Sanoma

FINANCIAL STATEMENTS FOR 2011

Contents

Key indicators

Key indicators, EUR million	2011	2010	2009	2008	2007
Net sales	**2 746.2**	2 761.2	2 767.9	3 030.1	2 926.3
Operating profit before depreciation, amortisation and impairment losses	**502.6**	589.8	362.4	468.3	493.4
% OF NET SALES	**18.3**	21.4	13.1	15.5	16.9
Operating profit excluding non-recurring items	**239.1**	245.4	229.5	295.7	305.2
% OF NET SALES	**8.7**	8.9	8.3	9.8	10.4
Non-recurring items	**-56.2**	147.3	-34.1	-59.3	38.6
Operating profit	**182.9**	392.7	195.4	236.3	343.8
% OF NET SALES	**6.7**	14.2	7.1	7.8	11.7
Result before taxes	**144.1**	356.0	161.4	190.3	320.4
% OF NET SALES	**5.2**	12.9	5.8	6.3	11.0
Result for the period	**86.0**	297.3	107.1	120.8	246.1
% OF NET SALES	**3.1**	10.8	3.9	4.0	8.4
Balance sheet total	**4 328.3**	3 203.0	3 106.3	3 278.7	3 192.3
Capital expenditure	**85.5**	85.7	83.4	109.9	90.5
% OF NET SALES	**3.1**	3.1	3.0	3.6	3.1
Return on equity (ROE), %	**5.9**	23.0	9.2	9.1	18.6
Return on investment (ROI), %	**6.8**	16.2	8.9	10.7	15.9
Equity ratio, %	**37.0**	45.7	41.4	40.0	45.4
Net gearing, %	**105.7**	63.8	79.4	78.5	58.2
Interest-bearing liabilities	**1 727.2**	941.9	1 017.7	1 082.6	881.4
Non-interest-bearing liabilities	**1 077.0**	885.1	882.0	959.0	946.7
Interest-bearing net debt	**1 611.2**	877.9	958.1	971.6	793.3
Average number of employees (full-time equivalents)	**14 471**	16 016	17 343	18 168	16 701
Number of emplyees at the end of the period (full-time equivalents)	**13 646**	15 405	16 723	18 453	16 730
Share indicators					
Earnings/share, EUR	**0.52**	1.85	0.66	0.72	1.47
Earnings/share, diluted, EUR	**0.52**	1.85	0.66	0.72	1.46
Cash flow from operations/share, EUR	**1.68**	1.69	1.50	1.56	1.38
Equity/share, EUR	**7.70**	8.42	7.36	7.59	8.27
Dividend/share, EUR *	**0.60**	1.10	0.80	0.90	1.00
Dividend payout ratio, % *	**115.6**	59.4	122.0	125.1	67.9
Market capitalisation, EUR million **	**1 443.3**	2 628.0	2 536.5	1 479.7	3 196.2
Effective dividend yield, % *	**6.8**	6.8	5.1	9.8	5.1
P/E ratio	**17.1**	8.8	24.0	12.8	13.3
Adjusted number of shares at the end of the period **	**162 812 093**	162 810 593	161 816 894	160 665 651	162 822 889
Adjusted average number of shares **	**162 810 642**	161 863 694	160 968 774	160 900 511	164 827 232
Lowest share price, EUR	**7.83**	13.41	8.02	8.31	18.32
Highest share price, EUR	**17.79**	17.07	15.80	19.87	24.51
Average share price, EUR	**12.30**	15.57	11.45	14.84	21.70
Share price at the end of the period, EUR	**8.87**	16.22	15.76	9.21	19.63
Trading volumes, shares	**89 486 428**	63 477 720	72 078 344	100 271 123	92 576 174
% OF SHARES	**55.0**	39.2	44.8	62.3	56.2

* Year 2011 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.

Net sales by business

EUR million	1–3/ 2011	4–6/ 2011	7–9/ 2011	10–12/ 2011	**1–12/ 2011**	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	**1–12/ 2010**
Media										
The Netherlands	105.3	130.6	174.0	232.2	**642.0**	107.4	128.0	118.8	136.1	**490.4**
Finland	74.2	79.4	70.0	86.2	**309.7**	92.6	91.7	67.5	87.4	**339.3**
Russia & CEE	51.4	54.3	50.8	56.7	**213.1**	48.7	54.3	51.0	60.9	**214.9**
Belgium	50.1	48.7	48.4	61.9	**209.1**	53.5	52.3	48.7	53.8	**208.3**
Other businesses and eliminations	10.2	10.7	12.3	8.6	**41.8**	9.9	13.0	11.5	12.4	**46.7**
Total	291.1	323.7	355.5	445.6	**1 415.8**	312.1	339.4	297.5	350.6	**1 299.6**
News										
Helsingin Sanomat	61.2	61.2	55.3	60.8	**238.5**	59.1	56.7	55.5	64.1	**235.4**
Ilta-Sanomat	19.1	22.2	21.6	21.6	**84.4**	19.9	20.7	21.1	21.6	**83.3**
Other publishing	23.7	25.0	22.9	25.4	**97.0**	25.3	25.6	23.5	25.0	**99.5**
Other businesses and eliminations	4.4	3.9	3.4	4.2	**15.9**	5.0	5.5	4.6	4.2	**19.4**
Total	108.4	112.2	103.2	112.0	**435.8**	109.4	108.5	104.8	114.9	**437.6**
Learning										
Learning	34.3	87.4	100.2	34.7	**256.6**	29.9	85.0	100.6	33.7	**249.3**
Language services	8.7	8.1	7.2	8.4	**32.4**	6.9	6.2	5.2	8.9	**27.1**
Literature and other businesses	20.1	15.1	13.9	10.4	**59.5**	23.6	17.2	18.0	24.8	**83.6**
Eliminations	-2.4	-2.1	-0.1	-0.8	**-5.4**	-2.3	-2.9	-2.5	-2.2	**-9.9**
Total	60.7	108.6	121.2	52.7	**343.1**	58.2	105.5	121.2	65.1	**350.1**
Trade										
Kiosk operations	85.3	102.3	97.6	94.0	**379.2**	91.9	104.9	99.2	102.4	**398.4**
Trade services	32.4	31.1	29.6	28.6	**121.7**	30.3	33.8	32.7	34.5	**131.3**
Bookstores	24.8	18.8	29.7	3.7	**77.0**	26.0	19.9	31.6	43.2	**120.6**
Movie operations	21.9	6.5	0.0	0.0	**28.4**	25.4	19.9	20.7	23.9	**90.0**
Eliminations	-2.6	-2.4	-2.3	-1.8	**-9.2**	-3.4	-4.0	-3.1	-3.5	**-14.0**
Total	161.8	156.3	154.5	124.5	**597.0**	170.2	174.4	181.1	200.5	**726.3**
Other companies and eliminations	-11.7	-11.0	-13.5	-9.3	**-45.6**	-12.0	-12.5	-14.1	-13.8	**-52.4**
Total	610.2	689.7	720.9	725.4	**2 746.2**	637.9	715.4	690.6	717.3	**2 761.2**

Operating profit by segment

EUR million	1–3/ 2011	4–6/ 2011	7–9/ 2011	10–12/ 2011	**1–12/ 2011**	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	**1–12/ 2010**
Media	22.7	47.0	-31.0	53.2	**92.0**	31.2	229.3	-4.2	31.6	**287.9**
News	12.9	9.9	12.5	4.9	**40.2**	15.6	8.9	15.7	15.9	**56.1**
Learning	-5.2	27.3	17.3	-22.7	**16.6**	-6.4	25.1	45.5	-17.2	**47.1**
Trade	3.3	44.4	-8.4	9.9	**49.2**	3.7	2.4	6.4	3.0	**15.5**
Other companies and eliminations	-6.5	-7.4	-7.9	6.7	**-15.1**	-3.7	-4.7	0.5	-6.1	**-13.9**
Total	27.3	121.3	-17.6	51.9	**182.9**	40.4	261.0	63.9	27.4	**392.7**

Income statement by quarter

EUR million	1–3/ 2011	4–6/ 2011	7–9/ 2011	10–12/ 2011	**1–12/ 2011**	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	**1–12/ 2010**
Net sales	610.2	689.7	720.9	725.4	**2 746.2**	637.9	715.4	690.6	717.3	**2 761.2**
Other operating income	12.8	77.0	17.0	37.4	**144.3**	20.4	197.3	20.9	20.3	**258.8**
Materials and services	263.5	287.7	294.8	277.9	**1 123.9**	279.0	307.3	300.7	320.4	**1 207.4**
Employee benefit expenses	164.0	168.5	158.3	185.6	**676.5**	169.1	172.3	151.9	175.3	**668.6**
Other operating expenses	128.4	147.2	153.4	157.3	**586.2**	128.9	132.4	124.2	168.7	**554.2**
Share of results in associated companies	0.0	-0.1	-1.1	0.0	**-1.2**	0.0	0.0	0.0	0.0	**0.0**
Depreciation, amortisation and impairment losses	39.8	41.9	147.9	90.1	**319.7**	40.8	39.6	70.7	45.9	**197.1**
Operating profit	27.3	121.3	-17.6	51.9	**182.9**	40.4	261.0	63.9	27.4	**392.7**
Share of results in associated companies	1.9	-0.1	-3.2	-2.2	**-3.7**	-2.4	1.7	0.8	-24.0	**-23.9**
Financial income	2.2	1.3	1.0	9.3	**13.9**	2.2	2.5	4.0	2.4	**11.1**
Financial expenses	4.7	6.6	13.1	24.6	**49.1**	6.0	6.2	5.0	6.6	**23.8**
Result before taxes	26.7	115.8	-32.9	34.4	**144.1**	34.1	259.0	63.7	-0.8	**356.0**
Income taxes	-8.2	-18.3	-21.5	-10.0	**-58.1**	-10.0	-23.8	-24.6	-0.2	**-58.6**
Result for the period	18.5	97.5	-54.4	24.4	**86.0**	24.1	235.1	39.1	-1.0	**297.3**
Result attributable to:										
Equity holders of the parent company	18.5	97.5	-49.7	18.1	**84.5**	25.9	235.4	39.2	-0.9	**299.6**
Non-controlling interests	0.0	-0.1	-4.6	6.2	**1.5**	-1.8	-0.2	-0.1	-0.1	**-2.3**
Earnings per share for result attributable to the equity holders of the Parent Company:										
Earnings per share, EUR	0.11	0.60	-0.31	0.11	**0.52**	0.16	1.45	0.24	-0.01	**1.85**
Diluted earnings per share, EUR	0.11	0.60	-0.31	0.11	**0.52**	0.16	1.45	0.24	-0.01	**1.85**

Board of Directors' Report

NET SALES

In 2011, Sanoma's net sales were stable and amounted to EUR 2,746.2 million (2010: 2,761.2; 2009: EUR 2,767.9 million) as the acquired operations compensated the effects of the divestments made in 2011 and 2010. The growth in the Media segment came mainly from the acquired TV operations in the Netherlands and increased sales of Nelonen Media broadcasting operations in Finland, more than offsetting in June 2010 divested Finnish broadband access and cable TV services. The decrease in the Trade segment's net sales was related to the divestment of operations. Net sales were at the comparable year's level in the News segment, whereas in the Learning segment they decreased slightly as a result of divestment and lower sales from non-core operations. Currency translations did not have a material effect on the 2011 net sales. Adjusted for structural changes, net sales increased by 0.3%.

Advertising sales grew strongly during the first half of 2011, whereas the development during second part of year was adversely affected by the increasing economic uncertainty. Annual advertising sales grew by 23.3%.

In 2011, online sales grew by 13.8% to EUR 156.1 million. Total digital sales, including also TV and e-learning, grew by 52.6%, and amounted to 15.9% (2010: 10.5%) of the Group's net sales.

The Group's circulation sales were at the comparable year's level, as the slight increase in subscription sales offset the decrease in single copy sales.

By country, Finland accounted for 47% (2010: 51%) of the cumulative net sales and the Netherlands 28% (2010: 23%). Net sales from other EU countries totalled 21% (2010: 23%) and non-EU countries accounted for 3% (2010: 3%).

RESULT

In 2011, Sanoma's operating profit excluding non-recurring items decreased by 2.6% and totalled EUR 239.1 million (2010: EUR 245.4 million). The operating profit improved in Media and News. The weak development of general literature, divested in October 2011, and Hungarian learning operations lowered the result in Learning. Despite the divestments Trade's result was almost at the comparable year's level. Costs increased significantly in the Group functions due to development projects. In addition, the result includes EUR 34.4 million of transaction costs and order backlog amortisations, which are not categorised as non-recurring, related to the acquisition of the SBS TV and print operations. Currency translations did not have a material effect on the 2011 results.

The Group's operating profit in 2011 was EUR 182.9 million (2010: EUR 392.7 million; 2009: EUR 195.4 million) or 6.7% (2010: 14.2%; 2009: 7.1%) of net sales.

The non-recurring items included in the operating profit amounted to EUR -56.2 million (2010: EUR 147.3 million) and included impairments of goodwill and intangible assets, restructuring expenses and gains on the sale of assets. A net total amount of some EUR -21 million of the non-recurring items were non-taxable. In 2010, non-recurring items related to capital gains from divestments, impairments as well as restructuring costs, and some EUR 135 million of the net amount of total capital gains and impairments was non-taxable.

Sanoma's net financial items totalled EUR -35.2 million (2010: EUR -12.8 million). Financial income amounted to EUR 13.9 million (2010: EUR 11.1 million), of which EUR 9.4 million were exchange rate gains (2010: EUR 7.0 million). Financial expenses amounted to EUR 49.1 million (2010: EUR 23.8 million), of which EUR 16.3 million were exchange rate losses (2010: EUR 8.0 million). Following the increased debt, interest expenses amounted to EUR 28.8 million (2010: EUR 13.3 million).

Profit before taxes amounted to EUR 144.1 million (2010: EUR 356.0 million). The effective tax rate was 40.3% (2010: 16.5%). Earnings per share were EUR 0.52 (2010: EUR 1.85). The effective tax rate and earnings per share were affected mainly by the impairments of goodwill and non-taxable sales gains and losses. The comparable figures were affected by the tax-free non-recurring gain on the sale of the broadband access and cable TV services in Finland.

Sanoma's 2011 result included EUR -3.7 million (2010: EUR -23.9 million) of profits from associated companies. The most important associated companies included in this line are DNA, Hansaprint, Stratosfèra and Helsinki Halli (former Jokerit HC).

BALANCE SHEET AND FINANCIAL POSITION

At the end of 2011, Sanoma's consolidated balance sheet totalled EUR 4,328.3 million (2010: EUR 3,203.0 million). In 2011, the Group's cash flow from operations was EUR 273.8 million (2010: EUR 273.8 million). Cash flow from operations per share was EUR 1.68 (2010: EUR 1.69).

Sanoma's equity ratio was 37.0% (2010: 45.7%; 2009 41.4%) at the end of 2011. The return on equity (ROE) was 5.9% (2010: 23.0%; 2009: 9.2%) and the return of investment (ROI) was 6.8% (2010: 16.2%; 2009: 8.9%). In 2010, the divestment of the broadband access and cable TV services in Finland positively affected these ratios. Equity totalled EUR 1,524.2 million (2010: EUR 1,376.0 million). Following the closing of the acquisition of SBS operations in the Netherlands and Belgium, interest-bearing liabilities increased and totalled EUR 1,727.2 million (2010: EUR 941.9 million). Interest-bearing net debt was EUR 1,611.2 million (2010: EUR 877.9 million).

In order to finance the SBS acquisition, Sanoma entered into the following financing facilities: EUR 522 million syndicated term loan for five years, EUR 250 million short term bridge-to-bond facility and EUR 132 million syndicated term loan and revolving credit facility for five years. The latter facility is for the SBS Broadcasting B.V., owned by Sanoma and the Dutch Talpa Media as a minority shareholder. The transaction did not affect the financing terms of Sanoma's previous credit facilities.

In addition to bank loan agreements, Sanoma Corporation does not have any other significant agreements covered by the statutory obligation to disclose. The Group has, within the scope of normal business operations, agreements or agreements as a whole containing a standard change-of-control clause.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

In 2011, investments in tangible and intangible assets, including finance leases, amounted to EUR 85.5 million (2010: EUR 85.7 million). Investments were mainly related to ICT systems as well as replacements and renovations. Sanoma's business acquisitions totalled EUR 1,415.2 million (2010: EUR 37.1 million).

In March, Sanoma sold its movie operations in Finland and the Baltic countries. In 2010, net sales of movie operations were EUR 88.6 million and operating profit stood at EUR 8.4 million. The enterprise value of the transaction was EUR 116.0 million, and the transaction was finalised at the end of April.

In April, Sanoma sold its press distribution and kiosk operations in Romania. In 2010, net sales of these operations amounted to some EUR 23 million. The remaining kiosk operations in Russia were also divested at the beginning of April.

In April, Sanoma agreed to acquire the SBS free-to-air TV assets in the Netherlands and Belgium together with Talpa Media in the Netherlands and Corelio and Wouter Vandenhaute & Eric Watté in Belgium. The enterprise value of the transaction was EUR 1,225 million. The net sales of the acquired companies totalled EUR 404 million in 2010 and their operating profit was some EUR 110 million (pro forma, unaudited). The acquisition in Belgium was finalised on 8 June and the Dutch acquisition on 29 July after the necessary approvals were received from the competition authorities.

In April, Sanoma announced that it will acquire the Finnish educational publisher Tammi Learning and the Swedish educational publisher Bonnier Utbildning, both from the Swedish media company Bonnier. At the same time, Sanoma will divest its Finnish general literature publisher WSOY to Bonnier. The transaction was completed on 3 October.

In August, Sanoma announced the divestment of its bookstore operations in Finland. In 2010, net sales of Sanoma's Finnish bookstores were EUR 109 million and operating profit EUR 2 million. The divestment was completed on 30 September.

In October, Sanoma announced the divestment of its ownership, 50% of the shares, in the Latvian kiosk and press distribution company Narvesen Baltija. In 2010, the net sales of the company were some EUR 59 million.

In November, Sanoma announced the sale of some 40,000 m² of residential building rights in Finland. The total value of the transaction is EUR 12.9 million, which will be paid in three instalments during 2011–2013.

