

Half-year Report

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## SANOMA CORPORATION, HALF-YEAR REPORT JANUARY-JUNE 2020

# Learning on track towards full year targets, advertising sales declined due to corona pandemic

## Q2 2020

- The Group's net sales declined to EUR 246 million (2019: 260). Net sales of Learning grew driven by the Iddink acquisition, while net sales of Media Finland declined driven by decreasing advertising sales due to the coronavirus pandemic. The Group's comparable net sales development was -14% (2019: -1%).
- Operational EBIT excl. PPA declined to EUR 54 million (2019: 60). In Learning, shifting of reported sales towards the third quarter had a negative impact on earnings. In Media Finland, the adverse earnings impact of lower advertising sales was partially offset by temporary cost savings related to TV and received insurance compensation related to the events business.
- EBIT was EUR 42 million (2019: 54). Items affecting comparability (IACs) totalled EUR -6 million (2019: -4). PPA amortisations were EUR 6 million (2019: 2).
- Operational EPS was EUR 0.20 (2019: 0.24) and EUR 0.22 (2019: 0.33) including discontinued operations.
- EPS was EUR 0.17 (2019: 0.22) and EUR 0.20 (2019: 0.31) including discontinued operations.
- On 16 July, Sanoma announced the divestment of Oikotie to Schibsted with an enterprise value of EUR 185 million.
- On 30 April, Sanoma completed the acquisition of Alma Media's regional news media business in Finland with an enterprise value of EUR 115 million. The acquisition was announced on 11 February 2020.
- On 20 April, Sanoma completed the divestment of Sanoma Media Netherlands to DPG Media with an enterprise value of EUR 460 million.

## H1 2020

- The Group's net sales grew to EUR 434 million (2019: 423) mainly as a result of the Iddink and itslearning acquisitions, while net sales development of Media Finland was adversely impacted by the coronavirus pandemic. The Group's comparable net sales development was -8% (2019: -2%).
- Operational EBIT excl. PPA declined to EUR 45 million (2019: 56). In Learning, the decline was mainly due to shifting of reported sales towards the third quarter and in Media Finland it was mainly due to lower advertising sales.
- EBIT was EUR 25 million (2019: 43). IACs totalled EUR -10 million (2019: -9). PPA amortisations were EUR 11 million (2019: 4).
- Operational EPS was EUR 0.14 (2019: 0.19) and EUR 0.23 (2019: 0.34) including discontinued operations.
- EPS was EUR 0.09 (2019: 0.15) and EUR 0.18 (2019: 0.35) including discontinued operations.
- On 24 March, Sanoma temporarily withdrew its Outlook for 2020 due to the coronavirus pandemic.

## Outlook for 2020 (unchanged, temporarily withdrawn on 24 March)

On 24 March, Sanoma temporarily withdrew its Outlook for 2020, which was given on 7 February, due to the coronavirus pandemic. As the pandemic and its implications to Sanoma's business continue to evolve notably, it is currently too early to make reliable and specific estimates for an adjusted Outlook. Sanoma expects to give an updated Outlook for 2020 later during the year.

## Key impacts of the coronavirus pandemic

Sanoma estimates that the coronavirus pandemic will have significant impacts on its business during 2020. For its own part, the Group's well-balanced business portfolio mitigates the impacts to a certain extent; after the acquisitions completed in Learning in 2019, and the divestments of Media Netherlands and the online classifieds business Oikotie in Finland, a majority of the Group's operational earnings will come from Learning in 2020.

In Learning, no major impacts on net sales and profitability are currently expected due to the pandemic. In H1 2020, the coronavirus pandemic had only a minimal impact on the net sales and operational EBIT of Learning.

In Media Finland, subscription and other B2C sales represent more than half of the total net sales, which, apart from the events business, are not expected to be significantly affected by the pandemic unless the exceptional situation intensifies. In H1 2020, subscription sales of Media Finland grew slightly on a comparable basis, and by 7% including the acquired regional news media business with total subscription sales amounting to EUR 104 million (2019: 97).

On 22 April, the Finnish government decided to prohibit all large events until the end of July 2020. As a consequence, all Media Finland's festivals and events for the summer season 2020 were cancelled. In H1 2020, net sales of the events business amounted to EUR 0.3 million (2019: 15) with a positive operational EBIT due to the insurance compensation received. The compensation was booked in full in Q2 2020, but it compensates both costs already incurred during the first half of the year and costs to be incurred during the second half. In 2019, net sales of the events business were approx. EUR 35 million and its operational EBIT margin was above the margin of the Media Finland SBU (12.0%).

Sanoma estimates that the coronavirus pandemic will have a material impact on the full year net sales and profitability of Media Finland's B2B advertising business, although the impact may greatly vary between customer categories and media channels. The size of the impact is dependent on the duration of the crisis and the pace of the recovery as well as a possible second wave of the pandemic and its impacts on consumer and advertiser confidence and behaviour. Due to these uncertainties, it is currently too early to make reliable and specific estimates of the total impact, but the financial crisis in 2008-2009 could be considered as a reference for that. During the financial crisis, Sanoma's advertising sales declined by approx. 17% year-on-year, in line with the market. In H1 2020, Media Finland's advertising sales declined by 18% on a comparable basis, and by 15% including the acquired regional news media business, with total advertising sales amounting to EUR 107 million (2019: 127). Monthly advertising sales development of Media Finland during the pandemic, excluding the regional news media business, is summarised in the table below. During the second half of the year, advertising sales is expected to continue its gradual recovery.

### Advertising sales development

	April	May	June	Q2 2020	H1 2020
Sanoma Media Finland	-36%	-32%	-22%	-30%	-18%
Overall advertising market in Finland <sup>1)</sup>	-43%	-42%	-28%	-38%	-24%

1) Source: Kantar TNS Finland

During the pandemic, Sanoma's first priority has been ensuring the health and safety of its employees and providing solid support to its customers and business partners. Practically all teams shifted to remote operations at the start of the pandemic and have largely continued in the same mode throughout the second quarter. Remote work is largely supported by the improved, cloud-based IT infrastructure, in which Sanoma has made investments in recent years. Throughout its operations, Sanoma has followed the guidance and measures recommended by authorities in its operating countries.

Sanoma has actively and perseveringly taken actions to mitigate the risks related to the pandemic and continuously updated the risk situation and mitigation plans for employee safety and impact on the financial results. Cost mitigation actions have included careful cost containment of all non-mandatory cost categories and cost savings have been achieved e.g. in overall administration and travelling, marketing and content creation. Some IT expenses have increased slightly due to increased use of Sanoma's digital services during the pandemic. During the pandemic, Sanoma has supported users of its digital learning platforms by opening up certain services free of charge and media consumers by e.g. offering all corona-related news free of charge at HS.fi. In Finland, Sanoma also initiated a specific "Anna sen soida" campaign to support the artists impacted by the cancellation of events this year, and donated EUR 350,000 reserved by the AGM for the Board of Directors to be used for charitable donations to the campaign.

At the end of June 2020, the Group has a solid financial position, supported by the divestment of Media Netherland and, after the end of the reporting period, the divestment of the online classifieds business Oikotie in Finland. Sanoma will have EUR 400-500 million headroom for future M&A, where its focus will be on further growing especially its learning business.

### Discontinued operations

On 10 December 2019, Sanoma announced it had signed an agreement to divest its strategic business unit Sanoma Media Netherlands. The divestment was completed on 20 April 2020. Media Netherlands is reported as discontinued operations for 2019 and 2020. Unless otherwise stated, all income-statement-related quarterly and FY figures presented in this report cover continuing operations only. For Q2 2020 and earlier periods, figures related to balance sheet and cash flow cover both continuing and discontinued operations. Continuing operations include Learning and Media Finland, which are also Sanoma's reporting segments. More information is available on p. 9 and p. 34.

### 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.

More information is available at [Sanoma.com](http://Sanoma.com). Definitions of key IFRS indicators and APMs are available on p. 37. Reconciliations are available on p. 17-18.

## Key indicators for continuing operations

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change	FY 2019
Net sales	246.2	259.8	-5%	434.0	422.8	3%	913.3
Operational EBIT excl. PPA <sup>1)</sup>	53.5	60.1	-11%	45.1	55.6	-19%	135.2
Margin <sup>1)</sup>	21.7%	23.1%		10.4%	13.2%		14.8%
EBIT	42.3	53.9	-22%	24.7	43.2	-43%	102.1
Result for the period	29.2	36.1	-19%	16.3	24.7	-34%	63.1
Operational EPS, EUR <sup>2)</sup>	0.20	0.24	-16%	0.14	0.19	-28%	0.49
EPS, EUR	0.17	0.22	-22%	0.09	0.15	-37%	0.38
Average number of employees (FTE)				4,168	3,428	22%	3,567
Number of employees at the end of the period (FTE)				4,475	3,556	26%	3,953

## Key indicators incl. continuing and discontinued operations <sup>3)</sup>

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change	FY 2019
Result for the period	33.5	50.0	-33%	29.7	57.4	-48%	13.3
Free cash flow	-4.9	0.1		-65.1	-41.2	-58%	131.3
Equity ratio				34.4%	37.2%		30.5%
Net debt				543.9	578.0	-6%	794.7
Net debt / Adj. EBITDA				2.6	2.2	18%	2.7
Operational EPS, EUR <sup>2)</sup>	0.22	0.33	-34%	0.23	0.34	-32%	0.80
EPS, EUR	0.20	0.31	-35%	0.18	0.35	-50%	0.07
Free cash flow per share, EUR	-0.03	0.00		-0.40	-0.25	-58%	0.81

1) Excluding IACs and purchase price allocation amortisations (PPAs)

2) Excluding IACs

3) In 2020 and 2019, discontinued operations include Sanoma Media Netherlands and certain minor subsidiaries acquired in 2019 and planned to be divested in the future. In Q2 2020, result of discontinued operations includes a positive capital loss adjustment of EUR 1 million and in H1 2020 a capital loss of EUR 2 million (2019: 105) related to costs to sell for the divestment of Media Netherlands. More information on discontinued operations' financial performance is available on p. 34.

