

Interim Report

Q3 2019

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SANOMA CORPORATION, INTERIM REPORT 1 JANUARY–30 SEPTEMBER 2019

Operational EBIT stable, margin improved in Q1-Q3

Q3 2019

- Net sales declined to EUR 372 million (2018: 393). Comparable net sales development was -2% (2018: -3%).
- Operational EBIT excl. PPA was EUR 93 million (2018: 94).
- EBIT was EUR 83 million (2018: 89). Items affecting comparability (IACs) totalled EUR -7 million (2018: -2) and included costs of EUR 4 million related to the Iddink acquisition. PPA amortisations were EUR 3 million (2018: 3).
- Operational EPS was EUR 0.39 (2018: 0.42).
- EPS was EUR 0.35 (2018: 0.41).
- Net debt / Adj. EBITDA was 2.8 (2018: 1.6). Due to the Iddink acquisition and the implementation of the IFRS 16 standard, the ratio increased temporarily above the long-term target level (below 2.5).
- On 13 September 2019, Sanoma completed the acquisition of Iddink, a leading Dutch educational platform and service provider, and improved its outlook for 2019 on operational EBIT margin excl. PPA from around 15% to above 15%.
- On 24 October, the Board of Directors decided the record date and payment date of the second dividend instalment of EUR 0.20 per share. The dividend record date is 28 October and the payment date 4 November.

Q1-Q3 2019

- Net sales declined to EUR 974 million (2018: 1,017). Comparable net sales development was -3% (2018: -3%).
- Operational EBIT excl. PPA was EUR 184 million (2018: 186). The corresponding margin was 18.9% (2018: 18.3%).
- EBIT was EUR 168 million (2018: 168). IACs totalled EUR -8 million (2018: -11). PPA amortisations were EUR 9 million (2018: 7).
- Operational EPS was EUR 0.73 (2018: 0.77).
- EPS was EUR 0.71 (2018: 0.71).
- Free cash flow was EUR 56 million (2018: 40) and included a positive EUR 18 million impact due to the implementation of the IFRS 16 standard, partially offset by EUR 10 million settlement of a rental contract related to Discontinued operations in Belgium.
- On 4 February, Sanoma signed a EUR 550 million syndicated credit facility.
- On 14 February, Sanoma announced the divestment of Mood for Magazines, publisher of LINDA. magazine, in the Netherlands. The divestment was completed at the end of February.
- On 28 June, Sanoma announced it had increased its ownership in the Finnish online classifieds company Oikotie Ltd. from 90% to 100%.

Outlook for 2019 (as revised on 13 September)

In 2019, Sanoma expects that the Group's comparable net sales will be in line with 2018 and operational EBIT margin excluding PPA will be above 15% (2018: 15.7%).

The outlook is based on an assumption of the consumer confidence and advertising market development in Finland and in the Netherlands to be in line with 2018.

IFRS 16 implementation

Sanoma has adopted the new IFRS 16 Leases standard as of 1 January 2019 and prepares its financial reports according to the new standard starting from Q1 2019 interim report. IFRS 16 requires 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. Sanoma Group's lease contracts are mostly related to premises and cars.

Sanoma applies the modified retrospective method, and consequently financials for 2018 have not been restated. The main impacts of the implementation of the IFRS 16 standard on Sanoma's balance sheet on 30 September 2019 are summarised in the table below. In addition, they are reported and discussed in respective sections of this interim report. The impact of the implementation of the IFRS 16 standard on Sanoma's cash flow from operations for Q3 2019 was EUR 6 million and on cash flow from financing EUR -6 million, and correspondingly EUR 18 million and EUR -18 million for Q1-Q3 2019.

Impacts of the implementation of IFRS 16 standard on balance sheet

	30 Sep 2018	31 Dec 2018	30 Sep 2019	IFRS 16 impact 30 Sep 2019
Net debt, EUR million	391.9	337.8	797.8	+189.4
Net debt / Adj. EBITDA	1.6	1.4	2.8	+0.4
Equity ratio	40.9%	44.7%	33.8%	-3.6pp

More information on the implementation of the IFRS 16 standard is available in the Accounting policies on p. 21.

Alternative performance measures

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

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

More information is available at Sanoma.com. Reconciliations are presented on p. 17 in this report. Definitions of key IFRS indicators and APMs are available on p. 35.

Key indicators

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	FY 2018
Net sales	372.2	393.0	-5%	973.9	1,017.4	-4%	1,315.4
Operational EBIT excl. PPA	93.2	93.6	0%	184.1	186.0	-1%	206.2
Margin	25.0%	23.8%		18.9%	18.3%		15.7%
EBIT	83.0	88.9	-7%	167.7	167.9	0%	168.5
Result for the period ¹⁾	59.2	67.6	-13%	116.6	130.5	-11%	125.6
Free cash flow ¹⁾	97.5	82.4	18%	56.3	39.6	42%	108.9
<i>Impact of IFRS 16 standard</i>	5.7			17.5			
Equity ratio ¹⁾				33.8%	40.9%		44.7%
Net debt ¹⁾				797.8	391.9		337.8
<i>Impact of IFRS 16 standard</i>				189.4			
Net debt / Adj. EBITDA ¹⁾				2.8	1.6	73%	1.4
<i>Impact of IFRS 16 standard</i>				0.4			
Average number of employees (FTE)				4,399	4,453	-1%	4,463
Operational EPS, EUR, continuing operations	0.39	0.42	-8%	0.73	0.77	-6%	0.83
Operational EPS, EUR ¹⁾	0.39	0.42	-8%	0.73	0.78	-7%	0.84
EPS, EUR, continuing operations	0.35	0.41	-14%	0.71	0.71	-1%	0.68
EPS, EUR ¹⁾	0.35	0.41	-14%	0.71	0.79	-11%	0.76
Free cash flow per share, EUR ¹⁾	0.60	0.50	19%	0.35	0.24	43%	0.67
<i>Impact of IFRS 16 standard</i>	0.03			0.11			

¹⁾ In 2018 including continuing and discontinued operations. Discontinued operations include the Belgian women's magazine portfolio, which was divested on 29 June 2018. More information on the Discontinued operations' financial performance is available in the Full-Year Result 2018, on p. 36.

Result for the period for continuing operations was EUR 68 million for Q3 2018 and EUR 118 million for Q1-Q3 2018.

President and CEO Susan Duinhoven:

“Sanoma Group and each of our SBUs performed well during the first nine months of 2019. The Group’s profitability was good, and we closed the Iddink acquisition in mid-September. Due to the consolidation of Iddink into the Group for Q4 2019 and the continued solid business performance across SBUs, we raised our outlook on operational EBIT margin excl. PPA for 2019 from ‘around 15%’ to ‘above 15%’ (2018: 15.7%).

In Learning, net sales for Q1-Q3 were stable and in line with various curriculum cycles in our operating markets this year. Operational earnings improved thanks to the successful work our teams have done commercially and in the “High Five” programme during the year. In Q1-Q3 2019, Iddink’s performance has also been in line with our expectations. We have now started the integration and are working to realise the synergies.

In Media Finland, net sales for Q1-Q3 were at the previous year’s level, while we were happy to see the operational earnings improve. Both the number of subscriptions and subscription sales of Ruutu+ and Helsingin Sanomat (HS) have grown compared to the third quarter in 2018. To respond better to the transforming media consumption and increase focus on its three strategic key areas – news & feature, entertainment and B2B marketing solutions – Media Finland combined the operations of the news media brands HS and Ilta-Sanomat (IS) as well as seven of its magazine brands, having an existing digital audience and a close linkage to news feature content, into a new, shared business unit News & Feature. The new business unit started on 1 October and targets to being successful in both the subscribed and ad-funded journalism in Finland – both in the hybrid as well as in the digital era.

