

Interim Report

Q1 2021

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SANOMA CORPORATION, INTERIM REPORT JANUARY–MARCH 2021

Good start to the year driven by acquisitions and organic growth

Q1 2021

- The Group's net sales grew to EUR 210 million (2020: 188) driven mainly by acquisitions both in Learning and Media Finland. The Group's comparable net sales growth was 3% (2020: 2%).
- Operational EBIT excl. PPA declined to EUR -10 million (2020: -8). Earnings improved in Media Finland, and declined in Learning, which is typical for a growing learning company with seasonal losses of the first quarter increasing in-line with net sales.
- EBIT was EUR -24 million (2020: -17). Items affecting comparability (IACs) totalled EUR -5 million (2020: -4) and mainly consisted of integration costs related to recent acquisitions. Purchase price allocation adjustments and amortisations (PPAs) increased to EUR 9 million (2020: 5) as a result of recent acquisitions.
- Operational EPS was EUR -0.12 (2020: -0.06) and EUR -0.12 (2020: 0.01) including discontinued operations.
- EPS was EUR -0.15 (2020: -0.07) and EUR -0.15 (2020: -0.02) including discontinued operations.
- As typical for the first quarter, free cash flow was negative and amounted to EUR -48 million (2020: -60). The negative free cash flow of the divested Media Netherlands was included in the Group's free cash flow still in the comparison period, but not anymore in the reporting period.
- Net debt/Adj. EBITDA was stable at 2.8 (2020: 3.0) being in-line with the long-term target level of 'below 3.0'.
- On 29 April, Sanoma announced it had received a decision from the Finnish Tax Adjustment Board that they had accepted a claim made by the Finnish Tax Ombudsman related to tax audits at Sanoma Media Finland. Based on the decision received, Sanoma is required to pay approx. EUR 20 million of VAT excl. potential penalties or interests. Sanoma considers the claims fully unjustified and will appeal the decision.
- On 13 April, the Annual General Meeting decided that a dividend of EUR 0.52 shall be paid for 2020 in two equal instalments. The first instalment was paid on 22 April and the second instalment will be paid in November (estimated timing).
- On 11 March, Sanoma issued a EUR 200 million bond, which was used to repay a EUR 200 million bridge loan drawn in connection with the Santillana acquisition.
- On 8 March, Sanoma launched an updated Sustainability Strategy focusing on six themes, each having their own targets and KPIs.

Outlook for 2021 (unchanged)

In 2021, Sanoma expects that the Group's reported net sales will be EUR 1.2–1.3 billion (2020: 1.1). The Group's operational EBIT margin excluding PPA is expected to be 14%–16% (2020: 14.7%).

Regarding the operating environment and its implications for the business Sanoma expects that:

- Organising of live events will be impacted by restrictions and dependent on the vaccination rate and opening of the society in Finland, and final decisions will be made on an event-by-event basis. The profitability of the events business will be significantly lower than in the previous year.
- The advertising demand will be weighted towards the second half of the year.
- The learning business will not be significantly impacted by prolonged school closures in its main operating countries.

Alternative performance measures and discontinued operations

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

Unless otherwise stated, all income statement and cash flow related quarterly and FY figures presented in this report cover continuing operations only. Figures related to balance sheet and cash flow cover both continuing and discontinued operations. Media Netherlands is reported as discontinued operations until the completion of the divestment on 20 April 2020. In addition, certain Learning operations that are under strategic review are reported as discontinued operations for 2020 and 2021. Sanoma's continuing operations include Learning and Media Finland, which are also Sanoma's reporting segments.

Definitions of key IFRS indicators and APMs are available on p. 33. Reconciliations are available on p. 14-15. More information on discontinued operations is available on p. 30-31.

Key indicators for continuing operations

EUR million	Q1 2021	Q1 2020	Change	FY 2020
Net sales	210.1	187.6	12%	1,061.7
Operational EBITDA ¹⁾	30.7	30.8	0%	309.9
Margin ¹⁾	14.6%	16.4%		29.2%
Operational EBIT excl. PPA ²⁾	-10.0	-7.8	-29%	156.5
Margin ²⁾	-4.8%	-4.1%		14.7%
EBIT	-23.8	-17.0	-40%	270.1
Result for the period	-24.4	-12.4	-97%	237.8
Operational EPS, EUR ¹⁾	-0.12	-0.06	-97%	0.58
EPS, EUR	-0.15	-0.07	-99%	1.46
Average number of employees (FTE)	4,845	3,942	23%	4,255
Number of employees at the end of the period (FTE)	4,853	3,952	23%	4,806

Key indicators incl. continuing and discontinued operations ³⁾

EUR million	Q1 2021	Q1 2020	Change	FY 2020
Result for the period	-24.5	-3.8	-550%	247.1
Free cash flow	-48.4	-60.2	20%	94.8
Equity ratio ⁴⁾	37.9%	25.2%		37.4%
Net debt	713.4	856.3	-17%	660.7
Net debt / Adj. EBITDA	2.8	3.0	-6%	2.6
Operational EPS, EUR ¹⁾	-0.12	0.01	-1,051%	0.67
EPS, EUR	-0.15	-0.02	-582%	1.51
Free cash flow per share, EUR	-0.30	-0.37	20%	0.58

1) Excluding IACs

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

3) In 2021, discontinued operations include certain Learning operations that are under strategic review. In 2020, discontinued operations also included Sanoma Media Netherlands. More information on discontinued operations' financial performance is available on p. 30.

4) Advances received included in the formula of equity ratio were EUR 139.7 million in Q1 2021 (2020: 170.4)

President and CEO Susan Duinhoven:

"We had a good start to the year. Net sales grew driven by acquisitions and solid underlying development both in Learning and Media Finland. In Learning, the first quarter is always seasonally small in net sales, and loss-making. The larger our learning business becomes, the stronger this seasonality and losses in the first and fourth quarters will also become. With the acquisition of Santillana, the annual seasonality has become even stronger in Learning, as in Spain the business is more focused on the third quarter than in our other operating countries. We have now worked together with Santillana for the first four months. The integration has proceeded well and according to our plans. The mutual learning curve is high, despite the fact that the majority of the integration projects are conducted remotely. The team in Spain is already now preparing for the upcoming education renewal in 2022-2023. Across our learning business, we have continued to support remote learning and teaching with our digital tools and do not expect any major impact on the business due to the pandemic, although there may be some shift towards the third quarter in some of our largest markets.

Media Finland continued its strong performance also in the first quarter. Solid subscription sales growth continued in the daily newspaper Helsingin Sanomat, where number of subscriptions grew even by 6% y-o-y, and the VOD service Ruutu+. Helsingin Sanomat business section, HS Visio, was successfully launched in the beginning of March and we are very happy to see how enthusiastically it has been received by the readers. Development of our B2B advertising sales was also solid against a relatively strong comparison of the first months of 2020, just before the coronavirus pandemic started. Visibility into the B2B demand is currently very low, and we expect quite cautious development in the first half of the year and more weight on the second half. A positive overall performance is visible also in the regional news media business, where the integration has been successful, and we now start to see the synergy benefits in earnings. When it comes to the events business, the sentiment and optimism for this season have been anything but stable during the spring time with slowness of the vaccination progress especially among younger age groups. During the summer season 2021, organising of live events will depend on the opening of the society in Finland and we will make final go/no-go decisions on an event-by-event basis. Uncertainty related to the events business was evident already in February when we gave our Outlook for this year, and therefore the Outlook remains unchanged.

Highlights of the first quarter also included the launch of our updated Sustainability Strategy and a very successful issuance of a 3-year EUR 200 million bond, both in early March. Our Sustainability Strategy focuses on six themes, in which we have the highest impact: Inclusive learning, Sustainable media, Trustworthy data, Valued people, Vital environment and Responsible business practices. We have also set targets for each theme and are happy to tell more about our plans towards them in a dedicated virtual 'Sanoma Sustainability Day' presentation on 8 June. More information on the event is available at www.sanoma.com/en/investors. Our sustainability story also played a key role in the success of the bond issuance as we experienced high demand in particular among ESG investors.

