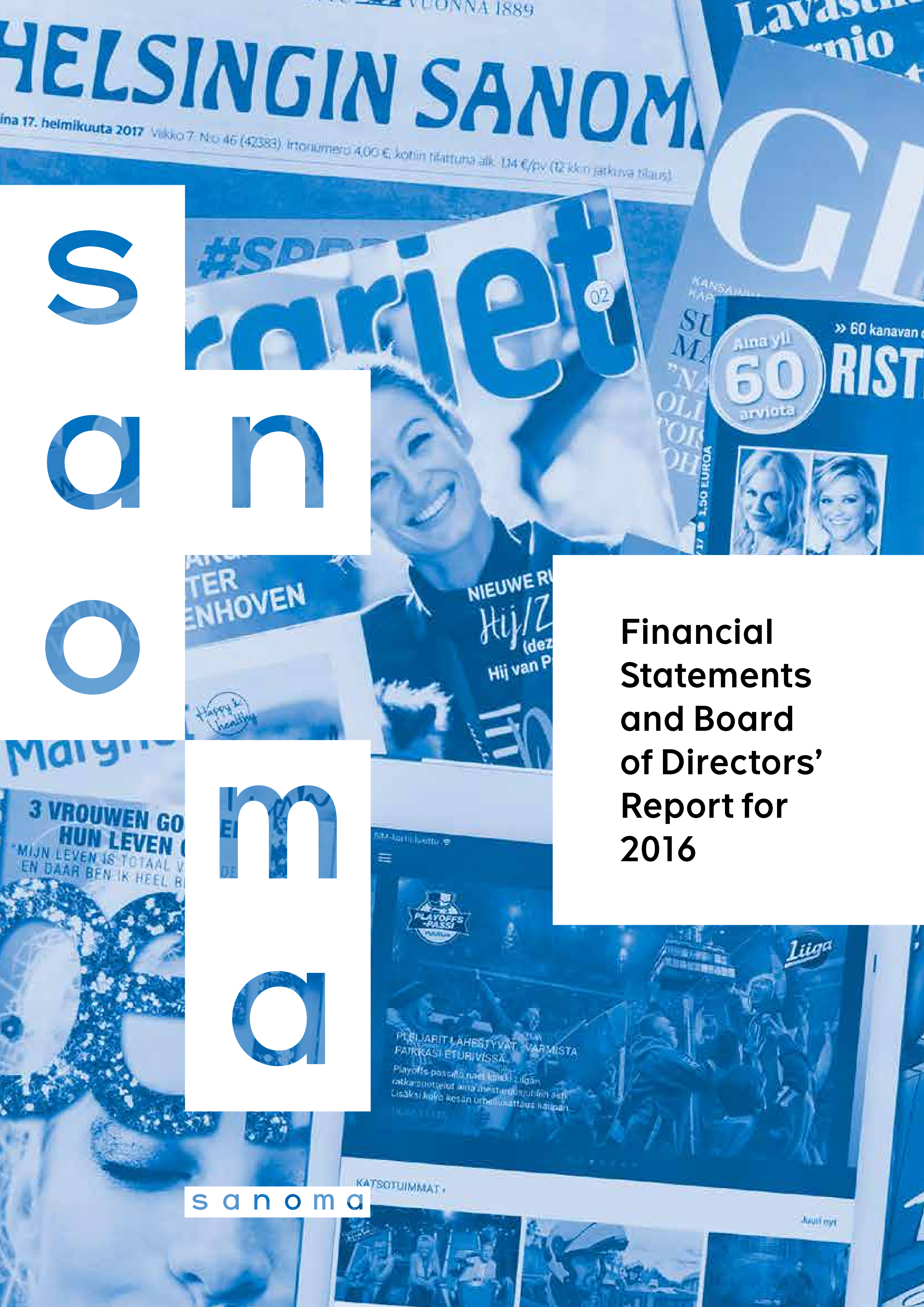

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Financial Statements and Board of Directors' Report for 2016

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Turn over to read the statements of Chairman Pekka Ala-Pietilä and CEO Susan Duinhoven.

Sanoma's Annual Report and Corporate Social Responsibility Report are published online at Sanoma.com.

Dear shareholders,

The world around us is changing rapidly. It is something we have to factor in when reviewing the past year or looking towards the future. We are also an active player in this changing world.

In terms of content, media and education – the two sectors in which Sanoma operates – have a significant impact on the development and the dialogue in the society. We make a difference.

In terms of business, it is important to identify the areas that we can affect and those that are beyond our control. We must focus on the aspects that we can affect. We are operating in sectors where we can, for example, steer the direction of change or accelerate its speed. Building on our strengths, change offers us opportunities to succeed, grow and win, even under turbulent circumstances.

Over the past year, Sanoma developed into what it is today: a whole consisting of three independent business units. Our media operations in Finland and in Belgium and Holland, as well as our learning operations in five countries, are all undergoing a transformation, each at their own pace. We have established strong customer relationships in all of our operations, and we know our customers thoroughly. In addition to being drivers of change, customers determine its direction.

To successfully respond to customers' needs, we must continuously improve our product competitiveness and innovation power. A strong corporate culture also supports our competitive ability. At its best, corporate culture is based on a combination of in-depth professional skills and the right kind of humility.

I would like to extend my warm thanks to Sanoma's management and employees for the past year. Together we were able to further specify our direction, set the right goals and implement changes effectively. What we achieved is also evident to our shareholders: our share price has developed favourably, and our ability to pay dividends is stronger than before.

I hope you will enjoy our annual report. Thank you for your trust and support.

Pekka Ala-Pietilä
Chairman of the Board
Sanoma

Dear shareholders,

I am happy to share with you Sanoma's review of the year 2016. For Sanoma, 2016 was a year of successful transformation. We got back on track, you could say. A lot of hard work, several changes, major victories, but also painful decisions paid off in the form of improved financial performance.

The world around us continues to change

In the world around us, 2016 there were definitely positive developments – and some which were quite different to what we were expecting. Times like this reinforce the need for independent, high quality media and education. We need news media to tell the truth, provide context and share points of view in an open and intellectually honest manner. We need strong media brands that enable readers to make the distinction between quality journalism and fake news. We also need learning materials that provide children with information as well as tools and methods to learn more and find their full potential in a rapidly changing world.

Even though media and learning are quite different businesses without much operational synergies within Sanoma, they both clearly share a 'bigger purpose'. Sanoma's role in society is more relevant than ever. It makes us all the more grateful to have gotten back on solid financial ground.

Data adds value

Data is one of the key ingredients that both our Media and Learning business share. Data allows us to improve the customer experience. For our media business this means that we are able to target the right audiences for advertisers and tailor content and services for media consumers. For our education business data makes the learning progress measurable for pupils and teachers. To be able to gather and store our customers' data, we have to earn and maintain our customers' trust. Trust is essential in our business and something that we take very seriously. Sanoma is aiming for the highest standards in information security and privacy and we do our utmost to be that trusted partner to our customers.

Customers are the focus of our strategy

Our mission to engage people with content that inspires, informs, educates and entertains remains relevant, and the transformation gives us new tools to do that in constantly better ways. We will keep on supporting our customers and responding to their needs in everything we do.

In 2017, the transformation path of all media types will continue and the main trends we have seen already in 2016 will gather speed. The economic development in Europe and in our countries of operation looks slightly more positive, which may support our businesses in the coming year. And, as said, the need for high quality, local content is even stronger now than before.

Success is a team effort

Our turn for the better in 2016, from a very difficult 2015 was fast, even faster than expected. That proves the strength of the company, the brands and most of all; our teams. Therefore, I want to specially thank our teams and all our employees for their professionalism, expertise, commitment and good spirits to make this happen. I also want to thank our shareholders and financial partners for supporting us and giving us the time and the means to make this possible. In the annual report we share a number of examples of projects that we did last year and are proud of. I hope you enjoy reading about them!

Susan Duinhoven
President & CEO
Sanoma

Contents

Key indicators

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

* In connection with a reporting system change, Sanoma has adapted a new method for currency translation, changing from cumulative translation to periodic translation. Due to this, there are some minor changes in the historical figures. All figures in these financial statements are presented according to the new method.
** The figures for 2013 have been restated because of adoptation of IFRS 11 Joint Arrangements. The standard permits only the equity method in consolidation of joint ventures, and the proportional consolidation method is not allowed any longer. The figures for 2012 have not been restated.
*** The figures for 2012 have been restated due to a change in IAS 19 'Employee benefits'. The revised standard eliminated the possibility of using the corridor approach in recognising the actuarial gains and losses from defined benefit plans. The revised IAS 19 standard requires the actuarial gains and losses to be recognised immediately in the statement of other comprehensive income.
**** The figures for 2012 contain only continuing operations.

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

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

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**** The figures for 2012 contain only continuing operations.
***** Year 2016 proposal of the Board of Directors.
****** The number of shares does not include treasury shares.

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Reconciliation of operational EPS

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

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

Reconciliation of interest-bearing net debt

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

Definitions of key indicators

Return on equity (ROE), % = $\frac{\text{Result for the period}}{\text{Equity total (average of monthly balances)}} \times 100$

Return on investment (ROI), % = $\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average of monthly balances)}} \times 100$

Equity ratio, % = $\frac{\text{Equity total}}{\text{Balance sheet total - advances received}} \times 100$

Net gearing, % = $\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity total}} \times 100$

Earnings/share (EPS) = $\frac{\text{Result for the period attributable to the equity holders of the Parent Company - tax-adjusted interest on hybrid bond}}{\text{Adjusted average number of shares on the market}}$

Cash flow/share = $\frac{\text{Cash flow from operations}}{\text{Adjusted average number of shares on the market}}$

Equity/share = $\frac{\text{Equity attributable to the equity holders of the Parent Company}}{\text{Adjusted number of shares on the market at the balance sheet date}}$

Dividend payout ratio, % = $\frac{\text{Dividend/share}}{\text{Result/share}} \times 100$

Market capitalisation = Number of shares on the market at the balance sheet date x share price on the last trading day of the year

Effective dividend yield, % = $\frac{\text{Dividend/share}}{\text{Share price on the last trading day of the year}} \times 100$

P/E ratio = $\frac{\text{Share price on the last trading day of the year}}{\text{Result/share}}$

Interest-bearing net debt = Interest-bearing liabilities - cash and cash equivalents

EBITDA = Operating profit + depreciation, amortisation and impairments

Items affecting comparability = Gains/losses on sale, restructuring expenses and impairments that exceed EUR 1 million

Operational EPS = $\frac{\text{Result for the period attributable to the equity holders of the Parent Company - tax-adjusted interest on hybrid bond - items affecting comparability}}{\text{Adjusted average number of shares on the market}}$

Net sales by strategic business unit

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

Operational EBIT by strategic business unit

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

Operating profit by strategic business unit

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

Income statement by quarter

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

Board of Directors’ Report

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

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

Net sales

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

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

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

Group’s net sales by country, %	1–12/2016	1–12/2015
Netherlands	**46.5**	44.5
Finland	**38.1**	37.1
Belgium	**9.3**	11.5
Other	**6.1**	6.9
Total Group	**100.0**	100.0

Result

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

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

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

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

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

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

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

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

Balance sheet and financial position

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

During the year, Sanoma was able to deleverage its balance sheet significantly. At the year end, the net debt/adj. EBITDA ratio was 3.2 times (2015: 5.1). Without the redemption of the Hybrid Bond in December, the ratio would have been 2.8 times. The adjusted EBITDA used in this ratio is 12-month rolling operational EBITDA, where acquired operations are included and divested operations excluded, and where programming rights and prepublication rights have been raised above EBITDA on cash flow basis.

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

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

Investments, acquisitions and divestments

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

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

In February 2015, Sanoma acquired 51% of the shares and in November 20% of the shares of the Dutch social media creator agency Social-1nfluencers B.V..

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group Outlook

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

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

Consumer Media

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

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

* Reconciliation of operational EBIT is presented in Note 3.

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

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

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

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

Media BeNe

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

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

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

* Reconciliation of operational EBIT is presented in Note 3.

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

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

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

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

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

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

Media Finland

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

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

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

* Reconciliation of operational EBIT is presented in Note 3.

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

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

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

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

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

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

Learning

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

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

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

* Reconciliation of operational EBIT is presented in Note 3.

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

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

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

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

The Group

Personnel

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

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

Dividend

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

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

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

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

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

Corporate Governance

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

Shares and holdings

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

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

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

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

Board of Directors, auditors and management

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

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

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

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

Board authorisations

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

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

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

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

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

Seasonal fluctuation

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

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

Significant near term risks and uncertainty factors

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

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

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

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

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

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

Sanoma's consolidated balance sheet includes around EUR 2.1 billion in goodwill, immaterial rights and other intangible assets. Most of this is related to magazine and TV operations. In accordance with IFRS, instead of goodwill being amortised, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity-related ratios.

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

Consolidated income statement

EUR million	Note	1.1–31.12.2016	1.1–31.12.2015
Net sales	2, 6	**1 639.1**	1 716.7
Other operating income	7	**39.9**	37.4
Materials and services		**-501.1**	-527.1
Employee benefit expenses	8, 23, 33	**-325.5**	-472.3
Other operating expenses	9	**-356.1**	-454.4
Share of results in joint ventures	16	**0.1**	-34.1
Depreciation, amortisation and impairment losses	13–15	**-299.7**	-389.4
Operating profit		**196.6**	-123.1
Share of results in associated companies	16	**-2.4**	-0.7
Financial income	10	**10.5**	26.1
Financial expenses	10	**-47.5**	-53.7
Result before taxes		**157.2**	-151.4
Income taxes	11	**-41.2**	-6.3
Result for the period		**116.0**	-157.7
Result attributable to:			
Equity holders of the Parent Company		**110.8**	-142.6
Non-controlling interests	31	**5.2**	-15.0
Earnings per share for result attributable to the equity holders of the Parent Company:	12		
Earnings per share, EUR		**0.65**	-0.91
Diluted earnings per share, EUR		**0.65**	-0.91

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

Statement of comprehensive income

EUR million	Note	1.1–31.12.2016	1.1–31.12.2015
Result for the period		**116.0**	-157.7
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Change in translation differences		**-4.5**	-1.0
Share of other comprehensive income of equity-accounted investees		**-0.3**	1.1
Realisation of translation differences related to assets held for sale			0.7
Reclassification of translation differences of sold earnings			12.8
Cash flow hedges	29	**0.6**	-0.2
Income tax related to cash flow hedges		**-0.1**	0.0
Items that will not be reclassified to profit or loss			
Defined benefit plans		**-19.5**	12.8
Income tax related to defined benefit plans		**5.0**	-1.5
Other comprehensive income for the period, net of tax		**-18.8**	24.7
Total comprehensive income for the period		**97.2**	-133.0
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**92.0**	-118.0
Non-controlling interests	31	**5.2**	-15.0

Consolidated balance sheet

EUR million	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Property, plant and equipment	7, 9, 13	**57.8**	69.4
Investment property	7, 9, 14	**24.5**	31.6
Goodwill	15	**1 663.0**	1 665.3
Other intangible assets	15	**432.8**	458.3
Equity-accounted investees	16	**21.3**	33.1
Available-for-sale financial assets	17	**5.0**	3.6
Deferred tax receivables	11	**29.9**	41.3
Trade and other receivables	8, 18	**21.8**	37.6
Non-current assets, total		**2 256.0**	2 340.3
Current assets			
Inventories	19	**41.4**	39.5
Income tax receivables		**2.2**	5.0
Trade and other receivables	20	**255.8**	271.0
Cash and cash equivalents	21	**43.4**	98.5
Current assets, total		**342.9**	414.0
Assets held for sale	4	**6.8**	10.9
ASSETS, TOTAL		**2 605.6**	2 765.1
EQUITY AND LIABILITIES			
Equity	22, 23		
Equity attributable to the equity holders of the Parent Company			
Share capital		**71.3**	71.3
Treasury shares		**-2.1**	-3.2
Fund for invested unrestricted equity		**203.3**	203.3
Other reserves			-0.5
Translation differences		**-21.3**	-16.6
Retained earnings		**461.8**	390.0
Hybrid bond			99.1
		713.0	743.4
Non-controlling interests	31	**289.5**	285.7
Equity, total		**1 002.5**	1 029.1
Non-current liabilities			
Deferred tax liabilities	11	**60.1**	62.0
Pension obligations	8	**13.7**	89.1
Provisions	24	**7.6**	1.7
Financial liabilities	25	**239.1**	507.4
Trade and other payables	26	**42.9**	46.7
Non-current liabilities, total		**363.4**	706.9
Current liabilities			
Provisions	24	**18.1**	26.5
Financial liabilities	25	**590.5**	392.3
Income tax liabilities		**8.8**	6.3
Trade and other payables	26	**622.1**	600.9
Current liabilities, total		**1 239.5**	1 026.0
Liabilities related to assets held for sale	4	**0.3**	3.1
LIABILITIES, TOTAL		**1 603.1**	1 736.0
EQUITY AND LIABILITIES, TOTAL		**2 605.6**	2 765.1

On 31 December 2016, assets held for sale included Kiinteistö Oy Lehtikaari 1 and Kiinteistö Oy Lepolankatu 15 that were classified as assets held for sale in December 2016. On 31 December 2015, assets held for sale included OOO United Press and joint venture OOO Mondadori Independent Media that were classified as assets held for sale in December 2015 and Hearst Independent Media Publishing B.V. that was classified as an asset held for sale in December 2014.

Changes in consolidated equity

EUR million	Equity attributable to the equity holders of the Parent Company										
	Note	Share capital	Treasury shares	Fund for invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling interests	Equity, total
Equity at 1 Jan 2015	22	**71.3**		**203.3**	**-0.4**	**-30.3**	**559.3**	**99.1**	**902.4**	**298.9**	**1 201.3**
Result for the period							-142.6		-142.6	-15.0	-157.7
Other comprehensive income					-0.2	13.7	11.2		24.7		24.7
Total comprehensive income					**-0.2**	**13.7**	**-131.5**		**-118.0**	**-15.0**	**-133.0**
Purchase of treasury shares			-3.2						-3.2		-3.2
Share-based compensation	23						1.1		1.1		1.1
Dividends paid							-32.6		-32.6	-0.6	-33.2
Total transactions with owners of the company			**-3.2**				**-31.5**		**-34.6**	**-0.6**	**-35.2**
Acquisitions and other changes in non-controlling interest							-0.6		-0.6	2.4	1.8
Total change in ownership interest							**-0.6**		**-0.6**	**2.4**	**1.8**
Tax-adjusted interest paid on hybrid bond							-5.8		-5.8		-5.8
Recognition of unpaid dividends							0.1		0.1		0.1
Equity at 31 Dec 2015		**71.3**	**-3.2**	**203.3**	**-0.5**	**-16.6**	**390.0**	**99.1**	**743.4**	**285.7**	**1 029.1**
Equity at 1 Jan 2016	22	**71.3**	**-3.2**	**203.3**	**-0.5**	**-16.6**	**390.0**	**99.1**	**743.4**	**285.7**	**1 029.1**
Result for the period							110.8		110.8	5.2	116.0
Other comprehensive income					0.5	-4.7	-14.6		-18.8		-18.8
Total comprehensive income					**0.5**	**-4.7**	**96.2**		**92.0**	**5.2**	**97.2**
Share-based compensation	23						1.0		1.0		1.0
Shares delivered	23		1.0				-1.0				
Dividends paid							-16.2		-16.2	-1.4	-17.6
Total transactions with owners of the company			**1.0**				**-16.3**		**-15.2**	**-1.4**	**-16.6**
Acquisitions and other changes in non-controlling interest							-1.4		-1.4	0.0	-1.4
Total change in ownership interest							**-1.4**		**-1.4**	**0.0**	**-1.4**
Redemption of hybrid bond							-0.9	-99.1	-100.0		-100.0
Tax-adjusted interest paid on hybrid bond							-5.8		-5.8		-5.8
Equity at 31 Dec 2016		**71.3**	**-2.1**	**203.3**		**-21.3**	**461.8**		**713.0**	**289.5**	**1 002.5**

Consolidated cash flow statement

EUR million	Note	1.1–31.12.2016	1.1–31.12.2015
Operations			
Result for the period		**116.0**	-157.7
Adjustments			
Income taxes	11	**41.2**	6.3
Financial expenses	10	**47.5**	53.7
Financial income	10	**-10.5**	-26.1
Share of results in equity-accounted investees	16	**2.4**	34.8
Depreciation, amortisation and impairment losses		**299.7**	389.4
Gains/losses on sales of non-current assets		**-19.5**	20.3
Acquisitions of broadcasting rights and prepublication costs		**-207.2**	-226.5
Other adjustments		**1.1**	0.9
Change in working capital			
Change in trade and other receivables		**18.8**	-6.3
Change in inventories		**1.6**	3.7
Change in trade and other payables, and provisions		**-68.2**	1.4
Interest paid		**-41.5**	-27.6
Other financial items		**-4.3**	-4.8
Taxes paid		**-23.4**	-36.0
Cash flow from operations		**153.5**	25.5
Investments			
Acquisition of tangible and intangible assets		**-34.5**	-55.1
Operations acquired	5	**-19.8**	-4.7
Joint ventures and associated companies acquired	16	**-2.1**	-4.8
Acquisition of other holdings			-0.1
Proceeds from sale of tangible and intangible assets		**3.0**	3.1
Operations sold	5	**34.1**	37.6
Joint ventures and associated companies sold	5, 16	**9.0**	28.3
Sales of other companies			0.5
Loans granted		**-1.7**	-4.3
Repayments of loan receivables		**3.5**	6.3
Interest received		**0.4**	0.6
Dividends received		**4.7**	6.1
Cash flow from investments		**-3.4**	13.6
Cash flow before financing		**150.1**	39.1
Financing			
Redemption of hybrid bond		**-100.0**	
Contribution by non-controlling interests		**0.0**	0.1
Purchase of treasury shares			-3.2
Change in loans with short maturity		**14.1**	62.1
Drawings of other loans		**240.1**	202.5
Repayments of other loans		**-318.0**	-224.4
Payment of finance lease liabilities		**-0.2**	-6.4
Interest paid on hybrid bond		**-7.3**	-7.3
Dividends paid		**-17.6**	-33.2
Cash flow from financing		**-188.9**	-9.7
Change in cash and cash equivalents according to cash flow statement		**-38.8**	29.4
Effect of exchange rate differences on cash and cash equivalents		**-0.7**	1.1
Net increase(+)/decrease(-) in cash and cash equivalents		**-39.5**	30.5
Cash and cash equivalents at 1 Jan		**82.5**	52.0
Cash and cash equivalents at 31 Dec	21	**43.1**	82.5

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts.

Notes to the consolidated financial statements

1. Accounting policies for consolidated financial statements

Corporate information

In 2016, Sanoma Group included two reportable segments: Consumer Media and Learning. Consumer Media is responsible for magazines, TV operations as well as online and mobile operations in Finland, the Netherlands and Belgium. In addition, Sanoma has newspapers and radio operations in Finland. Consumer Media is combined of two strategic business units in 2016: Sanoma Media BeNe and Sanoma Media Finland. Learning is a leading European provider of multi-channel learning solutions. Learning's main markets are Belgium, Finland, the Netherlands, Poland and Sweden.

The share of Sanoma Corporation, the Parent of Sanoma Group, is listed on the Nasdaq Helsinki. The Parent Company is domiciled in Helsinki and its registered office is Töölönlahdenkatu 2, 00100 Helsinki.

On 6 February 2017, Sanoma's Board of Directors approved these financial statements to be disclosed. In accordance with the Finnish Limited Liability Companies Act, the shareholders can either adopt or reject the financial statements in the Annual General Meeting held after the disclosure. The AGM can also resolve to amend the financial statements.

⊕ Copies of the consolidated financial statements are available at Sanoma.com or from the Parent Company's head office.

Basis of preparation of financial statements

Sanoma has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) while adhering to related IAS and IFRS standards, effective at 31 December 2016, as well as SIC and IFRIC interpretations. IFRS refers to the approved standards and their interpretations applicable within the EU under the Finnish Accounting Act and its regulations in accordance with European Union Regulation No. 1606/2002. The notes to the consolidated financial statements are in accordance with Finnish Accounting Standards and Finnish Limited Liability Companies Act.

Financial statements are presented in millions of euros, based on historical cost conventions unless otherwise stated in the accounting policies. All figures have been rounded and consequently the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

Applied new and amended standards

The Group has applied the following new standards, interpretations and amendments to standards and interpretations as of 1 January 2016:

- Annual Improvements to IFRSs (2012–2014 cycle, September 2014) (effective for financial years beginning on or after 1 January 2016). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2012–2014 cycle) standards. The improvements do not have material impact on the Group's financial statements.

- Amendments to IFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations* (effective for financial years beginning on or after 1 January 2016). The change requires applying accounting principles of business combinations in accounting of an interest in a joint operation in which the activity constitutes a business.

- Amendments to IAS 1 *Presentation of Financial Statements – Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The amendments do not have material impact on Group's financial statements.

- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016). The change prohibits using revenue-based method to depreciate property, plant and equipment. Amortising intangible assets using revenue-based method may only be used in limited circumstances. The amendments do not impact the Group's financial statements.

Management judgement in applying the most significant accounting policies and other key sources of estimation uncertainty

Preparing the financial statements in accordance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. During the preparation of the financial statements, such estimates were used when making calculations for impairment testing of goodwill, allocating acquisition cost of acquired businesses and determining the estimated useful lives and depreciation methods for property, plant and equipment and amortisation methods for broadcasting rights, prepublication assets and other intangible assets. In addition, management judgement is used when determining the valuation of deferred taxes as well as defined benefit pension assets and pension obligations. Although these estimates are based on the management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

⊕ Impairment testing is discussed later in the accounting policies and notes to the financial statements. Other uncertainties related to management judgement are presented, as applicable, in the relevant notes.

Consolidation principles

The consolidated financial statements are prepared by consolidating the Parent Company's and its subsidiaries' income statements, comprehensive income statements, balance sheets, cash flow statements and notes to the financial statements. Prior to consolidation, the Group companies' financial statements are adjusted, if necessary, to ensure consistency with the Group's accounting policies.

The consolidated financial statements include the Parent Company Sanoma Corporation and companies in which the Parent Company has control. Control means that the Group is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Intra-group shareholdings are eliminated using the acquisition method. In cases where the Group is committed to increasing ownership in a subsidiary, the consolidation has taken the ownership into account in accordance with the obligation.

Companies acquired during the financial year are included in the consolidated financial statements from the date on which control was transferred to the Group, and divested subsidiaries are consolidated until the date on which said control ceased. Intra-group transactions, receivables and liabilities, intra-group margins and distribution of profits within the Group are eliminated in the consolidated financial statements.