In Media Netherlands, the impact of the divestments we have made during the past year – LINDA. magazine, Head Office content marketing operations in Belgium, and Home Deco e-commerce operations – are visible in our reported net sales and operational EBIT for Q1-Q3. At the same time, development of the underlying business has met our expectations. Our online news site NU.nl is celebrating its 20th anniversary and double-digit growth in its usage and sales has continued throughout the year. Circulation sales have been impacted somewhat negatively by the increase in the VAT of magazines, which came into force on 1 January.

As a result of the completion of the Iddink acquisition, our net debt and leverage increased significantly, as communicated already at the signing. We expect our leverage (net debt / Adj. EBITDA) to return to its target level of below 2.5 during 2020. We have a EUR 200 million bond expiring at the end of November. We plan to pay the bond back and replace the required funding with more flexible debt instruments. This is expected to significantly reduce our financial expenses going forward. We remain focused on our strategic priorities: capturing growth opportunities, including synergetic bolt-on acquisitions and growing our dividend.”

Financial review Q3 2019

The Group's net sales declined to EUR 372 million (2018: 393). In Learning, net sales grew driven by good demand in Belgium and Poland during the Q3 high season. In Media Finland, net sales declined mainly due to changes in the events portfolio. Net sales declined in Media Netherlands mainly as a result of divestments. The Group's comparable net sales development was -2% (2018: -3%).

Net sales by SBU

EUR million	Q3 2019	Q3 2018	Change
Learning	138.4	136.3	2%
Media Finland	146.5	150.7	-3%
Media Netherlands	87.4	106.0	-18%
Other operations	-0.1	-0.1	12%
Group total	372.2	393.0	-5%

Despite lower net sales, operational EBIT excl. PPA was at the previous year's level and amounted to EUR 93 million (2018: 94). As a result of good cost containment, earnings improved in Learning and were stable in Media Finland. In Media Netherlands, earnings declined mainly due to recent divestments.

Operational EBIT excl. PPA by SBU

EUR million	Q3 2019	Q3 2018	Change
Learning	57.6	54.2	6%
Media Finland	22.4	22.1	1%
Media Netherlands	14.6	19.3	-24%
Other operations	-1.3	-2.1	37%
Group total	93.2	93.6	0%

EBIT was EUR 83 million (2018: 89). Net IACs totalled EUR -7 million (2018: -2). The IACs consisted of costs related to the Iddink acquisition and changes in IT infrastructure and services across the Group. PPA amortisations amounted to EUR 3 million (2018: 3).

IACs, PPAs and reconciliation of operational EBIT

EUR million	Q3 2019	Q3 2018
EBIT	83.0	88.9
Items affecting comparability		
Restructuring expenses	-7.2	-7.1
Capital gains / losses		1.4
Other		3.6
IACs total	-7.2	-2.1
Purchase price allocation amortisations (PPAs)	-3.0	-2.6
Operational EBIT excl. PPA	93.2	93.6

A detailed reconciliation on SBU level is presented on p.17.

Net financial items were EUR -7 million (2018: -5) and included an EUR -2 million impact related to the implementation of the IFRS 16 standard and EUR -3 million exchange rate loss related to Sanoma's earlier, liquidated Ukrainian subsidiary.

Result before taxes amounted to EUR 76 million (2018: 84). Income taxes were EUR 16 million (2018: 16). Result for the period was EUR 59 million (2018: 68).

Operational earnings per share were EUR 0.39 (2018: 0.42). Earnings per share were EUR 0.35 (2018: 0.41).

Financial review Q1-Q3 2019

Net sales declined to EUR 974 million (2018: 1,017), mainly as a result of the recent divestments in Media Netherlands. The Group's comparable net sales development was -3% (2018: -3%).

Net sales by SBU

EUR million	Q1-Q3 2019	Q1-Q3 2018	Change
Learning	275.3	273.5	1%
Media Finland	432.6	434.0	0%
Media Netherlands	266.3	310.2	-14%
Other operations	-0.3	-0.3	-19%
Group total	973.9	1,017.4	-4%

Operational EBIT excl. PPA was EUR 184 million (2018: 186), corresponding to a margin of 18.9% (2018: 18.3%). Earnings improved in Learning and Media Finland and declined in Media Netherlands, mainly as a result of the recent divestments.

Operational EBIT excl. PPA by SBU

EUR million	Q1-Q3 2019	Q1-Q3 2018	Change
Learning	84.6	81.5	4%
Media Finland	56.7	55.0	3%
Media Netherlands	47.6	55.2	-14%
Other operations	-4.8	-5.7	16%
Group total	184.1	186.0	-1%

EBIT was EUR 168 million (2018: 168). Net IACs totalled EUR -8 million (2018: -11). The IACs included a capital gain of EUR 11 million related to the divestment of Mood for Magazines, publisher of LINDA. magazine in the Netherlands. Restructuring costs included in the IACs were mainly related to the Iddink acquisition and changes in IT infrastructure and services across the Group. PPA amortisations amounted to EUR 9 million (2018: 7).

IACs, PPAs and reconciliation of operational EBIT

EUR million	Q1-Q3 2019	Q1-Q3 2018
EBIT	167.7	167.9
Items affecting comparability		
Restructuring expenses	-19.1	-19.4
Capital gains / losses	11.4	4.7
Other		3.6
IACs total	-7.8	-11.1
Purchase price allocation amortisations (PPAs)	-8.7	-7.0
Operational EBIT excl. PPA	184.1	186.0

A detailed reconciliation on SBU level is presented on p. 17.

Net financial items increased to EUR -18 million (2018: -14), mainly due to the implementation of the IFRS 16 standard.

Result before taxes amounted to EUR 150 million (2018: 154). Income taxes were EUR 33 million (2018: 36). Result for the period was EUR 117 million (2018: 118; including Discontinued operations 131).

Operational earnings per share were EUR 0.73 (2018: 0.77; including Discontinued operations 0.78). Earnings per share were EUR 0.71 (2018: 0.71; including Discontinued operations 0.79).

Financial position

At the end of September 2019, interest-bearing net debt increased to EUR 798 million (2018: 392). The increase was due to the acquisition of Iddink, completed in September, and the implementation of IFRS 16, which had an impact of EUR 189 million on net debt. Net debt to adjusted EBITDA ratio was 2.8 (2018: 1.6). Due to the Iddink acquisition and the implementation of the IFRS 16 standard, the ratio increased temporarily above the long-term target level (below 2.5).

At the end of September 2019, equity totalled EUR 652 million (2018: 626). Equity ratio was 33.8% (2018: 40.9%), including an impact of -3.6%-points due to the implementation of the IFRS 16 standard. The consolidated balance sheet totalled EUR 2,138 million (2018: 1,685). Total assets and liabilities in the consolidated balance sheet at the end of September 2019 include Iddink, the acquisition of which was completed on 13 September.

Cash flow

The Group's free cash flow amounted to EUR 56 million (2018: 40). The implementation of the IFRS 16 standard improved the free cash flow by EUR 18 million, which was offset by EUR 10 million settlement of a rental contract related to Discontinued operations divested in June 2018 in Belgium and expenditures related to changes in IT infrastructure and services across the Group. Capital expenditure included in free cash flow was EUR 21 million (2018: 22). Free cash flow per share was EUR 0.35 (2018: 0.24), impact of the implementation of the IFRS 16 standard being EUR 0.11.

