Financial highlights 2019

Operational EBIT margin excl. PPA

14.8%

(2018: 13.8%)

- Earnings improved in Learning and were stable in Media Finland
- Net sales grew mainly as a result of the Iddink acquisition

Leverage

2.7

(2018: 1.4)

- Net debt / Adj. EBITDA temporarily above the long-term target level (below 2.5) due to the Iddink acquisition and IFRS 16
- Learning business strengthened with four acquisitions
- 400M€ headroom for M&A

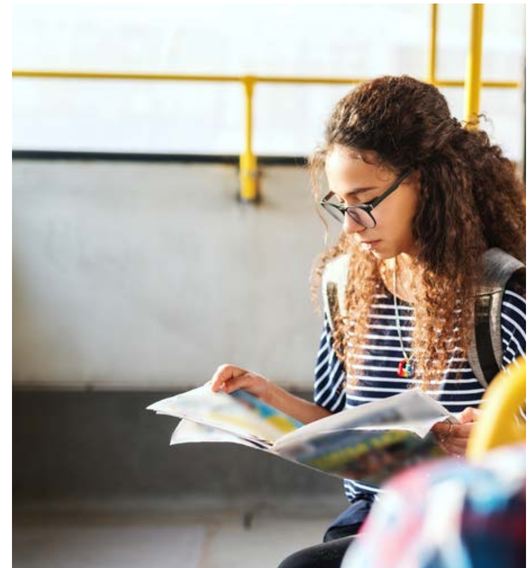
Dividend per share

€ 0.50

(2018: 0.45)

- Adjusted* free cash flow per share EUR 0.86 (2018: 0.77)
- Pay-out ratio 58% (2018: 58%) of adjusted free cash flow

* Excl. 10m€ (2018: 17) of costs related to discontinued operations divested in June 2018 in Belgium.



Sanoma in brief

Sanoma is a front running learning and media company impacting the lives of millions every day. We enable teachers to excel at developing the talents of every child, provide consumers with engaging content, and offer unique marketing solutions to business partners.

We have two strong businesses: Sanoma Learning and Sanoma Media Finland. Today, we have operations in ten countries including Finland, the Netherlands and Poland. Our net sales totalled EUR 900 million and we employed approx. 3,500 professionals in 2019.

Transforming Sanoma

Sanoma has been an integral part of the Finnish media industry since 1889 when the first issue of Päivälehti newspaper, predecessor of Helsingin Sanomat, was published.

Building of the European learning business started in 1999 with the incorporation of Sanoma WSOY.

2019

Sanoma divested LINDA. magazine in the Netherlands and the transformation was completed with the divestment of strategic business unit Sanoma Media Netherlands.*

* Sanoma annouced the intention to divest Media Netherlands on 10 December 2019. The divestment is expected to be completed latest during Q3 2020.

2017–2018

After a significant profitability turnaround, Sanoma divested its Dutch TV business SBS in 2017 and Belgian women's magazine portfolio in 2018.

Sanoma strengthened its cross-media entertainment position in Finland by continuing to build its festival and event business.

The acquisition of Iddink significantly increased the scale of Sanoma's learning business, and allowed an entry to the integrated digital learning platform business.

Acquisitions and divestments in 2019

Acquisitions

MEDIA FINLAND

Oikotie

Sanoma increased its ownership in the on-line classifieds company Oikotie Ltd. from 90% to 100%.

MEDIA FINLAND

Two radio stations, Business FM and Aito Radio

LEARNING

Iddink

Sanoma completed the aquisition of Iddink, a leading Dutch provider of digital platforms for learning and school administration. Iddink operates in the Netherlands, Belgium and Spain and employs 300 people, about 50% working in edtech. Net sales in 2019 were M€ 157 and operational EBIT excl. PPA M€ 22.

LEARNING

Essener

To complement its current product portfolio for secondary education in the Netherlands, Sanoma acquired Essener, the leading Dutch publisher of blended learning methods for social sciences. Net sales in 2018 were M€ 3.

LEARNING

itslearning

Sanoma acquired itslearning, an international provider of award-winning cloud-based learning platforms with operations in nine countries. Net sales in 2018 were approx. M€ 30.

LEARNING

Clickedu

Sanoma strengthened its position within the learning services market in Spain by acquiring Clickedu, one of the leading providers of digital learning platforms. Net sales in 2018 were M€ 3.

Divestments

MEDIA NETHERLANDS

LINDA.

Sanoma divested Mood for Magazines, publisher of LINDA. magazine to Linda de Mol, founder and minority shareholder of Mood for Magazines and Talpa. Net sales in 2018 were M€ 27.

MEDIA NETHERLANDS

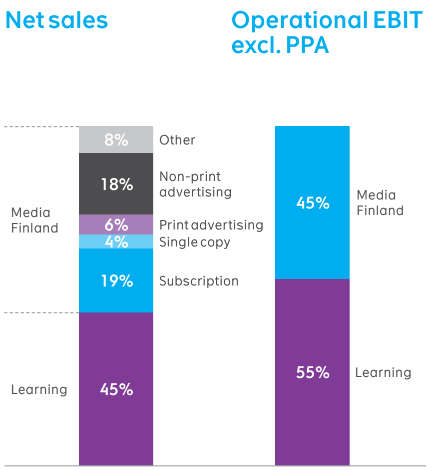
Media Netherlands SBU

As an important step in its strategic transformation, Sanoma announced an intention to divest its strategic business unit Sanoma Media Netherlands to DPG Media. Media Netherlands consists of leading Dutch and Belgian magazines (incl. Libelle, Donald Duck, vtwonen) and the online news brand NU.nl. The divestment is expected to be completed latest during Q3 2020. Net sales in 2019 were M€ 368. Media Netherlands is reported as discontinued operations in the 2019 financial reporting.

Sanoma as an investment

Solid net sales and profitability

We have a well-balanced business portfolio and after the Media Netherlands divestment, 55% of the Group's earnings will come from the learning business.



LTM Q3 2019 incl. Iddink, Essener and itslearning, excl. Media Netherlands

6% Share of print advertising of the Group's net sales

Sanoma Learning:

Growing business with strong digital footprint and benefits of scale

Sanoma Learning is a growing European education company serving about 15 million students in ten 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.

Long-term financial targets
- Comparable net sales growth **2–5%**
- Operational EBIT margin excl. PPA **20–22%**

Net sales
- Organic growth with curriculum changes and increasing digitalisation
- New geographies and expanding technology and service offering

Profitability
- Steady profitability
- Synergies of recent acquisitions
- Scale benefits to be leveraged through acquisitions

15m Serving 15m students

Sanoma Media Finland:

Leading cross-media offering with stable net sales and improving profitability

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

Long-term financial targets
- Comparable net sales growth **+/-2%**
- Operational EBIT margin excl. PPA **12-14%**

Net sales
- Stable revenue in a transforming media market
- Growth especially in news and entertainment subscriptions, radio and events

Profitability
- Increased profitability through digitalisation
- Simplification of the business and operations

Strong, independent domestic media for generations to come

Focus on growth through M&A

In Learning, we are using our scale and capabilities in learning design, technology and services to enter new geographies and expand offering in existing markets.

In Media Finland, we are looking for synergistic acquisitions in news & feature, entertainment or B2B marketing solutions.

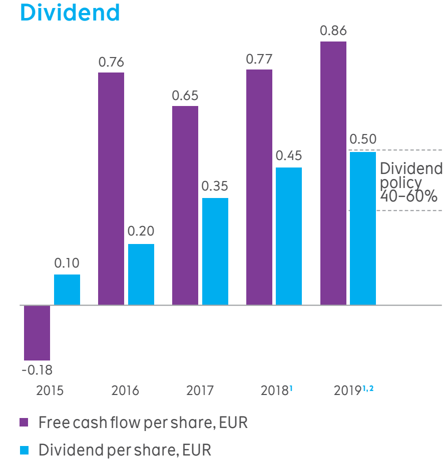
M&A headroom of 400m€

Solid M&A pipelines for both businesses; expected to materialise in 12–18 months

Growing dividend

Sanoma aims to pay an increasing dividend, equal to 40–60% of annual free cash flow. 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.

Dividend



1 FCF excl. one-off costs related to the divestment of Belgian women's magazine portfolio
2 Board's proposal

0.50€ Board's proposal for the dividend to be paid in two installments

Sanoma value creation model

The value creation model describes Sanoma's business model as well as Sanoma's role and impacts in its value chain. Sanoma uses certain resources and inputs in developing, producing, curating and distributing learning and media content and offering services. The model also describes the most material outputs of Sanoma's business operations, and their impacts on Sanoma's audiences, customers, society and other stakeholders. The value creation model is part of non-financial information included in the Report of the Board of Directors. All numbers presented in the model are for continuing operations in 2019.

