

Sanoma 2017 in brief

Net sales €
1.4 bn

Operational EBIT margin
12.4%

Employees
4,400

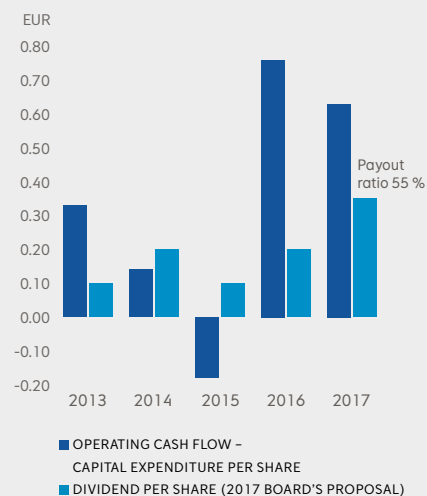
Sanoma is a front running media and learning company impacting the lives of millions every day. We provide consumers with engaging content, offer unique marketing solutions to business partners and enable teachers to excel at developing the talents of every child. We operate in Finland, the Netherlands, Poland, Belgium and Sweden. Sanoma's shares are listed on Nasdaq Helsinki.

Media BeNe has a leading cross media portfolio in the Netherlands. With strong brands it has a solid market position in many parts of the media industry: magazines, news, events, customer media, e-commerce sites and apps.

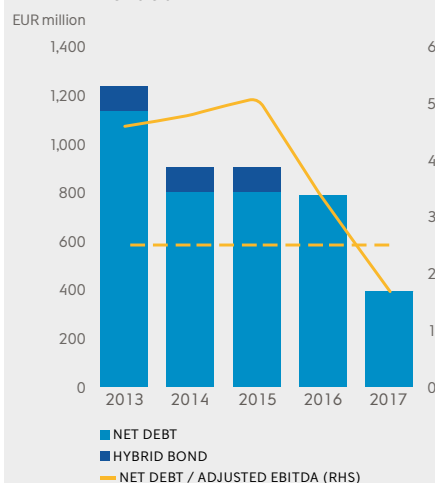
Media Finland is the leading Finnish multi-channel media company. Its newspapers, magazines, tv and radio channels as well as online and mobile media offer information, experiences and entertainment, and reach most Finns every day.

Learning is one of Europe's leading learning companies. Its seamlessly integrated print, digital and hybrid solutions help make primary, secondary and vocational education more effective.

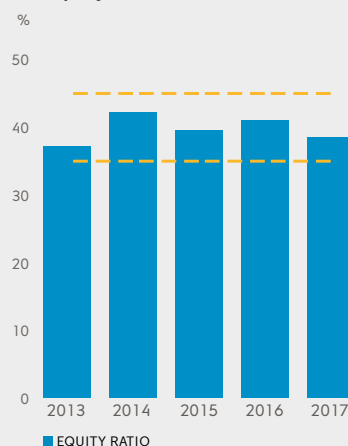
Dividend



Net debt



Equity ratio



Key indicators

EUR million	2017	2016	2015****	2014	2013***
Net sales *	1,433.4	1,554.4	1,716.7	1,901.6	2,083.5
EBITDA *	-48.0	502.2	266.3	461.4	377.5
% OF NET SALES	-3.3	32.3	15.5	24.3	18.1
Operational EBIT *	178.2	164.9	83.7	118.8	154.6
% OF NET SALES	12.4	10.6	4.9	6.2	7.4
Items affecting comparability in operating profit *	-417.2	42.0	-206.8	15.0	-412.4
Operating profit *	-238.9	206.9	-123.1	133.8	-257.7
% OF NET SALES	-16.7	13.3	-7.2	7.0	-12.4
Result before taxes *	-260.9	167.3	-151.4	90.7	-309.5
% OF NET SALES	-18.2	10.8	-8.8	4.8	-14.9
Result for the period from continuing operations *	-300.3	122.7	-157.7	61.6	-320.3
% OF NET SALES	-21.0	7.9	-9.2	3.2	-15.4
Result for the period	-298.1	116.0	-157.7	61.6	-320.3
% OF NET SALES	-20.8	7.5	-9.2	3.2	-15.4
Balance sheet total	1,589.2	2,605.6	2,765.1	3,016.5	3,349.1
Cash flow from operations **	141.2	158.1	25.5	73.7	119.1
Capital expenditure *	38.2	34.9	54.7	50.7	65.6
% OF NET SALES	2.7	2.2	3.2	2.7	3.1
Return on equity (ROE), %	-47.4	10.9	-13.6	4.9	-24.2
Return on investment (ROI), %	-17.3	9.9	-5.3	6.5	-9.2
Equity ratio, %	38.5	41.0	39.5	42.2	37.2
Net gearing, %	70.7	78.4	77.8	66.7	95.7
Interest-bearing liabilities	412.4	829.6	899.6	918.1	1,280.2
Non-interest-bearing liabilities	611.8	773.3	833.3	888.9	888.2
Interest-bearing net debt	391.8	786.2	801.2	801.8	1,129.2
Average number of employees (full-time equivalents) *	4,746	5,171	6,776	8,259	9,446
Number of employees at the end of the period (full-time equivalents) *	4,425	5,038	6,116	7,583	9,035