Acquisitions and divestments

On 13 September 2019, Sanoma announced that it had completed the acquisition of Iddink, a leading Dutch educational platform and service provider. The acquisition was originally announced on 11 December 2018 and was subject to customary closing conditions, including the approval of Dutch competition authorities, which was announced on 29 August 2019. In 2018, net sales of Iddink were EUR 142 million (incl. Sanoma Group internal sales of EUR 17 million) and operational EBITDA was EUR 24 million. Iddink had 324 employees (FTE) at the end of September 2019. Final purchase price of Iddink was EUR 212 million. Sanoma will book transaction related costs of approx. EUR 5 million as items affecting comparability (IAC) in Learning's Q3 and Q4 2019 result. Total assets and liabilities in the Group's consolidated balance sheet at the end of September 2019 include Iddink and Iddink's income statement will be reported as part of Sanoma Learning SBU as of 1 October 2019.

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

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

Information on acquisitions and divestments conducted in 2018 and earlier is available at Sanoma.com.

Events during the reporting period

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

Learning

Sanoma Learning is a leading European learning company. We support over 1 million teachers in developing every pupil's talents to the maximum. Through our blended 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, Sweden and Spain.

Key indicators

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	FY 2018
Net sales	138.4	136.3	2%	275.3	273.5	1%	313.3
Operational EBIT excl. PPA	57.6	54.2	6%	84.6	81.5	4%	64.6
Margin	41.6%	39.8%		30.7%	29.8%		20.6%
EBIT ¹⁾	52.4	52.1	0%	75.5	76.1	-1%	56.1
Capital expenditure	4.7	5.2	-10%	13.6	12.9	5%	19.8
Average number of employees (FTE)				1,398	1,350	4%	1,351

¹⁾ Including IACs of EUR -4.4 million in Q3 2019 (2018: -1.3), EUR -6.6 million in Q1-Q3 2019 (2018: -2.9) and EUR -5.1 million in FY 2018, and PPA amortisations of EUR 0.8 million in Q3 2019 (2018: 0.8), EUR 2.5 million in Q1-Q3 2019 (2018: 2.5) and EUR 3.4 million in FY 2018. Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 17.

Net sales by country

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	FY 2018
Poland	72.6	70.3	3%	83.9	79.7	5%	91.5
The Netherlands	23.6	23.7	0%	79.0	79.4	-1%	90.2
Finland	9.0	10.8	-17%	44.9	48.7	-8%	56.0
Belgium	24.5	20.7	18%	50.1	45.9	9%	51.7
Sweden	8.7	9.5	-9%	17.1	18.5	-7%	21.9
Other companies and eliminations	0.1	1.3	-95%	0.3	1.3	-78%	2.1
Net sales total	138.4	136.3	2%	275.3	273.5	1%	313.3

Q3 2019

Net sales of Learning grew slightly and amounted to EUR 138 million (2018: 136). Net sales grew in Belgium and Poland, driven by good demand partially accelerated by curriculum renewals. Net sales were at the previous year's level in the Netherlands but declined in Finland and Sweden. The decline in Finland was attributable to lower demand after the ending of the curriculum renewal at the end of 2018 and an increasing share of digital learning materials, where sales is recognized throughout the school year.

The learning business has, by nature, an annual cycle with strong seasonality. Most net sales and earnings are accrued during the second and third quarters, while the first and fourth quarters are typically loss making.

Operational EBIT excl. PPA improved to EUR 58 million (2018: 54). Earnings grew in line with net sales and were positively impacted by the benefits of the business development programme "High Five" and a more favourable business mix in Poland.

EBIT was EUR 52 million (2018: 52). IACs totalled EUR -4 million (2018: -1) and mainly consisted of costs related to the Iddink acquisition. PPA amortisations were EUR 1 million (2018: 1).

Capital expenditure was EUR 5 million (2018: 5) and consisted of growth investments in digital platforms and ICT.

Media Finland

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

Key indicators

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	FY 2018
Net sales	146.5	150.7	-3%	432.6	434.0	0%	578.5
Operational EBIT excl. PPA	22.4	22.1	1%	56.7	55.0	3%	72.0
Margin	15.3%	14.7%		13.1%	12.7%		12.5%
EBIT ¹⁾	19.7	19.8	0%	45.1	51.9	-13%	61.8
Capital expenditure	0.9	0.7	27%	2.8	3.0	-8%	4.1
Average number of employees (FTE)				1,811	1,779	2%	1,781

¹⁾ Including IACs of EUR -1.5 million in Q3 2019 (2018: -1.4), EUR -8.2 million in Q1-Q3 2019 (2018: -0.9) and EUR -7.1 million in FY 2018, and PPA amortisations of EUR 1.1 million in Q3 2019 (2018: 1.0), EUR 3.3 million in Q1-Q3 2019 (2018: 2.2) and EUR 3.2 million in FY 2018. Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 17.

Net sales by category

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	FY 2018
Print	65.2	71.4	-9%	202.5	218.6	-7%	294.0
Non-print	81.2	79.4	2%	230.1	215.4	7%	284.4
Net sales total	146.5	150.7	-3%	432.6	434.0	0%	578.5

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	FY 2018
Advertising sales	54.4	55.0	-1%	181.2	182.1	-1%	250.0
Subscription sales	48.9	49.7	-2%	146.1	153.2	-5%	202.6
Single copy sales	12.0	11.3	7%	33.0	33.5	-2%	45.2
Other	31.2	34.8	-10%	72.3	65.1	11%	80.6
Net sales total	146.5	150.7	-3%	432.6	434.0	0%	578.5

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

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Net sales of Media Finland declined slightly to EUR 147 million (2018: 151). Advertising sales were stable as decline in print advertising was offset by good development in digital and video advertising. Growth in digital subscription sales both for Ruutu+ and Helsingin Sanomat partially offset the decline in print subscription sales. Single copy sales of lifestyle magazines grew, partially as a result of the decline in VAT of single copies as of 1 July 2019. Net sales of the events business declined in the quarter, but grew in Q1-Q3 2019.

According to the Finnish Advertising Trends survey for September 2019 by Kantar TNS, the advertising market in Finland declined by 2% on a net basis in Q3 2019. Advertising declined by 12% in newspapers, by 8% in magazines and by 5% in TV, whereas advertising in radio increased by 6% and in online, excluding search and social media, by 6%.

Operational EBIT excl. PPA was at the previous year's level despite the net sales decline and amounted to EUR 22 million (2018: 22). Earnings were positively impacted by improved profitability of the events business as well as lower paper and distribution costs.

EBIT was EUR 20 million (2018: 20). IACs totalled EUR -2 million (2018: -1) and included costs related to changes in the IT infrastructure and services as well as strategic business development. PPA amortisations were EUR 1 million (2018: 1).

Capital expenditure totalled EUR 1 million (2018: 1) and consisted of maintenance investments.

Media Netherlands

Sanoma Media Netherlands includes the Dutch consumer media operations, Home Deco media operations in Belgium 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, websites and apps. Through combining content and customer data, we develop successful marketing solutions for our clients. In total, Sanoma Media Netherlands reaches nearly 12 million consumers every month.

Key indicators ¹⁾

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	FY 2018
Net sales	87.4	106.0	-18%	266.3	310.2	-14%	424.0
Operational EBIT excl. PPA	14.6	19.3	-24%	47.6	55.2	-14%	79.6
Margin	16.7%	18.2%		17.9%	17.8%		18.8%
EBIT ²⁾	12.8	19.1	-33%	52.0	44.6	17%	58.0
Capital expenditure	0.1	0.3	-75%	1.0	1.5	-28%	2.3
Average number of employees (FTE)				914	1,051	-13%	1,059

¹⁾ Figures for 2018 include LINDA. magazine, Head Office content marketing operations in Belgium, and Home Deco e-commerce operations, which have been divested.

