

# Key indicators

Key indicators, EUR million	2016	2015*	2014	2013**	2012***
Net sales ****	1 639.1	1 716.7	1 901.6	2 083.5	2 376.3
Operating profit before depreciation, amortisation and impairment losses ****	496.3	266.3	461.4	377.5	506.1
% OF NET SALES	30.3	15.5	24.3	18.1	21.3
Operational EBIT ****	167.9	83.7	118.8	154.6	231.0
% OF NET SALES	10.2	4.9	6.2	7.4	9.7
Items affecting comparability ****	28.7	-206.8	15.0	-412.4	-50.0
Operating profit ****	196.6	-123.1	133.8	-257.7	181.0
% OF NET SALES	12.0	-7.2	7.0	-12.4	7.6
Result before taxes ****	157.2	-151.4	90.7	-309.5	105.9
% OF NET SALES	9.6	-8.8	4.8	-14.9	4.5
Result for the period from continuing operations ****	116.0	-157.7	61.6	-320.3	69.9
% OF NET SALES	7.1	-9.2	3.2	-15.4	2.9
Result for the period	116.0	-157.7	61.6	-320.3	149.0
% OF NET SALES	7.1	-9.2	3.2	-15.4	6.0
Balance sheet total	2 605.6	2 765.1	3 016.5	3 349.1	4 019.8
Cash flow from operations	153.5	25.5	73.7	119.1	192.0
Capital expenditure ****	34.8	54.7	50.7	65.6	59.5
% OF NET SALES	2.1	3.2	2.7	3.1	2.5
Return on equity (ROE), %	10.9	-13.6	4.9	-24.2	9.7
Return on investment (ROI), %	9.9	-5.3	6.5	-9.2	8.3
Equity ratio, %	41.0	39.5	42.2	37.2	41.3
Net gearing, %	78.4	77.8	66.7	95.7	78.7
Interest-bearing liabilities	829.6	899.6	918.1	1 280.2	1 408.7
Non-interest-bearing liabilities	773.3	833.3	888.9	888.2	1 034.5
Interest-bearing net debt	786.2	801.2	801.8	1 129.2	1 241.5
Average number of employees (full-time equivalents) ****	5 384	6 776	8 259	9 446	10 804
Number of employees at the end of the period (full-time equivalents) ****	5 227	6 116	7 583	9 035	10 381

\* In connection with a reporting system change, Sanoma has adapted a new method for currency translation, changing from cumulative translation to periodic translation. Due to this, there are some minor changes in the historical figures. All figures in these financial statements are presented according to the new method.

\*\* The figures for 2013 have been restated because of adoption of IFRS 11 Joint Arrangements. The standard permits only the equity method in consolidation of joint ventures, and the proportional consolidation method is not allowed any longer. The figures for 2012 have not been restated.

\*\*\* The figures for 2012 have been restated due to a change in IAS 19 'Employee benefits'. The revised standard eliminated the possibility of using the corridor approach in recognising the actuarial gains and losses from defined benefit plans. The revised IAS 19 standard requires the actuarial gains and losses to be recognised immediately in the statement of other comprehensive income.

\*\*\*\* The figures for 2012 contain only continuing operations.

Sanoma presents certain financial performance measures (alternative performance measures or APMs) on a non-IFRS basis. The APMs are provided to reflect the underlying business performance and to enhance comparability from period to period. APMs should not be considered as a substitute for measures of performance in accordance with IFRS. More information is available at Sanoma.com.

Key indicators, EUR million	2016	2015*	2014	2013**	2012***
<b>Share indicators</b>					
Earnings/share, EUR, continuing operations ****	0.65	-0.91	0.32	-1.89	0.39
Earnings/share, diluted, EUR, continuing operations ****	0.65	-0.91	0.32	-1.89	0.39
Earnings/share, EUR	0.65	-0.91	0.32	-1.89	0.88
Earnings/share, diluted, EUR	0.65	-0.91	0.32	-1.89	0.88
Operational earnings/share, EUR	0.51	0.13	0.33	0.44	0.77
Cash flow from operations/share, EUR	0.95	0.16	0.45	0.73	1.18
Equity/share, EUR	4.39	4.59	5.54	5.42	7.82
Dividend/share, EUR *****	0.20	0.10	0.20	0.10	0.60
Dividend payout ratio, % *****	30.8	neg.	62.0	neg.	68.4
Operational dividend payout ratio, % *****	39.2	78.3	61.5	22.6	77.5
Market capitalisation, EUR million *****	1 338.4	633.7	748.9	1 039.6	1 211.3
Effective dividend yield, % *****	2.4	2.6	4.3	1.6	8.1
P/E ratio	12.7	neg.	14.3	neg.	8.5
Adjusted number of shares at the end of the period *****	162 333 596	162 082 093	162 812 093	162 812 093	162 812 093
Adjusted average number of shares *****	162 291 679	162 721 764	162 812 093	162 812 093	162 812 093
Lowest share price, EUR	3.51	3.13	4.19	5.28	5.79
Highest share price, EUR	9.39	5.95	6.85	8.95	11.70
Average share price, EUR	6.14	4.28	5.17	6.79	8.15
Share price at the end of the period, EUR	8.25	3.91	4.60	6.39	7.44
Trading volumes, shares	48 152 687	81 355 104	59 025 525	54 326 354	106 129 204
% OF SHARES	29.7	50.0	36.3	33.4	65.2

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\*\*\*\* The figures for 2012 contain only continuing operations.

