

Half-Year Report

2023

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SANOMA CORPORATION, INTERIM REPORT JANUARY–JUNE 2023

Net sales grew, operational EBIT supported by solid Learning performance

Q2 2023

- The Group's net sales grew to EUR 341 million (2022: 313). In Learning, the net sales growth was driven particularly by the acquired Italian and German business as well as the ongoing curriculum renewal in Spain. Net sales declined in Media Finland due to lower advertising sales. The Group's organic net sales development was 0% (2022: 3%).
- The Group's operational EBIT excl. PPA was stable and amounted to EUR 54 million (2022: 54). In Learning, earnings improvement was driven by net sales growth particularly in Spain and the positive contribution of the acquired Italian business, while lower advertising sales had an adverse impact on earnings in Media Finland. Inflation increased the operating costs in both SBUs.
- EBIT decreased to EUR -1 million (2022: 39) mainly as a result of the EUR 36 million VAT claims for years 2015–2021 booked as IACs in Media Finland (more information on p. 13). As a result, the Group's items affecting comparability (IACs) increased to EUR -43 million (2022: -5). Purchase price allocation adjustments and amortisations (PPAs) amounted to EUR 11 million (2022: 10).
- Operational EPS decreased to EUR 0.14 (2022: 0.21) as a result of higher financial expenses.
- EPS was EUR -0.08 (2022: 0.19).
- On 8 June, Sanoma announced that the Administrative Court has rejected its appeal that concerned the VAT payment decision regarding the tax audits at Sanoma Media Finland for years 2015–2018. Based on the Administrative Court's decision, the VAT claims for years 2015–2018 and 2019–2021, amounting to EUR 36 million, were booked as IACs in Media Finland's Q2 2023 result. This was partially offset by a positive EUR 5 million adjustment to the income taxes. The court decision had no impact on Sanoma's free cash flow as the VAT claims were pre-paid in 2021 and 2022. Sanoma will apply for a permission to appeal the decision to the Supreme Administrative Court. The VAT regulations have changed as of 1 July 2021 and thus further tax audits related to the matter are not expected.
- On 19 April, the Annual General Meeting decided that a dividend of EUR 0.37 per share (2021: 0.54) shall be paid for 2022 in three instalments. The first instalment of EUR 0.13 was paid on 28 April, the second instalment of EUR 0.13 will be paid in September and the third instalment of EUR 0.11 in November.

H1 2023

- The Group's net sales grew to EUR 559 million (2022: 524). In Learning, growth was mainly attributable to the Italian and German business acquired in August 2022 as well organic net sales growth especially in Spain. Net sales declined in Media Finland mainly due to lower advertising sales. The Group's organic net sales development was 0% (2022: 2%), being 4% in Learning and -3% in Media Finland.
- The Group's operational EBIT excl. PPA decreased to EUR 23 million (2022: 43). In Learning, earnings decreased due to the typical annual seasonality of the business, which has increased as a result of the recent acquisitions, but were supported by the solid performance in the second quarter. Earnings decreased significantly in Media Finland driven by lower advertising sales. In both SBUs, earnings were affected by the inflation impact on paper, personnel and fixed costs.
- EBIT decreased to EUR -44 million (2022: 17). IACs increased to EUR -46 million (2022: -8) mainly due to the booking of the VAT claim in Media Finland during Q2 2023. PPAs grew to EUR 21 million (2022: 18) as a result of the acquisition in Italy and Germany.
- Operational EPS decreased to EUR -0.09 (2022: 0.11) and was adversely impacted by clearly higher financial expenses.
- EPS was EUR -0.33 (2022: 0.07).
- Free cash flow improved to EUR -84 million (2022: -99), while being negative in line with the seasonal pattern of the business. Actions to improve the operating model to mitigate the seasonality in Learning led to positive working capital development, which was partially offset by the impact of the seasonally negative operating cash flow of the acquired Italian and German business and lower earnings in both SBUs.
- Net debt/Adj. EBITDA was 3.3 (2022: 3.2), being slightly above the long-term target level of 'below 3.0'.
- On 9 March, Sanoma announced that it will issue a EUR 150 million hybrid bond to strengthen its balance sheet to increase the financial flexibility and support the execution of the strategic plan. The hybrid bond was issued on 16 March.

Outlook for 2023 (unchanged)

In 2023, Sanoma expects that the Group's reported net sales will be EUR 1.35–1.4 billion (2022: 1.3). The Group's operational EBIT excl. PPA is expected to be EUR 150–180 million (2022: 189).

Regarding the operating environment, Sanoma expects that:

- The economies in the Group's operating countries, particularly in Finland, will experience a mild recession.
- The advertising market in Finland will decline slightly, with most of the decline during the first half of the year.

Alternative performance measures and discontinued operations

Sanoma presents certain financial performance measures on a non-IFRS basis as alternative performance measures (APMs). Sanoma considers that these alternative performance measures provide useful and relevant supplemental information to the management and investors on Sanoma's financial performance, financial position or cash flows. Certain APMs exclude certain non-operational or non-cash valuation items affecting comparability (IACs) and are provided to reflect the underlying business performance and to enhance comparability between reporting periods. The APMs should not be considered as a substitute for performance measures in accordance with IFRS.

Definitions of key IFRS indicators and APMs are available on p. 36. Reconciliations are available on p. 18-20.

Key indicators

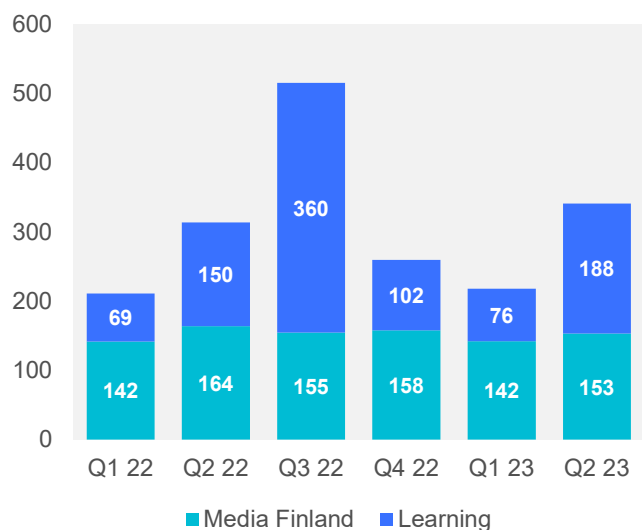
EUR million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change	FY 2022
Net sales	341.3	313.2	9%	559.1	523.9	7%	1,298.3
Operational EBITDA ¹⁾	97.9	92.9	5%	109.6	121.7	-10%	355.4
Margin ¹⁾	28.7%	29.7%		19.6%	23.2%		27.4%
Operational EBIT excl. PPA ²⁾	53.7	53.6	0%	23.0	43.2	-47%	189.3
Margin ²⁾	15.7%	17.1%		4.1%	8.2%		14.6%
EBIT	-0.5	38.5	-101%	-43.6	16.5	-364%	112.0
Result for the period	-11.2	30.8	-136%	-51.0	12.6	-506%	77.0
Free cash flow	-16.0	-60.0	73%	-83.9	-99.3	16%	111.7
Equity ratio ³⁾				35.4%	33.7%		35.8%
Net debt				792.0	770.9	3%	823.4
Net debt / Adj. EBITDA				3.3	3.2	5%	3.2
Operational EPS, EUR ¹⁾	0.14	0.21	-34%	-0.09	0.11	-175%	0.65
EPS, EUR	-0.08	0.19	-145%	-0.33	0.07	-543%	0.47
Free cash flow per share, EUR	-0.10	-0.37	73%	-0.51	-0.61	16%	0.68
Average number of employees (FTE)				5,116	4,906	4%	5,018
Number of employees at the end of the period (FTE)				5,295	5,117	3%	5,079

¹⁾ Excluding IACs

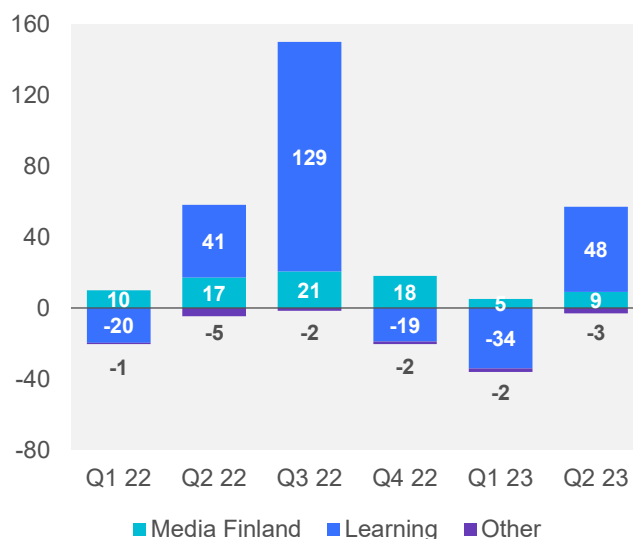
²⁾ Excluding IACs and purchase price allocation adjustments and amortisations (PPAs)

³⁾ Advances received included in the formula of equity ratio were EUR 175.1 million in H1 2023 (2022: 157.7).

Net sales, m€



Operational EBIT excl. PPA, m€



President and CEO Susan Duinhoven:

"Sanoma's financial performance in the second quarter was solid. In Learning, it was positively impacted by the strong development related to the LOMLOE curriculum renewal in Spain, which we expect to continue also in the third quarter. Learning content sales grew also in the Netherlands, Finland and Belgium driven by the higher-than-usual price increases we have successfully implemented across our operating countries. The increases have been understood well by our customers, and so far we have seen them having an expected, only moderate impact on sales volumes. A good example of this is Finland, where the organic growth of the already important second quarter sales season amounted to 5%. For the full year, we expect the organic growth in Learning to be at the higher end of the long-term target of 2–5%, including the impact of optimising the Dutch distribution business by discontinuing the loss-making contracts and the positive effects of the ongoing curriculum renewal in Spain. In Italy, the integration has continued successfully according to our plans, and the first half net sales were in-line with the previous year, meeting our expectations. As the curriculum renewal cycles in Spain and Poland are coming to an end this year, we are planning to optimise our capacity and operations in those countries to better adapt to the current operating environment and the normalising demand.