OUTLOOK FOR 2012

In 2012, Sanoma expects its net sales to grow slightly, mostly due to the acquired SBS operations in the Netherlands and Belgium. Operating profit margin, excluding non-recurring items, is estimated to be around 10% of net sales. Earnings per share excluding non-recurring items are estimated to grow.

Sanoma's net sales and result are affected by the underlying environment, particularly by the development of advertising markets in the Group's countries of operation. The 2012 outlook is based on the assumption that the advertising markets in the Group's main operating countries will vary from stable to slightly decreasing, as the economic uncertainty continues.

MEDIA

The Media segment includes magazine, TV and digital businesses in 12 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/ 2011	1–12/ 2010
Net sales	**1 415.8**	1 299.6
Operating profit excluding non-recurring items	**151.1**	145.8
% OF NET SALES	**10.7**	11.2
Operating profit	**92.0**	287.9
Capital expenditure	**22.7**	25.2
Return on investment (ROI), %	**4.6**	16.6
Number of employees at the end of the period (full-time equivalents)	**5 844**	5 419
Average number of employees (full-time equivalents)	**5 624**	5 602

In 2011, Media's net sales grew by 8.9%. Growth came from the consolidation of the acquired SBS TV and print operations in the Netherlands and Belgium as well as increased sales of Nelonen Media broadcasting operations in Finland, more than offsetting the divestments made in 2010. Adjusted for structural changes, net sales decreased by 0.4%.

Advertising sales grew by 32.5% and represented 39.9% (2010: 32.8%) of the 2011 net sales. Online advertising sales increased by 9.8% with most of the business units showing growth.

Print circulation sales decreased by 0.4% and represented 45.5% (2010: 49.8%) of the segment's net sales in 2011. An increase in subscription sales, mainly as a result of the consolidated Dutch print operation, almost offset the decrease in single copy sales.

The consolidation of TV operations and growing online advertising sales increased the segment's digital sales. In total, digital sales grew by 75.6% in 2011 and represented 24.7% (2010: 15.4%) of the segment's total net sales.

In the Netherlands, net sales grew by 30.9%. Most of this growth came from the consolidation of the acquired SBS TV and print operations, part of Sanoma Media Netherlands since 1 August 2011. Magazine operations' sales were at the comparable year's level. Circulation sales grew somewhat due to acquired operations. The declining trends in the readers market continued but Sanoma Media Netherlands' market share remained stable. The Dutch market for consumer magazine advertising excluding TV guides, decreased by 0.7% in 2011, and Sanoma Media Netherlands' print advertising sales decreased slightly. Online advertising sales continued to grow somewhat. In total, advertising sales grew significantly following the consolidation of the TV operations, and represented 40.9% (2010: 29.5%) of the Dutch net sales. The TV advertising market in the Netherlands increased by around 2% in January–December. In 2011, net sales of Sanoma's TV operations, consolidated as of 1 August, were at the comparable year's level.

In Finland, net sales decreased by 8.7%, as a result the divestment of the broadband access and cable TV operations in 2010. Adjusted for structural changes, net sales grew slightly, as the clear increase in Nelonen Media, which includes free-to-air TV, paid TV, radio and online, offset the slightly declining sales in magazine publishing. During 2011, the TV advertising market in Finland increased by 6.5%. Nelonen Media developed in line with the market. The magazine advertising market increased by 2.0% in 2011. In total, advertising sales of the Finnish operations grew clearly, driven by increased sales in Nelonen Media, and represented 41.9% (2010: 34.8%) of net sales. Circulation sales declined slightly, as the slightly declining volume trend continues.

Net sales in Belgium increased by 0.4%, due to acquired operations. Magazine operations' sales decreased clearly, when both advertising and circulation sales declined, partly due to structural changes but also related to a decline in consumer confidence and advertising spending. The trend in the Belgian readers market continued to be slightly downward. Sanoma Media Belgium's market position remained stable. The TV advertising market in Belgium increased by 3.2% during the year. Sanoma's TV operations continued to grow and its advertising market share improved to 25.4%. In total, advertising sales represented 29.5% (2010: 26.4%) of net sales in Belgium.

There have been a number of structural changes in Sanoma Media Belgium. The reported figures include 51% of the weekly magazine Humo from May 2010 to May 2011. In connection with the SBS acquisition, the remaining holding in Humo was transferred to De Vijver, after which 33% of the net result of De Vijver was included in the Belgium figures. Since the Belgium competition authorities approved the joint control structure of De Vijver on 1 September, 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 as of this approval.

In Russia and the CEE countries, net sales decreased by 0.8%, fully explained by negative currency translation effects. The markets, especially Hungary, have been adversely affected by the Euroland economic uncertainty. Advertising sales of the strategic business unit increased slightly, mostly in Russia, whereas online sales increased somewhat, driven by Russia and Bulgaria. Following the declining market trends, especially during the second half of 2011, Sanoma's single copy sales came down in all countries. Circulation sales decreased therefore somewhat. The magazine portfolio, internet services and local organisations are continuously optimised according to the market situation.

Operating profit excluding non-recurring items increased by 3.6%, as increased results in online operations and Finnish TV as well as the consolidation of the acquired operations offset lower results in magazine operations in most business units and the effects of divestments in 2010. In addition, the result includes EUR 34.4 million of SBS transaction costs and order backlog amortisations, which are not categorised as non-recurring. Non-recurring items included in the operating profit totalled EUR -59.1 (2010: EUR 142.1 million) and included impairments of goodwill and intangible assets, restructuring expenses and gains on the sale of asset. In the comparable year, non-recurring items were related to gains of the sales of assets, impairments of intangible assets and goodwill as well as restructuring of operations.

Media's investments in tangible and intangible assets totalled EUR 22.7 million (2010: EUR 25.2 million) and consisted mainly of ICT investments. The most material acquisition in 2011 was the acquisition of the SBS TV and print operations in the Netherlands and Belgium. In 2010, the most significant acquisition was a 21% share in the Finnish telecommunication group DNA in connection with the Welho transaction.

NEWS

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

Key indicators, EUR million	1–12/ 2011	1–12/ 2010
Net sales	**435.8**	437.6
Operating profit excluding non-recurring items	**49.4**	47.2
% OF NET SALES	**11.3**	10.8
Operating profit	**40.2**	56.1
Capital expenditure	**16.9**	14.0
Return on investment (ROI), %	**16.7**	22.0
Number of employees at the end of the period (full-time equivalents)	**2 025**	2 016
Average number of employees (full-time equivalents)	**2 061**	2 176

In January–December, News' net sales decreased by 0.4%. Adjusted for structural changes, net sales increased by 1.9%.

The segment's advertising sales grew by 3.8%, with both online and print advertising sales developing positively and increasing by 18% and 1%, respectively. Advertising sales represented 50.0% (2010: 48.0%) of the segments' net sales in 2011. Digital sales, consisting mostly of online advertising, but also to larger extent content, amounted to 12.1% (2010: 11.6%) of the net sales in News.

According to TNS Gallup Adex, newspaper advertising in Finland grew by 3.5% in 2011. Recruitment advertising in Finland increased by 23% and real estate advertising by 19%. Recruitment advertising in the daily print edition of Helsingin Sanomat was 12% above the comparable year, and real estate advertising 14%, respectively. Online, Oikotie recruitment advertising development was in line with the market. Advertising in the free sheet market was up by 5.3%. Online display and classified advertising included in the statistics grew by 19% during the year.

The segments' circulation sales were at the comparable year's level with subscription sales and single copy sales being stable, despite the decreasing trend in print circulation volumes. Circulation sales accounted for 42.8% (2010: 42.8%) of the net sales in News.

The net sales of the Helsingin Sanomat business unit grew by 1.3%. Circulation sales were stable and advertising sales increased during the first half of the year, but the underlying macro-economic uncertainty clearly affected advertising sales in the second half of the year. In particular, the multichannel use of Helsingin Sanomat developed well in 2011. Advertising sales represented 53.9% (2010: 53.9%) of the business unit's net sales.

The Ilta-Sanomat business unit's net sales grew by 1.4%, with advertising sales, representing 28.3% (2010: 26.7%) of the business unit's net sales, increasing somewhat. Circulation sales were at the comparable year's level. The total volume of the Finnish tabloid market decreased by 5% in 2011. However, Ilta-Sanomat was able to strengthen its market position further in the tabloid newsstand market and now has a market share of 58.3% (2010: 58.1%).

Net sales from other publishing operations decreased by 2.5%, due to the divestment of Lehtikuva and Esmerk in 2010. In regional papers, both advertising and circulation decreased slightly. Advertising sales in free sheets increased clearly. News is focusing an increasing amount of resources to develop its digital operations. Online advertising sales in Sanoma Digital Finland continued to perform strongly in 2011 and net sales for the business unit increased by 20.8%.

News' operating profit excluding non-recurring items increased by 4.6% in 2011, mainly as a result of strict cost control in all business units. Non-recurring items included in the operating profit totalled EUR -9.2 million (2010: EUR 8.9 million) and were related to pension and exit packages. In the comparable year, non-recurring items were related to sales gains on the divestment of Lehtikuva and local papers.

News' investments in tangible and intangible assets totalled EUR 16.9 million (2010: EUR 14.0 million), and consisted mainly of investments in digital business, ICT and replacement investments in printing. There were no material acquisitions in 2011 or the comparable year. In September 2010, business information and media monitoring service provider Esmerk was transferred from News to language services business unit in Learning.

LEARNING

The Learning segment includes Sanoma's learning as well as language service and business information operations. Sanoma Learning is a leading European provider of learning materials and solutions in print and digital format.

Key indicators, EUR million	1–12/ 2011	1–12/ 2010
Net sales	**343.1**	350.1
Operating profit excluding non-recurring items	**45.5**	52.6
% OF NET SALES	**13.3**	15.0
Operating profit	**16.6**	47.1
Capital expenditure	**11.5**	14.9
Return on investment (ROI), %	**3.6**	8.9
Number of employees at the end of the period (full-time equivalents)	**2 489**	2 656
Average number of employees (full-time equivalents)	**2 583**	2 629

In 2011, Learning's net sales decreased by 2.0%. In October, Sanoma completed the acquisition of the Finnish educational publisher Tammi Learning, which is now fully integrated into the Finnish operations and the Swedish educational publisher Bonnier Utbildning (now Sanoma Utbildning) from the Swedish media company Bonnier as well as the divestment of its Finnish general literature publisher WSOY to Bonnier. Adjusted for structural changes, net sales decreased by 1.0%.

In learning business, net sales increased by 3.0%. 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 the successful launch of the online exercise platform. In Finland, net sales grew, driven by new online services as well as a result of acquired operations. The integration of the acquired Swedish operations is also progressing according to plan. In Hungary, sales were under pressure and fell somewhat as a result of the cuts in the governmental budget and the difficult political situation. In Poland, new learning materials launched, due to continued curriculum reform, were successful and net sales of Nowa Era increased somewhat. Currency translations had a negative effect on Hungarian and Polish sales.

The language services business includes information provider Esmerk and language services provider AAC Global. The operations of Esmerk were transferred from News in September 2010, and its net sales have developed positively during 2011. Net sales in language services business increased by 19.4%, due to structural changes.

In literature and other businesses net sales decreased by 28.9%, mainly related to the divestment of the Finnish general literature operations as of October 2011.

Operating profit excluding non-recurring items decreased by 13.4%, mainly related to structural changes. Operating profit in learning business was at the comparable year's level, mostly as a result of efficiency improvements. Results increased in literature and other businesses, but decreased in language services. Non-recurring items included in the operating profit totalled EUR -28.9 million (2010: EUR -5.5 million) and consisted mainly of the impairment of goodwill in language services, restructuring expenses and write-downs related to ICT. In 2010, the result was positively affected by a EUR 3 million release in pension provisions.

Learning's investments in tangible and intangible assets totalled EUR 11.5 million (2010: EUR 14.9 million). They comprised mainly investment in ICT. In October, Sanoma completed the acquisition of the Finnish educational publisher Tammi Learning, which is now fully integrated into the Finnish operations and the Swedish educational publisher Bonnier Utbildning (now Sanoma Utbildning) from the Swedish media company Bonnier as well as the divestment of its Finnish general literature publisher WSOY to Bonnier. The most significant transaction in the comparable year was the acquisition of the remaining shares of the e-learning provider YDP in Poland.

TRADE

The Trade segment includes Sanoma's kiosk operations and trade services in Finland, Estonia and Lithuania.

Key indicators, EUR million	1–12/ 2011	1–12/ 2010
Net sales	**597.0**	726.3
Operating profit excluding non-recurring items	**18.8**	19.1
% OF NET SALES	**3.1**	2.6
Operating profit	**49.2**	15.5
Capital expenditure	**32.4**	29.7
Return on investment (ROI), %	**22.4**	5.7
Number of employees at the end of the period (full-time equivalents)	**3 110**	5 149
Average number of employees (full-time equivalents)	**4 023**	5 486

In 2011, Trade's net sales decreased by 17.8% due to the divestments of the Finnish and Baltic movie operations in April, the Romanian kiosk and press distribution operations in April, the remaining Russian kiosk operations in April, the Finnish bookstore operations in September and the Latvian kiosk and press distribution operations in October. Net sales adjusted for structural changes increased by 0.1%.

Net sales from kiosk operations were down by 4.8% in 2011 due to the divestment of the Latvian, Russian and Romanian operations as well as to the closing down of unprofitable kiosks, especially in Finland and Lithuania. The growth in net sales and in the number of customers in the comparable part of the kiosk chain in Finland continued, mainly as the result of a major optimisation of the kiosk network and continued performance uplift measures during the last three quarters of 2011. Net sales also grew in Estonia, but decreased in Lithuania.

Trade services' net sales decreased by 7.3% as a result of the divestments of the Latvian, Russian and Romanian operations. Net sales continued to grow in Finland.

Bookstore operations' net sales decreased by 36.2%, as a result of the divestment of the Finnish bookstore operations at the end of September 2011.

Net sales from movie operations decreased by 68.4%, as Sanoma divested its movie operations at the end of April 2011.

In 2011, Trade's operating profit excluding non-recurring items decreased by 1.4%. The positive effects of divesting loss-making operations as well as the improved performance of kiosk operations, where the average margin per customer increased and improved the result clearly in Finland, and trade services compensated almost fully for the loss of result from the divested movie and bookstore operations. Non-recurring items included in Trade's operating profit totalled EUR 30.4 million (2010: EUR -3.6 million) and consisted mainly of sales gains and losses related to divestments.

Trade's investments in tangible and intangible assets totalled EUR 32.4 million (2010: EUR 29.7 million), and focused mainly on concept development in kiosks, ICT projects and the renewal of Finnkino's long-term rental agreements, which alone accounted for close to one half of the investments. There were no material acquisitions in 2011.

PERSONNEL

In 2011, the average number of persons employed by the Sanoma Group was 17,618 (2010: 19,462; 2009: 20,625). In full-time equivalents, the number of Group employees at the end of the year was 13,646 (2010: 15,405; 2009: 16,723). Divestments and restructuring decreased the number of personnel in 2011. In addition, some of the restructuring measures initiated in 2011 will affect the number of employees also in 2012. In full-time equivalents, Media had 5,844 (2010: 5,419) employees at the end of 2011, News 2,025 (2010: 2,016), Learning 2,489 (2010: 2,656), Trade 3,110 (2010: 5,370) and Group functions 178 (2010: 165).

The total employee benefits to Sanoma employees in 2011, including the expense recognition of options granted, amounted to EUR 549.7 million (2010: 545.9 million; 2009: EUR 563.0 million).

DIVIDEND

On 31 December 2011, Sanoma Corporation's distributable funds were EUR 539.8 million, of which profit for the year made up EUR 77.6 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 441.6 million.

In accordance with the Annual General Meeting's decision, Sanoma paid out a per-share dividend of EUR 1.10 for 2010. Sanoma conducts an active dividend policy and primarily distributes over half of the Group result for the period in dividends.

CORPORATE GOVERNANCE

⊕ For more information on Sanoma's Corporate Governance, please see the Corporate Governance Statement, p. 70–74.

SHARES AND HOLDINGS

In 2011, traded shares accounted for 55% (2010: 39%) of the average number of shares.

⊕ For more information on Sanoma's shares and shareholders, stock options and management ownership, see the Shares and shareholders section of the Financial Statements, p. 57–63 as well as Notes 20 and 31 of the Financial Statements. For key indicators, see p. 3 of the Financial Statements.

BOARD OF DIRECTORS, AUDITORS AND MANAGEMENT

The AGM held on 5 April 2011 confirmed the number of Sanoma's Board members as 10. Board members Jane Erkko and Rafaela Seppälä were re-elected, and Nancy McKinstry and Kai Öistämö were elected as new members to 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, with Pekka Pajamo, Authorised Public Accountant, as Auditor in Charge, as the auditor of the Company.

Sanoma's new organisational model was announced on 5 August 2011. As of 1 September, 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), Koos Guis (CEO, Sanoma Media Russia & CEE; acting member), Kim Ignatius (CFO), John Martin (Chief Digital Officer, CDO), Dick Molman (CEO, Sanoma Media Netherlands), Anu Nissinen (CEO, Sanoma Media Finland), Pekka Soini (CEO, Sanoma News), Aimé Van Hecke (CEO, Sanoma Media Belgium), and Customer Market Officer, CMO, which will be appointed later. On 9 December, it was announced that Heike Rosener will succeed retiring Koos Guis as of 1 February 2012.

BOARD AUTHORISATIONS

The AGM held on 5 April 2011 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 2012 and terminates the corresponding authorisation granted by the AGM on 8 April 2010. The Board of Directors did not exercise its right under this authorisation during year 2011.

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 total voting rights that the maximum number of own shares covered by the authorisation would provide entitlement to. The authorisation will be 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, p. 57–63.

SEASONAL FLUCTUATION

The net sales and result 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 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 on p. 70–74, 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 ongoing digitisation. Sanoma has identified action plans in all its strategic business units on how 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, 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.

Sanoma's financial risks include interest rate and currency risks, liquidity risk and credit risk. Other risks include risks related to equity, impairment and availability of capital. At a Group level, the most significant risks relate to liquidity 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 the Netherlands. 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. 56 of the Financial Statements.

