# Financial Statements for 2012

sanoma get the world

# Contents

# Key indicators

| Key indicators, EUR million | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Net sales * | **2 376.3** | 2 378.1 | 2 761.2 | 2 767.9 | 3 030.1 |
| Operating profit before depreciation, amortisation and impairment losses * | **507.4** | 482.2 | 589.8 | 362.4 | 468.3 |
| % OF NET SALES | **21.4** | 20.3 | 21.4 | 13.1 | 15.5 |
| Operating profit excluding non-recurring items * | **232.3** | 224.1 | 245.4 | 229.5 | 295.7 |
| % OF NET SALES | **9.8** | 9.4 | 8.9 | 8.3 | 9.8 |
| Non-recurring items * | **-50.0** | -51.5 | 147.3 | -34.1 | -59.3 |
| Operating profit* | **182.3** | 172.6 | 392.7 | 195.4 | 236.3 |
| % OF NET SALES | **7.7** | 7.3 | 14.2 | 7.1 | 7.8 |
| Result before taxes * | **107.3** | 136.3 | 356.0 | 161.4 | 190.3 |
| % OF NET SALES | **4.5** | 5.7 | 12.9 | 5.8 | 6.3 |
| Result for the period from continuing operations * | **70.9** | 78.6 | 297.3 | 107.1 | 120.8 |
| % OF NET SALES | **3.0** | 3.3 | 10.8 | 3.9 | 4.0 |
| Result for the period | **149.9** | 86.0 | 297.3 | 107.1 | 120.8 |
| % OF NET SALES | **6.0** | 3.1 | 10.8 | 3.9 | 4.0 |
| Balance sheet total | **4 041.6** | 4 328.3 | 3 203.0 | 3 106.3 | 3 278.7 |
| Capital expenditure * | **59.5** | 76.2 | 85.7 | 83.4 | 109.9 |
| % OF NET SALES | **2.5** | 3.2 | 3.1 | 3.0 | 3.6 |
| Return on equity (ROE), % | **9.6** | 5.9 | 23.0 | 9.2 | 9.1 |
| Return on investment (ROI), % | **8.2** | 6.8 | 16.2 | 8.9 | 10.7 |
| Equity ratio, % | **42.4** | 37.0 | 45.7 | 41.4 | 40.0 |
| Net gearing, % | **76.2** | 105.7 | 63.8 | 79.4 | 78.5 |
| Interest-bearing liabilities | **1 408.7** | 1 727.2 | 941.9 | 1 017.7 | 1 082.6 |
| Non-interest-bearing liabilities | **1 004.3** | 1 077.0 | 885.1 | 882.0 | 959.0 |
| Interest-bearing net debt | **1 241.5** | 1 611.2 | 877.9 | 958.1 | 971.6 |
| Average number of employees (full-time equivalents) * | **10 804** | 11 607 | 16 016 | 17 343 | 18 168 |
| Number of employees at the end of the period (full-time equivalents) * | **10 381** | 10 960 | 15 405 | 16 723 | 18 453 |
| **Share indicators** | | | | | |
| Earnings/share, EUR, continuing operations * | **0.40** | 0.47 | - | - | - |
| Earnings/share, diluted, EUR, continuing operations * | **0.40** | 0.47 | - | - | - |
| Earnings/share, EUR | **0.88** | 0.52 | 1.85 | 0.66 | 0.72 |
| Earnings/share, diluted, EUR | **0.88** | 0.52 | 1.85 | 0.66 | 0.72 |
| Cash flow from operations/share, EUR | **1.18** | 1.68 | 1.69 | 1.50 | 1.56 |
| Equity/share, EUR | **8.14** | 7.70 | 8.42 | 7.36 | 7.59 |
| Dividend/share, EUR ** | **0.60** | 0.60 | 1.10 | 0.80 | 0.90 |
| Dividend payout ratio, % ** | **68.0** | 115.6 | 59.4 | 122.0 | 125.1 |
| Market capitalisation, EUR million *** | **1 211.3** | 1 443.3 | 2 628.0 | 2 536.5 | 1 479.7 |
| Effective dividend yield, % ** | **8.1** | 6.8 | 6.8 | 5.1 | 9.8 |
| P/E ratio | **8.4** | 17.1 | 8.8 | 24.0 | 12.8 |
| Adjusted number of shares at the end of the period *** | **162 812 093** | 162 812 093 | 162 810 593 | 161 816 894 | 160 665 651 |
| Adjusted average number of shares *** | **162 812 093** | 162 810 642 | 161 863 694 | 160 968 774 | 160 900 511 |
| Lowest share price, EUR | **5.79** | 7.83 | 13.41 | 8.02 | 8.31 |
| Highest share price, EUR | **11.70** | 17.79 | 17.07 | 15.80 | 19.87 |
| Average share price, EUR | **8.15** | 12.30 | 15.57 | 11.45 | 14.84 |
| Share price at the end of the period, EUR | **7.44** | 8.87 | 16.22 | 15.76 | 9.21 |
| Trading volumes, shares | **106 129 204** | 89 486 428 | 63 477 720 | 72 078 344 | 100 271 123 |
| % OF SHARES | **65.2** | 55.0 | 39.2 | 44.8 | 62.3 |

* The figures for 2012 and 2011 contain only continuing operations. The figures for 2008–2010 include also operations classified as discontinued operations in 2012.
** Year 2012 proposal of the Board of Directors.
*** The number of shares in 2011 includes 1,500 interim shares registered on 3 January 2012. Market capitalisation is calculated based on shares registered by 31 December 2011. The number of shares in 2010 includes 789,849 interim shares registered on 10 January 2011. Market capitalisation is calculated based on shares registered by 31 December 2010. The number of shares in 2009 includes 873,236 interim shares registered on 7 January 2010. Market capitalisation is calculated based on shares registered by 31 December 2009. The number of shares does not include treasury shares.

# Definitions of key indicators

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

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

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

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

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

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

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

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

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

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

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

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

**EBITDA** = Operating profit + depreciation, amortisation and impairments

**Non-recurring items** = Gains/losses on sale, restructuring expenses and impairments that exceed EUR 1 million

# Net sales by business

| EUR million | 1–3/ 2012 | 4–6/ 2012 | 7–9/ 2012 | 10–12/ 2012 | **1–12/ 2012** | 1–3/ 2011 | 4–6/ 2011 | 7–9/ 2011 | 10–12/ 2011 | **1–12/ 2011** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Media** | | | | | | | | | | |
| The Netherlands | 171.6 | 208.1 | 173.5 | 207.2 | **760.4** | 105.3 | 130.6 | 174.0 | 232.2 | **642.0** |
| Finland | 77.4 | 76.7 | 65.4 | 82.2 | **301.7** | 74.2 | 79.4 | 70.0 | 86.2 | **309.7** |
| Russia & CEE | 49.0 | 50.1 | 46.9 | 53.5 | **199.5** | 51.4 | 54.3 | 50.8 | 56.7 | **213.1** |
| Belgium | 56.8 | 54.6 | 52.9 | 64.1 | **228.3** | 50.1 | 48.7 | 48.4 | 61.9 | **209.1** |
| Other businesses and eliminations | -0.7 | -0.8 | -0.6 | -0.7 | **-2.7** | -0.9 | -1.8 | -0.9 | -1.2 | **-4.8** |
| **Total** | 354.1 | 388.6 | 338.1 | 406.3 | **1 487.1** | 280.0 | 311.2 | 342.2 | 435.8 | **1 369.2** |
| **News** | | | | | | | | | | |
| Helsingin Sanomat | 59.3 | 56.2 | 52.2 | 57.1 | **224.9** | 61.2 | 61.2 | 55.3 | 60.8 | **238.5** |
| Ilta-Sanomat | 21.2 | 22.0 | 20.0 | 21.1 | **84.3** | 19.1 | 22.2 | 21.6 | 21.6 | **84.4** |
| Other publishing | 25.2 | 24.3 | 22.3 | 24.6 | **96.4** | 23.7 | 25.0 | 22.9 | 25.4 | **97.0** |
| Other businesses and eliminations | 4.3 | 4.3 | 3.9 | 4.8 | **17.2** | 4.4 | 3.9 | 3.4 | 4.2 | **15.9** |
| **Total** | 110.0 | 106.8 | 98.3 | 107.6 | **422.8** | 108.4 | 112.2 | 103.2 | 112.0 | **435.8** |
| **Learning** | | | | | | | | | | |
| Learning | 34.2 | 109.3 | 127.4 | 35.5 | **306.4** | 34.3 | 87.4 | 100.2 | 34.7 | **256.6** |
| Other businesses | 4.6 | 1.8 | 0.0 | 0.0 | **6.5** | 10.1 | 10.2 | 10.8 | 5.0 | **36.1** |
| Eliminations | -0.4 | 0.0 | 0.0 | 0.0 | **-0.5** | -0.4 | -0.6 | -0.6 | -0.4 | **-2.1** |
| **Total** | 38.4 | 111.1 | 127.4 | 35.5 | **312.4** | 44.0 | 97.0 | 110.4 | 39.2 | **290.6** |
| Other companies and eliminations | 41.1 | 40.0 | 35.6 | 37.3 | **154.0** | 97.8 | 72.1 | 71.6 | 40.9 | **282.4** |
| **Total** | 543.6 | 646.5 | 599.5 | 586.7 | **2 376.3** | 530.2 | 592.6 | 627.4 | 627.9 | **2 378.1** |

# Operating profit excluding non-recurring items by segment

| EUR million | 1–3/ 2012 | 4–6/ 2012 | 7–9/ 2012 | 10–12/ 2012 | **1–12/ 2012** | 1–3/ 2011 | 4–6/ 2011 | 7–9/ 2011 | 10–12/ 2011 | **1–12/ 2011** |
|---|---|---|---|---|---|---|---|---|---|---|
| Media | 26.9 | 54.5 | 23.0 | 46.9 | **151.2** | 22.8 | 37.5 | 24.9 | 64.4 | **149.5** |
| News | 8.9 | 5.1 | 8.4 | 10.0 | **32.4** | 12.9 | 9.9 | 12.5 | 14.1 | **49.4** |
| Learning | -14.9 | 47.0 | 49.5 | -22.0 | **59.6** | -6.0 | 31.1 | 42.6 | -20.0 | **47.7** |
| Other companies and eliminations | -5.0 | -2.4 | -0.7 | -2.8 | **-10.9** | -3.3 | -12.9 | -2.4 | -3.9 | **-22.5** |
| **Total** | 15.9 | 104.2 | 80.1 | 32.1 | **232.3** | 26.3 | 65.6 | 77.6 | 54.7 | **224.1** |

# Operating profit by segment

| EUR million | 1–3/ 2012 | 4–6/ 2012 | 7–9/ 2012 | 10–12/ 2012 | **1–12/ 2012** | 1–3/ 2011 | 4–6/ 2011 | 7–9/ 2011 | 10–12/ 2011 | **1–12/ 2011** |
|---|---|---|---|---|---|---|---|---|---|---|
| Media | 26.9 | 51.9 | 20.3 | 30.9 | **130.0** | 22.8 | 46.6 | -31.9 | 53.0 | **90.4** |
| News | 8.9 | 5.1 | -1.5 | 8.0 | **20.5** | 12.9 | 9.9 | 12.5 | 4.9 | **40.2** |
| Learning | -14.9 | 51.1 | 45.1 | -22.0 | **59.3** | -5.1 | 29.4 | 42.6 | -23.0 | **43.9** |
| Other companies and eliminations | -5.0 | -9.6 | -2.0 | -10.9 | **-27.5** | -3.3 | 30.8 | -40.4 | 11.0 | **-1.9** |
| **Total** | 15.9 | 98.5 | 61.8 | 6.0 | **182.3** | 27.2 | 116.7 | -17.2 | 46.0 | **172.6** |

# Income statement by quarter

| EUR million | 1–3/ 2012 | 4–6/ 2012 | 7–9/ 2012 | 10–12/ 2012 | **1–12/ 2012** | 1–3/ 2011 | 4–6/ 2011 | 7–9/ 2011 | 10–12/ 2011 | **1–12/ 2011** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net sales** | 543.6 | 646.5 | 599.5 | 586.7 | **2 376.3** | 530.2 | 592.6 | 627.4 | 627.9 | **2 378.1** |
| Other operating income | 8.6 | 19.4 | 8.7 | 15.7 | **52.5** | 7.0 | 70.0 | 10.4 | 29.1 | **116.5** |
| Materials and services | 190.0 | 212.2 | 214.6 | 199.6 | **816.3** | 205.5 | 217.3 | 228.4 | 207.0 | **858.2** |
| Employee benefit expenses | 156.2 | 156.4 | 145.6 | 155.4 | **613.6** | 148.1 | 152.1 | 142.6 | 168.8 | **611.7** |
| Other operating expenses | 122.4 | 118.2 | 109.1 | 141.8 | **491.5** | 118.7 | 136.6 | 139.0 | 147.1 | **541.3** |
| Share of results in associated companies | | | | | | | -0.1 | -1.1 | 0.0 | **-1.2** |
| Depreciation, amortisation and impairment losses | 67.6 | 80.6 | 77.2 | 99.7 | **325.2** | 37.7 | 39.8 | 143.9 | 88.1 | **309.5** |
| **Operating profit** | 15.9 | 98.5 | 61.8 | 6.0 | **182.3** | 27.2 | 116.7 | -17.2 | 46.0 | **172.6** |
| Share of results in associated companies | -16.4 | -3.4 | 2.3 | -0.2 | **-17.7** | 1.9 | -0.1 | -3.2 | -2.2 | **-3.7** |
| Financial income | 7.0 | 4.9 | 3.3 | 3.0 | **18.2** | 2.3 | 1.4 | 1.0 | 9.3 | **13.9** |
| Financial expenses | 20.7 | 19.1 | 17.8 | 18.0 | **75.6** | 4.7 | 6.6 | 13.1 | 22.2 | **46.6** |
| **Result before taxes** | -14.1 | 80.8 | 49.7 | -9.1 | **107.3** | 26.7 | 111.3 | -32.5 | 30.8 | **136.3** |
| Income taxes | -3.6 | -21.8 | -10.7 | -0.3 | **-36.4** | -8.3 | -18.4 | -21.3 | -9.7 | **-57.7** |
| **Result for the period from continuing operations** | -17.8 | 59.0 | 39.0 | -9.4 | **70.9** | 18.4 | 92.9 | -53.8 | 21.1 | **78.6** |
| **Discontinued operations** | | | | | | | | | | |
| Result for the period from discontinued operations | 1.2 | 78.6 | -0.7 | 0.0 | **79.0** | 0.1 | 4.6 | -0.5 | 3.3 | **7.4** |
| **Result for the period** | -16.6 | 137.6 | 38.3 | -9.4 | **149.9** | 18.5 | 97.5 | -54.4 | 24.4 | **86.0** |
| **Result from continuing operations attributable to:** | | | | | | | | | | |
| Equity holders of the Parent Company | -19.0 | 56.3 | 38.1 | -10.8 | **64.7** | 18.4 | 92.9 | -49.2 | 14.9 | **77.0** |
| Non-controlling interests | 1.2 | 2.7 | 0.9 | 1.4 | **6.2** | 0.0 | -0.1 | -4.6 | 6.2 | **1.5** |
| **Result attributable to:** | | | | | | | | | | |
| Equity holders of the Parent Company | -17.8 | 135.0 | 37.4 | -10.8 | **143.7** | 18.5 | 97.5 | -49.7 | 18.1 | **84.5** |
| Non-controlling interests | 1.2 | 2.6 | 0.9 | 1.4 | **6.2** | 0.0 | -0.1 | -4.6 | 6.2 | **1.5** |
| **Earnings per share for result attributable to the equity holders of the Parent Company:** | | | | | | | | | | |
| Earnings per share, eur, continuing operations | -0.12 | 0.35 | 0.23 | -0.07 | **0.40** | 0.11 | 0.57 | -0.30 | 0.09 | **0.47** |
| Diluted earnings per share, eur, continuing operations | -0.12 | 0.35 | 0.23 | -0.07 | **0.40** | 0.11 | 0.57 | -0.30 | 0.09 | **0.47** |
| Earnings per share, eur, discontinued operations | 0.01 | 0.48 | 0.00 | 0.00 | **0.49** | 0.00 | 0.03 | 0.00 | 0.02 | **0.05** |
| Diluted earnings per share, eur, discontinued operations | 0.01 | 0.48 | 0.00 | 0.00 | **0.49** | 0.00 | 0.03 | 0.00 | 0.02 | **0.05** |
| Earnings per share, eur | -0.11 | 0.83 | 0.23 | -0.07 | **0.88** | 0.11 | 0.60 | -0.31 | 0.11 | **0.52** |
| Diluted earnings per share, eur | -0.11 | 0.83 | 0.23 | -0.07 | **0.88** | 0.11 | 0.60 | -0.31 | 0.11 | **0.52** |

# Board of Directors' Report

On 5 March 2012, Sanoma announced that it had signed an agreement to sell its kiosk operations in Finland, Estonia and Lithuania as well as its press distribution operations in Estonia and Lithuania. According to International Financial Reporting Standards (IFRS), any material divestment that represents a separate major line of business shall be classified as a discontinued operation. Hence, Sanoma classified these operations to be divested as discontinued operations for the 2012 reporting. The discontinued operations are eliminated from the Consolidated Income Statement and only the result for the period of these discontinued operations is presented as a separate item after the result for the continuing operations. Accordingly, the Consolidated Income Statement for 2011 has been restated.

In addition, Sanoma renewed its operative reporting from the third quarter of 2012. The continuing operations of the Group include three reportable segments: Media, News and Learning. As a result, the Trade segment is no longer a reportable segment. Trade's remaining operations are reported in the line item 'Other companies and eliminations'. Aldipress from the Media segment's 'Other businesses' and all remaining 'Other businesses' from the Learning segment are reported in the line item 'Other companies and eliminations'. The line item 'Other companies and eliminations' includes non-core operations, head office functions, real estate companies and Group eliminations.

## Net sales

In 2012, Sanoma's net sales were stable and amounted to EUR 2,376.3 million (2011: EUR 2,378.1 million; 2010: EUR 2,761.2 million). The deterioration in circulation and advertising markets during 2012 adversely affected net sales in Media and News segments. The decline was offset by the consolidation of the acquired SBS TV and print operations in the Netherlands and Belgium as well as increased sales of the Learning segment and Nelonen Media in Finland. Currency translations did not have a material effect on the 2012 net sales. When adjusted for changes in the Group structure, net sales decreased by 3.3%.

Circulation sales decreased by 2.1%. Subscription sales increased by 1.1%, while single copy sales decreased by 6.3%, mainly as a result of declining trends, including increased volatility in single copy markets. In Finland, the introduction of VAT from the beginning of 2012 also adversely affected print subscription sales.

Total advertising sales increased by 11.8%. Within total advertising, online advertising increased by 3.9%.

Sanoma's online, TV and radio advertising sales grew by 33.3% to EUR 486.4 million (2011: EUR 364.8 million) and accounted for 20.5% (2011: 15.3%) of the Group's net sales, mainly due to the consolidation of the acquired TV operations in the Netherlands and Belgium.

By country, the Netherlands accounted for 37.7% (2011: 32.5%), Finland for 36.6% (2011: 41.7%) and Belgium for 11.0% (2011: 10.2%) of the Group's 2012 net sales. Net sales from other EU countries totalled 10.7% (2011: 11.6%) and non-EU countries accounted for 3.9% (2011: 4.0%).

By type of sales, advertising sales accounted for 36.7% (2011: 32.8%), subscription sales for 20.3% (2011: 20.1%), single copy sales for 14.0% (2011: 14.9%), learning for 12.9% (2011: 10.8%) and other sales for 16.1% (2011: 21.4%) of the Group's 2012 net sales. Other sales include mainly press distribution and marketing services, language and translation services, custom publishing, event marketing, other literature and print sales.

## Result

In 2012, Sanoma's operating profit excluding non-recurring items increased by 3.6% and totalled EUR 232.3 million (2011: EUR 224.1 million). The weak development of advertising and circulation sales lowered the result in the Media and News segments. The decline was more than offset by the consolidation of the acquired SBS TV and print operations in the Netherlands and Belgium as well as the improved result in the Learning segment. Higher investments in TV programming rights in the Netherlands also affected the Sanoma Media Netherlands strategic business unit's result in 2012. In the comparable period, operating profit excluding non-recurring items included EUR 34.4 million of one-off transaction costs and order backlog amortisations related to the SBS acquisition, which were not categorised as non-recurring. Operating profit excluding non-recurring items amounted to 9.8% (2011: 9.4%) of net sales. Currency translations did not have a material effect on the 2012 result. Sanoma's operating profit in 2012 was EUR 182.3 million (2011: EUR 172.6 million; 2010: EUR 392.7 million) or 7.7% (2011: 7.3%; 2010: 14.2%) of net sales.

The non-recurring items included in the operating profit amounted to EUR -50.0 million (2011: EUR -51.5 million) and included impairments of goodwill and intangible assets, restructuring expenses and gain on the sale of assets. In 2011, non-recurring items related to impairments of goodwill and intangible assets, restructuring expenses and gain on the sale of assets. Sanoma's 2012 result included EUR -17.7 million (2011: EUR -3.7 million) of profits from associated companies. Non-recurring items included in the result of associated companies amounted to EUR -17.5 million (2011: EUR -4.0 million) and consisted of a gain and a loss on sales as well as an impairment.

Sanoma's net financial items totalled EUR -57.4 million (2011: EUR -32.7 million). Financial income amounted to EUR 18.2 million (2011: EUR 13.9 million), of which EUR 11.6 million were exchange rate gains (2011: EUR 9.3 million). Financial expenses amounted to EUR -75.6 million (2011: EUR -46.6 million), of which EUR -12.6 million were exchange rate losses (2011: EUR -16.2 million). Interest expenses amounted to EUR -52.9 million (2011: EUR -28.8 million).

Profit before taxes amounted to EUR 107.3 million (2011: EUR 136.3 million) and the effective tax rate was 19.8% (2011: 40.3 %). The effective tax rate in 2012 was affected mainly by non-taxable sales gains. In the comparable year, the tax rate was impacted mainly by the impairments of goodwill and non-taxable sales gains and losses.

Non-recurring items included in the discontinued operations amounted to EUR 77.4 million (2011: EUR -4.7 million) and consisted mainly of a gain on the sale of kiosk operations.

Earnings per share were EUR 0.88 (2011: EUR 0.52), of which EUR 0.40 (2011: EUR 0.47) relates to continuing operations and EUR 0.49 (2011: EUR 0.05) to discontinued operations. Earnings per share excluding non-recurring items were EUR 0.78 (2011: EUR 0.87).

## Balance sheet and financial position

At the end of 2012, Sanoma's consolidated balance sheet totalled EUR 4,041.6 million (2011: EUR 4,328.3 million). In 2012, the Group's cash flow from operations was EUR 192.0 million (2011: EUR 273.8 million). Cash flow from operations per share was EUR 1.18 (2011: EUR 1.68).

Sanoma's equity ratio was 42.4% (2011: 37.0%; 2010: 45.7%) at the end of 2012. The return on equity (ROE) was 9.6% (2011: 5.9%; 2010: 23.0%) and the return on investment (ROI) was 8.2% (2011: 6.8%; 2010: 16.2%). In 2011, the acquisition of the TV and print operations in the Netherlands and Belgium negatively affected these ratios. Equity totalled EUR 1,628.6 million (2011: EUR 1,524.2 million). The equity per share was EUR 8.14 (2011: EUR 7.70). Interest-bearing liabilities at the end of the December 2012 totalled EUR 1,408.7 million (2011: EUR 1,727.2 million). Interest-bearing net debt was EUR 1,241.5 million (2011: EUR 1,611.2 million).

On 13 March 2012, Sanoma Corporation issued its first ever corporate bond, a EUR 400 million five-year Senior Unsecured Eurobond, under investment grade documentation without any financial covenants. The bond pays a fixed coupon of 5.000% and had an issue price of 99.413, equivalent to a yield of 5.136%.

On 6 July 2012, Sanoma Corporation signed a new EUR 600 million Syndicated Revolving Credit Facility with a five-year maturity. The margin depends on the leverage of the borrower, the initial margin being 1.5% over Euribor. The new facility replaced the former EUR 802 million Syndicated Revolving Credit Facility.

## Investments, acquisitions and divestments

In January–December, investments in tangible and intangible assets, including finance leases, amounted to EUR 59.5 million (2011: EUR 76.2 million). Investments were mainly related to ICT systems as well as replacements and renovation. In the comparable period, the renewal of the long-term rental agreements of the divested movie operations accounted for about one third of the total investments.

In 2012, Sanoma's business acquisitions totalled EUR 27.3 million (2011: EUR 1,415.2 million). The impact of each individual acquisition on the Group's assets and liabilities was minor. The combined effect of the acquisitions since the acquisition date on the Group's net sales amounted to EUR 17.1 million, and on operating profit excluding non-recurring items to EUR 1.7 million.

In January, Sanoma Media Netherlands increased its ownership in the Dutch joint venture Hemels from 51% to 71%. The first 51% was acquired in 2011. Consolidation of Hemels continues using the proportional consolidation method, by the share of 71%. Hemels operates in custom publishing.

In March, Sanoma sold its entire 21.11% shareholding in Finnish telecommunications group DNA Ltd and received a EUR 181.5 million cash consideration for the shareholding. As a result of the transaction, Sanoma recognised a non-tax-deductible non-recurring capital loss of EUR -19.3 million in the first quarter of 2012.

In April, Sanoma divested its book logistics company Porvoon Kirjakeskus Oy. As a result of the transaction, Sanoma recognised a non-taxable capital gain of EUR 0.1 million in the second quarter of 2012.

In May, Sanoma sold its kiosk operations in Finland, Estonia and Lithuania and its press distribution operations in Estonia and Lithuania, including the Rautakirja trade mark, as well as its bookstore operations in Estonia. As a result, Sanoma recognised a non-taxable non-recurring capital gain of EUR 77.4 million in the second quarter of 2012. According to International Financial Reporting Standards (IFRS), any material divestment that represents a separate major line of business shall be classified as a discontinued operation. Hence, Sanoma classified these operations to be divested as discontinued operations for the 2012 reporting. The discontinued operations are eliminated from the Consolidated Income Statement and only the result for the period of these discontinued operations is presented as a separate item after the result for the continuing operations. Accordingly, the Consolidated Income Statement for 2011 has been restated.

In May, Sanoma Media Netherlands acquired online retail group Read & View in the Netherlands. The result of the company has been consolidated to Sanoma from the beginning of May 2012.

In June, Sanoma sold its business information services company Esmerk Oy. As a result of the transaction, Sanoma recognised a non-taxable non-recurring capital gain of EUR 5.7 million in the second quarter of 2012.

In June, Sanoma Learning acquired and closed the acquisition of the testing and examination company Bureau ICE. The result of the company has been consolidated to Sanoma from the beginning of the third quarter of 2012.

In June, Sanoma sold its total ownership in Esan Kirjapaino Oy to Keskisuomalainen Oyj. The shares represent 14.7% of the total voting shares of Esan Kirjapaino Oy and 19.2% of the total number of shares. As a result of the transaction, Sanoma recognised a non-taxable capital gain of EUR 0.9 million in the third quarter of 2012.

In July, Nelonen Media, part of Sanoma Media Finland, extended its portfolio of radio stations, previously based on Radio Aalto and Radio Rock, by purchasing Radio SuomiPOP, Groove FM and Metro FM. The result of the acquired operations has been consolidated to Sanoma from the beginning of the third quarter of 2012.

In July, Sanoma Media Belgium acquired and closed the acquisition of communication agency HeadOffice. HeadOffice is a relationship marketing agency that is specialised in online direct marketing, customer magazines, brand activation, content marketing and loyalty. The result of the new company has been consolidated to Sanoma from the beginning of the third quarter of 2012.

In September, Sanoma sold its total ownership in Hansaprint Oy to TS-Yhtymä Oy. The shares represented 40% of the total voting and number of shares. As a result of the transaction, Sanoma recognised a non-taxable non-recurring capital gain of EUR 3.0 million in the third quarter of 2012.

In November, Sanoma Media Netherlands acquired 40% of the shares in the Dutch e-commerce company SB Commerce, owner of, for instance, home decor web-store Voor-thuis.nl. SB Commerce has been consolidated to Sanoma from the beginning of November by the proportional line-by-line consolidation method, with 40% share of ownership.

In December, Sanoma sold its Slovenian operations. As a result of the transaction, Sanoma recognised a non-tax-deductible non-recurring capital loss of EUR -1.1 million in the fourth quarter of 2012.

## Group outlook for 2013

In 2013, Sanoma expects to maintain its financial performance compared to 2012 and estimates that in 2013 net sales and operating profit excluding non-recurring items will be a continuation of 2012.

Sanoma's outlook for 2013 is based on assumptions that the European economic situation remains subdued and the likelihood of an advertising market recovery during 2013 is low.

The first quarter for the Group is seasonally the weakest. In addition, Sanoma will invest materially in the Dutch and Finnish TV operations as well as digital development. Hence, the operating profit excluding non-recurring items will be negative for the Group in the first quarter of 2013.

## Three-year, Group-wide cost savings programme

As a part of streamlining operations and ensuring competitive cost levels, Sanoma has commenced a three-year, Group-wide cost savings programme. Sanoma's target is to reduce its cost base by EUR 60 million gross by the end of 2015 compared to the cost level of 2012. The targeted EUR 60 million gross saving consists of EUR 30 million of cost savings in support functions and EUR 30 million related to operational efficiency.