## President and CEO Susan Duinhoven:

“We have had a good first half of the year despite the coronavirus pandemic, which had a significant impact not only on our business, but also on the everyday lives of our customers and our employees. Most of our employees have worked from home and we are glad that we have had only a small number of corona illness cases. During the exceptional times of past months, we have still actively executed our long-term strategy. Divestment of Media Netherlands was closed in April, and a week ago we divested Oikotie, the leading online classifieds business in Finland, to Schibsted for an EV of EUR 185 million. These transactions increase our strategic focus on Learning and the chosen core businesses of Media Finland: news & feature, entertainment and B2B marketing solutions. In the second quarter, we further strengthened the news & feature business by completing the acquisition of Alma Media’s regional news media business. The integration has started according to our plans, there is a good cultural fit and we see great potential for future innovation and successful growth in digital news subscriptions.

In Media Finland, subscription sales grew again during this quarter, driven by strong growth in digital subscriptions. The total number of subscriptions for Helsingin Sanomat grew by 6%, partially supported by the newly launched HS Kids; the first issue will be delivered in August. Subscriptions of Ruutu+ and Supla+, our subscription-based VOD and audio services, also developed well. Due to the corona pandemic, advertising sales declined significantly. We expect a slow recovery in advertising sales during the second half of the year. The pace of the recovery, the impact of a possible second wave of the pandemic and the economic development after summer are currently very uncertain and thus it is still too early to make reliable and specific estimates about the full-year impact.

In Learning, the corona pandemic was visible in the high number of users on our digital learning platforms in the second quarter, when schools in our markets applied remote teaching. We also supported the teachers and students by opening up certain digital learning services free of charge. In Learning, we have had only minimal impact of the corona pandemic on our business result. After the acquisition of Iddink in September 2019, we now see, for the first time, that part of our typical second quarter learning material sales in the Netherlands and Belgium are reported as Group internal sales to Iddink as a distributor. This shifted a significant part of our sales and earnings from the second to the third quarter, when the new school year starts. Learning is well on-track towards what we indicated for full-year 2020 in our Analyst and Investor Update in December 2019: approx. EUR 500 million net sales and around 20% operational EBIT margin excl. PPA.

The recent divestments provide us with funds for future growth. Going forward, we will have EUR 400-500 million headroom for future M&A, where our primary focus will be on growing our learning business. We are working on a solid pipeline of potential targets, even during the current exceptional times with the coronavirus pandemic. We stay focused on our long-term strategic priorities and our financial targets remain unchanged.”

## Financial review Q2 2020

### Net sales by SBU

EUR million	Q2 2020	Q2 2019	Change
Learning	115.5	105.4	10%
Media Finland	130.9	154.5	-15%
Other operations	-0.1	-0.1	-15%
<b>Group total</b>	<b>246.2</b>	<b>259.8</b>	<b>-5%</b>

The Group's net sales declined to EUR 246 million (2019: 260). Net sales of Learning grew by EUR 10 million driven by the Iddink acquisition, while net sales of Media Finland declined by EUR 24 million driven by the coronavirus pandemic. The Group's comparable net sales development was -14% (2019: -1%).

### Operational EBIT excl. PPA by SBU

EUR million	Q2 2020	Q2 2019	Change
Learning	38.7	43.0	-10%
Media Finland	16.0	19.4	-17%
Other operations	-1.2	-2.3	46%
<b>Group total</b>	<b>53.5</b>	<b>60.1</b>	<b>-11%</b>

Operational EBIT excl. PPA declined to EUR 54 million (2019: 60). In Learning, shifting of reported sales towards the third quarter had a negative impact on earnings. In Media Finland, the adverse earnings impact of lower advertising sales was partially offset by temporarily lower TV programming costs and received insurance compensation related to the cancelled events.

### IACs, PPAs and reconciliation of operational EBIT

EUR million	Q2 2020	Q2 2019
<b>EBIT</b>	<b>42.3</b>	<b>53.9</b>
<b>Items affecting comparability</b>		
Restructuring expenses	-5.5	-4.8
Capital gains/losses		0.5
<b>IACs total</b>	<b>-5.5</b>	<b>-4.3</b>
<b>Purchase price allocation amortisations (PPAs)</b>	<b>-5.7</b>	<b>-1.9</b>
<b>Operational EBIT excl. PPA</b>	<b>53.5</b>	<b>60.1</b>

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

EBIT was EUR 42 million (2019: 54). Net IACs totalled EUR -6 million (2019: -4) and mainly consisted of costs related to the recent acquisitions and their integration. PPA amortisations amounted to EUR 6 million (2019: 2) and increased due to recent acquisitions in Learning.

Net financial items declined to EUR -4 million (2019: -5). The improvement was due to the lower average interest rate of external loans following the repayment of the EUR 200 million bond, which had a high interest rate, in November 2019.

Result before taxes amounted to EUR 39 million (2019: 49). Income taxes were EUR 9 million (2019: 13). Result for the period was EUR 29 million (2019: 36) and EUR 34 million (2019: 50) including discontinued operations, which included a positive adjustment of EUR 1 million related to the divestment of Media Netherlands and connected to the capital loss of EUR 3 million booked in Q1 2020.

Operational earnings per share were EUR 0.20 (2019: 0.24) and EUR 0.22 (2019: 0.33) including discontinued operations. Earnings per share were EUR 0.17 (2019: 0.22) and EUR 0.20 (2019: 0.31) including discontinued operations.

## Financial review H1 2020

### Net sales by SBU

EUR million	H1 2020	H1 2019	Change
Learning	173.5	136.9	27%
Media Finland	260.7	286.1	-9%
Other operations	-0.3	-0.2	-64%
<b>Group total</b>	<b>434.0</b>	<b>422.8</b>	<b>3%</b>

The Group's net sales grew to EUR 434 million (2019: 423). Learning's net sales grew by EUR 37 million driven by acquisitions of Iddink and itslearning, while net sales of Media Finland declined by EUR 25 million driven by the coronavirus pandemic. The Group's comparable net sales development was -8% (2019: -2%).

### Operational EBIT excl. PPA by SBU

EUR million	H1 2020	H1 2019	Change
Learning	23.0	26.3	-13%
Media Finland	25.6	32.9	-22%
Other operations	-3.4	-3.6	5%
<b>Group total</b>	<b>45.1</b>	<b>55.6</b>	<b>-19%</b>

Operational EBIT excl. PPA declined to EUR 45 million (2019: 56). In Learning, shifting of reported sales towards the third quarter had a negative impact on earnings. In Media Finland, the negative earnings contribution of lower advertising sales was partially offset by temporarily lower TV programming costs and received insurance compensation related to the cancelled events.

### IACs, PPAs and reconciliation of operational EBIT

EUR million	H1 2020	H1 2019
<b>EBIT</b>	<b>24.7</b>	<b>43.2</b>
<b>Items affecting comparability</b>		
Restructuring expenses	-9.6	-9.1
Capital gains/losses		0.5
<b>IACs total</b>	<b>-9.6</b>	<b>-8.6</b>
<b>Purchase price allocation amortisations (PPAs)</b>	<b>-10.8</b>	<b>-3.8</b>
<b>Operational EBIT excl. PPA</b>	<b>45.1</b>	<b>55.6</b>

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

EBIT was EUR 25 million (2019: 43). Net IACs totalled EUR -10 million (2019: -9) and mainly consisted of costs related to the recent acquisitions and their integration as well as changes in IT infrastructure and services. PPA amortisations amounted to EUR 11 million (2019: 4) and increased due to recent acquisitions in Learning.

Net financial items declined to EUR -4 million (2019: -10). The improvement was due to the lower average interest rate of external loans following the repayment of the EUR 200 million bond, which had a high interest rate, in November 2019. In addition, foreign currency translation impact and one-time interest income related to a settled tax receivable had a positive impact on net financial items during the first quarter.

Result before taxes declined and amounted to EUR 20 million (2019: 33). Income taxes were EUR 4 million (2019: 9). Result for the period was EUR 16 million (2019: 25) and EUR 30 million (2019: 57) including discontinued operations, which included a capital loss of EUR 2 million related to the divestment of Media Netherlands.



Operational earnings per share were EUR 0.14 (2019: 0.19) and EUR 0.23 (2019: 0.34) including discontinued operations. Earnings per share were EUR 0.09 (2019: 0.15) and EUR 0.18 (2019: 0.35) including discontinued operations.

## Financial position

At the end of June 2020, interest-bearing net debt was EUR 544 million (2019: 578) and net debt to adjusted EBITDA ratio was 2.6 (2019: 2.2). Equity ratio was 34.4% (2019: 37.2%). Compared to the end of March, net debt declined and both net debt to adjusted EBITDA as well as equity ratio improved as a result of the divestment of Media Netherlands, which was completed on 20 April 2020. The divestment of Oikotie (completed on 16 July) will, together with the divestment of Media Netherlands, strengthen Sanoma's balance sheet and bring both the Group's net debt to adjusted EBITDA and equity ratio to their long-term target levels.

At the end of June 2020, the Group's equity totalled EUR 492 million (2019: 589) and the consolidated balance sheet totalled EUR 1,596 million (2019: 1,721).

## Cash flow

The Group's free cash flow declined to EUR -65 million (2019: -41) or EUR -0.40 per share (2019: -0.25). Lower profitability of the continuing business had an adverse impact on cash flow. Discontinued operations also had a negative cash flow impact year-on-year, as only the negative cash flow of the first four months was consolidated in 2020. In Learning, cash flow developed positively, driven by the impact of organic net sales growth in the Netherlands. Capital expenditure included in the Group's free cash flow grew to EUR 21 million (2019: 14) driven by recent acquisitions in Learning.