Consolidated income statement

EUR million	Note	1.1.–31.12.2011	1.1.–31.12.2010
Net sales	3	**2 746.2**	2 761.2
Other operating income	4	**144.3**	258.8
Materials and services		**1 123.9**	1 207.4
Employee benefit expenses	5, 31	**676.5**	668.6
Other operating expenses	6	**586.2**	554.2
Share of results in associated companies		**-1.2**	
Depreciation, amortisation and impairment losses	10–12	**319.7**	197.1
Operating profit		**182.9**	392.7
Share of results in associated companies		**-3.7**	-23.9
Financial income	7	**13.9**	11.1
Financial expenses	7	**49.1**	23.8
Result before taxes		**144.1**	356.0
Income taxes	8	**-58.1**	-58.6
Result for the period		**86.0**	297.3
Result attributable to:			
Equity holders of the Parent Company		**84.5**	299.6
Non-controlling interests		**1.5**	-2.3
Earnings per share for result attributable to the equity holders of the Parent Company:	9		
Earnings per share, EUR		**0.52**	1.85
Diluted earnings per share, EUR		**0.52**	1.85

Statement of comprehensive income

EUR million	Note	1.1.–31.12.2011	1.1.–31.12.2010
Result for the period		**86.0**	297.3
Other comprehensive income:			
Change in translation differences		**-25.5**	9.8
Cash flow hedges	27	**-11.7**	0.2
Income tax related to cash flow hedges		**2.9**	-0.1
Other comprehensive income for the period, net of tax		**-34.4**	10.0
Total comprehensive income for the period		**51.6**	307.3
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**50.1**	309.6
Non-controlling interests		**1.5**	-2.3

Consolidated balance sheet

EUR million	Note	31.12.2011	31.12.2010
ASSETS			
Non-current assets			
Tangible assets	10	**343.6**	429.3
Investment property	11	**5.8**	8.7
Goodwill	12	**2 316.2**	1 447.5
Other intangible assets	12	**709.8**	403.2
Interests in associated companies	13	**219.3**	248.7
Available-for-sale financial assets	14	**15.4**	15.8
Deferred tax receivables	8	**29.9**	34.8
Trade and other receivables	5,15	**44.3**	28.3
Non-current assets, total		**3 684.3**	2 616.3
Current assets			
Inventories	16	**96.8**	122.8
Income tax receivables		**12.5**	8.6
Trade and other receivables	17	**418.4**	391.0
Available-for-sale financial assets	14	**0.3**	0.3
Cash and cash equivalents	18	**116.0**	64.0
Current assets, total		**644.0**	586.8
ASSETS, TOTAL		**4 328.3**	3 203.0
EQUITY AND LIABILITIES			
Equity	19		
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		**-8.7**	0.2
Translation differences		**-46.0**	-20.4
Retained earnings		**1 034.0**	1 116.9
		1 253.9	1 371.2
Non-controlling interests		**270.3**	4.8
Equity, total		**1 524.2**	1 376.0
Non-current liabilities			
Deferred tax liabilities	8	**146.1**	94.2
Pension obligations	5	**17.2**	26.7
Provisions	21	**6.3**	7.3
Interest-bearing liabilities	22	**1 101.2**	472.5
Trade and other payables	23	**38.9**	19.9
Non-current liabilities, total		**1 309.7**	620.5
Current liabilities			
Provisions	21	**15.3**	15.6
Interest-bearing liabilities	22	**626.0**	469.4
Income tax liabilities		**27.4**	22.1
Trade and other payables	23	**825.8**	699.4
Current liabilities, total		**1 494.5**	1 206.5
LIABILITIES, TOTAL		**2 804.1**	1 827.0
EQUITY AND LIABILITIES, TOTAL		**4 328.3**	3 203.0

Changes in consolidated equity

EUR million	Equity attributable to the equity holders of the Parent Company							
	Share capital	Fund for invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interests	Equity, total
Equity at 1 Jan 2010	**71.3**	**188.8**		**-30.2**	**961.4**	**1 191.2**	**15.4**	**1 206.6**
Share subcription with options		14.5				14.5		14.5
Expense recognition of options granted					3.6	3.6		3.6
Dividends paid					-129.5	-129.5	-1.9	-131.3
Change in non-controlling interests					-17.8	-17.8	-6.5	-24.3
Donations					-0.5	-0.5		-0.5
Total comprehensive income for the year			0.2	9.8	299.6	309.6	-2.3	307.3
Equity at 31 Dec 2010	**71.3**	**203.3**	**0.2**	**-20.4**	**1 116.9**	**1 371.2**	**4.8**	**1 376.0**
Equity at 1 Jan 2011	**71.3**	**203.3**	**0.2**	**-20.4**	**1 116.9**	**1 371.2**	**4.8**	**1 376.0**
Share subscription with options		0.0				0.0		0.0
Expense recognition of options granted					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
Total comprehensive income for the year			-8.8	-25.6	84.5	50.1	1.5	51.6
Equity at 31 Dec 2011	**71.3**	**203.3**	**-8.7**	**-46.0**	**1 034.0**	**1 253.9**	**270.3**	**1 524.2**

Consolidated cash flow statement

EUR million	Note	1.1.–31.12.2011	1.1.–31.12.2010
Operations			
Result for the period		**86.0**	297.3
Adjustments			
Income taxes		**58.1**	58.6
Financial expenses	7	**49.1**	23.8
Financial income	7	**-13.9**	-11.1
Share of results in associated companies		**4.9**	23.9
Depreciation, amortisation and impairment losses		**319.7**	197.1
Gains/losses on sales of non-current assets		**-56.8**	-195.2
Other adjustments		**-116.9**	-55.1
Change in working capital			
Change in trade and other receivables		**0.8**	-41.1
Change in inventories		**0.4**	9.5
Change in trade and other payables, and provisions		**49.0**	36.8
Interest paid		**-23.6**	-13.7
Other financial items		**-17.4**	-3.2
Taxes paid		**-65.5**	-53.9
Cash flow from operations		**273.8**	273.8
Investments			
Acquisition of tangible and intangible assets		**-70.8**	-81.8
Operations acquired	2	**-1 349.9**	-37.1
Associated companies acquired		**-0.2**	-12.3
Acquisition of other holdings		**-0.1**	0.0
Sales of tangible and intangible assets		**14.0**	17.8
Operations sold	2	**68.4**	30.2
Associated companies sold		**3.8**	0.6
Sales of other companies		**1.9**	0.0
Loans granted		**-8.7**	-0.8
Repayments of loan receivables		**246.3**	3.5
Sales of short-term investments		**0.0**	0.2
Interest received		**3.2**	2.7
Dividends received		**14.9**	3.9
Cash flow from investments		**-1 077.4**	-73.1
Cash flow before financing		**-803.6**	200.8
Financing			
Proceeds from share subscriptions		**0.0**	14.5
Non-controlling interests' capital investment/repayment of equity		**264.0**	1.6
Change in loans with short maturity		**-183.5**	4.2
Drawings of other loans		**1 042.7**	287.7
Repayments of other loans		**-84.5**	-355.8
Payment of finance lease liabilities		**-2.0**	-3.7
Dividends paid		**-179.7**	-131.3
Donations/other profit sharing		**0.0**	-0.5
Cash flow from financing		**857.1**	-183.3
Change in cash and cash equivalents according to cash flow statement		**53.6**	17.5
Effect of exchange rate differences on cash and cash equivalents		**-1.1**	2.1
Net increase(+)/decrease(-) in cash and cash equivalents		**52.4**	19.5
Cash and cash equivalents at 1 Jan		**41.1**	21.6
Cash and cash equivalents at 31 Dec	18	**93.5**	41.1

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

Notes to the consolidated financial statements

Accounting policies for consolidated financial statements

CORPORATE INFORMATION

The Sanoma Group comprises of four reporting segments: Media, News, Learning (former Sanoma Learning & Literature) and Trade. Media consists of four strategic business units: Sanoma Media Finland (former Sanoma Magazines Finland and Sanoma Entertainment), Sanoma Media Netherlands, Sanoma Media Russia & CEE and Sanoma Media Belgium. Media's operations include magazines, custom media, events, websites, mobile sites, apps and TV operations. News is the leading newspaper publisher in Finland and digital media producer. Learning is a significant European provider of learning materials and solutions and Trade is the market leader in kiosk operations and press distribution in Finland. Sanoma has operations in over 20 countries.

The Sanoma Group's Parent Company, Sanoma Corporation, is a Finnish public limited liability company domiciled in Helsinki. The address of the Parent Company's registered office is Ludviginkatu 6–8, FI-00130 Helsinki.

On 6 February 2012, 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 CONSOLIDATED FINANCIAL STATEMENTS

Sanoma has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) while adhering to related IAS and IFRS standards, effective at 31 December 2011, 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 2011:

- IAS 32 (Amended 2008) Financial Instruments: Presentation-Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). This amendment addresses the accounting for issuing options, subscription rights or other rights denominated in a currency other than the functional currency (euro) of the issuer. This amendment did not have any impact on the consolidated financial statements of the Group.
- Revised IAS 24 Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011). The definition of related party has been specified. The disclosure requirements for the entities connected to public utilities or departments of government have been changed. This revised standard had no impact on Sanoma's consolidated financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies accounting treatment of cases where a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability. This IFRIC had no impact on Sanoma's consolidated financial statements.
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011). According to the interpretation voluntary advance payments to pension funds that have been based on the minimum funding requirements, can be recorded as assets on the balance sheet in certain occasions. This amendment had no impact on Sanoma's consolidated financial statements.
- Improvements to IFRS (May 2010, most of the changes are effective for annual periods beginning on or after 1 July 2010). This annual procedure comprises several minor changes and technical revisions to standards. These amendments did not have material influence on the Group's financial statements.

MANAGEMENT JUDGEMENT IN APPLYING THE MOST SIGNIFICANT ACCOUNTING POLICIES AND OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparing the financial statements in accordance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. During the preparation of the financial statements, such estimates were used when making calculations for impairment testing of goodwill, allocating acquisition cost 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' income statements, balance sheets 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 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. Intra-group shareholdings are eliminated using the acquisition 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 of their acquisition, or 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.

Sanoma uses the acquisition 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. Any interest in the acquired company held by the acquirer before the control was acquired, shall be measured at fair value at the date of acquiring the control. This value has an impact on calculating the goodwill from this acquisition and it is presented as loss or gain in the income statement. 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 is measured at fair value on the acquisition date, and any changes in the value there after are presented in the operating profit in income statement. All costs charged by third parties and which are related to acquisitions shall be expensed in income statement.

Associated companies are entities in which the Group has significant influence. Significant influence is based on a holding of over 20% of the voting rights or otherwise obtaining 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 originated from acquisitions.

Joint ventures controlled jointly by the Group with one or several other owners are accounted for using the line-by-line proportionate consolidation method.

Profit or loss for the period attributable to equity holders of the Parent Company and to 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 non-controlling interests. Amount of equity attributable to equity holders of the Parent Company and to non-controlling interests is presented as a separate item in the balance sheet within equity.

Intra-group transactions, receivables and liabilities, intra-group margins and distribution of profits within the Group are eliminated in the consolidated financial statements.

FOREIGN CURRENCY ITEMS

Items of each subsidiary are recognised using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary (the functional currency). The consolidated financial statements are presented in euro, 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. Assets and liabilities on the balance sheet date are translated into the functional currency at the exchange rate prevailing on the balance sheet date.

In August 2011 after acquiring a remarkable TV operator in the Netherlands, Sanoma harmonized the accounting principles. Sanoma started to report all exchange rate gains and losses related to business operations or interest-bearing assets and liabilities 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 income statement and balance sheet results in 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 is sold, 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 are recognised in the income statement on a systematic basis over the period necessary to match them with the costs they are intended to compensate. 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 4.

GOODWILL AND OTHER INTANGIBLE ASSETS

Acquired subsidiaries are consolidated using the acquisition cost method, whereby the acquisition cost is allocated to the acquired assets and liabilities 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 annually tested for impairment.

Intangible assets acquired in a business combination must be recognised separately from goodwill if the assets fulfil the criteria set for these 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. Although expected useful lives can principally be determined for intangible rights, the useful life cannot be determined for some publishing rights. With regard to the acquisition of new assets, the Group assesses the expected useful life of the intangible right, for example, in light of historical data and market position, and determines the useful life on the basis of the best knowledge available on the assessment date.

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

Amortisation periods for intangible assets with finite useful lives are:

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

Goodwill and other intangible assets are described in more detail in Note 12.

IMPAIRMENT TESTING

The carrying amounts of assets are reviewed whenever there is any indication of impairment. Those cash generating units (CGU) for which goodwill has been allocated are tested for impairment at least once a year. 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. 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.

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 12.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any impairment losses. 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

Lease premises' renovation expenses are treated as other tangible assets in the balance sheet.

Major renovations are only included in the assets' carrying amount if it is probable that the Group will derive additional future economic benefits and that the carrying amount can be reliably measured. Ordinary repairs and maintenance costs are expensed as incurred.

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 in the balance sheet. Investment properties include buildings, land and investment 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 productive value method takes into account among others the term of lease period, other conditions of lease contract, the location of 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 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. The assets are depreciated during the lease term and lease payments are recognised as interest expenses and repayment of financial lease liabilities.
The Group has no leases classified as finance leases in which a Group company is a lessor.

Operating leases are charged to other operating expenses 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 INSTRUMENTS

Financial instruments are classified in accordance with IAS 39. The Group holds loans and other receivables, available-for-sale financial assets and financial liabilities at amortised cost.

LOANS AND OTHER RECEIVABLES are assets with a fixed or definite series of payments. These assets are unlisted and not held for trading. Assets are measured at amortised cost. Receivables 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. These investments are measured at fair value and any change in fair value is recognised in other comprehensive income if the fair value can be reliably measured. When investments are sold, any change in fair value is derecognised from shareholders' equity and recognised in the income statement.

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.

FINANCIAL LIABILITIES are borrowings that are stated at amortised cost using the effective interest rate method. Financial liabilities comprise both non-current and current liabilities.

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 2011 and 2010, the Group has applied hedge accounting to interest rate swaps and they have been accounted for as cash flow hedging. In 2011, the Group has 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 at 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 at date of entering to a hedging agreement and they are subsequently measured at their fair value.

When the hedging instrument meets the criteria, the effective portion of the changes in fair value of the instrument is recognised in the other comprehensive income and is presented in the hedging reserve. The cumulative changes in the fair values 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 in the balance sheet.

⊕ The risk management principles of financial risks are presented in more detail in Note 26.

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 in the balance sheet.

INCOME TAXES

The income tax charge presented in the income statement is based on taxable profit for the financial period, adjustments for previous periods' taxes and changes in deferred taxes. Taxable profit for the period is based on the tax rate effective in each country.

Deferred tax assets and liabilities are recorded on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates enacted 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 when acquiring businesses.

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.

STOCK OPTIONS

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.

Stock options are measured at fair value on the grant date and charged to personnel expenses by division over the instrument's vesting period. Sanoma uses the Black–Scholes option-pricing model to measure stock option fair values. 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.

⊕ Note 20 provides a more detailed description of the 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 include also press distribution sales, training and language services and business information services. In addition, sale of services include user fees for e-learning solutions and databases. Sale of services are recognised once the service has been rendered. Net sales derive from sales net of discounts granted, indirect taxes and sales-related exchange rate differences. Net sales generated by commission sales include commissions. Delivery of books and papers from other than Sanoma publishers to retailer is treated as commission sales and only the commission fee is recognised in net sales.

RESEARCH AND DEVELOPMENT EXPENSES

R&D expenses are expensed as incurred.

R&D 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. R&D 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.

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, and the fair value of the plan assets. The Group has applied the exemption permitted by IFRS 1, whereby all accumulated actuarial gains or losses are recognised in the IFRS transition balance sheet as per 1 January 2004.

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 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 instrument and how these risks affect the financial position, especially when securitisation of financial assets is in question. The Group estimates that this amendment will not have an impact on its 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 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. The EU has not yet adopted this amendment.
- 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 EU has not yet adopted this amendment.
- 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 recognize changes in defined benefit plan when they occur. All actuarial gains or losses are required to be recognized immediately through other comprehensive income. Sanoma applies the corridor approach currently, and there for 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 EU has not yet adopted this amendment.
- IFRS 9 Financial Instruments (effective date to be decided). 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.
- IFRS 10 Consolidated financial statements (effective for annual periods beginning on or after 1 January 2013). The standard retains the 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 not yet adopted the new standard.

- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013). 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 arrangements: joint operations and joint ventures. Standard permits only equity method in consolidation of joint ventures, and the proportional consolidation method is not allowed any longer. Currently, Sanoma uses proportional consolidation method according IAS 31, in which a proportion of income statement and balance sheet are consolidated line by line to Sanoma 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 not yet adopted the new standard.
- IFRS 12 Disclosures of Interest in Other Entities (effective for annual periods beginning on or after 1 January 2013). The standard combines the disclosure requirements for an entity's interest in subsidiaries, joint arrangements, associated and structured entities and other of balance sheet entities. The EU has not yet adopted the new standard.
- IFRS 13 Fair value measurement (effective 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 EU has not yet adopted the new standard.
- IAS 27 (Revised 2011) Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2013). 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 has not yet adopted the revised standard.
- IAS 28 (Revised 2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013). The revised standard contains the requirements for consolidating associated companied and joint ventures using equity method as a result of issuance of IFRS 11. The EU has not yet adopted the revised standard.
- Amendments to IFRS 7 Financial instruments: 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 estimated that this amendment will have no impact on Sanoma's consolidated financial statements.
- Amendments to IAS 32 Financial instruments: Presentation (effective on 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 material impact on the Group's financial statements.

1. Operating segments

The Sanoma Group has four reportable segments: Media, News, Learning and Trade. The segmentation is based on business model and product differences. Media, operating in 12 countries, 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. Trade, on the other hand, operates on a retail business model.

MEDIA

The Media segment includes magazines, TV and digital business in 12 European countries and comprises four strategic business units: Sanoma Media Belgium, Sanoma Media Finland, Sanoma Media Netherlands and Sanoma Media Russia & CEE.