Inputs

Operational

- Systems and applications
- Own and external printing facilities
- Distribution and transportation
- User data

Human, social & intellectual

- Committed and diverse personnel (about 4,000 employees at the end of 2019) and freelancers, who have competence and know-how in learning and media content creation, innovation and development
- Key stakeholder relations and engagement with teachers, readers and users to understand customers' needs

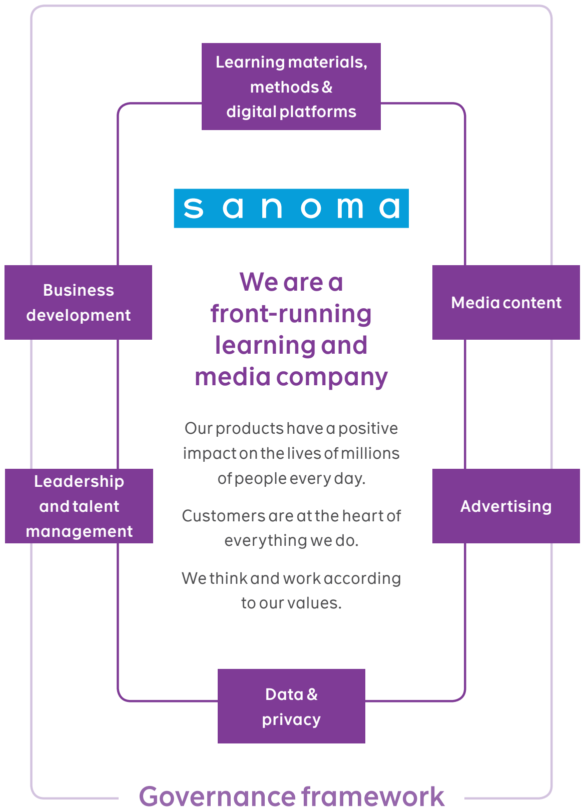
Financial

- Equity M€ 551
- Net debt M€ 795

Natural

- Paper used 55,700 tonnes
- Electricity used 20.8 GWh

Business activities



Outputs

Operational, intellectual & social

- Modern learning materials, methods and digital platforms
- Independent, high-quality journalism
- Local entertainment
- Optimal reach and targeting for successful and responsible advertising
- Customer value by responsible use of data
- New products and solutions to meet the changing customer needs

Human

- Engaged employees
- Increased knowledge and knowhow

Financial

- Earnings* M€ 135
- Employee benefits M€ 244
- Net financial costs M€ 22
- Taxes and employer charges M€ 57
- Free cash flow M€ 131
- Dividends paid M€ 75

Natural

- GHG emissions 5,733 t CO_2/e

* Operational EBIT excl. PPA

Impacts

- Our products have a positive impact on the lives of millions of people every day
- Our modern, high-quality materials, methods and digital platforms support high learning results and contribute to successful and stable development of societies
- Our independent, high-quality journalism supports freedom of speech and increases people's awareness and intellectual capital
- We enrich people's lives by entertainment contributing to shared values and experiences
- We contribute to economic growth via responsible advertising and employment
- We support users' awareness about the benefits of data and their trust on our data integrity
- We play an active role in responsible and forward-looking development of learning and media industries
- We work to minimise the environmental impact across our value chain

Both learning and media have a meaningful role in society

Sanoma is a growing European-based learning company and the leading cross-media company in Finland. Our products have a positive impact on the lives of millions of people every day. We aim to maximise our positive social and economic impacts and minimise the negative environmental impacts across our business. Rigorous ethical principles and responsible business practices are fundamental to us.

Learning

Our modern, high-quality materials, methods and digital platforms support high learning results and contribute to successful and stable development of societies.

Media

Independent, high-quality journalism supports freedom of speech and increases people's awareness and intellectual capital. Local entertainment enriches people's lives and contributes to shared values and experiences. Responsible advertising plays an important role in supporting economic growth.

Responsible business practices across the value chain

- Compliance and Code of Conduct
- Data integrity
- Environmental impacts
- Sanoma as an employer
- Supply chain

Chairman's greetings

"Our ambition is to create growing value for both our customer groups as well as our shareholders."

Dear Shareholders,

I am pleased to share this Annual Review with you. 2019 was another successful year for Sanoma and a year of good financial development.

Sanoma has consistently implemented its strategy and developed the company further. Our ambition is to create growing value for both our customer groups as well as our shareholders. Today, the company is in a state where it has good and stable growth prospects, the ability to pay growing dividends, and the financial resources to choose its growth paths. We are well positioned to take advantage of future opportunities.

In 2019, we took another important step on our carefully selected strategic path to change Sanoma into a growing European learning company and a strong local Finnish cross-media company. In the future, we will operate in two different markets where we are best placed to serve our customers for generations to come. We see learning as a stable and growing business where we have a strong foothold in some of the best and most digitised education markets in the world. In Finland, our unique cross-media solutions give us a strong position to succeed in the digital era and attract new customers.

Change is a permanent phenomenon. The key in understanding change, its effects and opportunities, is by comprehending the scale of it. The scale changes the way we view and perceive the operating environment and how it changes. By understanding and anticipating change, we can find new areas of growth for ourselves and respond more quickly to our customers' changing expectations and needs. By also looking towards the long-term future, we can determine the right questions for forthcoming strategic options, even when we do not yet have all the answers.

Digitalisation is the underlying force of change. It will continue and proceed to cover new areas and thereby affect our daily lives in new ways. Sanoma embraces digitalisation as a sea of vast opportunities. Data is the fuel of digitalisation. With data we can tailor content and learning services and create a better fit with consumer needs. Data is closely linked to trust and responsibility. We highly value this trust of our customers and apply high standard processes to secure the integrity of personal data.

2019 marked the 130th anniversary of the launch of Helsingin Sanomat's predecessor, Päivälehti. For Finnish news journalism, the emphasis on freedom of expression and journalistic independence has always been at the heart of our news reporting. These strong values have guided us for 130 years, and we continue to rely on them with the same determination for future decades to come. Our recent announcement to acquire Alma Media's regional news media business supports a sustainable future of independent news media in Finland. Freedom of expression must be defended when it is at its strongest, because once it has lost its power and confidence, there is no longer means to defend it. It should not be taken for granted.

Both learning and media are businesses with a high purpose for society and this attracts both employees and shareholders to Sanoma. High-quality educational content and services support teachers and schools to reach high learning results and thus supporting a prosperous and fair society. Media supports the freedom of speech, and local entertainment ensures shared values and experiences creating a fair, open and transparent society. This is not a side effect of our business, it is the essence of it. The Board and Sanoma's employees are highly committed to our unique role in social responsibility.

> **"Both learning and media are businesses with a high purpose for society and this attracts both employees and shareholders to Sanoma."**

I would like to express my gratitude to all Sanoma employees. Without your input and dedication, the company could not succeed and develop. Change requires curiosity, courage, commitment and humility. I strongly believe that Sanoma will continue to be able to offer interesting challenges and opportunities for our personnel while creating value for our customers and shareholders.

Dear Shareholders, I would like to thank you for your continued trust and support, and wish you interesting moments of reading with this Annual Review.

Pekka Ala-Pietilä
Chairman of the Board

CEO's greetings

Dear Shareholders,

2019 was a transformative and financially successful year for Sanoma. I am very pleased to share an overview of our year with you in this Annual Review.

2019 was a transformative year for Sanoma: becoming a learning and media company

In 2019, we transitioned from a predominantly media company to a growing European learning company with a strong cross-media business in Finland. The decision to divest our media business in the Netherlands was communicated early in December 2019, and was a major step for Sanoma. In recent years, we had already divested our Dutch TV business, SBS, and the Belgian magazine portfolio. The remaining media business in the Netherlands was largely a standalone magazine business for which we had limited growth opportunities. It proved to be difficult to give it a strong digital future without the support of a wider range of media products, especially news media like we have in Finland.

The divestment of Media Netherlands gives us a M&A headroom of EUR 400 million, and thus opportunities to continue on our growth path and make carefully selected strategic acquisitions in our learning business, and to a lesser extent also in our Finnish media business.

Transforming with our customers

Digitalisation is the key driver of change in both education and media. To succeed, we must follow and fulfil the needs of our customers. "Following our customers" has been at the heart of our strategy now for five years and it has proven to give us the guidance needed to be successful in the markets.

To keep our content and services relevant, we must maintain a constant dialogue with our customers – schools, teachers, students, advertisers, readers and audiences – and understand their changing needs. We embrace digitalisation with all the opportunities it brings in enriching both our learning and media content.

A growing European education business in the most advanced education markets in the world

Sanoma has chosen K12 (from kindergarten to 12th grade) learning services as one of its key strategic business areas in which to grow. By nature, the education business is more stable and less affected by short-term economic changes, and it is positively impacted by digitalisation.

We have come a long way in the past 20 years since Sanoma Learning was initiated by merging Sanoma's and WSOY's educational publishing business. We started 2019 being present in five countries and serving 6 million users on Sanoma platforms, and ended the year being active in 10 countries serving over 15 million students and teachers through our platforms and learning materials.

We closed the acquisition of Iddink, a leading Dutch educational platform and service provider, in September, having already announced that deal at the end of 2018. And we ended the year 2019 by acquiring three smaller and very carefully targeted learning businesses: Essener, itslearning and Clickedu. In 2020, we expect net sales of our learning business to be around EUR 500 million, double the size it had four years ago. We see interesting growth opportunities to explore, both in those markets where we are already active and in adjacent markets.

We are now actively involved in the digital learning platform business, providing us with a strong foothold in future digital learning environments. This key vertical integration into digital learning platform solutions will also facilitate the introduction for Sanoma Learning into some of the larger European educational markets. We also announced long-term financial targets for Sanoma Learning to be comparable net sales growth of 2–5% and operational EBIT margin excluding PPA of 20–22%.

Our strong Finnish cross-media business provides independent news and local entertainment for generations to come

Sanoma Media Finland is the leading cross-media business in Finland with a very unique market position and strong presence in almost all media segments. Its roots extend back to 1889 when Päivälehti, predecessor of Helsingin Sanomat, was founded; and in 2019 we celebrated Helsingin Sanomat's 130th birthday.

The Finnish media business, with its leading positions in news & feature, entertainment, and B2B marketing solutions, has managed to further digitalise and grow its business. The strength of the combination of the various media positions allows us to follow the changing preferences of consumers across all media types. At the end of 2019, we also announced long-term financial targets for Sanoma Media Finland: comparable net sales growth of +/-2% and operational EBIT margin excluding PPA of 12–14%.

Helsingin Sanomat continued to grow its subscription base for the third consecutive year. This is also truly remarkable when compared on a global scale. What is especially interesting is that Helsingin Sanomat has managed to attract new readers and subscribers from the younger, more demanding, audiences. This shows how the younger generation increasingly values independent and reliable news. With the experience of this successful digital development and the requirement of scale in the digital era, we announced our intention to acquire Alma Media's regional news media business in February 2020 in order to make both businesses even more sustainable with increasing digitalisation.

We made a major simplification in our business by combining the two news media brands – Helsingin Sanomat, the leading national subscription news, and Ilta-Sanomat, the leading tabloid and digital news service – with seven of our feature magazine brands into one organisation. All to better serve our readers and to offer our advertising customers strong marketing solutions to grow their businesses.

