Financial Statements and Board of Directors' Report for 2013

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Contents

Key indicators

Key indicators, EUR million	2013	2012 *	2011	2010	2009
Net sales **	**2 218.7**	2 376.3	2 378.1	2 761.2	2 767.9
Operating profit before depreciation, amortisation and impairment losses **	**399.7**	506.1	482.2	589.8	362.4
% OF NET SALES	**18.0**	21.3	20.3	21.4	13.1
Operating profit excluding non-recurring items **	**154.9**	231.0	224.1	245.4	229.5
% OF NET SALES	**7.0**	9.7	9.4	8.9	8.3
Non-recurring items **	**-427.2**	-50.0	-51.5	147.3	-34.1
Operating profit **	**-272.3**	181.0	172.6	392.7	195.4
% OF NET SALES	**-12.3**	7.6	7.3	14.2	7.1
Result before taxes **	**-324.7**	105.9	136.3	356.0	161.4
% OF NET SALES	**-14.6**	4.5	5.7	12.9	5.8
Result for the period from continuing operations **	**-332.3**	69.9	78.6	297.3	107.1
% OF NET SALES	**-15.0**	2.9	3.3	10.8	3.9
Result for the period	**-332.3**	149.0	86.0	297.3	107.1
% OF NET SALES	**-15.0**	6.0	3.1	10.8	3.9
Balance sheet total	**3 514.0**	4 019.8	4 328.3	3 203.0	3 106.3
Capital expenditure **	**67.3**	59.5	76.2	85.7	83.4
% OF NET SALES	**3.0**	2.5	3.2	3.1	3.0
Return on equity (ROE), %	**-23.9**	9.7	5.9	23.0	9.2
Return on investment (ROI), %	**-9.3**	8.3	6.8	16.2	8.9
Equity ratio, %	**37.2**	41.3	37.0	45.7	41.4
Net gearing, %	**91.7**	78.7	105.7	63.8	79.4
Interest-bearing liabilities	**1 306.6**	1 408.7	1 727.2	941.9	1 017.7
Non-interest-bearing liabilities	**967.7**	1 034.5	1 077.0	885.1	882.0
Interest-bearing net debt	**1 135.3**	1 241.5	1 611.2	877.9	958.1
Average number of employees (full-time equivalents) **	**10 043**	10 804	11 607	16 016	17 343
Number of emplyees at the end of the period (full-time equivalents) **	**9 597**	10 381	10 960	15 405	16 723
Share indicators					
Earnings/share, EUR, continuing operations **	**-1.97**	0.39	0.47	-	-
Earnings/share, diluted, EUR, continuing operations **	**-1.97**	0.39	0.47	-	-
Earnings/share, EUR	**-1.97**	0.88	0.52	1.85	0.66
Earnings/share, diluted, EUR	**-1.97**	0.88	0.52	1.85	0.66
Earnings/share excluding non-recurring items, EUR	**0.53**	0.77	0.87	0.94	-
Cash flow from operations/share, EUR	**0.76**	1.18	1.68	1.69	1.50
Equity/share, EUR	**5.78**	7.82	7.70	8.42	7.36
Dividend/share, EUR ***	**0.10**	0.60	0.60	1.10	0.80
Dividend payout ratio, % ***	**neg.**	68.4	115.6	59.4	122.0
Market capitalisation, EUR million ****	**1 039.6**	1 211.3	1 443.3	2 628.0	2 536.5
Effective dividend yield, % ***	**1.6**	8.1	6.8	6.8	5.1
P/E ratio	**neg.**	8.5	17.1	8.8	24.0
Adjusted number of shares at the end of the period ****	**162 812 093**	162 812 093	162 812 093	162 810 593	161 816 894
Adjusted average number of shares ****	**162 812 093**	162 812 093	162 810 642	161 863 694	160 968 774
Lowest share price, EUR	**5.28**	5.79	7.83	13.41	8.02
Highest share price, EUR	**8.95**	11.70	17.79	17.07	15.80
Average share price, EUR	**6.79**	8.15	12.30	15.57	11.45
Share price at the end of the period, EUR	**6.39**	7.44	8.87	16.22	15.76
Trading volumes, shares	**54 326 354**	106 129 204	89 486 428	63 477 720	72 078 344
% OF SHARES	**33.4**	65.2	55.0	39.2	44.8

* The figures for 2012 have been restated due to a change in IAS19 'Employee benefits'. The revised standard eliminated the possibility of using the corridor approach in recognising the actuarial gains and losses from defined benefit plans. The revised IAS 19 standard requires the actuarial gains and losses to be recognised immediately in the statement of other comprehensive income. For 2012, the restated total equity has decreased by EUR 52.0 million to EUR 1,576.6 million and the restated operating profit excluding non-recurring items has decreased by EUR 1.3 million to EUR 231.0 million. The key figures for 2011 have not been adjusted.
** The figures for 2012 and 2011 contain only continuing operations. The figures for 2009–2010 include also operations classified as discontinued operations in 2012.
*** Year 2013 proposal of the Board of Directors. In addition, Board decided to propose to the Annual General Meeting that the Board be authorised to decide on the distribution of additional dividend of no more than EUR 0.20 per share.
**** The number of shares in 2011 includes 1,500 interim shares registered on 3 January 2012. Market capitalisation is calculated based on shares registered by 31 December 2011. The number of shares in 2010 includes 789,849 interim shares registered on 10 January 2011. Market capitalisation is calculated based on shares registered by 31 December 2010. The number of shares in 2009 includes 873,236 interim shares registered on 7 January 2010. Market capitalisation is calculated based on shares registered by 31 December 2009. The number of shares does not include treasury shares.

Definitions of key indicators

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

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

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

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

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

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

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

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

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

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

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

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

EBITDA = Operating profit + depreciation, amortisation and impairments

Non-recurring items = Gains/losses on sale, restructuring expenses and impairments that exceed EUR 1 million, and expenses related to the EUR 100 million cost savings programme

Net sales by business

EUR million	1–3/ 2013	4–6/ 2013	7–9/ 2013	10–12/ 2013	**1–12/ 2013**	Restated 1–3/ 2012	Restated 4–6/ 2012	Restated 7–9/ 2012	Restated 10–12/ 2012	**Restated 1–12/ 2012**
Media										
The Netherlands	157.2	184.6	164.7	199.3	**705.8**	171.6	208.1	173.5	207.2	**760.4**
Finland	69.6	73.7	67.5	82.6	**293.4**	77.4	76.7	65.4	82.2	**301.7**
Russia & CEE	42.8	43.9	41.3	45.4	**173.5**	49.0	50.1	46.9	53.5	**199.5**
Belgium	54.3	53.2	50.0	62.6	**220.0**	56.8	54.6	52.9	64.1	**228.3**
Other businesses and eliminations	-0.5	-0.5	-1.0	-0.6	**-2.5**	-0.7	-0.8	-0.6	-0.7	**-2.7**
Total	323.5	354.9	322.5	389.2	**1 390.1**	354.1	388.6	338.1	406.3	**1 487.1**
News										
Helsingin Sanomat	56.3	53.0	50.0	54.0	**213.3**	59.3	56.2	52.2	57.1	**224.9**
Ilta-Sanomat *	20.0	22.7	20.7	22.3	**85.6**	21.2	22.0	20.0	21.1	**84.3**
Other businesses and eliminations	24.8	24.1	21.9	23.7	**94.6**	29.5	28.6	26.1	29.4	**113.5**
Total	101.0	99.8	92.6	100.0	**393.5**	110.0	106.8	98.3	107.6	**422.8**
Learning										
Learning	45.7	103.7	123.0	32.7	**305.1**	34.2	109.3	127.4	35.5	**306.4**
Other businesses	0.0	0.0	0.0	0.0	**0.0**	4.6	1.8	0.0	0.0	**6.5**
Eliminations	0.0	-0.2	0.0	-0.3	**-0.5**	-0.4	0.0	0.0	0.0	**-0.5**
Total	45.7	103.5	123.0	32.4	**304.6**	38.4	111.1	127.4	35.5	**312.4**
Other companies and eliminations	34.9	33.0	30.0	32.7	**130.6**	41.1	40.0	35.6	37.3	**154.0**
Total	505.2	591.2	568.1	554.3	**2 218.7**	543.6	646.5	599.5	586.7	**2 376.3**

* In 2013, the structure of Sanoma News was changed and Taloussanomat is reported as part of Ilta-Sanomat. The comparative figures have not been restated.

Operating profit excluding non-recurring items by segment

EUR million	1–3/ 2013	4–6/ 2013	7–9/ 2013	10–12/ 2013	**1–12/ 2013**	Restated 1–3/ 2012	Restated 4–6/ 2012	Restated 7–9/ 2012	Restated 10–12/ 2012	**Restated 1–12/ 2012**
Media	-1.3	31.8	24.3	28.9	**83.7**	27.0	54.5	23.0	46.9	**151.5**
News	5.9	6.0	7.8	9.4	**29.1**	8.8	5.0	8.3	10.0	**32.2**
Learning	-4.4	35.9	49.6	-24.8	**56.2**	-15.0	46.9	49.4	-22.1	**59.2**
Other companies and eliminations	-3.2	-5.7	-4.8	-0.5	**-14.2**	-5.2	-2.6	-0.9	-3.1	**-11.9**
Total	-3.0	68.0	76.9	13.0	**154.9**	15.6	103.8	79.8	31.8	**231.0**

Operating profit by segment

EUR million	1–3/ 2013	4–6/ 2013	7–9/ 2013	10–12/ 2013	**1–12/ 2013**	Restated 1–3/ 2012	Restated 4–6/ 2012	Restated 7–9/ 2012	Restated 10–12/ 2012	**Restated 1–12/ 2012**
Media	-39.6	9.3	-279.4	6.4	**-303.2**	27.0	51.9	20.3	31.0	**130.2**
News	5.5	1.9	7.7	11.0	**26.0**	8.8	5.0	-1.6	8.0	**20.3**
Learning	-4.4	35.9	25.1	-35.9	**20.6**	-15.0	51.0	45.0	-22.1	**58.9**
Other companies and eliminations	-1.7	-10.1	7.0	-10.9	**-15.7**	-5.2	-9.8	-2.2	-11.2	**-28.5**
Total	-40.2	36.9	-239.6	-29.4	**-272.3**	15.6	98.1	61.5	5.7	**181.0**