## Media

*The Media segment includes magazine, TV, radio and online businesses in 11 European countries and comprises four strategic business units: Sanoma Media Netherlands, Sanoma Media Finland, Sanoma Media Belgium and Sanoma Media Russia & CEE.*

| Key indicators, EUR million | 1–12/ 2012 | 1–12/ 2011 |
|---|---|---|
| Net sales | **1 487.1** | 1 369.2 |
| Operating profit excluding non-recurring items | **151.2** | 149.5 |
| % OF NET SALES | **10.2** | 10.9 |
| Operating profit | **130.0** | 90.4 |
| Capital expenditure | **30.7** | 21.9 |
| Return on investment (ROI), % | **4.2** | 4.5 |
| Number of employees at the end of the period (full-time equivalents) | **5 718** | 5 638 |
| Average number of employees (full-time equivalents) | **5 772** | 5 411 |

In 2012, the Media segment's net sales increased by 8.6% to EUR 1,487.1 million (2011: EUR 1,369.2 million). The growth came mainly from the consolidation of the acquired SBS TV and print operations in the Netherlands and Belgium, which more than offset lower circulation and magazine advertising sales. Adjusted for structural changes, net sales decreased by 5.9%.

The segment's advertising sales grew by 18.6% and represented 45.0% (2011: 41.2%) of the segment's net sales in 2012. Online advertising sales increased by 2.7%, as most of the business units showed growth.

The segment's print circulation sales decreased by 1.7% and represented 42.6% (2011: 47.1%) of the segment's net sales in 2012. Single copy sales decreased somewhat and subscription sales increased slightly.

Sanoma's online, TV and radio advertising sales in the Media segment increased by 36.3%, due to the consolidation of the acquired TV operations in the Netherlands and Belgium, and represented 29.9% (2011: 23.9%) of the segment's 2012 net sales.

In Sanoma Media Netherlands, net sales increased by 18.4% to EUR 760.4 million (2011: EUR 642.0 million) mainly due to the consolidation of the acquired TV and print operations as of August 2011. Advertising sales increased significantly, and represented 46.2% (2011: 40.9%) of the Dutch net sales. Sanoma estimates that the net TV advertising market in the Netherlands decreased by around 6% in 2012. Online advertising sales excluding acquired operations remained at the comparable year's level. Sanoma estimates that the net consumer magazine advertising market decreased by around 12% in 2012. Magazine operations' sales, including the acquired operation, remained at the comparable year's level. Single copy sales decreased somewhat compared to the comparable quarter. Subscription sales, including the acquired operation, increased somewhat. Circulation sales represented 42.4% (2011: 48.9%) of the Dutch net sales. The declining trends in the readers market continued.

In Sanoma Media Finland, net sales decreased by 2.6% to EUR 301.7 million (2011: EUR 309.7 million) as slightly growing TV and radio sales, including acquired radio operations, did not offset somewhat decreasing magazine operations' sales. According to TNS Gallup Adex, the net TV advertising market in Finland decreased by around 1% in 2012. The net magazine advertising market decreased by about 8%. In total, advertising sales of the Finnish operations represented 44.0% (2011: 42.0%) of net sales in 2012. Subscription sales decreased somewhat and single copy sales decreased slightly. Circulation in total represented 42.9% (2011: 44.3%) of the Finnish net sales.

Net sales in Sanoma Media Belgium increased by 9.2% to EUR 228.3 million (2011: EUR 209.1 million) due to acquired operations. Magazine operations' sales excluding acquired operations declined somewhat, as advertising sales decreased clearly and circulation sales declined somewhat. Sanoma estimates that the net magazine advertising market decreased by around 15% and the net TV advertising market decreased by some 9% in 2012. Sanoma's TV operations in the Flemish part of Belgium continued to strengthen its share of viewing and consequently improved its advertising market share to 28.3% (2011: 25.4%). In total, advertising sales represented 33.5% (2011: 29.5%) and circulation sales 49.7% (2011: 55.3%) of the net sales in Belgium.

In 2011, there were a number of structural changes in Sanoma Media Belgium. The reported figures include 51% of the weekly magazine *Humo* until May 2011. In connection with the SBS acquisition, the remaining holding in *Humo* was transferred to De Vijver. On 1 September 2011, Belgian competition authorities approved a joint control structure of De Vijver; following this approval Sanoma's 33% share in De Vijver Media (which includes 100% of *Humo*, the acquired TV operations as well as the TV productions operations of Woestijnvis) is proportionally consolidated line-by-line.

In Sanoma Media Russia & CEE, net sales decreased by 6.4% to EUR 199.5 million (2011: EUR 213.1 million) due to continued pressure mainly on circulation sales. Advertising sales in the Sanoma Media Russia & CEE strategic business unit remained at the comparable year's level. In total, advertising sales represented 54.5% (2011: 51.8%) of net sales in the Sanoma Media Russia & CEE strategic business unit. Following the declining market trends and pressure on consumer purchasing power, single copy and subscription sales continued to fall down in most countries. Circulation sales decreased therefore clearly, and represented 34.0% (2011: 36.5%) of the strategic business unit's net sales. Service and product portfolios are optimised according to their future development potential as well as to reflect changes in the market environment.

In the Media segment, operating profit excluding non-recurring items increased by 1.1% to EUR 151.2 million (2011: EUR 149.5 million), as consolidation of the acquired operations as well as good development in online and Finnish TV operations offset lower results in magazine operations in all strategic business units. In the comparable period, operating profit excluding non-recurring items included EUR 34.4 million of one-off transaction costs and order backlog amortisations related to the SBS acquisition, which were not categorised as non-recurring. Non-recurring items included in the operating profit totalled EUR -21.2 million (2011: EUR -59.1 million) and included impairments of goodwill and intangibles, restructuring expenses, loss on sale of assets and expenses in relation to efficiency improvement projects. In the comparable year, non-recurring items were related to impairments of goodwill and intangible assets, restructuring expenses and gains on the sale of assets.

Media's investments in tangible and intangible assets totalled EUR 30.7 million (2011: EUR 21.9 million) and consisted mainly of ICT investments for business support and digital developments. The most significant acquisitions made in 2012 were online retail group Read & View in the Netherlands, three commercial radio stations in Finland and content marketing company HeadOffice in Belgium. In 2011, the most significant acquisition was the acquisition of the SBS TV and print operations in the Netherlands and Belgium.

## News

*The News segment includes the Sanoma News strategic business unit, Finland's leading player in newspaper publishing and online media.*

| Key indicators, EUR million | 1–12/ 2012 | 1–12/ 2011 |
|---|---|---|
| Net sales | **422.8** | 435.8 |
| Operating profit excluding non-recurring items | **32.4** | 49.4 |
| % OF NET SALES | **7.7** | 11.3 |
| Operating profit | **20.5** | 40.2 |
| Capital expenditure | **11.0** | 16.9 |
| Return on investment (ROI), % | **9.3** | 16.7 |
| Number of employees at the end of the period (full-time equivalents) | **1 928** | 2 025 |
| Average number of employees (full-time equivalents) | **2 055** | 2 061 |

In 2012, net sales decreased by 3.0% to EUR 422.8 million (2011: EUR 435.8 million). Adjusted for structural changes, sales decreased by 3.6%.

Print circulation sales decreased by 3.1%, as both single copy and subscription sales declined slightly. Circulation sales accounted for 42.7% (2011: 42.8%) of the segment's net sales.

Advertising sales decreased by 6.0% due to adverse market conditions. Print advertising declined somewhat whereas online advertising increased somewhat. Advertising sales represented 48.4% (2011: 50.0%) of the segment's net sales.

According to TNS Gallup Adex, the net newspaper advertising market in Finland decreased by about 9% in 2012. Online advertising (net) included in the statistics was up by some 10%.

Total digital sales increased by 10.5%. Digital sales, consisting mostly of advertising, but also increasingly services and content, represented 13.8% (2011: 12.1%) of the segment's net sales.

The Helsingin Sanomat business unit's net sales decreased by 5.7%. The underlying macro-economic uncertainty affected recruitment advertising sales in particular. Accordingly, advertising sales decreased clearly and represented 51.7% (2011: 53.9%) of the business unit's net sales. Subscription sales decreased slightly, partly driven by the introduction of VAT on print subscriptions from the beginning of 2012.

The Ilta-Sanomat business unit's net sales decreased by 0.1%. Advertising sales increased somewhat, as online advertising increased significantly, and represented 29.8% (2011: 28.3%) of the business unit's net sales. Circulation sales declined slightly. The total volume of the Finnish print tabloid market decreased somewhat during 2012. Ilta-Sanomat continued to strengthen its market leadership and the market share was 59.2% (2011: 58.3%) of the tabloid newsstand market in 2012.

Net sales from other publishing operations decreased by 0.6%. In regional papers, advertising increased slightly and circulation sales were at the comparable year's level. Advertising sales in free sheets decreased significantly. Sanoma News is focusing an increasing amount of resources to develop its digital operations. Net sales for the Sanoma Digital business unit increased by 5.9%.

News' operating profit excluding non-recurring items decreased by 34.5% to EUR 32.4 million (2011: EUR 49.4 million) mainly due to a significantly lower result of the Helsingin Sanomat business unit. Non-recurring items included in the operating profit totalled EUR -11.9 million (2011: EUR -9.2 million) and were related to an ICT system and restructuring costs. In the comparable year, non-recurring items were related to pension and exit packages.

News' investments in tangible and intangible assets totalled EUR 11.0 million (2011: EUR 16.9 million), and consisted mainly of investments in digital business, ICT and replacement investment in printing. There were no material acquisitions in 2012 or in the comparable year.

## Learning

*The Learning segment includes the Sanoma Learning strategic business unit. Sanoma Learning is a leading European provider of learning materials and solutions in print and digital format.*

| Key indicators, EUR million | 1–12/ 2012 | 1–12/ 2011 |
|---|---|---|
| Net sales | **312.4** | 290.6 |
| Operating profit excluding non-recurring items | **59.6** | 47.7 |
| % OF NET SALES | **19.1** | 16.4 |
| Operating profit | **59.3** | 43.9 |
| Capital expenditure | **7.3** | 10.0 |
| Return on investment (ROI), % | **11.0** | 8.8 |
| Number of employees at the end of the period (full-time equivalents) | **1 735** | 2 011 |
| Average number of employees (full-time equivalents) | **1 832** | 2 088 |

In 2012, The Learning segment's net sales increased by 7.5% to EUR 312.4 million (2011: EUR 290.6 million), mainly related to structural changes and improved underlying performance. Adjusted for structural changes, net sales increased by 8.6%.

The learning business has, by nature, an annual cycle and strong seasonality. It accrues most of its net sales and results during the second and third quarters, whereas the first and fourth quarter are typically loss-making.

The Learning business unit's net sales increased by 19.4% to EUR 306.4 million (2011: EUR 256.6 million), mainly related to structural changes and improved underlying performance. In the Netherlands, net sales increased slightly, whilst the market decreased. In Belgium, sales increased and the market position in primary education continued to strengthen, supported by online solutions. In Finland, net sales grew, driven by new online services and as a result of acquired operations. In Sweden, net sales grew somewhat driven by improved market share. In Hungary, upcoming reforms caused uncertainty in spending. In Poland, sales increased significantly as Sanoma strengthened its market position after a curriculum reform.

The Finnish general literature publisher WSOY was divested in early October 2011 and it is no longer included in Learning's figures from the fourth quarter of 2011.

The book logistics company Porvoon Kirjakeskus Oy was divested in April 2012 and it is no longer included in Learning's figures from the beginning of April 2012.

The business information service provider Esmerk was divested in June 2012 and it is no longer included in Learning's figures from the beginning of June 2012.

Learning segment's operating profit excluding non-recurring items increased by 24.9% to EUR 59.6 million (2011: EUR 47.7 million), related to acquisitions and also improved underlying performance. Non-recurring items included in the operating profit totalled EUR -0.3 million (2011: EUR -3.8 million).

Learning's investments in tangible and intangible assets totalled EUR 7.3 million (2011: EUR 10.0 million). They comprised mainly investments in ICT. The most significant acquisition made in 2012 was the testing and examination company Bureau ICE. The most significant transactions in the comparable year were the acquisition of the Finnish educational publisher Tammi Learning (now part of Sanoma Pro) and the Swedish educational publisher Bonnier Utbildning (now Sanoma Utbildning).

## Personnel

In 2012, the average number of persons employed by the Sanoma Group was 13,711 (2011: 17,618; 2010: 19,462). In full-time equivalents, the number of Group employees at the end of the year was 10,381 (2011: 13,646; 2010: 15,405). Divestments and restructuring decreased the number of personnel in 2012. In full-time equivalents, the Media segment had 5,718 (2011: 5,638) employees at the end of 2012, the News segment 1,928 (2011: 2,025), the Learning segment 1,735 (2011: 2,011) and the Group functions 203 (2011: 178) employees.

The total employee benefits to Sanoma employees in 2012, including the expense recognition of options granted, amounted to EUR 517.6 million (2011: EUR 549.7 million; 2010: EUR 545.9 million).

## Dividend

On 31 December 2012, Sanoma Corporation's distributable funds were EUR 578.7 million, of which profit for the year made up EUR 136.5 million.

The Board of Directors proposes to the Annual General Meeting that:

- A dividend of EUR 0.60 per share, or in total an estimated EUR 97.7 million, shall be paid.
- A sum of EUR 0.55 million shall be transferred to the donation reserve and used at the Board's discretion.
- The amount left in equity shall be EUR 480.4 million.

In accordance with the decision of the Annual General Meeting, Sanoma paid out a per-share dividend of EUR 0.60 for 2011. Sanoma conducts an active dividend policy and primarily distributes over half of the Group result excluding non-recurring items for the period in dividends.

## Corporate Governance

For more information on Sanoma's Corporate Governance, please see the Corporate Governance Statement, pp. 74–78.

## Shares and holdings

In 2012, a total of 106,129,204 (2011: 89,486,428) Sanoma shares were traded on the NASDAQ OMX Helsinki and traded shares accounted for some 65% (2011: 55%) of the average number of shares. Sanoma's turnover on the NASDAQ OMX Helsinki stock exchange was EUR 851.7 million (2011: EUR 1,096.9 million). Sanoma's shares traded on the NASDAQ OMX Helsinki corresponded to around 65% of the total traded share volume on stock exchanges.

For more information on Sanoma's shares and shareholders, stock options and management ownership, see the Shares and shareholders section of the Financial Statements, pp. 61–67 as well as Notes 22 and 32 of the Financial Statements. For key indicators, see p. 4 of the Financial Statements.

## Board of Directors, auditors and management

The AGM held on 3 April 2012 confirmed the number of Sanoma's Board members as ten. Board members Annet Aris, Jaakko Rauramo and Sakari Tamminen were re-elected as members of the Board. The Board of Directors of Sanoma consists of Jaakko Rauramo (Chairman), Sakari Tamminen (Vice Chairman), and Annet Aris, Jane Erkko, Antti Herlin, Sirkka Hämäläinen-Lindfors, Seppo Kievari, Nancy McKinstry, Rafaela Seppälä and Kai Öistämö as members.

The AGM appointed chartered accountants KPMG Oy Ab as the auditor of the company, with Virpi Halonen, Authorised Public Accountant, as Auditor in Charge.

Sanoma's new organisational model was announced on 5 August 2011. From the end of December 2012, the Executive Management Group (EMG) comprises: Harri-Pekka Kaukonen (President and CEO of the Sanoma Group, chairman of the EMG), Jacqueline Cuthbert (CHRO), Jacques Eijkens (CEO, Sanoma Learning), Kim Ignatius (CFO), John Martin (Chief Strategy and Digital Officer, CSDO), Dick Molman (CEO, Sanoma Media Netherlands), Anu Nissinen (CEO, Sanoma Media Finland), Heike Rosener (CEO, Sanoma Media Russia & CEE), Pekka Soini (CEO, Sanoma News) and Aimé Van Hecke (CEO, Sanoma Media Belgium).

## Board authorisations

The AGM held on 3 April 2012 authorised the Board to decide on the repurchase of a maximum of 16,000,000 of the company's own shares, accounting for 9.8% of total voting rights that the maximum number of own shares covered by the authorisation would provide entitlement to. This authorisation is effective until 30 June 2013 and terminates the corresponding authorisation granted by the AGM on 5 April 2011. The Board of Directors did not exercise its right under this authorisation during 2012.

The Board also has a valid authorisation from the AGM held on 8 April 2010 to decide on an issuance of a maximum of 82,000,000 new shares and a transfer of a maximum of 5,000,000 treasury shares, together accounting for 35.5% of the total voting rights that the maximum number of own shares covered by the authorisation would provide entitlement to. The authorisation is valid until 30 June 2013. Under this authorisation, the Board decided on 20 December 2011 on the issuance of Stock Option Scheme 2011 and on 22 December 2010 on the issuance of Stock Option Scheme 2010.

⊕ For more information on Board authorisations, see the Shares and shareholders section of the Financial Statements, pp. 61–67.

## Seasonal fluctuation

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

Learning accrues most of its net sales and results during the second and third quarters.

Seasonal business fluctuations influence the Group's net sales and operating profit, with the first quarter traditionally being clearly the smallest one for both.

## Significant risks and uncertainty factors

The most significant risks and uncertainty factors Sanoma currently faces are described in the Financial Statements and on the Group's website at Sanoma.com, together with the Group's main principles of risk management. Many of the identified risks relate to changes in customer preferences. The driving force behind these changes is the on-going digitisation process. Sanoma takes actions in all its strategic business units to respond to this challenge.

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

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

Sanoma's financial risks include interest rate and currency risks, liquidity risk and credit risk. Other risks include risks related to equity, impairment and the availability of capital. At the Group level, the most significant risks relate to liquidity risk and changes in exchange rates and interest rates.

As a result of the SBS acquisition, Sanoma's consolidated balance sheet includes about EUR 3.0 billion in goodwill, publishing rights and other intangible assets. Most of this is related to magazine and TV operations. 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. Major changes in business fundamentals could lead to impairment.

⊕ Definitions for key indicators used in this report are presented on p. 5 of the Financial Statements.

# Consolidated income statement

| Continuing operations, EUR million | Note | 1.1.–31.12.2012 | 1.1.–31.12.2011 |
|---|---|---|---|
| **Net sales** | 5 | **2 376.3** | 2 378.1 |
| Other operating income | 6 | **52.5** | 116.5 |
| Materials and services | | **816.3** | 858.2 |
| Employee benefit expenses | 7, 22, 32 | **613.6** | 611.7 |
| Other operating expenses | 8 | **491.5** | 541.3 |
| Share of results in associated companies | 15 | | -1.2 |
| Depreciation, amortisation and impairment losses | 12–14 | **325.2** | 309.5 |
| **Operating profit** | | **182.3** | 172.6 |
| Share of results in associated companies | 15 | **-17.7** | -3.7 |
| Financial income | 9 | **18.2** | 13.9 |
| Financial expenses | 9 | **75.6** | 46.6 |
| **Result before taxes** | | **107.3** | 136.3 |
| Income taxes | 10 | **-36.4** | -57.7 |
| **Result for the period from continuing operations** | | **70.9** | 78.6 |
| **Discontinued operations** | | | |
| Result for the period from discontinued operations | | **79.0** | 7.4 |
| **Result for the period** | | **149.9** | 86.0 |
| **Result from continuing operations attributable to:** | | | |
| Equity holders of the Parent Company | | **64.7** | 77.0 |
| Non-controlling interests | | **6.2** | 1.5 |
| **Result attributable to:** | | | |
| Equity holders of the Parent Company | | **143.7** | 84.5 |
| Non-controlling interests | | **6.2** | 1.5 |
| **Earnings per share for result attributable to the equity holders of the Parent Company:** | 11 | | |
| Earnings per share, EUR, continuing operations | | **0.40** | 0.47 |
| Diluted earnings per share, EUR, continuing operations | | **0.40** | 0.47 |
| Earnings per share, EUR, discontinued operations | | **0.49** | 0.05 |
| Diluted earnings per share, EUR, discontinued operations | | **0.49** | 0.05 |
| Earnings per share, EUR | | **0.88** | 0.52 |
| Diluted earnings per share, EUR | | **0.88** | 0.52 |

# Statement of comprehensive income

| EUR million | Note | 1.1.–31.12.2012 | 1.1.–31.12.2011 |
|---|---|---|---|
| **Result for the period** | | **149.9** | 86.0 |
| **Other comprehensive income:** | | | |
| Change in translation differences | | **23.4** | -25.5 |
| Cash flow hedges | 28 | **0.9** | -11.7 |
| Income tax related to cash flow hedges | | **-0.2** | 2.9 |
| **Other comprehensive income for the period, net of tax** | | **24.1** | -34.4 |
| **Total comprehensive income for the period** | | **174.0** | 51.6 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Parent Company | | **167.8** | 50.1 |
| Non-controlling interests | | **6.2** | 1.5 |

# Consolidated balance sheet

| EUR million | Note | 31.12.2012 | 31.12.2011* |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Tangible assets | 6, 12 | **283.4** | 343.6 |
| Investment property | 6, 13 | **12.0** | 5.8 |
| Goodwill | 14 | **2 307.6** | 2 316.2 |
| Other intangible assets | 14 | **700.2** | 709.8 |
| Interests in associated companies | 15 | **8.1** | 219.3 |
| Available-for-sale financial assets | 16 | **8.0** | 15.4 |
| Deferred tax receivables | 10 | **28.8** | 29.9 |
| Trade and other receivables | 7, 17 | **48.4** | 44.3 |
| **Non-current assets, total** | | **3 396.6** | 3 684.3 |
| **Current assets** | | | |
| Inventories | 18 | **66.2** | 96.8 |
| Income tax receivables | | **27.1** | 12.5 |
| Trade and other receivables | 19 | **384.1** | 418.4 |
| Available-for-sale financial assets | 16 | **0.3** | 0.3 |
| Cash and cash equivalents | 20 | **167.2** | 116.0 |
| **Current assets, total** | | **645.0** | 644.0 |
| ASSETS, TOTAL | | **4 041.6** | 4 328.3 |
| EQUITY AND LIABILITIES | | | |
| **Equity** | 21, 22 | | |
| **Equity attributable to the equity holders of the Parent Company** | | | |
| Share capital | | **71.3** | 71.3 |
| Fund for invested unrestricted equity | | **203.3** | 203.3 |
| Other reserves | | **-8.0** | -8.7 |
| Translation differences | | **-22.5** | -46.0 |
| Retained earnings | | **1 081.1** | 1 034.0 |
| | | **1 325.1** | 1 253.9 |
| Non-controlling interests | | **303.4** | 270.3 |
| **Equity, total** | | **1 628.6** | 1 524.2 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 10 | **143.6** | 146.1 |
| Pension obligations | 7 | **14.2** | 17.2 |
| Provisions | 23 | **4.1** | 6.3 |
| Financial debt | 24 | **942.2** | 1 101.2 |
| Trade and other payables | 25 | **44.9** | 38.9 |
| **Non-current liabilities, total** | | **1 148.9** | 1 309.7 |
| **Current liabilities** | | | |
| Provisions | 23 | **13.0** | 15.3 |
| Financial debt | 24 | **466.5** | 626.0 |
| Income tax liabilities | | **27.4** | 27.4 |
| Trade and other payables | 25 | **757.1** | 825.8 |
| **Current liabilities, total** | | **1 264.1** | 1 494.5 |
| LIABILITIES, TOTAL | | **2 413.0** | 2 804.1 |
| EQUITY AND LIABILITIES, TOTAL | | **4 041.6** | 4 328.3 |

* Includes operations classified as discontinued operations in 2012.

# Changes in consolidated equity

| EUR million | | Equity attributable to the equity holders of the Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Fund for invested unrestricted equity | Other reserves | Translation differences | Retained earnings | Total | Non-controlling interests | Equity, total |
| **Equity at 1 Jan 2011** | 19 | **71.3** | **203.3** | **0.2** | **-20.4** | **1 116.9** | **1 371.2** | **4.8** | **1 376.0** |
| Share subcription with options | 22 | | 0.0 | | | | 0.0 | | 0.0 |
| Expense recognition of options granted | 22 | | | | | 3.5 | 3.5 | | 3.5 |
| Dividends paid | | | | | | -179.1 | -179.1 | -0.6 | -179.7 |
| Change in non-controlling interests | | | | | | 8.2 | 8.2 | 264.6 | 272.8 |
| Profit for the period | | | | | | 84.5 | 84.5 | 1.5 | 86.0 |
| Other comprehensive income | | | | -8.8 | -25.6 | | -34.4 | | -34.4 |
| **Equity at 31 Dec 2011** | | **71.3** | **203.3** | **-8.7** | **-46.0** | **1 034.0** | **1 253.9** | **270.3** | **1 524.2** |
| **Equity at 1 Jan 2012** | 19 | **71.3** | **203.3** | **-8.7** | **-46.0** | **1 034.0** | **1 253.9** | **270.3** | **1 524.2** |
| Expense recognition of options granted | 22 | | | | | 2.6 | 2.6 | | 2.6 |
| Dividends paid | | | | | | -97.7 | -97.7 | -0.4 | -98.1 |
| Change in non-controlling interests | | | | | | -1.5 | -1.5 | 27.4 | 25.9 |
| Profit for the period | | | | | | 143.7 | 143.7 | 6.2 | 149.9 |
| Other comprehensive income | | | | 0.7 | 23.4 | | 24.1 | | 24.1 |
| **Equity at 31 Dec 2012** | | **71.3** | **203.3** | **-8.0** | **-22.5** | **1 081.1** | **1 325.1** | **303.4** | **1 628.6** |

# Consolidated cash flow statement

| EUR million | Note | 1.1.–31.12.2012* | 1.1.–31.12.2011* |
|---|---|---|---|
| **Operations** | | | |
| Result for the period | | **149.9** | 86.0 |
| Adjustments | | | |
| Income taxes | 10 | **37.0** | 58.1 |
| Financial expenses | 9 | **75.6** | 49.1 |
| Financial income | 9 | **-18.2** | -13.9 |
| Share of results in associated companies | 15 | **17.7** | 4.9 |
| Depreciation, amortisation and impairment losses | | **327.8** | 319.7 |
| Gains/losses on sales of non-current assets | | **-79.6** | -56.8 |
| Acquisitions of broadcasting rights and prepublication costs | | **-207.4** | -120.3 |
| Other adjustments | | **-3.9** | 3.5 |
| Change in working capital | | | |
| Change in trade and other receivables | | **-2.4** | 0.8 |
| Change in inventories | | **5.4** | 0.4 |
| Change in trade and other payables, and provisions | | **-15.8** | 49.0 |
| Interest paid | | **-35.7** | -23.6 |
| Other financial items | | **-9.2** | -17.4 |
| Taxes paid | | **-49.3** | -65.5 |
| **Cash flow from operations** | | **192.0** | **273.8** |
| **Investments** | | | |
| Acquisition of tangible and intangible assets | | **-63.5** | -70.8 |
| Operations acquired | | **-25.5** | -1 349.9 |
| Associated companies acquired | | **-0.1** | -0.2 |
| Acquisition of other holdings | | **-0.2** | -0.1 |
| Sales of tangible and intangible assets | | **16.4** | 14.0 |
| Operations sold | | **115.2** | 68.4 |
| Associated companies sold | | **192.7** | 3.8 |
| Sales of other companies | | **9.3** | 1.9 |
| Loans granted | | **-9.2** | -8.7 |
| Repayments of loan receivables | | **8.1** | 246.3 |
| Sales of short-term investments | | **0.0** | 0.0 |
| Interest received | | **3.7** | 3.2 |
| Dividends received | | **5.5** | 14.9 |
| **Cash flow from investments** | | **252.4** | -1 077.4 |
| **Cash flow before financing** | | **444.4** | -803.6 |
| **Financing** | | | |
| Proceeds from share subscriptions | | | 0.0 |
| Non-controlling interests' capital investment/repayment of equity | | **26.6** | 264.0 |
| Change in loans with short maturity | | **-32.3** | -183.5 |
| Drawings of other loans | | **1 103.0** | 1 042.7 |
| Repayments of other loans | | **-1 465.1** | -84.5 |
| Payment of finance lease liabilities | | **-0.9** | -2.0 |
| Dividends paid | | **-98.1** | -179.7 |
| Donations/other profit sharing | | | 0.0 |
| **Cash flow from financing** | | **-466.9** | 857.1 |
| **Change in cash and cash equivalents according to cash flow statement** | | **-22.5** | 53.6 |
| Effect of exchange rate differences on cash and cash equivalents | | **2.0** | -1.1 |
| **Net increase(+)/decrease(-) in cash and cash equivalents** | | **-20.4** | 52.4 |
| Cash and cash equivalents at 1 Jan | | **93.5** | 41.1 |
| **Cash and cash equivalents at 31 Dec** | 20 | **73.1** | 93.5 |

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

* Includes operations classified as discontinued operations in 2012.

# Notes to the consolidated financial statements

## 1. Accounting policies for consolidated financial statements

### Corporate information

The Sanoma Group comprises three reporting segments: Media, News and Learning. The Media segment consists of four strategic business units: Sanoma Media Finland, Sanoma Media Netherlands, Sanoma Media Russia & CEE and Sanoma Media Belgium. Media is one of the leading media producers with its magazines, custom media, events, websites, mobile sites, apps and TV operations. News is the leading newspaper publisher in Finland and a digital media producer. Learning is a significant European provider of learning materials and solutions. Sanoma has operations in some 20 countries.