²⁾ Including IACs of EUR -0.7 million in Q3 2019 (2018: 0.5), EUR 7.2 million in Q1-Q3 2019 (2018: -8.3) and EUR -18.5 million in FY 2018, and PPA amortisations of EUR 1.0 million in Q3 2019 (2018: 0.8), EUR 2.9 million in Q1-Q3 2019 (2018: 2.3) and EUR 3.0 million in FY 2018. Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 17.

Net sales by category

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	FY 2018
Print	53.6	64.0	-16%	167.4	190.9	-12%	255.1
Non-print	20.6	28.7	-28%	63.1	83.5	-24%	120.5
Other	13.2	13.3	-1%	35.8	35.7	0%	48.4
Net sales total	87.4	106.0	-18%	266.3	310.2	-14%	424.0

Other sales mainly include press distribution services.

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	FY 2018
Circulation sales	47.8	56.0	-15%	146.6	164.1	-11%	216.8
Subscription sales (print)	31.7	35.7	-11%	99.2	108.2	-8%	143.9
Single copy sales (print)	16.0	20.3	-21%	47.4	55.9	-15%	72.9
Advertising sales	15.7	19.4	-19%	49.7	58.9	-16%	84.1
Other	23.9	30.6	-22%	70.0	87.1	-20%	123.0
Net sales total	87.4	106.0	-18%	266.3	310.2	-14%	424.0

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

Q3 2019

Net sales of Media Netherlands declined to EUR 87 million (2018: 106), mainly as a result of earlier divestments of LINDA. magazine, Head Office content marketing operations in Belgium and discontinuation of Home Deco e-commerce operations, which had a total impact of EUR -14 million on net sales. On a comparable basis, both circulation and advertising sales declined slightly. The increase in VAT of magazines, which came into force as of 1 January 2019, had an adverse impact

on circulation sales by limiting the pricing opportunities. In addition, the number of issues published during the quarter was somewhat lower compared to last year. This resulted in lower print advertising sales, while the overall development of digital advertising sales was favourable. Digital advertising sales of the online news site NU.nl grew by double digits, while sales of the data-driven marketing and cashback service Scoupy were lower due to pruning of its product portfolio.

Operational EBIT excl. PPA declined to EUR 15 million (2018: 19) partially due to divestments. Earnings were further impacted by lower comparable net sales and additional spending in Nu.nl and Tijdschrift.nl, subscription based magazine application.

EBIT was EUR 13 million (2018: 19). IACs totalled EUR -1 million (2018: 1) and consisted of IT infrastructure and service costs. PPA amortisations were EUR 1 million (2018: 1).

Personnel

In January–September 2019, the average number of employees in full-time equivalents (FTE) employed by the Sanoma Group was 4,399 (2018: 4,453). The average number of employees (FTE) per SBU was as follows: Learning 1,398 (2018: 1,350), Media Finland 1,811 (2018: 1,779), Media Netherlands 914 (2018: 1,051), and Other operations 276 (2018: 273). At the end of September, the number of employees (FTE) of the Group increased to 4,641 (2018: 4,497) as a result of the Iddink acquisition.

Wages, salaries and fees paid to Sanoma's employees, including the expense recognition of share-based payments, amounted to EUR 229 million (2018: 227).

Share capital and shareholders

At the end of September 2019, Sanoma's registered share capital was EUR 71 million (2018: 71) and the total number of shares was 163,565,663 (2018: 163,565,663), including 549,140 (2018: 799,293) own shares. Own shares represented 0.3% (2018: 0.5%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 163,016,523 (2018: 162,766,370).

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

Sanoma had 20,534 (2018: 21,503) registered shareholders at the end of September 2019.

Share trading and performance

At the end of September 2019, Sanoma's market capitalisation was EUR 1,669 million (2018: 1,379) with Sanoma's share closing at EUR 10.24 (2018: 8.48). During January–September, the volume-weighted average price of Sanoma's share on Nasdaq Helsinki Ltd. was EUR 8.77 (2018: 9.35), with a low of EUR 7.96 (2018: 8.18) and a high of EUR 10.32 (2018: 11.47).

In January–September, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 113 million (2018: 282). The trading volume of 13 million shares (2018: 30) equalled an average daily turnover of 68k shares (2018: 159k). The traded shares accounted for some 8% (2018: 18%) of the average number of shares. Sanoma's share turnover including alternative trading venues BATS and Chi-X was 16 million shares (2018: 40). Nasdaq Helsinki represented 78% (2018: 75%) of the share turnover. (Source: Euroland).

Decisions of the Annual General Meeting

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

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

The second instalment of EUR 0.20 per share shall be paid in November 2019. The second instalment shall be paid to a shareholder who, on the dividend record date, is registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd. In its meeting on 24 October 2019 the Board of Directors decided that the dividend record date for the second instalment will be 28 October 2019 and the dividend payment date 4 November 2019.

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

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

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

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

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. The events business in Finland, strengthened by acquisitions, is focused on the second and third 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 EBIT, with the first quarter traditionally being clearly the smallest one for both.

Significant near-term risks and uncertainties

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. Changes in taxation applied to Sanoma's products and services in its operating countries may have an impact on their demand.

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.

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

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 utilise data in its business.

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

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 EUR 1,461 million (2018: 1,195) of goodwill, immaterial rights and other intangible assets at the end of September 2019. After the Iddink acquisition, most of this is related to the learning business. In accordance with IFRS, instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity-related ratios.

More information on Sanoma's most significant risks and uncertainty factors and the main principles of risk management is available in the Report of the Board of Directors, Financial Statements and Corporate Governance Statement for 2018 on www.sanoma.com/investors.

Financial reporting 2020

Sanoma will publish the following financial report during 2020:

Full-Year Result 2019	Friday, 7 February, approx. at 8:30
Interim Report 1 January–31 March 2020	Wednesday, 29 April, approx. 8:30
Half-Year Report 1 January–30 June 2020	Friday, 24 July, approx. 8:30
Interim Report 1 January–30 September 2020	Thursday, 29 October, approx. at 8:30

Sanoma's Financial Statements and Board of Directors' Report for 2019 will be published during week 10 (starting on 2 March 2020). The Annual General Meeting 2020 is planned to be held on Wednesday, 25 March 2020 in Helsinki.

Helsinki, 24 October 2019

Board of Directors
Sanoma Corporation

Reconciliation of operational EBIT excl. PPA

EUR million	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	FY 2018
EBIT	83.0	88.9	167.7	167.9	168.5
ITEMS AFFECTING COMPARABILITY (IACs) AND PPA AMORTISATIONS					
Learning					
Restructuring expenses	-4.4	-1.3	-6.6	-2.9	-5.1
PPA amortisations	-0.8	-0.8	-2.5	-2.5	-3.4
Media Finland					
Capital gains/losses				2.3	2.3
Restructuring expenses	-1.5	-1.4	-8.2	-3.2	-9.4
PPA amortisations	-1.1	-1.0	-3.3	-2.2	-3.2
Media Netherlands					
Capital gains/losses			10.8		-2.7
Restructuring expenses	-0.7	-3.1	-3.6	-11.9	-19.4
Others					
Settlement of Belgian defined benefit pension plan		3.6		3.6	3.6
PPA amortisations	-1.0	-0.8	-2.9	-2.3	-3.0
Other companies					
Capital gains/losses		1.4	0.5	2.4	2.7
Restructuring expenses	-0.6	-1.4	-0.7	-1.5	-0.1
ITEMS AFFECTING COMPARABILITY (IACs) AND PPA AMORTISATIONS TOTAL	-10.2	-4.7	-16.5	-18.1	-37.7
OPERATIONAL EBIT EXCL. PPA	93.2	93.6	184.1	186.0	206.2
Capital gains/losses			1.0		
Impairments			-1.1		-0.7
ITEMS AFFECTING COMPARABILITY (IACs) IN FINANCIAL INCOME AND EXPENSES			-0.2		-0.7
Capital gains/losses ¹⁾				33.0	33.0
Impairments				-0.4	-0.4
Restructuring expenses				-20.9	-20.9
Others				3.6	3.6
ITEMS AFFECTING COMPARABILITY (IACs) IN DISCONTINUED OPERATIONS				15.3	15.3

¹⁾ In 2018, the capital gain of EUR 33.0 million was related to the divestment of Belgian women's magazine portfolio.