* The figures for 2017 and 2016 contain only continuing operations. The figures for 2013–2015 include also operations classified as discontinued operations in 2017.

** Dividends received have been transferred from the Cash flow from investments to the Cash flow from operations in 2016 and 2017.

*** 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.

**** In 2016, 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.

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.

EUR million	2017	2016	2015****	2014	2013***
Share indicators					
Earnings/share, EUR, continuing operations *	-1.01	0.69	-0.91	0.32	-1.89
Earnings/share, EUR	-0.99	0.65	-0.91	0.32	-1.89
Earnings/share, diluted, EUR, continuing operations *	-1.01	0.69	-0.91	0.32	-1.89
Earnings/share, diluted, EUR	-0.99	0.65	-0.91	0.32	-1.89
Operational earnings/share, EUR, continuing operations *	0.71	0.50	0.13	0.33	0.44
Operational earnings/share, EUR	0.73	0.51	0.13	0.33	0.44
Cash flow from operations/share, EUR **	0.87	0.97	0.16	0.45	0.73
Equity/share, EUR	3.39	4.39	4.59	5.54	5.42
Dividend/share, EUR *****	0.35	0.20	0.10	0.20	0.10
Dividend payout ratio, % *****	neg.	30.8	neg.	62.0	neg.
Operational dividend payout ratio, % *****	47.8	39.2	78.3	61.5	22.6
Market capitalisation, EUR million *****	1,774.5	1,338.4	633.7	748.9	1,039.6
Effective dividend yield, % *****	3.2	2.4	2.6	4.3	1.6
P/E ratio	neg.	12.7	neg.	14.3	neg.
Adjusted number of shares at the end of the period *****	163,249,144	162,333,596	162,082,093	162,812,093	162,812,093
Adjusted average number of shares *****	162,544,637	162,291,679	162,721,764	162,812,093	162,812,093
Lowest share price, EUR	7.58	3.51	3.13	4.19	5.28
Highest share price, EUR	12.03	9.39	5.95	6.85	8.95
Average share price, EUR	8.90	6.14	4.28	5.17	6.79
Share price at the end of the period, EUR	10.87	8.25	3.91	4.60	6.39
Trading volumes, shares	36,232,649	48,152,687	81,355,104	59,025,525	54,326,354
% OF SHARES	22.3	29.7	50.0	36.3	33.4

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***** Year 2017 proposal of the Board of Directors.

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

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Comparable key indicators, adjusted for the SBS divestment

EUR million	1-12/2017	1-12/2016
Net sales	1,326.6	1,322.3
EBITDA	345.7	359.3
Operational EBIT	180.6	149.6
% OF NET SALES	13.6	11.3
Operating profit	187.9	198.6
Result for the period from continuing operations	125.8	116.9
Result for the period *	128.0	110.2
Cash flow from operations *	140.9	141.2
Capital expenditure **	36.4	30.5
% OF NET SALES	2.7	2.3
Number of employees at the end of the period (FTE)	4,425	4,658
Average number of employees (FTE)	4,562	4,792
Earnings/share, EUR, continuing operations	0.77	0.67
Earnings/share, EUR *	0.78	0.63
Operational earnings/share, EUR, continuing operations	0.72	0.46
Operational earnings/share, EUR *	0.74	0.47
Cash flow from operations/share, EUR *	0.87	0.87

* Includes both continuing and discontinued operations.

