of free-to-air TV.

Sanoma's SBUs have action plans on how to respond to this change. As an example, the media units continue to develop their offering of hybrid products and services. The wide cross-media offering provides Sanoma a solid base to constantly develop its offering to advertisers and to introduce new services, such as cross-media solutions, native or branded and premium content. Nevertheless new entrants and/or new technological developments entering the markets remain a risk for Sanoma's established businesses.

Mergers & Acquisitions ('M&A')

Sanoma has previously grown through acquisitions. M&A risks may relate to the transaction process, integration of the acquired business, retention of key personnel, and achievement of the targets set.

Regarding risks associated with acquisition decisions, Sanoma Corporate Governance Principles specify the approval procedures for investments, including acquisitions. The Group's M&A Policy defines decision-making, organization and follow-up procedures for M&A cases. In addition, various bodies discuss investments when addressing strategies as well as action and operational plans that are outside the formal process set out in the M&A Policy. Final investment decisions are made on the basis of specific proposals, in accordance with the form set out in the M&A Policy and authorisations governing approval of investments. For a major acquisition, a specific proposal with information on the strategic reasoning of the transaction, major risks, key terms of the underlying documentation, and synergy calculations is prepared for decision-making. In the Group's M&A Policy, there is also a procedure for follow-up of acquisitions.

Laws and regulations

Changes in laws and regulations may affect Sanoma's ability to effectively conduct business. Changing regulations regarding the use of consumer data for commercial purposes and the deterioration of publisher's and broadcaster's copyright protection, or changes in legislation related to education can have an impact on Sanoma's commercial propositions and content investment needs. Furthermore, changes in tax legislation, such as higher value added tax rates for printed products, may have significant financial consequences.

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

Intellectual Property Rights ('IPRs')

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

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

The new emerging regulation resulting from the Digital Single Market Strategy by the European Commission is likely to have an impact on existing business models concerning licensing and distribution of content, and to increase competition, complexity and cost pressure in the industry.

Sanoma manages its IPR in accordance with the Group-wide IPR Policy and procedures. Because of a dispersed IPR portfolio, no material risks are expected to arise due to individual IPR cases.

Political Risks

Political changes or instability in its operating countries may affect Sanoma's ability to effectively conduct business. Political risks may relate to changes in government, legislative bodies, other foreign policy makers, or even a military intervention. Monitoring and anticipating developments regarding changing political climate are one of the top priorities of the local management in Sanoma's operating countries.

Currently Sanoma faces political risks in particular in Poland, where legislative changes may have significant impacts on the learning industry and Sanoma's business. Close monitoring and anticipation of political and regulatory development and adaption of business models accordingly are ways to partially mitigate these risks.

OPERATIONAL RISKS

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

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

Leadership and human resources

The Group's successful performance depends on how competent its management and its personnel are, as well as the ongoing development of their competencies and skills. In particular, their competencies and skills in developing appealing products and services for Sanoma's customers in line with customer needs in a constantly and rapidly changing environment play an important role. The Group's success requires a culture that supports innovation, facilitates change and renewal, and encourages balanced risk taking. The managers play an important role in creating the desired culture and in leading by example.

Nowadays, recruiting and retaining the right talent is becoming more and more challenging. Sanoma's primary respond to this is to offer all employees an innovative workplace as well as opportunities for learning and professional development, for example by providing e-learning and other in-house training programmes. The learning opportunities focus mainly on transforming employees' current skills into skills required in the digitalizing world. In addition, Sanoma's strong brand portfolio supports its employer image towards potential employees. Finally, to enhance the retention and recruitment of talented personnel, remuneration principles and practices are aligned across the Group. For the Group and SBU management level, Sanoma has continuous/annual succession planning procedures in place. There are supporting HR systems in use to keep track of employee's performance.

Knowledge management

The management and transfer of knowledge across the Group are crucial for the success of Sanoma. It is important that information, best practices and successful business concepts are obtained and shared within and between SBUs. One way to ensure efficient flow of knowledge is to ensure that the business and supporting processes are clear. During the recent years, Sanoma has reviewed and renewed its Corporate Governance Framework and most of its policies and created a Code of Conduct. Internal online training on e.g. ICT security and privacy continued on an ongoing basis throughout the year.

Information and Communication Technology ('ICT') systems

Reliable ICT systems are an integral part of Sanoma's business. The systems include online services, newspaper and magazine subscriptions, advertising and delivery systems, digital learning platforms, as well as various systems for production control, customer relations' management, and supporting functions.

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

Data is an increasing part of Sanoma's products and services through personalized features and content recommendations. Sanoma's principles and governance model for privacy and data protection are approved by the Board of Directors, and in 2017 the Group-wide training on these policies continued.

FINANCIAL RISKS

Sanoma is exposed to financial risks including interest rate, currency, liquidity and credit risk. Other risks include risks related to equity and impairment of assets. Financial risk management is centralised to Group Treasury, and aims to hedge the Group against all material risks. Group Treasury operates as a counterparty to business units in financial transactions and financial risk management.

Financial risks can be mitigated with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable. The Group's interest rate risk is mainly related to changes in the reference rates of floating rate loans in its loan portfolio, and managed by using a mix of fixed and floating rate loans. Interest rate derivatives may also be used. In 2017 all external loans of the Group were denominated in euro.

The majority of the Group's cash flow from operations is denominated in euro, but the Group is exposed to some transactional currency risk resulting from revenue and expenditure in other currencies than euros. The main source of transaction risk in 2017 was the acquisition of TV programming rights in US dollars for SBS in the Netherlands during H1 2017 and for Media Finland TV channels throughout the year. The Group uses foreign exchange forward contracts as means of hedging its significant transaction risks.