In entertainment, we grew our video-on-demand subscription base by more than 25%, and Supla application for audio-on-demand also gained further user base. This clearly shows that increasing consumer preference for subscription-based, on-demand, content services are playing to Sanoma's strengths in content and subscription management.

Learning and media have a clear contribution to society in common

Our two businesses, learning and media, both contribute positively to society.

The objective of modern education is to develop the full potential of every student, which helps in building a strong foundation for a stable, productive and prosperous society. Our modern, high-quality materials, methods and digital platforms for schools, teachers and students contribute to students' motivation, excellent learning outcomes and achieving students' full potential.

Domestic, independent journalism reflects and supports society and its values. It ensures that multiple voices and perspectives in society get heard and contributes to a strong, vibrant, transparent and fair democracy. Our responsible B2B marketing solutions enable entrepreneurs to reach their customers and contribute to overall economic growth and employment. Advertising also increases consumers' awareness of products and services.

Data is an increasingly essential part of both the learning and media businesses putting privacy and consumer trust at the core of our daily operations. Through optimal use of data-enabled tailoring and targeting, we can provide individualised learning paths and even more compelling media content – and create value to our users and customers.

With responsible business practices, we aim to prevent and minimise negative environmental impacts across our business by focusing on efficient operations and use of materials as well as responsible value chain by asking our suppliers to operate in a similar manner.

Our teams make the transformation happen

Transforming the company takes a lot from our teams. Constant focus on our customers and their changing needs and preferences means that no team, no individual can rely solely on past experiences. Curiosity, learning and constant adaption are a reality for all of us. Constantly challenging ourselves and our teams is essential for business success.

With our recent acquisitions, we welcomed 600 new Sanoma colleagues at Iddink, Itslearning, Essener, and Clickedu. And during 2020, we hope to be able to welcome nearly another 400 colleagues from Alma Media regional news media business.

At the year end, John Martin – our valued colleague and CEO of Sanoma Learning, and member of Sanoma's Executive Management Team – decided to leave Sanoma after a successful career of 10 years leading the digital transformation of Sanoma Learning and creating one European learning company out of our five operating companies in as many countries. We are very grateful for his drive and commitment with which he has led the team and the business to this success, and we wish him the best in his future endeavours.

Rob Kolkman, CEO of Sanoma Media Netherlands, was appointed CEO for Sanoma Learning as of 1 January 2020. Rob is an experienced, well-respected and results-driven business leader with a strong international track record. He knows both the digital and publishing businesses, and will be a great leader for our Learning team. Rob Kolkman will continue as a member of Sanoma's Executive Management Team and lead Media Netherlands till the divestment is finalised.

I want to thank you, our shareholders, customers, partners and employees, for your trust and commitment in making our transformation journey possible and supporting us in developing Sanoma further into a European learning and Finnish cross-media company. We look forward to making 2020 another successful year for Sanoma, continuing on our path to growth.

Susan Duinhoven
President & CEO

Board of Directors' Report

Report of the Board of Directors for 2019

On 10 December 2019, Sanoma announced it had signed an agreement to divest its strategic business unit (SBU) Sanoma Media Netherlands. Media Netherlands is consequently reported as discontinued operations in Sanoma's financial statements for 2019 and in this report. Unless otherwise stated, all income statement-related figures as well as non-financial information for 2018 and 2019 cover continuing operations only. Figures related to balance sheet and cash flow cover both continuing and discontinued operations. Continuing operations include two SBUs, i.e. Sanoma Learning and Sanoma Media Finland, which are also Sanoma's reporting segments. After the divestment, the remaining Group costs have been allocated to Learning and Media Finland SBUs and SBU-level comparative information for 2018 and 2019 has been adjusted accordingly.

Strategic review

During 2019 Sanoma took further significant steps in its successful strategic transformation from a predominantly media company into a combination of a growing European-based learning company and the leading cross-media company in Finland. Learning was strengthened with four acquisitions during the second half of the year – Iddink, Essener, itslearning and Clickedu – and the intention to divest Media Netherlands to DPG Media was announced in December. The Group's business portfolio is well-balanced: after the recent acquisitions and the divestment of Media Netherlands approx. 45% of the Group's net sales and 55% of operational earnings will come from Learning.

In Learning, the most sizable acquisition was Iddink, a leading Dutch educational platform and service provider, which was closed in September 2019 after signing already in December 2018. Iddink operates in the Netherlands, Belgium and Spain and provides Sanoma new business opportunities with its direct access to the school management. With acquisitions done in 2019, Learning's customer base grew by 50% to about 15 million primary, secondary and vocational education students. Its operations expanded into five new European countries and its offering of blended learning materials and methods were complemented with digital platforms for teaching and school administration, learning material distribution business, as well as testing and analytics tools.

Media Finland focuses increasingly on its three core strategic businesses: news & feature, entertainment and B2B marketing solutions. During the year its news & feature operations were combined into a new unit to respond better to the transforming media consumption. The new organisation consists of the two main news media brands, Helsingin Sanomat and Ilta-Sanomat, as well as a number of lifestyle magazine brands. With a more focused organisation Media Finland aims to be successful in the subscribed and ad-funded journalism both in the current hybrid and in the future digital era. The entertainment business was strengthened with Rockfest, Finland's largest rock and metal music festival, and two small local radio stations. Share of more volatile print advertising continued to decline and today it represents only 7% of the Group's total net sales. In June, Sanoma increased its ownership in the Finnish online classifieds company Oikotie to 100% to simplify further development of the business.

After the divestment of Media Netherlands, Sanoma has two strong businesses, Learning and Media Finland, ready for growth, and a EUR 400 million headroom for M&A. Sanoma has solid M&A pipelines for both Learning and Media Finland. In Learning, it is looking for growth opportunities in new geographies and in expanding its offering in the current ten operating countries. In Media Finland, it is interested in synergistic acquisitions in its strategic focus areas of news & feature, entertainment or B2B marketing solutions. Also in light of its growth agenda, Sanoma is committed to its dividend policy: an increasing dividend corresponding to 40–60% of annual free cash flow.

Financial review

Net sales grew to EUR 913 million (2018: 891). Acquisition of Iddink had a EUR 22 million contribution on net sales growth. Net sales were stable in Media Finland. The Group's comparable net sales development was -1% (2018: -4%).

NET SALES BY SBU

EUR million	FY 2019	FY 2018	Change
Learning	336.7	313.3	7%
Media Finland	576.8	578.5	0%
Other operations	-0.3	-0.4	30%
Group total	**913.3**	**891.4**	**2%**

Operational EBIT excl. PPA improved to EUR 135 million (2018: 123), corresponding to a margin of 14.8% (2018: 13.8%). Earnings improved in Learning as a result of the Iddink acquisition and the benefits of the "High Five" business development programme. Earnings were stable in Media Finland. Costs booked in Other operations declined across cost categories.

OPERATIONAL EBIT EXCL. PPA BY SBU

EUR million	FY 2019	FY 2018	Change
Learning	73.2	63.5	15%
Media Finland	69.4	69.6	0%
Other operations	-7.4	-10.3	28%
Group total	**135.2**	**122.8**	**10%**

EBIT was EUR 102 million (2018: 107). Net IACs totalled EUR -23 million (2018: -10) and consisted of costs related to acquisitions and divestments, strategic business development and changes in IT infrastructure and services. PPA amortisations increased to EUR 11 million (2018: 7) due to recent acquisitions.

IACs, PPAs AND RECONCILIATION OF OPERATIONAL EBIT

EUR million	FY 2019	FY 2018
EBIT	**102.1**	**106.7**
Items affecting comparability		
Restructuring expenses	-23.1	-14.6
Capital gains / losses	0.5	5.0
IACs total	**-22.5**	**-9.6**
Purchase price allocation amortisations (PPAs)	**-10.5**	**-6.5**
Operational EBIT excl. PPA	**135.2**	**122.8**

A detailed reconciliation on SBU level is presented on p. 31.

Net financial items increased to EUR -22 million (2018: -12) and included an impact of EUR -5 million related to the implementation of the IFRS 16 standard and a EUR 3 million exchange rate loss related to Sanoma's earlier Ukrainian subsidiary, which was liquidated during Q3 2019.

Result before taxes amounted to EUR 80 million (2018: 94). Income taxes were EUR 17 million (2018: 22). Result for the period was EUR 63 million (2018: 73) and EUR 13 million (2018: 126) including discontinued operations, which includes a EUR 105 million capital loss related to the divestment of Media Netherlands.

Operational earnings per share were EUR 0.49 (2018: 0.49) and EUR 0.80 (2018: 0.84) including discontinued operations. Earnings per share were EUR 0.38 (2018: 0.44) and EUR 0.07 (2018: 0.76) including discontinued operations.

Financial position

At the end of December 2019, interest-bearing net debt was EUR 795 million (2018: 338). The increase was due to the acquisition of Iddink, completed in September, and the implementation of IFRS 16, which had an impact of EUR 188 million. In November, Sanoma repaid a EUR 200 million bond. The repayment reduced the average interest rate of external loans to 2.3% (2018: 2.5%). Net debt to adjusted EBITDA ratio was 2.7 (2018: 1.4). Due to the Iddink acquisition and the implementation of the IFRS 16 standard, the ratio increased temporarily above the long-term target level of below 2.5.

At the end of December 2019, equity totalled EUR 551 million (2018: 611), including EUR 105 million capital loss (impairment loss on classification as asset-held-for-sale under IFRS 5) related to the divestment of Media Netherlands. Equity ratio declined to 30.5% (2018: 44.7%). Due to the Iddink acquisition, the divestment of Media Netherlands and the implementation of the IFRS 16 standard, the ratio decreased temporarily below the long-term target level of 35–45%. The consolidated balance sheet totalled EUR 1,998 million (2018: 1,519).

