

2017

Half-Year Report

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Sanoma Corporation — P.O. Box 60, 00089 Sanoma, Helsinki, Finland
tel. +358 105 1999 — www.sanoma.com — VAT FI15243611 — Domicile Helsinki

Sanoma's Half-Year Report 1 January–30 June 2017:

Operational EBIT improved in the first half of the year

Operational EBIT declined in Q2; stable when adjusted for SBS

Sanoma Corporation, Half-Year Report, 25 July 2017 at 8:30 CET+1

Second quarter

- Reported net sales amounted to EUR 441.4 million (2016: 449.7).
- Adjusted for changes in the Group structure, Sanoma's net sales decreased by 2.0%.
- Operational EBIT decreased to EUR 81.7 million (2016: 86.9). Adjusted for the divestment of the Dutch TV operations of SBS, comparable operational EBIT was stable at EUR 78.8 million (2016: 78.6).
- Operating profit was EUR 77.6 million (2016: 141.7).
- Items affecting comparability included in the operating profit totalled EUR -4.2 million (2016: 54.8) and consisted of capital loss and adjustments related to asset held for sale classification of SBS, impairments and restructuring expenses as well as a capital gain on the divestment of Sanoma Baltics.
- Earnings per share were EUR 0.31 (2016: 0.57).
- Operational earnings per share were EUR 0.32 (2016: 0.32).
- Cash flow from operations was EUR -0.4 million (2016: 8.5) and capex was EUR 10.4 million (2016: 9.7).

First half

- Reported net sales amounted to EUR 785.2 million (2016: 802.8).
- Adjusted for changes in the Group structure, Sanoma's net sales decreased by 2.2%.
- Sanoma announced the divestment of the Dutch TV operations of SBS on 10 April 2017 and classified all related assets and liabilities as held for sale. The impact on the result attributable to the equity holders of the Parent Company (i.e. the net result) in the first half was EUR -286.4 million.
- Operational EBIT improved to EUR 93.1 million (2016: 88.8). Adjusted for the SBS transaction, comparable operational EBIT was EUR 95.5 million (2016: 84.9).
- Items affecting comparability included in the operating profit amounted to EUR -431.4 million (2016: 56.0), and consisted of capital loss and adjustments related to asset held for sale classification of SBS, impairments and restructuring expenses as well as a capital gain on the divestment of Sanoma Baltics.
- Operating profit was EUR -338.3 million (2016: 144.7), the decline largely caused by the capital loss related to the divestment of SBS.
- Earnings per share were EUR -1.45 (2016: 0.56).
- Operational earnings per share were EUR 0.34 (2016: 0.28).
- Cash flow from operations was EUR -42.8 million (2016: -48.2) and capex was EUR 18.8 million (2016: 15.3).
- Net debt/adj. EBITDA ratio at the end of June was 3.6 times (2016: 3.8).
- Equity ratio was 29.0% (2016: 41.7%) due to the capital loss booked in connection with the SBS asset held for sale classification.

Outlook (unchanged)

For 2017, Sanoma expects that the Group's consolidated net sales adjusted for structural changes, including the divestment of SBS, will be stable and the operational EBIT margin will be above 10%.

The outlook is based on the assumption of the advertising markets development in the Netherlands and Finland being in line with that of 2016.

Reported key indicators

EUR million	4-6/ 2017	4-6/ 2016	Change %	1-6/ 2017	1-6/ 2016	Change %	1-12/ 2016
Net sales	441.4	449.7	-1.9	785.2	802.8	-2.2	1,639.1
Operational EBIT	81.7	86.9	-6.0	93.1	88.8	4.9	167.9
% of net sales	18.5	19.3		11.9	11.1		10.2
Operating profit	77.6	141.7	-45.3	-338.3	144.7		196.6
Result for the period	50.8	96.9	-47.6	-372.2	96.8		116.0
Cash flow from operations	-0.4	8.5		-42.8	-48.2		153.5
Capital expenditure *	10.4	9.7	8.0	18.8	15.3	22.7	34.8
% of net sales	2.4	2.1		2.4	1.9		2.1
Return on equity (ROE), % **				-38.8	-3.5		10.9
Return on investment (ROI), % **				-16.2	1.2		9.9
Equity ratio, %				29.0	41.7		41.0
Net gearing, %				141.5	79.3		78.4
Number of employees at the end of the period (FTE)				5,212	5,467	-4.7	5,227
Average number of employees (FTE)				5,181	5,491	-5.6	5,384
Earnings/share, EUR	0.31	0.57	-46.1	-1.45	0.56		0.65
Cash flow from operations/share, EUR	0.00	0.05		-0.26	-0.30		0.95
Equity/share, EUR				2.76	4.87	-43.4	4.39

* Including finance leases.

** Rolling 12-month period.

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 transaction

EUR million	4-6/ 2017	4-6/ 2016	Change %	1-6/ 2017	1-6/ 2016	Change %	1-12/ 2016
Net sales	382.2	387.6	-1.4	678.5	691.3	-1.9	1,407.0
Operational EBIT	78.8	78.6	0.2	95.5	84.9	12.5	152.6
% of net sales	20.6	20.3		14.1	12.3		10.8
Operating profit	74.5	133.4	-44.1	88.5	140.8	-37.2	188.3
Result for the period	48.4	90.6	-46.6	53.8	93.8	-42.6	110.2
Cash flow from operations	-2.8	3.1		-43.1	-48.9		136.5
Capital expenditure *	9.4	8.1	16.2	17.0	13.1	30.2	30.4
% of net sales	2.5	2.1		2.5	1.9		2.2
Number of employees at the end of the period (FTE)				4,854	5,094		4,847
Average number of employees (FTE)				4,812	5,111		5,006
Earnings/share, EUR	0.30	0.55	-46.0	0.32	0.55	-41.3	0.63
Cash flow from operations/share, EUR	-0.02	0.02		-0.27	-0.30		0.84

* Including finance leases.

Reported organic growth of net sales, %

	4-6/2017 vs. 4-6/2016	1-6/2017 vs. 1-6/2016	1-12/2016 vs. 1-12/2015
Media BeNe	-2.3	-3.0	+0.5
Media Finland	-2.2	-0.9	+0.7
Learning	-0.9	-2.5	-2.5
Group	-2.0	-2.2	+0.1

Susan Duinhoven, President and CEO

“The second quarter went according to our expectations, even though the Finnish advertising markets were under some pressure. Sanoma’s operational EBIT in the second quarter totalled EUR 81.7 million (2016: 86.9). We finalised the divestment of the Dutch TV operations of SBS on 19 July. Adjusted for the SBS transaction, operational EBIT in the second quarter was stable at EUR 78.8 million (2016: 78.6). For the first half of the year, we increased our operational EBIT by 13% when adjusting for SBS and our operational earnings per share improved to EUR 0.35 (2016: 0.28).

In Media BeNe, the result improved clearly in the print and online portfolio thanks to continuous cost innovations, and the streamlining of the organisation continued. Lower TV advertising sales decreased reported results, but adjusted for the SBS transaction, our operational EBIT improved to EUR 24.6 million (2016: 21.4) in the second quarter. Sanoma is the leading local publisher in the Netherlands in reach both online and offline and our news site NU.nl gained an all-time record audience, 7.2 million unique visitors, in May.

Operational EBIT in Media Finland improved in the second quarter. The slightly disappointing development in the Finnish advertising markets in the first half of the year has affected our advertising sales, but our overall business performance remains positive thanks to improved subscription sales, growing online advertising sales and the continuous cost innovations. Nelonen Media has continued its strong viewing performance and in June its channels were once again the most viewed in Finland, with the commercial viewing share going up from 35.6% to 36.2%.

Sales in Learning grew following the good development in Finland as well as the consolidation of De Boeck in Belgium. As expected, the profitability was impacted by costs related to creating new learning methods for the Polish market, currently undergoing an educational reform, as well as our investments in our professional learning initiative SAM and the expected higher depreciation and amortisation related to earlier investments.

