

Interim Report

Q3 2021

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SANOMA CORPORATION, INTERIM REPORT JANUARY–SEPTEMBER 2021

Strong net sales and operational earnings growth in both businesses

Q3 2021

- The Group's net sales grew to EUR 486 million (2020: 401) driven by the acquisition of Santillana as well as strong organic growth both in Learning and Media Finland. The Group's comparable net sales growth was 8% (2020: -2%).
- Operational EBIT excl. PPA grew by 32% to EUR 147 million (2020: 112). Earnings improved in Learning driven by the acquisition of Santillana and organic growth, while being stable in Media Finland with operating costs normalising after the coronavirus pandemic.
- EBIT was EUR 133 million (2020: 267). In the comparison period of Q3 2020, the EBIT included a capital gain of EUR 165 million related to the divestment of Oikotie online classified business. Items affecting comparability (IACs) were EUR -4 million (2020: 161). Purchase price allocation adjustments and amortisations (PPAs) increased to EUR 11 million (2020: 6) as a result of the Santillana acquisition.
- Operational EPS was EUR 0.64 (2020: 0.50) and EUR 0.64 (2020: 0.50) including discontinued operations.
- EPS was EUR 0.63 (2020: 1.49) and EUR 0.63 (2020: 1.50) including discontinued operations.
- On 26 October, the Board of Directors decided the record date and payment date of the second dividend instalment of EUR 0.26 per share. The dividend record date is 28 October and the payment date 4 November.

Q1–Q3 2021

- The Group's net sales amounted to EUR 999 million (2020: 834) as net sales grew in both businesses both organically and through acquisitions. Organic growth was strong in both businesses and the Group's comparable net sales growth was 8% (2020: -6%).
- Operational EBIT excl. PPA grew to EUR 203 million (2020: 158) driven by solid net sales growth in both Learning and Media Finland.
- EBIT was EUR 161 million (2020: 293). IACs totalled EUR -11 million (2020: 151). PPAs increased to EUR 31 million (2020: 17) as a result of the Santillana acquisition.
- Operational EPS increased to EUR 0.76 (2020: 0.64). Operational EPS including discontinued operations was EUR 0.76 (2020: 0.73).
- EPS was EUR 0.70 (2020: 1.59) and EUR 0.70 (2020: 1.67) including discontinued operations.
- Free cash flow improved to EUR 85 million (2020: 65), while the contribution of Santillana was still seasonally negative.
- Net debt/Adj. EBITDA increased to 2.5 (2020: 1.0) as a result of the Santillana acquisition.
- On 1 June, Sanoma announced it increased its ownership in event organiser Nelonen Media Live Ltd. from 60% to 100%.
- On 29 April, Sanoma announced it had received a decision from the Finnish Tax Adjustment Board that they had accepted a claim made by the Finnish Tax Ombudsman related to tax audits at Sanoma Media Finland in 2015–2018. Sanoma considers the claims completely unjustified and has appealed the decisions. On 1 July, Sanoma paid the required VAT, the related penalty and interests of EUR 25 million and has booked the amount paid as a receivable in Q3 2021.

Outlook for 2021 (updated on 26 October)

In 2021, Sanoma expects that the Group's reported net sales will be EUR 1.2–1.3 billion (2020: 1.1). The Group's operational EBIT margin excl. PPA is expected to be around 15.5% (2020: 14.7%).

The updated outlook is based on the actual January–September 2021 performance and updated estimate for October–December 2021 of Sanoma's businesses, where the uncertainty caused by the coronavirus pandemic has decreased in events and B2B advertising compared to earlier in the year.

Alternative performance measures and discontinued operations

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.

Unless otherwise stated, all income statement related quarterly and FY figures presented in this report cover continuing operations only. Figures related to balance sheet and cash flow cover both continuing and discontinued operations. Media Netherlands is reported as discontinued operations until the completion of the divestment on 20 April 2020. In addition, certain Learning operations that are under strategic review are reported as discontinued operations for 2020 and 2021. Sanoma's continuing operations include Learning and Media Finland, which are also Sanoma's reporting segments.

Definitions of key IFRS indicators and APMs are available on p. 38. Reconciliations are available on p. 18–19. More information on discontinued operations is available on p. 35–36.

Key indicators for continuing operations

EUR million	Q3 2021	Q3 2020	Change	Q1–Q3 2021	Q1–Q3 2020	Change	FY 2020
Net sales	486.3	400.8	21%	999.2	834.4	20%	1,061.7
Operational EBITDA ¹⁾	184.5	148.6	24%	318.9	266.5	20%	309.9
Margin ¹⁾	37.9%	37.1%		31.9%	31.9%		29.2%
Operational EBIT excl. PPA ²⁾	147.4	111.8	32%	202.5	158.0	28%	156.5
Margin ²⁾	30.3%	27.9%		20.3%	18.9%		14.7%
EBIT	133.1	266.9	-50%	160.8	292.8	-45%	270.1
Result for the period	102.7	244.2	-58%	115.3	261.3	-56%	237.8
Operational EPS, EUR ¹⁾	0.64	0.50	28%	0.76	0.64	18%	0.58
EPS, EUR	0.63	1.49	-58%	0.70	1.59	-56%	1.46
Average number of employees (FTE)				4,904	4,207	17%	4,255
Number of employees at the end of the period (FTE)				4,828	4,198	15%	4,806

Key indicators incl. continuing and discontinued operations ³⁾

EUR million	Q3 2021	Q3 2020	Change	Q1–Q3 2021	Q1–Q3 2020	Change	FY 2020
Result for the period	102.8	244.3	-58%	115.2	274.0	-58%	247.1
Free cash flow	136.0	129.6	5%	84.5	64.5	31%	94.8
Equity ratio ⁴⁾				38.2%	48.5%		37.4%
Net debt				630.3	234.2	169%	660.7
Net debt / Adj. EBITDA				2.5	1.0	153%	2.6
Operational EPS, EUR ¹⁾	0.64	0.50	28%	0.76	0.73	3%	0.67
EPS, EUR	0.63	1.50	-58%	0.70	1.67	-58%	1.51
Free cash flow per share, EUR	0.83	0.79	5%	0.52	0.40	31%	0.58

¹⁾ Excluding IACs

²⁾ Excluding IACs and purchase price allocation adjustments and amortisations (PPAs)

³⁾ In 2021, discontinued operations include certain Learning operations that are under strategic review. In 2020, discontinued operations also included Sanoma Media Netherlands. More information on discontinued operations' financial performance is available on p. 35–36.

⁴⁾ Advances received included in the formula of equity ratio were EUR 173.9 million in Q1–Q3 2021 (2020: 172.6).

President and CEO Susan Duinhoven:

"Our business developed very well during the first nine months of 2021 in both Learning and Media Finland. The Group's net sales grew by 20% compared to January–September a year ago as the impact of acquisitions was complemented with strong organic net sales growth. The Group's operational earnings improvement of 28% was even stronger than the sales growth. We have updated our profitability outlook for 2021 and now expect operational EBIT margin excluding PPA to be around 15.5% based on the good performance of the first nine months and decreased uncertainty related to events and B2B advertising.

In Learning, the third quarter is always the most important quarter of the year. This year, its importance to our business was even higher in two ways: Santillana in Spain was onboard for the first time, and there was a curriculum renewal ongoing in Poland. In these two countries, sales of learning materials are even more focused around the start of the new school year, and thus the third quarter, than in our other operating markets. The integration of Santillana has progressed according to our plan. As the corona restrictions have been easing out, we have also been able to visit each other face-to-face, which has been very valuable. The Santillana team is well-prepared for the educational reform in 2022–23, although its pace and phasing is still uncertain as the local authorities in the Spanish provinces have not yet taken the final decisions. Ahead of the new curriculum, the bookstores and distributors typically return the books they do not need any more, but due to the uncertainty related to the reform in 2022–23, the level of these returns and their remaining value is still uncertain. In January–September, Learning's organic growth of 6% was even above our long-term target of 2–5%. It is good to keep in mind that the more the learning business grows, the more loss-making Q1 and Q4 become due to the typical seasonality.

In Media Finland, we saw solid organic growth during the third quarter both in events, B2B and B2C businesses. The number of subscriptions in both Helsingin Sanomat and Ruutu+ continued to grow nicely, while we see signs of the strong corona-driven subscription growth slowing down slightly. We believe this is a general trend signalling that people's use of media, both news and entertainment, is returning to the pre-pandemic levels. In advertising, the underlying long-term trends have accelerated and in January–September, our digital advertising sales in euros are for the first time exceeding the amount of our print advertising sales. On the cost side, we continue our close focus on cost containment, while the majority of pandemic-driven savings have discontinued and we return to normalised cost levels.

Our leverage decreased during the third quarter in-line with the typical seasonality of our business. Overall we have a solid financial position and the ability to create a good cash flow, and our aim is to continue to grow our businesses organically, and in particular our K12 learning business also through M&A.

We have implemented our Sustainability Strategy now for six months and have been very happy to see how strongly it resonates both with our employees, customers, suppliers and investors. We have implemented several improvements in our operations, and increased especially our sustainability reporting, and this is reflected as improvements in several ESG ratings of Sanoma. As a learning and media company having a positive impact on the lives of millions of people every day, the sustainability aspects are at the very core of our day-to-day work.