Sanoma uses the acquisition method when accounting for acquisitions. The acquisitions carried out after 1 January 2004 are measured at fair value on the date of acquisition but acquisitions prior to that date have not been adjusted retrospectively. For acquisitions prior to 1 January 2010, Sanoma applies the version of IFRS 3 standard effective as at the acquisition date.

On the date of acquisition, the cost is allocated to the assets and liabilities of the acquired business by recognising them at their fair value. In business combinations achieved in stages, the interest in the acquired company that was held by the acquirer before the control was acquired shall be measured at fair value at the date of acquiring control. This value has an impact on calculating the goodwill from this acquisition and it is presented as a loss or gain in the income statement.

The consideration transferred and the identifiable assets and the liabilities assumed in the business combination are measured at fair value on the date of acquisition. The acquisition-related costs are expensed excluding the costs to issue debt or equity securities. The potential contingent purchase price is the consideration paid to the seller after the original consolidation of the acquired business or the share of paid consideration that the previous owners return to the buyers. Whether any consideration shall be paid or returned is usually dependent on the performance of the acquired business after the acquisition. The contingent consideration shall be classified as a liability or as equity. The contingent consideration classified as a liability is measured at fair value on the acquisition date and subsequently on each balance sheet date. Changes in the fair value are presented in income statement.

Sanoma's equity-accounted investees include joint ventures and associated companies, which are accounted for using the equity method. The Group's share of the strategically important joint ventures' and associated companies' result is disclosed separately in operating profit. The result of other equity-accounted investees is reported below operating profit. The carrying amount of equity-accounted investees is presented on one line in the balance sheet and it includes the goodwill originating from those acquisitions.

Joint ventures are entities that are controlled jointly based on a contractual agreement by the Group and one or several other owners. All Sanoma's joint ventures are strategically important.

Associated companies are entities in which the Group has significant influence. Significant influence is assumed to exist when the Group holds over 20% of the voting rights or when the Group has otherwise obtained significant influence but not control over the entity. If Sanoma's share of the losses from an associated company exceeds the carrying value of the investment, the investment in associated company will be recognised at zero value on the balance sheet. Losses exceeding the carrying amount of investments will not be consolidated unless the Group has been committed to fulfil the obligations of the associated company.

Joint operations are consolidated using the proportionate consolidation method. Sanoma has one mutual property company that is classified as joint operation.

Profit or loss for the period attributable to equity holders of the Parent Company and to the holders of non-controlling interests is presented in the income statement. The statement of comprehensive income shows the total comprehensive income attributable to the equity holders of the Parent Company and to the holders of non-controlling interests. The amount of equity attributable to equity holders of the Parent Company and to holders of non-controlling interests is presented as a separate item on the balance sheet within equity.

Foreign currency items

Items of each Group company are recognised using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that company (the functional currency). The consolidated financial statements are presented in euros, which is the Parent Company's functional and presentation currency.

Foreign currency transactions of the Group entities are translated to the functional currency at the exchange rate quoted on the transaction date. The monetary assets and liabilities denominated in foreign currencies on the balance sheet are translated into the functional currency at the exchange rate prevailing on the balance sheet date.

The gains and losses resulting from the foreign currency transactions and translating the monetary items are recognised in income statement. The exchange rate gains and losses are reported in financial income and expenses.

The income and expense items in the income statement and in the statement of comprehensive income of the non-euro Group entities (subsidiaries, associated companies and joint ventures) are translated into euro using the monthly average exchange rates and balance sheets using the exchange rate quoted on the balance sheet date. The profit for the period being translated into euro by different currency rates in the comprehensive income statement and balance sheet results in a translation difference in equity. The change in translation difference is recognised in other comprehensive income.

Exchange rate differences resulting from the translation of foreign subsidiaries' and equity accounted investees' balance sheets are recognised under shareholders' equity. When a foreign entity is disposed of, in whole or in part, cumulative translation differences are recognised in the income statement as part of the gain or loss on disposal.

During the reporting year or preceding financial year, the Group did not have subsidiaries in hyperinflationary countries.

Government grants

Grants from the government or other similar public entities that become receivable as compensation for expenses already incurred are recognised in the income statement on the period on which the company complies with the attached conditions. These government grants are reported in other operating income in income statement. Government grants related to the purchase of property, plant and equipment or intangible assets are recognised as a reduction of the asset's book value and credited to the income statement over the asset's useful life.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount is recovered principally through a sale rather than through continuing use and a sale is considered highly probable. Such assets are stated at the lower of carrying amount and fair value less cost of disposal. Non-current assets held for sale are no longer depreciated. When equity-accounted investees meet the criteria to be classified as held-for-sale, equity accounting ceases at the time of reclassification.

Goodwill and other intangible assets

Acquired subsidiaries are consolidated using the acquisition method, whereby the cost is allocated to the acquired assets and liabilities assumed at their fair value on the date of acquisition. Goodwill represents the excess of the cost over the fair value of the acquired company's net assets. Goodwill reflects e.g. expected future synergies resulting from acquisitions.

Goodwill is not amortised but it is tested for impairment annually or if there are some triggering events.

The identifiable intangible assets are recognised separately from goodwill if the assets fulfil the related recognition criteria – i.e. they are identifiable, or based on contractual or other legal rights – and if their fair value can be reliably measured. Intangible assets are initially measured at cost and amortised over their expected useful lives. Intangible assets for which the expected useful lives cannot be determined are not amortised but they are subject to annual impairment testing. In Sanoma, expected useful lives can principally be determined for intangible rights. The useful life cannot be determined for some publishing rights. With regard to the acquisition of new assets, the Group assesses the expected useful life of the intangible right, for example, in light of historical data and market position, and determines the useful life on the basis of the best knowledge available on the assessment date.

The Group recognises the cost of broadcasting rights to TV programmes under intangible assets and their cost is amortised based on broadcasting runs. The prepublication costs of learning materials and solutions are recognised in intangible assets and amortised over the useful lives. In cash flow, acquisitions of broadcasting rights and prepublication costs are part of cash flow from operations.

The known or estimated amortisation periods for intangible assets with finite useful lives are:

- Publishing rights 2–20 years
- Software licenses 2–10 years
- Copy- and trademark rights 2–10 years
- Software projects 3–10 years
- Online sites 3–10 years

Amortisation is calculated using the straight-line method. Recognising amortisation is discontinued when an intangible asset is classified as held for sale.

Goodwill and other intangible assets are described in more detail in Note 15.

Impairment testing

The carrying amounts of assets are reviewed whenever there is any indication of impairment. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups of assets. Those CGUs for which goodwill has been allocated are tested for impairment at least once a year. Intangible assets with indefinite useful lives are also tested at least annually.

The test assesses the asset's recoverable amount, which is the higher of either the asset's fair value less cost of disposal or value in use based on future cash flows. In Sanoma, impairment tests are principally carried out on a cash flow basis by determining the present value of estimated future cash flows of each CGU. If the carrying amount of the CGU exceeds its recoverable amount, an impairment loss is recorded in the income statement. Primarily, the impairment loss is deducted from the goodwill of the cash-generating unit and after that it is deducted proportionally from other non-current assets of the cash-generating unit. The useful life of the asset is re-estimated when an impairment loss is recognised.

If the recoverable amount of an intangible asset has changed due to a change in the key expectations, previously recognised impairment losses are reversed. However, impairment losses are not reversed beyond the amount the asset had before recognising impairment losses. Impairment losses recognised for goodwill are not reversed under any circumstances.

Impairment testing is described in more detail in Note 15.

Property, plant and equipment

Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any impairment losses. The cost includes any costs directly attributable to acquiring the item of property, plant and equipment. Any subsequent costs are included in the carrying value of the item of property, plant or equipment only if it is probable that it will generate future benefits for the Group and that the cost of the asset can be measured reliably. Lease premises' renovation expenses are treated as other tangible assets in the consolidated balance sheet. Ordinary repairs and maintenance costs are expensed as incurred.

The depreciation periods of PPE are based on the estimated useful lives and are:

- Buildings and structures 5–40 years
- Machinery and equipment 2–20 years
- Other tangible assets 3–10 years

Depreciation is calculated using the straight-line method. Land areas are not depreciated. Recognising depreciation is discontinued when the property, plant and equipment is classified as held for sale.

The residual value and the useful life of an asset are reviewed at least at the end of each financial year and if necessary, they are adjusted to reflect the changes in expectations of financial benefits.

Gains and losses from disposing or selling items of PPE are recognised in the income statement and they are reported in other operating income or expenses.

Investment property

A property is classified as investment property if the Group mainly holds the property to earn rental yields or for capital appreciation. Investment property is initially measured at cost and presented as a separate item on the balance sheet. Investment properties include buildings, land and investments in shares of property and housing companies not in Sanoma's own use. Based on their nature, such shareholdings are divided into land or buildings.

The fair value of investment properties is presented in the notes to the consolidated financial statements. Fair values are determined by using the yield value method or on the basis of similar property deals carried out in the market, and they correspond to the properties' market value. The risk of the yield value method takes into account, among others, the term of the lease period, other conditions of the lease, the location of the premises and the nature of re-rentability as well as the development of environment and area planning. The fair values of investment property are not principally based on the valuations of external certified real estate agents but, when necessary, the views of real estate agents are used to support the Group's own judgement. Investment in shares consists of a number of small properties whose fair value the Group determines internally using the yield value method.

Leases

Leases of property, plant and equipment, where the Group is the lessee and substantially has all the rewards and risks of ownership, are classified as finance leases and recognised as assets and liabilities for the lease term. Such an asset is recorded at the commencement of the lease term based on the estimated present value of the underlying minimum lease payments or, if lower, the fair value of the leased asset. The asset is depreciated during the lease term or, if shorter, during its useful life. Lease payments are apportioned between the interest expenses and the repayment of financial lease liabilities. Finance lease liabilities are included in financial debts.

The Group has no leases classified as finance leases in which a Group company is a lessor.

A lease is accounted for as an operating lease if the risks and rewards incidental to ownership remain with the lessor.

Expenses under operating leases are charged to other operating expenses using the straight-line method during the lease period and the total future minimum lease payments are presented as off-balance sheet liabilities in the notes to the financial statements.

Inventories

Inventories are stated at the lower of cost and net realisable value, using the average cost method. The cost of finished goods and work in progress includes the purchase price, direct production wages, other direct production costs and fixed production overheads to their substantial extent. Net realisable value is the estimated selling price, received as part of the normal course of business, less estimated costs necessary to complete the product and make the sale.

Financial assets

Sanoma Group holds financial assets at fair value through profit or loss, loans and other receivables and available-for-sale financial assets. The classification of a financial asset is based on the initial purpose for acquiring the financial instrument on the date of the initial recognition. Transaction costs are included in the initial carrying value of the financial assets if the item is not classified as a financial asset at fair value through profit or loss. Derecognition of financial assets takes place when Sanoma has lost the contractual right to the cash flows from the asset or it has transferred the essential risks and benefits to third parties.

Derivatives that do not fulfil the conditions for hedge accounting are classified as *financial assets at fair value through profit or loss* in Sanoma. Derivative instruments are initially recognised at fair value on the date when the Group becomes a party to the contractual provision of the derivative, and subsequently measured at fair value on each balance sheet date. Both the unrealised and realised gains and losses arising from changes in fair value are recognised in the income statement on the period the changes arise.

Loans and other receivables are assets with a fixed or defined series of payments. These assets are unlisted and not held for trading. These assets are measured at amortised cost and they are presented as current or non-current financial assets. Trade receivables are carried at the expected realisable value. An impairment on trade receivables is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Available-for-sale financial assets are non-derivative assets that are either determined to be available-for-sale or for which other classification is not applicable. These assets are included in non-current assets unless the Group's intention is to hold the investment for less than 12 months from the balance sheet date. All non-current investments held by the Group are classified as available-for-sale and mainly consist of a number of assets not related to business operations. Sanoma's available-for-sale financial assets do not contain publicly traded investments, and the fair value of these investments cannot be reliably measured. These assets are thus carried at cost. Investments do not have any material effect on the consolidated balance sheet.

Cash and cash equivalents

Cash and cash equivalents include bank accounts and short-term deposits with a maturity of less than three months. Bank overdrafts are shown under current financial liabilities on the balance sheet.

Financial liabilities

Sanoma's financial liabilities are classified either as financial liabilities at amortised cost or as financial liabilities at fair value through profit or loss. Financial liabilities are classified as short-term liabilities unless the Group has an unconditional right to postpone settling of the liability at least with 12 months from the end of the reporting period. The financial liability or a part of it can be derecognised only when the liability has ceased to exist, meaning that the obligations identified by the agreement have been fulfilled, abolished or expired. If the Group issues new debt instrument and uses the received reserves to repurchase earlier issued debt instrument (whole or part) with not substantially different terms, any costs or fees incurred adjust the carrying amount of the new liability and are amortised over the remaining term of the issued instrument.

The financial debt of Sanoma Group is classified as *financial liabilities at amortised cost*. They are initially recognised at fair value including the transaction costs that are directly attributable to the acquisition of the financial liability. Subsequently, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss include derivatives that do not comply with the conditions for hedge accounting. Both the unrealised and realised gains and losses arising from the changes in fair values of the derivatives are recognised in the income statement on the period the changes arise.

Derivatives

Sanoma may use derivative instruments, such as forward currency exchange contracts and interest rate swaps, in order to hedge against fluctuations in exchange rates and interest rates. Derivatives are initially recognised at fair value on the date of entering to a hedging agreement and they are subsequently measured at their fair value on each balance sheet date. Derivative contracts are shown in other current receivables and liabilities on the balance sheet.

⊕ The risk management principles of financial risks are presented in more detailed in Note 29.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are divided into three levels in the fair value hierarchy. In level 1, fair values are based on quoted prices in active markets. In level 2, fair values are based on valuation models for which all inputs are observable, either directly or indirectly. For assets and liabilities in level 3, the fair values are based on input data that is not based on observable market data.

Income taxes

The income tax charge presented in the income statement is based on taxable profit for the financial period, adjustments for taxes from previous periods and changes in deferred taxes. Tax on taxable profit for the period is based on the tax rate and legislation effective in each country. Income taxes related to transactions impacting the profit or loss for the period are recognised in the income statement. Tax related to transactions or other items recognised in other comprehensive income or directly in equity, are recognised accordingly in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are recorded principally on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates effective on the balance sheet date. Changes in the applicable tax rate are recorded as changes in deferred tax in the income statement. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

No deferred tax liability on undistributed retained earnings of subsidiaries has been recognised in that respect, as such distribution is not probable within the foreseeable future. The most significant temporary differences relate to depreciation differences, defined benefit pension plans, subsidiaries' tax losses carried forward and the fair value measurement of assets acquired in business combinations.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of this obligation can be made.

A restructuring provision is recognised when the Group has prepared a detailed restructuring plan and started to implement that plan or announced the matter.

Share-based payments

Sanoma has Performance Share Plan and Restricted Share Plan. Share Plans replace Sanoma's option schemes, under which no new option grants will be made. Vesting of Performance Share Plan is subject to meeting the Group's performance targets set by the Board of Directors for annually commencing new plans. The Restricted Share Plan consists of annually commencing new plans subject to the approval of the Board of Directors in each case. Each new Restricted Share Plan offers a possibility to receive Sanoma shares as a long-term incentive reward, provided that the condition of continued employment is fulfilled at the time of the delivery of the share reward.

The possible reward is paid as a combination of shares and cash. The reward's cash component is dedicated to cover taxes and tax-related costs. In jurisdictions where shares cannot be granted, the possible reward is paid fully in cash.

The fair value for the equity settled portion has been determined at grant using the fair value of Sanoma share as of the grant date less the expected dividends paid before possible share delivery. The fair value for the cash settled portion is remeasured at each reporting date until the possible reward payment. The fair value of the liability will thus change in accordance with the Sanoma share price. The fair value is charged to personnel expenses until vesting.

Stock option schemes continue to run until their respective expiration dates. Stock options have been granted to a group of Sanoma's key personnel as part of their remuneration package, in addition to cash salary and other employment benefits. Expenses are no longer recognised related to stock option schemes as the vesting periods of all stock option schemes have ended. The exercise price of the new shares subscribed by the rights options is recognised in fund for invested unrestricted equity.

⊕ A more detailed description of the share-based payments is provided in Note 23.

Revenue recognition

Revenue from the sale of goods is recognised when the risks and rewards related to ownership have been transferred to the buyer and the seller no longer has possession of, and control over, the goods. Revenue from sale of goods subject to subscription (magazines/newspapers) is recognised at the time of their delivery to customers. Rendering of services consists of advertising sales in magazines, newspapers, TV, radio and online as well as sale of online marketplaces. Rendering of services also include press distribution sales as well as user fees for e-learning solutions and databases. Service revenue is recognised once the service has been rendered. Net sales derive from sales net of discounts granted and indirect taxes. Net sales generated from commission sales include commissions. Delivery of magazines from publishers other than Sanoma to retailers is treated as commission sales and only the commission fee is recognised in net sales.

Research and development expenditure

Research expenditure is expensed as incurred.

Development expenditure refers to costs that an entity incurs with the aim of developing new products or services for sale, or fundamentally improving the features of its existing products or services, as well as extending its business. Development expenses are mainly incurred before the entity begins to make use of the new product/service for commercial or profitable purposes. Development expenditure is either expensed as incurred or recorded as other intangible asset if it meets the recognition criteria.

Pensions

The Group's pension schemes in different countries are arranged in accordance with local requirements and legislation. Pension schemes are classified into two categories: defined contribution plans and defined benefit plans. In addition to the TyEL insurance policies (based on the Finnish Employees' Pensions Act), the Group also has pension fund in Finland responsible for the statutory pension cover for certain Group companies, as well as for supplementary pension schemes. In Finland, the Group has also other supplementary defined benefit pension schemes which are managed by insurance companies. The Group's foreign units employ both defined benefit and defined contribution schemes, and the related pension cover is managed by both pension funds and insurance companies.

Contributions under defined contribution plans are expensed as incurred, and once they are paid to insurance companies the Group has no obligation to pay further contributions. All other post-employment benefit plans are regarded as defined benefit plans.

The present value of the Sanoma Group's obligation of defined benefit plans is determined separately for each scheme using the projected unit credit method. Within the defined benefit plan, pension obligations or pension assets represent the present value of future pension payments less the fair value of the plan assets and potential past service cost. The present value of the defined benefit obligation is determined by using discount interest rates that are based on high-quality corporate bonds or government bonds. The duration of corporate or government bonds corresponds essentially the duration of the pension obligation. Pension expenses under the defined benefit plan are recognised as expenses for the remaining working lives of the employees within the plan based on the calculations of authorised actuaries.

Remeasurements of the net defined benefit liability are recognised immediately in other comprehensive income.

IFRS standards and amendments to be applied later

IASB and IFRIC have issued the following standards and interpretations, but they are not yet effective and the Group has not applied these requirements before the effective date.

- Amendments to IAS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses* (effective for periods beginning on or after 1 January 2017). The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. The EU has not yet adopted the amendments. The amendments will not impact the Group's financial statements.

- Amendments to IAS 7 *Statement of Cash Flows – Disclosure Initiatives* (effective for periods beginning on or after 1 January 2017). The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The EU has not yet adopted the amendments. In accordance with new disclosure requirements, the Group intends to present a reconciliation of changes in liabilities arising from financing activities.

- IFRS 9 *Financial Instruments* and changes there to (effective for periods beginning on or after 1 January 2018). IFRS 9 replaces the current IAS 39 Financial Instruments: Recognition and Measurement. The standard includes updated principles for classification and measurement of financial assets and liabilities and a new model for estimating impairments of financial assets based on expected credit losses. In addition, the regulations related to hedge accounting have been revised. Applying the new standard will change the classification of financial assets and liabilities and credit losses will be recognised earlier. The standard does not have material impact on the Group's financial statements.

- IFRS 15 *Revenue from Contracts with Customers and Clarifications to IFRS 15* (both effective for financial periods beginning on or after 1 January 2018). Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Sanoma has started a project to assess the impact of IFRS 15 in 2016. The impact assessment includes an initial policy scan carried out on all major revenue streams in the operating entities. The purpose of the initial policy scan has been to identify any differences between current revenue recognition policies and the IFRS 15 requirements. The main revenue streams include magazine & newspaper publishing (consumer sales & media sales), TV & Radio operations, online and mobile revenues and learning solutions. For all revenue streams the results of the initial policy scans have been validated by a contract review of the key revenue contracts. In magazines & newspaper publishing, the main finding is the need to identify additional performance obligations in cases of providing gifts as premiums to new subscribers. Current TV & Radio revenue recognition is already strongly linked to individual performance obligations, hence the impact of the IFRS 15 is considered to be limited. In the Learning operations the main findings are related to revenues from hybrid products (combining print with digital products). In some cases multiple performance obligations need to be acknowledged, which need to be recognized at different moments (over time or at a point in time), depending on the characteristics of the performance obligations. The initial conclusion from the impact assessment is that the identified differences are not likely to impact Sanoma Group revenues significantly when applying IFRS 15. In the next phase (2017) the outcome of the impact assessment will be translated into process and system changes where necessary. In addition, a choice will be made on the available options for transition (retrospective method or cumulative effect method).

- Amendments to IFRS 2 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions* (effective for periods beginning on or after 1 January 2018). The amendments cover three accounting areas: measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings and accounting for a modification of a share-based payment from cash-settled to equity-settled. The EU has not yet adopted the amendments. The Group is currently assessing the impact of Amendments to IFRS 2.

- IFRS 16 *Leases* (effective for financial periods beginning on or after 1 January 2019). IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases. The EU has not yet adopted the new standard. The Group is currently assessing the impact of IFRS 16.

2. Operating segments

In 2016, Sanoma Group included two reportable segments: Consumer Media and Learning. Consumer Media is combined of two strategic business units in 2016: Sanoma Media BeNe and Sanoma Media Finland. Consumer Media is responsible for magazines, TV operations and newspapers, with operations in Finland, the Netherlands and Belgium. The segment also has a great variety of online and mobile services. Learning is a leading European provider of multi-channel learning solutions. Learning's main markets are Belgium, Finland, the Netherlands, Poland and Sweden.

Consumer Media

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

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

Learning

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

Unallocated/eliminations

In addition to the Group eliminations, the column Unallocated/Eliminations includes non-core operations, head office functions, real estate companies and items not allocated to segments.

Segments 2016, EUR million	Consumer Media	Learning	Unallocated / Eliminations	Consolidated
External net sales	1 356.4	282.5	0.3	1 639.1
Internal net sales	0.4	0.1	-0.5	
Net sales	1 356.7	282.6	-0.2	1 639.1
Depreciation, amortisation and impairment losses	-255.2	-39.9	-4.5	-299.7
Operating profit	141.8	67.4	-12.6	196.6
Operational EBIT	135.1	56.8	-24.0	167.9
Share of results in associated companies	-1.9	-0.4	-0.2	-2.4
Financial income			10.5	10.5
Financial expenses			-47.5	-47.5
Profit before taxes				157.2
Capital expenditure	11.0	17.7	6.0	34.8
Goodwill	1 388.8	274.2		1 663.0
Equity-accounted investees	20.8	0.1	0.4	21.3
Segment assets	1 978.2	505.0	43.7	2 526.9
Other assets			78.7	78.7
Total assets				2 605.6
Segment liabilities	1 147.7	110.3	-553.3	704.7
Other liabilities				898.5
Total liabilities				1 603.1
Cash flow from operations	141.3	56.5	-44.3	153.5
Average number of employees (full-time equivalents)	3 597	1 413	374	5 384

Segments 2015, EUR million	Consumer Media	Learning	Unallocated / Eliminations	Consolidated
External net sales	1 401.9	280.3	34.5	1 716.7
Internal net sales	0.3	0.0	-0.3	
Net sales	1 402.2	280.3	34.2	1 716.7
Depreciation, amortisation and impairment losses	-344.3	-39.4	-5.6	-389.4
Operating profit	-30.9	33.1	-125.4	-123.1
Operational EBIT	76.9	44.6	-37.8	83.7
Share of results in associated companies	-0.7	0.0	0.0	-0.7
Financial income			26.1	26.1
Financial expenses			-53.7	-53.7
Profit before taxes				-151.4
Capital expenditure	19.8	25.5	9.4	54.7
Goodwill	1 394.7	270.7	0.0	1 665.3
Equity-accounted investees	25.0	7.5	0.5	33.1
Segment assets	2 061.7	483.2	68.2	2 613.1
Other assets			152.0	152.0
Total assets				2 765.1
Segment liabilities	1 159.8	124.8	-516.6	768.0
Other liabilities				968.0
Total liabilities				1 736.0
Cash flow from operations	54.3	41.5	-70.3	25.5
Average number of employees (full-time equivalents)	4 227	1 519	1 030	6 776

The accounting policies for segment reporting do not differ from the accounting policies for the consolidated financial statements. The decisions concerning assessing the performance of operating segments and allocating resources to the segments are based on segments' operating profit. Sanoma's Executive Management Group acts as the chief operating decision maker. Segment assets do not include cash and cash equivalents, interest-bearing receivables, tax receivables and deferred tax receivables. Segment liabilities do not include financial debt, tax liabilities and deferred tax liabilities. Capital expenditure includes investments in tangible and intangible assets. Transactions between segments are based on market prices.

Information about geographical areas 2016, EUR million	Finland	The Netherlands	Other EU countries	Non-EU countries	Eliminations	Consolidated
External net sales	624.1	762.9	251.9	0.2	0.0	1 639.1
Non-current assets	234.3	1 770.9	199.5	0.0	0.0	2 204.8

Information about geographical areas 2015, EUR million	Finland	The Netherlands	Other EU countries	Non-EU countries	Eliminations	Consolidated
External net sales	636.5	764.1	309.4	6.7	0.0	1 716.7
Non-current assets	259.7	1 822.1	179.6	1.1	0.0	2 262.5

External net sales and non-current assets are reported based on where the company is domiciled. Non-current assets do not include financial instruments, deferred tax receivables and assets related to defined benefit plans. The Group's revenues from transactions with any single external customer do not amount to 10% or more of the Group's net sales.

3. Reconciliation of operational EBIT

EUR million	2016	2015
Operating profit	**196.6**	-123.1
Items affecting comparability		
Media BeNe		
Impairments	**-13.6**	-78.2
Sales gains/losses *	**13.3**	-9.9
Restructuring expenses	**-25.5**	-34.3
Others		
Settlement of Dutch defined benefit pension plans	**40.8**	
Media Finland		
Sales gains/losses	**0.5**	-2.5
Restructuring expenses	**-7.5**	-18.4
Others		
Transfer of surplus assets in Sanoma Pension Fund	**-1.2**	
Learning		
Impairments	**-4.4**	
Restructuring expenses	**-10.9**	-11.5
Others		
Settlement of Dutch defined benefit pension plans	**22.9**	
Transfer of surplus assets in Sanoma Pension Fund	**3.0**	
Other companies		
Sales gains/losses **	**2.7**	-48.5
Restructuring expenses	**-0.4**	-3.5
Others		
Transfer of surplus assets in Sanoma Pension Fund	**-1.8**	
Settlement of Dutch defined benefit pension plans	**11.0**	
Total	**28.7**	-206.8
Operational EBIT	**167.9**	83.7

* In 2015, EUR -35.4 million of the loss on sale is included in 'Other companies' figures.
** In 2015, EUR -38.0 million impairment and realisation of cumulative exchange rate losses related to equity accounteed investees in Russia and Ukraine is included in the income statement on line share of results in joint ventures.