Income statement by quarter

EUR million	1–3/ 2013	4–6/ 2013	7–9/ 2013	10–12/ 2013	**1–12/ 2013**	Restated 1–3/ 2012	Restated 4–6/ 2012	Restated 7–9/ 2012	Restated 10–12/ 2012	**Restated 1–12/ 2012**
Net sales	505.2	591.2	568.1	554.3	**2 218.7**	543.6	646.5	599.5	586.7	**2 376.3**
Other operating income	9.4	7.6	19.6	18.6	**55.2**	8.6	19.4	8.7	15.7	**52.5**
Materials and services	-176.3	-194.2	-190.4	-185.0	**-745.9**	-190.0	-212.2	-214.6	-199.6	**-816.3**
Employee benefit expenses	-153.0	-153.8	-141.3	-152.2	**-600.3**	-156.5	-156.8	-145.9	-155.7	**-614.9**
Other operating expenses	-111.7	-120.8	-116.8	-178.8	**-528.1**	-122.4	-118.2	-109.1	-141.8	**-491.5**
Depreciation, amortisation and impairment losses	-113.8	-93.1	-378.8	-86.2	**-672.0**	-67.6	-80.6	-77.2	-99.7	**-325.2**
Operating profit	-40.2	36.9	-239.6	-29.4	**-272.3**	15.6	98.1	61.5	5.7	**181.0**
Share of results in associated companies	0.0	1.3	0.2	-0.3	**1.2**	-16.4	-3.4	2.3	-0.2	**-17.7**
Financial income	6.8	-0.9	2.2	4.4	**12.4**	7.0	4.9	3.3	3.0	**18.2**
Financial expenses	-21.8	-11.8	-17.7	-14.7	**-66.1**	-20.7	-19.1	-17.8	-18.0	**-75.6**
Result before taxes	-55.2	25.6	-255.0	-40.1	**-324.7**	-14.4	80.5	49.4	-9.4	**105.9**
Income taxes	3.4	-2.6	-10.5	2.1	**-7.6**	-3.6	-21.7	-10.6	-0.2	**-36.0**
Result for the period from continuing operations	-51.8	23.0	-265.5	-38.0	**-332.3**	-18.0	58.8	38.8	-9.6	**69.9**
Discontinued operations										
Result for the period from discontinued operations						1.2	78.6	-0.7	0.0	**79.0**
Result for the period	-51.8	23.0	-265.5	-38.0	**-332.3**	-16.8	137.3	38.1	-9.6	**149.0**
Result from continuing operations attributable to:										
Equity holders of the Parent Company	-39.1	21.6	-262.9	-39.5	**-319.8**	-19.2	56.1	37.8	-11.0	**63.7**
Non-controlling interests	-12.7	1.4	-2.6	1.5	**-12.5**	1.2	2.7	0.9	1.4	**6.2**
Result attributable to:										
Equity holders of the Parent Company	-39.1	21.6	-262.9	-39.5	**-319.8**	-18.0	134.7	37.1	-11.0	**142.8**
Non-controlling interests	-12.7	1.4	-2.6	1.5	**-12.5**	1.2	2.6	0.9	1.4	**6.2**
Earnings per share for result attributable to the equity holders of the Parent Company:										
Earnings per share, EUR, continuing operations	-0.24	0.13	-1.61	-0.24	**-1.97**	-0.12	0.34	0.23	-0.07	**0.39**
Diluted earnings per share, EUR, continuing operations	-0.24	0.13	-1.61	-0.24	**-1.97**	-0.12	0.34	0.23	-0.07	**0.39**
Earnings per share, EUR, discontinued operations						0.01	0.48	0.00	0.00	**0.49**
Diluted earnings per share, EUR, discontinued operations						0.01	0.48	0.00	0.00	**0.49**
Earnings per share, EUR	-0.24	0.13	-1.61	-0.24	**-1.97**	-0.11	0.83	0.23	-0.07	**0.88**
Diluted earnings per share, EUR	-0.24	0.13	-1.61	-0.24	**-1.97**	-0.11	0.83	0.23	-0.07	**0.88**

Board of Directors' Report

Group's net sales by type of sales. %	1–12/ 2013	1–12/ 2012
Advertising	**35.1**	36.5
Subscription	**21.7**	20.6
Single copy	**13.6**	14.0
Learning	**13.7**	14.2
Other	**15.9**	14.7
Total Group	**100**	100

Other sales mainly include press distribution and marketing services, language and translation services, custom publishing, event marketing, books and printing services.

Net sales

In 2013, Sanoma's net sales decreased by 6.6% and amounted to EUR 2,218.7 million (2012: EUR 2,376.3 million, 2011: EUR 2,378.1 million). The decrease is mainly due to the continued deterioration in advertising markets and single copy sales. Currency translations did not have a material effect on net sales. When adjusted for changes in the Group structure, net sales decreased by 6.6%.

Advertising sales decreased by 10.0% to EUR 779.6 million (2012: EUR 866.7 million) as a result of weak print advertising markets in major operating countries. Online advertising increased by 2.2%, while TV and radio advertising decreased by 4.6% and print advertising by 20.3%. Circulation sales decreased by 4.6% to EUR 783.9 million (2012: EUR 821.2 million) due to cautious consumer spending.

Group's net sales by country, %	1–12/ 2013	1–12/ 2012
Netherlands	**38.0**	37.6
Finland	**36.8**	36.6
Belgium	**11.4**	11.3
Other EU countries	**10.1**	10.9
Non-EU countries	**3.7**	3.7
Total Group	**100**	100

Result

Sanoma's operating profit excluding non-recurring items in 2013 decreased by 33.0% and totalled EUR 154.9 million (2012: EUR 231.0 million). The decrease is mainly attributable to the continued deterioration in advertising markets and single copy sales.

The operating profit excluding non-recurring items amounted to 7.0% (2012: 9.7%) of net sales. Currency translations did not have a material effect on the result of 2013.

In 2013, the Group's total expenses, excluding non-recurring items, decreased by 5.6%. The cost of sales decreased by 8.5% and fixed costs by 3.4%. Paper costs decreased by 15.6% and employee benefit expenses by 4.5%.

Sanoma's operating profit in 2013 was EUR -272.3 million (2012: EUR 181.0 million, 2011: EUR 172.6 million) or -12.3% (2012: 7.6%, 2011: 7.3%) of net sales.

Operating profit in 2013 included EUR -427.2 million (2012: EUR -50.0 million) of non-recurring items mainly related to impairment charges of goodwill and intangible assets, restructuring expenses as well as sales gains and losses. In 2012, non-recurring items related mainly to impairments of goodwill, restructuring expenses as well as sales gains and losses.

Sanoma's 2013 result included EUR 1.2 million (2012: EUR -17.7 million) profit from associated companies. In 2012, the result from associated companies included a non-recurring loss on the sale of DNA.

Sanoma's net financial items totalled EUR -53.7 million (2012: EUR -57.4 million). Financial income amounted to EUR 12.4 million (2012: EUR 18.2 million), of which EUR 7.7 million were exchange rate gains (2012: EUR 11.6 million). Financial expenses amounted to EUR -66.1 million (2012: EUR -75.6 million), of which EUR -10.0 million were exchange rate losses (2012: EUR -12.6 million). Interest expenses amounted to EUR -45.2 million (2012: EUR -52.9 million). In 2013 financial items included a non-recurring item of EUR -3.7 million related to available-for-sale financial assets.

Result before taxes decreased to EUR -324.7 million (2012: EUR 105.9 million) mainly as a result of non-recurring items and lower operative performance. In 2012 result before taxes included EUR 77.4 million related to a non-recurring gain on the sale of kiosk operations.

Earnings per share were EUR -1.97 (2012: including continuing and discontinued operations EUR 0.88). Earnings per share excluding non-recurring items were EUR 0.53 (2012: EUR 0.77).

Balance sheet and financial position

At the end of 2013, Sanoma's consolidated balance sheet totalled EUR 3,514.0 million (2012: EUR 4,019.8 million). Impairments impacted negatively the balance sheet. In 2013, the Group's cash flow from operations declined to EUR 124.1 million (2012: EUR 192.0 million) as a result of lower profitability and higher TV programme costs. Cash flow from operations per share was EUR 0.76 (2012: EUR 1.18).

Sanoma's equity ratio was 37.2% (2012: 41.3%, 2011: 37.0%) at the end of 2013. The return on equity (ROE) was -23.9% (2012: 9.7%, 2011: 5.9%) and the return on investment (ROI) was -9.3% (2012: 8.3%, 2011: 6.8%). In 2013, the lower underlying performance negatively affected these ratios. Equity declined due to impairments and totalled EUR 1,238.4 million (2012: EUR 1,576.6 million). The equity per share was EUR 5.78 (2012: EUR 7.82). Interest-bearing liabilities at the end of 2013 decreased to EUR 1,306.6 million (2012: EUR 1,408.7 million) following an issue of EUR 100 million hybrid bond. Interest-bearing net debt was EUR 1,135.3 million (2012: EUR 1,241.5 million).

In December 2013, Sanoma issued a EUR 100 million hybrid bond, i.e. capital securities. The proceeds of the hybrid bond were used to pay down debt. The settlement date of the bond was 12 December 2013 and the coupon rate of the bond is 7.25% per annum. The bond has no maturity but the company may exercise an early redemption option after three years.

Investments, acquisitions and divestments

In 2013, investments in tangible and intangible assets, including finance leases, amounted to EUR 67.3 million (2012: EUR 59.5 million). Investments were mainly related to digital business and ICT systems. In the comparable period, ICT systems as well as replacements and renovation accounted for most of the investments. In 2013, Sanoma's business acquisitions totalled EUR 10.0 million (2012: EUR 27.3 million). The impact of acquisitions on the Group's assets and liabilities was minor.

In April, Sanoma announced a divestment of Netinfo assets in Bulgaria. The deal was closed in October. As a result of the transaction, Sanoma recognised a capital loss of EUR -3.3 million.

In June, Sanoma sold the operations of Printcenter. As a result of the transaction, Sanoma recognised a tax-deductible capital loss of EUR -2.1 million.

In June, Sanoma sold its ownership of Helsinki Halli to Hjallis Promotion. The number of shares sold represented 18.1% of the total number of shares. As a result of the transaction, Sanoma recognised a non-taxable capital gain of EUR 1.3 million.