For dividend calculation purposes, the Group's free cash flow for 2020 will be adjusted for the divested Media Netherlands. Free cash flow of Media Netherlands was approx. EUR -22 million for 1 January–20 April following its typical seasonal pattern of strongly negative cash flow during the first months of the year.

## Acquisitions and divestments

On 20 April 2020, Sanoma announced it had completed the divestment of Sanoma Media Netherlands to DPG Media. The divestment was announced on 10 December 2019, and it was subject to customary closing conditions, including the approval of the Dutch competition authorities, which was announced on 10 April 2020. Enterprise value (EV) of EUR 460 million was paid at closing. The EV corresponds to an EV / Adjusted EBITDA multiple of 6.5. Sanoma used funds received from the divestment to reduce its debt.

On 11 February 2020, Sanoma announced it had signed an agreement to acquire Alma Media's regional news media business in Finland. In 2019, net sales of the acquired business were EUR 99 million (2018: 103), of which 60% were subscription and 40% advertising sales. Pro forma adjusted EBITDA was EUR 15 million (2018: 13) or approx. EUR 20 million (2018: 18) including the impact of the delivery outsourcing agreement that came into effect on 1 January 2020. The acquisition is estimated to create annual net synergies of approx. EUR 13 million, which are expected to be realised in full as of 2022. Enterprise value of the acquired business is EUR 115 million, corresponding to a multiple of 5.8 (EV / Pro forma adjusted EBITDA including the impact of the delivery outsourcing agreement), and 3.5 including also synergies. In the beginning of 2020, the acquired business had approx. 365 employees (FTE). The employees became employees of Sanoma Group after the closing of the acquisition. The transaction was subject to customary closing conditions, including approval by the Finnish Competition and Consumer Authority, which was received unconditionally on 19 March 2020. The transaction was completed on 30 April 2020.

Information on acquisitions and divestments conducted in 2019 and earlier is available at [Sanoma.com](http://Sanoma.com).

## Events after the reporting period

On 16 July 2020, Sanoma announced it had divested its online classifieds' business Oikotie to Schibsted. Enterprise value (EV) of Oikotie is EUR 185 million, corresponding to an EV/EBITDA multiple of 19.6 (based on 2019 pro forma EBITDA). Pro forma 2019, net sales of Oikotie were EUR 27.6 million (pro forma 2018: 26.3) and operational EBITDA was EUR 9.4 million (pro forma 2018: 8.4). Oikotie had 93 employees (88 FTE) at the end of June 2020, who transferred to the buyer. The divestment concluded the evaluation of strategic options for Oikotie, which was announced on 11 February 2020.

## Learning

Learning is a growing European-based education company serving about 15 million students in eleven countries. Through a portfolio of modern, blended learning materials and methods, material distribution and digital platforms, we support learning and teaching in primary, secondary and vocational education. Our mission is to make a positive impact on learning by enabling teachers and schools to help all students to reach their full potential. Through our local companies, we contribute to some of the world's best-performing education systems.

### Key indicators <sup>1)</sup>

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change	FY 2019
Net sales	115.5	105.4	10%	173.5	136.9	27%	336.7
Operational EBIT excl. PPA <sup>2)</sup>	38.7	43.0	-10%	23.0	26.3	-13%	73.2
Margin <sup>2)</sup>	33.5%	40.7%		13.2%	19.2%		21.7%
EBIT	34.3	41.0	-16%	13.7	22.4	-39%	55.0
Capital expenditure	8.8	5.2	70%	15.4	9.0	72%	21.9
Average number of employees (FTE)				1,936	1,361	42%	1,488

<sup>1)</sup> Including continuing operations only. Certain minor subsidiaries acquired in 2019, and planned to be divested in the future, are reported as discontinued operations. More information on discontinued operations' financial performance is available on p. 34.

<sup>2)</sup> Excluding IACs of EUR -0.3 million in Q2 2020 (2019: -1.1), EUR -1.1 million in H1 2020 (2019: -2.2) and EUR -12.1 million in FY 2019 and PPA amortisations of EUR 4.1 million in Q2 2020 (2019: 0.8), EUR 8.1 million in H1 2020 (2019: 1.7) and EUR 6.1 million in FY 2019.

Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 17.

### Net sales by country

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change	FY 2019
The Netherlands	42.8	41.2	4%	75.1	55.4	36%	106.9
Poland	5.5	6.2	-11%	11.3	11.3	0%	95.6
Finland	31.3	30.6	2%	36.6	35.9	2%	52.5
Belgium	20.9	22.0	-5%	25.6	25.6	0%	57.1
Other countries and eliminations <sup>1)</sup>	15.0	5.6	171%	25.0	8.7	189%	24.5
<b>Net sales total</b>	<b>115.5</b>	<b>105.4</b>	<b>10%</b>	<b>173.5</b>	<b>136.9</b>	<b>27%</b>	<b>336.7</b>

<sup>1)</sup> Other countries include Sweden, Spain, Norway, France, Germany, Denmark and 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 small in net sales and loss-making. 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 than quarterly figures. Review of H1 2020 is available on the next page.*

### Q2 2020

Net sales of Learning grew and amounted to EUR 116 million (2019: 105). Net sales growth was attributable to acquisitions, in particular Iddink and itslearning. On a comparable basis, net sales were stable across the main markets. During the second quarter, part of learning material sales in the Netherlands and Belgium were now for the first time reported as Group internal sales to Iddink as a distributor. Due to this, external sales are only recognised in the income statement when Iddink delivers the materials to the external customers, i.e. schools, during the third quarter. This shifted approx. EUR 12 million of reported sales from the second to the third quarter, when the new school year starts. The coronavirus pandemic had only a minimal impact on the net sales and operational EBIT of Learning.

Operational EBIT excl. PPA declined and amounted to EUR 39 million (2019: 43). Shifting of reported sales towards the third quarter due to elimination of Group internal sales, which were reported as external sales before the acquisition of Iddink, had a negative impact on earnings. At Iddink, higher penetration of the subscription model led to lower share of rental books in the product mix and thus shifted earnings into the third quarter.

EBIT was EUR 34 million (2019: 41). IACs totalled EUR -0.3 million (2019: -1). PPA amortisations increased to EUR 4 million (2019: 1) as a result of recent acquisitions.

Capital expenditure increased to EUR 9 million (2019: 5) as a result of acquisitions and consisted of growth investments in digital platforms and ICT.

## H1 2020

Net sales of Learning grew significantly and amounted to EUR 174 million (2019: 137). A majority, EUR 31 million, of the net sales growth was attributable to acquisitions, in particular Iddink and itslearning. On a comparable basis, net sales grew in the Netherlands mainly as a result of the ongoing curriculum renewal in primary education mathematics. Part of learning material sales in the Netherlands and Belgium were Group internal sales to Iddink as a distributor, shifting approx. EUR 12 million of reported sales from the first half of the year to the third quarter as explained under Q2 2020 review above. The coronavirus pandemic had only a minimal impact on the net sales and operational EBIT of Learning.

Operational EBIT excl. PPA declined and amounted to EUR 23 million (2019: 26). Shifting of reported sales towards the third quarter due to elimination of Group internal sales, which were reported as external sales before the acquisition of Iddink, had a negative impact on earnings. At Iddink, higher penetration of the subscription model led to lower share of rental books in the product mix and thus shifted earnings into the third quarter.

EBIT was EUR 14 million (2019: 22). IACs totalled EUR -1 million (2019: -2) and mainly consisted of costs related to recent acquisitions. PPA amortisations increased to EUR 8 million (2019: 2) as a result of recent acquisitions.

Capital expenditure increased to EUR 15 million (2019: 9) as a result of acquisitions 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	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change	FY 2019
Net sales	130.9	154.5	-15%	260.7	286.1	-9%	576.8
Operational EBIT excl. PPA <sup>1)</sup>	16.0	19.4	-17%	25.6	32.9	-22%	69.4
Margin <sup>1)</sup>	12.3%	12.6%		9.8%	11.5%		12.0%
EBIT	9.4	14.7	-36%	14.6	24.1	-39%	54.9
Capital expenditure	1.3	1.2	12%	3.4	1.9	82%	3.8
Average number of employees (FTE)				2,001	1,793	12%	1,804

<sup>1)</sup> Excluding IACs of EUR -5.1 million in Q2 2020 (2019: -3.6), EUR -8.3 million in H1 2020 (2019: -6.7) and EUR -10.0 million in FY 2019, and PPA amortisations of EUR 1.6 million in Q2 2020 (2019: 1.1), EUR 2.7 million in H1 2020 (2019: 2.2) and EUR 4.4 million in FY 2019.

Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 17.

### Net sales by category

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change	FY 2019
Print	67.1	67.6	-1%	131.6	137.3	-4%	271.5
Non-print	63.7	86.9	-27%	129.1	148.9	-13%	305.3
<b>Net sales total</b>	<b>130.9</b>	<b>154.5</b>	<b>-15%</b>	<b>260.7</b>	<b>286.1</b>	<b>-9%</b>	<b>576.8</b>

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change	FY 2019
Advertising sales	51.5	69.0	-25%	107.4	126.8	-15%	247.3
Subscription sales	54.3	47.5	14%	103.9	97.3	7%	195.8
Single copy sales	10.5	10.7	-2%	21.0	20.9	0%	45.1
Other	14.5	27.3	-47%	28.4	41.2	-31%	88.6
<b>Net sales total</b>	<b>130.9</b>	<b>154.5</b>	<b>-15%</b>	<b>260.7</b>	<b>286.1</b>	<b>-9%</b>	<b>576.8</b>

Other sales mainly include festivals and events, marketing services, event marketing, custom publishing, books and printing. In FY 2019, net sales of the events business amounted to EUR 35 million.