NEWS

The News segment includes the Sanoma News strategic business unit, which is the leading player in newspaper publishing and digital media in Finland.

LEARNING

The learning segment includes Sanoma Learning strategic business unit, which operates in 14 countries and is a leading European provider of learning materials and solutions in print and digital format. Sanoma learning's other businesses include international business information and language service operations.

TRADE

The Trade segment includes Sanoma Trade strategic business unit, responsible for Group's kiosk operations and trade services in Finland, Estonia and Lithuania.

UNALLOCATED/ELIMINATIONS

In addition to the Group eliminations, unallocated/eliminations column includes Sanoma Corporation and real estate companies as well as items not allocated to segments.

Segments 2011, EUR million	Media	News	Learning	Trade	Unallocated/ eliminations	Consolidated
External net sales	1 412.1	434.1	331.9	567.8	0.3	2 746.2
Internal net sales	3.7	1.7	11.2	29.3	-45.8	
Net sales	1 415.8	435.8	343.1	597.0	-45.6	2 746.2
Depreciation, amortisation and impairment losses *	212.3	23.0	61.8	20.9	1.7	319.7
Operating profit	92.0	40.2	16.6	49.2	-15.1	182.9
Share of results in associated companies	-2.5	0.6	0.1	-1.9		-3.7
Financial income					13.9	13.9
Financial expenses					49.1	49.1
Profit before taxes						144.1
Capital expenditure	22.7	16.9	11.5	32.4	2.0	85.5
Goodwill	1 916.6	73.9	287.1	24.3	14.3	2 316.2
Interests in associated companies	213.2	1.7	1.0	3.5		219.3
Segment assets	3 048.7	320.7	549.0	186.9	47.2	4 152.5
Other assets					175.8	175.8
Total assets						4 328.3
Segment liabilities	605.7	134.1	106.4	117.6	-60.4	903.4
Other liabilities					1 900.7	1 900.7
Total liabilities						2 804.1
Cash flow from operations	179.6	71.5	46.4	42.9	-66.6	273.8
Average number of employees (full-time equivalents)	5 624	2 061	2 583	4 023	180	14 471

* Includes a EUR 53.4 million impairment in the Sanoma Russia & CEE in the Media segment.
* Includes a EUR 24.1 million impairment in language service operations in the Learning segment.

Segments 2010, EUR million	Media	News	Learning	Trade	Unallocated/ eliminations	Consolidated
External net sales	1 294.6	431.7	334.8	700.5	-0.5	2 761.2
Internal net sales	5.0	5.9	15.2	25.7	-51.9	
Net sales	1 299.6	437.6	350.1	726.3	-52.4	2 761.2
Depreciation, amortisation and impairment losses *	112.7	26.8	32.5	23.7	1.4	197.1
Operating profit **	287.9	56.1	47.1	15.5	-13.9	392.7
Share of results in associated companies ***	-24.5	0.3	0.0	0.3		-23.9
Financial income					11.1	11.1
Financial expenses					23.8	23.8
Profit before taxes						356.0
Capital expenditure	25.2	14.0	14.9	29.7	1.9	85.7
Goodwill	1 038.0	72.6	278.9	44.0	14.0	1 447.5
Interests in associated companies	239.3	1.0	0.9	7.4		248.7
Segment assets	1 826.8	324.9	551.8	344.8	34.6	3 082.8
Other assets					120.2	120.2
Total assets						3 203.0
Segment liabilities	478.1	140.6	108.0	182.1	-139.9	768.8
Other liabilities					1 058.2	1 058.2
Total liabilities						1 827.0
Cash flow from operations	136.2	77.7	58.8	36.7	-35.6	273.8
Average number of employees (full-time equivalents)	5 602	2 176	2 629	5 486	123	16 016

* Includes a EUR 28.9 million impairment in Dutch press distribution operations in the Media segment.
** Includes a EUR 179.0 million gain on sales of Welho in the Media segment.
*** Includes a EUR 22.1 million impairment in associated company Hansaprint in the Media segment.

The accounting policies for segment reporting do not differ from the Group's accounting policies. 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 and tax receivables. Segment liabilities do not include interest-bearing liabilities and tax liabilities. Capital expenditure includes investments in tangible and intangible assets. Transactions between segments are based on market prices.

Information about geographical areas 2011, EUR million	Finland	The Netherlands	Non-EU countries	Other countries	Eliminations	Consolidated
External net sales	1 299.2	770.4	583.6	93.1	0.0	2 746.2
Non-current assets	746.0	2 186.7	467.8	221.9	0.0	3 622.4

Information about geographical areas 2010, EUR million	Finland	The Netherlands	Non-EU countries	Other countries	Eliminations	Consolidated
External net sales	1 417.9	622.0	625.5	95.8	0.0	2 761.2
Non-current assets	841.0	1 131.9	463.9	121.4	0.0	2 558.2

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.

2. Acquisitions and divestments

Impact of business aquisitions on Sanoma Group's assets and liabilities, EUR million	2011	2010
Tangible assets	**7.0**	0.4
Intangible assets	**367.7**	6.2
Other non-current assets	**9.8**	0.0
Inventories	**10.1**	0.0
Other current assets	**316.0**	1.3
Assets, total	**710.6**	7.9
Non-current liabilities	**-129.3**	-0.7
Current liabilities	**-148.0**	-1.0
Liabilities, total	**-277.3**	-1.7
Net assets	**433.2**	6.2
Acquisition cost	**1 415.2**	10.3
Changes in acquisition cost after the acquisition date recognised in income statement		-0.5
Change in goodwill	**982.0**	3.5

Acquisitions of the shares of non-controlling interests, EUR million	2011	2010
Acquisition cost		26.9
Book value of the acquired interest		8.2
Impact on consolidated equity		-18.7

Cash flow from operations acquired, EUR million	2011	2010
Acquisition costs recognised during the financial year	**1 415.2**	37.1
Cash and cash equivalents of acquired operations	**-25.0**	-0.6
Decrease (+) / increase (-) in acquisition liabilities	**6.8**	0.5
Consideration paid in cash	**-47.1**	
Cash flow from operations acquired	**1 349.9**	37.1

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, 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, 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. At 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. Acquisition cost of these operations amounted to EUR 1,281.4 million. The impact of SBS Netherlands business acquisition on Group's assets 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 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 acquired 50% of the shares in the Hungarian 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.

ACQUISITIONS IN 2010

In 2010, investments in business operations amounted to EUR 37.1 million. Acquisition costs of the new operations consolidated to the Group totalled EUR 10.0 million, and the change in contingent purchase prices of acquisitions of previous periods was EUR 0.3 million. The acquisition costs of the shares from non-controlling interests amounted to EUR 26.9 million.

The accrued net sales of the acquired businesses from the acquisition date to the year-end amounted to EUR 3.6 million, and their impact on net sales was insignificant. Acquisition cost of each of the individual acquisitions was less than EUR 5 million.

In January, Sanoma Magazines Budapest acquired a 50% share in the Hungarian healthcare website HáziPatika.com Group. Sanoma recognised a liability for acquiring the remaining 50% of the shares. The income statement and balance sheet of HáziPatika are consolidated by 100% ownership in Sanoma's consolidated financial statements.

In April, Sanoma Trade acquired all of the shares of the Helsinki-based marketing logistics company Postituspojat. The company employs 30 persons.

In March, Rautakirja in the Sanoma Trade acquired the remaining 30% of the shares in the Russian kiosk operator R-Kiosk, from the shareholders of the non-controlling interests. In April, Finnkino in the Sanoma Trade acquired the remaining 10% of the shares in the Lithuanian Forum Cinemas. In the Sanoma Entertainment, the remaining 4.7% of shares in Sanoma Television Oy were acquired in April. In July, Werner Söderström in the Sanoma Learning & Literature bought the remaining 44.9% of the shares of Young Digital Planet (YDP), an e-learning solutions provider in Poland, from the holders of non-controlling interests.

DIVESTMENTS IN 2011

Impact of business divestments on Group's assets and liabilities, EUR million	2011	2010
Non-current assets	**107.1**	64.0
Inventories	**34.0**	2.2
Other current assets	**51.7**	18.4
Assets, total	**192.8**	84.7
Non-current liabilities	**-36.0**	-6.5
Current liabilities	**-72.4**	-29.8
Liabilities, total	**-108.4**	-36.3
Net assets	**84.4**	48.3
Sales price	**131.0**	235.7
Net result from sale of operations	**46.6**	187.4

Cash flow from sale of operations	2011	2010
Sales price	**131.0**	235.7
Consideration received in shares	**47.1**	202.8
Consideration payable in cash	**83.9**	32.9
Cash ad cash equivalents of divested operations	**-17.6**	-1.7
Change in receivables from divestments	**2.1**	-1.1
Cash flow from divestments	**68.4**	30.2

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 specializing in logistic 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. In 2010, its net sales were about EUR 32 million and the average number of personnel 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).

DIVESTMENTS IN 2010

In 2010, Sanoma made considerable divestments. Aggregate sales prices of divested operations amounted to EUR 235.7 million and a total of EUR 202.8 million of the considerations were paid by shares of the buyer.

In January, Sanoma Magazines announced its plan to transfer the Belgian magazine Humo to a new company, which would be a joint venture, since 49% of the shares in this company would be sold to De Vijver. A proportion of 51% of the shares in the new company remained in the possession of Sanoma Magazines Belgium, but based on the shareholder agreement Sanoma Magazines Belgium has no controlling interest in Humo any longer. This transaction was closed in April and Sanoma Magazines recognised a gain of EUR 2.6 million on this divestment. In July, Sanoma Magazines International sold its magazine business in Slovakia to Bratislava-based Ecopress. Sanoma Magazines Slovakia employed 45 persons.

Sanoma News sold 100% of the shares in picture agency Lehtikuva to its associated company the Finnish News Agency (STT). STT paid part of the consideration in its own shares and as a consequence Sanoma's shareholding increased from 24.1% to 34.1% of the total shares. Sanoma News recognised a gain of EUR 6.0 million on this transaction. In December, Sanoma Lehtimedia in the Sanoma News division sold its weekly and semi-weekly local papers to Etelä-Savon Paikallislehdet. Sanoma Lehtimedia recognised a gain of EUR 2.6 million on this transaction.

At the end of June, Sanoma Entertainment divested its pay TV and broadband access provider Welho to telecommunication group DNA. The sales price of the business was EUR 200.0 million, which DNA paid by issuing new shares in a directed share issue to Sanoma Entertainment. Sanoma Entertainment became the second largest owner of DNA with an ownership of 21%. Sanoma Entertainment recorded a gain of EUR 179.0 million. In 2009, the net sales of Welho amounted to EUR 67 million and the number of personnel was about 200.

Sanoma Learning & Literature sold all of the shares of the Norwegian Bertmark Norge in March. EUR 1.2 million was recognised as loss on the divestment.

In December, Sanoma Trade completed the deal to sell its press distribution and kiosk operations in the Moscow area. The transaction covers all the shares of R-Kiosk, HDS CIS, TK Pressexpo as well as Press Point International. These companies employed some 300 persons. Sanoma Trade recognised a sales loss of EUR 2.6 million on this transaction.

3. Net sales

Distribution of net sales between goods and services, EUR million	2011	2010
Sale of goods	**1 530.6**	1 637.5
Sale of services	**1 215.6**	1 123.7
Total	**2 746.2**	2 761.2

Sale of goods include sales of magazines, newspapers and books as well as sales of kiosk products.

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

4. Other operating income

Other operating income, EUR million	2011	2010
Gains on sale of tangible assets	**3.1**	8.0
Gains on sale of intangible assets	**0.5**	0.5
Gains on sale of Group companies and operations	**68.6**	191.2
Gains on sale of associated companies	**0.0**	0.3
Gains on sale of investment property	**11.1**	0.2
Rental income from investment property	**0.7**	0.5
Other rental income	**13.3**	13.7
Other	**47.0**	44.4
Total	**144.3**	258.8

In 2011, the gain on sale of investment property comprises a EUR 11.1 million gain on the sale of a part of the 45 hectar land area in Keimola. More information on investment property can be found in note 11.

In 2010, gains on sale of operations include a EUR 179.0 million gain on the sale of Welho. The most significant capital gains were related to the sale of non-core assets. In addition, capital gains included ordinary sales of fixed assets.

Government grants booked through profit and loss amounted to EUR 0.8 million (2010: EUR 0.8 million).

5. Employee benefit expenses

Emplyee benefit expenses, EUR million	2011	2010
Wages, salaries and fees	**546.2**	542.3
Expense recognition of granted options	**3.5**	3.6
Pension costs, defined contribution plans	**59.1**	57.3
Pension costs, defined benefit plans	**10.3**	10.1
Other social expenses	**57.4**	55.3
Total	**676.5**	668.6

Wages, salaries and other compensations for key management are presented in Note 31. Share-based payments are described in Note 20.

EMPLOYEE BENEFITS

The Sanoma Group has various schemes for personnel's pension cover. Pension schemes are arranged in accordance with local requirements and legislation. In Finland, the statutory pension cover is handled both through 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.

RECONCILIATION OF DEFINED BENEFIT PLANS

Net defined benefit pension obligations in the balance sheet, EUR million	2011	2010
Present value of funded obligations	**515.3**	489.6
Fair value of plan assets	**-531.0**	-498.0
Deficit(+)/surplus(-) in the plan	**-15.6**	-8.4
Unrecognised actuarial gains(+) and losses(-)	**9.4**	17.3
Unrecognised past service cost	**-0.8**	-1.8
Total	**-7.0**	7.1

Pension obligations and pension assets in the balance sheet, EUR million	2011	2010
Pension obligations	**17.2**	26.7
Pension assets	**24.2**	19.6
Net obligation total	**-7.0**	7.1

Pension costs recognised in the income statement, EUR million	2011	2010
Current service costs	**10.2**	11.2
Interest cost	**23.5**	23.2
Expected return on plan assets	**-27.9**	-24.4
Actuarial gains(-) and losses(+)	**-0.5**	-0.5
Past service cost	**5.8**	1.9
Effect of curtailments and settlements	**-0.8**	-1.3
Total	**10.3**	10.1

The Sanoma Group's estimated contributions to the defined benefit plans for 2012 are about EUR 19.8 million.

Actual return on plan assets, EUR million	2011	2010
Expected return on plan assets	**27.9**	24.4
Actuarial gains/losses on plan assets	**-4.4**	43.2
Total	**23.5**	67.6

Movements in obligations, EUR million	2011	2010
Obligation at 1 Jan	**489.6**	436.0
Current year service cost	**10.2**	11.2
Interest cost	**23.5**	23.2
Actuarial gains and losses on obligation	**2.5**	24.4
Contributions by plan participants	**3.4**	3.4
Past service cost	**5.8**	2.0
Effect of curtailments and settlements	**-3.1**	4.1
Acquisitions and disposals	**0.1**	-0.3
Benefits paid from funds	**-16.6**	-14.3
Obligations at 31 Dec	**515.3**	489.6

Movements in plan assets, EUR million	2011	2010
Fair value of plan assets at 1 Jan	**498.0**	428.0
Expected return on plan assets	**27.9**	24.4
Actuarial gains/losses on plan assets	**-4.4**	43.2
Contributions to funds by the employer	**25.0**	12.4
Contributions by plan participants	**3.3**	3.9
Acquisitions and disposals	**0.1**	-0.3
Benefits paid from funds	**-16.6**	-14.3
Settlements	**-2.5**	0.6
Fair value of plan assets at 31 Dec	**531.0**	498.0

The amounts for the current and previous annual periods, EUR million	2011	2010	2009	2008	2007
Present value of funded obligations	**515.3**	489.6	436.0	397.7	373.0
Fair value of plan assets	**-531.0**	-498.0	-428.0	-358.0	-385.5
Deficit(+)/surplus(-) in the plan	**-15.6**	-8.4	8.0	39.7	-12.5
Experience adjustments to obligations	**-0.3**	5.9	8.8	-4.2	3.6
Experience adjustments to plan assets	**-6.8**	37.5	33.0	-64.8	-24.6

Plan assets by major categories, %	2011	2010
Equity instruments	**21.2**	26.5
Bonds and debentures	**65.9**	63.6
Properties	**1.5**	1.5
Other items	**5.8**	7.2
Cash	**5.5**	1.2
Total	**100.0**	100.0

Fair value of plan assets included investments in Sanoma shares totalling EUR 5.8 million (2010: EUR 10.6 million). None of the properties included on the plan assets are occupied by the Group.

Principal actuarial assumptions at 31 Dec	2011	2010
Discount rate, %	4.8–4.8	4.8–4.8
Expected return on plan assets, %	4.0–6.0	4.0–6.5
Expected future salary increase, %	2.0–3.1	2.5–8.0
Expected future pension increases, %	1.3–2.1	1.5–2.1
Turnover of personnel, %	0–31	0–31
Expected remaining working years of personnel, years	2–28	3–20

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.

6. Other operating expenses

Other operating expenses, EUR million	2011	2010
Losses on sales	**26.4**	4.4
Operating costs of investment property	**0.2**	0.1
Rents	**70.2**	75.8
Advertising and marketing	**171.7**	170.3
Office and ICT expenses	**91.8**	90.0
Other	**226.0**	213.6
Total	**586.2**	554.2

Research and development expenditure recorded as expenses amounted to EUR 0.8 million (2010: EUR 0.9 million).

Audit fees, EUR million	2011	2010
Statutory audit	**1.5**	1.4
Certificates and statements	**0.1**	0.1
Tax counselling	**0.1**	0.0
Other services	**0.4**	0.4
Total	**2.1**	2.0

In 2011, 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.

7. Financial items

Financial items, EUR million	2011	2010
Dividend income from available-for-sale financial assets	**1.7**	1.3
Interest income from loans and receivables	**2.2**	2.6
Exchange rate gains	**9.4**	7.0
Other financial income	**0.7**	0.2
Financial income total	**13.9**	11.1
Interest expenses from financial liabilities amortised at cost	**28.8**	13.3
Exchange rate losses	**16.3**	8.0
Other financial losses	**3.9**	2.6
Financial expenses total	**49.1**	23.8
Total	**-35.2**	-12.8

Exchange rate gains and losses included in operating profit, EUR million	2011	2010
Net sales	**0.0**	-0.6
Other operating income		0.0
Expenses	**-0.3**	-0.3
Total	**-0.3**	-0.9

As of 1 August 2011 Sanoma reports all exchange rate gains and losses in financial items. More information on this change can be found in Accounting policies for consolidated financial statements in the section Foreign currency items. The income statement for the comparable year 2010 has not been changed due to the insignificant impact of the change.