In July, Sanoma sold its ownership of the real estate companies Kiinteistö Oy Bulevardi 12 and Kiinteistö Oy Bulevardi 14. As a result of the transaction, Sanoma recognised a capital gain of EUR 13.0 million.

In August, Sanoma announced a divestment of its Romanian operations. The deal is expected to be closed during the first quarter of 2014.

In August, Sanoma announced a divestment of Sanoma Bliasak Bulgaria. The deal is expected to be closed during the first quarter of 2014.

In October, Sanoma sold its Learning operations in Hungary. As a result of the transaction, Sanoma recognised in 2013 a capital loss of EUR 35.3 million.

In December, Sanoma sold its Serbian operations. As a result of the transaction, Sanoma recognised a capital gain of EUR 0.4 million.

In December, Sanoma announced a divestment of its Czech operations. The deal is expected to be closed in the second quarter of 2014.

Events after the end of 2013

In January 2014, Sanoma sold real estate properties in Vantaa, Finland. The total value of the transactions was around EUR 65 million. As a result of the transaction in Koivuvaara, Sanoma recognised in the fourth quarter of 2013 a non-recurring impairment of EUR -5.6 million to reflect the sales price. The sale of Sanomala will result in a non-recurring capital gain of some EUR 38 million to be recognised in the result of the first quarter 2014.

Change in reporting

Starting from 1 January 2014, Sanoma will consist of two segments, Consumer Media and Learning. Sanoma will report net sales and profitability for three Strategic Business Units: Sanoma Media Netherlands, Sanoma Media Finland and Sanoma Learning. Sanoma Media Belgium and Sanoma Media Russia & CEE will be reported in the category 'Other'.

Group outlook

In 2014, Sanoma expects that the Group's consolidated net sales adjusted for structural changes will decline somewhat compared to 2013. The operating profit margin excluding non-recurring items is estimated to be below previous year's level (2013: 7.0% of net sales).
Sanoma's outlook is based on three major factors:

(1) continued negative pressure on sales and operating profit due to declining print markets and weak economic development in Sanoma's core operating countries,
(2) strong positive impact from our EUR 100 million cost savings programme, and
(3) increased investment levels to fund digital transformation and growth in Consumer Media and the expansion into tutoring and emerging markets in Learning.

Mid-term outlook

Based on the execution of the strategic redesign, Sanoma expects that from 2016 onwards the Group's consolidated net sales will return to organic growth. The operating profit margin excluding non-recurring items is targeted to be around 10% of net sales. Sanoma is targeting for a net debt to EBITDA ratio below 3.5.

Cost savings programme

As a part of streamlining operations and ensuring competitive cost levels, in 2012 Sanoma commenced a three-year, EUR 60 million Group-wide cost savings programme which was extended in October 2013 to EUR 100 million (gross). The full impact of the planned savings is estimated to realise by the end of 2016.

The programme is proceeding according to plan. Related to the programme, around EUR 39 million of non-recurring restructuring expenses have been recognised by the end 2013. The impact of the realised gross cost savings of the programme in 2013 was around EUR 21 million. Savings in the fourth quarter were around EUR 8 million, implying an annual run-rate of around EUR 34 million.

Media

The Media segment in 2013 included magazine, TV, radio and online businesses in 11 European countries and comprised four strategic business units: Sanoma Media Netherlands, Sanoma Media Finland, Sanoma Media Belgium and Sanoma Media Russia & CEE.

Key indicators, EUR million	1–12/ 2013	1–12/ 2012
Net sales	**1 390.1**	1 487.1
Operating profit excluding non-recurring items	**83.7**	151.5
% OF NET SALES	**6.0**	10.2
Operating profit	**-303.2**	130.2
Capital expenditure	**33.8**	30.7
Return on investment (ROI), %	**-12.1**	4.2
Number of employees at the end of the period (full-time equivalents) *	**5 218**	5 718
Average number of employees (full-time equivalents) *	**5 439**	5 772

* In 2013, the number of employees does not include 106 employees due to a shift from Media Finland to News. The comparable FTE figure for Media was 5,324 at the end of 2013.

Circulation sales growth, %	1–12/2013 vs. 1–12/2012		
	Subscription	Single copy	Total circulation
Media Netherlands	-6	-11	**-7**
Media Finland	0	-5	**-1**
of which Magazines	-4	-8	**-4**
Media Belgium	+8	-4	**-1**
Media Russia & CEE	-5	-15	**-13**
Total Media segment	**-3**	**-9**	**-6**

Advertising sales growth, %	1–12/2013 vs. 1–12/2012			
	Print	Online	TV & Radio	Total advertising
Media Netherlands	-25	-1	-8	**-9**
Media Finland	-15	+18	0	**-2**
Media Belgium	-20	-2	+2	**-11**
Media Russia & CEE	-18	0	+4	**-12**
Total Media segment	**-20**	**+1**	**-5**	**-8**

In 2013, the Media segment's net sales decreased by 6.5% to EUR 1,390.1 million (2012: EUR 1,487.1 million). The decline was mainly attributable to lower print advertising and single copy sales. Adjusted for structural changes, net sales decreased by 7.1%.

The segment's advertising sales decreased by 8.5% due to weak print advertising markets, and represented 43.7% (2012: 44.7%) of the segment's net sales in 2013. The segment's print circulation sales decreased by 4.7% driven by lower single copy sales and represented 43.6% (2012: 43.2%) of the segment's net sales in 2013.

In Sanoma Media Netherlands, net sales decreased by 7.2% to EUR 705.8 million (2012: EUR 760.4 million) as a result of continued deterioration in advertising and circulation sales. Advertising sales represented 44.5% (2012: 45.6%) of the Dutch net sales. Sanoma estimates that the advertising market in the Netherlands decreased on a net basis in TV by around 3%, in consumer magazines by around 17%, and in online excluding search by some 3% in 2013. Circulation sales represented 42.6% (2012: 42.7%) of the Dutch net sales.

In Sanoma Media Finland, net sales decreased by 2.8% to EUR 293.4 million (2012: EUR 301.7 million) mainly due to lower print advertising sales. Advertising sales represented 44.4% (2012: 44.0%) of the Finnish net sales. According to TNS Gallup Adex, the advertising market in Finland decreased on a net basis in magazines by some 13% and in TV by around 2%, whereas advertising in online excluding search increased by around 6% in 2013. Circulation sales represented 45.6% (2012: 44.8%) of the Finnish net sales.

Net sales in Sanoma Media Belgium decreased by 3.7% to EUR 220.0 million (2012: EUR 228.3 million) due to weak print advertising sales. Advertising sales represented 30.9% (2012: 33.5%) of the segment's net sales. Sanoma estimates that the advertising market in Belgium decreased on a net basis in TV by around 7%, in consumer magazines by some 17%, and in online excluding search by around 1% in 2013. Circulation sales represented 51.0% (2012: 49.7%) of net sales.

In Sanoma Media Russia & CEE, net sales decreased by 13.0% to EUR 173.5 million (2012: EUR 199.5 million) due to divestments as well as continued pressure on advertising and circulation sales. In total, advertising sales represented 55.3% (2012: 54.5%) of net sales in the Sanoma Media Russia & CEE strategic business unit. Circulation sales represented 34.5% (2012: 34.3%) of net sales. Service and product portfolios are optimised according to their future development potential as well as to reflect changes in the market environment.

In the Media segment, operating profit excluding non-recurring items decreased by 44.8% to EUR 83.7 million (2012: EUR 151.5 million) as weak sales development was not off-set by cost savings.

Non-recurring items included in the operating profit totalled EUR -386.9 million (2012: EUR -21.2 million) and included impairments of goodwill and intangibles, restructuring expenses and losses on sales of assets. In the comparable year, non-recurring items were related to restructuring expenses, impairments of goodwill and intangible assets as well as loss on the sale of an asset.

Media's investments in tangible and intangible assets totalled EUR 33.8 million (2012: EUR 30.7 million) and consisted mainly of ICT investments for business support and digital developments. In 2013 there were no significant acquisitions. In 2012, the most significant acquisition were the online retail group Read & View in the Netherlands, three commercial radio stations in Finland and the content marketing company HeadOffice in Belgium.

News

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

Key indicators, EUR million	1–12/ 2013	1–12/ 2012
Net sales	**393.5**	422.8
Operating profit excluding non-recurring items	**29.1**	32.2
% OF NET SALES	**7.4**	7.6
Operating profit	**26.0**	20.3
Capital expenditure	**14.7**	11.0
Return on investment (ROI), %	**11.6**	9.2
Number of employees at the end of the period (full-time equivalents) *	**1 949**	1 928
Average number of employees (full-time equivalents) *	**2 015**	2 055

* In 2013, the number of employees includes 106 employees due to a shift from Media Finland to News. The comparable FTE figure for News was 1,843 at the end of 2013.

Circulation sales growth, %	1–12/2013 vs. 1–12/2012		
	Subscription	Single copy	**Total circulation**
Total News segment	-3	-7	**-4**

Advertising sales growth, %	1–12/2013 vs. 1–12/2012		
	Print	Online	**Total advertising**
Total News segment	-20	+8	**-14**

In 2013, the News segment's net sales decreased by 6.9% to EUR 393.5 million (2012: EUR 422.8 million). The underlying macro-economic uncertainty adversely impacts the advertising market, particularly printed recruitment advertising. Structural changes did not impact net sales.

Circulation sales decreased by 4.1% due to cautious consumer spending and accounted for 45.2% (2012: 43.9%) of the segment's net sales. Advertising sales decreased by 14.3% as a result of weak print advertising market and represented 44.6% (2012: 48.4%) of the segment's net sales. Mobile and tablet advertising sales more than doubled during 2013.

According to TNS Gallup Adex, the net newspaper advertising market in Finland decreased by about 16% in 2013. Online advertising (net) included in the statistics was up by some 6%.

The Helsingin Sanomat business unit's net sales decreased by 5.2% as growth in online and mobile advertising could not off-set the decline in print advertising. The underlying macro-economic uncertainty affected recruitment advertising sales in particular. Advertising sales represented 49.3% (2012: 47.6%) of the business unit's net sales.

The Ilta-Sanomat business unit's net sales increased by 1.6% as growth in digital more than compensated the decline in print. Advertising sales represented 35.1% (2012: 29.8%) of the business unit's net sales. Ilta-Sanomat tabloid continued to strengthen its market leadership and the market share was 60.3% (2012: 59.2%) of the tabloid newsstand market in 2013.