In the beginning of April, we announced the divestment of SBS. In July, we closed this transaction,

and this will now allow us to decrease our debt significantly and give us better position to pursue opportunities in our businesses. Our portfolio going forward will be focused on businesses and brands with a leading market position, giving us the opportunity to offer consumers the most compelling content and our advertisers a unique combination of both reach and targeting. We continue to look for ways to serve our customers even better, while continuously also improving our processes and ways of working.”

Group outlook (unchanged)

For 2017, Sanoma expects that the Group’s consolidated net sales adjusted for structural changes, including the divestment of SBS, will be stable and the operational EBIT margin will be above 10%.

The outlook is based on the assumption of the advertising markets development in the Netherlands and Finland being in line with that of 2016.

Impact of the SBS transaction on reported figures

Sanoma announced the divestment of Dutch TV operations of SBS on 10 April 2017. Following the announcement, all assets and liabilities relating to SBS were classified as held for sale in accordance with IFRS5. This resulted in a non-cash capital loss for Sanoma, affecting mainly the first quarter result.

SBS was consolidated in Sanoma’s income statement until 30 June 2017. Therefore SBS has not been excluded when adjusting net sales for structural changes. In accordance with the requirements of IFRS5, the non-current asset held for sale was no longer depreciated/amortised after the announcement of the transaction.

The divestment was closed on 19 July 2017. To illustrate the effect of the divestment on the Group, some comparable adjusted key figures are presented in this report. Comparable adjusted figures exclude fully the divested operations of SBS but include 100% of Veronica Uitgeverij. All other figures in this half-year report are based on reported figures and include SBS until the end of June.

In connection with the SBS divestment, Sanoma has changed its segments for IFRS reporting and now reports three segments, identical to its SBUs.

Net sales

Second quarter

In April–June, Sanoma’s reported net sales amounted to EUR 441.4 million (2016: 449.7). Adjusted for changes in the Group structure, net sales decreased by 2.0%.

Non-print sales in media business were stable at EUR 161.7 million (2016: 163.3) and represented 36.6% (2016: 36.3%) of the Group’s net sales.

Advertising sales decreased by 7.0% to EUR 145.5 million (2016: 156.5), with TV advertising, in particular in the Netherlands, and print advertising being at lower levels. Circulation sales decreased by 2.5% to EUR 133.6 million (2016: 137.1), mostly due to lower single copy sales, both in the Netherlands and Finland. Net sales from learning increased by 3.4% to

EUR 100.3 million (2016: 97.1), mainly due to consolidation of De Boeck and good performance in Finland following the curriculum renewal starting in 2016. Other sales increased by 4.8% to EUR 62.0 million (2016: 59.1).

First half

In January–June, Sanoma’s net sales decreased by 2.2% and amounted to EUR 785.2 million (2016: 802.8). Adjusted for changes in the Group structure, net sales decreased by 2.2%.

Non-print media sales were stable at EUR 301.6 million (2016: 300.3) and represented 38.4% (2016: 37.4%) of Group’s net sales.

Advertising sales decreased by 5.2% to EUR 275.5 million (2016: 290.8). Circulation sales decreased by 3.0% to EUR 265.5 million (2016: 273.8). Net sales from learning increased by 1.6% to EUR 132.0 million (2016: 129.9). Other sales increased by 3.5% to EUR 112.2 million (2016: 108.4).

Group’s reported net sales by country, %

	4–6/2017	4–6/2016	1–6/2017	1–6/2016	1–12/2016
Netherlands	47.2	48.6	47.0	48.2	46.5
Finland	39.9	38.6	41.1	39.9	38.1
Belgium	10.6	9.4	9.5	8.8	9.3
Other	2.3	3.4	2.4	3.1	6.1
Total Group	100.0	100.0	100.0	100.0	100.0

Group’s comparable net sales by country, adjusted for the SBS transaction, %

	4–6/2017	4–6/2016	1–6/2017	1–6/2016	1–12/2016
Netherlands	39.0	40.3	38.6	39.8	37.7
Finland	46.1	44.8	47.6	46.4	44.4
Belgium	12.2	10.9	11.0	10.2	10.9
Other	2.7	3.9	2.8	3.6	7.0
Total Group	100.0	100.0	100.0	100.0	100.0

Group's reported net sales by type of sales, %

	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Advertising	33.0	34.8	35.1	36.2	35.7
Subscription	21.4	21.2	24.1	23.7	23.1
Single copy	8.9	9.2	9.7	10.4	10.2
Learning	22.7	21.6	16.8	16.2	17.2
Other	14.0	13.1	14.3	13.5	13.8
Total Group	100.0	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.

Group's comparable net sales by type of sales, adjusted for the SBS transaction, %

	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Advertising	24.8	26.4	27.4	28.2	27.4
Subscription	24.7	24.6	27.9	27.5	27.0
Single copy	10.3	10.7	11.2	12.1	11.9
Learning	26.3	25.0	19.5	18.8	20.1
Other	14.0	13.2	14.0	13.4	13.7
Total Group	100.0	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.

Result**Second quarter**

In April–June, Sanoma's operational EBIT decreased by 6.0% and totalled EUR 81.7 million (2016: 86.9). The result improved in Media Finland, but costs related to development of new methods in Poland decreased the profits in Learning and weak TV advertising sales in the Netherlands impacted the result of Media BeNe.

The operational EBIT margin was 18.5% (2016: 19.3%) of net sales.

Adjusted for the SBS transaction, comparable operational EBIT was stable at EUR 78.8 million (2016: 78.6). The comparable operational EBIT margin was 20.6% (2016: 20.3%) of net sales.

In the second quarter, the Group's total operating expenses, excluding items affecting comparability, decreased by 1.4%. Cost of sales decreased by 2.2% and fixed costs by 0.7%. Paper costs decreased by 2.1%, transport and distribution service by 6.4% and employee benefit expenses by 5.0%.

In April–June, operating profit included net of EUR -4.2 million (2016: 54.8) of items affecting comparability, which consisted of capital loss and adjustments related to asset held for sale classification of SBS, impairments and restructuring expenses as well as a capital gain on the divestment of Sanoma Baltics. In the comparable period, items affecting comparability comprised a EUR 70.6 million settlement of defined benefit pension plans in the Netherlands as well as impairments and restructuring expenses.

Sanoma's net financial items totalled EUR -4.5 million (2016: -9.0). The improvement is related to lower interest expenses on the debt portfolio. The result before taxes amounted to EUR 74.0 million (2016: 132.5) in the second quarter. Earnings per share were EUR 0.31 (2016: 0.57). In the comparable period, the reported EPS included the non-recurring impact of the Dutch pension plan settlement. Operational earnings per share were stable at EUR 0.32 (2016: 0.32).

First half

In January–June, Sanoma's operational EBIT increased by 4.9% to EUR 93.1 million (2016: 88.8). Result improved due to cost innovations in all SBUs and one-off corrections in the first quarter amounting to EUR 4.4 million, related to changes in accounting estimates. Improvement was partly offset by higher amortisations and depreciations related to earlier investments, and costs related to creating new learning methods in Poland.

The operational EBIT margin was 11.9% (2016: 11.1%) of net sales.

Adjusted for the SBS transaction, comparable operational EBIT was EUR 95.5 million (2016: 84.9). The comparable operational EBIT margin was 14.1% (2016: 12.3%) of net sales.

In the first half, the Group's total expenses, excluding items affecting comparability, decreased by 3.9%. Cost of sales decreased by 1.5% and fixed costs by 5.5%. Paper costs decreased by 3.7%, transport and distribution service by 7.0% and employee benefit expenses by 5.3%.

In January–June, operating profit included net of EUR -431.4 million (2016: 56.0) of items affecting comparability, mainly related to classification SBS as an asset held for sale. In the previous year, items affecting comparability were mainly related to the settlement of defined benefit pension plans in the Netherlands.