The share of Sanoma Corporation, the Parent of Sanoma Group, is listed on the NASDAQ OMX Helsinki. The Parent Company is domiciled in Helsinki and its registered office is Ludviginkatu 6–8, FI-00130 Helsinki.

On 7 February 2013, Sanoma's Board of Directors approved these financial statements to be disclosed. In accordance with the Finnish Companies Act, the shareholders can either adopt or reject the financial statements in the Annual General Meeting held after the disclosure. The AGM can also resolve to amend the financial statements.

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

### Basis of preparation of financial statements

Sanoma has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) while adhering to related IAS and IFRS standards, effective at 31 December 2012, as well as SIC and IFRIC interpretations. IFRS refers to the approved standards and their interpretations applicable within the EU under the Finnish Accounting Act and its regulations in accordance with European Union Regulation No. 1606/2002. The notes to the consolidated financial statements are in accordance with Finnish Accounting Standards and company law.

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

### New and amended standards

The Group has applied the following new standards, interpretations and amendments to standards and interpretations as of 1 January 2012:

- Amendment to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2011). This amendment is designed to ensure that the users of the financial statements are more readily to understand the risks related to the transfer of financial instruments and how these risks affect the financial position, especially when securitisation of financial assets is in question. This amendment has no impact on Sanoma's consolidated financial statements.
- Amendment to IAS 12 Income taxes (effective for annual periods beginning on or after 1 January 2012). The amendment relates to deferred income taxes that are based on using the fair value model on tangible and intangible assets and investment property. The amendment introduces a rebuttable presumption of the carrying amount of the investment property being recovered only through sale. The amendment has no impact on Sanoma's consolidated financial statements.

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

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

+ Impairment testing is illustrated later in the accounting policies and notes to the financial statements. Other uncertainties related to management judgement are presented, if necessary, in the notes in question.

### Consolidation principles

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

The consolidated financial statements include the Parent Company Sanoma Corporation and companies in which the Parent Company has, directly or indirectly, an interest of more than 50% of voting rights, or over which it otherwise has control. Having control means the right to determine the principles of the finance and operations of the company in order to gain profit from the operation. Intra-group shareholdings are eliminated using the cost method. In cases where the Group is committed to increasing ownership in a subsidiary, the consolidation has taken the ownership into account in accordance with the obligation.

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

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

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

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

Associated companies are entities in which the Group has significant influence. Significant influence is assumed to exist when the Group holds over 20% of the voting rights or when the Group has otherwise obtained significant influence but not control over the entity. Associated companies are accounted for using the equity method. The Group's share of the associated companies' result is disclosed separately after operating profit. The balance sheet value of associated companies includes the goodwill originating from acquisitions. If Sanoma's share of the losses from an associated company exceeds the carrying value of the investment, the share of the associated company will be recognised at zero value on the balance sheet. Losses exceeding the carrying amount of investments will not be consolidated unless the Group has been committed to fulfill the obligations of the associated company.

Joint ventures controlled jointly based on a contractual agreement by the Group and one or several other owners are accounted for using the line-by-line proportionate consolidation method. It means that a share based on Sanoma's ownership of the assets and liabilities, income and expenses in the jointly controlled entity will be consolidated to corresponding items of Sanoma's consolidated financial statement.

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

## Foreign currency items

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

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

The gains and losses resulting from the foreign currency transactions and translating the monetary items are recognised in income statement. In August 2011, after acquiring a remarkable TV operator in the Netherlands, Sanoma harmonised the accounting policies for consolidated financial statements. Sanoma started to report exchange rate gains and losses in financial income and expenses. The income statements of the previous periods remained unchanged, since the impact of foreign exchange rate gains and losses had not been material in the previous years.

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

Exchange rate differences resulting from the translation of foreign subsidiaries' and associated companies' balance sheets are recognised under shareholders' equity. When a foreign entity disposed of, cumulative translation differences are recognised in the income statement as part of the capital gain or loss.

Translation differences recorded before 1 January 2004 are recognised in retained earnings, as permitted by IFRS 1.

As of 1 January 2004, the goodwill and fair value adjustments arising on an acquisition are presented as assets and liabilities of the acquired entity and are translated into euro using the exchange rate prevailing on the balance sheet date. Goodwill and fair value adjustments related to acquisitions prior to 1 January 2004 are recognised in euro.

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

## Government grants

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

More information on government grants can be found in Note 6.

## Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

On 5 March 2012 Sanoma announced that it had signed an agreement to sell its kiosk operations in Finland, Estonia and Lithuania as well as its press distribution operations in Estonia and Lithuania. These operations were classified as discontinued operations as of the beginning of 2012.

The result for the period of discontinued operations is presented as a separate item in the consolidated income statement. Accordingly, the consolidated income statement for 2011 has been restated.

## Goodwill and other intangible assets

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

Goodwill is not amortised according to plan but it is tested for impairment annually at the minimum.

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

The Group recognises the cost of broadcasting rights to TV programmes in intangible assets and their expenditure is recorded as amortisation based on broadcasting runs. The prepublication costs of learning materials and solutions are recognised in intangible assets and amortised within useful lives.

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

- Immaterial rights 2–40 years
- Other intangible assets 3–20 years

The amortisations are calculated using the straight-line method. Recognising amortisation will be terminated when the intangible asset is classified as held for sale.

⊕ Goodwill and other intangible assets are described in more detail in Note 14.

## Impairment testing

The carrying amounts of assets are reviewed whenever there is any indication of impairment. Those cash-generating units (CGUs) for which goodwill has been allocated are tested for impairment at least once a year. The goodwill of associated companies is included in the acquisition cost of the associated company. Intangible assets with indefinite useful lives are also tested annually.

The test assesses the asset's recoverable amount, which is the higher of either the asset's net selling price or value in use based on future cash flows. In Sanoma, impairment tests are principally carried out on a cash flow basis by determining the present value of estimated future cash flows and allocating it to the Group's cash generating units. If the carrying amount of the asset exceeds its recoverable amount, the impairment loss is recorded in the income statement. Primarily, the impairment loss is deducted from the goodwill of the cash-generating unit and after that it is deducted from other assets of the cash-generating unit. The useful economical lifetime of the asset is re-estimated when an impairment loss is recognised.

Previously recognised impairment losses of assets are reversed if this arises from a change in the assumptions used to calculate the recoverable amount. However, impairment losses are not reversed beyond the amount the asset had before recognising impairment losses. Impairment losses recognised for goodwill are not reversed under any circumstances.

⊕ Impairment testing is described in more detail in Note 14.

## Property, plant and equipment

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

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

- Buildings and structures 10–50 years
- Machinery and equipment 2–20 years
- Other tangible assets 3–10 years

Depreciation is calculated using the straight-line method. Land areas are not depreciated. Recognising depreciation will be terminated when the intangible asset is classified as held for sale.

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

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

## Investment property

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

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

## Other investments in property and housing companies

Investments in property and housing companies that are, for the most part, held by Sanoma for its own use, are classified as land or buildings, depending on which has more relevance. Properties are measured at cost. Major mutual property companies are consolidated using the proportionate consolidation method.

## Leases

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

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

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

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

## Inventories

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

## Financial assets

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

Financial assets that have been acquired for trading purposes are classified as *financial assets at fair value through profit and loss* in Sanoma. Financial assets with trading purposes have been acquired primarily to gain from short-term fluctuations in market prices. Derivatives that do not fulfil the conditions for hedge accounting are accounted for as held for trading purposes. Derivative instruments are initially recognised at fair value on the date when the Group becomes a party to the contractual provision of the derivative instrument, and subsequently measured at fair value on each balance sheet date. Both the unrealised and realised gains and losses arising from changes in fair value are recognised in the income statement on the period the changes arise.

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

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

## Cash and cash equivalents

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

## Financial liabilities

Sanoma's financial liabilities are classified either as Financial liabilities at amortised cost or to Financial liabilities at fair value through profit and loss. Financial liabilities are classified as short-term liabilities unless the Group has an unconditional right to postpone settling of the liability at least with 12 months from the end of the reporting period. The financial liability or a part of it can be derecognised only when the liability has ceased to exist, meaning that the obligations identified by the agreement have been fulfilled, abolished or expired.

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

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

## Derivatives and hedge accounting

Sanoma can use derivative instruments, such as forward contracts and interest rate swaps, in order to hedge against fluctuations in exchange rates and interest rates. In 2012 and 2011, the Group applied hedge accounting to the major part of the interest rate swaps and they have been accounted for as cash flow hedging. The Group also had interest rate swaps for which hedge accounting was not applied. In 2011 and 2012, the Group used forward contracts which are not hedge-accounted.

The group documents and assesses the effectiveness of the hedging at the commencement of the hedge and on every balance sheet date, by controlling the ability of the hedging instrument to offset the cash flows of the hedged item. Derivatives are initially recognised at fair value on the date of entering to a hedging agreement and they are subsequently measured at their fair value on each balance sheet date.

When the hedging instrument meets the criteria, the effective portion of the changes in fair value of the instrument is recognised in other comprehensive income and is presented in the hedging reserve. The cumulative changes in the fair value of derivatives are transferred to financial items in the income statement, when the hedge item impacts profit or loss. Derivative contracts are shown in other current receivables and liabilities on the balance sheet.

⊕ The risk management principles of financial risks are presented in more detailed in Note 28.

## Income taxes

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

Deferred tax assets and liabilities are recorded principally on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates active on the balance sheet date. Changes in the tax rate are recorded as changes in deferred tax in the income statement. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the deductible temporary difference can be utilised. No deferred tax liability on undistributed retained earnings of subsidiaries has been recognised in that respect, as such distribution is not probable within the foreseeable future. The most significant temporary differences relate to depreciation differences, defined benefit pension plans, subsidiaries' tax losses carried forward and the fair valuation of assets in business combinations.

## Provisions

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

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

A provision for return of goods sold is set up based on previous experience.

## Share based payments

The Sanoma Group has applied IFRS 2 *Share-based payments* to all options schemes in which the options have been granted after 7 November 2002 and not vested prior to 1 January 2005.

Share options have been granted to a group of Sanoma's key personnel as part of their remuneration package, in addition to cash salary and other employment benefits. The Group shall measure the fair value of the services received by reference to the fair value of the equity instruments granted.

Stock options are measured at fair value on the grant date and charged to personnel expenses by business units over the instrument's vesting period. Sanoma uses the Black–Scholes option-pricing model to measure the fair value of stock options. The fair values are based on the estimated total number of stock options outstanding at the end of respective vesting period. The estimate is adjusted when necessary and the final number of outstanding stock options is taken into account when recording the actual expense at the end of the vesting period.

The exercise price of the new shares subscribed by the options right is recognised in Fund for invested unrestricted equity.

⊕ Note 22 provides a more detailed description of the accounting treatment and number of stock options.

## Revenue recognition

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

## Research and development expenses

Research expenses are expensed as incurred.

Development expenditure refers to costs charged to expenses that the company incurs with the aim of developing new products or services for sale, or fundamentally improving the features of its existing products or services, as well as extending its business. Development expenses are mainly incurred before the company begins to make use of the new product/service for commercial or profitable purposes.

## Pensions

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

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

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

Actuarial gains or losses are recognised in the income statement for the remaining average period of employment to the extent they exceed 10% of the greater of the present value of the pension obligations within the defined benefit plan, or the fair value of the plan assets.

## New standards and amendments under IFRS

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

- Amendment to IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 July 2012). According to the amendment the items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss. The amended standard has been adopted by the EU.
- Amendment to IAS 19 *Employee benefits* (effective for annual periods beginning on or after 1 January 2013). This amendment eliminates the 'corridor approach' and requires an entity to recognise changes in defined benefit plan when they occur. All actuarial gains or losses are required to be recognised immediately through other comprehensive income. Sanoma currently applies the corridor approach, and therefore the Group estimates that the amendment will impact other comprehensive income of Sanoma's future consolidated financial statements as well as the opening balance of the transition date. The amended standard has been adopted by the EU.
- IFRS 10 *Consolidated financial statements* (Effective in the EU for annual periods beginning on or after 1 January 2014). The standard retains control as the single basis for consolidation. The standard gives additional guidance for defining the controlling party in more complex circumstances. The Group estimates the new standard to have no impact on its consolidated financial statements. The EU has adopted the new standard.
- IFRS 11 *Joint Arrangements* (Effective in the EU for annual periods beginning on or after 1 January 2014). According to the standard, the rights and obligations of the arrangement are more decisive in defining the accounting treatment of the arrangement than the legal format of the arrangement. IFRS 11 establishes two types of joint arrangement: joint operations and joint ventures. The standard permits only the equity method in consolidation of joint ventures, and the proportional consolidation method is not allowed any longer. Currently, Sanoma uses the proportional consolidation method according to IAS 31, in which a proportion of income statement and balance sheet are consolidated line by line to Sanoma's consolidated financial statements. Changing to IFRS 11 is estimated to reduce consolidated net sales and operating profit as well as the balance sheet total of Sanoma Group. The EU has adopted the new standard.
- IFRS 12 *Disclosures of Interest in Other Entities* (Effective in the EU for annual periods beginning on or after 1 January 2014). The standard combines the disclosure requirements for an entity's interest in subsidiaries, joint arrangements, associated and structured entities and other off balance sheet entities. The EU has adopted the new standard.
- IFRS 13 *Fair value measurement* (Effective in the EU for annual periods beginning on or after 1 January 2013). The standard sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurement. The Group estimates the new standard to have no impact on its consolidated financial statements. The EU has adopted the new standard.
- IAS 27 (revised 2011) *Consolidated and separate financial statements* (Effective in the EU for annual periods beginning on or after 1 January 2014). The revised standard contains the current guidance for separate financial statement that remained after transferring items related to control and consolidation to IFRS 10. The EU adopted the revised standard.
- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* (Effective in the EU for annual periods beginning on or after 1 January 2014). The revised standard contains the requirements for consolidating associated companied and joint ventures using the equity method as a result of the issuance of IFRS 11. The EU has adopted the revised standard.
- Amendments to IFRS 7: *Disclosures* (effective for annual periods beginning on or after 1 January 2013) The amended standard requires the reporting entity to disclose information in order to judge the impact of netting arrangements on the balance sheet of the reporting company. The required disclosures shall be presented retrospectively. Sanoma estimates that this amendment will have no impact on Sanoma's consolidated financial statements. The amended standard has been adopted by the EU.
- Amendments to IAS 32 *Financial instruments*: Presentation (effective for periods beginning on or after 1 January 2014). These amendments clarify the requirements of the regulations governing offsetting of financial assets and liabilities. The amended standard shall be applied retrospectively. Sanoma estimates that this amendment will not have any impact on the Group's financial statements. The amended standard has been adopted by the EU.
- IFRS 9 *Financial Instruments* and changes there to (effective for periods beginning on or after 1 January 2015). IFRS 9 is the first phase of the project which targets to replacing IAS 39 with a new standard. IFRS 9 retains the valuation methods, but they have been simplified. The standard includes guidance on the classification and measurement of financial liabilities. The EU has not yet adopted the new standard.

# 2. Operating segments

Sanoma renewed its operative reporting in the third quarter of 2012. The change is in line with Sanoma's strategy to focus on consumer media and learning. As a result, the Trade segment is no longer a reportable segment. As a result of reorganisations of operations performed in 2012, the Learning segment's 'Other business' (mainly AAC Global and Bookwell) was moved to the line item 'Other companies and eliminations', after which the Learning segment only includes the Learning business.

The Group includes three reportable segments: Media, News and Learning. The segmentation is based on business model and product differences. Media is responsible for magazines and TV operations. News is responsible for newspapers in Finland. Both segments also have a great variety of online and mobile services. Learning's business is mainly B2B business.

## Media

The Media segment includes magazine, TV, radio and online businesses in 11 European countries and comprises four strategic business units: Sanoma Media Netherlands, Sanoma Media Finland, Sanoma Media Belgium and Sanoma Media Russia & CEE.

## News

The News segment includes the Sanoma News strategic business unit, Finland's leading player in newspaper publishing and online media.

## Learning

The Learning segment includes the Sanoma Learning strategic business unit. Sanoma Learning is a leading European provider of learning materials and solutions in print and digital formats.

## Unallocated/eliminations

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

| Segments 2012, EUR million | Media | News | Learning | Unallocated/ Eliminations | Continuing operations | Discontinued operations | Consolidated |
|---|---|---|---|---|---|---|---|
| External net sales | 1 484.3 | 422.1 | 311.6 | 157.7 | 2 375.8 | 116.4 | 2 492.2 |
| Internal net sales | 2.8 | 0.7 | 0.8 | -3.7 | 0.6 | 1.5 | |
| **Net sales** | 1 487.1 | 422.8 | 312.4 | 154.0 | 2 376.3 | 117.9 | 2 492.2 |
| Depreciation, amortisation and impairment losses * | 224.3 | 31.4 | 37.0 | 32.5 | 325.2 | 2.6 | 327.8 |
| **Operating profit** | 130.0 | 20.5 | 59.3 | -27.5 | 182.3 | 79.7 | 262.0 |
| Share of results in associated companies | -18.8 | 0.5 | 0.0 | 0.7 | -17.7 | | -17.7 |
| Financial income | | | | 18.2 | 18.2 | 0.1 | 18.2 |
| Financial expenses | | | | 75.6 | 75.6 | 0.1 | 75.6 |
| **Profit before taxes** | | | | | 107.3 | 79.7 | 186.9 |
| Capital expenditure | 30.7 | 11.0 | 7.3 | 10.5 | 59.5 | 2.3 | 61.8 |
| Goodwill | 1 928.5 | 75.8 | 291.6 | 11.7 | | | 2 307.6 |
| Interests in associated companies | 1.0 | 1.9 | 1.0 | 4.3 | | | 8.1 |
| Segment assets | 2 819.0 | 297.0 | 504.8 | 179.5 | | | 3 800.3 |
| Other assets | | | | | | | 241.2 |
| **Total assets** | | | | | | | 4 041.6 |
| Segment liabilities | 573.1 | 106.5 | 91.0 | 62.6 | | | 833.3 |
| Other liabilities | | | | | | | 1 579.7 |
| **Total liabilities** | | | | | | | 2 413.0 |
| Cash flow from operations | 119.5 | 39.4 | 45.0 | -11.9 | | | 192.0 |
| Average number of employees (full-time equivalents) | 5 772 | 2 055 | 1 832 | 1 145 | 10 804 | 932 | 11 736 |

* Includes a EUR 6.0 million impairment in Sanoma Russia & CEE in the Media segment.
* Includes a EUR 11.6 million impairment in the column 'Unallocated/Eliminations'.
* Includes a EUR 7.5 million impairment in the column 'Unallocated/Eliminations'.

| Segments 2011, EUR million | Media | News | Learning | Unallocated/ Eliminations | Continuing operations | Discontinued operations | Consolidated |
|---|---|---|---|---|---|---|---|
| External net sales | 1 365.5 | 434.1 | 279.6 | 297.6 | 2 376.8 | 369.4 | 2 746.2 |
| Internal net sales | 3.7 | 1.7 | 11.0 | -15.2 | 1.2 | 5.9 | |
| **Net sales** | 1 369.2 | 435.8 | 290.6 | 282.4 | 2 378.1 | 375.3 | 2 746.2 |
| Depreciation, amortisation and impairment losses * | 209.5 | 23.0 | 34.1 | 42.9 | 309.5 | 10.2 | 319.7 |
| **Operating profit** | 90.4 | 40.2 | 43.9 | -1.9 | 172.6 | 10.3 | 182.9 |
| Share of results in associated companies | -2.5 | 0.6 | 0.4 | -2.2 | -3.7 | | -3.7 |
| Financial income | | | | 13.9 | 13.9 | 0.3 | 13.9 |
| Financial expenses | | | | 46.6 | 46.6 | 2.8 | 49.1 |
| **Profit before taxes** | | | | | 136.3 | 7.8 | 144.1 |
| Capital expenditure | 21.9 | 16.9 | 10.0 | 27.4 | 76.2 | 9.4 | 85.5 |
| Goodwill | 1 916.6 | 73.9 | 280.2 | 45.5 | | | 2 316.2 |
| Interests in associated companies | 213.2 | 1.7 | 0.9 | 3.6 | | | 219.3 |
| Segment assets | 3 026.1 | 320.7 | 494.4 | 311.3 | | | 4 152.5 |
| Other assets | | | | | | | 175.8 |
| **Total assets** | | | | | | | 4 328.3 |
| Segment liabilities | 570.2 | 134.1 | 100.9 | 98.2 | | | 903.4 |
| Other liabilities | | | | | | | 1 900.7 |
| **Total liabilities** | | | | | | | 2 804.1 |
| Cash flow from operations | 173.3 | 71.5 | 45.5 | -16.4 | | | 273.8 |
| Average number of employees (full-time equivalents) | 5 411 | 2 061 | 2 088 | 2 047 | 11 607 | 2 864 | 14 471 |

* Includes a EUR 53.4 million impairment in Sanoma Russia & CEE in the Media segment.
* Includes a EUR 24.1 million impairment in language service operations in the column ‘Unallocated/Eliminations’.

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

| Information about geographical areas 2012, EUR million | Finland | The Netherlands | Other EU countries | Non-EU countries | Eliminations | Continuing operations | Discontinued operations | Group |
|---|---|---|---|---|---|---|---|---|
| External net sales | 870.6 | 896.3 | 516.4 | 92.4 | 0.0 | 2 375.8 | 116.4 | 2 492.2 |
| Non-current assets | 467.8 | 2 284.9 | 458.4 | 113.9 | 0.0 | | | 3 325.0 |

| Information about geographical areas 2011, EUR million | Finland | The Netherlands | Other EU countries | Non-EU countries | Eliminations | Continuing operations | Discontinued operations | Group |
|---|---|---|---|---|---|---|---|---|
| External net sales | 995.2 | 770.4 | 518.1 | 93.1 | 0.0 | 2 376.8 | 369.4 | 2 746.2 |
| Non-current assets | 746.0 | 2 293.7 | 467.8 | 114.9 | 0.0 | | | 3 622.4 |

External net sales and non-current assets are reported based on where the company is domiciled. Non-current assets do not include financial instruments, deferred tax receivables and assets related to defined benefit plans.

The Group’s revenues from transactions with any single external customer do not amount to 10% or more of the Group’s net sales.

# 3. Discontinued operations

On 5 March 2012, Sanoma announced that it will sell the kiosk operations in Finland, Estonia and Lithuania as well as its press distribution operations in Estonia and Lithuania. The transaction was closed on 4 May 2012. These operations were classified as discontinued operations. The result of the divested operations, the gain on sale and the share of the cash flows were as follows:

| EUR million | 1.1.–4.5.2012 | 1.1.–31.12.2011 |
|---|---|---|
| DISCONTINUED OPERATIONS | | |
| **Net sales** | 117.9 | 375.3 |
| Other operating income | 7.7 | 28.6 |
| Materials and services | 84.8 | 272.6 |
| Employee benefit expenses | 22.1 | 64.8 |
| Other operating expenses | 13.7 | 46.0 |
| Depreciation, amortisation and impairment losses | 2.6 | 10.2 |
| **Operating profit** | 2.3 | 10.3 |
| Financial income | 0.1 | 0.3 |
| Financial expenses | 0.1 | 2.8 |
| **Result before taxes** | 2.2 | 7.8 |
| Income taxes | -0.6 | -0.4 |
| **Result for kiosk operations and Baltic press distribution** | 1.6 | 7.4 |
| **Result of divesting kiosk operations and Baltic press distribution** | 77.5 | |
| Tax impact of the divestment | | |
| RESULT FOR THE PERIOD FROM DISCONTINUED OPERATIONS | 79.0 | 7.4 |
| **Cash flows of kiosk operations and Baltic press distribution** | | |
| Cash flow from operating actitivites | 1.6 | 42.0 |
| Cash flow from investment activities | -1.7 | -7.0 |
| Cashflow from financing activites | 8.9 | -32.4 |
| **Net change in cash and cash equivalents** | 8.8 | 2.6 |

| Impact of divesting kiosk operations and Baltic press distribution on Group's assets and liabilities, EUR million | 2012 |
|---|---|
| Non-current assets | 66.1 |
| Inventories | 23.7 |
| Other current assets | 58.0 |
| Assets, total | 147.7 |
| Non-current liabilities | -0.1 |
| Current liabilities | -86.9 |
| Liabilities, total | -87.0 |
| Net assets | 60.7 |
| Sales price | 138.2 |
| **Net result from sale of operations** | 77.4 |
| Consideration payable in cash | 138.2 |
| Cash and cash equivalents of divested operations | -28.6 |
| **Cash flow from divestments** | 109.6 |

# 4. Acquisitions and divestments

| Impact of business aquisitions on Group's assets and liabilities, EUR million | 2012 | 2011 |
|---|---|---|
| Tangible assets | **2.3** | 7.0 |
| Intangible assets | **10.3** | 367.7 |
| Other non-current assets | **2.9** | 9.8 |
| Inventories | **0.8** | 10.1 |
| Other current assets | **8.4** | 316.0 |
| Assets, total | **24.8** | 710.6 |
| Non-current liabilities | **-12.3** | -129.3 |
| Current liabilities | **-8.4** | -148.0 |
| Liabilities, total | **-20.7** | -277.3 |
| Net assets | **4.1** | 433.2 |
| Acquisition cost | **27.3** | 1 415.2 |
| **Change in goodwill** | **23.2** | 982.0 |

| Cash flow from operations acquired, EUR million | 2012 | 2011 |
|---|---|---|
| Acquisition costs recognised during the financial year | **27.3** | 1 415.2 |
| Cash and cash equivalents of acquired operations | **-2.6** | -25.0 |
| Decrease (+) / increase (-) in acquisition liabilities | **0.7** | 6.8 |
| Consideration paid in cash | | -47.1 |
| **Cash flow from operations acquired** | **25.5** | 1 349.9 |

## Acquisitions in 2012

In 2012, Sanoma's invested EUR 27.3 million (2011: 1,415.2 million) in business acquisitions. The impact of each individual acquisition on the Group's assets and liabilities was minor. The combined effect of the acquisitions since the acquisition date on the Group's net sales amounted to EUR 17.1 million, and on operating profit EUR 1.7 million.

In January, Sanoma Media Netherlands increased its ownership in the Dutch joint venture Hemels, which was acquired in 2011, from 51% to 71%. Consolidation of Hemels continues using the proportional consolidation method by the share of 71%. Hemels operates in custom publishing.

At the beginning of May, Sanoma Media Netherlands bought 100% of the shares of the Dutch online retail group Read & View B.V. Read & View is specialised in reselling subscriptions for magazines and newspapers through the online subscription shop 123Tijdschrift.nl. The company employs 22 persons.

Sanoma Media Finland acquired all of the shares of Metroradio Finland Oy and Mediasales Finland Oy at the beginning of July. The radio channels Radio SuomiPOP, Groove FM and Metro FM were transferred to Sanoma Media Finland to supplement its selection of radio channels. The acquired companies employ 31 persons.

In July, Sanoma Media Belgium acquired all of the shares of communication agency HeadOffice in Belgium. HeadOffice is a relationship marketing agency that is specialised in online direct marketing, customer magazines, brand activation, content marketing and loyalty. The number of personnel of HeadOffice is 55.

At the end of June, Sanoma Learning acquired all of the shares of the Dutch company Bureau ICE. Bureau ICE produces tests and exams for secondary and vocational education in the Netherlands. The company employs 46 people. The company has been consolidated to Sanoma as of the beginning of July.

In November, Sanoma Media Netherlands acquired 40% of the shares in the Dutch e-commerce company SB Commerce, owner of, for instance, home decor webstore Voor-thuis.nl. The company employs 17 persons. SB Commerce has been consolidated to Sanoma from the beginning of November by the proportional line-by-line consolidation method, with a 40% share of ownership.

In November, Bookwell Oy, part of Sanoma's other operations, acquired the shares of Kariston Kirjapaino. The contribution to the seller was paid in Bookwell shares. The non-controlling interest in Bookwell increased from 20% to 32.2%.

## Acquisitions in 2011

In 2011, Sanoma made a few significant acquisitions and a number of smaller ones. The combined purchase price of all acquisitions amounted to EUR 1,415.2 million.

In January, Sanoma News acquired all of the shares in Mybutler Oy, which produces online services under the brand Offerium. Offerium distributes offers from companies to consumers. The acquisition cost of Mybutler was EUR 0.4 million.

In April, Sanoma Media Netherlands acquired 100% of the shares of the Dutch company Paardenbladen B.V., a horse magazine publisher with about 15 employees. The acquisition cost of the company amounted to EUR 9.5 million.

In May, Sanoma Media Netherlands acquired shares in two Dutch companies. A 51% share of the custom publishing company Hemels was acquired at a purchase price of EUR 6.5 million. Hemels employs about 50 people. A 49% share in the Dutch magazine and internet publisher Helden Magazines B.V. was acquired at purchase price of EUR 0.2 million. Helden publishes a magazine that focuses on sportsmen. Sanoma consolidates its share of both companies using the proportional consolidation method.

In June and July, Sanoma made two significant acquisitions in the field of Benelux TV operations. The combined enterprise value of these acquisitions was EUR 1,225 million and the combined pro forma net sales of the operations totalled EUR 404 million in 2010.

In the June transaction, Sanoma partnered with Corelio and Wouter Vandenhaute & Erik Watté and the jointly held company De Vijver acquired the SBS TV operations in Belgium from ProSiebenSat.1. Along with SBS Belgium, De Vijver Group contains the production company Woestijnvis and the weekly magazine *Humo*. Each party holds a 33.3% share of the company. SBS Belgium operates two TV channels in the Flemish-speaking market and its net sales in 2010 totalled EUR 88 million. The acquisition cost of these operations amounted to EUR 66.2 million. Sanoma consolidates its 33.3% share in De Vijver using the proportional consolidation method.

