Financial Statements for 2010

Sanoma

Contents

Key indicators

Key indicators, EUR million	2010	2009	2008	2007	2006
Net sales	**2 761.2**	2 767.9	3 030.1	2 926.3	2 742.1
Operating profit before depreciation, amortisation and impairment losses	**589.8**	362.4	468.3	493.4	428.2
% OF NET SALES	**21.4**	13.1	15.5	16.9	15.6
Operating profit excluding non-recurring items	**245.4**	229.5	295.7	305.2	288.2
% OF NET SALES	**8.9**	8.3	9.8	10.4	10.5
Non-recurring items	**147.3**	-34.1	-59.3	38.6	4.3
Operating profit	**392.7**	195.4	236.3	343.8	292.5
% OF NET SALES	**14.2**	7.1	7.8	11.7	10.7
Result before taxes	**356.0**	161.4	190.3	320.4	276.3
% OF NET SALES	**12.9**	5.8	6.3	11.0	10.1
Result for the period	**297.3**	107.1	120.8	246.1	208.4
% OF NET SALES	**10.8**	3.9	4.0	8.4	7.6
Balance sheet total	**3 203.0**	3 106.3	3 278.7	3 192.3	3 132.2
Capital expenditure	**85.7**	83.4	109.9	90.5	81.9
% OF NET SALES	**3.1**	3.0	3.6	3.1	3.0
Return on equity (ROE), %	**23.0**	9.2	9.1	18.6	17.7
Return on investment (ROI), %	**16.2**	8.9	10.7	15.9	14.3
Equity ratio, %	**45.7**	41.4	40.0	45.4	45.0
Net gearing, %	**63.8**	79.4	78.5	58.2	59.2
Interest-bearing liabilities	**941.9**	1 017.7	1 082.6	881.4	863.9
Non-interest-bearing liabilities	**885.1**	882.0	959.0	946.7	945.5
Interest-bearing net debt	**877.9**	958.1	971.6	793.3	782.4
Average number of employees (full-time equivalents)	**16 016**	17 343	18 168	16 701	15 732
Number of emplyees at the end of the period (full-time equivalents)	**15 405**	16 723	18 453	16 730	16 074
Share indicators					
Earnings/share, EUR	**1.85**	0.66	0.72	1.47	1.32
Earnings/share, diluted, EUR	**1.85**	0.66	0.72	1.46	1.31
Cash flow from operations/share, EUR	**1.69**	1.50	1.56	1.38	1.63
Equity/share, EUR	**8.42**	7.36	7.59	8.27	7.92
Dividend/share, EUR *	**1.10**	0.80	0.90	1.00	0.95
Dividend payout ratio, % *	**59.4**	122.0	125.1	67.9	72.2
Market capitalisation, EUR million **	**2 628.0**	2 536.5	1 479.7	3 196.2	3 521.8
Effective dividend yield, % *	**6.8**	5.1	9.8	5.1	4.4
P/E ratio	**8.8**	24.0	12.8	13.3	16.2
Adjusted number of shares at the end of the period **	**162 810 593**	161 816 894	160 665 651	162 822 889	164 957 053
Adjusted average number of shares **	**161 863 694**	160 968 774	160 900 511	164 827 232	159 154 715
Lowest share price, EUR	**13.41**	8.02	8.31	18.32	17.80
Highest share price, EUR	**17.07**	15.80	19.87	24.51	22.45
Average share price, EUR	**15.57**	11.45	14.84	21.70	20.19
Share price at the end of the period, EUR	**16.22**	15.76	9.21	19.63	21.35
Trading volumes, shares	**63 477 720**	72 078 344	100 271 123	92 576 174	72 670 001
% OF SHARES	**39.2**	44.8	62.3	56.2	45.7

* Year 2010 proposal of the Board of Directors
** 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/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	**1–12/ 2010**	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009	**1–12/ 2009**
Sanoma Magazines										
Sanoma Magazines Netherlands	107.4	128.0	118.8	136.1	**490.4**	110.6	123.2	120.7	138.6	**493.2**
Sanoma Magazines International	48.7	54.3	51.0	60.9	**214.9**	50.9	53.2	48.8	58.5	**211.3**
Sanoma Magazines Belgium	53.5	52.3	48.7	53.8	**208.3**	51.3	52.6	50.8	57.5	**212.3**
Sanoma Magazines Finland	51.2	47.1	46.9	56.2	**201.4**	50.3	48.0	46.9	53.5	**198.8**
Eliminations	-1.0	-1.2	-1.0	-1.0	**-4.2**	-1.0	-1.2	-1.2	-1.0	**-4.3**
Total	259.9	280.6	264.4	306.0	**1 110.9**	262.1	275.9	266.1	307.1	**1 111.2**
Sanoma News										
Helsingin Sanomat	59.1	56.7	55.5	64.1	**235.4**	58.7	55.4	53.3	61.1	**228.4**
Ilta-Sanomat	19.9	20.7	21.1	21.6	**83.3**	18.4	19.8	19.6	20.3	**78.2**
Other publishing	25.3	25.6	23.5	25.0	**99.5**	25.9	26.8	24.2	26.9	**103.8**
Other businesses	34.4	33.1	32.0	33.4	**132.9**	36.2	35.9	34.9	36.6	**143.7**
Eliminations	-29.3	-27.6	-27.4	-29.2	**-113.5**	-31.6	-30.9	-30.8	-32.0	**-125.2**
Total	109.4	108.5	104.8	114.9	**437.6**	107.7	107.1	101.2	112.9	**428.9**
Sanoma Entertainment										
Total	41.5	44.6	20.8	31.3	**138.2**	40.3	40.6	35.0	41.1	**157.1**
Sanoma Learning & Literature										
Learning	29.9	85.0	100.6	33.7	**249.3**	30.6	81.6	94.3	32.7	**239.1**
Language services	6.9	6.2	5.2	8.9	**27.1**	8.3	6.2	6.7	6.3	**27.5**
Literature and other businesses	23.6	17.2	18.0	24.8	**83.6**	24.6	17.0	19.3	28.0	**88.9**
Eliminations	-2.3	-2.9	-2.5	-2.2	**-9.9**	-2.6	-2.8	-2.7	-2.3	**-10.4**
Total	58.2	105.5	121.2	65.1	**350.1**	60.8	101.9	117.6	64.7	**345.1**
Sanoma Trade										
Kiosk operations	91.9	104.9	99.2	102.4	**398.4**	89.9	104.5	99.3	110.5	**404.2**
Trade services	51.9	60.8	57.6	60.1	**230.4**	50.5	57.4	59.4	60.6	**227.9**
Bookstores	26.0	19.9	31.6	43.2	**120.6**	27.3	19.7	31.8	44.5	**123.3**
Movie operations	25.4	19.9	20.7	23.9	**90.0**	23.6	18.0	22.7	23.6	**88.0**
Eliminations	-3.4	-4.0	-3.1	-3.5	**-14.0**	-3.6	-3.9	-4.1	-4.0	**-15.6**
Total	191.8	201.4	206.0	226.1	**825.4**	187.7	195.7	209.2	235.3	**827.8**
Other companies and eliminations	-23.0	-25.3	-26.7	-26.0	**-101.0**	-22.7	-24.1	-28.0	-27.5	**-102.3**
Total	637.9	715.4	690.6	717.3	**2 761.2**	636.0	697.2	701.1	733.6	**2 767.9**

Operating profit by division

EUR million	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	**1–12/ 2010**	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009	**1–12/ 2009**
Sanoma Magazines	25.8	41.0	22.6	31.2	**120.6**	15.5	30.2	23.1	27.4	**96.3**
Sanoma News	15.6	8.9	15.7	15.9	**56.1**	6.0	3.5	11.8	10.8	**32.2**
Sanoma Entertainment	6.2	187.6	1.6	0.4	**195.8**	6.1	6.9	3.8	3.9	**20.7**
Sanoma Learning & Literature	-6.4	25.1	45.5	-17.2	**47.1**	-6.9	25.1	33.1	-12.8	**38.5**
Sanoma Trade	2.9	3.1	-22.1	3.0	**-13.1**	3.8	3.8	9.7	6.7	**24.0**
Other companies and eliminations	-3.7	-4.7	0.5	-6.1	**-13.9**	-3.7	-4.3	-4.4	-3.7	**-16.2**
Total	40.4	261.0	63.9	27.4	**392.7**	20.9	65.1	77.1	32.3	**195.4**

Income statement by quarter

EUR million	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	**1–12/ 2010**	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009	**1–12/ 2009**
Net sales	637.9	715.4	690.6	717.3	**2 761.2**	636.0	697.2	701.1	733.6	**2 767.9**
Other operating income	20.4	197.3	20.9	20.3	**258.8**	14.1	19.4	13.3	17.9	**64.6**
Materials and services	279.0	307.3	300.7	320.4	**1 207.4**	286.4	304.8	315.0	332.2	**1 238.5**
Employee benefit expenses	169.1	172.3	151.9	175.3	**668.6**	176.2	174.8	160.5	184.0	**695.5**
Other operating expenses	128.9	132.4	124.2	168.7	**554.2**	128.2	129.0	122.1	156.8	**536.2**
Depreciation, amortisation and impairment losses	40.8	39.6	70.7	45.9	**197.1**	38.4	42.8	39.8	46.0	**167.0**
Operating profit	40.4	261.0	63.9	27.4	**392.7**	20.9	65.1	77.1	32.3	**195.4**
Share of results in associated companies	-2.4	1.7	0.8	-24.0	**-23.9**	0.3	-0.6	-2.0	-1.6	**-3.9**
Financial income	2.2	2.5	4.0	2.4	**11.1**	6.7	8.8	4.1	2.8	**22.5**
Financial expenses	6.0	6.2	5.0	6.6	**23.8**	17.0	12.3	12.0	11.3	**52.6**
Result before taxes	34.1	259.0	63.7	-0.8	**356.0**	10.9	61.1	67.2	22.3	**161.4**
Income taxes	-10.0	-23.8	-24.6	-0.2	**-58.6**	-3.2	-17.4	-20.0	-13.7	**-54.3**
Result for the period	24.1	235.1	39.1	-1.0	**297.3**	7.7	43.7	47.2	8.6	**107.1**
Result attributable to:										
Equity holders of the Parent Company	25.9	235.4	39.2	-0.9	**299.6**	8.3	43.3	47.6	6.4	**105.6**
Non-controlling interests	-1.8	-0.2	-0.1	-0.1	**-2.3**	-0.6	0.3	-0.3	2.2	**1.6**
Earnings per share for result attributable to the equity holders of the Parent Company:										
Earnings per share, EUR	0.16	1.45	0.24	-0.01	**1.85**	0.05	0.27	0.30	0.04	**0.66**
Diluted earnings per share, EUR	0.16	1.45	0.24	-0.01	**1.85**	0.05	0.27	0.30	0.04	**0.66**

Board of Directors' Report

NET SALES

In 2010, Sanoma's net sales were stable and amounted to EUR 2,761.2 million (2009: EUR 2,767.9 million; 2008: EUR 3,030.1 million). Net sales increased in News. Entertainment's net sales were affected by the divestment of cable TV and broadband operations in the second quarter. Net sales were stable in other divisions. Currency translations did not have a material effect on the net sales. Adjusted for changes in the Group structure, net sales grew by 1.6%.

Advertising sales developed strongly during the year and grew by 8%. Online advertising sales increased significantly, by 21%, with the biggest contributors being Sanoma Magazines Netherlands and Sanoma News. However, advertising sales were still not at the peak levels of 2008. Advertising sales represented 23% (2009: 21%) of the Group's net sales.

Sanoma has a target to double its consumer online sales, consisting mostly of online advertising, by 2012 from 2008. In 2010, such sales grew by 14% to EUR 151.0 million (2009: EUR 132.2 million). Total digital sales, which also include items such as e-learning and the access services, was at the comparable year's level despite the divestment of broadband operations in June, and amounted to 12% (2009: 12%) of net sales.

The Group's circulation sales were slightly below the comparable year. Subscription sales remained stable, but single copy sales decreased slightly in most of the operating countries.

By country, Finland accounted for 51% (2009: 51%) of the cumulative net sales and the Netherlands 23% (2009: 23%). Net sales from other EU countries totalled 23% (2009: 23%) and non-EU countries accounted for 3% (2009: 3%).

RESULT

Sanoma's operating profit excluding non-recurring items improved by 7% in 2010 and totalled EUR 245.4 million (2009: EUR 229.5 million). Operating profit excluding non-recurring items improved in Magazines, News and Learning & Literature. The result also improved clearly in the Finnish broadcasting business, but Entertainment's operating profit was affected by the divestment of Welho. The operating profit in Trade decreased clearly, mainly due to changes in the sales mix in Finnish kiosks and lower sales in the Baltic countries. Currency translations did not have a material effect on the result.

The non-recurring items included in the operating profit amounted to EUR 147.3 million (2009: EUR -34.1 million) and were related to capital gains from divestments of businesses and real estate, impairment write-downs in several businesses as well as restructuring costs. Some EUR 135 million of the net amount of total capital gains and write-downs was non-taxable. In the comparable year, non-recurring items consisted of expenses related to restructuring of operations in all divisions.

Sanoma continued to see the effects of the efficiency improvement measures and structural changes mostly carried out in 2009. During the year, the Group's total expenses came down by 2%. Paper costs in particular were clearly below the comparable year. The solid development during the year enabled increased investments in developing new operations as well as increased marketing efforts in order to improve market positions. In the fourth quarter, the marketing expenses were increased by 23% from the exceptionally low level of the comparable quarter. Employee benefit expenses decreased by 4%. The Group had some 1,300 employees less than at the year-end 2009, corresponding to a decrease of 8%. A decrease of some 200 employees is due to the Welho divestment.

The clearly improved operational result as well as significant non-recurring capital gains increased the Group's operating profit in 2010 to EUR 392.7 million (2009: EUR 195.4 million; 2008: EUR 236.3 million) or 14.2% (2009: 7.1%; 2008: 7.8%) of net sales.

Following the divestment of Welho and the related acquisition of a 21% share in the Finnish telecommunications group DNA, Sanoma now reports its share of DNA's result in the associated companies. The most significant associated companies, in addition to DNA, include Hansaprint, Stratosféra, Jokerit HC and Desert Fishes. In the fourth quarter, Sanoma made a EUR 22.1 million impairment of the Hansaprint asset due to significantly deteriorated future prospects of the printing business. Therefore the profits from associated companies totalled EUR -23.9 million (2009: EUR -3.9 million). DNA's net sales and result in 2010 developed according to expectations. At the end of the year, DNA had about a quarter of the Finnish telecommunications market and over 40% of the cable TV market.

Sanoma's net financial items totalled EUR -12.8 million (2009: EUR -30.1 million). Lower reference rates than in the comparable year decreased the Group's interest expenses significantly. The positive effects of lower interest rates started to even out in the latter half of the year, since the reference rates came down in the second quarter of 2009. Financial income amounted to EUR 11.1 million (2009: EUR 22.5 million), of which exchange rate gains were EUR 7.0 million (2009: EUR 15.0 million). Financial expenses amounted to EUR 23.8 million (2009: EUR 52.6 million). Interest expenses amounted to EUR 13.3 million (2009: EUR 25.3 million) and exchange rate losses to EUR 8.0 million (2009: EUR 16.2 million).

The result before taxes amounted to EUR 356.0 million (2009: EUR 161.4 million). The Group's result and the effective tax rate were significantly affected by the divestment of Welho in June 2010. The effective tax rate in 2010 was 16.5% (2009: 33.6%). Earnings per share in 2010 were EUR 1.85 (2009: EUR 0.66). The result for the period totalled EUR 297.3 million (2009: EUR 107.1 million).

BALANCE SHEET AND FINANCIAL POSITION

At the end of December, Sanoma's consolidated balance sheet totalled EUR 3,203.0 million (2009: EUR 3,106.3 million). Efficient cash flow management was one of the management focus areas, and during the year, the Group's cash flow from operations amounted to EUR 273.8 million (2009: EUR 241.8 million). Cash flow from operations per share was EUR 1.69 (2009: EUR 1.50). In addition to a significantly better operational result, lower interest costs also improved the cash flow from the comparable year.

Sanoma's financial position was strong and financial flexibility improved during the year. The equity ratio strengthened and was 45.7% (2009: 41.4%; 2008: 40.0%) at the end of December. The divestment of Welho improved key ratios: Return on equity (ROE) was 23.0% (2009: 9.2%; 2008: 9.1%) and the return on investment (ROI) was 16.2% (2009: 8.9%). Equity totalled EUR 1,376.0 million (2009: EUR 1,206.6 million). Interest-bearing liabilities continued to decrease and totalled EUR 941.9 million (2009: EUR 1,017.7 million) and interest-bearing net debt was EUR 877.9 million (2009: EUR 958.1 million). Sanoma's net debt/EBITDA ratio was 1.5 at the end of December.

Sanoma's existing credit facilities, such as the syndicated, long-term credit facility of EUR 802 million, cover all Sanoma's financing needs and Sanoma has no need for material refinance in the near future. 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

Investments in tangible and intangible assets amounted to EUR 85.7 million (2009: EUR 83.4 million) in 2010. Investments were mainly related to ICT systems as well as replacements and renovations. Sanoma has a policy to keep annual capital expenditure, excluding M&A, below EUR 100 million. Sanoma's business acquisitions in 2010 totalled EUR 37.1 million (2009: EUR 6.7 million).

R&D expenditure was recorded at EUR 0.9 million (2009: EUR 1.5 million) or 0.0% (2009: 0.1%) of net sales. R&D expenditure does not include costs related to launches of new products and services or renewal of existing ones, which are considered normal portfolio management and incurred as costs. Sanoma leads and co-ordinates the Finnish Next Media research programme, which develops future concepts and business models for media. The aim of the research programme is to enhance digital media R&D activity in Finland as well as to create significant business internationally. The Next Media research programme includes ten different projects and is set to end in 2015. The programme is partly financed by the government and partly by the participating media companies.

In May, Sanoma Magazines Belgium sold 49% of its Humo magazine to Belgian De Vijver. As part of the transaction, Sanoma Magazines Belgium acquired 25% of Desert Fishes, which owns Belgium's largest TV production company Woestijnvis. In June, Sanoma Entertainment divested its cable TV operator Welho to the DNA telecommunication group, invested the total enterprise value of Welho into DNA and became DNA's second largest owner with an ownership share of 21%. There were no significant transactions during the comparable year.

EVENTS AFTER THE REVIEW PERIOD

In order to respond more effectively to the needs of consumers and advertisers in the converging media world, the Group integrated two of its divisions Sanoma Entertainment and Sanoma Magazines to form the new division Sanoma Media as of 1 January 2011. This integration enables Sanoma to leverage its television know-how and assets in Finland also internationally, as well as further strengthen Sanoma's market positions in Europe.