Sanoma's net financial items totalled EUR -11.0 million (2016: -17.7). The improvement is related to lower interest expenses in the loan portfolio. The result before taxes amounted to EUR -348.3 million (2016: 127.0) in the first half. Earnings per share were EUR -1.45 (2016: 0.56). The decrease is related to the

items affecting comparability. Operational earnings per share were EUR 0.34 (2016: 0.28).

Balance sheet and financial position

At the end of June 2017, Sanoma's consolidated balance sheet totalled EUR 2,202.9 million (2016: 2,733.0). The decrease is mainly attributable to adjustments related to the asset held for sale classification of SBS TV operations.

In January–June, the Group's cash flow from operations improved to EUR -42.8 million (2016: -48.2), mainly as a result of higher profitability and lower financial items, and partly offset by an increase in working capital and taxes. Sanoma's current dividend policy is based on cash flow from operations less capex. Cash flow from operations per share was EUR -0.26 (2016: -0.30). Cash flow from investments was impacted positively by operations sold, amounting to EUR 28.6 million, including Sanoma Baltics and Kieskeurig.nl. In the comparable period, operations sold totalled EUR 40.3 million and included Autotrader.nl, AAC Global and the remaining Russian magazine operations.

At the end of June, the net debt/adj. EBITDA ratio was 3.6 times (2016: 3.8), with the long-term target being below 2.5. 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. The divestment of SBS will have a positive effect on the development of this ratio going forward as the net cash consideration of the transaction, EUR 237 million, will be used to reduce Sanoma's debt.

Sanoma's equity-related ratios were significantly affected by the capital loss booked in connection with the SBS asset held for sale classification. As a result, Sanoma's equity ratio was 29.0% (2016: 41.7%) at the end of June 2017, up from 27.4% at the end of March. Sanoma maintains its long-term target to achieve 35%–45% equity ratio. The return on equity (ROE) was -38.8% and the return on investment (ROI) was -16.2%.

Equity totalled EUR 598.6 million (2016: 1,078.2). The decrease is related to the capital loss booked due to SBS asset held for sale classification. Equity per share

was EUR 2.76 (2016: 4.87). Interest-bearing liabilities totalled EUR 897.0 million (2016: 907.0), and interest-bearing net debt amounted to EUR 846.7 million (2016: 854.9).

Investments, acquisitions and divestments

In January–June 2017, investments in tangible and intangible assets, including finance leases, amounted to EUR 18.8 million (2016: 15.3). Investments were mainly related to digital business, ICT systems and maintenance.

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 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 the Dutch cashback marketing companies, Kortingsleuk.nl and the remaining shares of Scoupy.

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 review period

On 19 July 2017, Sanoma completed the divestment of its 67% stake in the Dutch TV business SBS and acquisition of the remaining share in the TV guide business Veronica.

Reconciliation of operational EBIT

EUR million	4-6/ 2017	4-6/ 2016	1-6/ 2017	1-6/ 2016	1-12/ 2016
OPERATING PROFIT	77.6	141.7	-338.3	144.7	196.6
Items affecting comparability					
Media Bene					
Impairments		-8.1		-8.1	-13.6
Capital gains /losses *	-33.6		-458.1	13.3	13.3
Restructuring expenses	-4.7	-3.6	-4.7	-13.0	-25.5
Others					
Settlement of Dutch defined benefit pension plans		36.1		36.1	40.8
Discontinuation on amortisations related to assets held for sale	33.0		33.0		
Media Finland					
Capital gains /losses	9.9	-0.2	10.8	-0.2	0.5
Restructuring expenses	-1.8	-1.4	-2.1	-2.3	-7.5
Others					
Transfer of surplus assets in Sanoma Pension Fund					-1.2
Learning					
Impairments	-7.8		-7.8		-4.4
Restructuring expenses	-1.3	-0.1	-1.8	-0.3	-10.9
Others					
Settlement of Dutch defined benefit pension plans		22.8		22.8	22.9
Transfer of surplus assets in Sanoma Pension Fund					3.0
Other companies					
Capital gains /losses				2.8	2.7
Restructuring expenses	2.1	-2.5	-0.6	-6.9	-0.4
Others					
Transfer of surplus assets in Sanoma Pension Fund					-1.8
Settlement of Dutch defined benefit pension plans		11.7		11.7	11.0
ITEMS AFFECTING COMPARABILITY	-4.2	54.8	-431.4	56.0	28.7
OPERATIONAL EBIT	81.7	86.9	93.1	88.8	167.9
Impairment of loan					-4.6
ITEMS AFFECTING COMPARABILITY IN FINANCIAL INCOME AND EXPENSES					-4.6
ITEMS AFFECTING COMPARABILITY IN NON-CONTROLLING INTERESTS *	0.7		138.5		2.5

* A capital loss of EUR -424.4 million and a EUR 138.3 million adjustment in non-controlling interests relate to the SBS asset held for sale classification. Total impact of the transaction in the net result is EUR -286.4 million.

Reconciliation of operational EPS

EUR million	4–6 2017	4–6 2016	1–6/ 2017	1–6/ 2016	1–12/ 2016
RESULT FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	49.7	93.8	-235.3	93.8	110.8
Current year interest on the hybrid bond net of tax		-1.4		-2.9	-5.5
Items affecting comparability *	2.3	-39.6	291.1	-45.1	-22.5
OPERATIONAL RESULT FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	52.1	52.7	55.8	45.8	82.8
Adjusted average number of shares	162,495,574	162,333,596	162,442,775	162,249,301	162,291,679
Operational EPS	0.32	0.32	0.34	0.28	0.51

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

Reconciliation of interest-bearing net debt

EUR million	30.6.2017	30.6.2016	31.12.2016
Non-current financial liabilities	359.8	282.4	239.1
Current financial liabilities	537.1	624.6	590.5
Cash and cash equivalents	-50.2	-52.0	-43.4
Interest-bearing net debt	846.7	854.9	786.2

Interest-bearing net debt includes financial assets and liabilities of SBS that are presented as part of assets and liabilities held for sale in the balance sheet 30 June 2017. More details are presented on p. 32.

Media BeNe

Sanoma Media BeNe includes the Dutch and Belgian consumer media operations as well as the Dutch press distribution business Aldipress. In the Netherlands, we have a leading cross media portfolio with over 30 strong brands and strong market positions in magazines, events, custom media, e-commerce, websites and apps. In Belgium, Sanoma is a prominent multi-media company, with quality magazines and digital media focusing around Women and Home & Deco. Through combining content and customer data, we develop successful marketing solutions for our clients. In total, Sanoma Media BeNe reaches over 13 million consumers every month.

- Media BeNe's net sales decreased by 3.0% during the second quarter of 2017. Most of the decrease came from lower TV advertising sales. Organic net sales, adjusted for the SBS transaction, declined by 1.2%.
- The profitability of the print and online portfolio continued to improve, while the result of the SBS TV business declined. Adjusted for the SBS transaction, Media BeNe's operational EBIT improved in the second quarter to EUR 24.6 million (2016: 21.4).
- In April, Sanoma divested its comparison website Kieskeurig.nl to Reshift.
- The transaction to sell Sanoma's share, 67% of shares, in the SBS TV operations to Sanoma's long-term partner and co-shareholder Talpa and to acquire 100% of shares in the TV guide business Veronica was closed on 19 July 2017. SBS was included in Sanoma's reported figures until the end of June 2017.