In the second step in July, Sanoma completed the Dutch part of the SBS transaction, in which Sanoma acquired a 67% share of the SBS free-to-air TV assets in the Netherlands from ProSiebenSat.1 together with a Dutch partner, Talpa Media, which holds a 33% share in SBS Netherlands Group. On the date of acquisition, the amount of non-controlling interest in SBS Netherlands equity was EUR 264 million.

Goodwill from the Dutch acquisition amounted to EUR 892.6 million, and it reflects the expected synergies between TV advertising and advertising in print as well as the gains from the expected transfer of knowhow from the Dutch TV operations. SBS Netherlands operates three TV channels and its net sales in 2010 totalled EUR 316 million. The acquisition cost of these operations amounted to EUR 1,281.4 million. The impact of the acquisition of SBS Netherlands on the Group's assets and liabilities can be found in the table below.

| Impact of acquisition of SBS Netherlands on Group's assets and liabilities, EUR million | 2011 |
|---|---|
| Tangible assets | 4.8 |
| Intangible assets | 272.1 |
| Other non-current assets | 8.3 |
| Other current assets | 281.5 |
| Assets, total | 566.7 |
| Non-current liabilities | -74.9 |
| Current liabilities | -102.9 |
| Liabilities, total | -177.9 |
| Net assets | 388.8 |
| Acquisition cost | 1 281.4 |
| **Change in goodwill** | **892.6** |

In September, Sanoma News acquired the business operations of Apollo, the second-largest online news services in Latvia, from SIA Lattelecom BPO. The acquisition cost totalled EUR 0.8 million. In 2010, the net sales of Apollo.lv was approximately EUR 0.5 million.

In October, Sanoma Learning acquired all of the shares in the Swedish educational publisher Bonnier Utbilding AB, and the business operations of the Finnish educational publisher Tammi Learning from the Swedish media group Bonnier AB. In 2010, net sales of Bonnier Utbilding AB were EUR 17.6 million and those of Tammi Learning EUR 10.2 million. The acquisition cost of these operations amounted to EUR 46.4 million. Tammi Learning and Bonnier Utbilding employed some 100 people.

In November, Sanoma Media Russia & CEE acquired 50% of the shares in the Hungarian company Szallas.hu KFT. Szallas.hu is an online service for hotel bookings in Hungary, Romania and Austria. The acquisition cost of the shares amounted to EUR 2.1 million. Sanoma consolidates its share in Szallas using the proportional line-by-line consolidation method.

## Divestments in 2012

In 2012, Sanoma sold the kiosk operations in Finland, Lithuania and Estonia as well as its press distribution operations in Estonia and Lithuania. These operations were classified as discontinued operations and the divestment is described more in detail in Note 3 Discontinued Operations.

Other divestments during the year had non-significant impacts. Sanoma Learning closed the divestment of Sanoma's book logistics company Porvoon Kirjakeskus Oy in March. In the transaction Sanoma sold the entire share capital of Porvoon Kirjakeskus Oy to Bonnier Books Finland Oy. In June, Sanoma Learning sold its business information services company Esmerk Oy to M-Brain Oy. In December, Adria Media Holding GmbH, of which Sanoma Media Russia & CEE owned 50%, sold its entire 75% stake in Adria Media Ljubljana d.o.o. to the management of the company. This transaction marked the departure of Sanoma from the Slovenian market.

## Divestments in 2011

In 2011, Sanoma continued renewing its business structure and made several divestments, mainly in the Sanoma Trade business unit.

In April, Sanoma Trade sold its press distribution and kiosk operations in Romania to the acting managing director of the sold companies, Rautakirja Romania S.A. and R-Kiosk Romania S.A. The total net sales of the divested operations in Romania were about EUR 23 million in 2010 and the companies employed roughly 320 people.

At the end of April, Sanoma Trade completed the divestment of its movie operations in Finland, Estonia, Latvia and Lithuania to the Swedish private equity company Ratos AB. The enterprise value of the transaction was EUR 116.0 million and Sanoma recorded a non-recurring sales gain of approximately EUR 51.3 million on the transaction. In 2010, the net sales of the movie operations were EUR 88.6 million and operating profit EUR 8.4 million.

In June, Sanoma Media divested its 51% holding of the joint venture Humo, the Magazine publisher in Belgium, since the shares in Humo were granted to De Vijver as a consideration for the shares in De Vijver Group.

At the end of September, Sanoma Trade divested its bookstore operations in Finland to Otava Ltd. The transaction included all of the shares of Suomalainen Kirjakauppa Oy, six properties used by Suomalainen kirjakauppa and Rautakirja's and Suomalainen Kirjakauppa's shares of Kirjavälitys Oy, a company specialising in logistics services. In 2010, the net sales of the divested bookstore operations in Finland were EUR 109 million and operating profit was EUR 2 million.

At the beginning of October, Sanoma completed the transaction by which all of the shares of Finnish general literature publisher Werner Söderström Ltd were sold to the Swedish media group Bonnier AB. Werner Söderström was part of Sanoma Learning strategic business unit. In 2010, its net sales were about EUR 32 million and the average number of personnel was 100.

In October, Sanoma Trade sold its ownership of 50% of the shares in the Latvian kiosk and press distribution company Narvesen Baltija SIA to the Norwegian Reitan Group. The transaction included the shares in the Latvian press distributor Preses Serviss owned by Narvesen Baltija SIA. In 2010, Sanoma's share of the net sales in divested operations were approximately EUR 29 million and the companies employed some 240 people (FTEs).

# 5. Net sales

| Distribution of net sales between goods and services, EUR million | 2012 | 2011 |
|---|---|---|
| Sale of goods | **1 149.1** | 1 239.5 |
| Sale of services | **1 227.2** | 1 138.5 |
| **Total** | **2 376.3** | 2 378.1 |

The sale of goods includes sales of magazines, newspapers and books.

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

# 6. Other operating income

| Other operating income, EUR million | 2012 | 2011 |
|---|---|---|
| Gains on sale of tangible assets | **2.5** | 2.5 |
| Gains on sale of intangible assets | **1.5** | 0.5 |
| Gains on sale of Group companies and operations | **5.2** | 66.4 |
| Gains on sale of associated companies | **0.1** | 0.0 |
| Gains on sale of investment property | **4.5** | 11.1 |
| Rental income from investment property | **0.6** | 0.7 |
| Other rental income | **5.3** | 4.5 |
| Other | **32.9** | 30.9 |
| **Total** | **52.5** | 116.5 |

In 2012, the other operating income includes an income of EUR 4.5 million related to the preparation of the city plan for the Keimola land area and granting part of this land area to the City of Vantaa as consideration on the city plan preparation.

In 2011, the gain on sale of investment property comprises an EUR 11.1 million gain on the sale of a part of the 45-hectare land area in Keimola. More information on investment property can be found in Note 13.

Government grants booked through profit and loss amounted to EUR 1.0 million (2011: EUR 0.8 million).

# 7. Employee benefit expenses

| Emplyee benefit expenses, EUR million | 2012 | 2011 |
|---|---|---|
| Wages, salaries and fees | **497.3** | 493.7 |
| Expense recognition of granted options | **2.6** | 3.5 |
| Pension costs, defined contribution plans | **50.4** | 52.2 |
| Pension costs, defined benefit plans | **8.5** | 10.3 |
| Other social expenses | **54.8** | 51.9 |
| **Total** | **613.6** | 611.7 |

Wages, salaries and other compensations for key management are presented in Note 32. Share-based payments are described in Note 22.

## Post-employment benefits

The Sanoma Group has various schemes for personnel pension cover. Pension schemes are arranged in accordance with local requirements and legislation. In Finland, the statutory pension cover is handled both through the Finnish TyEL system and pension funds. In addition, some voluntary pension cover has been arranged through pension funds or insurance companies. Pension schemes are described in more detail in accounting policies.

Defined benefit plans exist both in and outside Finland. The actuarial calculations for the Group's defined benefit pension plans have been prepared by external actuaries. In addition to pension plans, the Sanoma Group has no other defined benefit plans.

The reconciliation of net pension obligations and break-down of pension costs are presented in the following tables. In addition, the most significant actuarial assumptions are presented.

| Net defined benefit pension obligations on the balance sheet, EUR million | 2012 | 2011 |
|---|---|---|
| Present value of funded obligations | **674.8** | 515.3 |
| Fair value of plan assets | **-617.0** | -531.0 |
| Deficit(+)/surplus(-) in the plan | **57.7** | -15.6 |
| Unrecognised actuarial gains(+) and losses(-) | **-76.0** | 9.4 |
| Unrecognised past service cost | **-1.4** | -0.8 |
| **Total** | **-19.7** | -7.0 |

| Pension obligations and pension assets on the balance sheet, EUR million | 2012 | 2011 |
|---|---|---|
| Pension obligations | **14.2** | 17.2 |
| Pension assets | **33.8** | 24.2 |
| **Net obligation total** | **-19.7** | -7.0 |

| Pension costs recognised in the income statement, EUR million | 2012 | 2011 |
|---|---|---|
| Current service costs | **11.3** | 10.2 |
| Interest cost | **24.8** | 23.5 |
| Expected return on plan assets | **-27.4** | -27.9 |
| Actuarial gains(-) and losses(+) | **0.0** | -0.5 |
| Past service cost | **0.9** | 5.8 |
| Effect of curtailments and settlements | **-1.1** | -0.8 |
| **Total** | **8.5** | 10.3 |

The Sanoma Group's estimated contributions to the defined benefit plans for 2013 are about EUR 15.2 million.

| Actual return on plan assets, EUR million | 2012 | 2011 |
|---|---|---|
| Expected return on plan assets | **27.4** | 27.9 |
| Actuarial gains/losses on plan assets | **50.6** | -4.4 |
| **Total** | **78.0** | 23.5 |

| Movements in obligations, EUR million | 2012 | 2011 |
|---|---|---|
| Obligation at 1 Jan | **515.3** | 489.6 |
| Current year service cost | **11.3** | 10.2 |
| Interest cost | **24.8** | 23.5 |
| Actuarial gains and losses on obligation | **136.8** | 2.5 |
| Contributions by plan participants | **3.4** | 3.4 |
| Past service cost | **0.9** | 5.8 |
| Effect of curtailments and settlements | **-0.5** | -3.1 |
| Acquisitions and disposals | **0.3** | 0.1 |
| Benefits paid from funds | **-17.6** | -16.6 |
| **Obligations at 31 Dec** | **674.8** | 515.3 |

| Movements in plan assets, EUR million | 2012 | 2011 |
|---|---|---|
| Fair value of plan assets at 1 Jan | **531.0** | 498.0 |
| Expected return on plan assets | **27.4** | 27.9 |
| Actuarial gains/losses on plan assets | **50.6** | -4.4 |
| Contributions to funds by the employer | **21.8** | 25.0 |
| Contributions by plan participants | **3.4** | 3.3 |
| Acquisitions and disposals | **0.3** | 0.1 |
| Benefits paid from funds | **-17.6** | -16.6 |
| Settlements | **0.2** | -2.5 |
| **Fair value of plan assets at 31 Dec** | **617.0** | 531.0 |

| Plan assets by major categories, % | 2012 | 2011 |
|---|---|---|
| Equity instruments | **23.9** | 21.2 |
| Bonds and debentures | **67.8** | 65.9 |
| Properties | **1.1** | 1.5 |
| Other items | **5.5** | 5.8 |
| Cash | **1.5** | 5.5 |
| **Total** | **100.0** | 100.0 |

The fair value of plan assets included investments in Sanoma shares totalling EUR 4.8 million (2011: EUR 5.8 million). None of the properties included in the plan assets are occupied by the Group.

| The amounts for the current and previous annual periods, EUR million | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Present value of funded obligations | **674.8** | 515.3 | 489.6 | 436.0 | 397.7 |
| Fair value of plan assets | **-617.0** | -531.0 | -498.0 | -428.0 | -358.0 |
| **Deficit(+)/surplus(-) in the plan** | **57.7** | -15.6 | -8.4 | 8.0 | 39.7 |
| Experience adjustments to obligations | **1.2** | -0.3 | 5.9 | 8.8 | -4.2 |
| Experience adjustments to plan assets | **45.4** | -6.8 | 37.5 | 33.0 | -64.8 |

| Principal actuarial assumptions at 31 Dec | 2012 | 2011 |
|---|---|---|
| Discount rate, % | 3.4–3.9 | 4.8–4.8 |
| Expected return on plan assets, % | 4.0–6.0 | 4.0–6.0 |
| Expected future salary increase, % | 2.0–8.0 | 2.0–3.1 |
| Expected future pension increases, % | 1.5–2.1 | 1.3–2.1 |
| Turnover of personnel, % | 0–31 | 0–31 |
| Expected remaining working years of personnel, years | 1–27 | 2–28 |

The expected return on plan assets is set at the long-term rate estimated to be earned based on the long-term investment strategy of each pension fund and the various classes of the invested funds. For each asset class, a long-term asset return assumption is developed taking into account the long-term level of risk of the asset and historical returns of the asset class. A weighted average expected long-term rate is developed based on long-term returns for each asset class and the target asset allocation of the plan.

# 8. Other operating expenses

| Other operating expenses, EUR million | 2012 | 2011 |
|---|---|---|
| Losses on sales | **2.3** | 26.4 |
| Operating costs of investment property | **0.1** | 0.1 |
| Rents | **47.8** | 55.9 |
| Advertising and marketing | **164.4** | 165.7 |
| Office and ICT expenses | **87.8** | 85.3 |
| Other | **189.2** | 208.0 |
| **Total** | **491.5** | 541.3 |

Research and development expenditure recorded as expenses amounted to EUR 0.4 million (2011: EUR 0.8 million).

| Audit fees, EUR million | 2012 | 2011 |
|---|---|---|
| Statutory audit | **1.6** | 1.5 |
| Certificates and statements | **0.1** | 0.1 |
| Tax counselling | **0.0** | 0.0 |
| Other services | **0.2** | 0.5 |
| **Total** | **1.9** | 2.0 |

In 2012, KPMG Oy Ab, a firm of Authorised Public Accountants, acted as Sanoma's auditor. Other services were paid to auditors for e.g. circulation audits in countries with no official national circulation audit in place and for consulting services related to matters such as corporate transactions.

# 9. Financial items

| Financial items, EUR million | 2012 | 2011 |
|---|---|---|
| Dividend income from available-for-sale financial assets | **0.9** | 1.7 |
| Interest income from loans and receivables | **3.7** | 2.3 |
| Capital gains of available-for-sale investments | **1.8** | |
| Forward exchange contracts, no hedge accounting, change in fair value | **1.4** | |
| Exchange rate gains | **10.2** | 9.3 |
| Other financial income | **0.1** | 0.6 |
| **Financial income total** | **18.2** | 13.9 |
| Interest expenses from financial liabilities amortised at cost | **50.3** | 28.8 |
| Interest rate swaps, no hedge accounting, change in fair value | **2.6** | |
| Forward exchange contracts, no hedge accounting, change in fair value | **2.0** | 0.8 |
| Exchange rate losses | **10.6** | 15.4 |
| Other financial losses | **10.0** | 1.5 |
| **Financial expenses total** | **75.6** | 46.6 |
| **Total** | **-57.4** | -32.7 |

# 10. Income taxes and deferred taxes

| Income taxes, EUR million | 2012 | 2011 |
|---|---|---|
| Income taxes on operational income | **44.9** | 57.5 |
| Income taxes from previous periods | **-4.0** | 2.5 |
| Change in deferred tax due to change in tax rate | **0.1** | 1.0 |
| Other change in deferred tax | **-6.2** | -5.1 |
| Other taxes | **2.2** | 2.1 |
| **Tax expense in the income statement** | **37.0** | 58.1 |

The tax expense of the Group, EUR 37.0 million (2011: EUR 58.1 million), includes the tax expense in the income statement of EUR 36.4 million (2011: EUR 57.7 million), and the income taxes of the discontinued operations, EUR 0.6 million (2011: EUR 0.4 million).

| Income tax reconciliation against local tax rates, EUR million | 2012 | 2011 |
|---|---|---|
| Tax calculated at (Finnish) statutory rate | **45.8** | 37.5 |
| Effect of different tax rates in the operating countries | **0.7** | -2.4 |
| Tax based on tax rate in each operating country | **46.6** | 35.1 |
| Non-taxable income | **-25.2** | -20.2 |
| Deductible amortisation | **-1.8** | -3.9 |
| Non-deductible amortisation and impairment losses | **5.4** | 16.6 |
| Other non-deductible expenses | **7.1** | 18.9 |
| Effect of associated companies | **4.3** | 1.3 |
| Loss for the period for which a deferred tax receivable has not been recorded | **3.4** | 3.3 |
| Reassesment of deferred tax assets related to losses from previous years | **-1.2** | 1.3 |
| Other taxes | **2.2** | 2.1 |
| Tax relating to previous accounting periods | **-4.0** | 2.5 |
| Change in deferred tax due to change in tax rate | **0.1** | 1.0 |
| **Income taxes in the income statement** | **37.0** | 58.1 |
| **Tax rate of the Parent Company** | **24.5%** | 26.0% |

| Deferred tax receivables and liabilities 2012, EUR million | At 1 Jan | Recorded in the income statement | Operations acquired/sold | Recorded in other comprehensive income | Change in tax rate | Translation and other items | At 31 Dec |
|---|---|---|---|---|---|---|---|
| **Deferred tax receivables** | | | | | | | |
| Internal margin in inventories | 0.3 | -0.3 | | | | | **0.0** |
| Provisions | 2.9 | -0.9 | | | | 0.1 | **2.1** |
| Tax losses carried forward | 3.0 | 2.0 | 2.9 | | -0.2 | 0.3 | **8.0** |
| Impairment losses on tangible non-current assets | 2.1 | | -0.9 | | | | **1.2** |
| Pension obligations, defined benefit plans | 5.3 | -2.9 | | | | | **2.4** |
| Hedge accounting | 2.8 | | | -0.2 | | | **2.6** |
| Other items | 13.5 | -0.5 | -0.4 | | 0.0 | 0.0 | **12.5** |
| **Total** | 29.9 | -2.6 | 1.6 | -0.2 | -0.2 | 0.1 | **28.8** |
| **Deferred tax liabilities** | | | | | | | |
| Fair value adjustments in acquisitions | 94.3 | -7.0 | 4.8 | | | 1.1 | **93.1** |
| Depreciation difference and other untaxed reserves | 25.2 | -0.9 | 0.0 | | -1.2 | 0.5 | **23.6** |
| Pension assets, defined benefit plans | 6.1 | 0.2 | | | | | **6.3** |
| Other items | 20.6 | -1.2 | -0.1 | | 1.1 | 0.1 | **20.5** |
| **Total** | 146.1 | -8.9 | 4.7 | | -0.1 | 1.7 | **143.6** |

| Deferred tax receivables and liabilities 2011, EUR million | At 1 Jan | Recorded in the income statement | Operations acquired/sold | Recorded in other comprehensive income | Change in tax rate | Translation and other items | At 31 Dec |
|---|---|---|---|---|---|---|---|
| **Deferred tax receivables** | | | | | | | |
| Internal margin in inventories | 1.0 | -0.1 | -0.5 | | 0.0 | | 0.3 |
| Provisions | 2.8 | 0.5 | 0.0 | | 0.0 | -0.4 | 2.9 |
| Tax losses carried forward | 5.8 | -2.3 | -0.8 | | 0.0 | 0.2 | 3.0 |
| Impairment losses on tangible non-current assets | 1.6 | 0.7 | | | -0.1 | -0.1 | 2.1 |
| Pension obligations, defined benefit plans | 7.8 | -2.4 | -0.1 | | 0.0 | 0.0 | 5.3 |
| Hedge accounting | | | | 2.8 | 0.0 | 0.0 | 2.8 |
| Other items | 15.8 | -8.9 | 7.1 | | 0.0 | -0.6 | 13.5 |
| **Total** | 34.8 | -12.6 | 5.8 | 2.8 | -0.1 | 1.9 | 29.9 |
| **Deferred tax liabilities** | | | | | | | |
| Fair value adjustments in acquisitions | 39.5 | -9.0 | 63.7 | | 0.0 | 0.1 | 94.3 |
| Depreciation difference and other untaxed reserves | 26.9 | -3.6 | 0.1 | | 2.4 | -0.6 | 25.2 |
| Pension assets, defined benefit plans | 5.2 | 1.2 | | | -0.2 | -0.2 | 6.1 |
| Other items | 22.5 | -6.3 | 6.3 | | -1.3 | -0.6 | 20.6 |
| **Total** | 94.2 | -17.6 | 70.1 | | 0.9 | -1.4 | 146.1 |

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 7.6 million (2011: EUR 4.0 million) have not been recorded in the consolidated balance sheet based on management's judgement. These unrecognised receivables relate mainly to tax losses carried forward of subsidiaries.

A deferred tax liability of EUR 1.8 million (2011: EUR 1.5 million) on undistributed retained earnings of subsidiaries has not been recognised in consolidated figures as such distribution is not probable within the foreseeable future. These unrecognised deferred tax liabilities were related to earnings for which tax payment would be realised when distributing dividends.

# 11. Earnings per share

| Earnings per share | 2012 | 2011 |
|---|---|---|
| Result attributable to the equity holders of the Parent Company, EUR million, continuing operations | **64.7** | 77.0 |
| Result attributable to the equity holders of the Parent Company, EUR million, discontinued operations | **79.1** | 7.4 |
| Result attributable to the equity holders of the Parent Company, EUR million | **143.7** | 84.5 |
| Weighted average number of shares, thousands | **162 812** | 162 811 |
| Earnings per share, EUR, continuing operations | **0.40** | 0.47 |
| Earnings per share, EUR, discontinued operations | **0.49** | 0.05 |
| **Earnings per share, EUR** | **0.88** | 0.52 |

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

| Diluted earnings per share | 2012 | 2011 |
|---|---|---|
| Profit used to determine diluted earnings per share, EUR million, continuing operations | **64.7** | 77.0 |
| Profit used to determine diluted earnings per share, EUR million, discontinued operations | **79.1** | 7.4 |
| Profit used to determine diluted earnings per share, EUR million | **143.7** | 84.5 |
| Weighted average number of shares, thousands | **162 812** | 162 811 |
| Effect of options, thousands | **0** | 264 |
| Diluted average number of shares, thousands | **162 812** | 163 075 |
| Diluted earnings per share, EUR, continuing operations | **0.40** | 0.47 |
| Diluted earnings per share, EUR, discontinued operations | **0.49** | 0.05 |
| **Diluted earnings per share, EUR** | **0.88** | 0.52 |

Information on stock options is presented in Note 22. For more information on shares and shareholders, see pages 61–67.

# 12. Property, plant and equipment

| Property, plant and equipment 2012, EUR million | Land and water | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments | Total |
|---|---|---|---|---|---|---|
| Acquisition cost at 1 Jan | 38.3 | 319.7 | 514.7 | 75.3 | 2.2 | 950.2 |
| Increases | | 2.8 | 19.1 | 5.1 | 2.1 | 29.0 |
| Acquisition of operations | | 0.1 | 2.5 | 0.9 | | 3.4 |
| Decreases | -0.7 | -5.9 | -25.6 | -0.4 | 0.0 | -32.6 |
| Disposal of operations | -0.1 | -34.6 | -45.0 | -6.9 | -0.2 | -86.8 |
| Reclassifications | 0.0 | 0.7 | 4.3 | -3.8 | -1.8 | -0.7 |
| Exchange rate differences | 0.0 | 0.6 | 1.4 | 0.5 | 0.1 | 2.7 |
| Acquisition cost at 31 Dec | 37.5 | 283.3 | 471.4 | 70.7 | 2.4 | 865.2 |
| Accumulated depreciation and impairment losses at 1 Jan | | -138.7 | -414.1 | -53.7 | | -606.6 |
| Decreases, disposals and acquisitions | | 14.1 | 51.3 | 2.7 | | 68.1 |
| Depreciation for the period, continuing operations | | -8.7 | -25.7 | -4.0 | | -38.4 |
| Depreciation for the period, discontinued operations | | -0.3 | -1.6 | -0.4 | | -2.3 |
| Impairment losses for the period, continuing operations | -1.1 | 0.0 | -0.2 | 0.0 | | -1.3 |
| Impairment losses for the period, discontinued operations | | | -0.1 | | | -0.1 |
| Reclassifications | | 0.0 | -1.7 | 1.9 | | 0.2 |
| Exchange rate differences | | -0.1 | -1.1 | -0.4 | | -1.6 |
| Accumulated depreciation and impairment losses at 31 Dec | -1.1 | -133.8 | -393.2 | -53.8 | | -581.9 |
| **Carrying amount at 31 Dec 2012** | **36.5** | **149.5** | **78.2** | **16.8** | **2.4** | **283.4** |

| Property, plant and equipment 2011, EUR million | Land and water | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments | Total |
|---|---|---|---|---|---|---|
| Acquisition cost at 1 Jan | 39.7 | 384.0 | 543.8 | 80.1 | 1.7 | 1 049.3 |
| Increases | 0.6 | 20.6 | 25.7 | 3.5 | 2.5 | 52.9 |
| Acquisition of operations | | 8.4 | 20.6 | 1.8 | | 30.8 |
| Decreases | 0.0 | -0.7 | -26.4 | -2.7 | -0.1 | -29.8 |
| Disposal of operations | -2.1 | -91.4 | -41.8 | -6.8 | -0.8 | -142.8 |
| Reclassifications | 0.1 | -0.5 | -5.5 | 0.2 | -0.9 | -6.6 |
| Exchange rate differences | -0.1 | -0.8 | -1.7 | -0.8 | -0.1 | -3.5 |
| Acquisition cost at 31 Dec | 38.3 | 319.7 | 514.7 | 75.3 | 2.2 | 950.2 |
| Accumulated depreciation and impairment losses at 1 Jan | | -147.3 | -418.9 | -53.8 | | -620.0 |
| Decreases, disposals and acquisitions | | 22.2 | 32.6 | 5.0 | | 59.8 |
| Depreciation for the period, continuing operations | | -10.1 | -28.3 | -5.2 | | -43.5 |
| Depreciation for the period, discontinued operations | | -0.8 | -4.9 | -1.2 | | -7.0 |
| Impairment losses for the period, continuing operations | | -1.4 | -0.1 | 0.0 | | -1.6 |
| Impairment losses for the period, discontinued operations | | -2.1 | -0.2 | 0.0 | | -2.3 |
| Reclassifications | | 0.5 | 4.4 | 1.0 | | 6.0 |
| Exchange rate differences | | 0.2 | 1.3 | 0.5 | | 2.0 |
| Accumulated depreciation and impairment losses at 31 Dec | | -138.7 | -414.1 | -53.7 | | -606.6 |
| Carrying amount at 31 Dec 2011 | 38.3 | 180.9 | 100.6 | 21.5 | 2.2 | 343.6 |

| Carrying amount of assets leased by finance lease agreements, EUR million | 2012 | 2011 |
|---|---|---|
| Buildings and structures | **11.6** | 12.5 |
| Machinery and equipment | **1.2** | 1.5 |
| **Total** | **12.8** | 14.1 |

## 13. Investment property

| Investment property 2012, EUR million | Land and water | Buildings and structures | Total |
|---|---|---|---|
| Acquisition cost at 1 Jan | 4.7 | 7.0 | 11.7 |
| Increases | 22.7 | | 22.7 |
| Decreases | -16.1 | -0.1 | -16.2 |
| Disposal of operations | | -0.7 | -0.7 |
| Exchange rate differences | 0.0 | | 0.0 |
| Acquisition cost at 31 Dec | 11.3 | 6.1 | 17.4 |
| Accumulated depreciation and impairment losses at 1 Jan | -0.4 | -5.6 | -6.0 |
| Decreases | 0.4 | 0.1 | 0.5 |
| Accumulated depreciation and impairment losses at 31 Dec | | -5.4 | -5.4 |
| **Carrying amount at 31 Dec 2012** | **11.3** | **0.7** | **12.0** |
| **Fair values at 31 Dec 2012** | **29.6** | **1.7** | **31.2** |

| Investment property 2011, EUR million | Land and water | Buildings and structures | Total |
|---|---|---|---|
| Acquisition cost at 1 Jan | 6.8 | 7.8 | 14.6 |
| Decreases | -2.0 | -0.8 | -2.8 |
| Disposal of operations | | -0.1 | -0.1 |
| Exchange rate differences | 0.0 | | 0.0 |
| Acquisition cost at 31 Dec | 4.7 | 7.0 | 11.7 |
| Accumulated depreciation and impairment losses at 1 Jan | -0.4 | -5.6 | -6.0 |
| Accumulated depreciation and impairment losses at 31 Dec | -0.4 | -5.6 | -6.0 |
| Carrying amount at 31 Dec 2011 | 4.4 | 1.4 | 5.8 |
| Fair values at 31 Dec 2011 | 23.3 | 2.6 | 25.9 |

The fair values of investment property have been determined by using either the productive value method or using the information on equal real estate business transactions in the market. No outside surveyor has been used when determining the fair value.

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

The draft city plan prepared by the City of Vantaa was completed in the autumn of 2008, and the Vantaa City Council approved the plan on 19 January 2009. The city plan became legally valid in February 2011. During autumn 2011 Sanoma Corporation sold about 41.000 square metres of floor residential building right to construction companies for EUR 12.9 million. In 2012, Sanoma gave a part of the Keimola land area to the City of Vantaa as consideration for the city plan. The value of the city plan preparation increased the acquistion cost of Keimola land area.