\*\*\*\*\* Year 2016 proposal of the Board of Directors.

\*\*\*\*\* The number of shares does not include treasury shares.

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## Reconciliation of operational EPS

EUR million	1-12/ 2016	1-12/ 2015
Result for the period attributable to the equity holders of the Parent Company	110.8	-142.6
Current year interest on the hybrid bond net of tax	-5.5	-5.8
Items affecting comparability *	-22.5	169.2
Operational result for the period attributable to the equity holders of the Parent Company	82.8	20.8
Adjusted average number of shares	162 291 679	162 721 764
Operational EPS	0.51	0.13

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

## Reconciliation of interest-bearing net debt

EUR million	31.12.2016	31.12.2015
Non-current financial liabilities	239.1	507.4
Current financial liabilities	590.5	392.3
Cash and cash equivalents	-43.4	-98.5
Interest-bearing net debt	786.2	801.2

# Definitions of key indicators

<b>Return on equity (ROE), %</b>	=	$\frac{\text{Result for the period}}{\text{Equity total (average of monthly balances)}} \times 100$
<b>Return on investment (ROI), %</b>	=	$\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average of monthly balances)}} \times 100$
<b>Equity ratio, %</b>	=	$\frac{\text{Equity total}}{\text{Balance sheet total - advances received}} \times 100$
<b>Net gearing, %</b>	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity total}} \times 100$
<b>Earnings/share (EPS)</b>	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company - tax-adjusted interest on hybrid bond}}{\text{Adjusted average number of shares on the market}}$
<b>Cash flow/share</b>	=	$\frac{\text{Cash flow from operations}}{\text{Adjusted average number of shares on the market}}$
<b>Equity/share</b>	=	$\frac{\text{Equity attributable to the equity holders of the Parent Company}}{\text{Adjusted number of shares on the market at the balance sheet date}}$
<b>Dividend payout ratio, %</b>	=	$\frac{\text{Dividend/share}}{\text{Result/share}} \times 100$
<b>Market capitalisation</b>	=	Number of shares on the market at the balance sheet date x share price on the last trading day of the year
<b>Effective dividend yield, %</b>	=	$\frac{\text{Dividend/share}}{\text{Share price on the last trading day of the year}} \times 100$
<b>P/E ratio</b>	=	$\frac{\text{Share price on the last trading day of the year}}{\text{Result/share}}$
<b>Interest-bearing net debt</b>	=	Interest-bearing liabilities - cash and cash equivalents
<b>EBITDA</b>	=	Operating profit + depreciation, amortisation and impairments
<b>Items affecting comparability</b>	=	Gains/losses on sale, restructuring expenses and impairments that exceed EUR 1 million
<b>Operational EPS</b>	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company - tax-adjusted interest on hybrid bond - items affecting comparability}}{\text{Adjusted average number of shares on the market}}$

## Net sales by strategic business unit

EUR million	1-3/ 2016	4-6/ 2016	7-9/ 2016	10-12/ 2016	1-12/ 2016	1-3/ 2015	4-6/ 2015	7-9/ 2015	10-12/ 2015	1-12/ 2015
<b>MEDIA BENE</b>										
Digital	68.2	82.3	71.4	97.1	<b>318.9</b>	67.1	83.9	70.6	94.9	<b>316.6</b>
Print	87.1	92.1	85.5	88.9	<b>353.5</b>	105.6	109.4	102.6	102.3	<b>419.9</b>
Other	20.4	28.3	22.8	32.0	<b>103.5</b>	16.8	22.7	23.1	30.4	<b>93.0</b>
<b>Total</b>	<b>175.6</b>	<b>202.6</b>	<b>179.7</b>	<b>218.0</b>	<b>775.9</b>	<b>189.5</b>	<b>216.0</b>	<b>196.4</b>	<b>227.6</b>	<b>829.5</b>
<b>MEDIA FINLAND</b>										
Digital	58.3	63.5	52.2	64.0	<b>237.9</b>	50.0	56.9	46.6	59.3	<b>212.8</b>
Print	85.3	85.9	80.4	87.2	<b>338.9</b>	90.5	89.7	84.8	92.0	<b>356.9</b>
Other	0.9	0.8	1.3	1.2	<b>4.1</b>	2.5	-0.9	0.5	0.9	<b>3.0</b>
<b>Total</b>	<b>144.5</b>	<b>150.1</b>	<b>133.8</b>	<b>152.4</b>	<b>580.9</b>	<b>143.0</b>	<b>145.7</b>	<b>131.9</b>	<b>152.2</b>	<b>572.8</b>
<b>LEARNING</b>										
Netherlands	19.7	42.4	25.8	6.5	<b>94.4</b>	21.5	39.9	27.5	6.4	<b>95.3</b>
Poland	4.5	8.2	50.1	8.0	<b>70.8</b>	6.7	12.8	56.6	7.7	<b>83.9</b>
Finland	3.2	24.9	14.5	5.5	<b>48.1</b>	3.8	25.5	11.0	3.4	<b>43.6</b>
Belgium	1.4	15.3	24.1	4.0	<b>44.8</b>	1.5	14.3	16.3	3.2	<b>35.2</b>
Sweden	4.1	6.5	10.2	4.3	<b>25.1</b>	4.1	5.7	10.2	3.4	<b>23.3</b>
Other companies and eliminations	-0.1	-0.3	0.0	-0.2	<b>-0.6</b>	-0.1	-0.2	-0.3	-0.4	<b>-1.1</b>
<b>Total</b>	<b>32.9</b>	<b>97.1</b>	<b>124.7</b>	<b>28.0</b>	<b>282.6</b>	<b>37.5</b>	<b>98.0</b>	<b>121.2</b>	<b>23.7</b>	<b>280.3</b>
<b>OTHER AND ELIMINATIONS</b>										
Russia & CEE	0.2	0.0	0.0	0.0	<b>0.2</b>	2.5	2.5	1.3	0.3	<b>6.6</b>
Other operations	0.0	0.0	0.0	0.0	<b>0.0</b>	8.2	6.9	7.7	5.8	<b>28.7</b>
Eliminations	-0.1	-0.1	-0.1	-0.3	<b>-0.6</b>	-0.6	-0.1	-0.1	-0.3	<b>-1.1</b>
<b>Total</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.3</b>	<b>-0.3</b>	<b>10.2</b>	<b>9.3</b>	<b>8.8</b>	<b>5.8</b>	<b>34.2</b>
<b>Total</b>	<b>353.1</b>	<b>449.7</b>	<b>438.1</b>	<b>398.1</b>	<b>1 639.1</b>	<b>380.2</b>	<b>469.0</b>	<b>458.3</b>	<b>409.3</b>	<b>1 716.7</b>