Reported key indicators

EUR million	4-6/ 2017	4-6/ 2016	Change %	1-6/ 2017	1-6/ 2016	Change %	1-12/ 2016
Net sales	196.5	202.6	-3.0	364.6	378.2	-3.6	775.9
Non-print	97.2	99.0	-1.8	173.6	176.8	-1.8	376.3
Print	87.4	92.1	-5.1	168.3	179.1	-6.0	353.5
Other	11.9	11.5	3.3	22.7	22.3	1.6	46.1
Operational EBIT *	27.5	29.6	-7.1	36.8	37.0	-0.5	85.6
% of net sales	14.0	14.6		10.1	9.8		11.0
Operating profit	20.5	53.9	-62.0	-387.5	65.3		100.6
Capital expenditure	1.2	2.4	-47.8	4.4	3.5	28.4	5.8
Number of employees at the end of the period (FTE)				1,672	1,781	-6.2	1,768
Average number of employees (FTE)				1,721	1,845	-6.7	1,799

* Reconciliation of operational EBIT is presented in a separate table on page 10.

Comparable key indicators, adjusted for the SBS transaction

EUR million	4-6/ 2017	4-6/ 2016	Change %	1-6/ 2017	1-6/ 2016	Change %	1-12/ 2016
Net sales	137.3	140.5	-2.2	257.8	266.7	-3.3	543.8
Non-print	38.0	36.8	3.1	66.7	65.3	2.3	144.1
Print	87.4	92.1	-5.0	168.4	179.1	-6.0	353.6
Other	11.9	11.5	3.3	22.7	22.3	1.6	46.1
Operational EBIT	24.6	21.4	15.2	39.2	33.1	18.3	70.3
% of net sales	17.9	15.2		15.2	12.4		12.9
Operating profit	19.5	45.7	-57.3	34.1	61.4	-44.5	92.2
Capital expenditure	0.3	0.9	-68.6	2.6	1.2	120.3	1.4
Number of employees at the end of the period (FTE)				1,314	1,408		1,388
Average number of employees (FTE)				1,352	1,465		1,421

Media BeNe's reported sales by type of sales, %

	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Advertising	39.4	41.7	38.5	40.2	40.8
Subscription	21.1	21.3	22.8	22.4	21.6
Single copy	14.2	14.3	14.8	15.5	15.2
Other	25.3	22.7	24.0	21.9	22.4
Total	100.0	100.0	100.0	100.0	100.0

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

Media BeNe's comparable sales by type of sales, adjusted for the SBS transaction, %

	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Advertising	19.4	21.6	19.7	21.2	21.6
Subscription	30.2	30.7	32.2	31.8	30.8
Single copy	20.4	20.6	20.9	22.0	21.7
Other	30.1	27.1	27.2	25.0	25.9
Total	100.0	100.0	100.0	100.0	100.0

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

Media BeNe's reported sales growth, %

	4-6/2017 vs. 4-6/2016	1-6/2017 vs. 1-6/2016
Subscription sales	-4	-2
Single copy sales	-3	-8
Total circulation sales	-4	-5
Print advertising sales	-11	-11
Non-print advertising sales	-7	-8
Total advertising sales	-8	-8

Media BeNe's comparable sales growth adjusted for the SBS transaction, %

	4-6/2017 vs. 4-6/2016	1-6/2017 vs. 1-6/2016
Subscription sales	-4	-2
Single copy sales	-3	-8
Total circulation sales	-4	-5
Print advertising sales	-11	-10
Non-print advertising sales	-14	-10
Total advertising sales	-12	-10

Operational indicators, %

	1-6/2017	1-6/2016	1-12/2016
Dutch TV operations			
TV channels' share of TV advertising	23.0	24.3	24.5
TV channels' national viewing share (20-54 years)	19.9	20.6	20.3
TV channels' national viewing share (6+ years)	18.1	18.4	18.6

Second quarter

In April-June, reported net sales in Media BeNe decreased by 3.0% to EUR 196.5 million (2016: 202.6). Adjusted for structural changes, net sales decreased by 2.3%.

Non-print sales amounted to EUR 97.2 million (2016: 99.0) and represented 49.5% (2016: 48.9%) of net sales.

SBS TV operations were included in the reported figures until 30 June 2017. Adjusted for SBS,

comparable net sales were EUR 137.3 million (2016: 140.5) and net sales adjusted for structural changes declined by 1.2%. Non-print sales, adjusted for SBS, represented 27.7% (2016: 26.2%).

Reported advertising sales decreased by 8.4%, mainly due to lower TV advertising sales, and represented 39.4% (2016: 41.7%) of net sales. Circulation sales decreased by 3.6% with both subscription and single copy sales being slightly lower than the comparable quarter. Circulation sales

represented 35.3% (2016: 35.5%) of net sales. Other sales grew by 11.5%.

Based on the preliminary market information, Sanoma estimates that the advertising market in the Netherlands increased by 3%. Advertising increased on a net basis in online including search by 8%, whereas the advertising declined in TV by 6% and in consumer magazines by 12% in April–June.

Reported operational EBIT in Media BeNe in April–June decreased to EUR 27.5 million (2016: 29.6). The result improved clearly in the print and online portfolio, but lower TV advertising sales decreased profits in SBS TV operations. Adjusted for the divestment of SBS, Media BeNe's comparable operational EBIT amounted to EUR 24.6 million (2016: 21.4).

Items affecting comparability included in the operating profit totalled EUR -5.3 million (2016: 24.3) and consisted mainly of restructuring expenses related to streamlining of the Dutch operations as well as the capital loss and adjustments related to the SBS asset held for sale classification. In the comparable period, items affecting comparability were related to the settlement of changing defined benefit pension plans in the Netherlands to a defined contribution plan, as well as goodwill impairments and restructuring expenses.

Media BeNe's investments in tangible and intangible assets totalled EUR 1.2 million (2016: 2.4) in April–June and consisted mainly of maintenance capital expenditure and ICT 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.

- Media Finland's organic net sales declined by 2.2%, mainly due to lower advertising sales, in line with the downward trends in the Finnish advertising markets. Digital advertising sales grew by 14%, significantly more than the market growth of 1%.
- Nelonen Media's commercial viewing share remained stable during the first half of the year, and in June Nelonen Media's channels were once again most viewed, with a commercial viewing share of 36.2% (2016: 35.6%).
- Operational EBIT improved due to continued cost innovations. Media Finland continues with the implementation of 'Suunta', its revenue, cost and process improvement initiative.
- In April, Sanoma divested the online classified and market place operator Sanoma Baltics.

Reported key indicators

EUR million	4-6/ 2017	4-6/ 2016	Change %	1-6/ 2017	1-6/ 2016	Change %	1-12/ 2016
Net sales	144.6	150.1	-3.7	288.8	294.6	-2.0	580.9
Non-print	64.4	64.3	0.3	128.0	123.5	3.7	242.0
Print	80.2	85.9	-6.6	160.8	171.2	-6.1	338.9
Operational EBIT *	22.5	19.0	18.5	41.6	30.1	38.3	49.5
% of net sales	15.6	12.7		14.4	10.2		8.5
Operating profit	30.6	17.5	75.2	50.2	27.6	81.8	41.3
Capital expenditure	2.9	1.6	78.7	3.7	2.8	31.7	5.2
Number of employees at the end of the period (FTE)				1,853	1,907	-2.9	1,718
Average number of employees (FTE)				1,744	1,819	-4.2	1,797

* Reconciliation of operational EBIT is presented in a separate table on page 10.

Media Finland's net sales by type of sales, %

	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Advertising	47.1	47.9	46.9	47.1	46.1
Subscription	36.6	34.9	36.9	35.8	36.5
Single copy	7.8	8.4	7.6	8.4	8.4
Other	8.5	8.7	8.6	8.7	9.0
Total	100.0	100.0	100.0	100.0	100.0

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

Media Finland's reported sales growth, %

	4-6/2017 vs. 4-6/2016	1-6/2017 vs. 1-6/2016
Subscription sales	1	1
of which magazines incl. online	-2	-3
of which newspapers incl. online	-1	1
of which Pay-TV and Pay-VOD	21	17
Single copy sales	-11	-11
of which magazines incl. online	0	-3
of which newspapers incl. online	-10	-11
Total circulation sales	-1	-1
Print advertising sales	-13	-12
Non-print advertising sales	-1	3
Total advertising sales	-5	-5

Operational indicators, %

	1-6/2017	1-6/2016	1-12/2016
Finnish TV operations			
TV channels' share of TV advertising	36.5	35.4	35.3
TV channels' national commercial viewing share (10–44 years)	36.6	37.0	36.9
TV channels' national viewing share (10+ years)	16.3	17.0	16.6

Second quarter

In April–June, net sales in Media Finland decreased to EUR 144.6 million (2016: 150.1). Adjusted for structural changes, net sales decreased by 2.2%.