During the past weeks, we have encouraged our people to return to the office for a couple of days a week, and are adjusting to the new hybrid ways of working. I would like to take this opportunity to thank all our teams for the work very well done under the challenging conditions that we have experienced during the past 18 months. Having seen how agile and flexible our teams are, I am confident that we can adapt again and capture the positives of the 'better normal' in the times ahead as well."

Financial review Q3 2021

Net sales by SBU

EUR million	Q3 2021	Q3 2020	Change
Learning	331.6	259.9	28%
Media Finland	154.8	141.0	10%
Other operations	-0.1	-0.1	14%
Group total	486.3	400.8	21%

The Group's net sales grew to EUR 486 million (2020: 401). Net sales grew in Learning driven by the acquisition of Santillana and strong organic growth, which was particularly driven by the curriculum renewal in Poland. In Media Finland, net sales growth was driven by the normalising events and festival business, while subscription sales were relatively stable and advertising sales grew slightly. Organic growth was strong in both businesses and the Group's comparable net sales growth was 8% (2020: -2%).

Operational EBIT excl. PPA by SBU

EUR million	Q3 2021	Q3 2020	Change
Learning	125.6	89.6	40%
Media Finland	23.9	23.7	1%
Other operations	-2.0	-1.5	-35%
Group total	147.4	111.8	32%

Operational EBIT excl. PPA grew to EUR 147 million (2020: 112). In Learning, earnings improved as a result of the Santillana acquisition and were further supported by organic growth. Earnings were stable in Media Finland with operating cost levels normalising after the positive impact of corona-related cost mitigation actions in 2020.

IACs, PPAs and reconciliation of operational EBIT

EUR million	Q3 2021	Q3 2020
EBIT	133.1	266.9
Items affecting comparability (IACs)		
Restructuring expenses	-3.2	-4.0
Impairments	-1.9	
Capital gains/losses	1.6	165.0
IACs total	-3.5	161.0
Purchase price allocation adjustments and amortisations (PPAs)	-10.8	-5.8
Operational EBIT excl. PPA	147.4	111.8

A detailed reconciliation on SBU level is presented on p. 18.

EBIT was EUR 133 million (2020: 267). The IACs totalled EUR -4 million (2020: 161) and consisted of costs related to strategic business development and integration of recent acquisitions as well as impairments related to discontinuation of a minor business line in Learning. The capital gain booked in Q3 2021 relates to a property sale in Finland, while in the comparison period the capital gain was related to the divestment of the Oikotie online classifieds business. PPAs increased to EUR 11 million (2020: 6) mainly due to the acquisition of Santillana.

Net financial items increased to EUR -3 million (2020: -2) due to higher amount of gross debt and higher average interest rate following the EUR 200 million 3-year bond issued in March.

Result before taxes declined to EUR 130 million (2020: 265) as in the comparison period, the result included the capital gain of the Oikotie divestment. Income taxes were EUR 27 million (2020: 20). Result for the period was EUR 103 million (2020: 244) and EUR 103 million (2020: 244) including discontinued operations.

Operational earnings per share were EUR 0.64 (2020: 0.50) and EUR 0.64 (2020: 0.50) including discontinued operations. Earnings per share were EUR 0.63 (2020: 1.49) and EUR 0.63 (2020: 1.50) including discontinued operations.

Financial review Q1–Q3 2021

Net sales by SBU

EUR million	Q1–Q3 2021	Q1–Q3 2020	Change
Learning	548.8	433.1	27%
Media Finland	451.2	401.7	12%
Other operations	-0.8	-0.4	-85%
Group total	999.2	834.4	20%

The Group's net sales increased to EUR 999 million (2020: 834) driven by good growth in both businesses. In Learning, growth resulting from the acquisition of Santillana was supported by strong comparable net sales growth of 6%. Net sales of Media Finland grew driven by the acquisition of regional news media business as well as recovery of advertising sales and increase in subscription sales especially during the first half of the year. Organic growth was strong in both businesses and the Group's comparable net sales growth was 8% (2020: -6%).

Operational EBIT excl. PPA by SBU

EUR million	Q1–Q3 2021	Q1–Q3 2020	Change
Learning	154.5	113.6	36%
Media Finland	54.4	49.3	10%
Other operations	-6.4	-4.9	-30%
Group total	202.5	158.0	28%

Operational EBIT excl. PPA improved to EUR 203 million (2020: 158). The improvement was mainly driven by acquisitions and solid organic net sales growth in both businesses. In Other operations, in particular personnel costs increased compared to the lower cost level of the corresponding period in the previous year due to the coronavirus pandemic.

IACs, PPAs and reconciliation of operational EBIT

EUR million	Q1–Q3 2021	Q1–Q3 2020
EBIT	160.8	292.8
Items affecting comparability (IACs)		
Restructuring expenses	-11.4	-13.6
Impairments	-2.5	
Capital gains/losses	2.9	165.0
IACs total	-11.0	151.4
Purchase price allocation adjustments and amortisations (PPAs)	-30.7	-16.6
Operational EBIT excl. PPA	202.5	158.0

A detailed reconciliation on SBU level is presented on p. 18.

EBIT was EUR 161 million (2020: 293). The IACs totalled EUR -11 million (2020: 151) and consisted largely of integration costs related to recent acquisitions, strategic business development costs and impairments related to discontinuation of a minor business line in Learning. PPAs increased to EUR 31 million (2020: 17) due to the acquisitions of Santillana and the regional news media business.

Net financial items increased to EUR -10 million (2020: -7) due to higher amount of gross debt and the average interest rate of the Group's external loans increasing to 1.1% (2020: 0.8%) as a result of the bond issued in March. In the comparison period, net financial expenses included some positive foreign currency translation impact and a one-time interest income, which explain part of the change.

Result before taxes was EUR 151 million (2020: 286). Income taxes were EUR 36 million (2020: 25). Result for the period was EUR 115 million (2020: 261) and EUR 115 million (2020: 274) including discontinued operations.

Operational earnings per share were EUR 0.76 (2020: 0.64) and EUR 0.76 (2020: 0.73) including discontinued operations. Earnings per share were EUR 0.70 (2020: 1.59) and EUR 0.70 (2020: 1.67) including discontinued operations.

Financial position

At the end of September 2021, interest-bearing net debt was EUR 630 million (2020: 234) and net debt to adjusted EBITDA ratio 2.5 (2020: 1.0). Both increased as a result of the acquisition of Santillana completed at the end of December 2020. Following its typical annual seasonal pattern and the major focus of the third quarter in the learning business, net debt decreased significantly compared to the end of June. Equity ratio was 38.2% (2020: 48.5%).

At the end of September 2021, the Group's equity totalled EUR 739 million (2020: 736) and the consolidated balance sheet totalled EUR 2,108 million (2020: 1,691).

Cash flow

The Group's free cash flow improved to EUR 85 million (2020: 65) or EUR 0.52 per share (2020: 0.40). The divestment of Media Netherlands had a positive impact on the Group's free cash flow as in the comparison period, the seasonally negative January–April free cash flow of Media Netherlands was included in the Group's free cash flow. The positive cash flow impact of improved EBITDA in both Learning and Media Finland was offset by higher prepublication and TV programming costs as well as working capital. In Santillana, the cumulative free cash flow was still negative following its typical seasonal pattern, in which the operating cash flow generation is more focused on the fourth quarter than in the Learning SBU on average. Payment of the EUR 25 million VAT claim (more information under Events during the reporting period) had a negative impact on free cash flow.

Capital expenditure included in the Group's free cash flow amounted to EUR 29 million (2020: 31) and mainly consisted of investments in digital platforms and ICT development in Learning.

Acquisitions and divestments

On 1 June, Sanoma announced that it had acquired remaining minority shares of its festival and events business, thus increasing its ownership in the festival and events company Nelonen Media Live Ltd. from 60% to 100%. The seller was the founder of N.C.D. Production Ltd. of which Sanoma acquired a majority stake in 2018.

Information on acquisitions and divestments conducted in 2020 and earlier is available at www.sanoma.com/en/investors/sanoma-as-an-investment/.

Events during the reporting period

On 8 June, Sanoma announced it will commit to the Science Based Targets initiative (SBTi) by setting emission reduction targets aligned with the SBTi's criteria. The commitment reinforces Sanoma's climate target to reach net-zero emissions across its value chain by 2030 as defined in its Sustainability Strategy.

On 27 May, Sanoma announced it will further strengthen its sustainability commitments by becoming a signatory of the United Nation's Global Compact. Sanoma's Code of Conduct already encompasses the Ten Principles of the UN Global Compact on human rights, labour, environment and anti-corruption and its recently updated Sustainability Strategy is aligned to support nine out of seventeen UN Sustainable Development Goals.

On 29 April, Sanoma announced it had received a decision from the Finnish Tax Adjustment Board that they had accepted a claim made by the Finnish Tax Ombudsman related to tax audits at Sanoma Media Finland Oy. The claim concerned the treatment of value added tax (VAT) of certain magazines that were printed in multiple locations in Europe and distributed through a centralised logistics centre in Norway in 2015–2018. Sanoma considers the claims completely unjustified and has appealed the decisions. On 1 July, Sanoma has paid the required VAT, the related penalty and interests of EUR 25 million in order to avoid further interest accumulation. Sanoma considers this payment to be a deposit with the tax authority while the dispute is ongoing and consequently reports the amount paid as a receivable in Q3 2021. For dividend calculation purposes, the Group's free cash flow will be adjusted for the payment.