In Media Finland, declining advertising sales and cost inflation continued to have an adverse impact on earnings. A slight decrease in subscription sales continued, as price increases did not fully offset the impact of the slightly lower subscription base and the divestment of Supla audiobooks in March. Our teams have continued their business development activities and brought new ideas to the market also during the first half of this year. One example of this is the launch in June of the free ad-supported streaming service Pluto TV as part of Finland's leading local AVOD streaming service Ruutu. Pluto TV offers the audience exclusively 35 new streaming channels and has been received well with more than 800,000 starts by a large number of users already during the first weeks. We are now also seeing some costs being past their peak. For example, paper prices started to decline in the market, and even though their absolute level is still high, going forward we expect to see a positive impact on our financial performance with some delay.

Our free cash flow improved significantly during the second quarter although being seasonally negative due to the nature of the learning business. We took actions to mitigate the impact of the increased seasonality resulting from our recent acquisitions, and for example introduced pre-payments more widely in the Dutch distribution business as well as focused on earlier invoicing and collections across our Learning businesses. For the full year, we still expect the underlying free cash flow, excluding the previous year's positive impact of the acquired Italian business, to remain stable. At the end of June, our leverage (net debt/Adj. EBITDA) of 3.3 was at its typical seasonal peak slightly above the long-term target level of below 3.0.

After the first half of the year, our Outlook for 2023 remains unchanged. In Learning, our teams are fully prepared for the third quarter high season, and we expect the solid development in Learning driven by Spain and the Netherlands to offset the uncertainty related to the second half advertising sales in Media Finland.

I would like to greatly thank all our employees for the agility and perseverance they have shown during the first half of the year working with our customers in adapting to higher inflation and interest rate environment. Together, we are starting the high season in Learning and the important second half of the year in Media Finland with solid confidence. We are committed to our strategy to serve our customers to the best of our abilities and we are keen to grow our K12 learning business further through organic growth and targeted acquisitions."

Financial review Q2 2023

Net sales by SBU

EUR million	Q2 2023	Q2 2022	Change
Learning	188.0	149.8	26%
Media Finland	153.4	163.7	-6%
Other operations and eliminations	-0.1	-0.3	77%
Group total	341.3	313.2	9%

The Group's net sales grew to EUR 341 million (2022: 313). In Learning, net sales grew as a result of the Italian and German business acquired in August 2022 as well as the ongoing LOMLOE curriculum renewal in Spain compared to the delayed ordering pattern in Q2 2022. In Media Finland, net sales declined mainly due to lower advertising sales. The Group's comparable net sales development was 0% (2022: 3%).

Operational EBIT excl. PPA by SBU

EUR million	Q2 2023	Q2 2022	Change
Learning	48.3	41.0	18%
Media Finland	8.7	17.2	-49%
Other operations and eliminations	-3.3	-4.6	30%
Group total	53.7	53.6	0%

Operational EBIT excl. PPA was stable and amounted to EUR 54 million (2022: 54). In Learning, earnings were supported by the net sales growth particularly in Spain and the positive contribution of the acquired Italian business but offset by the inflation impact on paper, personnel and fixed costs. In Media Finland, lower advertising sales led to negative earnings development. Costs in the Other operations were lower due to some phasing between quarters.

IACs, PPAs and reconciliation of operational EBIT excl. PPA

EUR million	Q2 2023	Q2 2022
EBIT	-0.5	38.5
Items affecting comparability (IACs)		
Restructuring expenses	-7.7	-5.4
Capital gains/losses	0.4	
VAT claims for years 2015–2018 and 2019–2021	-35.9	
IACs total	-43.3	-5.4
Purchase price allocation adjustments and amortisations (PPAs)	-10.9	-9.7
Operational EBIT excl. PPA	53.7	53.6

A detailed reconciliation on SBU level is presented on p. 18.

EBIT decreased to EUR -1 million (2022: 39) mainly as a result of the EUR 36 million VAT claims for years 2015–2021 booked as IACs in Media Finland (more information on p. 13). Consequently, the Group's IACs increased to EUR -43 million (2022: -5). The restructuring expenses consisted of integration costs of recent acquisitions and strategic development costs in both SBUs. PPAs amounted to EUR 11 million (2022: 10) and increased due to the acquisition in Italy and Germany.

Net financial items increased to EUR -8 million (2022: 0) mainly as a result of significant increase in interest rates and higher debt.

Result before taxes decreased to EUR -9 million (2022: 39) due to higher IACs, including the VAT claims, and higher net financial expenses. Income taxes were EUR -3 million (2022: -8) including a positive EUR 5 million adjustment related to the VAT claims. Result for the period was EUR -11 million (2022: 31)

Operational earnings per share decreased to EUR 0.14 (2022: 0.21) and earnings per share to EUR -0.08 (2022: 0.19), being adversely impacted by higher financial expenses and the interest booked for the hybrid bond.

Financial review H1 2023

Net sales by SBU

EUR million	H1 2023	H1 2022	Change
Learning	264.3	219.1	21%
Media Finland	294.9	305.3	-3%
Other operations and eliminations	-0.1	-0.5	78%
Group total	559.1	523.9	7%

The Group's net sales grew to EUR 559 million (2022: 524). In Learning, growth was mainly attributable to the Italian and German business acquired in August 2022 as well as organic growth driven by the ongoing LOMLOE curriculum renewal in Spain. In Media Finland, net sales declined slightly due to lower advertising sales. The Group's comparable net sales development was 0% (2022: 2%).

Operational EBIT excl. PPA by SBU

EUR million	H1 2023	H1 2022	Change
Learning	14.7	21.3	-31%
Media Finland	13.8	27.1	-49%
Other operations and eliminations	-5.5	-5.3	-5%
Group total	23.0	43.2	-47%

Operational EBIT excl. PPA decreased to EUR 23 million (2022: 43). In Learning, earnings decreased due to the typical annual seasonality of the business, which has increased as a result of the recent acquisitions, but were supported by the solid performance in the second quarter. In Media Finland, earnings decreased significantly driven by lower advertising sales. Earnings in both SBUs were also affected by higher paper, personnel and fixed costs compared to the first half of 2022 when there was hardly any cost inflation impact.

IACs, PPAs and reconciliation of operational EBIT excl. PPA

EUR million	H1 2023	H1 2022
EBIT	-43.6	16.5
Items affecting comparability (IACs)		
Restructuring expenses	-10.9	-8.6
Impairments	-2.3	
Capital gains/losses	3.5	0.4
VAT claims for years 2015–2018 and 2019–2021	-35.9	
IACs total	-45.7	-8.2
Purchase price allocation adjustments and amortisations (PPAs)	-20.9	-18.4
Operational EBIT excl. PPA	23.0	43.2

A detailed reconciliation on SBU level is presented on p. 18.

EBIT decreased to EUR -44 million (2022: 17) as a result of lower operational earnings in the first quarter and due to the booking of the VAT claim as an IAC in Media Finland in Q2 2023 (more information on p. 13). Consequently, the Group's IACs increased to EUR -46 million (2022: -8). The restructuring expenses related to the integration costs of recent acquisitions and strategic development costs. The impairments and capital gains were mainly related to selling of a minor property in Finland and recent minor M&As in Media Finland (more information is available on p. 32). PPAs increased to EUR 21 million (2022: 18) due to the acquisition in Italy and Germany.

Net financial items increased to EUR -15 million (2022: -3) mainly as a result of significant increase in interest rates and higher debt. The average interest rate of external loans was 3.2% (2022: 1.1%).

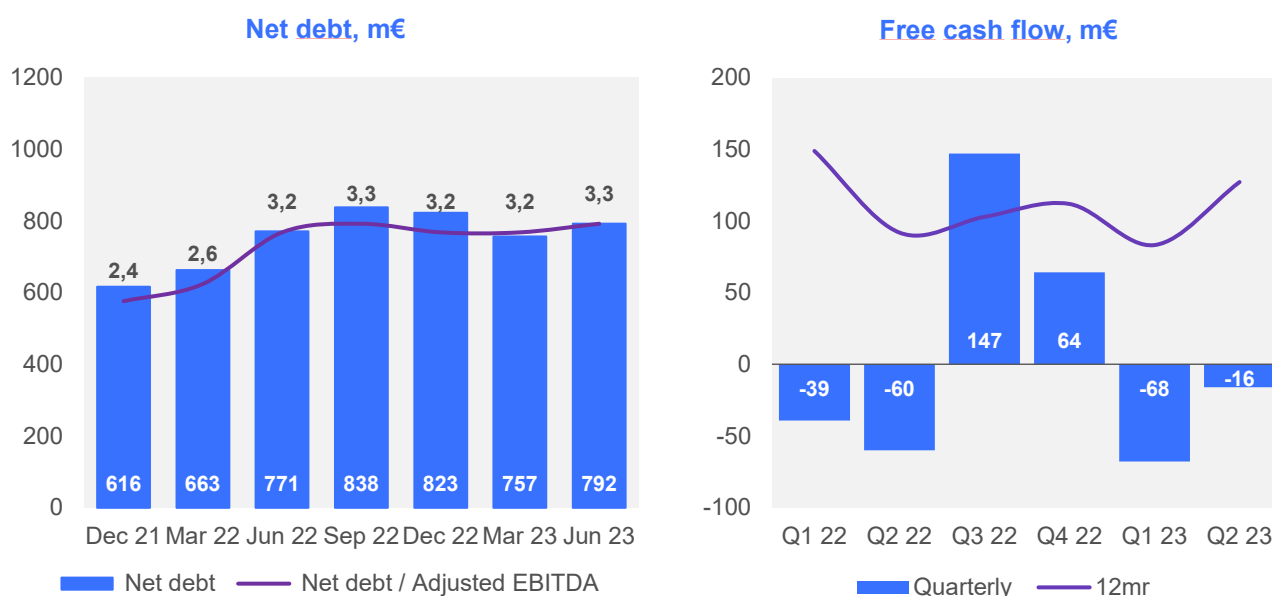
Result before taxes decreased to EUR -59 million (2022: 13) due to lower operational and reported earnings as well as higher net financial expenses. Income taxes were positive and amounted to EUR 8 million (2022: -1) including a positive EUR 5 million adjustment related to the VAT claims. Result for the period was EUR -51 million (2022: 13)

Operational earnings per share decreased to EUR -0.09 (2022: 0.11) and earnings per share to EUR -0.33 (2022: 0.07), being adversely impacted by clearly higher financial expenses and the interest booked for the hybrid bond.

