NON-CANCELLABLE MINIMUM LEASE PAYMENTS TO BE RECEIVED BY MATURITY

EUR million	2018	Restated 2017
Not later than 1 year	4.5	5.4
1–5 years	7.7	11.3
Later than 5 years	0.0	1.5
Total	**12.2**	18.2

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

Disputes and litigations

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

25. Financial risk management

Sanoma's treasury operations are managed centrally by the Group Treasury 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. The 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 is between 35% and 45%. This will ensure access to low-cost funding.

Financial risks can be mitigated with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable. The Group used currency forward contracts to hedge against financial risks during the year. The Group does not apply hedge accounting.

Interest rate risks

The Group's interest rate risk is mainly related to changes in the reference rates and loan margins of floating rate loans in the Group's loan portfolio. In 2018 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	2018	Restated 2017
Floating-rate loans	157.6	215.9
Fixed-rate loans	199.0	196.4
Total	**356.7**	412.4
Average duration, years	0.8	1.1
Average interest rate, %	3.1	2.8
Interest sensitivity, EUR million [1]	0.8	1.6

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

Currency risks

The majority of the Group cash flow from operations is denominated in euros. However, the Group is exposed to 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 2018 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 (2017: 0.7). If the currencies strengthened by 10% against the euro, financial income would increase by EUR 0.7 million (2017: 0.7). Derivative instruments are used to hedge future cash flows, hence changes in their value will offset changes in the value of cash flows.

Internal funding transactions within the Group are mainly carried out in the functional currency of the subsidiary. Group Treasury is responsible for monitoring and hedging the currency risks related to intra-Group loans. A euro denominated loan granted to the Ukranian subsidiary in liquidation was repaid in full in 2016. The loan has been treated as net investment in subsidiary, and the exchange rate differences were booked into equity. The exchange loss 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 8.4% (2017: 8.1%) 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 10.3 million (2017: 11.1). If all reporting currencies had been

10% stronger against the euro, the Group net sales would have increased by EUR 12.6 million (2017:13.6). 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 2018, in accordance with the Treasury Policy approved by the Board.

Derivative instruments

Nominal value of derivative instruments

The nominal value of derivative instruments is EUR 13.4 million (2017: 66.4). The nominal value includes gross nominal values of all active agreements. The outstanding nominal value is not necessarily a measure or indicator of market risks. Due to divestments of certain operations the derivatives include EUR 7 million of terminated contracts, which in accordance with netting agreements are settled as net amounts.

FAIR VALUES OF DERIVATIVE INSTRUMENTS

EUR million	2018	Restated 2017
Forward currency exchange contracts - Outside hedge accounting		
Positive fair values	0.2	1.1
Negative fair values	-0.2	-1.7
Total	**0.0**	-0.6

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 receivables from banks amount to EUR 0.0 million (2017: 0.6 liability).

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 are EUR 300 million at year end. Liquidity risk is monitored daily, based on a two-week forecast, and longer-term based on calendar year. In addition, the Sanoma Group Treasury Policy sets minimum requirements for cash reserves.

THE GROUP'S FINANCING PROGRAMMES IN 2018

EUR million	Amount of limits	Unused credit lines
Syndicated RCF	300.0	300.0
Commercial paper programmes	1,100.0	952.5
Bonds	200.0	
Current account limits	51.0	50.5

Sanoma signed a 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.

The Group's financing agreements include customary covenants related to factors such as the use of pledges and mortgages, disposals of assets and key financial ratios. In 2018 the Group fulfilled the requirements of all covenants.