** Including finance leases.

Reconciliation of operational EPS

EUR million	1-12/2017	1-12/2016
Result for the period attributable to the equity holders of the Parent Company	-161.5	110.8
Current year interest on the hybrid bond net of tax		-5.5
Items affecting comparability *	280.5	-22.5
Operational result for the period attributable to the equity holders of the Parent Company	119.0	82.8
Adjusted average number of shares	162,544,637	162,291,679
Operational EPS	0.73	0.51

* 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	31.12.2017	31.12.2016
Non-current financial liabilities	196.3	239.1
Current financial liabilities	216.1	590.5
Cash and cash equivalents	-20.6	-43.4
Interest-bearing net debt	391.8	786.2

Definitions of key indicators

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

Board of Directors' Report

Net sales

Net sales amounted to EUR 1,433.4 million (2016: 1,554.4). Adjusted for the SBS divestment, net sales were stable and amounted to EUR 1,326.6 million (2016: 1,322.3). Non-print media sales, adjusted for the SBS divestment, were stable at EUR 380.0 million (2016: 378.2) and represented 28.6% (2016: 28.6%) of the Group's net sales.

Adjusted for the SBS divestment, advertising sales decreased by 6% to EUR 346.2 million (2016: 366.5) due to divestment of comparison website Kieskeurig.nl and slightly weaker print advertising sales both in Finland and in the Netherlands. Circulation sales decreased by 3% to EUR 474.8 million (2016: 488.6), largely due to lower single copy sales. Net sales from learning grew by 13% to EUR 319.9 million (2016: 282.5) driven by good development in Poland and the acquisition of De Boeck in Belgium. Other sales were stable at EUR 185.8 million (2016: 184.8).

Group's net sales by country

			Adjusted for the SBS divestment	
	2017	2016	2017	2016
%				
Finland	43.4	40.2	46.9	47.2
Netherlands	42.8	49.1	38.2	40.2
Other	13.8	10.7	14.9	12.6
Total Group	100.0	100.0	100.0	100.0

Group's net sales by type of sales

			Adjusted for the SBS divestment	
	2017	2016	2017	2016
%				
Advertising	30.4	36.4	26.1	27.7
Subscription	24.8	23.2	26.8	27.2
Single copy	8.3	8.3	9.0	9.7
Learning	22.3	18.2	24.1	21.4
Other	14.2	14.0	14.0	14.0
Total Group	100.0	100.0	100.0	100.0

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

Adjustments and alternative performance measures

Sanoma announced on 16 January 2018 an intention to divest its Belgian women's magazine portfolio, part of Media BeNe Strategic Business Unit (SBU). Net sales of the divested business were EUR 80.5 million and operational EBIT EUR 6.5 million (EBIT margin 8.1%) in 2017. The divested business is consequently classified as Discontinued operations in this report. All key indicators and income statement related quarterly and FY figures presented in this report, including corresponding periods in 2016, cover Continuing operations only unless otherwise stated.

Sanoma completed the divestment of the Dutch TV operations of SBS on 19 July 2017. SBS was consolidated in Sanoma's income statement until 30 June 2017. To illustrate the effect of the divestment on the Group, some comparable adjusted key figures are presented in this report. Comparable adjusted figures fully exclude the divested operations of SBS, but include 100% of Veronica Uitgeverij. All other figures in this report are based on reported figures and include SBS until the end of June.

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Result

Operational EBIT improved to EUR 178.2 million (2016: 164.9), corresponding to a margin of 12.4% (2016: 10.6%). Adjusted for the SBS divestment, operational EBIT improved by 21% to EUR 180.6 million (2016: 149.6), corresponding to a margin of 13.6% (2016: 11.3%).