8. Income taxes and deferred taxes

Income taxes, EUR million	2011	2010
Income taxes on operational income	**57.5**	73.0
Income taxes from previous periods	**2.5**	-3.5
Change in deferred tax due to change in tax rate	**1.0**	-2.6
Other change in deferred tax	**-5.1**	-8.6
Other taxes	**2.1**	0.3
Tax expense in the income statement	**58.1**	58.6

Income tax reconciliation against local tax rates, EUR million	2011	2010
Tax calculated at (Finnish) statutory rate	**37.5**	92.6
Effect of different tax rates in the operating countries	**-2.4**	2.0
Tax based on tax rate in each operating country	**35.1**	94.6
Non-taxable income	**-22.1**	-57.6
Deductible amortisation	**-3.9**	-0.7
Non-deductible amortisation and impairment losses	**16.6**	15.7
Other non-deductible expenses	**22.1**	13.3
Loss for the period for which a deferred tax receivable has not been recorded	**3.3**	2.7
Adjustment to deferred tax receivables from previously non-recorded taxable losses	**1.3**	-3.4
Other taxes	**2.1**	0.3
Tax relating to previous accounting periods	**2.5**	-3.5
Change in deferred tax due to change in tax rate	**1.0**	-2.6
Income taxes in the income statement	**58.1**	58.6

Deferred tax receivables and liabilities 2011, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Recorded in the equity	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	-0.9	**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**

Deferred tax receivables and liabilities 2010, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Recorded in the equity	Change in tax rate	Translation and other items	At 31 Dec
Deferred tax receivables							
Internal margin in inventories	1.4	-0.4					1.0
Provisions	3.1	-0.2	-0.1			0.0	2.8
Tax losses carried forward	3.5	2.2			-0.1	0.2	5.8
Impairment losses on tangible non-current assets	1.6	0.0			0.0		1.6
Pension obligations, defined benefit plans	9.0	-1.1			0.0	0.0	7.8
Other items	11.6	4.7	-0.4		-0.1	-0.1	15.8
Total	30.1	5.3	-0.4		-0.2	0.2	34.8
Deferred tax liabilities							
Fair value adjustments in acquisitions	43.1	-4.6	0.7		-0.6	0.9	39.5
Depreciation difference and other untaxed reserves	32.3	-0.9	-2.1		-2.3	-0.1	26.9
Pension assets, defined benefit plans	5.5	-0.2				0.0	5.2
Other items	20.3	2.4			0.1	-0.3	22.5
Total	101.2	-3.3	-1.4		-2.8	0.5	94.2

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 4.0 million (2010: EUR 7.5 million) have not been recorded in the consolidated balance sheet based on management's judgement. These unrecognised receivables related mainly to tax losses carried forward of subsidiaries.

Deferred tax liability of EUR 1.5 million (2010: EUR 3.9 million) on undistributed retained earnings of subsidiaries has not been recognised in consolidated figures as such distribution is not probable within foreseeable future. These unrecognised deferred tax liabilities were related to earnings, for which tax payment would be realised when distributing dividends.

9. Earnings per share

Earnings per share	**2011**	2010
Result attributable to the equity holders of the Parent Company, EUR million	**84.5**	299.6
Weighted average number of shares, thousands	**162 811**	161 864
Earnings per share, EUR	**0.52**	1.85

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	**2011**	2010
Profit used to determine diluted earnings per share, EUR million	**84.5**	299.6
Weighted average number of shares, thousands	**162 811**	161 864
Effect of options, thousands	**264**	431
Diluted average number of shares, thousands	**163 075**	162 295
Diluted earnings per share, EUR	**0.52**	1.85

10. Property, plant and equipment

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		-10.9	-33.2	-6.4		-50.5
Impairment losses for the period		-3.6	-0.3	-0.1		-3.9
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**

Property, plant and equipment 2010, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	40.4	379.7	584.7	117.9	1.0	1 123.7
Increases		8.3	33.3	5.6	3.6	50.8
Acquisition of operations			0.5	0.0		0.5
Decreases	-0.7	-4.2	-29.0	-4.8	-0.1	-38.9
Disposal of operations	0.0	-1.0	-41.8	-40.2		-83.1
Reclassifications		1.2	-4.3	1.3	-2.8	-4.6
Exchange rate differences	0.0	0.0	0.6	0.3	0.0	0.9
Acquisition cost at 31 Dec	39.7	384.0	543.8	80.1	1.7	1 049.3
Accumulated depreciation and impairment losses at 1 Jan		-136.2	-433.8	-69.4		-639.5
Decreases, disposals and acquisitions		2.9	57.2	24.6		84.7
Depreciation for the period		-12.7	-40.5	-8.6		-61.8
Impairment losses for the period		-0.1	-0.9	0.0		-1.0
Reclassifications		-1.2	-0.2	-0.2		-1.6
Exchange rate differences		0.0	-0.6	-0.2		-0.8
Accumulated depreciation and impairment losses at 31 Dec		-147.3	-418.9	-53.8		-620.0
Carrying amount at 31 Dec 2010	39.7	236.8	124.9	26.3	1.7	429.3

At the end of the financial year the commitments for acquisitions of tangible assets were EUR 0.0 million (2010: EUR 4.0 million).

Carrying amount of assets leased by finance lease agreements, EUR million	2011	2010
Buildings and structures	**12.5**	34.2
Machinery and equipment	**1.5**	1.8
Total	**14.1**	36.0

11. Investment property

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**

Investment property 2010, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	6.6	8.4	15.0
Decreases	-0.1	-0.2	-0.4
Reclassifications	0.4	-0.4	
Exchange rate differences	0.0		0.0
Acquisition cost at 31 Dec	6.8	7.8	14.6
Accumulated depreciation and impairment losses at 1 Jan		-5.6	-5.6
Decreases	-0.2	0.1	-0.1
Impairment losses for the period	-0.2		-0.2
Accumulated depreciation and impairment losses at 31 Dec	-0.4	-5.6	-6.0
Carrying amount at 31 Dec 2010	6.4	2.3	8.7
Fair values at 31 Dec 2010	14.6	3.5	18.1

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 valuator has been used when determining the fair values.

The investment property includes a land area of originally some 45 hectares 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 2000's. Sanoma Corporation acquired the land area in the 1980's as a potential site for productions facilities.

The city plan draft 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 km² residential building right to construction companies by EUR 12.9 million.

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

Operating expenses of investment property, EUR million	2011	2010
Investment property, rental income	0.1	0.1
Investment property, no rental income	0.0	0.0
Total	0.2	0.1

Rental income of investment property, EUR million	2011	2010
Rental income of investment property	0.7	0.5

12. Intangible assets

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		-145.0	-37.2		-182.2
Impairment losses for the period	-63.8	-19.3	0.0		-83.1
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**

Intangible assets 2010, EUR million	Goodwill	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	1 488.9	750.7	186.6	26.4	2 452.5
Increases		44.4	41.1	7.9	93.4
Acquisition of operations	3.6	6.6			10.2
Decreases	0.0	-2.4	-3.2		-5.6
Disposal of operations	-21.8	-1.5	-30.5	-0.3	-54.1
Reclassifications	0.0	1.4	19.8	-7.7	13.4
Exchange rate differences	5.8	3.3	0.2		9.4
Acquisition cost at 31 Dec	1 476.4	802.6	214.0	26.2	2 519.1
Accumulated amortisation and impairment losses at 1 Jan		-447.1	-117.2	0.0	-564.3
Decreases, disposals and acquisitions		3.0	27.5		30.4
Amortisation for the period		-64.4	-32.4		-96.8
Impairment losses for the period	-28.9	-7.8	-0.5		-37.2
Reclassifications		-0.1	0.6		0.5
Exchange rate differences		-1.0	-0.1		-1.1
Accumulated amortisation and impairment losses at 31 Dec	-28.9	-517.4	-122.1	0.0	-668.4
Carrying amount at 31 Dec 2010	1 447.5	285.2	91.9	26.2	1 850.7

At the end of the financial year, the commitments for acquisitions of immaterial rights (film and TV broadcasting rights included) were EUR 173.8 million (2010: EUR 17.7 million). Of total immaterial rights, the carrying amount of intangible assets with indefinite useful lives was EUR 7.9 million (2010: EUR 45.6 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 lives 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 lives amounted to EUR 18.7 million (2010: EUR 0.3 million) and reversals of impairment losses amounted to EUR 0.0 million (2010: EUR 0.0 million). Impairment losses of EUR 3.4 million and EUR 15.3 million were recognised from publishing rights in Sanoma Media Netherlands and Sanoma Media Russia & CEE operating segments, respectively.

The impairment loss in Sanoma Media Netherlands was related to weakened sales and profitability expectations for a few magazine titles. These titles are considered to be in the decline phase of their life cycle and, therefore, the related publishing rights were reclassified as assets with definite useful life, the remaining book value of which will be amortized over the remaining useful life. The impairment loss in Sanoma Media Russia & CEE was related to a few magazine titles in Hungary and resulted from a lowered sales outlook for these titles, which are considered to be in the decline phase of their life cycle. The related publishing rights were reclassified as assets with definite useful life, the remaining book value of which will be amortized over the remaining useful life.

In 2011, no impairment losses were recognised from intangible assets with definite lifetime. In 2010, impairment losses of EUR 6.3 million and EUR 1.2 million were recognised from intangible assets with definite lifetime in Sanoma Media Netherlands and Sanoma Media Russia & CEE operating segments.

ALLOCATION OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment testing, goodwill is allocated to the 12 cash generating units (CGU) 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 cash generating units in terms of goodwill, EUR million	2011 Goodwill	2011 Intangible assets *	2011 Total	2010 Goodwill	2010 Intangible assets *	2010 Total
Sanoma Media Netherlands	**1 663.7**	**0.0**	**1 663.7**	769.2	3.8	773.0
Sanoma Media Russia & CEE	**112.6**	**5.5**	**118.2**	153.1	39.4	192.5
Sanoma Learning	**281.0**	**0.0**	**281.0**	248.7	0.0	248.7
Sanoma Media Belgium	**115.0**	**2.3**	**117.4**	90.4	2.3	92.7
Significant cash generating units containing goodwill, total	**2 172.3**	**7.9**	**2 180.2**	1 261.4	45.6	1 306.9
Other cash generating units (8 units)	**143.9**	**0.0**	**143.9**	186.1	0.0	186.1
Cash generating units, total	**2 316.2**	**7.9**	**2 324.1**	1 447.5	45.6	1 493.0

* Only intangible assets with indefinite useful lives.

IMPAIRMENT LOSSES RECOGNISED FROM GOODWILL

Impairment losses recognised from goodwill in the financial year amounted to EUR 62.2 million (2010: EUR 28.9 million). An impairment loss of EUR 38.1 million was recognised from goodwill in Sanoma Media Russia and CEE CGU and was associated with a worsened general economic outlook for the region, the development of exchange rates and the threat of an economic recession, which were reflected as lowered sales and profitability expectations for the CGU. An impairment loss of EUR 24.1 million was recognised from goodwill in Language Services CGU within Sanoma Learning SBU and resulted from weakened business outlooks in the uncertain economic climate.

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 cash generating units (CGUs).

Calculations of the value in use cover a five-year period. Cash flow estimates are based on strategic plans which are in line with the current operational structure and approved by the management, as well as on the assumptions used in the strategic plans on the long-term 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 on profitability levels, discount rate, future long-term growth rates 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 cash generating unit and on the impacts 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 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 cash generating unit. The terminal growth rates used in calculations of cash generating units containing significant goodwill were in the reporting and comparable period as follows:

The terminal growth rate used in calculation of the value in use in cash generating units containing significant goodwill	2011	2010
Sanoma Media Netherlands	**1%**	1%
Sanoma Media Russia & CEE *	**5%**	5%
Sanoma Learning	**2%**	2%
Sanoma Media Belgium **	**2%**	1%

* Sanoma Media Russia & CEE is responsible for Sanoma Group's magazine and digital media business in Central Eastern Europe and Russia. The higher terminal growth rate used in the impairment testing of Sanoma Media Russia & CEE is based on higher long-term market growth, GDP growth and inflation expectations in Central Eastern Europe and Russia compared to Western markets.

** The increased 2% terminal growth rate of Sanoma Media Belgium is in line with the long-term GDP growth rate for Belgium and reflects the changing business portfolio.

The applied discount rate is based on the Group's weighted average cost of capital, taking 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 7.7% (2010: 7.1%) (pre-tax 2011: 9.9 % and 2010: 9.0 %) for those cash generating units which mainly operate within the euro zone, and 9.6% (2010: 8.9%) (pre-tax 2011: 12.0% and 2010: 10.9 %) for cash generating units which mainly operate outside the euro zone.

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 cash generating unit's value in use exceeds its carrying amount has been assessed as 0%, 1%–5%, 6%–10%, 11%–20%, 21%–50% or over 50%, and is presented in the following table for the most important cash generating units in terms of goodwill:

Excess of value in use in relation to carrying amount of the most important cash generating units in terms of goodwill	2011	2010
Sanoma Media Netherlands	**21–50%**	21–50%
Sanoma Media Russia & CEE	**0%**	21–50%
Sanoma Learning	**21–50%**	over 50%
Sanoma Media Belgium	**over 50%**	over 50%

For Sanoma Media Netherlands, the critical key assumptions are the development of profitability and discount rate. The profitability of the unit is assumed to improve in the testing period compared to the estimates made in the comparable year due to the SBS acquisition in the reporting year. The profitability estimates reflect past experience, as well the expected synergy effects between Magazines Netherlands and SBS businesses. According to the management, the carrying amount of Sanoma Media Netherlands will exceed the value in use if EBITDA falls below 80% of the planned level each year or if the post-tax discount rate rises above 9.5%. These estimates exclude potential simultaneous changes in other variables.

Following from declined growth and profitability margin expectations reflecting the worsened general economic environment the recoverable amount of Sanoma Media Russia & CEE CGU declined below its carrying amount and an impairment loss of EUR 38.1 million was recorded in the reporting period. As a result, the recoverable amount is equal to the carrying amount of the strategic business unit and any negative change in key assumptions would result in additional impairment.

For Learning CGU within Sanoma Learning 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 of the CGU declined to 21–50% (2010: over 50%), mainly due to the increase in discount rate. According to the management, the carrying amount of Sanoma Learning will exceed the value in use if EBITDA falls below 83% of the planned level each year or if the post-tax discount rate rises above 9.6%. These estimates exclude simultaneous changes in other variables.

As for Sanoma Media Belgium, the management estimates that a reasonably possible change in a key critical assumption would not cause the unit's carrying amount to exceed its value in use.

13. Interests in associated companies

Interests in associated companies, EUR million	2011	2010
Carrying amount at 1 Jan	**248.7**	63.5
Share of results *	**-3.7**	-23.9
Dividends	**-13.2**	-2.6
Increases	**3.1**	212.0
Decreases and other changes	**-15.5**	-0.4
Translation differences	**-0.1**	0.2
Carrying amount at 31 Dec	**219.3**	248.7

* In 2011, share of results includes a EUR 4.0 million (2010: EUR 22.1 million) impairment in associated company Hansaprint.

Carrying amount of associated companies included EUR 50.0 million (2010: EUR 50.1 million) of goodwill. There were no unrecognised losses of associated companies.

Most significant associated companies 2011, EUR million	Participation of the Group, %	Assets	Liabilities	Net sales	Profit/loss
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
TRADE					
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

Most significant associated companies 2010, EUR million	Participation of the Group, %	Assets	Liabilities	Net sales	Profit/loss
MEDIA					
Hansaprint (Printing, Finland)	40.0	108.8	13.3	90.9	-16.1
DNA Oy (Telecommunications, Finland)	21.0	1 014.4	376.7	690.5	46.0
Desert Fishes N.V. (TV operations, Belgium)	25.0	72.4	24.3	44.6	4.9
Stratosféra sr.o. (Magazine publishing, the Czech Republic)	30.0	3.5	3.5	8.7	0.0
TRADE					
Jokerit HC * (Sports activity, Finland)	40.2	41.5	20.0	16.1	-1.1

* Figures from financial year 1.5.2009–30.4.2010

Associated company transactions, EUR million	2011	2010
Sale of goods to associated companies	**0.1**	0.8
Rendering of services to associated companies	**1.8**	1.2
Purchases of goods from associated companies	**21.2**	29.6
Receiving of services from associated companies	**12.6**	18.6
Outstanding receivables and liabilities against associated companies, EUR million	**2011**	**2010**
Current receivables from associated companies	**0.3**	0.1
Current liabilities to associated companies	**1.5**	7.0

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.

OTHER RELATED PARTY TRANSACTIONS WITH ASSOCIATED COMPANIES

In 2011 and 2010, there were no other significant transactions or other related party arrangements with associated companies.

14. Available-for-sale financial assets

Available-for-sale financial assets, EUR million	2011	2010
Available-for-sale financial assets, non-current	**15.4**	15.8
Available-for-sale financial assets, current	**0.3**	0.3
Total	**15.7**	16.2

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.

15. Trade and other receivables, non-current

Trade and other receivables, non-current, EUR million	2011	2010
Loans and receivables		
Trade receivables *	**0.6**	0.9
Loan receivables	**6.6**	2.1
Other receivables	**0.5**	0.7
Accrued income	**9.4**	5.0
Advance payments	**2.9**	0.0
Pension assets **	**24.2**	19.6
Total	**44.3**	28.3

* Trade receivables, see Note 26
** Pension assets, see Note 5

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.

16. Inventories

Inventories, EUR million	2011	2010
Materials and supplies	**14.1**	13.5
Work in progress	**8.8**	4.1
Finished products/goods	**72.3**	103.7
Other inventories	**0.7**	0.5
Advance payments	**0.8**	1.0
Total	**96.8**	122.8

EUR 2.4 million (2010: EUR 4.8 million) was recognised as impairment in the financial year. The carrying amount of inventories was written down to reflect its net realisable value.