## Operational EBIT by strategic business unit

EUR million	1-3/ 2016	4-6/ 2016	7-9/ 2016	10-12/ 2016	1-12/ 2016	1-3/ 2015	4-6/ 2015	7-9/ 2015	10-12/ 2015	1-12/ 2015
Media BeNe	7.4	29.6	21.8	26.8	<b>85.6</b>	5.8	27.1	20.1	10.9	<b>63.9</b>
Media Finland	11.0	19.0	10.2	9.3	<b>49.5</b>	-2.1	-2.5	2.0	15.6	<b>13.0</b>
Learning	-10.9	41.1	50.5	-23.8	<b>56.8</b>	-12.7	32.4	49.5	-24.6	<b>44.6</b>
Other companies and eliminations	-5.6	-2.8	-4.8	-10.8	<b>-24.0</b>	-10.8	-7.5	-9.1	-10.4	<b>-37.8</b>
<b>Total</b>	<b>1.9</b>	<b>86.9</b>	<b>77.7</b>	<b>1.4</b>	<b>167.9</b>	<b>-19.8</b>	<b>49.5</b>	<b>62.4</b>	<b>-8.4</b>	<b>83.7</b>

## Operating profit by strategic business unit

EUR million	1-3/ 2016	4-6/ 2016	7-9/ 2016	10-12/ 2016	1-12/ 2016	1-3/ 2015	4-6/ 2015	7-9/ 2015	10-12/ 2015	1-12/ 2015
Media BeNe	11.4	53.9	24.0	11.2	100.6	2.7	29.6	17.2	-72.3	-22.8
Media Finland	10.1	17.5	9.6	4.0	41.3	13.1	-1.8	-11.7	-7.6	-8.1
Learning	-11.1	63.8	48.8	-34.0	67.4	-12.8	31.5	48.8	-34.3	33.1
Other companies and eliminations	-7.3	6.5	-7.3	-4.4	-12.6	-13.9	-49.9	-44.5	-17.1	-125.4
<b>Total</b>	<b>3.1</b>	<b>141.7</b>	<b>75.1</b>	<b>-23.2</b>	<b>196.6</b>	<b>-10.9</b>	<b>9.4</b>	<b>9.8</b>	<b>-131.3</b>	<b>-123.1</b>

