

Interim Report

# Q3 2022

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## SANOMA CORPORATION, INTERIM REPORT JANUARY–SEPTEMBER 2022

# Net sales grew driven by Spain and the recent acquisition in Learning

## Q3 2022

- The Group's net sales grew to EUR 515 million (2021: 486) as a result of solid growth in Spain, delayed from Q2, and the acquisition of Pearson Italy and Germany. The Group's comparable growth was 1% (2021: 8%).
- Operational EBIT excl. PPA was stable at EUR 148 million (2021: 147). In Learning, the positive earnings contribution of net sales growth in Spain and the acquired Pearson Italy and Germany was partially offset by lower profitability of the Dutch distribution business. Earnings declined somewhat in Media Finland mainly due to higher paper costs.
- EBIT was EUR 116 million (2021: 133). Items affecting comparability (IACs) increased to EUR -22 million (2021: -4) mainly as a result of the acquisition of Pearson Italy and Germany as well as impairments related to harmonisation of digital learning platforms and rental book inventory. Purchase price allocation adjustments and amortisations (PPAs) were EUR 10 million (2021: 11).
- Operational EPS was EUR 0.61 (2021: 0.64).
- EPS was EUR 0.52 (2021: 0.63).
- On 26 October, the Board of Directors decided the record date and payment date of the second dividend instalment of EUR 0.27 per share. The dividend record date is 28 October and the payment date 4 November.
- On 4 October, Sanoma divested Eduarte, a Dutch student administration system provider for vocational education, in line with the strategy to harmonise its digital offering across the learning business.
- On 31 August, Sanoma completed the acquisition of Pearson's local K12 learning content business in Italy and its small exam preparation business in Germany and consequently updated its Outlook for 2022 to reflect the impact of the acquisition.

## Q1–Q3 2022

- The Group's net sales grew to EUR 1,039 million (2021: 999), comparable net sales growth being 2% (2021: 8%). In addition to the organic growth, the acquisition of Pearson Italy and Germany contributed to the net sales growth.
- Operational EBIT excl. PPA amounted to EUR 192 million (2021: 203) mainly due to lower profitability of the Dutch learning distribution business and higher paper costs.
- EBIT was EUR 133 million (2021: 161). IACs were EUR -30 million (2021: -11). PPAs were EUR 29 million (2021: 31).
- Operational EPS was EUR 0.72 (2021: 0.76).
- EPS was EUR 0.60 (2021: 0.70).
- Free cash flow declined to EUR 48 million (2021: 85) mainly due to lower earnings and higher investments in digital learning platforms and office adaptation.
- Net debt/Adj. EBITDA increased to 3.3 (2021: 2.5) as a result of the acquisition of Pearson Italy and Germany, which was completed during the third quarter.
- On 7 June, Sanoma announced its strategic growth ambition to increase the Group's net sales to over EUR 2 billion by 2030, with at least 75% coming from the learning business.

## Outlook for 2022

(updated on 31 August for the acquisition of Pearson Italy and Germany)

In 2022, Sanoma expects that the Group's reported net sales will be EUR 1.30–1.35 billion (2021: 1.25). The Group's operational EBIT margin excl. PPA is expected to be around 15% (2021: 15.8%).

Regarding the operating environment, Sanoma expects that (unchanged):

- The continuing coronavirus pandemic will not have a significant impact on its businesses.
- The advertising market in Finland will be stable.

## 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-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. Sanoma's continuing operations include Learning and Media Finland, which are also Sanoma's reporting segments. There are no discontinued operations in the Group in 2022. In 2021, discontinued operations included certain Learning operations that were under strategic review.

Definitions of key IFRS indicators and APMs are available on p. 36. Reconciliations are available on p. 17–18. More information on the discontinued operations result and cash flow in 2021 is available on p. 34.

## Key indicators for continuing operations

EUR million	Q3 2022	Q3 2021	Change	Q1–Q3 2022	Q1–Q3 2021	Change	FY 2021
Net sales	514.9	486.3	6%	1,038.8	999.2	4%	1,251.6
Operational EBITDA <sup>1)</sup>	188.4	184.5	2%	310.1	318.9	-3%	361.0
Margin <sup>1)</sup>	36.6%	37.9%		29.9%	31.9%		28.8%
Operational EBIT excl. PPA <sup>2)</sup>	148.4	147.4	1%	191.6	202.5	-5%	197.2
Margin <sup>2)</sup>	28.8%	30.3%		18.4%	20.3%		15.8%
EBIT	116.3	133.1	-13%	132.8	160.8	-17%	142.4
Result for the period	85.6	102.7	-17%	98.1	115.3	-15%	101.4
Operational EPS, EUR <sup>1)</sup>	0.61	0.64	-5%	0.72	0.76	-4%	0.69
EPS, EUR	0.52	0.63	-16%	0.60	0.70	-15%	0.62
Average number of employees (FTE)				4,996	4,904	2%	4,885
Number of employees at the end of the period (FTE)				5,135	4,828	6%	4,822

## Key indicators incl. continuing and discontinued operations <sup>3)</sup>

EUR million	Q3 2022	Q3 2021	Change	Q1–Q3 2022	Q1–Q3 2021	Change	FY 2021
Result for the period	85.6	102.8	-17%	98.1	115.2	-15%	101.2
Free cash flow	146.9	136.0	8%	47.5	84.5	-44%	139.7
Equity ratio <sup>4)</sup>				33.0%	38.2%		40.6%
Net debt				837.6	630.3	33%	616.4
Net debt / Adj. EBITDA				3.3	2.5	30%	2.4
Operational EPS, EUR <sup>1)</sup>	0.61	0.64	5%	0.72	0.76	-5%	0.69
EPS, EUR	0.52	0.63	-17%	0.60	0.70	-15%	0.61
Free cash flow per share, EUR	0.90	0.83	8%	0.29	0.52	-44%	0.86

<sup>1)</sup> Excluding IACs

<sup>2)</sup> Excluding IACs and purchase price allocation adjustments and amortisations (PPAs)

<sup>3)</sup> In 2021, discontinued operations included certain Learning operations that were under strategic review. More information on discontinued operations' financial performance is available on p. 34.

<sup>4)</sup> Advances received included in the formula of equity ratio were EUR 164.2 million in Q1-Q3 2022 (2021: 173.9).

## President and CEO Susan Duinhoven:

"The third quarter was, as always, the high season for our learning business due to the start of the new school year, creating a peak in book deliveries and activation of digital licenses. We were very pleased to see the delayed Spanish sales from the earlier months coming in during the quarter. As this is the first implementation year of the major educational reform and curriculum renewal LOMLOE, demand in Spain is expected to continue to grow also in 2023, extending even into 2024. The related earnings improvement is typically not yet seen in full during the first year when the majority of the content and marketing investments related to the new materials takes place.

Across our Learning operating countries, the third quarter high season was successful for our content publishing businesses. We were successful in largely mitigating the impact of the higher-than-expected paper costs – one should note that learning content is typically sold only once a year, thus giving us only one opportunity to adjust our prices to the changing operating environment. However, the financial performance of the Dutch learning content distribution business was adversely impacted by increasing labour costs and supply chain issues, leading to slightly lower January–September earnings for the whole segment. Although we expect these issues to be temporary in nature, they may have an impact next year as well.

At the end of August, we completed the acquisition of Pearson Italy and Germany, and I am very happy to welcome these strong teams and businesses to Sanoma. We also saw these businesses contributing positively to our third quarter financial performance during September. The integration has started according to our plans and playbook – all-in-all the separation from Pearson and integration into Sanoma will be a sizable project taking some 18–24 months.

In Media Finland, overall third quarter net sales were stable, while softening B2C demand over the past quarters led to a slight decline in subscription sales. This is something we had expected given the strong growth during the coronavirus pandemic and the currently weaker consumer confidence. Advertising sales were also slightly lower compared to the previous year, but have been surprisingly resilient during the current economic turmoil. The lower B2C and B2B sales were offset by growing sales in the lower margin events and external printing services businesses. Throughout the year, we have experienced a significant increase in paper costs, with prices per tonne currently up even 75% compared to the previous year. Despite active cost containment across spend categories, Media Finland's operational earnings declined during the quarter. While we expect low visibility, high volatility and inflationary pressure to continue, the team in Media Finland has proven to be able to mitigate a major part of the impact through strict cost containment and regular price increases across the portfolio.

Our free cash flow for the first nine months is behind last year. Main reasons for this are higher investments in digital development in Learning and adaptation of our offices to the hybrid way of working as well as higher taxes paid based on higher earnings in earlier reporting periods, now compounded by lower EBITDA. It is important to realise that with the most recent acquisitions of Pearson Italy and Germany and Santillana in Spain, our business has become more focused on Southern Europe, where the schools start later in September, and where longer payment terms are market practice. This will cause a partial delay in the accumulation of the operational cash flow in Learning towards the end of the year.

At the end of August, we updated our Outlook for 2022 for the acquisition of Pearson Italy and Germany. The Outlook is since unchanged, as are our long-term financial targets. Given the ongoing challenging operating environment, we expect the final outcome of the year to be towards the lower end of the net sales and operational EBIT ranges. For 2023, the challenging operating environment is expected to continue to have some impact on our performance.

Sustainability is at the core of our businesses, and the latest acknowledgement of our progressive and holistic approach is the improvement of our ISS ESG rating to the industry-benchmark level of Prime C+. Our scoring in different ESG ratings has improved significantly over the last years (for latest status, please visit our [website](#)).