At the same time, Aldipress was moved from Sanoma Trade's trade services to Sanoma Media in order to facilitate the execution of its new strategy: to focus on single copy press distribution and strengthen its service to Dutch publishers.

Sanoma now has four divisions: Sanoma Media, Sanoma News, Sanoma Learning & Literature and Sanoma Trade. Sanoma's Executive Management Group comprises the Group CEO, the heads of the divisions, the Group CFO and the Group CSO. Sanoma will publish comparable figures for these new segments before its first quarter results.

OUTLOOK FOR 2011

In 2011, Sanoma's net sales and operating profit excluding non-recurring items are expected to be at the previous year's level. In 2010, operating profit excluding non-recurring items was EUR 245.4 million.

This outlook is impacted by the several divestments made in 2010. The operating profit excluding non-recurring items accumulated from the divested businesses in 2010 amounted to some EUR 10 million. The most significant divestments were those of Welho and Humo.

Sanoma's net sales and operating profit in 2011 are affected by the development of advertising and private consumption in the Group's countries of operation. The current outlook is based on the assumption that the advertising markets in the Group's main operating countries will grow somewhat in 2011.

SANOMA MAGAZINES

Sanoma Magazines, operating in 12 European countries, is a leading publisher of magazines and has a strong presence in digital media. The company actively reaches out to an audience of 290 million consumers at every life stage, and aims to strengthen its market leader positions in each of the markets it operates in.

Key indicators, EUR million	1–12/ 2010	1–12/ 2009
Net sales	**1 110.9**	1 111.2
Operating profit excluding non-recurring items	**128.6**	113.4
% OF NET SALES	**11.6**	10.2
Operating profit	**120.6**	96.3
Capital expenditure	**19.4**	24.4
Return on investment (ROI), %	**7.2**	7.9
Number of employees at the end of the period (full-time equivalents)	**4 980**	5 191
Average number of employees (full-time equivalents)	**5 040**	5 452

In 2010, Sanoma Magazines' net sales were at the comparable year's level. Adjusted for changes in the Division structure, the growth was 1.4%. Digital revenues, consisting mostly of online advertising, amounted to 9% (2009: 8%) of the Division's net sales.

The Division's advertising sales grew by 6% and represented 30% (2009: 29%) of net sales. Advertising sales grew in all four businesses. Sanoma Magazines' online advertising sales grew clearly, in particular due to the good development in the Netherlands and Sanoma Magazines International.

Sanoma Magazines' circulation sales decreased slightly and represented 58% (2009: 60%) of the Division's net sales. Subscription sales were at the comparable year's level but single copy sales decreased somewhat.

Sanoma Magazines Netherlands' net sales were at the comparable year's level. According to Nielsen Media Research, the consumer magazine advertising market in the Netherlands improved slightly in January–November 2010. Sanoma Magazines Netherlands' sales clearly outperformed the market development. In 2010, its advertising sales grew somewhat, with online advertising sales increasing clearly. Advertising sales represented 30% (2009: 27%) of Sanoma Magazines Netherlands' net sales. Its circulation revenues were stable with subscription sales at the comparable year's level and single copy sales declining slightly.

Sanoma Magazines International's net sales were at the comparable year's level. The sales were affected both by a favourable currency translation effect as well lower circulation revenues following the discontinuation of over 20 titles in 2009. Circulation sales decreased, with both single copy sales and subscription sales coming down. The Russian advertising market picked up in 2010 and an improvement could also be seen in Hungary and Ukraine towards the end of the year. In other CEE countries, advertising sales remained weak. Advertising sales represented 50% (2009: 49%) of Sanoma Magazines International's net sales. In July, Sanoma Magazines divested its Slovak magazine operations.

Net sales from Sanoma Magazines Belgium decreased by 2%, due to divestment of 49% of the weekly Humo, one of Sanoma Magazines Belgium's key titles, in May. Despite the divestment, advertising sales increased, thanks to other titles' good performance. Circulation sales decreased with subscription sales being slightly and single copy sales clearly lower than in the comparable year. Advertising sales represented 26% (2009: 25%) of Sanoma Magazines Belgium's net sales.

Sanoma Magazines Finland's net sales were at the comparable year's level. Advertising sales improved clearly and represented 14% (2009: 13%) of net sales. Sanoma Magazines Finland outperformed the market development: according to TNS Gallup Adex, advertising in consumer magazines in Finland decreased by 3% in 2010. Both subscription and single copy sales were stable.

Operating profit excluding non-recurring items increased by 14%. Growing advertising sales improved the result significantly in Sanoma Magazines Netherlands and International. The result declined in Belgium due to structural changes. In Finland, investments in ICT and other higher expenses decreased the result. The non-recurring items included in the operating profit totalled EUR -8.0 million (2009: EUR -17.1 million) and included gains on the sales of assets, impairments of intangible assets and goodwill as well as restructuring costs. In the comparable year, the non-recurring costs were related to restructuring of operations.

Sanoma Magazines' investments in tangible and intangible assets totalled EUR 19.4 million (2009: EUR 24.4 million) and consisted mainly of ICT investments. The most significant acquisition in 2010 was that of HaziPatika.com Group, which operates, among other sites, Hungary's most visited healthcare website. In the comparable year, the major acquisition was Hungarian SELKO kft, which operates the comparison site Olcsobbat.hu.

Sanoma Magazines continuously develops its magazine portfolio with a special focus on its key titles in each operating country. Sanoma Magazines is investing in strengthening its market positions and wants to become stronger in digital media, both online and mobile. To support this, the Group decided to combine Sanoma Entertainment's multimedia know-how together with Sanoma Magazines strong brand portfolio. The new Sanoma Media division became operational as of 1 January 2011. The Division continues to look for possibilities to expand in different TV markets.

In 2011, Sanoma Media's net sales are expected to be at the previous year's level, and operating profit excluding non-recurring items is estimated to decrease clearly due to the divestments made in 2010. The effects of the Aldipress transfer to Sanoma Media have been included both for the current and comparable year.

SANOMA NEWS

Sanoma News is the leading newspaper publisher in Finland and its printed and digital products have a strong presence in the lives of Finns. In addition to Helsingin Sanomat, the largest daily in the Nordic region, Sanoma News publishes other national and regional newspapers and it is also one of the most significant digital media players in Finland.

Key indicators, EUR million	1–12/ 2010	1–12/ 2009
Net sales	**437.6**	428.9
Operating profit excluding non-recurring items	**47.2**	40.6
% OF NET SALES	**10.8**	9.5
Operating profit	**56.1**	32.2
Capital expenditure	**14.0**	10.6
Return on investment (ROI), %	**22.0**	12.1
Number of employees at the end of the period (full-time equivalents)	**2 016**	2 306
Average number of employees (full-time equivalents)	**2 176**	2 399

Sanoma News' net sales in 2010 grew by 2%. Adjusted for changes in the Division structure, the growth was 4%. Digital revenues, consisting mostly of online advertising, amounted to 11% (2009: 11%) of the Division's net sales.

Sanoma News continued to strengthen its market share in the Finnish media market. The Division's advertising sales grew by 8%, with both online and print advertising sales developing positively and increasing by 27% and 5% respectively. Advertising sales represented 48% (2009: 45%) of the Division's net sales in 2010.

The Division's circulation sales were at the comparable year's level with subscription sales growing slightly and single copy sales being stable. Circulation sales accounted for 43% (2009: 44%) of the Division's net sales.

The net sales of the Helsingin Sanomat business unit grew by 3%. Circulation sales were stable and advertising sales increased from March onwards. In particular recruitment advertising in the daily print edition of Helsingin Sanomat performed well in 2010. Advertising sales represented 54% (2009: 53%) of the business unit's net sales.

The Ilta-Sanomat business unit's net sales grew by 6%, with advertising sales, representing 27% (2009: 24%) of the business unit's net sales, increasing significantly. Circulation sales were at the comparable year's level, supported by the good development during the second half of the year. The tabloid's weekday price was increased from EUR 1.20 to EUR 1.30 in mid-August and the circulation of the weekend edition began growing in the fourth quarter.

Net sales from other publishing operations decreased by 4% due to the divestments of picture agency Lehtikuva and five local papers as well as the transfer of business information provider Esmerk. Sanoma News is focusing a significant amount of resources to its digital operations. Online advertising sales in Sanoma Digital Finland performed strongly in 2010. In regional papers, advertising and circulation sales grew. Advertising sales in free sheets were at the comparable year's level.

Sanoma News's operating profit excluding non-recurring items grew by 16% in 2010, mainly due to improved advertising sales and lower paper costs. The non-recurring items included in the operating profit totalled EUR 8.9 million (2009: -8.4 million) and consisted of capital gains on the divestment of Lehtikuva and local papers. In the comparable year, the non-recurring items were related to the Division's efficiency programme. The withheld holiday pay in 2009 and the equal-size bonus paid in May 2010 had impacts on the operating profit in the second quarter in particular. Excluding the effects of the holiday pay, the increase in the full-year result would have been some 50%.

Sanoma News' investments in tangible and intangible assets totalled EUR 14.0 million (2009: EUR 10.6 million) and consisted mainly of investments in digital business and a reader-customer management system. There were no significant acquisitions in 2010 or the comparable year.

According to TNS Gallup Adex, newspaper advertising in Finland grew by 2% in 2010. Recruitment advertising in Finland increased by 32%, and real estate advertising by 1%. Recruitment advertising in the daily print edition of Helsingin Sanomat was 28% above the comparable year and real estate advertising 4%. Online, Oikotie recruitment advertising outperformed the market. Advertising in the free sheet market was up by 8%, partly due to changes in reporting. Online advertising included in the statistics grew by 33% during the year, much faster than other media segments.

The total volume of the Finnish tabloid market decreased by 3% in 2010. However, Ilta-Sanomat was able to improve its market position further in the tabloid newsstand market and now has a market share of 58.1% (2009: 57.1%).

Sanoma News aims to strengthen its multichannel approach both when creating journalistic content as well as when serving its advertisers. The Division will increase its share of digital operations and create new sources of revenues through development of the product and service portfolio. Strengthening market share both in the media market and in the readers' market remains a key priority for Sanoma News.

In 2011, Sanoma News' net sales and operating profit excluding non-recurring items are expected to be at the previous year's level due to the divestments made in 2010.

SANOMA ENTERTAINMENT

Sanoma Entertainment offers entertaining experiences on television, radio and online. Sanoma Entertainment consists of Nelonen Media, which focuses on broadcast operations as well as online TV, and Sanoma Games, provider of online casual gaming.

Key indicators, EUR million	1–12/ 2010	1–12/ 2009
Net sales	**138.2**	157.1
Operating profit excluding non-recurring items	**16.8**	20.7
% OF NET SALES	**12.1**	13.2
Operating profit	**195.8**	20.7
Capital expenditure	**5.3**	9.3
Return on investment (ROI), %	**95.1**	18.3
Number of employees at the end of the period (full-time equivalents)	**218**	458
Average number of employees (full-time equivalents)	**337**	469

In 2010, Sanoma Entertainment's net sales decreased by 12% due to the divestment of cable TV and broadband operator Welho at the end of the second quarter. Adjusted for changes in the Division structure, net sales grew by 12%, due to marked improvement in TV advertising sales. In addition, online sales showed excellent development, with Ruutu.fi growing 62% and Sanoma Games 34%. Following the Welho transaction, the advertising sales were 65% of the Division's net sales in 2010 (2009: 49%).

Sanoma Entertainment's operating profit excluding non-recurring items in 2010 declined by 19%. However, the profitability of broadcasting operations improved significantly due to improved advertising sales. The operating profit included a EUR 179.0 million (2009: EUR 0.0 million) non-recurring capital gain from the divestment of Welho.

Sanoma Entertainment's investments in tangible and intangible assets totalled EUR 5.3 million (2009: EUR 9.3 million), most of which was allocated to the development of Welho's cable network and services. The most significant acquisition, with an enterprise value of EUR 200 million, was a 21% share in the Finnish telecommunications group DNA in connection with the Welho transaction. There were no major transactions in the comparable year.

The Finnish TV advertising market grew by 12% in 2010 according to TNS Gallup Adex. Nelonen Media outperformed the market growth and was able to increase its market share to 32.8%, thanks to its improved viewing share and the successful execution of the multichannel strategy in broadcast operations combining TV, radio, online campaigns and web TV. Nelonen Media actively introduced new types of advertising products. In addition, Nelonen Media's radio channels outperformed the market growth of 9% in 2010.

Nelonen Media's commercial viewing share also improved to 35.5% (2009: 33.7%) in its main target group, viewers between 10 and 44 years of age. The viewing shares were boosted by programming investments as well as the continued success of the targeted theme channels, Liv and Jim. The viewing of these channels has continuously improved. In 2011, Nelonen Media will expand its pay TV offering in Finland: the existing series and movie channel Nelonen Kino will be renewed and two new ones, the family-oriented Nelonen Perhe and Nelonen Maailma focusing on documentaries, travel and nature, will be launched. The sports channel offering has already grown to two channels: Nelonen Pro 1 and Nelonen Pro 2.

In December, Sanoma Games launched a fantasy sports game in Germany based on a successful concept already in place in Finland and Sweden. Online casual gaming is one of the focus areas of the Group's consumer online strategy.

With the growing convergence of media, TV and videos are becoming a natural part of all online content. Sanoma Entertainment's multimedia know-how offers interesting opportunities in combining media assets across Sanoma's markets. To further exploit these possibilities, Sanoma Entertainment became a part of the new Sanoma Media division as of 1 January 2011. The Division continues to look for possibilities to expand in different TV markets.

SANOMA LEARNING & LITERATURE

Sanoma Learning & Literature, operating in 14 countries, is a leading European provider of learning materials and solutions in print and digital format. The Division has growing international business information and language service operations and is also the leading general literature publisher in Finland.

Key indicators, EUR million	1–12/ 2010	1–12/ 2009
Net sales	**350.1**	345.1
Operating profit excluding non-recurring items	**52.6**	43.5
% OF NET SALES	**15.0**	12.6
Operating profit	**47.1**	38.5
Capital expenditure	**14.9**	13.1
Return on investment (ROI), %	**8.9**	7.2
Number of employees at the end of the period (full-time equivalents)	**2 656**	2 745
Average number of employees (full-time equivalents)	**2 629**	2 780

Sanoma Learning & Literature's net sales in 2010 were at the comparable year's level, also when adjusted for changes in the Division structure.

Net sales in learning increased by 4%. The education reform in Poland boosted Nowa Era's sales and market share significantly. In Finland, net sales grew slightly and new services led to market share improvement. In Hungary, sales developed well, but the economic and political challenges put severe pressure on operations in 2011. In the Netherlands and Belgium, net sales were at the comparable year's level. The successful launch of a teachers' workflow solution, among others, helped to achieve a notable shift to digital sales in the Netherlands. In Belgium, the market position in primary education strengthened clearly. The e-learning provider YDP's net sales were significantly lower than in the comparable year because of reduced government spending in 2010. Favourable currency translations had a positive effect on Polish and Hungarian sales.

Net sales in language services were at the comparable year's level. The new operations of the information and media monitoring service provider Esmerk, transferred from Sanoma News in September in order to consolidate the Group's B2B service offering, balanced the lower sales of AAC Global. Towards the end of the year, the sales of translation services and language training grew in Finland but remained challenging in the other Nordic countries.

Net sales in literature and other businesses decreased by 6%. The effects of the restructuring in multi-volume business are starting to be visible in sales. The literature market in Finland decreased further in 2010. WSOY's performance was slightly better than the market.

Operating profit excluding non-recurring items grew by 21%. Operating profit improved somewhat in learning. Efficiency measures improved the result in language services. In literature and other businesses, operating profit decreased. The non-recurring items included in the operating profit totalled EUR -5.5 million (2009: EUR -5.0 million) and were related to restructuring and divestment of non-core operations both in 2010 and the previous year. The result was positively affected by a EUR 3 million release in pension bookings in the fourth quarter.

Sanoma Learning & Literature's investments in tangible and intangible assets totalled EUR 14.9 million (2009: 13.1 million). They comprised ICT investments, among others. The most significant acquisition was that of the remaining shares of the e-learning provider YDP in Poland. The most significant transactions in the comparable year were the acquisition of the Belgian Wees Wegwijs, specialised in publishing road safety books, and the merger of the Finnish book printer Gummerus Printing into Bookwell.

Sanoma Learning & Literature's customers are increasingly looking for comprehensive solutions both in learning and language services. The Division will continue its transformation in order to offer the most appealing solutions, create value for the customer by applying new technologies and gain efficiency through developing concepts and platforms to be used in several markets. At the same time, the Division is looking for growth through further internationalisation of its learning and language services businesses.

In 2011, the net sales of Sanoma Learning & Literature are estimated to increase slightly, and operating profit excluding non-recurring items is expected to be at the previous year's level.

SANOMA TRADE

Operating in five countries, retail specialist Sanoma Trade's strengths lie in a thorough understanding of customers' needs and solid concepts. Sanoma Trade serves its customers in 200 million annual sales contacts at kiosks, bookstores and movie theatres. Sanoma Trade's trade services business unit is a strong link between publishers and retailers.

Key indicators, EUR million	1–12/ 2010	1–12/ 2009
Net sales	**825.4**	827.8
Operating profit excluding non-recurring items	**19.4**	27.6
% OF NET SALES	**2.4**	3.3
Operating profit	**-13.1**	24.0
Capital expenditure	**30.2**	25.5
Return on investment (ROI), %	**-4.0**	8.2
Number of employees at the end of the period (full-time equivalents)	**5 370**	5 943
Average number of employees (full-time equivalents)	**5 710**	6 164

Sanoma Trade's net sales in 2010 were at the comparable year's level. Also adjusted for changes in the Division structure, net sales were stable.

Net sales from kiosk operations were at the comparable year's level. Net sales grew in Latvia and Romania. The sluggish economic environment had an impact on sales in Lithuania and Estonia. In Finland, the changes in the Opening Hours Act affected customer volume and the sales mix, in particular in the fourth quarter. Sanoma Trade is focusing its resources on developing its concepts, and the roll-out of the new kiosk concept continued. The results from the 36 new kiosks show increased sales in high-traffic areas.

Net sales from trade services were at the comparable year's level. Net sales grew slightly in Finland and Romania, and were stable in the Netherlands. In other countries net sales decreased. As of 1 January 2011, Aldipress has been part of Sanoma Media in order to increase the focus on local markets and strengthen its relationship with the Dutch publishers.

Net sales from bookstores decreased by 2%. In Finland, especially the sales of educational materials developed well but the lack of interesting titles clearly lowered the sales of fiction. The bookstore concept is being developed, and stores with the new concept were opened both in Finland and Estonia in the fourth quarter.