## Income statement by quarter

EUR million	1-3/ 2016	4-6/ 2016	7-9/ 2016	10-12/ 2016	1-12/ 2016	1-3/ 2015	4-6/ 2015	7-9/ 2015	10-12/ 2015	1-12/ 2015
<b>Net sales</b>	<b>353.1</b>	<b>449.7</b>	<b>438.1</b>	<b>398.1</b>	<b>1 639.1</b>	<b>380.2</b>	<b>469.0</b>	<b>458.3</b>	<b>409.3</b>	<b>1 716.7</b>
Other operating income	21.8	5.6	4.7	7.8	39.9	20.0	11.6	4.9	0.8	37.4
Materials and services	-104.3	-137.0	-136.9	-123.0	-501.1	-117.2	-137.3	-141.0	-131.6	-527.1
Employee benefit expenses	-107.4	-28.6	-87.4	-102.1	-325.5	-120.6	-126.9	-114.9	-109.9	-472.3
Other operating expenses	-89.5	-74.9	-82.7	-109.0	-356.1	-100.8	-131.0	-97.5	-125.1	-454.4
Share of results in joint ventures	1.0	0.9	0.9	-2.8	0.1	0.5	1.2	-24.0	-11.9	-34.1
Depreciation, amortisation and impairment losses	-71.6	-74.2	-61.7	-92.2	-299.7	-73.1	-77.2	-76.1	-163.0	-389.4
<b>Operating profit</b>	<b>3.1</b>	<b>141.7</b>	<b>75.1</b>	<b>-23.2</b>	<b>196.6</b>	<b>-10.9</b>	<b>9.4</b>	<b>9.8</b>	<b>-131.3</b>	<b>-123.1</b>
Share of results in associated companies	0.1	-0.2	-0.4	-2.0	-2.4	0.0	1.4	0.0	-2.0	-0.7
Financial income	9.2	0.4	1.0	0.0	10.5	18.6	-2.6	4.6	5.5	26.1
Financial expenses	-17.9	-9.4	-7.1	-13.2	-47.5	-20.9	-6.8	-11.8	-14.2	-53.7
<b>Result before taxes</b>	<b>-5.5</b>	<b>132.5</b>	<b>68.6</b>	<b>-38.4</b>	<b>157.2</b>	<b>-13.2</b>	<b>1.3</b>	<b>2.5</b>	<b>-142.0</b>	<b>-151.4</b>
Income taxes	5.4	-35.6	-17.3	6.3	-41.2	5.0	-16.0	-5.9	10.7	-6.3
<b>Result for the period</b>	<b>-0.1</b>	<b>96.9</b>	<b>51.3</b>	<b>-32.1</b>	<b>116.0</b>	<b>-8.2</b>	<b>-14.7</b>	<b>-3.4</b>	<b>-131.4</b>	<b>-157.7</b>
<b>Result attributable to:</b>										
Equity holders of the Parent Company	0.0	93.8	48.8	-31.8	110.8	-8.2	-17.7	-5.4	-111.4	-142.6
Non-controlling interests	-0.1	3.1	2.5	-0.3	5.2	0.0	3.0	2.0	-20.0	-15.0
<b>Earnings per share for result attributable to the equity holders of the Parent Company:</b>										
Earnings per share, EUR	-0.01	0.57	0.29	-0.20	0.65	-0.06	-0.12	-0.04	-0.69	-0.91
Diluted earnings per share, EUR	-0.01	0.57	0.29	-0.20	0.65	-0.06	-0.12	-0.04	-0.69	-0.91

## Board of Directors' Report

### Net sales

In 2016, Sanoma's net sales decreased by 4.5% and amounted to EUR 1,639.1 million (2015: 1,716.7; 2014: 1,901.6) due to divestments. Adjusted for changes in the Group structure, net sales were at the previous year's level.

Non-print sales grew by 7.1 % to EUR 618.3 million (2015: 577.1).

Without adjusting for structural changes in the Group structure, advertising sales decreased by 2.2 % to EUR 584.5 million (2015: 597.9). Circulation sales decreased by 6.4 % to EUR 546.3 million (2015: 583.6). Learning's net sales increased by 0.8 % to EUR 282.6 million (2015: 280.3). Other sales decreased by 11.4% to EUR 225.8 million (2015: 254.9) due to divestments.

Group's net sales by country, %	1-12/2016	1-12/2015
Netherlands	46.5	44.5
Finland	38.1	37.1
Belgium	9.3	11.5
Other	6.1	6.9
<b>Total Group</b>	<b>100.0</b>	<b>100.0</b>

Group's net sales by type of sales, %	1-12/2016	1-12/2015
Advertising	35.7	34.8
Subscription	23.1	22.6
Single copy	10.2	11.4
Learning	17.2	16.3
Other	13.8	14.8
<b>Total Group</b>	<b>100.0</b>	<b>100.0</b>

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

### Result

Sanoma's operational EBIT in 2016 increased to EUR 167.9 million (2015: 83.7; 2014: 118.8) due cost innovations.

The operational EBIT margin was 10.2% (2015: 4.9%; 2014: 6.2%) of net sales.

In 2016, the Group's total operating expenses, excluding items affecting comparability, decreased by 10.4%. Like-for-like cost of sales decreased by 7.7% and fixed costs by 12.2%. Paper costs decreased by 24.0% and employee benefit expenses by 13.0%.

Sanoma's operating profit in 2016 was EUR 196.6 million (2015: -123.1; 2014: 133.8) or 12.0% (2015: -7.2%; 2014: 7.0%) of net sales.

Operating profit in 2016 included a net of EUR 28.7 million (2015: -206.8) of items affecting comparability. They were mainly related to settlement of the Dutch defined benefit pension plans, sales gains as well as restructuring expenses and impairments. In 2015, the items were mainly related to impairments of goodwill and intangible assets, sales losses and restructuring expenses.

Sanoma's full-year result included a EUR -2.4 million (2015: -0.7) result from associated companies.

Sanoma's net financial items totalled EUR -37.0 million (2015: -27.6). Financial income amounted to EUR 10.5 million (2015: 26.1), of which EUR 10.0 million were exchange rate gains (2015: 17.9). Financial expenses amounted to EUR -47.5 million (2015: -53.7), of which EUR -10.2 million were exchange rate losses (2015: -15.1). Interest expenses amounted to EUR -25.8 million (2015: -27.7).

The result before taxes amounted to EUR 157.2 million (2015: -151.4). Earnings per share were EUR 0.65 (2015: EUR -0.91). The increase is related to better operational performance and the settlement of Dutch defined benefit pension plans as well as higher negative items affecting comparability in 2015. Operational earnings per share were EUR 0.51 (2015: 0.13).