Growth in operational EBIT was driven by strong profitability improvement in Media Finland, including EUR 4.4 million one-off corrections related to changes in accounting estimates in Q1 2017. Significant decline in Group costs booked into Other operations further supported profitability. Operational EBIT, adjusted for the SBS divestment, improved slightly in Media BeNe. Operational EBIT was stable in Learning, with a positive earnings impact of well managed cost innovations and net sales growth offsetting the negative impact of higher development costs as well as increased depreciation and amortisation due to higher investments and certain acquired assets in Belgium.

The Group's operating expenses, adjusted for the SBS divestment and excluding items affecting comparability, decreased by 3%. Cost of sales increased slightly. Paper costs grew slightly, driven by higher net sales in Learning, while transport and distribution costs as well as employee benefit expenses decreased clearly. Fixed costs decreased by 6%.

Operating profit included EUR -417.2 million (2016: 42.0) net of items affecting comparability, mainly related to the capital loss from the divestment of SBS and capital gains related to the sales of real estate in Finland. In the previous year, items affecting comparability included a EUR 74.6 million adjustment for a settlement of defined benefit pension plans in the Netherlands. Operating profit was EUR -238.9 million (2016: 206.9). Adjusted for the SBS divestment, operating profit was EUR 187.9 million (2016: 198.6).

Net financial items totalled EUR -23.3 million (2016: -37.2). The improvement is due to lower interest expenses resulting from the significant decrease of interest-bearing liabilities and lower average interest rate.

Result before taxes amounted to EUR -260.9 million (2016: 167.3). Earnings per share were EUR -1.01 (2016: 0.69) and EUR -0.99 (2016: 0.65) including Discontinued operations. The decrease is related to the items affecting comparability, especially the capital loss related to the divestment of SBS. Operational earnings per share improved by 41% to EUR 0.71 (2016: 0.50).

Balance sheet, financial position and cash flow

At the end of December 2017, the consolidated balance sheet totalled EUR 1,589.2 million (2016: 2,605.6). The decrease is mainly attributable to the deconsolidation of the SBS TV operations.

Equity totalled EUR 554.4 million (2016: 1,002.5). The decrease is related to the capital loss booked due to the SBS divestment and the corresponding deconsolidation of non-controlling interest. Equity per share was EUR 3.39 (2016: 4.39). Interest-bearing net debt amounted to EUR 391.8 million (2016: 786.2).

Equity ratio was 38.5% (2016: 41.0%) at the end of 2017, being at the long-term target corridor of 35%–45% despite the negative impact of the SBS divestment on the total amount of equity.

The return on equity (ROE) was -47.4% (2016: 10.9%) and the return on investment (ROI) was -17.3% (2016: 9.9%).

At the end of 2017, net debt to adjusted EBITDA ratio was 1.7 (2016: 3.2) being clearly below the Group's long-term target level (< 2.5). The adjusted EBITDA used in this ratio is the 12-month rolling operational EBITDA, in which acquired operations are included and divested operations excluded, and depreciation of both programming and prepublication rights have been raised above EBITDA on cash flow basis. The divestment of SBS had a positive effect on this ratio as the net cash consideration of the transaction, EUR 237 million, was used to reduce debt.

In 2017, the Group's cash flow from operations was EUR 141.2 million (2016: 158.1). The positive cash flow impact of higher EBITDA and lower financial items was offset by certain cash-based restructuring costs and changes in working capital. Capital expenditure was EUR 38.2 million (2016: 34.9).

Sanoma's dividend policy is based on cash flow from operations, less capital expenditure. In 2017, cash flow from operations per share was EUR 0.87 (2016: 0.97) and capital expenditure per share was EUR 0.22 (2016: 0.21).

Cash flow from investments amounted to EUR 245.2 million. It was positively impacted by the proceeds from operations sold, including SBS, Sanoma Baltics, and Kieskeurig.nl as well as divested real estate in Finland. In 2016, operations sold included Autotrader.nl, AAC Global, the remaining Russian magazine operations and the Head Office custom publishing operations in Finland.

Investments, acquisitions and divestments

In 2017, capital expenditure including finance leases amounted to EUR 38.2 million (2016: 34.9). Capital expenditure was mainly related to investments in digital business as well as ICT system development and maintenance. Majority of the investments was made to support growth in the learning business.