Cash flow

The Group's free cash flow grew to EUR 131 million (2018: 109). The implementation of the IFRS 16 standard improved the free cash flow by EUR 25 million. The improvement was further supported by lower taxes paid. A EUR 10 million settlement of a rental contract related to discontinued operations divested in June 2018 in Belgium and expenditures related to changes in IT infrastructure and services across the Group had an adverse impact on free cash flow. Capital expenditure included in free cash flow was EUR 32 million (2018: 32). Free cash flow per share was EUR 0.81 (2018: 0.67), impact of the implementation of the IFRS 16 standard being EUR 0.15.

Acquisitions and divestments

On 17 December 2019, Sanoma announced the acquisition of Clickedu, one of the leading providers of digital platforms for teaching and administration in Spain. In 2018, net sales of Clickedu were EUR 3 million, and it employed 65 people.

On 10 December 2019, Sanoma announced it had signed an agreement to divest its strategic business unit Sanoma Media Netherlands to DPG Media. Sanoma Media Netherlands consists of leading Dutch and Belgian magazines (incl. Libelle, Donald Duck, vtwonen) and the online news brand NU.nl. Net sales of the divested business were EUR 368 million (2018: 424) and operational EBIT excl. PPA EUR 70 million (2018: 80) in 2019. At the end of December 2019, Media Netherlands had 922 employees, who will transition with the divested business to the buyer. Media Netherlands is reported as discontinued operations in this report. The agreed enterprise value (EV) of Sanoma Media Netherlands is EUR 460 million, corresponding to an EV / EBITDA multiple of 6.5. Sanoma will use the funds received from the divestment to reduce its debt. Due to the divestment, Sanoma has booked a non-cash capital loss of EUR 105 million (incl. divestment-related transaction costs) in discontinued operations Q4 2019 result. The loss has temporarily reduced the Group's equity ratio to 30.5%, below the long-term target level of 35–45%. The transaction is subject to customary closing conditions and is expected to be completed latest during Q3 2020.

On 5 December 2019, Sanoma announced the acquisition of itslearning, an international provider of award-winning cloud-based learning platforms. In 2018, net sales of itslearning were approx. EUR 30 million. Itslearning operates in nine countries and has approx. 200 employees.

On 18 November 2019, Sanoma announced the acquisition of Essener, the leading Dutch publisher of blended learning methods for social sciences. In 2018, net sales of Essener were EUR 3 million.

On 13 September 2019, Sanoma announced that it had completed the acquisition of Iddink, a leading Dutch educational platform and service provider. The acquisition was originally announced on 11 December 2018 and was subject to customary closing conditions, including the approval of Dutch competition authorities, which was announced on 29 August 2019. In 2019, net sales of Iddink were EUR 157 million (incl. Sanoma Group internal sales of EUR 17 million) and operational EBIT excl. PPA was EUR 22 million. Iddink had 385 employees (FTE) at the end of December 2019. The final purchase price of Iddink was EUR 212 million. Transaction related costs of approx. EUR 6 million have been booked as items affecting comparability (IACs) in Learning's Q3 and Q4 2019 result.

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

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

Events during the year

On 17 December 2019, Sanoma amended its long-term financial targets with new targets on comparable net sales growth and profitability for both of its strategic business units, Sanoma Learning and Sanoma Media Finland. The new long-term financial targets for the SBUs are:

Long-term target	Sanoma Learning	Sanoma Media Finland
Comparable net sales growth	2–5%	+/-2%
Operational EBIT margin excl. PPA	20–22%	12–14%

The Group's earlier long-term financial targets remained unchanged and valid, being:

Long-term target	Sanoma Group
Net debt / Adj. EBITDA	below 2.5
Equity ratio	35–45%
Dividend policy	Increasing dividend corresponding to 40–60% of annual free cash flow

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

Learning

Sanoma Learning is a growing European-based education company serving about 15 million students in ten 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 [1]

EUR million	FY 2019	FY 2018	Change
Net sales	336.7	313.3	7%
Operational EBIT excl. PPA	73.2	63.5	15%
Margin	21.7%	20.3%	
EBIT [2]	55.0	55.0	0%
Capital expenditure	21.9	19.8	11%
Average number of employees (FTE)	1,488	1,351	10%

1 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. 84–85.

2 Including IACs of EUR -12.1 million in FY 2019 (2018:-5.1) and PPA amortisations of EUR 6.1 million in FY 2019 (2018: 3.4).

Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 31.

NET SALES BY COUNTRY

EUR million	FY 2019	FY 2018	Change
The Netherlands	106.9	90.2	19%
Poland	95.6	91.5	5%
Finland	52.5	56.0	-6%
Belgium	57.1	51.7	11%
Other countries and eliminations [1]	24.5	24.0	2%
Net sales total	**336.7**	**313.3**	**7%**

1 Other countries include Sweden, Spain, Norway, Denmark, France and Germany.

As a result of acquisitions, in particular Iddink, net sales grew to EUR 337 million (2018: 313). On a comparable basis, Learning's net sales were stable, comparable net sales growth development being 0%. Net sales grew in Belgium and Poland driven by increased demand during curriculum renewals. In the Netherlands, comparable net sales were at the previous year's level. Net sales declined in Finland due to lower demand after the ending of the curriculum renewal at the end of 2018 and an increasing share of digital learning materials, where sales are recognised monthly throughout the school year.

Operational EBIT excl. PPA improved and was EUR 73 million (2018: 64). Half of the earnings improvement was attributable to the acquisition of Iddink and half to lower variable and fixed expenses in the underlying business as a result of the business development programme "High Five". Change in the allocation of Group costs related to the divestment of Media Netherlands had an adverse impact on earnings.

EBIT was EUR 55 million (2018: 55). IACs totalled EUR -12 million (2018: -5) and mainly consisted of costs related to acquisitions, business development programme "High Five" and changes in IT infrastructure and services. PPA amortisations increased to EUR 6 million (2018: 3) due to the acquisition of Iddink.

Capital expenditure was EUR 22 million (2018: 20) and consisted of growth investments in digital platforms and ICT.

Media Finland

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

KEY INDICATORS

EUR million	FY 2019	FY 2018	Change
Net sales	576.8	578.5	0%
Operational EBIT excl. PPA	69.4	69.6	0%
Margin	12.0%	12.0%	
EBIT [1]	54.9	59.3	-7%
Capital expenditure	3.8	4.1	-7%
Average number of employees (FTE)	1,804	1,781	1%

1 Including IACs of EUR -10.0 million in FY 2019 (2018: -7.1), and PPA amortisations of EUR 4.4 million in FY 2019 (2018: 3.2).

Full reconciliation of operational EBIT excl. PPA is presented in a separate table on p. 31.

NET SALES BY CATEGORY

EUR million	FY 2019	FY 2018	Change
Print	271.5	294.0	-8%
Non-print	305.3	284.4	7%
Net sales total	**576.8**	**578.5**	**0%**

EUR million	FY 2019	FY 2018	Change
Advertising sales	247.3	250.0	-1%
Subscription sales	195.8	202.6	-3%
Single copy sales	45.1	45.2	0%
Other	88.6	80.6	10%
Net sales total	**576.8**	**578.5**	**0%**

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

Net sales of Media Finland were stable and amounted to EUR 577 million (2018: 579). Comparable net sales development was -2%. During the year, TV, radio and digital advertising sales grew, while print advertising sales declined. As a result of strong growth in digital subscription sales, total subscription sales of Helsingin Sanomat were at an all-time-high. Subscription sales of Ruutu+ grew, while discontinuation of pay-TV in 2018 had a negative impact on subscription sales in the first half of 2019. In the second half of the year, single copy sales of Ilta-Sanomat and lifestyle magazines were supported by the decline in VAT of single copies, which became effective on 1 July 2019. Increase in other sales was attributable to growth in the festival and events sales, as well as the music publishing business acquired in Q4 2018.

According to the Finnish Advertising Trends survey for December 2019 by Kantar TNS, the advertising market in Finland declined by 1% on a net basis in 2019. Advertising declined by 9% in newspapers, by 7% in magazines and by 5% in TV, whereas advertising in radio increased by 6% and in online, including search and social media, by 9%.

Operational EBIT excl. PPA was at the previous year's level and amounted to EUR 69 million (2018: 70). Improved profitability of the festival and events business, as well as lower marketing, paper, distribution and other operating costs all had a positive contribution on earnings. Higher TV programme costs related to FOX channels, as well as change in the allocation of Group costs related to the divestment of Media Netherlands, had an adverse impact on earnings.

EBIT was EUR 55 million (2018: 59). IACs totalled EUR -10 million (2018: -7) and included costs related to strategic business development as well as changes in the IT infrastructure and services. PPA amortisations were EUR 4 million (2018: 3).

Capital expenditure totalled EUR 4 million (2018: 4) and consisted of maintenance investments.

Personnel

In 2019, the average number of employees in full-time equivalents (FTE) in continuing operations was 3,567 (2018: 3,404). The average number of employees (FTE) per SBU was as follows: Learning 1,488 (2018: 1,351), Media Finland 1,804 (2018: 1,781) and Other operations 275 (2018: 273). At the end of December, the number of employees (FTE) of the Group was 3,953 (2018: 3,410) and 985 (2018: 1,075) in discontinued operations. Number of employees increased as a consequence of the acquisitions.

Wages, salaries and fees paid to Sanoma's employees, including the expense recognition of share-based payments, amounted to EUR 244 million (2018: 239).

Non-financial information

As a growing European-based learning company and the leading cross-media company in Finland, Sanoma plays an important role in its operating markets and its products have a positive impact on the lives of millions of people every day. Sanoma aims to maximise its positive social and economic impacts and minimise the negative environmental impacts across its business. In its operations and governance, Sanoma follows laws and regulations applicable in its operating countries, ethical guidelines set by the Sanoma Code of Conduct as well as the Group's internal policies and standards. Sanoma is committed to promoting ethical and responsible business practices in its own business operations and in its interaction with its suppliers and customers. Sanoma's business model as well as role and impacts in its value chain are described in more detail in the value creation model on p. 7.

Sanoma's Corporate Social Responsibility (CSR) Agenda is described below.

Risks related to non-financial aspects are reported as part of the Risk review included in this report. Sanoma's governance structure and framework are discussed in the Corporate Governance Statement 2019.