Items affecting comparability in results of associated companies, EUR million	2016	2015
Media Finland		
Fair value remeasurement of previously held equity interest (mobile marketing company Routa)		1.9
Media BeNe		
Impairment of equity-accounted investees		-1.8
Total		0.1

Items affecting comparability in financial income and expenses, EUR million	2016	2015
Restructuring expenses (termination of lease agreement)		5.5
Impairment of loan	**-4.6**	-1.4
Total	**-4.6**	4.1

4. Non-current assets held for sale

Non-current assets held for sale in 2016

In March 2016, Sanoma closed the transaction to sell the remaining operations in Russia that were classified as assets held for sale on 31 December 2015.

In December 2016, real estate companies Kiinteistö Oy Lehtikaari 1 and Kiinteistö Oy Lepolankatu 15 were classified as assets held for sale. Sanoma signed an agreement to sell these two printing and office facilities in Kouvola and Lappeenranta to Länsi-Savo Oy in December 2014.

Non-current assets held for sale in 2015

In August 2015, Sanoma was informed that the Russian Government Commission for Monitoring Foreign Investments had decided not to issue approval for the sale of Sanoma's 50% stake in Fashion Press to Hearst Communications Inc. In December 2015, Sanoma agreed to sell its 50% stake in Hearst Independent Media Publishing B.V., OOO United Press and its 50% stake in OOO Mondadori Independent Media to InVenture Partners. United Press and joint venture Mondadori Independent Media were classified as held for sale on 31 December 2015 and Hearst Independent Media Publishing was classified as held for sale on 31 December 2014. In 2015, the value of these Russian operations were written off by EUR 37.3 million to reflect the lower fair value less cost to sell. In segment information Hearst Independent Media Publishing, United Press and Mondadori Independent Media are presented in Unallocated / Eliminations column.

The assets and liabilities classified as held for sale are presented in the following tables.

Assets held for sale, EUR million	2016	2015
Property, plant and equipment	6.8	0.1
Equity-accounted investees		7.5
Deferred tax assets		0.2
Inventories		0.0
Income tax receivables		0.1
Trade and other receivables	0.0	3.1
Total	**6.8**	10.9

Liabilities related to assets held for sale, EUR million	2016	2015
Deferred tax liabilities	0.2	0.0
Provisions		0.8
Income taxes		0.0
Trade and other payables	0.0	2.3
Total	**0.3**	3.1

Part of the assets held for sale are valued at fair value less cost to sell and part at carrying value.

5. Acquisitions and divestments

Impact of business acquisitions on Group's assets and liabilities, EUR million	2016	2015
Tangible assets	**0.5**	0.0
Intangible assets	**23.9**	4.5
Other non-current assets	**2.0**	0.1
Inventories	**3.5**	
Other current assets	**5.3**	3.3
Assets, total	**35.3**	7.9
Non-current liabilities	**-16.9**	-0.8
Current liabilities	**-6.7**	-1.9
Liabilities, total	**-23.5**	-2.7
Fair value of acquired net assets	**11.7**	5.2
Acquisition cost	**25.5**	5.1
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities	**0.0**	2.2
Fair value of previously held interest	**2.2**	2.8
Fair value of acquired net assets	**-11.7**	-5.2
Goodwill from the acquisitions	**15.9**	4.9

Acquisitions of non-controlling interests, EUR million	2016	2015
Acquisition cost	**1.7**	0.7
Book value of the acquired interest	**-0.2**	0.1
Impact on consolidated equity	**-1.9**	-0.6

Cash flow from operations acquired, EUR million	2016	2015
Acquisition costs recognised during the financial year	**27.2**	5.7
Cash and cash equivalents of acquired operations	**-0.9**	-1.6
Decrease (+) / increase (-) in acquisition liabilities	**-6.6**	0.5
Cash flow from operations acquired	**19.8**	4.7

Acquisitions in 2016

In 2016, Sanoma invested EUR 27.2 million in business acquisitions. The impact of each individual acquisition on the Group's assets and liabilities was minor. The combined effect of the acquisitions since the acquisition date on the Group's net sales amounted to EUR 13.0 million, and on operating profit EUR -4.3 million.

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

In June 2016, Sanoma acquired the Dutch cashback marketing companies, Kortingisleuk.nl and the remaining shares of Scoupy. The companies had 38 employees at the end of 2016.

In June 2016, Sanoma acquired the K-12 educational publishing activities of Group De Boeck in Belgium from Ergon Capital Partners. De Boeck had 82 employees at the end of 2016.

Acquisitions in 2015

In 2015, Sanoma invested EUR 5.7 million in business acquisitions. The impact of each individual acquisition on the Group's assets and liabilities was minor. The combined effect of the acquisitions since the acquisition date on the Group's net sales amounted to EUR 7.3 million, and on operating profit EUR -0.3 million.

In February, Sanoma acquired 51% of the shares and in November 20% of the shares of Dutch social media creator agency Social1nfluencers B.V. Social1nfluencers B.V. had 13 employees at the end of 2015.

In March, Sanoma increased its ownership in the Finnish mobile marketing company Routa from 25% to 51%. Mobiilimarkkinointi Routa had 77 employees at the end of 2015.

In October, Oikotie, part of Sanoma Media Finland, acquired Jokakoti.fi real estate classified service and all of the shares of Jokakoti Oy. This transaction brings together two housing market places under the Oikotie brand.

Divestments in 2016

Impact of divestments on Group's assets and liabilities, EUR million	2016	2015
Non-current assets	**17.2**	62.6
Inventories	**0.0**	1.5
Other current assets	**16.9**	55.9
Assets, total	**34.1**	119.9
Non-current liabilities	**-1.1**	-13.1
Current liabilities	**-5.6**	-28.2
Liabilities, total	**-6.7**	-41.3
Net assets	**27.4**	78.6
Adjustment to sales loss (Hungary)		0.2
Loan receivable sold		-4.5
Reclassification of foreign currency differences	**0.4**	-10.2
Sales price	**44.7**	67.5
Net result from sale of operations	**17.7**	-25.5

Cash flow from sale of operations, EUR million	2016	2015
Sales price	**44.7**	67.5
Cash and cash equivalents of divested operations	**-2.3**	-13.3
Decrease (+) / increase (-) in receivables from divestment	**0.7**	-16.8
Adjustment to sales loss (Hungary)		0.2
Cash flow from sale of operations	**43.1**	37.6

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

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

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

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

Divestments in 2015

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

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

In June, Sanoma Media Netherlands sold Dutch magazine titles and as a result of the transaction recognised a sales loss of EUR 0.2 million.

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

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

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

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

6. Net sales

Distribution of net sales between goods and services, EUR million	2016	2015
Sale of goods	**818.4**	851.5
Rendering of services	**820.7**	865.2
Total	**1 639.1**	1 716.7

The sale of goods includes sales of magazines, newspapers and books as well as sale of other physical items.

Rendering of services consists of advertising sales in magazines, newspapers, TV, radio and online as well as sales of online marketplaces, and also press distribution sales. In addition, sales of services include user fees for e-learning solutions and databases.

7. Other operating income

Other operating income, EUR million	2016	2015
Gains on sale of property, plant and equipment	**1.0**	1.1
Gains on sale of Group companies and operations	**16.8**	8.7
Gains on sale of joint ventures and associated companies	**0.8**	4.9
Rental income from investment property	**2.8**	1.9
Other rental income	**3.1**	2.9
Government grants	**0.3**	0.3
Other	**15.1**	17.6
Total	**39.9**	37.4

In 2016, gains on sale of Group companies and operations includes EUR 13.3 million gain on sale of Dutch online car classified business Autotrader.nl and EUR 1.9 million gain on sale of Finnish language service company AAC Global Oy.

In 2015, gains on sale of Group companies and operations includes EUR 3.5 million gain on sale of Lehtimedia and local printing companies as well as EUR 3.1 million gain on sale of Belgian magazine titles

Other operating income includes reprography fee income EUR 2.0 million (2015: 3.1), income related to alternative payment methods EUR 2.9 million (2015: 3.1) and income from recharge of broadcasting costs EUR 4.9 million (2015: 5.0).

More information on investment property can be found in Note 14.

8. Employee benefit expenses

Employee benefit expenses, EUR million	2016	2015
Wages, salaries and fees	**-320.0**	-379.1
Equity-settled share-based payments	**-1.0**	-1.1
Cash-settled share-based payments	**-2.6**	-0.8
Pension costs, defined contribution plans	**-37.3**	-34.8
Pension costs, defined benefit plans	**71.4**	-15.7
Other social expenses	**-36.0**	-40.8
Total	**-325.5**	-472.3

Wages, salaries and other compensations for key management are presented in Note 33. Share-based payments are described in Note 23.

Post-employment benefits

Sanoma Group has various schemes for personnel's pension cover that comprise both defined contribution and defined benefit pension plans. Pension schemes are arranged in accordance with local requirements and legislation. The majority of the pension plans are of defined contribution structure, where the employer contribution and resulting income charge is fixed at a set level or is set at a percentage of employee's pay. Contributions made to defined contribution pension plans and charged to the income statement totalled EUR 37.3 million (2015: 34.8). Within the Sanoma Group, there are several defined benefit pension plans. At the end of 2016 the defined benefit pension plans relate to Finland and Belgium. In 2015 Sanoma also had significant defined benefit pension plans in the Netherlands, which have been replaced by a new defined contribution plan in 2016. During 2016 all further legal and constructive obligations for the benefits provided under the former Dutch defined benefit pension plans were eliminated, as a result of which a settlement gain EUR 75.3 million according to IAS19 has been accounted for in 2016.

Finland

In addition to TyEL insurance policies, the Group also has a pension fund in Finland responsible for the statutory pension cover for certain Group companies, as well as for supplementary pension schemes. The pension schemes arranged by a pension fund are classified as defined benefit plans. In addition to pension fund, in Finland Group has also other supplementary defined benefit pension schemes which are managed by insurance companies.

The supplementary pension schemes are final average pay plans, and the benefits comprise old-age, disability and surviving dependent pensions.

The supplementary pension schemes entitle a retired employee to receive a monthly pension payment based on the employee's final average salary. Normal retirement age is 65, but can be lower in certain cases.

The Finnish defined benefit plans are administered by pension fund that is legally separated from the Group. The pension fund is governed by a board, which is composed of employee and employer representatives. The board appoints the delegate for the pension fund, who is also a member of the board.

The board of the Finnish pension fund sets out on annual basis the strategic investment policy and plan. The Investment Committee of the Sanoma Group is assisting the board and delegate of the pension fund. Pension fund is entitled to use external asset manager who is authorised to do investments in accordance with the investment policy. The investments are allocated mainly to instruments, which have quoted prices in active markets, like listed shares, bonds and investment funds.

Finnish voluntary defined benefit pension plans are fully and statutory pension plans partially funded.

The risks in Finnish pension plans are mainly related to the adequacy of the pension liability and investment operations. The pension liability may prove insufficient if the related insurance portfolio essentially differs from that of other pension institutions and the average lifetime exceeds the calculated assumption. A pension expense development forecast has been prepared for the pension fund in aid of risk management. The actuary of the pension fund is responsible for the solvency of the pension liability. The pension fund's key risks in investment operations include the interest rate risk, stock market risk, credit risk, currency risk and liquidity risk. Risks related to various asset classes are managed through the effective distribution of investments between asset classes. Liquidity risks are managed by making investments that can be converted into cash very rapidly.

Finnish Parliament has adopted pension reform which will come into force in 2017. The impacts on supplementary pensions have been considered and the company has decided to compensate the rise of statutory retirement age by supplementary pensions.

Belgium

Sanoma Media Belgium has two pension plans that both qualify as defined benefit pension plan according to IAS19:

- A defined benefit plan for employees in service before 2005
- A contribution plan with guaranteed minimal returns for employees in service since 2005

The rules of both pension schemes are in accordance with the Belgian Law on Supplementary Pensions.

The defined benefit plans guarantee a lump sum payment at retirement based on the final salary and the years of service. In case of death before retirement a lump sum payment for the heirs is insured. The employee contribution is limited to a fixed percentage of the annual salary whereas the employer contribution is variable based on the required accrual to end at the guaranteed retirement payment.

Employer and employee contributions in the contribution plan are based on a fixed percentage of the annual salary. Within this budget each employee has the free choice to choose the life assurance and disability insurance he prefers. The remaining budget is invested in a retirement lump sum. The plan does guarantee a minimal return which has been partly insured, leaving a limited remaining defined benefit liability for the employer. The possible funding risk of the minimal employer guarantee is valuated and accounted for in accordance with IAS 19.

Both pension schemes are fully insured with an external insurance company. This means that the contributions are invested on individual insurance contracts with different rates of return guaranteed by the insurer on different premium levels. Each year the insurer can offer a supplementary return as profit sharing or participation in benefits but the value of the reserves can never decrease due to the guaranteed minimal return. The actual return on assets is determined by the guaranteed interest rates (plus a possible profit sharing) and is not dependent on the valuation of underlying investments of the insurer. For that reason the investment risk and the investment policy rest with the insurer.

Since the Belgian pension plans guarantee lump-sum payments at retirement, the longevity risk is limited. Although pensioners have the choice to transform the lump-sum payment into a lifelong periodic pension, the vast majority of pensioners choose to receive the lump-sum payment due to advantageous taxation. At this moment no pensioners of Sanoma Media Belgium have chosen yet for the lifelong pension.

The actuarial calculations for the Group's defined benefit pension plans have been prepared by external actuaries. In addition to pension plans, Sanoma Group has no other defined benefit plans.

Sanoma Group recognised total defined benefit costs related to all pension plans as follows:

Pension costs recognised in the income statement, EUR million	2016	2015
Current service costs	**-2.5**	-16.9
Net interest	**-0.7**	-1.5
Past service cost	**-1.5**	-1.2
Effect of curtailments and settlements	**76.4**	5.8
Administration costs	**-0.2**	-1.9
Total	**71.4**	-15.7

The 2016 effect of curtailments and settlements includes EUR 75.3 million gain on settlement of the former Dutch defined benefit plans. The difference between the effect of curtailments and settlements recognised as pension costs and the effect of curtailment and settlements included in the defined benefit obligation, is explained by settlements payments made directly in connection with the settlement of the Dutch pensions. Amongst these settlement payments are the costs for the remaining liability of the EUR 20 million unconditional lump-sum compensation for ending the employers' obligation for future additional funding that was agreed in 2015 to be paid in various installments over the years 2015–2017. The curtailments in 2015 were related to restructuring in the Netherlands and Belgium.

Per year-end the net pension liability can be specified as follows:

Pension liabilities and pension assets in the balance sheet, EUR million	2016	2015
Pension liabilities	**13.7**	89.1
Pension assets	**9.7**	14.8
Net liability total	**4.0**	74.2

The reconciliation from the opening balances to the closing balances for the net pension liability and its components is presented in the following table.

EUR million	Defined benefit obligation	Fair value of plan assets	Total
1 Jan 2015	846.3	-752.7	93.5
Current year service cost	16.9		16.9
Interest cost/income	18.3	-16.8	1.5
Past service cost	1.2		1.2
Effect of curtailments and settlements	-6.0	0.2	-5.8
Administration cost		1.9	1.9
	30.5	-14.8	15.7
Remeasurement of the net defined benefit liability:			
Gains/losses arising from demographic assumptions	-4.5		-4.5
Gains/losses arising from financial assumptions	-18.0		-18.0
Experience adjustments	0.1		0.1
Return on plan assets excluding interest income		9.7	9.7
	-22.4	9.7	-12.7
Group companies sold	-3.9	2.2	-1.7
Contributions by the employer		-20.6	-20.6
Contributions by plan participants	2.7	-2.7	
Benefits paid from funds	-20.3	20.3	
31 Dec 2015	**832.9**	**-758.7**	**74.2**
1 Jan 2016	**832.9**	**-758.7**	**74.2**
Current year service cost	2.5		2.5
Interest cost/income	10.4	-9.7	0.7
Past service cost	1.5		1.5
Effect of curtailments and settlements	-709.1	616.5	-92.6
Administration cost		0.2	0.2
	-694.7	607.0	-87.7
Remeasurement of the net defined benefit liability:			
Gains/losses arising from financial assumptions	76.8		76.8
Experience adjustments	-2.2		-2.2
Return on plan assets excluding interest income		-55.1	-55.1
	74.6	-55.1	19.5
Contributions by the employer		-2.1	-2.1
Contributions by plan participants	-0.5	0.5	
Benefits paid from funds	-16.1	16.1	
31 Dec 2016	**196.3**	**-192.3**	**4.0**

A breakdown of net defined benefit liability and the split between countries is shown below.

Net defined benefit pension liabilities in the balance sheet 2016, EUR million	Finland	Belgium	Total
Present value of funded obligations	158.2	38.0	196.3
Fair value of plan assets	-167.0	-25.3	-192.3
Total	**-8.7**	**12.7**	**4.0**

Net defined benefit pension liabilities in the balance sheet 2015, EUR million	Netherlands	Finland	Belgium	Total
Present value of funded obligations	641.9	153.1	38.0	832.9
Fair value of plan assets	-571.9	-161.5	-25.3	-758.7
Total	70.0	-8.4	12.7	74.2

Sanoma Group's estimated contributions to the defined benefit plans for 2017 are about EUR 0.7 million.

Plan assets by major categories, %	2016	2015
Equity instruments	**40.2**	30.2
Bonds and debentures	**54.6**	60.7
Other items	**3.5**	7.6
Cash	**1.7**	1.4
Total	**100.0**	100.0

The fair value of plan assets included investments in Sanoma shares totalling EUR 5.4 million (2015: 2.5). None of the properties included in the plan assets are occupied by the Group.

Equity instruments consist mainly of investment funds and have quoted prices in active markets.

Principal actuarial assumptions at 31 Dec *	2016	2015
Discount rate, %	**1.7**	2.3
Expected future salary increase, %	**2.2**	3.0
Expected future pension increases, %	**1.4**	1.7

* Expressed as weighted averages

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligations at the reporting date were as follows:

Longevities at 31 Dec, years	2016	2015
Longevity at age 65 for current pensioners		
Males	**21.4**	21.7
Females	**25.4**	24.6
Longevity at age 65 for current members aged 45		
Males	**23.7**	24.0
Females	**28.1**	26.7

The weighted average duration of the defined benefit obligation at 31 December 2016 was 15.1 years (2015: 21.4).

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the percentages shown below.

Sensitivity analysis at 31 Dec, %	2016 Increase	2016 Decrease	2015 Increase	2015 Decrease
Discount rate (0.5% movement)	**-6.5**	**7.4**	-9.9	11.6
Expected future salary increase (0.5% movement)	**1.3**	**-1.2**	0.8	-0.8
Expected future pension increases (0.5% movement)	**6.0**	**-5.6**	11.0	-9.6
Future mortality (1 year movement)	**3.2**	**-3.1**	3.5	-3.5

9. Other operating expenses

Other operating expenses, EUR million	2016	2015
Losses on sales of Group companies and operations	**0.0**	-34.9
Operating costs of premises	**-11.8**	-13.2
Rents	**-40.8**	-50.9
Advertising and marketing	**-94.9**	-117.6
Office and ICT expenses	**-104.2**	-117.2
Professional fees	**-47.1**	-55.3
Travel expenses	**-12.6**	-17.6
Other	**-44.7**	-47.7
Total	**-356.1**	-454.4

The Group had no research and development expenditure during the financial year or during the comparative year.

Audit fees, EUR million	2016	2015
Statutory audit	**-1.2**	-1.2
Certificates and statements	**0.0**	-0.1
Tax counselling		0.0
Other services	**-0.2**	-0.1
Total	**-1.4**	-1.4

In 2016, KPMG Oy Ab, a firm of Authorised Public Accountants, acted as Sanoma's auditor. Other services were paid to auditors for e.g. circulation audits in countries with no official national circulation audit in place and for consulting services related to matters such as corporate transactions.

10. Financial items

Financial items, EUR million	2016	2015
Dividend income	**0.1**	2.1
Interest income from loans and receivables	**0.4**	0.6
Capital gains of available-for-sale investments		0.1
Forward currency exchange contracts, no hedge accounting, change in fair value		0.7
Exchange rate gains	**10.0**	17.1
Other financial income	**0.0**	5.5
Financial income total	**10.5**	26.1
Interest expenses from financial liabilities measured amortised at cost	**-25.3**	-27.9
Interest rate swaps, no hedge accounting, change in fair value	**-0.5**	0.2
Forward currency exchange contracts, no hedge accounting, change in fair value	**-1.8**	
Impairment losses on available-for-sale financial assets	**-0.2**	-0.2
Exchange rate losses	**-8.5**	-15.1
Other financial expenses	**-11.3**	-10.7
Financial expenses total	**-47.5**	-53.7
Total	**-37.0**	-27.6

11. Income taxes and deferred taxes

Income taxes, EUR million	2016	2015
Income taxes on operational income	**-29.9**	-20.7
Income taxes from previous periods	**1.6**	1.6
Change in deferred tax	**-12.9**	14.7
Other taxes	**0.0**	-1.9
Tax expense in the income statement	**-41.2**	-6.3

Income tax reconciliation against local tax rates, EUR million	2016	2015
Tax calculated at (Finnish) statutory rate	**-31.4**	30.3
Effect of different tax rates in the operating countries	**-6.2**	8.2
Tax based on tax rate in each operating country	**-37.6**	38.4
Non-taxable income	**6.3**	4.9
Deductible amortisation	**0.2**	0.3
Non-deductible amortisation and impairment losses	**-3.5**	-22.7
Other non-deductible expenses	**-4.3**	-22.8
Effect of joint ventures and associated companies	**0.6**	0.0
Loss for the period for which a deferred tax receivable has not been recorded	**-2.2**	-3.8
Reassessment of deferred tax assets related to losses from previous years	**-2.4**	-0.1
Other taxes	**0.0**	-1.9
Tax relating to previous accounting periods	**1.6**	1.6
Income taxes in the income statement	**-41.2**	-6.3
Tax rate of the Parent Company	**20.0 %**	20.0 %

Deferred tax receivables and liabilities 2016, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Recorded in other comprehensive income	Translation and other items	At 31 Dec
Deferred tax receivables						
Internal margin in inventories	0.0	0.0			0.0	**0.0**
Provisions	3.1	1.8			-0.1	**4.8**
Tax losses carried forward	12.5	1.7	1.6		-0.1	**15.8**
Impairment losses on tangible non-current assets	0.1					**0.1**
Pension obligations, defined benefit plans	19.0	-19.8		5.5	0.0	**4.6**
Hedge accounting	0.1			-0.1		
Other items	6.3	-3.6	0.4		1.4	**4.6**
Total	41.3	-19.9	2.0	5.3	1.2	**29.9**
Deferred tax liabilities						
Fair value adjustments in acquisitions	42.2	-6.0	5.2		0.0	**41.4**
Depreciation difference and other untaxed reserves	5.9	0.0			-0.3	**5.6**
Pension assets, defined benefit plans	1.8	-0.3		0.4	0.0	**1.9**
Other items	12.1	-0.7	-0.2		0.0	**11.2**
Total	62.0	-7.0	5.0	0.4	-0.3	**60.1**

Deferred tax receivables and liabilities 2015, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Recorded in other comprehensive income	Translation and other items	At 31 Dec
Deferred tax receivables						
Internal margin in inventories	0.1	0.0				0.0
Provisions	2.7	0.4			0.0	3.1
Tax losses carried forward	7.8	5.0	-0.2		0.0	12.5
Impairment losses on tangible non-current assets	0.1					0.1
Pension obligations, defined benefit plans	18.8	0.6	-0.2	-0.4	0.2	19.0
Hedge accounting	0.1			0.0		0.1
Other items	7.3	-2.3	0.0		1.3	6.3
Total	36.9	3.7	-0.4	-0.4	1.5	41.3
Deferred tax liabilities						
Fair value adjustments in acquisitions	54.6	-8.4	-4.0			42.2
Depreciation difference and other untaxed reserves	9.9	-1.9	-2.1		0.0	5.9
Pension assets, defined benefit plans	0.2	0.5		1.1	0.0	1.8
Other items	13.4	-1.3	0.0		0.0	12.1
Total	78.0	-11.0	-6.1	1.1	0.0	62.0

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 5.2 million (2015: 5.5) have not been recorded in the consolidated balance sheet based on management's judgement. These unrecognised receivables relate mainly to tax losses carried forward of subsidiaries.

A deferred tax liability of EUR 1.5 million (2015: 1.1) on undistributed retained earnings of subsidiaries has not been recognised in consolidated figures as such distribution is not probable within the foreseeable future. These unrecognised deferred tax liabilities were related to earnings for which tax payment would be realised when distributing dividends.

12. Earnings per share

Undiluted earnings per share is calculated by dividing result for the period attributable to the equity holders of the Parent Company, adjusted by the tax-adjusted interest on the hybrid bond, by the weighted average number of shares outstanding.

Earnings per share	**2016**	2015
Result attributable to the equity holders of the Parent Company, EUR million	**110.8**	-142.6
Current year interest on the hybrid bond	**-6.9**	-7.3
Tax effect	**1.4**	1.5
Net effect	**-5.5**	-5.8
Weighted average number of shares, thousands	**162 292**	162 722
Earnings per share, EUR	**0.65**	-0.91

Diluted earnings per share is calculated by adjusting the weighted average number of shares so that option schemes and share plans are taken into account. Options have a dilution effect when the exercise price is lower than the market value of the share. The dilution effect is the number of gratuitous shares, because the received funds from the exercised options do not cover the issue of new shares at their fair values. The fair value of the share is determined as the average market price of the shares during the period.

Diluted earnings per share	**2016**	2015
Profit used to determine diluted earnings per share, EUR million	**110.8**	-142.6
Current year interest on the hybrid bond	**-6.9**	-7.3
Tax effect	**1.4**	1.5
Net effect	**-5.5**	-5.8
Weighted average number of shares, thousands	**162 292**	162 722
Effect of options and share plans, thousands	**610**	0
Diluted average number of shares, thousands	**162 901**	162 722
Diluted earnings per share, EUR	**0.65**	-0.91

Information on option schemes and share plans is presented in Note 23. For more information on shares and shareholders, see pages 72–77.