Reconciliation of operational EPS

EUR million	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	FY 2018
Result for the period attributable to the equity holders of the Parent Company	57.7	67.1	115.0	128.9	124.2
Items affecting comparability ¹⁾	5.3	1.3	3.6	-1.3	13.2
Operational result for the period attributable to the equity holders of the Parent Company	63.0	68.3	118.6	127.6	137.4
Adjusted average number of shares	163,016,523	163,136,685	162,905,838	163,280,614	163,084,958
Operational EPS	0.39	0.42	0.73	0.78	0.84

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

Reconciliation of interest-bearing net debt

EUR million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Non-current financial liabilities	385.1	200.9	4.3
Current financial liabilities	445.4	224.1	352.4
Cash and cash equivalents	-32.8	-33.1	-18.8
Interest-bearing net debt	797.8	391.9	337.8

In 2019, net debt has increased as a consequence of applying the IFRS 16 Leases standard.

Income statement by quarter

EUR million	Q1 2019	Q2 2019	Q3 2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
NET SALES	248.2	353.4	372.2	261.6	362.9	393.0	298.0	1,315.4
Other operating income	14.9	5.4	4.5	6.2	9.0	6.4	7.9	29.6
Materials and services	-85.5	-117.5	-132.5	-88.3	-119.0	-152.2	-106.8	-466.4
Employee benefit expenses	-77.9	-77.1	-74.3	-77.7	-78.5	-71.2	-88.6	-316.0
Other operating expenses	-52.0	-52.6	-53.5	-58.3	-72.0	-61.4	-76.4	-268.1
Share of results in joint ventures	1.0	1.2	1.0	1.0	1.0	1.4	1.5	4.8
Depreciation, amortisation and impairment losses	-36.9	-40.1	-34.4	-36.2	-32.7	-26.9	-35.0	-130.8
EBIT	11.9	72.7	83.0	8.4	70.6	88.9	0.6	168.5
Share of results in associated companies	-0.1	0.0	0.0	0.1	-0.1	0.0	0.0	-0.1
Financial income	1.5	0.5	0.6	1.2	2.2	0.5	1.2	5.1
Financial expenses	-6.2	-6.1	-8.0	-4.5	-8.0	-5.4	-4.6	-22.5
RESULT BEFORE TAXES	7.1	67.1	75.6	5.1	64.8	84.0	-2.8	151.1
Income taxes	0.2	-17.1	-16.4	-1.5	-18.4	-16.4	-2.1	-38.4
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	7.3	50.0	59.2	3.6	46.4	67.6	-5.0	112.7
DISCONTINUED OPERATIONS								
Result for the period from discontinued operations	-	-	-	-8.7	21.6	-	-	12.9
RESULT FOR THE PERIOD	7.3	50.0	59.2	-5.1	68.0	67.6	-5.0	125.6
Result from continuing operations attributable to:								
Equity holders of the Parent Company	7.4	50.0	57.7	3.2	45.7	67.1	-4.7	111.3
Non-controlling interests	0.0	0.1	1.5	0.4	0.7	0.6	-0.3	1.3
Result from discontinued operations attributable to:								
Equity holders of the Parent Company	-	-	-	-8.7	21.6	-	-	12.9
Non-controlling interests	-	-	-	-	-	-	-	-
Result attributable to:								
Equity holders of the Parent Company	7.4	50.0	57.7	-5.4	67.3	67.1	-4.7	124.2
Non-controlling interests	0.0	0.1	1.5	0.4	0.7	0.6	-0.3	1.3
Earnings per share for result attributable to the equity holders of the Parent Company:								
Earnings per share, EUR, continuing operations	0.05	0.31	0.35	0.02	0.28	0.41	-0.03	0.68
Diluted earnings per share, EUR, continuing operations	0.05	0.31	0.35	0.02	0.28	0.41	-0.03	0.68
Earnings per share, EUR, discontinued operations	-	-	-	-0.05	0.13	-	-	0.08
Diluted earnings per share, EUR, discontinued operations	-	-	-	-0.05	0.13	-	-	0.08
Earnings per share, EUR	0.05	0.31	0.35	-0.03	0.41	0.41	-0.03	0.76
Diluted earnings per share, EUR	0.05	0.31	0.35	-0.03	0.41	0.41	-0.03	0.76

Belgian women's magazine portfolio was included in Discontinued operations in 2018.

Net sales by SBU

EUR million	Q1 2019	Q2 2019	Q3 2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
Learning	31.4	105.4	138.4	28.9	108.3	136.3	39.8	313.3
Media Finland	131.6	154.5	146.5	137.0	146.2	150.7	144.5	578.5
Media Netherlands	85.3	93.6	87.4	95.8	108.4	106.0	113.8	424.0
Other companies and eliminations	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.4
Total	248.2	353.4	372.2	261.6	362.9	393.0	298.0	1,315.4

EBIT by SBU

EUR million	Q1 2019	Q2 2019	Q3 2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
Learning	-18.2	41.3	52.4	-18.4	42.4	52.1	-20.0	56.1
Media Finland	10.0	15.4	19.7	11.6	20.5	19.8	9.9	61.8
Media Netherlands	21.5	17.6	12.8	16.9	8.7	19.1	13.4	58.0
Other companies and eliminations	-1.4	-1.7	-1.9	-1.7	-0.9	-2.1	-2.7	-7.4
Total	11.9	72.7	83.0	8.4	70.6	88.9	0.6	168.5

Operational EBIT excl. PPA by SBU

EUR million	Q1 2019	Q2 2019	Q3 2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
Learning	-16.3	43.3	57.6	-17.2	44.5	54.2	-16.9	64.6
Media Finland	14.2	20.1	22.4	13.5	19.3	22.1	17.1	72.0
Media Netherlands	13.4	19.6	14.6	15.6	20.3	19.3	24.4	79.6
Other companies and eliminations	-1.3	-2.2	-1.3	-1.7	-1.9	-2.1	-4.3	-10.0
Total	10.1	80.8	93.2	10.3	82.2	93.6	20.2	206.2

Interim report (unaudited)

Accounting policies

Sanoma Group prepares 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 September 2019. 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.

Applied new and amended standards

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

Leases of property, plant and equipment, where the Group is the lessee, are 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.

The lease liability is valued at the present value of the unpaid rents at the valuation date (commencement date of the lease). Rental costs include fixed rents and variable rents that depend on changes in the index or price level specified in the agreement. Other variable rents included in the lease are treated as an expense for the period. Rents are discounted at the internal rate of the lease. If the internal rate is not readily determinable, the company's additional credit interest rate is used.