To conclude, I would like to extend my warmest thanks to all Sanoma employees for their great work and strong commitment in supporting our customers and thus enabling our continued growth, operational development and solid financial performance."

## Financial review Q3 2022

### Net sales by SBU

EUR million	Q3 2022	Q3 2021	Change
Learning	360.3	331.6	9%
Media Finland	154.8	154.8	0%
Other operations and eliminations	-0.1	-0.1	0%
<b>Group total</b>	<b>514.9</b>	<b>486.3</b>	<b>6%</b>

The Group's net sales grew to EUR 515 million (2021: 486). In Learning, net sales grew especially in Spain, where demand related to the current curriculum renewal was delayed from the second quarter. In addition, the acquired Pearson Italy and Germany contributed positively on net sales. In Media Finland, net sales were stable. Advertising and subscription sales declined slightly, while net sales of the events business and external printing services grew. The Group's comparable net sales growth was 1% (2021: 8%).

### Operational EBIT excl. PPA by SBU

EUR million	Q3 2022	Q3 2021	Change
Learning	129.4	125.6	3%
Media Finland	20.6	23.9	-14%
Other operations and eliminations	-1.6	-2.0	21%
<b>Group total</b>	<b>148.4</b>	<b>147.4</b>	<b>1%</b>

Operational EBIT excl. PPA was stable at EUR 148 million (2021: 147). In Learning, the positive earnings impact of organic growth especially in Spain and the acquired Pearson Italy and Germany was partially offset by lower profitability of the Dutch distribution business, net sales decline in Poland after the end of the curriculum change last year and higher paper costs. In Media Finland, earnings were mainly affected by significantly increased paper costs as well as lower subscription and advertising sales.

### IACs, PPAs and reconciliation of operational EBIT

EUR million	Q3 2022	Q3 2021
<b>EBIT</b>	<b>116.3</b>	<b>133.1</b>
<b>Items affecting comparability (IACs)</b>		
Restructuring expenses	-11.2	-3.2
Impairments	-10.6	-1.9
Capital gains/losses		1.6
<b>IACs total</b>	<b>-21.7</b>	<b>-3.5</b>
<b>Purchase price allocation adjustments and amortisations (PPAs)</b>	<b>-10.4</b>	<b>-10.8</b>
<b>Operational EBIT excl. PPA</b>	<b>148.4</b>	<b>147.4</b>

A detailed reconciliation on SBU level is presented on p. 17.

EBIT was EUR 116 million (2021: 133). The IACs totalled EUR -22 million (2021: -4) and consisted mainly of transaction and integration costs related to recent acquisitions, particularly Pearson Italy and Germany, as well as impairments related to harmonisation of digital learning platforms and rental book inventory. PPAs amounted to EUR 10 million (2021: 11).

Net financial items increased somewhat to EUR -4 million (2021: -3) mainly as a result of the new funding to acquire Pearson Italy and Germany.

Result before taxes was EUR 113 million (2021: 130). Income taxes amounted to EUR 27 million (2021: 27). Result for the period was EUR 86 million (2021: 103) and EUR 86 million (2021: 103) including discontinued operations.

Operational earnings per share were EUR 0.61 (2021: 0.64) and earnings per share were EUR 0.52 (2021: 0.63).

## Financial review Q1–Q3 2022

### Net sales by SBU

EUR million	Q1–Q3 2022	Q1–Q3 2021	Change
Learning	579.4	548.8	6%
Media Finland	460.1	451.2	2%
Other operations and eliminations	-0.7	-0.8	12%
<b>Group total</b>	<b>1,038.8</b>	<b>999.2</b>	<b>4%</b>

The Group's net sales amounted to EUR 1,039 million (2021: 999), the comparable net sales growth being 2% (2021: 8%). In Learning, organic growth was driven by the ongoing curriculum renewal in Spain as well as growing digital sales and increasing demand in all major markets except Poland. The acquisition of Pearson Italy and Germany also contributed to the net sales growth. Net sales grew in Media Finland mainly due to higher sales of the events business, while advertising and subscription sales were stable.

### Operational EBIT excl. PPA by SBU

EUR million	Q1–Q3 2022	Q1–Q3 2021	Change
Learning	150.7	154.5	-2%
Media Finland	47.7	54.4	-12%
Other operations and eliminations	-6.9	-6.4	-7%
<b>Group total</b>	<b>191.6</b>	<b>202.5</b>	<b>-5%</b>

Operational EBIT excl. PPA declined to EUR 192 million (2021: 203). In Learning, growing learning content sales in all major markets except Poland and the acquired Pearson Italy and Germany had a positive impact on earnings. The earnings were negatively impacted by the lower profitability of the Dutch distribution business, higher paper costs as well as lower sales in Poland. Earnings declined in Media Finland mainly due to higher paper costs.

### IACs, PPAs and reconciliation of operational EBIT

EUR million	Q1–Q3 2022	Q1–Q3 2021
<b>EBIT</b>	<b>132.8</b>	<b>160.8</b>
<b>Items affecting comparability (IACs)</b>		
Restructuring expenses	-19.7	-11.4
Impairments	-10.6	-2.5
Capital gains/losses	0.4	2.9
<b>IACs total</b>	<b>-29.9</b>	<b>-11.0</b>
<b>Purchase price allocation adjustments and amortisations (PPAs)</b>	<b>-28.8</b>	<b>-30.7</b>
<b>Operational EBIT excl. PPA</b>	<b>191.6</b>	<b>202.5</b>

A detailed reconciliation on SBU level is presented on p. 17.

EBIT was EUR 133 million (2021: 161). The IACs totalled EUR -30 million (2021: -11) and consisted mainly of transaction and integration costs related to recent acquisitions, in particular Pearson Italy and Germany during Q3, as well as impairments related to harmonisation of digital learning platforms and rental book inventory booked during Q3. PPAs amounted to EUR 29 million (2021: 31).

Net financial items amounted to EUR -7 million (2021: -10). Interest expenses increased somewhat during Q3 mainly due to the new funding to acquire Pearson Italy and Germany. The net financial items also included a positive EUR 3 million impact from revised valuation related to M&A liabilities in Q2 2022.

Result before taxes was EUR 126 million (2021: 151). Income taxes decreased to EUR 28 million (2021: 36) mainly due to deferred tax assets booked in Learning in Q1. Result for the period was EUR 98 million (2021: 115) and EUR 98 million (2021: 115) including discontinued operations.

Operational earnings per share were EUR 0.72 (2021: 0.76) and EUR 0.72 (2021: 0.76) including discontinued operations. Earnings per share were EUR 0.60 (2021: 0.70) and EUR 0.60 (2021: 0.70) including discontinued operations.

## Financial position

At the end of September 2022, interest-bearing net debt increased to EUR 838 million (2021: 630), and net debt to adjusted EBITDA ratio to 3.3 (2021: 2.5) being slightly above to the long-term target of below 3.0. Net debt and leverage ratio increased as a result of the acquisition of Pearson Italy and Germany, which was completed during the third quarter and funded with a new EUR 250 million 4-year term loan. Equity ratio was 33.0% (2021: 38.2%).

At the end of September 2022, the Group's equity totalled EUR 733 million (2021: 739) and the consolidated balance sheet amounted to EUR 2,381 million (2021: 2,107).

## Cash flow

The Group's free cash flow declined to EUR 48 million (2021: 85) or EUR 0.29 per share (2021: 0.52). The acquisition of Pearson Italy and Germany as well as lower TV programme costs had a positive impact on free cash flow. Lower earnings, higher investments particularly in digital learning platforms and office adaptation, higher taxes paid for higher 2021 earnings as well as higher net working capital reduced free cash flow. In January–September 2021, the free cash flow included a EUR 21 million net pre-payment of an unjustified VAT claim in Media Finland.

Capital expenditure included in the Group's free cash flow increased to EUR 38 million (2021: 29) and mainly consisted of growth investments in digital platforms and ICT in Learning as well as maintenance investments.

## Acquisitions and divestments

On 4 October, Sanoma divested Eduarte, a Dutch student administration system provider for vocational education, in line with the strategy to harmonise its digital offering across the learning business. Net sales of the divested business were EUR 9 million in 2021 and the company employed 45 people who transferred to the buyer with the divestment.

On 7 June 2022, Sanoma announced the acquisition of Pearson's local K12 learning content business in Italy and its small exam preparation business in Germany. Net sales of the acquired businesses were EUR 117 million and adjusted EBITDA was EUR 30 million in 2021 (pro forma). The agreed enterprise value is EUR 190 million, corresponding to a multiple of 6.4x (EV / Pro forma adjusted EBITDA 2021). The acquisition marks Sanoma's entry into Italy, one of the largest K12 learning services markets in Europe, and increases the Group's net sales to around EUR 1.4 billion (pro forma 2021) with share of Learning increasing to approx. 55% of net sales and approx. 70% of operational EBIT excl. PPA. The acquired businesses have 251 employees and they became employees of Sanoma Learning at the closing of the acquisition. The transaction was completed on 31 August 2022 and EUR 5 million of transaction costs were booked as IACs in Q3 2022. After closing, the acquired businesses are reported as part of Sanoma Learning SBU.

Information on acquisitions and divestments conducted in 2021 and earlier is available at [www.sanoma.com/en/investors/sanoma-as-an-investment/](http://www.sanoma.com/en/investors/sanoma-as-an-investment/).