13. Property, plant and equipment

Property, plant and equipment 2016, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2.0	59.3	255.1	57.4	0.3	374.2
Increases		0.1	5.5	1.5	1.3	8.4
Acquisition of operations			0.0	0.6		0.6
Decreases		0.6	-9.8	-3.5		-12.7
Disposal of operations	-1.2	-2.5	-1.7	-1.5		-6.9
Reclassifications			0.3	0.1	-0.3	0.1
Exchange rate differences	0.0	0.0	0.3	-0.1	0.0	0.2
Acquisition cost at 31 Dec	0.8	57.6	249.8	54.6	1.3	364.0
Accumulated depreciation and impairment losses at 1 Jan		-48.1	-216.3	-40.4		-304.8
Decreases, disposals and acquisitions		0.8	9.9	4.9		15.6
Depreciation for the period		-0.8	-11.1	-4.9		-16.8
Impairment losses for the period			0.0			0.0
Reclassifications		0.0	0.1	0.0		0.1
Exchange rate differences		0.0	-0.2	0.0		-0.2
Accumulated depreciation and impairment losses at 31 Dec		-48.0	-217.7	-40.4		-306.1
Carrying amount at 31 Dec 2016	**0.8**	**9.5**	**32.1**	**14.2**	**1.3**	**57.8**

Property, plant and equipment 2015, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	3.8	89.3	374.8	55.1	0.2	523.2
Increases		1.0	7.5	5.3	0.4	14.2
Acquisition of operations			0.0			0.0
Decreases		-16.6	-70.0	-1.6	0.0	-88.2
Disposal of operations	-1.4	-34.5	-50.9	-0.3		-87.1
Reclassifications	-0.4	20.1	-5.6	0.0	-0.3	13.8
Transfer to assets held for sale			-0.8	-1.0		-1.8
Exchange rate differences	0.0	0.0	0.0	0.0	0.1	0.0
Acquisition cost at 31 Dec	2.0	59.3	255.1	57.4	0.3	374.2
Accumulated depreciation and impairment losses at 1 Jan	0.0	-64.5	-326.3	-38.0		-428.8
Decreases, disposals and acquisitions	0.0	39.4	118.4	1.8		159.6
Depreciation for the period		-1.7	-14.1	-4.5		-20.3
Impairment losses for the period			-0.1	-1.5		-1.6
Reclassifications		-21.3	5.0	0.8		-15.5
Transfer to assets held for sale			0.7	1.0		1.7
Exchange rate differences		0.0	0.0	0.0		0.1
Accumulated depreciation and impairment losses at 31 Dec		-48.1	-216.3	-40.4		-304.8
Carrying amount at 31 Dec 2015	**2.0**	**11.3**	**38.8**	**17.0**	**0.3**	**69.4**

Carrying amount of assets leased by finance lease agreements, EUR million	2016	2015
Machinery and equipment	**0.4**	0.2

14. Investment property

Investment property 2016, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	14.0	31.8	45.8
Increases	0.5	0.4	0.9
Transfer to assets held for sale	-1.2	-14.7	-15.9
Acquisition cost at 31 Dec	13.2	17.5	30.7
Accumulated depreciation and impairment losses at 1 Jan		-14.2	-14.2
Depreciation for the period		-1.2	-1.2
Transfer to assets held for sale		9.1	9.1
Accumulated depreciation and impairment losses at 31 Dec		-6.2	-6.2
Carrying amount at 31 Dec 2016	**13.2**	**11.2**	**24.5**
Fair values at 31 Dec 2016	**38.0**	**20.6**	**58.7**

Investment property 2015, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	13.6	30.3	43.9
Increases		0.8	0.8
Decreases	0.0		0.0
Reclassifications	0.4	0.7	1.1
Acquisition cost at 31 Dec	14.0	31.8	45.8
Accumulated depreciation and impairment losses at 1 Jan		-13.6	-13.6
Depreciation for the period		-1.1	-1.1
Reclassifications		0.5	0.5
Accumulated depreciation and impairment losses at 31 Dec		-14.2	-14.2
Carrying amount at 31 Dec 2015	**14.0**	**17.6**	**31.6**
Fair values at 31 Dec 2015	**43.5**	**23.9**	**67.3**

The fair values of investment property have been determined by using either the productive value method or using the information on equal real estate business transactions in the market. Also outside surveyor has been used when determining the fair value. In productive method calculations investor's return requirement range is 5–30%. Investment properties are classified at fair value hierarchy level 3.

The investment property includes a land area in the City of Vantaa, Village of Keimola (Finland). This land area is located in the old motor stadium, most of which has been allocated for residential use in the disposition plan prepared by the City of Vantaa in the 2000s. Sanoma Corporation acquired the land area in the 1980s as a potential site for productions facilities.

The draft city plan prepared by the City of Vantaa was completed in the autumn of 2008, and the Vantaa City Council approved the plan on 19 January 2009. The city plan became legally valid in February 2011. During autumn 2011, Sanoma sold about 41,000 square metres of floor residential building right to construction companies for EUR 12.9 million. In 2012, Sanoma gave a part of the Keimola land area to the City of Vantaa as consideration for the city plan. The value of the city plan preparation increased the acquistion cost of Keimola land area. In 2016 Sanoma gave the last part of the Keimola land area to the City of Vantaa as consideration for the city plan.

Investment property consists of land and water areas and buildings as well as premises that are not in the company's own use and are owned through shares in property companies.

Operating expenses of investment property, EUR million	2016	2015
Investment property, rental income	**-1.4**	-1.3
Investment property, no rental income	**0.0**	-0.1
Total	**-1.4**	-1.4

Rental income of investment property, EUR million	2016	2015
Rental income of investment property	**2.8**	1.9

15. Intangible assets

Intangible assets 2016, EUR million	Goodwill	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2 214.0	1 165.4	342.3	27.5	3 749.2
Increases		182.8	44.4	5.5	232.7
Acquisition of operations	15.9	0.7	23.1		39.8
Decreases	-5.8	-225.3	-3.0		-234.1
Disposal of operations	-34.4	-26.6	0.0		-61.0
Reclassifications		7.0	2.9	-10.1	-0.3
Exchange rate differences	-1.6	9.6	-2.0	0.0	6.0
Acquisition cost at 31 Dec	2 188.1	1 113.7	407.8	22.8	3 732.4
Accumulated amortisation and impairment losses at 1 Jan	-548.7	-841.5	-235.3		-1 625.5
Decreases, disposals and acquisitions	30.2	247.3	3.0		280.5
Amortisation for the period		-206.5	-38.6		-245.1
Impairment losses for the period	-5.2	-27.4	-4.0		-36.6
Reclassifications		0.1	0.0		0.0
Exchange rate differences	-1.3	-10.0	1.3		-10.0
Accumulated amortisation and impairment losses at 31 Dec	-525.0	-838.0	-273.6		-1 636.7
Carrying amount at 31 Dec 2016	**1 663.0**	**275.8**	**134.2**	**22.8**	**2 095.7**

Intangible assets 2015, EUR million	Goodwill	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2 218.7	1 575.7	287.1	34.6	4 116.0
Increases		207.6	51.4	7.1	266.1
Acquisition of operations	4.9	4.1	0.4		9.4
Decreases	-7.3	-594.0	-4.4	0.0	-605.8
Disposal of operations	-2.6	-27.5			-30.1
Reclassifications	0.0	4.6	7.7	-14.2	-1.8
Exchange rate differences	0.3	-5.1	0.2	0.0	-4.6
Acquisition cost at 31 Dec	2 214.0	1 165.4	342.3	27.5	3 749.2
Accumulated amortisation and impairment losses at 1 Jan	-469.5	-1 186.9	-197.1		-1 853.6
Decreases, disposals and acquisitions	-23.8	606.7	4.3		587.2
Amortisation for the period		-221.2	-38.5		-259.7
Impairment losses for the period	-55.8	-47.1	-3.7		-106.7
Reclassifications	0.0	2.0	-0.1		1.9
Exchange rate differences	0.4	5.1	-0.2		5.4
Accumulated amortisation and impairment losses at 31 Dec	-548.7	-841.5	-235.3		-1 625.5
Carrying amount at 31 Dec 2015	**1 665.3**	**323.9**	**107.0**	**27.5**	**2 123.7**

Intangible assets include film and TV broadcasting rights EUR 116.3 million and prepublication costs of learning materials and solutions EUR 67.7 million.

At the end of the financial year, the commitments for acquisitions of intangible assets (film and TV broadcasting rights included) were EUR 167.1 million (2015: 202.3).

The carrying amount of intangible assets with indefinite useful lives was not material.

Impairment losses recognised from immaterial rights and other intangibles assets

Assets with indefinite useful life are not amortised but are subject to annual impairment testing. During the financial year, no impairment losses were recognised from immaterial rights with indefinite useful life (2015: EUR 0.0 million), and neither were there any reversals of impairment losses (2015: EUR 0.0 million).

Intangible assets with definite useful lives are amortised using the diminishing method for broadcasting rights and the straight-line method for other immaterial rights. At each reporting date, the carrying value of these intangible assets are evaluated to determine that these do not exceed the estimated future economic benefits. Evaluation is made on a cash flow basis by determining the present value of future cash flows of the asset.

Impairment losses totaling EUR 31.4 million (2015: 50.8) were recognised from intangible assets with definite useful lives, of which EUR 16.7 million related to the Sanoma Media BeNe strategic business unit (SBU), EUR 12.3 million to the Sanoma Media Finland SBU and EUR 2.3 million to the Sanoma Learning SBU. In the Sanoma Media BeNe SBU, the impairments concerned intangible rights related to the TV, digital as well as custom and magazines publishing operations (mainly program rights, web services, publishing and other immaterial rights) and to ICT legacy systems. In Sanoma Media Finland SBU, the impairment related mainly to program rights. In addition some ICT legacy systems were impaired. The impairments in the Sanoma Learning SBU mainly related to outdated learning solutions.

Allocation of goodwill and intangible assets with indefinite useful life

For the purpose of impairment testing, goodwill has been allocated to three CGUs which are operating segments or SBUs. The allocation of goodwill and intangible assets with indefinite useful lives is as presented in the table below.

Carrying amounts of goodwill and intangible assets with indefinite useful life in the CGUs, EUR million	2016			2015		
	Goodwill	**Intangible assets ***	**Total**	Goodwill	Intangible assets *	Total
Sanoma Media BeNe	**1 302.3**	**0.7**	**1 302.9**	1 308.3	0.7	1 309.0
Sanoma Media Finland	**86.5**	**0.0**	**86.5**	86.4	0.0	86.4
Sanoma Learning	**274.2**	**0.0**	**274.2**	270.7	0.0	270.7
CGUs, total	**1 663.0**	**0.7**	**1 663.7**	1 665.3	0.7	1 666.0

* Only intangible assets with indefinite useful life.

Impairment losses recognised from goodwill

Impairment losses recognised from goodwill in the financial year amounted to EUR 5.2 million (2015: 55.8) related to discontinued operations within the Sanoma Media BeNe SBU.

Methodology and assumptions used in impairment testing

Impairment testing of assets is principally carried out on a cash flow basis by determining the present value of future cash flows (value in use) of the Group's CGUs.

Calculations of the value in use are based on a five-year forecast period. Cash flow estimates are based on management approved strategic plans at the time of testing, including assumptions on the development of the business environment. Actual cash flows may differ from estimated cash flows if the key assumptions do not realise as estimated. The fair value corresponds to the estimated selling price at the moment of testing.

The key assumptions in the calculations include profitability level, discount rate, long-term growth rate, as well as market positions. Assumptions are based on medium-term strategic plans and forecasts made annually in each business unit and approved by the Sanoma Executive Management Group and the Board in a separate process. Market position and profitability level assumptions are based on past experience, the assessment of the SBU and Group management of the development of the competitive environment and competitive position of each CGU, as well as the impact of Sanoma's transformation strategy and cost savings initiatives.

The terminal growth rate used in the calculations is based on the management's assessment of long-term growth. The growth rate is estimated by taking into account growth projections by market that are available from external sources of information, as well as the characteristics of each CGU. The terminal growth rates used for the CGUs in the reporting and comparable period were as follows:

The terminal growth rate used in calculation of the value in use, %	2016	2015
Sanoma Media BeNe	**1.8**	1.6
Sanoma Media Finland	**-1.5**	0.0
Sanoma Learning	**2.0**	2.0

The decrease in the terminal growth rate assumption used for the Sanoma Media Finland CGU is mainly caused by a continued decrease in the consumption of traditional media comprising a significant share of operations, together with increasing competition in the digital business. Driven by the improved performance of digital, events and product sales, the terminal growth rate assumption for the Sanoma Media BeNe CGU was increased.

The discount rate used in calculation of the value in use, %	2016 After taxes	2016 Before taxes	2015 After taxes	2015 Before taxes
Sanoma Media BeNe	**6.2**	**7.7**	6.8	8.5
Sanoma Media Finland	**6.7**	**8.5**	6.4	7.7
Sanoma Learning	**6.4**	**7.6**	6.4	7.8

The CGU-specific discount rates represent the weighted average cost of capital of each CGU. In prior years Sanoma considered the market interest rates to be unusually low. The discount rates from 2013 were therefore used also in the financial year 2014 and 2015 impairment tests. Following three consecutive years of low market interest rates, Sanoma decided to re-assess the 2016 WACC calculation based on updated market parameters and to update the WACC accordingly. In impairment test calculations, capital expenditure is assumed to comprise normal replacement investments, and foreign exchange rates are based on euro rates at the time of testing.

Sensitivity analysis of the impairment testing

The amount by which the CGU's value in use exceeds its carrying amount has been assessed as 0%, 1–5%, 6–10%, 11–20%, 21–50% and over 50%, and is presented in the following table for the most important CGUs in terms of goodwill:

Excess of value in use in relation to carrying amount, %	2016	2015
Sanoma Media BeNe	**1–5**	0
Sanoma Media Finland	**over 50**	over 50
Sanoma Learning	**over 50**	over 50

For the Sanoma Media BeNe SBU, the critical key assumptions are the development of profitability, the terminal growth rate and the discount rate. According to management's estimate, the carrying amount of the SBU exceeds the value in use if EBITDA falls 3% below the planned level each year, if the terminal growth rate would be lower than 1.59%, or if the post-tax discount rate rises above 6.3%. These estimates exclude simultaneous changes in other variables.

For the Sanoma Media Finland SBU, the critical key assumptions are the development of profitability and the discount rate. According to the management's estimate, the carrying amount of the SBU exceeds the value in use if EBITDA falls 64% below the planned level each year, or if the post-tax discount rate rises above 25.3%. These estimates exclude simultaneous changes in other variables.

For the Sanoma Learning SBU, the critical key assumptions are the development of profitability and the discount rate. According to the management's estimate, the carrying amount of the SBU exceeds the value in use if EBITDA falls 38% below the planned level each year, or if the post-tax discount rate rises above 12.7%. These estimates exclude simultaneous changes in other variables.

16. Equity-accounted investees

Interests in joint ventures and associated companies, EUR million	2016	2015
Interests in joint ventures	**17.8**	24.5
Interest in associated companies	**3.5**	8.6
Total	**21.3**	33.1

Joint ventures

The Group has no material joint ventures.

In December 2015, Sanoma agreed to sell its 50% stake in Hearst Independent Media Publishing B.V. and its 50% stake in OOO Mondadori Independent Media to InVenture Partners. The closing of the transactions was subject to governmental approvals and certain other conditions. Joint venture Mondadori Independent Media was classified as held for sale on 31 December 2015 and joint venture Hearst Independent Media Publishing was classified as held for sale on 31 December 2014. Sanoma closed the transaction in March 2016.

In June 2014, Sanoma came to an agreement with Corelio and Waterman&Waterman to sell its 33.3% stake in Belgian De Vijver Media. Joint venture De Vijver Media N.V. was classified as held for sale on 30 June 2014. The divestment was completed in February 2015.

More information on assets held for sale can be found in Note 4.

The information on Group's joint ventures has been presented as aggregated in the table below.

Interests in joint ventures, EUR million	2016	2015
Carrying amount at 1 Jan	**24.5**	15.5
Share of total comprehensive income *	**-2.0**	3.8
Dividends received during the year	**-4.3**	-3.9
Increases	**0.0**	7.3
Decreases	**0.0**	0.1
Sold joint ventures	**-0.2**	2.2
Transfer to assets held for sale	**0.0**	-0.4
Exchange rate differences	**-0.2**	-0.1
Carrying amount at 31 Dec	**17.8**	24.5

* In 2016, the share of total comprehensive income includes EUR -6.4 million impairment.
* In 2015, in the consolidated income statement share of results in joint ventures includes EUR 38.0 million impairment and realisation of cumulative exchange rate losses of Russian operations.

Associated companies

The Group had no material associated companies in the financial year or previous year. The information on Group's associated companies has been presented as aggregated in the table below.

Interests in associated companies, EUR million	2016	2015
Carrying amount at 1 Jan	**8.6**	7.3
Share of total comprehensive income *	**-2.3**	-0.7
Dividends	**-0.3**	-0.1
Increases	**0.1**	4.9
Sold associated companies	**-2.7**	-2.9
Other changes	**0.0**	0.0
Exchange rate differences	**0.0**	0.0
Carrying amount at 31 Dec	**3.5**	8.6

* In 2016, the share of total comprehensive income does not include any impairments (2015: EUR -1.9 million).

17. Available-for-sale financial assets

Available-for-sale financial assets, EUR million	2016	2015
Available-for-sale financial assets, non-current	**5.0**	3.6

Available-for-sale financial assets mainly include investments in shares, and the Group does not intend to sell these assets. These assets were non-listed shares for which fair values could not be reliably defined. Assets have been valued at cost less potential impairment losses.

18. Trade and other receivables, non-current

Trade and other receivables, non-current, EUR million	2016	2015
Loans and receivables		
Trade receivables *		0.9
Loan receivables	**2.7**	6.8
Other receivables	**8.9**	14.0
Accrued income	**0.1**	0.6
Advance payments	**0.4**	0.5
Pension assets **	**9.7**	14.8
Total	**21.8**	37.6

* Trade receivables, see Note 29
** Pension assets, see Note 8

Other receivables include receivable from Länsi-Savo Oy. In April 2014, Sanoma announced the divestment of majority ownership in Sanoma Lehtimedia (a publisher of newspapers in southeast Finland) and in local printing companies. The completion of the first stage of the corporate arrangement was in January 2015, and the company will transfer fully to ownership of Länsi-Savo in five years. Control has transferred in the first stage of the corporate arrangement, so the asset is presented as a receivable instead of an interest in associated companies.

The fair values of receivables do not significantly differ from the carrying amounts of receivables.

The interests on loan receivables are based on the market interest rates and on predetermined repayment plans.

19. Inventories

Inventories, EUR million	2016	2015
Materials and supplies	**7.2**	7.5
Work in progress	**1.6**	1.5
Finished products/goods	**32.0**	29.8
Other	**0.8**	0.8
Total	**41.4**	39.5

EUR 1.6 million (2015: 0.2) was recognised as impairment in the financial year. The carrying amount of inventories was written down to reflect its net realisable value.

20. Trade and other receivables, current

Trade and other receivables, current, EUR million	2016	2015
Loans and receivables		
Trade receivables *	**165.3**	168.0
Loan receivables	**0.3**	0.4
Other receivables	**9.6**	11.7
Derivatives, non-hedge accounted **	**6.3**	8.0
Accrued income	**68.7**	69.4
Advance payments	**5.7**	13.4
Total	**255.8**	271.0

* Trade receivables, see Note 29
** Derivatives, see Note 29

The Group has recognised a total of EUR 3.6 million (2015: 8.3) in credit losses and change in impairment allowances on trade receivables.

The fair values of receivables do not significantly differ from the carrying amounts of receivables.

Accrued income

The most significant items under accrued income were related to normal business activities and included e.g. accruals for delivered newspapers and magazines.

21. Cash and cash equivalents

Cash and cash equivalents in the balance sheet, EUR million	2016	2015
Cash in hand and at bank	**43.4**	95.8
Deposits		2.7
Total	**43.4**	98.5

Deposits include overnight deposits and money market deposits with maturities less than three months. Average maturity is very short and the fair values do not differ significantly from the carrying amounts.

Cash and cash equivalents in the cash flow statement, EUR million	2016	2015
Cash and cash equivalents in the balance sheet	**43.4**	98.5
Bank overdrafts	**-0.4**	-16.0
Total	**43.1**	82.5

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts.

22. Equity

	Number of shares			Share capital and funds, EUR million				
	All shares	Treasury shares	Total	Share capital	Treasury shares	Fund for invested unrestricted equity	Hybrid bond	Total
At 1 Jan 2015	162 812 093		162 812 093	71.3		203.3	99.1	373.7
Acquisition of treasury shares		-730 000	-730 000		-3.2			-3.2
At 31 Dec 2015	162 812 093	-730 000	162 082 093	71.3	-3.2	203.3	99.1	370.5
Shares delivered		251 503	251 503		1.0			1.0
Redemption of hybrid bond							-99.1	-99.1
At 31 Dec 2016	**162 812 093**	**-478 497**	**162 333 596**	**71.3**	**-2.1**	**203.3**		**272.5**

The maximum amount of share capital cannot exceed EUR 300.0 million (2015: 300.0). The share has no nominal value and no accountable par is in use. The shares have been fully paid.

Treasury shares

In 2016, the Group has not purchased shares. In 2015, the Group has purchased 730,000 shares from stock exchange. The cost of the purchased treasury shares was EUR 3.2 million and it was recognised as a deduction from equity. In 2016, Sanoma delivered 251,503 Sanoma shares held by the company to 215 employees based on the Restricted Share Plan 2014-2015 (without consideration and after taxes). After the share delivery, the company holds a total of 478,497 own shares.

Fund for invested unrestricted equity

The fund for invested unrestricted equity includes other equity-related investments and that part of the share subscription price which is not recognised in share capital according to a specific decision. According to the AGM decision on 1 April 2008, all subscription prices from share subscriptions based on the Group's option plans will be recognised as invested unrestricted equity.

Hybrid bond

To strengthen its capital structure, the Group issued a hybrid bond of EUR 100 million in December 2013. Sanoma redeemed the hybrid bond on 12 December 2016 for the full outstanding amount in accordance with the terms and conditions of the hybrid bond.

Other reserves

Other reserves consists of the hedging reserve. The hedging reserve includes the effective portions of changes in the fair value of derivative instruments used for cash flow hedging.

Translation differences

Translation differences include those items that have arisen in converting the financial statements of foreign group companies from their operational currencies into euros.

Dividends

The Board of Directors proposes a dividend of EUR 0.20 (2015: 0.10) per share for 2016.

Information on the capital risk management is presented in Note 29.

23. Share-based payments

Performance share plan and restricted share plan

The Performance Share Plan and the Restricted Share Plan form the long-term part of the remuneration and commitment programme for the executives and other selected key employees of Sanoma and its subsidiaries. The purpose of the Performance Share Plan and the Restricted Share Plan is to encourage the executives and the selected key employees to work on a long-term basis to increase shareholder value and to commit to the company.

PERFORMANCE SHARE PLAN

The Board of Directors of Sanoma Corporation has on 7 February 2013 approved a share-based long-term incentive programme (Performance Share Plan, PSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Performance Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. In general, Performance Shares vest over 3-year period and vesting is subject to meeting Group performance targets set by the Board of Directors for annually commencing new plans. The possible reward is paid as a combination of shares and cash. The reward's cash component is dedicated to cover taxes and tax-related costs. In jurisdictions where shares cannot be granted, the possible reward is paid fully in cash (Cash Subplan).

Shares conditionally granted to the President and CEO and EMG members under the Performance Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 50% (for shares delivered after year 2016; earlier 25%) of performance shares received.

The performance measures for the first two performance periods (2013–2014 and 2014–2016) are based on the earnings per share (excluding items affecting comparability) and the development of digital and other new media sales. The performance measures for the third performance period, 2015–2017 are based on the earnings per share (excluding items affecting comparability) and the growth in net sales adjusted for structural changes in 2015. The performance measures for the fourth performance period, 2016–2018 are based on adjusted earnings per share and adjusted free cash flow targets in 2016. The President and CEO and EMG members are part of Sanoma's Performance Share Plan.

RESTRICTED SHARE PLAN

The Board of Directors of Sanoma Corporation has on 6 February 2014 approved a share-based long-term incentive programme (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year period and vesting is subject to meeting service condition. In 2016, Sanoma delivered 251,503 Sanoma shares held by the company to 215 employees based on the Restricted Share Plan 2014–2015 (without consideration and after taxes).

The Board of Directors of Sanoma Corporation has on 4 February 2015 approved a share-based long-term incentive programme 2015 (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year in 2015–2016 plan (50%) and 3-year in 2015–2017 plan (50%) periods and vesting is subject to meeting service condition.

The Board of Directors of Sanoma Corporation has on 8 February 2016 approved a share-based long-term incentive programme 2016–2018 (Restricted Share Plan, RSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Restricted Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. Restricted Shares vest over 2-year in 2016–2017 plan (50%) and 3-year in 2016–2018 plan (50%) periods and vesting is subject to meeting service condition.

The possible rewards under these plans are paid as a combination of shares and cash. The reward's cash component is dedicated to cover taxes and tax-related costs.

Shares conditionally granted to the President and CEO and EMG members under the Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 50% (for shares delivered after year 2016; earlier 25%) of performance shares received.

More specific information on the performance and restricted share plan grants are presented in the table on the next page. Information on the management ownership is presented in Note 33.

Basic information									
Plan	Performance Share Plan			Restricted Share Plan					
Instrument	Performance Share Plan 2014–2016	Performance Share Plan 2015–2017	Performance Share Plan 2016–2018	Restricted Share Plan 2014–2015	Restricted Share Plan 2015–2016*	Restricted Share Plan 2015–2017*	Restricted Share Plan 2016–2017**	Restricted Share Plan 2016–2018**	Total/ Average
Initial amount, gross pcs (includes share and cash portions)	260 000	483 463	794 338	710 000	324 325	324 325	209 950	209 950	3 316 351
Initial allocation date	6.2.2014	4.2.2015	8.2.2016	6.2.2014	4.2.2015	4.2.2015	8.2.2016	8.2.2016	
Vesting date / reward payment at the latest	30.4.2017	30.4.2018	30.4.2019	30.4.2016	30.4.2017	30.4.2018	30.4.2018	30.4.2019	
Maximum contractual life, yrs	3.2	3.2	3.2	2.2	2.2	3.2	2.2	3.2	2.8
Remaining contractual life, yrs	0.3	Expired	2.3	Expired	0.3	1.3	1.3	2.3	1.3
Number of persons at the end of the reporting year	28	0	69	0	244	244	275	275	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	

* Restricted Share Plan 2015–2017 is divided in two vesting periods: 2015–2016 and 2015–2017.
** Restricted Share Plan 2016–2018 is divided in two vesting periods: 2016–2017 and 2016–2018.