The exceptional times with the coronavirus pandemic continue as we have now already entered the second year. At Sanoma, successful remote work continues, and thanks to the discipline and dedication of our employees we have been able to stay healthy and safe. Related to the pandemic, some cost mitigation actions continue, while we actively invest in digital development in both businesses and may experience somewhat higher warehousing, IT and hosting costs just like in the previous year. The pandemic has not changed our long-term financial targets and strategic priorities: we have a solid financial position and the ability to create a positive cash flow, and our aim is to continue to grow our K12 learning business organically and through M&A."

Financial review Q1 2021

Net sales by SBU

EUR million	Q1 2021	Q1 2020	Change
Learning	68.2	57.9	18%
Media Finland	142.2	129.9	10%
Other operations	-0.2	-0.2	-42%
Group total	210.1	187.6	12%

The Group's net sales grew to EUR 210 million (2020: 188). During the seasonally small first quarter, net sales of Learning grew mainly as a result of some shifting of orders from the second to the first quarter in several operating countries as well as the acquisition of Santillana, completed in the end of December 2020. Net sales of Media Finland grew driven by the acquisition of the regional news media business more than offsetting the impact of the divestment of the online classified business Oikotie in July 2020. The Group's comparable net sales growth was 3% (2020: 2%).

Operational EBIT excl. PPA by SBU

EUR million	Q1 2021	Q1 2020	Change
Learning	-20.0	-15.1	-32%
Media Finland	11.3	9.5	18%
Other operations	-1.3	-2.2	41%
Group total	-10.0	-7.8	-29%

Operational EBIT excl. PPA was EUR -10 million (2020: -8). In Learning, earnings declined due to the acquisition of Santillana, where the annual seasonality with a loss-making first quarter is particularly strong. Earnings improved in Media Finland mainly due to synergies achieved from the acquisition of the regional news media business, continued cost mitigation actions and lower paper prices.

IACs, PPAs and reconciliation of operational EBIT

EUR million	Q1 2021	Q1 2020
EBIT	-23.8	-17.0
Items affecting comparability (IACs)		
Restructuring expenses	-4.3	-4.1
Impairments	-0.6	
IACs total	-4.9	-4.1
Purchase price allocation adjustments and amortisations (PPAs)	-8.9	-5.1
Operational EBIT excl. PPA	-10.0	-7.8

A detailed reconciliation on SBU level is presented on p. 14.

EBIT was EUR -24 million (2020: -17). The IACs totalled EUR -5 million (2020: -4) and consisted largely of integration costs related to recent acquisitions, in particular Santillana in Spain and the regional news media business in Finland. PPAs increased to EUR 9 million (2020: 5) due to the acquisitions of Santillana and the regional news media business.

Net financial items increased to EUR -4 million (2020: -1). In the comparison period, net financial expenses included some positive foreign currency translation impact and a one-time interest income, which explain the majority of the change. During the quarter, interest expenses increased slightly as the maturity of the Group's external loans was extended while the average interest rate was 1.1% (2020: 0.7%) at the end of March.

Result before taxes declined to EUR -28 million (2020: -18). Income taxes declined to EUR 3 million (2020: 5). Result for the period was EUR -24 million (2020: -12) and EUR -25 million (2020: -4) including discontinued operations.

Operational earnings per share were EUR -0.12 (2020: -0.06) and EUR -0.12 (2020: 0.01) including discontinued operations. Earnings per share were EUR -0.15 (2020: -0.07) and EUR -0.15 (2020: -0.02) including discontinued operations.

Financial position

At the end of March 2021, interest-bearing net debt was EUR 713 million (2020: 856) and net debt to adjusted EBITDA ratio was 2.8 (2020: 3.0). Compared to the end of 2020, the slight increase in net debt reflects the impact of the typical annual seasonal pattern of the business with net sales, earnings and operating cash flow of the learning business focusing strongly on the second and in particular third quarters of the year. Equity ratio improved to 37.9% (2020: 25.2%).

At the end of March 2021, the Group's equity totalled EUR 690 million (2020: 456) and the consolidated balance sheet totalled EUR 1,959 million (2020: 1,976).

Cash flow

The Group's free cash flow amounted to EUR -48 million (2020: -60) or EUR -0.30 per share (2020: -0.37). The divestment of Media Netherlands had a positive impact on the Group's free cash flow as in the comparison period, the seasonally negative free cash flow of Media Netherlands was included in the Group's free cash flow. In addition, Media Finland had a positive cash flow contribution through improved EBITDA and working capital. Part of the overall improvement was offset by the seasonally negative free cash flow of the recently acquired Santillana.

Capital expenditure included in the Group's free cash flow amounted to EUR 10 million (2020: 10) and mainly consisted of investments in digital platforms and ICT development in Learning.

Acquisitions and divestments

No acquisitions or divestments were conducted during the quarter. Information on acquisitions and divestments conducted in 2020 and earlier is available at www.sanoma.com.

Events during the reporting period

On 11 March, Sanoma announced that it had issued a senior unsecured bond of EUR 200 million. The 3-year bond matures on 18 March 2024. It carries a fixed annual interest of 0.625% and has an issue price of 99.625% and a yield of 0.752%. The offering was allocated to approx. 65 investors. The net proceeds from the issuance of the bond were used to repay a EUR 200 million bridge loan drawn in connection with the acquisition of Santillana.

On 8 March, Sanoma published its updated Sustainability Strategy to further strengthen sustainability in both the learning and media businesses. The strategy focuses on six themes; Inclusive learning, Sustainable media, Trustworthy data, Valued people, Vital environment and Responsible business practices; each having their own targets and KPIs. It is designed to maximise Sanoma's positive impacts on society and to minimise its environmental footprint. Sanoma has integrated selected UN Sustainable Development Goals (SDGs) into the strategy.

Events after the reporting period

On 29 April, Sanoma announced it had received a decision from the Finnish Tax Adjustment Board that they had accepted a claim made by the Finnish Tax Ombudsman related to tax audits at Sanoma Media Finland Oy. The claim concerned the treatment of value added tax (VAT) of certain magazines that were printed in multiple locations in Europe and distributed through a centralised logistics centre in Norway in 2015 and 2016-2018. Sanoma's aim is to provide consumers with interesting and high-quality content at an affordable price and ensure reliable delivery from the decentralised printing providers to the readers. To achieve this, a centralised logistics centre, which provides pivotal value-adding services, including e.g. sorting based on requirements of different distributors, labelling and coordination of the complete logistic chain, has been used.

Based on the decision received, Sanoma is required to pay approx. EUR 20 million of VAT, excluding potential penalties or interests. Sanoma continues to consider the claims fully unjustified and will appeal the decision. Thus, no provisions related to the matter will be made. In order to avoid any interest accumulation, Sanoma may pay the requested amount during 2021. For dividend calculation purposes, the Group's free cash flow will be adjusted for the payment.

Learning

Sanoma Learning is the leading European learning company, serving over 20 million students in 11 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 grow our business throughout Europe. 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	Q1 2021	Q1 2020	Change	FY 2020
Net sales	68.2	57.9	18%	499.7
Operational EBITDA ¹⁾	-0.9	3.4	-126%	167.1
Operational EBIT excl. PPA ²⁾	-20.0	-15.1	-32%	95.9
Margin ²⁾	-29.3%	-26.1%		19.2%
EBIT	-28.7	-20.0	-44%	66.4
Capital expenditure	8.0	6.5	23%	32.6
Average number of employees (FTE)	2,581	1,899	36%	1,987

¹⁾ Excluding IACs

²⁾ Excluding IACs of EUR -1.6 million in Q1 2021 (2020: -0.9) and EUR -13.2 million in FY 2020 and PPAs of EUR 7.2 million in Q1 2021 (2020: 4.0) and EUR 16.2 million in FY 2020.