## Balance sheet and financial position

At the end of 2016, Sanoma's consolidated balance sheet totalled EUR 2,605.6 million (2015: 2,765.1). The decrease is mainly attributable to divestments, the settlement of Dutch defined pension plans and lower interest-bearing debt. In 2016, the Group's cash flow from operations increased to EUR 153.5 million (2015: 25.5) as a result of increased operational performance as well as improvement in working capital, lower investments in TV programming and lower taxes. Cash flow from operations per share was EUR 0.95 (2015: 0.16).

During the year, Sanoma was able to deleverage its balance sheet significantly. At the year end, the net debt/adj. EBITDA ratio was 3.2 times (2015: 5.1). Without the redemption of the Hybrid Bond in December, the ratio would have been 2.8 times. The adjusted EBITDA used in this ratio is 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.

Sanoma's equity ratio was 41.0 % (2015: 39.5%; 2014: 42.2%) at the end of 2016. The return on equity (ROE) was 10.9% (2015: -13.6%; 2014: 4.9%) and the return on investment (ROI) was 9.9% (2015: -5.3%; 2014: 6.5%). Equity totalled EUR 1,002.5 million (2015: 1,029.1). Equity per share was EUR 4.39 (2015: 4.59). Interest-bearing liabilities decreased to EUR 829.6 million (2015: 899.6). Interest-bearing net debt was EUR 786.2 million (2015: 801.2).

In 2016, Sanoma successfully refinanced most of its long-term debt. In February, Sanoma signed a EUR 500 million Revolving Credit Facility with maturity of four years. In May, Sanoma did a EUR 200 million tender offer on existing bonds maturing in 2017 (original amount EUR 400 million) and to finance this tender, issued a new EUR 200 million Senior Unsecured Bond with a maturity of 3.5 years. In December, Sanoma redeemed its EUR 100 million Hybrid Bond, issued in 2013.

## Investments, acquisitions and divestments

In 2016, investments in tangible and intangible assets, including finance leases, amounted to EUR 34.8 million (2015: 54.7). Investments were mainly related to digital business and ICT systems. Sanoma's business acquisitions totalled EUR 27.2 million (2015: 5.7). The impact of acquisitions on the Group's assets and liabilities was limited.

In April 2014, Sanoma announced the divestment of its majority ownership in Sanoma Lehtimedia (a publisher of newspapers in southeast Finland) and in local printing companies. The first stage of the corporate arrangement was completed in January 2015, and the company will transfer fully to the ownership of Länsi-Savo in five years. As a result of the transaction, Sanoma recognised a sales gain of EUR 3.5 million in 2015.

In February 2015, Sanoma acquired 51% of the shares and in November 20% of the shares of the Dutch social media creator agency Social-Influencers B.V.

In March 2015, Sanoma increased its ownership in the Finnish mobile marketing company Routa from 25% to 51%.

In April 2015, Sanoma sold its 33.3% stake in Delovoi Standard, the publisher of Russia's leading daily financial newspaper Vedomosti. Additionally, Sanoma sold its United Press portfolio of titles and its 50% stake in Viadeo. As a result of the transactions, Sanoma recognised a sales loss of EUR 6.6 million, including the currency translation adjustment.

In May 2015, Sanoma announced the divestments of three of its Belgian magazine titles. The transaction was closed in September. As a result of the transaction, Sanoma recognised a sales loss of EUR 12.2 million.

In October 2015, Oikotie, part of Sanoma Media Finland, acquired Jokakoti.fi real estate classified service and all of the shares of Jokakoti Oy.

In November 2015, Sanoma divested its majority ownership in the Finnish book-printing company Bookwell. As a result of the transaction, Sanoma recognised a sales loss of EUR 3.9 million.

In November and December 2015, Sanoma sold Belgium titles Moustique, Télé Pocket and Bloemschikken. As a result of the transactions, Sanoma recognised a sales gain of EUR 2.5 million.

In December 2015, Sanoma sold Hämeen Paino shares and buildings to DA-Design Oy. As a result of the transaction, Sanoma recognised a sales loss of EUR 6.7 million.

In December 2015, Sanoma sold its 50% stake in Fashion Press and other remaining Russian assets (the remaining operations in United Press and 50% stake in Mondadori Independent Media). Sanoma closed the transaction in March 2016.

In January 2016, Sanoma acquired 80% stake in the Finnish learning services company TutorHouse.

In January 2016, Sanoma divested the Finnish language service company AAC Global.

In February 2016, Sanoma sold its Dutch online car classifieds business Autotrader.nl to AutoScout24. As a result of the transaction, Sanoma recognised a sales gain of EUR 13.3 million.

In June 2016, Sanoma acquired the Dutch cashback marketing companies, Kortingsleuk.nl and the remaining shares of Scoupy.

In June 2016, Sanoma acquired the K-12 educational publishing activities of Group De Boeck in Belgium from Ergon Capital Partners.

In September 2016, Sanoma sold its Finnish Head Office custom publishing operations to Fokus Media.

## Group Outlook

In 2017, Sanoma expects that the Group's consolidated net sales adjusted for structural changes will be stable and the operational EBIT margin is estimated to be around 10%.