Changes	**Performance Share Plan**					**Restricted Share Plan**					
	Cash Subplan 2013–2014	**Performance Share Plan 2013–2014**	**Performance Share Plan 2014–2016**	**Performance Share Plan 2015–2017**	**Performance Share Plan 2016–2018**	**Restricted Share Plan 2014–2015**	**Restricted Share Plan 2015–2016***	**Restricted Share Plan 2015–2017***	**Restricted Share Plan 2016–2017****	**Restricted Share Plan 2016–2018****	**Total**
1 Jan 2015											
Outstanding at the beginning of the reporting period	**14 250**	**753 732**	**202 538**			**629 350**					**1 599 870**
Changes during the period											
Granted				412 950		8 000	311 550	303 550			1 036 050
Forfeited			2 250	102 188		99 625	68 125	68 125			340 313
Expired	14 250	753 732	72 752								840 734
31 Dec 2015											
Outstanding at the end of the period	**0**	**0**	**127 536**	**310 763**		**537 725**	**243 425**	**235 425**			**1 454 874**
1 Jan 2016											
Outstanding at the beginning of the reporting period			**127 536**	**310 763**		**537 725**	**243 425**	**235 425**			**1 454 874**
Changes during the period											
Granted					780 750				205 500	205 500	1 191 750
Forfeited			2 866		24 468	27 000	41 125	33 125	14 625	14 625	157 834
Exercised						510 725					510 725
Expired				310 763							310 763
31 Dec 2016											
Outstanding at the end of the period			**124 670**	**0**	**756 282**	**0**	**202 300**	**202 300**	**190 875**	**190 875**	**1 667 302**

* Restricted Share Plan 2015–2017 is divided in two vesting periods: 2015–2016 and 2015–2017.
** Restricted Share Plan 2016–2018 is divided in two vesting periods: 2016–2017 and 2016–2018.

Fair value determination

Assumptions made in determining the fair value of share rewards in the performance share plan:

- The fair value for the cash settled portion is remeasured at each reporting date until the possible reward payment. The fair value of the liability will thus change in accordance with the Sanoma share price.
- For the 2014–2016, 2015–2016, 2015–2017, 2016–2017 and 2016–2018 earning periods granted in 2014, 2015 and 2016, the fair value for the equity settled portion based on non-market vesting conditions has been determined at grant using the fair value of Sanoma share as of the grant date less the expected dividends paid before possible share delivery.
- The fair value is expensed until vesting.

Valuation parameters for instruments granted during period, EUR	2016	2015
Share price at grant	**3.71**	5.59
Share price at reporting period end	**8.25**	3.91
Expected dividends	**0.12**	0.20
Fair value of the equity-settled portion at grant	**3.22**	4.86

Effect of share-based incentives on the result and financial position during the period, EUR million	2016	2015
Expenses for the financial year, share-based payments	**4.0**	2.0
of which equity-settled	**1.0**	1.1
Liabilities arising from share-based payments at the end of the period	**3.3**	1.5

Stock option schemes

Sanoma had one option scheme at the end of the financial year 2016: Stock Option Scheme 2011 issued on the basis of an authorisation received at AGM of 8 April 2010.

STOCK OPTION SCHEME 2011

The Stock Option Scheme 2011 comprises a maximum of 1,700,000 stock options, which entitle their holders to subscribe for a maximum total of 1,700,000 new or existing shares held by the Company. On 20 December 2011 the Board of Directors of Sanoma Corporation decided to distribute 1,355,500 stock options to 234 senior managers of Sanoma Corporation and its subsidiaries. The remaining 344,500 stock options were given to Lastannet Oy, a fully-owned subsidiary of the Company for possible use at a later stage. An obligation to own Company shares is included in the distribution of stock options to the President and CEO, members of the Executive Management Group and other senior managers as defined by the Board of Directors. The exercise price of a 2011 stock option is the volume-weighted average price of a Sanoma share as quoted by Nasdaq Helsinki between 1 November–31 December 2011 with the addition of 20%. Thus, the exercise price of a stock option was originally EUR 10.35. Paid dividends or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2011 stock options will be 1 November 2014–30 November 2017. The exercise price is recognised in the fund for invested unrestricted equity.

More specific information on options are presented in the tables below and on the next page. Information on management ownership is presented in Note 33.

Stock options	
Basic information	**2011**
Maximum number of stock options	1 700 000
The number of shares exercised by one stock option	1
Initial exercise price, EUR	10.35
Dividend adjustment	Yes
Exercise price at 31 Dec 2016, EUR *	8.75
Beginning of exercise period, date (vesting)	1.11.2014
End of exercise period, date (expiration)	30.11.2017
Remaining expiry time at 31 Dec 2016, years	0.9
Number of persons at 31 Dec 2016	92

* The dividend is deducted from the exercise price annually. The dividend for 2015 was EUR 0.10 per share (record date 14 April 2016). The dividend for 2014 was EUR 0.20 per share (record date 10 April 2015).

Expenses are no longer recognised related to stock option schemes as the vesting periods of all stock option schemes have ended.

	2016		2015	
Changes in stock options during the period and the weighted average exercise prices	**Number of stock options**	**Exercise price, EUR ***	Number of stock options	Exercise price, EUR **
Outstanding at 1 Jan	1 775 500	13.29	2 795 500	13.75
Expired during the period	977 100	16.81	1 020 000	17.41
Outstanding at 31 Dec	798 400	8.75	1 775 500	13.29

* The exercise price at the beginning of the period is the status at 31 December 2015. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 December 2016.
** The exercise price at the beginning of the period is the status at 31 December 2014. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 December 2015.

24. Provisions

Changes in provisions, EUR million	Restructuring provisions	Other provisons	Total
At 1 Jan 2016	21.7	6.5	28.2
Exchange rate differences	0.0	0.0	0.0
Acquisition of operations		0.6	0.6
Increases	18.6	12.0	30.6
Amounts used	-24.3	-5.5	-29.8
Unused amounts reversed	-3.3	-0.6	-3.9
At 31 Dec 2016	**12.7**	**13.0**	**25.6**

Carrying amounts of provisions, EUR million	2016	2015
Non-current	**7.6**	1.7
Current	**18.1**	26.5
Total	**25.6**	28.2

Provisions were based on best estimates on the balance sheet date. Restructuring provisions were mainly related to restructuring of the new Media BeNe organisation (announced at the end of 2014). Other provisions comprised provisions related to contracts with customers, provisions related to rented premises and other smaller provisions. Cancellation of provisions was due to re-evaluating realised expenses. Individual provisions were not material at the Group level.

25. Financial debt

Financial liabilities, EUR million	2016	2015
Non-current financial liabilities at amortised cost		
Loans from financial institutions	**39.9**	106.6
Bonds	**192.0**	399.6
Finance lease liabilities	**1.2**	1.0
Other liabilities	**6.0**	0.1
Total	**239.1**	507.4
Current financial liabilities at amortised cost		
Loans from financial institutions	**12.4**	28.0
Pension loans		1.1
Commercial paper	**366.4**	352.4
Finance lease liabilities	**0.2**	0.1
Bonds	**200.0**	
Other liabilities	**11.5**	10.6
Total	**590.5**	392.3
Total	**829.6**	899.6

The fair values of financial liabilities are presented in Note 29.

Loans from financial institutions

The Group's loans from financial institutions mainly consisted of a syndicated revolving credit facility and term loans. The portion of the loans for which the repayment plan is not defined in advance is presented in its entirety in non-current liabilities. Loans are valued at amortised cost.

In February 2016 Sanoma signed a four-year EUR 500 million Syndicated Revolving Credit Facility with a group of seven relationship banks. The new facility replaced the previous EUR 600 million syndicated revolving credit facility.

The average interest rate for loans (excluding agency fees) during the financial year, excluding finance leases, was 1.3% (2015: 1.2%).

Bonds

In 2012, the Group issued a EUR 400 million five-year Senior Unsecured Eurobond for European investors. The bond pays a fixed coupon of 5.00% and has an issue price of 99.413.

In May 2016, the Group issued another Senior Unsecured Eurobond with nominal value of EUR 200 million, issue price 100, maturity of 3.5 years and fixed coupon of 3.50%. The proceeds were fully used for a partial redemption of the bond issued in 2012. The tender price was 104.10. In addition all accrued unpaid interest was settled to the investors. All redeemed bonds were cancelled. The tender premium was capitalised, and will be amortised over the life of the bond, thus raising the effective interest rate of the new bond to 5.01%.

Commercial paper

Sanoma Corporation has domestic and foreign commercial paper programmes which are used for short-term liquidity needs. Commercial paper is valued at amortised cost, and transaction costs are recognised directly as expenses due to their immaterial value. In accordance with its Treasury Policy, the Group has established committed credit lines with banks. These credit lines are partially used as back up for securing the repayment of outstanding commercial paper during potential market disruption.

Finance lease liabilities

Finance lease liabilities, EUR million	2016	2015
Total minimum lease payments		
Not more than 1 year	**0.2**	0.2
1–5 years	**0.8**	0.6
More than 5 years	**0.6**	0.8
Total	**1.7**	1.6
Present value of minimum lease payments		
Not more than 1 year	**0.2**	0.1
1–5 years	**0.6**	0.4
More than 5 years	**0.5**	0.6
Total	**1.3**	1.1
Future finance charges	**0.4**	0.5

26. Trade and other payables

Trade and other payables, EUR million	2016	2015
Non-current		
Trade payables	**31.7**	35.6
Accrued expenses	**4.1**	2.4
Advances received		0.0
Other financial liabilities at amortised cost	**7.2**	8.7
Total	**42.9**	46.7
Current		
Current financial liabilities at amortised cost		
Trade payables	**176.1**	155.7
Other liabilities	**43.1**	49.2
Derivatives, hedge accounted *		0.7
Derivatives, non-hedge accounted *	**0.4**	0.9
Accrued expenses	**243.8**	233.6
Advances received	**158.7**	160.9
Total	**622.1**	600.9
Total	**665.1**	647.7

* Derivatives, see Note 29

Accrued expenses

Accrued expenses mainly consisted of accrued personnel expenses, royalty liabilities and accruals related to common business activities.

27. Contingent liabilities

Contingent liabilities, EUR million	2016	2015
Contingencies for own commitments		
Mortgages		10.6
Pledges	**2.4**	2.4
Other items	**25.0**	25.6
Total	**27.4**	38.6
Other commitments		
Operating lease liabilities (Note 28)	**298.2**	323.7
Royalties	**14.6**	12.5
Other items	**71.2**	69.9
Total	**384.0**	406.0
Total	**411.4**	444.7

The most significant items under operating lease liabilities are related to properties of Sanomala and Sanoma House.

Interest on hybrid bond

On 12 December 2013, Sanoma issued a hybrid bond of EUR 100 million. Sanoma redeemed the hybrid bond on 12 December 2016 for the full outstanding amount in accordance with the terms and conditions of the hybrid bond. At the reporting date, there was no unpaid interest on the bond (2015: EUR 0.4 million).

Disputes and litigations

The Group is periodically involved in incidental litigation or administrative proceedings primarily arising in the normal course of business. Sanoma feels that its gross liability, if any, under any pending or existing incidental litigation or administrative proceedings would not materially affect the Group's financial position or results of operations.

28. Operating lease liabilities

Non-cancellable minimum lease liabilities by maturity, EUR million	2016	2015
Not later than 1 year	**38.1**	37.6
1–5 years	**129.7**	127.3
Later than 5 years	**130.4**	158.7
Total	**298.2**	323.7

Operating lease liabilities include both premises and other operating lease liabilities.

Non-cancellable minimum lease payments to be received by maturity, EUR million	2016	2015
Not later than 1 year	**3.6**	0.2
1–5 years	**17.7**	2.5
Later than 5 years	**3.7**	1.1
Total	**25.0**	3.8

Most of the non-cancellable minimum lease payments to be received are related to subleases.

29. Financial risk management

Sanoma's treasury operations are managed centrally by the Group Treasury unit. Operating as a counterparty to the Group's operational units, Group Treasury is responsible for managing external financing, liquidity and external hedging operations. Centralised treasury operations aim to ensure financing on flexible and competitive terms, optimised liquidity management, cost-efficiency and efficient management of financial risks. Sanoma is exposed to interest rate, currency, liquidity and credit risks. Its risk management aims to hedge the Group against material risks. Sanoma Board of Directors has approved the unit's guidelines in the Group Treasury Policy.

In the long-term, to ensure financial flexibility, Sanoma's goal is to have a capital structure where net debt/EBITDA ratio is below 2.5, and equity ratio 35%–45%. This will ensure access to low-cost funding.

Financial risks can be mitigated with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable. The Group used interest rate and currency swaps to hedge against financial risks during the year.

Interest rate risks

The Group's interest rate risk is mainly related to changes in the reference rates and loan margins of floating rate loans in the Group's loan portfolio. The Group manages its exposure to interest rate risk by using a mix of fixed and floating rate loans. Interest rate derivatives are also utilised.

Loan portfolio by interest rate, EUR million	2016	2015
Floating-rate loans	**436.2**	497.6
of which converted to fixed-rate using interest rate swap	**100.0**	200.0
Fixed-rate loans	**393.4**	402.0
Total	**829.6**	899.6
Floating-rate loans including the effect of interest rate swap	**335.4**	297.6
Average duration, years	**1.0**	0.9
Average rate (excluding agency fees), %	**2.8**	2.7
Interest sensitivity, EUR million *	**2.2**	2.0

* Interest rate sensitivity is calculated by assuming a one percentage point increase in interest rates. The sensitivity represents the effect on profit before taxes.

Currency risks

The majority of the Group cash flow from operations is denominated in euros. However, the Group is exposed to transaction risk resulting from cash flows related to revenue and expenditure in different currencies. Group companies are responsible for monitoring and hedging against transaction risk related to their business operations in accordance with the Group Treasury Policy. The majority of the transaction risk in 2016 was related to the acquisition of programming rights denominated in US dollars. The Group has adopted forward contracts as a means of hedging against significant transaction risks. If the hedged currencies weakened by 10% against the euro at the year end date, the change in the value of forward contracts would increase financial expenses by 4.8 million (2015: 9.8). If the currencies strengthened by 10% against the euro, financial income would increase by EUR 4.8 million (2015: 9.8). Derivative instruments are used to hedge future cash flows; hence changes in their value will offset changes in the value of cash flows.

The loan granted to the Ukranian subsidiary in liquidation was repaid in full during the year, which removes the related currency risk. The loan has been treated as net investment in subsidiary, and the exchange rate differences were booked into equity.

The Group is also exposed to translation risk resulting from converting the income statement and balance sheet items of foreign subsidiaries into euros. Business operations outside the euro area (countries in which the currency is not pegged to the euro) account for about 5.8% (2015: 6.8%) of consolidated net sales and mainly consist of revenues in Polish zloty and Swedish krona. If all reporting currencies had been 10% weaker against the euro during the year, the Group net sales would have decreased by EUR 8.7 million (2015: 10.5). If all reporting currencies had been 10% stronger against the euro, the Group net sales would have increased by EUR 10.6 million (2015: 12.9). A significant change in exchange rates may also have an effect on the value of the businesses in Poland and Sweden. The Group did not hedge against translation risk in 2016.

Derivative instruments

Nominal values of derivative instruments, EUR million	2016	2015
Interest rate swaps		
Cash flow hedges under IAS 39 hedge accounting		100.0
Outside hedge accounting	**100.0**	100.0
Forward currency exchange contracts		
Outside hedge accounting	**82.1**	100.2
Total	**182.1**	300.2

Nominal values of derivative instruments include gross nominal values from all active agreements. The outstanding nominal value is not necessarily a measure or indicator of market risks.

Fair values of derivative instruments, EUR million	2016	2015
Interest rate swaps (incl. accrued interests)		
Cash flow hedges under IAS 39 hedge accounting		-0.7
Outside hedge accounting	**-0.4**	-0.9
Forward currency exchange contracts		
Outside hedge accounting	**6.3**	8.0
Total	**5.9**	6.4

Liquidity risks

Liquidity risk relates to servicing debt, financing investments and retaining adequate working capital. Sanoma aims to minimise its liquidity risk by ensuring sufficient revenue financing, maintaining adequate committed credit limits, using several financing institutions and forms of financing, and spreading loan repayment programmes over a number of calendar years. The Group's undrawn committed credit limits must be sufficient to cover its estimated funding requirements and loan repayments, and part of the outstanding commercial paper commitments. Liquidity risk is monitored daily, based on a two-week forecast, and longer-term based on calendar year. In addition, the Sanoma Group Treasury Policy sets minimum requirements for cash reserves.

The Group's financing programmes in 2016, EUR million	Amount of limits	Unused credit lines
Bilateral committed facilities	724.5	670.5
Commercial paper programmes	1 100.0	733.6
Bonds	400.0	
Current account limits	50.9	50.5

Sanoma Corporation signed a new EUR 500 million Syndicated Revolving Credit Facility with a group of seven relationship banks in February 2016. The facility has a maturity of four years. The new facility replaced the previous EUR 600 million syndicated revolving credit facility, in line with the lower financing need of the group, and will be used for general corporate purposes.

Out of EUR 724.5 million of committed facilities, EUR 74.5 million will mature in 2017, EUR 87.0 million in 2018, EUR 12.0 million in 2019 and EUR 551.0 million in 2020. The Group's financing agreements include customary covenants related to factors such as the use of pledges and mortgages, disposals of assets and key financial ratios. In 2016, the Group fulfilled the requirements of all covenants.

Financial liabilities, EUR million	2016				2015			
	Carrying amount	**Cash-flow ***	**Undrawn from limits**	**Total**	Carrying amount	Cash-flow *	Undrawn from limits	Total
Loans from financial institutions	52.4	55.6	670.5	726.1	134.6	138.3	725.4	863.7
Bonds	392.0	432.5		432.5	399.6	440.0		440.0
Commercial paper programmes	366.4	368.0		368.0	352.4	354.0		354.0
Finance lease liabilities	1.3	1.3		1.3	1.1	1.1		1.1
Other interest-bearing liabilities	17.5	17.5		17.5	11.9	11.9		11.9
Trade payables and other liabilities **	258.0	258.0		258.0	249.2	249.2		249.2
Derivatives	0.4	0.4		0.4	1.6	1.9		1.9
Total	**1 088.0**	**1 133.3**	**670.5**	**1 803.8**	1 150.4	1 196.4	725.4	1 921.8

* The estimate of the interest liability is based on the interest level at the balance sheet date.
** Trade payables and other liabilities do not include accrued expenses and advances received.

Maturity of financial liabilities 2016, EUR million	**2017**	**2018**	**2019**	**2020**	**2021**	**2022–**	**Total**
Loans from financial institutions	12.9	12.3	12.2	18.2			55.6
Bonds	217.5	7.5	207.5				432.5
Commercial paper programmes	368.0						368.0
Finance lease liabilities	0.2	0.2	0.2	0.2	0.2	0.3	1.3
Other interest-bearing liabilities		16.9					16.9
Trade payables and other liabilities *	225.4	23.7	4.7	1.5	1.2	1.5	258.0
Derivatives	0.4						0.4
Total	**824.4**	**60.6**	**224.6**	**19.9**	**1.4**	**1.8**	**1 132.7**

* Trade payables and other liabilities do not include accrued expenses and advances received.

Maturity of financial liabilities 2015, EUR million	**2016**	**2017**	**2018**	**2019**	**2020**	**2021–**	**Total**
Loans from financial institutions	28.9	33.1	12.6	12.5	51.2		138.3
Bonds	20.0	420.0					440.0
Commercial paper programmes	354.0						354.0
Finance lease liabilities	0.1	0.1	0.1	0.1	0.1	0.6	1.1
Other interest-bearing liabilities	11.8	0.1					11.9
Trade payables and other liabilities *	200.1	30.0	12.9	2.3	1.2	2.8	249.2
Derivatives	1.1	0.8					1.9
Total	**616.0**	**484.1**	**25.6**	**14.9**	**52.5**	**3.4**	**1 196.4**

* Trade payables and other liabilities do not include accrued expenses and advances received.

In 2016 Sanoma issued a new EUR 200 million bond, and used all the proceeds for a partial redemption of the existing bond. The terms of these bonds do not differ materially, so the fees and expenses incurred are netted off against the book value of the new bond, and will be amortised over the life of the new bond.

Credit risks

Sanoma's credit risks are related to its business operations. Sanoma Group's diversified operations significantly mitigate credit risk concentration, and no individual customer or group of customers is material to the Group. The Group's operational units are responsible for managing credit risks related to their businesses.

The carrying amounts of trade receivables and other receivables best indicate the amount that will be collected. The aging of trade receivables is presented in the following table.

The aging of trade receivables, EUR million	2016			2015		
	Gross	Impairment	Net	Gross	Impairment	Net
Not due	125.4	-1.2	124.2	142.4	-3.2	139.2
Past due 1–30 days	26.5	-1.0	25.6	16.2	-0.5	15.7
Past due 31–120 days	14.7	-1.9	12.8	5.4	-0.9	4.5
Past due 121–360 days	3.8	-2.0	1.8	10.0	-2.1	7.9
Past due more than 1 year	3.7	-2.8	0.9	5.9	-4.4	1.5
Total	**174.2**	**-8.9**	**165.3**	179.9	-11.0	168.9

The Group's Treasury Policy specifies that financing transactions are carried out with counterparties of good credit standing, and divided between a sufficient number of counterparties in order to protect financial assets. The Group has spread its credit risks efficiently by dealing with several financing institutions.

⊕ Trade receivables and other receivables are presented in Notes 18 and 20.

Net debt, EUR million	2016	2015
Interest-bearing liability	**829.6**	899.6
Cash and cash equivalents	**43.4**	98.5
Total	**786.2**	801.2

Sanoma Group does not have an official credit rating.

Capital risk management

The Group targets an equity ratio between 35% and 45% and a net debt/EBITDA ratio below 2.5 in the long-term.

When calculating the net debt/EBITDA ratio, the following adjustments are made to the reported EBITDA: items affecting comparability are removed, the effects of acquisitions are added and the effects of divestments are deducted, and the effects of the investments in programming and prepublication rights are deducted for the reporting period.

In 2016, the Group's equity ratio was 41.0% (2015: 39.5%), net debt/EBITDA ratio was 3.2 (2015: 5.1) and gearing 78.4% (2015: 77.8%).

Fair value hierarchy of financial liabilities and financial assets

Fair value hierarchy of financial assets and financial liabilities EUR million, 2016	Carrying amount		Fair value			
	Note		Level 1	Level 2	Level 3	Total
Financial assets						
Forward currency exchange contracts						
Outside hedge accounting	20	6.3	6.3			6.3
Financial liabilities						
Interest rate swaps						
Outside hedge accounting	26	0.4		0.4		0.4
Loans from financial institutions	25	52.4			52.4	52.4
Bonds	25	392.0	411.2			411.2
Other liabilities	25	18.8			18.8	18.8

Fair value hierarchy of financial assets and financial liabilities EUR million, 2015	Carrying amount		Fair value			
	Note		Level 1	Level 2	Level 3	Total
Financial assets						
Forward currency exchange contracts						
Outside hedge accounting	20	8.0	8.0			8.0
Non-current trade receivables	18	0.9			0.9	0.9
Financial liabilities						
Interest rate swaps						
Cash flow hedges under IAS 39 hedge accounting	26	0.7		0.7		0.7
Outside hedge accounting	26	0.9		0.9		0.9
Loans from financial institutions	25	134.6			134.6	134.6
Bonds	25	399.6	409.9			409.9
Other liabilities	25	13.0			13.0	13.0

- Level 1: fair values are based on quoted prices in active markets.
- Level 2: fair values are based on valuation models for which all inputs are observable, either directly or indirectly.
- Level 3: fair values are based on input data that is not based on observable market data.

During the financial period and the comparable year, no transfers were made between the fair value hierarchy levels 1, 2 and 3.

Available netting agreements and derivative instruments

Sanoma has entered into netting agreements with all of its derivative instrument counterparties. Including netting agreements, financial receivables from banks amount to EUR 5.9 million (2015: 6.4).

30. Most significant subsidiaries

Most significant subsidiaries at 31 Dec 2016	Parent Company holding, %	Group holding, %
CONSUMER MEDIA		
Sanoma Media BeNe		
Sanoma Image B.V., The Netherlands	67.0	67.0
Sanoma Media Netherlands B.V., The Netherlands		100.0
Sanoma Digital The Netherlands B.V., The Netherlands		100.0
2BLOND B.V., The Netherlands		77.8
SBS Broadcasting B.V., The Netherlands		100.0
Head Office Nederland B.V., The Netherlands		100.0
SBS Productions B.V., The Netherlands		100.0
Veronica Uitgeverij B.V., The Netherlands		100.0
SB Commerce B.V., The Netherlands		100.0
B.V. Aldipress, The Netherlands		100.0
Sanoma Media Belgium N.V., Belgium		100.0
Head Office N.V., Belgium		100.0
Sanoma Media Finland		
Sanoma Media Finland Oy, Helsinki	100.0	100.0
Sanoma Tekniikkajulkaisut Oy, Helsinki		60.0
Netwheels Oy, Helsinki		55.8
Oikotie Oy, Helsinki		75.0
AS Sanoma Baltics, Estonia		100.0
Sanomala Oy, Vantaa		100.0
Savon Paino Oy, Varkaus		100.0
Mobiilimarkkinointi Routa Oy, Turku		51.0
LEARNING		
Sanoma Learning		
Sanoma Learning B.V., The Netherlands	100.0	100.0
L.C.G. Malmberg B.V., The Netherlands		100.0
Nowa Era Sp. z.o.o., Poland	100.0	100.0
Sanoma Utbildning AB, Sweden	100.0	100.0
Uitgeverij Van In N.V., Belgium		100.0
De Boeck Education SA, Belgium		100.0
De Boeck Services SPRL, Belgium		100.0
Uitgeverij De Boeck SA, Belgium		100.0
Vulcan SP. z.o.o., Poland		100.0
Young Digital Planet S.A., Poland	100.0	100.0
Bureau ICE B.V., The Netherlands		100.0
Sanoma Pro Oy, Helsinki	100.0	100.0
OTHER COMPANIES		
Sanoma B.V., The Netherlands	100.0	100.0

31. Information on subsidiaries with material non-controlling interests

The Group has one subsidiary with material non-controlling interests, Sanoma Image B.V.