Full reconciliation of operational EBITDA and operational EBIT excl. PPA is presented in a separate table on p. 14.

Net sales by country

EUR million	Q1 2021	Q1 2020	Change	FY 2020
The Netherlands	34.1	32.3	6%	199.8
Poland	7.1	5.8	22%	112.5
Spain	7.4	3.1	137%	17.1
Finland	5.7	5.3	8%	52.9
Belgium	5.8	4.7	24%	76.1
Other countries and eliminations ¹⁾	8.0	6.7	20%	41.2
Net sales total	68.2	57.9	18%	499.7

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 acquisition of Santillana will further increase 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.

Q1 2021

Net sales of Learning grew to EUR 68 million (2020: 58). Approximately half of the improvement resulted from some shifting of orders from the second to the first quarter in several operating countries, incl. the Netherlands, Poland and Belgium. The other half of the increase resulted from the acquisition of Santillana in Spain, where net sales amounted to EUR 4 million.

Operational EBIT excl. PPA decreased to EUR -20 million (2020: -15). Earnings decline was driven by the acquisition of Santillana, as the annual seasonality with a loss-making first quarter is even stronger in Spain compared to Learning's other operating markets. The business in Spain is even more focused on the third quarter, when the new school year starts.

EBIT was EUR -29 million (2020: -20). IACs totalled EUR -2 million (2020: -1) and mainly consisted of integration costs related to the acquisition of Santillana. PPAs were EUR 7 million (2020: 4).

Capital expenditure totalled EUR 8 million (2020: 7) and consisted of growth-investments in digital platforms and ICT.

Media Finland

Media Finland is the leading media company in Finland, reaching 97% of all Finns weekly. We provide information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. We have leading brands and services, like Helsingin Sanomat, Ilta-Sanomat, 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	Q1 2021	Q1 2020	Change	FY 2020
Net sales	142.2	129.9	10%	562.6
Operational EBITDA ¹⁾	32.2	29.1	11%	146.6
Operational EBIT excl. PPA ²⁾	11.3	9.5	18%	66.6
Margin ²⁾	7.9%	7.3%		11.8%
EBIT	7.5	5.3	42%	209.6
Capital expenditure	1.5	2.1	-26%	5.1
Average number of employees (FTE)	2,056	1,773	16%	2,052

¹⁾ Excluding IACs

²⁾ Excluding IACs of EUR -2.1 million in Q1 2021 (2020: -3.2) and EUR 149.1 million in FY 2020 and PPAs of EUR 1.7 million in Q1 2021 (2020: 1.1) and EUR 6.1 million in FY 2020.

Full reconciliation of operational EBITDA and operational EBIT excl. PPA is presented in a separate table on p. 14.

Net sales by category

EUR million	Q1 2021	Q1 2020	Change	FY 2020
Print	77.2	64.4	20%	291.4
Non-print	65.0	65.4	-1%	271.1
Net sales total	142.2	129.9	10%	562.6

EUR million	Q1 2021	Q1 2020	Change	FY 2020
Advertising sales	53.7	55.9	-4%	231.6
Subscription sales	63.8	49.5	29%	230.0
Single copy sales	9.8	10.4	-7%	42.8
Other	15.0	13.9	8%	58.1
Net sales total	142.2	129.9	10%	562.6

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

Q1 2021

Net sales of Media Finland grew to EUR 142 million (2020: 130). Net sales of the regional news media business, acquired on 30 April 2020, amounted to EUR 19 million reflecting also a continued impact of the coronavirus pandemic on advertising sales. On a comparable basis (excl. the acquired regional news media business), subscription sales continued to grow driven by strong development both in the daily newspaper Helsingin Sanomat and the VOD service Ruutu+. Comparable advertising sales declined by 4% due to the continued impact of the coronavirus pandemic on advertising demand. Digital advertising sales grew, while sales of print, TV and radio advertising declined. The divestment of the online classifieds business Oikotie had an adverse net sales impact of EUR 6 million.

According to the Finnish Advertising Trends survey for March 2021 by Kantar TNS, the advertising market in Finland declined by 9% on a net basis in Q1 2021. During the quarter, online advertising (excluding search and social media) grew by 6%, while advertising declined by 14% in newspapers, by 16% in magazines, by 7% in radio and by 3% in TV.

Operational EBIT excl. PPA improved to EUR 11 million (2020: 10). The earnings improvement was driven by synergies related to the acquisition of the regional news media business, continued cost mitigation actions related to the coronavirus pandemic restrictions and lower paper prices. During the quarter, digital development and personnel costs somewhat increased as a result of growth initiatives, e.g. financial news HS Visio. The positive underlying earnings impact (excl. synergies) of the acquisition of the regional news media business was broadly offset by the adverse impact of the divestment of the online classifieds business Oikotie.

EBIT was EUR 8 million (2020: 5). IACs totalled EUR -2 million (2020: -3) and mainly consisted of costs related to the integration of the regional news media business as well as strategic business development. PPAs were EUR 2 million (2020: 1) and increased due to the acquisition of the regional news media business.

Capital expenditure totalled EUR 2 million (2020: 2) and consisted of maintenance investments.

Personnel

In January–March 2021, the average number of employees in full-time equivalents (FTE) in continuing operations was 4,845 (2020: 3,942). The average number of employees (FTE) per SBU was as follows: Learning 2,581 (2020: 1,899), Media Finland 2,056 (2020: 1,773) and Other operations 208 (2020: 269). At the end of March, the number of employees (FTE) of the Group was 4,853 (2020: 3,952) and 19 (2020: 998) in discontinued operations. The number of employees increased as a consequence of the acquisitions of Santillana in Spain and the regional news media business in Finland.

Employee benefit expenses amounted to EUR 88 million (2020: 72).

Share capital and shareholders

At the end of March 2021, Sanoma's registered share capital was EUR 71 million (2020: 71), and the total number of shares was 163,565,663 (2020: 163,565,663), including 318,614 (2020: 431,977) own shares. Own shares represented 0.2% (2020: 0.3%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 163,247,049 (2020: 163,133,686).

In March 2021, Sanoma delivered a total of 210,363 (2020: 324,163) own shares (without consideration and after taxes) as part of its long-term share-based incentive plans.

Sanoma had 22,975 (2020: 22,333) registered shareholders at the end of March 2021.

Share trading and performance

At the end of March 2021, Sanoma's market capitalisation was EUR 2,338 million (2020: 1,363) with Sanoma's share closing at EUR 14.32 (2020: 8.36). In January–March 2021, the volume-weighted average price of Sanoma's share on Nasdaq Helsinki Ltd. was EUR 15.09 (2020: 9.76), with a low of EUR 13.22 (2020: 6.84) and a high of EUR 17.12 (2020: 12.49).

In January–March 2021, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 84 million (2020: 119). The trading volume of 6 million shares (2020: 12) equalled an average daily turnover of 90,000 shares (2020: 193,000). The traded shares accounted for some 3% (2020: 7%) of the average number of shares. Sanoma's share turnover, including alternative trading venues BATS and Chi-X, was 6 million shares (2020: 14). Nasdaq Helsinki represented 100% (2020: 87%) of the share turnover. (Source: Euroland)

Decisions of the Annual General Meeting

Sanoma Corporation's Annual General Meeting (AGM) was held on 13 April 2021 in Helsinki. The AGM was held based on the so-called temporary act so that the shareholders of the Company and their proxy representatives participated in the meeting and exercised the shareholder's rights only by voting in advance as well as by submitting counterproposals and asking questions in advance.