## Events during the reporting period

On 21 June 2022, Sanoma announced the composition of its Shareholders' Nomination Committee, which was resolved to be established at the Annual General Meeting on 7 April 2022. The four largest shareholders have appointed the following members to the Shareholders' Nomination Committee: Juhani Mäkinen (Vice Chairperson of the Board, Jane and Aatos Erkko Foundation), Antti Herlin (Chairperson of the Board, Holding Manutas), Robin Langenskiöld (3rd largest shareholder in Sanoma) and Rafaela Seppälä (4th largest shareholder in Sanoma). In its meeting on 21 June 2022, the Committee elected Juhani Mäkinen as a Chairperson of the Committee and invited Pekka Ala-Pietilä, Chairperson of Sanoma's Board of Directors, to serve as an expert in the Committee.

On 13 June 2022, Sanoma changed its trading code from SAA1V to SANOMA and issuer code from SAA to SANOMA.

On 7 June 2022, Sanoma announced its strategic growth ambition to increase the Group's net sales to over EUR 2 billion by 2030, with at least 75% coming from the learning business. Growth levers include organic growth in-line with Sanoma Learning's long-term target of 2–5% p.a. and growth through acquisitions within K12 learning business. Sanoma has a solid balance sheet enabling its growth strategy and may consider funding also through equity if it would create value for all



shareholders. Sanoma's long-term financial targets and dividend policy, according to which Sanoma aims to pay an increasing dividend equal to 40–60% of annual free cash flow, remain unchanged.

## Key impacts of the war in Ukraine

Sanoma remains shocked and appalled by the continuing war and atrocities in Ukraine. So far, the war has had a limited direct impact on Sanoma's businesses. In February, Sanoma discontinued sourcing of newsprint paper from Russia and has managed to organise a complementary supply mainly from Central Europe and Finland. Sanoma has also discontinued co-operation with a smaller Russian technology provider. Sanoma expects that the indirect impacts caused by the changing economic environment to its operating costs and customer demand will remain relatively modest.

## 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	Q3 2022	Q3 2021	Change	Q1–Q3 2022	Q1–Q3 2021	Change	FY 2021
Net sales	360.3	331.6	9%	579.4	548.8	6%	637.3
Operational EBITDA <sup>1)</sup>	150.7	144.9	4%	208.0	210.1	-1%	213.1
Operational EBIT excl. PPA <sup>2)</sup>	129.4	125.6	3%	150.7	154.5	-2%	133.9
Margin <sup>2)</sup>	35.9%	37.9%		26.0%	28.2%		21.0%
EBIT	98.4	112.2	-12%	101.2	122.2	-17%	90.5
Capital expenditure	7.7	7.7	-1%	27.8	23.9	16%	33.7
Average number of employees (FTE)				2,674	2,601	3%	2,599

<sup>1)</sup> Excluding IACs

<sup>2)</sup> Excluding IACs of EUR -22.3 million in Q3 2022 (2021: -4.3), EUR -25.9 million in Q1–Q3 2022 (2021: -6.8) and EUR -11.1 million in FY 2021 and PPA adjustments and amortisations of EUR 8.7 million in Q3 2022 (2021: 9.2), EUR 23.6 million in Q1–Q3 2022 (2021: 25.6) and EUR 32.2 million in FY 2021.

Full reconciliation of operational EBITDA and operational EBIT excl. PPA is presented in a separate table on p. 17.

### Net sales by country

EUR million	Q3 2022	Q3 2021	Change	Q1–Q3 2022	Q1–Q3 2021	Change	FY 2021
The Netherlands	109.4	99.0	11%	192.4	180.1	7%	210.9
Poland	77.8	98.2	-21%	94.4	111.8	-16%	127.6
Spain	84.6	62.2	36%	114.5	103.8	10%	119.0
Italy	19.4			19.4			
Finland	9.4	11.6	-19%	51.0	48.9	4%	57.5
Belgium	49.0	47.3	4%	77.2	70.1	10%	78.1
Other countries and eliminations <sup>1)</sup>	10.7	13.3	-20%	30.5	34.2	-11%	44.1
<b>Net sales total</b>	<b>360.3</b>	<b>331.6</b>	<b>9%</b>	<b>579.4</b>	<b>548.8</b>	<b>6%</b>	<b>637.3</b>

<sup>1)</sup> 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 of Santillana, completed on 31 December 2020, and Pearson Italy and Germany, completed on 31 August 2022, have further increased 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.*

### Q3 2022

Net sales of Learning grew to EUR 360 million (2021: 332). On a comparable basis, net sales growth was strongest in Spain driven by increasing demand related to the current curriculum renewal delayed from the second quarter. Net sales grew also in the Netherlands and Belgium, but declined in line with expectations in Poland, where the latest curriculum renewal

ended in 2021. Pearson Italy and Germany, acquired on 31 August 2022, made a EUR 21 million contribution to the net sales growth.

Operational EBIT excl. PPA grew to EUR 129 million (2021: 126). Earnings improvement resulting from organic growth especially in Spain and the positive contribution of the acquired Pearson business was partially offset by lower profitability of the grown Dutch distribution business, net sales decline in Poland and higher paper costs.

EBIT declined to EUR 98 million (2021: 112). IACs totalled EUR -22 million (2021: -4) and mainly consisted of transaction and integration costs of recent acquisitions as well as impairments related to harmonisation of digital platforms and rental book inventory. PPAs were EUR 9 million (2021: 9).

Capital expenditure was stable at EUR 8 million (2021: 8) and consisted of growth investments in digital platforms and ICT.

## Q1–Q3 2022

Net sales of Learning grew to EUR 579 million (2021: 549) comparable growth being 2% (2021: 7%). In Spain, growth was driven by the ongoing curriculum renewal, which increased the third quarter net sales significantly. Net sales grew also in the Netherlands, Finland and Belgium driven by digital sales and increasing market demand. In Poland, the latest curriculum renewal ended in 2021 and, as expected, net sales declined. The acquired Pearson Italy and Germany made a EUR 21 million contribution to the net sales growth.

Operational EBIT excl. PPA amounted to EUR 151 million (2021: 155). Growing net sales in the content business in all major markets except Poland and the acquired Pearson business had a positive impact on earnings. However, this was more than offset by the weakened profitability of the Dutch distribution business, which was caused by inflationary cost pressures, shortage of labour and late deliveries from publishers in an exceptionally competitive market. In addition, higher paper costs and lower sales in Poland had a negative impact on earnings.

EBIT declined to EUR 101 million (2021: 122). IACs totalled EUR -26 million (2021: -7) and mainly consisted of the integration costs of recent acquisitions as well as impairments related to harmonisation of digital platforms and rental book inventory booked during Q3. PPAs were EUR 24 million (2021: 26).

Capital expenditure increased to EUR 28 million (2021: 24) and 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	Q3 2022	Q3 2021	Change	Q1–Q3 2022	Q1–Q3 2021	Change	FY 2021
Net sales	154.8	154.8	0%	460.1	451.2	2%	615.3
Operational EBITDA <sup>1)</sup>	39.2	40.9	-4%	108.6	113.1	-4%	155.0
Operational EBIT excl. PPA <sup>2)</sup>	20.6	23.9	-14%	47.7	54.4	-12%	73.5
Margin <sup>2)</sup>	13.3%	15.4%		10.4%	12.1%		11.9%
EBIT	18.2	21.3	-15%	40.4	44.9	-10%	60.6
Capital expenditure	2.6	1.2	114%	6.6	3.8	76%	4.9
Average number of employees (FTE)				2,178	2,090	4%	2,072

<sup>1)</sup> Excluding IACs

<sup>2)</sup> Excluding IACs of EUR -0.7 million in Q3 2022 (2021: -0.8), EUR -2.1 million in Q1–Q3 2022 (2021: -4.4) and EUR -6.1 million in FY 2021 and PPA adjustments and amortisations of EUR 1.7 million in Q3 2022 (2021: 1.7), EUR 5.2 million in Q1–Q3 2022 (2021: 5.1) and EUR 6.8 million in FY 2021.

Full reconciliation of operational EBITDA and operational EBIT excl. PPA is presented in a separate table on p. 17.

### Net sales by category

EUR million	Q3 2022	Q3 2021	Change	Q1–Q3 2022	Q1–Q3 2021	Change	FY 2021
Print	71.9	74.9	-4%	222.2	231.3	-4%	311.0
Non-print	82.9	79.9	4%	237.9	219.8	8%	304.2
<b>Net sales total</b>	<b>154.8</b>	<b>154.8</b>	<b>0%</b>	<b>460.1</b>	<b>451.2</b>	<b>2%</b>	<b>615.3</b>

EUR million	Q3 2022	Q3 2021	Change	Q1–Q3 2022	Q1–Q3 2021	Change	FY 2021
Advertising sales	52.3	53.9	-3%	170.6	172.9	-1%	245.8
Subscription sales	61.7	62.8	-2%	184.3	186.9	-1%	250.5
Single copy sales	10.1	10.4	-3%	29.4	30.9	-5%	41.1
Other	30.6	27.7	11%	75.8	60.3	26%	77.9
<b>Net sales total</b>	<b>154.8</b>	<b>154.8</b>	<b>0%</b>	<b>460.1</b>	<b>451.2</b>	<b>2%</b>	<b>615.3</b>

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

### Q3 2022

Net sales of Media Finland were stable and amounted to EUR 155 million (2021: 155). Sales of digital and radio advertising continued to grow, while print and TV advertising sales declined. This led to a slight decline in total advertising sales in-line with the market development in categories relevant for Sanoma. Subscription sales declined slightly as digital subscription sales continued to grow and print subscription sales declined. Other sales grew driven by the events business and external printing services, offsetting the decline in other categories.