Net sales from other publishing operations decreased by 16.1% due to weak advertising sales.

News' operating profit excluding non-recurring items decreased by 9.4% to EUR 29.1 million (2012: EUR 32.2 million) mainly due to the lower result of the Helsingin Sanomat business unit. Operating profit excluding non-recurring items included as well a one-off positive compensation of around EUR 4 million regarding an ICT system.

Non-recurring items included in the operating profit totalled EUR -3.1 million (2012: EUR -11.9 million) and were related to restructuring costs and a compensation on an ICT system. In the comparable year, non-recurring items were related to an ICT system and restructuring costs.

News' investments in tangible and intangible assets totalled EUR 14.7 million (2012: EUR 11.0 million), and consisted mainly of investments in digital business, ICT and replacement investment in printing. There were no material acquisitions in 2013 or in the comparable year.

Learning

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

Key indicators, EUR million	1–12/ 2013	1–12/ 2012
Net sales	**304.6**	312.4
Operating profit excluding non-recurring items	**56.2**	59.2
% OF NET SALES	**18.5**	19.0
Operating profit	**20.6**	58.9
Capital expenditure	**14.3**	7.3
Return on investment (ROI), %	**4.0**	11.2
Number of employees at the end of the period (full-time equivalents)	**1 564**	1 735
Average number of employees (full-time equivalents)	**1 699**	1 832

In 2013, the Learning segment's net sales decreased by 2.5% to EUR 304.6 million (2012: EUR 312.4 million), mainly related to structural changes. Adjusted for structural changes, net sales decreased by 0.6%. Learning operations in Hungary were sold on in October 2013. The divestment is related to a long period of adverse conditions in the Hungarian education market. In 2013 net sales in Hungary were EUR 13 million. Underlying sales development was positive in almost all countries of operations.

Learning segment's operating profit excluding non-recurring items decreased by 5.1% to EUR 56.2 million (2012: EUR 59.6 million) mainly due to lower net sales and the launch of tutoring service StudySteps in the Netherlands and Belgium. Non-recurring items included in the operating profit totalled EUR -35.7 million (2012: EUR -0.3 million) mainly consisting of a EUR -35.3 million loss on the sale of Hungarian NTK.

Learning's investments in tangible and intangible assets totalled EUR 14.3 million (2012: EUR 7.3 million). They comprised mainly of investment in digital platforms ICT. There were no material acquisitions in 2013. The most significant transaction in the comparable year was the acquisition of the testing and examination company Bureau ICE.

Personnel

In 2013, the average number of personnel (FTE) employed by the Sanoma Group was 10,043 (2012: 10,804, 2011: 11,607). In full-time equivalents, the number of Group employees at the end of 2013 was 9,597 (2012: 10,381, 2011: 10,960). Divestments and restructuring decreased the number of personnel. In full-time equivalents, the Media segment had 5,218 (2012: 5,718) employees at the end of 2013 and the News segment 1,949 (2012: 1,928). In 2013, the number of employees of the News segment includes 106 employees due to a shift from Media to News. The comparable FTE figure for Media was 5,324 and for News 1,843 at the end of 2013. The Learning segment had 1,564 (2012: 1,735) and other operations 866 (2012: 1,000) employees (FTE) at the end of 2013.

Wages, salaries and fees to Sanoma's employees in 2013, including the expense recognition of share based payments, amounted to EUR 478.7 million (2012: EUR 517.6 million, 2011: EUR 549.7 million).

Dividend

On 31 December 2013, Sanoma Corporation's distributable funds were EUR 538.8 million, of which profit for the year made up EUR 57.2 million.

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

- a dividend of EUR 0.10 per share, or in total an estimated EUR 16.3 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 521.9 million.

In addition, Board decided to propose to the Annual General Meeting that the Board be authorised to decide on the distribution of additional dividend of no more than EUR 0.20 per share.

In accordance with the Annual General Meeting's decision in April 2013, Sanoma paid out a per-share dividend of EUR 0.60 for 2012. Sanoma conducts an active dividend policy and primarily distributes over half of the Group result excluding non-recurring items for the period in dividends.

Corporate Governance

For more information on Sanoma's Corporate Governance, please see the Corporate Governance Statement, pp. 78–82.

Shares and holdings

In 2013, 54,326,354 (2012: 106,129,204) Sanoma shares were traded on the NASDAQ OMX Helsinki and traded shares accounted for some 33% (2012: 65%) of the average number of shares. Sanoma's NASDAQ OMX Helsinki stock exchange turnover was EUR 368.8 million (2012: EUR 851.7 million). Sanoma's shares traded on the NASDAQ OMX Helsinki corresponded to around 70% (2012: 64%) of the total traded share volume on stock exchanges.

During 2013, the volume-weighted average price of a Sanoma share on the NASDAQ OMX Helsinki was EUR 6.79, with a low of EUR 5.28 and a high of EUR 8.95. At the end of the year, Sanoma's market capitalisation was EUR 1.0 billion (2012: EUR 1.2 billion), with Sanoma's share closing at EUR 6.39 (2012: EUR 7.44).

At the end of 2013, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 162,812,093.

For more information on Sanoma's shares and shareholders, stock options and management ownership, see the Shares and shareholders section of the Financial Statements, pp. 66–72 as well as Notes 23 and 33 of the Financial Statements. For key indicators, see p. 4 of the Financial Statements.

Board of Directors, auditors and management

The AGM held on 3 April 2013 confirmed the number of Sanoma's Board members as ten. Board member Antti Herlin was re-elected and Anne Brunila, Mika Ihamuotila and Robin Langenskiöld were elected as new Board Members. Antti Herlin was elected as Chairman of the Board and Sakari Tamminen as Vice Chairman. The Board of Directors of Sanoma consists of Antti Herlin (Chairman), Sakari Tamminen (Vice Chairman), and Annet Aris, Anne Brunila, Jane Erkko, Mika Ihamuotila, Robin Langenskiöld, Nancy McKinstry, Rafaela Seppälä and Kai Öistämö as members.

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

From the end of 2013, the Executive Management Group (EMG) comprises: Harri-Pekka Kaukonen (President and CEO of the Sanoma Group, chairman of the EMG), Jacqueline Cuthbert (CHRO), Jacques Eijkens (CEO, Sanoma Learning), Kim Ignatius (CFO), John Martin (CEO, Sanoma Digital, will move to Sanoma Learning during the first quarter of 2014), Peter de Mönnink (CEO, Sanoma Media Netherlands as of 1 January 2014), Heike Rosener (CEO, Sanoma Media Russia & CEE) and Pekka Soini (CEO, Sanoma Media Finland).

On September 27, Sanoma announced that Peter de Mönnink, has been appointed CEO of Sanoma Media Netherlands as of 1 January 2014. Dick Molman stepped down on 1 November 2013.

On October 8, Sanoma announced that CEO of Sanoma News, Pekka Soini has been appointed CEO of the new company Sanoma Media Finland that was established 1 January 2014 by the merger of Sanoma's Finnish media operations. The former CEO of the strategic business unit Sanoma Media Finland, Anu Nissinen, stayed in her role until the end of the year.

On October 31, Sanoma announced that John Martin, CEO of Sanoma Digital, has been appointed as CEO of Sanoma Learning. Jacques Eijkens, the current CEO of Sanoma Learning, will step down in the first quarter of 2014 to make room for his successor.

On December 16, Sanoma announced that Aimé van Hecke, CEO of Sanoma Media Belgium stepped down. Sanoma Media Belgium is currently led by Hans Cools who is not a member of the EMG.

Board authorisations

The AGM held on 3 April 2013 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 2016. The Board of Directors is authorised to grant a maximum of 5,000,000 stock options as part of the Company's incentive programme. In a directed share issue, a maximum of 41,000,000 shares can be issued or transferred.

The AGM held on 3 April 2013 authorised the Board to decide on the repurchase of maximum of 16,000,000 Company's own shares. The authorisation is effective until 30 June 2014 and terminates the corresponding authorisation granted by the AGM on 3 April 2012. These shares can be purchased with the Company's unrestricted shareholders' equity, and the repurchases will reduce the funds available for distribution of profits. The shares can be repurchased to develop the Company's capital structure, carry out or finance potential corporate acquisitions or other business arrangements, to be used as a part of the Company's incentive programme or to be otherwise conveyed further, retained as treasury shares, or cancelled. The shares can be repurchased either through a tender offer made to all shareholders on equal terms or in a proportion other than that of the current shareholders at the market price of the repurchase moment on the NASDAQ OMX Helsinki Ltd.

The Board of Directors did not excercise these rights during 2013.

Seasonal fluctuation

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

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

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

Significant risks and uncertainty factors

The most significant risks and uncertainty factors Sanoma currently faces are described in the Financial Statements (pp. 83–85) and on the Group's website at Sanoma.com, together with the Group's main principles of risk management. Many of the identified risks relate to changes in customer preferences. The driving force behind these changes is the on-going digitisation process. Sanoma takes actions in all its strategic business units to respond to this challenge.

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

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

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

Sanoma's consolidated balance sheet includes about EUR 2.6 billion in goodwill, publishing rights and other intangible assets. Most of this is related to magazine and TV operations. In accordance with IFRS, instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. Major changes in business fundamentals could lead to further impairment.