The meeting adopted the Financial Statements, the Board of Directors' Report and the Auditor's Report for the year 2020, discharged the members of the Board of Directors as well as the President and CEO from liability for the financial year 2020, and made an advisory decision on the adoption of the Remuneration Report of the governing bodies.

The AGM resolved that a dividend of EUR 0.52 per share shall be paid and a sum of EUR 700,000 shall be transferred to the donation reserve and used at the Board of Directors' discretion. The dividend shall be paid in two instalments. The first instalment of EUR 0.26 per share shall be paid to a shareholder who is registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the dividend record date 15 April 2021. The payment date for this instalment is 22 April 2021.

The second instalment of EUR 0.26 per share shall be paid in November 2021. The second instalment shall be paid to a shareholder who is registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the dividend record date, which, together with the dividend payment date, shall be decided by the Board of Directors in its meeting scheduled for 26 October 2021. The dividend record date would then be on or about 28 October 2021 and the dividend payment date on or about 4 November 2021.

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, Mika Ihamuotila, Nils Ittonen, Denise Koopmans, Sebastian Langenskiöld and Rafaela Seppälä were re-elected as members, and Anna Herlin was elected as a new member of the Board of Directors. Pekka Ala-Pietilä was elected as the Chairman of the Board and Nils Ittonen as the Vice Chairman. The term of all Board members ends at the end of the AGM 2022.

The AGM resolved that the monthly remuneration payable to the members of the Board of Directors remained unchanged. The meeting fees of the Board of Directors also remained unchanged.

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 2022, and it terminates the corresponding authorisation granted by the AGM 2020.

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 5,000,000 treasury shares held by the Company in one or several instalments. The issuance of shares, the conveyance of treasury shares and the granting of option rights and other special rights entitling to shares may be done in deviation from the shareholders' pre-emptive right (directed issue). The authorisation will be valid until 30 June 2022 and it will replace the corresponding authorisation granted by the AGM 2020.

Seasonal fluctuation

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 recent acquisition of Santillana will further increase 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 results 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. Due to the coronavirus pandemic, organising of live events in 2021 will be impacted by restrictions and dependent on the vaccination rate and opening of the society in Finland. Final decisions will be made on an event-by-event basis during the season. The profitability of the events business will be significantly lower than in the previous year. In 2020, no events were arranged due to the restrictions related to the pandemic, but earnings of the business were somewhat positive due to insurance compensation received.

Seasonal business fluctuations influence the Group's net sales and EBIT. Due to the seasonality in the learning business, the first and fourth quarters are traditionally the smallest ones in terms of net sales, and loss-making. With the acquisition of Santillana, the learning business is even more focused on the third quarter, when the new school year starts.

Significant near-term risks and uncertainties

Sanoma is exposed to numerous risks and opportunities, which may arise from its own operations or the changing operating environment in the short-term or long-term. Significant risks that could have a negative impact on Sanoma's business,

performance, or financial status, and their likelihood and/or magnitude in the short-term, are described below. However, in addition to risks mentioned below, other currently unknown or immaterial risks may arise or become material in the future.

The general economic conditions and trends in Sanoma's operating countries could influence Sanoma's near-term business, performance or financial status. Currently, these conditions are particularly impacted by the ongoing coronavirus pandemic that may pose a risk for the Group's business and financial performance in 2021. In Media Finland, the coronavirus pandemic will have a material impact on the events business. Organising of live events will be impacted by restrictions and dependent on the vaccination rate and opening of the society in Finland. To partially mitigate the risks, final decisions on organising events will be made on an event-by-event basis. In addition, uncertainty and low visibility on advertising demand continues. In Q1 2021, Media Finland's comparable advertising sales declined by 4%. In Q1 2020, the decline was 3% and 9% in FY 2020. In 2021, Sanoma expects the advertising demand to be weighted towards the second half of the year. In Learning, the prolonged school closures in Sanoma's main operating countries could impact net sales related to training and opportunities for market share gains in connection to curriculum renewals. Currently, these impacts are not expected to be significant in 2021.

For its own part, the Group's well-balanced business portfolio mitigates the impacts of the general economic conditions and the coronavirus pandemic on the Group's business to a certain extent: the majority of the Group's operational earnings will come from Learning in 2021. In addition, Sanoma takes active actions to mitigate the risks related to the pandemic and continuously updates the risk situation and mitigation plans for employee safety and impact on the financial results. Cost mitigation actions include the careful cost containment of all non-mandatory cost categories including overall administration and travelling, marketing, offices and content creation. Certain costs related to e.g. IT and warehouse handling may increase somewhat due to the pandemic. Throughout its operations, Sanoma follows the guidance and measures recommended by authorities in its operating countries.

Sanoma's strategic aim is to grow through acquisitions. The key near-term risks in M&A may relate to the availability and valuation of the potential targets as well as the suitability of timing for the parties and the transaction process itself. M&A risks may also relate to the unidentified liabilities of the target companies or their assets, changes in market conditions, the inability to ensure the right valuation and effective integration of acquisitions or that the anticipated economies of scale or synergies do not materialise.

In learning, digital and blended (= print-and-digital) learning materials, methods and platforms have gradually been gaining ground, and the coronavirus pandemic has further amplified the growing need for remote learning tools and digital learning materials. In the learning material distribution services, this shift is being paralleled by a move from renting and selling books towards subscription-based commercial models. Both trends and/or their acceleration may have an impact on the near-term operational performance, financial performance and/or financial position of Sanoma Learning.

With the continued development of alternative forms of media, particularly digital media, the Group's media business and the strength of its media brands depend on its continued ability to identify and respond to constantly shifting consumer preferences and industry trends as well as its ability to develop new and appealing products and services in a timely manner. Changes in customer preferences are visible not only in consumer behaviour, but also both directly and indirectly in advertising demand, which is shifting from print to digital media.

The media and learning markets in which the Group operates are highly competitive and include many regional, national and international companies. In media, competition may arise e.g. from large international media and telecom companies entering new geographic markets or expanding the distribution of their products and services to new distribution channels. In Learning there is a similar risk stemming from large international media companies (e.g. Google, Apple, Microsoft), digital entrants, educational technology companies, open educational resources and user-generated content.

The Group's operations are subject to various laws and regulations in the countries the Group operates in and changes in such laws and regulations, or their interpretation, could have a material effect on Sanoma's ability to conduct its business effectively. For example, changes in educational regulation in its operating countries could have a material effect on Sanoma's commercial propositions, content investments needs or financial performance. 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. the VAT, may have an effect on the Group's operations or its financial performance.

Data is an increasingly essential part of Sanoma's business, putting privacy and consumer trust at the core of the Group's daily operations. Regulatory changes regarding the use of consumer data for commercial purposes could, therefore, have an adverse effect on Sanoma's ability to utilise data in its business. The proposed ePrivacy Regulation related to telesales and content personalisation may have an impact on B2C media sales and B2B advertising business. Changes in the digital advertising ecosystem, such as the deprecation of third-party cookies, may result in changes in business models used in digital advertising sales.

Sanoma's financial risks include interest rate, currency, liquidity and credit risks. Other risks include risks related to equity and impairment of assets. As part of the quarterly reporting, Sanoma has reviewed the potential impact of the coronavirus pandemic on the expected credit losses and adjusted provisions related to Media Finland accordingly. At the end of March 2021, the Group has a solid financial position and a good ability to create a positive free cash flow.

Sanoma's consolidated balance sheet included EUR 1,432 million (2020: 941) of goodwill, immaterial rights and other intangible assets at the end of March 2021. After the acquisitions of Iddink and Santillana, most of this is related to the learning business. In accordance with IFRS, instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. Changes in business fundamentals could lead to further impairment, thus impacting Sanoma's equity-related ratios. According to management assessment at the end of March 2021, the coronavirus pandemic is not considered a triggering event for impairment testing.