17. Trade and other receivables, current

Trade and other receivables, current, EUR million	2011	2010
Loans and receivables		
Trade receivables *	**275.4**	282.5
Loan receivables	**0.1**	0.1
Other receivables	**26.3**	26.9
Derivatives, hedge accounting		0.2
Derivatives, other	**0.8**	
Accrued income	**95.9**	61.8
Advance payments	**19.8**	19.4
Total	**418.4**	391.0
Receivables from associated companies		
Trade receivables	**0.3**	0.1
Accrued income		0.0
Loan receivables	**0.0**	
Total	**0.3**	0.1

* Trade receivables, see Note 26

The Group has recognised a total EUR 4.4 million (2010: EUR 5.7 million) 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 in the balance sheet.

The fair values of derivatives are presented in Note 27.

ACCRUED INCOME

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

18. Cash and cash equivalents

Cash and cash equivalents in the balance sheet, EUR million	2011	2010
Cash in hand and at bank	**108.0**	55.5
Deposits	**8.0**	8.5
Total	**116.0**	64.0

Deposits include over-night deposits and money market deposits with maturity under 3 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	2011	2010
Cash and cash equivalents in the balance sheet	**116.0**	64.0
Bank overdrafts	**-22.5**	-22.9
Total	**93.5**	41.1

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

19. Equity

	Number of shares, thousands		Share capital and funds, EUR million		
	All shares	Total	Share capital	Fund for invested unrestricted equity	Total
At 1 Jan 2010	161 817	161 817	71.3	188.8	260.1
Share subscription with options *	994	994		14.5	14.5
At 31 Dec 2010	162 811	162 811	71.3	203.3	274.6
Share subscription with options **	2	2		0.0	0.0
At 31 Dec 2011	**162 812**	**162 812**	**71.3**	**203.3**	**274.6**

* Includes 789,849 shares registered on 10 January 2011.
** Includes 1,500 shares registered on 3 January 2012.

The maximum amount of share capital cannot exceed EUR 300.0 million (2010: EUR 300.0 million). The shares have 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. At the balance sheet date the Group did not hold any treasury shares.

FUND FOR INVESTED UNRESTRICTED EQUITY

Fund for invested unrestricted equity includes other equity related investments and that part of 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 hedging reserve. Hedging reserve includes the effective portions of changes in the fair value of derivative instruments used for cash flow hedging.

20. Stock options

Sanoma had six option schemes during the financial year 2011: 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

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 fund for invested unrestricted equity.

Trading with 2004B stock options began on the Main List of the NASDAQ OMX Helsinki on 1 November 2008 and ended on 30 November 2011. Trading with 2004C stock options began on the Main List of the NASDAQ OMX Helsinki on 1 November 2009. 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 the addition of 20%. Thus, the exercise price of a stock option was originally EUR 12.25. Paid dividends or other

Stock options

Basic information	2004A	2004B	2004C	2007	2008	2009	2010	2011
Maximum number of stock options	1 500 000	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	1
Initial exercise price, EUR	19.92	23.25	25.21	24.26	12.25	17.41	19.51	10.35
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Exercise price at 31 Dec 2005, EUR *	19.12	23.25	---	---	---	---	---	---
Exercise price at 31 Dec 2006, EUR *	18.22	22.35	25.21	---	---	---	---	---
Exercise price at 31 Dec 2007, EUR *	17.27	21.40	24.26	24.26	---	---	---	---
Exercise price at 31 Dec 2008, EUR *	16.27	20.40	23.26	23.26	12.25	---	---	---
Exercise price at 31 Dec 2009, EUR *	15.37	19.50	22.36	22.36	11.35	17.41	---	---
Exercise price at 31 Dec 2010, EUR *	14.57	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
Beginning of exercise period, date (vesting)	1.11.2007	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)	30.11.2010	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 2011, years	Rendered	Rendered	0.9	1.9	2.9	3.9	4.9	5.9
Number of persons at 31 Dec 2011	0	0	190	191	210	239	254	234

* The dividend is deducted from the exercise price annually. The dividend for 2010 was EUR 1.10 per share (record date 8 April 2011). The dividend for 2009 was EUR 0.80 per share (record date 13 April 2009).

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 fund for invested unrestricted equity.

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 the 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 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

Stock options

Changes in 2011	2004A	2004B	2004C	2007	2008	2009	2010	2011	Total
Granted at 1 Jan	1 165 600	1 168 300	1 300 900	1 380 450	1 399 250	1 408 400	1 369 200	0	9 192 100
Returned at 1 Jan	93 200	140 600	153 700	215 200	61 700	12 000	0	0	676 400
Cancelled at 1 Jan	0	0	0	0	0	0	0	0	0
Exercised at 1 Jan	993 699	0	0	0	0	0	0	0	993 699
Outstanding at 1 Jan	0	1 027 700	1 147 200	1 165 250	1 337 550	1 396 400	1 369 200	0	7 443 300
Non-distributed at 1 Jan	0	472 300	352 800	334 750	362 450	403 600	230 800	0	2 156 700
Granted during the period							3 000	1 355 500	1 358 500
Returned during the period			37 000	151 600	227 600	233 900	134 200		784 300
Cancelled during the period									0
Exercised during the period					1 500				1 500
Weighted average price of share during the exercise period, EUR *		12.57	12.26	12.26	---	---	---	---	---
Expired during the period		1 027 700							1 027 700
Granted at 31 Dec	1 165 600	1 168 300	1 300 900	1 380 450	1 399 250	1 408 400	1 372 200	1 355 500	10 550 600
Returned at 31 Dec	93 200	140 600	190 700	366 800	289 300	245 900	134 200	0	1 460 700
Cancelled at 31 Dec	0	0	0	0	0	0	0	0	0
Exercised at 31 Dec	993 699	0	0	0	1 500	0	0	0	995 199
Outstanding at 31 Dec	0	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 31 Dec	0	0	389 800	486 350	590 050	637 500	362 000	344 500	2 810 200
The number of unvested stock options at 31 Dec 2011 **	0	0	0	0	0	1 162 500	1 238 000	1 355 500	3 756 000

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

1 November–31 December 2010 with the 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 fund for invested unrestricted equity.

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 the 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 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 31. 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 at 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 2011, a total of EUR 3.5 million has been recorded as expenses (2010: EUR 3.6 million).

Most significant assumptions in Black–Scholes model	2011	2010
Number of granted stock options	**1 358 500**	1 423 200
Average price of share *	**8.89**	16.42
Exercise price *	**10.37**	19.23
Interest rate *	**1.8%**	2.3%
Maturity, years *	**5.9**	5.9
Volatility *, **	**26.8%**	24.0%
Probability of returned stock options *	**5.0%**	9.6%
Expected dividends	**---**	---
Fair value total, EUR	**3 597 290**	4 993 434

* 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	2011		2010	
	Number of stock options	Exercise price, EUR *	Number of stock options	Exercise price, EUR **
Granted at 1 Jan	8 026 500	18.01	7 768 900	18.07
Outstanding at 1 Jan	7 443 300	17.88	7 118 300	17.91
Granted during the period	1 358 500	10.37	1 423 200	19.23
Returned during the period	784 300	15.44	25 800	16.10
Exercised during the period	1 500	9.45	993 699	14.57
Expired during the period	1 027 700	17.60	506 301	14.57
Granted at 31 Dec	9 385 000	15.96	9 192 100	17.57
Outstanding at 31 Dec	6 988 300	15.57	7 443 300	17.88

* 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.
** The exercise price at the beginning of the period is the status at 31 Dec 2009. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 Dec 2010.

21. Provisions

Changes in provisions, EUR million	Restructuring provisions	Other provisions	Total
At 1 Jan 2011	11.4	11.5	22.9
Translation differences		-0.1	-0.1
Acquisition of operations	0.0	0.8	0.8
Increases	8.7	3.5	12.1
Amounts used	-6.7	-4.5	-11.2
Unused amounts reversed	0.0	-2.9	-2.9
At 31 Dec 2011	**13.4**	**8.3**	**21.6**

Carrying amounts of provisions, EUR million	2011	2010
Non-current	**6.3**	7.3
Current	**15.3**	15.6
Total	**21.6**	22.9

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 a provision related to contracts with customers. Cancellation of provisions was due to re-evaluating realised expenses. Individual provisions were not material at the Group level.

22. Interest-bearing liabilities

Interest-bearing liabilities, EUR million	2011	2010
Non-current financial liabilities at amortised cost		
Loans from financial institutions	**1 079.3**	427.6
Pension loans	**0.3**	0.2
Finance lease liabilities	**13.1**	33.4
Other liabilities	**8.6**	11.2
Total	**1 101.2**	472.5
Current financial liabilities at amortised cost		
Loans from financial institutions	**349.5**	0.4
Commercial papers	**252.5**	436.0
Finance lease liabilities	**1.8**	4.4
Other liabilities	**22.2**	28.6
Total	**626.0**	469.4
Total	**1 727.2**	941.9

The fair values of interest-bearing liabilities 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, term loans and bilateral facilities granted by banks. 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 during the financial year, excluding finance leases, was 1.6% (2010: 0.8%).

COMMERCIAL PAPERS

Sanoma Corporation has domestic and foreign commercial paper programmes, which are used to arrange the short-term financing. Commercial papers are valued at amortised cost and transaction costs are recognised directly as expenses due to the insignificant influence.

FINANCE LEASE LIABILITIES

Finance lease liabilities, EUR million	2011	2010
Total minimum lease payments		
Not more than 1 year	**2.0**	5.4
1–5 years	**5.8**	18.5
More than 5 years	**12.5**	24.9
Total	**20.3**	48.7
Present value of minimum lease payments		
Not more than 1 year	**1.3**	3.8
1–5 years	**3.5**	14.1
More than 5 years	**10.0**	19.8
Total	**14.9**	37.8
Future finance charges	**5.4**	10.9

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

23. Trade and other payables

Trade and other payables, EUR million	2011	2010
Non-current		
Accrued expenses	**25.4**	0.9
Advances received	**0.1**	
Other financial liabilities at amortised cost	**13.3**	18.9
Total	**38.9**	19.9
Current		
Current financial liabilities at amortised cost		
Trade payables	**220.3**	172.5
Other liabilities	**76.4**	59.8
Derivatives, hedge accounting	**14.0**	0.2
Derivatives, other	**0.2**	
Accrued expenses	**310.1**	275.6
Advances received	**204.8**	191.3
Total	**825.8**	699.4
Current to associated companies		
Trade payables	**0.7**	6.8
Other liabilities	**0.7**	0.2
Total	**1.5**	7.0
Total	**864.7**	719.3

DERIVATIVES

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

The fair values of derivatives are presented in Note 27.

ACCRUED EXPENSES

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

24. Contingent liabilities

Contingent liabilities, EUR million	2011	2010
Contingencies for own commitments		
Mortgages	**9.7**	20.6
Pledges	**2.5**	6.7
Other items	**0.3**	0.6
Total	**12.5**	27.8
Contingencies incurred on behalf of associated companies		
Guarantees		10.5
Total		10.5
Contingencies incurred on behalf of other companies		
Guarantees		0.0
Total		0.0
Other commitments		
Operating lease liabilities (Note 25)	**196.1**	249.1
Royalties	**19.8**	23.5
Other items	**51.3**	26.9
Total	**267.2**	299.5
Total	**279.7**	337.8

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 10.5 million (2010: EUR 6.9 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.

25. Operating lease liabilities

Non-cancellable minimum lease liabilities by maturity, EUR million	2011	2010
Not later than 1 year	**52.0**	61.2
1–5 years	**114.7**	145.9
Later than 5 years	**29.4**	42.1
Total	**196.1**	249.1

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

Non-cancellable minimum lease payments to be received by maturity, EUR million	2011	2010
Not later than 1 year	**1.4**	3.0
1–5 years	**1.4**	3.7
Later than 5 years	**0.8**	0.1
Total	**3.5**	6.8

Total minimum lease payments to be received did not include sublease payments (2010: EUR 1.8 million).

26. 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 cash 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	2011	2010
Floating-rate loans	**1 675.6**	892.3
of which converted to fixed-rate using interest rate swap	**640.0**	100.0
Fixed-rate loans	**51.6**	49.6
Total	**1 727.2**	941.9

Interest rate sensitivity of floating-rate loans	2011	2010
Value, EUR million	**1 675.6**	892.3
of which converted to fixed-rate using interest rate swap	**640.0**	100.0
Value including the effect of interest rate swap, EUR million	**1035.6**	792.3
Average duration, years	**0.1**	0.1
Average rate, %	**2.5**	1.2
Interest sensitivity, EUR million*	**9.3**	7.2

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

CURRENCY RISKS

The bulk of the Group's cash flow from operations is denominated in euro. However, the Group is exposed to transaction risks resulting from cash flows related to revenue and expenditure in different currencies. The 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 12% (2010: 12%) of consolidated net sales and mainly consist of sales denominated in the Russian rouble, the Hungarian forint, the Polish zloty and the Czech koruna. The acquisition of SBS television operations in Belgium and the Netherlands considerably increased the Group's exposure to transaction risks. The majority of transaction risks in 2012 will be related to the acquisition of programming rights denominated in the U.S. dollar. In the fourth quarter of 2011, the Group adopted forward contracts as a means of hedging against transaction risks.

The Group is also exposed to translation risks resulting from converting foreign subsidiaries' income statement and balance sheet items into euros. If all reporting currencies weakened by 10% against the euro, the Group revenue would decrease by EUR 30.3 million (based on the figures of 31 December 2011). If all reporting currencies strengthened by 10%

against the euro, the Group revenue would increase by EUR 37.0 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 2011.

LIQUIDITY RISKS

Liquidity risks are associated with debt servicing, investment financing and working capital adequacy. During the financial period, the Group drew EUR 859 million in new loans to finance the acquisition of SBS television operations in Belgium and the Netherlands, which considerably increased its leverage. 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 2011, EUR million	Amount of limits	Unused credit lines
Committed facilities	1 931.0	542.0
Commercial paper programmes	1 100.0	847.5
Current account limits	64.0	41.5

Out of EUR 1,931.0 million of committed facilities, EUR 562.8 million will mature in 2012, EUR 759.8 million in 2013, EUR 247.8 million in 2014 and EUR 97.8 million in 2015. 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 2011, the Group fulfilled the requirements of all covenants by a clear margin.

Financial liabilities, EUR million	2011				2010			
	Capital	Capital with interest	Undrawn from limits	Total	Capital	Capital with interest	Undrawn from limits	Total
Loans from financial institutions	1 428.8	1 430.4	583.5	2 013.9	428.0	428.6	648.1	1 076.7
Commercial paper programmes	252.5	253.8		253.8	436.0	437.7		437.7
Finance lease liabilities	14.9	15.0		15.0	37.6	37.8		37.8
Other interest-bearing liabilities	35.0	35.1		35.1	40.3	40.4		40.4
Trade payables and other liabilities	332.8	332.8		332.8	251.3	251.3		251.3
Derivatives	9.6	11.5		11.5	0.1	0.1		0.1
Total	**2 073.6**	**2 078.6**	**583.5**	**2 662.1**	1 193.3	1 195.9	648.1	1 844.0

Maturity of financial liabilities, 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	1 430.4
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
Derivatives	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 over 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	2011			2010		
	Gross	**Impairment**	**Net**	Gross	Impairment	Net
Not due	209.7	-0.1	209.6	197.1	-0.1	196.9
Past due 1–30 days	37.2	-0.1	37.1	50.4	-0.7	49.7
Past due 31–120 days	18.5	-1.0	17.5	27.1	-1.7	25.4
Past due 121–360 days	9.4	-2.6	6.7	9.0	-3.4	5.6
Past due more than 1 year	13.8	-8.7	5.1	14.2	-8.6	5.7
Total	**288.6**	**-12.5**	**276.1**	297.8	-14.5	283.4

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 15 and 17.

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 over 35% and its net debt/EBITDA ratio below 3.5. In 2011, the Group's equity ratio was 37.0% (2010: 45.7%) and its net debt/EBITDA ratio was 2.5 (2010: 1.5). The goodwill of SBS was calculated using the full goodwill method. When calculating the equity ratio, the share that the minority holding in SBS represents in the goodwill was recorded in equity. When calculating the net debt/EBITDA ratio, programming rights are recorded as depreciations in accordance with IFRS. In addition, the effects of acquisitions and divestments have been taken into account when calculating EBITDA.

Net debt, EUR million	2011	2010
Interest-bearing liability	**1 727.2**	941.9
Cash and cash equivalents	**116.0**	64.0
Total	**1 611.2**	877.9

The Sanoma Group does not have an official credit rating.

27. Derivative instruments

Nominal values of derivative instruments, EUR million	2011	2010
Interest rate swaps		
Cash flow hedges under IAS 39 hedge accounting	**640.0**	100.0
Forward exchange contracts		
Outside hedge accounting	**36.6**	
Total	**676.6**	100.0

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	2011	2010
Interest rate swaps		
Cash flow hedges under IAS 39 hedge accounting	**-11.5**	0.1
Forward exchange contracts		
Outside hedge accounting	**0.6**	
Total	**-10.9**	0.1

Based on the interest level on the balance sheet date, cash flows of the derivatives related to the cash flow hedges may have some effect on the results for 2012–2014.