According to the Finnish Advertising Trends survey for September 2022 by Kantar TNS, the advertising market in Finland was stable year-on-year on a net basis in Q3 2022, partially due to the revival of outdoor advertising, in which Media Finland

is not active in. Advertising grew by 6% in online (excluding search and social media). Advertising declined by 7% in newspapers, by 5% in magazines, by 4% in TV and by 3% in radio.

Operational EBIT excl. PPA declined to EUR 21 million (2021: 24) and was mainly impacted by significantly increased paper costs and lower subscription and advertising sales. The events business made a small positive contribution to earnings as the number of visitors was lower than expected.

EBIT amounted to EUR 18 million (2021: 21). IACs totalled EUR -1 million (2021: -1) and mainly consisted of costs related to strategic business development. PPAs were EUR 2 million (2021: 2).

Capital expenditure increased to EUR 3 million (2021: 1) and consisted of maintenance investments.

## Personnel

In January–September 2022, the average number of employees in full-time equivalents (FTE) was 4,996 (2021: 4,904). The average number of employees (FTE) per SBU was as follows: Learning 2,674 (2021: 2,601), Media Finland 2,178 (2021: 2,090) and Other operations 144 (2021: 213). The transfer of certain technology and real estate teams from Other operations to Media Finland affected the distribution of employees between these two units.

At the end of September, the number of employees (FTE) of the Group increased to 5,135 (2021: 4,828) mainly due to the acquisition of Pearson in Italy and Germany. There were no employees in discontinued operations (2021: 2).

Employee benefit expenses remained relatively stable and amounted to EUR 264 million (2021: 259).

## Share capital and shareholders

At the end of September 2022, Sanoma's registered share capital was EUR 71 million (2021: 71), and the total number of shares was 163,565,663 (2021: 163,565,663), including 387,895 (2021: 318,614) of its own shares. Own shares represented 0.2% (2021: 0.2%) of all shares and votes. The number of outstanding shares excluding Sanoma's own shares was 163,177,768 (2021: 163,247,049).

In March 2022, Sanoma delivered a total of 291,719 (2021: 210,363) of its own shares (without consideration and after taxes) as part of its long-term share-based incentive plans.

Sanoma had 23,331 (2021: 22,944) registered shareholders at the end of September 2022.

## Share trading and performance

At the end of September 2022, Sanoma's market capitalisation was EUR 2,001 million (2021: 2,210) with Sanoma's share closing at EUR 12.26 (2021: 13.54). In January–September 2022, the volume-weighted average price of Sanoma's share on Nasdaq Helsinki Ltd. was EUR 12.99 (2021: 14.74), with a low of EUR 11.66 (2021: 13.22) and a high of EUR 14.78 (2021: 17.12).

In January–September 2022, the cumulative value of Sanoma's share turnover on Nasdaq Helsinki Ltd. was EUR 122 million (2021: 176). The trading volume of 9.4 million shares (2021: 11.9) equalled an average daily turnover of 49,000 shares (2021: 63,000). The traded shares accounted for some 6% (2021: 7%) of the average number of shares. Sanoma's share turnover, including alternative trading venues, CBOE DXE, Turquoise and Frankfurt, was 11 million shares (2021: 12). Nasdaq Helsinki represented 82% (2021: 100%) of the share turnover. (Source: Euroland)

## Decisions of the Annual General Meeting

Sanoma Corporation's Annual General Meeting (AGM) was held on 7 April 2022 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 2021 as well as discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2021. 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 of EUR 0.54 per share shall be paid. The dividend shall be paid in two instalments. The first instalment of EUR 0.27 per share was paid to a shareholder who was registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the dividend record date 11 April 2022. The payment date for this instalment was 20 April 2022.

The second instalment of EUR 0.27 per share shall be paid in November 2022. 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. In its meeting on 26 October 2022, the Board of Directors decided that the dividend record date is 28 October 2022 and the payment date 4 November 2022.

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, Sebastian Langenskiöld and Rafaela Seppälä were re-elected as members. Pekka Ala-Pietilä was elected as the Chairperson of the Board and Nils Ittonen as the Vice Chairperson. The term of all Board members ends at the end of the AGM 2023.

The AGM resolved that the monthly remuneration payable to the members of the Board of Directors shall remain unchanged. The meeting fees of the Board of Directors were resolved to be increased as follows:

- For members of the Board of Directors who reside outside Finland: the meeting fee remains 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 Chairpersons of Board Committees: the meeting fee is increased to EUR 3,500 / Committee meeting participated;
- For members of Committees who reside outside Finland: the meeting fees are increased to EUR 2,500 / Committee meeting where the member was present and EUR 1,500 / Committee meeting participated; and
- For members of Committees who reside in Finland: the meeting fee is increased to EUR 1,500 / Committee meeting participated.

The AGM resolved that a Shareholders' Nomination Committee is established for the Company and its Charter was adopted. The Committee is established until further notice until otherwise decided by the General Meeting of the shareholders and it consists of up to four members who represent the Company's four largest shareholders who, on 31 May preceding the next year's Annual General Meeting, hold the largest number of votes calculated of all shares in the Company. The composition of the Shareholders' Nomination Committee and a Chairperson elected by the Committee from among its members were announced on 21 June 2022 (more information is available on p. 8). The term of all members of the Committee expires annually upon the appointment of the next Shareholders' Nomination Committee (to be appointed after the next Annual General Meeting following the appointment).

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 2023 and it terminates the corresponding authorisation granted by the AGM 2021.

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 2023 and it will replace the corresponding authorisation granted by the AGM 2021.

## 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 acquisitions of Pearson Italy and Germany as well as Santillana in Spain have further increased 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–July 2022, Sanoma arranged 13 festivals compared to the 11 festivals organised during June–July 2021. Four festivals were organised in June, while the rest nine were held in July.

Seasonal fluctuations in both businesses 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 in terms of net sales, and loss-making. With the acquisitions of Pearson Italy and Germany as well as Santillana in Spain, the learning business is even more geared towards the end of the third quarter, when the new school year starts.

## 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-term or long-term. Sanoma divides its key risks into four main categories: strategic, operational, non-financial and financial risks. The full review of the most 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 2021, on pages 99–105. These risks still apply. Main updates to the risks and opportunities since the publication of the report are related to general economic conditions as well as certain political, legislative and financial risks, and are described below.

Changes in the general economic conditions may be reflected in Sanoma's operational and financial performance. The availability of newsprint paper, the most used paper quality by Sanoma, has remained on its normal level since Q2 after tightening earlier in the year due to a strike at the only newsprint mill in Finland and the discontinuation of newsprint supply from Russia due to the war in Ukraine. In the future, the availability of newsprint paper could be negatively impacted by the availability and prices of energy, particularly gas in Central Europe. The overall cost inflation along with continuing high paper prices is expected to have an impact on Sanoma's operating costs. 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. In addition, 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. Sanoma has been able to partially mitigate the said impacts on its financial performance, however the higher operating expenses are expected to have an adverse impact on earnings, as seen in Q1–Q3 2022.

In Learning, the phasing and manner of the educational reform implementation in Spain in 2022–2023, extending even to 2024, is still partially uncertain. Currently, 12 of 17 regions in Spain have taken decisions to implement the new curriculum in 2022, yet with fewer subjects than was earlier expected. The uncertainty and outcome of the implementation may influence Sanoma's commercial propositions, content investment 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. VAT, may have an effect on the Group's operations or its financial performance. In April 2021, the Finnish Tax Adjustment Board accepted a claim based on tax audits at Sanoma Media Finland in 2015–2018 regarding the treatment of VAT of certain magazines that were printed in multiple locations in Europe and distributed through a centralised logistics centre in Norway. Sanoma considers the claim completely unjustified and has appealed the decision. The same business model continues to be in use. A tax audit for years 2019–2021 has been conducted and Sanoma expects to receive the final tax audit report during Q4 2022. In case the report imposes additional VAT to be paid for 2019–2021, Sanoma will pay the requested amount in order to avoid the interest accumulation and will appeal the decision.

Sanoma's external loan portfolio consists of both fixed and floating rate loans, and increasing interest rates may pose a risk on the Group's net financing expenses.

## Financial reporting in 2023

Sanoma will publish the following financial reports during 2023:

Full-Year Result 2022	Friday, 10 February 2023 approx. at 8:30 EET
Interim Report 1 January–31 March 2023	Thursday, 4 May 2023
Interim Report 1 January–30 June 2023	Wednesday, 26 July 2023
Interim Report 1 January–30 September 2023	Thursday, 26 October 2022

Sanoma's Financial statements and Directors' Report for 2022 will be published during week 10, which starts on 6 March 2023. The Annual General Meeting 2023 is planned to be held on Wednesday, 19 April 2023 in Helsinki.