### Q2 2020

Net sales of Media Finland declined by 15% to EUR 131 million (2019: 155) due to the coronavirus pandemic. Comparable advertising sales (excl. the acquired regional news media business) declined by 30% or EUR 21 million. Media Finland overperformed the market during the quarter gaining market share in TV and radio advertising. Due to the pandemic, all Media Finland's festivals and events for the season 2020 were cancelled. The impact of the cancellation, approx. EUR -14 million, is visible in other sales. On a comparable basis, Media Finland's subscription sales grew slightly, driven by strong growth in digital subscription sales of the daily newspaper Helsingin Sanomat and VOD service Ruutu+. Net sales of the regional news media business acquired on 30 April 2020 were similarly impacted by the pandemic and amounted to EUR 12 million.

According to the Finnish Advertising Trends survey for June 2020 by Kantar TNS, the advertising market in Finland declined by 38% on a net basis in Q2 2020. The decline was driven by the coronavirus pandemic. During the quarter, advertising declined by 42% in newspapers, by 30% in magazines, by 34% in TV, by 42% in radio and by 23% in online excluding search and social media. In January-June 2020, the advertising market in Finland declined by 24%. During the first half of

the year, advertising declined by 31% in newspapers, by 21% in magazines, by 20% in TV, by 29% in radio and by 12% in online excluding search and social media.

Operational EBIT excl. PPA declined to EUR 16 million (2019: 19). The adverse impact of lower advertising sales was partially offset by lower TV programming costs, which were shifted from the second quarter into the latter part of the year as a response to declining TV advertising sales. Received insurance compensation related to the cancelled events also supported earnings. The compensation was booked in full in Q2, although some fixed costs related to the events business will occur in the latter part of 2020. Costs related to overall administration, marketing and content creation decreased during the quarter as a result of actions taken to mitigate the corona impact. In addition, paper and printing costs declined as a result of efficient cost management.

EBIT was EUR 9 million (2019: 15). IACs totalled EUR -5 million (2019: -4) and included costs related to integration of the regional news media business. PPA amortisations were EUR 2 million (2019: 1) and increased due to the acquisition of the regional news media business.

Capital expenditure totalled EUR 1 million (2019: 1) and consisted of maintenance investments.

## Personnel

In January–June 2020, the average number of employees in full-time equivalents (FTE) in continuing operations was 4,168 (2019: 3,428). The average number of employees (FTE) per SBU was as follows: Learning 1,936 (2019: 1,361), Media Finland 2,001 (2019: 1,793) and Other operations 231 (2019: 274). At the end of June, the number of employees (FTE) of the Group was 4,475 (2019: 3,556) and 28 (2019: 860) in discontinued operations. The number of employees increased as a consequence of acquisitions.

Wages, salaries and fees paid to Sanoma's employees, including the expense recognition of share-based payments, amounted to EUR 146 million (2019: 118).

## Share capital and shareholders

At the end of June 2020, Sanoma's registered share capital was EUR 71 million (2019: 71), and the total number of shares was 163,565,663 (2019: 163,565,663), including 528,977 (2019: 549,140) own shares. Own shares represented 0.3% (2019: 0.3%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 163,036,686 (2019: 163,016,523).

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

Sanoma had 23,043 (2019: 20,807) registered shareholders at the end of June 2020.

## Acquisition of own shares

Sanoma repurchased own shares from 26 March until 2 April 2020. During that time, Sanoma acquired a total of 304,000 own shares for an average price of EUR 7.95 per share. The shares were acquired in public trading on Nasdaq Helsinki Ltd. at the market price prevailing at the time of purchase. The repurchased shares were acquired on the basis of the authorisation given by the Annual General Meeting on 25 March 2020 to be used as part of the Company's incentive programme.

## Share trading and performance

At the end of June 2020, Sanoma's market capitalisation was EUR 1,474 million (2019: 1,384) with Sanoma's share closing at EUR 9.01 (2019: 8.49). During January–June, the volume-weighted average price of Sanoma's share on Nasdaq Helsinki Ltd. was EUR 9.33 (2019: 8.64), with a low of EUR 6.84 (2019: 7.96) and a high of EUR 12.49 (2019: 9.44).

In January–June 2020, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 172 million (2019: 83). The trading volume of 18 million shares (2019: 10) equalled an average daily turnover of 150k shares (2019: 78k). The traded shares accounted for some 11% (2019: 6%) of the average number of shares. Sanoma's share turnover, including alternative trading venues BATS and Chi-X, was 21 million shares (2019: 12). Nasdaq Helsinki represented 88% (2019: 77%) of the share turnover. (Source: Euroland)

## Decisions of the Annual General Meeting

Sanoma Corporation's Annual General Meeting (AGM) was held on 25 March 2020 in Helsinki. The meeting adopted the Financial Statements, the Board of Directors' Report and the Auditor's Report for the year 2019, considered the Remuneration Policy for governing bodies and discharged the members of the Board of Directors as well as the President and CEO from liability for the financial year 2019.

The AGM resolved that a dividend of EUR 0.50 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 27 March 2020. The payment date for this instalment was 3 April 2020.

The second instalment of EUR 0.25 per share shall be paid to a shareholder who is registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the dividend record date, which, together with the dividend payment date, shall be decided by the Board of Directors in its meeting scheduled for 28 October 2020. The dividend record date would then be on or about 30 October 2020 and the dividend payment date on or about 6 November 2020.

The AGM resolved that the number of the members of the Board of Directors shall be set at ten. Pekka Ala-Pietilä, Antti Herlin, Mika Ihmuotila, Nils Ittonen, Denise Koopmans, Sebastian Langenskiöld, Rafaela Seppälä and Kai Öistämö were re-elected as members, and Julian Drinkall and Rolf Grisebach were elected as new members 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 2021.

The AGM resolved that the monthly remuneration payable to the members of the Board of Directors shall be increased. The monthly remunerations are: EUR 12,000 for the Chairman of the Board, EUR 7,000 for the Vice Chairman of the Board, and EUR 6,000 for the members of the Board. The meeting fees of the Board of Directors 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. 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 2021, and it terminated the corresponding authorisation granted by the AGM 2019.

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 2021, and it replaced 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 27 March 2019.

## 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. 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 focused on the second and third quarters. Seasonal business fluctuations influence the Group's net sales and EBIT, with the first and fourth quarter traditionally being the smallest ones for both.

## 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. Through its impact on Sanoma's advertising and events sales, the ongoing coronavirus pandemic possesses a significant near-term risk for the Group's business and financial performance in 2020. Key impacts and risk mitigation actions related to the pandemic are presented on p. 3 under the title "Key impacts of the coronavirus pandemic". Other significant risks that could have a negative impact on Sanoma's business, performance, or financial status, and how the coronavirus pandemic has impacted their likelihood and/or magnitude, are described below. However, in addition to risks mentioned below, other currently unknown or immaterial risks may arise or become material in the future.

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. There is no significant impact on the M&A-related risks due to the coronavirus pandemic.

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 changes in B2B and public demand. Ongoing

digitalisation and mobilisation are the main drivers behind many of these changes. In education, digital learning materials, methods and platforms are gradually penetrating the market. The pace of penetration has accelerated during the coronavirus pandemic, but it is currently too early to estimate how it will develop during the rest of this year and beyond. The increasing use of mobile devices is changing the way people consume media, while viewing time of free-to-air TV and subscriptions for print media are decreasing. New entrants might be able to better utilise these changes and therefore gain market share from Sanoma's established businesses.

Sanoma faces political risks, in particular in Poland, where legislative changes can have significant impacts on the learning business. Changes in taxation applied to Sanoma's products and services or in the interpretation of tax legislation or practices in its operating countries may have an impact on the demand for the products or on financial performance. There is no significant impact on the political or tax-related risks due to the coronavirus pandemic.

The general economic conditions in Sanoma's operating countries and overall industry trends could influence Sanoma's business activities and operational performance. General business risks associated with the performance of the learning business relate to development of public and private education spending especially during the curriculum renewals. In the media business, risks associated with business and financial performance typically relate to advertising demand and consumer spending. The volume of media advertising is especially sensitive to overall economic development and consumer confidence and is significantly impacted due to the corona virus pandemic.

Data is an increasingly essential part of Sanoma's business, putting privacy and consumer trust at the core of the Group's daily operations. 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 customer and consumer data could have a negative impact on Sanoma's ability to utilise data in its business. There is no significant impact on the data-related risks due to the coronavirus pandemic.

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 second quarter reporting, Sanoma has reviewed the potential impact of the coronavirus pandemic on the expected credit losses and adjusted provisions related to Media Finland accordingly.

Sanoma's consolidated balance sheet included EUR 1,012 million (2019: 1,158) of goodwill, immaterial rights and other intangible assets at the end of June 2020. 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. According to management assessment at the end June 2020, the coronavirus pandemic is not considered a triggering event 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 2019 at [www.sanoma.com/investors](http://www.sanoma.com/investors).