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



## Consumer Media

The Consumer Media segment includes two strategic business units Sanoma Media BeNe and Sanoma Media Finland.

Key indicators, EUR million	1-12/ 2016	1-12/ 2015	Change %
Net sales	1 356.7	1 402.2	-3.2
Operational EBIT *	135.1	76.9	75.7
% OF NET SALES	10.0	5.5	
Operating profit	141.8	-30.9	
Capital expenditure	11.0	19.8	-44.4
Return on investment (ROI), %	12.2	-2.3	
Number of employees at the end of the period (FTE)	3 486	3 883	-10.2
Average number of employees (FTE)	3 597	4 227	-14.9

\* Reconciliation of operational EBIT is presented in Note 3.

Consumer Media sales by type of sales, %	1-12/ 2016	1-12/ 2015
Advertising	43.1	42.4
Subscription	28.0	27.7
Single copy	12.3	13.9
Other	16.6	16.1
<b>Total Consumer Media</b>	<b>100.0</b>	<b>100.0</b>

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

Advertising sales growth, %	1-12/2016 vs. 1-12/2015		
	Print	Digital	Total advertising
Media BeNe	-32	0	-6
Media Finland	-7	+11	+4
<b>Total Consumer Media</b>	<b>-18</b>	<b>+4</b>	<b>-2</b>

Circulation sales growth, %	1-12/2016 vs. 1-12/2015		
	Subscription	Single copy	Total circulation
<b>Media BeNe</b>	-7	-16	-11
<b>Media Finland</b>	+2	-9	0
of which Magazines incl. online	+1	-7	1
of which Newspapers incl. online	+2	-9	-2
of which Pay-TV & Pay-VOD	+9	-20	8
<b>Total Consumer Media</b>	<b>-2</b>	<b>-14</b>	<b>-6</b>

## Media BeNe

*Sanoma Media BeNe includes the Dutch and Belgian consumer media operations as well as the Dutch press distribution business Aldipress. In the Netherlands, we have a leading cross media portfolio with over 50 strong brands and strong market positions in every part of the media industry: magazines, events, custom media, e-commerce, websites and apps as well as four free-to-air TV channels and an online video platform. In Belgium, Sanoma is a prominent multi-media company, with quality magazines and digital media focusing around Women and Home & Deco. Through combining content and customer data, we develop successful marketing solutions for our clients. In total, Sanoma Media BeNe reaches over 15 million consumers every week.*

- In 2016, organic net sales were stable (+0.5%) in Media Bene. The Dutch print and online portfolio performed well and TV sales were stable.
- The TV viewing share of SBS decreased slightly, mainly due to the major sports events in the summer period. The decreasing TV viewing time trend continued in the market.
- Media BeNe's profitability improved strongly during the year, driven by the good performance of the Dutch print and online portfolio, the integration of the Digital team and cost innovations with all business units improving their results.

Key indicators, EUR million	1-12/ 2016	1-12/ 2015	Change %
Net sales	775.9	829.5	-6.5
Digital	318.9	316.6	0.7
Print	353.5	419.9	-15.8
Other	103.5	93.0	11.3
Operational EBIT *	85.6	63.9	33.9
% OF NET SALES	11.0	7.7	
Operating profit	100.6	-22.8	
Capital expenditure	5.8	9.4	-37.8
Number of employees at the end of the period (FTE)	1 768	2 020	-12.5
Average number of employees (FTE)	1 799	2 104	-14.5

\* Reconciliation of operational EBIT is presented in Note 3.

Operational indicators, %	1-12/ 2016	1-12/ 2015
<b>Dutch TV operations</b>		
TV channels' share of TV advertising	24.5	24.4
TV channels' national viewing share (20-54 years)	20.3	21.2
TV channels' national viewing share (6+ years)	18.6	18.5

In January–December, Media BeNe's reported net sales decreased by 6.5% to EUR 775.9 million (2015: 829.5). Net sales declined due to divestments of non-focus magazine titles in 2015, partly compensated by the good performance of the Dutch print & online portfolio. Adjusted for structural changes, net sales increased by 0.5%.

Sanoma estimates that the advertising market in the Netherlands decreased on a net basis in consumer magazines by 7% and in TV by 2% and increased in online including search by 10% in 2016.

Operational EBIT in Media BeNe increased by 33.9% to EUR 85.6 million (2015: 63.9) as a result of cost innovations such as integration of back office functions in Belgium and Netherlands and content sharing. Operating profit increased to EUR 100.6 million (2015: -22.8).

Items affecting comparability included in operating profit totalled EUR 15.0 million (2015: -86.7) and were related to the settlement of changing defined benefit pension plans in the Netherlands to a defined contribution plan, sales gains, restructuring expenses as well as impairments. In 2015 the items consisted of impairments and restructuring expenses.

Media BeNe's investments in tangible and intangible assets totalled EUR 5.8 million (2015: 9.4), and consisted mainly of investments related to ICT.

## Media Finland

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

- In 2016, Media Finland's organic net sales were stable (+0.7%). Advertising sales in particular in TV and radio grew.
- Market shares improved throughout the year. At the end of the year, Media Finland had 28.0% (2015: 27.1%) of the total advertising market in Finland and Nelonen's TV viewing share in its target group improved by 5.4 percentage points to 36.9%. However, the underlying market trends remain challenging.
- Profitability improved very significantly driven by cost innovations and the successful advertising sales. Media Finland will be continuing with the implementation of the over 100 'Suunta' revenue, cost and process initiatives. Development costs related to these initiatives are likely to have an impact on profitability in 2017.