Non-print sales were stable at EUR 64.4 million (2016: 64.3) and represented 44.6% (2016: 42.8%) of net sales. The growth of digital sales offset the decrease in TV and radio sales.

Following the development of TV and radio and the decrease in print advertising sales, the total advertising sales for Media Finland declined by 5.3% and represented 47.1% (2016: 47.9%) of net sales. Circulation sales decreased by 1.4%. Subscription sales increased slightly, whereas single copy sales decreased. Circulation sales represented 44.4% (2016: 43.3%) of net sales.

According to TNS Gallup, the advertising market in Finland decreased on a net basis by 5% in the second

quarter. Advertising in magazines decreased by 12%, in newspapers by 12% and in TV by 7%, whereas advertising on radio and online excluding search was at the same level as in the comparable period.

Operational EBIT in Media Finland in April–June increased to EUR 22.5 million (2016: 19.0) due to continued cost innovations, e.g. in distribution.

Items affecting comparability included in the operating profit totalled EUR 8.1 million (2016: -1.5) and consisted of the capital gain related to the divestment of Sanoma Baltics and restructuring expenses. In the comparable period, items affecting comparability consisted of restructuring expenses.

Media Finland's investments in tangible and intangible assets totalled EUR 2.9 million (2016: 1.6) in April–June and were mainly related to real estate and other maintenance capital expenditure.

Learning

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

- Net sales in Learning increased by 3.4% in the second quarter. The increase was driven by strong sales in Finland and the consolidation of De Boeck, offsetting the lower sales in the Netherlands and Sweden, estimated to be partly recovered in the third quarter.
- Despite growth in sales, operational EBIT decreased due to costs related to creating new methods in Poland, where Sanoma is preparing for the ongoing curriculum changes, investments in the professional learning initiative SAM and the higher depreciation and amortisation related to earlier investments.
- All 46 new methods developed in Poland have now been approved by the Ministry of Education.

Reported key indicators

EUR million	4-6/ 2017	4-6/ 2016	Change %	1-6/ 2017	1-6/ 2016	Change %	1-12/ 2016
Net sales	100.3	97.1	3.4	132.0	129.9	1.6	282.6
Netherlands	38.2	42.4	-10.0	56.0	62.1	-9.9	94.4
Poland	5.6	8.2	-32.2	9.9	12.7	-22.2	70.8
Finland	31.8	24.9	27.6	35.5	28.1	26.1	48.1
Belgium	19.8	15.3	29.0	22.2	16.7	32.5	44.8
Sweden	5.2	6.5	-19.4	8.7	10.6	-17.4	25.1
Other companies and eliminations	-0.2	-0.3		-0.3	-0.4		-0.6
Operational EBIT *	34.0	41.1	-17.1	19.1	30.1	-36.8	56.8
% of net sales	33.9	42.3		14.4	23.2		20.1
Operating profit	25.0	63.8	-60.9	9.4	52.6	-82.1	67.4
Capital expenditure	5.3	4.3	24.9	8.6	7.1	22.4	17.7
Number of employees at the end of the period (FTE)				1,397	1,431	-2.4	1,439
Average number of employees (FTE)				1,430	1,397	2.3	1,413

* Reconciliation of operational EBIT is presented in a separate table on page 10.

Second quarter

In April–June, net sales increased by 3.4% to EUR 100.3 million (2016: 97.1), mainly due to good performance in Finland and the consolidation of De Boeck, which more than offset the lower sales in the Netherlands and Sweden. Adjusted for structural changes, net sales were stable.

The learning business has, by nature, an annual cycle and strong seasonality. It accrues most of its net sales and results during the second and third quarters, whereas the first and fourth quarters are typically loss-making.

Operational EBIT in the Learning segment decreased to EUR 34.0 million (2016: 41.1). The decrease was due to costs related to creating new methods in

Poland, investments in the professional learning initiative SAM and higher depreciation and amortisation related to earlier investments.

Items affecting comparability included in the operating profit totalled EUR -9.1 million (2016: 22.7), consisting of impairments and restructuring expenses related to a current downscaling of YDP, the international operations based in Poland. In the comparable period, these were related to the settlement of changing defined benefit pension plans in the Netherlands to a defined contribution plan.

Learning's investments in tangible and intangible assets totalled EUR 5.3 million (2016: 4.3) in April–June. They were mainly related to investments in digital platforms and ICT.

The Group

Personnel

In January–June 2017, the average number of personnel (FTE) employed by the Sanoma Group was 5,181 (2016: 5,491). At the end of June, the number of Group employees (FTE) was 5,212 (2016: 5,467). In full-time equivalents, Media BeNe had 1,672 (2016: 1,781) employees at the end of June and Media Finland 1,853 (2016: 1,907). Learning had 1,397 (2016: 1,431) and other operations 290 (2016: 346) employees (FTE) at the end of June 2017. Wages, salaries and fees to Sanoma's employees, including the expense recognition of share based payments, amounted to EUR 151.0 million (2016: 165.1).

Dividend

The Annual General Meeting on 21 March 2017 decided to pay a dividend of EUR 0.20 for the year 2016 (2015: 0.10) per share. The dividends were paid on 30 March 2017.

Shares and holdings

In January–June 2017, a total of 17,651,840 (2016: 24,027,868) Sanoma shares were traded on the Nasdaq Helsinki and traded shares accounted for some 11% (2016: 15%) of the average number of shares. Sanoma's shares traded on the Nasdaq Helsinki corresponded to around 73% (2016: 68%) of the total traded share volume on stock exchanges.

During the first six months, the volume-weighted average price of a Sanoma share on the Nasdaq Helsinki was EUR 8.17 (2016: EUR 4.42), with a low of EUR 7.62 (2016: EUR 3.51) and a high of EUR 8.91 (2016: EUR 5.60). At the end of June, Sanoma's market capitalisation was EUR 1,329 million (2016: 853), with Sanoma's share closing at EUR 8.18 (2016: 5.26). At the end of June, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 162,812,093.

At the end of June, the company held a total of 316,519 own shares, representing 0.2% of all Sanoma shares and votes.

Board of Directors, auditors and management

The AGM held on 21 March 2017 confirmed the number of Sanoma's Board members as nine. 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 decided to amend the term of office of Board members to be one year.

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.

At the end of June 2017, the Executive Management Group (EMG) comprises: Susan Duinhoven (President and CEO of the Sanoma Group), Markus Holm (CFO and COO), Kim Ignatius (Executive Vice President), Pia Kalsta (CEO Sanoma Media Finland), John Martin (CEO Sanoma Learning) and Peter de Mönnink (CEO Sanoma Media BeNe).

Board authorisations

The AGM held on 12 April 2016 authorised the Board of Directors to decide on an issuance of a maximum of 50,000,000 new shares and a transfer of a maximum of 5,000,000 treasury shares. The authorisation will be valid until 30 June 2019. In a directed share issue, a maximum of 41,000,000 shares can be issued or transferred.

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.

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

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

Seasonal fluctuation

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

Significant 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.

Many of the identified risks relate to changes in customer preferences. The driving forces behind these changes are the on-going digitisation process and the decrease of viewing time in free-to-air TV.

Sanoma takes actions in all its strategic business units to respond to these challenges. These changes in consumer behaviour create potential risks related to advertising volumes and pricing, in particular with the trend of increasing mobile usage.

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

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.

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 telemarketing could have a significant impact on Sanoma's subscription sales in Finland and in the Netherlands.