Investment property consists of land and water areas and premises that are not in the company's own use and are owned through shares in property companies. These assets are not depreciated or amortised.

| **Operating expenses of investment property, EUR million** | **2012** | 2011 |
|---|---|---|
| Investment property, rental income | **0.1** | 0.1 |
| Investment property, no rental income | **0.0** | 0.0 |
| **Total** | **0.1** | 0.2 |

| **Rental income of investment property, EUR million** | **2012** | 2011 |
|---|---|---|
| Rental income of investment property | **0.6** | 0.7 |

# 14. Intangible assets

| Intangible assets 2012, EUR million | Goodwill | Immaterial rights | Other intangible assets | Advance payments | Total |
|---|---|---|---|---|---|
| Acquisition cost at 1 Jan | 2 316.2 | 1 474.1 | 237.3 | 35.7 | 4 063.3 |
| Increases | | 196.4 | 37.8 | 4.0 | 238.2 |
| Acquisition of operations | 23.1 | 19.0 | 0.3 | | 42.3 |
| Decreases | 0.0 | -93.2 | -23.3 | -0.2 | -116.7 |
| Disposal of operations | -18.5 | -6.7 | -8.8 | | -34.1 |
| Reclassifications | -1.0 | 13.4 | 14.9 | -13.5 | 13.7 |
| Exchange rate differences | 9.3 | 10.0 | 2.1 | | 21.5 |
| Acquisition cost at 31 Dec | 2 329.1 | 1 612.9 | 260.3 | 26.0 | 4 228.3 |
| Accumulated amortisation and impairment losses at 1 Jan | | -887.5 | -149.8 | | -1 037.3 |
| Decreases, disposals and acquisitions | | 88.9 | 29.0 | | 117.9 |
| Amortisation for the period, continuing operations | | -204.3 | -34.6 | | -239.0 |
| Amortisation for the period, discontinued operations | | -0.2 | -0.1 | | -0.3 |
| Impairment losses for the period, continuing operations | -21.5 | -11.5 | -13.5 | | -46.5 |
| Impairment losses for the period, discontinued operations | | 0.0 | 0.0 | | 0.0 |
| Reclassifications | | -8.6 | -1.2 | | -9.8 |
| Exchange rate differences | | -4.4 | -1.1 | | -5.5 |
| Accumulated amortisation and impairment losses at 31 Dec | -21.5 | -1 027.6 | -171.4 | | -1 220.5 |
| **Carrying amount at 31 Dec 2012** | **2 307.6** | **585.3** | **88.9** | **26.0** | **3 007.8** |

| Intangible assets 2011, EUR million | Goodwill | Immaterial rights | Other intangible assets | Advance payments | Total |
|---|---|---|---|---|---|
| Acquisition cost at 1 Jan | 1 447.5 | 802.6 | 214.0 | 26.2 | 2 490.2 |
| Increases | | 105.3 | 40.8 | 9.6 | 155.7 |
| Acquisition of operations | 982.9 | 604.9 | 0.6 | 10.9 | 1 599.3 |
| Decreases | -0.4 | -38.3 | -22.1 | -0.4 | -61.1 |
| Disposal of operations | -40.8 | -4.1 | -8.4 | 0.0 | -53.4 |
| Reclassifications | 0.1 | 16.7 | 14.9 | -10.6 | 21.1 |
| Exchange rate differences | -9.4 | -13.0 | -2.5 | | -24.8 |
| Acquisition cost at 31 Dec | 2 380.0 | 1 474.1 | 237.3 | 35.7 | 4 127.1 |
| Accumulated amortisation and impairment losses at 1 Jan | | -517.4 | -122.1 | 0.0 | -639.5 |
| Decreases, disposals and acquisitions | | -208.7 | 25.2 | | -183.5 |
| Amortisation for the period, continuing operations | | -144.5 | -36.8 | | -181.3 |
| Amortisation for the period, discontinued operations | | -0.5 | -0.4 | | -0.9 |
| Impairment losses for the period, continuing operations | -63.8 | -19.3 | 0.0 | | -83.1 |
| Impairment losses for the period, discontinued operations | | 0.0 | 0.0 | | 0.0 |
| Reclassifications | | -3.3 | -16.9 | 0.0 | -20.1 |
| Exchange rate differences | | 6.1 | 1.2 | | 7.3 |
| Accumulated amortisation and impairment losses at 31 Dec | -63.8 | -887.5 | -149.8 | | -1 101.1 |
| **Carrying amount at 31 Dec 2011** | **2 316.2** | **586.5** | **87.5** | **35.7** | **3 026.0** |

At the end of the financial year, the commitments for acquisitions of intangible assets (film and TV broadcasting rights included) were EUR 273.9 million (2011: EUR 173.8 million). Of total immaterial rights, the carrying amount of intangible assets with indefinite useful lives was EUR 8.1 million (2011: EUR 7.9 million).

## Impairment losses recognised from intangible rights

Immaterial rights with indefinite useful life are all related to the Sanoma Media operating segment and consist mainly of publishing rights. Assets with indefinite useful life are not amortised according to plan but are subject to annual impairment testing. During the financial year, impairment losses for the immaterial rights with indefinite useful life amounted to EUR 0.0 million (2011: EUR 18.7 million) and reversals of impairment losses amounted to EUR 0.0 million (2011: EUR 0.0 million).

In addition, impairment losses totalling EUR 3.6 million (2011: EUR 0.0 million) were recognised from intangible assets with definite useful lifetime in the Sanoma Media Russia & CEE strategic business unit in 2012. These relate to a few Hungarian magazines, as well as Hungarian and Russian online services. The impairments were due to the weakened sales expectations resulting mainly from the changed advertising market situation and competitive situation.

## Allocation of goodwill and intangible assets with indefinite useful life

For the purpose of impairment testing, goodwill is allocated to the eight cash-generating units (CGUs) which are either operating segments, strategic business units (SBUs), or businesses below the SBU level. Goodwill and intangible assets with indefinite useful life allocated to the most important CGUs in terms of goodwill are as follows:

| Carrying amounts of goodwill and intangible assets with indefinite useful life of the most important CGUs in terms of goodwill, EUR million | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | **Goodwill** | **Intangible assets*** | **Total** | Goodwill | Intangible assets* | Total |
| Sanoma Media Netherlands | **1 665.3** | **0.0** | **1 665.3** | 1 663.7 | 0.0 | 1 663.7 |
| Sanoma Media Russia & CEE | **110.8** | **5.7** | **116.5** | 112.6 | 5.5 | 118.2 |
| Learning | **294.3** | **0.0** | **294.3** | 281.0 | 0.0 | 281.0 |
| Sanoma Media Belgium | **123.8** | **2.3** | **126.2** | 115.0 | 2.3 | 117.4 |
| **Most important CGUs in terms of goodwill, total** | **2 194.2** | **8.1** | **2 202.2** | 2 172.3 | 7.9 | 2 180.2 |
| Other CGUs (4 units) | **113.4** | **0.0** | **113.4** | 143.9 | 0.0 | 143.9 |
| **CGUs, total** | **2 307.6** | **8.1** | **2 315.7** | 2 316.2 | 7.9 | 2 324.1 |

* Only intangible assets with indefinite useful life.

## Impairment losses recognised from goodwill

Impairment losses recognised from goodwill in the financial year amounted to EUR 21.5 million (2011: EUR 63.8 million). An impairment loss of EUR 2.5 million (2011: EUR 38.1 million) was recognised from goodwill in the Sanoma Media Russia & CEE SBU, and was associated with weakened sales expectations caused by the general economic situation in Europe being reflected on the Central and Eastern European countries' markets. In June 2012, in connection with the sale of business information services company Esmerk Oy, CGU Language within the Learning segment was tested for impairment. As a result, the remaining goodwill of EUR 7.5 million in the Language CGU (as of the third quarter of 2012 part of 'Other companies and eliminations') was written down to zero. In other CGUs, an EUR 11.6 million (2011: EUR 0.0 million) write-down of goodwill was made related to an acquisition completed in 2001.

## Methodology and assumptions used in impairment testing

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

Calculations of the value in use are based on a five-year forecast period. Cash flow estimates are based on strategic plans which are in line with the operational structure at the time of testing and approved by the management, as well as on the assumptions used in the strategic plans on the development of the business environment. Actual cash flows may differ from estimated cash flows if the key assumptions are not realised as estimated.

The key assumptions in the calculations include estimates of profitability level, discount rate, long-term growth rate as well as market positions. Assumptions about market position and profitability level are based on past experience, as well as on the assessment of the SBU and Group management on the development of the competitive environment and competitive position of each CGU and on the impact of ongoing efficiency improvements. Price development of a single cost item has no material impact, whereas the estimated development of total costs affects the profitability level. Assessments are based on medium-term strategic plans and estimates made annually in each business unit, the assumptions of which are approved by the Sanoma Executive Management Group and the Board in a separate process.

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

| The terminal growth rate used in calculation of the value in use in the most important CGUs in terms of goodwill | 2012 | 2011 |
|---|---|---|
| Sanoma Media Netherlands | **1%** | 1% |
| Sanoma Media Russia & CEE * | **4%** | 5% |
| Learning | **2%** | 2% |
| Sanoma Media Belgium | **2%** | 2% |

* The higher terminal growth rate used in the impairment testing of Sanoma Media Russia & CEE SBU is based on higher long-term market growth, GDP growth and inflation expectations in Russia and Central Eastern Europe compared to Western markets.

The applied discount rate is based on the Group's weighted average cost of capital, which takes into account the risks related to the business portfolio of the Group. The post-tax discount rate used in impairment testing in the reporting period was 6.0% (2011: 7.7%) (pre-tax 2012: 7.7% and 2011: 9.9%) for those CGUs which mainly operate within the eurozone, and 9.6% (2011: 9.6%) (pre-tax 2012: 12.3% and 2011: 12.0%) for CGUs which mainly operate outside the eurozone (Sanoma Media Russia & CEE).

In impairment test calculations, capital expenditure is assumed to comprise normal replacement investments, and foreign exchange rates are based on euro rates at the time of testing.

## Sensitivity analysis of the impairment testing

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

| Excess of value in use in relation to carrying amount of the most important CGUs in terms of goodwilll | 2012 | 2011 |
|---|---|---|
| Sanoma Media Netherlands | **11–20%** | 21-50% |
| Sanoma Media Russia & CEE | **0%** | 0% |
| Learning | **over 50%** | 21-50% |
| Sanoma Media Belgium | **over 50%** | over 50% |

For the Sanoma Media Netherlands SBU, the critical key assumptions are the development of profitability and discount rate. Compared to the previous year's testing, the difference between the value in use and the carrying amount narrowed to 11-20% (2011: 21-50%) primarily due to the weakened market situation and short-term profitability expectations. According to the management's estimate, the carrying amount of the Sanoma Media Netherlands SBU will exceed the value in use if EBITDA falls below 85% of the planned level each year or if the post-tax discount rate rises above 7.0%. These estimates exclude potential simultaneous changes in other variables.

The Sanoma Media Russia & CEE SBU's value in use decreased below the carrying amount due to the lower sales expectations caused by the weakened market situation. After the EUR 2.4 million decrease in value, the SBU's value in use is now equal to the carrying amount of the SBU and any negative change in the key assumptions would result in additional impairment.

As a result of reorganisations of operations done in 2012, the Learning segment's 'Other business' (mainly AAC Global and Bookwell) was moved to the line item 'Other companies and eliminations', after which the Learning segment only includes the Learning business. For the Learning segment, the critical key assumptions are the development of profitability and the discount rate. Compared to the previous year's testing the difference between the value in use and the carrying amount increased to over 50% (2011: 21–50%), mainly due to the decrease in the discount rate. According to the management's estimate, the carrying amount of the Learning segment exceeds the value in use if EBITDA falls below 83% of the planned level each year or if the post-tax discount rate rises above 7.9%. These estimates exclude simultaneous changes in other variables.

For the Sanoma Media Belgium SBU, the critical key assumptions are the development of profitability and the discount rate. According to the management's estimate, the Sanoma Media Belgium SBU's carrying amount will exceed the value in use if EBITDA falls below 69% of the planned level each year or if the post-tax discount rate rises above 7.9%. These estimates exclude simultaneous changes in other variables.

# 15. Interests in associated companies

| Interests in associated companies, EUR million | 2012 | 2011 |
|---|---|---|
| Carrying amount at 1 Jan | **219.3** | 248.7 |
| Share of results * | **-17.7** | -3.7 |
| Dividends | **-4.2** | -13.2 |
| Increases | **1.6** | 3.1 |
| Sold associated companies | **-190.7** | -16.2 |
| Other changes | **-0.3** | 0.7 |
| Translation differences | **0.1** | -0.1 |
| **Carrying amount at 31 Dec** | **8.1** | 219.3 |

* In 2012 the share of results includes a EUR 1.2 million (2011: EUR 4.0 million) impairment in associated companies, a EUR 3.0 million gain on the sale of the 40% shareholding of Hansaprint and a EUR 19.3 million loss on the sale of the 21.1% shareholding of DNA.

The carrying amount of associated companies included EUR 2.1 million (2011: EUR 50.0 million) of goodwill. There were no unrecognised losses of associated companies.

| Most significant associated companies 2012, EUR million | Participation of the Group, % | Assets | Liabilities | Net sales | Profit/loss |
|---|---|---|---|---|---|
| OTHER COMPANIES | | | | | |
| Helsinki Halli Oy * (Sports activity, Finland) | 18.3 | 46.6 | 21.3 | 19.1 | 0.0 |

* Figures from financial year 1.5.2011–30.4.2012, earlier Jokerit HC.

| Most significant associated companies 2011, EUR million | Participation of the Group, % | Assets | Liabilities | Net sales | Profit/loss |
|---|---|---|---|---|---|
| SANOMA MEDIA | | | | | |
| Hansaprint * (Printing, Finland) | 40.0 | 89.9 | 9.7 | 88.3 | -12.7 |
| DNA Oy * (Telecommunications, Finland) | 21.1 | 1 018.6 | 393.4 | 727.5 | 35.8 |
| Stratosféra sr.o. * (Magazine publishing, the Czech Republic) | 30.0 | 4.6 | 2.8 | 9.8 | 0.0 |
| OTHER COMPANIES | | | | | |
| Helsinki Halli Oy ** (Sports activity, Finland) | 18.3 | 40.1 | 16.1 | 16.8 | -1.9 |

* Figures for 2011 are not audited.
** Figures from financial year 1.5.2010–30.4.2011, earlier Jokerit HC.

| Associated company transactions, EUR million | 2012 | 2011 |
|---|---|---|
| Sale of goods to associated companies | **0.0** | 0.1 |
| Rendering of services to associated companies | **1.0** | 1.8 |
| Purchases of goods from associated companies | **0.4** | 21.2 |
| Receiving of services from associated companies | **10.1** | 12.6 |
| **Outstanding receivables and liabilities against associated companies, EUR million** | **2012** | **2011** |
| Current receivables from associated companies | **0.2** | 0.3 |
| Current liabilities to associated companies | **0.4** | 1.5 |

The sale of goods and rendering of services to associated companies are based on the Group's effective market prices, and interest on loans is based on market interest rates. Long-term receivables mainly included loan receivables.

### Other related party transactions with associated companies

In 2012 and 2011, there were no other significant transactions or other related party arrangements with associated companies.

## 16. Available-for-sale financial assets

| Available-for-sale financial assets, EUR million | 2012 | 2011 |
|---|---|---|
| Available-for-sale financial assets, non-current | **8.0** | 15.4 |
| Available-for-sale financial assets, current | **0.3** | 0.3 |
| **Total** | **8.3** | 15.7 |

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

In June, Sanoma sold its total ownership in Esan Kirjapaino Oy to Keskisuomalainen Oyj. The shares represent 14.7% of the total voting shares of Esan Kirjapaino Oy and 19.2% of the total number of shares. As a result ot the transaction, Sanoma recognised capital gain of EUR 0.9 million.

## 17. Trade and other receivables, non-current

| Trade and other receivables, non-current, EUR million | 2012 | 2011 |
|---|---|---|
| **Loans and receivables** | | |
| Trade receivables * | **0.4** | 0.6 |
| Loan receivables | **8.2** | 6.6 |
| Other receivables | **0.4** | 0.5 |
| Accrued income | **2.9** | 9.4 |
| Advance payments | **2.7** | 2.9 |
| Pension assets ** | **33.8** | 24.2 |
| **Total** | **48.4** | 44.3 |

* Trade receivables, see Note 28.
** Pension assets, see Note 7.

The fair values of receivables do not significantly differ from the carrying amounts of receivables. The interests on loan receivables are based on the market interest rates and on predetermined repayment plans.

## 18. Inventories

| Inventories, EUR million | 2012 | 2011 |
|---|---|---|
| Materials and supplies | **14.2** | 14.1 |
| Work in progress | **6.9** | 8.8 |
| Finished products/goods | **43.7** | 72.3 |
| Other inventories | **0.7** | 0.7 |
| Other | **0.7** | 0.8 |
| **Total** | **66.2** | 96.8 |

EUR 3.0 million (2011: EUR 2.4 million) was recognised as impairment in the financial year. The carrying amount of inventories was written down to reflect its net realisable value.

## 19. Trade and other receivables, current

| Trade and other receivables, current, EUR million | 2012 | 2011 |
|---|---|---|
| **Loans and receivables** | | |
| Trade receivables * | **254.8** | 275.4 |
| Loan receivables | **0.1** | 0.1 |
| Other receivables | **19.8** | 26.3 |
| Derivatives, other | **0.1** | 0.8 |
| Accrued income | **87.7** | 95.9 |
| Advance payments | **21.6** | 19.8 |
| **Total** | **384.1** | 418.4 |
| **Receivables from associated companies** | | |
| Trade receivables | **0.1** | 0.3 |
| Loan receivables | **0.1** | 0.0 |
| **Total** | **0.2** | 0.3 |

* Trade receivables, see Note 28.

The Group has recognised a total of EUR 6.1 million (2011: EUR 4.4 million) in credit losses on trade receivables.

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

### Derivatives

Derivatives include derivative instruments, which are valued at fair values on the balance sheet.

The fair values of derivatives are presented in Note 28.

### Accrued income

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

## 20. Cash and cash equivalents

| Cash and cash equivalents in the balance sheet, EUR million | 2012 | 2011 |
|---|---|---|
| Cash in hand and at bank | **154.8** | 108.0 |
| Deposits | **12.4** | 8.0 |
| **Total** | **167.2** | 116.0 |

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

| Cash and cash equivalents in the cash flow statement, EUR million | 2012 | 2011 |
|---|---|---|
| Cash and cash equivalents on the balance sheet | **167.2** | 116.0 |
| Bank overdrafts | **-94.1** | -22.5 |
| **Total** | **73.1** | 93.5 |

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

## 21. Equity

| | Number of shares | | Share capital and funds, EUR million | | |
|---|---|---|---|---|---|
| | All shares | Total | Share capital | Fund for invested unrestricted equity | Total |
| At 1 Jan 2011 | 162 810 593 | 162 810 593 | 71.3 | 203.3 | 274.6 |
| Share subscription with options * | 1 500 | 1 500 | | | |
| At 31 Dec 2011 | 162 812 093 | 162 812 093 | 71.3 | 203.3 | 274.6 |
| Share subscription with options | | | | | |
| **At 31 Dec 2012** | **162 812 093** | **162 812 093** | **71.3** | **203.3** | **274.6** |

* Includes 1,500 shares registered on 3 January 2012.

The maximum amount of share capital cannot exceed EUR 300.0 million (2011: EUR 300.0 million). The share has no nominal value and no accountable par is in use. The shares have been fully paid.

### Treasury shares

Sanoma cancelled its 2,425,000 treasury shares in February 2009. On the balance sheet date the Group did not hold any treasury shares.

### Fund for invested unrestricted equity

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

According to the AGM decision on 1 April 2008 the Company's premium fund was reduced in 2008 by transferring all the funds in the premium fund on the AGM date to the Company's fund for invested unrestricted equity. The reduction in the premium fund was taken into effect without compensation, and it did not have any effect on the number of the Company shares, rights carried by the shares, the proportional ownership of the Company, or in the terms and conditions of the Company's stock option schemes.

### Translation differences

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

### Other reserves

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

# 22. Stock options

Sanoma had six option schemes during the financial year 2012: Stock Option Scheme 2004 issued on the basis of an authorisation received at the AGM of 30 March 2004, Stock Option Schemes 2007, 2008 and 2009 issued on the basis of an authorisation received at the AGM of 4 April 2007 and Stock Option Schemes 2010 and 2011 issued on the basis of an authorisation received at the AGM of 8 April 2010. Stock options are granted to the management of the Sanoma Group by a decision of the Board of Directors.

### Stock Option Scheme 2004

The scheme comprises a maximum 4,500,000 stock options, each entitling the holder to one Sanoma share. 2004 stock options have been granted in three stages: at the turn of 2004/2005 (2004A stock options), 2005/2006 (2004B) and 2006/2007 (2004C). In each stock option category, a maximum of 1,500,000 stock options could be issued. The exercise price in all three stages of both option schemes is the average price of Sanoma shares as quoted in November–December of each year with an addition of 20%. The annual dividend is deducted from the exercise price. In accordance with the decision of the AGM of 1 April 2008, the exercise price is recognised in its entirety in the fund for invested unrestricted equity.

Trading with 2004C stock options began on the Main List of the NASDAQ OMX Helsinki on 1 November 2009 and ended on 30 November 2012. The non-distributed and returned options are cancelled or given to Sanoma's fully-owned subsidiary Lastannet Oy to be used according to a future decision of the Board of Directors of Sanoma.

### Stock Option Scheme 2007

The Stock Option Scheme 2007 comprises a maximum of 1,500,000 stock options, which entitle their holders to subscribe for a maximum total of 1,500,000 new or existing shares held by the Company. The original exercise price of 2007 stock options on 19 December 2007, the date of adoption of the option scheme, was EUR 24.26. The annual dividend or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2007 stock options will be 1 November 2010 – 30 November 2013. The exercise price is recognised in fund for invested unrestricted equity.

### Stock Option Scheme 2008

The Stock Option Scheme 2008 comprises a maximum of 1,700,000 stock options, which entitle their holders to subscribe for a maximum total of 1,700,000 new or existing shares held by the Company. On 19 December 2008, the Board of Directors of Sanoma Corporation decided to distribute 1,335,750 stock options to 287 executives and managers of Sanoma Corporation and its subsidiaries. The remaining 364,250 stock options were given to Lastannet Oy, a fully-owned subsidiary of the Company, for possible use at a later stage. The exercise price of a 2008 stock option is the volume-weighted average price of a Sanoma share as quoted by NASDAQ OMX Helsinki between 1 November – 31 December 2008 with an addition of 20%. Thus, the exercise price of a stock option was originally EUR 12.25. Paid dividends or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2008 stock options will be 1 November 2011 – 30 November 2014. The exercise price is recognised in the fund for invested unrestricted equity.

**Stock options**

| Basic information | 2004B | 2004C | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| Maximum number of stock options | 1 500 000 | 1 500 000 | 1 500 000 | 1 700 000 | 1 800 000 | 1 600 000 | 1 700 000 |
| The number of shares exercised by one stock option | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Initial exercise price, EUR | 23.25 | 25.21 | 24.26 | 12.25 | 17.41 | 19.51 | 10.35 |
| Dividend adjustment | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Exercise price at 31 Dec 2006, EUR * | 22.35 | 25.21 | --- | --- | --- | --- | --- |
| Exercise price at 31 Dec 2007, EUR * | 21.40 | 24.26 | 24.26 | --- | --- | --- | --- |
| Exercise price at 31 Dec 2008, EUR * | 20.40 | 23.26 | 23.26 | 12.25 | --- | --- | --- |
| Exercise price at 31 Dec 2009, EUR * | 19.50 | 22.36 | 22.36 | 11.35 | 17.41 | --- | --- |
| Exercise price at 31 Dec 2010, EUR * | 18.70 | 21.56 | 21.56 | 10.55 | 16.61 | 19.51 | --- |
| Exercise price at 31 Dec 2011, EUR * | 17.60 | 20.46 | 20.46 | 9.45 | 15.51 | 18.41 | 10.35 |
| Exercise price at 31 Dec 2012, EUR * | | 19.86 | 19.86 | 8.85 | 14.91 | 17.81 | 9.75 |
| Beginning of exercise period, date (vesting) | 1.11.2008 | 1.11.2009 | 1.11.2010 | 1.11.2011 | 1.11.2012 | 1.11.2013 | 1.11.2014 |
| End of exercise period, date (expiration) | 30.11.2011 | 30.11.2012 | 30.11.2013 | 30.11.2014 | 30.11.2015 | 30.11.2016 | 30.11.2017 |
| Remaining expiry time at 31 Dec 2012, years | Rendered | Rendered | 0,9 | 1,9 | 2,9 | 3,9 | 4,9 |
| Number of persons at 31 Dec 2012 | 0 | 188 | 179 | 169 | 198 | 198 | 192 |

* The dividend is deducted from the exercise price annually. The dividend for 2011 was EUR 0.60 per share (record date 10 April 2012). The dividend for 2010 was EUR 1.10 per share (record date 8 April 2011).

## Stock Option Scheme 2009

The Stock Option Scheme 2009 comprises a maximum of 1,800,000 stock options, which entitle their holders to subscribe for a maximum total of 1,800,000 new or existing shares held by the Company. On 18 December 2009, the Board of Directors of Sanoma Corporation decided to distribute 1,395,400 stock options to 297 executives and managers of Sanoma Corporation and its subsidiaries. The remaining 404,600 stock options were given to Lastannet Oy, a fully-owned subsidiary of the Company, for possible use at a later stage. An obligation to own Company shares is included in the distribution of stock options to the President and CEO, members of the Executive Management Group and the senior managers as defined by the Board of Directors. The exercise price of a 2009 stock option is the volume-weighted average price of a Sanoma share as quoted by NASDAQ OMX Helsinki between 1 November – 31 December 2009 with an addition of 20%. Thus, the exercise price of a stock option was EUR 17.41 on 31 December 2009. Paid dividends or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2009 stock options will be 1 November 2012 – 30 November 2015. The exercise price is recognised in the fund for invested unrestricted equity.

## Stock Option Scheme 2010

The Stock Option Scheme 2010 comprises a maximum of 1,600,000 stock options, which entitle their holders to subscribe for a maximum total of 1,600,000 new or existing shares held by the Company. On 22 December 2010, the Board of Directors of Sanoma Corporation decided to distribute 1,369,200 stock options to 294 executives and managers of Sanoma Corporation and its subsidiaries. The remaining 230,800 stock options were given to Lastannet Oy, a fully-owned subsidiary of the Company, for possible use at a later stage. An obligation to own Company shares is included in the distribution of stock options to the President and CEO, members of the Executive Management Group and the senior managers as defined by the Board of Directors. The exercise price of a 2010 stock option is the volume-weighted average price of a Sanoma share as quoted by NASDAQ OMX Helsinki between 1 November – 31 December 2010 with an addition of 20%. Thus, the exercise price of a stock option was EUR 19.51 on 31 December 2010. Paid dividends or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2010 stock options will be 1 November 2013 – 30 November 2016. The exercise price is recognised in the fund for invested unrestricted equity.

**Stock options**

| Changes in 2012 | 2004B | 2004C | 2007 | 2008 | 2009 | 2010 | 2011 | Total |
|---|---|---|---|---|---|---|---|---|
| Granted at 1 Jan | 1 168 300 | 1 300 900 | 1 380 450 | 1 399 250 | 1 408 400 | 1 372 200 | 1 355 500 | 9 385 000 |
| Returned at 1 Jan | 140 600 | 190 700 | 366 800 | 289 300 | 245 900 | 134 200 | 0 | 1 367 500 |
| Cancelled at 1 Jan | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exercised at 1 Jan | 0 | 0 | 0 | 1 500 | 0 | 0 | 0 | 1 500 |
| Outstanding at 1 Jan | 0 | 1 110 200 | 1 013 650 | 1 108 450 | 1 162 500 | 1 238 000 | 1 355 500 | 6 988 300 |
| Non-distributed at 1 Jan | 0 | 389 800 | 486 350 | 590 050 | 637 500 | 362 000 | 344 500 | 2 810 200 |
| Granted during the period | | | | | | | 5 000 | 5 000 |
| Returned during the period | | | | 3 000 | 142 000 | 219 000 | 185 000 | 549 000 |
| Cancelled during the period | | | | | | | | 0 |
| Exercised during the period | | | | | | | | 0 |
| Weighted average price of share during the exercise period, EUR * | | 8.05 | 8.03 | 8.03 | 7.36 | --- | --- | --- |
| Expired during the period | | 1 110 200 | | | | | | 1 110 200 |
| Granted at 31 Dec | 1 168 300 | 1 300 900 | 1 380 450 | 1 399 250 | 1 408 400 | 1 372 200 | 1 360 500 | 9 390 000 |
| Returned at 31 Dec | 140 600 | 190 700 | 366 800 | 292 300 | 387 900 | 353 200 | 185 000 | 1 916 500 |
| Cancelled at 31 Dec | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exercised at 31 Dec | 0 | 0 | 0 | 1 500 | 0 | 0 | 0 | 1 500 |
| Outstanding at 31 Dec | 0 | 0 | 1 013 650 | 1 105 450 | 1 020 500 | 1 019 000 | 1 175 500 | 5 334 100 |
| Non-distributed at 31 Dec | 0 | 0 | 486 350 | 593 050 | 779 500 | 581 000 | 524 500 | 2 964 400 |
| The number of unvested stock options at 31 Dec 2012 ** | 0 | 0 | 0 | 0 | 0 | 1 019 000 | 1 175 500 | 2 194 500 |

* The weighted average price of Sanoma share between January and November 2012 (2004C), during the year 2012 (2007 and 2008) and between November and December 2012 (2009).
** Vesting period begins at grant date and ends when exercise period begins.