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

28. Most significant subsidiaries

Most significant subsidiaries at 31 Dec 2011	Parent Company holding, %	Sub-group's parent company holding, %	Group holding, %
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
Aldipress			
B.V. Aldipress, The Netherlands			100.0
Sanoma Media Belgium			
Sanoma Magazines Belgium N.V., Belgium		100.0	100.0
Sanoma Media Russia & CEE			
Sanoma Magazines International 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
At Fun B.V., The Netherlands		100.0	100.0
CBO Media B.V., The Netherlands		100.0	100.0
Carthage I B.V., The Netherlands		100.0	100.0
Hemels B.V., The Netherlands			51.0
Sanoma Media Finland			
Sanoma Magazines Finland Oy, Helsinki *	100.0		100.0
Sanoma Entertainment Ltd, Helsinki *	100.0		100.0
Sanoma Entertainment Finland Oy, Helsinki		100.0	100.0
Suomen Rakennuslehti Oy, Helsinki		60.0	60.0

Most significant subsidiaries at 31 Dec 2011	Parent Company holding, %	Sub-group's parent company holding, %	Group holding, %
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
Suorakanava Oy, Pori		100.0	100.0
LEARNING			
Sanoma Learning Oy, Helsinki*	100.0		100.0
Sanoma Invest B.V., The Netherlands *	100.0		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		80.0	80.0
Esmerk Oy, Helsinki		100.0	100.0
L.C.G. Malmberg B.V., The Netherlands			100.0
Nemzeti Tankönyvkiádo Rt, Hungary			99.9
Nowa Era Sp. z.o.o., Poland		100.0	100.0
NTK-Perfekt 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
Weilin+Göös Oy, Helsinki		100.0	100.0
Young Digital Planet S.A., Poland		100.0	100.0
TRADE			
Rautakirja Oy, Vantaa *	100.0		100.0
R-kioski Oy, Vantaa *	100.0		100.0
Pressco Trade Servides (PTS) Oy, Vantaa *	100.0		100.0
Kiinteistö Oy Ärrävaara, Vantaa *	100.0		100.0
UAB Impress Teva, Lithuania		100.0	100.0
AB Lietuvos Spauda, Lithuania			91.9
UAB Lietuvos Spaudos Vilniaus Agentura, Lithuania		100.0	100.0
OÛ Lehepunkt, Estonia		100.0	100.0
Rautakirja Estonia AS, Estonia		100.0	100.0

* Parent company of the sub-group

29. 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	2011	2010
Non-current assets	**127.2**	10.7
Current assets	**74.1**	55.3
Non-current liabilities	**52.2**	4.2
Current liabilities	**65.5**	40.8
Net assets	**83.6**	21.1
Income	**132.0**	150.8
Expenses	**114.7**	131.3
Net result for the period	**17.3**	19.6
Average number of employees (full-time equivalents)	**1 517**	1 812

Most significant joint ventures at 31 Dec 2011	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 Magazines International 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 Oy	
Egmont Kustannus Oy Ab, Tampere	50.0
Sanoma Oyj	
De Vijver N.V., Belgium	33.3

30. 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 31. Transactions with associated companies are presented in Note 13. 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 28 and the most significant joint ventures in Note 29. In addition, the Sanoma Group's related parties include pension funds, sickness fund and employees' profit-sharing funds. Besides pension plans, transactions with those parties are not material. Pension funds are described in more detail in accounting policies and pension calculations in Note 5.

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.

31. Management compensation, benefits and ownership

Management remuneration and ownership, 2011	Remuneration (EUR 1 000)	Number of shares	Option costs (EUR 1000)	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	31 800							
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.

Management remuneration and ownership, 2010	Remuneration (EUR 1 000)	Number of shares	Option costs (EUR 1000)	Number of stock options 2004B	2004C	2007	2008	2009	2010
Board of Directors									
Jaakko Rauramo, Chairman	111	131 572							
Sakari Tamminen, Vice Chairman	84	1 200							
Annet Aris	68								
Robert Castrén	71	127 845							
Jane Erkko	72	248 213							
Antti Herlin (as of 8 April 2010)	50	31 800							
Paavo Hohti	72	824							
Sirkka Hämäläinen-Lindfors	74	1 500							
Seppo Kievari	71	10 000							
Rafaela Seppälä	70	11 673 370							
Total *	**743**								
President and CEO									
Hannu Syrjänen	856	23 142		50 000	50 000	60 000	60 000	60 000	
Total *	**856**		**152**						
Executive Management Group									
Eija Ailasmaa		21 088		37 000	37 000	37 000	40 000	40 000	40 000
Jacques Eijkens				10 000	34 000	34 000	34 000	34 000	34 000
Sven Heistermann						10 000	10 000	20 000	20 000
Kim Ignatius					20 000	30 000	30 000	30 000	30 000
Timo Mänty				12 000	12 000	12 000	25 000	34 000	
Anu Nissinen		5 000		6 000	7 000	8 000	30 000	30 000	30 000
Mikael Pentikäinen (until 1 April 2010)				37 000	37 000	37 000	34 000	34 000	
Pekka Soini (as of 1 April 2010)				12 000	12 000	14 000	13 000	13 000	30 000
Total *	**2 440**		**569**						

* 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, they receive bonuses according to the short-term incentive plan approved each year by the Board of Directors. The maximum bonus for the President and CEO is 7 month's total salary, and for other EMG members it is 6 month's total salary.

President and CEO and EMG members are part of the Sanoma's stock option schemes. The stock options 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 can be found in the Insiders section at Sanoma.com. A more detailed presentation on remuneration principles is available in the Corporate Governance section 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 President or the Company), and his severance payment equals 12 month's salary in addition to the salary for the notice period, unless the agreement is terminated because of gross negligence of the President and CEO. The severance payment is subject to a fixed-term non-competition clause.

The 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 60–63 years. The pensions of the EMG members who are under the defined benefit plan, together with the statutory pension cover in Finland amount to 60% of their average salary from the last ten full calendar years.

Hannu Syrjänen, who served as the Sanoma's President and CEO until 31 December 2010, retired on 1 November 2011 as he turned 60 years old. His pension benefits are based on defined benefit and, together with the statutory pension cover in Finland, amount to 60% of his average salary from the last ten full calendar years.

32. 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.

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

Shares and shareholders

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 5 April 2011 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 2012. The Board of Directors did not exercise its right under this authorisation during 2011.

In addition, the Board holds a valid authorisation to decide on 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.

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 2011, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 162,812,093 including the 1,500 interim shares registered on 3 January 2012.

LISTING OF SHARE AND OPTIONS

The Sanoma share (SAA1V) and the Company's options 2004C, 2007 and 2008 are listed on NASDAQ OMX Helsinki in the Consumer Discretionary sector.

The Sanoma share is included in the Consumer Services sector index of NASDAQ OMX Helsinki, as well as in the OMX Helsinki Cap, OMX Helsinki, OMXH25 and OMX GES Sustainability Finland indexes, among others. In addition, the share is included in e.g. STOXX indexes, including Total Market Index, Media, Nordic, Global and 600.

Trading codes	Shares	2004C stock options	2007 stock options	2008 stock options
NASDAQ OMX Helsinki	SAA1V	SAA1VEW304	SAA1VEW107	SAA1VEW108
Startel	SAA1V	SAA1VEW304	SAA1VEW107	SAA1VEW108
Bloomberg	SAA1V FH	SAA1V304:FH	SAA1V107:FH	SAA1V108:FH
Reuters	SAA1V.HE	SAA1VEW304.HE	SAA1VEW107.HE	SAA1VEW108.HE

NUMBER OF SHARES AND OPTIONS

Number of shares at 31 December 2011	
Number of registered shares	162 810 593
Number of unregistered interim shares *	1 500
Number at 31.12.2011 *	162 812 093
Average number of shares, adjusted for share issues	162 810 642
Number of shares plus stock options **	
Number of outstanding shares on 31 December 2011	162 812 093
Stock options 2004C	1 110 200
Stock options 2007	1 013 650
Stock options 2008	1 108 450
Stock options 2009	1 162 500
Stock options 2010	1 238 000
Stock options 2011	1 355 500
Number of outstanding shares plus options	169 800 393

* Interim shares were registered at 3.1.2012.
** Provided that all issued options are converted into shares.

The shares to be subscribed for on the basis of the options issued would represent 4.1% of all Sanoma shares and votes after the conversion if all outstanding stock options were exercised.

The non-distributed or returned stock options 2004C, 2007, 2008, 2009, 2010 and 2011 have been allocated to 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 2011 would be 9 800 000 shares, accounting for 5.7% of the post-conversion shares and votes.

STOCK OPTIONS

Sanoma has six option schemes in place:
- Stock Option Scheme 2004, authorised by the AGM of 30 March 2004
- 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 2011 is shown in the following table.

Stock Option Scheme	Number of option holders
Stock Option Scheme 2004	190
Stock Option Scheme 2007	191
Stock Option Scheme 2008	207
Stock Option Scheme 2009	239
Stock Option Scheme 2010	254
Stock Option Scheme 2011	234

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 2004C, 2007 and 2008 are listed on NASDAQ OMX Helsinki. The subscription period of 2004B stock options ended on 30 November 2010, and their listing on NASDAQ OMX Helsinki ended on 23 November 2011. In 2011, a total of 1,500 shares with stock options 2004B were subscribed. New shares subscribed for with stock options entitle the subscribers to all shareholder rights from the date of entry of the increase in share capital into the Trade Register.

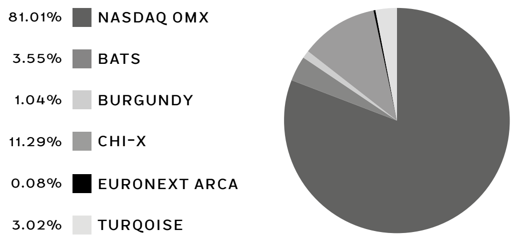
⊕ Information on stock options held by Sanoma's Board of Directors and the Executive Management Group can be found in Note 31. A daily update on insider holdings in traded stock options can be found at Sanoma.com. More detailed information on the terms and conditions for these schemes (e.g., subscription prices and periods) can be found in Note 20.

SHARE PERFORMANCE

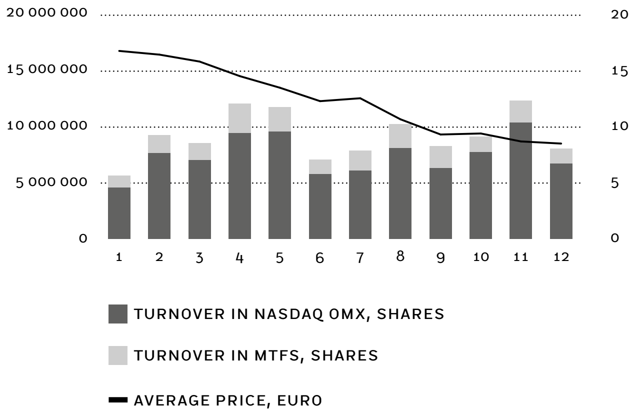
In 2011, Sanoma's total stock exchange turnover was EUR 1,096.9 million (2010: EUR 987.9 million). The number of Sanoma shares traded in the NASDAQ OMX Helsinki totalled 89,486,428 (2010: 63,477,720). Traded shares accounted for 55% (2010: 39%) of the average number of shares for the year. In 2011, the volume-weighted average price of a Sanoma share was EUR 12.30, with a low of EUR 7.83 and a high of EUR 17.79. At the end of the year, Sanoma's market capitalisation was EUR 1.4 billion (2010: EUR 2.6 billion), with Sanoma's share closing at EUR 8.87 (2010: EUR 16.22).

⊕ Regularly updated prices of Sanoma shares and listed stock options are available at Sanoma.com.

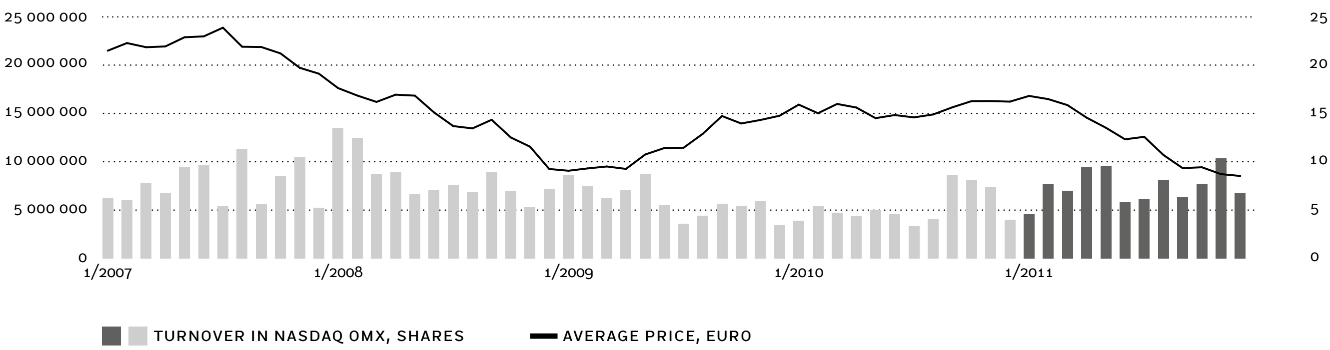
TRADING OF SANOMA SHARE IN DIFFERENT MARKET PLACES IN 2011



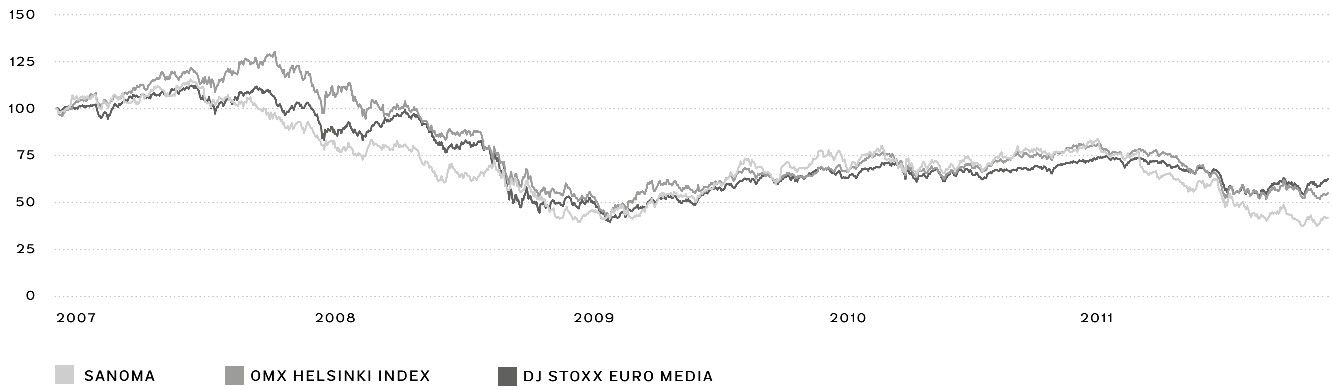
AVERAGE SHARE PRICE AND TURNOVER 2011



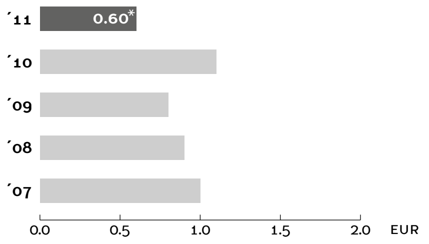
AVERAGE SHARE PRICE AND TURNOVER 2007–2011



SANOMA SHARE AGAINST INDICES

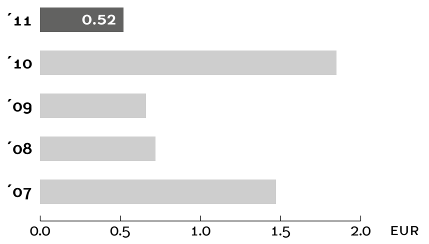


DIVIDEND/SHARE

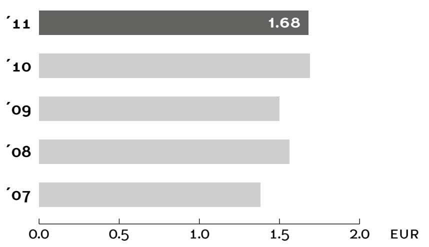


* Proposal of the Board of Directors to the AGM

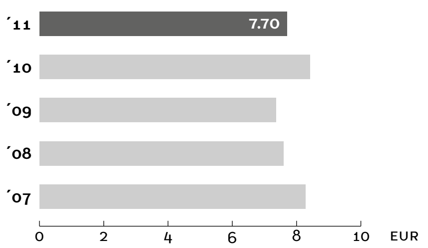
EARNINGS/SHARE



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 for the period in dividends.

The Board of Directors proposes a dividend of EUR 0.60 (2010: EUR 1.10) per share for 2011.

SHAREHOLDERS

On 31 December 2011, the company had 28,302 shareholders, with foreign holdings accounting for 9.8% (2010: 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 2011, 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 1, section 5 of the Finnish Securities Market Act) accounted for 10.6% (2010: 11.3%) 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 10.1% (2010: 10.8%) 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 31 and on the Group's website. Sanoma's guidelines on insider trading can be found on the Group's website.

MAJOR CHANGES IN SHAREHOLDINGS

There were no major changes in share ownership in 2011, and Sanoma did not issue any flagging announcements.

MAJOR SHAREHOLDERS ON 31 DECEMBER 2011

	Shareholder	Shares, total	Of shares and votes, %
1	**Erkko Aatos**	37 483 619	23.02
	Erkko Aatos	25 680 076	15.77
	Oy Asipex Ab	11 803 543	7.25
2	**Langenskiöld Robin**	12 273 371	7.54
3	**Seppälä Rafaela**	10 273 370	6.31
4	**Herlin Antti**	6 726 800	4.13
	Holding Manutas Oy	5 720 000	3.51
	Security Trading Oy	975 000	0.60
	Herlin Antti	31 800	0.02
5	**Helsingin Sanomat Foundation**	5 701 570	3.50
6	**Ilmarinen Mutual Pension Insurance Company**	4 512 795	2.77
7	**Alfred Kordelin Foundation**	3 165 325	1.94
8	**Varma Mutual Pension Insurance Company**	2 526 925	1.55
9	**Foundation for Actors' Old-Age Home**	2 390 000	1.47
10	**Svenska litteratursällskapet i Finland r.f.**	2 249 357	1.38
11	**The WSOY Literature Foundation**	2 075 000	1.27
12	**Aubouin Lorna**	1 968 970	1.21
13	**Noyer Alex**	1 968 965	1.21
14	**The State Pension Fund**	1 890 000	1.16
15	**Tapiola Mutual Pension Insurance Company**	1 558 300	0.96
16	**OP-Delta Fund**	1 320 000	0.81
17	**The Finnish Cultural Foundation**	1 147 739	0.70
18	**The Finnish Literature Society (SKS)**	826 041	0.51
19	**Kuningas Henrik**	747 588	0.46
20	**Nordea Fennia Fund**	712 665	0.44
	Total	**101 518 400**	**62.35**
	Nominee registrations total	10 860 075	6.67

The shareholdings have been grouped for Aatos Erkko and Antti Herlin.