More information on Sanoma's most significant risks and uncertainty factors and the main principles of risk management is available in the Report of the Board of Directors, Financial Statements and Corporate Governance Statement for 2020 on www.sanoma.com.

Financial reporting in 2021

Sanoma will publish the following financial reports during 2021:

Half-Year Report 1 January–30 June 2021

Wednesday, 28 July, approx. at 8:30

Interim Report 1 January–30 September 2021

Wednesday, 27 October, approx. at 8:30

Helsinki, 29 April 2021

Board of Directors

Sanoma Corporation

Reconciliation of operational EBIT excl. PPA

EUR million	Q1 2021	Q1 2020	FY 2020
EBIT	-23.8	-17.0	270.1
Items affecting comparability (IACs) and PPA adjustments and amortisations			
Learning			
Impairments			-0.6
Restructuring expenses	-1.6	-0.9	-12.7
PPA adjustments and amortisations	-7.2	-4.0	-16.2
Media Finland			
Capital gains/losses			164.8
Restructuring expenses	-2.1	-3.2	-15.7
PPA adjustments and amortisations	-1.7	-1.1	-6.1
Other companies			
Impairments	-0.6		
Capital gains/losses			0.2
Restructuring expenses	-0.7	0.0	-0.2
Items affecting comparability (IACs) and PPA adjustments and amortisations total	-13.8	-9.2	113.6
Operational EBIT excl. PPA	-10.0	-7.8	156.5
Depreciation of buildings and structures	-6.3	-5.4	-23.8
Depreciation of rental books	-3.3	-3.9	-13.2
Amortisation of film and TV broadcasting rights	-14.4	-13.7	-52.4
Amortisation of prepublication rights	-6.2	-5.6	-20.7
Other depreciations, amortisations and impairments	-11.1	-9.9	-43.8
Items affecting comparability in depreciation, amortisation and impairments	0.6		0.6
Operational EBITDA	30.7	30.8	309.9
Items affecting comparability (IACs) in financial income and expenses			
Financial items		0.6	0.6
Items affecting comparability (IACs) and PPA adjustments and amortisations in discontinued operations			
Capital gains/losses ¹⁾			-1.8
Impairments		-3.1	-2.6
Restructuring expenses		-0.5	-0.6
PPA adjustments and amortisations		-1.1	-1.4
Total		-4.7	-6.4

¹⁾ In 2020, capital gains/losses include capital loss of EUR 1.6 million related to costs to sell for the divestment of Media Netherlands.

Reconciliation of operational EPS

EUR million	Q1 2021	Q1 2020	FY 2020
Result for the period attributable to the equity holders of the Parent Company	-24.3	-3.6	246.7
Items affecting comparability	4.9	7.1	-131.6
Tax effect of items affecting comparability	-0.7	-1.5	-6.3
Non-controlling interests' share of items affecting comparability	0.0		0.0
Operational result for the period attributable to the equity holders of the Parent Company	-20.0	2.1	108.8
Weighted average number of shares on the market	163,109,144	163,056,436	163,041,596
Operational EPS	-0.12	0.01	0.67

Reconciliation of net debt

EUR million	31 Mar 2021	31 Mar 2020	FY 2020
Non-current financial liabilities	515.3	227.9	317.7
Current financial liabilities	60.4	466.6	265.0
Non-current lease liabilities	157.0	157.2	163.2
Current lease liabilities	29.3	27.2	29.5
Cash and cash equivalents	-48.5	-22.7	-114.6
Net debt	713.4	856.3	660.7

Net debt 31 March 2021 and 31 December 2020 include financial assets and liabilities of certain Learning operations that are presented as part of assets and liabilities held for sale in the balance sheet. More details are presented on p. 31.

Reconciliation of adjusted EBITDA

EUR million	Q1 2021	Q1 2020	FY 2020
12-month rolling operational EBITDA	312.9	359.1	329.3
Impact of acquired and divested operations	40.9	21.1	18.1
Impact of programming rights	-53.1	-52.8	-52.7
Impact of prepublication rights	-32.7	-24.0	-31.9
Impact of rental books	-10.7	-13.8	-10.7
Adjusted EBITDA	257.4	289.5	252.1

Reconciliation of comparable net sales growth

EUR million	Q1 2021	Q1 2020	FY 2020
Net sales	210.1	187.6	1,061.7
Impact of acquired and divested operations	-23.1	-6.4	-201.9
Comparable net sales	187.1	181.2	859.8

Income statement by quarter

EUR million	Q1 2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
NET SALES	210.1	187.6	246.0	400.8	227.3	1,061.7
Other operating income	5.4	6.5	15.0	173.9	12.0	207.5
Materials and services	-64.5	-55.2	-65.7	-160.9	-74.7	-356.5
Employee benefit expenses	-87.6	-71.6	-73.6	-66.7	-83.0	-294.9
Other operating expenses	-37.3	-40.7	-40.2	-37.8	-53.3	-171.9
Share of results in joint ventures	0.2	0.1	0.1	0.2	0.1	0.5
Depreciation, amortisation and impairment losses	-50.1	-43.6	-38.8	-42.7	-51.1	-176.3
EBIT	-23.8	-17.0	42.8	266.9	-22.7	207.1
Share of results in associated companies	-0.1	-0.1	-0.1	0.0	-0.1	-0.4
Financial income	1.1	4.1	-0.3	1.5	1.7	6.9
Financial expenses	-4.8	-4.8	-3.3	-3.8	-3.8	-15.7
RESULT BEFORE TAXES	-27.6	-17.7	39.1	264.6	-25.0	261.0
Income taxes	3.2	5.3	-9.5	-20.4	1.4	-23.2
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	-24.4	-12.4	29.5	244.2	-23.5	237.8
DISCONTINUED OPERATIONS						
Result for the period from discontinued operations	-0.1	8.7	4.0	0.1	-3.4	9.3
RESULT FOR THE PERIOD	-24.5	-3.8	33.5	244.3	-26.9	247.1
Result from continuing operations attributable to:						
Equity holders of the Parent Company	-24.2	-12.1	28.4	243.7	-22.5	237.4
Non-controlling interests	-0.3	-0.3	1.2	0.6	-1.1	0.4
Result from discontinued operations attributable to:						
Equity holders of the Parent Company	-0.1	8.6	4.0	0.1	-3.4	9.3
Non-controlling interests	-	0.1	0.0	-	-	0.1
Result attributable to:						
Equity holders of the Parent Company	-24.3	-3.6	32.3	243.7	-25.9	246.7
Non-controlling interests	-0.3	-0.2	1.2	0.6	-1.1	0.5
Earnings per share for result attributable to the equity holders of the Parent Company:						
Earnings per share, EUR, continuing operations	-0.15	-0.07	0.17	1.49	-0.14	1.46
Diluted earnings per share, EUR, continuing operations	-0.15	-0.07	0.17	1.49	-0.14	1.45
Earnings per share, EUR, discontinued operations	0.00	0.05	0.02	0.00	-0.02	0.06
Diluted earnings per share, EUR, discontinued operations	0.00	0.05	0.02	0.00	-0.02	0.06
Earnings per share, EUR	-0.15	-0.02	0.20	1.50	-0.16	1.51
Diluted earnings per share, EUR	-0.15	-0.02	0.20	1.49	-0.16	1.51

In 2021, discontinued operations include certain Learning operations that are under strategic review. In 2020, discontinued operations included also Sanoma Media Netherlands.