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

Consolidated income statement

Continuing operations, EUR million	Note	1.1–31.12.2013	Restated * 1.1–31.12.2012
Net sales	2, 6	**2 218.7**	2 376.3
Other operating income	7	**55.2**	52.5
Materials and services		**-745.9**	-816.3
Employee benefit expenses	8, 23, 33	**-600.3**	-614.9
Other operating expenses	9	**-528.1**	-491.5
Depreciation, amortisation and impairment losses	13–15	**-672.0**	-325.2
Operating profit		**-272.3**	181.0
Share of results in associated companies	16	**1.2**	-17.7
Financial income	10	**12.4**	18.2
Financial expenses	10	**-66.1**	-75.6
Result before taxes		**-324.7**	105.9
Income taxes	11	**-7.6**	-36.0
Result for the period from continuing operations		**-332.3**	69.9
Discontinued operations			
Result for the period from discontinued operations	4		79.0
Result for the period		**-332.3**	149.0
Result from continuing operations attributable to:			
Equity holders of the Parent Company		**-319.8**	63.7
Non-controlling interests		**-12.5**	6.2
Result attributable to:			
Equity holders of the Parent Company		**-319.8**	142.8
Non-controlling interests		**-12.5**	6.2
Earnings per share for result attributable to the equity holders of the Parent Company:	12		
Earnings per share, EUR, continuing operations		**-1.97**	0.39
Diluted earnings per share, EUR, continuing operations		**-1.97**	0.39
Earnings per share, EUR, discontinued operations			0.49
Diluted earnings per share, EUR, discontinued operations			0.49
Earnings per share, EUR		**-1.97**	0.88
Diluted earnings per share, EUR		**-1.97**	0.88

Statement of comprehensive income

EUR million	Note	1.1–31.12.2013	Restated * 1.1–31.12.2012
Result for the period		**-332.3**	149.0
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Change in translation differences		**-18.6**	23.4
Reclassification of foreign currency differences on loss of significant influence		**4.7**	
Cash flow hedges	29	**7.4**	0.9
Income tax related to cash flow hedges		**-1.9**	-0.2
Items that will not be reclassified to profit or loss			
Defined benefit plans		**-3.9**	-61.0
Income tax related to defined benefit plans		**0.9**	15.6
Other comprehensive income for the period, net of tax		**-11.4**	-21.3
Total comprehensive income for the period		**-343.7**	127.7
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**-331.2**	121.4
Non-controlling interests		**-12.5**	6.2

* Comparable figures have been restated due to a change in IAS 19 Employee benefits.

Consolidated balance sheet

EUR million	Note	31.12.2013	Restated ** 31.12.2012 *	Restated ** 1.1.2012 *
ASSETS				
Non-current assets				
Property, plant and equipment	7, 13	**151.7**	283.4	343.6
Investment property	7, 14	**12.4**	12.0	5.8
Goodwill	15	**1 964.5**	2 307.6	2 316.2
Other intangible assets	15	**641.6**	700.2	709.8
Interests in associated companies	16	**5.9**	8.1	219.3
Available-for-sale financial assets	17	**4.6**	8.0	15.4
Deferred tax receivables	11	**41.2**	40.0	27.1
Trade and other receivables	8, 18	**17.9**	15.4	28.1
Non-current assets, total		**2 839.7**	3 374.8	3 665.3
Current assets				
Inventories	19	**53.0**	66.2	96.8
Income tax receivables		**4.9**	27.1	12.5
Trade and other receivables	20	**353.4**	384.1	418.4
Available-for-sale financial assets	17	**0.3**	0.3	0.3
Cash and cash equivalents	21	**171.2**	167.2	116.0
Current assets, total		**582.8**	645.0	644.0
Assets classified as held for sale	4	**91.4**		
ASSETS, TOTAL		**3 514.0**	4 019.8	4 309.3
EQUITY AND LIABILITIES				
Equity	22, 23			
Equity attributable to the equity holders of the Parent Company				
Share capital		**71.3**	71.3	71.3
Fund for invested unrestricted equity		**203.3**	203.3	203.3
Other reserves		**-2.6**	-8.0	-8.7
Translation differences		**-36.4**	-22.5	-46.0
Retained earnings		**606.6**	1 029.3	1 028.7
Hybrid loan		**99.1**		
		941.3	1 273.4	1 248.5
Non-controlling interests		**297.1**	303.2	270.3
Equity, total		**1 238.4**	1 576.6	1 518.8
Non-current liabilities				
Deferred tax liabilities	11	**109.2**	137.5	142.1
Pension obligations	8	**63.1**	50.4	7.6
Provisions	24	**4.3**	4.1	6.3
Financial liabilities	25	**764.0**	942.2	1 101.2
Trade and other payables	26	**37.2**	44.9	38.9
Non-current liabilities, total		**977.8**	1 179.1	1 296.1
Current liabilities				
Provisions	24	**19.4**	13.0	15.3
Financial liabilities	25	**542.5**	466.5	626.0
Income tax liabilities		**9.3**	27.4	27.4
Trade and other payables	26	**725.3**	757.1	825.8
Current liabilities, total		**1 296.5**	1 264.1	1 494.5
Liabilities related to assets held for sale	4	**1.3**		
LIABILITIES, TOTAL		**2 275.6**	2 443.2	2 790.5
EQUITY AND LIABILITIES, TOTAL		**3 514.0**	4 019.8	4 309.3

In 2013, the properties of Sanomala and Sanomatalo as well as the real estate company Ärrävaara were classified as assets held for sale.
* Includes operations classified as discontinued operations in 2012.
** Comparable figures have been restated due to a change in IAS 19 Employee benefits.

Changes in consolidated equity

EUR million	Equity attributable to the equity holders of the Parent Company									
	Note	Share capital	Fund for invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling interests	Equity, total
Equity at 31 Dec 2011	22	**71.3**	**203.3**	**-8.7**	**-46.0**	**1 034.0**		**1 253.9**	**270.3**	**1 524.2**
Effect of IAS 19 on 1 Jan 2012						-5.4		-5.4		-5.4
Equity at 1 Jan 2012		**71.3**	**203.3**	**-8.7**	**-46.0**	**1 028.6**		**1 248.5**	**270.3**	**1 518.8**
Profit for the period						142.8		142.8	6.2	148.9
Other comprehensive income				0.7	23.4	-45.4		-21.3		-21.3
Total comprehensive income				**0.7**	**23.4**	**97.3**		**121.4**	**6.2**	**127.7**
Share-based compensation	23					2.6		2.6		2.6
Dividends paid						-97.7		-97.7	-0.4	-98.1
Total transactions with owners of the company						**-95.1**		**-95.1**	**-0.4**	**-95.5**
Change in non-controlling interests						-1.5		-1.5	27.2	25.7
Total change in ownership interest						**-1.5**		**-1.5**	**27.2**	**25.7**
Equity at 31 Dec 2012		**71.3**	**203.3**	**-8.0**	**-22.5**	**1 029.3**		**1 273.4**	**303.2**	**1 576.6**
Equity at 1 Jan 2013	22	**71.3**	**203.3**	**-8.0**	**-22.5**	**1 029.3**		**1 273.4**	**303.2**	**1 576.6**
Profit for the period						-319.8		-319.8	-12.5	-332.3
Other comprehensive income				5.4	-13.8	-3.0		-11.4		-11.4
Total comprehensive income				**5.4**	**-13.8**	**-322.8**		**-331.2**	**-12.5**	**-343.7**
Share-based compensation	23					1.6		1.6		1.6
Dividends paid						-97.7		-97.7	-0.2	-97.8
Total transactions with owners of the company						**-96.1**		**-96.1**	**-0.2**	**-96.1**
Acquisitions and other changes in non-controlling interests						0.3		0.3	6.5	6.8
Total change in ownership interest						**0.3**		**0.3**	**6.5**	**6.8**
Issuance of hybrid bond							99.1	99.1		99.1
Recognition of unpaid dividends						0.6		0.6		0.6
Reclassification of foreign currency differences on loss of significant influence						-4.7		-4.7		-4.7
Equity at 31 Dec 2013		**71.3**	**203.3**	**-2.6**	**-36.4**	**606.6**	**99.1**	**941.3**	**297.1**	**1 238.4**

Consolidated cash flow statement

EUR million	Note	1.1–31.12.2013	Restated ** 1.1–31.12.2012 *
Operations			
Result for the period		**-332.3**	149.0
Adjustments			
Income taxes	11	**7.6**	36.7
Financial expenses	10	**66.1**	75.6
Financial income	10	**-12.4**	-18.2
Share of results in associated companies	16	**-1.2**	17.7
Depreciation, amortisation and impairment losses		**672.0**	327.8
Gains/losses on sales of non-current assets		**22.7**	-79.6
Acquisitions of broadcasting rights and prepublication costs		**-233.6**	-207.4
Other adjustments		**1.6**	-3.9
Change in working capital			
Change in trade and other receivables		**7.9**	1.1
Change in inventories		**10.3**	5.4
Change in trade and other payables, and provisions		**-1.7**	-18.0
Interest paid		**-48.5**	-35.7
Other financial items		**-4.3**	-9.2
Taxes paid		**-30.2**	-49.2
Cash flow from operations		**124.1**	**192.0**
Investments			
Acquisition of tangible and intangible assets		**-67.8**	-63.5
Operations acquired	5	**-11.5**	-25.5
Associated companies acquired		**-2.7**	-0.1
Acquisition of other holdings		**-0.4**	-0.2
Sales of tangible and intangible assets		**19.1**	16.4
Operations sold	4, 5	**27.6**	115.2
Associated companies sold		**5.7**	192.7
Sales of other companies		**0.0**	9.3
Loans granted		**-7.8**	-9.2
Repayments of loan receivables		**6.3**	8.1
Interest received		**3.5**	3.7
Dividends received		**1.0**	5.5
Cash flow from investments		**-27.0**	252.4
Cash flow before financing		**97.1**	444.4
Financing			
Proceed from issuance of hybrid bond		**99.1**	
Contribution by non-controlling interests		**5.8**	26.6
Change in loans with short maturity		**89.7**	-32.3
Drawings of other loans		**43.0**	1 103.0
Repayments of other loans		**-221.6**	-1 465.1
Payment of finance lease liabilities		**-0.8**	-0.9
Dividends paid		**-97.8**	-98.1
Cash flow from financing		**-82.8**	-466.9
Change in cash and cash equivalents according to cash flow statement		**14.4**	-22.5
Effect of exchange rate differences on cash and cash equivalents		**-2.6**	2.0
Net increase(+)/decrease(-) in cash and cash equivalents		**11.8**	-20.4
Cash and cash equivalents at 1 Jan		**73.1**	93.5
Cash and cash equivalents at 31 Dec	21	**84.8**	73.1

Cash and cash equivalents in the cash flow statement include cash and cash equivalents less bank overdrafts.
* Includes operations classified as discontinued operations in 2012.
** Comparable figures have been restated due to a change in IAS 19 Employee benefits.

Notes to the consolidated financial statements

1. Accounting policies for consolidated financial statements

Corporate information

The Sanoma Group comprised six Strategic Business Units ('SBU') in 2013: Sanoma News, Sanoma Media Belgium, Sanoma Media Finland, Sanoma Media Netherlands, Sanoma Media Russia & CEE and Sanoma Learning. In 2013, Sanoma ('Sanoma Group' or the 'Group') reported in three segments: Media, News and Learning. Media is one of the leading media producers with its magazines, custom media, events, websites, mobile sites, apps and TV operations. News is the leading newspaper publisher in Finland and a digital media producer. Learning is a significant European provider of learning materials and solutions. Sanoma has operations in more than 10 countries.