Net sales from movie operations grew by 2%. Net sales increased clearly in Finland, boosted by the popularity of domestic and 3D movies. In the Baltic countries, sales continued to be below the comparable year.

Operating profit excluding non-recurring items decreased by 30% mainly due to the lower sales margin and customer volume in the Finnish kiosks. The result improved in trade services and movie operations. Bookstores posted a clearly lower result than in the comparable year. The non-recurring items included in the operating profit totalled EUR -32.5 million (2009: EUR -3.6 million) and consisted of an impairment of goodwill in the Dutch press distribution operations as well as restructuring in the Estonian and Russian operations. In the comparable year, the non-recurring items were related to restructuring in Russia, Latvia and Lithuania.

Sanoma Trade's investments in tangible and intangible assets totalled EUR 30.2 million (2009: EUR 25.5 million) and focused mainly on concept development in kiosks and bookstores, ICT projects and 3D digital equipment. In May, the marketing logistics company Postituspojat was acquired to strengthen trade services' growth strategy. There were no major acquisitions in the comparable year.

Continuous development of its product and service offering, based on the consumer insight gained from its 200 million annual customer contacts, is a key success factor for Sanoma Trade. Sanoma Trade continues to focus its resources to improve its concepts and better cater for the needs of its customers. The new kiosk and bookstore concepts continue to be rolled out in 2011, and the service offering of the trade services and movie operations will be expanded.

In 2011, Sanoma Trade's net sales are estimated to grow slightly and operating profit excluding non-recurring items is estimated to improve clearly. The effects of the Aldipress transfer to Sanoma Media have been included both for the current and comparable year.

PERSONNEL

In 2010, the average number of persons employed by the Sanoma Group was 19,462 (2009: 20,625; 2008: 21,329). In full-time equivalents, the number of Group employees at the end of the year was 15,405 (2009: 16,723; 2008: 18,453). Divestments and restructuring decreased the number of personnel in 2010. In addition, some of the restructuring measures initiated in 2009 affected the number of employees also in 2010. In full-time equivalents, Sanoma Magazines had 4,980 (2009: 5,191) employees at the end of 2010, Sanoma News 2,016 (2009: 2,306), Sanoma Entertainment 218 (2009: 458), Sanoma Learning & Literature 2,656 (2009: 2,745) and Sanoma Trade 5,370 (2009: 5,943). During the year, a Financial Shared Service Centre was established at headquarters and the number of employees in the Parent Company rose to 165 (2009: 79).

The total employee benefits to Sanoma employees in 2010, including the expense recognition of options granted, amounted to EUR 545.9 million (2009: EUR 563.0 million; 2008: EUR 575.5 million).

DIVIDEND

On 31 December 2010, Sanoma Corporation's distributable funds were EUR 641.3 million, of which profit for the year made up EUR 87.9 million.

The Board of Directors proposes to the Annual General Meeting that:
- A dividend of EUR 1.10 per share, or in total an estimated EUR 179.1 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 461.7 million.

In accordance with the Annual General Meeting's decision, Sanoma paid out a per-share dividend of EUR 0.80 for 2009. 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. 72–75.

SHARES AND HOLDINGS

In 2010, traded shares accounted for 39% (2009: 45%) 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. 59–65, 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 8 April 2010 confirmed the number of Sanoma's Board members at ten. Board members Sirkka Hämäläinen-Lindfors and Seppo Kievari were re-elected and Antti Herlin was elected as a new member to the Board. The Board of Directors of Sanoma consists of Jaakko Rauramo (Chairman), Sakari Tamminen (Vice Chairman), and Annet Aris, Robert Castrén, Jane Erkko, Antti Herlin, Paavo Hohti, Sirkka Hämäläinen-Lindfors, Seppo Kievari and Rafaela Seppälä as members.

The AGM re-appointed Pekka Pajamo, APA, and Sixten Nyman, APA, as his deputy, and Authorised Public Accountants KPMG Oy Ab, with Kai Salli, APA, acting as the Auditor in Charge, as the auditors of the Company.

There were changes in the Group management during the year: Pekka Soini was appointed President of Sanoma News and member of Sanoma's Executive Management Group as of 24 September 2010. Previously he was the acting president of the Sanoma News division. Harri-Pekka Kaukonen was appointed President and CEO of the Sanoma Group as of 1 January 2011. Hannu Syrjänen will retire as originally agreed in his contract at the age of 60 in the autumn of 2011. In November, it was announced that Timo Mänty, head of the Sanoma Trade division, will resign his current duties. Mänty continues in his position until 31 March 2011, after which he will transfer outside the Sanoma Group.

As of 1 January 2011, when the new Sanoma Media division was formed, the EMG comprised Harri-Pekka Kaukonen (chairman), Eija Ailasmaa, Jacques Eijkens, Sven Heistermann, Kim Ignatius, Timo Mänty and Pekka Soini.

BOARD AUTHORISATIONS

The AGM held on 8 April 2010 authorised the Board of Directors 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. The authorisation will be valid until 30 June 2013. Under this authorisation, the Board decided on 22 December 2010 on the issuance of Stock Option Scheme 2010.

The AGM also authorised the Board to decide on the repurchase of a maximum of 16,000,000 of the Company's own shares. This authorisation is effective until 30 June 2011 and terminates the corresponding authorisation granted by the AGM on 1 April 2009. The Board of Directors did not exercise its right under this authorisation during 2010.

For more information on board authorisations, see the Shares and shareholders section of the Financial Statements, p. 59–65.

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 Finland is usually strongest in the second and fourth quarters.

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

A major portion of the net sales and results in retail are, on the other hand, generated in the last quarter, particularly from Christmas sales. Of course, the number of shopping days and, for example, the distribution of holidays over different quarters impacts the retail sales from quarter to quarter.

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

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.

The most significant risks and uncertainty factors Sanoma currently faces are described in the Financial Statements, p. 76–78, 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 divisions on how to respond to this challenge.

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.

Definitions for key indicators used in this report are presented on p. 58 of the Financial Statements.

Consolidated income statement

EUR million	Note	1.1–31.12.2010	1.1–31.12.2009
Net sales	3	**2 761.2**	2 767.9
Other operating income	4	**258.8**	64.6
Materials and services		**1 207.4**	1 238.5
Employee benefit expenses	5, 31	**668.6**	695.5
Other operating expenses	6	**554.2**	536.2
Depreciation, amortisation and impairment losses	10–12	**197.1**	167.0
Operating profit		**392.7**	195.4
Share of results in associated companies		**-23.9**	-3.9
Financial income	7	**11.1**	22.5
Financial expenses	7	**23.8**	52.6
Result before taxes		**356.0**	161.4
Income taxes	8	**-58.6**	-54.3
Result for the period		**297.3**	107.1
Result attributable to:			
Equity holders of the Parent Company		**299.6**	105.6
Non-controlling interests		**-2.3**	1.6
Earnings per share for result attributable to the equity holders of the Parent Company:	9		
Earnings per share, EUR		**1.85**	0.66
Diluted earnings per share, EUR		**1.85**	0.66

Statement of comprehensive income

EUR million	Note	1.1–31.12.2010	1.1–31.12.2009
Result for the period		**297.3**	107.1
Other comprehensive income:			
Change in translation differences		**9.8**	-5.0
Cash flow hedges	27	**0.2**	
Income tax related to cash flow hedges		**-0.1**	
Other comprehensive income for the period, net of tax		**10.0**	-5.0
Total comprehensive income for the period		**307.3**	102.1
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**309.6**	100.5
Non-controlling interests		**-2.3**	1.6

Consolidated balance sheet

EUR million	Note	31.12.2010	31.12.2009
ASSETS			
Non-current assets			
Tangible assets	10	**429.3**	484.2
Investment property	11	**8.7**	9.4
Goodwill	12	**1 447.5**	1 488.9
Other intangible assets	12	**403.2**	399.3
Interests in associated companies	13	**248.7**	63.5
Available-for-sale financial assets	14	**15.8**	15.7
Deferred tax receivables	8	**34.8**	30.1
Trade and other receivables	5, 15	**28.3**	31.4
Non-current assets, total		**2 616.3**	2 522.3
Current assets			
Inventories	16	**122.8**	141.6
Income tax receivables		**8.6**	19.3
Trade and other receivables	17	**391.0**	362.9
Available-for-sale financial assets	14	**0.3**	0.5
Cash and cash equivalents	18	**64.0**	59.7
Current assets, total		**586.8**	584.0
ASSETS, TOTAL		**3 203.0**	3 106.3
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**	188.8
Other reserves		**0.2**	
Translation differences		**-20.4**	-30.2
Retained earnings		**1 116.9**	961.4
		1 371.2	1 191.2
Non-controlling interests		**4.8**	15.4
Equity, total		**1 376.0**	1 206.6
Non-current liabilities			
Deferred tax liabilities	8	**94.2**	101.2
Pension obligations	5	**26.7**	29.9
Provisions	21	**7.3**	10.7
Interest-bearing liabilities	22	**472.5**	541.6
Trade and other payables	23	**19.9**	28.2
Current liabilities			
Provisions	21	**15.6**	23.8
Interest-bearing liabilities	22	**469.4**	476.1
Income tax liabilities		**22.1**	16.9
Trade and other payables	23	**699.4**	671.3
Liabilities, total		**1 827.0**	1 899.7
EQUITY AND LIABILITIES, TOTAL		**3 203.0**	3 106.3

Changes in consolidated equity

EUR million	Equity attributable to the equity holders of the Parent Company								
	Share capital	Treasury shares	Fund for invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interests	Equity, total
Equity at 1 Jan 2009	**71.3**	**-37.5**	**192.7**		**-25.2**	**1 018.9**	**1 220.1**	**17.0**	**1 237.1**
Share subcription with options			12.3				12.3		12.3
Cancellation of treasury shares		37.5				-37.5			
Expense recognition of options granted						3.8	3.8		3.8
Dividends paid						-144.9	-144.9	-1.2	-146.2
Change in non-controlling interests								-2.0	-2.0
Donations						-0.5	-0.5		-0.5
Transfer from fund			-16.1			16.1			
Total comprehensive income for the year					-5.1	105.6	100.5	1.6	102.1
Equity at 31 Dec 2009	**71.3**		**188.8**		**-30.2**	**961.4**	**1 191.2**	**15.4**	**1 206.6**
Equity at 1 Jan 2010	**71.3**		**188.8**		**-30.2**	**961.4**	**1 191.2**	**15.4**	**1 206.6**
Share subscription 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**

Consolidated cash flow statement

EUR million	Note	1.1–31.12.2010	1.1–31.12.2009
Operations			
Result for the period		**297.3**	107.1
Adjustments			
Income taxes		**58.6**	54.3
Financial expenses	7	**23.8**	52.6
Financial income	7	**-11.1**	-22.5
Share of results in associated companies		**23.9**	3.9
Depreciation, amortisation and impairment losses		**197.1**	167.0
Gains/losses on sales of non-current assets		**-195.2**	-2.4
Other adjustments		**-55.1**	-56.4
Change in working capital			
Change in trade and other receivables		**-41.1**	47.4
Change in inventories		**9.5**	5.6
Change in trade and other payables, and provisions		**36.8**	-36.9
Interest paid		**-13.7**	-34.6
Other financial items		**-3.2**	-2.0
Taxes paid		**-53.9**	-41.4
Cash flow from operations		**273.8**	241.8
Investments			
Acquisition of tangible and intangible assets		**-81.8**	-80.2
Operations acquired	2	**-37.1**	-26.7
Associated companies acquired		**-12.3**	-0.1
Acquisition of other holdings		**0.0**	-0.3
Sales of tangible and intangible assets		**17.8**	5.4
Operations sold	2	**30.2**	0.3
Associated companies sold		**0.6**	0.0
Sales of other companies		**0.0**	0.1
Loans granted		**-0.8**	-0.9
Repayments of loan receivables		**3.5**	3.3
Sales of short-term investments		**0.2**	0.0
Interest received		**2.7**	4.8
Dividends received		**3.9**	4.3
Cash flow from investments		**-73.1**	-89.9
Cash flow before financing		**200.8**	151.9
Financing			
Proceeds from share subscriptions		**14.5**	12.3
Non-controlling interests' capital investment/repayment of equity		**1.6**	
Change in loans with short maturity		**4.2**	-42.6
Drawings of other loans		**287.7**	399.7
Repayments of other loans		**-355.8**	-460.0
Payment of finance lease liabilities		**-3.7**	-3.5
Dividends paid		**-131.3**	-146.2
Donations/other profit sharing		**-0.5**	-0.5
Cash flow from financing		**-183.3**	-240.8
Change in cash and cash equivalents according to cash flow statement		**17.5**	-88.9
Effect of exchange rate differences on cash and cash equivalents		**2.1**	0.0
Net increase(+)/decrease(-) in cash and cash equivalents		**19.5**	-88.9
Cash and cash equivalents at 1 Jan		**21.6**	110.5
Cash and cash equivalents at 31 Dec	18	**41.1**	21.6

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

Notes to the consolidated financial statement

Accounting policies for consolidated financial statements

CORPORATE INFORMATION

In 2010, Sanoma Group's five divisions operated in versatile fields of media. Sanoma Magazines is one of the leading European magazine publishers, Sanoma News is the leading newspaper publisher in Finland, Sanoma Entertainment is engaged in the field of electronic media, Sanoma Learning & Literature is a significant European provider of learning materials and solutions and Finland's largest book publisher, and Sanoma Trade is the market leader in kiosk operations and press distribution in Finland and the Baltic countries. 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 8 February 2011, 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 2010, 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 2010:

- IFRS 3 (Revised 2008) Business Combinations (effective for annual periods beginning on or after 1 July 2009). The revised standard has had the following impacts on the consolidated financial statements of Sanoma:
  - 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.
  - According to the revised standard, the Group can choose case by case whether the non-controlling interests are valued at the acquisition date fair values or at proportionate share of net assets.
  - This standard will be applied to the acquisitions closed on 1 January 2010 or there after.
- IAS 27 (Amended 2008) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). Changes of Group's interest in a subsidiary that do not result in the loss of control are accounted for within equity according to the revised standard. Total comprehensive income is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having negative balance.
- IFRS 2 (Amended 2009) Share-based Payments – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). The amendment did not affect the Group's financial statements.
- IAS 39 (Amended 2008) Financial Instruments: Recognition and Measurement – Eligible hedged items (effective for annual periods beginning on or after 1 July 2009). The amendment did not impact the consolidated financial statements.
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). This interpretation did not impact the Group's financial statements.
- IFRIC 18 Transfer of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). This interpretation did not impact the Group's financial statements.
- Improvements to IFRS (2009) (most of the changes are effective for annual periods beginning on or after 1 January 2010). This annual procedure comprises several minor changes and technical revisions to standards. This project included changes to 12 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 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. Any exchange rate differences related to business operations are recognised as adjustments to sales and purchases. Exchange rate differences resulting from the translation of interest-bearing assets and liabilities denominated in foreign currencies are recognised in financial income and expenses.

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 property includes 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 property 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 property's 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 2010, the Group applied hedge accounting to interest rate swaps and they were accounted for as cash flow hedging. During the financial year 2009, the Group did not have any derivatives in use.

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 on the date of entering into 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 values 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 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.

- 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 will not impact 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 interpretation clarifies accounting treatment in cases where a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability. The Group estimates that this interpretation will not impact 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 pensions funds that have been based on the minimum funding requirements can be recorded as assets on the balance sheet in certain occasions. The Group estimates that this interpretation will not impact Sanoma's consolidated financial statements.
- 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. The Group estimates that this adjustment will not impact 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. The Group estimates that these amendments do not have material influence on the Group's financial statements. The EU has not yet adopted these amendments.

1. Operating segments

The operating segments of the Sanoma Group comprised five divisions in 2010: Sanoma Magazines, Sanoma News, Sanoma Entertainment, Sanoma Learning & Literature and Sanoma Trade. The segmentation is based on business model and product differences. The media business, based on advertising and circulation sales, is divided into three segments: Sanoma Magazines is responsible for magazines, Sanoma News for newspapers and Sanoma Entertainment for TV business. Sanoma Learning & Literature's business is mainly B2B business. Sanoma Trade, on the other hand, operates on a retail business model.

SANOMA MAGAZINES

Sanoma Magazines is one of Europe's largest consumer magazine publishers, operating in 12 countries. The majority of the Division's 279 magazines comprise concepts and titles of its own, but the portfolio also includes licensed, well-known international titles. In addition to publishing its strong portfolio of magazine brands, Sanoma Magazines has expanded its business to digital media platforms. Sanoma Magazines is a leading online player and content provider in the Netherlands, Hungary and Bulgaria.

SANOMA NEWS

Sanoma News is the leading newspaper publisher in Finland, and its printed and digital products have a strong presence in the lives of Finns. In addition to Helsingin Sanomat, the largest daily in the Nordic region, the Division publishes other national and regional daily newspapers and free sheets. Sanoma News is one of the most significant digital media players in Finland and its services include Finland's leading classified advertising service, among others.

SANOMA ENTERTAINMENT

Sanoma Entertainment offers entertaining experiences on television, radio and online. Sanoma Entertainment consists of Nelonen Media, which focuses on broadcast operations as well as online TV and Sanoma Games, operating on online casual gaming.

SANOMA LEARNING & LITERATURE

Sanoma Learning & Literature, operating in 14 countries, is a leading provider of learning materials and solutions in print and digital format in Europe. The Division has growing international information and language service operations and is also the leading general literature publisher in Finland.

SANOMA TRADE

Operating in five countries, retail specialist Sanoma Trade's strengths lie in a thorough understanding of customers' needs and solid concepts. Sanoma Trade serves its customers in 200 million annual sales contacts at kiosks, bookstores and movie theatres. Sanoma Trade's trade services business unit is a strong link between publishers and retailers.

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.

Divisions 2010, EUR million	Sanoma Magazines	Sanoma News	Sanoma Entertainment	Sanoma Learning & Literature	Sanoma Trade	Unallocated/ eliminations	Consolidated
External net sales	1 107.9	431.7	135.8	334.8	751.5	-0.5	2 761.2
Internal net sales	3.0	5.9	2.5	15.2	73.9	-100.5	
Net sales	1 110.9	437.6	138.2	350.1	825.4	-101.0	2 761.2
Depreciation, amortisation and impairment losses *	40.4	26.8	40.6	32.5	55.4	1.4	197.1
Operating profit **	120.6	56.1	195.8	47.1	-13.1	-13.9	392.7
Share of results in associated companies ***	-27.6	0.3	3.1	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	19.4	14.0	5.3	14.9	30.2	1.9	85.7
Goodwill	1 013.2	72.6	24.7	278.9	44.0	14.0	1 447.5
Interests in associated companies	36.2	1.0	203.1	0.9	7.4		248.7
Segment assets	1 509.3	324.9	281.8	551.8	410.3	4.8	3 082.8
Other assets						120.2	120.2
Total assets							3 203.0
Segment liabilities	403.5	140.6	35.9	108.0	250.6	-169.7	768.8
Other liabilities						1 058.2	1 058.2
Total liabilities							1 827.0
Cash flow from operations	111.7	77.7	25.5	58.8	35.8	-35.6	273.8
Average number of employees (full-time equivalents)	5 040	2 176	337	2 629	5 710	123	16 016

* Includes a EUR 28.9 million impairment in Dutch press distribution operations in the Sanoma Trade division.
** Includes a EUR 179.0 million gain on sale of Welho in the Sanoma Entertainment division.
*** Includes a EUR 22.1 million impairment in associated company Hansaprint in the Sanoma Magazines division.