In income statement leasing costs are classified as depreciation and interest. Lease payments are apportioned between the interest expenses and the repayment of lease liabilities. In cash flow the cash payments for the interest portion of the lease liability are presented in cash flow from operations. Cash payments for the principal portion of the lease liability are shown in cash flow from financing. The right-of-use assets and lease liabilities are presented separately in the balance sheet. The cash payments for the principal portion of the lease liability, which are paid in the next 12 months, are shown in current lease liabilities in balance sheet.

Sanoma applies the exemption for short-term leases and for leases for which underlying asset is of low value and continues to recognise those leases as an expense. In cash flow short-term lease payments and payments for leases of low-value assets are included in cash flow from operations.

Sanoma applies the modified retrospective method and consequently the comparative financials have not been restated. The effect of applying IFRS 16 was recognized in 1 January 2019 opening balance sheet. As a consequence of applying the standard, lease assets increased by EUR 183.9 million and lease liabilities by EUR 191.6 million. The application of the standard had no impact on retained earnings.

Consolidated income statement

EUR million	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	FY 2018
NET SALES	372.2	393.0	973.9	1,017.4	1,315.4
Other operating income	4.5	6.4	24.9	21.6	29.6
Materials and services	-132.5	-152.2	-335.5	-359.6	-466.4
Employee benefit expenses	-74.3	-71.2	-229.3	-227.4	-316.0
Other operating expenses	-53.5	-61.4	-158.1	-191.7	-268.1
Share of results in joint ventures	1.0	1.4	3.2	3.4	4.8
Depreciation, amortisation and impairment losses	-34.4	-26.9	-111.5	-95.8	-130.8
EBIT	83.0	88.9	167.7	167.9	168.5
Share of results in associated companies	0.0	0.0	-0.1	-0.1	-0.1
Financial income	0.6	0.5	2.6	3.9	5.1
Financial expenses	-8.0	-5.4	-20.3	-17.9	-22.5
RESULT BEFORE TAXES	75.6	84.0	149.9	153.9	151.1
Income taxes	-16.4	-16.4	-33.3	-36.2	-38.4
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	59.2	67.6	116.6	117.6	112.7
DISCONTINUED OPERATIONS					
Result for the period from discontinued operations	-	-	-	12.9	12.9
RESULT FOR THE PERIOD	59.2	67.6	116.6	130.5	125.6
Result from continuing operations attributable to:					
Equity holders of the Parent Company	57.7	67.1	115.0	116.0	111.3
Non-controlling interests	1.5	0.6	1.5	1.6	1.3
Result from discontinued operations attributable to:					
Equity holders of the Parent Company	-	-	-	12.9	12.9
Non-controlling interests	-	-	-	-	-
Result attributable to:					
Equity holders of the Parent Company	57.7	67.1	115.0	128.9	124.2
Non-controlling interests	1.5	0.6	1.5	1.6	1.3
Earnings per share for result attributable to the equity holders of the Parent Company:					
Earnings per share, EUR, continuing operations	0.35	0.41	0.71	0.71	0.68
Diluted earnings per share, EUR, continuing operations	0.35	0.41	0.70	0.71	0.68
Earnings per share, EUR, discontinued operations	-	-	-	0.08	0.08
Diluted earnings per share, EUR, discontinued operations	-	-	-	0.08	0.08
Earnings per share, EUR	0.35	0.41	0.71	0.79	0.76
Diluted earnings per share, EUR	0.35	0.41	0.70	0.79	0.76

Belgian women's magazine portfolio was included in Discontinued operations in 2018.

Statement of comprehensive income

EUR million	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	FY 2018
Result for the period	59.2	67.6	116.6	130.5	125.6
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Change in translation differences	1.6	0.6	1.7	-0.5	-0.8
Share of other comprehensive income of equity-accounted investees	0.0	0.0	0.0	0.0	0.0
Items that will not be reclassified to profit or loss					
Defined benefit plans	1.8	4.4	5.4	1.7	-7.7
Income tax related to defined benefit plans	-0.4	-0.9	-1.1	-0.4	1.5
Other comprehensive income for the period, net of tax	3.1	4.1	6.1	0.8	-6.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	62.3	71.7	122.6	131.3	118.6
Total comprehensive income attributable to:					
Equity holders of the Parent Company	60.8	71.1	121.1	129.7	117.3
Non-controlling interests	1.5	0.6	1.5	1.6	1.3

Consolidated balance sheet

EUR million	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Property, plant and equipment	81.5	38.8	36.5
Right-of-use assets	181.3	1.0	0.9
Investment property	9.7	11.3	10.3
Goodwill	1,114.9	941.1	935.7
Other intangible assets	346.5	254.4	250.4
Equity-accounted investees	15.8	17.0	18.4
Other investments	3.8	4.4	3.7
Deferred tax receivables	10.5	15.3	9.9
Trade and other receivables	9.7	21.4	14.3
NON-CURRENT ASSETS, TOTAL	1,773.6	1,304.7	1,280.1
Inventories	45.7	44.7	36.9
Income tax receivables	25.7	19.6	10.4
Contract assets	10.4	5.2	5.2
Trade and other receivables	249.7	277.7	167.6
Cash and cash equivalents	32.8	33.1	18.8
CURRENT ASSETS, TOTAL	364.3	380.4	238.8
ASSETS, TOTAL	2,137.9	1,685.1	1,519.0
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Parent Company			
Share capital	71.3	71.3	71.3
Treasury shares	-4.6	-5.8	-8.4
Fund for invested unrestricted equity	209.8	209.8	209.8
Other equity	364.8	345.0	333.8
	641.2	620.1	606.4
Non-controlling interests	10.7	5.5	5.0
EQUITY, TOTAL	651.9	625.7	611.4
Deferred tax liabilities	51.7	36.9	32.7
Pension obligations	2.6	5.1	8.4
Provisions	4.5	10.7	8.9
Financial liabilities	219.5	199.4	2.8
Lease liabilities	165.6	1.5	1.5
Contract liabilities	4.5		5.1
Trade and other payables	6.1	12.2	11.0
NON-CURRENT LIABILITIES, TOTAL	454.6	265.8	70.4
Provisions	9.9	29.0	25.1
Financial liabilities	420.0	223.8	352.1
Lease liabilities	25.5	0.3	0.3
Income tax liabilities	34.3	38.6	13.3
Contract liabilities	196.8	145.9	142.1
Trade and other payables	345.0	356.0	304.2
CURRENT LIABILITIES, TOTAL	1,031.4	793.6	837.2
LIABILITIES, TOTAL	1,486.0	1,059.4	907.6
EQUITY AND LIABILITIES, TOTAL	2,137.9	1,685.1	1,519.0

Changes in consolidated equity

EUR million	Equity attributable to the equity holders of the Parent Company						
	Share capital	Treasury shares	Fund for invested unrestricted equity	Other equity	Total	Non-controlling interests	Equity, total
Equity at 31 Dec 2017	71.3	-1.4	209.8	265.8	545.4	1.7	547.1
Effect of IFRS 9 on 1 Jan 2018				1.1	1.1		1.1
Effect of amendments to IFRS 2 on 1 Jan 2018				5.8	5.8		5.8
Equity at 1 Jan 2018	71.3	-1.4	209.8	272.7	552.3	1.7	553.9
Comprehensive income for the period				129.7	129.7	1.6	131.3
Purchase of treasury shares		-5.1			-5.1		-5.1
Share-based compensation				1.9	1.9		1.9
Shares delivered		0.7		-0.7			
Dividends				-57.2	-57.2	-0.7	-57.9
Acquisitions and other changes in non-controlling interests				-1.4	-1.4	3.0	1.5
Equity at 30 Sep 2018	71.3	-5.8	209.8	345.0	620.1	5.5	625.7
Equity at 1 Jan 2019	71.3	-8.4	209.8	333.8	606.4	5.0	611.4
Comprehensive income for the period				121.1	121.1	1.5	122.6
Share-based compensation				-1.6	-1.6		-1.6
Shares delivered		3.8		-3.8			
Dividends				-73.4	-73.4	-1.0	-74.3
Acquisitions and other changes in non-controlling interests				-11.4	-11.4	5.2	-6.2
Equity at 30 Sep 2019	71.3	-4.6	209.8	364.8	641.2	10.7	651.9