Financial position

At the end of June 2023, net debt amounted to EUR 792 million (2022: 771). The net debt increased compared to the end of March 2023 in line with the seasonally high working capital of the learning business. The Group's committed Revolving Credit Facility of EUR 300 million was fully unused. In March, part of the debt financing was replaced with a EUR 150 million hybrid bond that is recognised as equity. Net debt to adjusted EBITDA ratio was stable at 3.3 (2022: 3.2), being slightly above the long-term target of below 3.0. Equity ratio was 35.4% (2022: 33.7%), being within the long-term target range of 35–45%. The positive impact of the hybrid bond was partially offset by the paid dividends and the interests of the hybrid bond recognised in equity. More information on the hybrid bond is available on p. 13 under Events during the reporting period.

At the end of June 2023, the Group's equity totalled EUR 721 million (2022: 635) and the consolidated balance sheet amounted to EUR 2,213 million (2022: 2,039).



Cash flow

The Group's free cash flow improved to EUR -84 million (2022: -99) or EUR -0.51 per share (2022: -0.61), while being negative according to the seasonal pattern of the learning business. In Learning, operational actions to mitigate the increased seasonality, including wider use of pre-payments, earlier invoicing and collections, brought forward substantial operating cash flow from the third to the second quarter. In addition, lower taxes paid supported the free cash flow. The positive development was partially offset by the seasonally negative operating cash flow of the acquired Italian business, lower earnings in both SBUs as well as higher financial expenses.

Capital expenditure included in the Group's free cash flow decreased to EUR 24 million (2022: 27) and mainly consisted of growth investments in digital platforms and ICT in Learning as well as investments in adapting offices to the hybrid way of working and in technology development in Media Finland.

Learning

Sanoma Learning is one of the global leaders in K12 education, serving over 25 million students in 12 European countries. Our learning products and services enable teachers to develop the talents of every child to reach their potential. We offer printed and digital learning materials as well as digital learning and teaching platforms for K12, i.e. primary, secondary and vocational education, and we aim to continue to grow our business in Europe and beyond. We develop our methodologies based on deep teacher and student insight and truly understanding their individual needs. By combining our educational technologies and pedagogical expertise, we create learning products and services with the highest learning impact.

Key indicators

EUR million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change	FY 2022
Net sales	188.0	149.8	26%	264.3	219.1	21%	681.0
Operational EBITDA ¹⁾	69.5	58.6	19%	56.7	57.3	-1%	212.8
Operational EBIT excl. PPA ²⁾	48.3	41.0	18%	14.7	21.3	-31%	131.8
Margin ²⁾	25.7%	27.4%		5.6%	9.7%		19.4%
EBIT	33.1	30.5	9%	-10.8	2.8	-484%	67.2
Capital expenditure	9.5	11.2	-15%	17.7	20.1	-12%	40.4
Average number of employees (FTE)				2,855	2,605	10%	2,717

¹⁾ Excluding IACs

²⁾ Excluding IACs of EUR -5.9 million in Q2 2023 (2022: -2.6), EUR -8.0 million in H1 2023 (2022: -3.6) and EUR -32.2 million in FY 2022 as well as PPA adjustments and amortisations of EUR 9.3 million in Q2 2023 (2022: 7.9), EUR 17.5 million in H1 2023 (2022: 14.9) and EUR 32.5 million in FY 2022.

Full reconciliation of operational EBITDA and operational EBIT excl. PPA is presented in a separate table on p. 18.

Net sales by country

EUR million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change	FY 2022
The Netherlands	40.9	47.8	-15%	74.6	82.9	-10%	223.4
Poland	8.8	9.3	-5%	16.8	16.7	1%	109.0
Spain	35.1	23.7	48%	40.1	29.8	34%	129.7
Italy	29.4			36.7			30.8
Finland	36.9	35.0	5%	43.8	41.6	5%	59.7
Belgium	27.6	22.0	25%	33.0	28.2	17%	83.7
Other countries and eliminations ¹⁾	9.5	11.9	-20%	19.4	19.8	-2%	44.7
Net sales total	188.0	149.8	26%	264.3	219.1	21%	681.0

¹⁾ Other countries include Sweden, Norway, France, Germany, Denmark and the UK.

The learning business has, by its nature, an annual cycle with strong seasonality. Most net sales and earnings are accrued during the second and third quarters, while the first and fourth quarters are typically smaller in net sales and loss-making. The acquisitions completed in Spain and Italy in 2020–2022 have further increased the overall seasonality and the importance of the third quarter, when the new school year starts, for the business. Shifts of single orders between quarters may have a material impact when comparing quarterly net sales and earnings on a year-on-year basis, and therefore year-to-date figures typically provide a more comprehensive picture of Learning's business performance and development than quarterly figures.

Q2 2023

Net sales of Learning grew to EUR 188 million (2022: 150). The acquired Italian and German business made a EUR 31 million contribution to the net sales. Net sales grew in Spain driven by the ongoing LOMLOE curriculum renewal in comparison to the delayed ordering pattern in Q2 2022. In Finland and Belgium, price increases and phasing of orders had a positive impact on net sales. The adverse development in the Netherlands was caused by timing, as major part of the second quarter's internal learning content sales to Iddink as a distributor will only be recognised as Group external sales in

the third quarter. The divestment of Eduarte, a Dutch student administration system provider for vocational education, in October 2022 reduced net sales.

Operational EBIT excl. PPA grew to EUR 48 million (2022: 41) as a result of the net sales growth particularly in Spain and the positive contribution of the acquired Italian business. Inflation impact on paper, personnel and fixed costs had an adverse impact on earnings, which was partially mitigated by thoughtful cost management.

EBIT amounted to EUR 33 million (2022: 31). IACs increased to EUR -6 million (2022: -3) and mainly consisted of integration costs of recent acquisitions and strategic development costs. PPAs were EUR 9 million (2022: 8) as a result of the acquisition in Italy and Germany.

Capital expenditure amounted to EUR 10 million (2022: 11) and mainly consisted of growth investments in digital platforms and ICT.

H1 2023

Net sales of Learning grew to EUR 264 million (2022: 219). The acquired Italian and German business made a EUR 42 million contribution to the net sales. In addition, organic growth of 4% (2022: 1%) driven by the positive development in Spain, Finland and Belgium supported net sales. The divestment of Eduarte, a Dutch student administration system provider for vocational education, in October 2022 reduced net sales.

Operational EBIT excl. PPA decreased and amounted to EUR 15 million (2022: 21). Earnings decreased as the typical annual seasonality of the business has increased by the acquired Italian business, where the first quarter is clearly loss-making and the majority of net sales and earnings is accruing in the second half of the year. Earnings were supported by the solid performance in the second quarter. In addition, paper, personnel and fixed costs were higher compared to the first half of 2022 when there was hardly any cost inflation impact.

Following the lower operational earnings, EBIT amounted to EUR -11 million (2022: 3). IACs increased to EUR -8 million (2022: -4) and mainly consisted of integration costs of recent acquisitions and strategic development costs. PPAs increased to EUR 18 million (2022: 15) as a result of the acquisition in Italy and Germany.

Capital expenditure amounted to EUR 18 million (2022: 20) and mainly consisted of growth investments in digital platforms and ICT.

Media Finland

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

Key indicators

EUR million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change	FY 2022
Net sales	153.4	163.7	-6%	294.9	305.3	-3%	618.1
Operational EBITDA ¹⁾	31.3	38.8	-19%	57.9	69.4	-17%	150.2
Operational EBIT excl. PPA ²⁾	8.7	17.2	-49%	13.8	27.1	-49%	65.8
Margin ²⁾	5.7%	10.5%		4.7%	8.9%		10.6%
EBIT	-29.5	14.6	-301%	-28.0	22.2	-226%	54.3
Capital expenditure	2.7	3.0	-9%	5.4	4.1	33%	8.9
Average number of employees (FTE)				2,132	2,158	-1%	2,160

¹⁾ Excluding IACs

²⁾ Excluding IACs of EUR -36.5 million in Q2 2023 (2022: -0.8), EUR -38.4 million in H1 2023 (2022: -1.4) and EUR -4.6 million in FY 2022 as well as PPA adjustments and amortisations of EUR 1.7 million in Q2 2023 (2022: 1.8), EUR 3.4 million in H1 2023 (2022: 3.5) and EUR 6.9 million in FY 2022.

Full reconciliation of operational EBITDA and operational EBIT excl. PPA is presented in a separate table on p. 18.

Net sales by category

EUR million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change	FY 2022
Print	68.7	76.4	-10%	137.8	150.4	-8%	297.6
Non-print	84.7	87.3	-3%	157.1	155.0	1%	320.6
Net sales total	153.4	163.7	-6%	294.9	305.3	-3%	618.1

EUR million	Q2 2023	Q2 2022	Change	H1 2023	H1 2022	Change	FY 2022
Advertising sales	57.6	64.4	-11%	109.0	118.3	-8%	235.7
Subscription sales	59.5	61.1	-3%	121.3	122.6	-1%	247.4
Single copy sales	9.8	10.0	-3%	18.9	19.3	-2%	39.3
Other	26.5	28.2	-6%	45.7	45.1	1%	95.8
Net sales total	153.4	163.7	-6%	294.9	305.3	-3%	618.1

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

Q2 2023

Net sales of Media Finland declined to EUR 153 million (2022: 164). Advertising sales declined by 11% with negative development across all media categories. Sanoma performed in-line with the market in online and radio advertising, but weaker in TV and newsprint. Subscription sales declined slightly mainly due to the divestment of Supla's audiobook operations during the first quarter, while the continued slight decrease of subscription volumes across the product portfolio was mostly offset by price increases. In other sales, modest growth in events sales was not enough to compensate the decline in marketing services and external printing.

According to the Finnish Advertising Trends survey for June 2023 by Kantar TNS, the advertising market in Finland declined by 6% year-on-year on a net basis in Q2 2023 (including the election advertising). Advertising decreased by 22% in magazines, by 11% in newspapers, by 8% in radio and by 4% in both TV and online (excluding search and social media).