Key indicators, EUR million	1-12/ 2016	1-12/ 2015	Change %
Net sales	580.9	572.8	1.4
Digital	237.9	212.8	11.8
Print	338.9	356.9	-5.1
Other	4.1	3.0	37.8
Operational EBIT *	49.5	13.0	
% OF NET SALES	8.5	2.3	
Operating profit	41.3	-8.1	
Capital expenditure	5.2	10.5	-50.2
Number of employees at the end of the period (FTE)	1 718	1 863	-7.8
Average number of employees (FTE)	1 797	2 123	-15.3

\* Reconciliation of operational EBIT is presented in Note 3.

Operational indicators, %	1-12/ 2016	1-12/ 2015
<b>Finnish TV operations</b>		
TV channels' share of TV advertising	35.3	32.2
TV channels' national commercial viewing share (10-44 years)	36.9	31.5
TV channels' national viewing share (10+ years)	16.6	15.1

In January–December, Media Finland's sales increased by 1.4% to EUR 580.9 million (2015: 572.8). Adjusted for structural changes, net sales increased by 0.7%.

According to TNS Gallup, the advertising market in Finland decreased on a net basis in magazines by 9%, in newspapers by 4%, and in TV by 1%, whereas advertising increased on radio by 3% and online including search by 13% in 2016.

Operational EBIT in Media Finland increased very significantly to EUR 49.5 million (2015: 13.0). Cost innovations and increased advertising sales contributed to the improved profitability. Operating profit increased to EUR 41.3 million (2015: -8.1).

Items affecting comparability included in the operating profit totalled EUR -8.2 million (2015: -21.0) and were mainly related to restructuring expenses as in 2015.

Media Finland's investments in tangible and intangible assets totalled EUR 5.2 million (2015: 10.5), and consisted of maintenance investments.

## Learning

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

- In 2016, net sales increased in Finland and Sweden as well as in Belgium, where Sanoma acquired the educational publisher De Boeck and started to integrate it with the existing operations of Van In. In total, sales in Western Europe grew by 8%.
- Performance in Poland was affected by a declining market volume, due to the changes in the legislative environment. However, Nowa Era was able to increase its market share and is now well positioned to invest in developing new methods to support the new educational reform beginning in 2017.
- During the year, Learning continued to successfully introduce digital solutions in its markets. In 2016, the non-print sales amounted to 54% (2015: 50%) of Learning's net sales.
- Operational EBIT improved by 27% in 2016, supported by cost innovations and the change in the prepublication amortisation schedule.

In January–December, the Learning segment's net sales increased by 0.8% to EUR 282.6 million (2015: 280.3). Adjusted for structural changes, net sales decreased by 2.5% due to the decrease in sales in Poland following the legislative changes.

Operational EBIT in the Learning segment improved by 27.3% to EUR 56.8 million (2015: 44.6) driven by the cost innovations and organisational restructuring started in 2015 and the change in prepublication amortisation schedule. Operating profit increased to EUR 67.4 million (2015: 33.1).

Items affecting comparability included in the operating profit totalled EUR 10.5 million (2015: -11.5), mainly related to the settlement of changing defined benefit pension plans in the Netherlands to a defined contribution plan as well as to restructuring expenses. In 2015 the items consisted of restructuring expenses.

Learning's investments in tangible and intangible assets totalled EUR 17.7 million (2015: 25.5). They were mainly related to investments in digital platforms and ICT.

Key indicators, EUR million	1–12/ 2016	1–12/ 2015	Change %
Net sales	282.6	280.3	0.8
Netherlands	94.4	95.3	-0.9
Poland	70.8	83.9	-15.6
Finland	48.1	43.6	10.2
Belgium	44.8	35.2	27.2
Sweden	25.1	23.3	7.6
Other companies and eliminations	-0.6	-1.1	
Operational EBIT *	56.8	44.6	27.3
% OF NET SALES	20.1	15.9	
Operating profit	67.4	33.1	
Capital expenditure	17.7	25.5	-30.3
Return on investment (ROI), %	14.6	6.6	
Number of employees at the end of the period (FTE)	1 439	1 507	-4.5
Average number of employees (FTE)	1 413	1 519	-7.0

\* Reconciliation of operational EBIT is presented in Note 3.

## The Group

### Personnel

In 2016, the average number of personnel (FTE) employed by the Sanoma Group was 5,384 (2015: 6,776; 2014: 8,259). At the end of 2016, the number of Group employees (FTE) was 5,227 (2015: 6,116; 2014: 7,582). Divestments and restructuring decreased the number of personnel.

In full-time equivalents, Media BeNe had 1,768 (2015: 2,020) employees at the end of 2016 and Media Finland 1,718 (2015: 1,863). Learning had 1,439 (2015: 1,507) and other operations 302 (2015: 726) employees (FTE) at the end of 2016. Wages, salaries and fees to Sanoma's employees, including the expense recognition of share based payments, amounted to EUR 323.7 million (2015: 381.0; 2014: 439.4).