In November 2017, Sanoma sold an office property at Ludviginkatu 2-10, Helsinki, Finland and recognised a capital gain of EUR 24.3 million.

In July 2017, Sanoma divested 67% of the Dutch TV business SBS for a net cash consideration of EUR 237 million and obtaining 100% ownership of the TV guide business Veronica Uitgeverij. As a result of the transaction Sanoma recognised a non-cash capital loss of EUR -308.1 million. The total impact of the transaction on the Group's net result is EUR -286.2 million.

In June 2017, Sanoma divested the comparison website Kieskeurig.nl in the Netherlands.

In June 2017, Sanoma increased its holding in the Finnish marketing service company Routa from 51% to 80%.

In April 2017, Sanoma divested the online classifieds business of Sanoma Baltics AS and recognised a capital gain of EUR 9.9 million.

In January 2016, Sanoma acquired an 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 capital gain of EUR 13.3 million.

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

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

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

Events after the reporting period

On 16 January 2018, Sanoma announced an intention to divest its Belgian women's magazine portfolio, part of Media BeNe SBU, to Roularta Media Group. Enterprise value of the divested assets is EUR 34 million. Net sales were EUR 80.5 million and operational EBIT EUR 6.5 million (EBIT margin 8.1%) in 2017.

The divested business is consequently classified as Discontinued operations in this report. All key indicators and income statement related quarterly and FY figures presented in this report, including corresponding periods in 2016, cover Continuing operations only unless otherwise stated.

The transaction is subject to closing conditions including customary regulatory approvals and social consultation with the employee representatives, and is expected to be closed by the end of Q2 2018. Restructuring costs, capital gains and similar one-off items related to the transaction will be booked into the Discontinued operations' net result for 2018.

[+ More information on the Discontinued operations' financial performance is available in Note 4.](#)

Media BeNe

Sanoma Media BeNe includes the Dutch consumer media operations and the press distribution business Aldipress. We have a leading cross media portfolio with strong brands and market positions in magazines, news, events, custom media, e-commerce, websites and apps. Through combining content and customer data, we develop successful marketing solutions for our clients. In total, Sanoma Media BeNe reaches over 12 million consumers every month.

Key indicators

EUR million	2017	2016	Change %	Adjusted for the SBS divestment		
				2017	2016	Change %
Net sales	543.3	691.2	-21.4	436.5	459.1	-4.9
Non-print	236.0	368.3	-35.9	129.2	136.1	-5.1
Print	260.8	276.8	-5.8	260.9	276.9	-5.8
Other	46.5	46.1	0.9	46.5	46.1	0.8
EBITDA	-323.7	267.8		64.7	124.9	-48.2
Operational EBIT *	65.8	82.7	-20.4	68.1	67.3	1.1
% OF NET SALES	12.1	12.0		15.6	14.7	
Operating profit	-366.0	110.9		55.6	102.6	-45.8
Capital expenditure	5.1	5.9	-14.6	3.3	1.5	118.2
Number of employees at the end of the period (FTE)	1,083	1,579	-31.4	1,083	1,199	-9.7
Average number of employees (FTE)	1,316	1,586	-17.0	1,132	1,208	-6.3

* Reconciliation of operational EBIT is presented in Note 3.

Media BeNe's net sales were EUR 543.3 million (2016: 691.2) and in 2017 included SBS only for the first half of the year. Net sales, adjusted for the SBS divestment, declined to EUR 436.5 million (2016: 459.1) mainly due to lower advertising sales following the divestment of Kieskeurig.nl. Non-print sales, adjusted for the SBS divestment, amounted to EUR 129.2 million (2016: 368.3; adjusted for the SBS divestment 136.1). Share of non-print sales, adjusted for the SBS divestment, remained stable and represented 29.6% (2016: 53.3%; adjusted for the SBS divestment 29.6%) of net sales.

Adjusted for the SBS divestment, advertising sales decreased by 16% mainly due to the divestment of Kieskeurig.nl and represented 19.0% (2016: 43.1%; adjusted for the SBS divestment 21.5%) of net sales. Circulation sales decreased by 4% and represented 50.0% (2016: 33.0%; adjusted for the SBS divestment 49.6%) of net sales. Majority of the decline was due to lower single copy sales. Other sales were stable.