Driven by the significantly lower advertising sales, operational EBIT decreased to EUR 9 million (2022: 17). The positive earnings impact of lower variable costs, e.g. printing and distribution, was offset by higher personnel and other fixed costs.

EBIT declined to EUR -30 million (2022: 15) as a result of lower operational earnings and the EUR 36 million VAT claims for years 2015–2021 booked as IACs (more information on p. 13). Consequently, the IACs increased to EUR -37 million (2022: -1). PPAs were EUR 2 million (2022: 2).

Capital expenditure amounted to EUR 3 million (2022: 3) and included mainly investments in adapting offices to the hybrid way of working and in technology.

Personnel

In January-June, the average number of employees in full-time equivalents (FTE) was 5,116 (2022: 4,906). The average number of employees (FTE) per SBU was as follows: Learning 2,855 (2022: 2,605), Media Finland 2,132 (2022: 2,158) and Other operations 130 (2022: 143). The increase in the number of employees in Learning was mainly due to the acquired Italian and German business.

At the end of June, the number of employees (FTE) of the Group was 5,295 (2022: 5,117).

Employee benefit expenses grew to EUR 200 million (2022: 180) mainly due to the increase in the number of employees as a result of the Italian acquisition and insourcing of certain support operations.

Acquisitions and divestments

There were no major acquisitions or divestments in January–June 2023. Information on acquisitions and divestments conducted in 2022 and earlier is available at www.sanoma.com/en/investors/sanoma-as-an-investment/.

Events during the reporting period

On 16 June, Sanoma announced the composition of its Shareholders' Nomination Committee. The four largest shareholders have appointed the following members to the Shareholders' Nomination Committee: Juhani Mäkinen (Vice Chair of the Board, Jane and Aatos Erkko Foundation), Antti Herlin (Chair of the Board, Holding Manutas), Robin Langenskiöld (3rd largest shareholder in Sanoma) and Rafaela Seppälä (4th largest shareholder in Sanoma). In its meeting on 16 June 2023, the Committee elected Juhani Mäkinen as a Chair of the Committee and invited Pekka Ala-Pietilä, Chair of Sanoma's Board of Directors, to serve as an expert in the Committee.

On 8 June, Sanoma announced that the Administrative Court had rejected Sanoma's appeal that concerned the VAT payment decision regarding the tax audits at Sanoma Media Finland Oy for years 2015–2018 received from the Finnish Tax Adjustment Board on 29 April 2021. The case concerned the treatment of VAT of certain magazines that were printed in multiple locations in Europe, and processed in and distributed through a centralised logistic centre in Norway. Based on the payment decision by the Tax Adjustment Board, Sanoma had paid approx. EUR 25 million of VAT, penalties and interests in Q3 2021. According to the Administrative Court's decision and pursuant to the Tax Assessment Procedure Act, no tax will be refunded to Sanoma. On 16 December 2022, Sanoma announced it had received a similar payment decision based on the tax audits for years 2019–2021, and paid approx. EUR 11 million of VAT, penalties and interests in December 2022. Sanoma considered also these claims for years 2019–2021 fully unjustified and appealed the decision to the Finnish Tax Adjustment Board, where the process is still ongoing. Based on the Administrative Court's decision on 8 June 2023, the VAT claims for years 2015–2018 and 2019–2021, amounting to EUR 36 million, were booked as IACs in Media Finland's Q2 2023 result, and a positive EUR 5 million adjustment to the income taxes. The court decision had no impact on Sanoma's free cash flow as the VAT claims were pre-paid already in 2021 and 2022. Sanoma will apply for a permission to appeal the decision to the Supreme Administrative Court. The VAT regulations have changed as of 1 July 2021 and thus further tax audits related to the matter are not expected.

On 9 March, Sanoma announced that it will issue a EUR 150 million hybrid bond. The funds are used for general corporate purposes, including strengthening of the balance sheet to increase the financial flexibility to support the execution of the strategic plan. The issue date was 16 March. The hybrid bond bears a fixed coupon interest of 8.000% p.a. until 16 March 2026 payable annually, and, from the Reset Date, a floating interest rate as defined in the terms and conditions of the hybrid bond. Paying the interest on the hybrid bond is at the discretion of the company, however an obligation to pay the interest arises if the company decides to distribute dividends. Following the AGM's decision on 19 April 2023 to distribute dividends, the obligation to pay the interest arose and the full annual interest of EUR 12 million was deducted from equity in Q2 2023. The interest will be paid in March 2024. The hybrid bond does not have a specified maturity date, but Sanoma is entitled to redeem it at its nominal amount in whole on the Reset Date or on any interest payment date thereafter. The hybrid bond is subordinated to the company's other debt obligations and treated as equity in Sanoma's consolidated financial statements prepared in accordance with the IFRS. It does not confer to its holders the rights of a shareholder and does not dilute the holdings of the current shareholders.

On 2 March 2023, Sanoma signed a Sustainability Side Letter to add sustainability-linked KPIs to its EUR 300 million Revolving Credit Facility signed in November 2022 with ten banks. With the addition, a minor part of the pricing of the loan will be linked to Sanoma's sustainability performance in reducing greenhouse gas emissions in line with Sanoma's commitment to Science Based Targets and developing inclusive learning solutions, more specifically accessibility of digital learning content and platforms. The KPIs will be measured annually and the progress will be reported in Sanoma's Sustainability Report as well as directly to the lenders.

Sustainability

Sanoma continued to implement its Sustainability strategy, which focuses on six topics: Inclusive learning, Sustainable media, Trustworthy data, Valued people, Vital environment and Responsible business practices. During the quarter, a particular focus was on the development work around diversity, equality and inclusion (DE&I). In Learning, online training sessions were organised for all employees to increase awareness of the importance of equality between genders, generations, LGBTQ+ minorities, people from different cultural backgrounds and people with disabilities or neurodiversity. To promote active leadership around DE&I, a leadership network with trained internal sponsors and ambassadors was established. In Finland, Helsingin Sanomat was the main partner of Helsinki Pride and the rainbow community and Pride events were visible in Sanoma's media. In May, Sanoma supported the World Press Freedom Day with a campaign aimed to distribute independent journalism on the war in Ukraine specifically among Russian gamers. In addition, the Group started to prepare for the EU's upcoming Corporate Social Reporting Directive (CSRD) and the reporting requirements of the related European Sustainability Reporting Standards (ESRS).

Share capital and shareholders

At the end of June 2023, Sanoma's registered share capital was EUR 71 million (2022: 71), and the total number of shares was 163,565,663 (2022: 163,565,663), including 298,045 (2022: 387,895) of its own shares. Own shares represented 0.2% (2022: 0.2%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 163,267,618 (2022: 163,177,768).

In March 2023, Sanoma delivered a total of 89,850 (2022: 291,719) of its own shares (without consideration and after taxes) as part of its long-term share-based incentive plans.

Sanoma had 24,424 (2022: 23,512) registered shareholders at the end of June 2023.

Flagging notification

On 8 May, Sanoma received an announcement from Rafaela Seppälä, in accordance with the Finnish Securities Market Act Chapter 9, Section 5. According to the announcement, the total holding of Sanoma Corporation's shares and voting rights owned by Rafaela Seppälä fell below the level of 5% of the share capital of Sanoma Corporation as a result of share transactions concluded on 4 May 2023. The total holding of Rafaela Seppälä fell to 7,654,746 shares, corresponding to 4.68% of Sanoma's shares and voting rights.

Share trading and performance

At the end of June 2023, Sanoma's market capitalisation was EUR 1,084 million (2022: 2,170) with Sanoma's share closing at EUR 6.64 (2022: 13.30). In January–June 2023, the volume-weighted average price of Sanoma's share on Nasdaq Helsinki Ltd. was EUR 8.08 (2022: 12.80), with a low of EUR 6.64 (2022: 11.66) and a high of EUR 10.30 (2022: 14.50).

In January–June 2023, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 99 million (2022: 95). The trading volume of 12 million shares (2022: 7) equalled an average daily turnover of 99,000 shares (2022: 60,000). The traded shares accounted for some 7% (2022: 4%) of the average number of shares. Sanoma's share turnover, including alternative trading venues, CBOE DXE, Turquoise and Frankfurt, was 15 million shares (2022: 9). Nasdaq Helsinki represented 82% (2022: 82%) of the share turnover. (Source: Euroland)

Decisions of the Annual General Meeting

Sanoma Corporation's Annual General Meeting (AGM) was held on 19 April 2023 in Helsinki. For the purposes of expanding the opportunities for shareholders' participation, the opportunity was reserved for the shareholders to exercise their rights by voting in advance.

The meeting adopted the Financial Statements, the Board of Directors' Report and the Auditor's Report for the year 2022 as well as discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2022. In addition, the meeting made an advisory decision on the adoption of the Remuneration Policy and the Remuneration Report of the governing bodies.

The AGM resolved that a dividend on EUR 0.37 per share shall be paid. The dividend shall be paid in three instalments. The first instalment of EUR 0.13 per share was paid to a shareholder who was registered in the shareholder register of the Company maintained by Euroclear Finland Ltd on the dividend record date 21 April 2023. The payment date for this instalment was 28 April 2023.

The second instalment of EUR 0.13 per share shall be paid in September 2023. The second instalment shall be paid to a shareholder who is registered in the shareholder register of the Company maintained by Euroclear Finland Ltd on the dividend record date, which, together with the dividend payment date, shall be decided by the Board of Directors in its meeting scheduled for 4 September 2023.

The third instalment of EUR 0.11 per share shall be paid in November 2023. The third instalment shall be paid to a shareholder who is registered in the shareholder register of the Company maintained by Euroclear Finland Ltd on the dividend record date, which, together with the dividend payment date, shall be decided by the Board of Directors in its meeting scheduled for 25 October 2023.

The AGM resolved that the number of the members of the Board of Directors shall be set at nine. Pekka Ala-Pietilä, Julian Drinkall, Rolf Grisebach, Anna Herlin, Mika Ihamuotila, Nils Ittonen, Denise Koopmans and Sebastian Langenskiöld were re-elected as members, and Eugenie van Wiechen was elected as a new member of the Board of Directors. Pekka Ala-Pietilä was elected as the Chair of the Board and Nils Ittonen as the Vice Chair. The term of all Board members ends at the end of the AGM 2024.