Summary of financial information, EUR million	Sanoma Image B.V. 2016	2015
The principal place of business	**The Netherlands**	The Netherlands
Non-controlling interests holding, %	**33.0%**	33.0%
Net sales	**261.7**	266.2
Result for the period	**9.9**	-46.6
Total comprehensive income for the period	**9.9**	-46.6
Total comprehensive income allocated to non-controlling interests	**3.2**	-15.3
Non-current assets	**994.5**	1 019.6
Current assets	**87.9**	123.7
Non-current liabilities	**97.4**	150.8
Current liabilities	**122.3**	139.6
Net assets	**862.7**	852.9
Carrying amount of non-controlling interests	**284.7**	281.5
Dividends paid to non-controlling interests	**-**	-
Cash flow from operations	**19.5**	23.6
Cash flow from investments	**-28.7**	-7.0
Cash flow from financing	**-45.0**	-45.5
Net increase(+)/decrease(-) in cash and cash equivalents	**-54.2**	-28.9

32. Related party transactions

Sanoma Group's related parties include subsidiaries, associated companies and joint ventures as well as the members of the Board, President and CEO and members of the Executive Management Group. Remuneration for key management is presented in Note 33. Transactions with joint ventures and associated companies are presented below. Transactions within Sanoma Group are not presented as related party transactions because they are eliminated in the consolidated figures. The transactions of the other shareholders of joint ventures are not presented as related party transactions because those shareholders are not considered to be related parties on the basis of the joint control agreement. Material subsidiaries are presented in Note 30. In addition, Sanoma Group's related parties include pension funds and employees' profit-sharing funds. Besides pension plans, transactions with those parties are not material.

Pension funds are described in more detail in accounting policies and pension calculations in Note 8.

Sanoma Group had no other significant related parties, which indicate related party definitions or with which significant related party transactions exist during the financial year.

Transactions and outstanding balances with associated companies and joint ventures are presented in the table below.

Transactions with joint ventures and associated companies, EUR million	2016	2015
Sale of goods	**0.0**	0.0
Rendering of services	**0.7**	1.0
Total income	**0.7**	1.0
Receiving of services	**-2.3**	-3.2
Other operating expenses		0.4
Total expenses	**-2.3**	-2.8

Receivables from joint ventures and associated companies, non-current, EUR million	2016	2015
Other receivables		0.4
Total		0.4

Receivables from joint ventures and associated companies, current, EUR million	2016	2015
Trade receivables	**1.3**	2.6
Other receivables	**0.1**	0.1
Total	**1.4**	2.7

Payables to joint ventures and associated companies, current, EUR million	2016	2015
Trade payables	**0.0**	0.0
Other debts	**0.3**	4.7
Total	**0.3**	4.7

The sale of goods and rendering of services to joint ventures and associated companies are based on the Group's effective market prices, and interest on loans is based on market interest rates.

In 2016 and 2015, there were no other significant transactions or other related party arrangements with joint ventures and associated companies.

33. Management compensation, benefits and ownership

Management remuneration and ownership, 2016	Remuneration (EUR 1 000)	Number of shares on 31 December 2016	Number of stock options 2011	Performance and restricted share plan costs (EUR 1 000)	Number of performance shares and restricted shares **** Performance Share Plan 2014–2016 ***	Performance Share Plan 2016–2018 ***	Restricted Share Plan 2015–2017 ***
Board of Directors							
Pekka Ala-Pietilä, Chairman (as of 12 April 2016)	94	10 000					
Antti Herlin, Vice Chairman (as of 12 April 2016) *	86	18 711 800					
Anne Brunila	78	910					
Susan Duinhoven	22						
Mika Ihamuotila	72	150 000					
Nils Ittonen **	92	59 000					
Denise Koopmans	77						
Robin Langenskiöld	71	12 273 371					
Rafaela Seppälä	72	10 273 370					
Kai Öistämö	78	8 265					
Total	**742**	**41 486 716**					
President and CEO							
Susan Duinhoven	581	71 629		334		150 000	
Total	**581**	**71 629**		**334**		**150 000**	
Executive Management Group							
Kim Ignatius		4 701			7 641	30 000	5 250
Pia Kalsta		3 189	5 000		2 149	30 000	6 250
John Martin		12 096			8 596	30 000	6 250
Peter de Mönnink		2 375			23 400	75 000	15 000
Total	**2 381**	**22 361**	**5 000**	**715**	**41 786**	**165 000**	**32 750**

* Includes the holdings of interest parties.
** Includes the holdings of persons closely related.
*** Sanoma Performance Share Plan has been adopted in 2013. Sanoma Restricted Share Plan has been adopted in 2014. Number of Sanoma performance shares granted in the Performance Share Plan 2016–2018 to the President and CEO and EMG members is presented on target level. Shares conditionally granted to the President and CEO and EMG members under the Performance Share and Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 50% (for shares delivered after year 2016, earlier 25%) of performance and restricted shares received.
**** Performance Share Plan 2015–2017 has not been presented in the table as no rewards were paid since the minimum levels of the performance criteria were not achieved.

Figures include the remuneration that has been paid for assignments handled by those persons during the period. EMG members do not receive separate remuneration for their Board memberships in the Group companies. Remuneration includes fringe benefits. Performance and restricted share plan costs include costs during membership. The Group had no outstanding receivables or loans from the management. Remuneration does not include pension costs. The pension cost of the President and CEO and EMG is presented in paragraph 'Other benefits of the management'.

Management remuneration and ownership, 2015	Remu-neration (EUR 1 000)	Number of shares on 31 December 2015	Number of stock options		Performance and restricted share plan costs (EUR 1 000)	Number of performance shares and restricted shares			
			2010	2011		Performance Share Plan 2014–2016 ****	Performance Share Plan 2015–2017 ****	Restricted Share Plan 2014–2015 ****	Restricted Share Plan 2015–2017 ****
Board of Directors									
Antti Herlin, Chairman **	102	17 971 800							
Pekka Ala-Pietilä, Vice Chairman (as of 9 April 2015)	74								
Sakari Tamminen, Vice Chairman (until 9 April 2015)	34								
Annet Aris (until 9 April 2015)	32								
Anne Brunila	73	910							
Susan Duinhoven (as of 8 April 2015)	48								
Mika Ihamuotila	67	100 000							
Nils Ittonen ***	69	59 000							
Denise Koopmans (as of 8 April 2015)	49								
Robin Langenskiöld	70	12 273 371							
Rafaela Seppälä	69	10 273 370							
Kai Öistämö	72	8 265							
Total	**758**	**40 686 716**							
President and CEO									
Susan Duinhoven (as of 1 October 2015)	135								
Harri-Pekka Kaukonen (until 18 September 2015) *	878	25 050	60 000	60 000		20 439	21 875	21 400	
Total	**1 013**	**25 050**	**60 000**	**60 000**	**76**	**20 439**	**21 875**	**21 400**	
Executive Management Group									
Jacqueline Cuthbert		6 500		30 000		7 641		8 000	
Arthur Hoffman						14 327		15 000	
Kim Ignatius		18 000	30 000	30 000		7 641	15 750	8 000	5 250
Pia Kalsta (as of 1 March 2015)			4 000	5 000		2 149	18 750	6 750	6 250
John Martin		7 844	10 000	30 000		8 596	18 750	9 000	6 250
Peter de Mönnink						23 400	45 000	24 500	15 000
Pekka Soini (until 28 February 2015)		10 000	30 000	30 000		8 596		9 000	
Heike Tyler (until 30 June 2015)				15 000					
Total	**5 411**	**42 344**	**74 000**	**140 000**	**376**	**72 350**	**98 250**	**80 250**	**32 750**

* In addition, salary for the notice period and the severance payment payable to the President and CEO amounts to EUR 1,071,379.
** Includes the holdings of interest parties.
*** Includes the holdings of persons closely related.
**** Sanoma Performance Share Plan has been adopted in 2013. Sanoma Restricted Share Plan has been adopted in 2014. Number of Sanoma performance shares and restricted shares conditionally granted to the President and CEO and EMG members is presented on target level. Shares conditionally granted to the President and CEO and EMG members under the Performance Share and Restricted Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 25% of performance and restricted shares received.

Figures include the remuneration that has been paid for assignments handled by those persons during the period including severance payments related to the termination of employment. Remuneration includes fringe benefits. Performance and restricted share plan costs include costs during membership. The Group had no outstanding receivables or loans from the management. Remuneration does not include pension costs. The pension cost of the President and CEO and EMG is presented in paragraph 'Other benefits of the management'.

The remuneration and benefits payable to the President and CEO and Executive Management Group (EMG) members are approved by the Board of Directors of Sanoma, in accordance with the Human Resources Committee's proposal. In addition, the President and CEO and EMG members receive bonuses according to the short-term incentive plan approved each year by the Board of Directors. For the year 2016 the short-term incentive for the President and CEO is 66.7% of her salary at target level and 100% at maximum level. For other EMG members the short-term incentive varies from 40% to 60% of salary at target level and from 60% to 90% at maximum level. The criteria in the short-term incentive plan for 2016 are based on achieving financial targets of EBIT and cash flow as well as Sanoma's employee satisfaction objective.

The President and CEO and EMG members are part of Sanoma's long-term incentive schemes. The long-term incentives are part of the Group's incentive and commitment programme and are distributed by the Sanoma Board of Directors, in accordance with the Human Resources Committee's proposal.

Notifications of the President & CEO's transactions are announced on Group's website Sanoma.com as of 3 July 2016. More details on remuneration principles are available in the Corporate Governance section at Sanoma.com.

Other benefits of the management

The President and CEO Susan Duinhoven's period of notice is six months either from the President and CEO's or the Company's part. If the executive contract is terminated by the Company, a severance payment equaling to 12 month's salary in addition to the salary for the notice period will be paid to the President and CEO. The severance pay is accompanied by a fixed-term non-competition clause.

The additional pension benefits of the President and CEO and other EMG members are currently based on defined contribution. Contracts made prior to 2009 are based on defined benefit. The President and CEO is entitled to an additional pension benefit contribution, which amounts to 15% of her salary. The President and CEO's and part of the EMG members' retirement age is the usual retirement age in their home country. Some EMG members have a lower than statutory retirement age in the range of 61–63 years. The pensions of the EMG members whose additional pension benefits are based on defined benefit plan, amount to approximately 60% of their pensionable salary applicable in their home country, together with the statutory pension cover.

For the President and CEO Susan Duinhoven, the additional pension contribution cost was EUR 107,110 for the year 2016, and the statutory pension cost for the year 2016 was EUR 95,829 (2015: 22,258). The pension costs of EMG members were EUR 529,411 in 2016 (2015: 534,417).

34. Events after the balance sheet date

The management of Sanoma has not become aware of any major events after the balance sheet date that would have resulted in major adjustments to the figures in the financial reports.

No such events have arisen after the balance sheet date that would have a significant impact on the Group's financial position.

Shares and shareholders

Basic share information

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. The Sanoma share has no nominal value or book value.

At the end of 2016, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 162,812,093.

Listing of share and options

The Sanoma share (SAA1V) and the Company's options 2011 are listed on the Nasdaq Helsinki.

The Sanoma share is included in the Consumer Services sector and in multiple indices in the Nasdaq Helsinki. The Sanoma share has been listed since 1 May 1999. The Company's shares belong to the book-entry securities system of Euroclear Finland Ltd.

Trading codes	Shares	2011 stock options
Nasdaq Helsinki	SAA1V	SAA1VEW111
Startel	SAA1V	SAA1VEW111
Bloomberg	SAA1V:FH	SAA1V111:FH
Reuters	SAA1V.HE	SAA1VEW111.HE

Treasury shares

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

Board authorisations

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

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

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

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

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

Number of shares and options

Number of shares on 31 December 2016	
Number of registered shares on 31 December 2016	162 812 093
Adjusted average number of shares *	162 291 679
Total number of treasury shares	478 497
Number of outstanding shares *	162 333 596
Number of shares plus stock options **	
Number of outstanding shares on 31 December 2016	162 333 596
Stock options 2011	798 400
Number of outstanding shares plus options	163 131 996

* Does not include treasury shares held by the company.
** Provided that all issued options are converted into shares.

The shares to be subscribed for on the basis of the options issued would represent 0.5% of all Sanoma shares and votes after the conversion if all outstanding stock options were exercised.

Option schemes

Sanoma has one option scheme in place, Stock Option Scheme 2011 was authorised by the AGM of 8 April 2010.

The stock option scheme covers all of Sanoma's strategic business units and the Group's Parent Company. Stock options have been distributed to executives and managers of Sanoma Group in accordance with the decisions of the Board of Directors. The amount of option holders within the company at the end of 2016 was 92.

The Board of Directors may extend the group of parties entitled to stock options, or decide on the issuance of stock options in connection with corporate transactions or recruitment. In the event the stock option holder's contract of employment or service terminates before the beginning of the share subscription period, he or she will be required to offer the stock options back to the Company, without receiving compensation for any value increment related to these stock options. However, this does not apply to those whose employment or service contract is rendered no longer effective for reason of retirement or death.

The stock options 2011 are listed on the Nasdaq Helsinki. The subscription period of 2010 stock options ended on 30 November 2016, and their listing on the Nasdaq Helsinki ended on 24 November 2016. In 2016, no shares were subscribed with stock options.

Information on stock options held by Sanoma's Board of Directors and the Executive Management Group can be found in Note 33. More detailed information on the terms and conditions for the scheme (e.g. subscription prices and periods) can be found in Note 23.

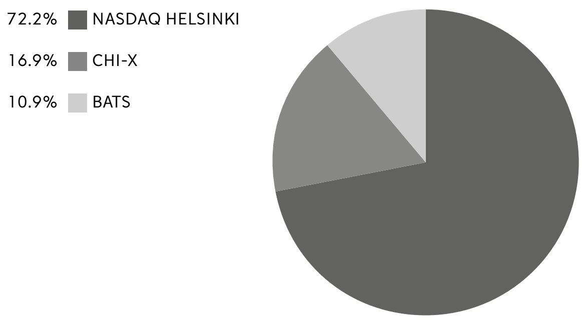
Share performance

In 2016, 48,152,687 (2015: 81,355,104) Sanoma shares were traded on the Nasdaq Helsinki and traded shares accounted for some 30% (2015: 50%) of the average number of shares. Sanoma's Nasdaq Helsinki stock exchange turnover was EUR 296.5 million (2015: 348.1). Sanoma's shares traded on the Nasdaq Helsinki corresponded to around 72% (2015: 84%) of the total traded share volume on stock exchanges.

During 2016, the volume-weighted average price of a Sanoma share on the Nasdaq Helsinki was EUR 6.14 (2015: 4.28), with a low of EUR 3.51 (2015: 3.13) and a high of EUR 9.39 (2015: 5.95). At the end of the year, Sanoma's market capitalisation excluding treasury shares held by the company was EUR 1,338 million (2015: 634), with Sanoma's share closing at EUR 8.25 (2015: 3.91).

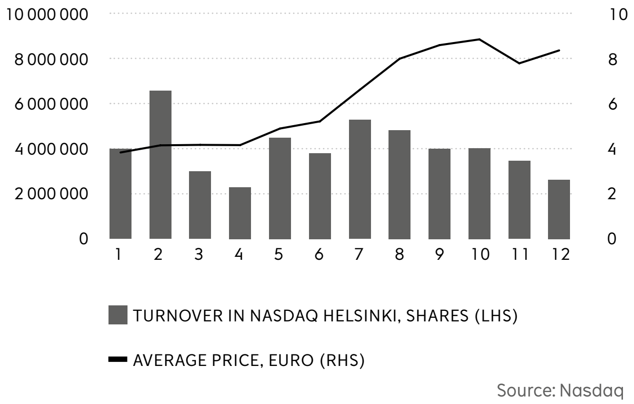
Regularly updated prices of Sanoma's share and listed stock options are available at Sanoma.com.

Trading of Sanoma share in different market places in 2016

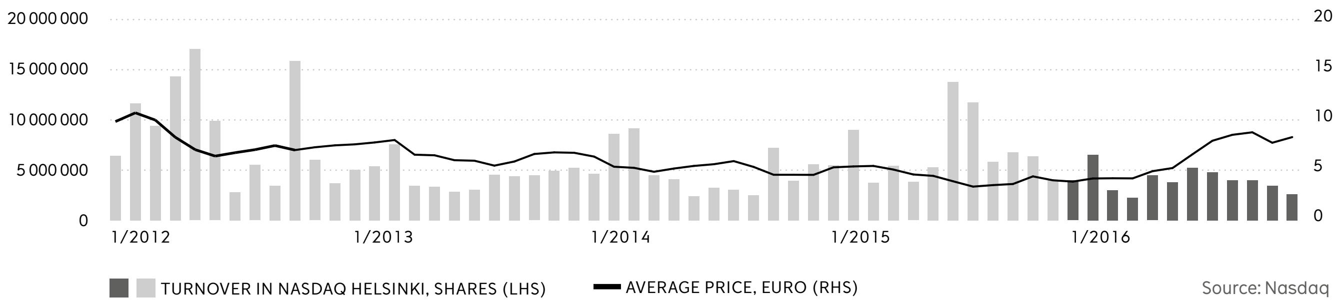


Source: Euroland

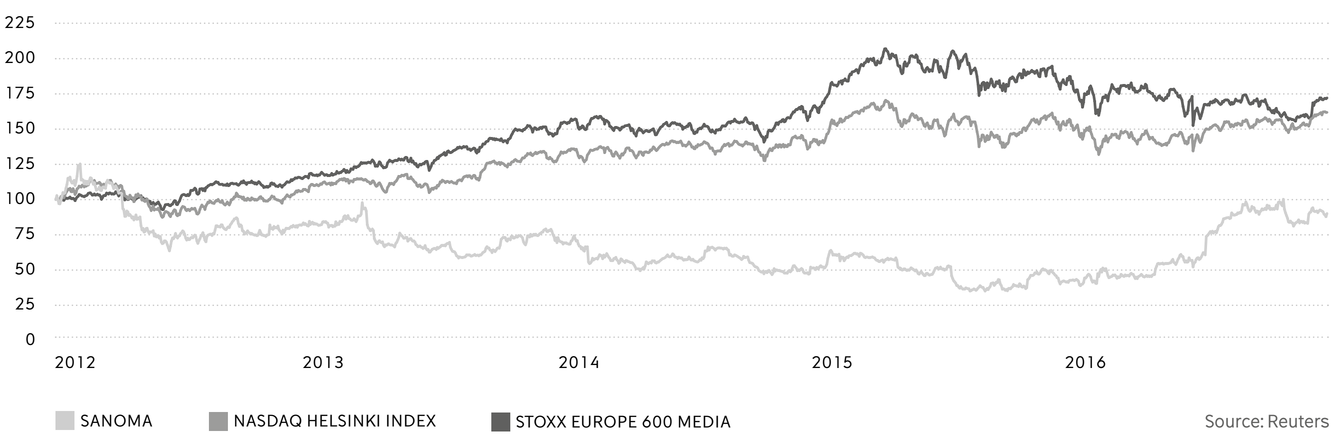
Average share price and turnover 2016



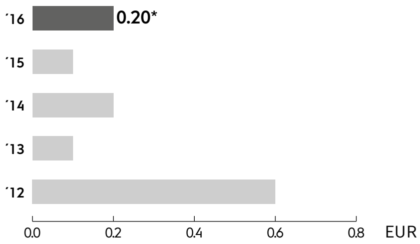
Average share price and turnover 2012–2016



Sanoma share against indexes

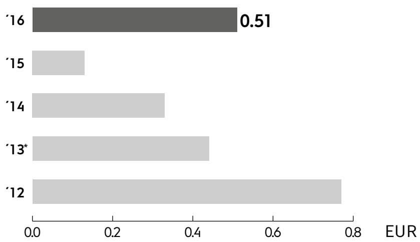


Dividend/share



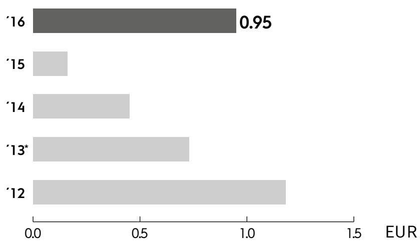
* Proposal of the Board of Directors to the AGM

Operational earnings/share



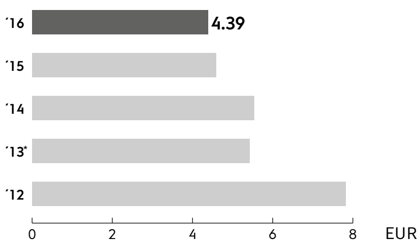
* 2013 figures have been restated due to IFRS 11 'Joint Arrangements'

Cash flow from operations/share



* 2013 figures have been restated due to IFRS 11 'Joint Arrangements'

Equity/share



* 2013 figures have been restated due to IFRS 11 'Joint Arrangements'

Dividend policy

In 2016, Sanoma's dividend policy was: Sanoma follows an active dividend policy and primarily pays out over half of the Group's result excluding items affecting comparability for the period in dividends.

The Board of Directors proposes a dividend of EUR 0.20 (2015: 0.10) per share for 2016.

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

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

Shareholders

On 31 December 2016, the Company had 21,829 (2015: 25,635) shareholders, with foreign holdings accounting for 15.4% (2015: 9.7%) of all shares and votes.

Shareholder agreements

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

Management shareholdings

On 31 December 2016, the combined holdings in the Company shares of 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 25.5% (2015: 25.0%) of all shares and votes. If all outstanding, non-distributed and returned stock options were to be converted into shares through subscriptions the combined holdings of the Board members and the President and CEO (including the bodies they control) would account for 25.5% (2015: 24.7%) of the total post-conversion number of shares and votes, provided that no other changes occur.

More detailed information on stock options held by Sanoma's Board of Directors and the Executive Management Group and share based remuneration of Executive Management Group can be found in Note 33.

Sanoma's guidelines on insider administration are presented in Corporate Governance statement on p.92.

Major changes in shareholdings

Sanoma has not given any flagging announcements of the changes in its ownership during 2016.

Major shareholders on 31 December 2016

	Shareholder	Shares, total	Of shares and votes, %
1	**Jane and Aatos Erkko Foundation**	39 820 286	24.46
2	**Herlin Antti**	18 711 800	11.49
	Holding Manutas Oy	18 680 000	11.47
	Herlin Antti	31 800	0.02
3	**Langenskiöld Robin**	12 273 371	7.54
4	**Seppälä Rafaela**	10 273 370	6.31
5	**Helsingin Sanomat Foundation**	5 701 570	3.50
6	**Ilmarinen Mutual Pension Insurance Company**	3 572 220	2.19
7	**The State Pension Fund**	2 090 000	1.28
8	**Foundation for Actors´ Old-Age Home**	2 000 000	1.23
9	**Noyer Alex**	1 938 965	1.19
10	**Auboin Lorna**	1 852 470	1.14
11	**The WSOY´s Literature Foundation**	1 415 000	0.87
12	**Nordea Life Assurance Finland Ltd.**	985 800	0.61
13	**Oy Karl Fazer Ab**	838 544	0.52
14	**Pension Fund of Werner Söderström Osakeyhtiö**	651 008	0.40
15	**Inez och Julius Polins fond**	646 149	0.40
16	**Langenskiöld Lars Christoffer R.**	645 996	0.40
17	**Langenskiöld Bo Sebastian Eljas**	645 963	0.40
18	**Langenskiöld Pamela**	645 963	0.40
19	**Oy Etra Invest Ab**	550 000	0.34
20	**Finnish Cultural Foundation**	501 590	0.31
	Total	**105 760 065**	**64.96**
	Nominee registrations and foreign shareholders total	20 384 600	12.52

The shareholdings have been grouped for Antti Herlin.

A list of the major shareholders (updated monthly) can be found at Sanoma.com.

Shareholders by sector on 31 December 2016

Sector	Number of shareholders	%	Number of shares	%
Companies	930	4.3	24 764 085	15.2
Financial and insurance institutions	33	0.2	2 360 636	1.5
Public entities	22	0.1	6 843 856	4.2
Households	20 317	93.1	48 084 605	29.5
Non-profit organisations	373	1.7	55 497 164	34.1
Foreign registrations	144	0.7	4 319 177	2.8
Nominee registrations	10	0.0	20 384 600	12.5
Total	**21 829**	**100**	**162 254 123**	**99.7**
On Sanoma ownership	1	0.0	478 497	0.3
In joint and special account			79 473	0.0
Number of shares on the market			**162 812 093**	**100**

Shareholders by number of shares held on 31 December 2016

Number of shares	Number of shareholders	%	Number of shares	%
1–100	5 466	25.0	332 311	0.2
101–1 000	11 943	54.7	5 043 755	3.1
1 001–10 000	3 959	18.1	11 222 461	6.9
10 001–100 000	385	1.8	9 976 904	6.1
100 001–	77	0.4	135 678 689	83.3
Total	**21 829**	**100**	**162 254 123**	**99.7**
On Sanoma ownership	1	0.0	478 497	0.3
In joint and special account			79 473	0.0
Number of shares on the market			**162 812 093**	**100**

Parent Company income statement, FAS

EUR million	Note	1.1–31.12.2016	1.1–31.12.2015
Other operating income	2	**108.5**	108.0
Personnel expenses	3	**-20.9**	-23.9
Depreciation, amortisation and impairment losses	7–9	**-93.7**	-185.5
Other operating expenses	4	**-105.6**	-113.2
Operating profit (loss)		**-111.7**	-214.6
Financial income and expenses	5	**11.4**	94.3
Result before appropriations and taxes		**-100.3**	-120.2
Appropriations	13	**34.1**	16.1
Income taxes	6	**8.6**	3.5
Result for the year		**-57.6**	-100.6

Parent Company balance sheet, FAS

EUR million	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Intangible assets	7	**7.3**	6.7
Tangible assets	8	**10.9**	11.5
Investments	9	**1 797.0**	1 890.0
Non-current assets, total		**1 815.2**	1 908.1
Current assets			
Long-term receivables	10	**7.5**	1.7
Short-term receivables	11	**90.2**	73.9
Cash and cash equivalents		**11.5**	9.7
Current assets, total		**109.2**	85.2
ASSETS, TOTAL		**1 924.4**	1 993.3
EQUITY AND LIABILITIES			
Shareholders' equity	12		
Share capital		**71.3**	71.3
Treasury shares		**-2.1**	-3.2
Fund for invested unrestricted equity		**203.3**	203.3
Retained earnings		**393.6**	511.5
Profit for the year		**-57.6**	-100.6
Shareholders' equity, total		**608.4**	682.3
Appropriations	13	**1.3**	1.0
Liabilities			
Non-current liabilities	14	**200.7**	520.3
Current liabilities	15	**1 114.0**	789.8
EQUITY AND LIABILITIES, TOTAL		**1 924.4**	1 993.4

Parent Company cash flow statement, FAS

EUR million	1.1–31.12.2016	1.1–31.12.2015
Operations		
Result for the period	**-57.6**	-100.6
Adjustments		
Income taxes	**-8.6**	-3.5
Appropriations	**0.3**	0.0
Extraordinary items	**-34.4**	-16.1
Financial income and expenses	**-11.4**	-94.3
Depreciation, amortisation and impairment losses	**93.7**	185.5
Gains / losses on sale of non-current assets	**0.7**	3.2
Change in working capital		
Change in trade and other receivables	**9.0**	-5.1
Change in trade and other payables, and provisions	**8.5**	4.8
Interest paid	**-45.8**	-32.4
Other financial items	**-7.0**	-3.1
Group contributions	**20.1**	104.2
Dividends received	**48.5**	113.2
Taxes paid	**-0.1**	-7.3
Cash flow from operations	**15.8**	148.5
Investments		
Acquisition of tangible and intangible assets	**-3.5**	-6.0
Group companies acquired	**-0.1**	-6.7
Acquisition of other holdings	**-0.5**	
Sales of tangible and intangible assets	**0.4**	0.5
Group companies sold	**3.4**	-0.1
Joint ventures and associated companies sold		26.5
Loans granted	**-40.0**	-23.1
Repayments of loan receivables	**24.5**	107.4
Interest received	**13.5**	18.6
Cash flow from investments	**-2.1**	117.1
Cash flow before financing	**13.7**	265.6
Financing		
Purchase of treasury shares		-3.2
Change in loans with short maturity	**-0.1**	14.4
Drawings of other loans	**427.3**	192.8
Repayments of other loans	**-422.1**	-429.3
Dividends paid	**-16.2**	-32.6
Cash flow from financing	**-11.8**	-257.8
Change in cash and cash equivalents according to cash flow statement	**1.9**	7.8
Net increase(+)/decrease(-) in cash and cash equivalents	**1.9**	7.8
Cash and cash equivalents at 1 Jan	**9.7**	1.9
Cash and cash equivalents at 31 Dec	**11.5**	9.7

Parent Company shareholders' equity

Shareholders' equity, EUR million	2016	2015
Restricted equity		
Share capital at 1 Jan	**71.3**	71.3
Share capital at 31 Dec	**71.3**	71.3
Restricted equity 31 Dec	**71.3**	71.3
Unrestricted equity		
Treasury shares at 1 Jan	**-3.2**	
Acquisition of treasury shares		-3.2
Delivery of treasury shares	**1.0**	
Treasury shares at 31 Dec	**-2.1**	-3.2
Fund for invested unrestricted equity at 1 Jan	**203.3**	203.3
Fund for invested unrestricted equity at 31 Dec	**203.3**	203.3
Retained earnings at 1 Jan	**410.9**	544.0
Dividends	**-16.3**	-32.6
Delivery of treasury shares	**-1.0**	
Other changes	**0.1**	0.1
Retained earnings at 31 Dec	**393.6**	511.5
Profit (loss) for the year	**-57.6**	-100.6
Unrestricted equity 31 Dec	**537.2**	611.0
Total	**608.4**	682.3

Further information on share capital is presented in Note 22.