On 11 March, Sanoma announced that it had issued a senior unsecured bond of EUR 200 million. The 3-year bond matures on 18 March 2024. It carries a fixed annual interest of 0.625% and has an issue price of 99.625% and a yield of 0.752%. The offering was allocated to approx. 65 investors. The net proceeds from the issuance of the bond were used to repay a EUR 200 million bridge loan drawn in connection with the acquisition of Santillana.

On 8 March, Sanoma published its updated Sustainability Strategy to further strengthen sustainability in both the learning and media businesses. The strategy focuses on six themes; Inclusive learning, Sustainable media, Trustworthy data, Valued people, Vital environment and Responsible business practices; each having their own targets and KPIs. It is designed to maximise Sanoma's positive impacts on society and to minimise its environmental footprint. Sanoma has integrated selected UN Sustainable Development Goals (SDGs) into the strategy. In 2021, sustainability targets will make up 20% of Sanoma's annual short-term management incentives on target level. The targets are related to achieving certain data and privacy as well as employee engagement targets.

SANOMA SUSTAINABILITY STRATEGY

Learning and media have a positive impact on society



Learning

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

Key indicators

EUR million	Q3 2021	Q3 2020	Change	Q1–Q3 2021	Q1–Q3 2020	Change	FY 2020
Net sales	331.6	259.9	28%	548.8	433.1	27%	499.7
Operational EBITDA ¹⁾	144.9	108.5	34%	210.1	168.1	25%	167.1
Operational EBIT excl. PPA ²⁾	125.6	89.6	40%	154.5	113.6	36%	95.9
Margin ²⁾	37.9%	34.5%		28.2%	26.2%		19.2%
EBIT	112.2	83.7	34%	122.2	98.6	24%	66.4
Capital expenditure	7.7	8.4	-7%	23.9	23.5	2%	32.6
Average number of employees (FTE)				2,601	1,931	35%	1,987

¹⁾ Excluding IACs

²⁾ Excluding IACs of EUR -4.3 million in Q3 2021 (2020: -1.8), EUR -6.8 million in Q1–Q3 2021 (2020: -2.9) and EUR -13.2 million in FY 2020 and PPA adjustments and amortisations of EUR 9.2 million in Q3 2021 (2020: 4.1), EUR 25.6 million in Q1–Q3 2021 (2020: 12.2) and EUR 16.2 million in FY 2020.

Full reconciliation of operational EBITDA and operational EBIT excl. PPA is presented in a separate table on p. 18.

Net sales by country

EUR million	Q3 2021	Q3 2020	Change	Q1–Q3 2021	Q1–Q3 2020	Change	FY 2020
The Netherlands	99.0	99.0	0%	180.1	174.1	3%	199.8
Poland	98.2	89.1	10%	111.8	100.4	11%	112.5
Spain	62.2	5.6	1,003%	103.8	11.9	771%	17.1
Finland	11.6	8.1	44%	48.9	44.6	9%	52.9
Belgium	47.3	45.6	4%	70.1	71.2	-2%	76.1
Other countries and eliminations ¹⁾	13.3	12.6	6%	34.2	30.9	11%	41.2
Net sales total	331.6	259.9	28%	548.8	433.1	27%	499.7

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

The learning business has, by its nature, an annual cycle with strong seasonality. Most net sales and earnings are accrued during the second and third quarters, while the first and fourth quarters are typically smaller in net sales and loss-making. The acquisition of Santillana will further increase the importance of the third quarter, when the new school year starts, for the business. Shifts of single orders between quarters may have a material impact when comparing quarterly net sales and earnings on a year-on-year basis, and therefore year-to-date figures typically provide a more comprehensive picture of Learning's business performance and development than quarterly figures. Review of Q1–Q3 2021 is available on the next page.

Q3 2021

Net sales of Learning grew to EUR 332 million (2020: 260). Net sales of Santillana in Spain, acquired on 31 December 2020, amounted to EUR 55 million and were, ahead of the upcoming curriculum renewal in 2022–23, somewhat below the previous year's level. Learning material sales grew in all other main markets. Growth was strongest in Poland and in Finland with curriculum renewals boosting demand in both markets. Learning's comparable net sales growth was 7% (2020: 8%).

Operational EBIT excl. PPA improved to EUR 126 million (2020: 90). A majority of the earnings growth came from Santillana. Earnings were further supported by solid organic net sales growth across markets.

EBIT increased to EUR 112 million (2020: 84). IACs totalled EUR -4 million (2020: -2) and consisted of integration costs of the Santillana acquisition and impairments related to discontinuation of a minor business line. PPAs increased to EUR 9 million (2020: 4) as a result of the acquisition of Santillana.

Capital expenditure totalled EUR 8 million (2020: 8) and consisted of growth investments in digital platforms and ICT.

Q1–Q3 2021

Net sales of Learning grew to EUR 549 million (2020: 433). Net sales of Santillana amounted to EUR 90 million. Learning material sales grew in particular in Poland, the Netherlands and Finland with ongoing curriculum renewals and shift to subscription model driving the demand during the second and third quarters. Sales of digital learning platforms also grew in particular as a result of successful sales to new customers. Learning's comparable net sales growth was 6% (2020: 6%).

Operational EBIT excl. PPA grew to EUR 155 million (2020: 114). The majority of the earnings improvement resulted from the recently acquired Santillana business. Strong organic net sales growth also had a positive impact on earnings.

EBIT increased to EUR 122 million (2020: 99). IACs totalled EUR -7 million (2020: -3) and consisted of integration costs of the Santillana acquisition and impairments related to discontinuation of a minor business line. PPAs increased to EUR 26 million (2020: 12) as a result of the acquisition of Santillana.

Capital expenditure totalled EUR 24 million (2020: 24) and consisted of growth investments in digital platforms and ICT.

Media Finland

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

Key indicators

EUR million	Q3 2021	Q3 2020	Change	Q1–Q3 2021	Q1–Q3 2020	Change	FY 2020
Net sales	154.8	141.0	10%	451.2	401.7	12%	562.6
Operational EBITDA ¹⁾	40.9	41.0	0%	113.1	101.9	11%	146.6
Operational EBIT excl. PPA ²⁾	23.9	23.7	1%	54.4	49.3	10%	66.6
Margin ²⁾	15.4%	16.8%		12.1%	12.3%		11.8%
EBIT	21.3	184.5	-88%	44.9	199.2	-77%	209.6
Capital expenditure	1.2	0.8	46%	3.8	4.2	-11%	5.1
Average number of employees (FTE)				2,090	2,056	2%	2,052

¹⁾ Excluding IACs

²⁾ Excluding IACs of EUR -0.8 million in Q3 2021 (2020: 162.6), EUR -4.4 million in Q1–Q3 2021 (2020: 154.3) and EUR 149.1 million in FY 2020 and PPA adjustments and amortisations of EUR 1.7 million in Q3 2021 (2020: 1.8), EUR 5.1 million in Q1–Q3 2021 (2020: 4.4) and EUR 6.1 million in FY 2020.

Full reconciliation of operational EBITDA and operational EBIT excl. PPA is presented in a separate table on p. 18.

Net sales by category

EUR million	Q3 2021	Q3 2020	Change	Q1–Q3 2021	Q1–Q3 2020	Change	FY 2020
Print	74.9	78.1	-4%	231.3	209.6	10%	291.4
Non-print	79.9	63.0	27%	219.8	192.1	14%	271.1
Net sales total	154.8	141.0	10%	451.2	401.7	12%	562.6

EUR million	Q3 2021	Q3 2020	Change	Q1–Q3 2021	Q1–Q3 2020	Change	FY 2020
Advertising sales	53.9	53.4	1%	172.9	160.8	8%	231.6
Subscription sales	62.8	62.2	1%	186.9	166.0	13%	230.0
Single copy sales	10.4	11.2	-7%	30.9	32.2	-4%	42.8
Other	27.7	14.2	94%	60.3	42.7	41%	58.1
Net sales total	154.8	141.0	10%	451.2	401.7	12%	562.6

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

Q3 2021

Net sales of Media Finland grew to EUR 155 million (2020: 141). Subscription sales were stable as growth seen during the coronavirus pandemic somewhat slowed down, while the number of subscriptions of both the daily newspaper Helsingin Sanomat and the VOD service Ruutu+ continued to grow. Single copy sales continued to decline. Strong growth in digital advertising sales continued. Overall advertising sales grew slightly on a comparable basis, but were still approximately 4% below 2019 levels. Other sales grew as approximately half of the festivals and events in the portfolio were organised during the high season of July–August, compared to no events during the same period in 2020. The divestment of the online classifieds business Oikotie completed in July 2020 had an adverse net sales impact of EUR 1 million.

According to the Finnish Advertising Trends survey for September 2021 by Kantar TNS, the advertising market in Finland grew by 7% year-on-year on a net basis in Q3 2021. Advertising grew by 14% in online (excluding search and social media), by 4% in TV and by 12% in radio. Advertising in newspapers was stable, while advertising in magazines declined by 4%. In January–September 2021, the advertising market in Finland grew by 12% year-on-year. Advertising grew by 20% in online (excluding search and social media), by 5% in newspapers and by 17% in TV as well as in radio, but declined by 3% in magazines.