Helsinki, 26 October 2022

Board of Directors  
Sanoma Corporation



## Reconciliation of operational EBIT excl. PPA

EUR million	Q3 2022	Q3 2021	Q1–Q3 2022	Q1–Q3 2021	FY 2021
<b>EBIT</b>	<b>116.3</b>	<b>133.1</b>	<b>132.8</b>	<b>160.8</b>	<b>142.4</b>
<b>Items affecting comparability (IACs) and PPA adjustments and amortisations</b>					
<b>Learning</b>					
Impairments	-10.6	-1.9	-10.6	-1.9	-3.1
Restructuring expenses	-11.8	-2.4	-15.4	-4.8	-8.0
PPA adjustments and amortisations	-8.7	-9.2	-23.6	-25.6	-32.2
<b>Media Finland</b>					
Impairments					-0.6
Capital gains/losses			0.4		
Restructuring expenses	-0.7	-0.8	-2.5	-4.4	-5.5
PPA adjustments and amortisations	-1.7	-1.7	-5.2	-5.1	-6.8
<b>Other operations</b>					
Impairments				-0.6	-0.6
Capital gains/losses		1.6		2.9	3.7
Restructuring expenses	1.4	0.1	-1.9	-2.1	-1.7
<b>Items affecting comparability (IACs) and PPA adjustments and amortisations total</b>	<b>-32.1</b>	<b>-14.3</b>	<b>-58.8</b>	<b>-41.6</b>	<b>-54.9</b>
<b>Operational EBIT excl. PPA</b>	<b>148.4</b>	<b>147.4</b>	<b>191.6</b>	<b>202.5</b>	<b>197.2</b>
Depreciation of buildings and structures	-6.8	-6.4	-19.5	-19.1	-24.9
Depreciation of rental books	-3.1	-4.1	-8.8	-11.9	-16.0
Amortisation of film and TV broadcasting rights	-11.4	-10.5	-39.3	-39.1	-54.0
Amortisation of prepublication rights	-7.2	-6.5	-17.6	-18.0	-25.5
Other depreciations, amortisations and impairments	-22.0	-10.9	-43.9	-30.3	-47.3
Items affecting comparability in depreciation, amortisation and impairments	10.6	1.4	10.6	1.9	3.8
<b>Operational EBITDA</b>	<b>188.4</b>	<b>184.5</b>	<b>310.1</b>	<b>318.9</b>	<b>361.0</b>
<b>Items affecting comparability (IACs) and PPA adjustments and amortisations in discontinued operations</b>					
Restructuring expenses				-0.6	-0.6
<b>Total</b>				<b>-0.6</b>	<b>-0.6</b>

## Reconciliation of operational EPS

EUR million	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021	FY 2021
<b>Result for the period attributable to the equity holders of the Parent Company</b>	<b>85.4</b>	<b>102.4</b>	<b>97.6</b>	<b>114.8</b>	<b>100.2</b>
Items affecting comparability	21.7	3.5	29.9	11.6	16.4
Tax effect of items affecting comparability	-7.7	-1.1	-9.5	-2.5	-3.6
Non-controlling interests' share of items affecting comparability		-0.1		-0.1	
<b>Operational result for the period attributable to the equity holders of the Parent Company</b>	<b>99.4</b>	<b>104.7</b>	<b>118.1</b>	<b>123.7</b>	<b>113.0</b>
Weighted average number of shares on the market	163,177,768	163,247,049	163,114,723	163,201,586	163,165,194
<b>Operational EPS</b>	<b>0.61</b>	<b>0.64</b>	<b>0.72</b>	<b>0.76</b>	<b>0.69</b>

## Reconciliation of net debt

EUR million	30 Sep 2022	30 Sep 2021	FY 2021
Non-current financial liabilities	573.1	465.4	432.2
Current financial liabilities	217.2	50.0	75.0
Non-current lease liabilities	117.6	143.7	133.5
Current lease liabilities	44.1	29.0	28.1
Cash and cash equivalents	-114.4	-57.8	-52.4
<b>Net debt</b>	<b>837.6</b>	<b>630.3</b>	<b>616.4</b>

## Reconciliation of adjusted EBITDA

EUR million	Q1-Q3 2022	Q1-Q3 2021	FY 2021
12-month rolling operational EBITDA	352.2	361.2	360.5
Impact of acquired and divested operations	19.1	-4.8	0.0
Impact of programming rights	-53.4	-62.2	-57.1
Impact of prepublication rights	-55.1	-37.5	-41.6
Impact of rental books	-7.6	-7.4	-6.3
<b>Adjusted EBITDA</b>	<b>255.3</b>	<b>249.2</b>	<b>255.4</b>

## Reconciliation of comparable net sales growth

EUR million	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Net sales	514.9	486.3	1,038.8	999.2
Impact of acquired and divested operations	-22.5	-0.5	-23.4	-1.5
<b>Comparable net sales</b>	<b>492.4</b>	<b>485.8</b>	<b>1,015.4</b>	<b>997.7</b>

## Income statement by quarter

EUR million	Q1 2022	Q2 2022	Q3 2022	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021
<b>NET SALES</b>	<b>210.6</b>	<b>313.2</b>	<b>514.9</b>	<b>210.1</b>	<b>302.8</b>	<b>486.3</b>	<b>252.4</b>	<b>1.251.6</b>
Other operating income	4.7	2.6	5.2	5.4	5.9	6.5	5.8	23.7
Materials and services	-65.0	-91.2	-212.5	-64.5	-79.5	-194.4	-78.9	-417.2
Employee benefit expenses	-87.7	-92.0	-84.2	-87.6	-90.0	-81.6	-91.7	-350.9
Other operating expenses	-36.7	-45.3	-46.4	-37.3	-38.2	-34.6	-48.7	-158.8
Share of results in joint ventures	0.1	0.1	0.2	0.2	0.1	0.2	0.1	0.5
Depreciation, amortisation and impairment losses	-48.0	-49.0	-60.9	-50.1	-49.6	-49.3	-57.6	-206.6
<b>EBIT</b>	<b>-22.0</b>	<b>38.5</b>	<b>116.3</b>	<b>-23.8</b>	<b>51.5</b>	<b>133.1</b>	<b>-18.5</b>	<b>142.4</b>
Share of results in associated companies	0.1	0.0	-0.2	-0.1	0.0	-0.2	0.6	0.4
Financial income	1.1	4.1	3.4	1.1	0.0	1.5	5.6	8.3
Financial expenses	-4.4	-4.0	-6.9	-4.8	-2.9	-4.6	-4.9	-17.2
<b>RESULT BEFORE TAXES</b>	<b>-25.2</b>	<b>38.6</b>	<b>112.6</b>	<b>-27.6</b>	<b>48.7</b>	<b>129.9</b>	<b>-17.1</b>	<b>133.8</b>
Income taxes	6.9	-7.7	-27.0	3.2	-11.6	-27.2	3.2	-32.4
<b>RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>-18.3</b>	<b>30.8</b>	<b>85.6</b>	<b>-24.4</b>	<b>37.0</b>	<b>102.7</b>	<b>-13.9</b>	<b>101.4</b>
<b>DISCONTINUED OPERATIONS</b>								
Result for the period from discontinued operations				-0.1	-0.1	0.1	-0.2	-0.2
<b>RESULT FOR THE PERIOD</b>	<b>-18.3</b>	<b>30.8</b>	<b>85.6</b>	<b>-24.5</b>	<b>36.9</b>	<b>102.8</b>	<b>-14.0</b>	<b>101.2</b>
<b>Result from continuing operations attributable to:</b>								
Equity holders of the Parent Company	-18.5	30.7	85.4	-24.2	36.7	102.3	-14.4	100.5
Non-controlling interests	0.2	0.2	0.2	-0.3	0.3	0.4	0.5	0.9
<b>Result from discontinued operations attributable to:</b>								
Equity holders of the Parent Company	-	-	-	-0.1	-0.1	0.1	-0.2	-0.2
Non-controlling interests	-	-	-	-	-	-	-	-
<b>Result attributable to:</b>								
Equity holders of the Parent Company	-18.5	30.7	85.4	-24.3	36.6	102.4	-14.6	100.2
Non-controlling interests	0.2	0.2	0.2	-0.3	0.3	0.4	0.5	0.9
<b>Earnings per share for result attributable to the equity holders of the Parent Company:</b>								
Earnings per share, EUR, continuing operations	-0.11	0.19	0.52	-0.15	0.22	0.63	-0.09	0.62
Diluted earnings per share, EUR, continuing operations	-0.11	0.19	0.52	-0.15	0.22	0.63	-0.09	0.61
Earnings per share, EUR, discontinued operations				0.00	0.00	0.00	0.00	0.00
Diluted earnings per share, EUR, discontinued operations				0.00	0.00	0.00	0.00	0.00
Earnings per share, EUR	-0.11	0.19	0.52	-0.15	0.22	0.63	-0.09	0.61
Diluted earnings per share, EUR	-0.11	0.19	0.52	-0.15	0.22	0.63	-0.09	0.61

In 2021, discontinued operations included certain Learning operations that were under strategic review.