## Financial reporting in 2020

Sanoma will publish the following financial report during 2020:

Interim Report 1 January–30 September 2020

Thursday, 29 October, approx. at 8:30

Helsinki, 23 July 2020

Board of Directors  
Sanoma Corporation



## Reconciliation of operational EBIT excl. PPA

EUR million	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
<b>EBIT</b>	<b>42.3</b>	<b>53.9</b>	<b>24.7</b>	<b>43.2</b>	<b>102.1</b>
<b>Items affecting comparability (IACs) and PPA amortisations</b>					
<b>Learning</b>					
Restructuring expenses	-0.3	-1.1	-1.1	-2.2	-12.1
PPA amortisations	-4.1	-0.8	-8.1	-1.7	-6.1
<b>Media Finland</b>					
Restructuring expenses	-5.1	-3.6	-8.3	-6.7	-10.0
PPA amortisations	-1.6	-1.1	-2.7	-2.2	-4.4
<b>Other companies</b>					
Capital gains/losses		0.5		0.5	0.5
Restructuring expenses	-0.2	0.0	-0.2	-0.2	-1.0
<b>Items affecting comparability (IACs) and PPA amortisations total</b>	<b>-11.2</b>	<b>-6.2</b>	<b>-20.4</b>	<b>-12.4</b>	<b>-33.1</b>
<b>Operational EBIT excl. PPA amortisations total</b>	<b>53.5</b>	<b>60.1</b>	<b>45.1</b>	<b>55.6</b>	<b>135.2</b>
<b>Items affecting comparability (IACs) in financial income and expenses</b>					
Capital gains/losses				1.0	1.0
Financial items			0.6		
Impairments				-1.1	-1.1
<b>Total</b>			<b>0.6</b>	<b>-0.2</b>	<b>-0.2</b>
<b>Items affecting comparability (IACs) and PPA amortisations in discontinued operations</b>					
Capital gains/losses				10.8	10.8
Impairments <sup>1)</sup>	1.7		-1.4		-105.1
Restructuring expenses		-0.9	-0.5	-2.8	-9.1
PPA amortisations	-0.4	-1.0	-1.4	-1.8	-3.9
<b>Total</b>	<b>1.3</b>	<b>-2.0</b>	<b>-3.4</b>	<b>6.1</b>	<b>-107.3</b>

<sup>1</sup> In 2020, the impairment of EUR 1.4 million mainly relates to costs to sell for the divestment of Media Netherlands. In 2019, the impairment of EUR 105.1 million relates to the impairment loss on classification as assets held for sale under IFRS 5 following the announcement to divest Media Netherlands.

## Reconciliation of operational EPS

EUR million	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
<b>Result for the period attributable to the equity holders of the Parent Company</b>	<b>32.3</b>	<b>50.0</b>	<b>28.8</b>	<b>57.3</b>	<b>11.5</b>
Items affecting comparability <sup>1)</sup>	3.3	4.1	9.0	-1.7	118.9
<b>Operational result for the period attributable to the equity holders of the Parent Company</b>	<b>35.7</b>	<b>54.0</b>	<b>37.8</b>	<b>55.6</b>	<b>130.4</b>
Adjusted average number of shares	163,036,686	163,016,523	163,046,561	162,849,578	162,933,737
<b>Operational EPS</b>	<b>0.22</b>	<b>0.33</b>	<b>0.23</b>	<b>0.34</b>	<b>0.80</b>

<sup>1)</sup> 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 Jun 2020	30 Jun 2019	31 Dec 2019
Non-current financial liabilities	171.8	8.5	227.9
Current financial liabilities	199.9	417.6	400.7
Non-current lease liabilities	171.8	157.7	162.0
Current lease liabilities	27.4	22.9	27.3
Cash and cash equivalents	-26.8	-28.7	-23.2
<b>Interest-bearing net debt</b>	<b>543.9</b>	<b>578.0</b>	<b>794.7</b>

Interest-bearing net debt includes financial assets and liabilities of certain minor subsidiaries that are presented as part of assets and liabilities held for sale in the balance sheet on 30 June 2020. In addition, interest-bearing net debt on 31 December 2019 includes financial assets and liabilities of Sanoma Media Netherlands. More details are presented on p. 35.

## Income statement by quarter

EUR million	Q1 2020	Q2 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
<b>NET SALES</b>	<b>187.7</b>	<b>246.2</b>	<b>163.0</b>	<b>259.8</b>	<b>284.9</b>	<b>205.6</b>	<b>913.3</b>
Other operating income	6.5	15.0	7.5	7.6	7.2	8.7	31.0
Materials and services	-55.3	-65.7	-50.0	-77.9	-95.2	-59.6	-282.7
Employee benefit expenses	-72.0	-74.0	-58.4	-59.1	-56.5	-70.0	-244.0
Other operating expenses	-40.7	-40.3	-38.5	-39.2	-39.7	-48.0	-165.3
Share of results in joint ventures	0.1	0.1	0.1	0.1	0.1	0.1	0.4
Depreciation, amortisation and impairment losses	-43.8	-39.0	-34.3	-37.5	-31.8	-46.9	-150.5
<b>EBIT</b>	<b>-17.6</b>	<b>42.3</b>	<b>-10.7</b>	<b>53.9</b>	<b>69.1</b>	<b>-10.2</b>	<b>102.1</b>
Share of results in associated companies	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
Financial income	4.1	-0.3	1.4	0.5	0.6	0.5	3.1
Financial expenses	-4.8	-3.3	-5.9	-5.9	-7.7	-5.4	-24.9
<b>RESULT BEFORE TAXES</b>	<b>-18.4</b>	<b>38.6</b>	<b>-15.3</b>	<b>48.6</b>	<b>61.9</b>	<b>-15.0</b>	<b>80.3</b>
Income taxes	5.5	-9.4	3.8	-12.5	-13.4	4.8	-17.2
<b>RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>-12.9</b>	<b>29.2</b>	<b>-11.4</b>	<b>36.1</b>	<b>48.5</b>	<b>-10.2</b>	<b>63.1</b>
<b>DISCONTINUED OPERATIONS</b>							
Result for the period from discontinued operations	9.1	4.3	18.8	13.9	10.6	-93.1	-49.8
<b>RESULT FOR THE PERIOD</b>	<b>-3.8</b>	<b>33.5</b>	<b>7.3</b>	<b>50.0</b>	<b>59.2</b>	<b>-103.2</b>	<b>13.3</b>
<b>Result from continuing operations attributable to:</b>							
Equity holders of the Parent Company	-12.6	28.0	-11.4	36.0	47.1	-10.3	61.4
Non-controlling interests	-0.3	1.2	0.0	0.1	1.5	0.1	1.7
<b>Result from discontinued operations attributable to:</b>							
Equity holders of the Parent Company	9.0	4.3	18.8	13.9	10.6	-93.2	-49.9
Non-controlling interests	0.1	0.0	0.0	0.0	0.0	0.1	0.1
<b>Result attributable to:</b>							
Equity holders of the Parent Company	-3.6	32.3	7.4	50.0	57.7	-103.5	11.5
Non-controlling interests	-0.2	1.2	0.0	0.1	1.5	0.3	1.8
<b>Earnings per share for result attributable to the equity holders of the Parent Company:</b>							
Earnings per share, EUR, continuing operations	-0.08	0.17	-0.07	0.22	0.29	-0.06	0.38
Diluted earnings per share, EUR, continuing operations	-0.08	0.17	-0.07	0.22	0.29	-0.06	0.38
Earnings per share, EUR, discontinued operations	0.06	0.03	0.12	0.09	0.07	-0.57	-0.31
Diluted earnings per share, EUR, discontinued operations	0.06	0.03	0.12	0.09	0.06	-0.57	-0.31
Earnings per share, EUR	-0.02	0.20	0.05	0.31	0.35	-0.63	0.07
Diluted earnings per share, EUR	-0.02	0.20	0.05	0.31	0.35	-0.63	0.07

In 2020 and 2019, discontinued operations include Sanoma Media Netherlands and certain minor subsidiaries acquired in 2019 and planned to be divested in the future. The divestment of Sanoma Media Netherlands was completed on 20 April 2020.

## Net sales by SBU

EUR million	Q1 2020	Q2 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Learning	58.1	115.5	31.4	105.4	138.4	61.4	336.7
Media Finland	129.9	130.9	131.6	154.5	146.5	144.2	576.8
Other companies and eliminations	-0.2	-0.1	-0.1	-0.1	0.0	-0.1	-0.3
<b>Total</b>	<b>187.7</b>	<b>246.2</b>	<b>163.0</b>	<b>259.8</b>	<b>284.9</b>	<b>205.6</b>	<b>913.3</b>

## EBIT by SBU

EUR million	Q1 2020	Q2 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Learning	-20.6	34.3	-18.6	41.0	52.0	-19.3	55.0
Media Finland	5.3	9.4	9.3	14.7	19.0	11.9	54.9
Other companies and eliminations	-2.3	-1.4	-1.5	-1.8	-1.9	-2.7	-7.9
<b>Total</b>	<b>-17.6</b>	<b>42.3</b>	<b>-10.7</b>	<b>53.9</b>	<b>69.1</b>	<b>-10.2</b>	<b>102.1</b>

## Operational EBIT excl. PPA by SBU

EUR million	Q1 2020	Q2 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Learning	-15.7	38.7	-16.7	43.0	57.2	-10.3	73.2
Media Finland	9.5	16.0	13.5	19.4	21.7	14.7	69.4
Other companies and eliminations	-2.2	-1.2	-1.3	-2.3	-1.4	-2.4	-7.4
<b>Total</b>	<b>-8.4</b>	<b>53.5</b>	<b>-4.5</b>	<b>60.1</b>	<b>77.5</b>	<b>2.1</b>	<b>135.2</b>

## 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 June 2020. 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. As part of the second quarter reporting, Sanoma has reviewed the potential impact of the coronavirus pandemic on the expected credit losses.

For the Learning SBU, management currently considers the impact of the coronavirus 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 yet been any significant change in payment delays. However, if the coronavirus pandemic continues or would even intensify, it will potentially increase the credit risk. The financial crisis of 2008-2009 was used as a reference point for estimating the impact of the coronavirus 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.

In previous impairment calculations, the recoverable amounts for the Cash Generating Units Media Finland and Learning were significantly higher than the carrying amounts. Based on further sensitivity analyses performed for the reporting period ended 30 June 2020, management concludes that the coronavirus pandemic will not have eliminated this difference and therefore is not considered a triggering event for impairment testing.