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

On 6 February 2014, Sanoma's Board of Directors approved these financial statements to be disclosed. In accordance with the Finnish Limited Liability Companies Act, the shareholders can either adopt or reject the financial statements in the Annual General Meeting held after the disclosure. The AGM can also resolve to amend the financial statements.

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

Basis of preparation of financial statements

Sanoma has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) while adhering to related IAS and IFRS standards, effective at 31 December 2013, 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 Finnish Limited Liability Companies Act.

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.

Applied new and amended standards

The Group has applied the following new standards, interpretations and amendments to standards and interpretations as of 1 January 2013:

- Amendment to IAS 1 *Presentation of Financial Statements*. According to the amendment the items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss. The amendment has an impact on presentation of other comprehensive income.
- Amendment to IAS 19 *Employee benefits*. Sanoma has adopted the revised IAS 19 Employee Benefits standard as of 1 January 2013. The revised standard eliminates the possibility of using the corridor approach in recognising the actuarial gains and losses from defined benefit plans. The revised IAS 19 standard requires the actuarial gains and losses to be recognised immediately in the statement of other comprehensive income. This change in accounting principles leads to faster recognition of actuarial gains and losses and higher volatility of equity than the corridor approach. As a result of the change the Group now determines the net interest expense on the net defined benefit plan by applying the discount rate used to measure the defined benefit. The change in accounting principles has been applied retrospectively as of 1 January 2012. The impact on comparison figures presented in the comprehensive income statement, balance sheet and cash flow statement are shown in the following tables.

STATEMENT OF COMPREHENSIVE INCOME

Continuing operations, EUR million	1–12/2012
Employee benefit expenses	-1.3
Operating profit	-1.3
Income taxes	0.3
Result for the period from continuing operations	-1.0
Defined benefit plans	-61.0
Income tax related to defined benefit plans	15.6
Total comprehensive income for the period	-46.4

CONSOLIDATED BALANCE SHEET

EUR million	1.1.2012	31.12.2012
ASSETS		
Pension assets	-16.2	-33.0
Deferred tax receivables	-2.8	11.2
ASSETS, TOTAL	-19.0	-21.8
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the equity holders of the Parent Company		
Other reserves		-45.4
Other equity	-5.4	-6.4
Non-controlling interest		-0.2
Equity, total	-5.4	-52.0
Deferred tax liabilities	-4.1	-6.1
Pension obligations	-9.5	36.3
LIABILITIES, TOTAL	-13.6	30.2
EQUITY AND LIABILITIES, TOTAL	-19.0	-21.8

CONSOLIDATED CASH FLOW STATEMENT

EUR million	1–12/2012
Cash flow before the change in working capital	-1.3
Change in working capital	1.3
Cash flow from operations	0.0

- Amendments to IFRS 7 *Financial Instruments: Disclosures*. The amended standard requires the reporting entity to disclose information in order to judge the impact of netting arrangements on the balance sheet of the reporting company. The required disclosures shall be presented retrospectively. This amendment has no impact on Sanoma's consolidated financial statements.
- IFRS 13 *Fair value measurement*. The standard sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurement. The standard extends the disclosures on fair values.

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

Preparing the financial statements in accordance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. During the preparation of the financial statements, such estimates were used when making calculations for impairment testing of goodwill, allocating acquisition cost of acquired businesses and determining the estimated useful lives for property, plant and equipment and intangible assets, for example. In addition, management judgement is used when determining the valuation of deferred taxes as well as defined benefit 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 discussed later in the accounting policies and notes to the financial statements. Other uncertainties related to management judgement are presented, as applicable, in the notes in question.

Consolidation principles

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

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

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

Sanoma uses the acquisition method when accounting for acquisitions. The 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 version of IFRS 3 standard effective as at the acquisition date.

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

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

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

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

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

Foreign currency items

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

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

The gains and losses resulting from the foreign currency transactions and translating the monetary items are recognised in income statement. The exchange rate gains and losses are reported 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) are translated into euro using the average exchange rates quoted for the financial period and balance sheets using the exchange rate quoted on the balance sheet date. The profit for the period being translated into euro by different currency rates in the comprehensive income statement and balance sheet results in a translation difference in equity. The change in translation difference is recognised in other comprehensive income.

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

Translation differences recorded before 1 January 2004 are included 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 accounted for in euro.

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

Government grants

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

Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount is recovered principally through a sale rather than through continuing use and a sale is considered highly probable. Such assets are stated at the lower of carrying amount and fair value less costs to sell. Non-current assets held for sale are no longer depreciated.

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

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

The result for the period of discontinued operations is presented as a separate item in the consolidated income statement.

Goodwill and other intangible assets

Acquired subsidiaries are consolidated using the acquisition method, whereby the cost is allocated to the acquired assets and liabilities assumed at their fair value on the date of acquisition. Goodwill represents the excess of the 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 but it is tested for impairment annually at the minimum.

The identifiable intangible assets are recognised separately from goodwill if the assets fulfil the related recognition – 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 their expected useful lives. Intangible assets for which the expected useful lives cannot be determined are not amortised but they are subject to an annual impairment testing. In Sanoma, expected useful lives can principally be determined for intangible rights. The useful life cannot be determined for some publishing rights. With regard to the acquisition of new assets, the Group assesses the expected useful life of the intangible right, for example, in light of historical data and market position, and determines the useful life on the basis of the best knowledge available on the assessment date.

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

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

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

Amortisation is calculated using the straight-line method. Recognising amortisation is discontinued when an intangible asset is classified as held for sale.

Goodwill and other intangible assets are described in more detail in Note 15.

Impairment testing

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

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

If the recoverable amount of an intangible asset has changed due to a change in the key expectations, previously recognised impairment losses are reversed. 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 15.

* A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups of assets.

Property, plant and equipment

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

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

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

Depreciation is calculated using the straight-line method. Land areas are not depreciated. Recognising depreciation is discontinued when the property, plant and equipment is classified as held for sale.

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

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

Investment property

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

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

Other investments in property and housing companies

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

Leases

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

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

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

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

Inventories

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

Financial assets

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

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

Loans and other receivables are assets with a fixed or defined series of payments. These assets are unlisted and not held for trading. These assets are measured at amortised cost and they are presented as current or non-current financial assets. Trade receivables are carried at the expected realisable value. An impairment on trade receivables is recorded when there is objective 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 Group's intention is to hold the investment for less than 12 months from the balance sheet date. All non-current investments held by the Group are classified as available-for-sale and mainly consist of a number of assets not related to business operations. Sanoma's available-for-sale financial assets do not contain publicly traded investments, and the fair value of these investments cannot be reliably measured. These assets are thus carried at cost. Investments do not have any material effect on the consolidated balance sheet.

Cash and cash equivalents

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

Financial liabilities

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

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

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

Hybrid bond

A hybrid bond is a bond that is subordinated to the company's other debt instruments but senior to other equity instruments. The interest on a hybrid loan is paid if the Group will pay a dividend. If a dividend is not paid, the Group decides separately on whether to pay the interest. Unpaid interest accumulates. Hybrid loan holders have no control over the Group and no right to vote at shareholders' meetings.

Derivatives and hedge accounting

Sanoma may use derivative instruments, such as forward currency exchange contracts and interest rate swaps, in order to hedge against fluctuations in exchange rates and interest rates. The Group applies hedge accounting to the major part of the interest rate swaps and they have been accounted for as cash flow hedges. The Group also has interest rate swaps for which hedge accounting is not applied. The

Group uses forward currency exchange contracts which are not hedge-accounted.

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

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

⊕ The risk management principles of financial risks are presented in more detailed in Note 29.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are divided into three levels in the fair value hierarchy. In level 1, fair values are based on quoted prices in active markets. In level 2, fair values are based on valuation models for which all inputs are observable, either directly or indirectly. For assets and liabilities in level 3, the fair values are based on input data that is not based on observable market data.

Income taxes

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

Deferred tax assets and liabilities are recorded principally on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates effective on the balance sheet date. Changes in the applicable 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 value measurement of assets acquired in business combinations.

Provisions

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

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

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

Share-based payments

Sanoma has adopted in 2013 the Performance Share Plan replacing Sanoma's option schemes, under which no new option grants will be made. Vesting is subject to meeting Group's performance targets set by the Board of Directors for annually commencing new plans. The possible reward is paid as a combination of shares and cash. The reward's cash component is dedicated to cover taxes and tax-related costs. In jurisdictions where shares cannot be granted, the possible reward is paid fully in cash.

The fair value for the equity settled portion has been determined at grant using the fair value of Sanoma share as of the grant date less the expected dividends paid before possible share delivery. The fair value for the cash settled portion is remeasured at each reporting date until the possible reward payment. The fair value of the liability will thus change in accordance with the Sanoma share price. The fair value is charged to personnel expenses until vesting.

Stock option schemes continue to run until their respective expiration dates.

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

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

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

⊕ A more detailed description of the share-based payments is provided in Note 23.

Revenue recognition

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

Research and development expenditure

Research expenditure is expensed as incurred.

Development expenditure refers to costs that an entity incurs with the aim of developing new products or services for sale, or fundamentally improving the features of its existing products or services, as well as extending its business. Development expenses are mainly incurred before the entity begins to make use of the new product/service for commercial or profitable purposes. Development expenditure is either expensed as incurred or recorded as other intangible asset if it meets the recognition criteria.

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 the TyEL insurance policies (based on the Finnish Employees' Pensions Act), the Group also has pension funds in Finland responsible for the statutory pension cover for certain Group companies, as well as for supplementary pension schemes. The Group's foreign units employ both defined benefit and defined contribution schemes, and the related pension cover is managed by both pension funds and insurance companies.

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

The present value of the Sanoma Group's obligation of defined benefit plans is determined separately for each scheme using the projected unit credit method. Within the defined benefit plan, pension obligations or pension assets represent the present value of future pension payments less the fair value of the plan assets and 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. The duration of corporate or government bonds corresponds essentially the duration of the pension obligation. 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.

Remeasurements of the net defined benefit liability are recognised immediately in other comprehensive income.

IFRS standards and amendments to be applied later

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.