Based on preliminary market information, Sanoma estimates that the advertising market in the Netherlands decreased on a net basis in consumer magazines by 6% and increased in online including search by 11% in 2017.

Operational EBIT was EUR 65.8 million (2016: 82.7) and in 2017 included SBS only for the first half of the year. Operational EBIT, adjusted for the SBS divestment, improved slightly to EUR 68.1 million (2016: 67.3) as the positive earnings impact of continued cost innovations and streamlined organisation more than offset the negative impact of lower net sales and higher depreciations.

Items affecting comparability included in operating profit totalled EUR -437.1 million (2016: 28.2) and were mainly related to the capital loss on the divestment of SBS, restructuring costs related to the streamlining of the Dutch back office organisation and a provision for unused office space. Related to the SBS divestment a gain of EUR 138.4 million was booked under items affecting comparability in non-controlling interests. The net result impact of the divestment of SBS was EUR -286.2 million. In the comparable period, items affecting comparability consisted of EUR 40.8 million settlement related to changes in the Dutch pension plans, capital gains, restructuring expenses as well as impairments. Operating profit was EUR -366.0 million (2016: 110.9) and adjusted for the SBS divestment EUR 55.6 million (2016: 102.6).

Capital expenditure was EUR 5.1 million (2016: 5.9). Capital expenditure, adjusted for the SBS divestment, totalled EUR 3.3 million (2016: 1.5) and consisted mainly of ICT development and maintenance investments.

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, Nelonen, 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.

Key indicators

EUR million	2017	2016	Change %
Net sales	570.6	580.9	-1.8
Non-print	250.9	242.0	3.6
Print	319.7	338.9	-5.6
EBITDA	162.1	135.2	19.9
Operational EBIT *	65.7	49.5	32.6
% OF NET SALES	11.5	8.5	
Operating profit	71.9	41.3	74.2
Capital expenditure	6.3	5.2	20.0
Number of employees at the end of the period (FTE)	1,703	1,718	-0.9
Average number of employees (FTE)	1,744	1,797	-3.0

* Reconciliation of operational EBIT is presented in Note 3.

Media Finland's net sales decreased to EUR 570.6 million (2016: 580.9). Non-print sales grew by 4% to EUR 250.9 million (2016: 242.0) and represented 44.0% (2016: 41.7%) of net sales.

Advertising sales were stable and Media Finland's market share in the advertising markets improved in a slightly declining market. Advertising sales represented 46.2% (2016: 46.1%) of net sales. Circulation sales were stable and represented 44.9% (2016: 44.9%) of net sales. Subscription sales grew driven by digital news and VOD, while single copy sales decreased.

According to the Finnish Advertising Trends 2017 survey by Kantar TNS, the advertising market in Finland decreased on a net basis by 3% during the year. Advertising in magazines declined by 6%, in newspapers by 11%, and in TV by 5%, whereas advertising increased on radio by 4% and online excluding search by 7%.

Operational EBIT improved significantly to EUR 65.7 million (2016: 49.5), driven by cost innovations. The operational EBIT also includes EUR 4.4 million one-off corrections related to changes in accounting estimates in Q1 2017.

Items affecting comparability included in the operating profit totalled EUR 6.2 million (2016: -8.2). They included a capital gain related to the divestment of Sanoma Baltics in the second quarter and restructuring expenses. Operating profit increased to EUR 71.9 million (2016: 41.3).

Capital expenditure grew to EUR 6.3 million (2016: 5.2) and included investments in the B2B and data platforms.

Learning

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

Key indicators

EUR million	2017	2016	Change %
Net sales	319.9	282.6	13.2
Netherlands	92.1	94.4	-2.5
Poland	100.0	70.8	41.2
Finland	53.0	48.1	10.2
Belgium	52.7	44.8	17.5
Sweden	22.5	25.1	-10.3
Other companies and eliminations	-0.4	-0.6	
EBITDA	98.0	107.3	-8.7
Operational EBIT *	57.0	56.8	0.3
% OF NET SALES	17.8	20.1	
Operating profit	45.3	67.4	-32.8
Capital expenditure	19.7	17.7	11.3
Number of employees at the end of the period (FTE)	1,358	1,439	-5.6
Average number of employees (FTE)	1,401	1,413	-0.9

* Reconciliation of operational EBIT is presented in Note 3.