The AGM resolved that the remuneration payable to the members of the Board of Directors remains unchanged. The monthly remunerations are EUR 12,000 for the Chair of the Board of Directors, EUR 7,000 for the Vice Chair of the Board of Directors, and EUR 6,000 for the members of the Board of Directors.

The meeting fees are:

- For Board members who reside outside Finland: EUR 1,000 / Board meeting where the member was present;
- For members of the Board of Directors who reside in Finland: No separate fee is paid for attending Board meetings
- For the Chairs of Board of Directors' Committees: EUR 3,500 / Committee meeting participated;
- For Committee members who reside outside Finland: EUR 2,500 / Committee meeting where the member was present and EUR 1,500 / Committee meeting participated; and
- For Committee members who reside in Finland: EUR 1,500 / Committee meeting participated.

The meeting fees of the Shareholders' Nomination Committee remain unchanged and are:

- For the Chair of the Shareholders' Nomination Committee: EUR 3,500 / Committee meeting participated;
- For members of the Shareholders' Nomination Committee who reside outside Finland: EUR 2,500 / Committee meeting where the member was present and EUR 1,500 / Committee meeting participated; and
- For members of the Shareholders' Nomination Committee who reside in Finland: EUR 1,500 / Committee meeting participated.

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

The AGM authorised the Board of Directors to decide on the repurchase of a maximum of 16,000,000 of the Company's own shares (approx. 9.8% of all shares of the Company) in one or several instalments. The shares shall be repurchased with funds from the Company's unrestricted shareholders' equity, and the repurchases shall reduce funds available for distribution of profits. The authorisation will be valid until 30 June 2024 and it terminates the corresponding authorisation granted by the AGM 2022.

The AGM authorised the Board of Directors to decide on issuance of new shares and the conveyance of the Company's own shares held by the Company (treasury shares) and the issuance of option rights and other special rights entitling to shares as specified in Chapter 10, Section 1 of the Finnish Companies Act. Option rights and other special rights entitling to shares as specified in Chapter 10, Section 1 of the Finnish Companies Act may not be granted as part of the Company's incentive programme. The Board will be entitled to decide on the issuance of a maximum of 16,000,000 new shares (approx. 9.8% of all shares of the Company) as well as conveyance of a maximum of 21,000,000 treasury shares held by the Company in one or several instalments. The issuance of shares, the conveyance of treasury shares and the granting of option rights and other special rights entitling to shares may be done in deviation from the shareholders' pre-emptive right (directed issue). The authorisation will be valid until 30 June 2024 and it will replace the corresponding authorisation granted by the AGM 2022.

The AGM resolved that § 10 of the Company's Articles of Association is amended to enable holding a general meeting of shareholders entirely without a meeting venue as a so-called remote meeting and that the notice to the meeting may be published only on the Company's website. Furthermore, §§ 11-12 will be abolished (as the substantive contents is incorporated into the revised § 10).

Seasonal fluctuation

Seasonal fluctuations in both Learning and Media Finland influence the Group's net sales and EBIT. The learning business has, by its nature, an annual cycle with strong seasonality. Most net sales and earnings are accrued during the second and third quarters, while the first and fourth quarters are typically loss-making. The acquisitions in Italy and Spain, completed in 2020–2022, have further increased the overall seasonality and the importance of the third quarter, when the new school year starts, for the business. Shifts of single orders between quarters may have a material impact when comparing quarterly net sales and earnings on a year-on-year basis, and thus year-to-date figures typically provide a more comprehensive picture of Learning's business performance and development.

In the media business, net sales and earnings are particularly affected by the development of advertising. Advertising sales are influenced, for example, by the number of newspaper and magazine issues published each quarter, which varies annually. TV advertising in Finland is usually strongest in the second and fourth quarters. The events business in Finland is typically focused on the second and third quarters. In June–August 2023, Sanoma is arranging 13 festivals which equals the number of festivals arranged in 2022.

Significant near-term risks and uncertainties

Sanoma is exposed to numerous risks and opportunities that may arise from its own operations or the changing operating environment in the short or long term. Sanoma divides its key risks into four main categories: strategic, operational, non-financial and financial risks. A comprehensive overview of significant risks that could have a negative impact on Sanoma's business, performance, or financial status are described in the Report of the Board of Directors, part of the Annual Report 2022, on pages 107–116. These risks still apply. Main updates and the most significant near-term risks and uncertainties are summarised in each Interim Report and are described below.

Changes in the general economic conditions may be reflected in Sanoma's operational and financial performance. Cost inflation, especially salary inflation and continuing high paper prices, is expected to continue to have an impact on Sanoma's operating costs in 2023 despite the somewhat declining market prices for paper seen during the second quarter. Weakening confidence among Finnish consumers, impacted by the war in Ukraine as well as increasing inflation and interest rates, may have an adverse impact on the demand for Media Finland's products and services. Moreover, the consumer confidence may affect the demand for learning content in some of Sanoma's operating countries and/or in product segments where the parents or students themselves pay for learning materials, although such segments constitute a smaller part of Learning's business. Sanoma has been able to partially mitigate these impacts on its financial performance e.g. through active costs management actions and price increases; however the higher operating expenses are expected to have an adverse impact on earnings in 2023 as reflected in the 2023 Outlook. The possible weakening of the economy in the Group's operating countries may increase the Group's credit risk, although potential concentrations of credit risk are offset by the Group's diversified operations and the fact that no individual customer or group of customers is material to the Group. In addition, the weakening of the euro against main currencies, incl. the US dollar, may increase the cost of the goods and services Sanoma buys in currencies other than euro (e.g. hosting and TV content) and poses a risk to Sanoma's financial performance. Part of the currency transaction risk is hedged with forward contracts, while hedge accounting is not applied.

Changes in the geopolitical situation particularly in relation to Finland could increase the risk of certain indirect impacts, such as usability and accessibility of internet connections and global applications as well as cyber-attacks, which may potentially cause disruption in Sanoma's daily business activities for an unknown period of time.

Privacy and consumer trust are at the core of the Group's daily operations. Regulatory changes and new guidance by authorities or regulatory enforcement actions regarding the use of consumer or cookie data for commercial purposes could, therefore, have an adverse effect on Sanoma's ability to utilise data in its advertising business. To mitigate this risk, Sanoma aims to anticipate any changes by closely monitoring the regulatory developments and adapting its business models accordingly.

Data is an increasingly essential part of Sanoma's products and services in both Learning and Media Finland. Sanoma is subject to privacy laws, such as the General Data Protection Regulation (GDPR). Non-compliance with them, or potential inadequacy of the data protection processes and practices, may cause problems, difficulties or additional costs to Sanoma. In addition, Sanoma is exposed to potential data breaches resulting from unauthorised or accidental loss of, or access to, personal data managed by Sanoma or by third parties processing data on Sanoma's behalf. To mitigate these risks, Sanoma runs Privacy and Security Programmes to implement adequate measures into its operations.

In Learning, majority of the educational reform implementation in Spain is expected to be implemented during the high season of 2023, with minor parts to be left for 2024. The final phasing of the implementation may influence Sanoma's commercial propositions, content investment needs and/or financial performance.

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. Thus a significant rise in interest rates would lead to an increase in financial expenses. A failure to manage interest rate risk may have an adverse effect on the Group's financial performance and position.

Changes in taxation, as well as in the interpretation of tax laws and practices applicable to Sanoma's products and services or their distribution, e.g. VAT, may have an effect on the Group's operations or its financial performance. Sanoma booked a total net amount of EUR 31 million of VAT claims for years 2015–2018 and 2019–2021 concerning the treatment of VAT of certain magazines that were printed in multiple locations in Europe, and processed in and distributed through a centralised logistic centre in Norway, as IACs in Media Finland's Q2 2023 result. Sanoma will apply for permission to appeal the decision to the Supreme Administrative Court. The VAT regulations have changed as of 1 July 2021 and thus further claims related to the matter are not expected. More information on the matter is available on p. 13.

At the end of June 2023, Sanoma's consolidated balance sheet included EUR 1,545 million (2022: 1,431) of goodwill, immaterial rights and other intangible assets. The majority of these are related to the learning business. In accordance with IFRS, instead of goodwill being amortised regularly, it is tested for impairment on an annual basis or more frequently if there is any indication of impairment. Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity and equity-related ratios. Further, as Sanoma's strategic aim is to grow through acquisitions, material amounts of goodwill, immaterial rights and other intangible assets might be recorded on Sanoma's balance sheet in connection with the completions of acquisitions and may be impaired in the future.