### Dividend

On 31 December 2016, Sanoma Corporation's distributable funds were EUR 333.8 million, of which loss for the year made up EUR 57.6 million. Including the fund for non-restricted equity of EUR 203.3 million the distributable funds amounted to EUR 537.2 million.

The Board of Directors proposes to the Annual General Meeting that:

- a dividend of EUR 0.20 per share, or in total an estimated EUR 35.2 million, shall be paid.
- a sum of EUR 0.35 million shall be transferred to the donation reserve and used at the Board's discretion.
- the amount left in equity shall be EUR 504.3 million.

In accordance with the Annual General Meeting's decision in April 2016, Sanoma paid out a per-share dividend of EUR 0.10 for 2015.

According to the new dividend policy from 2017 onwards, Sanoma aims to pay an increasing dividend, equal to 40–60% of annual cash flow from operations less capital expenditure.

When proposing a dividend to the AGM, the Board of Directors will look at the general macro-economic environment, Sanoma's current and target capital structure, Sanoma's future business plans and investment needs as well as both previous year's cash flows and expected future cash flows affecting capital structure.

## Corporate Governance

For more information on Sanoma's Corporate Governance, please see the Corporate Governance Statement, pp. 86–92.

### Shares and holdings

In 2016, a total of 48,152,687 (2015: 81,355,104) Sanoma shares were traded on the Nasdaq Helsinki and traded shares accounted for 30% (2015: 50%) of the average number of shares. Sanoma's shares traded on the Nasdaq Helsinki corresponded to 72% (2015: 84%) of the total traded share volume on stock exchanges.

During 2016, the volume-weighted average price of a Sanoma share on the Nasdaq Helsinki was EUR 6.14 (2015: 4.28), with a low of EUR 3.51 (2015: 3.13) and a high of EUR 9.39 (2015: 5.95). At the end of December, Sanoma's market capitalisation was EUR 1,338 million (2015: 634), with Sanoma's share closing at EUR 8.25 (2015: 3.91). At the end of 2016, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 162,812,093.

At the end of 2016, the company held a total of 478,497 own shares, representing 0.3% of all Sanoma shares and votes.

✚ For more information on Sanoma's shares and shareholders, stock options and management ownership, see the Shares and shareholders section, pp. 72–77 as well as Notes 23 and 33. For key indicators, see p. 5 of the Financial Statements.

### Board of Directors, auditors and management

The AGM held on 12 April 2016 confirmed the number of Sanoma's Board members as ten. Board members Antti Herlin, Anne Brunila and Mika Ihmuotila were re-elected. The Board of Directors of Sanoma consists of Pekka Ala-Pietilä (Chairman), Antti Herlin (Vice Chairman), and Anne Brunila, Susan Duinhoven, Mika Ihmuotila, Nils Ittonen, Denise Koopmans, Robin Langenskiöld, Rafaela Seppälä, and Kai Öistämö as members.

The AGM appointed audit firm KPMG Oy Ab, with Virpi Halonen, Authorised Public Accountant, as Auditor in Charge, as the auditor of the Company.

At the end of 2016, the Executive Management Group (EMG) comprises: Susan Duinhoven (President and CEO of the Sanoma Group), Kim Ignatius (CFO), Pia Kalsta (CEO, Sanoma Media Finland), John Martin (CEO, Sanoma Learning) and Peter de Mönnink (CEO, Sanoma Media BeNe).

Sanoma has appointed Markus Holm CFO and COO as of 1 February 2017, and he will also be a member of EMG.

## Board authorisations

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

The AGM held on 12 April 2016 authorised the Board to decide on the repurchase of maximum of 16,000,000 Company's own shares. The authorisation is effective until 30 June 2017 and terminates the corresponding authorisation granted by the AGM on 8 April 2015.

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

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

The Board of Directors did not exercise its right under this authorisation during 2016.

## Seasonal fluctuation

The net sales and results of media businesses are particularly affected by the development of advertising. Advertising sales are influenced, for example, by the number of newspaper and magazine issues published each quarter, which varies annually. TV advertising in Finland and the Netherlands is usually strongest in the second and fourth quarters.

Learning accrues most of its net sales and results during the second and third quarters. Seasonal business fluctuations influence the Group's net sales and operating profit, with the first quarter traditionally being clearly the smallest one both for Consumer Media and Learning.

## Significant near term risks and uncertainty factors

The most significant risks and uncertainty factors Sanoma currently faces are described in the Financial Statements and on the Group's website at Sanoma.com, together with the Group's main principles of risk management.

Many of the identified risks relate to changes in customer preferences. The driving forces behind these changes are the on-going digitisation process and the decrease of viewing time in free-to-air TV. Sanoma takes actions in all its strategic business units to respond to these challenges.

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

Sanoma faces political risks in particular in Poland, where legislative changes can have significant impacts on the learning business.

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

Sanoma's financial risks include interest rate risk, currency risks, liquidity risk and credit risk. Other risks include risks related to equity and impairment of assets.

Sanoma's consolidated balance sheet includes around EUR 2.1 billion in goodwill, immaterial rights and other intangible assets. Most of this is related to magazine and TV operations. In accordance with IFRS, instead of goodwill being amortised, 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.

➤ Definitions of key indicators used in this report are presented on p. 7.