## Stock Option Scheme 2011

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

⊕ More specific information on the stock options is presented in the tables on the previous page and in the following tables. Information on the management ownership is presented in Note 32. Changes in ownership of management during the financial year can be found in Sanoma's insider register at Sanoma.com.

## Determination of fair value

The fair value of stock options has been determined using the Black–Scholes valuation model. The fair value of options is determined on the grant date and the fair value is recognised as personnel expenses during the vesting period. The grant date is the date of the decision of the Board of Directors. According to IFRS, those stock options that have been granted before 7 November 2002 have not been recognised as expenses. In 2012, a total of EUR 2.6 million has been recorded as expenses (2011: EUR 3.5 million).

| **Most significant assumptions in Black–Scholes model** | **2012** | 2011 |
|---|---|---|
| Number of granted stock options | **5 000** | 1 358 500 |
| Average price of share * | **7.10** | 8.89 |
| Exercise price * | **9.75** | 10.37 |
| Interest rate * | **0.8%** | 1.8% |
| Maturity, years * | **5.2** | 5.9 |
| Volatility *, ** | **31.2%** | 26.8% |
| Probability of returned stock options * | **0.0%** | 5.0% |
| Expected dividends | **---** | --- |
| Fair value total, EUR | **6 600** | 3 597 290 |

* Figures were calculated as weighted average figures.
** Volatility has been estimated on the basis of historical share price fluctuations by using monthly observations during a period comparable with the lifetime of the option period.

| **Changes in stock options during the period and the weighted average exercise prices** | **2012** | | 2011 | |
|---|---|---|---|---|
| | **Number of stock options** | **Exercise price, EUR *** | Number of stock options | Exercise price, EUR ** |
| Granted at 1 Jan | 8 216 700 | 16.31 | 8 026 500 | 18.01 |
| Outstanding at 1 Jan | 6 988 300 | 15.57 | 7 443 300 | 17.88 |
| Granted during the period | 5 000 | 9.75 | 1 358 500 | 10.37 |
| Returned during the period | 549 000 | 14.29 | 784 300 | 15.44 |
| Exercised during the period | | | 1 500 | 9.45 |
| Expired during the period | 1 110 200 | 19.86 | 1 027 700 | 17.60 |
| Granted at 31 Dec | 8 221 700 | 15.12 | 9 385 000 | 15.96 |
| Outstanding at 31 Dec | 5 334 100 | 14.01 | 6 988 300 | 15.57 |

* The exercise price at the beginning of the period is the status at 31 Dec 2011. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 Dec 2012.
** The exercise price at the beginning of the period is the status at 31 Dec 2010. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 Dec 2011.

# 23. Provisions

| Changes in provisions, EUR million | Restructuring provisions | Other provisons | Total |
|---|---|---|---|
| At 1 Jan 2012 | 13.4 | 8.3 | 21.6 |
| Translation differences | | 0.1 | 0.1 |
| Increases | 4.4 | 1.3 | 5.7 |
| Amounts used | -6.1 | -2.0 | -8.1 |
| Unused amounts reversed | -0.1 | -2.1 | -2.2 |
| **At 31 Dec 2012** | **11.6** | **5.6** | **17.2** |

| Carrying amounts of provisions, EUR million | 2012 | 2011 |
|---|---|---|
| Non-current | **4.1** | 6.3 |
| Current | **13.0** | 15.3 |
| **Total** | **17.2** | 21.6 |

Provisions were based on best estimates on the balance sheet date. Restructuring provisions were mainly related to business restructuring of the Sanoma Media segment. Other provisions comprised provisions related to contracts with customers and other smaller provisions. Cancellation of provisions was due to re-evaluating realised expenses. Individual provisions were not material at the Group level.

# 24. Financial debt

| Financial debt, EUR million | 2012 | 2011 |
|---|---|---|
| **Non-current financial debt at amortised cost** | | |
| Loans from financial institutions | **527.3** | 1 079.3 |
| Bonds | **398.7** | |
| Pension loans | **3.5** | 0.3 |
| Finance lease liabilities | **12.3** | 13.1 |
| Other liabilities | **0.4** | 8.6 |
| **Total** | **942.2** | 1 101.2 |
| **Current financial debt at amortised cost** | | |
| Loans from financial institutions | **128.9** | 349.5 |
| Pension loans | **1.1** | |
| Commercial papers | **231.8** | 252.5 |
| Finance lease liabilities | **1.3** | 1.8 |
| Other liabilities | **103.4** | 22.2 |
| **Total** | **466.5** | 626.0 |
| **Total** | **1 408.7** | 1 727.2 |

The fair values of financial debt did not differ significantly from the carrying amounts.

## Loans from financial institutions

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

The average interest rate for loans (excluding agency fees) during the financial year, excluding finance leases, was 2.0% (2011: 1.6%).

## Bonds

The Group issued a EUR 400 million five-year Senior Unsecured Eurobond for European investors. The bond pays a fixed coupon of 5.000% and has an issue price of 99.413.

### Commercial papers

Sanoma Corporation has domestic and foreign commercial paper programmes which are used for short-term liquidity needs. Commercial papers are valued at amortised cost, and transaction costs are recognised directly as expenses due to their insignificant influence. In accordance with its Treasury Policy, the Group has established committed credit lines with banks. At minimum, the total amount of these credit lines equals the total amount of commercial papers issued by the Group at all times.

### Finance lease liabilities

| Finance lease liabilities, EUR million | 2012 | 2011 |
|---|---|---|
| **Total minimum lease payments** | | |
| Not more than 1 year | **1.5** | 2.0 |
| 1–5 years | **5.8** | 5.8 |
| More than 5 years | **11.1** | 12.5 |
| **Total** | **18.3** | 20.3 |
| **Present value of minimum lease payments** | | |
| Not more than 1 year | **1.0** | 1.3 |
| 1–5 years | **3.5** | 3.5 |
| More than 5 years | **9.1** | 10.0 |
| **Total** | **13.6** | 14.9 |
| **Future finance charges** | **4.7** | 5.4 |

The most significant items under finance leases were related to premises.

## 25. Trade and other payables

| Trade and other payables, EUR million | 2012 | 2011 |
|---|---|---|
| **Non-current** | | |
| Accrued expenses | **29.8** | 25.4 |
| Advances received | **0.1** | 0.1 |
| Other financial liabilities at amortised cost | **15.0** | 13.3 |
| **Total** | **44.9** | 38.9 |
| **Current** | | |
| Current financial liabilities at amortised cost | | |
| Trade payables | **177.1** | 220.3 |
| Other liabilities | **68.2** | 76.4 |
| Derivatives, hedge accounting | **12.5** | 14.0 |
| Derivatives, other | **5.6** | 0.2 |
| Accrued expenses | **291.6** | 310.1 |
| Advances received | **202.0** | 204.8 |
| **Total** | **757.1** | 825.8 |
| **Current to associated companies** | | |
| Trade payables | **0.0** | 0.7 |
| Other liabilities | **0.4** | 0.7 |
| **Total** | **0.4** | 1.5 |
| **Total** | **801.9** | 864.7 |

### Derivatives

Derivatives include derivative instruments, which are valued at fair values in the balance sheet.

The fair values of derivatives are presented in Note 28.

### Accrued expenses

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

# 26. Contingent liabilities

| Contingent liabilities, EUR million | 2012 | 2011 |
|---|---|---|
| **Contingencies for own commitments** | | |
| Mortgages | **9.7** | 9.7 |
| Pledges | **2.4** | 2.5 |
| Other items | **45.8** | 0.3 |
| **Total** | **57.9** | 12.5 |
| **Other commitments** | | |
| Operating lease liabilities (Note 27) | **199.4** | 196.1 |
| Royalties | **17.5** | 19.8 |
| Other items | **46.0** | 51.3 |
| **Total** | **262.9** | 267.2 |
| **Total** | **320.8** | 279.7 |

Contingent liabilities of joint ventures have been included based on the proportionate consolidation method according to ownership percentage. The Group's total contingent liabilities included EUR 14.0 million (2011: EUR 10.5 million) of joint ventures' contingent liabilities.

## Disputes and litigations

The Sanoma Group had no major ongoing litigation or administrative proceedings during the financial year or previous year. The Group is periodically involved in incidental litigation or administrative proceedings primarily arising in the normal course of our business. Sanoma feels that its gross liability, if any, under any pending or existing incidental litigation or administrative proceedings would not materially affect the Group's financial position or results of operations.

# 27. Operating lease liabilities

| Non-cancellable minimum lease liabilities by maturity, EUR million | 2012 | 2011 |
|---|---|---|
| Not later than 1 year | **42.1** | 52.0 |
| 1–5 years | **90.3** | 114.7 |
| Later than 5 years | **67.0** | 29.4 |
| **Total** | **199.4** | 196.1 |

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

| Non-cancellable minimum lease payments to be received by maturity, EUR million | 2012 | 2011 |
|---|---|---|
| Not later than 1 year | **0.7** | 1.4 |
| 1–5 years | **1.6** | 1.4 |
| Later than 5 years | | 0.8 |
| **Total** | **2.3** | 3.5 |

Total minimum lease payments to be received did not include sublease payments at the end of the financial year or previous year.

# 28. Financial risk management

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

The Sanoma Group has a strong, steady and predictable cash flow, which substantially reduces liquidity risks. In the medium term, liquidity risks are also managed by seeking to regain a capital structure corresponding to an investment-grade company profile to ensure access to low-cost financing. Financial risks can be mitigated with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable.

The Group used interest rate and currency swaps to hedge against financial risks during the year.

## Interest rate risks

The Group's interest rate risks are mainly related to changes in reference rates and loan margins associated with the floating-rate loans in the Group's loan portfolio. The Group can manage its exposure to interest rate risks by using a mix of fixed-rate and floating-rate loans. Interest rate derivatives can also be used to serve this purpose.

| Loan portfolio by interest rate, EUR million | 2012 | 2011 |
|---|---|---|
| Floating-rate loans | **960.4** | 1 675.6 |
| of which converted to fixed-rate using interest rate swap | **740.0** | 640.0 |
| Fixed-rate loans | **448.3** | 51.6 |
| **Total** | **1 408.7** | 1 727.2 |
| Floating-rate loans including the effect of interest rate swap | **220.4** | 1035.6 |
| Average duration, years | **2.0** | 1.0 |
| Average rate (excluding agency fees), % | **3.3** | 2.5 |
| Interest sensitivity, EUR million * | **1.3** | 9.3 |

* Interest rate sensitivity is calculated by assuming a one percentage point increase in interest rates. The sensitivity represents the effect on profit before taxes. With an increase of one percentage point in the interest rate, the value of derivatives recognised in the Group's equity increases by EUR 7.8 million.

## Currency risks

The bulk of the Group's cash flow from operations is denominated in euros. However, the Group is exposed to transaction risks resulting from cash flows related to revenue and expenditure in different currencies. Group companies are responsible for monitoring and hedging against transaction risks related to their business operations in accordance with the Group's Treasury Policy. Business operations outside the euro area (countries in which the currency is not pegged to the euro) account for about 14% (2011: 12%) of consolidated net sales and mainly consist of sales denominated in Russian roubles, Hungarian forints, Polish zlotys and Czech korunas. The majority of transaction risks in 2013 will be related to the acquisition of programming rights denominated in US dollars. The Group has adopted forward contracts as a means of hedging against major transaction risks.

The Group is also exposed to translation risks resulting from converting the income statement and balance sheet items of foreign subsidiaries into euros. If all reporting currencies weakened by 10% against the euro, the Group net sales would decrease by EUR 31.7 million (based on the figures of 31 December 2012). If all reporting currencies strengthened by 10% against the euro, the Group net sales would increase by EUR 38.8 million. The less-advanced currency markets in Russia and Eastern Central Europe restrict hedging opportunities. The Group does not make use of specific tools to hedge against economic policy risks related to business operations. However, a significant change in exchange rates may have an effect on the goodwill of the businesses in Russia and Central Eastern Europe. The Group did not hedge against translation risks in 2012.

## Liquidity risks

Liquidity risks are associated with debt servicing, investment financing and working capital adequacy. During the financial period, the Group converted short-term loans into long-term loans by issuing a EUR 400 million five-year Unsecured Eurobond for the European market and signing a EUR 600 million five-year syndicated revolving credit facility. Sanoma aims to minimise its liquidity risks by ensuring sufficient income financing, maintaining adequate committed credit limits, using several financing institutions and forms of financing, and extending loan repayment programmes over a number of calendar years. The Group's undrawn committed credit limits must be sufficient to cover its financial needs, loan repayments and outstanding commercial papers as planned. Liquidity risks are monitored daily, based on a two-week forecast, and monthly on a 12-month rolling forecast. In addition, the Group's Treasury Policy sets minimum requirements for cash reserves.

| The Group's financing programmes in 2012, EUR million | Amount of limits | Unused credit lines |
|---|---|---|
| Bilateral committed facilities | 1 230.4 | 605.0 |
| Commercial paper programmes | 1 100.0 | 868.2 |
| Bond | 400.0 | 0 |
| Current account limits | 143.4 | 49.3 |

Out of EUR 1,230.4 million of committed facilities, EUR 172.8 million will mature in 2013, EUR 247.8 million in 2014, EUR 129.7 million in 2015, EUR 80.0 million in 2016 and EUR 600.0 million in 2017. The Group's financing agreements include customary covenants related to factors such as the position of creditors, key financial indicators and the use of pledges and mortgages. In 2012, the Group fulfilled the requirements of all covenants by a clear margin.

| Financial liabilities, EUR million | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital | Capital with interest * | Undrawn from limits | Total | Capital | Capital with interest | Undrawn from limits | Total |
| Loans from financial institutions | 750.3 | 782.4 | 605.0 | 1 389.4 | 1 428.8 | 1 430.4 | 583.5 | 2 013.9 |
| Bond | 398.7 | 502.0 | | 502.0 | | | | |
| Commercial paper programmes | 231.8 | 232.5 | | 232.5 | 252.5 | 253.8 | | 253.8 |
| Finance lease liabilities | 13.6 | 13.7 | | 13.7 | 14.9 | 15.0 | | 15.0 |
| Other interest-bearing liabilities | 14.3 | 14.4 | | 14.4 | 35.0 | 35.1 | | 35.1 |
| Trade payables and other liabilities | 289.4 | 289.4 | | 289.4 | 332.8 | 332.8 | | 332.8 |
| Derivatives | 13.2 | 16.1 | | 16.1 | 9.6 | 11.5 | | 11.5 |
| **Total** | **1 711.3** | **1 850.5** | **605.0** | **2 457.5** | 2 073.6 | 2 078.6 | 583.5 | 2 662.1 |

* The estimate of the interest liability is based on the interest level on the balance sheet date.

| Maturity of financial liabilities 2012, EUR million | 2013 | 2014 | 2015 | 2016 | 2017 | 2018– | Total |
|---|---|---|---|---|---|---|---|
| Loans from financial institutions | 230.6 | 106.3 | 61.4 | 40.8 | 343.3 | | 782.4 |
| Bond | 20.5 | 20.5 | 20.5 | 20.5 | 420.0 | | 502.0 |
| Commercial paper programmes | 232.5 | | | | | | 232.5 |
| Finance lease liabilities | 1.5 | 1.5 | 1.5 | 1.4 | 1.4 | 6.4 | 13.7 |
| Other interest-bearing liabilities | 9.1 | 3.9 | 1.4 | | | | 14.4 |
| Trade payables and other liabilities | 235.3 | 22.0 | 15.4 | 7.9 | 2.1 | 6.7 | 289.4 |
| Interest rate swaps | 9.7 | 5.3 | 1.1 | | | | 16.1 |
| **Total** | **739.2** | **159.5** | **101.3** | **70.6** | **766.8** | **13.1** | **1 850.5** |

| Maturity of financial liabilities 2011, EUR million | 2012 | 2013 | 2014 | 2015 | 2016 | 2017– | Total |
|---|---|---|---|---|---|---|---|
| Loans from financial institutions | 358.2 | 632.4 | 102.4 | 102.4 | 220.2 | 14.8 | 1430.4 |
| Commercial paper programmes | 253.8 | | | | | | 253.8 |
| Finance lease liabilities | 1.5 | 1.5 | 1.5 | 1.5 | 1.4 | 7.6 | 15.0 |
| Other interest-bearing liabilities | 22.5 | 0.4 | 12.2 | | | | 35.1 |
| Trade payables and other liabilities | 297.5 | 18.2 | 8.8 | 3.2 | 2.0 | 3.1 | 332.8 |
| Interest rate swaps | 5.0 | 4.6 | 1.9 | | | | 11.5 |
| **Total** | **938.5** | **657.1** | **126.8** | **107.1** | **223.6** | **25.5** | **2 078.6** |

## Credit risks

Sanoma's credit risks are related to its business operations. The Sanoma Group's diversified operations in some 20 countries significantly mitigate the credit risk concentrations, and neither an individual customer nor a group of customers is material in the Group. The Group's operational units are responsible for managing credit risks related to their businesses. The Group's Treasury Policy specifies credit rating requirements for counterparties to financial transactions as well as Group guidelines related to investments. The most significant counterparty risks are related to the solvency of the financing banks. The Group has spread its risks efficiently by dealing with several counterparties in financing transactions.

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

| The aging of trade receivables, EUR million | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| Not due | 192.4 | -0.9 | 191.5 | 209.7 | -0.1 | 209.6 |
| Past due 1–30 days | 45.6 | -1.0 | 44.6 | 37.2 | -0.1 | 37.1 |
| Past due 31–120 days | 15.5 | -1.1 | 14.4 | 18.5 | -1.0 | 17.5 |
| Past due 121–360 days | 6.9 | -2.9 | 4.0 | 9.4 | -2.6 | 6.7 |
| Past due more than 1 year | 7.8 | -7.1 | 0.6 | 13.8 | -8.7 | 5.1 |
| **Total** | **268.2** | **-13.1** | **255.2** | 288.6 | -12.5 | 276.1 |

Collateral is required from customers in franchising agreements and in some other cases, such as advertising receivables.

For information on trade receivables and other receivables, see Notes 17 and 19.

## Capital risk management

The Group's medium-term goal is to regain a capital structure corresponding to an investment-grade company profile. The Group aims to keep its equity ratio between 35% and 45%, its net debt/EBITDA ratio below 3.5 and gearing below 100%.

When calculating the equity ratio, the share that the minority holding in SBS represents in the goodwill was recorded in equity as the goodwill of SBS was calculated using the full goodwill method.

When calculating the net debt/EBITDA, the following adjustments are made to the reported EBITDA (continuing operations): non-recurring items are removed, the effects of acquisitions are added and the effects of divestments are deducted for the reporting period and the effects of programming rights and prepublication rights amortisations are deducted for the reporting period.

In 2012, the Group's equity ratio was 42.4% (2011: 37.0%), net debt/EBITDA ratio was 3.6 (2011: 4.3) and gearing 76.2% (2011: 105.7%).

| Net debt, EUR million | 2012 | 2011 |
|---|---|---|
| Interest-bearing liability | **1 408.7** | 1 727.2 |
| Cash and cash equivalents | **167.2** | 116.0 |
| **Total** | **1 241.5** | 1 611.2 |

The Sanoma Group does not have an official credit rating.

## Derivative instruments

| Nominal values of derivative instruments, EUR million | 2012 | 2011 |
|---|---|---|
| **Interest rate swaps** | | |
| Cash flow hedges under IAS 39 hedge accounting | **540.0** | 640.0 |
| Outside hedge accounting | **200.0** | |
| **Forward exchange contracts** | | |
| Outside hedge accounting | **102.5** | 36.6 |
| **Total** | **842.5** | 676.6 |

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

| Fair values of derivative instruments, EUR million | 2012 | 2011 |
|---|---|---|
| **Interest rate swaps** | | |
| Cash flow hedges under IAS 39 hedge accounting | **-12.5** | -11.5 |
| Outside hedge accounting | **-3.7** | |
| **Forward exchange contracts** | | |
| Outside hedge accounting | **-1.1** | 0.6 |
| **Total** | **-17.3** | -10.9 |

Based on the interest level on the balance sheet date, cash flows related to the cash flow hedge are not expected to have a significant effect on the results for 2013–2015.

The fair value of interest rate swaps is based on discounted future cash flows.

# 29. Most significant subsidiaries

| Most significant subsidiaries at 31 Dec 2012 | Parent Company holding, % | Sub-group's Parent Company holding, % | Group holding, % |
|---|---|---|---|
| **SANOMA MEDIA** | | | |
| Sanoma Media B.V., The Netherlands * | 100.0 | | 100.0 |
| Sanoma Image B.V., The Netherlands * | 66.7 | | 66.7 |
| Independent Media Holding B.V., The Netherlands | | 100.0 | 100.0 |
| **Sanoma Media Belgium** | | | |
| Sanoma Magazines Belgium N.V., Belgium | | 100.0 | 100.0 |
| Head Office N.V., Belgium | | | 100.0 |
| **Sanoma Media Russia & CEE** | | | |
| Sanoma Media Russia & CEE B.V., The Netherlands | | 100.0 | 100.0 |
| Independent Media B.V., The Netherlands | | | 100.0 |
| Net Info.BG AD, Bulgaria | | | 100.0 |
| Sanoma Media Budapest Zártkörűen Működő Részvénytársaság, Hungary | | | 100.0 |
| Sanoma Digital s.r.l., Romania | | | 100.0 |
| Sanoma Hearst Prague B.V., The Netherlands | | | 60.0 |
| Sanoma Hearst Romania s.r.l., Romania | | | 65.0 |
| Sanoma Media Praha s.r.o., The Czech Republic | | | 100.0 |
| OOO United Press, Russia | | | 100.0 |
| Websitemaster a.s, The Czech Republic | | | 100.0 |
| **Sanoma Media Netherlands** | | | |
| Sanoma Media Netherlands B.V., The Netherlands | | | 100.0 |
| Mood for Magazines B.V., The Netherlands | | | 100.0 |
| Sanoma Digital The Netherlands B.V., The Netherlands | | | 100.0 |
| SBS Broadcasting B.V., The Netherlands | | 100.0 | 100.0 |
| Hemels B.V., The Netherlands | | | 71.0 |
| **Sanoma Media Finland** | | | |
| Sanoma Magazines Finland Oy, Helsinki * | 100.0 | | 100.0 |
| Sanoma Entertainment Ltd, Helsinki * | 100.0 | | 100.0 |
| Sanoma Tekniikkajulkaisut Oy, Helsinki | | 60.0 | 60.0 |

| Most significant subsidiaries at 31 Dec 2012 | Parent Company holding, % | Sub-group's Parent Company holding, % | Group holding, % |
|---|---|---|---|
| **SANOMA NEWS** | | | |
| Sanoma News Oy, Helsinki * | 100.0 | | 100.0 |
| Lehtikanta Oy, Kouvola | | | 100.0 |
| Netwheels Oy, Helsinki | | 55.8 | 55.8 |
| Oikotie Oy, Helsinki | | 75.0 | 75.0 |
| AS Sanoma Baltics, Estonia | | 100.0 | 100.0 |
| Sanoma Lehtimedia Oy, Anjalankoski | | 100.0 | 100.0 |
| Sanomapaino Oy, Helsinki | | 100.0 | 100.0 |
| **SANOMA LEARNING** | | | |
| Sanoma Learning Oy, Helsinki* | 100.0 | | 100.0 |
| Sanoma Invest B.V., The Netherlands * | 100.0 | | 100.0 |
| L.C.G. Malmberg B.V., The Netherlands | | | 100.0 |
| Nemzeti Tankönyvkiádo Zrt, Hungary | | | 99.9 |
| Nowa Era Sp. z.o.o., Poland | | 100.0 | 100.0 |
| NTK-Perfekt Oktató és Kiadó Holding Zrt, Hungary | | 100.0 | 100.0 |
| Perfekt Gazdasági Tanácsadó, Oktató és Kiadó Zrt., Hungary | | | 100.0 |
| Sanoma Utbildning AB, Sweden | | 100.0 | 100.0 |
| Tankönyvmester Kft, Hungary | | | 100.0 |
| Uitgeverij Van In N.V., Belgium | | | 100.0 |
| Vulcan SP. z.o.o., Poland | | | 100.0 |
| Young Digital Planet S.A., Poland | | 100.0 | 100.0 |
| **OTHER COMPANIES** | | | |
| Pressco Trade Servides (PTS) Oy, Vantaa | 100.0 | | 100.0 |
| Kiinteistö Oy Ärrävaara, Vantaa | 100.0 | | 100.0 |
| B.V. Aldipress, The Netherlands | | | 100.0 |
| AAC Global AB, Sweden | | | 100.0 |
| AAC Global Oy, Helsinki | | 100.0 | 100.0 |
| AAC Global UK Ltd, Great Britain | | | 100.0 |
| Bookwell Ltd, Porvoo | | 67.8 | 67.8 |
| Weilin+Göös Oy, Helsinki | | 100.0 | 100.0 |

* Parent Company of the sub-group.

# 30. Joint ventures

Joint ventures have been consolidated using the proportionate consolidation method. Aggregate assets, liabilities, net sales and net result are presented in the following table as consolidated with proportionate ownership. Personnel figures include the total figure for the companies.

| Joint ventures, EUR million | 2012 | 2011 |
|---|---|---|
| Non-current assets | **128.2** | 127.2 |
| Current assets | **71.6** | 74.1 |
| Non-current liabilities | **15.9** | 52.2 |
| Current liabilities | **103.7** | 65.5 |
| **Net assets** | **80.2** | 83.6 |
| Income | **158.5** | 132.0 |
| Expenses | **140.5** | 114.7 |
| **Net result for the period** | **17.9** | 17.3 |
| Average number of employees (full-time equivalents) | **1 459** | 1 517 |

| Most significant joint ventures at 31 Dec 2012 | Participation of the Group, % |
|---|---|
| MEDIA | |
| **Independent Media Holding B.V.** | |
| ZAO Business News Media, Russia | 33.3 |
| OOO Fashion Press, Russia | 50.0 |
| OOO Publishing House Independent Media, Ukraine | 50.0 |
| **Sanoma Media Russia & CEE B.V.** | |
| Adria Media Holding GmbH, Austria | 50.0 |
| Hearst-Sanoma Budapest Kft, Hungary | 50.0 |
| Sanoma Bliasak Bulgaria A.D., Bulgaria | 50.0 |
| Magyar Elöfizetöi Kft., Hungary | 30.0 |
| **Sanoma Media Netherlands B.V.** | |
| AKN CV, The Netherlands | 25.0 |
| **Sanoma Magazines Finland Ltd** | |
| Egmont Kustannus Oy Ab, Tampere | 50.0 |
| **Sanoma Corporation** | |
| De Vijver N.V., Belgium | 33.3 |

# 31. Related party transactions

Sanoma Group's related parties include subsidiaries, associated companies and joint ventures as well as the members of the Board, President and CEO and members of the Executive Management Group. Remuneration for key management is presented in Note 32. Transactions with associated companies are presented in Note 15. Transactions within the Sanoma Group and joint ventures are not presented as related party transactions because they are eliminated in the consolidated figures. Joint ventures have been included using the proportionate consolidation method. The transactions of the other shareholders of joint ventures are not presented as related party transactions because those shareholders are not considered to be related parties on the basis of the joint control agreement. The most significant subsidiaries are presented in Note 29 and the most significant joint ventures in Note 30. In addition, the Sanoma Group's related parties include pension funds and employees' profit-sharing funds. The sickness fund was liquidated at the end of 2012. Besides pension plans, transactions with those parties are not material. .

⊕ Pension funds are described in more detail in accounting policies and pension calculations in Note 7.