## Net sales by SBU

EUR million	Q1 2022	Q2 2022	Q3 2022	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021
Learning	69.3	149.8	360.3	68.2	149.0	331.6	88.5	637.3
Media Finland	141.6	163.7	154.8	142.2	154.1	154.8	164.1	615.3
Other operations and eliminations	-0.3	-0.3	-0.1	-0.2	-0.4	-0.1	-0.1	-0.9
<b>Total</b>	<b>210.6</b>	<b>313.2</b>	<b>514.9</b>	<b>210.1</b>	<b>302.8</b>	<b>486.3</b>	<b>252.4</b>	<b>1,251.6</b>

## EBIT by SBU

EUR million	Q1 2022	Q2 2022	Q3 2022	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021
Learning	-27.7	30.5	98.4	-28.7	38.7	112.2	-31.6	90.5
Media Finland	7.5	14.6	18.2	7.5	16.1	21.3	15.7	60.6
Other operations and eliminations	-1.8	-6.7	-0.3	-2.6	-3.2	-0.4	-2.6	-8.8
<b>Total</b>	<b>-22.0</b>	<b>38.5</b>	<b>116.3</b>	<b>-23.8</b>	<b>51.5</b>	<b>133.1</b>	<b>-18.5</b>	<b>142.4</b>

## Operational EBIT excl. PPA by SBU

EUR million	Q1 2022	Q2 2022	Q3 2022	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021
Learning	-19.7	41.0	129.4	-20.0	48.9	125.6	-20.6	133.9
Media Finland	9.9	17.2	20.6	11.3	19.3	23.9	19.1	73.5
Other operations and eliminations	-0.6	-4.6	-1.6	-1.3	-3.1	-2.0	-3.8	-10.2
<b>Total</b>	<b>-10.4</b>	<b>53.6</b>	<b>148.4</b>	<b>-10.0</b>	<b>65.0</b>	<b>147.4</b>	<b>-5.2</b>	<b>197.2</b>

## 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 September 2022. 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 Annual Report 2021. 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 management has considered the impact of coronavirus pandemic to be limited and not material on the future credit losses. As Sanoma has no business in Ukraine or Russia, the war launched by Russia against Ukraine in February 2022 has a very limited direct impact on Sanoma's business. Management has concluded that both coronavirus pandemic and Ukraine war do not have significant impact on Q3 2022 interim report.

## Consolidated income statement

EUR million	Q3 2022	Q3 2021	Q1–Q3 2022	Q1–Q3 2021	FY 2021
<b>NET SALES</b>	<b>514.9</b>	<b>486.3</b>	<b>1,038.8</b>	<b>999.2</b>	<b>1,251.6</b>
Other operating income	5.2	6.5	12.5	17.8	23.7
Materials and services	-212.5	-194.4	-368.7	-338.3	-417.2
Employee benefit expenses	-84.2	-81.6	-263.9	-259.2	-350.9
Other operating expenses	-46.4	-34.6	-128.4	-110.0	-158.8
Share of results in joint ventures	0.2	0.2	0.5	0.4	0.5
Depreciation, amortisation and impairment losses	-60.9	-49.3	-157.9	-149.0	-206.6
<b>EBIT</b>	<b>116.3</b>	<b>133.1</b>	<b>132.8</b>	<b>160.8</b>	<b>142.4</b>
Share of results in associated companies	-0.2	-0.2	-0.2	-0.2	0.4
Financial income	3.4	1.5	8.6	2.6	8.3
Financial expenses	-6.9	-4.6	-15.3	-12.3	-17.2
<b>RESULT BEFORE TAXES</b>	<b>112.6</b>	<b>129.9</b>	<b>125.9</b>	<b>151.0</b>	<b>133.8</b>
Income taxes	-27.0	-27.2	-27.8	-35.7	-32.4
<b>RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>85.6</b>	<b>102.7</b>	<b>98.1</b>	<b>115.3</b>	<b>101.4</b>
<b>DISCONTINUED OPERATIONS</b>					
Result for the period from discontinued operations		0.1		-0.1	-0.2
<b>RESULT FOR THE PERIOD</b>	<b>85.6</b>	<b>102.8</b>	<b>98.1</b>	<b>115.2</b>	<b>101.2</b>
<b>Result from continuing operations attributable to:</b>					
Equity holders of the Parent Company	85.4	102.3	97.6	114.9	100.5
Non-controlling interests	0.2	0.4	0.5	0.4	0.9
<b>Result from discontinued operations attributable to:</b>					
Equity holders of the Parent Company		0.1		-0.1	-0.2
Non-controlling interests		-		-	-
<b>Result attributable to:</b>					
Equity holders of the Parent Company	85.4	102.4	97.6	114.8	100.2
Non-controlling interests	0.2	0.4	0.5	0.4	0.9
<b>Earnings per share for result attributable to the equity holders of the Parent Company:</b>					
Earnings per share, EUR, continuing operations	0.52	0.63	0.60	0.70	0.62
Diluted earnings per share, EUR, continuing operations	0.52	0.63	0.60	0.70	0.61
Earnings per share, EUR, discontinued operations		0.00		0.00	0.00
Diluted earnings per share, EUR, discontinued operations		0.00		0.00	0.00
Earnings per share, EUR	0.52	0.63	0.60	0.70	0.61
Diluted earnings per share, EUR	0.52	0.63	0.60	0.70	0.61

In 2021, discontinued operations included certain Learning operations that were under strategic review.

## Statement of comprehensive income <sup>1)</sup>

EUR million	Q3 2022	Q3 2021	Q1–Q3 2022	Q1–Q3 2021	FY 2021
<b>Result for the period</b>	<b>85.6</b>	<b>102.8</b>	<b>98.1</b>	<b>115.2</b>	<b>101.2</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Change in translation differences	-2.0	-1.0	-3.0	-0.9	-0.6
<b>Items that will not be reclassified to profit or loss</b>					
Defined benefit plans	16.1	0.5	6.7	17.8	18.1
Income tax related to defined benefit plans	-3.2	-0.1	-1.3	-3.6	-3.7
<b>Other comprehensive income for the period, net of tax</b>	<b>10.9</b>	<b>-0.6</b>	<b>2.4</b>	<b>13.3</b>	<b>13.8</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>96.5</b>	<b>102.2</b>	<b>100.5</b>	<b>128.5</b>	<b>114.9</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Parent Company	96.3	101.9	100.0	128.1	114.0
Non-controlling interests	0.2	0.4	0.5	0.4	0.9

<sup>1)</sup> Statement of comprehensive income includes both continuing and discontinued operations.

## Consolidated balance sheet

EUR million	30 Sep 2022	30 Sep 2021	FY 2021
<b>ASSETS</b>			
Property, plant and equipment	54.4	63.4	57.1
Right-of-use assets	154.8	166.0	155.2
Investment property	5.2	4.7	5.2
Goodwill	813.2	753.2	753.3
Other intangible assets	752.3	679.5	672.8
Equity-accounted investees	4.2	3.2	3.3
Other investments	3.7	3.8	3.8
Deferred tax receivables	9.4	17.1	9.4
Trade and other receivables	37.6	33.4	31.5
<b>NON-CURRENT ASSETS, TOTAL</b>	<b>1,834.8</b>	<b>1,724.3</b>	<b>1,691.6</b>
Inventories	82.8	39.5	35.7
Income tax receivables	15.8	19.5	16.6
Contract assets	1.6	1.2	0.4
Trade and other receivables	331.9	264.6	135.7
Cash and cash equivalents	114.4	57.8	52.4
<b>CURRENT ASSETS, TOTAL</b>	<b>546.4</b>	<b>382.6</b>	<b>240.8</b>
<b>ASSETS, TOTAL</b>	<b>2,381.3</b>	<b>2,107.0</b>	<b>1,932.5</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	71.3	71.3	71.3
Treasury shares	-5.2	-2.5	-7.5
Fund for invested unrestricted equity	209.8	209.8	209.8
Other equity	449.9	443.2	440.1
Total equity attributable to the equity holders of the Parent Company	725.7	721.7	713.6
Non-controlling interests	6.8	16.7	7.2
<b>EQUITY, TOTAL</b>	<b>732.5</b>	<b>738.5</b>	<b>720.9</b>
Deferred tax liabilities	124.6	137.2	127.4
Pension obligations	7.2	7.4	5.9
Provisions	0.5	0.5	0.5
Financial liabilities	573.1	465.4	432.2
Lease liabilities	117.6	143.7	133.5
Contract liabilities	3.0	2.9	2.5
Trade and other payables	3.6	5.5	4.1
<b>NON-CURRENT LIABILITIES, TOTAL</b>	<b>829.5</b>	<b>762.6</b>	<b>706.2</b>
Provisions	2.9	4.1	1.1
Financial liabilities	217.2	50.0	75.0
Lease liabilities	44.1	29.0	28.1
Income tax liabilities	42.0	45.2	25.3
Contract liabilities	161.1	171.0	152.3
Trade and other payables	352.0	306.5	223.7
<b>CURRENT LIABILITIES, TOTAL</b>	<b>819.3</b>	<b>605.9</b>	<b>505.4</b>
<b>LIABILITIES, TOTAL</b>	<b>1,648.8</b>	<b>1,368.5</b>	<b>1,211.6</b>
<b>EQUITY AND LIABILITIES, TOTAL</b>	<b>2,381.3</b>	<b>2,107.0</b>	<b>1,932.5</b>



## 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
<b>Equity at 31 Dec 2020</b>	<b>71.3</b>	<b>-4.3</b>	<b>209.8</b>	<b>413.5</b>	<b>690.2</b>	<b>19.7</b>	<b>709.9</b>
Correction of error <sup>1)</sup>				-0.7	-0.7		-0.7
<b>Equity at 1 Jan 2021</b>	<b>71.3</b>	<b>-4.3</b>	<b>209.8</b>	<b>412.8</b>	<b>689.5</b>	<b>19.7</b>	<b>709.2</b>
Comprehensive income for the period				128.1	128.1	0.4	128.5
Share-based compensation				-0.7	-0.7		-0.7
Shares delivered		1.7		-1.7			
Dividends				-84.8	-84.8	-0.6	-85.5
Acquisitions and other changes in non-controlling interests				-10.3	-10.3	-2.7	-13.1
<b>Equity at 30 Sep 2021</b>	<b>71.3</b>	<b>-2.5</b>	<b>209.8</b>	<b>443.2</b>	<b>721.7</b>	<b>16.7</b>	<b>738.5</b>
<b>Equity at 1 Jan 2022</b>	<b>71.3</b>	<b>-7.5</b>	<b>209.8</b>	<b>440.1</b>	<b>713.6</b>	<b>7.2</b>	<b>720.9</b>
Comprehensive income for the period				100.0	100.0	0.5	100.5
Share-based compensation				-0.4	-0.4		-0.4
Shares delivered		2.3		-2.3			
Dividends				-88.1	-88.1	1.0	-89.1
Acquisitions and other changes in non-controlling interests				0.7	0.7	0.0	0.7
<b>Equity at 30 Sep 2022</b>	<b>71.3</b>	<b>-5.2</b>	<b>209.8</b>	<b>449.9</b>	<b>725.7</b>	<b>6.8</b>	<b>732.5</b>

<sup>1)</sup> The correction of error relates to the adjustment of the opening balance of accrued income in the company acquired in 2020.