Operational EBIT excl. PPA was stable and amounted to EUR 24 million (2020: 24). Solid development in both B2B and B2C sales had a positive impact on earnings, as did the organising of events. Paper costs decreased compared to previous year with both lower prices and lowering volumes, while the forthcoming price increases are expected to have an adverse impact. Operating costs returned closer to normalised levels compared to the positive impact of corona-related cost mitigation actions in the previous year. This was visible in particular in personnel costs, which in Q3 2020 were positively impacted e.g. by lower bonus provisions and pension payments.

EBIT was EUR 21 million (2020: 185). IACs totalled EUR -1 million (2020: 163) and mainly consisted of costs related to strategic business development including acquisitions. PPAs were EUR 2 million (2020: 2).

Capital expenditure totalled EUR 1 million (2020: 1) and consisted of maintenance investments.

Personnel

In January–September 2021, the average number of employees in full-time equivalents (FTE) in continuing operations was 4,904 (2020: 4,207). The average number of employees (FTE) per SBU was as follows: Learning 2,601 (2020: 1,931), Media Finland 2,090 (2020: 2,056) and Other operations 213 (2020: 220). At the end of September, the number of employees (FTE) of the Group was 4,828 (2020: 4,198) and 2 (2020: 29) in discontinued operations. The number of employees increased mainly as a consequence of the acquisition of Santillana in Spain in December 2020, but also as a result of the acquisition of the regional news media business in Finland in April 2020.

Employee benefit expenses amounted to EUR 259 million (2020: 212).

Share capital and shareholders

At the end of September 2021, Sanoma's registered share capital was EUR 71 million (2020: 71), and the total number of shares was 163,565,663 (2020: 163,565,663), including 318,614 (2020: 528,977) own shares. Own shares represented 0.2% (2020: 0.3%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 163,247,049 (2020: 163,036,686).

In March 2021, Sanoma delivered a total of 210,363 (2020: 324,163) own shares (without consideration and after taxes) as part of its long-term share-based incentive plans.

Sanoma had 22,944 (2020: 22,736) registered shareholders at the end of September 2021.

Share trading and performance

At the end of September 2021, Sanoma's market capitalisation was EUR 2,210 million (2020: 1,780) with Sanoma's share closing at EUR 13.54 (2020: 10.92). In January–September 2021, the volume-weighted average price of Sanoma's share on Nasdaq Helsinki Ltd. was EUR 14.74 (2020: 9.48), with a low of EUR 13.22 (2020: 6.84) and a high of EUR 17.12 (2020: 12.49).

In January–September 2021, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 176 million (2020: 218). The trading volume of 11.9 million shares (2020: 22.9) equalled an average daily turnover of 63k shares (2020: 121). The traded shares accounted for some 7% (2020: 14%) of the average number of shares. Sanoma's share turnover, including alternative trading venues BATS and Chi-X, was 12.0 million shares (2020: 26.1). Nasdaq Helsinki represented 100% (2020: 88%) of the share turnover. (Source: Euroland)

Decisions of the Annual General Meeting

Sanoma Corporation's Annual General Meeting (AGM) was held on 13 April 2021 in Helsinki. The AGM was held based on the so-called temporary act so that the shareholders of the Company and their proxy representatives participated in the meeting and exercised the shareholder's rights only by voting in advance as well as by submitting counterproposals and asking questions in advance.

The meeting adopted the Financial Statements, the Board of Directors' Report and the Auditor's Report for the year 2020, discharged the members of the Board of Directors as well as the President and CEO from liability for the financial year 2020, and made an advisory decision on the adoption of the Remuneration Report of the governing bodies.

The AGM resolved that a dividend of EUR 0.52 per share shall be paid and a sum of EUR 700,000 shall be transferred to the donation reserve and used at the Board of Directors' discretion. The dividend shall be paid in two instalments. The first instalment of EUR 0.26 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 15 April 2021. The payment date for this instalment was 22 April 2021.

The second instalment of EUR 0.26 per share shall be paid in November 2021 to a shareholder who is registered in the shareholders' register of the Company on the dividend record date. In its meeting on 26 October 2021, the Board of Directors decided that the dividend record date for the second instalment is 28 October 2021 and the payment date 4 November 2021.

The AGM resolved that the number of the members of the Board of Directors shall be set at nine. Pekka Ala-Pietilä, Julian Drinkall, Rolf Grisebach, Mika Ihamuotila, Nils Ittonen, Denise Koopmans, Sebastian Langenskiöld and Rafaela Seppälä were re-elected as members, and Anna Herlin was elected as a new member of the Board of Directors. Pekka Ala-Pietilä was elected as the Chairman of the Board and Nils Ittonen as the Vice Chairman. The term of all Board members ends at the end of the AGM 2022.

The AGM resolved that the monthly remuneration payable to the members of the Board of Directors remained unchanged. The meeting fees of the Board of Directors also remained unchanged.

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

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. The shares shall be repurchased with funds from the Company's unrestricted shareholders' equity, and the repurchases shall reduce funds available for distribution of profits. The authorisation will be valid until 30 June 2022, and it terminates the corresponding authorisation granted by the AGM 2020.

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 Companies Act. Option rights and other special rights entitling to shares as specified in Chapter 10, Section 1 of the Finnish 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 16,000,000 new shares (approx. 9.8% of all shares of the Company) 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 2022 and it will replace the corresponding authorisation granted by the AGM 2020.

Seasonal fluctuation

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

In the media business, net sales and results 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 is typically focused on the second and third quarters. In 2021, Sanoma organised 11 festivals during June–July, most of them with restrictions related to the number of attendees. In 2020, no events were arranged due to the restrictions related to the pandemic, but earnings of the business were somewhat positive due to insurance compensation received.

Seasonal business fluctuations influence the Group's net sales and EBIT. Due to the seasonality in the learning business, the first and fourth quarters are traditionally the smallest ones in terms of net sales, and loss-making. With the acquisition of Santillana, the learning business is even more focused on the third quarter, when the new school year starts.

Significant near-term risks and uncertainties

Sanoma is exposed to numerous risks and opportunities, which may arise from its own operations or the changing operating environment in the short-term or long-term. Significant risks that could have a negative impact on Sanoma's business, performance, or financial status, and their likelihood and/or magnitude in the short-term, are described below. However, in addition to risks mentioned below, other currently unknown or immaterial risks may arise or become material in the future.

The general economic conditions and trends in Sanoma's operating countries could influence Sanoma's near-term business, performance or financial status. These conditions continue to be impacted by the ongoing coronavirus pandemic that may pose a risk for the Group's business and financial performance in 2021. In Media Finland, the coronavirus pandemic has a material impact on the events business and the organising of live events was impacted by restrictions during the June–August high season. In 2021, Sanoma organised 11 festivals, most of them with restrictions related to the number of attendees and corresponding to approximately half of its full festival and events portfolio. In addition, uncertainty and low visibility have characterised advertising demand and this is expected to continue. In 2021, Sanoma expects the advertising demand to be weighted towards the second half of the year. Development of Media Finland's comparable advertising sales, compared to the corresponding period in the previous year, is available in the table on the next page.

Comparable advertising sales development (excl. acquisitions and divestments)

	Q3 2021	Q2 2021	Q1 2021	FY 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Change, y-o-y	3%	33%	-4%	-9%	3%	-5%	-30%	-1%

In Learning, reintroduced or prolonged school closures in Sanoma's main operating countries could impact net sales related to training and opportunities for market share gains in connection to curriculum renewals. These impacts are not assessed to be significant in 2021.

For its own part, the Group's well-balanced business portfolio mitigates the impacts of the general economic conditions and the coronavirus pandemic on the Group's business to a certain extent: the majority of the Group's operational earnings will come from Learning in 2021. In addition, Sanoma takes active actions to mitigate the risks related to the pandemic and continuously updates the risk situation and mitigation plans for employee safety and impact on the financial results. Cost mitigation actions include careful and demand-dependent cost containment of all non-mandatory cost categories including overall administration and travelling, marketing, offices and content creation. Opportunities for cost mitigation actions are expected to diminish when the operating environment normalises. Certain costs related to e.g. IT and warehouse handling may increase somewhat due to the pandemic. Increases in paper prices or shortage in paper supply could have an adverse impact on the operational and financial performance of the Group's businesses. Throughout its operations, Sanoma follows the guidance and measures recommended by authorities in its operating countries.

Sanoma's strategic aim is to grow through acquisitions. The key near-term risks in M&A may relate to the availability and valuation of the potential targets as well as the suitability of timing for the parties and the transaction process itself. M&A risks may also relate to the unidentified liabilities of the target companies or their assets, changes in market conditions, the inability to ensure the right valuation and effective integration of acquisitions or that the anticipated economies of scale or synergies do not materialise.

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

With the continued development of alternative forms of media, particularly digital media, the Group's media business and the strength of its media brands depend on its continued ability to identify and respond to constantly shifting consumer preferences and industry trends as well as its ability to develop new and appealing products and services in a timely manner. Changes in customer preferences are visible not only in consumer behaviour, but also both directly and indirectly in advertising demand, which is shifting from print to digital media.

The media and learning markets in which the Group operates are highly competitive and include many regional, national and international companies. In media, competition may arise e.g. from large international media and telecom companies entering new geographic markets or expanding the distribution of their products and services to new distribution channels. In Learning, there is a similar risk stemming from large international media companies (e.g. Google, Apple, Microsoft), digital entrants, educational technology companies, open educational resources and user-generated content.