Consolidated cash flow statement

EUR million	Q1-Q3 2019	Q1-Q3 2018	FY 2018
OPERATIONS			
Result for the period	116.6	130.5	125.6
Adjustments			
Income taxes	33.3	42.2	44.3
Financial income and expenses	17.7	13.9	17.3
Share of results in equity-accounted investees	-3.2	-3.3	-4.7
Depreciation, amortisation and impairment losses	111.5	96.4	131.4
Gains/losses on sales of non-current assets	-12.0	-38.3	-36.0
Other adjustments	0.3	2.2	2.9
Adjustments, total	147.7	113.0	155.2
Change in working capital	-90.6	-94.7	-11.8
Acquisitions of broadcasting rights and prepublication costs	-63.5	-59.9	-77.3
Dividends received	4.7	5.1	5.1
Interest paid and other financial items	-8.0	-3.5	-11.5
Taxes paid	-29.8	-29.4	-44.4
Cash flow from operations	77.0	61.1	140.9
INVESTMENTS			
Capital expenditure	-20.7	-21.5	-32.0
Operations acquired	-213.1	-13.6	-16.0
Proceeds from sale of tangible and intangible assets	2.3	6.3	9.7
Operations sold ¹⁾	52.9	11.2	22.9
Loans granted	-0.4	0.0	0.0
Repayments of loan receivables	0.0	0.9	1.2
Interest received	0.2	0.2	0.5
Cash flow from investments	-178.7	-16.6	-13.7
Cash flow before financing	-101.7	44.6	127.2
FINANCING			
Contribution by non-controlling interests	0.2	2.2	2.2
Purchase of treasury shares		-5.1	-7.7
Change in loans with short maturity	22.2	61.7	-1.1
Drawings of other loans	250.0	0.0	0.0
Repayments of other loans	-88.9	-50.0	-51.2
Payment of finance lease liabilities	-17.7	-0.2	-0.3
Acquisitions of non-controlling interests	-8.4	-11.2	-11.2
Dividends paid	-41.8	-33.4	-57.9
Cash flow from financing	115.7	-36.0	-127.0
CHANGE IN CASH AND CASH EQUIVALENTS ACCORDING TO CASH FLOW STATEMENT	14.0	8.6	0.2
Effect of exchange rate differences on cash and cash equivalents	-0.4	-0.3	-0.3
Net change in cash and cash equivalents	13.6	8.3	-0.1
Cash and cash equivalents at the beginning of the period	18.4	18.6	18.6
Cash and cash equivalents at the end of the period	32.0	26.9	18.4
FREE CASH FLOW (Cash flow from operations – Capital expenditure)	56.3	39.6	108.9

¹⁾ The divestment of Mood for Magazines is included in the operations sold in 2019.

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 0.7 million (2018: 6.2) at the end of the period.

Segment information

Sanoma reports three operating segments, i.e. its three strategic business units Sanoma Learning, Sanoma Media Finland and Sanoma Media Netherlands. This is aligned with the way Sanoma manages the businesses.

Sanoma Learning is a leading European learning company, whose blended learning solutions are used by over 1 million teachers. It operates in Poland, the Netherlands, Finland, Belgium and Sweden. Sanoma Media Finland is the leading media company in Finland. It provides information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. Sanoma Media Netherlands includes the Dutch consumer media operations (magazines, news, events, custom media, e-commerce, websites and apps), Home Deco media operations in Belgium and the press distribution business Aldipress. Discontinued operations included in 2018 Belgian women's magazine operations, which were divested on 29 June 2018. In addition to the Group eliminations, the column unallocated/eliminations includes non-core operations, head office functions and 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.

Segment information 1 January–30 September 2019

EUR million	Learning	Media Finland	Media Netherlands	Unallocated/eliminations	Total
External net sales	275.3	432.3	266.2		973.9
Internal net sales	0.0	0.3	0.0	-0.3	
Net sales, total	275.3	432.6	266.3	-0.3	973.9
EBIT	75.5	45.1	52.0	-5.0	167.7
Operational EBIT excl. PPA	84.6	56.7	47.6	-4.8	184.1
Share of results in associated companies		-0.1			-0.1
Financial income				2.6	2.6
Financial expenses				-20.3	-20.3
Result before taxes					149.9
Segment assets	1,142.6	353.2	707.4	-135.3	2,067.9

Segment information 1 January–30 September 2018

EUR million	Learning	Media Finland	Media Nether- lands	Un- allocated/ eliminat.	Continuing operations	Dis- continued operations	Elimina- tions	Total
External net sales	273.5	433.7	310.2		1,017.4	36.6		1,054.0
Internal net sales	0.0	0.3		-0.3		0.5	-0.5	
Net sales, total	273.5	434.0	310.2	-0.3	1,017.4	37.1	-0.5	1,054.0
EBIT	76.1	51.9	44.6	-4.7	167.9	18.8		186.7
Operational EBIT excl. PPA	81.5	55.0	55.2	-5.7	186.0	3.5		189.5
Share of results in associated companies		-0.1			-0.1			-0.1
Financial income				3.9	3.9			3.9
Financial expenses				-17.9	-17.9	0.0		-17.9
Result before taxes					153.9	18.8		172.7
Segment assets	741.3	258.2	748.7	-132.1	1,616.2			1,616.2

Net sales

Disaggregation of revenue

In the following table revenue is disaggregated by primary geographical market, major product/service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue by the Group's three operating segments, which are also its strategic business units.

Disaggregation of revenue 1 January–30 September 2019

EUR million	Learning	Media Finland	Media Netherlands	Unallocated/ eliminations	Total
Finland	44.9	432.6		-0.2	477.3
The Netherlands	79.0		258.1	0.0	337.0
Poland	83.9				83.9
Belgium	50.1		8.2		58.3
Sweden	17.1				17.1
Other companies and eliminations	0.3			-0.1	0.2
Primary geographical markets	275.3	432.6	266.3	-0.3	973.9
Advertising		181.2	49.7	-0.1	230.8
Subscription		146.1	99.2	0.0	245.3
Single copy		33.0	47.4	0.0	80.4
Learning solutions	275.3			0.0	275.3
Other		72.3	70.0	-0.2	142.1
Major product lines/services	275.3	432.6	266.3	-0.3	973.9
Recognition at a point-in-time	237.5	167.5	161.0	-0.3	565.7
Recognition over-time	37.8	265.1	105.3		408.2
Timing of revenue recognition	275.3	432.6	266.3	-0.3	973.9

Disaggregation of revenue 1 January–30 September 2018

EUR million	Learning	Media Finland	Media Netherlands	Unallocated/eliminations	Total
Finland	48.7	434.0		-0.2	482.4
The Netherlands	79.4		293.4		372.8
Poland	79.7				79.7
Belgium	45.9		17.4		63.3
Sweden	18.5				18.5
Other companies and eliminations	1.3		-0.6	0.0	0.7
Primary geographical markets	273.5	434.0	310.2	-0.3	1,017.4
Advertising		182.1	58.9	-0.1	240.9
Subscription		153.2	108.2	0.0	261.4
Single copy		33.5	55.9		89.4
Learning solutions	273.5			0.0	273.5
Other		65.1	87.1	-0.2	152.1
Major product lines/services	273.5	434.0	310.2	-0.3	1,017.4
Recognition at a point-in-time	235.1	173.3	189.2	-0.3	597.3
Recognition over-time	38.4	260.7	121.0		420.1
Timing of revenue recognition	273.5	434.0	310.2	-0.3	1,017.4