## Consolidated income statement

EUR million	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
<b>NET SALES</b>	<b>246.2</b>	<b>259.8</b>	<b>434.0</b>	<b>422.8</b>	<b>913.3</b>
Other operating income	15.0	7.6	21.5	15.1	31.0
Materials and services	-65.7	-77.9	-121.0	-127.9	-282.7
Employee benefit expenses	-74.0	-59.1	-146.0	-117.5	-244.0
Other operating expenses	-40.3	-39.2	-81.0	-77.7	-165.3
Share of results in joint ventures	0.1	0.1	0.2	0.2	0.4
Depreciation, amortisation and impairment losses	-39.0	-37.5	-82.9	-71.8	-150.5
<b>EBIT</b>	<b>42.3</b>	<b>53.9</b>	<b>24.7</b>	<b>43.2</b>	<b>102.1</b>
Share of results in associated companies	-0.1	0.0	-0.2	-0.1	0.0
Financial income	-0.3	0.5	3.7	1.9	3.1
Financial expenses	-3.3	-5.9	-8.1	-11.7	-24.9
<b>RESULT BEFORE TAXES</b>	<b>38.6</b>	<b>48.6</b>	<b>20.2</b>	<b>33.3</b>	<b>80.3</b>
Income taxes	-9.4	-12.5	-3.9	-8.6	-17.2
<b>RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>29.2</b>	<b>36.1</b>	<b>16.3</b>	<b>24.7</b>	<b>63.1</b>
<b>DISCONTINUED OPERATIONS</b>					
Result for the period from discontinued operations	4.3	13.9	13.4	32.7	-49.8
<b>RESULT FOR THE PERIOD</b>	<b>33.5</b>	<b>50.0</b>	<b>29.7</b>	<b>57.4</b>	<b>13.3</b>
<b>Result from continuing operations attributable to:</b>					
Equity holders of the Parent Company	28.0	36.0	15.4	24.6	61.4
Non-controlling interests	1.2	0.1	0.9	0.1	1.7
<b>Result from discontinued operations attributable to:</b>					
Equity holders of the Parent Company	4.3	13.9	13.4	32.7	-49.9
Non-controlling interests	0.0	0.0	0.1	0.0	0.1
<b>Result attributable to:</b>					
Equity holders of the Parent Company	32.3	50.0	28.8	57.3	11.5
Non-controlling interests	1.2	0.1	0.9	0.0	1.8
<b>Earnings per share for result attributable to the equity holders of the Parent Company:</b>					
Earnings per share, EUR, continuing operations	0.17	0.22	0.09	0.15	0.38
Diluted earnings per share, EUR, continuing operations	0.17	0.22	0.09	0.15	0.38
Earnings per share, EUR, discontinued operations	0.03	0.09	0.08	0.20	-0.31
Diluted earnings per share, EUR, discontinued operations	0.03	0.09	0.08	0.20	-0.31
Earnings per share, EUR	0.20	0.31	0.18	0.35	0.07
Diluted earnings per share, EUR	0.20	0.31	0.18	0.35	0.07

In 2020 and 2019, discontinued operations include Sanoma Media Netherlands and certain minor subsidiaries acquired in 2019 and planned to be divested in the future. The divestment of Sanoma Media Netherlands was completed on 20 April 2020.

## Statement of comprehensive income <sup>1)</sup>

EUR million	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
<b>Result for the period</b>	<b>33.5</b>	<b>50.0</b>	<b>29.7</b>	<b>57.4</b>	<b>13.3</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Change in translation differences	1.6	0.2	-2.1	0.1	2.5
Share of other comprehensive income of equity-accounted investees	0.0	0.0		0.0	0.1
<b>Items that will not be reclassified to profit or loss</b>					
Defined benefit plans	9.2	-0.5	4.3	3.6	6.1
Income tax related to defined benefit plans	-1.9	0.1	-0.9	-0.7	-1.1
<b>Other comprehensive income for the period, net of tax</b>	<b>9.0</b>	<b>-0.2</b>	<b>1.3</b>	<b>3.0</b>	<b>7.6</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>42.5</b>	<b>49.8</b>	<b>31.0</b>	<b>60.3</b>	<b>20.9</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Parent Company	41.3	49.7	30.1	60.3	19.1
Non-controlling interests	1.2	0.1	0.9	0.0	1.8

<sup>1)</sup> Statement of comprehensive income includes both continuing and discontinued operations.

## Consolidated balance sheet

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>ASSETS</b>			
Property, plant and equipment	70.2	33.3	78.0
Right-of-use assets	193.6	171.2	157.0
Investment property	9.1	9.7	9.1
Goodwill	538.7	901.0	505.8
Other intangible assets	473.3	257.0	443.3
Equity-accounted investees	2.3	15.1	1.9
Other investments	4.0	3.8	3.9
Deferred tax receivables	13.9	8.4	12.6
Trade and other receivables	12.3	10.6	13.6
<b>NON-CURRENT ASSETS, TOTAL</b>	<b>1,317.3</b>	<b>1,410.3</b>	<b>1,225.2</b>
Inventories	75.2	48.8	25.4
Income tax receivables	16.9	19.9	7.6
Contract assets	1.3	10.1	0.4
Trade and other receivables	156.4	203.5	103.8
Cash and cash equivalents	26.1	28.7	16.3
<b>CURRENT ASSETS, TOTAL</b>	<b>276.0</b>	<b>311.0</b>	<b>153.5</b>
Assets held for sale and discontinued operations	2.8		619.2
<b>ASSETS, TOTAL</b>	<b>1,596.1</b>	<b>1,721.3</b>	<b>1,997.9</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	71.3	71.3	71.3
Treasury shares	-4.3	-4.6	-4.6
Fund for invested unrestricted equity	209.8	209.8	209.8
Other equity	194.2	302.8	253.0
Total equity attributable to the equity holders of the Parent Company	471.0	579.2	529.4
Non-controlling interests	20.9	9.6	21.5
<b>EQUITY, TOTAL</b>	<b>491.9</b>	<b>588.8</b>	<b>550.9</b>
Deferred tax liabilities	78.9	33.9	74.6
Pension obligations	3.3	4.8	7.1
Provisions	0.9	4.5	0.6
Financial liabilities	171.0	8.5	221.3
Lease liabilities	171.6	157.7	138.4
Contract liabilities	4.5	4.3	4.2
Trade and other payables	5.9	5.5	6.5
<b>NON-CURRENT LIABILITIES, TOTAL</b>	<b>436.3</b>	<b>219.2</b>	<b>452.8</b>
Provisions	1.0	8.2	1.3
Financial liabilities	199.9	417.6	398.4
Lease liabilities	27.1	22.9	22.5
Income tax liabilities	21.7	22.7	8.4
Contract liabilities	158.5	131.7	129.7
Trade and other payables	256.0	310.2	210.4
<b>CURRENT LIABILITIES, TOTAL</b>	<b>664.0</b>	<b>913.3</b>	<b>770.8</b>
Liabilities related to assets held for sale and discontinued operations	3.9		223.3
<b>LIABILITIES, TOTAL</b>	<b>1,104.2</b>	<b>1,132.5</b>	<b>1,447.0</b>
<b>EQUITY AND LIABILITIES, TOTAL</b>	<b>1,596.1</b>	<b>1,721.3</b>	<b>1,997.9</b>



## 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
<b>Equity at 1 Jan 2019</b>	<b>71.3</b>	<b>-8.4</b>	<b>209.8</b>	<b>333.8</b>	<b>606.4</b>	<b>5.0</b>	<b>611.4</b>
Comprehensive income for the period				60.3	60.3	0.0	60.3
Share-based compensation				-2.3	-2.3		-2.3
Shares delivered		3.8		-3.8			
Dividends				-73.4	-73.4	-0.6	-74.0
Acquisitions and other changes in non-controlling interests				-11.8	-11.8	5.2	-6.6
<b>Equity at 30 Jun 2019</b>	<b>71.3</b>	<b>-4.6</b>	<b>209.8</b>	<b>302.8</b>	<b>579.2</b>	<b>9.6</b>	<b>588.8</b>
<b>Equity at 1 Jan 2020</b>	<b>71.3</b>	<b>-4.6</b>	<b>209.8</b>	<b>253.0</b>	<b>529.4</b>	<b>21.5</b>	<b>550.9</b>
Comprehensive income for the period				30.1	30.1	0.9	31.0
Purchase of treasury shares		-2.4			-2.4		-2.4
Share-based compensation				-1.8	-1.8		-1.8
Shares delivered		2.8		-2.8			
Dividends				-81.6	-81.6	-0.3	-81.9
Acquisitions and other changes in non-controlling interests				-2.7	-2.7	-1.3	-3.9
<b>Equity at 30 Jun 2020</b>	<b>71.3</b>	<b>-4.3</b>	<b>209.8</b>	<b>194.2</b>	<b>471.0</b>	<b>20.9</b>	<b>491.9</b>