Divisions 2009, EUR million	Sanoma Magazines	Sanoma News	Sanoma Entertainment	Sanoma Learning & Literature	Sanoma Trade	Unallocated/ eliminations	Consolidated
External net sales	1 108.8	420.5	155.5	329.9	753.3	-0.2	2 767.9
Internal net sales	2.4	8.4	1.6	15.3	74.5	-102.1	
Net sales	1 111.2	428.9	157.1	345.1	827.8	-102.3	2 767.9
Depreciation, amortisation and impairment losses	31.2	33.5	47.2	27.9	26.0	1.1	167.0
Operating profit	96.3	32.2	20.7	38.5	24.0	-16.2	195.4
Share of results in associated companies	-4.4	0.2		-0.1	0.4		-3.9
Financial income						22.5	22.5
Finanial expenses						52.6	52.6
Profit before taxes							161.4
Capital expenditure	24.4	10.6	9.3	13.1	25.5	0.5	83.4
Goodwill	1 022.7	75.8	24.7	277.3	74.4	14.0	1 488.9
Interests in associated companies	55.1	1.4	0.0	0.8	6.1		63.5
Segment assets	1 519.1	345.4	125.0	550.4	439.1	3.8	2 982.7
Other assets						123.6	123.6
Total assets							3 106.3
Segment liabilities	386.1	115.0	38.8	95.6	269.0	-140.6	763.8
Other liabilities						1 135.9	1 135.9
Total liabilities							1 899.7
Cash flow from operations	79.1	65.5	25.7	36.2	43.3	-8.1	241.8
Average number of employees (full-time equivalents)	5 452	2 399	469	2 780	6 164	79	17 343

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. The Group has not aggregated operating segments to form the above mentioned reportable segments. 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 2010, EUR million	Finland	The Netherlands	Other EU countries	Non-EU 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

Information about geographical areas 2009, EUR million	Finland	The Netherlands	Other EU countries	Non-EU countries	Eliminations	Consolidated
External net sales	1 423.2	625.1	634.7	84.9	0.0	2 767.9
Non-current assets	715.0	1 164.4	464.7	122.6	0.0	2 466.6

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

Assets and liabilities of acquired businesses at fair value, EUR million	2010	2009
Tangible assets	**0.4**	1.0
Intangible assets	**6.2**	1.1
Other non-current assets	**0.0**	0.1
Inventories	**0.0**	0.7
Other current assets	**1.3**	0.9
Assets, total	**7.9**	3.9
Non-current liabilities	**-0.7**	-0.3
Current liabilities	**-1.0**	-2.4
Liabilities, total	**-1.7**	-2.6
Net assets	**6.2**	1.3
Acquisition cost	**10.3**	5.4
Changes in acquisition cost after the acquisition date recognised in income statement	**-0.5**	
Change in goodwill	**3.5**	4.1

Acquisitions of the shares of non-controlling interests, EUR million	2010	2009
Acquisition cost	**26.9**	1.3
Book value of the acquired interest	**8.2**	1.6
Negative goodwill in income statement		-0.9
Change in goodwill		0.6
Impact on consolidated equity	**-18.7**	

Cash flow from operations acquired, EUR million	2010	2009
Acquisition costs recognised during the financial year	**37.1**	6.7
Cash and cash equivalents of acquired operations	**-0.6**	-0.1
Decrease (+) / increase (-) in acquisition liabilities	**0.5**	20.1
Cash flow from operations acquired	**37.1**	26.7

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 division 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 division acquired the remaining 10% of the shares in the Lithuanian Forum Cinemas. In the Sanoma Entertainment division, the remaining 4.7% of shares in Sanoma Television Oy were acquired in April. In July, Werner Söderström in the Sanoma Learning & Literature division 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.

ACQUISITIONS IN 2009

The aggregate acquisition cost of the businesses consolidated to the Sanoma Group in 2009 was EUR 6.7 million, which includes the EUR 1.3 million spent on buyout of non-controlling interests. The acquired net assets at fair value were EUR 1.3 million and decrease in non-controlling interests EUR 1.6 million. As a result of the acquisitions, EUR 4.8 million was recognised in goodwill. The impact of the acquired business operations on the Group's net sales and operating profit was not material. The contingent purchase prices from acquisitions from previous years were adjusted downwards by EUR 3.7 million, which decreased goodwill by the same amount. The purchase price liabilities of acquisitions from previous years were amortised by a total of EUR 20.1 million in 2009.

In January, a learning material provider Van In from the Sanoma Learning & Literature division acquired Wees Wegwijs, a publisher specialised in the publication of road safety books in Belgium. The company employs seven persons. The acquisition comprised three companies, and all of their shares were acquired by Van In.

In September, Sanoma Budapest (part of Sanoma Magazines) acquired all the shares in the Hungarian company Selko, which runs the comparison site Olcsobbat.hu. Selko employs five persons.

In December 2009, WS Bookwell from the Sanoma Learning & Literature division purchased book printing operations through a business transfer from Gummerus. The restructuring plans that had been started in Gummerus before its closing concerned the 90 persons that moved to WS Bookwell as part of the transaction. The acquisition price was paid by a targeted share issue, by which Gummerus received a 20% stake in WS Bookwell.

DIVESTMENTS IN 2010

Impact of business divestments on Group's assets and liabilities, EUR million	2010	2009
Non-current assets	**64.0**	0.5
Inventories	**2.2**	0.6
Other current assets	**18.4**	1.0
Assets, total	**84.7**	2.1
Non-current liabilities	**-6.5**	-0.1
Current liabilities	**-29.8**	-1.2
Liabilities, total	**-36.3**	-1.3
Net assets	**48.3**	0.8
Sales price	**235.7**	0.4
Net result from sale of operations	**187.4**	-0.5

Cash flow from sale of operations	2010	2009
Sales price	**235.7**	0.4
Consideration received in shares	**202.8**	
Consideration payable in cash	**32.9**	0.4
Cash ad cash equivalents of divested operations	**-1.7**	0.0
Change in receivables from divestments	**-1.1**	
Cash flow from divestments	**30.2**	0.3

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.

DIVESTMENTS IN 2009

In 2009, there were no significant divestments. The aggregate sales price of divested operations amounted to EUR 0.4 million. In July, Sanoma Digital The Netherlands, part of the Sanoma Magazines division, divested the business operations of Welke Gidsen. In October, Sanoma Magazines International sold its 50% shareholding in the Russian Alpina Business Books.

3. Net sales

Distribution of net sales between goods and services, EUR million	2010	2009
Sale of goods	**1 637.5**	1 654.1
Sale of services	**1 123.7**	1 113.8
Total	**2 761.2**	2 767.9

Sale of goods includes sale of magazines, newspapers and books as well as sale of kiosk products.

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

4. Other operating income

Other operating income, EUR million	2010	2009
Gains on sale of tangible assets	**8.0**	2.1
Gains on sale of intangible assets	**0.5**	0.0
Gains on sale of Group companies and operations	**191.2**	1.0
Gains on sale of associated companies	**0.3**	0.0
Gains on sale of investment property	**0.2**	0.3
Rental income from investment property	**0.5**	0.8
Other rental income	**13.7**	13.4
Other	**44.4**	47.0
Total	**258.8**	64.6

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 (2009: EUR 0.7 million).

5. Employee benefit expenses

Employee benefit expenses, EUR million	2010	2009
Wages, salaries and fees	**542.3**	559.3
Expense recognition of granted options	**3.6**	3.8
Pension costs, defined contribution plans	**57.3**	58.5
Pension costs, defined benefit plans	**10.1**	15.5
Other social expenses	**55.3**	58.4
Total	**668.6**	695.5

+ 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	2010	2009
Present value of funded obligations	**489.6**	436.0
Fair value of plan assets	**-498.0**	-428.0
Deficit(+)/surplus(-) in the plan	**-8.4**	8.0
Unrecognised actuarial gains(+) and losses(-)	**17.3**	3.4
Unrecognised past service cost	**-1.8**	-2.0
Total	**7.1**	9.4

Pension obligations and pension assets in the balance sheet, EUR million	2010	2009
Pension obligations	**26.7**	29.9
Pension assets	**19.6**	20.5
Net obligation total	**7.1**	9.4

Pension costs recognised in the income statement, EUR million	2010	2009
Current service costs	**11.2**	11.0
Interest cost	**23.2**	21.2
Expected return on plan assets	**-24.4**	-20.8
Actuarial gains(-) and losses(+)	**-0.5**	1.0
Past service cost	**1.9**	3.8
Effect of curtailments and settlements	**-1.3**	-0.7
Total	**10.1**	15.5

The Sanoma Group's estimated contributions to the defined benefit plans for 2011 are about EUR 15.8 million.

Actual return on plan assets, EUR million	2010	2009
Expected return on plan assets	**24.4**	20.8
Actuarial gains/losses on plan assets	**43.2**	39.4
Total	**67.6**	60.2

Movements in obligations, EUR million	2010	2009
Obligation at 1 Jan	**436.0**	397.7
Current year service cost	**11.2**	11.0
Interest cost	**23.2**	21.2
Actuarial gains and losses on obligation	**24.4**	9.1
Contributions by plan participants	**3.4**	3.6
Past service cost	**2.0**	3.8
Effect of curtailments and settlements	**4.1**	2.7
Acquisitions and disposals	**-0.3**	0.4
Benefits paid from funds	**-14.3**	-13.5
Obligations at 31 Dec	**489.6**	436.0

Movements in plan assets, EUR million	2010	2009
Fair value of plan assets at 1 Jan	**428.0**	358.0
Expected return on plan assets	**24.4**	20.8
Actuarial gains/losses on plan assets	**43.2**	39.4
Contributions to funds by the employer	**12.4**	17.2
Contributions by plan participants	**3.9**	6.0
Acquisitions and disposals	**-0.3**	
Benefits paid from funds	**-14.3**	-13.5
Settlements	**0.6**	0.2
Fair value of plan assets at 31 Dec	**498.0**	428.0

Plan assets by major categories, %	2010	2009
Equity instruments	**26.5**	27.0
Bonds and debentures	**63.6**	65.8
Money market instruments		0.5
Properties	**1.5**	1.8
Other items	**7.2**	4.4
Cash	**1.2**	0.5
Total	**100.0**	100.0

Fair value of plan assets included investments in Sanoma shares totalling EUR 10.6 million (2009: EUR 10.2 million). None of the properties included on the plan assets are occupied by the Group.

Principal actuarial assumptions at 31 Dec	2010	2009
Discount rate, %	4.8–4.8	5.3–5.3
Expected return on plan assets, %	4.0–6.5	4.0–6.5
Expected future salary increase, %	2.5–8.0	2.5–9.0
Expected future pension increases, %	1.5–2.1	1.5–2.1
Turnover of personnel, %	0–31	0–20
Expected remaining working years of personnel, years	3–20	3–21

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.

The amounts for the current and previous annual periods, EUR million	2010	2009	2008	2007	2006
Present value of funded obligations	**489.6**	436.0	397.7	373.0	351.1
Fair value of plan assets	**-498.0**	-428.0	-358.0	-385.5	-375.8
Deficit(+)/surplus(-) in the plan	**-8.4**	8.0	39.7	-12.5	-24.6
Experience adjustments to obligations	**5.9**	8.8	-4.2	3.6	18.7
Experience adjustments to plan assets	**37.5**	33.0	-64.8	-24.6	-0.8

6. Other operating expenses

Other operating expenses, EUR million	2010	2009
Losses on sales	**4.4**	1.0
Operating costs of investment property	**0.1**	0.2
Rents	**75.8**	82.1
Advertising and marketing	**170.3**	157.7
Office and ICT expenses	**90.0**	83.8
Other	**213.6**	211.3
Total	**554.2**	536.2

Research and development expenditure recorded as expenses amounted to EUR 0.9 million (2009: EUR 1.5 million).

Audit fees, EUR million	2010	2009
Statutory audit	**1.4**	1.5
Certificates and statements	**0.1**	0.2
Tax counselling	**0.0**	0.0
Other services	**0.4**	0.6
Total	**2.0**	2.3

In 2010, 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	2010	2009
Dividend income from available-for-sale financial assets	**1.3**	1.6
Interest income from loans and receivables	**2.6**	4.4
Exchange rate gains	**7.0**	15.0
Other financial income	**0.2**	1.5
Financial income total	**11.1**	22.5
Interest expenses from financial liabilities amortised at cost	**13.3**	25.3
Impairment losses on available-for-sale financial assets		5.2
Impairment losses on loans and receivables		3.5
Exchange rate losses	**8.0**	16.2
Other financial losses	**2.6**	2.4
Financial expenses total	**23.8**	52.6
Total	**-12.8**	-30.1

Exchange rate gains and losses included in operating profit, EUR million	2010	2009
Net sales	**-0.6**	-0.1
Other operating income	**0.0**	-0.6
Expenses	**-0.3**	-0.7
Total	**-0.9**	-1.4

8. Income taxes and deferred taxes

Income taxes, EUR million	2010	2009
Income taxes on operational income	**73.0**	53.7
Income taxes from previous periods	**-3.5**	-1.5
Change in deferred tax due to change in tax rate	**-2.6**	0.8
Other change in deferred tax	**-8.6**	1.3
Other taxes	**0.3**	
Tax expense in the income statement	**58.6**	54.3

Income tax reconciliation against local tax rates, EUR million	2010	2009
Tax calculated at (Finnish) statutory rate	**92.6**	42.0
Effect of different tax rates in the operating countries	**2.0**	-1.2
Tax based on tax rate in each operating country	**94.6**	40.8
Non-taxable income	**-57.6**	-2.3
Deductible amortisation	**-0.7**	-1.2
Non-deductible amortisation and impairment losses	**15.7**	1.7
Other non-deductible expenses	**13.3**	11.6
Loss for the period for which a deferred tax receivable has not been recorded	**2.7**	7.3
Adjustment to deferred tax receivables from previously non-recorded taxable losses	**-3.4**	-3.4
Other taxes	**0.3**	0.6
Tax relating to previous accounting periods	**-3.5**	-1.5
Change in deferred tax due to change in tax rate	**-2.6**	0.8
Income taxes in the income statement	**58.6**	54.3

Deferred tax receivables and liabilities 2010, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	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

Deferred tax receivables and liabilities 2009, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Change in tax rate	Translation and other items	At 31 Dec
Deferred tax receivables						
Internal margin in inventories	1.5	-0.1				1.4
Provisions	1.9	0.7	0.4		0.1	3.1
Tax losses carried forward	7.1	-4.1		0.0	0.5	3.5
Impairment losses on tangible non-current assets	1.6	0.0	0.0		0.0	1.6
Pension obligations, defined benefit plans	10.7	-1.8	0.1			9.0
Other items	14.0	-1.6	0.0		-0.9	11.6
Total	36.6	-6.8	0.5	0.0	-0.3	30.1
Deferred tax liabilities						
Fair value adjustments in acquisitions	45.5	-3.5	0.2		0.9	43.1
Depreciation difference and other untaxed reserves	33.1	-1.5		0.8	0.0	32.3
Pension assets, defined benefit plans	6.6	-1.2				5.5
Other items	21.0	0.7	0.0	0.1	-1.5	20.3
Total	106.2	-5.5	0.2	0.8	-0.6	101.2

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 7.5 million (2009: EUR 8.1 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 3.9 million (2009: EUR 4.5 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	2010	2009
Result attributable to the equity holders of the Parent Company, EUR million	**299.6**	105.6
Weighted average number of shares, thousands	**161 864**	160 969
Earnings per share, EUR	**1.85**	0.66

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	2010	2009
Profit used to determine diluted earnings per share, EUR million	**299.6**	105.6
Weighted average number of shares, thousands	**161 864**	160 969
Effect of options, thousands	**431**	11
Diluted average number of shares, thousands	**162 295**	160 980
Diluted earnings per share, EUR	**1.85**	0.66

10. Property, plant and equipment

Property, plant and equipment 2010, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible asset	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**

Property, plant and equipment 2009, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible asset	Advance payments	Total
Acquisition cost at 1 Jan	40.6	378.2	586.0	116.7	1.4	1 122.8
Increases	0.0	4.2	29.7	11.0	1.1	46.0
Acquisition of operations			1.1	0.0		1.1
Decreases	-0.2	-2.7	-33.1	-9.7	-0.2	-45.9
Disposal of operations			-0.1	0.0	0.0	-0.1
Reclassifications		0.0	1.5	0.1	-1.3	0.3
Exchange rate differences	0.0	0.0	-0.3	-0.1	0.0	-0.5
Acquisition cost at 31 Dec	40.4	379.7	584.7	117.9	1.0	1 123.7
Accumulated depreciation and impairment losses at 1 Jan		-125.7	-419.2	-67.4		-612.4
Decreases, disposals and acquisitions		2.3	31.1	9.5		43.0
Depreciation for the period		-12.8	-44.6	-11.1		-68.5
Impairment losses for the period			-1.6	-0.1		-1.6
Reclassifications			0.4	-0.3		0.0
Exchange rate differences		0.0	0.1	0.0		0.1
Accumulated depreciation and impairment losses at 31 Dec		-136.2	-433.8	-69.4		-639.5
Carrying amount at 31 Dec 2009	40.4	243.5	150.8	48.5	1.0	484.2

At the end of the financial year the commitments for acquisitions of tangible assets were EUR 4.0 million (2009: EUR 0.0 million).

Carrying amount of assets leased by finance lease agreements, EUR million	2010	2009
Buildings and structures	**34.2**	33.0
Machinery and equipment	**1.8**	1.9
Total	**36.0**	34.9

11. Investment property

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**

Investment property 2009, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	6.6	9.3	15.8
Decreases	0.0	-0.3	-0.3
Reclassifications		-0.5	-0.5
Exchange rate differences	0.0	0.0	0.0
Acquisition cost at 31 Dec	6.6	8.4	15.0
Accumulated depreciation and impairment losses at 1 Jan		-5.6	-5.6
Decreases		0.0	0.0
Accumulated depreciation and impairment losses at 31 Dec		-5.6	-5.6
Carrying amount at 31 Dec 2009	6.6	2.8	9.4
Fair values at 31 Dec 2009	15.2	3.9	19.1

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 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 becomes legally valid in February 2011. During 2011, Sanoma Corporation shall convey to the City of Vantaa residential zoned land in the said area in compensation for civil engineering costs. The size of the land area to be conveyed equals 50% of the residential building rights permitted to the land held by the Company.