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

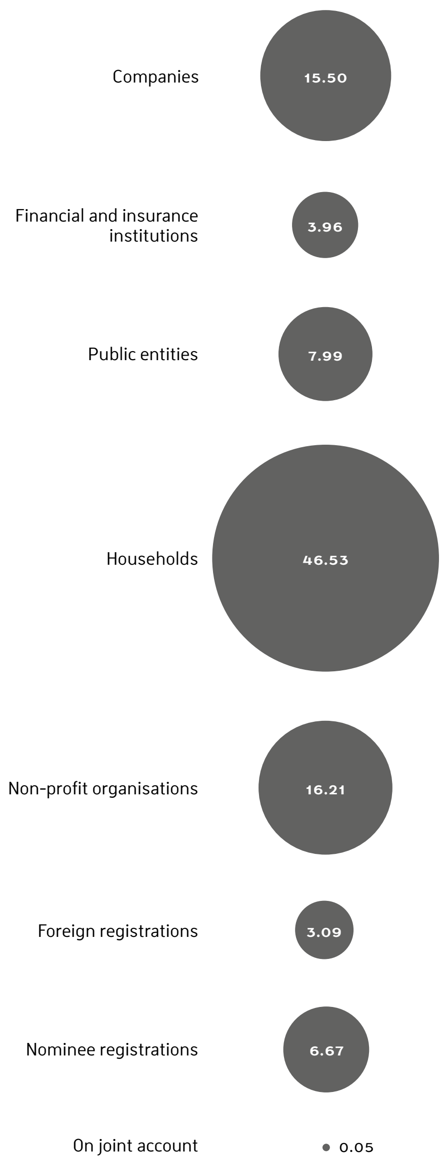
SHAREHOLDERS BY SECTOR ON 31 DECEMBER 2011

Sector	Number of shareholders	%	Number of shares	%
Companies	1 545	5.46	25 228 877	15.50
Financial and insurance institutions	101	0.36	6 452 502	3.96
Public entities	52	0.18	13 003 382	7.99
Households	25 835	91.28	75 748 390	46.53
Non-profit organisations	612	2.16	26 395 527	16.21
Foreign registrations	145	0.51	5 035 575	3.09
Nominee registrations	12	0.04	10 860 075	0.07
Total	**28 302**	**100**	**162 724 328**	**99.95**
On joint account			86 265	0.05
Number of shares on the market			**162 810 593**	**100**

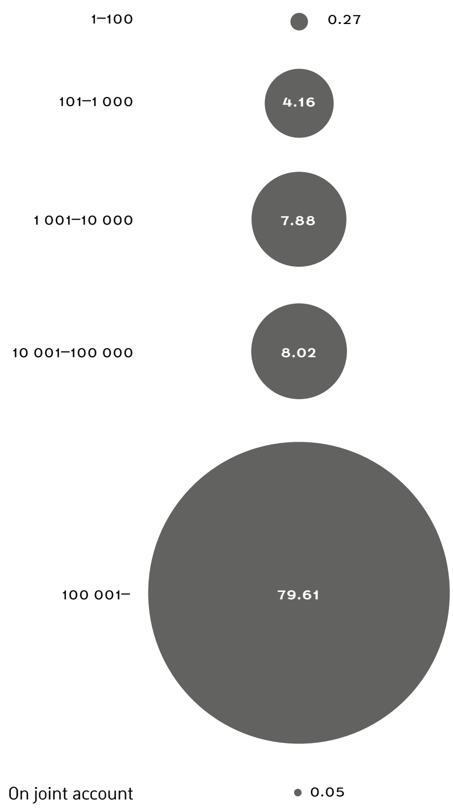
SHAREHOLDERS BY NUMBER OF SHARES HELD ON 31 DECEMBER 2011

Number of shares	Number of shareholders	%	Number of shares	%
1–100	6 826	24.12	441 885	0.27
101–1 000	16 255	57.43	6 779 563	4.16
1001–10 000	4 635	16.38	12 832 272	7.88
10 001–100 000	484	1.71	13 050 202	8.02
100 001–	102	0.36	129 620 406	79.61
Total	**28 302**	**100.00**	**162 724 328**	**99.95**
On joint account			86 265	0.05
Number of shares on the market			**162 810 593**	**100**

SANOMA SHAREHOLDERS BY SECTOR
(% OF SHARES AND VOTES)



SANOMA SHAREHOLDERS BY NUMBER OF SHARES HELD
(% OF SHARES AND VOTES)



Parent Company income statement, FAS

EUR million	1.1.–31.12.2011	1.1.–31.12.2010
Other operating income	**26.5**	14.0
Personnel expenses	**14.8**	10.9
Depreciation and impairment losses	**1.8**	1.5
Other operating expenses	**23.8**	15.8
Operating profit (loss)	**-13.8**	-14.2
Financial income and expenses	**47.3**	8.7
Result before extraordinary items	**33.4**	-5.5
Extraordinary items	**38.1**	92.1
Result before appropriations and taxes	**71.5**	86.5
Appropriations	**0.0**	-0.2
Income taxes	**6.0**	1.6
Result for the year	**77.6**	87.9

Parent Company balance sheet, FAS

EUR million	31.12.2011	31.12.2010
ASSETS		
Non-current assets		
Intangible assets	**2.7**	3.0
Tangible assets	**6.4**	8.0
Investments	**2 540.3**	1 836.6
Non-current assets, total	**2 549.4**	1 847.7
Current assets		
Long-term receivables	**10.2**	0.8
Short-term receivables	**198.6**	360.1
Securities	**0.6**	1.8
Cash and cash equivalents	**39.5**	55.2
Current assets, total	**248.9**	417.9
ASSETS, TOTAL	**2 798.4**	2 265.5
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**71.3**	71.3
Fund for invested unrestricted equity	**203.3**	203.3
Retained earnings	**258.9**	350.1
Profit for the year	**77.6**	87.9
Shareholders' equity, total	**611.1**	712.6
Appropriations	**0.5**	0.5
Liabilities		
Non-current liabilities	**967.2**	420.0
Current liabilities	**1 219.6**	1 132.5
EQUITY AND LIABILITIES, TOTAL	**2 798.4**	2 265.5

Parent Company cash flow statement, FAS

EUR million	1.1.–31.12.2011	1.1.–31.12.2010
Operations		
Result for the period	77.6	87.9
Adjustments		
Income taxes	-6.0	-1.6
Appropriations	0.0	0.2
Extraordinary items	-38.1	-92.1
Financial income and expenses	-47.3	-8.7
Depreciation and decrease in value	1.8	1.5
Profit on sales of non-current assets	-14.5	-5.3
Other adjustments	0.0	
Change in working capital		
Change in trade and other receivables	-4.3	1.5
Change in trade and other payables, and provisions	-0.3	2.4
Interest paid	-30.8	-12.0
Other financial items	-11.0	-2.0
Group contributions	124.4	93.4
Dividends received	56.9	
Taxes paid	-20.2	-31.3
Cash flow from operations	88.2	33.9
Investments		
Acquisition of tangible and intangible assets	-1.6	-2.6
Group companies acquired	-536.0	
Associated companies acquired	-66.1	
Acquisition of other holdings	-0.2	
Sales of tangible and intangible assets	1.4	6.8
Group companies sold	23.4	
Associated companies sold		0.0
Repayments of capital	54.0	
Sales of other investments	1.1	0.2
Increase(-)/decrease(+) in loan receivables with short maturity	2.0	-1.3
Loans granted	-383.7	-181.3
Repayments of loan receivables	311.2	254.4
Interest received	23.8	20.0
Cash flow from investments	-570.7	96.1
Cash flow before financing	-428.5	130.1
Financing		
Proceeds from share subscriptions	0.0	14.5
Change in loans with short maturity	-199.6	13.3
Drawings of other loans	1 127.0	430.6
Repayments of other loans	-282.7	-436.0
Dividends paid	-179.1	-129.5
Donations/other profit sharing	0.0	-0.5
Cash flow from financing	465.6	-107.5
Change in cash and cash equivalents according to cash flow statement	-16.9	22.6
Net increase(+)/decrease(-) in cash and cash equivalents	-16.9	22.6
Cash and cash equivalents at 1 Jan	57.0	34.4
Cash and cash equivalents at 31 Dec	40.1	57.0

Parent Company shareholders' equity

Shareholders' equity, EUR million	2011	2010
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	188.8
Share issue, options	0.0	14.5
Fund for invested unrestricted equity at 31 Dec	203.3	203.3
Retained earnings at 1 Jan	438.0	480.0
Dividends	-179.1	-129.5
Other changes	0.0	-0.5
Retained earnings at 31 Dec	258.9	350.1
Profit (loss) for the year	77.6	87.9
Unrestricted equity 31 Dec	**539.8**	641.3
Total	**611.1**	712.6

Further information on share capital is presented in Note 19 to the Financial Statements.

Distributable earnings, EUR million	2011	2010
Fund for invested non-restricted equity	203.3	203.3
Retained earnings	258.9	350.1
Profit (loss) for the year	77.6	87.9
Total	**539.8**	641.3

Parent Company contingent liabilities

Contingent liabilities, EUR million	2011	2010
Contingencies incurred on behalf of Group companies		
Guarantees	**65.2**	61.0
Total	**65.2**	61.0
Contingencies incurred on behalf of associated companies		
Guarantees		10.5
Total		10.5
Total	**65.2**	71.5

Nominal values of derivatives, EUR million	2011	2010
Interest derivatives		
Interest rate swaps	**640.0**	100.0
Total	**640.0**	100.0
Foreign exchange derivatives		
Forward contracts	**36.6**	
Total	**36.6**	
Total	**676.6**	100.0

Fair values of derivatives, EUR million	2011	2010
Interest derivatives		
Interest rate swaps	**-11.5**	0.1
Total	**-11.5**	0.1
Foreign exchange derivatives		
Forward contracts	**0.6**	
Total	**0.6**	
Total	**-10.9**	0.1

Board's proposal for distribution of profits and signatures

At 31 December 2011, Sanoma Corporation's distributable earnings total EUR 539,832,845.91, of which the profit for the year is EUR 77,567,049.61.

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 441 595 590.11

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, Tuesday 10 April 2012. The Board will propose to the Annual General Meeting that the dividend will be paid on Tuesday 17 April 2012.

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

Helsinki, 6 February 2012

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

Auditors' 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 2011. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, 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.

Auditors' 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 and 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, 6 February 2012
KPMG OY AB

Pekka Pajamo
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 seven Strategic Business Units ("SBU"): Sanoma News, Sanoma Media Belgium, Sanoma Media Finland, Sanoma Media Netherlands, Sanoma Media Russia & CEE, Sanoma Learning and Sanoma Trade. It reports in four segments: Media, News, Learning and Trade ("Sanoma Group" or the "Group"). 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.

Notice of the General Meeting is published in at least one widely circulated newspaper as specified by the Board of Directors, no earlier than three months and no later than three weeks prior to the meeting. In any case, the notice must be published at least nine 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 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)% 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 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 end of 2011:

- Jaakko Rauramo (Chairman), born 1941, M.Sc. (Tech.). Term ends at AGM 2012.
- Sakari Tamminen (Vice Chairman), born 1953, M.Sc. (Econ.). President of Rautaruukki Corporation. Term ends at AGM 2012.
- 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 2012.
- 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 13 times in 2011 with an average attendance rate of 94.6%.

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 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's 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 2011, the Executive Committee comprised Jaakko Rauramo, Sakari Tamminen and Harri-Pekka Kaukonen. The Executive Committee convened 6 times in 2011 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. 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 2011, 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 5 times in 2011 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 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 2011, 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 4 times in 2011 with all members present at the meetings.

EDITORIAL COMMITTEE

The Editorial Committee follows the execution of Sanoma's publishing principles in general, accepts and monitors the execution of Helsingin Sanomat's editorial policy and any amendments thereof as well as 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 2011, the Editorial Committee comprised Seppo Kievari (Chairman), Jane Erkko (Vice Chairman), Sirkka Hämäläinen-Lindfors and Sakari Tamminen. The Editorial Committee convened 2 times in 2011 with an average attendance rate of 87.5%.

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;
- 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 2011, 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;
- financial matters and investments exceeding EUR 3 million;
- 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), the CDO (Chief Digital Officer) and the CMO (Customer Market Officer) of the Sanoma Group.

+ More information about the members of the EMG and their holdings in the Company is available at Sanoma.com in the Executive Management Group and Insiders sections.

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 and Internal Control 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 wilful 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.

SBUs identify, assess, manage and monitor the risks related to the objectives of their operations. Director Risk Management of the Group co-ordinates the risk management process and produces a periodical risk report for the President and CEO who presents the report to the Audit Committee and to the Board of Directors.

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 revised internal control policy was approved by the Board of Directors in May 2011. It 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 unauthorized 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 on both the Parent Company and SBU level 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 operational planning and reporting system, which includes SBU's management letters, the actualised income statements, balance sheets and key performance indicators, as well as estimates for the current financial year and the rolling 12 months.

Furthermore, business reviews between Group and SBU management are held quarterly. In addition to the SBU's financial performance, issues such as changes in the operating environment, structure and rolling estimates 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 2011, KPMG Oy Ab, with Pekka Pajamo, 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 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.

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

Strategic business units and businesses identify, assess, manage and monitor risks related to achieving the objectives of their operations. The Director of Risk Management for the Group coordinates the risk management process and produces a periodical risk report 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.

⊕ Group internal control systems, as well as internal audit and external audit activities are presented in more detail in the Corporate Governance Statement, on p. 70–74, 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 30% of Sanoma's net sales is derived from media advertising and some 50% from consumers as single copy or subscription sales or from retail. 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. Sanoma's diversified operations in various fields of media in over 20 countries balance the effects of market fluctuations.

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, risks related to suppliers or operating countries, intellectual property rights as well as to laws and regulations. Risks related to M&A, Sanoma's strategic agility, the rapid 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 M&A. The management and protection of intellectual property rights are related to 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 is the driving force behind many of these changes. The increased usage of smart phones and the arrival of tablets will change 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.

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. To further enhance Sanoma's capability to be aligned with these changes, the Group introduced a new innovation programme in early 2011 that includes, among other measures, an internal Growth Fund. In September 2011, a new organisation structure was introduced. To speed up innovation and collaboration across strategic business units, a digital operations matrix headed by the Chief Digital Officer was introduced. The CDO 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

Sanoma has grown vigorously through acquisitions. Due to these acquisitions, the Group may become exposed to risks related to 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 VAT 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

Key Intellectual Property Rights (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, ICT, integration of new operations, human resources and leadership as well as to knowledge management.

Operational risks related to product and service quality and customer satisfaction vary by strategic business unit. At the Group level, the most significant risks relate to leadership and human resources, knowledge management and ICT 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 is beginning a cultural transformation process.

Recruiting and retaining skilled and motivated personnel is estimated to become more difficult in years to come 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 retainment and recruitment of talented personnel and help in change management.

Since Sanoma employs numerous professionals, it is estimated, however, that the discontinuation of one key person's employment would not have an adverse effect on the Group's result nor on its ability to execute its strategy.

KNOWLEDGE MANAGEMENT

The management and transfer of knowledge across the Group are crucial for the success of Sanoma. It is important that information, best practises 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.

ICT SYSTEMS

Functioning and reliable ICT systems are integral aspects of the Group's business. These systems include newspaper and magazine subscriptions, advertising and delivery systems, as well as various systems for production control and the management of customer relations. Risks related to information systems may arise in connection with the confidentiality, integrity or availability of information as well as reliability and compliance of data in the systems. These can be divided into physical risks (fire, sabotage and equipment breakdown) and logical risks (related to data security, employees and software failure). It is highly important that the Group succeeds in renewal projects of its critical, integrated systems, such as subscription systems. Sanoma has also established separate continuity plans for the systems critical to the Group.

Sanoma's ICT Governance model is updated and was launched in the fourth quarter of 2011. It includes roles and responsibilities regarding ICT security issues.

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 regain a capital structure corresponding to an investment grade company file. 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, as result of SBS acquisition, the transactions risks in USD have substantially increased. 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 2011 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 2011 totalled EUR 83.1 million (2010: EUR 36.7 million), and there were no indicators of other impairment losses.

Hazard risks

Hazard risks include business interruption and risks related to 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 2012 at 14:00 Finnish time (CET+1) in the Congress Wing of the Helsinki Exhibition and Convention Centre (Messuaukio 1, 00520 Helsinki, Finland).

Notice of the AGM

Notice of the AGM is published in at least one widely circulated newspaper. The meeting agenda is included in the notice. 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 22 March 2012 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 Finnish time (CET+1) on Tuesday, 28 March 2012. 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 29 March 2012 at 10:00 Finnish time (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 2011. All shareholders registered on the Company's list of shareholders (maintained by Euroclear Finland Ltd) on the record date of 10 April 2012 are entitled to the dividend decided by the AGM. In Finland, the dividend payment date will be 17 April 2012. 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 2012

The Group's Interim Reports in 2012 will be published:

- Interim Report January–March on Thursday 3 May, approximately at 11:00 Finnish time (CET+1)
- Interim Report January–June on Wednesday 1 August, approximately at 8:30 Finnish time (CET+1)
- Interim Report January–September on Wednesday 31 October, approximately at 8:30 Finnish time (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. A print version of that can be ordered or cancelled via email ir@sanoma.com or by phone +358 105 19 5062.

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: Carnegie Investment Bank, Crédit Agricole Cheuvreux, Danske Markets, Deutsche Bank, Evli Bank, E. Öhman J:or Securities, FIM, Handelsbanken Capital Markets, Inderes, ING, Nordea, Pohjola Bank, SEB Enskilda, and Swedbank. Sanoma does not accept any responsibility for the views or opinions expressed by the analysts.

The analysts' contact details can be viewed on the Investors page at Sanoma.com.

Sanoma

SANOMA CORPORATION | P.O. BOX 1229 | 00101 HELSINKI | FINLAND | TEL. +358 105 1999 | SANOMA.COM