Net sales by SBU

EUR million	Q1 2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Learning	68.2	57.9	115.2	259.9	66.6	499.7
Media Finland	142.2	129.9	130.9	141.0	160.8	562.6
Other companies and eliminations	-0.2	-0.2	-0.1	-0.1	-0.1	-0.5
Total	210.1	187.6	246.0	400.8	227.3	1,061.7

EBIT by SBU

EUR million	Q1 2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Learning	-28.7	-20.0	34.8	83.7	-32.2	66.4
Media Finland	7.5	5.3	9.4	184.5	10.4	209.6
Other companies and eliminations	-2.6	-2.3	-1.4	-1.3	-0.9	-5.8
Total	-23.8	-17.0	42.8	266.9	-22.7	270.1

Operational EBIT excl. PPA by SBU

EUR million	Q1 2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Learning	-20.0	-15.1	39.2	89.6	-17.8	95.9
Media Finland	11.3	9.5	16.0	23.7	17.3	66.6
Other companies and eliminations	-1.3	-2.2	-1.2	-1.5	-1.0	-5.9
Total	-10.0	-7.8	54.0	111.8	-1.5	156.5

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 31 March 2021. 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 at [Sanoma.com](https://www.sanoma.com). 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.

Sanoma uses a provision matrix to measure expected credit losses of trade receivables. Loss rates are defined separately for different geographic regions, type of business and types of customers (B2B and B2C). Loss rates are based on past information on actual credit loss experience, adjusted by current information and future expectations on economic conditions where deemed necessary.

For the Learning SBU, management currently considers the impact of the corona virus pandemic to be very limited and not material, mainly due to the fact that the majority of the customers are B2B customers funded by state, regional or municipal governments.

With respect to Sanoma Media Finland's B2B customer receivables there has not been any significant change in payment delays. During the pandemic the financial crisis of 2008-2009 has been used as a reference point for estimating the impact of the corona virus pandemic, and the subsequent financial downturn caused by it, on the future B2B credit losses of Sanoma Media Finland. The credit losses have been adjusted to reflect the increased risk accordingly.

Consolidated income statement

EUR million	Q1 2021	Q1 2020	FY 2020
NET SALES	210.1	187.6	1,061.7
Other operating income	5.4	6.5	207.5
Materials and services	-64.5	-55.2	-356.5
Employee benefit expenses	-87.6	-71.6	-294.9
Other operating expenses	-37.3	-40.7	-171.9
Share of results in joint ventures	0.2	0.1	0.5
Depreciation, amortisation and impairment losses	-50.1	-43.6	-176.3
EBIT	-23.8	-17.0	270.1
Share of results in associated companies	-0.1	-0.1	-0.4
Financial income	1.1	4.1	6.9
Financial expenses	-4.8	-4.8	-15.7
RESULT BEFORE TAXES	-27.6	-17.7	261.0
Income taxes	3.2	5.3	-23.2
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	-24.4	-12.4	237.8
DISCONTINUED OPERATIONS			
Result for the period from discontinued operations	-0.1	8.7	9.3
RESULT FOR THE PERIOD	-24.5	-3.8	247.1
Result from continuing operations attributable to:			
Equity holders of the Parent Company	-24.2	-12.1	237.4
Non-controlling interests	-0.3	-0.3	0.4
Result from discontinued operations attributable to:			
Equity holders of the Parent Company	-0.1	8.6	9.3
Non-controlling interests	-	0.1	0.1
Result attributable to:			
Equity holders of the Parent Company	-24.3	-3.6	246.7
Non-controlling interests	-0.3	-0.2	0.5
Earnings per share for result attributable to the equity holders of the Parent Company:			
Earnings per share, EUR, continuing operations	-0.15	-0.07	1.46
Diluted earnings per share, EUR, continuing operations	-0.15	-0.07	1.45
Earnings per share, EUR, discontinued operations	0.00	0.05	0.06
Diluted earnings per share, EUR, discontinued operations	0.00	0.05	0.06
Earnings per share, EUR	-0.15	-0.02	1.51
Diluted earnings per share, EUR	-0.15	-0.02	1.51

In 2021, discontinued operations include certain Learning operations that are under strategic review. In 2020, discontinued operations included also Sanoma Media Netherlands.

Statement of comprehensive income ¹⁾

EUR million	Q1 2021	Q1 2020	FY 2020
Result for the period	-24.5	-3.8	247.1
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Change in translation differences	-0.6	-3.8	-2.4
Items that will not be reclassified to profit or loss			
Defined benefit plans	9.5	-4.9	4.1
Income tax related to defined benefit plans	-1.9	1.0	-0.8
Other comprehensive income for the period, net of tax	6.9	-7.7	0.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-17.6	-11.4	248.0
Total comprehensive income attributable to:			
Equity holders of the Parent Company	-17.3	-11.3	247.6
Non-controlling interests	-0.3	-0.2	0.5

¹⁾ Statement of comprehensive income includes both continuing and discontinued operations.

Consolidated balance sheet

EUR million	31 Mar 2021	31 Mar 2020	FY 2020
ASSETS			
Property, plant and equipment	69.8	73.0	73.9
Right-of-use assets	180.0	151.6	186.7
Investment property	7.9	9.1	7.9
Goodwill	753.4	508.4	752.7
Other intangible assets	678.5	432.7	685.7
Equity-accounted investees	2.3	1.9	2.3
Other investments	3.9	3.8	4.0
Deferred tax receivables	18.2	14.9	18.2
Trade and other receivables	24.0	12.9	15.3
NON-CURRENT ASSETS, TOTAL	1,738.0	1,208.4	1,746.7
Inventories	51.4	30.2	45.8
Income tax receivables	17.4	15.2	19.4
Contract assets	1.0	2.0	0.4
Trade and other receivables	102.7	95.4	120.9
Cash and cash equivalents	48.5	17.2	114.6
CURRENT ASSETS, TOTAL	221.0	160.1	301.1
Assets held for sale and discontinued operations	0.2	607.3	0.4
ASSETS, TOTAL	1,959.2	1,975.7	2,048.3
EQUITY AND LIABILITIES			
EQUITY			
Share capital	71.3	71.3	71.3
Treasury shares	-2.5	-2.7	-4.3
Fund for invested unrestricted equity	209.8	209.8	209.8
Other equity	392.5	156.2	413.5
Total equity attributable to the equity holders of the Parent Company	671.0	434.6	690.2
Non-controlling interests	19.4	21.1	19.7
EQUITY, TOTAL	690.4	455.7	709.9
Deferred tax liabilities	139.1	71.5	140.9
Pension obligations	7.4	12.0	7.4
Provisions	0.7	0.5	0.8
Financial liabilities	515.3	221.3	317.7
Lease liabilities	157.0	134.5	163.2
Contract liabilities	3.5	4.3	3.5
Trade and other payables	3.1	6.4	2.8
NON-CURRENT LIABILITIES, TOTAL	826.1	450.4	636.4
Provisions	0.8	1.0	0.9
Financial liabilities	60.4	466.6	265.0
Lease liabilities	29.3	22.2	29.4
Income tax liabilities	10.7	5.5	22.5
Contract liabilities	134.8	111.4	148.1
Trade and other payables	206.0	273.0	235.4
CURRENT LIABILITIES, TOTAL	441.9	879.8	701.4
Liabilities related to assets held for sale and discontinued operations	0.7	189.8	0.7
LIABILITIES, TOTAL	1,268.8	1,520.0	1,338.4
EQUITY AND LIABILITIES, TOTAL	1,959.2	1,975.7	2,048.3

Changes in consolidated equity

EUR million	Equity attributable to the equity holders of the Parent Company						
	Share capital	Treasury shares	Fund for invested unrestricted equity	Other equity	Total	Non-controlling interests	Equity, total
Equity at 1 Jan 2020	71.3	-4.6	209.8	253.0	529.4	21.5	550.9
Comprehensive income for the period				-11.3	-11.3	-0.2	-11.5
Purchase of treasury shares		-0.8			-0.8		-0.8
Share-based compensation				-2.2	-2.2		-2.2
Shares delivered		2.8		-2.8			
Dividends				-81.6	-81.6	0.0	-81.7
Acquisitions and other changes in non-controlling interests				1.0	1.0	-0.1	0.9
Equity at 31 Mar 2020	71.3	-2.7	209.8	156.2	434.6	21.1	455.7
Equity at 1 Jan 2021	71.3	-4.3	209.8	413.5	690.2	19.7	709.9
Comprehensive income for the period				-17.3	-17.3	-0.3	-17.6
Share-based compensation				-2.1	-2.1		-2.1
Shares delivered		1.7		-1.7			
Acquisitions and other changes in non-controlling interests				0.3	0.3		0.3
Equity at 31 Mar 2021	71.3	-2.5	209.8	392.5	671.0	19.4	690.4