Changes in property, plant and equipment and right of use assets

EUR million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Carrying amount at 31 Dec	37.4	44.7	44.7
Effect of IFRS 16 on 1 Jan 2019	183.9		
Carrying amount at 1 Jan	221.3	44.7	44.7
Increases	7.0	4.3	5.6
Acquisitions of operations	65.9	0.3	0.4
Decreases	-2.6	-0.7	-1.1
Disposal of operations	-3.0	-0.1	-0.6
Depreciation for the period	-25.2	-8.7	-11.5
Exchange rate differences and other changes	-0.6	0.0	0.0
Carrying amount at the end of the period	262.8	39.7	37.4

Acquisitions and divestments

Iddink

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

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

Iddink’s net sales in 2018 were EUR 142 million, EBIT EUR 10 million and total assets EUR 240 million (figures preliminarily adjusted for IFRS, unaudited). Iddink employs approx. 300 people in total, about half of the employees working in technology.

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

Sanoma has booked transaction related costs of approx. EUR 4 million as items affecting comparability (IAC) in Learning’s Q3 2019 result.

Total assets and liabilities in the Group’s consolidated balance sheet at the end of September 2019 include Iddink and Iddink’s income statement will be reported as part of Sanoma Learning SBU as of 1 October 2019. Sanoma acquired 94% of the shares and recognizes a non-controlling interest. Following a preliminary allocation of the purchase price, a preliminary amount of EUR 212 million has been allocated to goodwill, which is subject to changes as the final outcome of the fair value adjustments is to be assessed.

Other

In February 2019, Sanoma Media Netherlands acquired 70% of the shares of Panel Inzicht B.V. and in April 2019, 70% of the shares of Pro Shots Photo Agency B.V. In March 2019 Sanoma Media Finland acquired Rockfest festival business, in June 2019 Asuntomarkkinat business and in September 2019 Aito Radios and Business FM business in Finland. In June 2019, Sanoma Media Finland increased its ownership in the online classifieds company Oikotie Ltd. from 90% to 100%.

Impact of business acquisitions on Group's assets and liabilities

EUR million	Iddink	Other	Q1-Q3 2019	FY 2018
Property, plant and equipment	49.8	0.1	49.8	0.4
Right-of-use assets	16.1		16.1	
Intangible assets	83.5	16.9	100.4	17.1
Other non-current assets	1.4		1.4	0.1
Inventories	6.6		6.6	0.0
Other current assets	49.4	2.3	51.6	6.1
Assets, total	206.8	19.2	226.0	23.7
Non-current liabilities	-120.6	-3.6	-124.2	-1.3
Current liabilities	-86.2	-0.5	-86.7	-3.4
Liabilities, total	-206.8	-4.1	-210.9	-4.7
Fair value of acquired net assets	0.0	15.1	15.1	19.0
Acquisition cost	212.1	19.6	231.7	20.8
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities				1.2
Fair value of previously held interest				1.8
Fair value of acquired net assets	0.0	-15.1	-15.1	-19.0
Goodwill from the acquisitions	212.1	4.5	216.6	4.9

Acquisitions of non-controlling interests

EUR million	Q1-Q3 2019	FY 2018
Acquisition cost	8.4	11.2
Book value of the acquired interest	1.0	0.4
Decrease (+) / increase (-) in acquisition liabilities		9.1
Impact on consolidated equity	-7.4	-1.6

Cash paid to obtain control, net of cash acquired

EUR million	Iddink	Other	Q1-Q3 2019	FY 2018
Acquisition cost	212.1	19.6	231.7	20.8
Cash and cash equivalents of acquired operations	-4.9	-1.4	-6.3	-3.9
Decrease (+) / increase (-) in acquisition liabilities	-11.0	-1.2	-12.3	-1.0
Cash paid to obtain control, net of cash acquired	196.2	16.9	213.1	15.9
Cash paid on acquisitions of non-controlling interests			8.4	11.2

Impact of divestments on Group's assets and liabilities

EUR million	Q1-Q3 2019	Belgian women's magazines	Other	FY 2018
Property, plant and equipment	3.0		0.6	0.6
Goodwill	37.9		4.4	4.4
Other intangible assets	0.3	0.7	1.0	1.6
Inventories	0.3	0.2		0.2
Trade and other receivables	2.3	1.5	4.7	6.2
Cash and cash equivalents	3.0		1.1	1.1
Assets, total	46.8	2.4	11.9	14.2
Deferred tax liabilities		-0.2	-0.2	-0.5
Financial liabilities	-8.9			
Trade and other payables	-5.8	-11.7	-2.1	-13.7
Liabilities, total	-14.7	-11.9	-2.3	-14.2
Net assets	32.1	-9.5	9.5	0.0
Recognised in Other comprehensive income			0.2	0.2
Sales price	44.0	23.5	7.2	30.7
Transaction fees paid	-1.1			
Net result from sale of operations	10.8	33.0	-2.1	30.9

Cash flow from sale of operations

EUR million	Q1-Q3 2019	Belgian women's magazines	Other	FY 2018
Sales price	44.0	23.5	7.2	30.7
Cash and cash equivalents of divested operations	-3.0		-1.1	-1.1
Decrease (+) / increase (-) in receivables from divestment	11.9	-8.2	0.7	-7.6
Cash flow from sale of operations	52.9	15.3	6.8	22.0

In February 2019, Sanoma divested Mood for Magazines, publisher of LINDA. magazine, in the Netherlands.

Contingent liabilities

EUR million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Contingencies for own commitments			
Pledges	1.4	1.8	1.4
Other items	15.0	15.0	15.0
Total	16.4	16.8	16.4
Other commitments			
Operating lease liabilities	0.2	224.1	219.1
Royalties	4.7	2.5	8.3
Commitments for acquisitions of intangible assets (film and TV broadcasting rights included)	27.0	24.3	33.6
Other items	41.9	54.8	53.0
Total	73.8	305.7	314.0
Total	90.2	322.5	330.4

In 2019, lease liabilities have decreased compared to previous year as most of the lease contracts have been reported in balance sheet as of 1 January 2019 as a result of the implementation of IFRS 16.

Derivative instruments

EUR million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Fair values			
Currency derivatives			
Forward contracts (positive fair values)	0.1	0.2	0.2
Forward contracts (negative fair values)	0.0	-0.3	-0.2
Nominal values			
Currency derivatives			
Forward contracts	6.4	22.7	6.8

The fair value of the foreign currency forward contracts is determined using forward exchange market rates at the balance sheet date.

Definitions of key indicators

Items affecting comparability (IACs)	=	Gains/losses on sale, restructuring expenses and impairments that exceed EUR 1 million
Operational EBIT excl. PPA	=	EBIT – IACs – Purchase price allocation (PPA) amortisations
Equity ratio, %	=	$\frac{\text{Equity total}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Free cash flow	=	Cash flow from operations – capital expenditure
Free cash flow / share	=	$\frac{\text{Free cash flow}}{\text{Adjusted average number of shares on the market}}$
Interest-bearing net debt	=	Interest-bearing liabilities – cash and cash equivalents
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
EPS	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company}}{\text{Adjusted average number of shares on the market}}$
Operational EPS	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company} - \text{IACs}}{\text{Adjusted average number of shares on the market}}$