Liquidity risk relates to servicing debt, financing investments, and retaining adequate working capital. Sanoma aims to minimise its liquidity risk by ensuring sufficient revenue financing, maintaining adequate committed credit limits, using several financing institutions and forms of financing, and spreading loan repayment programmes over a number of calendar years.

Sanoma's long-term financial targets include a capital structure with the ratio of net debt to adjusted EBITDA below 2.5 and equity ratio of 35%–45%. Key elements in achieving the long-term financial targets are ensuring solid cash flow from operations and managing financial risks efficiently.

The consolidated balance sheet on 31 December 2017 included EUR 1,185.7 million (2016: 2,095.8) of goodwill, publishing rights and other intangible assets, most of which are related to magazine and TV business in the Netherlands. In accordance with the IFRS, instead of goodwill being amortised, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. The impairment losses on goodwill, immaterial rights and other immaterial intangible assets for 2017 totalled EUR 17.0 million (2016: 36.6). Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity-related ratios.

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

HAZARD RISKS

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

Investing in Sanoma

Annual General Meeting

Sanoma Corporation's Annual General Meeting of Shareholders (AGM) will be held on 22 March 2018 at 14:00 (CET+1) at Marina Congress Center (Katajanokanlaituri 6, 00160 Helsinki, Finland).

NOTICE TO THE AGM

A notice to the AGM is published in at least one widely circulated newspaper. The meeting agenda is included in the notice. The notice to the meeting and the proposals of the Board of Directors are also published as a stock exchange release and on the Company's website.

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

ATTENDING THE AGM

Shareholder who is registered in the shareholders' register of the Company, held by Euroclear Finland Ltd, on 12 March 2018 has a right to participate in the AGM.

REGISTRATION

Shareholders wishing to participate the AGM and to use their voting rights are kindly requested to register by 16:00 (CET+1) on Friday, 16 March 2018. Registration can be made at Sanoma.com, by phone +358 20 770 6864 on weekdays from 9:00 until 16:00 (CET+1), by fax +358 10 519 5098 or by regular mail to Sanoma Corporation, AGM, P.O. Box 60, 00089 Sanoma, Finland.

A holder of nominee registered share has the right to participate in the AGM by virtue of such shares, based on which he/she on the record date of the AGM, i.e. on 12 March 2018, would be entitled to be registered in the shareholders' register of the Company held by Euroclear Finland Ltd. The holder of nominee registered shares is requested to ask, in good time, his/her asset manager to provide the necessary instructions for temporary registration in the shareholders' register, for issuing proxies and for registration for the AGM. The account operator of the asset manager must register the holder of nominee-registered shares wishing to participate the AGM temporarily to the Company's shareholders' register no later than on 19 March 2018 at 10:00 (CET+1). As regards nominee registered shares this constitutes due registration for the AGM.

Shareholders wishing to attend the AGM are requested to register within the time specified in the notice. Shareholder may participate in the AGM by himself/herself, by way of proxy representative or statutory representative. Shareholders are requested to submit possible proxies in originals on 16 March 2018 at the latest to:

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

DIVIDEND

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.35 per share shall be paid for the year 2017 and a sum of EUR 350,000 shall be transferred to the donation reserve and used at the Board of Directors' discretion.

The dividend shall be paid in two instalments. The first instalment of EUR 0.20 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 26 March 2018. The payment date proposed by the Board of Directors for this instalment is 4 April 2018.

The second instalment of EUR 0.15 per share shall be paid in November 2018. The second instalment 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, which, together with the dividend payment date, shall be decided by the Board of Directors in its meeting scheduled for 23 October 2018. The estimated dividend record date for the second instalment would then be 25 October 2018 and the dividend payment date 1 November 2018.

Outside Finland, the actual dividend payment date will be determined by the practices of the intermediary banks transferring the payments.

Financial reporting 2018

Sanoma will publish the following financial reports during the course of the year:

- Interim Report January–March 2018
  27 April 2018 approx. at 8:30
- Half-Year Report 2018
  24 July 2018 approx. at 8:30
- Interim Report January–September 2018
  24 October 2018 approx. at 8:30

Reports will be available in English and Finnish at Sanoma.com. In addition, Sanoma's Financial Statements, Report of the Board of Directors, Statement of Non-Financial Information, Corporate Governance Statement and Remuneration Statement for 2017 are available in English and Finnish at Sanoma.com.

SILENT PERIOD

Sanoma's silent period starts 30 calendar days prior to publishing of interim reports, Half-Year Report or Full-Year Report. Sanoma will not comment on its business or meet with capital market representatives during that period.

Changes in contact information

Euroclear Finland Ltd maintains a list of the Company's shares and shareholders. Shareholders who wish to make changes to their personal and contact information are kindly asked to contact their own account operator directly.

Analyst coverage

According to Sanoma's knowledge, at least the following brokers and research houses have regular equity and/or credit research coverage of Sanoma: Carnegie Investment Bank, Danske Markets, Handelsbanken Capital Markets, Inderes, Nordea, Pohjola Bank and SEB Enskilda. They follow Sanoma on their own initiative and Sanoma takes no responsibility of their views.

The analysts' contact details are available at Sanoma.com.

Contact information

SANOMA GROUP
Susan Duinhoven, President and CEO
Töölönlahdenkatu 2
P.O. Box 60, 00089 SANOMA, Helsinki, Finland
Tel. +358 105 1999

INVESTOR RELATIONS
Kaisa Uurasmaa, Head of Investor Relations and
Corporate Social Responsibility
Tel. +358 40 560 5601
ir@sanoma.com

Sanoma.com