The Company estimates that the approval of the city plan will significantly increase the fair market value of the land area in Keimola in the future.

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	2010	2009
Investment property, rental income	0.1	0.2
Investment property, no rental income	0.0	0.0
Total	0.1	0.2

Rental income of investment property, EUR million	2010	2009
Rental income of investment property	0.5	0.8

12. Intangible assets

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**

Intangible assets 2009, EUR million	Goodwill	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	1 491.6	730.3	102.2	22.0	2 346.1
Increases		51.7	34.8	9.1	95.7
Acquisition of operations	0.5	1.1			1.6
Decreases	0.0	-29.0	-4.3	0.0	-33.3
Disposal of operations	-0.5				-0.5
Reclassifications	0.0	1.1	53.5	-4.8	49.8
Exchange rate differences	-2.1	-4.4	0.3		-6.2
Acquisition cost at 31 Dec	1 489.6	750.7	186.6	26.4	2 453.2
Accumulated amortisation and impairment losses at 1 Jan		-408.4	-66.4	0.0	-474.8
Decreases, disposals and acquisitions		25.6	4.4		30.0
Amortisation for the period		-64.8	-27.3		-92.2
Impairment losses for the period	-0.7	-1.0	-3.7		-5.5
Reversals of impairment losses		0.9			0.9
Reclassifications		-0.2	-24.0		-24.2
Exchange rate differences		0.9	-0.1		0.8
Accumulated amortisation and impairment losses at 31 Dec	-0.7	-447.1	-117.2	0.0	-565.1
Carrying amount at 31 Dec 2009	1 488.9	303.6	69.3	26.3	1 888.1

At the end of the financial year, the commitments for acquisitions of immaterial rights (film rights included) were EUR 17.7 million (2009: EUR 16.3 million). Of total immaterial rights, the carrying amount of intangible assets with indefinite useful lives was EUR 45.6 million (2009: EUR 46.5 million).

IMPAIRMENT LOSSES RECOGNISED FROM INTANGIBLE RIGHTS

Immaterial rights with indefinite useful life are all related to the Sanoma Magazines division 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 0.3 million (2009: EUR 1.0 million) and reversals of impairment losses to EUR 0.0 million (2009: EUR 0.9 million). Additionally, impairment losses of EUR 6.3 million and EUR 1.2 million were recognised from intangible assets with definite lifetime in the Sanoma Magazines Netherlands and Sanoma Magazines International businesses. The impairment loss in Sanoma Magazines Netherlands was related to an online asset and was due to expected change in the business model following the market developments. The impairment loss in Sanoma Magazines International was related to the publishing rights in Russia due to the decreasing profitability of a few magazine titles.

ALLOCATION OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment testing, goodwill is allocated to the 14 cash generating units (CGU) which are either operating segments, i.e. divisions, or businesses below the division 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		**2010**			2009	
	Goodwill	**Intangible assets ***	**Total**	Goodwill	Intangible assets *	Total
Sanoma Magazines Netherlands	**769.2**	**3.8**	**773.0**	766.9	3.8	770.7
Sanoma Magazines International	**153.1**	**39.4**	**192.5**	147.7	40.1	187.8
Sanoma Learning & Literature, Learning	**248.7**	**0.0**	**248.7**	248.2	0.0	248.2
Sanoma Magazines Belgium	**90.4**	**2.3**	**92.7**	107.5	2.6	110.1
Significant cash generating units containing goodwill, total	**1 261.4**	**45.6**	**1 306.9**	1 270.3	46.5	1 316.8
Other cash generating units (10 units)	**186.1**	**0.0**	**186.1**	218.6	0.0	218.6
Cash generating units, total	**1 447.5**	**45.6**	**1 493.0**	1 488.9	46.5	1 535.4

* Only intangible assets with indefinite useful lives.

IMPAIRMENT LOSSES RECOGNISED FROM GOODWILL

Impairment loss recognised in the financial year amounted to EUR 28.9 million (2009: EUR 0.7 million) and was related to the goodwill in the Dutch cash generating unit of the trade services business in the Sanoma Trade operating segment. This impairment loss was associated with the realignment of the operations in the distribution company Aldipress. In the future, Aldipress will focus on press single copy distribution and strengthen its service to local publishers. To facilitate this, Aldipress will be moved from Sanoma Trade's trade services to the new Sanoma Media division as of 1 January 2011. An impairment test was conducted separately for Aldipress which will form a separate cash generating unit as of 1 January 2011 in the Sanoma Media division. After recognising this impairment loss no goodwill is allocated to the Aldipress cash generating unit.

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) and allocating it to 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 the 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 the assessment of the divisional and Group management on the development of the competitive environment and competitive position of each cash generating unit, as well as 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 Executive Management Group and Board in a separate process.

The terminal growth rate used in the calculations is based on the management's assessment on long-term growth. The growth rate is estimated by taking into account growth projections by market available at external sources of information as well as the characteristics of each division and 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	2010	2009
Sanoma Magazines Netherlands	**1.0%**	1.0%
Sanoma Magazines International *	**5.0%**	5.0%
Sanoma Learning & Literature, Learning	**2.0%**	2.0%
Sanoma Magazines Belgium	**1.0%**	1.0%

* Sanoma Magazines International 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 Magazines International is based on higher long-term market growth, GDP growth and inflation expectations in Central Eastern Europe and Russia compared to Western markets.

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 discount rate used in impairment testing in the reporting period was 7.1% (2009: 7.3%) for those cash generating units which mainly operate within the euro zone, and 8.9% (2009: 8.7%) 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 for each cash generating unit in the following table:

Excess of value in use in relation to carrying amount of the most important cash generating units in terms of goodwilll	2010	2009
Sanoma Magazines Netherlands	**21–50%**	11–20%
Sanoma Magazines International	**21–50%**	21–50%
Sanoma Learning & Literature, Learning	**over 50%**	21–50%
Sanoma Magazines Belgium	**over 50%**	over 50%

For Sanoma Magazines Netherlands, the critical key assumptions are the development of profitability and discount rate. The profitability of the unit is assumed to improve compared to the estimates made in the comparable year due to market recovery. According to the management, the carrying amount of Sanoma Magazines Netherlands exceeds the value in use if EBITDA reaches 72% of the planned annual level or if the discount rate increases to 9.6%. These estimates exclude potential simultaneous changes in other variables.

In the current market situation, the most critical key assumptions for Sanoma Magazines International are the development of profitability and the discount rate. No material change in the profitability margins of the unit has taken place compared to the estimates made in the comparable year. According to the management, the carrying amount of Sanoma Magazines International exceeds the value in use if EBITDA reaches 82% of the planned annual level or if the discount rate increases to 9.9%. These estimates exclude potential simultaneous changes in other variables.

As for Sanoma Learning & Literature´s Learning business, 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.

As for Sanoma Magazines 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	2010	2009
Carrying amount at 1 Jan	**63.5**	69.9
Share of results *	**-23.9**	-3.9
Dividends	**-2.6**	-2.8
Increases	**212.0**	0.1
Decreases and other changes	**-0.4**	0.0
Translation differences	**0.2**	0.1
Carrying amount at 31 Dec	**248.7**	63.5

* Includes a EUR 22.1 million impairment in the associated company Hansaprint.

Carrying amount of associated companies included EUR 50.1 million (2009: EUR 6.6 million) of goodwill. There were no unrecognised losses of associated companies.

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

* Figures for 2010 are not audited
** Figures from financial year 1.5.2009–30.4.2010

Most significant associated companies 2009, EUR million	Participation of the Group, %	Assets	Liabilities	Net sales	Profit/loss
SANOMA MAGAZINES					
Sanoma Magazines Finland					
Hansaprint (Printing, Finland)	40.0	132.9	15.2	112.1	-11.9
Sanoma Magazines International					
Stratosféra sr.o. (Magazine publishing, the Czech Republic)	30.0	3.2	1.6	10.4	-0.2
SANOMA TRADE					
Jokerit HC * (Sports activity, Finland)	36.4	43.6	21.0	14.6	-0.7

* Figures from financial year 1.5.2008–30.4.2009

Associated company transactions, EUR million	2010	2009
Sale of goods to associated companies	**0.8**	0.0
Rendering of services to associated companies	**1.2**	0.4
Purchases of goods from associated companies	**29.6**	23.5
Receiving of services from associated companies	**18.6**	12.6
Outstanding receivables and liabilities against associated companies, EUR million	**2010**	2009
Non-current receivables from associated companies		1.5
Current receivables from associated companies	**0.1**	1.0
Current liabilities to associated companies	**7.0**	2.1

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

OTHER RELATED PARTY TRANSACTIONS WITH ASSOCIATED COMPANIES

In 2010 and 2009, 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	2010	2009
Available-for-sale financial assets, non-current	**15.8**	15.7
Available-for-sale financial assets, current	**0.3**	0.5
Total	**16.2**	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.

In September 2009, an impairment of the shares in the e-commerce company Fruugo amounting to EUR 5 million was made. The impairment was included in the Group's financial expenses.

15. Trade and other receivables, non-surrent

Trade and other receivables, non-current, EUR million	2010	2009
Loans and receivables		
Trade receivables *	**0.9**	0.9
Loan receivables	**2.1**	3.7
Other receivables	**0.7**	0.6
Accrued income	**5.0**	5.2
Advance payments	**0.0**	0.5
Pension assets **	**19.6**	20.5
Total	**28.3**	31.4
Receivables from associated companies		
Loan receivables		1.5
Total		1.5

* 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	2010	2009
Materials and supplies	**13.5**	14.7
Work in progress	**4.1**	11.8
Finished products/goods	**103.7**	113.2
Other inventories	**0.5**	0.7
Advance payments	**1.0**	1.2
Total	**122.8**	141.6

EUR 4.8 million (2009: EUR 1.9 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	2010	2009
Loans and receivables		
Trade receivables *	**282.5**	251.7
Loan receivables	**0.1**	0.4
Other receivables	**26.9**	27.7
Derivatives, hedge accounting	**0.2**	
Accrued income	**61.8**	65.8
Advance payments	**19.4**	17.3
Total	**391.0**	362.9
Receivables from associated companies		
Trade receivables	**0.1**	0.7
Accrued income	**0.0**	
Loan receivables		0.2
Total	**0.1**	1.0

* Trade receivables, see Note 26

The Group has recognised a total EUR 5.7 million (2009: EUR 13.0 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	2010	2009
Cash in hand and at bank	**55.5**	52.0
Deposits	**8.5**	7.7
Total	**64.0**	59.7

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	2010	2009
Cash and cash equivalents in the balance sheet	**64.0**	59.7
Bank overdrafts	**-22.9**	-38.1
Total	**41.1**	21.6

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	Treasury shares	Total	Share capital	Treasury shares	Fund for invested unrestricted equity	Total
At 1 Jan 2009	163 091	-2 425	160 666	71.3	-37.5	192.7	226.4
Share subscription with options *	1 151		1 151			12.3	12.3
Cancellation of shares	-2 425	2 425			37.5		37.5
Transfer between funds						-16.1	-16.1
At 31 Dec 2009	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**

* Includes 873,236 shares registered on 7 January 2010.
** Includes 789,849 shares registered on 10 January 2011.

The maximum amount of share capital cannot exceed EUR 300.0 million (2009: 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 five option schemes during the financial year 2010: 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 Scheme 2010 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 2004A stock options began on the Main List of the NASDAQ OMX Helsinki on 1 November 2007, with 2004B stock options on 1 November 2008, and with 2004C stock options 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. Thus, the exercise price of a share subscribed for on the basis of a stock option was EUR 22.36 on 31 December 2009. 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 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 options

Basic information	2001C	2004A	2004B	2004C	2007	2008	2009	2010
Maximum number of stock options	1 500 000	1 500 000	1 500 000	1 500 000	1 500 000	1 700 000	1 800 000	1 600 000
The number of shares exercised by one stock option	1	1	1	1	1	1	1	1
Initial exercise price, EUR	19.61	19.92	23.25	25.21	24.26	12.25	17.41	19.51
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Exercise price at 31 Dec 2005, EUR*	17.81	19.12	23.25	---	---	---	---	---
Exercise price at 31 Dec 2006, EUR*	16.91	18.22	22.35	25.21	---	---	---	---
Exercise price at 31 Dec 2007, EUR*	15.96	17.27	21.40	24.26	24.26	---	---	---
Exercise price at 31 Dec 2008, EUR *	14.96	16.27	20.40	23.26	23.26	12.25	---	---
Exercise price at 31 Dec 2009, EUR *	14.06	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
Beginning of exercise period, date (vesting)	1.11.2006	1.11.2007	1.11.2008	1.11.2009	1.11.2010	1.11.2011	1.11.2012	1.11.2013
End of exercise period, date (expiration)	30.11.2009	30.11.2010	30.11.2011	30.11.2012	30.11.2013	30.11.2014	30.11.2015	30.11.2016
Remaining expiry time at 31 Dec 2010, years	Rendered	Rendered	0.9	1.9	2.9	3.9	4.9	5.9
Number of persons at 31 Dec 2010	0	159	175	207	244	283	297	294

* The dividend is deducted from the exercise price annually. The dividend for 2009 was EUR 0.80 per share (record date 13 April 2010). The dividend for 2008 was EUR 0.90 per share (record date 6 April 2009).

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 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.

More specific information on the stock options is presented 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.

Stock options

Changes in 2010	2001C	2004A	2004B	2004C	2007	2008	2009	2010	Total
Granted at 1 Jan	1 172 500	1 165 600	1 168 300	1 300 900	1 380 450	1 358 250	1 395 400	0	8 941 400
Returned at 1 Jan	88 000	93 200	140 600	153 700	208 800	54 300	0	0	738 600
Cancelled at 1 Jan	405 100	0	0	0	0	0	0	0	405 100
Exercised at 1 Jan	873 236	0	0	0	0	0	0	0	873 236
Outstanding at 1 Jan	0	1 072 400	1 027 700	1 147 200	1 171 650	1 303 950	1 395 400	0	7 118 300
Non-distributed at 1 Jan	0	427 600	472 300	352 800	328 350	396 050	404 600	0	2 381 700
Granted during the period						41 000	13 000	1 369 200	1 423 200
Returned during the period					6 400	7 400	12 000		25 800
Cancelled during the period									0
Exercised during the period		993 699							993 699
Weighted average price of share during the exercise period, EUR *		15.52	15.56	15.56	16.26	---	---	---	---
Expired during the period		506 301							506 301
Granted at 31 Dec	1 172 500	1 165 600	1 168 300	1 300 900	1 380 450	1 399 250	1 408 400	1 369 200	10 364 600
Returned at 31 Dec	88 000	93 200	140 600	153 700	215 200	61 700	12 000	0	764 400
Cancelled at 31 Dec	405 100	0	0	0	0	0	0	0	405 100
Exercised at 31 Dec	873 236	993 699	0	0	0	0	0	0	1 866 935
Outstanding at 31 Dec	0	0	1 027 700	1 147 200	1 165 250	1 337 550	1 396 400	1 369 200	7 443 300
Non-distributed at 31 Dec	0	0	472 300	352 800	328 350	396 050	404 600	230 800	2 184 900
The number of unvested stock options at 31 Dec 2010 **	0	0	0	0	0	1 337 550	1 396 400	1 369 200	4 103 150

* The weighted average price of Sanoma share between January and November 2009 (2001C), 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.

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 2010, a total of EUR 3.6 million has been recorded as expenses (2009: EUR 3.8 million).

Most significant assumptions in Black–Scholes model	2010	2009
Number of granted stock options	**1 423 200**	1 426 900
Average price of share *	**16.42**	15.66
Exercise price *	**19.23**	17.35
Interest rate *	**2.3 %**	2.9 %
Maturity, years *	**5.9**	5.9
Volatility *, **	**24.0 %**	23.3 %
Probability of returned stock options *	**9.6 %**	10.0 %
Expected dividends	**---**	---
Fair value total, EUR	**4 993 434**	4 985 493

* 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	2010		2009	
	Number of stock options	Exercise price, EUR *	Number of stock options	Exercise price, EUR **
Granted at 1 Jan	7 768 900	18.07	7 514 500	18.48
Outstanding at 1 Jan	7 118 300	17.91	6 934 900	18.34
Granted during the period	1 423 200	19.23	1 426 900	17.35
Returned during the period	25 800	16.10	159 000	18.60
Exercised during the period	993 699	14.57	873 236	14.06
Expired during the period	506 301	14.57	221 664	14.06
Granted at 31 Dec	9 192 100	17.57	8 941 400	17.54
Outstanding at 31 Dec	7 443 300	17.88	7 118 300	17.91

* 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.
** The exercise price at the beginning of the period is the status at 31 Dec 2008. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 Dec 2009.

21. Provisions

Changes in provisions, EUR million	Restructuring provisions	Other provisons	Total
At 1 Jan 2010	22.5	12.0	34.4
Translation differences		0.1	0.1
Increases	4.7	7.1	11.8
Amounts used	-15.5	-6.0	-21.4
Unused amounts reversed	-0.4	-1.5	-1.9
Companies sold		-0.2	-0.2
At 31 Dec 2010	**11.4**	**11.5**	**22.9**

Carrying amounts of provisions, EUR million	2010	2009
Non-current	**7.3**	10.7
Current	**15.6**	23.8
Total	**22.9**	34.4

Provisions were based on best estimates on the balance sheet date. Restructuring provisions were mainly related to business restructuring of the Sanoma Magazines division. Other provisions comprised a claim in dispute and a provision for the risk of product returns. 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	2010	2009
Non-current financial liabilities at amortised cost		
Loans from financial institutions	**427.6**	497.5
Pension loans	**0.2**	2.2
Finance lease liabilities	**33.4**	32.1
Other liabilities	**11.2**	9.9
Total	**472.5**	541.6
Current financial liabilities at amortised cost		
Loans from financial institutions	**0.4**	0.5
Commercial papers	**436.0**	431.8
Finance lease liabilities	**4.4**	4.0
Other liabilities	**28.6**	39.9
Total	**469.4**	476.1
Total	**941.9**	1 017.7

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 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 nominal values. The transaction costs of facilities were not significant when considering the amortised cost and were mainly recognised as expenses during the loan period.

The average interest rate for loans during the financial year, excluding finance leases, was 0.8% (2009: 1.4%).