The Group's operations are subject to various laws and regulations in the countries the Group operates in and changes in such laws and regulations, or their interpretation, could have a material effect on Sanoma's ability to conduct its business effectively. For example, changes in educational regulation in its operating countries could have a material effect on Sanoma's commercial propositions, content investments needs or financial performance. Changes in taxation, as well as in the interpretation of tax laws and practices applicable to Sanoma's products and services or their distribution, e.g. VAT, may have an effect on the Group's operations or its financial performance. In April 2021, the Finnish Tax Adjustment Board accepted a claim based on tax audits at Sanoma Media Finland in 2015–2018 about the treatment of VAT of certain magazines that were printed in multiple locations in Europe and distributed through a centralised logistics centre in Norway. The same logistics practices continue to be in use, while no tax audits have been conducted for years after 2018. More information is available on p. 8 and 37.

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

advertising ecosystem, such as the depreciation of third-party cookies, may result in changes in business models used in digital advertising sales.

Sanoma's financial risks include interest rate, currency, liquidity and credit risks. Other risks include risks related to equity and impairment of assets. As part of the quarterly reporting, Sanoma has reviewed the potential impact of the coronavirus pandemic on the expected credit losses and adjusted provisions related to Media Finland accordingly. At the end of September 2021, the Group has a solid financial position and a good ability to create a positive free cash flow.

Sanoma's consolidated balance sheet included EUR 1,432 million (2020: 994) of goodwill, immaterial rights and other intangible assets at the end of September 2021. After the acquisitions of Iddink and Santillana, 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. According to the management assessment at the end of September 2021, the coronavirus pandemic is not considered a triggering event for any further impairment testing. The festival and event business of Media Finland was subject to a more detailed impairment trigger analysis during the reporting period. The analysis showed no need for impairment testing.

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 2020 on www.sanoma.com.

Financial reporting in 2022

Sanoma will publish the following financial report during 2022:

Full-Year Result 2021	Friday, 11 February 2022 approx. at 8:30 EET
Interim Report 1 January–31 March 2022	Friday, 29 April 2022
Half-Year Report 1 January–30 June 2022	Wednesday, 27 July 2022
Interim Report 1 January–30 September 2022	Thursday, 27 October 2022

Sanoma's Financial Statements and Directors' Report for 2021 will be published during week 9, which starts on 28 February 2022. The Annual General Meeting 2022 is planned to be held on Thursday, 7 April 2022 in Helsinki.

Helsinki, 26 October 2021

Board of Directors
Sanoma Corporation

Reconciliation of operational EBIT excl. PPA

EUR million	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	FY 2020
EBIT	133.1	266.9	160.8	292.8	270.1
Items affecting comparability (IACs) and PPA adjustments and amortisations					
Learning					
Impairments	-1.9		-1.9		-0.6
Restructuring expenses	-2.4	-1.8	-4.8	-2.9	-12.7
PPA adjustments and amortisations	-9.2	-4.1	-25.6	-12.2	-16.2
Media Finland					
Capital gains/losses		165.0		165.0	164.8
Restructuring expenses	-0.8	-2.4	-4.4	-10.7	-15.7
PPA adjustments and amortisations	-1.7	-1.8	-5.1	-4.4	-6.1
Other companies					
Impairments			-0.6		
Capital gains/losses	1.6		2.9		0.2
Restructuring expenses	0.1	0.2	-2.1	0.0	-0.2
Items affecting comparability (IACs) and PPA adjustments and amortisations total	-14.3	155.2	-41.6	134.8	113.6
Operational EBIT excl. PPA	147.4	111.8	202.5	158.0	156.5
Depreciation of buildings and structures	-6.4	-6.2	-19.1	-17.4	-23.8
Depreciation of rental books	-4.1	-3.5	-11.9	-11.3	-13.2
Amortisation of film and TV broadcasting rights	-10.5	-10.5	-39.1	-33.3	-52.4
Amortisation of prepublication rights	-6.5	-5.1	-18.0	-15.1	-20.7
Other depreciations, amortisations and impairments	-10.9	-11.6	-30.3	-31.3	-43.8
Items affecting comparability in depreciation, amortisation and impairments	1.4		1.9		0.6
Operational EBITDA	184.5	148.6	318.9	266.5	309.9
Items affecting comparability (IACs) in financial income and expenses					
Financial items				0.6	0.6
Items affecting comparability (IACs) and PPA adjustments and amortisations in discontinued operations					
Capital gains/losses ¹⁾		-0.1		-0.1	-1.8
Impairments		0.0		-1.4	-2.6
Restructuring expenses		-0.1	-0.6	-0.6	-0.6
PPA adjustments and amortisations				-1.4	-1.4
Total		-0.2	-0.6	-3.5	-6.4

¹⁾ In 2020, capital gains/losses include capital loss of EUR 1.6 million related to costs of the divestment of Media Netherlands.

Reconciliation of operational EPS

EUR million	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	FY 2020
Result for the period attributable to the equity holders of the Parent Company	102.4	243.7	114.8	272.5	246.7
Items affecting comparability	3.5	-160.9	11.6	-149.9	-131.6
Tax effect of items affecting comparability	-1.1	-1.0	-2.5	-3.0	-6.3
Non-controlling interests' share of items affecting comparability	-0.1	0.0	-0.1	0.0	0.0
Operational result for the period attributable to the equity holders of the Parent Company	104.7	81.8	123.7	119.6	108.8
Weighted average number of shares on the market	163,247,049	163,036,686	163,201,586	163,043,245	163,041,596
Operational EPS	0.64	0.50	0.76	0.73	0.67

Reconciliation of net debt

EUR million	30 Sep 2021	30 Sep 2020	FY 2020
Non-current financial liabilities	465.4	120.9	317.7
Current financial liabilities	50.0	91.2	265.0
Non-current lease liabilities	143.7	165.6	163.2
Current lease liabilities	29.0	27.4	29.5
Cash and cash equivalents	-57.8	-170.9	-114.6
Net debt	630.3	234.2	660.7

Net debt at 30 September 2020 and 31 December 2020 includes financial assets and liabilities of certain Learning operations that are presented as part of assets and liabilities held for sale in the balance sheet. More details are presented on p. 36.

Reconciliation of adjusted EBITDA

EUR million	Q1-Q3 2021	Q1-Q3 2020	FY 2020
12-month rolling operational EBITDA	361.2	356.0	329.3
Impact of acquired and divested operations	-4.8	-37.7	18.1
Impact of programming rights	-62.2	-50.8	-52.7
Impact of prepublication rights	-37.5	-23.7	-31.9
Impact of rental books	-7.4	-9.7	-10.7
Adjusted EBITDA	249.2	234.0	252.1

Reconciliation of comparable net sales growth

EUR million	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Net sales	486.3	400.8	999.2	834.4
Impact of acquired and divested operations	-54.5	-1.0	-114.4	-11.8
Comparable net sales	431.8	399.8	884.8	822.6

Income statement by quarter

EUR million	Q1 2021	Q2 2021	Q3 2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
NET SALES	210.1	302.8	486.3	187.6	246.0	400.8	227.3	1,061.7
Other operating income	5.4	5.9	6.5	6.5	15.0	173.9	12.0	207.5
Materials and services	-64.5	-79.5	-194.4	-55.2	-65.7	-160.9	-74.7	-356.5
Employee benefit expenses	-87.6	-90.0	-81.6	-71.6	-73.6	-66.7	-83.0	-294.9
Other operating expenses	-37.3	-38.2	-34.6	-40.7	-40.2	-37.8	-53.3	-171.9
Share of results in joint ventures	0.2	0.1	0.2	0.1	0.1	0.2	0.1	0.5
Depreciation, amortisation and impairment losses	-50.1	-49.6	-49.3	-43.6	-38.8	-42.7	-51.1	-176.3
EBIT	-23.8	51.5	133.1	-17.0	42.8	266.9	-22.7	270.1
Share of results in associated companies	-0.1	0.0	-0.2	-0.1	-0.1	0.0	-0.1	-0.4
Financial income	1.1	0.0	1.5	4.1	-0.3	1.5	1.7	6.9
Financial expenses	-4.8	-2.9	-4.6	-4.8	-3.3	-3.8	-3.8	-15.7
RESULT BEFORE TAXES	-27.6	48.7	129.9	-17.7	39.1	264.6	-25.0	261.0
Income taxes	3.2	-11.6	-27.2	5.3	-9.5	-20.4	1.4	-23.2
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	-24.4	37.0	102.7	-12.4	29.5	244.2	-23.5	237.8
DISCONTINUED OPERATIONS								
Result for the period from discontinued operations	-0.1	-0.1	0.1	8.7	4.0	0.1	-3.4	9.3
RESULT FOR THE PERIOD	-24.5	36.9	102.8	-3.8	33.5	244.3	-26.9	247.1
Result from continuing operations attributable to:								
Equity holders of the Parent Company	-24.2	36.7	102.3	-12.1	28.4	243.7	-22.5	237.4
Non-controlling interests	-0.3	0.3	0.4	-0.3	1.2	0.6	-1.1	0.4
Result from discontinued operations attributable to:								
Equity holders of the Parent Company	-0.1	-0.1	0.1	8.6	4.0	0.1	-3.4	9.3
Non-controlling interests	-	-	-	0.1	0.0	-	-	0.1
Result attributable to:								
Equity holders of the Parent Company	-24.3	36.6	102.4	-3.6	32.3	243.7	-25.9	246.7
Non-controlling interests	-0.3	0.3	0.4	-0.2	1.2	0.6	-1.1	0.5
Earnings per share for result attributable to the equity holders of the Parent Company:								
Earnings per share, EUR, continuing operations	-0.15	0.22	0.63	-0.07	0.17	1.49	-0.14	1.46
Diluted earnings per share, EUR, continuing operations	-0.15	0.22	0.63	-0.07	0.17	1.49	-0.14	1.45
Earnings per share, EUR, discontinued operations	0.00	0.00	0.00	0.05	0.02	0.00	-0.02	0.06
Diluted earnings per share, EUR, discontinued operations	0.00	0.00	0.00	0.05	0.02	0.00	-0.02	0.06
Earnings per share, EUR	-0.15	0.22	0.63	-0.02	0.20	1.50	-0.16	1.51
Diluted earnings per share, EUR	-0.15	0.22	0.63	-0.02	0.20	1.49	-0.16	1.51

In 2021, discontinued operations include certain Learning operations that are under strategic review. In 2020, discontinued operations included also Sanoma Media Netherlands.