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

Sanoma's financial risks include interest rate risks, currency risks, liquidity risk and credit risks. Other risks include risks related to equity and impairment of assets. Sanoma has actively issued commercial papers during the first half of 2017 (EUR 513 million outstanding at the end of June). In order to mitigate possible market risks, Sanoma has long-term undrawn committed bank facilities in place as back-up facilities for commercial papers. At the end of June, Sanoma had EUR 530 million undrawn committed facilities.

Sanoma's consolidated balance sheet included at the end of June EUR 1.6 billion in goodwill, immaterial rights and other intangible assets, including the SBS assets classified as assets held for sale. Most of this is related to magazine and TV operations. Sanoma

divested its Dutch TV operations on 19 July 2017, which will reduce the amount of goodwill, immaterial rights and other intangible assets to 1.2 billion, of which 0.9 billion will be goodwill. 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.

Interim Report (unaudited)

Accounting policies

The Sanoma Group has prepared its Interim Report in accordance with IAS 34 'Interim Financial Reporting' while adhering to related IFRS standards and interpretations applicable within the EU on 30 June 2017. The accounting policies of the Interim Report, the definitions of key indicators as well as the explanations of use and definitions of Alternative Performance Measures (APMs) are presented on the Sanoma website at Sanoma.com. 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. This Interim Report is unaudited.

Consolidated income statement

EUR million	4–6 2017	4–6 2016	1–6/ 2017	1–6/ 2016	1–12/ 2016
NET SALES	441.4	449.7	785.2	802.8	1,639.1
Other operating income	14.4	5.6	20.6	27.4	39.9
Materials and services	-134.0	-137.0	-237.7	-241.3	-501.1
Employee benefit expenses	-92.9	-28.6	-185.8	-136.0	-325.5
Other operating expenses *	-111.6	-74.9	-610.8	-164.4	-356.1
Share of results in joint ventures	1.3	0.9	2.3	1.9	0.1
Depreciation, amortisation and impairment losses	-41.1	-74.2	-112.1	-145.8	-299.7
OPERATING PROFIT	77.6	141.7	-338.3	144.7	196.6
Share of results in associated companies	0.9	-0.2	1.0	-0.1	-2.4
Financial income	5.5	0.4	10.3	9.6	10.5
Financial expenses	-10.0	-9.4	-21.3	-27.2	-47.5
RESULT BEFORE TAXES	74.0	132.5	-348.3	127.0	157.2
Income taxes	-23.2	-35.6	-23.9	-30.2	-41.2
RESULT FOR THE PERIOD	50.8	96.9	-372.2	96.8	116.0
Result attributable to:					
Equity holders of the Parent Company	49.7	93.8	-235.3	93.8	110.8
Non-controlling interests *	1.1	3.1	-136.8	3.0	5.2
Earnings per share for result attributable to the equity holders of the Parent Company:					
Earnings per share, EUR	0.31	0.57	-1.45	0.56	0.65
Diluted earnings per share, EUR	0.31	0.57	-1.45	0.56	0.65

*Other operating expenses include a capital loss of EUR -424.4 million related to the SBS assets held for sale classification, corresponding to 100% consolidation. Sanoma held 67% of shares in SBS and EUR 138.3 million corresponding the 33% minority share is included in Non-controlling interest. Impact on the net result is thus EUR -286.4 million.

In connection with a reporting system change, 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 this report are presented according to the new method.

Statement of comprehensive income

EUR million	4–6/ 2017	4–6/ 2016	1–6/ 2017	1–6/ 2016	1–12/ 2016
Result for the period	50.8	96.9	-372.2	96.8	116.0
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Change in translation differences	-2.2	-3.0	2.7	-3.3	-4.5
Share of other comprehensive income of equity-accounted investees	-0.1	0.0	0.0	-0.3	-0.3
Cash flow hedges		0.3		0.4	0.6
Income tax related to cash flow hedges		-0.1		-0.1	-0.1
Items that will not be reclassified to profit or loss					
Defined benefit plans	2.4	-5.9	7.9	-34.9	-19.5
Income tax related to defined benefit plans	-0.6	1.9	-1.7	8.6	5.0
Other comprehensive income for the period, net of tax	-0.4	-6.8	8.8	-29.6	-18.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	50.4	90.1	-363.4	67.3	97.2
Total comprehensive income attributable to:					
Equity holders of the Parent Company	49.3	87.0	-226.5	64.2	92.0
Non-controlling interests	1.1	3.1	-136.8	3.0	5.2

Consolidated balance sheet

EUR million	30.6.2017	30.6.2016	31.12.2016
ASSETS			
Property, plant and equipment	52.1	65.1	57.8
Investment property	24.1	31.1	24.5
Goodwill	935.2	1,658.0	1,663.0
Other intangible assets	246.6	450.8	432.8
Equity-accounted investees	17.1	28.3	21.3
Available-for-sale financial assets	5.0	5.0	5.0
Deferred tax receivables	24.8	38.1	29.9
Trade and other receivables	16.6	34.0	21.8
NON-CURRENT ASSETS, TOTAL	1,321.5	2,310.3	2,256.0
Inventories	53.1	50.3	41.4
Income tax receivables	13.2	11.9	2.2
Trade and other receivables	268.5	308.4	255.8
Cash and cash equivalents	24.4	52.0	43.4
CURRENT ASSETS, TOTAL	359.3	422.7	342.9
Assets held for sale	522.1		6.8
ASSETS, TOTAL	2,202.9	2,733.0	2,605.6
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Parent Company			
Share capital	71.3	71.3	71.3
Treasury shares	-1.4	-2.1	-2.1
Fund for invested unrestricted equity	203.3	203.3	203.3
Other reserves		-0.2	
Other equity	174.5	419.3	440.5
Hybrid bond		99.1	
	447.7	790.6	713.0
Non-controlling interests	150.9	287.6	289.5
EQUITY, TOTAL	598.6	1,078.2	1,002.5
Deferred tax liabilities	39.3	64.2	60.1
Pension obligations	5.8	33.5	13.7
Provisions	7.1	4.7	7.6
Financial liabilities	323.8	282.4	239.1
Trade and other payables	10.8	46.2	42.9
NON-CURRENT LIABILITIES, TOTAL	386.8	431.0	363.4
Provisions	10.6	19.8	18.1
Financial liabilities	527.1	624.6	590.5
Income tax liabilities	27.6	23.6	8.8
Trade and other payables	480.2	555.8	622.1
CURRENT LIABILITIES, TOTAL	1,045.5	1,223.8	1,239.5
Liabilities related to assets held for sale	172.0		0.3
LIABILITIES, TOTAL	1,604.3	1,654.8	1,603.1
EQUITY AND LIABILITIES, TOTAL	2,202.9	2,733.0	2,605.6

On 30 June 2017, assets held for sale included SBS that was classified as an asset held for sale in March 2017. More details are presented on p. 32.

On 30 June 2016, the Group did not have assets held for sale.