## Consolidated cash flow statement

EUR million	Q1-Q3 2022	Q1-Q3 2021	FY 2021
<b>OPERATIONS</b>			
Result for the period	98.1	115.2	101.2
Adjustments			
Income taxes	27.8	34.6	31.5
Financial income and expenses	6.7	9.7	8.9
Share of results in equity-accounted investees	-0.3	-0.2	-0.9
Depreciation, amortisation and impairment losses	157.9	149.0	206.6
Gains/losses on sales of non-current assets	-0.7	-3.4	-4.3
Other adjustments	0.2	0.0	-0.2
Adjustments, total	191.5	189.6	241.7
Change in working capital	-84.4	-83.9	-10.8
Acquisitions of broadcasting rights, prepublication costs and rental books	-84.0	-81.3	-105.1
Dividends received	0.6	0.6	0.6
Interest paid and other financial items	-10.4	-9.8	-13.5
Taxes paid	-25.5	-16.5	-32.7
<b>Cash flow from operations</b>	<b>85.9</b>	<b>113.9</b>	<b>181.4</b>
<b>INVESTMENTS</b>			
Capital expenditure	-38.4	-29.4	-41.7
Operations acquired	-204.7	-4.8	-6.4
Proceeds from sale of tangible and intangible assets	1.4	8.4	8.8
Operations sold	0.6	0.6	0.6
Loans granted	-1.5	-0.5	-0.6
Repayments of loan receivables	0.4	0.0	0.0
Interest received	0.3	0.1	0.1
<b>Cash flow from investments</b>	<b>-241.8</b>	<b>-25.5</b>	<b>-39.1</b>
<b>Cash flow before financing</b>	<b>-155.9</b>	<b>88.4</b>	<b>142.3</b>
<b>FINANCING</b>			
Purchase of treasury shares			-5.0
Change in loans with short maturity	137.9	-15.4	-15.4
Drawings of other loans	250.2	199.4	199.4
Repayments of other loans	-100.3	-250.0	-250.2
Payment of lease liabilities	-23.7	-22.8	-30.4
Acquisitions of non-controlling interests	-1.0	-11.2	-15.2
Dividends paid	-45.0	-45.4	-87.9
<b>Cash flow from financing</b>	<b>217.9</b>	<b>-145.4</b>	<b>-204.7</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS ACCORDING TO CASH FLOW STATEMENT</b>	<b>62.0</b>	<b>-57.0</b>	<b>-62.3</b>
Effect of exchange rate differences on cash and cash equivalents	0.0	0.2	0.1
<b>Net change in cash and cash equivalents</b>	<b>62.0</b>	<b>-56.8</b>	<b>-62.2</b>
Cash and cash equivalents at the beginning of the period	52.4	114.6	114.6
Cash and cash equivalents at the end of the period	114.4	57.8	52.4
<b>FREE CASH FLOW (Cash flow from operations – Capital expenditure)</b>	<b>47.5</b>	<b>84.5</b>	<b>139.7</b>

Includes continuing and discontinued operations.

At the end of September, cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts of EUR 0.0 million (2021: 0.0).

## 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 September 2022

EUR million	Learning	Media Finland	Other operations/eliminations	Continuing operations
External net sales	579.4	459.4		1,038.8
Internal net sales	0.0	0.7	-0.7	
<b>Net sales, total</b>	<b>579.4</b>	<b>460.1</b>	<b>-0.7</b>	<b>1,038.8</b>
<b>EBIT</b>	<b>101.2</b>	<b>40.4</b>	<b>-8.7</b>	<b>132.8</b>
<b>Operational EBIT excl. PPA</b>	<b>150.7</b>	<b>47.7</b>	<b>-6.9</b>	<b>191.6</b>
Share of results in associated companies		-0.2		-0.2
Financial income			8.6	8.6
Financial expenses			-15.3	-15.3
<b>Result before taxes</b>				<b>125.9</b>
Income taxes				-27.8
<b>Result for the period from continuing operations</b>				<b>98.1</b>
<b>Result for the period</b>				<b>98.1</b>
<b>Segment assets</b>	<b>1,953.1</b>	<b>424.0</b>	<b>-136.8</b>	<b>2,240.3</b>

## Segment information 1 January–30 September 2021

EUR million	Learning	Media Finland	Other operations/ eliminations	Continuing operations
External net sales	548.8	450.4		999.2
Internal net sales	0.0	0.8	-0.8	
<b>Net sales, total</b>	<b>548.8</b>	<b>451.2</b>	<b>-0.8</b>	<b>999.2</b>
<b>EBIT</b>	<b>122.2</b>	<b>44.9</b>	<b>-6.2</b>	<b>160.8</b>
<b>Operational EBIT excl. PPA</b>	<b>154.5</b>	<b>54.4</b>	<b>-6.4</b>	<b>202.5</b>
Share of results in associated companies		-0.2		-0.2
Financial income			2.6	2.6
Financial expenses			-12.3	-12.3
<b>Result before taxes</b>				<b>151.0</b>
Income taxes				-35.7
<b>Result for the period from continuing operations</b>				<b>115.3</b>
Result for the period from discontinued operations				-0.1
<b>Result for the period</b>				<b>115.2</b>
<b>Segment assets</b>	<b>1,698.5</b>	<b>440.3</b>	<b>-127.1</b>	<b>2,011.7</b>

## 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 September 2022

EUR million	Learning	Media Finland	Other operations/ eliminations	Total
Finland	51.0	460.1	-0.7	510.4
The Netherlands	192.4			192.4
Poland	94.4			94.4
Spain	114.5			114.5
Italy	19.4			19.4
Belgium	77.2			77.2
Other companies and eliminations	30.5			30.5
<b>Primary geographical markets</b>	<b>579.4</b>	<b>460.1</b>	<b>-0.7</b>	<b>1,038.8</b>
Learning solutions	462.8		0.0	462.8
Advertising		170.6	-0.5	170.1
Subscription		184.3	0.0	184.3
Single copy		29.4		29.4
Other	116.6	75.8	-0.2	192.2
<b>Major product lines/services</b>	<b>579.4</b>	<b>460.1</b>	<b>-0.7</b>	<b>1,038.8</b>
Recognition at a point-in-time	457.3	146.4	-0.7	603.0
Recognition over-time	122.1	313.8		435.8
<b>Timing of revenue recognition</b>	<b>579.4</b>	<b>460.1</b>	<b>-0.7</b>	<b>1,038.8</b>

## Disaggregation of revenue 1 January–30 September 2021

EUR million	Learning	Media Finland	Other operations/eliminations	Total
Finland	48.9	451.2	-0.8	499.3
The Netherlands	180.1			180.1
Poland	111.8			111.8
Spain	103.8			103.8
Belgium	70.1			70.1
Other companies and eliminations	34.2			34.2
<b>Primary geographical markets</b>	<b>548.8</b>	<b>451.2</b>	<b>-0.8</b>	<b>999.2</b>
Learning solutions	436.2		0.0	436.1
Advertising		172.9	-0.6	172.3
Subscription		186.9	0.0	186.9
Single copy		30.9		30.9
Other	112.7	60.3	-0.2	172.8
<b>Major product lines/services</b>	<b>548.8</b>	<b>451.2</b>	<b>-0.8</b>	<b>999.2</b>
Recognition at a point-in-time	435.7	136.1	-0.8	570.9
Recognition over-time	113.1	315.1		428.3
<b>Timing of revenue recognition</b>	<b>548.8</b>	<b>451.2</b>	<b>-0.8</b>	<b>999.2</b>

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

EUR million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Carrying amount at 1 Jan	212.4	260.6	260.6
Increases	32.7	12.7	16.0
Acquisitions of operations	9.0	0.1	0.1
Decreases	-1.5	-2.0	-6.5
Disposal of operations	-1.1		
Depreciation for the period	-39.0	-41.8	-55.4
Impairment losses for the period	-3.0	-0.2	-2.2
Exchange rate differences and other changes	-0.4	-0.1	-0.2
<b>Carrying amount at the end of the period</b>	<b>209.2</b>	<b>229.3</b>	<b>212.4</b>

## Acquisitions and divestments

### Acquisitions in 2022

In Q1–Q3 2022, Sanoma invested EUR 218 million in business acquisitions.