Net sales by SBU

EUR million	Q1 2021	Q2 2021	Q3 2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Learning	68.2	149.0	331.6	57.9	115.2	259.9	66.6	499.7
Media Finland	142.2	154.1	154.8	129.9	130.9	141.0	160.8	562.6
Other companies and eliminations	-0.2	-0.4	-0.1	-0.2	-0.1	-0.1	-0.1	-0.5
Total	210.1	302.8	486.3	187.6	246.0	400.8	227.3	1,061.7

EBIT by SBU

EUR million	Q1 2021	Q2 2021	Q3 2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Learning	-28.7	38.7	112.2	-20.0	34.8	83.7	-32.2	66.4
Media Finland	7.5	16.1	21.3	5.3	9.4	184.5	10.4	209.6
Other companies and eliminations	-2.6	-3.2	-0.4	-2.3	-1.4	-1.3	-0.9	-5.8
Total	-23.8	51.5	133.1	-17.0	42.8	266.9	-22.7	270.1

Operational EBIT excl. PPA by SBU

EUR million	Q1 2021	Q2 2021	Q3 2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Learning	-20.0	48.9	125.6	-15.1	39.2	89.6	-17.8	95.9
Media Finland	11.3	19.3	23.9	9.5	16.0	23.7	17.3	66.6
Other companies and eliminations	-1.3	-3.1	-2.0	-2.2	-1.2	-1.5	-1.0	-5.9
Total	-10.0	65.0	147.4	-7.8	54.0	111.8	-1.5	156.5

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 2021. 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 available 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.

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, adjusted by current information and future expectations on economic conditions where deemed necessary.

For the Learning SBU, management currently considers the impact of the corona virus pandemic to be very limited and not material, mainly due to the fact that the majority of the customers are B2B customers funded by state, regional or municipal governments.

With respect to Sanoma Media Finland's B2B customer receivables there has not been any significant change in payment delays. During the pandemic, the financial crisis of 2008–2009 has been used as a reference point for estimating the impact of the corona virus pandemic, and the subsequent financial downturn caused by it, on the future B2B credit losses of Sanoma Media Finland. The credit losses have been adjusted to reflect the increased risk accordingly.

On 29 April, Sanoma announced it had received a decision from the Finnish Tax Adjustment Board that they had accepted a claim made by the Finnish Tax Ombudsman related to tax audits at Sanoma Media Finland Oy. The claim concerned the treatment of value added tax (VAT) of certain magazines that were printed in multiple locations in Europe and distributed through a centralised logistics centre in Norway in 2015 and 2016–2018. In order to avoid further interest accumulation, Sanoma paid the required VAT as well as the related penalty and interests on 1 July 2021. Sanoma considers this payment to be a deposit with the tax authority, because it gives Sanoma a right to obtain future economic benefits, either by receiving a cash refund or by using the payment to settle the tax liability. Consequently Sanoma reports the amount paid as a receivable in the Q3 2021 interim report.

Consolidated income statement

EUR million	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	FY 2020
NET SALES	486.3	400.8	999.2	834.4	1,061.7
Other operating income	6.5	173.9	17.8	195.4	207.5
Materials and services	-194.4	-160.9	-338.3	-281.8	-356.5
Employee benefit expenses	-81.6	-66.7	-259.2	-211.9	-294.9
Other operating expenses	-34.6	-37.8	-110.0	-118.6	-171.9
Share of results in joint ventures	0.2	0.2	0.4	0.4	0.5
Depreciation, amortisation and impairment losses	-49.3	-42.7	-149.0	-125.1	-176.3
EBIT	133.1	266.9	160.8	292.8	270.1
Share of results in associated companies	-0.2	0.0	-0.2	-0.2	-0.4
Financial income	1.5	1.5	2.6	5.2	6.9
Financial expenses	-4.6	-3.8	-12.3	-11.8	-15.7
RESULT BEFORE TAXES	129.9	264.6	151.0	286.0	261.0
Income taxes	-27.2	-20.4	-35.7	-24.6	-23.2
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	102.7	244.2	115.3	261.3	237.8
DISCONTINUED OPERATIONS					
Result for the period from discontinued operations	0.1	0.1	-0.1	12.7	9.3
RESULT FOR THE PERIOD	102.8	244.3	115.2	274.0	247.1
Result from continuing operations attributable to:					
Equity holders of the Parent Company	102.3	243.7	114.9	259.9	237.4
Non-controlling interests	0.4	0.6	0.4	1.4	0.4
Result from discontinued operations attributable to:					
Equity holders of the Parent Company	0.1	0.1	-0.1	12.6	9.3
Non-controlling interests	-	-	-	0.1	0.1
Result attributable to:					
Equity holders of the Parent Company	102.4	243.7	114.8	272.5	246.7
Non-controlling interests	0.4	0.6	0.4	1.5	0.5
Earnings per share for result attributable to the equity holders of the Parent Company:					
Earnings per share, EUR, continuing operations	0.63	1.49	0.70	1.59	1.46
Diluted earnings per share, EUR, continuing operations	0.63	1.49	0.70	1.58	1.45
Earnings per share, EUR, discontinued operations	0.00	0.00	0.00	0.08	0.06
Diluted earnings per share, EUR, discontinued operations	0.00	0.00	0.00	0.08	0.06
Earnings per share, EUR	0.63	1.50	0.70	1.67	1.51
Diluted earnings per share, EUR	0.63	1.49	0.70	1.67	1.51

In 2021, discontinued operations include certain Learning operations that are under strategic review. In 2020, discontinued operations included also Sanoma Media Netherlands.

Statement of comprehensive income ¹⁾

EUR million	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	FY 2020
Result for the period	102.8	244.3	115.2	274.0	247.1
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Change in translation differences	-1.0	-1.6	-0.9	-3.8	-2.4
Items that will not be reclassified to profit or loss					
Defined benefit plans	0.5	0.4	17.8	4.7	4.1
Income tax related to defined benefit plans	-0.1	-0.1	-3.6	-1.0	-0.8
Other comprehensive income for the period, net of tax	-0.6	-1.3	13.3	0.0	0.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	102.2	243.0	128.5	274.0	248.0
Total comprehensive income attributable to:					
Equity holders of the Parent Company	101.9	242.4	128.1	272.5	247.6
Non-controlling interests	0.4	0.6	0.4	1.5	0.5

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

Consolidated balance sheet

EUR million	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS			
Property, plant and equipment	63.4	73.6	73.9
Right-of-use assets	166.0	187.3	186.7
Investment property	4.7	9.1	7.9
Goodwill	753.2	522.0	752.7
Other intangible assets	679.5	472.5	685.7
Equity-accounted investees	3.2	2.1	2.3
Other investments	3.8	4.0	4.0
Deferred tax receivables	17.1	12.7	18.2
Trade and other receivables	33.4	11.9	15.3
NON-CURRENT ASSETS, TOTAL	1,724.3	1,295.2	1,746.7
Inventories	39.5	39.8	45.8
Income tax receivables	19.5	15.4	19.4
Contract assets	1.2	2.4	0.4
Trade and other receivables	265.3	166.1	120.9
Cash and cash equivalents	57.8	170.8	114.6
CURRENT ASSETS, TOTAL	383.3	394.5	301.1
Assets held for sale and discontinued operations		0.8	0.4
ASSETS, TOTAL	2,107.6	1,690.5	2,048.3
EQUITY AND LIABILITIES			
EQUITY			
Share capital	71.3	71.3	71.3
Treasury shares	-2.5	-4.3	-4.3
Fund for invested unrestricted equity	209.8	209.8	209.8
Other equity	443.9	437.5	413.5
Total equity attributable to the equity holders of the Parent Company	722.4	714.3	690.2
Non-controlling interests	16.7	21.4	19.7
EQUITY, TOTAL	739.2	735.7	709.9
Deferred tax liabilities	137.2	75.2	140.9
Pension obligations	7.4	3.0	7.4
Provisions	0.5	0.9	0.8
Financial liabilities	465.4	120.9	317.7
Lease liabilities	143.7	165.6	163.2
Contract liabilities	2.9	3.9	3.5
Trade and other payables	5.5	6.2	2.8
NON-CURRENT LIABILITIES, TOTAL	762.6	375.7	636.4
Provisions	4.1	3.6	0.9
Financial liabilities	50.0	91.2	265.0
Lease liabilities	29.0	27.3	29.4
Income tax liabilities	45.2	38.6	22.5
Contract liabilities	171.0	168.1	148.1
Trade and other payables	306.5	249.3	235.4
CURRENT LIABILITIES, TOTAL	605.9	578.1	701.4
Liabilities related to assets held for sale and discontinued operations		1.0	0.7
LIABILITIES, TOTAL	1,368.5	954.8	1,338.4
EQUITY AND LIABILITIES, TOTAL	2,107.6	1,690.5	2,048.3