Changes in consolidated equity

Equity attributable to the equity holders of the Parent Company									
EUR million	Share capital	Treasury shares	Fund for invested unrestricted equity	Other reserves	Other equity	Hybrid bond	Total	Non-controlling interests	Equity, total
Equity at 1 Jan 2016	71.3	-3.2	203.3	-0.5	373.4	99.1	743.4	285.7	1,029.1
Comprehensive income for the period				0.3	63.9		64.2	3.0	67.3
Share-based compensation		1.0			-0.5		0.5		0.5
Dividends paid					-16.3		-16.3	-1.1	-17.3
Acquisitions and other changes in non-controlling interests					-1.3		-1.3	-0.1	-1.4
Equity at 30 June 2016	71.3	-2.1	203.3	-0.2	419.3	99.1	790.6	287.6	1,078.2
Equity at 1 Jan 2017	71.3	-2.1	203.3		440.5		713.0	289.5	1,002.5
Comprehensive income for the period					-226.5		-226.5	-136.8	-363.4
Share-based compensation		0.7			0.2		0.9		0.9
Dividends paid					-32.5		-32.5	-1.0	-33.5
Acquisitions and other changes in non-controlling interests					-7.2		-7.2	-0.8	-8.0
Equity at 30 June 2017	71.3	-1.4	203.3		174.5		447.7	150.9	598.6

Consolidated cash flow statement

EUR million	1-6/ 2017	1-6/ 2016	1-12/ 2016
OPERATIONS			
Result for the period	-372.2	96.8	116.0
Adjustments			
Income taxes	23.9	30.2	41.2
Financial income and expenses	11.0	17.7	37.0
Share of results in equity-accounted investees	-3.3	-1.9	2.4
Depreciation, amortisation and impairment losses	112.1	145.8	299.7
Gains/losses on sales of non-current assets *	446.8	-18.3	-19.5
Acquisitions of broadcasting rights and prepublication costs	-105.1	-98.0	-207.2
Other adjustments	0.3	0.5	1.1
Adjustments, total	485.6	75.9	154.6
Change in working capital	-131.9	-175.9	-47.9
Interest paid and other financial items	-7.6	-34.7	-45.8
Taxes paid	-16.9	-10.3	-23.4
Cash flow from operations	-42.8	-48.2	153.5
INVESTMENTS			
Acquisition of tangible and intangible assets	-16.8	-15.5	-34.5
Operations acquired	-8.2	-21.3	-21.8
Proceeds from sale of tangible and intangible assets	8.3	2.2	3.0
Operations sold **	28.6	40.3	43.1
Loans granted	-0.2	-2.1	-1.7
Repayments of loan receivables	0.4	2.6	3.5
Interest received	0.1	0.3	0.4
Dividends received	5.4	4.4	4.7
Cash flow from investments	17.6	10.9	-3.4
Cash flow before financing	-25.2	-37.3	150.1
FINANCING			
Redemption of hybrid bond			-100.0
Contribution by non-controlling interests			0.0
Change in loans with short maturity	146.8	36.8	14.1
Drawings of other loans	135.0	240.0	240.1
Repayments of other loans and finance lease liabilities	-218.5	-264.4	-318.2
Interest paid on hybrid bond			-7.3
Dividends paid	-33.5	-17.3	-17.6
Cash flow from financing	29.8	-5.0	-188.9
CHANGE IN CASH AND CASH EQUIVALENTS			
ACCORDING TO CASH FLOW STATEMENT	4.6	-42.3	-38.8
Effect of exchange rate differences on cash and cash equivalents	0.5	0.2	-0.7
Net change in cash and cash equivalents	5.1	-42.1	-39.5
Cash and cash equivalents at the beginning of the period	43.1	82.5	82.5
Cash and cash equivalents at the end of the period	48.1	40.4	43.1

* Includes the non-cash impact of the SBS asset held for sale classification.

** Operations sold in 2017 include Sanoma Baltics and Kieskeurig.nl.

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 2.1 million (2016: 11.7). Cash and cash equivalents of EUR 25.8 million are presented as part of assets held for sale in the balance sheet 30 June 2017.

Income statement by quarter

EUR million	1-3/ 2017	4-6/ 2017	1-3/ 2016	4-6/ 2016	7-9/ 2016	10-12/ 2016	1-12/ 2016
NET SALES	343.8	441.4	353.1	449.7	438.1	398.1	1,639.1
Other operating income	6.2	14.4	21.8	5.6	4.7	7.8	39.9
Materials and services	-103.7	-134.0	-104.3	-137.0	-136.9	-123.0	-501.1
Employee benefit expenses	-92.9	-92.9	-107.4	-28.6	-87.4	-102.1	-325.5
Other operating expenses *	-499.3	-111.6	-89.5	-74.9	-82.7	-109.0	-356.1
Share of results in joint ventures	1.0	1.3	1.0	0.9	0.9	-2.8	0.1
Depreciation, amortisation and impairment losses	-71.0	-41.1	-71.6	-74.2	-61.7	-92.2	-299.7
OPERATING PROFIT	-415.9	77.6	3.1	141.7	75.1	-23.2	196.6
Share of results in associated companies	0.1	0.9	0.1	-0.2	-0.4	-2.0	-2.4
Financial income	4.7	5.5	9.2	0.4	1.0	0.0	10.5
Financial expenses	-11.3	-10.0	-17.9	-9.4	-7.1	-13.2	-47.5
RESULT BEFORE TAXES	-422.4	74.0	-5.5	132.5	68.8	-38.4	157.2
Income taxes	-0.7	-23.2	5.4	-35.6	-17.3	6.3	-41.2
RESULT FOR THE PERIOD	-423.0	50.8	-0.1	96.9	51.3	-32.1	116.0
Result attributable to:							
Equity holders of the Parent Company	-285.1	49.7	0.0	93.8	48.8	-31.8	110.8
Non-controlling interests *	-137.9	1.1	-0.1	3.1	2.5	-0.3	5.2
Earnings per share for result attributable to the equity holders of the Parent Company:							
Earnings per share, EUR	-1.76	0.31	-0.01	0.57	0.29	-0.20	0.65
Diluted earnings per share, EUR	-1.76	0.31	-0.01	0.57	0.29	-0.20	0.65

* Other operating expenses include capital loss of EUR -424.4 million related to the SBS assets held for sale classification. Sanoma held 67% of shares in SBS and EUR 138.3 million corresponding to the 33% minority share is included in Non-controlling interest. Impact on the net result is EUR -286.4 million.

Net sales by strategic business unit

EUR million	1-3/ 2017	4-6/ 2017	1-3/ 2016	4-6/ 2016	7-9/ 2016	10-12/ 2016	1-12/ 2016
MEDIA BENE							
Non-print	76.4	97.2	77.8	99.0	81.9	117.6	376.3
Print	80.9	87.4	87.1	92.1	85.5	88.9	353.5
Other	10.8	11.9	10.8	11.5	12.3	11.5	46.1
Total	168.1	196.5	175.6	202.6	179.7	218.0	775.9
MEDIA FINLAND							
Non-print	63.6	64.4	59.2	64.3	53.4	65.2	242.0
Print	80.6	80.2	85.3	85.9	80.4	87.2	338.9
Total	144.1	144.6	144.5	150.1	133.8	152.4	580.9
LEARNING							
Netherlands	17.8	38.2	19.7	42.4	25.8	6.5	94.4
Poland	4.3	5.6	4.5	8.2	50.1	8.0	70.8
Finland	3.7	31.8	3.2	24.9	14.5	5.5	48.1
Belgium	2.4	19.8	1.4	15.3	24.1	4.0	44.8
Sweden	3.5	5.2	4.1	6.5	10.2	4.3	25.1
Other companies and eliminations	0.0	-0.2	-0.1	-0.3	0.0	-0.2	-0.6
Total	31.7	100.3	32.9	97.1	124.7	28.0	282.6
Other operations & eliminations	-0.1	-0.1	0.1	-0.1	-0.1	-0.3	-0.3
Total	343.8	441.4	353.1	449.7	438.1	398.1	1,639.1

Operating profit by strategic business unit

EUR million	1-3/ 2017	4-6/ 2017	1-3/ 2016	4-6/ 2016	7-9/ 2016	10-12/ 2016	1-12/ 2016
Media BeNe	-408.0	20.5	11.4	53.9	24.0	11.2	100.6
Media Finland	19.6	30.6	10.1	17.5	9.6	4.0	41.3
Learning	-15.5	25.0	-11.1	63.8	48.8	-34.0	67.4
Other companies and eliminations	-11.8	1.5	-7.3	6.5	-7.3	-4.4	-12.6
Total	-415.9	77.6	3.1	141.7	75.1	-23.2	196.6

Operational EBIT by strategic business unit

EUR million	1-3/ 2017	4-6/ 2017	1-3/ 2016	4-6/ 2016	7-9/ 2016	10-12/ 2016	1-12/ 2016
Media BeNe	9.3	27.5	7.4	29.6	21.8	26.8	85.6
Media Finland	19.0	22.5	11.0	19.0	10.2	9.3	49.5
Learning	-15.0	34.0	-10.9	41.1	50.5	-23.8	56.8
Other companies and eliminations	-1.9	-2.4	-5.6	-2.8	-4.8	-10.8	-24.0
Total	11.4	81.7	1.9	86.9	77.7	1.4	167.9

Segment information

In connection with the SBS divestment, Sanoma has decided to change its segment reporting. Previously, Sanoma reported two segments, Consumer Media (comprising Sanoma Media Finland and Sanoma Media BeNe) and Learning (comprising Sanoma Learning). Following the divestment of the Dutch TV business, Sanoma considers that the operations of its two strategic business units focusing on consumer media, Sanoma Media Finland and Sanoma Media BeNe, are quite different and should be reported separately. Therefore, Sanoma will report three operating segments going forward, i.e. its three strategic business units Sanoma Media BeNe, Sanoma Media Finland and Sanoma Learning. This will be aligned with the way Sanoma manages the businesses.