## Consolidated cash flow statement

EUR million	H1 2020	H1 2019	FY 2019
<b>OPERATIONS</b>			
Result for the period	29.7	57.4	13.3
Adjustments			
Income taxes	8.0	16.9	32.5
Financial income and expenses	4.6	10.3	23.5
Share of results in equity-accounted investees	-1.1	-2.2	-4.3
Depreciation, amortisation and impairment losses	83.5	77.0	266.2
Gains/losses on sales of non-current assets	1.1	-11.8	-12.4
Other adjustments	-2.9	-0.2	-4.1
Adjustments, total	93.2	90.1	301.4
Change in working capital	-114.3	-113.7	-18.4
Acquisitions of broadcasting rights, prepublication costs and rental books	-32.9	-40.5	-83.9
Dividends received	0.1	4.3	4.7
Interest paid and other financial items	-6.4	-5.8	-17.9
Taxes paid	-13.4	-19.0	-36.2
<b>Cash flow from operations</b>	<b>-43.9</b>	<b>-27.2</b>	<b>163.0</b>
<b>INVESTMENTS</b>			
Capital expenditure	-21.2	-14.0	-31.7
Operations acquired	-55.9	-12.4	-237.0
Proceeds from sale of tangible and intangible assets	0.7	2.0	2.5
Operations sold	425.1	52.9	53.4
Loans granted	0.0	-0.7	-0.4
Repayments of loan receivables	0.2	0.0	0.0
Interest received	1.3	0.1	0.3
<b>Cash flow from investments</b>	<b>350.2</b>	<b>27.9</b>	<b>-212.8</b>
<b>Cash flow before financing</b>	<b>306.3</b>	<b>0.7</b>	<b>-49.7</b>
<b>FINANCING</b>			
Contribution by non-controlling interests		0.2	0.2
Purchase of treasury shares	-2.4		
Change in loans with short maturity	-191.4	63.9	193.6
Drawings of other loans	4.7	0.0	250.3
Repayments of other loans	-50.0	0.0	-289.2
Payment of lease liabilities	-15.1	-12.0	-24.8
Acquisitions of non-controlling interests		-8.4	-8.4
Dividends paid	-41.2	-41.4	-74.5
<b>Cash flow from financing</b>	<b>-295.4</b>	<b>2.3</b>	<b>47.3</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS ACCORDING TO CASH FLOW STATEMENT</b>	<b>10.9</b>	<b>3.0</b>	<b>-2.4</b>
Effect of exchange rate differences on cash and cash equivalents	-0.3	-0.1	-0.1
<b>Net change in cash and cash equivalents</b>	<b>10.6</b>	<b>2.9</b>	<b>-2.6</b>
Cash and cash equivalents at the beginning of the period	15.9	18.4	18.4
Cash and cash equivalents at the end of the period	26.5	21.3	15.9
<b>FREE CASH FLOW (Cash flow from operations – Capital expenditure)</b>	<b>-65.1</b>	<b>-41.2</b>	<b>131.3</b>

Includes continuing and discontinued operations.

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 0.4 million (2019: 7.3) at the end of the period.

Cash and cash equivalents in the H1 2020 cash flow statement include EUR 0.7 million (31 Dec 2019: 6.9) cash and cash equivalents of discontinued operations, which are presented as part of assets held for sale in the balance sheet at the end of the period.

## 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 Media Netherlands is reported as discontinued operations starting from December 2019. The divestment of Sanoma Media Netherlands was completed on 20 April 2020.

Sanoma Learning is a growing European-based education company serving about 15 million students in eleven countries. Through a portfolio of modern, blended learning materials and methods, material distribution and digital platforms we support learning and teaching in primary, secondary and vocational education. Our mission is to make a positive impact on learning by enabling teachers and schools to help all students to reach their full potential. Through our local companies, we contribute to some of the world's best-performing education systems.

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 June 2020

EUR million	Learning	Media Finland	Unallocated/ eliminations	Continuing operations
External net sales	173.5	260.4		434.0
Internal net sales	0.0	0.3	-0.3	
<b>Net sales, total</b>	<b>173.5</b>	<b>260.7</b>	<b>-0.3</b>	<b>434.0</b>
<b>EBIT</b>	<b>13.7</b>	<b>14.6</b>	<b>-3.6</b>	<b>24.7</b>
<b>Operational EBIT excl. PPA</b>	<b>23.0</b>	<b>25.6</b>	<b>-3.4</b>	<b>45.1</b>
Share of results in associated companies		-0.2		-0.2
Financial income			3.7	3.7
Financial expenses			-8.1	-8.1
<b>Result before taxes</b>				<b>20.2</b>
Income taxes				-3.9
<b>Result for the period from continuing operations</b>				<b>16.3</b>
Result for the period from discontinued operations				13.4
<b>Result for the period</b>				<b>29.7</b>
<b>Segment assets</b>	<b>1,215.7</b>	<b>458.9</b>	<b>-138.6</b>	<b>1,536.0</b>

## Segment information 1 January–30 June 2019

EUR million	Learning	Media Finland	Media Netherlands	Unallocated/ eliminations	Continuing operations
External net sales	136.9	285.9			422.8
Internal net sales	0.0	0.2		-0.2	
<b>Net sales, total</b>	<b>136.9</b>	<b>286.1</b>		<b>-0.2</b>	<b>422.8</b>
<b>EBIT</b>	<b>22.4</b>	<b>24.1</b>		<b>-3.2</b>	<b>43.2</b>
<b>Operational EBIT excl. PPA</b>	<b>26.3</b>	<b>32.9</b>		<b>-3.6</b>	<b>55.6</b>
Share of results in associated companies		-0.1			-0.1
Financial income				1.9	1.9
Financial expenses				-11.7	-11.7
<b>Result before taxes</b>					<b>33.3</b>
Income taxes					-8.6
<b>Result for the period from continuing operations</b>					<b>24.7</b>
Result for the period from discontinued operations					32.7
<b>Result for the period</b>					<b>57.4</b>
<b>Segment assets</b>	<b>735.5</b>	<b>350.0</b>	<b>710.4</b>	<b>-133.0</b>	<b>1,662.9</b>

## 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 June 2020

EUR million	Learning	Media Finland	Unallocated/ eliminations	Total
Finland	36.6	260.7	-0.3	297.0
The Netherlands	75.1			75.1
Poland	11.3			11.3
Belgium	25.6			25.6
Other companies and eliminations	25.0			25.0
<b>Primary geographical markets</b>	<b>173.5</b>	<b>260.7</b>	<b>-0.3</b>	<b>434.0</b>
Learning solutions	155.3		0.0	155.3
Advertising		107.4	-0.2	107.3
Subscription		103.9		103.9
Single copy		21.0		21.0
Other	18.2	28.4	-0.1	46.6
<b>Major product lines/services</b>	<b>173.5</b>	<b>260.7</b>	<b>-0.3</b>	<b>434.0</b>
Recognition at a point-in-time	103.5	81.8	-0.3	185.1
Recognition over-time	70.0	178.9		248.9
<b>Timing of revenue recognition</b>	<b>173.5</b>	<b>260.7</b>	<b>-0.3</b>	<b>434.0</b>

## Disaggregation of revenue 1 January–30 June 2019

EUR million	Learning	Media Finland	Unallocated/eliminations	Total
Finland	35.9	286.1	-0.2	321.9
The Netherlands	55.4			55.4
Poland	11.3			11.3
Belgium	25.6			25.6
Other companies and eliminations	8.7			8.7
<b>Primary geographical markets</b>	<b>136.9</b>	<b>286.1</b>	<b>-0.2</b>	<b>422.8</b>
Learning solutions	136.9		0.0	136.9
Advertising		126.8	-0.1	126.7
Subscription		97.3	0.0	97.3
Single copy		20.9		20.9
Other		41.2	-0.1	41.1
<b>Major product lines/services</b>	<b>136.9</b>	<b>286.1</b>	<b>-0.2</b>	<b>422.8</b>
Recognition at a point-in-time	111.4	106.5	-0.2	217.7
Recognition over-time	25.4	179.6		205.1
<b>Timing of revenue recognition</b>	<b>136.9</b>	<b>286.1</b>	<b>-0.2</b>	<b>422.8</b>

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

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Carrying amount at 31 Dec	235.1	37.4	37.4
Effect of IFRS 16 on 1 Jan 2019		183.9	183.9
Carrying amount at 1 Jan	235.1	221.3	221.3
Increases	6.0	5.7	12.6
Acquisitions of operations	50.5	0.0	70.1
Decreases	-0.5	-2.3	-2.7
Disposal of operations	-0.7	-3.0	-3.0
Depreciation for the period	-25.7	-16.8	-37.7
Impairment losses for the period			0.0
Transferred to assets held for sale			-25.1
Exchange rate differences and other changes	-1.0	-0.4	-0.3
<b>Carrying amount at the end of the period</b>	<b>263.8</b>	<b>204.6</b>	<b>235.1</b>

## Acquisitions and divestments

On 30 April 2020 Sanoma completed the acquisition of Alma Media's regional news media business. The acquisition was announced on 11 February 2020 and unconditional approval of the Finnish Competition and Consumer Authority was received on 19 March 2020.

The acquired business consists of Alma Media Kustannus Oy, publisher of leading regional newspapers Aamulehti and Satakunnan Kansa, as well as thirteen local newspapers in Tampere region, Western Finland and Central Finland. It also includes Alma Manu Oy, provider of printing services with a state-of-the-art printing facility in Tampere. Net sales of the acquired business was EUR 99 million in 2019. Subscription sales compose approx. 60% and advertising sales approx. 40% of the total net sales of the acquired business. 365 employees (FTE) working in the acquired business were with the closing become employees of Sanoma Group.

Sanoma estimates that, on top of the approx. EUR 5 million cost savings related to the delivery outsourcing agreement that came into effect on 1 January 2020, the acquisition will create net annual synergies of approx. EUR 13 million. These synergies are expected to be realised in full in 2022 and mainly relate to operational efficiency, procurement and IT, as well as shared operations and support functions.

Cash and debt free purchase price of the acquired business was EUR 115 million, including approx. EUR 37 million of net debt and advances received, and it was paid at closing. The enterprise value represents an EV / pro forma adjusted EBITDA multiple of 5.8 including the impact of the delivery outsourcing agreement, and 3.5 including also synergies. Sanoma has financed the acquisition with funds received from the divestment of Sanoma Media Netherlands, which was completed on 20 April 2020.

Acquisition accounting for the acquired business is disclosed in this 2020 Half-year Report. The final purchase price of EUR 79 million has been allocated to identified net assets which include trademarks and publishing rights and advertising and printing customer relationships with the remaining residual accounted for as goodwill. The goodwill is attributable mainly to the synergies related to the leverage of Sanoma's digital capabilities, regional access and assembled workforce.

Sanoma expects to book approx. EUR 12 million of transaction and integration costs as items affecting comparability (IACs) in Sanoma Media Finland's 2020 result, of which EUR 3 million was booked in H1 2020.