- IFRS 10 *Consolidated Financial Statements* (Effective in the EU for annual periods beginning on or after 1 January 2014). The standard retains control as the single basis for consolidation. The standard gives additional guidance for defining the controlling party in more complex circumstances. The EU has adopted the new standard.
- IFRS 11 *Joint Arrangements* (Effective in the EU for annual periods beginning on or after 1 January 2014). According to the standard, the rights and obligations of the arrangement are more decisive in defining the accounting treatment of the arrangement than the legal format of the arrangement. IFRS 11 establishes two types of joint arrangement: joint operations and joint ventures. The standard permits only the equity method in consolidation of joint ventures, and the proportional consolidation method is not allowed any longer. Currently, Sanoma uses the proportional consolidation method according to IAS 31, in which a proportion of income statement and balance sheet are consolidated line by line to Sanoma's consolidated financial statements. Changing to IFRS 11 will reduce 2013 consolidated net sales approximately EUR 131 million and increase 2013 operating profit approximately EUR 18 million. The share in result of joint ventures will be presented as part of operating profit. The balance sheet total at 31 December 2013 will decrease some EUR 775 million and total equity will reduce approximately EUR 56 million. The EU has adopted the new standard.
- IFRS 12 *Disclosures of Interest in Other Entities* (Effective in the EU for annual periods beginning on or after 1 January 2014). The standard combines the disclosure requirements for an entity's interest in subsidiaries, joint arrangements, associated and structured entities and other off balance sheet entities. The revised standard will extend the notes the Group presents concerning its interests in other entities. The EU has adopted the new standard.
- IAS 27 (revised 2011) *Separate Financial Statements* (Effective in the EU for annual periods beginning on or after 1 January 2014). The revised standard contains the current guidance for separate financial statement that remained after transferring items related to control and consolidation to IFRS 10. The EU has adopted the revised standard.
- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* (Effective in the EU for annual periods beginning on or after 1 January 2014). The revised standard contains the requirements for consolidating associated companied and joint ventures using the equity method as a result of the issuance of IFRS 11. The EU has adopted the revised standard.
- Amendments to IAS 32 *Financial instruments: Presentation* (effective for periods beginning on or after 1 January 2014). These amendments clarify the requirements of the regulations governing offsetting of financial assets and liabilities. The amended standard shall be applied retrospectively. These amendments will not have any impact on the Group's financial statements. The amended standard has been adopted by the EU.
- IFRS 9 *Financial Instruments* and changes there to (effective date still open). IFRS 9 is the first phase of the project which targets to replacing IAS 39 with a new standard. IFRS 9 retains the valuation methods, but they have been simplified. The standard includes guidance on the classification and measurement of financial liabilities. The EU has not yet adopted the new standard.
- Amendments to IAS 36 *Impairment of Assets, Recoverable Amount Disclosures for Non-Financial Assets* (effective for periods beginning on or after 1 January 2014). The amendment clarifies the disclosure requirements relating to those cash-generating units, which were subject to impairment charges. The EU has adopted the amended standard.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting* (effective for periods beginning on or after 1 January 2014). The amendment concerns the conditions of hedge accounting in situations when the derivative contract is transferred to a so called central counterparty. As a consequence of the change in the standard, the hedge accounting can be applied in those situations if certain conditions are fulfilled. The amended standard has not been adopted by the EU.
- IFRIC 21 *Levies* (effective for periods beginning on or after 1 January 2014). The interpretation covers the accounting treatment of a liability arising from a public contribution. The interpretation has no effect on Sanoma's consolidated financial statements. The interpretation has not been adopted by the EU.
- Amendments to IAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for financial years beginning on or after 1 July 2014). The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits.
- Annual Improvements to IFRSs (2011–2013 cycle and 2010–2012 cycle, December 2013) (effective for financial years beginning on or after 1 July 2014). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011–2013 cycle) and seven (2010–2012 cycle) standards.

2. Operating segments

In 2013, the Group included three reportable segments: Media, News and Learning. The segmentation is based on business model and product differences. Media is responsible for magazines and TV operations. News is responsible for newspapers in Finland. Both segments also have a great variety of online and mobile services. Learning's business is mainly B2B business.

Starting from 1 January 2014, the Group will consist of two segments: Consumer Media and Learning and three strategic business units: Sanoma Media Netherlands, Sanoma Media Finland and Sanoma Learning.

Media

In 2013, the Media segment included magazine, TV, radio and online businesses in 11 European countries and comprised four strategic business units: Sanoma Media Netherlands, Sanoma Media Finland, Sanoma Media Belgium and Sanoma Media Russia & CEE.

News

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

Learning

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

Unallocated/eliminations

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

Segments 2013, EUR million	Media	News	Learning	Unallocated / Eliminations	Continuing operations	Discontinued operations	Consolidated
External net sales	1 386.9	392.0	304.5	135.4	2 218.7		2 218.7
Internal net sales	3.2	1.5	0.0	-4.8			
Net sales	1 390.1	393.5	304.6	130.6	2 218.7		2 218.7
Depreciation, amortisation and impairment losses *	-595.4	-20.5	-37.1	-18.9	-672.0		-672.0
Operating profit	-303.2	26.0	20.6	-15.7	-272.3		-272.3
Operating profit excluding non-recurring items	83.7	29.1	56.2	-14.2	154.9		154.9
Share of results in associated companies	-0.3	0.2	0.0	1.3	1.2		1.2
Financial income				12.4	12.4		12.4
Financial expenses				-66.1	-66.1		-66.1
Profit before taxes					-324.7		-324.7
Capital expenditure	33.8	14.7	14.3	4.4	67.3		67.3
Goodwill	1 607.4	75.5	271.4	10.3			1 964.5
Interests in associated companies	3.3	1.8	0.6	0.1			5.9
Segment assets	2 428.0	285.8	455.9	107.2			3 276.8
Other assets							237.1
Total assets							3 514.0
Segment liabilities	579.6	123.1	103.4	44.5			850.5
Other liabilities							1 425.1
Total liabilities							2 275.6
Cash flow from operations	58.3	50.9	46.3	-31.3			124.1
Average number of employees (full-time equivalents)	5 439	2 015	1 699	890	10 043		10 043

* Includes a EUR -309.6 million impairment in the Sanoma Netherlands in the Media segment.
* Includes a EUR -15.3 million impairment in the Sanoma Belgium in the Media segment.
* Includes a EUR -24.4 million impairment in the Russia & CEE in the Media segment.

Segments 2012, EUR million	Media	News	Learning	Unallocated / Eliminations	Continuing operations	Discontinued operations	Consolidated
External net sales	1 484.3	422.1	311.6	157.7	2 375.8	116.4	2 492.2
Internal net sales	2.8	0.7	0.8	-3.7	0.6	1.5	
Net sales	1 487.1	422.8	312.4	154.0	2 376.3	117.9	2 492.2
Depreciation, amortisation and impairment losses *	-224.3	-31.4	-37.0	-32.5	-325.2	-2.6	-327.8
Operating profit	130.2	20.3	58.9	-28.5	181.0	79.7	260.7
Operating profit excluding non-recurring items	151.5	32.2	59.2	-11.9	231.0	2.3	233.3
Share of results in associated companies	-18.8	0.5	0.0	0.7	-17.7		-17.7
Financial income				18.2	18.2	0.1	18.2
Financial expenses				-75.6	-75.6	-0.1	-75.6
Profit before taxes					105.9	79.7	185.6
Capital expenditure	30.7	11.0	7.3	10.5	59.5	2.3	61.8
Goodwill	1 928.5	75.8	291.6	11.7			2 307.6
Interests in associated companies	1.0	1.9	1.0	4.3			8.1
Segment assets	2 810.0	295.8	489.5	172.2			3 767.3
Other assets							252.5
Total assets							4 019.8
Segment liabilities	591.6	107.1	102.4	68.3			869.5
Other liabilities							1 573.6
Total liabilities							2 443.2
Cash flow from operations	119.5	39.4	45.0	-11.9			192.0
Average number of employees (full-time equivalents)	5 772	2 055	1 832	1 145	10 804	932	11 736

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

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

Information about geographical areas 2013, EUR million	Finland	The Netherlands	Other EU countries	Non-EU countries	Eliminations	Continuing operations	Discontinued operations	Group
External net sales	816.1	842.3	478.4	82.0	0.0	2 218.7		2 218.7
Non-current assets	345.9	1 943.3	401.0	94.5	0.0			2 784.7

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

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

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

3. Non-recurring items

Non-recurring items in operating profit, EUR million	2013	2012
Media		
Impairment of goodwill and intangible assets (The Netherlands)	-309.6	
Impairment of intangible assets (Belgium)	-15.3	
Impairment of goodwill and intangible assets (Russia & CEE)	-24.4	-6.0
Restructuring expenses	-28.4	-14.2
Loss on sale (Netinfo, Bulgaria)	-3.3	
Loss on sale (Adria Media Ljubljana, Slovenia)		-1.1
Impairment of Czech operations	-6.3	
Loss on sale (Serbia)	0.4	
News		
Compensation related to an ICT system	3.2	
Impairment of intangible assets		-9.9
Restructuring expenses	-6.3	-2.0
Learning		
Change in contingent consideration (ICE Bureau, the Netherlands)	1.1	
Tax claim (Poland)	-1.5	
Loss on sale (NTK Educational Holding, Hungary)	-35.3	
Restructuring expenses (Poland)		-4.4
Gain on sale (Esmerk, Finland)		5.7
Restructuring expenses		-1.6
Other companies		
Impairment of Koivuvaara	-5.6	
Gain on sale of building area in Koivuvaara	1.7	
Loss on sale of Printcenter and other operations	-2.4	
Gain on sale (Bulevardi 12 and 14)	10.7	
Gain on sale (Uudenmaankatu shares)	2.3	
Income related to Keimola Area		4.5
Impairment of goodwill		-11.6
Restructuring expenses	-5.8	-2.0
Other impairments	-2.5	-7.5
Total	-427.2	-50.0

Non-recurring items in results in associated companies, EUR million	2013	2012
Media		
Loss on sale (DNA)		-19.3
Impairment of share in Hungarian associated company		-1.2
Gain on sale (Hansaprint)		3.0
Other companies		
Gain on sale (Helsinki Halli)	1.3	
Total	1.3	-17.5

Non-recurring items in financial expenses, EUR million	2013	2012
Impairment losses on available-for-sale investments	-3.7	
Total	-3.7	0.0

Non-recurring items in discontinued operations, EUR million	2013	2012
Gain on sale (Kiosk operations and Baltic bookstores and press distribution)		77.4
Total		77.4

4. Non-current assets held for sale and discontinued operations

Non-current assets held for sale

Sanomala properties located in Martinlaakso, Vantaa, Sanomatalo as well as real estate company Kiinteistö Oy Ärrävaara, were classified as held for sale on 31 December 2013.