The Learning segment's net sales grew by 13.2% to EUR 319.9 million (2016: 282.6). Majority of the growth came from Poland, where the market momentum, in particular during the third quarter high season, was exceptionally positive due to two simultaneous curriculum reforms. Net sales grew also in Belgium, mainly following the integration of De Boeck acquired in June 2016. Net sales development was positive in Finland, but negative in Sweden versus high growth due to new Swedes in 2016. Net sales declined slightly in the Netherlands, while Learning maintained its market share.

Operational EBIT was stable at EUR 57.0 million (2016: 56.8) with a positive earnings impact of well managed cost innovations and net sales growth offsetting the negative impact of higher development costs as well as increased depreciation and amortisation due to higher investments and certain acquired assets in Belgium.

Items affecting comparability included in the operating profit totalled EUR -11.7 million (2016: 10.5), consisting mainly of impairments and restructuring expenses related to discontinuation of YDP, the international operations based in Poland. In 2016, the items affecting comparability included a positive impact related to the settlement of changing defined benefit pension plans to a defined contribution plan in the Netherlands. Operating profit decreased to EUR 45.3 million (2016: 67.4).

Capital expenditure increased to EUR 19.7 million (2016: 17.7). Majority of the capital expenditure consisted investments in digital platforms and ICT.

Personnel

In 2017, the average number of personnel in full-time equivalents (FTE) employed by the Sanoma Group was 4,746 (2016: 5,171). At the end of 2017, the number of Group employees (FTE) was 4,425 (2016: 5,038). The number of employees (FTE) per SBU at the end of 2017 was following: Media BeNe 1,083 (2016: 1,579), Media Finland 1,703 (2016: 1,718), Learning 1,358 (2016: 1,439) and Other operations 281 (2016: 302).

Wages, salaries and fees paid to Sanoma's employees, including the expense recognition of share based payments, amounted to EUR 340.1 million (2016: 299.6). In 2016, the employee benefit expenses included a EUR 74.6 million adjustment for a settlement of defined benefit pension plans in the Netherlands.

Corporate governance

Sanoma has published separate Corporate Governance Statement and Remuneration Statement in connection with the Board of Directors' Report. The statements are available at Sanoma.com.

Non-financial information

Sanoma has published a separate Statement of Non-Financial Information in connection with the Board of Directors' Report. The statement is available at Sanoma.com.

Share development and trading

In 2017, a total of 36,232,649 (2016: 48,152,687) Sanoma shares were traded on the Nasdaq Helsinki, and traded shares accounted for some 22% (2016: 30%) of the average number of shares. Sanoma's shares traded on the Nasdaq Helsinki corresponded to approx. 73% (2016: 72%) of the total traded share volume on stock exchanges.

During the year, the volume-weighted average price of a Sanoma share on the Nasdaq Helsinki was EUR 8.90 (2016: EUR 6.14), with a low of EUR 7.58 (2016: EUR 3.51) and a high of EUR 12.03 (2016: EUR 9.39). At the end of December, Sanoma's market capitalisation excluding the company's own shares was EUR 1,775 million (2016: 1,338), with Sanoma's share closing at EUR 10.87 (2016: 8.25).

Sanoma's own shares

At the end of December, the company held a total of 316,519 (2016: 478,497) of its own shares, representing 0.2% (2016: 0.3%) of all Sanoma shares and votes.

Share capital and shareholders

At the end of December, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 163,565,663.

[+ More information on Sanoma's share and shareholders is presented on p. 72–75 of the Financial Statements.](#)

Decisions of the Annual General Meeting 2017

The Annual General Meeting (AGM) held on 21 March 2017 adopted the Financial Statements, the Board of Directors' Report and the Auditors' Report for the year 2016 and discharged the members of the Board of Directors as well as the President and CEO from the liability for the financial year 2016. The AGM approved the payment of a dividend of EUR 0.20 per share, as proposed by the Board of Directors.