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	2010	2009
Total minimum lease payments		
Not more than 1 year	**5.4**	5.6
1–5 years	**18.5**	18.5
More than 5 years	**24.9**	24.4
Total	**48.7**	48.4
Present value of minimum lease payments		
Not more than 1 year	**3.8**	3.4
1–5 years	**14.1**	14.0
More than 5 years	**19.8**	18.7
Total	**37.8**	36.0
Future finance charges	**10.9**	12.4

The most significant items under finance leases were related to premises and leased movie theatre premises of the Sanoma Trade division.

23. Trade and other payables

Trade and other payables, EUR million	2010	2009
Non-current		
Accrued expenses	**0.9**	3.3
Advances received		4.4
Other financial liabilities at amortised cost	**18.9**	20.5
Total	**19.9**	28.2
Current		
Current financial liabilities at amortised cost		
Trade payables	**172.5**	164.8
Other liabilities	**59.8**	69.4
Derivatives, hedge accounting	**0.2**	
Accrued expenses	**275.6**	252.9
Advances received	**191.3**	184.1
Total	**699.4**	671.3
Current to associated companies		
Trade payables	**6.8**	2.1
Other liabilities	**0.2**	0.0
Total	**7.0**	2.1
Total	**719.3**	699.5

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	2010	2009
Contingencies for own commitments		
Mortgages	**20.6**	22.8
Pledges	**6.7**	6.8
Other items	**0.6**	0.4
Total	**27.8**	30.0
Contingencies incurred on behalf of associated companies		
Guarantees	**10.5**	10.5
Total	**10.5**	10.5
Contingencies incurred on behalf of other companies		
Guarantees	**0.0**	0.1
Total	**0.0**	0.1
Other commitments		
Operating lease liabilities (Note 25)	**249.1**	255.4
Royalties	**23.5**	18.9
Other items	**26.9**	27.7
Total	**299.5**	302.0
Total	**337.8**	342.5

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 6.9 million (2009: EUR 4.9 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	2010	2009
Not later than 1 year	**61.2**	60.9
1–5 years	**145.9**	144.8
Later than 5 years	**42.1**	49.8
Total	**249.1**	255.4

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

Non-cancellable minimum lease payments to be received by maturity, EUR million	2010	2009
Not later than 1 year	**3.0**	2.9
1–5 years	**3.7**	3.4
Later than 5 years	**0.1**	0.2
Total	**6.8**	6.5

Total minimum lease payments to be received included sublease payments of EUR 1.8 million (2009: EUR 2.0 million).

26. Financial risk management

The Group Treasury unit is responsible for managing Sanoma's treasury on a centralised basis. Operating as a counterparty to the Group divisions, the unit is responsible for the management of external financing, liquidity and external hedging operations. The centralisation of treasury operations is aimed at ensuring external financing on flexible and favourable terms, optimised cash management, cost-effectiveness and efficient financial risk management. 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. The Group manages its long-term financial risks by maintaining a financial structure equivalent to a good credit rating with the aim of ensuring sources of low-cost financing. Meeting this aim is based on co-operating closely within the Group, operating with several banks and actively monitoring developments in the financial market.

The Group may mitigate financial risks with various financial instruments whose use, effects and fair values are clearly verifiable.

The Group as a whole is exposed to rather low financial risks.

The Group's parent company used interest rate swaps to hedge against interest rate risk during the year. The Sanoma Group had no derivatives in place to manage its financial risk during the financial year or previous year.

INTEREST RATE RISKS

The Group's interest rate risks mainly refer to changes in market rates and loan margins associated with the Group's loan portfolio. The Group may manage its exposure to interest rate risks by using a mix of fixed-rate and floating-rate loans. In addition, interest rate derivatives can be used.

Loan portfolio by interest rate, EUR million	2010	2009
Floating-rate loans	**892.3**	978.8
of which converted to fixed-rate using interest rate swap	**100.0**	
Fixed-rate loans	**49.6**	38.9
Total	**941.9**	1 017.7

Interest rate sensitivity of floating-rate loans	2010	2009
Value, EUR million	**892.3**	978.8
of which converted to fixed-rate using interest rate swap	**100.0**	
Value including the effect of interest rate swap, EUR million	**792.3**	978.8
Average duration, years	**0.1**	0.1
Average rate, %	**1.2**	0.8
Interest sensitivity, EUR million *	**7.2**	8.9

* 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. The non-euro pegged area business operations account for about 12% (2009: 12%) of consolidated net sales, coming mainly from sales denominated in the Russian rouble, the Hungarian forint, the Polish zloty and the Czech koruna. Translation risks consist of foreign currency balance sheets in the countries mentioned above. Based on 31 December 2010 figures, if all reporting currencies within the Group weakened by 10% against the euro and other involved variables remained constant, then the Group equity would decrease by EUR 18.8 million. If all reporting currencies strengthened against the euro by 10%, then the Group equity would increase by EUR 23.0 million. Under the same conditions a 10% weakening of all currencies would have a negative impact of EUR 2.1 million on Group EBIT, whereas a 10% strengthening would effect Group EBIT positively by EUR 2.6 million.

The less advanced currency markets in Russia and Central Eastern Europe restrict hedging opportunities. The Group does not apply specific tools to hedge against economic policy risks associated with business operations. It hedges against material currency risks relevant to its operations. The Group is not currently exposed to any material currency risks concerning operational business due to the relatively high portion of euros in net sales and on the balance sheet. A significant change of exchange rates in Eastern Europe and Russia may, however, have an effect on the goodwill of the businesses in the areas in question.

LIQUIDITY RISKS

Liquidity risks are associated with debt servicing, investment financing and working capital adequacy. Sanoma aims to minimise its liquidity risks by ensuring sufficient income financing and maintaining adequate credit limits and asset reserves as well as running balanced loan repayment programmes extending over a number of calendar years. Liquidity risks are monitored daily, based on a two-week forecast, and monthly on a 12-month rolling forecast.

In line with the Sanoma Group's Treasury Policy, the Group's cash reserves must account for a minimum of 10% of net sales predicted for the next 12 months. The cash reserves include liquidities and unused credit lines.

The Group's financing programmes on 2010, EUR million	Amount of limits	Unused credit lines
Bilateral committed facilities	1 027.0	607.0
Bilateral uncommitted facilities	200.0	200.0
Commercial paper programmes	1 100.0	664.0
Current account limits	64.0	41.1

Out of EUR 1,027 million of committed facilities, EUR 150 is maturing in 2011, EUR 140 million is maturing in 2012, EUR 662 million is maturing in 2013 and EUR 75 million is maturing in 2014. EUR 75 million of the uncommitted facilities expired in 2010. At the end of the financial year the Group had EUR 200 million uncommitted facilities. The Group's financing agreements include common covenants relating to the position of creditors, certain key financial indicators and the use of pledges and mortgages, among others. The Group has markedly fulfilled the requirements of covenants.

Financial liabilities, EUR million	2010				2009			
	Capital	Capital with interest	Undrawn from limits	Total	Capital	Capital with interest	Undrawn from limits	Total
Loans from financial institutions	428.0	428.6	648.1	1 076.7	498.0	498.6	560.9	1 059.5
Commercial paper programmes	436.0	437.7		437.7	431.8	432.7		432.7
Finance lease liabilities	37.6	37.8		37.8	36.0	36.2		36.2
Other interest-bearing liabilities	40.3	40.4		40.4	52.0	52.1		52.1
Trade payables and other liabilities	251.3	251.3		251.3	254.7	254.7		254.7
Derivatives	0.1	0.1		0.1				
Total	**1 193.3**	**1 195.9**	**648.1**	**1 844.0**	1 272.5	1 274.3	560.9	1 835.2

Maturity of financial liabilities, EUR million	2011	2012	2013	2014	2015	2016–	Total
Loans from financial institutions	420.9	0.1	0.1	0.1	3.8	3.6	428.6
Commercial paper programmes	437.7						437.7
Finance lease liabilities	5.9	5.5	5.4	4.2	3.9	12.9	37.8
Other interest-bearing liabilities	28.1	0.1	0.9	11.3			40.4
Trade payables and other liabilities	236.4	5.7	1.9	1.6	1.6	4.1	251.3
Derivatives		0.1					0.1
Total	**1 129.0**	**11.5**	**8.3**	**17.2**	**9.3**	**20.6**	**1 195.9**

CREDIT RISKS

Sanoma's credit risks are associated with its business operations. The Group's Treasury Policy specifies credit rating requirements for customers and other counterparties to financial transactions, as well as Group policies related to investments. Sanoma´s diversified operations in over 20 European countries mitigate significantly the credit risk concentrations and neither an individual customer nor a group of customers is material in the Group. The Group's operational units assume responsibility for credit risks associated with their businesses.

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

The aging of trade receivables, EUR million	2010			2009		
	Gross	Impairment	Net	Gross	Impairment	Net
Not due	197.1	-0.1	196.9	178.4	-0.1	178.3
Past due 1–30 days	50.4	-0.7	49.7	43.9	-0.6	43.2
Past due 31–120 days	27.1	-1.7	25.4	24.5	-2.9	21.6
Past due 121–360 days	9.0	-3.4	5.6	11.4	-4.7	6.6
More than one year	14.2	-8.6	5.7	11.5	-8.6	2.9
Total	**297.8**	**-14.5**	**283.4**	269.6	-17.0	252.6

Collaterals are required from customers in franchising agreements and in certain cases, such as advertising receivables.

For trade receivables and other receivables, see Notes 15 and 17.

CAPITAL RISK MANAGEMENT

The Group's long-term objective when managing capital is to maintain capital structure which represents good investment grade. The target level for equity ratio is between 35–45% and for net debt/EBITDA it is less than 3.5. In 2010, equity ratio was 45.7% (2009: 41.4%) and net debt/EBITDA 1.5 (2009: 2.6).

Net debt, EUR million	2010	2009
Interest-bearing liability	**941.9**	1017.7
Cash and cash equivalents	**64.0**	59.7
Total	**877.9**	958.1

The Sanoma Group does not have an official credit rating.

27. Derivative instruments

Fair values of derivative instruments, EUR million	2010	2009
Interest rate swaps		
Cash flow hedges under IAS 39 hedge accounting		
Assets	**0.1**	
Total	**0.1**	

Based on the interest level at the balance sheet date cash flows associated with the cash flow hedge are not expected to affect markedly the result for the period in 2011–2013.

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

28. Most significant subsidiaries

Most significant subsidiaries at 31 Dec 2010	Parent Company holding, %	Sub-group's parent company holding, %	Group holding, %
SANOMA MAGAZINES			
Sanoma Magazines B.V., The Netherlands *	100.0		100.0
Independent Media Holding B.V., The Netherlands		100.0	100.0
Aldipress			
B.V. Aldipress, The Netherlands			100.0
Sanoma Magazines Belgium			
Sanoma Magazines Belgium N.V., Belgium		100.0	100.0
JERVI N.V., Belgium		100.0	100.0
Sanoma Magazines International			
Sanoma Magazines International B.V., The Netherlands		100.0	100.0
Independent Media B.V., The Netherlands			100.0
Net Info.BG AD, Bulgaria			83.7
Sanoma Budapest Kiadói Részvénytársaság, Hungary			100.0
Sanoma Digital s.r.l., Romania			95.0
Sanoma Hearst Prague B.V., The Netherlands			60.0
Sanoma Hearst Romania s.r.l., Romania			65.0
Sanoma Magazines Praha s.r.o., The Czech Republic			100.0
OOO United Press, Russia			100.0
Websitemaster a.s, The Czech Republic			100.0
Sanoma Magazines Netherlands			
Sanoma Uitgevers B.V., The Netherlands			100.0
Insidegamer B.V., The Netherlands			100.0
Kieskeurig B.V., The Netherlands			100.0
Leadz 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
Sanoma Men's Magazines B.V., The Netherlands			100.0
Sanoma Magazines Finland			
Sanoma Magazines Finland Oy, Helsinki *	100.0		100.0
Suomen Rakennuslehti Oy, Helsinki		60.0	60.0
SANOMA NEWS			
Sanoma News Oy, Helsinki *	100.0		100.0
Lehtikanta Oy, Kouvola			100.0
Netwheels Oy, Helsinki		55.8	55.8
Oikotie Oy, Helsinki		100.0	100.0
AS Sanoma Baltics, Estonia		100.0	100.0
Sanoma Data Oy, Helsinki		100.0	100.0
Sanoma Lehtimedia Oy, Anjalankoski		100.0	100.0
Sanomapaino Oy, Helsinki		100.0	100.0
Skillnet Oy, Jyväskylä		100.0	100.0
Suorakanava Oy, Pori		85.5	85.5

Most significant subsidiaries at 31 Dec 2010	Parent Company holding, %	Sub-group's parent company holding, %	Group holding, %
SANOMA ENTERTAINMENT			
Sanoma Entertainment Ltd, Helsinki *	100.0		100.0
Sanoma Television Ltd, Helsinki		100.0	100.0
Suomen Urheilutelevisio Oy, Helsinki		100.0	100.0
SANOMA LEARNING & LITERATURE			
Werner Söderström Osakeyhtiö, 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
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
WSOYpro Oy, Helsinki		100.0	100.0
Young Digital Planet S.A., Poland		100.0	100.0
SANOMA TRADE			
Rautakirja Oy, Vantaa *	100.0		100.0
Finnkino Oy, Vantaa		100.0	100.0
AS Forum Cinemas, Estonia			100.0
Forum Cinemas Ltd, Ukraine			90.0
SIA Forum Cinemas, Latvia			100.0
SIA Forum Cinemas Home Entertainment, Latvia			100.0
UAB Forum Cinemas, Lithuania			100.0
UAB Forum Cinemas Home Entertainment, Lithuania			100.0
UAB Impress Teva, Lithuania		100.0	100.0
OOO KP Roznitsa, Russia		100.0	100.0
AB Lietuvos Spauda, Lithuania			91.9
UAB Lietuvos Spaudos Vilniaus Agentura, Lithuania		100.0	100.0
Printcenter Oy, Helsinki		100.0	100.0
Postituspojat Oy, Helsinki		100.0	100.0
Rautakirja Romania S.A., Romania		100.0	100.0
Rautakirja Estonia AS, Estonia		100.0	100.0
R-Kiosk Romania S.A., Romania		100.0	100.0
Suomalainen Kirjakauppa Oy, Helsinki		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	2010	2009
Non-current assets	**10.7**	11.7
Current assets	**56.0**	48.1
Non-current liabilities	**4.0**	3.6
Current liabilities	**42.8**	35.8
Net assets	**19.9**	20.4
Income	**124.7**	121.4
Expenses	**108.7**	116.6
Net result for the period	**16.1**	4.8
Average number of employees (full-time equivalents)	**1 837**	2 555

Most significant joint ventures at 31 Dec 2010	Participation of the Group %
SANOMA MAGAZINES	
Sanoma Magazines B.V.	
Humo N.V., Belgium	51.0
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	
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	24.9
Sanoma Uitgevers	
AKN CV, The Netherlands	25.0
Sanoma Magazines Finland	
Egmont Kustannus Oy Ab, Tampere	50.0
SANOMA TRADE	
Narvesen Baltija SIA, Latvia	50.0
SIA Preses Apvieniba, Latvia	49.3
SIA Preses Serviss, Latvia	49.3

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, Presidents of the divisions and Corporate Centre management. 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 compensations, benefits and ownership

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.

Management remuneration and ownership, 2009	Remuneration (EUR 1 000)	Number of shares	Option costs (EUR 1000)	Number of stock options 2004A	2004B	2004C	2007	2008	2009
Board of Directors									
Jaakko Rauramo, Chairman	111	131 302							
Sakari Tamminen, Vice Chairman (as of 1 April 2009)	80	1 200							
Sari Baldauf, Vice Chairman (until 1 April 2009)	22	7 000							
Annet Aris (as of 1 April 2009)	50								
Robert Castrén	71	127 845							
Jane Erkko	75	248 213							
Paavo Hohti	75	824							
Sirkka Hämäläinen-Lindfors	77	1 500							
Seppo Kievari	75	10 000							
Rafaela Seppälä	70	11 673 370							
Total *	**706**								
President and CEO									
Hannu Syrjänen	786	23 142		50 000	50 000	50 000	60 000	60 000	60 000
Total *	**786**		**157**						
Executive Management Group									
Eija Ailasmaa		21 088		37 000	37 000	37 000	37 000	40 000	40 000
Jacques Eijkens				10 000	10 000	34 000	34 000	34 000	34 000
Sven Heistermann (as of 1 October 2009)							10 000	10 000	20 000
Kim Ignatius				20 000	20 000	20 000	30 000	30 000	30 000
Timo Mänty				12 000	12 000	12 000	12 000	25 000	34 000
Anu Nissinen		280		6 000	6 000	7 000	30 000	30 000	30 000
Mikael Pentikäinen				37 000	37 000	37 000	37 000	34 000	34 000
Total *	**2 022**		**492**						

* 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, will retire in 2011 as he turns 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

On 4 November 2010, Sanoma announced that the Group's organisation structure would be revised as of 1 January 2011. The Group integrated the Sanoma Entertainment division and the Sanoma Magazines division at the beginning of 2011. The new division is called Sanoma Media. This integration enables Sanoma to leverage its Finnish television know-how internationally, as well as further strengthen Sanoma's market positions in Europe. At the same time, the Dutch press distribution company was moved from the Sanoma Trade division to the Sanoma Media division. As of 1 January 2011, Sanoma has four divisions: Sanoma Media, Sanoma News, Sanoma Learning & Literature and Sanoma Trade. Sanoma will publish the restated financials for 2010 reflecting the revised operational structure before the interim report for the first quarter of 2011.

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

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 2010, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 162,810,593 including the 789,849 interim shares registered on 10 January 2011.

LISTING OF SHARE AND OPTIONS

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

The Sanoma share is included in the Consumer Discretionary sector index of NASDAQ OMX Helsinki, as well as in the OMX Helsinki Cap, OMX Helsinki and OMXH25 indexes. In addition, the share is included in several STOXX indexes, including Total Market Index, Media, Nordic, Global and 600.

⊕ A complete list of the STOXX indexes where the Sanoma share is included can be viewed at Stoxx.com.

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 8 April 2010 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 2011. The Board of Directors did not exercise its right under this authorisation during 2010.

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 22 December 2010 on the issuance of Stock Option Scheme 2010.