Sanoma has a programme in place to continuously develop CSR. Further information on CSR at Sanoma is available at sanoma.com/corporate-responsibility and in a separate Global Reporting Initiative GRI G4 Index, which will be published in spring 2020.

Compliance and Code of Conduct

Sanoma applies responsible business practices and promotes responsible behaviour of employees by enforcing a common set of rules and values and ensuring that all employees commit to them. Sanoma supports international standards, including The Ten Principles of the United Nation's Global Compact, on human rights, labour conditions, anti-corruption and the environment.

Sanoma's Code of Conduct ("Code") together with the Corporate Governance Framework is the umbrella for all policies, and outlines how Sanoma aims to conduct its business in an ethical and responsible manner. The Code is an integral part of shared values that guide working and decision making throughout Sanoma. It sets out the principles of business and is publicly available on Sanoma's website. All Sanoma employees are required to apply the Code in full in their day-to-day conduct and business decisions.

Specific policies define how Sanoma's operations are managed, and give a framework to daily work. The Board of Directors of Sanoma Corporation approves new policies and amendments to existing policies. Each policy has a specified owner in the organisation. Once a year, or when needed, the owners submit necessary updates or new policies to the Board for approval. The policies are applicable to all employees in the Sanoma Group, and available on the intranet.

In addition to the Code and Corporate Governance Framework, policies on e.g. the following topics are currently in force:

- Anti-bribery & corruption
- Diversity & inclusion
- Donations
- Enterprise risk management
- Fair competition
- Information security
- M&A
- Privacy and data protection
- Procurement.

To ensure compliance with the policies, different training requirements and controls are used. Sanoma has a Code of Conduct e-learning, which is compulsory for all employees. In 2019, completion rate of the e-learning was 94% (2018: 98% incl. discontinued operations). In the newly acquired companies, the e-learning takes place within 3–6 months after the acquisition is completed.

SANOMA'S CORPORATE SOCIAL RESPONSIBILITY (CSR) AGENDA

Learning		Media	
Sanoma's modern, high-quality materials, methods and digital platforms support teachers in developing the full potential of every student, which helps in building a strong foundation for a stable, productive and prosperous society.		Independent, high-quality journalism supports freedom of speech and increases people's awareness and intellectual capital. Local entertainment enriches people's lives and contributes to shared values and experiences. Responsible advertising plays an important role in supporting economic growth.	
Responsible business practices across the value chain			
Compliance and Code of Conduct			
Data integrity	Environmental impacts	Sanoma as an employer	Supply chain

Sanoma expects commitment to ethical and responsible business conduct also from its suppliers. Sanoma has a Supplier Code of Conduct, which sets out the ethical standards and responsible business principles suppliers are required to comply with in their dealings with Sanoma. Suppliers are expected to apply these standards and principles to their employees, affiliates and sub-contractors.

Together, Sanoma Code of Conduct and the Supplier Code of Conduct set out overall principles to promote and achieve compliance e.g. with anti-corruption, anti-bribery and money laundering laws.

Reporting Channels

Sanoma Code of Conduct, the Supplier Code of Conduct, and Sanoma's group policies and operating procedures are intended to prevent and detect improper or illegal activities. Any suspicions about violations can be reported anonymously through internal or external reporting channels. Sanoma has an external online whistle-blowing tool, which is hosted by an independent third party, in use. Link to the whistle-blowing tool is available on Sanoma's website and intranet.

Head of Internal Audit and the Compliance Officer receive emails of the allegations reported through the whistle-blowing tool. Cases are also identified during internal audits or through other internal channels, such as a network of nominated Local Compliance Officers. All allegations are reviewed and investigative activities planned without delay. All cases and conclusions of investigations are reported to the Ethics and Compliance Committee and to the Audit Committee of the Board.

Data integrity

Data is an increasingly essential part of Sanoma's business putting privacy and consumer trust at the core of the Group's daily operations. Through optimal use of data-enabled tailoring and targeting, Sanoma can provide individualised learning paths and even more compelling media content.

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. Privacy is incorporated into product development through a "Privacy by Design" process supported by "Privacy Champions", who are nominated employees with privacy responsibilities in their respective business areas.

Sanoma has a privacy e-learning in use. In addition, role-based privacy and information security trainings are offered to specific employee groups. In 2019, completion rate of the e-learning among targeted employees was 94% (2018: 98% incl. discontinued operations). In the newly acquired companies, the e-learning takes place within 3–6 months after the acquisition is completed.

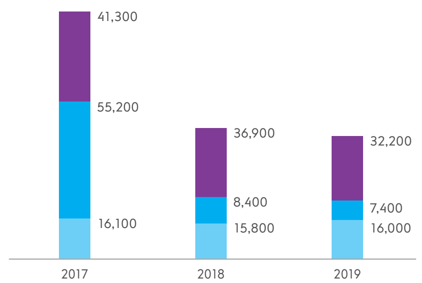
Environmental impact

The most significant environmental impacts of Sanoma's operations result from the use of paper and print supplies, energy use e.g. in printing houses, offices and for digital services, as well as transportation and distribution of products. Sanoma aims to prevent and minimise its negative environmental impacts by efficient operations and use of materials as well as responsible procurement.

Sanoma's Paper Procurement Standard is annexed to all paper procurement agreements. The aim of the standard is to ensure that paper used by Sanoma is produced responsibly and originates from traceable and verified sources. At least 80% of wood fibre in the paper qualities used by Sanoma originates from certified sources.

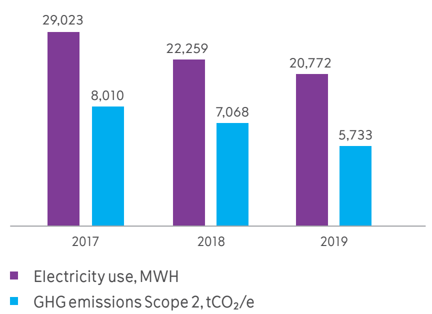
In 2019, Sanoma's paper use in continuing operations declined by 5,600 tons, or by 10% driven by the prevailing media trend of consumers moving from printed to hybrid or digital media products. Use of newsprint declined by 15% and magazine paper by 14%. In the learning business, use of book paper was stable being in-line with the comparable net sales development.

PAPER USE
tonnes



Includes paper used in Sanoma's own printing facilities for own and externally sold print products, as well as paper acquired for own products printed by third parties. Book paper is used in Learning and newsprint and magazine paper in Media Finland. For 2018–2019, paper use includes continuing operations only.

ELECTRICITY USE AND GHG EMISSIONS



An average emission multiple of EU28 countries has been used in calculating the emissions. For 2018–2019, electricity use and emissions include continuing operations only.

Sanoma uses purchased electricity e.g. in printing and office facilities, as well as for digital services and technological solutions. The indirect CO_2 emissions resulting from Sanoma's electricity use are dependent on the mix of energy sources used in the national energy grids in Sanoma's operating countries. In 2019, Sanoma's energy use declined by 7% mainly as a result of lower energy use in the largest printing house, Sanomala, in Finland.

Responsible employer

Sanoma Code of Conduct sets out the general principles of ethical conduct and Sanoma's responsibilities as an employer. Sanoma is committed to creating a working environment and culture that inspires employees, values their diversity, embraces their views, and respects their individual rights. Sanoma has zero tolerance for any form of discrimination, harassment or bullying at the workplace. Sanoma provides equal opportunities for all employees and ensures fair treatment, remuneration and good working conditions.

Professional development of employees is crucially important to Sanoma, and on-going learning is strongly encouraged. Learning opportunities are offered both online and through training courses. The main focus is continuing development of employees' skills.

Sanoma sees visible and transparent leadership important in its daily business. Sanoma's managers provide employees with clarity regarding the direction of the company. Employees' autonomy and freedom in achieving results is supported, which fosters creativity.

Among other things, professional development, motivation, creativity and engagement are facilitated in regular performance review discussions. In 2019, approx. 90% (2018: 90%) of employees had a regular performance review with their manager.

Sanoma measures employee engagement, leadership, internal communication and decision making annually in the beginning of each calendar year. In January 2020, the Employee Engagement Survey was completed by 88% (2018: 92% incl. discontinued operations) of employees. The scores are measured in People Power Rating, an inclusive overall metric between 0 and 100. In 2020, the results improved somewhat from the previous year being overall at a very good level. The results of the survey are also utilised in the management incentive system.

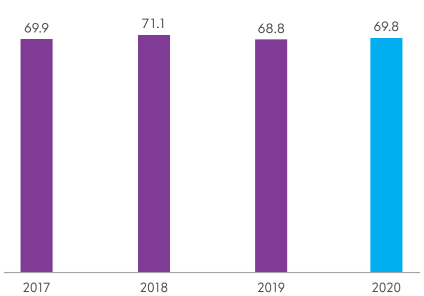
According to the Employee Engagement Survey, employees feel that Sanoma's strengths as an employer include

- sufficient learning opportunities offered for the employees,
- support for growth and development at work from the management, and
- opportunities for career development.

Diversity at Sanoma is guided by a Group-wide Diversity policy. According to the policy, Sanoma recruits, develops and rewards all employees irrespective of age, gender, ethnic origin, sexual orientation, family status, disability or other personal circumstances (e.g. wealth), or any other form of discrimination. Recruitment, remuneration and career advancement are based on employee competence and performance.