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 1 Jan 2020	71.3	-4.6	209.8	253.0	529.4	21.5	550.9
Comprehensive income for the period				272.5	272.5	1.5	274.0
Purchase of treasury shares		-2.4			-2.4		-2.4
Share-based compensation				-1.2	-1.2		-1.2
Shares delivered		2.8		-2.8			
Dividends				-81.6	-81.6	-0.4	-82.0
Acquisitions and other changes in non-controlling interests				-2.4	-2.4	-1.3	-3.7
Equity at 30 Sep 2020	71.3	-4.3	209.8	437.5	714.3	21.4	735.7
Equity at 1 Jan 2021	71.3	-4.3	209.8	413.5	690.2	19.7	709.9
Comprehensive income for the period				128.1	128.1	0.4	128.5
Share-based compensation				-0.7	-0.7		-0.7
Shares delivered		1.7		-1.7			
Dividends				-84.8	-84.8	-0.6	-85.5
Acquisitions and other changes in non-controlling interests				-10.3	-10.3	-2.7	-13.1
Equity at 30 Sep 2021	71.3	-2.5	209.8	443.9	722.4	16.7	739.2

Consolidated cash flow statement

EUR million	Q1-Q3 2021	Q1-Q3 2020	FY 2020
OPERATIONS			
Result for the period	115.2	274.0	247.1
Adjustments			
Income taxes	34.6	28.3	26.5
Financial income and expenses	9.7	6.9	9.1
Share of results in equity-accounted investees	-0.2	-1.3	-1.2
Depreciation, amortisation and impairment losses	149.0	126.4	177.8
Gains/losses on sales of non-current assets	-3.4	-163.9	-161.1
Other adjustments	0.0	-4.8	-3.9
Adjustments, total	189.6	-8.4	47.1
Change in working capital	-83.9	-80.4	-29.2
Acquisitions of broadcasting rights, prepublication costs and rental books	-81.3	-63.9	-88.0
Dividends received	0.6	0.5	0.5
Interest paid and other financial items	-9.8	-9.3	-13.6
Taxes paid	-16.5	-17.1	-26.6
Cash flow from operations	113.9	95.4	137.4
INVESTMENTS			
Capital expenditure	-29.4	-31.0	-42.5
Operations acquired	-4.8	-57.1	-462.0
Proceeds from sale of tangible and intangible assets	8.4	0.9	2.5
Operations sold	0.6	606.7	606.5
Loans granted	-0.5	0.0	0.0
Repayments of loan receivables	0.0	0.2	0.3
Interest received	0.1	1.3	1.4
Cash flow from investments	-25.5	521.0	106.1
Cash flow before financing	88.4	616.5	243.5
FINANCING			
Purchase of treasury shares		-2.4	-2.4
Change in loans with short maturity	-15.4	-299.8	-325.8
Drawings of other loans	199.4	5.0	405.0
Repayments of other loans	-250.0	-100.0	-109.3
Payment of lease liabilities	-22.8	-22.2	-29.4
Acquisitions of non-controlling interests	-11.2		
Dividends paid	-45.4	-41.3	-82.6
Cash flow from financing	-145.4	-460.7	-144.4
CHANGE IN CASH AND CASH EQUIVALENTS ACCORDING TO CASH FLOW STATEMENT	-57.0	155.8	99.1
Effect of exchange rate differences on cash and cash equivalents	0.2	-0.9	-0.4
Net change in cash and cash equivalents	-56.8	154.9	98.7
Cash and cash equivalents at the beginning of the period	114.6	15.9	15.9
Cash and cash equivalents at the end of the period	57.8	170.8	114.6
FREE CASH FLOW (Cash flow from operations – Capital expenditure)	84.5	64.5	94.8

Includes continuing and discontinued operations.

At the end of September, cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 0.0 million (2020: 0.2).

Segment information

Sanoma reports two operating segments, which are its two strategic business units Sanoma Learning and Sanoma Media Finland. This is aligned with the way Sanoma manages the businesses.

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

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

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 2021

EUR million	Learning	Media Finland	Unallocated/eliminations	Continuing operations
External net sales	548.8	450.4		999.2
Internal net sales	0.0	0.8	-0.8	
Net sales, total	548.8	451.2	-0.8	999.2
EBIT	122.2	44.9	-6.2	160.8
Operational EBIT excl. PPA	154.5	5.4	-6.4	202.5
Share of results in associated companies		-0.2		-0.2
Financial income			2.6	2.6
Financial expenses			-12.3	-12.3
Result before taxes				151.0
Income taxes				-35.7
Result for the period from continuing operations				115.3
Result for the period from discontinued operations				-0.1
Result for the period				115.2
Segment assets	1,699.2	440.3	-127.1	2,012.4

Segment information 1 January–30 September 2020

EUR million	Learning	Media Finland	Unallocated/ eliminations	Continuing operations
External net sales	433.1	401.3		834.4
Internal net sales	0.0	0.4	-0.4	
Net sales, total	433.1	401.7	-0.4	834.4
EBIT	98.6	199.2	-5.0	292.8
Operational EBIT excl. PPA	113.6	49.3	-4.9	158.0
Share of results in associated companies		-0.2		-0.2
Financial income			5.2	5.2
Financial expenses			-11.8	-11.8
Result before taxes				286.0
Income taxes				-24.6
Result for the period from continuing operations				261.3
Result for the period from discontinued operations				12.7
Result for the period				274.0
Segment assets	1,189.5	435.4	-134.5	1,490.4

Net sales

Disaggregation of revenue

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

Disaggregation of revenue 1 January–30 September 2021

EUR million	Learning	Media Finland	Unallocated/ eliminations	Total
Finland	48.9	451.2	-0.8	499.3
The Netherlands	180.1			180.1
Poland	111.8			111.8
Spain	103.8			103.8
Belgium	70.1			70.1
Other companies and eliminations	34.2			34.2
Primary geographical markets	548.8	451.2	-0.8	999.2
Learning solutions	436.2		0.0	436.1
Advertising		172.9	-0.6	172.3
Subscription		186.9	0.0	186.9
Single copy		30.9		30.9
Other	112.7	60.3	-0.2	172.8
Major product lines/services	548.8	451.2	-0.8	999.2
Recognition at a point-in-time	435.7	136.1	-0.8	570.9
Recognition over-time	113.1	315.1		428.3
Timing of revenue recognition	548.8	451.2	-0.8	999.2

Disaggregation of revenue 1 January–30 September 2020

EUR million	Learning	Media Finland	Unallocated/eliminations	Total
Finland	44.6	401.7	-0.4	446.0
The Netherlands	174.1			174.1
Poland	100.4			100.4
Spain	11.9			11.9
Belgium	71.2			71.2
Other companies and eliminations	30.9			30.9
Primary geographical markets	433.1	401.7	-0.4	834.4
Learning solutions	319.5		0.0	319.4
Advertising		160.8	-0.3	160.6
Subscription		166.0		166.0
Single copy		32.2		32.2
Other	113.6	42.7	-0.2	156.1
Major product lines/services	433.1	401.7	-0.4	834.4
Recognition at a point-in-time	333.4	122.3	-0.4	455.3
Recognition over-time	99.7	279.4		379.1
Timing of revenue recognition	433.1	401.7	-0.4	834.4

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

EUR million	30 Sep 2021	30 Sep 2020	31 Dec 2020
Carrying amount at 1 Jan	260.6	235.1	235.1
Increases	12.7	17.5	22.3
Acquisitions of operations	0.1	50.5	57.2
Decreases	-2.0	-0.9	-1.0
Disposal of operations		-1.0	-1.1
Depreciation for the period	-41.8	-39.0	-50.9
Impairment losses for the period	-0.2	-0.6	-0.6
Transferred to assets held for sale			-0.1
Exchange rate differences and other changes	-0.1	-0.7	-0.2
Carrying amount at the end of the period	229.3	261.0	260.6

Acquisitions and divestments

Acquisitions in 2021

On 1 June 2021, Sanoma Media Finland increased its ownership in the festival and events company Nelonen Media Live Ltd. from 60% to 100%. The seller was the founder of N.C.D. Production Ltd. of which Sanoma acquired a majority stake in 2018.