Distributable earnings, EUR million	2016	2015
Treasury shares	**-2.1**	-3.2
Fund for invested unrestricted equity	**203.3**	203.3
Retained earnings	**393.6**	511.5
Profit (loss) for the year	**-57.6**	-100.6
Total	**537.2**	611.0

Parent Company contingent liabilities

Contingent liabilities, EUR million	2016	2015
Contingencies for own commitments		
Other contingent liability for own commitments	**24.7**	24.7
Total	**24.7**	24.7
Contingencies incurred on behalf of Group companies		
Guarantees *	**308.8**	328.5
Total	**308.8**	328.5
Other liabilities	**15.7**	11.9
Total	**15.7**	11.9
Total	**349.3**	365.2

* Includes the lease guarantee of Sanomala real estate sold in January 2014.

Nominal values of derivatives, EUR million	2016	2015
Interest derivatives		
Interest rate swaps	**100.0**	200.0
Total	**100.0**	200.0
Currency derivatives		
Forward exchange contracts, external	**82.1**	100.2
Forward exchange contracts, internal	**-61.1**	-77.6
Total	**21.0**	22.6
Total	**121.0**	222.6

Fair values of derivatives, EUR million	2016	2015
Interest derivatives		
Interest rate swaps	**-0.4**	-1.5
Total	**-0.4**	-1.5
Currency derivatives		
Forward exchange contracts, external	**6.3**	8.0
Forward exchange contracts, internal	**-6.1**	-8.1
Total	**0.1**	-0.1
Total	**-0.3**	-1.6

The Parent Company's complete Financial Statements (available only in Finnish) can be read at Sanoma.com.

Board's proposal for distribution of profits and signatures

The distributable funds of the Parent Company at 31 December 2016 were EUR 333,842,470.50, of which the loss for the financial year 2016 is EUR 57,624,066.07. Including the fund for non-restricted equity of EUR 203,324,188.83, the distributable funds amount to EUR 537,166,659.33 at 31 December 2016.

The Board of Directors will propose to the Annual General Meeting that

• a dividend of EUR 0.20 per share shall be paid	EUR 32,466,719.20 *
• the following amount shall be transferred to the donation reserve and used at the Board's discretion	EUR 350,000.00
• shareholders' equity shall be set at	EUR 504,349,940.13

No essential changes have taken place in the financial status of the Company after the financial year. The Company's liquidity is good and according to the Board of Directors the proposed dividend will not compromise the Company's liquidity.

* The dividend will be paid to shareholders registered with the Shareholder Register maintained by the Euroclear Finland Ltd on the record date set by the Board for payment of the dividend, Thursday 23 March 2017. The Board will propose to the Annual General Meeting that the dividend will be paid on Thursday 30 March 2017.

Signatures to the Financial Statements and the Board of Directors' Report

Helsinki, 6 February 2017

Pekka Ala-Pietilä
Chairman

Antti Herlin
Vice Chairman

Anne Brunila

Mika Ihamuotila

Nils Ittonen

Denise Koopmans

Robin Langenskiöld

Rafaela Seppälä

Kai Öistämö

Susan Duinhoven
President and CEO

Auditor's report

To the Annual General Meeting of Sanoma Corporation

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of Sanoma Corporation (business identity code 1524361-1) for the year ended 31 December 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the Parent Company's balance sheet, income statement, statement of cash flows and notes.

In our opinion
- the consolidated financial statements give a true and fair view of the Group's financial performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the Parent Company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report.

We are independent of the Parent Company and of the Group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Goodwill (EUR 1,663 million) and acquisition-related intangible assets
- Refer to Accounting policies for consolidated financial statements and Note 15

Key audit matter

- In prior years the Group has expanded its activities through acquisitions. As a result, the Group's balance sheet include a significant amount of goodwill and intangible assets.
- Goodwill represented 64% of the consolidated total assets and 166% of the consolidated total equity as of 31 December 2016.
- Goodwill and intangible assets are tested for impairment annually. The Group calculates the recoverable amount for each cash-generating unit based on the value-in-use method. These recoverable amounts use discounted future cash flow forecasts in which management makes judgments over certain key assumptions, for example profitability level, discount rate and long-term growth rate. Overall, due to the high level of judgment, and the significant carrying amounts involved, this is considered one of the key areas that our audit is concentrated on.

Our response

- We have assessed the principles and integrity of the Group's discounted cash flow model. We have tested the mathematical accuracy of the calculations derived from each forecast model and assessed the reasonableness of the key assumptions, including profitability level, discount rate and long-term growth rates, by reference to the medium-term strategic plans and forecasts approved by the Board, data external to the Group and our own views.
- We have involved KPMG valuation specialists when assessing the inputs and methodology in determining the discount rates, and evaluating the long-term growth rates by comparing to the external market data. We have also performed our own sensitivity analysis to understand the impact of reasonable changes in the key assumptions.
- We have considered the Group's disclosures in respect of the impairment testing.

TV programme rights (EUR 116 million) and prepublication assets (EUR 68 million) included in intangible assets
- Refer to Accounting policies for consolidated financial statements and Note 15

Key audit matter

- Sanoma amortises intangible assets with definite useful lives using the diminishing method for broadcasting rights and the straight-line method for prepublication assets. The Group reviews the carrying values of these intangible assets to determine that these do not exceed the estimated future economic benefits. The assessment is made on a discounted cash flow basis by determining the net present value of the future cash flows expected to be derived from the assets. To the extent that estimated future economic benefits are insufficient, the assets are written down to their recoverable value.
- Judgment is required to assess the recoverability of these assets and hence this is considered one of the key areas that our audit is concentrated on.

Our response

- Our audit procedures for programme rights included, among others assessing the valuation principles applied in the Group, testing the amortization principles based on broadcasting runs and estimated future economic benefits. We have also evaluated management's estimate of the future economic benefits and recoverability of the asset.
- Our audit procedures for prepublication assets included, among others, testing a sample of costs deferred to the balance sheet as prepublication assets, assessing management's analysis of the carrying values of certain prepublication assets and obtaining supporting evidence for management's explanations.
- We have also considered the Group's disclosures in respect of the said intangible assets.

Revenue recognition
- Refer to Accounting policies for consolidated financial statements and Note 6

Key audit matter

- Sanoma Group's net sales, EUR 1,639 million, consists of several revenue streams, for example advertising revenues, revenues from circulation sales and learning solution sales. The revenue recognition principles applied vary depending on the nature of sales and the respective revenue recognition policies. Also Group's businesses continue to evolve and new digital products may result in new revenue arrangements. Consequently this can result in circumstances which require careful consideration to determine when revenue should be recognized.

Our response

- Our audit procedures included, among others:
  - Evaluating whether Sanoma applies appropriate revenue recognition policies through comparison with the relevant accounting standards.
  - Testing the internal controls that Sanoma uses to assess the completeness, accuracy and timing of revenue recognized.
  - Assessing the Group's disclosures in respect of the accounting policies on revenue recognition.

Interests in Group companies in the Parent Company's financial statements (EUR 1,376 million)
- Note 9 to the Parent Company's financial statements

Key audit matter

- Sanoma has assessed the recoverable amounts for interests in group companies based on income approach. In applying this approach the fair value of an investment is calculated based on the discounted cash flow model or the dividend discount model.
- Due to the high level of judgment incorporated in respect of the future cash flows and the significant carrying amounts involved, this is considered one of the key areas that our audit is concentrated on.

Our response

- We have tested the accuracy of the calculations derived from each forecast model and assessed the reasonableness of the key assumptions, including profitability level, discount rate and long-term growth rates, by reference to the latest medium-term strategic plans and forecasts approved by the Board, data external to the Group and our own views.
- We involved KPMG valuation specialists when assessing the inputs and methodology in determining the discount rates, and evaluating the long-term growth rates compared to the external market data.
- We considered the Parent Company's disclosures in respect of the impairment testing.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO FOR THE FINANCIAL STATEMENTS

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and President and CEO are responsible for assessing the Parent Company's and the Group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

OTHER INFORMATION

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OTHER OPINIONS

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki, 6 February 2017

KPMG OY AB

Virpi Halonen
Authorized Public Accountant

Corporate Governance Statement

Sanoma Corporation (the 'Company' or 'Sanoma') complies with the Finnish Corporate Governance Code issued by the Securities Market Association in 2015, with the exception of recommendation 6 of the Code governing the term of Board members (see also Section Election and term of this Statement). The Articles of Association of Sanoma approved by the General Meeting, stipulates a three-year term, as the Company considers that the nature of its business makes it necessary for the members of the Board of Directors to be there for a longer term than one year in order to familiarise themselves with and commit themselves to the Group's operations.

This Corporate Governance Statement has been prepared in accordance with the above-mentioned Code. The Statement has been reviewed by Sanoma's Audit Committee and the statutory auditors have checked that it has been issued and that its description of the main features of internal control and risk management systems related to the financial reporting process is in line with the financial statements. This Statement is presented as a separate report from the Board of Director's Report.

⊕ The Finnish Corporate Governance Code is available at www.cgcode.fi.

Organisational Structure and Statutory Governance Bodies

Sanoma consists of two segments, Consumer Media and Learning, and three Strategic Business Units: Sanoma Media BeNe, Sanoma Media Finland and Sanoma Learning. The line item 'Other companies and eliminations' includes non-core operations, head office functions, real estate companies and group eliminations. Sanoma Corporation is the Parent Company of the Sanoma Group (the 'Parent Company'). Sanoma's administrative bodies are the General Meeting, the Board of Directors and its committees and the President and CEO.

GENERAL MEETING

The General Meeting is Sanoma's highest decision-making body, convening at least once a year in accordance with the Sanoma Articles of Association.

The Annual General Meeting is held by the end of June each year and it handles the matters that fall under its authority according to the Finnish Companies Act as well as any matters proposed to a General Meeting. Extraordinary General Meetings are convened to handle specific matters proposed to a General Meeting.

Notices of General Meetings shall be published in at least one widely circulated newspaper determined by the Board of Directors no earlier than three (3) months prior to the record date of the General Meeting under Chapter 4, Section 2, Subsection 2 of the Finnish Companies Act and no later than three (3) weeks prior to the General Meeting, but in any case the notice must be published at least nine (9) days before the record date of the General Meeting.

The General Meeting handles the matters presented on the agenda by the Board of Directors. According to the Finnish Companies Act, a shareholder may also request that his or her proposal to be handled at the next General Meeting. Such a request shall be made in writing to the company's Board of Directors and the proposed matters shall fall within the competence of the General Meetings according to the Finnish Companies Act. Sanoma informs well in advance on its website the date by which a shareholder shall notify the Board of Directors of any proposals that he or she requests to be included on the agenda of the General Meeting. The request is always deemed to be on time if the Board of Directors has been notified of the request no later than four weeks before the delivery of the notice of the General Meeting.

Shareholders holding a minimum of ten (10) per cent of all shares and the Company's auditor may request the handling of a specified matter at a General Meeting, which the Board of Directors shall convene without a delay upon receipt of such request.

According to the Finnish Companies Act, e.g. the following matters are subject to the decision-making power of a General Meeting:

- amendments to the Articles of Association;
- increases or decreases in share capital;
- issues of shares or other rights entitling to shares;
- acquisition of own shares;
- decisions on the number, election and remuneration of Directors;
- adoption of the financial statements; and
- distribution of profits / allocation of losses.

BOARD OF DIRECTORS

Election and term

In accordance with the Articles of Association of Sanoma, the Board of Directors shall be composed of five to eleven members elected by the General Meeting. The General Meeting also elects the Chairman and the Vice Chairman of the Board of Directors.

The term of a member of the Board of Directors begins at the end of the Annual General Meeting and expires at the end of the third Annual General Meeting following the election. If the office of a member of the Board of Directors becomes vacant before the end of the three-year term, a new member shall be elected for the remaining term. In order to secure the continuity of operations, Sanoma has adopted a practice whereby approximately one third (1/3) of its Board members are elected every year.

According to the Finnish Corporate Governance Code, the term of a member of the Board of Directors is recommended to be one year. The Articles of Association of Sanoma, however, stipulates a three-year term, as the Company considers that the nature of its business makes it necessary for the members of the Board of Directors to be there for a longer term than one year in order to familiarise themselves with and commit themselves to the Group's operations.

The table below presents the details of members at the end of 2016. The Board of Directors convened seven times with an average attendance rate of 94%.

Director	Born	Education	Nationality
Pekka Ala-Pietilä, Chairman	1957	M.Sc. (Econ.), D.Sc. (Tech.) h.c., D.Sc. h.c.	Finnish
Antti Herlin, Vice Chairman	1956	D.Sc. (Econ.) h.c. (The State University of Economics and Finance of St. Petersburg), D.Sc. (Econ.) h.c. (Helsinki School of Economics), D.Sc. (Art and Design) h.c. (University of Art and Design Helsinki), D.Sc. (Tech.) h.c. (Aalto University School of Technology).	Finnish
Anne Brunila	1957	Ph.D. (Econ.), D.Sc. (Econ.) h.c.	Finnish
Susan Duinhoven	1965	Ph.D. (Physical Chemistry), B.S. (Physical Chemistry)	Dutch
Mika Ihamuotila	1964	Ph.D. (Econ.)	Finnish
Nils Ittonen	1954	B.Sc. (Econ.)	Finnish
Denise Koopmans	1962	LL.M.	Dutch
Robin Langenskiöld	1946	B.Sc. (Econ.)	Finnish
Rafaela Seppälä	1954	M.Sc. (Journalism) (Columbia University)	Finnish
Kai Öistämö	1964	Ph.D. (Tech.), M.Sc. (Tech.)	Finnish

Director	Shares and share-based rights *	Independence **	Main occupation	Attendance rate	Term ends
Pekka Ala-Pietilä, Chairman	10 000 shares	1, 2	Chairman of the Board of Directors of Huhtamäki	86%	2017 AGM
Antti Herlin, Vice Chairman	18 711 800 shares	1	Chairman of the Board of Directors of KONE	86%	2019 AGM
Anne Brunila	910 shares	1, 2	Professor of Practice, Hanken	86%	2019 AGM
Susan Duinhoven	71 629 shares	2	President and CEO, Sanoma	100%	2018 AGM
Mika Ihamuotila	150 000 shares	1, 2	Executive Chairman of the Board of Directors of Marimekko	100%	2019 AGM
Nils Ittonen	59 000 shares	1	Chairman of the Board of Directors of Jane and Aatos Erkko Foundation	100%	2017 AGM
Denise Koopmans	0 shares	1, 2	Independent Board Director	100%	2018 AGM
Robin Langenskiöld	12 273 371 shares	1, 2	Board Member of Sanoma	100%	2018 AGM
Rafaela Seppälä	10 273 370 shares	1, 2	Board Member of Sanoma	100%	2017 AGM
Kai Öistämö	8 265 shares	1, 2	Executive Partner, Siris Capital Group	86%	2017 AGM

* Shares and share-based rights in Sanoma, including corporations over which the director excerices control
** Independence:
1: Member is a non-executive director and independent of the Company
2: Member is independent of major shareholders as stipulated in the Finnish Corporate Governance Code

Sanoma has not established a Nomination Committee. The largest shareholder(s) of Sanoma may propose new Board members based on applicable rules and regulations (including the Finnish Corporate Governance Code).

In order to ensure that the Board of Directors has sufficient and versatile competencies, mutually complementing experience and knowledge of the industry, a range of diversity aspects is considered (such as business experience, international experience, age, education and gender) when preparing the proposal for Board members to the Annual General Meeting. Matters related to the diversity of Board of Directors are defined in the Group's Diversity Policy, approved by the Board of Directors.

In 2016, 40% of Sanoma's Board members were women. Sanoma had Board members both from Finland and Netherlands with versatile business experience.

In order to develop its performance, the Board of Directors employs an assessment process on a regular basis.

Duties of the Board of Directors

The duties of Sanoma's Board of Directors are set forth in the Finnish Companies Act and other applicable legislation. The Board of Directors is responsible for the management of the Company and its business operations. Additionally, the Board of Directors is responsible for the appropriate arrangement of bookkeeping and financial administration.

The operating principles and main duties of the Board of Directors have been defined in the charter of the Board of Directors.

The Board of Directors, for example:
- decides on the long-term goals and business strategy of the Group for achieving the long-term goals;
- approves the Group's reporting structure;
- decides on acquisitions and divestments, financial matters and investments which have a value exceeding EUR 5.0 million or otherwise are strategically significant or involve significant risks or relate to divestment, lay-off or termination of employment of 100 employees or more;
- ensures the adequacy of planning, internal control and risk management systems and reporting procedures;
- performs reviews and follow-ups of the operations and performance of the Group companies;
- approves the Interim Reports, the Financial Statements and the Board of Directors' Report as well as the Corporate Governance Statement and statement of remuneration of the Company;
- appoints and dismisses as well as decides on the remuneration of
    - the President and CEO,
    - his or her deputy,
    - the CEOs of Strategic Business Units,
    - the executives of Sanoma, who are Executive Management Group members,
    - certain executive positions ('Key Executives') as determined by the Board of Directors;
- confirms the Group's values; and
- approves the Group's key policies.

Committees appointed by the Board

The Board of Directors may appoint committees, executive committees and other permanent or fixed-term bodies for duties assigned by the Board of Directors. It also confirms the charter of the committees as well as provides the policies given to other bodies appointed by the Board of Directors.

Sanoma has an Executive Committee that prepares proposals for matters to be decided or noted by the Board of Directors.

In addition to the Executive Committee, Sanoma's Board committees include the Audit Committee and the Human Resources Committee. The respective charters have been approved by the Board of Directors. The committees report regularly to the Board of Directors.

The members of the committees are appointed among the members of the Board of Directors in accordance with the charter of the respective committee. In the Executive Committee, also President and CEO is a member of the Committee independent of his/her membership in the Board of Directors. The committees are neither decision-making nor executive bodies.

Executive Committee

The Executive Committee prepares matters to be considered at the Board of Directors' meetings. In addition, the Board has delegated its decision making authority to the Executive Committee on acquisitions and divestments, financial matters and investments which have a value exceeding EUR 3.0 million but below EUR 5.0. The Executive Committee consists of the Chairman and Vice Chairman of the Board, the President and CEO and at the Chairman's invitation one or several members of the Board.

In 2016, the Executive Committee comprised Pekka Ala-Pietilä (Chairman), Antti Herlin, Nils Ittonen and Susan Duinhoven. The Executive Committee convened 14 times in 2016 with an average attendance rate of 95%.

Attendance at the meetings by individual members of the Executive Committee: Pekka Ala-Pietilä 100%, Antti Herlin 79%, Nils Ittonen 100%, Susan Duinhoven 100%.

Audit Committee

The Audit Committee is established by the Board of Directors to assist the Board in fulfilling its oversight responsibilities for matters pertaining to financial reporting and control, risk management, external auditing, and the internal audit activity in accordance with the charter approved by the Board of Directors, the Finnish Corporate Governance Code and applicable laws and regulations. The Audit committee reviews the Corporate Governance Statement.

During the financial year 2016 the Audit Committee:
- approved annual schedule for the Audit Committee;
- discussed dividend and the outlook for 2016;
- discussed amendments to the Audit Committee Charter necessary due to the new Corporate Governance Code and recommended approval of a revised charter to the Board;
- reviewed the Corporate Governance statement and recommended approval thereof to the Board;

- reviewed the changes forthcoming due to EU Audit reform;
- discussed and organised a tender process for Statutory Audit;
- reviewed non-audit assignments and decided to delegate preapproval thereof up to EUR 50,000 for a single assignment to President and CEO (or a person authorised by her);
- reviewed regular compliance updates;
- reviewed reports prepared by the auditors;
- discussed accounting principles and changes in IFRS standards;
- reviewed results of the Related Party Assessment;
- proposed to the 2016 AGM that KPMG Oy AB, Authorised Public Accountants, be re-elected as the auditor for the fiscal year 2016;
- reviewed the group cost allocation principles;
- reviewed and discussed tax matters;
- reviewed the group contribution plan;
- reviewed and approved the internal audit plan and followed up on its progress (including audit assurance updates);
- reviewed quarterly claim overviews to assess litigation risks;
- followed the progress of the internal control roadmap (including ICT and security related controls and assessment on Cyber maturity);
- reviewed interim reports and quarterly investor presentations;
- reviewed impairment calculations;
- reviewed quarterly reports on treasury matters and mid- and long-term refinancing and funding plans as well as internal credit limits;
- reviewed the risk management process, discussed the risk analyses, the biggest risks and related risk management measures;
- Discussed Market Abuse Regulation, reviewed the revised Insider Policy and recommended approval of the same to the Board; and
- reviewed the new Anti-Bribery and Corruption Policy, revised Internal Control Policy, Internal Audit Policy, Disclosure Policy and Enterprise Risk Management Policy and recommended their approval to Board.

In accordance with its Charter, the Audit Committee comprises three to five members, appointed annually by the Board of Directors. Members of the Committee shall be independent of the Company and at least one member shall also be independent of significant shareholders. The Committee meets at least four times a year. The Charter of the Audit Committee was revised due to new Corporate Governance Code in April 2016.

In 2016 the Audit Committee comprised Anne Brunila (Chairman), Nils Ittonen, Denise Koopmans (as of 12 April 2016) and Robin Langenskiöld. All members of the Committee are independent of the Company and three members (Anne Brunila, Denise Koopmans and Robin Langenskiöld) independent of significant shareholders. The Audit Committee convened five times in 2016 with an average attendance rate of 89%.

Attendance at the meetings by individual members of the Audit Committee: Anne Brunila 100%, Nils Ittonen 100%, Denise Koopmans 75% and Robin Langenskiöld 80%.

Human Resources Committee

The Human Resources Committee is responsible for preparing human resources matters related to the compensation of the President and CEO and Key Executives, evaluation of the performance of the President and CEO and Key Executives, Group compensation policies, Human Resources policies and practices, development and succession plans for the President and CEO as well as Key Executives, and other preparatory tasks as may be assigned to the Committee from time to time by the Board of Directors and/or Chairman of the Board of Directors. In addition, the Committee discusses the composition of the Board of Directors and succession in the Board of Directors.

During the financial year 2016 the HR Committee:
- reviewed total compensation levels for key executives compared to the external benchmark and prepared their total compensation decisions for the approval of the Board;
- discussed the 2015 performance rating distribution as well as 2016 and 2017 salary review principles of the senior management;
- submitted the realisation of 2015 long-term incentive targets to the Board for approval;
- submitted the pay-out of the 2014 long-term incentive plan to the Board for approval;
- discussed and submitted for the approval of the Board the performance targets for the Performance Share Plans 2016–2018 and 2017-2019;
- prepared the proposal for 2016 long-term incentive grants for Key Executives for the approval of the Board;
- reviewed the long-term incentive principles and the short-term incentive framework;
- discussed the annual targets for Key Executives and submitted them for the approval of the Board;
- discussed organizational changes as well as top-level leadership appointments with the management;
- discussed the employee engagement survey results and actions based on the results with the management;
- discussed with the management of the Human Resources agenda;
- discussed with the management of the diversity policy.

The Human Resources Committee comprises three to five members, appointed annually by the Board of Directors. A majority of the members shall be independent of the Company. The Committee meets at least twice a year.

In 2016 the Human Resources Committee comprised Kai Öistämö (Chairman), Mika Ihamuotila and Rafaela Seppälä. All members of the Committee are independent of the Company and major shareholders. The Human Resources Committee convened five times with an average attendance rate of 100%.

Attendance at the meetings by individual members of the Human Resources Committee: Kai Öistämö 100%, Mika Ihamuotila 100% and Rafaela Seppälä 100%.

PRESIDENT AND CEO

The duties of the President and CEO of Sanoma are governed primarily by the Finnish Companies Act. The President and CEO assumes independent responsibility for the Group's daily operations, in line with the following duties, e.g.:
- seeing that the accounts of the Company are in compliance with the law and that its financial affairs have been arranged in a reliable manner;

- managing the Group's daily operations in line with the long-term goals and business strategy of the Group approved by the Board of Directors and in accordance general policies adopted by the Board of Directors and other applicable guidelines and decisions;
- decide on acquisitions and divestments, financial matters and investments which have a value up to EUR 3.0 million or otherwise are strategically significant or involve significant risks or relate to the divestment, lay-off or termination of employment of 50 employees or more;
- preparing decision proposals and matters for information for the Board of Directors meetings (together with the Chairman of the Board of Directors), and presenting these matters and the agenda to the Board of Directors and its Committees;
- approving Group level standards; and
- chairing Sanoma's Executive Management Group.