The AGM confirmed the number of Sanoma's Board members as nine and decided to amend the term of office of Board members to be one year. Board members Pekka Ala-Pietilä, Antti Herlin, Anne Brunila, Mika Ihamuotila, Nils Ittonen, Denise Koopmans, Robin Langenskiöld, Rafaela Seppälä and Kai Öistämö were re-elected as Board members. Pekka Ala-Pietilä was elected as Chairman of the Board and Antti Herlin as Vice Chairman.

The AGM appointed audit firm PricewaterhouseCoopers Oy, with Samuli Perälä, Authorised Public Accountant, as the auditor with principal responsibility, as the auditor of the Company.

BOARD AUTHORISATIONS

The AGM 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 2018 and terminates the corresponding authorisation granted by the 2016 AGM.

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 Ltd.

The Board of Directors did not exercise its right under the authorisation during 2017.

Management

At the end of 2017, the Executive Management Group (EMG) comprised the following members: Susan Duinhoven (President and CEO of the Sanoma Group), Markus Holm (CFO and COO), Pia Kalsta (CEO Sanoma Media Finland) and John Martin (CEO Sanoma Learning). Kim Ignatius (Executive Vice President) and Peter de Mönnink (CEO Sanoma Media BeNe) served as members of the EMG until the end of 2017. Marc Duijndam was appointed as the CEO of Sanoma Media BeNe as of 1 January 2018.

Seasonal fluctuation

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

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.

General business risks associated with media and learning industries relate to developments in media advertising, consumer spending and public and private education spend. The volume of media advertising in specific is sensitive to overall economic development and consumer confidence. The general economic conditions in Sanoma's operating countries and overall industry trends could influence Sanoma's business activities and operational performance.

Many of Sanoma's identified strategic risks relate to changes in customer preferences, which apply not only to the changes in consumer behaviour, but also to the direct and indirect impacts on the behaviour of business-to-business customers. The driving forces behind these changes are the on-going digitisation and mobilisation and the decrease of viewing time of free-to-air TV. Sanoma takes actions in all its strategic business units to respond to these challenges.

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

Privacy and data protection are an integral part of Sanoma's business. Risks related to data security become more relevant as digital business is growing. Sanoma has invested in data security related technologies and runs a Group-wide privacy programme to ensure that employees know how to apply data security and privacy practices in their daily work. Regulatory changes regarding the use of subscriber and customer data could have a negative impact on Sanoma's ability to acquire subscribers for its content and to utilize data in its business.

Sanoma faces political risks in particular in Poland, where legislative changes can have significant impacts on the learning business. EU level changes currently considered for the Digital Single Market Initiative could have a significant impact on Sanoma's cost efficient access to high quality TV content for the Finnish market.

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

Sanoma's consolidated balance sheet included at the end of 2017 EUR 1,185.7 million (2016: 2,095.8) of goodwill, immaterial rights and other intangible assets. Most of this is related to media operations in the Netherlands. Sanoma divested its Dutch TV operations, SBS, on 19 July 2017, which reduced the amount of goodwill, immaterial rights and other intangible assets by EUR 915.8 million. 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.

Outlook for 2018

In 2018, Sanoma expects that the Group's consolidated net sales adjusted for structural changes will be slightly below 2017, and operational EBIT margin will be around 14%.

The outlook is based on an assumption of the consumer confidence and advertising markets in the Netherlands and Finland being in line with that of 2017.

Dividend proposal

On 31 December 2017, Sanoma Corporation's distributable funds were EUR 462.3 million, of which profit for the year made up EUR 156.9 million. Including the fund for non-restricted equity of EUR 209.8 million the distributable funds amounted to EUR 672.0 million.

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

- A dividend of EUR 0.35 per share shall be paid for the year 2017. The dividend shall be paid in two instalments. The first instalment of EUR 0.20 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 26 March 2018. The payment date for this instalment is 4 April 2018. The second instalment of EUR 0.15 per share shall be paid on 1 November 2018.
- 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 614.5 million.

According to its 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.

Annual General Meeting 2018

Sanoma Corporation's AGM will be held on 22 March 2018 at 14:00 Finnish time (CET+1) at Marina Congress Center (Katajanokanlaituri 6, 00160 Helsinki, Finland).