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

# 32. Management compensation, benefits and ownership

| Management remuneration and ownership, 2012 | Remuneration (EUR 1 000) | Number of shares | Option costs (EUR 1 000) | Number of stock options 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| **Board of Directors** | | | | | | | | |
| Jaakko Rauramo, Chairman | 122 | 134 512 | | | | | | |
| Sakari Tamminen, Vice Chairman | 88 | 5 000 | | | | | | |
| Annet Aris | 81 | | | | | | | |
| Jane Erkko | 74 | 248 213 | | | | | | |
| Antti Herlin | 75 | 9 106 800 | | | | | | |
| Sirkka Hämäläinen-Lindfors | 80 | 2 000 | | | | | | |
| Seppo Kievari | 77 | 10 000 | | | | | | |
| Nancy McKinstry | 71 | | | | | | | |
| Rafaela Seppälä | 71 | 10 273 370 | | | | | | |
| Kai Öistämö | 66 | | | | | | | |
| **Total *** | **805** | | | | | | | |
| **President and CEO** | | | | | | | | |
| Harri-Pekka Kaukonen | 769 | 25 000 | | | 41 000 | | 60 000 | 60 000 |
| **Total *** | **769** | | **99** | | | | | |
| **Executive Management Group** | | | | | | | | |
| Jacqueline Cuthbert | | 6 500 | | | | | | 30 000 |
| Jacques Eijkens | | 11 500 | | 34 000 | 32 500 | 34 000 | 34 000 | 17 000 |
| Kim Ignatius | | 18 000 | | 30 000 | 30 000 | 30 000 | 30 000 | 30 000 |
| John Martin | | 7 844 | | | | 10 000 | 10 000 | 30 000 |
| Dick Molman | | 19 250 | | 20 000 | 20 000 | 20 000 | 20 000 | 34 000 |
| Anu Nissinen | | 17 500 | | 8 000 | 30 000 | 30 000 | 30 000 | 30 000 |
| Heike Rosener (as of 1 February 2012) | | | | | | | | 15 000 |
| Pekka Soini | | 10 000 | | 14 000 | 13 000 | 13 000 | 30 000 | 30 000 |
| Aimé Van Hecke | | | | 10 000 | 10 000 | 10 000 | 10 000 | 15 000 |
| **Total *** | **3 507** | | **521** | | | | | |

* Figures include the remuneration that has been paid for assignments handled by those persons during the period. Remuneration includes fringe benefits. Option costs include costs during membership. The Group had no outstanding receivables or loans from the management.

| Management remuneration and ownership, 2011 | Remuneration (EUR 1 000) | Number of shares | Option costs (EUR 1 000) | Number of stock options | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 2004C | 2007 | 2008 | 2009 | 2010 | 2011 |
| **Board of Directors** | | | | | | | | | |
| Jaakko Rauramo, Chairman | 136 | 132 542 | | | | | | | |
| Sakari Tamminen, Vice Chairman | 85 | 5 000 | | | | | | | |
| Annet Aris | 78 | | | | | | | | |
| Robert Castrén (until 5 April 2011) | 18 | | | | | | | | |
| Jane Erkko | 70 | 248 213 | | | | | | | |
| Antti Herlin | 72 | 6 726 800 | | | | | | | |
| Paavo Hohti (until 5 April 2011) | 18 | | | | | | | | |
| Sirkka Hämäläinen-Lindfors | 77 | 1 800 | | | | | | | |
| Seppo Kievari | 73 | 10 000 | | | | | | | |
| Nancy McKinstry (as of 5 April 2011) | 56 | | | | | | | | |
| Rafaela Seppälä | 71 | 10 273 370 | | | | | | | |
| Kai Öistämö (as of 5 April 2011) | 50 | | | | | | | | |
| **Total *** | **802** | | | | | | | | |
| **President and CEO** | | | | | | | | | |
| Harri-Pekka Kaukonen | 606 | 10 000 | | | | 41 000 | | 60 000 | 60 000 |
| **Total *** | **606** | | **273** | | | | | | |
| **Executive Management Group** | | | | | | | | | |
| Eija Ailasmaa (until 1 September 2011) | | 21 088 | | 37 000 | 37 000 | 40 000 | 40 000 | 40 000 | |
| Jacqueline Cuthbert (as of 1 July 2011) | | 1 900 | | | | | | | 30 000 |
| Jacques Eijkens | | 11 500 | | 34 000 | 34 000 | 32 500 | 34 000 | 34 000 | 34 000 |
| Koos Guis (as of 1 September 2011) | | | | 13 000 | 13 000 | 13 000 | 13 000 | 13 000 | |
| Sven Heistermann (until 1 September 2011) | | | | | 10 000 | 10 000 | 20 000 | 20 000 | |
| Kim Ignatius | | 10 900 | | 20 000 | 30 000 | 30 000 | 30 000 | 30 000 | 30 000 |
| John Martin (as of 1 September 2011) | | | | | | | 10 000 | 10 000 | 30 000 |
| Dick Molman (as of 1 September 2011) | | 12 250 | | 20 000 | 20 000 | 20 000 | 20 000 | 20 000 | 34 000 |
| Timo Mänty (until 31 March 2011) | | | | 12 000 | 12 000 | | | | |
| Anu Nissinen (as of 1 September 2011) | | 10 000 | | 7 000 | 8 000 | 30 000 | 30 000 | 30 000 | 30 000 |
| Pekka Soini | | 7 500 | | 12 000 | 14 000 | 13 000 | 13 000 | 30 000 | 30 000 |
| Aimé Van Hecke (as of 1 September 2011) | | | | 10 000 | 10 000 | 10 000 | 10 000 | 10 000 | 30 000 |
| **Total *** | **2 548** | | **356** | | | | | | |

* Figures include the remuneration that has been paid for assignments handled by those persons during the period. Remuneration includes fringe benefits. Option costs include costs during membership. The Group had no outstanding receivables or loans from the management.

The remuneration and benefits payable to the President and CEO and Executive Management Group (EMG) members are approved by the Board of Directors of Sanoma, in accordance with the Human Resources Committee's proposal. In addition, the President and CEO and EMG members receive bonuses according to the short-term incentive plan approved each year by the Board of Directors. For the year 2012, the maximum bonus for the President and CEO is seven months' total salary, and for other EMG members it is six months' total salary.

President and CEO and EMG members are part of Sanoma's long-term incentive schemes. The long-term incentives are part of the Group's incentive and commitment programme and are distributed by the Sanoma Board of Directors.

Details on President and CEO's and EMG members' holdings as well as a more detailed presentation on remuneration principles are available at Sanoma.com.

### Other benefits of the management

The President and CEO Harri-Pekka Kaukonen's period of notice is six months (either from the position of President and CEO or from the Company). If the executive contract is terminated by the company, a severance payment equalling to 12 months' salary in addition to the salary for the notice period will be paid to the President and CEO. The severance payment is subject to a fixed-term non-competition clause.

The additional pension benefits of the President and CEO and other EMG members are currently based on defined contribution. Contracts made prior to 2009 are based on defined benefit. According to his executive contract, Harri-Pekka Kaukonen will retire at the age of 63, and the additional pension contribution amounts to 20% of his salary subject to statutory pension cover. The retirement age of other EMG members is 60–65 years. The pensions of the EMG members whose additional pension benefits are based on defined benefit amount to 60% of their pensionable salary applicable in their home country, together with the statutory pension cover.

## 33. Events after the balance sheet date

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

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

# Shares and shareholders

## Basic share information

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

At the end of 2012, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 162,812,093.

## Listing of share and options

The Sanoma share (SAA1V) and the Company's options 2007, 2008 and 2009 are listed on the NASDAQ OMX Helsinki.

The Sanoma share is included in the Consumer Services sector index of the NASDAQ OMX Helsinki, as well as in the OMX Helsinki Cap, OMX Helsinki and OMX GES Sustainability Finland indices, among others. In addition, the share is included in e.g. STOXX indices, including Total Market Index, Media, Nordic and Global.

The Sanoma share has been listed since 1 May 1999. The Company's shares belong to the book-entry securities system of Euroclear Finland Ltd.

## Board authorisations

The AGM held on 3 April 2012 authorised the Board to decide on the repurchase of a maximum of 16,000,000 of the Company's own shares, accounting for 9.8% of total voting rights that the maximum number of own shares covered by the authorisation would provide entitlement to. These shares will be repurchased with funds from the Company's unrestricted shareholders' equity, and the repurchases will reduce funds available for distribution of profits. The shares will be repurchased to develop the Company's capital structure, to carry out and finance potential corporate acquisitions or other business arrangements, or to be transferred further for other purposes, retained as treasury shares, or cancelled. They can be repurchased either through a tender offer made to all shareholders on equal terms or in other proportion than that of the current shareholders at the market price of the repurchase moment on the NASDAQ OMX Helsinki Ltd. The authorisation is effective until 30 June 2013. The Board of Directors did not exercise its right under this authorisation during 2012.

In addition, the Board holds a valid authorisation to decide on an issuance of shares, option rights and other special rights entitling to shares. According to the authorisation issued by the AGM on 8 April 2010, the Board may decide on the issue of new shares, the transfer of treasury shares and the granting of special rights entitling to shares. The authorisation does not exclude the right of the Board of Directors to decide on a directed share issue. With this authorisation, and as a result of the use of special rights, the Board is authorised to decide on the issuance of a maximum of 82,000,000 new shares and the transfer of a maximum of 5,000,000 treasury shares, together accounting for 35.5% of total voting rights that the maximum number of own shares covered by the authorisation would provide entitlement to. In a directed share issue, a maximum of 41,000,000 shares may be issued or transferred. With this authorisation, the Board is authorised to issue a maximum of 5,000,000 stock options as part of an incentive programme within the Company. The authorisation is valid until 30 June 2013. Under this authorisation, the Board decided on 20 December 2011 on the issuance of Stock Option Scheme 2011.

| Trading codes | Shares | 2007 stock options | 2008 stock options | 2009 stock options |
|---|---|---|---|---|
| NASDAQ OMX Helsinki | SAA1V | SAA1VEW107 | SAA1VEW108 | SAA1VEW109 |
| Startel | SAA1V | SAA1VEW107 | SAA1VEW108 | SAA1VEW109 |
| Bloomberg | SAA1V:FH | SAA1V107:FH | SAA1V108:FH | SAA1V109:FH |
| Reuters | SAA1V.HE | SAA1VEW107.HE | SAA1VEW108.HE | SAA1VEW109.HE |

## Number of shares and options

| Number of shares on 31 December 2012 | |
|---|---|
| Number of registered shares on 31 December 2012 | 162 812 093 |
| Average number of shares, adjusted for share issues | 162 812 093 |
| **Number of shares plus stock options *** | |
| Number of outstanding shares on 31 December 2012 | 162 812 093 |
| Stock options 2007 | 1 013 650 |
| Stock options 2008 | 1 105 450 |
| Stock options 2009 | 1 020 500 |
| Stock options 2010 | 1 019 000 |
| Stock options 2011 | 1 175 500 |
| Number of outstanding shares plus options | 168 146 193 |

* Provided that all issued options are converted into shares.

The shares to be subscribed for on the basis of the options issued would represent 3.2% of all Sanoma shares and votes after the conversion if all outstanding stock options were exercised.

The non-distributed or returned stock options 2007, 2008, 2009, 2010 and 2011 have been allocated to the fully-owned Sanoma subsidiary Lastannet Oy, and the Sanoma Board of Directors will decide on their usage at a later date. Including these stock options, the potential combined dilution effect of the stock option schemes on 31 December 2012 would be 8,300,000 shares, accounting for 4.9% of the post-conversion shares and votes.

## Stock options

Sanoma has five option schemes in place:

- Stock Option Scheme 2007, authorised by the AGM of 4 April 2007
- Stock Option Scheme 2008, authorised by the AGM of 4 April 2007
- Stock Option Scheme 2009, authorised by the AGM of 4 April 2007
- Stock Option Scheme 2010, authorised by the AGM of 8 April 2010
- Stock Option Scheme 2011, authorised by the AGM of 8 April 2010

The stock option schemes cover all of Sanoma's strategic business units and the Group's Parent Company. Stock options have been and will be distributed to executives and managers of the Sanoma Group in accordance with the decisions of the Board of Directors. The number of option holders within the Company at the end of 2012 is shown in the table below.

| Stock Option Scheme | Number of option holders |
|---|---|
| Stock Option Scheme 2007 | 179 |
| Stock Option Scheme 2008 | 169 |
| Stock Option Scheme 2009 | 198 |
| Stock Option Scheme 2010 | 198 |
| Stock Option Scheme 2011 | 192 |

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

The stock options 2007, 2008 and 2009 are listed on the NASDAQ OMX Helsinki. The subscription period of 2004C stock options ended on 30 November 2012, and their listing on the NASDAQ OMX Helsinki ended on 23 November 2012. In 2012, no shares with stock options 2004C were subscribed.

⊕ Information on stock options held by Sanoma's Board of Directors and the Executive Management Group can be found in Note 32. A daily update on insider holdings in traded stock options can be found at Sanoma.com. More detailed information on the terms and conditions for these schemes (e.g. subscription prices and periods) can be found in Note 22.

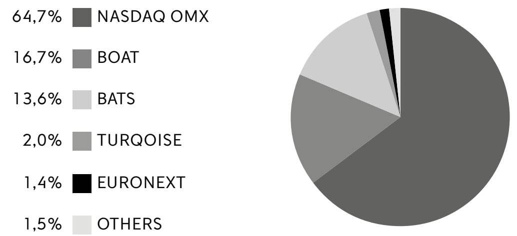
## Share performance

In 2012, 106,129,204 (2011: 89,486,428) Sanoma shares were traded on the NASDAQ OMX Helsinki and traded shares accounted for some 65% (2011: 55%) of the average number of shares. Sanoma's turnover on the NASDAQ OMX Helsinki stock exchange was EUR 851.7 million (2011: EUR 1,096.9 million). Sanoma's shares traded on the NASDAQ OMX Helsinki corresponded to around 65% of the total traded share volume on stock exchanges.

During 2012 the volume-weighted average price of a Sanoma share on the NASDAQ OMX Helsinki was EUR 8.15, with a low of EUR 5.79 and a high of EUR 11.70. At the end of the year, Sanoma's market capitalisation was EUR 1.2 billion (2011: EUR 1.4 billion), with Sanoma's share closing at EUR 7.44 (2011: EUR 8.87).

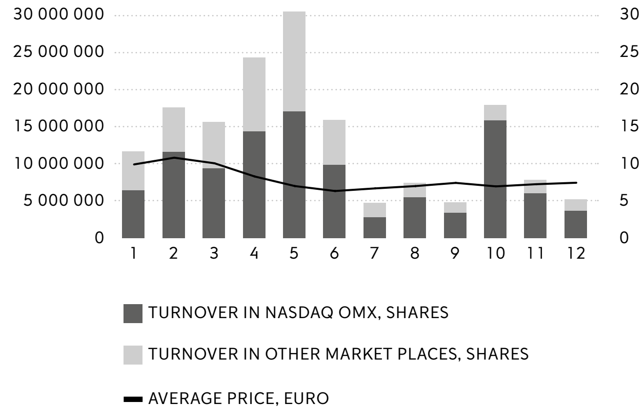
⊕ Regularly updated prices of Sanoma's share and listed stock options are available at Sanoma.com.

## Trading of Sanoma share in different market places in 2012



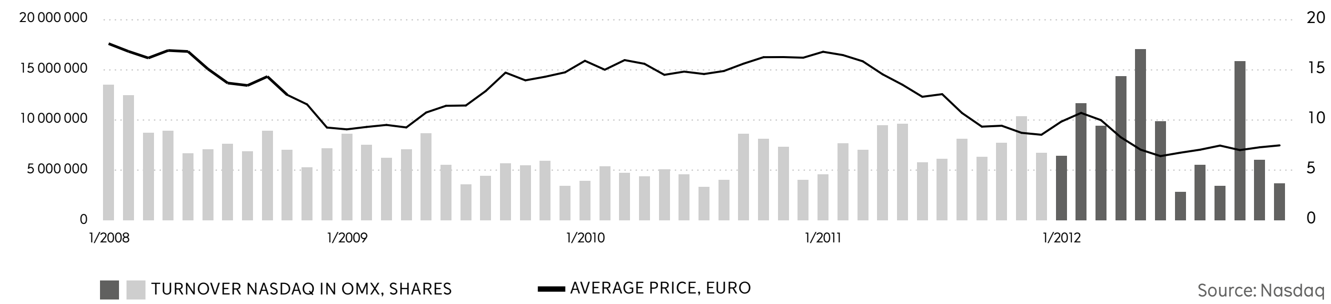

Source: Fidessa

## Average share price and turnover 2012



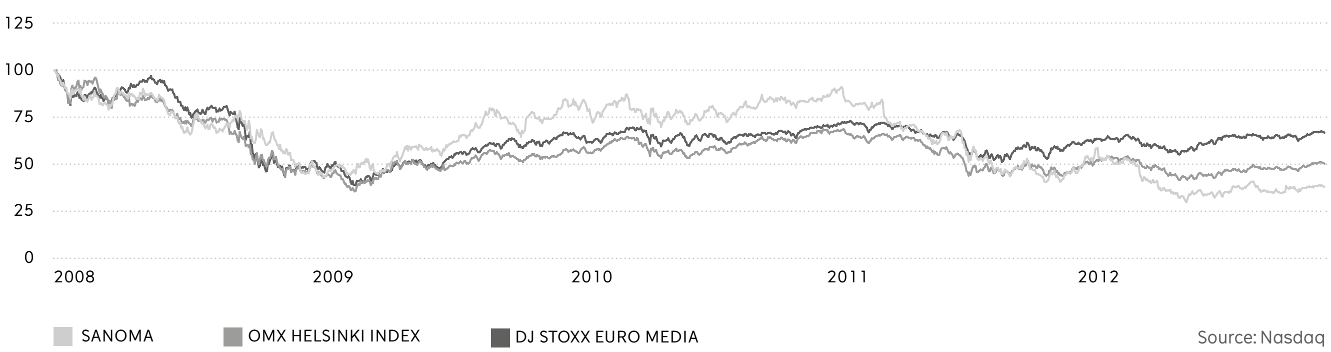

Source: Fidessa, Nasdaq

## Average share price and turnover 2008–2012



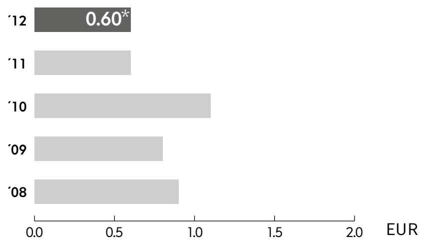

Source: Nasdaq

## Sanoma share against indices



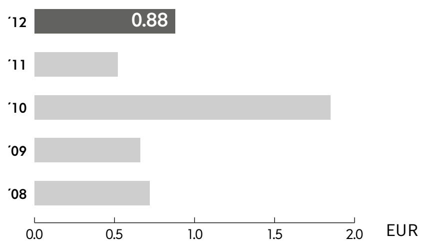

Source: Nasdaq

## Dividend/share

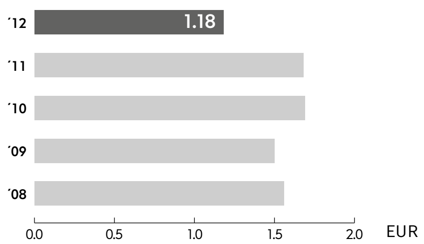



* Proposal of the Board of Directors to the AGM.

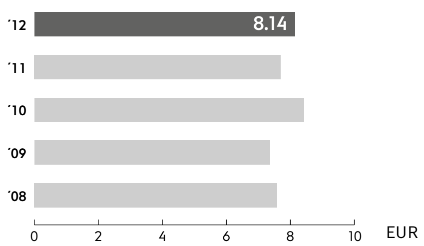
## Earnings/share




## Cash flow from operations/share




## Equity/share




## Dividend policy

Sanoma follows an active dividend policy and primarily pays out over half of the Group's result excluding non-recurring items for the period in dividends.

The Board of Directors proposes a dividend of EUR 0.60 (2011: EUR 0.60) per share for 2012.

## Shareholders

On 31 December 2012, the company had 32,722 shareholders, with foreign holdings accounting for 7.3% (2011: 9.8%) of all shares and votes.

## Shareholder agreements

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

## Management shareholdings

On 31 December 2012, the combined holdings in the Company shares of members of the Board of Directors, the President and CEO, and the bodies they control (as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act) accounted for 11.9% (2011: 10.6%) of all shares and votes. If all outstanding, non-distributed and returned stock options were to be converted into shares through subscriptions and the President and CEO exercised all of his subscription rights, the combined holdings of the Board members and the President and CEO (including the bodies they control) would account for 11.2% (2011: 10.1%) of the total post-conversion number of shares and votes, provided that no other changes occur.

+ More detailed information on stock options held by Sanoma's Board of Directors and the Executive Management Group can be found in Note 32 and on the Group's website at Sanoma.com. Sanoma's guidelines on insider trading can be found at Sanoma.com.

## Major changes in shareholdings

In 2012 Sanoma issued the following flagging announcements.

On 29 May 2012, Sanoma Corporation received flagging notifications pursuant to Chapter 2 Section 9 of the Finnish Securities Markets Act (26 May 1989 / 495) concerning shares in Sanoma Corporation. Aatos Erkko's estate announced that the ownership of shares in Sanoma Corporation held by the estate (directly and indirectly via Asipex Oy) on 29 May 2012 will transfer to the Jane and Aatos Erkko Foundation after the estate inventory has been concluded and the testamentary disposition has been executed. Following this, the shares held by the estate in Sanoma Corporation will decrease from 37,483,619 shares to zero, i.e. 0.0000% of all shares and votes in Sanoma Corporation. The holding of the Jane and Aatos Erkko Foundation of the shares and voting rights of Sanoma Corporation will increase by the corresponding amount, thus exceeding 20% of all shares and votes in Sanoma Corporation.

On 3 October 2012, Sanoma Corporation received flagging notifications pursuant to Chapter 2, Section 9 of the Finnish Securities Markets Act (26 May 1989 / 495) concerning shares in Sanoma Corporation. Aatos Erkko's estate announced on 29 May 2012 that the ownership of shares in Sanoma Corporation held by the estate (directly and indirectly via Asipex Oy) will be transferred to the Jane and Aatos Erkko Foundation after the estate inventory has been concluded and the testamentary disposition has been executed. Sanoma Corporation received flagging notifications stating that the ownership of shares in

Sanoma Corporation held by the estate (directly and indirectly via Asipex Oy) was transferred to the Jane and Aatos Erkko Foundation in accordance with testamentary disposition that was executed on 3 October 2012. Following this, the shares held by the Aatos Erkko's estate in Sanoma Corporation decreased from 37,483,619 shares, to zero, i.e. 0.0000% of all shares and votes in Sanoma Corporation. The holding of Jane and Aatos Erkko Foundation of the shares and voting rights of Sanoma Corporation increased by the corresponding amount, thus exceeding 20% of all shares and votes in Sanoma Corporation.

On 31 October 2012, Sanoma Corporation received flagging notifications pursuant to Chapter 2, Section 9 of the Finnish Securities Markets Act (26 May 1989 / 495) concerning shares in Sanoma Corporation. According to the flagging notifications, the ownership of shares in Sanoma Corporation held by Oy Asipex Ab (indirectly owned by the Jane and Aatos Erkko Foundation) was transferred in a transaction between Jane and Aatos Erkko Foundation and Oy Asipex Ab to the Jane and Aatos Erkko Foundation (direct ownership). Following this, the shares held by Oy Asipex Ab in Sanoma Corporation decreased from 11,803,543 shares, to zero, i.e. 0.00% of all shares and votes in Sanoma Corporation. The direct holding of the Jane and Aatos Erkko Foundation of the shares and voting rights of Sanoma Corporation increased by the corresponding amount to 37,483,619 shares, thus totalling 23.02% of all shares and votes in Sanoma Corporation.

On 2 November 2012, Sanoma Corporation a received flagging notification pursuant to Chapter 2, Section 9 of the Finnish Securities Markets Act (26 May 1989 / 495) concerning shares in Sanoma Corporation. According to the flagging notification, the total ownership to shares in Sanoma Corporation held by Mr Antti Herlin and the companies he controls, Holding Manutas Oy and Security Trading Oy, increased from 7,556,800 shares to 8,556,800, thus totalling 5.26% of all shares and votes in Sanoma Corporation.

## Major shareholders on 31 December 2012

| | Shareholder | Shares, total | Of shares and votes, % |
|---|---|---|---|
| 1 | **Jane and Aatos Erkko Foundation** | 37 483 619 | 23.02 |
| 2 | **Langenskiöld Robin** | 12 273 371 | 7.54 |
| 3 | **Seppälä Rafaela** | 10 273 370 | 6.31 |
| 4 | **Herlin Antti** | 9 106 800 | 5.59 |
| | Holding Manutas Oy | 7 650 000 | 4.70 |
| | Security Trading Oy | 1 425 000 | 0.88 |
| | Herlin Antti | 31 800 | 0.02 |
| 5 | **Helsingin Sanomat Foundation** | 5 701 570 | 3.50 |
| 6 | **Ilmarinen Mutual Pension Insurance Company** | 4 032 220 | 2.48 |
| 7 | **Svenska litteratursällskapet i Finland r.f.** | 2 595 000 | 1.59 |
| 8 | **Alfred Kordelin Foundation** | 2 515 325 | 1.54 |
| 9 | **Foundation for Actors´ Old-Age Home** | 2 249 357 | 1.38 |
| 10 | **The WSOY´s Literature Foundation** | 2 075 000 | 1.27 |
| 11 | **The State Pension Fund** | 1 990 000 | 1.22 |
| 12 | **Aubouin Lorna** | 1 968 970 | 1.21 |
| 13 | **Noyer Alex** | 1 968 965 | 1.21 |
| 14 | **The Finnish Cultural Foundation** | 1 107 739 | 0.68 |
| 15 | **Oy Karl Fazer Ab** | 875 322 | 0.54 |
| 16 | **Varma Mutual Pension Insurance Company** | 776 925 | 0.48 |
| 17 | **Kuningas Henrik** | 747 588 | 0.46 |
| 18 | **Inez och Julius Polins fond** | 646 149 | 0.40 |
| 19 | **Langenskiöld Lars Christoffer R.** | 645 996 | 0.40 |
| 20 | **Langenskiöld Sebastian** | 645 963 | 0.40 |
| | **Total** | **99 679 249** | **61.22** |
| | **Nominee registrations and foreign shareholders total** | 11 868 797 | 7.3 |

The shareholdings have been grouped for Antti Herlin.