Consolidated cash flow statement

EUR million	Q1 2021	Q1 2020	FY 2020
OPERATIONS			
Result for the period	-24.5	-3.8	247.1
Adjustments			
Income taxes	-3.3	-2.4	26.5
Financial income and expenses	3.8	0.9	9.1
Share of results in equity-accounted investees	-0.1	-0.9	-1.2
Depreciation, amortisation and impairment losses	50.1	44.3	177.8
Gains/losses on sales of non-current assets	-0.1	2.9	-161.1
Other adjustments	-0.7	-2.6	-3.9
Adjustments, total	49.7	42.2	47.1
Change in working capital	-29.5	-58.7	-29.2
Acquisitions of broadcasting rights, prepublication costs and rental books	-21.5	-18.5	-88.0
Dividends received	0.1		0.5
Interest paid and other financial items	-3.6	-1.7	-13.6
Taxes paid	-9.1	-10.0	-26.6
Cash flow from operations	-38.5	-50.4	137.4
INVESTMENTS			
Capital expenditure	-9.9	-9.8	-42.5
Operations acquired	-4.1	-2.3	-462.0
Proceeds from sale of tangible and intangible assets	0.2	0.5	2.5
Operations sold	0.0	0.1	606.5
Loans granted			0.0
Repayments of loan receivables	0.0	0.0	0.3
Interest received	0.0	1.4	1.4
Cash flow from investments	-13.7	-10.0	106.1
Cash flow before financing	-52.2	-60.5	243.5
FINANCING			
Purchase of treasury shares		-0.8	-2.4
Change in loans with short maturity	-5.0	51.0	-325.8
Drawings of other loans	199.3		405.0
Repayments of other loans	-200.0	0.0	-109.3
Payment of lease liabilities	-8.0	-7.0	-29.4
Dividends paid		0.0	-82.6
Cash flow from financing	-13.7	43.1	-144.4
CHANGE IN CASH AND CASH EQUIVALENTS ACCORDING TO CASH FLOW STATEMENT	-66.0	-17.4	99.1
Effect of exchange rate differences on cash and cash equivalents	-0.1	-0.5	-0.4
Net change in cash and cash equivalents	-66.0	-17.9	98.7
Cash and cash equivalents at the beginning of the period	114.6	15.9	15.9
Cash and cash equivalents at the end of the period	48.5	-2.0	114.6
FREE CASH FLOW (Cash flow from operations – Capital expenditure)	-48.4	-60.2	94.8

Includes continuing and discontinued operations.

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 0.0 million (2020: 24.7) at the end of the period.

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 20 million students in 11 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 grow our business throughout Europe. 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 media company in Finland, reaching 97% of all Finns weekly. We provide information, experiences, inspiration and entertainment through multiple media platforms: newspapers, TV, radio, events, magazines, online and mobile channels. We have leading brands and services, like Helsingin Sanomat, Ilta-Sanomat, 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 unallocated/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–31 March 2021

EUR million	Learning	Media Finland	Unallocated/ eliminations	Continuing operations
External net sales	68.2	142.0		210.1
Internal net sales		0.2	-0.2	
Net sales, total	68.2	142.2	-0.2	210.1
EBIT	-28.7	7.5	-2.6	-23.8
Operational EBIT excl. PPA	-20.0	11.3	-1.3	-10.0
Share of results in associated companies		-0.1		-0.1
Financial income			1.1	1.1
Financial expenses			-4.8	-4.8
Result before taxes				-27.6
Income taxes				3.2
Result for the period from continuing operations				-24.4
Result for the period from discontinued operations				-0.1
Result for the period				-24.5
Segment assets	1,591.6	413.8	-130.9	1,874.5

Segment information 1 January–31 March 2020

EUR million	Learning	Media Finland	Unallocated/ eliminations	Continuing operations
External net sales	57.9	129.7		187.6
Internal net sales	0.0	0.2	-0.2	
Net sales, total	57.9	129.9	-0.2	187.6
EBIT	-20.0	5.3	-2.3	-17.0
Operational EBIT excl. PPA	-15.1	9.5	-2.2	-7.8
Share of results in associated companies		-0.1		-0.1
Financial income			4.1	4.1
Financial expenses			-4.8	-4.8
Result before taxes				-17.7
Income taxes				5.3
Result for the period from continuing operations				-12.4
Result for the period from discontinued operations				8.7
Result for the period				-3.8
Segment assets	1,129.2	338.6	-147.1	1,320.7

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–31 March 2021

EUR million	Learning	Media Finland	Unallocated/eliminations	Total
Finland	5.7	142.2	-0.2	147.7
The Netherlands	34.1			34.1
Poland	7.1			7.1
Spain	7.4			7.4
Belgium	5.8			5.8
Other companies and eliminations	8.0			8.0
Primary geographical markets	68.2	142.2	-0.2	210.1
Learning solutions	59.0			59.0
Advertising		53.7	-0.2	53.5
Subscription		63.8	0.0	63.8
Single copy		9.8		9.8
Other	9.1	15.0	0.0	24.1
Major product lines/services	68.2	142.2	-0.2	210.1
Recognition at a point-in-time	28.1	38.6		66.7
Recognition over-time	40.1	103.6	-0.2	143.4
Timing of revenue recognition	68.2	142.2	-0.2	210.1

Disaggregation of revenue 1 January–31 March 2020

EUR million	Learning	Media Finland	Unallocated/eliminations	Total
Finland	5.3	129.9	-0.2	135.0
The Netherlands	32.3			32.3
Poland	5.8			5.8
Spain	3.1			3.1
Belgium	4.7			4.7
Other companies and eliminations	6.7			6.7
Primary geographical markets	57.9	129.9	-0.2	187.6
Learning solutions	48.9		0.0	48.9
Advertising		55.9	-0.1	55.9
Subscription		49.5		49.5
Single copy		10.4		10.4
Other	9.0	13.9	-0.1	22.8
Major product lines/services	57.9	129.9	-0.2	187.6
Recognition at a point-in-time	22.8	42.0		64.9
Recognition over-time	35.1	87.8	-0.2	122.7
Timing of revenue recognition	57.9	129.9	-0.2	187.6

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

EUR million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Carrying amount at 1 Jan	260.6	235.1	235.1
Increases	2.7	3.8	22.3
Acquisitions of operations			57.2
Decreases	-0.1	-0.3	-1.0
Disposal of operations			-1.1
Depreciation for the period	-13.2	-12.5	-50.9
Impairment losses for the period	0.0		-0.6
Transferred to assets held for sale		0.0	-0.1
Exchange rate differences and other changes	-0.1	-1.4	-0.2
Carrying amount at the end of the period	249.8	224.6	260.6

Acquisitions and divestments

Acquisitions in 2021

No acquisitions or divestments were conducted during the quarter.