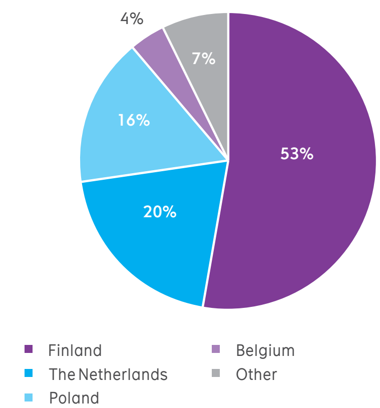
RESULTS OF EMPLOYEE ENGAGEMENT SURVEY

People power rating, 0–100

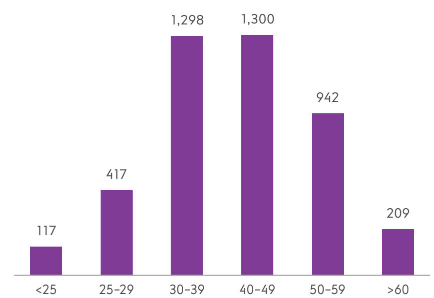


Response rate 2020: 88%, 2019: 92%, 2018: 92%, 2017: 88%

PERSONNEL BY COUNTRY



PERSONNEL BY AGE



MANAGEMENT AND PERSONNEL BY GENDER

	Women	Men
Board of Directors	33%	67%
Executive Management Team [1]	50%	50%
All employees	54%	46%

1 As of 1 January 2020

Supply chain, anti-bribery and corruption

Sanoma's anti-bribery and corruption policy gives specific rules and monetary limits (EUR 75) for received and given gifts, entertainment and hospitality, and sets out the process to seek further approval through a separate gift and hospitality tool if necessary. When it comes to public officials, receiving and giving gifts is totally forbidden.

Sanoma has an anti-bribery and corruption e-learning in use. In 2019, completion rate of the e-learning among targeted employees was 93% (2018: 97% incl. discontinued operations). In the newly acquired companies, the e-learning takes place within 3–6 months after the acquisition is completed.

The Supplier Code of Conduct forms an important component of the procurement and purchasing framework, including supplier selection, evaluation and performance appraisal. All new supplier engagements initiated via Sanoma's source-to-contract solution incorporate the Supplier Code of Conduct as a mandatory step for successful selection. The Supplier Code of Conduct is part of Sanoma's standard contractual framework and general terms of purchase.

A Know Your Counterparty (KYC) process identifies the risk of doing business with third parties by looking at their ownership, activities and role. The process includes anti-bribery, sanctions and other due diligence checks according to the level of risk identified. Systematic KYC checks covering certain existing and almost all new vendors were carried out during the year by Group Procurement.

A KYC due diligence tool for the use of Sanoma employees is available on the intranet to screen thoroughly not just suppliers, but any third party Sanoma intends to do business with. The tool aims to identify and prevent possible third party compliance and corruption-related risks, according to customised criteria. In cases of medium or high risk, the tool refers employees to consult Group Legal before engaging in any business or transaction with the counterparty.

Corporate Governance

Sanoma has published a separate Corporate Governance Statement and Remuneration Statement. The statements are available at sanoma.com/investors.

Share capital and shareholders

At the end of December 2019, Sanoma's registered share capital was EUR 71 million (2018: 71) and the total number of shares was 163,565,663 (2018: 163,565,663), including 549,140 (2018: 1,061,293) own shares. Own shares represented 0.3% (2018: 0.7%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 163,016,523 (2018: 162,504,370).

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

Sanoma had 20,730 (2018: 20,741) registered shareholders at the end of December 2019. Lists of the largest shareholders as well as shareholder distributions by number of shares and sector are available on p. 27-28.

Acquisition of own shares

Sanoma did not acquire own shares in 2019. In 2018, Sanoma acquired a total of 900,000 own shares for an average price of EUR 8.57 per share. The repurchased shares were acquired on the basis of the authorisation given by the Annual General Meeting on 22 March 2018 to be used as part of the Company's incentive programme.

Share trading and performance

At the end of December 2019, Sanoma's market capitalisation was EUR 1,541 million (2018: 1,380) with Sanoma's share closing at EUR 9.45 (2018: 8.49). In 2019, the volume-weighted average price of Sanoma's share on Nasdaq Helsinki Ltd. was EUR 9.03 (2018: 9.28), with a low of EUR 7.96 (2018: 8.01) and a high of EUR 10.44 (2018: 11.47).

In 2019, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 172 million (2018: 365). The trading volume of 19 million shares (2018: 39) equalled an average daily turnover of 76k shares (2018: 157k). The traded shares accounted for some 12% (2018: 24%) of the average number of shares. Sanoma's share turnover including alternative trading venues BATS and Chi-X was 24 million shares (2018: 53). Nasdaq Helsinki represented 81% (2018: 75%) of the share turnover. (Source: Euroland)

Decisions of the Annual General Meeting 2019

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

The AGM resolved that a dividend of EUR 0.45 per share shall be paid and a sum of EUR 350,000 be reserved for charitable donations to be used at the Board of Directors' discretion. The dividend was paid in two instalments. The first instalment of EUR 0.25 per share was paid to a shareholder who was registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the dividend record date 29 March 2019. The payment date for this instalment was 5 April 2019. The second instalment of EUR 0.20 per share was paid to a shareholder who, on the dividend record date, was registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd. In its meeting on 24 October 2019 the Board of Directors decided the dividend record date for the second instalment to be 28 October 2019 and the dividend payment date 4 November 2019.

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

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

Board authorisations

The AGM held on 27 March 2019 authorised the Board of Directors to decide on the repurchase of a maximum of 16,000,000 of the Company's own shares (approx. 9.8% of all shares of the Company) in one or several instalments. Own shares shall be repurchased with funds from the Company's unrestricted shareholders' equity, and the repurchases shall reduce funds available for distribution of profits. The authorisation will be valid until 30 June 2020 and it terminates the corresponding authorisation granted by the AGM 2018.

The AGM held on 27 March 2019 authorised the Board of Directors to decide on issuance of new shares and the conveyance of the Company's own shares held by the Company (treasury shares) and the issuance of option rights and other special rights entitling to shares as specified in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act. Option rights and other special rights entitling to shares as specified in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act may not be granted as part of the Company's incentive programme. The Board will be entitled to decide on the issuance of a maximum of 18,000,000 new shares as well as conveyance of a maximum of 5,000,000 treasury shares held by the Company in one or several instalments. The issuance of shares, the conveyance of treasury shares and the granting of option rights and other special rights entitling to shares may be done in deviation from the shareholders' pre-emptive right (directed issue). The authorisation will be valid until 30 June 2020 and it replaces the authorisation to decide on issuance of shares, option rights and other special rights entitling to shares which was granted to the Board of Directors by the Annual General Meeting on 12 April 2016.

Executive Management Team

Sanoma's Executive Management Team as of 1 January 2020 consists of the following members: Susan Duinhoven, President and CEO; Markus Holm, CFO and COO; Pia Kalsta, CEO of Sanoma Media Finland and Rob Kolkman, CEO of Sanoma Learning and CEO of Sanoma Media Netherlands.

Changes in management

On 10 December 2019, Rob Kolkman was appointed CEO for Sanoma Learning as of 1 January 2020. He will report to Susan Duinhoven, President and CEO of Sanoma Corporation, and continue as a member of Sanoma's Executive Management Team. As CEO of Sanoma Learning, Rob Kolkman succeeds John Martin, who will leave Sanoma in spring 2020. Rob Kolkman will continue as the CEO for Sanoma Media Netherlands until the closing of the divestment.

Risk review

Sanoma is exposed to numerous risks and opportunities, which may arise from its own operations or the changing operating environment. Sanoma divides its key risks into four main categories: strategic, operational, non-financial and financial risks. The most significant risks that could have a negative impact on Sanoma's business, performance, or financial status are described below. Under the categories, the most material risks are presented first.

The structure of Sanoma's business will change significantly with the divestment of Media Netherlands (announced in December 2019 and expected to be completed latest during Q3 2020) and its currently estimated main impacts on Sanoma's overall risk position are included in this review. In addition to risks presented in this review, currently unknown or immaterial risks may arise or become material in the future.

Risk management and internal control policies, processes, roles and responsibilities are presented in the Corporate Governance Statement 2019. Significant near-term risks and uncertainties are reported on a continuous basis in each Interim Report during the course of the year.

Strategic risks

Mergers & Acquisitions (M&A)
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.

Sanoma mitigates the risks by actively maintaining its industrial networks, proactively seeking for potential targets, working with well-known parties during the transaction processes and following its internal policies and procedures in decision-making, organisation and follow-up of M&A cases.

Changes in customer preferences and the threat of new entrants

Changes in customer preferences are visible not only in consumer behaviour, but also both directly and indirectly 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 increasing use of mobile devices is changing the way people consume media, while viewing time of free-to-air TV is decreasing.

Sanoma partially mitigates the risk by continuous development of digital and hybrid learning and media products and services. In learning, close and long-term relations with schools, teachers and governing bodies play a significant role in the business, and digital solutions are typically combined and sold together with printed materials. The wide cross-media offering provides Sanoma a solid base to constantly develop its offering to advertisers and to introduce new services, such as cross-media solutions, native or branded and premium content. Nevertheless, new entrants and/or new technological developments entering the markets possess a risk for Sanoma's established businesses.

Political and legislative risks

Changes in governmental or legislative bodies or general political instability in the operating countries may affect Sanoma's ability to effectively conduct business. Key legislative risks may relate to changing educational regulation, changes in the use of consumer data for commercial purposes, deterioration of publishers' and broadcasters' copyright protection, or changes in tax legislation or in the interpretation of tax laws and practices. These risks can have a significant impact on Sanoma's commercial propositions, content investment needs or financial performance.

Close monitoring and anticipation of political and regulatory development and adaption of business models accordingly are ways to partially mitigate these risks. Legislation related to education, in particular, is typically country-specific, limiting the magnitude of the risk on the Group level.

General economic conditions

The general economic conditions in Sanoma's operating countries and the overall industry trends could influence Sanoma's business, performance or financial status. In general, 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.

Sanoma's diverse business portfolio partially mitigates the risk. In 2019, approx. 37% (2018: 23%) of Sanoma's net sales was derived from learning, approx. 26% (2018: 36%) from single copy or subscription sales, approx. 7% (2018: 7%) from print advertising, approx. 20% (2018: 18%) from non-print advertising and approx. 10% (2018: 15%) from other sales (2018 comparison figures include continuing and discontinued operations).