Financial reporting in 2023

Sanoma will publish the following financial reports during 2023:

Interim Report 1 January–30 September 2023

Thursday, 26 October 2023

Helsinki, 25 July 2023

Board of Directors
Sanoma Corporation

Reconciliation of operational EBIT excl. PPA

EUR million	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
EBIT	-0.5	38.5	-43.6	16.5	112.0
Items affecting comparability (IACs) and PPA adjustments and amortisations					
Learning					
Impairments					-11.6
Capital gains/losses					0.5
Restructuring expenses	-5.9	-2.6	-8.0	-3.6	-21.1
PPA adjustments and amortisations	-9.3	-7.9	-17.5	-14.9	-32.5
Media Finland					
Impairments			-2.3		
Capital gains/losses	0.4		1.6	0.4	0.4
Restructuring expenses	-1.0	-0.8	-1.8	-1.8	-5.0
VAT claims for years 2015-2018 and 2019-2021	-35.9		-35.9		
PPA adjustments and amortisations	-1.7	-1.8	-3.4	-3.5	-6.9
Other operations					
Capital gains/losses			1.9		
Restructuring expenses	-0.8	-2.0	-1.1	-3.2	-1.1
Items affecting comparability (IACs) and PPA adjustments and amortisations total	-54.2	-15.1	-66.6	-26.7	-77.2
Operational EBIT excl. PPA	53.7	53.6	23.0	43.2	189.3
Depreciation of buildings and structures	-6.8	-6.3	-13.2	-12.6	-26.6
Depreciation of rental books	-2.1	-2.8	-4.3	-5.7	-11.5
Amortisation of film and TV broadcasting rights	-15.6	-14.4	-29.7	-27.9	-54.2
Amortisation of prepublication rights	-10.8	-5.2	-19.0	-10.4	-31.6
Other depreciations, amortisations and impairments	-8.8	-10.7	-22.6	-21.9	-53.2
Items affecting comparability in depreciation, amortisation and impairments			2.3		11.1
Operational EBITDA	97.9	92.9	109.6	121.7	355.4

Items affecting comparability (IACs) in results of associated companies

EUR million	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Media Finland					
Fair value remeasurement of previously held equity interest			-1.0		

Reconciliation of operational EPS

EUR million	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Result for the period attributable to the equity holders of the Parent Company	-11.4	30.7	-51.4	12.2	76.2
Accrued interest on the hybrid bond net of tax	-2.8		-2.8		
Items affecting comparability	43.3	5.4	46.7	8.2	37.9
Tax effect of items affecting comparability	-6.4	-1.1	-6.5	-1.7	-7.8
Operational result for the period attributable to the equity holders of the Parent Company	22.6	35.0	-14.0	18.7	106.3
Weighted average number of shares on the market	163,267,618	163,177,768	163,238,330	163,082,677	163,130,613
Operational EPS	0.14	0.21	-0.09	0.11	0.65

Reconciliation of net debt

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
Non-current financial liabilities	550.0	426.6	599.4
Current financial liabilities	105.2	234.0	100.1
Non-current lease liabilities	137.8	112.1	119.6
Current lease liabilities	29.5	44.5	45.3
Cash and cash equivalents	-30.6	-46.2	-41.0
Net debt	792.0	770.9	823.4

Reconciliation of adjusted EBITDA

EUR million	H1 2023	H1 2022	FY 2022
12-month rolling operational EBITDA	343.2	348.3	355.4
Impact of acquired and divested operations	14.0	0.0	17.2
Impact of programming rights	-56.0	-56.5	-54.3
Impact of prepublication rights	-57.1	-43.2	-55.4
Impact of rental books	-7.5	-6.3	-7.5
Adjusted EBITDA	236.6	242.3	255.4

Reconciliation of comparable net sales growth

EUR million	Q2 2023	Q2 2022	H1 2023	H1 2022
Group				
Net sales	341.3	313.2	559.1	523.9
Impact of acquired and divested operations	-30.8	-3.0	-42.1	-5.0
Comparable net sales	310.6	310.2	517.0	518.8
Learning				
Net sales	188.0	149.8	264.3	219.1
Impact of acquired and divested operations	-30.6	-1.8	-41.6	-3.9
Comparable net sales	157.4	148.0	222.8	215.2
Media Finland				
Net sales	153.4	163.7	294.9	305.3
Impact of acquired and divested operations	-0.1	-1.2	-0.6	-1.2
Comparable net sales	153.2	162.5	294.3	304.1

Income statement by quarter

EUR million	Q1 2023	Q2 2023	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
NET SALES	217.8	341.3	210.6	313.2	514.9	259.5	1,298.3
Other operating income	7.3	5.5	4.7	2.6	5.2	8.5	21.0
Materials and services	-73.5	-101.9	-65.0	-91.2	-212.5	-89.3	-458.0
Employee benefit expenses	-97.2	-102.6	-87.7	-92.0	-84.2	-92.3	-356.2
Other operating expenses	-43.0	-87.9	-36.7	-45.3	-46.4	-48.8	-177.2
Share of results in joint ventures	0.2	0.2	0.1	0.1	0.2	0.0	0.5
Depreciation, amortisation and impairment losses	-54.7	-55.1	-48.0	-49.0	-60.9	-58.6	-216.5
EBIT	-43.1	-0.5	-22.0	38.5	116.3	-20.8	112.0
Share of results in associated companies	-1.0	0.0	0.1	0.0	-0.2	-0.2	-0.4
Financial income	2.4	6.2	1.1	4.1	3.4	0.9	9.5
Financial expenses	-8.8	-14.4	-4.4	-4.0	-6.9	-6.7	-22.0
RESULT BEFORE TAXES	-50.6	-8.7	-25.2	38.6	112.6	-26.8	99.2
Income taxes	10.8	-2.5	6.9	-7.7	-27.0	5.6	-22.2
RESULT FOR THE PERIOD	-39.8	-11.2	-18.3	30.8	85.6	-21.1	77.0
Result attributable to:							
Equity holders of the Parent Company	-40.0	-11.4	-18.5	30.7	85.4	-21.4	76.2
Non-controlling interests	0.2	0.2	0.2	0.2	0.2	0.2	0.7
Earnings per share for result attributable to the equity holders of the Parent Company:							
Earnings per share, EUR	-0.25	-0.08	-0.11	0.19	0.52	-0.13	0.47
Diluted earnings per share, EUR	-0.25	-0.08	-0.11	0.19	0.52	-0.13	0.47

Net sales by SBU

EUR million	Q1 2023	Q2 2023	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Learning	76.3	188.0	69.3	149.8	360.3	101.6	681.0
Media Finland	141.5	153.4	141.6	163.7	154.8	158.0	618.1
Other operations and eliminations	-0.1	-0.1	-0.3	-0.3	-0.1	-0.1	-0.8
Total	217.8	341.3	210.6	313.2	514.9	259.5	1,298.3

EBIT by SBU

EUR million	Q1 2023	Q2 2023	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Learning	-43.8	33.1	-27.7	30.5	98.4	-34.0	67.2
Media Finland	1.5	-29.5	7.5	14.6	18.2	13.9	54.3
Other operations and eliminations	-0.7	-4.1	-1.8	-6.7	-0.3	-0.7	-9.4
Total	-43.1	-0.5	-22.0	38.5	116.3	-20.8	112.0

Operational EBIT excl. PPA by SBU

EUR million	Q1 2023	Q2 2023	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Learning	-33.5	48.3	-19.7	41.0	129.4	-18.9	131.8
Media Finland	5.1	8.7	9.9	17.2	20.6	18.1	65.8
Other operations and eliminations	-2.3	-3.3	-0.6	-4.6	-1.6	-1.5	-8.4
Total	-30.7	53.7	-10.4	53.6	148.4	-2.3	189.3

Interim report (unaudited)

Accounting policies

Sanoma Group prepares its Interim Report in accordance with IAS 34 'Interim Financial Reporting' while adhering to related IFRS standards and interpretations applicable within the EU on 30 June 2023. The accounting policies of the Interim Report, the definitions of key indicators as well as the explanations of use and definitions of Alternative Performance Measures (APMs) are available in the Annual Report 2022. 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.

On 16 March 2023, Sanoma issued a hybrid bond of EUR 150 million, which is treated as equity in the accounting. The hybrid bond does not have a specified maturity date, but Sanoma is entitled to redeem it at its nominal amount on the reset date of 16 March 2026, or on each interest payment date thereafter. The hybrid bond is subordinated to the company's other debt instruments, but senior to other equity instruments. Paying the interest on the hybrid bond is at the discretion of the company, however an obligation to pay the interest arises if the Group decides to distribute dividends. Following the AGM's decision on 19 April 2023 to distribute dividends, the obligation to pay the interest arose and the full annual interest of EUR 12 million was deducted from equity in Q2 2023. The interest will be paid in March 2024.

Hybrid bond holders have no control over the Group and no right to vote at shareholders' meetings. When calculating earnings per share (EPS), unpaid interest net of tax is adjusted in the result for the period. For the period January–June 2023 the result was adjusted by EUR 2.8 million, which is the accumulated unpaid interest net of tax since the hybrid bond issuance on 16 March 2023 until the end of the reporting period 30 June 2023.

Consolidated income statement

EUR million	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
NET SALES	341.3	313.2	559.1	523.9	1,298.3
Other operating income	5.5	2.6	12.8	7.3	21.0
Materials and services	-101.9	-91.2	-175.4	-156.2	-458.0
Employee benefit expenses	-102.6	-92.0	-199.8	-179.7	-356.2
Other operating expenses	-87.9	-45.3	-130.9	-82.0	-177.2
Share of results in joint ventures	0.2	0.1	0.5	0.3	0.5
Depreciation, amortisation and impairment losses	-55.1	-49.0	-109.8	-97.0	-216.5
EBIT	-0.5	38.5	-43.6	16.5	112.0
Share of results in associated companies	0.0	0.0	-1.0	0.0	-0.4
Financial income	6.2	4.1	8.6	5.2	9.5
Financial expenses	-14.4	-4.0	-23.2	-8.4	-22.0
RESULT BEFORE TAXES	-8.7	38.6	-59.3	13.4	99.2
Income taxes	-2.5	-7.7	8.3	-0.8	-22.2
RESULT FOR THE PERIOD	-11.2	30.8	-51.0	12.6	77.0
Result attributable to:					
Equity holders of the Parent Company	-11.4	30.7	-51.4	12.2	76.2
Non-controlling interests	0.2	0.2	0.4	0.4	0.7
Earnings per share for result attributable to the equity holders of the Parent Company:					
Earnings per share, EUR	-0.08	0.19	-0.33	0.07	0.47
Diluted earnings per share, EUR	-0.08	0.19	-0.33	0.07	0.47

Statement of comprehensive income

EUR million	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Result for the period	-11.2	30.8	-51.0	12.6	77.0
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Change in translation differences	0.3	-0.6	0.1	-1.0	2.3
Items that will not be reclassified to profit or loss					
Defined benefit plans	-0.9	-11.0	-5.0	-9.4	-6.9
Income tax related to defined benefit plans	0.2	2.2	1.0	1.9	1.3
Other comprehensive income for the period, net of tax	-0.4	-9.4	-4.0	-8.6	-3.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-11.7	21.5	-55.0	4.0	73.6
Total comprehensive income attributable to:					
Equity holders of the Parent Company	-11.8	21.3	-55.3	3.6	72.9
Non-controlling interests	0.2	0.2	0.4	0.4	0.7