Trading codes	Shares	2004B stock options	2004C stock options	2007 stock options
NASDAQ OMX Helsinki	SAA1V	SAA1VEW204	SAA1VEW304	SAA1VEW107
Startel	SAA1V	SAA1VEW204	SAA1VEW304	SAA1VEW107
Bloomberg	SAA1V FH	SAA1V204 FH	SAA1V304 FH	SAA1V107 FH
Reuters	SAA1V.HE	SAA1VEW204.HE	SAA1VEW304.HE	SAA1VEW107.HE

NUMBER OF SHARES AND OPTIONS

Number of shares at 31 December 2010	
Number of registered shares	162 020 744
Number of unregistered interim shares *	789 849
Number at 31.12.2010 *	162 810 593
Average number of shares, adjusted for share issues	161 863 694
**Number of shares plus stock options ** **	
Number of outstanding shares on 31 December 2010	162 810 593
Stock options 2004B	1 027 700
Stock options 2004C	1 147 200
Stock options 2007	1 165 250
Stock options 2008	1 337 550
Stock options 2009	1 369 400
Stock options 2010	1 369 200
Number of outstanding shares plus options	170 226 893

* Interim shares were registered at 10.1.2011.
** Provided that all issued options are converted into shares.

The shares to be subscribed for on the basis of the options issued would represent 4.4% of all Sanoma shares and votes after the conversion if all outstanding stock options were exercised.

Including the non-distributed or returned stock options 2004B, 2004C, 2007, 2008, 2009 and 2010, the potential combined dilution effect of the stock option schemes on 31 December 2010 would be 9,600,000 shares, accounting for 5.6% of the post-conversion shares and votes.

STOCK OPTIONS

Sanoma has five 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

The stock option schemes cover all of Sanoma's divisions 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 2010 is shown in the table below.

Stock Option Scheme	Number of option holders
Stock Option Scheme 2004	360
Stock Option Scheme 2007	236
Stock Option Scheme 2008	279
Stock Option Scheme 2009	298
Stock Option Scheme 2010	294

The remaining stock options 2004B, 2004C, 2007, 2008, 2009 and 2010 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.

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 2004B, 2004C and 2007 are listed on NASDAQ OMX Helsinki. The subscription period of 2004A stock options ended on 30 November 2010, and their listing on NASDAQ OMX Helsinki ended on 23 November 2010. In 2010, a total of 1,783,548 shares with stock options 2004A. 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.

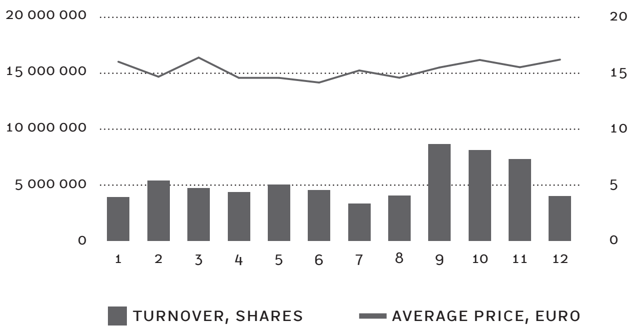
Information on stock options held by Sanoma's Board of Directors and the Executive Management Group can be found in Note 31. A daily update on insider holdings in traded stock options can be found at Sanoma.com. More detailed information on the terms and conditions for these schemes (e.g., subscription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

SHARE PERFORMANCE

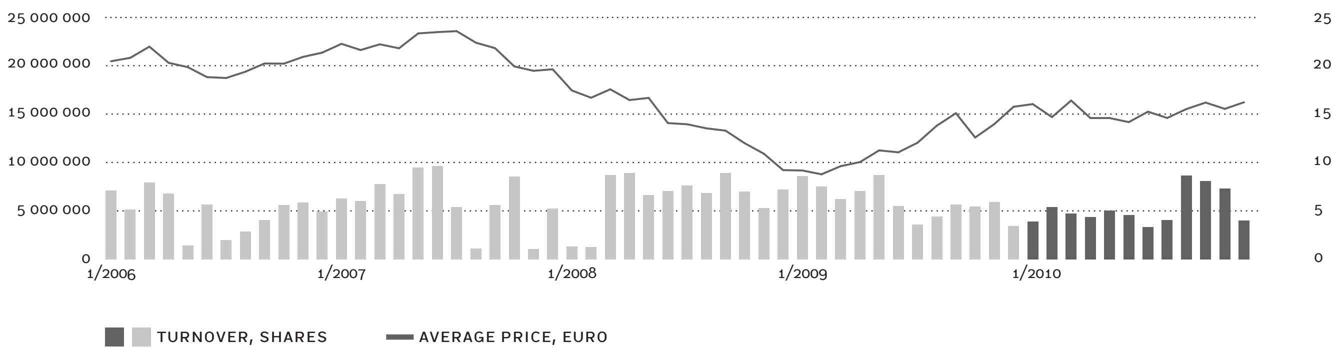
In 2010, Sanoma's total stock exchange turnover was EUR 987.9 million (2009: EUR 821.6 million). The number of Sanoma shares traded totalled 63,477,720 (2009: 72,078,344). Traded shares accounted for 39 % (2009: 45%) of the average number of shares for the year. In 2010, the volume-weighted average price of a Sanoma share was EUR 15.57, with a low of EUR 13.41 and a high of EUR 17.07. At the end of the year, Sanoma's market capitalisation was EUR 2.6 billion (2009: EUR 2.5 billion), with Sanoma's share closing at EUR 16.22 (2009: EUR 15.76).

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

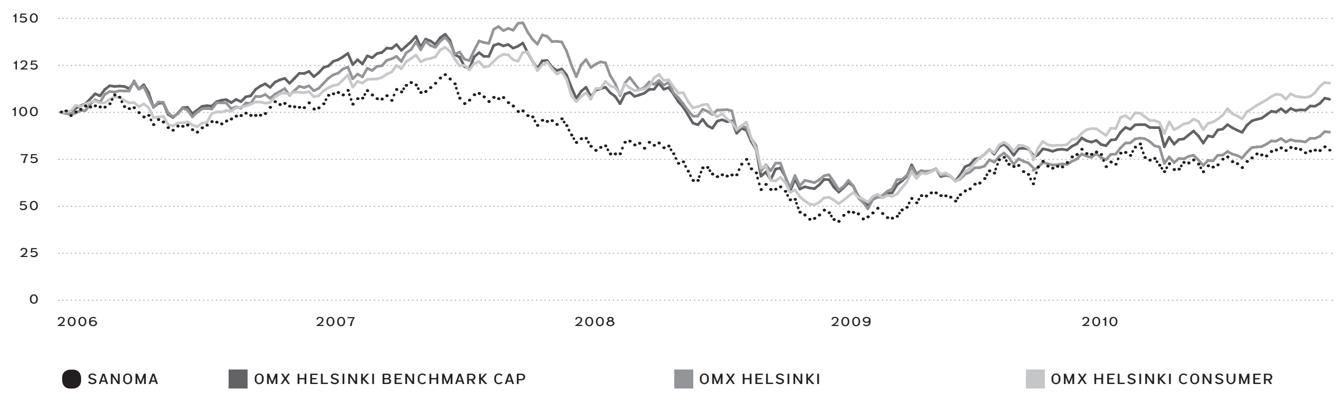
AVERAGE SHARE PRICE AND TURNOVER 2010



AVERAGE SHARE PRICE AND TURNOVER 2006–2010 *

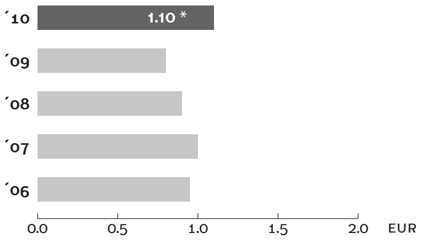


SANOMA SHARE AGAINST INDEXES *



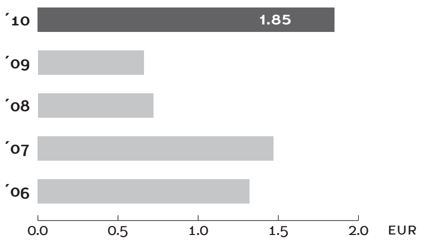
* During 1 January – 7 April 2006, Sanoma still had two share series. The graph includes the development of Series B shares during that period.

DIVIDEND/SHARE

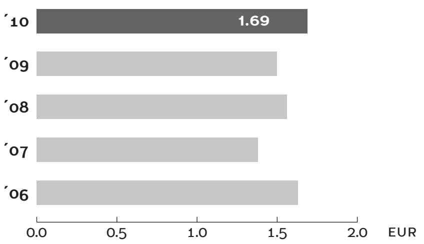


* Proposal of the Board of Directors to the AGM

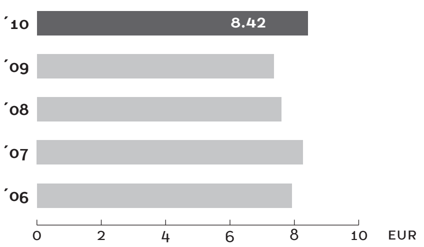
EARNINGS/SHARE



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 the form of dividends.

The Board of Directors proposes a dividend of EUR 1.10 (2009: EUR 0.80) per share for 2010.

SHAREHOLDERS

On 31 December 2010, the company had 23,079 shareholders, with foreign holdings accounting for 9.8% (2009: 10.4%) 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 2010, 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 11.30% (2009: 7.59%) of all shares and votes. If all outstanding, non-distributed and returned stock options were to be converted into shares through subscriptions and the Board members exercised all of their subscription rights, the combined holdings of the Board members and President and CEO (including the bodies they control) would account for 10.83% (2009: 7.36%) 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 at Sanoma.com. 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 2010, and Sanoma did not issue any flagging announcements.

MAJOR SHAREHOLDERS ON 31 DECEMBER 2010

	Shareholder	Shares, total	Of shares and votes, %
1	**Erkko Aatos**	37 483 619	23.14
	Erkko Aatos	25 680 076	15.85
	Oy Asipex Ab	11 803 543	7.29
2	**Langenskiöld Robin**	12 273 371	7.58
3	**Seppälä Rafaela**	11 673 370	7.20
4	**Herlin Antti**	6 176 800	3.81
	Holding Manutas Oy	5 320 000	3.28
	Security Trading Oy	825 000	0.51
	Herlin Antti	31 800	0.02
5	**Helsingin Sanomat Foundation**	5 701 570	3.52
6	**Ilmarinen Mutual Pension Insurance Company**	3 455 795	2.13
7	**Alfred Kordelin Foundation**	3 315 325	2.05
8	**Varma Mutual Pension Insurance Company**	2 526 925	1.56
9	**Foundation for Actors' Old-Age Home**	2 249 357	1.39
10	**Svenska litteratursällskapet i Finland r.f.**	2 190 000	1.35
11	**The WSOY Literature Foundation**	2 075 000	1.28
12	**The State Pension Fund**	2 025 810	1.25
13	**The Finnish Cultural Foundation**	1 654 690	1.02
14	**OP-Delta Fund**	1 450 000	0.89
15	**The Finnish Literature Society (SKS)**	1 276 882	0.79
16	**Aubouin Lorna**	1 268 970	0.78
17	**Noyer Alex**	1 268 965	0.78
18	**Tapiola**	1 196 130	0.74
	Tapiola Mutual Pension Insurance Company	700 000	0.43
	Tapiola General Mutual Insurance Company	294 017	0.18
	Tapiola Mutual Life Assurance Company	202 113	0.12
19	**OP-Finland Value Fund**	880 000	0.54
20	**Oy Karl Fazer Ab**	875 322	0.54
	Total	**101 017 901**	**62.31**
	Nominee registrations total	12 130 470	7.49

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

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

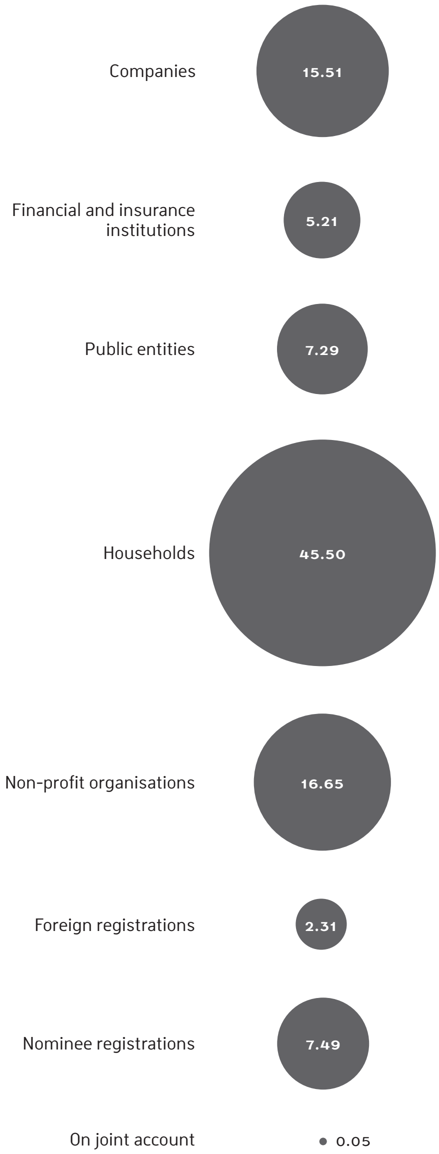
SHAREHOLDERS BY SECTOR ON 31 DECEMBER 2010

Sector	Number of shareholders	%	Number of shares	%
Companies	1 439	6.24	25 128 825	15.51
Financial and insurance institutions	105	0.45	8 437 078	5.21
Public entities	53	0.23	11 803 855	7.29
Households	20 755	89.93	73 727 354	45.50
Non-profit organisations	600	2.60	26 968 917	16.65
Foreign registrations	112	0.49	3 737 740	2.31
Nominee registrations	15	0.06	12 130 470	7.49
Total	**23 079**	**100.00**	**161 934 239**	**99.95**
On joint account			86 505	0.05
Number of shares on the market			**162 020 744**	**100.00**

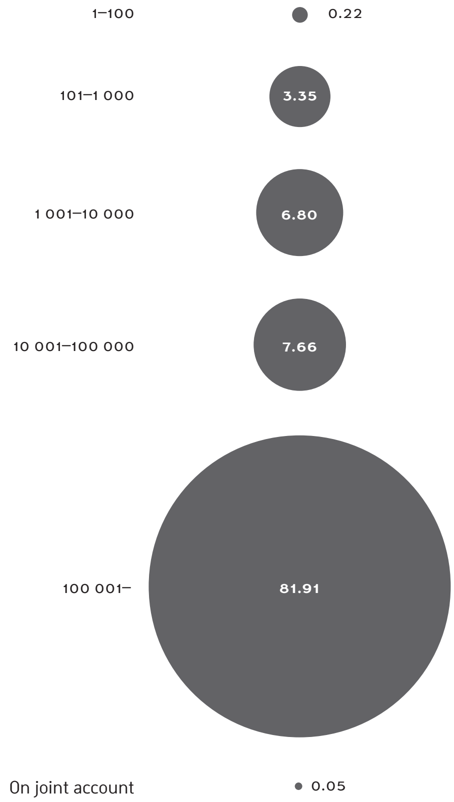
SHAREHOLDERS BY NUMBER OF SHARES HELD ON 31 DECEMBER 2010

Number of shares	Number of shareholders	%	Number of shares	%
1–100	5 609	24.30	360 505	0.22
101–1 000	13 087	56.71	5 422 547	3.35
1 001–10 000	3 836	16.62	11 014 583	6.80
10 001–100 000	444	1.92	12 417 329	7.66
100 001–	103	0.45	132 719 275	81.91
Total	**23 079**	**100.00**	**161 934 239**	**99.95**
On joint account			86 505	0.05
Number of shares on the market			**162 020 744**	**100.00**

SHAREHOLDERS BY SECTOR
(% OF SHARES AND VOTES)



SHAREHOLDERS BY NUMBER OF SHARES OWNED
(% OF SHARES AND VOTES)



Parent Company income statement,FAS

EUR million	1.1–31.12.2010	1.1–31.12.2009
Other operating income	**14.0**	4.8
Personnel expenses	**10.9**	5.0
Depreciation and impairment losses	**1.5**	1.2
Other operating expenses	**15.8**	10.3
Operating profit (loss)	**-14.2**	-11.7
Financial income and expenses	**8.7**	85.0
Result before extraordinary items	**–5.5**	73.2
Extraordinary items	**92.1**	69.1
Result before apprpropriations and taxes	**86.5**	142.3
Appropriations	**–0.2**	0.0
Income taxes	**1.6**	2.7
Result for the year	**87.9**	145.0

Parent Company balance sheet, FAS

EUR million	31.12.2010	31.12.2009
ASSETS		
Non-current assets		
Intangible assets	3.0	2.2
Tangible assets	8.0	9.0
Investments	1 836.6	1 773.5
Non-current assets total	1 847.7	1 784.6
Current assets		
Long-term receivables	0.8	1.0
Short-term receivables	360.1	462.5
Securities	1.8	0.3
Cash and cash equivalents	55.2	34.1
Current assets, total	417.9	497.9
ASSETS, TOTAL	2 265.5	2 282.5
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	71.3	71.3
Fund for invested unrestricted equity	203.3	188.8
Retained earnings	350.1	335.0
Profit for the year	87.9	145.0
Shareholders' equity, total	712.6	740.1
Appropriations	0.5	0.3
Provisions		0.7
Liabilities		
Non-current liabilities	420.0	490.0
Current liabilities	1 132.5	1 051.4
EQUITY AND LIABILITIES, TOTAL	2 265.5	2 282.5

Parent Company cash flow statement, FAS

EUR million	1.1–31.12.2010	1.1–31.12.2009
Operations		
Result for the period	87.9	145.0
Adjustments		
Income taxes	-1.6	-2.7
Appropriations	0.2	0.0
Extraordinary items	-92.1	-69.1
Financial income and expenses	-8.7	-85.0
Depreciation and decrease in value	1.5	1.2
Profit on sales of non-current assets	-5.3	0.0
Change in working capital		
Change in trade and other receivables	1.5	-6.6
Change in trade and other payables, and provisions	2.4	-6.2
Interest paid	-12.0	-36.2
Other financial items	-2.0	-2.0
Group contributions	93.4	108.9
Dividends received		85.0
Taxes paid	-31.3	-3.1
Cash flow from operations	33.9	129.3
Investments		
Acquisition of tangible and intangible assets	-2.6	-0.3
Acquisition of other holdings		-0.2
Sales of tangible and intangible assets	6.8	0.2
Associated companies sold	0.0	0.0
Sales of other investments	0.2	
Increase(-)/decrease(+) in loan receivables with short maturity	-1.3	-0.8
Loans granted	-181.3	-152.0
Repayments of loan receivables	254.4	149.5
Interest received	20.0	41.5
Cash flow from investments	96.1	38.0
Cash flow before financing	130.1	167.3
Financing		
Proceeds from share subscriptions	14.5	12.3
Change in loans with short maturity	13.3	3.0
Drawings of other loans	430.6	498.3
Repayments of other loans	-436.0	-549.9
Dividends paid	-129.5	-144.8
Donations/other profit sharing	-0.5	-0.5
Cash flow from financing	-107.5	-181.6
Change in cash and cash equivalents according to cash flow statement	22.6	-14.3
Net increase(+)/decrease(-) in cash and cash equivalents	22.6	-14.3
Cash and cash equivalents at 1 Jan	34.4	48.7
Cash and cash equivalents at 31 Dec	57.0	34.4

Parent Company shareholders' equity

Shareholders' equity, EUR million	2010	2009
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		
Treasury shares at 1 Jan		-37.5
Divestment of treasury shares		37.5
Treasury shares at 31 Dec		
Fund for invested unrestricted equity at 1 Jan	188.8	176.6
Share issue, options	14.5	12.3
Fund for invested unrestricted equity at 31 Dec	203.3	188.8
Retained earnings at 1 Jan	480.0	517.9
Dividends	-129.5	-144.8
Cancellation of treasury shares		-37.5
Other changes	-0.5	-0.5
Retained earnings at 31 Dec	350.1	335.0
Profit (loss) for the year	87.9	145.0
Unrestricted equity 31 Dec	**641.3**	668.8
Total	**712.6**	740.1

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

Distributable earnings, EUR million	2010	2009
Fund for invested non-restricted equity	203.3	188.8
Retained earnings	350.1	335.0
Profit (loss) for the year	87.9	145.0
Total	**641.3**	668.8

Parent Company contingent liabilities

Contingent liabilities, EUR million	2010	2009
Contingencies incurred on behalf of Group companies		
Guarantees	**61.0**	101.1
Total	**61.0**	101.1
Contingencies incurred on behalf of associated companies		
Guarantees	**10.5**	10.5
Total	**10.5**	10.5
Total	**71.5**	111.5

Nominal values of derivatives, EUR million	2010	2009
Interest derivatives		
Interest rate swaps	**100.0**	
Total	**100.0**	

Fair values of derivatives, EUR million	2010	2009
Interest derivatives		
Interest rate swaps	**0.1**	
Total	**0.1**	

Board's proposal for distribution of profits and signatures

At 31 December 2010, Sanoma Corporation's distributable earnings total EUR 641,301,022.00, of which the profit for the year is EUR 87,891,855.79.