Operational risks

Data and privacy risks

Data is an increasingly essential part of Sanoma's products and services in both the learning and media business. The EU General Data Protection Regulation (GDPR) sets strict requirements for implementing data subject rights, and for companies to demonstrate their accountability for complying with the regulation. Non-compliance with the GDPR could lead to fines of up to 4% of the annual global turnover. In addition, the ePrivacy Directive imposes requirements for online data collection and use.

The most relevant risks pertaining to data privacy are potential data breaches resulting from unauthorised or accidental loss of or access to personal data managed by Sanoma or by third parties processing data on Sanoma's behalf, or other failure to comply with privacy laws.

To mitigate the risk and ensure compliance, Sanoma runs a Privacy Programme that monitors development and enforcement of privacy regulations and has oversight of the implementation of Privacy Policy. Key privacy implementation processes include data lifecycle management, negotiating data processing agreements with third parties, information security measures to protect data, data breach management procedures, and implementation of data subject rights. Privacy requirements and threat assessments are incorporated into product development and privacy impact assessments are regularly conducted to ensure compliance of products and services. Employees with privacy responsibilities have been nominated and trained to act as a first line of privacy support, and role-based privacy trainings are offered to key target groups. During 2019 Sanoma participated in the development of a standardised approach to manage online data consents by the IAB (Interactive Advertising Bureau) Finland's Transparency and Consent Framework.

Information and communication technology (ICT)

Reliable ICT systems form an integral part of Sanoma's business. The systems include online services, digital learning platforms, newspaper and magazine subscriptions, advertising and delivery systems, as well as various systems for production control, customer relations management, and supporting functions. ICT security risks relate to confidentiality, integrity, and/or availability of information, as well as to reliability and compliance of data processing. The risks can be divided into physical risks (e.g. fire, sabotage and equipment breakdown) and logical risks (e.g. information security risks, such as malware attacks, hacking of persona data or other sensitive data assets, and employee or software failure).

To mitigate the risks, Sanoma has continuity and disaster recovery plans for its critical systems and clear responsibilities regarding ICT security in place. Information security controls include the use of threat intelligence capabilities, cyber security incident detection capabilities, identity and access management solutions, log management capabilities and the use of external information security audits. During 2019 Sanoma invested in a transition to cloud to improve flexibility, security, availability and to decrease costs.

Risks related to third parties

A wide network of third parties plays an integral role in Sanoma's daily business. Third-party suppliers in Sanoma's value chain include, among others, paper and print suppliers and transport, distribution, technology solution and IT hosting service providers. Freelancers support Sanoma's own editorial staff in creating learning materials and media content. The status of freelancers may vary by authority and by country. However, no individual case is estimated to become material unless it escalates to concern a large group of freelancers. Certain advertising and marketing efforts are executed with the help of third parties. The advertising technology ecosystem consists of players, such as Google and Facebook, that have a dominant market power, which may lead to an imbalance between their rights and liabilities. Cooperation with third parties exposes Sanoma to certain financial, operational, legal as well as data and GDPR-related risks, which are described in more detail in other sections of this risk review.

To mitigate the risks related to third parties, Sanoma follows the guiding principles of supplier risk management set in the Group's Procurement policy, Supplier Code of Conduct and legal framework. The most significant suppliers are selected through competitive bidding and qualification process. Sanoma performs Know Your Counterparty -controls as part of the supplier approval process, and monitors the performance of third parties by performance approvals and service-level agreements.

Intellectual Property Rights (IPRs)

Key IPRs related to Sanoma's products and services are copyrights including publishing rights, trademarks, business names, domains, and know-how, as well as patents related to e-business and utility models owned and licensed by the Group. Sanoma manages its IPR in accordance with the Group-wide IPR policy and procedures. Because of a dispersed IPR portfolio, no material risks are expected to arise from individual IPR cases.

Hazard risks

Hazard risks include risks associated with business interruption, health and safety or environmental issues. They are mitigated through operational policies, efficient and accurate process management, contingency planning and insurance. Due to the nature of Sanoma's business, hazard risks are not likely to have a material effect on Sanoma's performance.

Non-financial risks

Talent attraction and retention

Sanoma's success depends on competence and continuous development of the skills of its management and personnel. In particular, the ability to develop appealing customer products and services in changing environment is crucial for success. The ability to ensure the right skillset for the digital transformation as well as to attract and retain the right talents, especially in relation to acquisitions, may possess a risk to Sanoma's business and financial performance.

To mitigate the risk, Sanoma enhances a corporate culture supporting innovation, creativity, diversity, as well as an ethical and efficient way of working. The culture is further supported by open and transparent leadership and communications, knowledge sharing between businesses and functions, as well as opportunities and resources for learning and professional development. The Code of Conduct and Diversity Policy set the framework for corporate culture and employee relations. Sanoma follows employee engagement closely by an annual survey.

Environmental risks

Sanoma's main environmental impacts derive from energy use, paper and printing ink use and distribution. Sanoma aims to prevent and minimise negative environmental impacts by focusing on efficient operations and material use as well as responsible procurement. Sanoma's processes support compliance with relevant environmental legislative, regulatory and operating standards. Due to the nature of Sanoma's business, no material environmental risks are expected to arise.

Risks related to human rights, anti-corruption and bribery

Sanoma operates in ten European countries, all of which score high or average on Transparency International's corruption perception index and where risks related to human rights are assessed as low or medium by Verisk Maplecroft. In the learning business, the business partners mainly include municipalities, schools and teachers, while the media business is based on creating and selling content to individual people, and selling advertising space to companies. All Sanoma employees must comply with Sanoma's Code of Conduct, which supports the international standards on human rights and labour conditions and clearly prohibits all corruption and bribery. The requirements of the Code are extended to Sanoma's suppliers through the Supplier Code of Conduct. Sanoma mitigates the compliance risk e.g. by a mandatory annual e-learning on the Code of Conduct to all employees. Due to the nature of Sanoma's business and the current situation in its operating countries, no material risks related to human rights, anti-corruption or bribery are likely to arise.

Financial risks

Sanoma is exposed to financial risks including interest rate, currency, liquidity and credit risk. Other financial risks are related to equity and impairment of assets. Financial risks are mitigated according to the Group's Treasury Policy e.g. with various financial instruments and derivatives. Financial risk management is centralised to Group Treasury, and aims at hedging the Group against material risks. A more detailed description of the Group's financial risks and their management is available in Note 25.

Sanoma's consolidated balance sheet included EUR 949 million (2018: 1,186) of goodwill, immaterial rights and other intangible assets at the end of December 2019. After the Iddink acquisition, most of this is related to the learning business. In accordance with IFRS, instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. The impairment losses on goodwill, immaterial rights and other immaterial intangible assets for continuing and discontinued operations totalled EUR 110 million in 2019 (2018: 6). Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity-related ratios.

More information on impairment testing is available in Note 12.

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. The most significant risks that could have a negative impact on Sanoma's business, performance, or financial status are described below. However, 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.

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 increasing use of mobile devices is changing the way people consume media, while viewing time of free-to-air TV is 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 the Digital Single Market Initiative, approved by the EU Commission in the end of March 2019, could have a significant impact on Sanoma's cost efficient access to high quality TV content for the Finnish market. Changes in taxation applied to Sanoma's products and services in its operating countries may have an impact on their demand.

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.

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 to utilise data in its business.

Outlook for 2020

In 2020, Sanoma expects that the Group's comparable net sales will be stable, and operational EBIT margin excl. PPA will be around 15% (2019: 14.8%).

Dividend proposal

On 31 December 2019, Sanoma Corporation's distributable funds were EUR 354 million, of which loss for the year made up EUR 62 million. Including the fund for non-restricted equity of EUR 210 million, the distributable funds amounted to EUR 564 million. The Board of Directors proposes to the Annual General Meeting that:

- A dividend of EUR 0.50 per share shall be paid for the year 2019. The dividend shall be paid in two instalments. The first 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 27 March 2020. The payment date for this instalment is 3 April 2020. Record date for the second instalment of EUR 0.25 per share will be decided by the Board of Directors in October, and the estimated payment date will be in November 2020.
- A sum of EUR 350,000 shall be transferred to the donation reserve and used at the Board's discretion.
- The amount left in equity shall be EUR 482 million.

According to its dividend policy from 2017 onwards, Sanoma aims to pay an increasing dividend, equal to 40–60% of the annual free cash flow. When proposing a dividend to the AGM, the Board of Directors looks 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 2020

Sanoma's Annual General Meeting 2020 will be held on Wednesday, 25 March 2020 at 14:00 EET at Marina Congress Centre (Katajanokanlaituri 6, 00160 Helsinki, Finland).

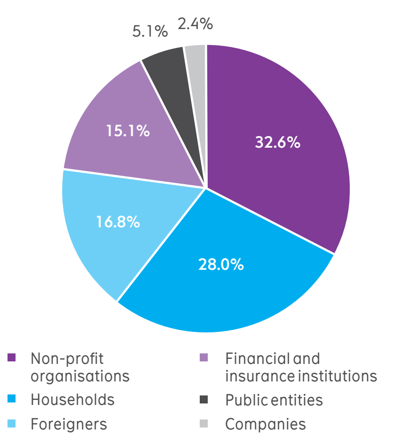
Share and shareholders

Sanoma has one series of shares, with all shares producing equal voting rights and other shareholder rights. The shares have no redemption and consent clauses, or any other transfer restrictions. Sanoma share has no nominal value or book value.

The Board of Directors is not aware of any effective agreements related to holdings in Sanoma shares and the exercise of voting rights.

On 31 December 2019, the combined holdings in the Company's shares of the members of the Board of Directors, the President and CEO, and the bodies they control (as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act) accounted for 18.9% (2018: 25.9%) of all shares and votes. More information on management shareholding and remuneration is available in Note 30.