Sanoma Media BeNe includes the Dutch and Belgian 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. Learning is a leading European provider of multi-channel learning solutions. Learning's main markets are Belgium, Finland, the Netherlands, Poland and Sweden. In addition to the Group eliminations, the column unallocated/eliminations includes non-core operations, head office functions, real estate companies as well as items not allocated to segments. Segment assets do not include cash and cash equivalents, interest-bearing receivables, tax receivables or deferred tax receivables. Transactions between segments are based on market prices.

Sanoma segments 1.1–30.6.2017

EUR million	Media BeNe	Media Finland	Learning	Unallocated/eliminations	Total
External net sales	364.6	288.6	132.0		785.2
Internal net sales		0.2	0.0	-0.2	
Net sales, total	364.6	288.8	132.0	-0.2	785.2
Operating profit	-387.5	50.2	9.4	-10.4	-338.3
Operational EBIT	36.8	41.6	19.1	-4.3	93.1
Share of results in associated companies	1.0	0.0			1.0
Financial income				10.3	10.3
Financial expenses				-21.3	-21.3
Result before taxes					-348.3
Segment assets	1,265.5	236.1	564.1	45.3	2,111.1

Sanoma segments 1.1–30.6.2016

EUR million	Media BeNe	Media Finland	Learning	Unallocated/eliminations	Total
External net sales	378.2	294.4	129.9	0.3	802.8
Internal net sales		0.2	0.0	-0.2	
Net sales, total	378.2	294.6	129.9	0.1	802.8
Operating profit	65.3	27.6	52.6	-0.8	144.7
Operational EBIT	37.0	30.1	30.1	-8.4	88.8
Share of results in associated companies	-0.2	0.1	0.0		-0.1
Financial income				9.6	9.6
Financial expenses				-27.2	-27.2
Result before taxes					127.0
Segment assets	1,723.7	278.5	570.9	52.7	2,625.8

Changes in property, plant and equipment

EUR million	30.6.2017	30.6.2016	31.12.2016
Carrying amount at the beginning of the period	57.8	69.4	69.4
Increases	4.8	5.1	8.4
Acquisition of operations		0.5	0.5
Decreases	-0.6	-0.8	-1.3
Disposal of operations	-0.1	-0.4	-2.6
Depreciation for the period	-7.2	-8.5	-16.8
Impairment losses for the period	-0.6		0.0
Transfer to assets classified as held for sale	-2.6		
Exchange rate differences and other changes	0.7	-0.2	0.1
Carrying amount at the end of the period	52.1	65.1	57.8

The Group had no commitments for acquisition of property, plant and equipment at the end of the reporting period or in the comparative period.

At the end of the reporting period, the commitments for acquisition of intangible assets (film and TV broadcasting rights included) were EUR 146.2 million (2016: 163.9).

Effect of acquisitions on the consolidated balance sheet

EUR million	1–6/ 2017	1–12/ 2016
Acquisition costs	8.5	27.2
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	-1.7	-11.6
Recognised in equity	-6.6	-1.9
Goodwill from acquisitions	0.2	15.9

In 2017, Sanoma invested EUR 8.5 million in business acquisitions. The impact of each individual acquisition on the Group's assets and liabilities was minor. Business acquisitions have been described in paragraph Investments, acquisitions and divestments on page 9.

Sanoma announced the divestment of Dutch TV operations of SBS on 10 April 2017. Following the announcement, all assets and liabilities relating to SBS are classified as assets held for sale in accordance with IFRS5. Value of SBS was written off by EUR 424.4 million to reflect the lower fair value less cost to sell.

Assets held for sale

EUR million	30.6.2017
Property, plant and equipment	2.6
Goodwill	263.6
Other intangible assets	200.3
Trade and other receivables	29.8
Cash and cash equivalents	25.8
Total	522.1

Liabilities related to assets held for sale

EUR million	30.6.2017
Deferred tax liabilities	18.1
Financial liabilities	46.0
Trade and other payables	107.9
Total	172.0

Contingent liabilities

EUR million	30.6.2017	30.6.2016	31.12.2016
Contingencies for own commitments			
Mortgages		9.7	
Pledges	2.4	2.4	2.4
Other items	24.9	25.1	25.0
Total	27.3	37.3	27.4
Other commitments			
Operating lease liabilities	286.0	305.0	298.2
Royalties	11.9	18.5	14.6
Other items	65.9	43.6	71.2
Total	363.8	367.1	384.0
Total	391.1	404.3	411.4

Interest on hybrid bond

On 12 December 2013, Sanoma issued a hybrid bond of EUR 100 million. 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. At the end of the comparative period the unpaid interest on the hybrid bond was EUR 4.0 million.

Derivative instruments

EUR million	30.6.2017	30.6.2016	31.12.2016
Fair values			
Interest rate derivatives (incl. accrued interests)			
Interest rate swaps	-0.2	-1.1	-0.4
Currency derivatives			
Forward contracts	-1.3	4.2	6.3
Nominal values			
Interest rate derivatives			
Interest rate swaps	100.0	200.0	100.0
Currency derivatives			
Forward contracts	66.4	95.1	82.1

The fair value of the foreign currency forward contracts is determined using forward exchange market rates at the balance sheet date. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows.

Key exchange rates

	1–6/2017	1–6/2016	1–12/2016
Average rate			
EUR/PLN (Polish Zloty)	4.27	4.37	4.36
EUR/SEK (Swedish Crown)	9.60	9.30	9.47
EUR/USD (US Dollar)	1.08	1.12	1.11
Closing rate			
	30.6.2017	30.6.2016	31.12.2016
EUR/PLN (Polish Zloty)	4.23	4.44	4.41
EUR/SEK (Swedish Crown)	9.64	9.42	9.55
EUR/USD (US Dollar)	1.14	1.11	1.05

Half-Year Report 2017 (January–June) webcast

The event for analysts, investors and media will be held in English by President and CEO Susan Duinhoven and CFO and COO Markus Holm on 25 July 2017 at 11:00 Finnish time (9:00 UK time) at Sanomatalo, Töölönlahdenkatu 2, Helsinki. The live webcast can be viewed on Sanoma's website at www.sanoma.com/en/investors and on demand after the event.

Please join in 5–10 minutes prior to the start time by dialing

Finland: +358 (0)9 7479 0404

US: +1 719 457 1036

UK: +44 (0)330 336 9411

Netherlands: +31 (0)20 703 8261

Conference id: 7454706

Financial reporting 2017

- Interim Report January–September on 25 October 2017, approx. at 8:30.

Additional information

Sanoma's Investor Relations, Anna Tuominen, tel. +358 40 584 6944

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Sanoma

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.

With companies operating in Finland, the Netherlands, Belgium, Poland and Sweden, our net sales totalled EUR 1.6 billion and we employed more than 5,000 professionals in 2016. The Sanoma shares are listed on Nasdaq Helsinki.