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

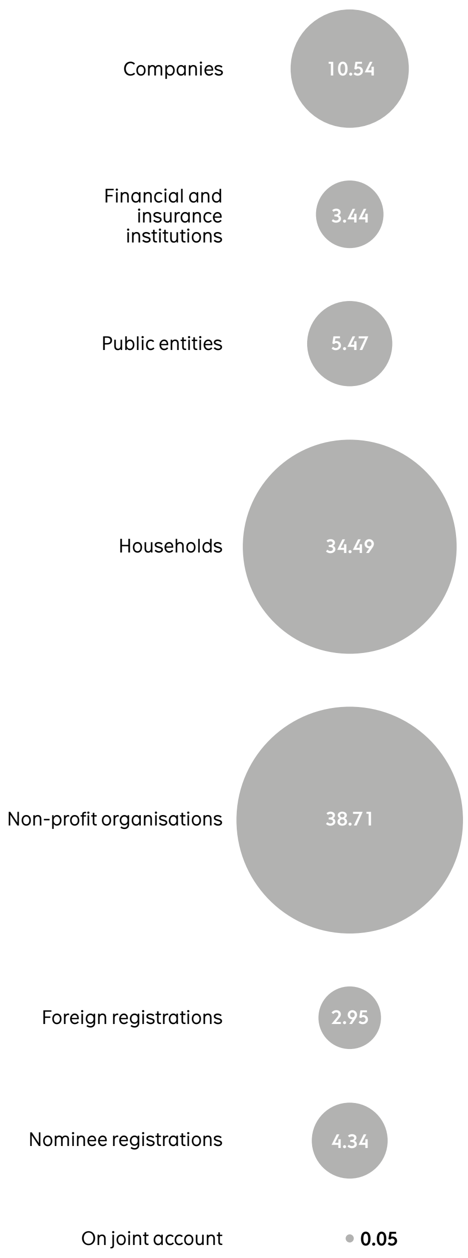
## Shareholders by sector on 31 December 2012

| Sector | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| Companies | 1 745 | 5.33 | 17 160 048 | 10.54 |
| Financial and insurance institutions | 93 | 0.28 | 5 604 467 | 3.44 |
| Public entities | 47 | 0.14 | 8 909 042 | 5.47 |
| Households | 30 042 | 91.81 | 56 156 865 | 34.49 |
| Non-profit organisations | 637 | 1.95 | 63 026 849 | 38.71 |
| Foreign registrations | 146 | 0.45 | 4 806 634 | 2.95 |
| Nominee registrations | 12 | 0.04 | 7 062 163 | 4.34 |
| **Total** | **32 722** | **100** | **162 726 068** | **99.95** |
| On joint account | | | 86 025 | 0.05 |
| **Number of shares on the market** | | | **162 812 093** | **100** |

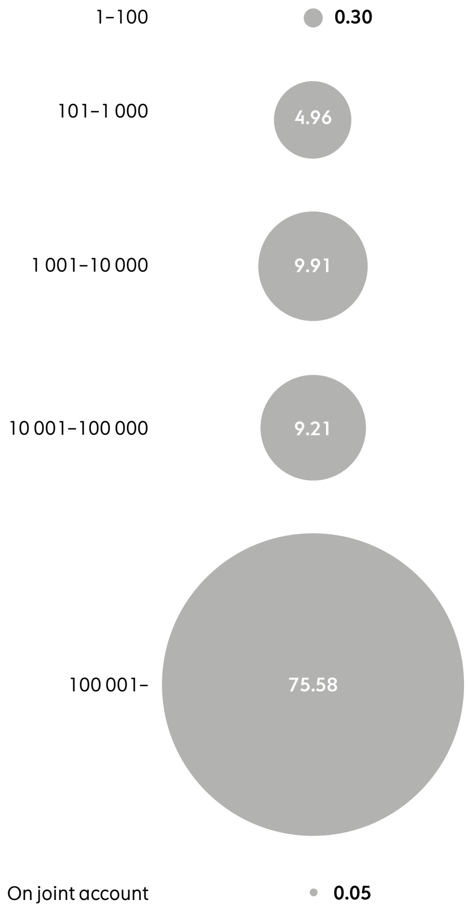
## Shareholders by number of shares held on 31 December 2012

| Number of shares | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| 1–100 | 6 826 | 24.12 | 481 414 | 0.30 |
| 101–1 000 | 16 255 | 57.43 | 8 067 353 | 4.96 |
| 1001–10 000 | 4 635 | 16.38 | 16 128 959 | 9.91 |
| 10 001–100 000 | 484 | 1.71 | 14 996 774 | 9.21 |
| 100 001– | 102 | 0.36 | 123 051 568 | 75.58 |
| **Total** | **28 302** | **100** | **162 726 068** | **99.95** |
| On joint account | | | 86 025 | 0.05 |
| **Number of shares on the market** | | | **162 812 093** | **100** |

**Sanoma shareholders by sector (% shares and votes)**




**Sanoma shareholders by number of shares held (% shares and votes)**



# Parent Company income statement, FAS

| EUR million | 1.1.–31.12.2012 | 1.1.–31.12.2011 |
|---|---|---|
| Other operating income | **117.2** | 26.5 |
| Personnel expenses | **15.1** | 14.8 |
| Depreciation and impairment losses | **1.5** | 1.8 |
| Other operating expenses | **26.3** | 23.8 |
| **Operating profit (loss)** | **74.3** | -13.8 |
| Financial income and expenses | **21.0** | 47.3 |
| **Result before extraordinary items** | **95.2** | 33.4 |
| Extraordinary items | **32.1** | 38.1 |
| **Result before approriations and taxes** | **127.3** | 71.5 |
| Appropriations | **-0.4** | 0.0 |
| Income taxes | **9.6** | 6.0 |
| **Result for the year** | **136.5** | 77.6 |

# Parent Company balance sheet, FAS

| EUR million | 31.12.2012 | 31.12.2011 |
|---|---|---|
| ASSETS | | |
| **Non-current assets** | | |
| Intangible assets | **3.6** | 2.7 |
| Tangible assets | **11.1** | 6.4 |
| Investments | **2 522.4** | 2 540.3 |
| **Non-current assets, total** | **2 537.1** | 2 549.4 |
| **Current assets** | | |
| Long-term receivables | **7.1** | 10.2 |
| Short-term receivables | **187.0** | 198.6 |
| Securities | | 0.6 |
| Cash and cash equivalents | **2.0** | 39.5 |
| **Current assets, total** | **196.1** | 248.9 |
| ASSETS, TOTAL | **2 733.2** | 2 798.4 |
| EQUITY AND LIABILITIES | | |
| **Shareholders' equity** | | |
| Share capital | **71.3** | 71.3 |
| Fund for invested unrestricted equity | **203.3** | 203.3 |
| Retained earnings | **238.9** | 258.9 |
| Profit for the year | **136.5** | 77.6 |
| **Shareholders' equity, total** | **649.9** | 611.1 |
| **Appropriations** | **0.8** | 0.5 |
| **Liabilities** | | |
| Non-current liabilities | **866.6** | 967.2 |
| Current liabilities | **1 215.8** | 1 219.6 |
| EQUITY AND LIABILITIES, TOTAL | **2 733.2** | 2 798.4 |

# Parent Company cash flow statement, FAS

| EUR million | 1.1.–31.12.2012 | 1.1.–31.12.2011 |
|---|---|---|
| **Operations** | | |
| Result for the period | **136.5** | 77.6 |
| Adjustments | | |
| Income taxes | **-9.6** | -6.0 |
| Appropriations | **0.4** | 0.0 |
| Extraordinary items | **-32.1** | -38.1 |
| Financial income and expenses | **-21.0** | -47.3 |
| Depreciation and decrease in value | **1.5** | 1.8 |
| Profit on sales of non-current assets | **-80.5** | -14.5 |
| Profit of mergers | **-4.5** | 0.0 |
| Change in working capital | | |
| Change in trade and other receivables | **-3.6** | -4.3 |
| Change in trade and other payables, and provisions | **1.7** | -0.3 |
| Interest paid | **-30.5** | -30.8 |
| Other financial items | **-7.6** | -11.0 |
| Group contributions | **51.5** | 124.4 |
| Dividends received | **50.3** | 56.9 |
| Taxes paid | **-1.0** | -20.2 |
| **Cash flow from operations** | **51.7** | 88.2 |
| **Investments** | | |
| Acquisition of tangible and intangible assets | **-2.9** | -1.6 |
| Group companies acquired | **-55.1** | -536.0 |
| Associated companies acquired | | -66.1 |
| Acquisition of other holdings | | -0.2 |
| Sales of tangible and intangible assets | **6.2** | 1.4 |
| Group companies sold | **135.6** | 23.4 |
| Repayments of capital | | 54.0 |
| Sales of other investments | | 1.1 |
| Increase(-)/decrease(+) in loan receivables with short maturity | | 2.0 |
| Loans granted | **-130.6** | -383.7 |
| Repayments of loan receivables | **150.9** | 311.2 |
| Interest received | **28.8** | 23.8 |
| **Cash flow from investments** | **132.9** | -570.7 |
| **Cash flow before financing** | **184.5** | -428.5 |
| **Financing** | | |
| Proceeds from share subscriptions | | 0.0 |
| Change in loans with short maturity | **13.4** | -199.6 |
| Drawings of other loans | **1 424.3** | 1 127.0 |
| Repayments of other loans | **-1 562.7** | -282.7 |
| Dividends paid | **-97.7** | -179.1 |
| Donations/other profit sharing | | 0.0 |
| **Cash flow from financing** | **-222.7** | 465.6 |
| **Change in cash and cash equivalents according to cash flow statement** | **-38.2** | -16.9 |
| **Net increase(+)/decrease(-) in cash and cash equivalents** | **-38.2** | -16.9 |
| Cash and cash equivalents at 1 Jan | **40.1** | 57.0 |
| **Cash and cash equivalents at 31 Dec** | **2.0** | 40.1 |

# Parent Company shareholders' equity

| Shareholders' equity, EUR million | 2012 | 2011 |
|---|---|---|
| **Restricted equity** | | |
| Share capital at 1 Jan | 71.3 | 71.3 |
| Share capital at 31 Dec | 71.3 | 71.3 |
| **Restricted equity 31 Dec** | **71.3** | 71.3 |
| **Unrestricted equity** | | |
| Fund for invested unrestricted equity at 1 Jan | 203.3 | 203.3 |
| Share issue, options | | 0.0 |
| Fund for invested unrestricted equity at 31 Dec | 203.3 | 203.3 |
| Retained earnings at 1 Jan | 336.5 | 438.0 |
| Dividends | -97.7 | -179.1 |
| Other changes | 0.0 | 0.0 |
| Retained earnings at 31 Dec | 238.9 | 258.9 |
| Profit (loss) for the year | 136.5 | 77.6 |
| **Unrestricted equity 31 Dec** | **578.7** | 539.8 |
| **Total** | **649.9** | 611.1 |

Further information on share capital is presented in Note 21 to the Financial Statements.

| Distributable earnings, EUR million | 2012 | 2011 |
|---|---|---|
| Fun for invested non-restricted equity | 203.3 | 203.3 |
| Retained earnings | 238.9 | 258.9 |
| Profit (loss) for the year | 136.5 | 77.6 |
| **Total** | **578.7** | 539.8 |

# Parent Company contingent liabilities

| Contingent liabilities, EUR million | 2012 | 2011 |
|---|---|---|
| **Contingencies for own commitments** | | |
| Other contingent liability for own commitments | **45.0** | |
| **Total** | **45.0** | |
| **Contingencies incurred on behalf of Group companies** | | |
| Guarantees | **68.7** | 65.2 |
| **Total** | **68.7** | 65.2 |
| **Total** | **113.7** | 65.2 |

| Nominal values of derivatives, EUR million | 2012 | 2011 |
|---|---|---|
| **Interest derivatives** | | |
| Interest rate swaps | **740.0** | 640.0 |
| **Total** | **740.0** | 640.0 |
| **Forward exchange derivatives** | | |
| Forward contracts | **102.5** | 36.6 |
| **Total** | **102.5** | 36.6 |
| **Total** | **842.5** | 676.6 |

| Fair values of derivatives, EUR million | 2012 | 2011 |
|---|---|---|
| **Interest derivatives** | | |
| Interest rate swaps | **-16.1** | -11.5 |
| **Total** | **-16.1** | -11.5 |
| **Forward exchange derivatives** | | |
| Forward contracts | **-1.1** | 0.6 |
| **Total** | **-1.1** | 0.6 |
| **Total** | **-17.3** | -10.9 |

# Board's proposal for distribution of profits

On 31 December 2012, Sanoma Corporation's distributable earnings total EUR 578,683,470.76, of which the profit for the year is EUR 136,492,692.61.

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

| | |
|---|---|
| • a dividend of EUR 0.60 per share shall be paid | EUR 97,687,255.80 * |
| • the following amount shall be transferred to the donation reserve and used at the Board's discretion | EUR 550,000.00 |
| • shareholders' equity shall be set at | EUR 480,446,214.96 |

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

* The dividend will be paid to shareholders registered with the Shareholder Register maintained by the Euroclear Finland Ltd on the record date set by the Board for payment of the dividend, Monday 8 April 2013. The Board will propose to the Annual General Meeting that the dividend will be paid on Tuesday 16 April 2013.





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

Helsinki, 7 February 2013

Jaakko Rauramo
*Chairman*

Sakari Tamminen
*Vice Chairman*

Annet Aris

Jane Erkko

Antti Herlin

Seppo Kievari

Nancy McKinstry

Sirkka Hämäläinen-Lindfors

Rafaela Seppälä

Kai Öistämö

Harri-Pekka Kaukonen
*President and CEO*

# Auditor's report

## To the Annual General Meeting of Sanoma Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Sanoma Corporation for the year ended 31 December 2012. The financial statements comprise the consolidated balance sheet, consolidated income statement, statement of comprehensive income, statement of changes in consolidated equity and consolidated cash flow statement, and notes to the consolidated financial statements, as well as the Parent Company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the Parent Company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

### OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the Parent Company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

### OTHER OPINIONS

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

Helsinki, 7 February 2013

**KPMG OY AB**

Virpi Halonen
*Authorised Public Accountant*

# Corporate Governance Statement

Sanoma Corporation (the 'Company' or 'Sanoma') complies with the Finnish Corporate Governance Code issued by the Securities Market Association in 2010, with the exception of recommendation 10 of the Code governing the term of Board members (see also Section 1.2.1 of this Statement).

This Corporate Governance Statement has been prepared in accordance with recommendation 54 of the above-mentioned Code. The Statement has been reviewed by Sanoma's Audit Committee and the statutory auditors have checked that it has been issued and that its description of the main features of internal control and risk management systems related to the financial reporting process is in line with the financial statements. This Statement is presented as a separate report from the Board of Director's Report.

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

## Organisational Structure and Statutory Governance Bodies

The Sanoma group of companies comprises six Strategic Business Units ('SBU'): Sanoma News, Sanoma Media Belgium, Sanoma Media Finland, Sanoma Media Netherlands, Sanoma Media Russia & CEE and Sanoma Learning. It reports in three segments: Media, News and Learning ('Sanoma Group' or the 'Group'). In addition to the three reporting segments, the line item 'Other companies and eliminations' includes non-core operations, head office functions, real estate companies and Group eliminations. Sanoma Corporation is the Parent Company of the Sanoma Group (the 'Parent Company'). Sanoma's administrative bodies are the General Meeting, the Board of Directors and its committees and the President and CEO.

### GENERAL MEETING

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

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

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

Under the Articles of Association of Sanoma, matters to be handled at the Annual General Meeting include e.g. the following:

- adopting the financial statements;
- using the profit shown on the balance sheet;
- discharging the members of the Board of Directors and the President and CEO from liability;
- determining the number of Sanoma's Board members;
- electing the Board's Chairman, its Vice Chairman and Board members to replace outgoing members, as well as deciding on Board remuneration; and
- electing the auditor and determining the remuneration for the auditor.

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

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

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

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

## BOARD OF DIRECTORS

### Election and term

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

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

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

The following persons served on Sanoma's Board of Directors at the end of 2012:

- Jaakko Rauramo (Chairman), born 1941, M.Sc. (Tech.). Term ends at AGM 2015.
- Sakari Tamminen (Vice Chairman), born 1953, M.Sc. (Econ.). President of Rautaruukki Corporation. Term ends at AGM 2015.
- Annet Aris, born 1958, M.Sc. (Land planning and operations research), MBA INSEAD. Adjunct Professor of Strategy and Management at INSEAD and a Visiting Professor at a variety of European universities. Term ends at AGM 2015.
- Jane Erkko, born 1936. Term ends at AGM 2014.
- Antti Herlin, born 1956. Chairman of KONE Corporation. Term ends at AGM 2013.
- Sirkka Hämäläinen-Lindfors, born 1939, D.Sc. (Econ.). Term ends at AGM 2013.
- Seppo Kievari, born 1943. Term ends at AGM 2013.
- Nancy McKinstry, born 1959. MBA (finance and marketing), BA (Econ.). Term ends at AGM 2014.
- Rafaela Seppälä, born 1954, M.Sc. (Journalism). Term ends at AGM 2014.
- Kai Öistämö, born 1964, M.Sc. (Eng.), D.Sc. (Tech.). Term ends at AGM 2014.

Over half of the members of the Board of Directors (Annet Aris, Jane Erkko, Antti Herlin, Sirkka Hämäläinen-Lindfors, Seppo Kievari, Nancy McKinstry, Rafaela Seppälä, Sakari Tamminen and Kai Öistämö) are non-executive directors and independent of the Company. Out of them, eight members (Annet Aris, Rafaela Seppälä, Antti Herlin, Sirkka Hämäläinen-Lindfors, Seppo Kievari, Nancy McKinstry, Sakari Tamminen and Kai Öistämö) are also independent of major shareholders as stipulated in the Finnish Corporate Governance Code.

The Board of Directors of Sanoma convened 12 times in 2012 with an average attendance rate of 95.8%.

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

### Duties of the Board of Directors

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

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

The Board of Directors:

- decides on the long-term goals and business strategy of the Group;
- approves the Group's reporting structure;
- decides on acquisitions and divestments, financial matters and investments which have a value exceeding EUR 3.0 million or otherwise are strategically significant or involve significant risks;
- ensures the adequacy of planning, internal control and risk management systems and reporting procedures;
- performs reviews and follow-ups of the operations and performance of the Group companies;
- approves the Interim Reports, the Financial Statements and the Board of Directors' Report as well as the Corporate Governance Statement of the Company;
- appoints and dismisses as well as decides on the remuneration of
    - the President and CEO,
    - his or her deputy,
    - the CEOs of Strategic Business Units,
    - the executives of Sanoma, who are Executive Management Group members,
    - certain executive positions ('Key Executives') as determined by the Board of Directors;
- confirms the Group's values; and
- approves the Group's key policies.

### Committees appointed by the Board

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

In accordance with its Articles of Association, Sanoma has an Executive Committee that prepares proposals for matters to be decided or noted by the Board of Directors.

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

The members of the committees, except for the members of the Executive Committee, are appointed among the members of the Board of Directors in accordance with the charter of the respective committee. The committees are neither decision-making nor executive bodies.

### Executive Committee

The Executive Committee prepares matters to be considered at the Board of Directors' meetings. The Committee meets prior to each meeting of the Board of Directors if deemed necessary by the Chairman of the Board. The composition of the Committee is set in the Articles of Association and comprises the Chairman and Vice Chairman of the Board of Directors as well as President and CEO of Sanoma.

In 2012, the Executive Committee comprised Jaakko Rauramo (Chairman), Sakari Tamminen (Vice Chairman) and Harri-Pekka Kaukonen. The Executive Committee convened six times in 2012 with all members present at the meetings.

### Audit Committee

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

The Audit Committee comprises three to five members, appointed annually by the Board of Directors. Members of the Committee shall be independent of the Company and at least one member shall also be independent of significant shareholders. The Committee meets at least four times a year.

In 2012, the Audit Committee comprised Sirkka Hämäläinen-Lindfors (Chairman), Rafaela Seppälä (Vice Chairman) and Antti Herlin, all independent of the Company and significant shareholders. The Audit Committee convened five times in 2012 with all members present at the meetings.

### Human Resources Committee

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

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

In 2012, the Human Resources Committee comprised Jaakko Rauramo (Chairman), Annet Aris (Vice Chairman), Jane Erkko, Antti Herlin and Seppo Kievari. The majority of the Committee members are independent of the Company. The Human Resources Committee convened four times in 2012 with all members present at the meetings.

### Editorial Committee

The Editorial Committee follows the execution of Sanoma's publishing principles, accepts and monitors the execution of the editorial policy of *Helsingin Sanomat,* and prepares the appointment and proposes the remuneration and other benefits of Publisher/Senior Editor-in-Chief of *Helsingin Sanomat*.

The Editorial Committee comprises three to five members, appointed annually by the Board of Directors. The Committee shall meet as required at the request of the Chairman of the Committee.

In 2012, the Editorial Committee comprised Seppo Kievari (Chairman), Jane Erkko (Vice Chairman), Sirkka Hämäläinen-Lindfors and Sakari Tamminen. The Editorial Committee convened four times in 2012 with all members present at the meetings.

## PRESIDENT AND CEO

The duties of the President and CEO of Sanoma are governed primarily by the Finnish Companies Act. The President and CEO assumes independent responsibility for the Group's daily operations, in line with the following duties, e.g.:

- seeing that the accounts of the Company are in compliance with the law and that its financial affairs have been arranged in a reliable manner;
- managing the Group's daily operations in line with the long-term goals and business strategy of the Group approved by the Board of Directors and in accordance general policies adopted by the Board of Directors and other applicable guidelines and decisions;
- deciding on acquisitions and divestments, financial matters and investments which have a value below EUR 3.0 million;
- preparing decision proposals and matters for information for the Board of Directors meetings (together with the Chairman of the Board of Directors), and presenting these matters and the agenda to the Board of Directors and its Committees;
- approving Group level guidelines;
- chairing Sanoma's Executive Management Group.

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

In 2012, Harri-Pekka Kaukonen, born 1963, M.Sc. (Tech.), D.Sc. (Tech.) served as the President and CEO of the Company.

## EXECUTIVE MANAGEMENT GROUP

The Executive Management Group supports the President and CEO in his or her duties in co-ordinating the Group's management and preparing matters to be discussed at Board meetings, such as:

- the long-term goals and business strategy of the Group for achieving the long-term goals;
- acquisitions and divestments;
- organisational and management issues;
- development projects;
- internal control and
- risk management systems.

The Executive Management Group is chaired by the President and CEO of Sanoma and comprises the CEOs of Sanoma News, Sanoma Media Belgium, Sanoma Media Finland, Sanoma Media Netherlands, Sanoma Media Russia & CEE and Sanoma Learning, the CFO (Chief Financial Officer), the CHRO (Chief Human Resources Officer), and the CSDO (Chief Strategy and Digital Officer) of the Sanoma Group.

+ More information about the members of the EMG and their holdings in the Company is available at Sanoma.com.

## Main Features of the Internal Control and Risk Management Systems Pertaining to the Financial Reporting Process

### CONTROL ENVIRONMENT

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

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

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

The Group Internal Audit function reports directly to Sanoma's President and CEO, and to the Audit Committee of the Board of Directors. It co-operates with the management of the Group and the SBUs as well as with the Group's statutory auditors. It is responsible for internal audits involving assessment of the adequacy and efficiency of risk management, internal control systems and governance policies and processes. The scope of the Group Internal Audit covers all organisational levels and businesses. The operations of the function are steered by Sanoma's Corporate Governance Principles and the Group Policy on Internal Audit. The Audit Committee confirms the internal audit plan periodically.

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

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

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

There is a channel in place to report breaches of Principles of Business Conduct or thereto related policies or laws. Any person who notices breaches of the Principles of Business Conduct or thereto related policies or laws may confidentially report them as indicated in the Principles.

### RISK MANAGEMENT

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

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

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

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

Sanoma has a Group-wide risk reporting process for assessment of significant risks. Risk assessment is linked to the Group's strategic objectives and is part of the normal management, strategic planning and internal control processes. A risk framework is used for identifying and assessing risks, as well as for defining risk management activities. Risks and their probability of occurrence are assessed in different stages of decision-making. Key risks and their mitigation actions are reported to the Audit Committee and further to the Board twice a year.

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

In Sanoma's risk model, risks are divided into four main categories as defined below.

#### Strategic risks

Strategic risks include risks related to changing customer needs, preferences or behaviour, changes in the competitive situation, risks related to suppliers or operating countries, intellectual property rights as well as laws and regulations.

#### Operational risks

Operational risks include risks related to the quality of products and services, customer satisfaction, ability and readiness to change, ICT, integration of new operations, human resources and knowledge management. Risks related to governance models, either unintentional or willful noncompliance as well as risks related to accounting information, and financial planning and reporting are also operational risks.

#### Financial risks

Financial risks include interest rate, currency, liquidity and credit risks as well as risks related to equity, impairment and availability of capital.

#### Hazard risks

Hazard risks include business interruption and risks related to health and safety issues or environmental issues.

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

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

### INTERNAL CONTROLS

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

Internal Controls consist of Entity-level controls, Process level controls and ICT general controls.

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

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

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

Following the revised internal control policy, a Group-level harmonisation project regarding internal control systems was initiated in 2011.

### MONITORING OF FINANCIAL REPORTING PROCESS

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

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

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

## Audit

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

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

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

According to the Finnish Auditing Act (2007/459), the aggregate duration of the consecutive terms of the person acting as the auditor in a public company may not exceed seven years.

In 2012, KPMG Oy Ab, with Virpi Halonen, Authorised Public Accountant, as Auditor in Charge acted as Sanoma's statutory auditor.

## Insider Administration

Sanoma's insider regulations comply with the Insider Guidelines issued by NASDAQ OMX Helsinki Ltd.

# Risk management

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

## Risk Management Policy and process

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

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

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

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

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

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

As a part of its duties, Group Internal Audit evaluates the overall effectiveness of risk management processes.

Group internal control systems, as well as internal audit and external audit activities are presented in more detail in the Corporate Governance Statement, on pp. 74–78, and on the Group's website at Sanoma.com.

## Identified key risks

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

Around 37% of Sanoma's net sales is derived from media advertising and some 34% from single copy or subscription sales. Rapid changes in media advertising and consumer confidence will affect the Group's results. Newspaper and TV advertising react fastest to changes in media advertising expenditure.

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

### STRATEGIC RISKS

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

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

#### Changes in customer preferences and the threat of new entrants

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

Ongoing digitisation and mobilisation is the driving force behind many of these changes. The increased usage of smartphones and the arrival of tablets has changed the way people consume media. Sanoma is well prepared for this change and has action plans in all its strategic business units on how to respond to this challenge.

New entrants might be in a better position to utilise changes in customer preferences and digitisation, and therefore gain market share from Sanoma's established businesses. To further enhance Sanoma's capability to respond to the changes the Group has introduced, among other measures, an internal Growth Fund. In addition, to speed up innovation and collaboration across strategic business units a digital operations matrix headed by the Chief Strategy and Digital Officer ('CSDO') is now operational. The CSDO is also a member of the Executive Management Group.

Technological advances generate new opportunities in new digital business activities for multimedia companies such as Sanoma. Developing new, digital services is one of the top priorities for Sanoma going forward.

### Mergers & Acquisitions ('M&A')

Sanoma has grown vigorously through acquisitions. Due to these acquisitions, the Group may become exposed to risks associated with new markets and different business environments. The acquisitions also include risks related to the actual transaction process, integration of the new business, retention of key personnel and achieving the targets set for operations.

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

### Laws and regulations

Changes in laws and regulations may affect Sanoma's ability to effectively conduct business.

Changing regulations regarding the use of consumer data for commercial purposes and the deterioration of publisher's and broadcaster's copyright protection can have impact on Sanoma's commercial propositions and content investments. Furthermore changes in tax legislation, such as higher value added tax rates for printed products, might have significant financial consequences.

Monitoring and anticipating developments regarding changing legislations are a priority for management in countries where Sanoma conducts business.

### Intellectual Property Rights ('IPR's)

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

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

In the wake of the European Commission having published a Digital Agenda for a single 'one European digital market', new regulation increases not only competition but complexity and cost pressure.

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

## OPERATIONAL RISKS

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

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

### Leadership and human resources

The Group's successful performance depends on how competent its management and other personnel are, and on the ongoing development of their competencies and skills in developing appealing products and services in accordance with customer needs. The Group's success also requires that the leadership culture supports innovation, change management and encourages managed risk taking. As a part of its new strategic priorities and organisational changes, Sanoma has commenced a cultural transformation process.

Recruiting and retaining key individuals is becoming more difficult as a result of various factors, including changes in the age structure of the population and intensifying competition for personnel. Sanoma is responding to these challenges by continuously improving, among other things, in-house training programmes and increasing opportunities for job rotation. Special focus in leadership training, more systematic succession and career planning as well as the development of supporting HR systems are used in the mitigation of these risks. In addition, remuneration principles and practices are continuously developed and readjusted in order to enhance the retention and recruitment of talented personnel and help in change management.

### Knowledge management

The management and transfer of knowledge across the Group are crucial for the success of Sanoma. It is important that information, best practices and successful business concepts are obtained and shared within and between strategic business units. Sanoma constantly works on making the information flow within the Group as smooth as possible. Introduction of Group-wide collaboration tools as well as cross-SBU teams are examples of actions used in the mitigation of risks related to the knowledge management.

### Information and Communication Technologies ('ICT') systems

Reliable ICT systems are an integral aspect of the Group's business. These systems include online services, newspaper and magazine subscriptions, advertising and delivery systems, as well as various systems for production control and the management of customer relations. To be futureproof it is highly important the Group succeeds in integrating its ICT platforms more closely and to reach a higher level of standardisation.

Regarding ICT security risks that may arise in connection with the confidentiality, integrity or availability of information as well as reliability and compliance of data processing. These can be divided into physical risks (fire, sabotage and equipment breakdown) and logical risks (related to data security, employees and software failure).

Sanoma has established continuity plans for systems critical to the Group. Sanoma's ICT Governance model includes clear responsibilities regarding ICT security.

**FINANCIAL RISKS**

Financial risks include interest rate risk, currency risks, liquidity risk and credit risk. Other risks include risks related to equity, impairment and availability of capital. At the Group level, the most significant risks relate to liquidity and changes in exchange rates and interest rates.

Sanoma's medium-term objective is to achieve a capital structure that represents an investment-grade credit profile. This can be achieved by ensuring strong cash flow from operations, maintaining adequate committed credit lines with various financial institutions and managing financial risks efficiently. By centralising the financing, financial risk management and liquidity management to a centralised unit (Group Treasury) more cost-efficient and competitive financing terms and pricing can be achieved. Group Treasury operates as a counterparty to business units. The Group mainly operates in the euro area, which essentially reduces the influence of currency risks. However, the Company has substantial transaction risks mainly related to TV programming rights purchases in US dollars. Sanoma mitigates financial risks with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable.

A more detailed description of the Group's financial risk management can be found in Note 26.

As a result of acquisitions, the consolidated balance sheet on 31 December 2012 included about EUR 3.0 billion in goodwill, publishing rights and other intangible assets, most of which is related to magazine and TV operations in the Netherlands. In accordance with the International Financial Reporting Standards (IFRS), instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. The impairment losses on goodwill and other immaterial rights for 2012 totalled EUR 46.5 million (2011: EUR 83.1 million), and there were no indicators of other impairment impacts on the Group's financials.

**HAZARD RISKS**

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

# Investing in Sanoma

## Annual General Meeting

Sanoma Corporation's Annual General Meeting of Shareholders (AGM) will be held on 3 April 2013 at 14:00 (CET+1) in the Congress Wing of the Helsinki Exhibition and Convention Centre (Messuaukio 1, 00520 Helsinki, Finland).

### NOTICE OF THE AGM

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

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

### ATTENDING THE AGM

Shareholders whose holding is registered in the list of shareholders, maintained by Euroclear Finland Ltd, on 20 March 2013 are welcome to attend the AGM.

### REGISTRATION

Shareholders wishing to attend and to use their voting rights are kindly requested to register by 16:00 (CET+1) on Thursday, 26 March 2013. Registration can be made at Sanoma.com, by phone +358 20 770 6864 or by fax +358 105 19 5058.

The holder of nominee registered shares is requested to ask, in good time, his/her asset manager to provide the necessary instructions for registration in the shareholder register, for issuing proxies and for registration for the AGM. The account operator of the asset manager must register the holder of nominee-registered shares wishing to attend the AGM to the Company's temporary shareholder register no later than on 27 March 2013 at 10:00 (CET+1).

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

Sanoma Corporation
AGM
P.O. Box 1229
00101 Helsinki, Finland

### DIVIDEND

The Board of Directors proposes to the AGM that a dividend of EUR 0.60 per share should be paid for 2012. All shareholders registered on the Company's list of shareholders (maintained by Euroclear Finland Ltd) on the record date of 8 April 2013 are entitled to the dividend decided by the AGM. In Finland, the dividend payment date will be 16 April 2013. Outside Finland, the actual dividend payment date will be determined by the practices of the intermediary banks transferring the payments.

## Sanoma's financial reporting during 2013

The Group's Interim Reports in 2013 will be published:

- Interim Report January–March on 2 May, at approximately 11:00 (CET+1);
- Interim Report January–June on 1 August, at approximately 8:30 (CET+1);
- Interim Report January–September on Wednesday 31 October, at approximately 8:30 (CET+1).

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

Sanoma also publishes an annual review. The 'Sanoma View' will be published on 3 April 2013 and can be ordered from the Group's website at Sanoma.com.

### SILENT PERIOD

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

## Changes in contact information

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

### Assessments regarding Sanoma as an investment object

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

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

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