SHAREHOLDERS BY SECTOR 31 DECEMBER 2019



MAJOR SHAREHOLDERS 31 DECEMBER 2019

	Shareholders	Shares	% of shares
1	Jane and Aatos Erkko Foundation	39,820,286	24.35
2	Herlin Antti	19,506,800	11.93
	Holding Manutas Oy	19,475,000	11.91
	Herlin Antti	31,800	0.02
3	Langenskiöld Lars Robin Eljas	12,273,371	7.50
4	Seppälä Rafaela Violet Maria	10,273,370	6.28
5	Helsingin Sanomat Foundation	5,701,570	3.49
6	Ilmarinen Mutual Pension Insurance Company	4,667,597	2.85
7	Noyer Alex	1,903,965	1.16
8	Foundation for Actors´ Old-Age Home	1,900,000	1.16
9	Aubouin Lorna	1,852,470	1.13
10	The State Pension Fund	1,760,000	1.08
11	Evli Finnish Small Cap Fund	954,611	0.58
12	Elo Mutual Pension Insurance Company	890,101	0.54
13	Folkhälsan i svenska Finland rf Inez och Julius Polins fond	646,149	0.40
14	Langenskiöld Lars Christoffer Robin	645,996	0.39
15	Langenskiöld Bo Sebastian Eljas	645,963	0.39
16	Langenskiöld Pamela	645,963	0.39
17	Pension Fund of Sanoma	553,666	0.34
18	Oy Etra Invest Ab	550,000	0.34
19	Sanoma Oyj	549,140	0.34
20	Evli Finland Select Fund	530,000	0.32
	20 largest shareholders total	**106,271,018**	**64.97**
	Nominee registered	**23,336,162**	**14.27**
	Other shares	**33,958,483**	**20.76**
	Total	**163,565,663**	**100.00**

SHAREHOLDERS BY NUMBER OF SHARES HELD 31 DECEMBER 2019

Number of shares	Number of shareholders	%	Number of shares	%
1 - 100	5,671	27.36	318,821	0.20
101 - 500	8,105	39.10	2,256,954	1.38
501 - 1,000	2,939	14.18	2,305,551	1.41
1,001 - 5,000	3,130	15.10	6,953,776	4.25
5,001 - 10,000	437	2.11	3,124,251	1.91
10,001 - 50,000	331	1.60	6,661,422	4,07
50,001 - 100,000	46	0.22	3,306,209	2,02
100,001 - 500,000	48	0.23	8,998,827	5.50
500,001 +	23	0.11	129,560,403	79,21
Total	**20,730**	**100.00**	**163,486,214**	**99.95**
In the joint account			79,449	0.05
Total			**163,565,663**	**100.00**

Alternative performance measures

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

Sanoma has included Operational EBIT excluding purchase price allocation amortisations (Operational EBIT excl. PPA), and the corresponding margin, as an APM in its financial reporting from Q1 2019 interim report. Operational EBIT excl. PPA is used as a basis in Sanoma's Outlook for 2020.

More information is available at sanoma.com. Definitions of key IFRS indicators and APMs are available on p. 32. Reconciliations are presented on p. 31 in this report.

Key indicators

EUR million	2019	2018	2017[4]	2016	2015[5]
Net sales[1]	913.3	891.4	1,434.7	1,554.4	1,716.7
Operational EBIT excl. PPA[1]	135.2	122.8			
% of net sales	14.8	13.8			
Operational EBIT[1]			176.7	164.9	83.7
% of net sales			12.3	10.6	4.9
Items affecting comparability in EBIT[1]	-22.5	-9.6	-417.2	42.0	-206.8
Purchase price allocation amortizations (PPAs)	10.5	6.5			
EBIT[1]	102.1	106.7	-240.5	206.9	-123.1
% of net sales	11.2	12.0	-16.8	13.3	-7.2
Result before taxes[1]	80.3	94.2	-262.4	167.3	-151.4
% of net sales	8.8	10.6	-18.3	10.8	-8.8
Result for the period from continuing operations[1]	63.1	72.6	-301.6	122.7	-157.7
% of net sales	6.9	8.1	-21.0	7.9	-9.2
Result for the period	13.3	125.6	-299.3	116.0	-157.7
% of net sales	1.5	14.1	-20.9	7.5	-9.2
Balance sheet total	1,997.9	1,519.0	1,590.1	2,605.6	2,765.1
Capital expenditure[2]	31.7	32.0	36.5	34.9	54.7
% of net sales	2.5	2.4	2.4	2.2	3.2
Free cash flow[3]	131.3	108.9	104.7	123.2	-29.2
Return on equity (ROE), %	2.2	22.1	-48.0	10.9	-13.6
Return on investment (ROI), %	5.4	18.1	-17.0	9.9	-5.3
Equity ratio, %	30.5	44.7	38.2	41.0	39.5
Net gearing, %	144.2	55.3	71.6	78.4	77.8
Interest-bearing liabilities	817.9	356.7	412.4	829.6	899.6
Non-interest-bearing liabilities	644.5	550.9	620.1	773.3	833.3
Interest-bearing net debt	794.7	337.8	391.8	786.2	801.2
Net debt / Adj. EBITDA	2.7	1.4	1.7		
Average number of employees (FTE)[1]	3,567	3,404	4,746	5,171	6,776
Number of employees at the end of the period (FTE)[1]	3,953	3,410	4,425	5,038	6,116

1 Figures for 2016-2019 contain only continuing operations. Figures for 2015 include also operations classified as discontinued operations in 2017.

2 Capital expenditure is presented on cash basis for 2017–2019 and on an accrual basis for 2015–2016.

3 Dividends received have been reported as part of free cash flow from 2016 onwards.

4 2017 figures have been restated due to the implementation of IFRS 15 Revenue from Contracts with Customers.

5 In connection with a reporting system change in 2016, Sanoma 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.

Share indicators

EUR	2019	2018	2017[3]	2016	2015[4]
Earnings/share, continuing operations[1]	0.38	0.44	-1.02	0.69	-0.91
Earnings/share	0.07	0.76	-1.00	0.65	-0.91
Earnings/share, diluted, continuing operations[1]	0.38	0.43	-1.02	0.69	-0.91
Earnings/share, diluted	0.07	0.76	-1.00	0.65	-0.91
Operational earnings/share, continuing operations[1]	0.49	0.49	0.70	0.50	0.13
Operational earnings/share	0.80	0.84	0.72	0.51	0.13
Free cash flow per share[2]	0.81	0.67	0.64	0.76	-0.18
Equity/share	3.25	3.73	3.34	4.39	4.59
Dividend/share[5]	0.50	0.45	0.35	0.20	0.10
Dividend payout ratio, %[5]	707.0	59.1	neg.	30.8	neg.
Operational dividend payout ratio, %[5]	62.5	53.4	48.3	39.2	78.3
Market capitalisation, EUR million[6]	1,539.7	1,379.7	1,774.5	1,338.4	633.7
Effective dividend yield, %[5]	5.3	5.3	3.2	2.4	2.6
P/E ratio	133.6	11.1	neg.	12.7	neg.
Adjusted number of shares at the end of the period[6]	163,016,523	162,504,370	163,249,144	162,333,596	162,082,093
Adjusted average number of shares[6]	162,933,737	163,084,958	162,544,637	162,291,679	162,721,764
Lowest share price	7.96	8.01	7.58	3.51	3.13
Highest share price	10.44	11.47	12.03	9.39	5.95
Average share price	9.03	9.28	8.90	6.14	4.28
Share price at the end of the period	9.45	8.49	10.87	8.25	3.91
Trading volumes, shares	19,098,115	39,317,670	36,232,649	48,152,687	81,355,104
% of shares	11.7	24.1	22.3	29.7	50.0

1 Figures for 2016–2019 contain only continuing operations. Figures for 2015 include also operations classified as discontinued operations in 2017.

2 Dividends received have been reported as part of free cash flow from 2016 onwards.

3 2017 figures have been restated due to the implementation of IFRS 15 Revenue from Contracts with Customers.

4 In connection with a reporting system change in 2016, Sanoma 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.

5 Year 2019 proposal of the Board of Directors.

6 The number of shares does not include treasury shares.

Reconciliation of operational EBIT excl. PPA

EUR million	2019	Restated 2018
EBIT	**102.1**	106.7
Items affecting comparability (IACs) and PPA amortisations [1]		
Learning		
Restructuring expenses	-12.1	-5.1
PPA amortisations	-6.1	-3.4
Media Finland		
Capital gains/losses		2.3
Restructuring expenses	-10.0	-9.4
PPA amortisations	-4.4	-3.2
Other companies		
Capital gains/losses	0.5	2.7
Restructuring expenses	-1.0	-0.1
Items affecting comparability (IACs) and PPA amortisations total	**-33.1**	-16.2
Operational EBIT excl PPA, continuing operations	**135.2**	122.8
Items affecting comparability (IACs) in financial income and expenses		
Capital gains/losses	1.0	
Impairments	-1.1	-0.7
Total	**-0.2**	-0.7
Items affecting comparability (IACs) in discontinued operations		
Capital gains/losses	10.8	30.3
Impairments [2]	-105.1	-0.4
Restructuring expenses	-9.1	-40.3
Others		7.2
PPA amortisations	-3.9	-3.0
Total	**-107.3**	-6.2

1 Items affecting comparability and PPA amortisations are unaudited.

2 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	2019	2018
Result for the period attributable to the equity holders of the Parent Company	11.5	124.2
Items affecting comparability [1]	118.9	13.2
Operational result for the period attributable to the equity holders of the Parent Company	**130.4**	137.4
Adjusted average number of shares	162,933,737	163,084,958
Operational EPS	**0.80**	0.84

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

Reconciliation of interest-bearing net debt

EUR million	2019	2018
Non-current financial liabilities	227.9	4.3
Current financial liabilities	400.7	352.4
Non-current lease liabilities	162.0	
Current lease liabilities	27.3	
Cash and cash equivalents	-23.2	-18.8
Interest-bearing net debt	**794.7**	337.8

In 2019, net debt has increased as a consequence of the Iddink acquisition and the implementation of IFRS 16 leases standard.

Interest-bearing net debt includes financial assets and liabilities of Sanoma Media Netherlands that are presented as part of assets and liabilities held for sale in the balance sheet 31 December 2019. More details are presented in Note 26.

Definitions of key indicators

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