The President and CEO may take extraordinary or wide-ranging action only under a separate authorisation from the Board of Directors or when the time delay involved in waiting for a decision of the Board of Directors would cause substantial loss to Sanoma.

In 2016, Susan Duinhoven, born 1965, Ph.D. (Physical Chemistry), B.S. (Physical Chemistry) served as the President and CEO of the Company.

At the end of 2016, President and CEO Susan Duinhoven held 71,629 Company shares.

EXECUTIVE MANAGEMENT GROUP

The Executive Management Group supports the President and CEO in his or her duties in co-ordinating the Group's management and preparing matters to be discussed at Board meetings, such as:
- the long-term goals and business strategy of the Group for achieving the long-term goals;
- acquisitions and divestments;
- organisational and management issues;
- development projects;
- internal control; and
- risk management systems.

The Executive Management Group is chaired by the President and CEO of Sanoma and in 2016 comprised the CEOs of Sanoma Media Finland, Sanoma Media BeNe and Sanoma Learning as well as the CFO (Chief Financial Officer).

The following persons served on Sanoma' Executive Management Group at the end of 2016:
- Susan Duinhoven, President and CEO, born 1965, Dutch citizen. Ph.D. (Physical Chemistry), B.S. (Physical Chemistry).
- Kim Ignatius, CFO, born 1956, Finnish citizen. B.Sc. (Econ.)
- Pia Kalsta, CEO, Sanoma Media Finland, born 1970, Finnish citizen. M.Sc. (Econ.)
- John Martin, CEO, Sanoma Learning, born 1970, British citizen. Ph.D. in Molecular Biology, B.Sc. (Hons) in Biochemistry.
- Peter de Mönnink, CEO, Sanoma Media BeNe, born 1963, Dutch citizen. B.Sc.

Shares and share-based rights of the members of Executive Management Group at the end of 2016:
- Susan Duinhoven: 71,629 shares and share-based rights.
- Kim Ignatius: 4,701 shares and share-based rights.
- Pia Kalsta: 3,189 shares and 5,000 Options (2011). Total shares and share-based rights 8,189.
- John Martin: 12,096 shares and share-based rights.
- Peter de Mönnink: 2,375 shares and share-based rights.

More information about the members of the EMG is available at Sanoma.com.

Internal Control and Risk Management Systems

AUDIT & ASSURANCE

The Audit and Assurance function reports to Sanoma's President and CEO, and to the Audit Committee of the Board of Directors. It co-operates with the management of the Group and the SBUs as well as with the Group's statutory auditors.

The scope of Audit and Assurance covers Internal Audits and Risk Assessments as well as monitoring of Internal Control process related work regarding all organisational levels and businesses. The Audit and Assurance function supports the development of the organisation and provides additional assurance with a risk based approach.

The operations of the function are steered by Sanoma's Corporate Governance Framework and Group Policies on Internal Audit, Internal Control and Enterprise Risk Management.

INTERNAL CONTROLS

Sanoma's Internal Control Policy defines the internal control process applicable to all Sanoma entities. The internal control process includes control objective setting, control design and implementation, operating effectiveness testing, monitoring and continuous improvement, and reporting.

The company's values and Code of Conduct lay the foundations and set the tone for the internal control framework at Sanoma. The Internal Controls framework has been defined by using a top-down, risk based approach. Internal Controls consist of Entity-level controls, Process level controls and ICT general controls.

Entity level controls are controls that apply to all levels of Sanoma (i.e. Group, SBU, business and entity-level) and can relate to more than one process. Entity-level control activities are, for example, existence and active implementation of code of conduct and different Group policies and guidelines.

Process-level control activities are designed to mitigate risks relating to certain key processes. Examples of such processes are sales, purchase-to-pay and payroll. Typical process-level controls are automated or manual reconciliations and approvals of transactions.

ICT general controls are embedded within ICT processes that provide a reliable operating environment and support the effective operation of application controls. Controls that prevent inappropriate and unauthorised use of the system and controls over the effective acquisition are examples of ICT general controls.

CONTROL ENVIRONMENT

Management of the Group and its businesses is based on a clear organisational structure, well-defined areas of authority and responsibility, common planning and reporting systems, and policies and guidelines.

The Sanoma Board of Directors approves all Group-level policies including governance-related policies such as Sanoma's Corporate Governance Framework, Code of Conduct, Enterprise Risk Management Policy, Internal Control Policy and Treasury Policy. Sanoma's strategy and business objectives as well as Sanoma's Corporate Governance Framework set the foundation for the Internal Control processes.

The Audit Committee, in order to assist the Board of Directors in its responsibilities, deals with matters related to financial reporting procedures, the Group's risk management, the reliability and effectiveness of internal control systems, and compliance with Sanoma's Corporate Governance Framework, as well as matters related to statutory audit and internal audit work.

The Parent Company is responsible for carrying out Sanoma's statutory duties as a publicly listed company under, for example, the Finnish Securities Market Act, for managing communications with key stakeholders including investor relations, centralised treasury activities, as well as Group compliance with applicable laws and regulations. In addition, the Parent Company supports the President and CEO in driving the performance of the SBUs and in the management of the Group's daily operations. The Parent Company drives cross-business and cross-border co-operation projects and improvement initiatives and provides support and guidance to the SBUs in areas such as finance and control, human resources, communications, legal affairs, taxation, M&A, treasury, ICT/corporate systems, and real estate.

Sanoma's SBUs operate within the approved scope of strategic goals and financial targets, Sanoma's Corporate Governance Framework as well as within Group policies and guidelines. In addition, Sanoma's shared values govern the daily operations of the personnel.

RISK MANAGEMENT

The Audit and Assurance function coordinates the Group risk management process and produces periodical risk reports for the President and CEO and the Executive Management Group. Updated Group risk assessment results with related ongoing or planned mitigation actions are communicated to the Audit Committee and further to the Board of Directors twice a year.

The main objective of Sanoma's Risk Management Policy is to identify and manage essential risks related to the execution of Sanoma Group's strategy and operations. The Risk Management Policy defines Group-wide risk management principles, objectives and responsibilities within the Sanoma Group.

The Board of Directors is responsible for approving and setting Sanoma's Risk Management Policy and for overseeing the effectiveness of risk management.

The Audit Committee regularly reviews and monitors the implementation of the Risk Management Policy and risk management process.

The President and CEO is responsible for defining risk management strategies and procedures, and setting risk management priorities.

Sanoma has a Group-wide risk reporting process for assessment of significant risks. Risk assessment is linked to the Group's strategy process and strategic objectives. A risk framework is used for identifying and assessing risks, as well as for defining risk management activities. Risks and their probability of occurrence are assessed in different stages of decision-making.

Managing business risks and the opportunities associated with them is a core element in the daily operational responsibilities of Sanoma's management. Risk-taking is an essential part of a competitive business. While executing strategy, Sanoma and its SBUs are exposed to numerous risks and risk taking opportunities.

COMPLIANCE

Sanoma is committed to complying with international and local laws and ethical policies in accordance with the Sanoma Code of Conduct approved in 2014. The Company has a Compliance function, which supports business operations and corporate administration by developing practices related to identifying and complying with applicable law and regulations, as well as internal policies and guidelines. The key tasks of Sanoma's Compliance function are to minimize the risk of infringement of applicable regulatory requirements in all operations, to maintain Sanoma's compliance programme and to ensure the continuous development of an ethical business culture.

Each Group function in the Parent Company prepares policies for Board approval and standards to be approved by the President and CEO regarding its area of responsibility. Group policies and standards are available on Sanoma intranets in full. In addition, Strategic Business Units and Business Units may have their own instructions within the set policies and standards. These instructions are available on the respective intranets.

Breaches of the Code of Conduct or related policies or laws may be reported through internal channels or through an externally hosted confidential hotline, which may be used anonymously. Sanoma does not tolerate retaliation against any employee who makes a report in good faith.

Claims against Sanoma are monitored by Group Legal Affairs through a process covering claims over EUR 0.2 million or resulting in a potential negative effect of over EUR 0.2 million, whether by a governmental body, partner, agreement counterpart, personnel or some other party.

MONITORING OF FINANCIAL REPORTING PROCESS

The Group Finance and Control is as part of the Parent Company and prepares guidelines of the control points for the SBUs, approved by the President and CEO, both for transactions and for periodic controls. Periodic controls are linked to the monthly and annual reporting process and include reconciliations and analyses to ensure the accuracy of financial reporting. These control activities at the levels of both the Parent Company and SBU seek to ensure that potential deviations and errors are prevented, discovered and corrected. Internal control systems cover the whole financial reporting process.

The Group's financial performance is monitored on a monthly basis using a Group-wide financial planning and reporting system, which includes actualised income statements, balance sheets, cash flow statements and key performance indicators, as well as estimates for the current financial year.

Furthermore, business reviews between Group and SBU management are held at least quarterly. In addition to the SBUs' financial performance, issues including changes in the operating environment, future expectations, structure and status of business development are also discussed in these meetings. The business reviews also have a role in the process of ensuring that the continuous risk assessment and internal control systems are functioning properly.

Audit

The main function of the statutory audit is to verify that the financial statements provide true, accurate and sufficient information on the Sanoma Group's performance and financial position for the financial year. The Sanoma Group's financial year is the calendar year.

The auditor's responsibility is to audit the correctness of the Group's accounting in the respective financial year and to provide an auditors' report to the General Meeting. In addition, Finnish law requires that the auditor monitors the lawfulness of the company's administration. The auditor reports to the Board of Directors at least once a year.

According to the Articles of Association, Sanoma shall have one auditor, which shall be an audit firm authorised by the Central Chamber of Commerce. The term of office of the auditor expires at the end of the next Annual General Meeting following the election.

According to the Finnish Auditing Act (1141/2015), the aggregate duration of the consecutive terms of a person or an audit firm acting as the auditor in a public company may not exceed ten years. The statutory auditor or audit firm shall be elected after the maximum term of ten years only if the audit is tendered in accordance with the EU Audit regulation[1] Article 16, paragraphs 2–5.

In 2016, KPMG Oy Ab, with Virpi Halonen, Authorised Public Accountant, as Auditor in Charge acted as Sanoma's statutory auditor. Remuneration paid for audit services in 2016 amounted to EUR 1.4 million. Remuneration paid to the Company's auditor for non-audit services in 2016 amounted to EUR 0.2 million.

[1] REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014

Insider Administration

Sanoma's Insider Policy complies with the Guidelines for Insiders issued by Nasdaq Helsinki Ltd.

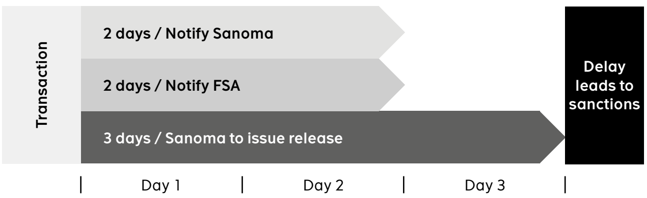
According to Sanoma's Insider Policy a person who has learned Inside Information may not use the information by acquiring or conveying Sanoma's Financial Instrument (either on his own behalf or on behalf of another, directly or indirectly), or give advice on their acquisition or disposal (either directly or indirectly). This also applies to advice not to trade.

Any person possessing Inside Information related to Sanoma's Financial Instruments is not allowed to disclose Inside Information. The duty of confidentiality does not restrict information from being given by such employees who need to share this information to fulfil their tasks for Sanoma.

Permanent insiders have access to all Inside Information due to the nature of their position at Sanoma ("Permanent Insider"). Permanent Insiders need not be reported separately on each deal-specific/event based insider list. Based on the decision by the Board of 26 July 2016 there are at the moment no Permanent Insiders at Sanoma.

The "Closed Period" means a thirty (30) calendar days' period before the announcement of year-end Financial Statements Release and Interim Report of Sanoma. Regardless of possession of Inside Information, the members of the Board and the President and CEO shall not conduct any Transactions in Sanoma Instruments on own account or on account of a third party during the Closed Period. Transactions are also not allowed during the entire publication day.

In addition Sanoma recommends that EMG members and persons engaged in financial reporting process do not trade in Sanoma Instruments during the Closed Period and on the publication day. The picture below illustrates the process that the Board members, the President and CEO, and "Persons Closely Associated" with them strictly need to comply with when notifying Transactions in Sanoma Instruments to Financial Supervisory Authority (FSA) and Sanoma.



Related Party Transactions

Sanoma has a Related Party Policy under which certain members of the management as defined by the policy are under obligation to submit for prior approval envisaged related party transactions.

Risk management

While executing its strategy and reaching for agreed business objectives, Sanoma and its businesses encounter numerous risks as well as risk-taking opportunities. Managing business risks and the opportunities associated with them is a core element in the daily responsibilities of Sanoma's management.

Risk Management Policy and process

Sanoma's Risk Management Policy describes the scope, objectives, processes as well as roles and responsibilities of various corporate bodies.

The Board of Directors is responsible for approving and setting Sanoma's Risk Management Policy and for overseeing the effectiveness of risk management.

The Audit Committee regularly reviews and monitors the implementation of the Risk Management Policy and risk management process.

The President and CEO, with the support of the Executive Management Group, is responsible for defining risk management strategies and procedures, and for setting risk management priorities. The President and CEO is also responsible for defining changes in the risk reporting process, in the Sanoma common risk language and in the applied risk model.

The Audit and Assurance function coordinates the Group risk management process and produces periodical risk reports for the President and CEO and the Executive Management Group. Updated Group risk assessment results with related ongoing or planned mitigation actions are communicated to the Audit Committee and further to the Board of Directors twice a year.

The Group's risk management process is integrated into the systems for strategic planning, management monitoring and quarterly reporting. Strategic Business Units ('SBU') and businesses identify, assess, manage and monitor risks related to achieving the objectives of their operations.

⊕ Group internal control systems, as well as internal audit and external audit activities are presented in more detail in the Corporate Governance Statement, on pp. 86–92, and at Sanoma.com.

Identified key risks

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

In 2016 around 36% of Sanoma's net sales were derived from media advertising and some 33% from single copy or subscription sales. Rapid changes in media advertising and consumer confidence will affect the Group's results.

In Sanoma's risk model, the Company-specific risks are divided into four main categories: strategic, operational, financial and hazard risks. The most significant risks in each category, that is, those that could have a negative impact on Sanoma's business activities, operations' performance, or financial status if realised, are illustrated below.

STRATEGIC RISKS

Strategic risks include risks related to changes in customer preferences or the competitive situation as well as risks regarding suppliers or operating countries, intellectual property rights, laws and regulations. Risks associated with mergers and acquisitions, Sanoma's strategic agility, development of technology and innovation capabilities are also included in strategic risks.

At the Group level, the most significant risks relate to changes in customer preferences and the threat of new entrants. The management and protection of customer data and intellectual property rights are also associated with these risks.

Changes in customer preferences and the threat of new entrants

Many of the identified risks relate to changes in customer preferences. This applies both to the changes in consumer behaviour as well as to the changes in the behaviour and influence of business-to-business customers.

Ongoing digitisation and mobilisation is the driving force behind many of these changes. The increased usage of mobile devices has changed the way people consume media. There is also a trend of decreasing viewing time in free-to-air TV.

Sanoma's strategic business units have action plans on how to respond to this challenge. The media units are, for example, developing hybrid products and services built around specific domains. Nevertheless new entrants and / or new technological developments might be in a better position to utilise changes in customer preferences and digitisation, and therefore gain market share from Sanoma's established businesses. Sanoma constantly develops its offering to advertisers, introducing services such as cross-media solutions, native/branded content and sales of premium content.

Mergers & Acquisitions ('M&A')

Sanoma has previously grown through acquisitions. Acquisitions can include risks related to the actual transaction process, integration of the new business, retention of key personnel and achieving the targets set for operations.

Regarding risks associated with acquisition decisions, the Sanoma Corporate Governance Principles specify the approval procedures for investments (including acquisitions). The Group's M&A Policy defines the decision-making and follow-up within the Group for mergers and acquisitions, how the M&A projects are organised and how the decision-making is to be formatted. In addition, various bodies discuss investments when addressing strategies as well as action and operational plans that are outside the formal process set out in the M&A Policy. Final investment decisions are made on the basis of specific proposals, in accordance with the form set out in the M&A Policy and authorisations governing approval of investments. A specific proposal for a major acquisition is submitted for the purpose of decision-making, providing information on issues such as the strategic reasons for the transactions with related risks, key terms of the underlying documentation and synergy calculations. In the Group's M&A Policy, there is also a procedure for follow-up of acquisitions.

Laws and regulations

Changes in laws and regulations may affect Sanoma's ability to effectively conduct business. Changing regulations regarding the use of consumer data for commercial purposes and the deterioration of publisher's and broadcaster's copyright protection or changes in legislation related to education can have impact on Sanoma's commercial propositions and content investments. Furthermore changes in tax legislation, such as higher value added tax rates for printed products, might have significant financial consequences.

Monitoring and anticipating developments regarding changing legislations and adapting business models accordingly are ways to partially mitigate these risks.

Intellectual Property Rights ('IPR's)

Key IPRs with regard to Sanoma's products and services are the copyrights including publishing rights, trademarks, business names, domains, know-how, and e-business-related patents and utility models owned and licensed by the Group.

The acquisition, management and exploitation of IPRs involve risks associated with the scope of rights, continuity of rights and insufficient protection of rights or infringements. Unauthorised use of IPRs increases with the digitisation of media. Copyright enforcement lags behind rapid technology development making it possible for new players to enter into the online advertising market without their own investments into content.

In the wake of the European Commission having published its Digital Single Market Strategy, emerging new regulation will likely have an impact in existing business models concerning licensing and distribution of content, and increases competition, complexity and cost pressure.

Sanoma manages rights in accordance with the Group-wide IPR policy and procedures. Because of the dispersed IPR portfolio, no material risks arise in relation to any individual IPR cases.

Political Risks

Political changes or instability in countries Sanoma is operating in may affect the ability to effectively conduct business. Reasons can be a change in government, legislative bodies, other foreign policy makers, or even military intervention. Monitoring and anticipating developments regarding changing political climate are a priority for management in countries where Sanoma conducts business.

Currently Sanoma faces political risks in Poland, where legislative changes can have significant impacts on the learning business. Monitoring and anticipating developments regarding changing legislations and adapting business models accordingly are ways to partially mitigate these risks.

OPERATIONAL RISKS

Operational risks relate to the quality of products and services, customer satisfaction, readiness to change, information and communication technologies, integration of new operations, human resources and leadership as well as to knowledge management.

Operational risks related to product and service quality and customer satisfaction vary by strategic business unit. At the Group level, the most significant risks are associated with leadership and human resources, knowledge management and (security of) information technology systems.

Leadership and human resources

The Group's successful performance depends on how competent its management and its personnel are, as well as the ongoing development of their competencies and skills. In particular, their competencies and skills in developing appealing products and services for Sanoma's customers in line with customer needs in a constantly and rapidly changing environment play an important role. The Group's success requires a culture that supports innovation, facilitates change and renewal and encourages balanced risk taking. Sanoma's leadership plays a big role in creating this culture and in leading by example.

Nowadays, to recruit and retain talent is becoming more and more a challenge. Sanoma's primary respond to this is to offer an innovative workplace and learning opportunities for all employees, by providing for example e-learning via an online Learning Management System and other in-house training programmes in each of its businesses. The learning opportunities focus mainly on transforming employees' current skills to skills that are required in the digital world. Also Sanoma's strong brand portfolio makes the company interesting for potential employees. Finally, remuneration principles and practices are aligned in order to enhance the retention and recruitment of talented personnel. In addition to this, Sanoma Group focuses on succession planning for top positions. There are supporting HR systems in place to keep track of employee's performance.

Knowledge management

The management and transfer of knowledge across the Group are crucial for the success of Sanoma. It is important that information, best practices and successful business concepts are obtained and shared within and between strategic business units. One of the ways to ensure that knowledge flows efficiently is to develop clear processes. During the recent years, Sanoma has reviewed and renewed its Corporate Governance Framework and most of its policies and created a Code of Conduct. In 2016, internal online trainings modules on e.g. ICT Security and Privacy were launched.

Information and Communication Technologies ('ICT') systems

Reliable ICT systems are an integral aspect of the Group's business. These systems include online services, newspaper and magazine subscriptions, advertising and delivery systems, digital learning platforms, as well as various systems for production control and the management of customer relations.

Regarding ICT security, risks relate to confidentiality, integrity or availability of information, as well as reliability and compliance of data processing. These can be divided into physical risks (fire, sabotage and equipment breakdown) and logical risks (related to data security, employees and software failure). Sanoma has established continuity plans for systems critical to the Group. Sanoma's ICT Governance model includes responsibilities regarding ICT security.

Data is an increasing part of Sanoma's products and services through personalized features and content recommendations. Sanoma's principles and governance model for privacy and data protection are approved by the Board, and in 2016 Sanoma launched Group-wide training on these policies.

FINANCIAL RISKS

Sanoma is exposed to financial risks including interest rate, currency, liquidity and credit risk. Other risks include risks related to equity and impairment of assets. Financial risk management is centralised to Group Treasury, and aims to hedge the Group against all material risks. Group Treasury operates as counterparty to business units in risk management.

Financial risks can be mitigated with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable. The Group used interest rate and currency swaps to hedge against financial risks during the year. The Group's interest rate risk is mainly related to changes in the reference rates of floating rate loans in the Group's loan portfolio, and managed by using a mix of fixed and floating rate loans, and some interest rate derivatives. The majority of the Group cash flow from operations is denominated in euros, but the Group is exposed to some transactional currency risk resulting from revenue and expenditure in foreign currencies. The main source of transaction risk in 2016 was the acquisition of TV programming rights in US dollars. The Group uses forward contracts as a means of hedging against significant transaction risks.

Liquidity risk relates to servicing debt, financing investments and retaining adequate working capital. Sanoma aims to minimise its liquidity risk by ensuring sufficient revenue financing, maintaining adequate committed credit limits, using several financing institutions and forms of financing, and spreading loan repayment programmes over a number of calendar years.

Sanoma's long-term objective is to have a capital structure where net debt/EBITDA ratio is below 2.5, and equity ratio 35%–45%. This can be achieved by ensuring strong cash flow from operations and managing financial risks efficiently.

The consolidated balance sheet on 31 December 2016 included about EUR 2.1 billion in goodwill, publishing rights and other intangible assets, most of which are related to magazine and TV operations in the Netherlands. In accordance with the IFRS, instead of goodwill being amortised, 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 2016 totalled EUR 36.6 million (2015: 106.7), and there were no indicators of other impairment impacts on the Group's financials. Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity-related ratios.

⊕ A more detailed description of the Group's financial risk management can be found in Note 29.

HAZARD RISKS

Hazard risks include business interruption and risks associated with health and safety issues or environmental issues. Material hazard risks are mitigated through process management and operational policies as well as through 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.

Investing in Sanoma

Annual General Meeting

Sanoma Corporation's Annual General Meeting of Shareholders (AGM) will be held on 21 March 2017 at 14:00 (CET+1) at the Scandic Park Helsinki (Mannerheimintie 46, 00260 Helsinki, Finland).

NOTICE OF THE AGM

A notice of the AGM is published in at least one widely circulated newspaper. The meeting agenda is included in the notice. The notice of the meeting and the Board's proposals are also published as a Stock Exchange Release and on the Group's website.

In accordance with the Finnish Limited Liability Companies Act, a shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice.

ATTENDING THE AGM

A shareholder, who is registered in the list of shareholders, maintained by Euroclear Finland Ltd, on 9 March 2017, has a right to participate in the AGM.

REGISTRATION

Shareholders wishing to attend and to use their voting rights are kindly requested to register no later than on 15 March 2017 at 16:00 (CET+1). Registration can be made at Sanoma.com, by phone +358 20 770 6864, by fax +358 10 519 5058 or by mail to Sanoma Corporation, AGM, P.O. Box 60, 00089 Sanoma, Finland.

The holder of nominee registered shares is requested to ask, in good time, his/her asset manager to provide the necessary instructions for registration in the shareholder register, for issuing proxies and for registration for the AGM. The account operator of the asset manager must register the holder of nominee-registered shares wishing to attend the AGM to the Company's temporary shareholder register no later than on 16 March 2017 at 10:00 (CET+1).

Shareholders wishing to attend the AGM are requested to register within the time specified in the notice. Shareholders not able to participate in the AGM may appoint an authorised representative or statutory representative. Shareholders are requested to submit possible proxies within the registration time limit to:

Sanoma Corporation
AGM
P.O. Box 60
00089 SANOMA, Finland

DIVIDEND

The Board of Directors proposes to the AGM that a dividend of EUR 0.20 per share should be paid for 2016. All shareholders registered on the Company's list of shareholders (maintained by Euroclear Finland Ltd) on the record date of 23 March 2017 are entitled to the dividend decided by the AGM. In Finland, the dividend payment date will be 30 March 2017. Outside Finland, the actual dividend payment date will be determined by the practices of the intermediary banks transferring the payments.

Sanoma's financial reporting during 2017

The Group's Interim Reports in 2017 will be published:
- Interim Report January–March on 26 April, at approximately 8:30 (CET+1);
- Half-Year Financial Report January–June on 25 July, at approximately 8:30 (CET+1);
- Interim Report January–September on 25 October, at approximately 8:30 (CET+1).

The Financial Statements and Interim Reports are available in Finnish and English. Publications can be viewed at Sanoma.com. Shareholders can join the email distribution of Sanoma's Interim Reports and other releases at Sanoma.com.

Sanoma's Annual Report and Corporate Social Responsibility report 2016 can be viewed at Sanoma.com.

SILENT PERIOD

Sanoma's silent period starts 30 calendar days prior to publishing of annual financial results or interim financials. Sanoma will not comment on its business or meet with capital market representatives during that period.

Changes in contact information

Euroclear Finland Ltd maintains a list of Company shares and shareholders and a list of holders of option rights. Shareholders and holders of option rights who wish to make changes to their personal and contact information are kindly asked to contact their own account operator directly. Sanoma cannot make these changes.

Assessments regarding Sanoma as an investment object

According to information held by Sanoma, at least the following analysts publish investor analyses of the company: Carnegie Investment Bank, Danske Markets, Evli Bank, Handelsbanken Capital Markets, Inderes, Nordea, Pohjola Bank, and SEB Enskilda. Sanoma does not accept any responsibility for the views or opinions expressed by the analysts.

The analysts' contact details can be viewed at Sanoma.com.

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