Consolidated balance sheet

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
ASSETS			
Property, plant and equipment	44.2	52.4	49.2
Right-of-use assets	159.0	150.1	156.5
Investment property	3.5	5.2	5.2
Goodwill	812.2	756.4	812.1
Other intangible assets	732.6	674.8	739.0
Equity-accounted investees	3.1	3.6	4.1
Other investments	3.8	3.7	3.7
Deferred tax receivables	14.5	9.7	10.7
Non-current receivables	14.0	21.6	20.8
NON-CURRENT ASSETS, TOTAL	1,786.9	1,677.5	1,801.3
Inventories	139.4	75.1	71.2
Income tax receivables	17.5	12.2	10.4
Contract assets	1.2	0.8	0.6
Trade and other receivables	237.1	227.1	179.1
Cash and cash equivalents	30.6	46.2	41.0
CURRENT ASSETS, TOTAL	425.8	361.6	302.3
ASSETS, TOTAL	2,212.7	2,039.1	2,103.6
EQUITY AND LIABILITIES			
EQUITY			
Share capital	71.3	71.3	71.3
Treasury shares	-4.1	-5.2	-5.2
Fund for invested unrestricted equity	209.8	209.8	209.8
Other equity	292.9	352.3	419.2
Hybrid bond	148.9		
Total equity attributable to the equity holders of the Parent Company	718.8	628.2	695.1
Non-controlling interests	2.1	6.6	7.0
EQUITY, TOTAL	720.9	634.8	702.1
Deferred tax liabilities	115.1	113.7	121.4
Pension obligations	5.5	5.9	4.1
Provisions	0.1	0.5	0.1
Financial liabilities	550.0	426.6	599.4
Lease liabilities	137.8	112.1	119.6
Contract liabilities	1.8	2.5	2.5
Trade and other payables	3.4	3.4	2.8
NON-CURRENT LIABILITIES, TOTAL	813.9	664.6	850.0
Provisions	2.5	0.6	1.7
Financial liabilities	105.2	234.0	100.1
Lease liabilities	29.5	44.5	45.3
Income tax liabilities	10.5	17.6	12.9
Contract liabilities	171.9	155.1	139.3
Trade and other payables	358.2	287.9	252.2
CURRENT LIABILITIES, TOTAL	677.9	739.7	551.5
LIABILITIES, TOTAL	1,491.7	1,404.3	1,401.5
EQUITY AND LIABILITIES, TOTAL	2,212.7	2,039.1	2,103.6

Changes in consolidated equity

EUR million	Equity attributable to the equity holders of the Parent Company							Equity, total
	Share capital	Treasury shares	Fund for invested unrestricted equity	Other equity	Hybrid bond	Total	Non-controlling interests	
Equity at 1 Jan 2022	71.3	-7.5	209.8	440.1		713.6	7.2	720.9
Comprehensive income for the period				3.6		3.6	0.4	4.0
Share-based compensation				-1.2		-1.2		-1.2
Shares delivered		2.3		-2.3				
Dividends				-88.1		-88.1	-1.0	-89.1
Acquisitions and other changes in non-controlling interests				0.3		0.3	0.0	0.3
Equity at 30 Jun 2022	71.3	-5.2	209.8	352.3		628.2	6.6	634.8
Equity at 1 Jan 2023	71.3	-5.2	209.8	419.2		695.1	7.0	702.1
Comprehensive income for the period				-55.3		-55.3	0.4	-55.0
Share-based compensation				0.8		0.8		0.8
Shares delivered		1.1		-1.1				
Dividends				-60.4		-60.4	-0.7	-61.1
Acquisitions and other changes in non-controlling interests				1.7		1.7	-4.5	-2.8
Interest on hybrid bond				-12.0		-12.0		-12.0
Issuance of hybrid bond (net of issuance costs)					148.9	148.9		148.9
Equity at 30 Jun 2023	71.3	-4.1	209.8	292.9	148.9	718.8	2.1	720.9

Consolidated cash flow statement

EUR million	H1 2023	H1 2022	FY 2022
OPERATIONS			
Result for the period	-51.0	12.6	77.0
Adjustments			
Income taxes	-8.3	0.8	22.2
Financial income and expenses	14.7	3.1	12.5
Share of results in equity-accounted investees	0.6	-0.3	-0.2
Depreciation, amortisation and impairment losses	109.8	97.0	216.5
Gains/losses on sales of non-current assets	-3.8	-0.6	-3.3
Other adjustments	3.6	-1.8	2.1
Adjustments, total	116.6	98.2	249.9
Change in working capital	-47.8	-110.7	4.4
Acquisitions of broadcasting rights, prepublication costs and rental books	-56.8	-49.0	-111.2
Dividends received	0.3	0.1	0.6
Interest paid and other financial items	-14.1	-6.8	-13.2
Taxes paid	-7.4	-16.8	-42.8
Cash flow from operations	-60.2	-72.4	164.6
INVESTMENTS			
Capital expenditure	-23.6	-26.9	-52.9
Operations acquired	-0.4	-2.1	-204.9
Proceeds from sale of tangible and intangible assets	4.5	1.1	1.4
Operations sold	3.5	0.6	7.7
Loans granted	0.0	-1.0	-3.2
Repayments of loan receivables		0.3	0.4
Interest received	0.9	0.3	0.8
Cash flow from investments	-15.1	-27.6	-250.7
Cash flow before financing	-75.3	-100.0	-86.2
FINANCING			
Proceeds from issue of hybrid bond (net of issuance costs)	148.9		
Change in loans with short maturity	7.8	153.8	69.7
Drawings of other loans	0.6	0.1	250.3
Repayments of other loans	-50.4	-0.3	-124.7
Payment of lease liabilities	-15.5	-15.5	-30.5
Acquisitions of non-controlling interests	-7.1		-1.0
Dividends paid	-21.7	-45.0	-89.1
Cash flow from financing	62.6	93.2	74.6
CHANGE IN CASH AND CASH EQUIVALENTS ACCORDING TO CASH FLOW STATEMENT	-12.7	-6.8	-11.6
Effect of exchange rate differences on cash and cash equivalents	0.2	-0.1	0.2
Net change in cash and cash equivalents	-12.5	-6.9	-11.4
Cash and cash equivalents at the beginning of the period	41.0	52.4	52.4
Cash and cash equivalents at the end of the period	28.5	45.4	41.0
FREE CASH FLOW (Cash flow from operations – Capital expenditure)	-83.9	-99.3	111.7

At the end of June 2023, cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 2.1 million (2022: 0.8).

Segment information

Sanoma reports two operating segments, which are its two strategic business units Sanoma Learning and Sanoma Media Finland. This is aligned with the way Sanoma manages the businesses.

Sanoma Learning is the leading European learning company serving over 25 million students in 12 countries. Our learning products and services enable teachers to develop the talents of every child to reach their potential. We offer printed and digital learning materials as well as digital learning and teaching platforms for K12. i.e. primary, secondary and vocational education, and we aim to continue to grow our business in Europe and beyond. We develop our methodologies based on deep teacher and student insight and truly understanding their individual needs. By combining our educational technologies and pedagogical expertise, we create learning products and services with the highest learning impact.

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

In addition to the Group eliminations, the column other operations/eliminations includes non-core operations, head office functions and items not allocated to segments. Segment assets do not include cash and cash equivalents, interest-bearing receivables, tax receivables or deferred tax receivables. Transactions between segments are based on market prices.

Segment information 1 January–30 June 2023

EUR million	Learning	Media Finland	Other operations/eliminations	Total
External net sales	264.3	294.8		559.1
Internal net sales	0.0	0.1	-0.1	
Net sales, total	264.3	294.9	-0.1	559.1
EBIT	-10.8	-28.0	-4.8	-43.6
Operational EBIT excl. PPA	14.7	13.8	-5.5	23.0
Share of results in associated companies		-1.0		-1.0
Financial income			8.6	8.6
Financial expenses			-23.2	-23.2
Result before taxes				-59.3
Income taxes				8.3
Result for the period				-51.0
Segment assets	1,907.8	387.4	-145.1	2,150.1

Segment information 1 January–30 June 2022

EUR million	Learning	Media Finland	Other operations/ eliminations	Total
External net sales	219.1	304.8		523.9
Internal net sales		0.5	-0.5	
Net sales, total	219.1	305.3	-0.5	523.9
EBIT	2.8	22.2	-8.5	16.5
Operational EBIT excl. PPA	21.3	27.1	-5.3	43.2
Share of results in associated companies		0.0		0.0
Financial income			5.2	5.2
Financial expenses			-8.4	-8.4
Result before taxes				13.4
Income taxes				-0.8
Result for the period				12.6
Segment assets	1,692.5	430.0	-152.8	1,969.8

Net sales

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/services lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's two operating segments, which are also its strategic business units.

Disaggregation of revenue 1 January–30 June 2023

EUR million	Learning	Media Finland	Other operations/ eliminations	Total
Finland	43.8	294.9	-0.1	338.6
The Netherlands	74.6			74.6
Poland	16.8			16.8
Spain	40.1			40.1
Italy	36.7			36.7
Belgium	33.0			33.0
Other companies and eliminations	19.4			19.4
Primary geographical markets	264.3	294.9	-0.1	559.1
Learning solutions	253.3		0.0	253.3
Advertising		109.0	-0.1	108.9
Subscription		121.3	0.0	121.3
Single copy		18.9		18.9
Other	11.1	45.7	0.0	56.7
Major product lines/services	264.3	294.9	-0.1	559.1
Recognition at a point-in-time	191.2	89.0	-0.1	280.1
Recognition over-time	73.1	205.9		279.0
Timing of revenue recognition	264.3	294.9	-0.1	559.1

Disaggregation of revenue 1 January–30 June 2022

EUR million	Learning	Media Finland	Other operations/eliminations	Total
Finland	41.6	305.3	-0.5	346.4
The Netherlands	82.9			82.9
Poland	16.7			16.7
Spain	29.8			29.8
Belgium	28.2			28.2
Other companies and eliminations	19.8			19.8
Primary geographical markets	219.1	305.3	-0.5	523.9
Learning solutions	203.2			203.2
Advertising		118.3	-0.4	117.9
Subscription		122.6	0.0	122.6
Single copy		19.3		19.3
Other	15.9	45.1	-0.1	60.9
Major product lines/services	219.1	305.3	-0.5	523.9
Recognition at a point-in-time	148.6	93.2	-0.5	241.3
Recognition over-time	70.5	212.1		282.6
Timing of revenue recognition	219.1	305.3	-0.5	523.9

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

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
Carrying amount at 1 Jan	205.7	212.4	212.4
Increases	23.3	17.8	48.8
Acquisitions of operations	0.1	0.3	9.0
Decreases	-1.6	-1.4	-6.2
Disposal of operations		-1.1	-1.1
Depreciation for the period	-24.7	-25.5	-52.7
Impairment losses for the period	0.0	0.0	-4.2
Exchange rate differences and other changes	0.4	-0.2	-0.3
Carrying amount at the end of the period	203.3	202.4	205.7

Acquisitions and divestments

Acquisitions in 2023

In H1 2023, Sanoma invested EUR 3.3 million in business acquisitions. The effect of the acquisitions since the acquisition date on the Group's H1 2023 net sales and operating profit was minor.