Impact of business acquisitions on Group's assets and liabilities

EUR million	Q1-Q3 2021	Santillana	Alma	Other	FY 2020
Property, plant and equipment		1.0	2.0		3.1
Right-of-use assets	0.1	5.6	48.5		54.1
Intangible assets		221.5	34.0	8.9	264.3
Other non-current assets	0.3	4.3	0.4		4.6
Inventories		18.1	2.5	0.0	20.6
Other current assets	0.3	21.4	33.5	0.0	54.9
Assets, total	0.7	271.8	120.8	8.9	401.5
Non-current liabilities	-0.2	-67.3	-51.6	-2.3	-121.2
Current liabilities	-1.3	-25.9	-28.9	-0.1	-54.9
Liabilities, total	-1.5	-93.2	-80.5	-2.4	-176.1
Fair value of acquired net assets	-0.8	178.7	40.3	6.4	225.4
Acquisition cost		408.7	79.1	0.7	488.5
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities				-0.2	-0.2
Fair value of acquired net assets	0.8	-178.7	-40.3	-6.4	-225.4
Goodwill from the acquisitions	0.8	230.1	38.8	-5.9	262.9

Acquisitions of non-controlling interests

EUR million	Q1-Q3 2021	FY 2020
Acquisition cost	10.8	
Book value of the acquired interest	-0.3	
Impact on consolidated equity	-11.1	

Cash paid to obtain control, net of cash acquired

EUR million	Q1–Q3 2021	Santillana	Alma	Other	FY 2020
Acquisition cost		408.7	79.1	0.7	488.5
Cash and cash equivalents of acquired operations		-4.5	-24.7	0.0	-29.2
Decrease (+) / increase (-) in acquisition liabilities	4.1			2.0	2.0
Cash paid to obtain control, net of cash acquired	4.1	404.2	54.4	2.7	461.3
Acquisition cost	10.8				
Decrease (+) / increase (-) in acquisition liabilities	0.4				
Cash paid on acquisitions of non-controlling interests	11.2				

Divestments in 2021

Impact of divestments on Group's assets and liabilities

EUR million	Q1–Q3 2021	SMN	Oikotie	Other	FY 2020
Property, plant and equipment		1.6	0.2	0.0	1.8
Right-of-use assets		24.2		0.2	24.4
Goodwill		440.3	17.0		457.3
Other intangible assets		30.8	2.4		33.2
Equity-accounted investees		16.8			16.8
Inventories		10.2	0.0		10.2
Trade and other receivables		83.5	1.9	2.0	87.4
Cash and cash equivalents		18.5	7.9	0.6	27.0
Assets, total		626.0	29.3	2.9	658.2
Deferred tax liabilities		-5.3	-0.2		-5.4
Financial liabilities		-37.2		-0.1	-37.3
Trade and other payables		-518.6	-5.0	-3.2	-526.8
Liabilities, total		-561.1	-5.1	-3.3	-569.6
Derecognised non-controlling interest		-4.4			-4.4
Net assets		60.4	24.2	-0.5	84.2
Sales price		62.4	191.0		253.4
Transaction fees		-3.5	-2.0	-0.2	-5.7
Adjustment to capital loss		0.1		-0.5	-0.4
Recognised in Other comprehensive income		-0.3			-0.3
Net result from sale of operations		-1.6	164.8	-0.2	163.0

Cash flow from sale of operations

EUR million	Q1–Q3 2021	SMN	Oikotie	Other	FY 2020
Sales price		62.4	191.0		253.4
Debt repayments		380.0			380.0
Cash and cash equivalents of divested operations		-18.5	-7.9	-0.6	-27.0
Decrease (+) / increase (-) in receivables from divestment				0.1	0.1
Cash flow from sale of operations		423.8	183.1	-0.5	606.5

Discontinued operations

In 2021, discontinued operations include certain Learning operations that are under strategic review. In 2020, discontinued operations included also Sanoma Media Netherlands. Sanoma completed the divestment of Sanoma Media Netherlands on 20 April 2020.

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

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

Income statement of discontinued operations

EUR million	Q1-Q3 2021	Q1-Q3 2020	FY 2020
Net sales	0.3	102.4	101.5
Other operating income		1.0	1.0
Materials and services	0.0	-39.0	-39.0
Employee benefit expenses	-1.3	-26.8	-26.5
Other operating expenses	-0.1	-21.3	-21.6
Share of results in joint ventures		1.1	1.1
Depreciation, amortisation and impairment losses		-0.7	-3.5
EBIT	-1.2	16.7	13.0
Financial income		0.0	0.0
Financial expenses	0.0	-0.3	-0.3
Result before taxes	-1.2	16.4	12.6
Income taxes	1.1	-3.6	-3.3
Result for the period from discontinued operations	-0.1	12.7	9.3

Cash flows related to discontinued operations

EUR million	Q1-Q3 2021	Q1-Q3 2020	FY 2020
Cash flow from operations	0.0	-39.7	-40.0
Cash flow from investments	-0.1	511.4	511.0
Cash flow from financing	0.0	-416.1	-415.3

Assets held for sale and discontinued operations

EUR million	30 Sep 2021	30 Sep 2020	31 Dec 2020
Property, plant and equipment and right-of-use assets		0.3	
Deferred tax receivables		0.2	
Trade and other receivables		0.2	0.4
Cash and cash equivalents		0.1	
Total		0.8	0.4

Liabilities related to assets held for sale and discontinued operations

EUR million	30 Sep 2021	30 Sep 2020	31 Dec 2020
Deferred tax liabilities			0.2
Non-current financial liabilities and lease liabilities		0.0	0.0
Current financial liabilities and lease liabilities		0.0	0.1
Income tax liabilities			0.0
Current trade and other payables		0.4	0.3
Contract liabilities		0.5	0.2
Total		1.0	0.7

Contingent liabilities

EUR million	30 Sep 2021	30 Sep 2020	31 Dec 2020
Contingencies for own commitments			
Pledges	0.8	0.1	0.8
Other items	24.8	15.0	24.8
Contingencies for own commitments total	25.6	15.1	25.6
Other commitments			
Royalties	1.3	2.5	2.5
Commitments for acquisitions of intangible assets (film and TV broadcasting rights included)	20.6	22.2	17.0
Other items	31.3	37.0	36.1
Other commitments total	53.2	61.7	55.6
Total	78.8	76.8	81.2

Derivative instruments

EUR million	30 Sep 2021	30 Sep 2020	31 Dec 2020
Fair values			
Currency derivatives			
Forward contracts (positive fair values)	0.3	0.1	
Forward contracts (negative fair values)		-0.1	-0.1
Nominal values			
Currency derivatives			
Forward contracts	5.7	5.2	2.7

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

Disputes and litigations

Finnish Tax Administration has performed tax audits in Sanoma Media Finland Oy covering years 2015 and 2016–2018. Tax audit reports did not include any adjustments to the VAT treatment of magazines distributed from Norway, which has been treated exempt from value added tax. Tax Ombudsman, however, made an appeal to the Tax Adjustment Board claiming that the Tax Administration's tax audit decisions regarding tax years 2015–2018 need to be adjusted by approx. EUR 20 million value added tax excl. potential penalties or interests. On 29 April, Sanoma announced it had received a decision from the Finnish Tax Adjustment Board that they had accepted the claim. Sanoma considers the claims completely unjustified and has appealed the decisions. On 1 July, Sanoma paid the required VAT, the related penalty and interests of EUR 25 million in order to avoid further interest accumulation. Sanoma considers this payment to be a deposit with the tax authority while the dispute is ongoing and consequently report the amount paid as a receivable in Q3 2021.

Definitions of key indicators

KPI	Definition	Reason to use
Comparable net sales (growth)	= Net sales (growth) adjusted for the impact of acquisitions and divestments	Complements reported net sales by reflecting the underlying business performance and enhancing comparability between reporting periods
Items affecting comparability (IACs)	= Gains/losses on sale, restructuring or efficiency program expenses and impairments that exceed EUR 1 million	Reflects the underlying business performance and enhances comparability between reporting periods
Operational EBITDA	= Operating profit + depreciation, amortisation and impairments - IACs	Measures the profitability before non-cash based depreciation and amortisation, reflects the underlying business performance and enhances comparability between reporting periods
Operational EBIT excl. PPA	= EBIT – IACs – Purchase price allocation adjustments and amortisations (PPAs)	Measures the profitability excl. acquisition-related PPA adjustments and amortisations, reflects the underlying business performance and enhances comparability between reporting periods
Equity ratio, %	= $\frac{\text{Equity total}}{\text{Balance sheet total} - \text{advances received}} \times 100$	One of Sanoma's long-term financial targets, measures the relative proportion of equity to total assets
Free cash flow	= Cash flow from operations – capital expenditure	Basis for Sanoma's dividend policy
Free cash flow / share	= $\frac{\text{Free cash flow}}{\text{Adjusted average number of shares on the market}}$	Basis for Sanoma's dividend policy
Net debt	= Interest-bearing liabilities – cash and cash equivalents	Measures Sanoma's net debt position
Net debt / Adj. EBITDA	= $\frac{\text{Net debt}}{\text{The adjusted EBITDA used in this ratio is the 12-month rolling operational EBITDA, where acquired operations are included and divested operations excluded, and where programming rights and prepublication rights have been raised above EBITDA on cash flow basis}}$	One of Sanoma's long-term financial targets, provides investors information on Sanoma's ability to service its debt
EPS	= $\frac{\text{Result for the period attributable to the equity holders of the Parent Company}}{\text{Weighted average number of shares on the market}}$	Measures Sanoma's result for the period per share
Operational EPS	= $\frac{\text{Result for the period attributable to the equity holders of the Parent Company} - \text{IACs}}{\text{Weighted average number of shares on the market}}$	In addition to EPS, reflects the underlying business performance and enhances comparability between reporting periods