On 31 August, Sanoma acquired Pearson's local K12 learning content business in Italy and its small exam preparation business in Germany. The acquisition was announced on 7 June 2022. The acquired business is reported as part of Sanoma Learning SBU as of 31 August 2022.

Pearson Italy is one of the leading providers of learning materials for secondary education in the country and it has a leading position in certain subjects, including philosophy and literature. Under its strong local brands, Pearson Italy offers schools, teachers and students recognised and reputable high-quality learning materials. The acquisition also includes Pearson's small exam preparation business in Germany, which will continue to operate under the Stark brand. The acquired businesses have 251 employees, of which 161 in Italy and 90 in Germany. They became employees of Sanoma Learning as from closing.

Sanoma estimates that the acquisition will create synergies of EUR 2–3 million (annual run-rate). The synergies are expected to be realised in full in 18–24 months after closing and mainly relate to support functions and procurement.

The agreed cash and debt free enterprise value (EV) of the acquired business including purchase price adjustments of EUR 22.5 million amounted to EUR 212.5 million and was paid in cash at closing. The enterprise value represents an EV / Pro forma adjusted EBITDA 2021 multiple of 6.4x. By adding the estimated costs for separation and integration as well as the additional investments in digital development, the multiple increases to approx. 7.2x. Sanoma has financed the acquisition with a EUR 250 million 4-year term loan facility with Nordea Bank Abp, OP Corporate Bank plc and Skandinaviska Enskilda Banken AB (publ). The remaining part of the term loan was used for an early repayment of an EUR 50 million term loan due in February 2023.

Sanoma estimates that the acquisition will create separation, integration and rebranding costs, to be booked as items affecting comparability (IACs), of approx. EUR 14 million during 18–24 months after closing. Sanoma has booked EUR 7 million of transaction costs as IACs in Sanoma Learning's Q1–Q3 2022 result.

Acquisition accounting for the acquired business is disclosed in Q3 2022 financial statements as provisional and subject to changes. The initial purchase price of EUR 212.5 million has been allocated to identified net assets which include trademarks, customer relationships, ELT (English language teaching) distribution agreement and inventory with the remaining residual accounted for as goodwill. The goodwill is attributable mainly to assembled workforce and profit expectations of future product development, customer relationships and expansion of digital product offering.

On 28 January, Sanoma Media Finland acquired radio frequencies from Huittisten Sanomalehti Oy and began broadcasting Hitmix channel in Satakunta.

On 16 March, Sanoma Learning acquired Geluuskoffer Scholen B.V. in the Netherlands. The company is engaged in developing and publishing learning materials aimed at social emotional well-being of children.

On 18 March, Sanoma Media Finland acquired Videolle Production Oy. Videolle is a digital video marketing office, established in 2014. The acquisition strengthens the range of services offered by Sanoma to its B2B customers. Videolle Production Oy's 24 employees joined Sanoma.

## Impact of business acquisitions on Group's assets and liabilities

EUR million	Italy and Germany	Other	Q1-Q3 2022	FY 2021
Property, plant and equipment	2.0	0.0	2.0	
Right-of-use assets	6.7	0.3	7.0	0.1
Intangible assets	86.2	3.1	89.3	0.9
Other non-current assets	15.5	0.0	15.5	0.3
Inventories	34.8	0.0	34.8	
Other current assets	85.0	0.5	85.4	0.6
<b>Assets, total</b>	<b>230.1</b>	<b>3.9</b>	<b>234.0</b>	<b>2.0</b>
Non-current liabilities	-29.6	-1.0	-30.6	-0.2
Current liabilities	-44.3	-0.7	-44.9	-1.3
<b>Liabilities, total</b>	<b>-73.9</b>	<b>-1.7</b>	<b>-75.5</b>	<b>-1.5</b>
Fair value of acquired net assets	156.2	2.3	158.5	0.4
Acquisition cost	212.5	5.0	217.5	0.6
Fair value of previously held interest				0.6
Fair value of acquired net assets	-156.2	-2.3	-158.5	-0.4
<b>Goodwill from the acquisitions</b>	<b>56.4</b>	<b>2.7</b>	<b>59.1</b>	<b>0.8</b>

## Acquisitions of non-controlling interests

EUR million	Q1-Q3 2022	FY 2021
Acquisition cost		10.8
Book value of the acquired interest		-0.3
<b>Impact on consolidated equity</b>		<b>-11.1</b>



## Cash paid to obtain control, net of cash acquired

EUR million	Italy and Germany	Other	Q1-Q3 2022	FY 2021
Acquisition cost	212.5	5.0	217.5	0.6
Cash and cash equivalents of acquired operations	-9.9	-0.3	-10.2	-0.2
Decrease (+) / increase (-) in acquisition liabilities		-2.6	-2.6	5.3
<b>Cash paid to obtain control, net of cash acquired</b>	<b>202.7</b>	<b>2.1</b>	<b>204.7</b>	<b>5.7</b>
Acquisition cost				10.8
Decrease (+) / increase (-) in acquisition liabilities		1.0	1.0	4.4
<b>Cash paid on acquisitions of non-controlling interests</b>		<b>1.0</b>	<b>1.0</b>	<b>15.2</b>

## Divestments in 2022

On 3 January 2022, Sanoma Media Finland sold its newspaper printing facility Savon Paino to media company Keski-suomalainen. 36 employees of Savon Paino were transferred to Keski-suomalainen with the divestment.

## Impact of divestments on Group's assets and liabilities

EUR million	Q1-Q3 2022	FY 2021
Property, plant and equipment	1.1	
Inventories	0.3	
Trade and other receivables	0.3	
Cash and cash equivalents	1.7	
<b>Assets, total</b>	<b>3.3</b>	
Deferred tax liabilities	-0.2	
Trade and other payables	-1.1	
<b>Liabilities, total</b>	<b>-1.4</b>	
Net assets	2.0	
Sales price	2.3	
<b>Net result from sale of operations</b>	<b>0.4</b>	

## Cash flow from sale of operations

EUR million	Q1-Q3 2022	FY 2021
Sales price	2.3	
Cash and cash equivalents of divested operations	-1.7	
<b>Cash flow from sale of operations</b>	<b>0.6</b>	

## Discontinued operations

There are no discontinued operations in the Group in 2022. In 2021, discontinued operations included certain Learning operations that were under strategic review.

The consolidated income statement has been represented to show the discontinued operations separately from continuing operations. The elimination of transactions between the continuing operations and the discontinued operations 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-Q3 2022	Q1-Q3 2021	FY 2021
<b>Net sales</b>		<b>0.3</b>	<b>0.3</b>
Materials and services		0.0	0.0
Employee benefit expenses		-1.3	-1.2
Other operating expenses		-0.1	-0.2
<b>EBIT</b>		<b>-1.2</b>	<b>-1.1</b>
Financial expenses		0.0	0.0
<b>Result before taxes</b>		<b>-1.2</b>	<b>-1.1</b>
Income taxes		1.1	0.9
<b>Result for the period from discontinued operations</b>		<b>-0.1</b>	<b>-0.2</b>

### Cash flows related to discontinued operations

EUR million	Q1-Q3 2022	Q1-Q3 2021	FY 2021
Cash flow from operations		0.0	-0.4
Cash flow from investments		-0.1	-0.1
Cash flow from financing		0.0	0.5

## Contingent liabilities

EUR million	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>Contingencies for own commitments</b>			
Pledges	0.9	0.8	0.8
Other items	25.1	24.8	24.8
Contingencies for own commitments total	25.9	25.6	25.6
<b>Other commitments</b>			
Royalties	0.3	1.3	1.3
Commitments for acquisitions of intangible assets (film and TV broadcasting rights included)	38.3	20.6	24.6
Other items	22.3	31.3	27.6
Other commitments total	60.9	53.2	53.4
<b>Total</b>	<b>86.8</b>	<b>78.8</b>	<b>79.0</b>

## Derivative instruments

EUR million	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>Fair values</b>			
<b>Currency derivatives</b>			
Forward contracts (positive fair values)	0.2	0.3	0.2
Forward contracts (negative fair values)	0.0		0.0
<b>Nominal values</b>			
<b>Currency derivatives</b>			
Forward contracts	16.0	5.7	7.8

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

## Disputes and litigations

In April 2021, the Finnish Tax Adjustment Board accepted a claim based on tax audits at Sanoma Media Finland in 2015–2018 about the treatment of VAT of certain magazines that were printed in multiple locations in Europe and distributed through a centralised logistics centre in Norway. Sanoma considers the claims completely unjustified and has appealed the decisions. The same business model continues to be in use. On 1 July 2021, Sanoma paid the required VAT, the related penalty and interests of EUR 25 million in order to avoid further interest accumulation. Sanoma considers this payment to be a deposit with the tax authority while the dispute is ongoing and consequently reports 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 considers this refund to be a liability towards the tax authority while the dispute is ongoing and consequently reports the amount received as a liability. A tax audit for years 2019–2021 has been conducted and Sanoma expects to receive the final tax audit report during Q4 2022. In case the report imposes additional VAT to be paid for 2019–2021, Sanoma will pay the requested amount in order to avoid the interest accumulation and will appeal the decision.

## 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	= $\frac{\text{Net debt}}{\text{The adjusted EBITDA used in this ratio is the 12-month rolling operational EBITDA, where acquired operations are included and divested operations excluded, and where programming rights and prepublication rights have been raised above EBITDA on cash flow basis}}$	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