FINANCIAL LIABILITIES

	2018				Restated 2017			
EUR million	**Carrying amount**	**Cashflow**[1]	**Undrawn from limits**	**Total**	**Carrying amount**	**Cashflow**[1]	**Undrawn from limits**	**Total**
Loans from financial institutions	0.5	0.5	300.0	300.5	52.0	52.3	300.0	352.3
Bonds	197.3	207.0		207.0	194.7	214.0		214.0
Commercial paper programmes	147.5	148.0		148.0	148.6	149.1		149.1
Finance lease liabilities	1.8	1.8		1.8	1.8	1.8		1.8
Other interest-bearing liabilities	9.6	9.6		9.6	15.3	15.3		15.3
Trade payables and other liabilities[2]	141.1	141.1		141.1	159.3	159.3		159.3
Derivatives								
Inflow	-6.9	-6.9		-6.9	-16.6	-16.6		-16.6
Outflow	6.8	6.8		6.8	17.2	17.2		17.2
Total	**497.7**	**507.8**	**300.0**	**807.8**	**572.3**	**592.4**	**300.0**	**892.4**

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

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

MATURITY OF FINANCIAL LIABILITIES 2018

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

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

MATURITY OF FINANCIAL LIABLITIES 2017, RESTATED

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[1]	146.9	5.0	1.2	4.8	1.2	0.2	159.3
Derivatives							
Inflow (-)	-16.6						-16.6
Outflow (+)	17.0	0.1	0.0				17.2
Total	**371.3**	**212.4**	**1.5**	**5.0**	**1.5**	**0.8**	**592.4**

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

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

Credit risks

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

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

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

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

The loss allowance provision for trade receivables as at 31 December 2018 reconciles to the opening loss allowance provision as follows.

RECONCILIATION OF ALLOWANCE PROVISION

EUR million	2018
1.1. calculated under IAS 39	-7.0
Amounts restated through opening retained earnings	0.0
Opening loss allowance as at 1 January 2017 - calculated under IFRS 9	-7.0
Change in loss allowance during the financial year	0.9
At 31 December 2018	**-6.1**

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

The credit risk relating to financing transactions is low. The Group's Treasury Policy specifies that financing and derivative transactions are carried out with counterparties of good credit standing, and divided between a sufficient number of counterparties in order to protect financial assets. The Group has spread its credit risks efficiently by dealing with several financing institutions.

THE AGING OF TRADE RECEIVABLES

	2018				Restated 2017		
EUR million	Gross	Weighted average loss rate (%)	Impairment (calculated under IFRS 9)	Net	Gross	Impairment (calculated under IAS 39)	Net
Not due	84.3	0.1	-0.1	84.2	115.5		115.5
Past due 1–30 days	17.4	6.1	-1.1	16.3	19.1	-1.1	18.0
Past due 31–120 days	9.8	8.8	-0.9	8.9	6.6	-0.5	6.1
Past due 121–180 days	3.2	16.9	-0.5	2.7			
Past due 181–360 days	1.5	67.0	-1.0	0.5			
Past due 121–360 days					6.4	-2.7	3.7
Past due more than 1 year	3.0	83.5	-2.5	0.5	4.2	-2.7	1.5
Total	**119.2**		**-6.1**	**113.1**	151.9	-7.0	144.9

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 2018, the Group's equity ratio is 44.7% (2017: 38.2%) and net debt/adjusted EBITDA ratio is 1.4 (2017: 1.7).

NET DEBT

EUR million	2018	Restated 2017
Interest-bearing liability	356.7	412.4
Cash and cash equivalents	18.8	20.6
Total	**337.8**	391.8

Sanoma Group does not have an official credit rating.

26. Assets held for sale and discontinued operations

Discontinued operations

On 16 January 2018, Sanoma announced the intention to divest its Belgian women's magazine portfolio to Roularta Media Group by the end of the second quarter of 2018. The divestment was completed on 29 June 2018. The operations have been 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	2018	Restated 2017
NET SALES	**37.1**	80.5
Other operating income	36.7	0.0
Materials and services	-15.2	-34.5
Employee benefit expenses	-24.4	-14.9
Other operating expenses	-14.8	-23.4
Depreciation, amortisation and impairment losses	-0.5	-4.2
EBIT	**18.8**	3.6
Financial income	0.0	0.2
Financial expenses	0.0	-0.1
RESULT BEFORE TAXES	**18.8**	3.6
Income taxes	-5.9	-1.4
RESULT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**12.9**	2.3

CASH FLOWS RELATED TO DISCONTINUED OPERATIONS

EUR million	2018	Restated 2017
Cash flow from operations	-17.1	5.1
Cash flow from investments	7.9	-5.8
Cash flow from financing	-	-