On 10 February 2023, Sanoma Media Finland increased its ownership in Kaiku Entertainment Oy to 100%.

On 17 February 2023, Sanoma Media Finland acquired the rest of the shares of Valopilkku and increased its ownership to 100%.

On 31 March 2023, Sanoma Learning acquired the rest of the shares of Clickedu and increased its ownership from 67% to 100%.

On 3 April 2023 Sanoma Learning acquired the rest of the shares of Tutorhouse Oy.

Impact of business acquisitions on Group's assets and liabilities

EUR million	H1 2023	Italy and Germany	Other	FY 2022
Property, plant and equipment	0.0	2.0	0.0	2.0
Right-of-use assets	0.1	6.7	0.3	7.0
Intangible assets	1.4	86.5	3.1	89.6
Other non-current assets		15.5	0.0	15.5
Inventories		34.8	0.0	34.8
Other current assets	1.6	85.0	0.5	85.4
Assets, total	3.1	230.5	3.9	234.4
Non-current liabilities	-2.2	-29.6	-1.0	-30.6
Current liabilities	-0.8	-44.3	-0.7	-44.9
Liabilities, total	-3.0	-73.9	-1.7	-75.5
Fair value of acquired net assets	0.1	156.6	2.3	158.9
Acquisition cost	0.5	212.1	5.0	217.0
Fair value of previously held interest	0.2			
Fair value of acquired net assets	-0.1	-156.6	-2.3	-158.9
Goodwill from the acquisitions	0.6	55.5	2.7	58.2

Acquisitions of non-controlling interests

EUR million	H1 2022	FY 2022
Acquisition cost	2.8	
Book value of the acquired interest	1.1	
Impact on consolidated equity	-1.7	

Cash paid to obtain control, net of cash acquired

EUR million	H1 2023	Italy and Germany	Other	FY 2022
Acquisition cost	0.5	212.1	5.0	217.0
Cash and cash equivalents of acquired operations	-0.2	-9.9	-0.3	-10.2
Decrease (+) / increase (-) in acquisition liabilities			-2.0	-2.0
Cash paid to obtain control, net of cash acquired	0.3	202.2	2.7	204.9
Acquisition cost	2.8			
Decrease (+) / increase (-) in acquisition liabilities	4.3		1.0	1.0
Cash paid on acquisitions of non-controlling interests	7.1		1.0	1.0

Divestments in 2023

On 22 February 2023, Sanoma Media Finland sold audio service Supla's audiobook operations to BookBeat.

Impact of divestments on Group's assets and liabilities

EUR million	H1 2023	FY 2022
Property, plant and equipment		1.1
Other intangible assets		11.1
Inventories		0.3
Trade and other receivables		0.4
Cash and cash equivalents		1.7
Assets, total		14.6
Deferred tax liabilities		-3.0
Trade and other payables		-2.1
Liabilities, total		-5.1
Net assets		9.5
Sales price	1.6	11.5
Transaction fees paid		-1.1
Net result from sale of operations	1.6	0.9

Cash flow from sale of operations

EUR million	H1 2023	FY 2022
Sales price	1.6	11.5
Cash and cash equivalents of divested operations		-1.7
Decrease (+) / increase (-) in receivables from divestment	1.9	-2.1
Cash flow from sale of operations	3.5	7.7

Contingent liabilities

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
Contingencies for own commitments			
Pledges	0.9	0.9	0.9
Other items	24.3	25.1	24.3
Contingencies for own commitments total	25.2	25.9	25.2
Other commitments			
Royalties	1.3	0.6	0.2
Commitments for acquisitions of intangible assets (film and TV broadcasting rights included)	40.6	45.6	41.0
Other items ¹	95.7	23.1	91.3
Other commitments total	137.6	69.4	132.5
Total	162.8	95.4	157.7

¹ Other items include commitments of contracts. In 2022 a new significant contract was signed with an external operator.

Derivative instruments

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
Fair values			
Currency derivatives			
Forward contracts (positive fair values)	0.0	0.1	0.0
Forward contracts (negative fair values)	0.0	0.0	-0.1
Nominal values			
Currency derivatives			
Forward contracts	5.2	14.2	15.0

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

Interest on hybrid bond

On 16 March 2023, Sanoma issued a hybrid bond of EUR 150 million. As of 30 June 2023, the unpaid interest was EUR 12 million as the obligation to pay the interest for the full interest cycle (12 months) arose when the AGM held on 19 April 2023 decided to distribute dividends.

Disputes and litigations

On 8 June, Sanoma announced that the Administrative Court had rejected Sanoma's appeal that concerned the VAT payment decisions regarding the tax audits at Sanoma Media Finland Oy for years 2015–2018. The case concerned the treatment of VAT of certain magazines that were printed in multiple locations in Europe, and processed in and distributed through a centralised logistic centre in Norway.

Based on the payment decision from the Finnish Tax Adjustment Board on 16 December 2022, Sanoma paid EUR 11 million of VAT, penalties and interests in December 2022 in order to avoid interest accumulation. Sanoma considers these claims fully unjustified and appealed of the decision to the Finnish Tax Adjustment Board, where the process is still ongoing. Sanoma considered this payment to be a deposit with the tax authority, and reported the amount paid as a receivable. In March 2023, the tax authorities made an ex officio decision on a corporate income tax adjustment as a consequence of value added tax and refunded EUR 2 million of corporate income tax to Sanoma. Sanoma considered this refund to be a liability towards the tax authority, and reported the amount received as a liability.

Based on the decision from the Finnish Tax Adjustment Board on 29 April 2021, Sanoma paid EUR 25 million of VAT, penalties and interests in July 2021 in order to avoid further interest accumulation. Sanoma considered this payment to be a deposit with the tax authority while the dispute was ongoing, and consequently reported the amount paid as a receivable. On August 2021, the tax authorities made an ex officio decision on a corporate income tax adjustment as a consequence of value added tax adjustment and refunded EUR 3 million of corporate income tax to Sanoma. Sanoma considered this refund to be a liability towards the tax authority while the dispute was ongoing, and consequently reported the amount received as

a liability. According to the Administrative Court's decision on 8 June 2023 and pursuant to the Tax Assessment Procedure Act, no tax will be refunded to Sanoma.

Based on the Administrative Court's decision given on 8 June 2023, the VAT claims for both the years 2015–2018 and 2019–2021 amounting to EUR 36 million were booked as IACs in Media Finland's Q2 2023 result and a positive EUR 5 million adjustment to the income taxes.

Sanoma will apply for a permission to appeal of the decision to the Supreme Administrative Court. The VAT regulations have changed as of 1 July 2021 and thus further tax audits related to the matter are not expected.

Definitions of key indicators

KPI	Definition	Reason to use
Comparable (or organic) net sales (growth)	= Net sales (growth) adjusted for the impact of acquisitions and divestments	Complements reported net sales by reflecting the underlying business performance and enhancing comparability between reporting periods
Items affecting comparability (IACs)	= Gains/losses on sale, restructuring incl. transaction and integration costs of acquisitions or efficiency program expenses and impairments that exceed EUR 1 million	Reflects the underlying business performance and enhances comparability between reporting periods
Operational EBITDA	= Operating profit + depreciation, amortisation and impairments - IACs	Measures the profitability before non-cash based depreciation and amortisation, reflects the underlying business performance and enhances comparability between reporting periods
Purchase price allocation adjustments and amortisations (PPAs)	= Purchase price allocation amortisations and cost impact of the inventory fair value adjustments	A component used in the calculation of KPIs (incl. operational EBIT excl. PPA)
Operational EBIT excl. PPA	= EBIT – IACs – Purchase price allocation adjustments and amortisations (PPAs)	Measures the profitability excl. acquisition-related PPA adjustments and amortisations, reflects the underlying business performance and enhances comparability between reporting periods
Equity ratio, %	= $\frac{\text{Equity total}}{\text{Balance sheet total} - \text{advances received}} \times 100$	One of Sanoma's long-term financial targets, measures the relative proportion of equity to total assets
Free cash flow	= Cash flow from operations – capital expenditure	Basis for Sanoma's dividend policy
Free cash flow / share	= $\frac{\text{Free cash flow}}{\text{Weighted average number of shares on the market}}$	Basis for Sanoma's dividend policy
Net debt	= Interest-bearing liabilities (short or long-term liabilities which have separately determined interest cost) – cash and cash equivalents	Measures Sanoma's net debt position
Net debt / Adj. EBITDA	= <p>The adjusted EBITDA used in this ratio is the 12-month rolling operational EBITDA, where acquired operations are included and divested operations excluded, and where programming rights and prepublication rights have been raised above EBITDA on cash flow basis</p>	One of Sanoma's long-term financial targets, provides investors information on Sanoma's ability to service its debt
Net financial items	= Financial income – financial expenses	Measures Sanoma's net financing cost
EPS	= $\frac{\text{Result for the period attributable to the equity holders of the Parent Company} - \text{tax adjusted interest on hybrid loan}}{\text{Weighted average number of shares on the market}}$	Measures Sanoma's result for the period per share
Operational EPS	= $\frac{\text{Result for the period attributable to the equity holders of the Parent Company} - \text{tax adjusted interest on hybrid loan} - \text{IACs} - \text{tax effect of IACs} - \text{non-controlling interests' share of IACs}}{\text{Weighted average number of shares on the market}}$	In addition to EPS, reflects the underlying business performance and enhances comparability between reporting periods