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

• a dividend of EUR 1.10 per share shall be paid	EUR 179,091,652.30*
• 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 461,659,369.70

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 Euroclear Finland Ltd on the record date set by the Board for payment of the dividend, Friday 8 April 2011. The Board will propose to the Annual General Meeting that the dividend will be paid on Friday 15 April 2011.

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

Helsinki, 8 February 2011

Jaakko Rauramo
Chairman

Sakari Tamminen
Vice Chairman

Annet Aris

Robert Castrén

Jane Erkko

Antti Herlin

Paavo Hohti

Sirkka Hämäläinen-Lindfors

Seppo Kievari

Rafaela Seppälä

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 2010. 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 Finnish 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, 8 February 2011

KPMG OY AB

Pekka Pajamo	Kai Salli
Authorised Public Accountant	*Authorised Public Accountant*

Corporate Governance Statement

This Corporate Governance Statement is made in accordance with Recommendation 54 of the Finnish Corporate Governance Code issued by the Securities Market Association in 2010. It has been reviewed by Sanoma's Audit Committee and statutory auditors have checked that the Statement 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.

Sanoma adheres to the Finnish Corporate Governance Code issued by the Securities Market Association, with the exception of Recommendation 10 governing the term of Board members.

Sanoma's Corporate Governance Principles are approved by the Board of Directors of Sanoma.

⊕ The information related to Sanoma's Corporate Governance issues is maintained in the Corporate Governance section at Sanoma.com.

⊕ The Finnish Corporate Governance Code is available at Cgfinland.fi.

CORPORATE STRUCTURE

As of 1 January 2011, Sanoma integrated its Sanoma Magazines and Sanoma Entertainment divisions and formed a new Sanoma Media division. After this arrangement, the Sanoma Group comprises four divisions: Sanoma Media, Sanoma News, Sanoma Learning & Literature and Sanoma Trade. Sanoma Corporation, the Parent Company, is responsible for the Group's strategic control, corporate functions and Group-wide co-operation projects.

ADMINISTRATIVE BODIES

Sanoma's administrative bodies comprise the General Meeting, the Board of Directors as well as 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 Articles of Association.

The Annual General Meeting (AGM) convenes within six months from the end of the financial year at a time determined by the Board of Directors. 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.

The Sanoma Board of Directors convenes the General Meeting, prepares matters to be resolved there and implements decisions made therein.

Under the Articles of Association, matters decided upon by the AGM include:
- 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
- electing the auditor and determining the remuneration for the auditor.

The AGM may also resolve such matters as fall within its competence under the Finnish Limited Liability Companies Act, such as:
- amendments to the Articles of Association
- issuing of new shares and option rights
- repurchasing of the company's shares.

Under the Companies Act, a shareholder may also, in writing to the company's Board of Directors, request that his or her proposal, in matters that fall within the competence of the General Meetings according to the Act, be dealt with by the next General Meeting. The request, together with a statement of the reasons or proposal for the decision, should be sent well in advance by email to legal@sanoma.com. The last date by which to send the requests will be announced at Sanoma.com in the General Meetings section.

Board of Directors

In accordance with Sanoma's Articles of Association, the Board of Directors comprises 5–11 members elected by the General Meeting. The Board meeting constitutes a quorum when more than half of its members are present. In the event of a tied vote, the Chairman shall have the casting vote.

A Board member's term begins at the conclusion of the AGM and ends after the third AGM following his or her election. If a Board member's seat becomes vacant before the end of this three-year term, a new member shall be elected for the remaining portion of the term.

According to the Finnish Corporate Governance Code, the term of a Board member should be one year. The Articles of Association of Sanoma stipulate the term of Board members as three years, as the development of the Company's business operations is deemed to make it necessary for Board members, in order to familiarise themselves with and commit to the Group's operations, to sit on the Board for a term longer than one year. In order to secure the continuity of operations, Sanoma has adopted a practice whereby approximately one third of the Company's Board members are elected every year.

Sanoma's Corporate Governance Principles act as the Board's charter. Under the charter and according to the Companies Act, the Board of Directors:
- oversees the administration of the Company and the appropriate organisation of its operations (general competence)
- is responsible for the appropriate arrangement of the control of the Company accounts and finances

- appoints the President and CEO of Sanoma, his or her deputy, divisions' presidents and their deputies, the Parent Company executives who are Executive Management Group members, other Key Executives and the Senior Editor-in-Chief of Helsingin Sanomat
- determines their remuneration
- decides on the major strategic direction of the Group and its divisions
- controls the strategic goals and operational plans of the Group and its divisions
- decides on investments that have a value exceeding EUR 5.0 million
- confirms the Group's values and Principles of Business conduct
- confirms other general principles by issuing Group policies.

In 2010, the Board of Directors comprised
- Jaakko Rauramo (Chairman), born 1941, M.Sc. (Tech.). Term ends in AGM 2012.
- Sakari Tamminen (Vice Chairman), born 1953, M.Sc. (Econ.). President of Rautaruukki Corporation. Term ends in AGM 2012.
- Annet Aris, born 1958, M.Sc. Land planning and operations research, MBA. Adjunct Professor of Strategy and Management at INSEAD and a Visiting Professor at a variety of European universities. Term ends in AGM 2012.
- Robert Castrén, born 1957, B.Sc. (Econ.). Sales Director at UPM-Kymmene Corporation. Term ends in AGM 2011.
- Jane Erkko, born 1936. Term ends in AGM 2011.
- Antti Herlin (as of 8 April 2010), born 1956. Chairman of KONE Corporation. Term ends in AGM 2013.
- Paavo Hohti, born 1944, Ph.D. Managing Director of the Council of Finnish Foundations. Term ends in AGM 2011.
- Sirkka Hämäläinen-Lindfors, born 1939, D.Sc. (Econ.). Term ends in AGM 2013.
- Seppo Kievari, born 1943. Term ends in AGM 2013.
- Rafaela Seppälä, born 1954, M.Sc. (Journalism). Term ends in AGM 2011.
- Hannu Syrjänen (until 8 April 2010), born 1951, B.Sc. (Econ.), Master of Law. President and CEO of Sanoma Corporation until 31 December 2010.

More information about the members of the Board of Directors, their curricula vitae and holdings in the Company is available at Sanoma.com in the Board of Directors and Insiders sections.

In 2010, the Board of Directors had ten meetings, with an average attendance rate of 97%.

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

In order to develop its performance, the Board employs a self-assessment process on a regular basis.

DUTIES AND COMPOSITION OF THE BOARD COMMITTEES

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. The Board is authorised to establish other committees as it deems appropriate.

In addition to the Executive Committee, 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 EXECUTIVE COMMITTEE

Under its charter, the Executive Committee prepares matters to be discussed at the Board of Directors' meetings. The composition of the Committee is set in the Articles of Association and comprises the Chairman of the Board (Jaakko Rauramo), Vice Chairman of the Board (Sakari Tamminen) as well as President and CEO of Sanoma (Hannu Syrjänen until 31 December 2010, Harri-Pekka Kaukonen as of 1 January 2011.)

The Committee meets prior to each meeting of the Board of Directors, if seen necessary by the Chairman of the Board. In 2010, the Committee convened six times, with all members present at the meetings.

AUDIT COMMITTEE

Under its charter and in accordance with the Finnish Corporate Governance Code and applicable laws and regulations, the Audit Committee assists 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.

The Audit Committee comprises 3–5 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 2010, the Audit Committee comprised Sirkka Hämäläinen-Lindfors (Chairman), Robert Castrén (Vice Chairman) and Rafaela Seppälä, all independent of the Company. Sirkka Hämäläinen-Lindfors and Robert Castrén are also independent of significant shareholders. The Committee met five times with an average attendance rate of 93%.

HUMAN RESOURCES COMMITTEE

Under its charter, the Human Resources Committee prepares human resource related matters for the Board of Directors. These matters include e.g. the total compensation of President and CEO and certain executive positions (Key Executives) as determined by the Board of Directors, evaluation of the performance of the President and CEO as well as Key Executives, Group compensation policies, Human Resources Policies and practices, 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 3–5 members, appointed annually by the Board of Directors. Majority of the members shall be independent of the Company. The Committee meets at least twice a year.

In 2010, the Committee comprised Jaakko Rauramo (Chairman), Annet Aris (since 8 April 2010, Vice Chairman), Jane Erkko, Paavo Hohti (Vice Chairman until 8 April 2010, member since then) and Seppo Kievari. The majority of the Committee members are independent of the Company. The Committee convened three times during the year with an average attendance rate of 93%.

EDITORIAL COMMITTEE

Under its charter, 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 3–5 members, appointed annually by the Board of Directors. The Committee shall meet as required at the request of the Chairman of the Committee.

In 2010, the Editorial Committee was constituted of Seppo Kievari (Chairman), Jane Erkko (Vice Chairman), Paavo Hohti and Sirkka Hämäläinen-Lindfors. The Committee convened three times, with all members present at the meetings.

President and CEO

The duties of the President and CEO of Sanoma are governed primarily by the Companies Act. The President and CEO assumes independent responsibility for the Group's daily operations, in line with strategic goals and operational plans approved by the Board of Directors and in accordance with general principles confirmed by the Board of Directors.

The person holding this office is in charge of:

- 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 strategic guidelines and goals as well as operational plans approved by the Board of Directors and in accordance with general principles confirmed by the Board of Directors
- preparing decision proposals and matters for discussion 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
- chairing Sanoma's Executive Management Group
- chairing the Boards of Directors of the divisions, unless otherwise specifically agreed.

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.

Hannu Syrjänen was Sanoma's President and CEO until 31 December 2010. On 6 August 2010, Harri-Pekka Kaukonen was appointed President and CEO of the Sanoma Group as of 1 January 2011.

⊕ The curriculum vitae of the President and CEO can be found at Sanoma.com in the Executive Management Group section and his shareholdings in the Insider Register section.

EXECUTIVE MANAGEMENT GROUP

Sanoma's Executive Management Group (EMG) acts as a Board of Directors, the highest decision-making body of the divisions, for the divisions' parent companies except for Sanoma Media, where an Executive Board is in place to act as the Division Board. In addition, the EMG supports the President and CEO in his duties in co-ordinating the Group's management, approving Group-level guidelines and preparing matters to be discussed at Board meetings. Matters addressed by the President and CEO and EMG include the strategic direction of the Group, organisational and management issues, investments exceeding EUR 3.0 million and development projects, operational plans, as well as internal control and risk management systems.

The EMG comprises the President and CEO of Sanoma Group, the divisions' presidents, CFO of the Sanoma Group and CSO 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 and the Group Risk Management 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 Group and division managements 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 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 divisions 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 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 the management of the Group's daily operations and provides support and guidance to the divisions in areas such as finance and administration, legal affairs, strategic development, treasury, ICT, real estate, human resources, and communications.

Each support 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 in the Group intranet in full. In addition, business units may have their own instructions within the set policies and operational guidelines. These instructions are available in 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 assessment and control activities

The main objective of Sanoma's Risk Management Policy is to identify and manage essential risks related to 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, with the support of the EMG, 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 divisions and subsidiaries 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 and currency risks as well as risks related to equity, counterparties and availability of capital.

HAZARD RISKS

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

⊕ Risk categories and corresponding risk mitigation actions are described further in the Risk Management section, p. 76–78, and at Sanoma.com.

Divisions and businesses identify, measure, report and manage the risks related to their operations. Risk coordinators of the Group and the divisions co-ordinate the risk management activities within divisions and at Group level and produce a periodical risk report for the President and CEO and EMG.

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.

Monitoring of financial reporting process

The Group Finance and Control function of Sanoma Corporation prepares and maintains the guidelines and principles related to acquisitions and mergers and other financial reporting in the Sanoma Group. These guidelines are approved by the President and CEO and their purpose is to ensure the accuracy of financial reporting. These control activities on both the Parent Company and divisional 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 divisions' 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 division management are held quarterly. In addition to the division'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.

In 2010, Pekka Pajamo, Authorised Public Accountant, and KPMG Oy Ab, represented by Kai Salli, Authorised Public Accountant, acted as Sanoma's statutory auditors. The statutory audit included acquiring evidence of accuracy of the accounts and other issues presented in the Financial Statements and evaluating the applied accounting principles, material prediction of the management and the material related to the Financial Statements as a whole. The aim of auditing the administration was to determine whether the activities of Sanoma's responsible management were in compliance with the applicable law.

This Corporate Governance Statement is presented as a separate report and disclosed together with the Financial Statements and the report by the Board of Directors on the Company's website at Sanoma.com.

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. He is also responsible for defining changes in the risk reporting process, 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.

Divisions and businesses identify, assess, manage and monitor risks related to the objectives of their operations. Risk coordinators of the Group and the divisions coordinate the risk management process within divisions and at the Group level and produce 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 of 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, p. 72–75, 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 a quarter 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 European 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 the 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 business-to-business customers' behaviour and influence.

Ongoing digitisation is the driving force behind many of these changes. The increased usage of smart phones and the arrival of iPads and other tablets will change the way people consume media. Sanoma is well prepared for this change and has action plans in all its divisions 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 is introducing a new innovation programme in early 2011. It will provide more focus on the Group's innovation efforts and provide tools to accelerate organic growth.

Technological advancements generate new opportunities for new digital business activities for multimedia companies such as Sanoma. Online operations are one of the focus areas in Sanoma's growth strategy. Cross-divisional innovation teams ensure that expertise and best practices are shared within the Group.

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 with respect to 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 also 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 e.g. the strategic reasons for the transactions, 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.

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 '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 division. At the Group level, the most significant risks relate to leadership and human resources, knowledge management as well as to 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 change management and encourages managed risk taking.

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 retaining and recruiting talented personnel and to 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. Even though the principle of independent divisions has been one of the cornerstones of Sanoma's governance model, it is important that information, best practises and successful business concepts are shared within and between divisions.

Sanoma constantly works on making the information flow within the Group as smooth as possible. The transformation of the Group-wide intranet into an electronic desktop solution is one example of actions used in the mitigation of risks related to the knowledge management. Several cross-divisional teams, for example the Future Media Team, Online Execution Team and Innovation Teams that were formed to steer and implement Sanoma's digital strategy are other examples of knowledge sharing within the Sanoma Group.

ICT SYSTEMS

Functioning and reliable ICT systems are integral aspects of the Group's business. These systems include newspaper and magazine subscription, advertising and delivery systems, as well as various production control and customer relations management systems. 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 being updated and it will be launched in 2011. It includes roles and responsibilities also regarding IT security issues.

Financial risks

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

Sanoma manages its long-term financial risks by maintaining a financial structure equivalent to a good credit rating, with the aim of ensuring sources of low cost financing. Meeting this aim is based on close co-operation within the Group, operating with several banks and actively monitoring developments in the financial market. The Group mainly operates in the euro area, which essentially reduces the influence of currency risks. Sanoma may also mitigate financial risks with various financial instruments 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 2010 included about EUR 1.9 billion in goodwill, publishing rights and other intangible assets, most of which is related to magazine operations. 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 2010 totalled EUR 36.7 million (2009: EUR 0.9 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 5 April 2011 at 2:00 pm 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 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 24 March 2011 are welcome to attend the AGM.

Registration

Shareholders wishing to attend and to use their voting rights are kindly requested to register by 4:15 pm Finnish time on Tuesday, 30 March 2011. Registration can be made at Sanoma.com, by phone +358 105 19 5023 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 31 March 2011 at 10:00 am.

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 1.10 per share should be paid for 2010. All shareholders registered on the Company's list of shareholders (maintained by Euroclear Finland Ltd) on the record date of 8 April 2011 are entitled to the dividend decided by the AGM. In Finland, the dividend payment date will be 15 April 2011. 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 2011

The Group's Interim Reports in 2011 will be published:
- Interim Report January–March on Wednesday 3 May, approximately at 11:00 am Finnish time
- Interim Report January–June on Friday 5 August, approximately at 8:30 am Finnish time
- Interim Report January–September on Wednesday 2 November, approximately at 8:30 am Finnish time

The Annual Report, Financial Statements and Interim Reports are available in Finnish and English. Publications can be viewed online at Sanoma.com. A print version of the Annual Report can be ordered or cancelled via email communications@sanoma.com or by phone +358 105 19 5062.

Shareholders can also order or cancel Sanoma's Interim Reports and other releases via email at Sanoma.com.

Silent period

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

CHANGES IN CONTACT INFORMATION

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

ASSESSMENTS REGARDING SANOMA AS AN INVESTMENT OBJECT

According to information held by Sanoma, at least the following analysts publish investor analyses of the company: Carnegie Investment Bank, Crédit Agricole Cheuvreux, Danske Markets, Deutsche Bank, Evli Bank, Exane BNP Paribas, E. Öhman J:or Securities, FIM, Handelsbanken Capital Markets, Nordea, Pohjola Pankki, 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.

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