On 13 September 2019 Sanoma completed the acquisition of Iddink Group, a leading Dutch educational platform and service provider. Acquisition accounting for Iddink was disclosed in the 2019 financial statements as provisional and subject to changes. The final purchase price of EUR 212 million was allocated to identified net assets which include preliminarily customer relationships, brand, software/platforms and deferred income with the remaining residual accounted for as goodwill. Purchase price allocation was adjusted during Q1 2020 resulting in EUR 1.6 million increase in goodwill.

On 5 December 2019 Sanoma Learning acquired itslearning, an international provider of award-winning cloud-based learning platforms founded in 1999 in Norway. Acquisition accounting for itslearning was disclosed in the 2019 financial statements as provisional and subject to changes. The purchase price allocation was finalised during Q2 2020 resulting in EUR 0.2 million decrease in goodwill. The purchase price has been allocated to identified net assets, which mainly include customer relationships and learning technology platform.

On 17 December 2019 Sanoma Learning acquired 67.3% of the shares of Clickedu, one of the leading providers of digital educational platforms in Spain. The Group elected to recognise the non-controlling interests in Clickedu at its proportionate share of the acquired net identifiable assets. Purchase price allocation was finalised during Q2 2020. The purchase price has been allocated to identified net assets, which mainly include customer relationship and learning technology platform, resulting in EUR 8.1 million decrease in goodwill.

## Impact of business acquisitions on Group's assets and liabilities

EUR million	Alma	Other	H1 2020	Iddink	Other	FY 2019
Property, plant and equipment	2.0		2.0	51.1	0.3	51.4
Right-of-use assets	48.5		48.5	16.2	2.5	18.6
Intangible assets	34.0	8.8	42.8	192.1	40.1	232.1
Other non-current assets	0.4		0.4	1.4	5.9	7.2
Inventories	2.5		2.5	3.9	0.1	4.0
Other current assets	33.5		33.5	52.3	11.6	63.9
Assets, total	120.8	8.8	129.7	316.9	60.4	377.3
Non-current liabilities	-51.6	-2.3	-53.9	-143.3	-11.1	-154.4
Current liabilities	-28.9	-0.1	-29.0	-83.8	-17.6	-101.3
Liabilities, total	-80.5	-2.4	-82.9	-227.0	-28.7	-255.7
Fair value of acquired net assets	40.3	6.4	46.8	89.9	31.7	121.6
Acquisition cost	79.1	-0.1	79.0	212.1	58.8	270.9
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities		-0.2	-0.2	0.0	0.2	0.2
Fair value of acquired net assets	-40.3	-6.4	-46.8	-89.9	-31.7	-121.6
<b>Goodwill from the acquisitions</b>	<b>38.8</b>	<b>-6.7</b>	<b>32.0</b>	<b>122.2</b>	<b>27.2</b>	<b>149.4</b>

## Acquisitions of non-controlling interests

EUR million	H1 2020	FY 2019
Acquisition cost		8.4
Book value of the acquired interest		1.0
<b>Impact on consolidated equity</b>		<b>-7.4</b>

## Cash paid to obtain control, net of cash acquired

EUR million	Alma	Other	H1 2020	Iddink	Other	FY 2019
Acquisition cost	79.1	-0.1	79.0	212.1	58.8	270.9
Cash and cash equivalents of acquired operations	-24.7	0.0	-24.7	-4.5	-7.8	-12.3
Decrease (+) / increase (-) in acquisition liabilities	-1.2	2.3	1.1	-11.0	-11.2	-22.2
<b>Cash paid to obtain control, net of cash acquired</b>	<b>53.2</b>	<b>2.2</b>	<b>55.4</b>	<b>196.5</b>	<b>39.7</b>	<b>236.3</b>
<b>Cash paid on acquisitions of non-controlling interests</b>						<b>8.4</b>



On 20 April 2020 Sanoma completed the divestment of Sanoma Media Netherlands to DPG Media. The divestment was announced on 10 December 2019 and it was subject to customary closing conditions, including the approval of Dutch competition authorities, which was announced on 10 April 2020. Sanoma Media Netherlands has been reported as discontinued operations in 2019 and 2020 financial reporting.

In total, the divestment resulted in a non-cash capital loss of EUR 107 million (incl. divestment-related transaction costs), of which EUR 105 million has been booked in discontinued operations' 2019 result and EUR 2 million in discontinued operations' H1 2020 result. See more details in discontinued operations' disclosure on p. 34.

The total sales consideration included a cash-based sales price of EUR 62.5 million and EUR 381.1 million of debt repayments.

## Impact of divestments on Group's assets and liabilities

EUR million	H1 2020	FY 2019
Property, plant and equipment	1.6	0.9
Right-of-use assets	24.2	2.1
Goodwill	440.3	37.9
Other intangible assets	30.8	0.3
Equity-accounted investees	16.8	
Inventories	10.2	0.3
Trade and other receivables	83.5	2.3
Cash and cash equivalents	18.6	3.0
<b>Assets, total</b>	<b>626.0</b>	<b>46.9</b>
Deferred tax liabilities	-5.3	
Financial liabilities	-37.2	-8.9
Trade and other payables	-518.6	-5.9
<b>Liabilities, total</b>	<b>-561.1</b>	<b>-14.8</b>
Derecognised non-controlling interest	-4.4	
Net assets	60.5	32.1
Sales price	62.5	44.3
Transaction fees	-3.9	-1.1
Adjustment to capital loss	0.8	
Recognised in Other comprehensive income	-0.3	
<b>Net result from sale of operations</b>	<b>-1.4</b>	<b>11.1</b>

## Cash flow from sale of operations

EUR million	H1 2020	FY 2019
Sales consideration received in cash	62.5	44.3
Debt repayments	381.1	
Cash and cash equivalents of divested operations	-18.6	-3.0
Decrease (+) / increase (-) in receivables from divestment	0.1	12.1
<b>Cash flow from sale of operations</b>	<b>425.1</b>	<b>53.4</b>

Cash flow from divested Sanoma Media Netherlands operations was EUR 424.9 million and from other operations EUR 0.1 million at 30 June 2020.

## Discontinued operations

In December 2019, Sanoma signed an agreement to divest the strategic business unit Sanoma Media Netherlands to DPG Media. The transaction was subject to customary closing conditions and the Dutch ACM gave its unconditional approval for DPG Media to acquire Sanoma Media Netherlands on 10 April 2020. Sanoma completed the transaction on 20 April 2020. Media Netherlands is reported as discontinued operations in 2019 and 2020 reporting.

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 and also include certain minor subsidiaries acquired in 2019 and planned to be divested in the future.

### Income statement of discontinued operations

EUR million	H1 2020	H1 2019	FY 2019
<b>Net sales</b>	<b>100.7</b>	<b>178.9</b>	<b>368.7</b>
Other operating income	1.0	12.9	15.0
Materials and services	-38.8	-75.1	-154.7
Employee benefit expenses	-25.1	-37.5	-74.2
Other operating expenses	-19.6	-34.6	-75.8
Share of results in joint ventures	1.1	2.1	4.0
Depreciation, amortisation and impairment losses	-1.4	-5.2	-115.6
<b>EBIT</b>	<b>17.8</b>	<b>41.4</b>	<b>-32.7</b>
Financial income	0.0	0.1	0.1
Financial expenses	-0.3	-0.6	-1.8
<b>Result before taxes</b>	<b>17.6</b>	<b>40.9</b>	<b>-34.5</b>
Income taxes	-4.1	-8.3	-15.3
<b>Result for the period from discontinued operations</b>	<b>13.4</b>	<b>32.7</b>	<b>-49.8</b>

### Cash flows related to discontinued operations

EUR million	H1 2020	H1 2019	FY 2019
Cash flow from operations	-39.7	-17.9	30.7
Cash flow from investments	513.4	74.1	64.1
Cash flow from financing	-417.3	-56.3	-92.5

## Assets held for sale and discontinued operations

EUR million	30 Jun 2020	31 Dec 2019
Property, plant and equipment and right-of-use assets	0.7	25.2
Goodwill		440.9
Other intangible assets		27.4
Equity-accounted investees		15.7
Non-current trade and other receivables		0.9
Deferred tax receivables	0.2	4.5
Inventories		11.8
Income tax receivables		0.8
Trade and other receivables	1.3	76.4
Contract assets		8.7
Cash and cash equivalents	0.7	6.9
<b>Total</b>	<b>2.8</b>	<b>619.2</b>

## Liabilities related to assets held for sale and discontinued operations

EUR million	30 Jun 2020	31 Dec 2019
Deferred tax liabilities		5.6
Non-current provisions		3.0
Non-current financial liabilities and lease liabilities	1.0	30.2
Current provisions		4.9
Current financial liabilities and lease liabilities	0.3	7.1
Income tax liabilities		0.8
Current trade and other payables	0.8	122.3
Contract liabilities	1.9	49.5
<b>Total</b>	<b>3.9</b>	<b>223.3</b>

## Contingent liabilities

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Contingencies for own commitments</b>			
Pledges	0.1	1.4	1.4
Other items	15.0	15.0	15.0
Total	15.1	16.4	16.4
<b>Other commitments</b>			
Royalties	3.0	5.7	6.0
Commitments for acquisitions of intangible assets (film and TV broadcasting rights included)	29.3	28.6	22.6
Other items	39.1	43.3	50.7
Other commitments total	71.3	77.6	79.4
<b>Total</b>	<b>86.4</b>	<b>94.0</b>	<b>95.8</b>

## Derivative instruments

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Fair values</b>			
<b>Currency derivatives</b>			
Forward contracts (positive fair values)	0.0	0.1	
Forward contracts (negative fair values)	0.0	-0.1	-0.1
<b>Nominal values</b>			
<b>Currency derivatives</b>			
Forward contracts	9.1	7.7	5.2

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

## Definitions of key indicators

Comparable net sales growth	=	Net sales growth adjusted for the impact of acquisitions and divestments
Items affecting comparability (IACs)	=	Gains/losses on sale, restructuring or efficiency program 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	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company} - \text{IACs}}{\text{Adjusted average number of shares on the market}}$