Impact of business acquisitions on Group's assets and liabilities

EUR million	Q1 2021	Santillana	Alma	Other	FY 2020
Property, plant and equipment		1.0	2.0		3.1
Right-of-use assets		5.6	48.5		54.1
Intangible assets		221.5	34.0	8.9	264.3
Other non-current assets	0.3	4.3	0.4		4.6
Inventories		18.1	2.5	0.0	20.6
Other current assets	0.3	21.4	33.5	0.0	54.9
Assets, total	0.6	271.8	120.8	8.9	401.5
Non-current liabilities		-67.3	-51.6	-2.3	-121.2
Current liabilities	-1.4	-25.9	-28.9	-0.1	-54.9
Liabilities, total	-1.4	-93.2	-80.5	-2.4	-176.1
Fair value of acquired net assets	-0.8	178.7	40.3	6.4	225.4
Acquisition cost		408.7	79.1	0.7	488.5
Non-controlling interests, based on the proportionate interest in the recognised amounts of the assets and liabilities				-0.2	-0.2
Fair value of acquired net assets	0.8	-178.7	-40.3	-6.4	-225.4
Goodwill from the acquisitions	0.8	230.1	38.8	-5.9	262.9

Cash paid to obtain control, net of cash acquired

EUR million	Q1 2021	Santillana	Alma	Other	FY 2020
Acquisition cost		408.7	79.1	0.7	488.5
Cash and cash equivalents of acquired operations		-4.5	-24.7	0.0	-29.2
Decrease (+) / increase (-) in acquisition liabilities	4.1			2.0	2.0
Cash paid to obtain control, net of cash acquired	4.1	404.2	54.4	2.7	461.3

Divestments in 2021

Impact of divestments on Group's assets and liabilities

EUR million	Q1 2021	SMN	Oikotie	Other	FY 2020
Property, plant and equipment		1.6	0.2	0.0	1.8
Right-of-use assets		24.2		0.2	24.4
Goodwill		440.3	17.0		457.3
Other intangible assets		30.8	2.4		33.2
Equity-accounted investees		16.8			16.8
Inventories		10.2	0.0		10.2
Trade and other receivables		83.5	1.9	2.0	87.4
Cash and cash equivalents		18.5	7.9	0.6	27.0
Assets, total		626.0	29.3	2.9	658.2
Deferred tax liabilities		-5.3	-0.2		-5.4
Financial liabilities		-37.2		-0.1	-37.3
Trade and other payables		-518.6	-5.0	-3.2	-526.8
Liabilities, total		-561.1	-5.1	-3.3	-569.6
Derecognised non-controlling interest		-4.4			-4.4
Net assets		60.4	24.2	-0.5	84.2
Sales price		62.4	191.0		253.4
Transaction fees		-3.5	-2.0	-0.2	-5.7
Adjustment to capital loss		0.1		-0.5	-0.4
Recognised in Other comprehensive income		-0.3			-0.3
Net result from sale of operations		-1.6	164.8	-0.2	163.0

Cash flow from sale of operations

EUR million	Q1 2021	SMN	Oikotie	Other	FY 2020
Sales consideration received in cash		62.4	191.0		253.4
Debt repayments		380.0			380.0
Cash and cash equivalents of divested operations		-18.5	-7.9	-0.6	-27.0
Decrease (+) / increase (-) in receivables from divestment				0.1	0.1
Cash flow from sale of operations		423.8	183.1	-0.5	606.5

Discontinued operations

In 2021, discontinued operations include certain Learning operations that are under strategic review. In 2020, discontinued operations included also Sanoma Media Netherlands. Sanoma completed the divestment of Sanoma Media Netherlands on 20 April 2020.

The consolidated income statement has been represented to show the discontinued operation separately from continuing operations. The elimination of transactions between the continuing operations and the discontinued operation is attributed in a way that reflects the continuance of these transactions subsequent to the disposal.

The discontinued operations' income statement and cash flow statement are presented in the following two tables.

Income statement of discontinued operations

EUR million	Q1 2021	Q1 2020	FY 2020
Net sales	0.1	81.4	101.5
Other operating income		0.8	1.0
Materials and services	-0.1	-31.8	-39.0
Employee benefit expenses	-0.4	-20.7	-26.5
Other operating expenses	0.0	-18.2	-21.6
Share of results in joint ventures		0.9	1.1
Depreciation, amortisation and impairment losses		-0.7	-3.5
EBIT	-0.3	11.8	13.0
Financial income		0.0	0.0
Financial expenses	0.0	-0.3	-0.3
Result before taxes	-0.3	11.6	12.6
Income taxes	0.1	-2.9	-3.3
Result for the period from discontinued operations	-0.1	8.7	9.3

Cash flows related to discontinued operations

EUR million	Q1 2021	Q1 2020	FY 2020
Cash flow from operations	0.2	-27.9	-40.0
Cash flow from investments	-0.2	18.7	511.0
Cash flow from financing	0.0	7.7	-415.3

Assets held for sale and discontinued operations

EUR million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Property, plant and equipment and right-of-use assets		25.8	
Goodwill		440.4	
Other intangible assets		27.5	
Equity-accounted investees		16.6	
Non-current trade and other receivables		0.9	
Deferred tax receivables		4.3	
Inventories		9.3	
Income tax receivables		0.0	
Trade and other receivables	0.2	67.5	0.4
Contract assets		9.6	
Cash and cash equivalents		5.4	
Total	0.2	607.3	0.4

Liabilities related to assets held for sale and discontinued operations

EUR million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Deferred tax liabilities	0.2	5.4	0.2
Non-current provisions		2.8	
Non-current financial liabilities and lease liabilities	0.0	29.3	0.0
Current provisions		4.7	
Current financial liabilities and lease liabilities	0.0	5.0	0.1
Income tax liabilities		3.1	0.0
Current trade and other payables	0.3	90.1	0.3
Contract liabilities	0.2	49.5	0.2
Total	0.7	189.8	0.7

Contingent liabilities

EUR million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Contingencies for own commitments			
Pledges	0.8	1.4	0.8
Other items	24.8	15.0	24.8
Contingencies for own commitments total	25.6	16.4	25.6
Other commitments			
Royalties	2.1	5.3	2.5
Commitments for acquisitions of intangible assets (film and TV broadcasting rights included)	21.5	20.2	17.0
Other items	35.2	46.2	36.1
Other commitments total	58.8	71.6	55.6
Total	84.4	88.1	81.2

Derivative instruments

EUR million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Fair values			
Currency derivatives			
Forward contracts (positive fair values)	0.1	0.0	
Forward contracts (negative fair values)		0.0	-0.1
Nominal values			
Currency derivatives			
Forward contracts	3.3	6.7	2.7

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

Disputes and litigations

Finnish Tax Administration has performed tax audits in Sanoma Media Finland Oy covering years 2015 and 2016-2018. Tax audit reports did not include any adjustments to the VAT treatment of magazines distributed from Norway, which has been treated exempt from value added tax. Tax Ombudsman, however, made an appeal to the Tax Adjustment Board claiming that the Tax Administration's tax audit decisions regarding tax years 2015 and 2016-2018 need to be adjusted by approx. EUR 20 million value added tax excl. potential penalties or interests. On 29 April, Sanoma announced it had received a decision from the Finnish Tax Adjustment Board that they had accepted the claim. Sanoma considers the claims unjustified and will appeal the decision. No provisions related to the matter will be made.

Definitions of key indicators

KPI		Definition	Reason to use
Comparable 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 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
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	=	$\frac{\text{Free cash flow}}{\text{Adjusted average number of shares on the market}}$	Basis for Sanoma's dividend policy
Net debt	=	Interest-bearing liabilities – cash and cash equivalents	Measures Sanoma's net debt position
Net debt / Adj. EBITDA	=	The adjusted EBITDA used in this ratio is the 12-month rolling operational EBITDA, where acquired operations are included and divested operations excluded, and where programming rights and prepublication rights have been raised above EBITDA on cash flow basis	One of Sanoma's long-term financial targets, provides investors information on Sanoma's ability to service its debt
EPS	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company}}{\text{Weighted average number of shares on the market}}$	Measures Sanoma's result for the period per share
Operational EPS	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company} - \text{IACs}}{\text{Weighted average number of shares on the market}}$	In addition to EPS, reflects the underlying business performance and enhances comparability between reporting periods