The assets and liabilities classified as held for sale are presented in the following tables.

Assets classified as held for sale, EUR million	31.12.2013
Property, plant and equipment	91.2
Other intangible assets	0.2
Trade and other receivables	0.0
Total	**91.4**

Liabilities related to assets held for sale, EUR million	31.12.2013
Deferred tax liabilities	1.1
Income taxes	0.0
Trade and other payables	0.2
Total	**1.3**

Kiinteistö Oy Ärrävaara was booked on 31 December 2013 at fair value. The fair value is lower than the book value and is based on the contract that was concluded in January 2014.

Discontinued operations

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

EUR million	1.1–4.5.2012
DISCONTINUED OPERATIONS	
Net sales	117.9
Other operating income	7.7
Materials and services	-84.8
Employee benefit expenses	-22.1
Other operating expenses	-13.7
Depreciation, amortisation and impairment losses	-2.6
Operating profit	2.3
Financial income	0.1
Financial expenses	-0.1
Result before taxes	2.2
Income taxes	-0.6
Result for kiosk operations and Baltic press distribution	1.6
Result of divesting kiosk operations and Baltic press distribution	77.5
Tax impact of the divestment	
RESULT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	79.0
Cash flows of kiosk operations and Baltic press distribution	
Cash flow from operating actitivites	1.6
Cash flow from investing activities	-1.7
Cashflow from financing activites	8.9
Net change in cash and cash equivalents	8.8

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

5. Acquisitions and divestments

Impact of business acquisitions on Group's assets and liabilities, EUR million	2013	2012
Tangible assets	**0.1**	2.3
Intangible assets	**5.4**	10.3
Other non-current assets	**0.0**	2.9
Inventories		0.8
Other current assets	**2.6**	8.4
Assets, total	**8.2**	24.8
Non-current liabilities	**-1.2**	-12.3
Current liabilities	**-2.9**	-8.4
Liabilities, total	**-4.1**	-20.7
Net assets	**4.0**	4.1
Acquisition cost	**10.0**	27.3
Change in goodwill	**6.0**	23.2

Cash flow from operations acquired, EUR million	2013	2012
Acquisition costs recognised during the financial year	**10.0**	27.3
Cash and cash equivalents of acquired operations	**-1.2**	-2.6
Decrease (+) / increase (-) in acquisition liabilities	**2.6**	0.7
Cash flow from operations acquired	**11.5**	25.5

Acquisitions in 2013

In 2013, Sanoma's invested EUR 10.0 million (2012: EUR 27.3 million) in business acquisitions. The impact of the acquisitions on the Group's net sales, operating profit or assets and liabilities was minor.

In January, Sanoma Media Netherlands increased its ownership in the Dutch joint venture Hemels from 71% to 100% and in September in the joint venture No Search from 55% to 100%.

Acquisitions in 2012

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

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

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

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

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

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

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

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

Divestments in 2013

Impact of divestments on Group's assets and liabilities, EUR million	2013
Non-current assets	**57.0**
Inventories	**3.0**
Other current assets	**15.1**
Assets, total	**75.1**
Non-current liabilities	**-7.6**
Current liabilities	**-9.5**
Liabilities, total	**-17.2**
Net assets	**57.9**
Sales price	**29.0**
Net result from sale of operations	**-29.0**

Cash flow from sale of operations, EUR million	2013
Sales price	**29.0**
Cash and cash equivalents of divested operations	**-1.1**
Decrease (+) / increase (-) in receivables from divestment	**-0.4**
Cash flow from disposals	**27.6**

In 2013, Sanoma continued the strategy to focus its operations and divest selected ownerships. In June, Sanoma sold the operations of Printcenter in Vaajakoski. In July, Sanoma sold its ownership in real estate companies Kiinteistö Oy Bulevardi 12 and Kiinteistö Oy Bulevardi 14 to a private real estate developer. As a result of the transaction, Sanoma recognised a non-recurring capital gain of EUR 13.0 million.

In October, Sanoma Learning sold its learning operations, NTK Educational Holding, in Hungary to a consortium of members of the management team. In 2012, the net sales of NTK Educational Holding totalled some EUR 21 million. As a result of the transaction, Sanoma recognised a non-recurring capital loss of EUR 35.3 million.

In October, Sanoma completed the sale of Bulgarian content and email service provider Netinfo.

In December, Sanoma Media Russia & CEE and its partners Gruner + Jahr and Styria Media sold their joint venture Adria Media Serbia.

Divestments in 2012

In 2012, Sanoma sold the kiosk operations in Finland, Lithuania and Estonia as well as its press distribution operations in Estonia and Lithuania. These operations were classified as discontinued operations and the divestment is described more in detail in Note 4 Non-current assets held for sale and discontinued operations.

Other divestments during the year 2012 had non-significant impacts. Sanoma Learning closed the divestment of Sanoma's book logistics company Porvoon Kirjakeskus in March. In the transaction Sanoma sold the entire share capital of Porvoon Kirjakeskus to Bonnier Books Finland. In June, Sanoma Learning sold its business information services company Esmerk to M-Brain. In December, Adria Media Holding, of which Sanoma Media Russia & CEE owned 50%, sold its entire 75% stake in Adria Media Ljubljana to the management of the company. This transaction marked the departure of Sanoma from the Slovenian market.

6. Net sales

Distribution of net sales between goods and services, EUR million	2013	2012
Sale of goods	**1 074.6**	1 149.1
Sale of services	**1 144.1**	1 227.2
Total	**2 218.7**	2 376.3

The sale of goods includes sales of magazines, newspapers and books as well as sale of other physical items.

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

7. Other operating income

Other operating income, EUR million	2013	2012
Gains on sale of property, plant and equipment	**3.4**	2.5
Gains on sale of intangible assets	**1.2**	1.5
Gains on sale of Group companies and operations	**11.7**	5.2
Gains on sale of associated companies	**0.0**	0.1
Gains on sale of investment property	**2.3**	4.5
Rental income from investment property	**0.6**	0.6
Other rental income	**4.1**	5.3
Government grants	**0.7**	1.0
Other	**31.1**	31.9
Total	**55.2**	52.5

In 2013, gains on sale of Group companies and operations included gain on sale of ownership in real estate companies Kiinteistö Oy Bulevardi 12 and Kiinteistö Oy Bulevardi 14 to a private real estate developer.

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

⊕ More information on investment property can be found in Note 14.

8. Employee benefit expenses

Emplyee benefit expenses, EUR million	2013	2012
Wages, salaries and fees	**-476.7**	-497.3
Expense recognition of granted options	**-1.3**	-2.6
Equity-settled share-based payments	**-0.3**	
Cash-settled share-based payments	**-0.4**	
Pension costs, defined contribution plans	**-45.2**	-49.8
Pension costs, defined benefit plans	**-22.9**	-10.3
Other social expenses	**-53.4**	-54.8
Total	**-600.3**	-614.9

Wages, salaries and other compensations for key management are presented in Note 33. Share-based payments are described in Note 23.

Post-employment benefits

The Group applied as of 1 January 2013 revised IAS 19 standard. The effects of applying the standard are presented in the Accounting policies in chapter 'Applied new and amended standards'.

The Sanoma Group has various schemes for personnel's pension cover that comprise both defined contribution and defined benefit pension plans. Pension schemes are arranged in accordance with local requirements and legislation. The majority of the pension plans are of defined contribution structure, where the employer contribution and resulting income charge is fixed at a set level or is set at a percentage of employee's pay. Contributions made to defined contribution pension plans and charged to the income statement totalled EUR 45.2 million (2012: EUR 49.8 million). Within the Sanoma Group, there are several defined benefit pension plans. The most significant plans comprise around 95% of the present value of obligations accrued to date and relate to the Netherlands and Finland.

The Netherlands

The defined benefit plans provided by the Sanoma Group in the Netherlands are statutory plans in accordance with the rules and requirement of the Collective Labor Agreement. The benefits comprise old-age, disability and surviving dependent pensions.

In the Netherlands, the Group contributes to the following main post-employment defined benefit plans.

- A final salary pension plan that applies to employees in service before 1 January 2009 (the plan is a closed plan). The plan entitles a retired employee to receive a monthly pension payment based on the employee's final salary minus a social security offset. Normal retirement age is 65. Besides the employer's contribution, employees also contribute based on a fixed percentage of the pension base.
- An average salary pension plan that applies to employees in service on or after 1 January 2009. The plan entitles a retired employee to receive a monthly pension payment based on the employee's average salary over the years of service minus a social security offset. Normal retirement age is 65. Besides the employer's contribution, employees also contribute based on a fixed percentage of the pension base.
- Other pension plans. These mainly relate to early retirement plans that apply to certain employees who were born before 1 January 1950 and who were a participant in the plan at 31 December 2005. Early retirement age is 63. Monthly prepension payment is based on the employee's final salary. Besides the employer's contribution, employees also contribute based on a fixed percentage of the pension base. Employees participating in this plan and in service at 30 June 2002, receive a supplementary payment if certain conditions are met.

In these notes the Dutch defined benefit pension plans have been disclosed aggregated on the basis that these plans are not exposed to materially different risks.

The Dutch defined benefit plans are administered by a single pension fund that is legally separated from the Group. The pension fund is governed by a board that is responsible for the operation of the pension fund and empowered to decide on such fundamental aspects as the level and structure of the benefits and the fund's investment strategy. The board is composed of employer and employee representatives. An independent supervisory board composed of representatives of active and retired employee, has an advisory and monitoring role towards the board and can also make proposals to the board.

The defined benefit pension plans are insured by the pension fund. The assets of the pension fund are managed by an external party, based on the investment policy determined by the pension fund's board.

On a periodical basis, the board of the Dutch pension fund sets out its strategic investment policy. The strategic investment policy is based on the most recent Asset-Liability Matching (ALM) study performed by the pension fund's external investment advisor and on any other policy-supporting studies. The latest ALM study was done in 2011. Based on that study the pension fund's board set-out an investments policy whereby the funding ratio determines the percentage available for the risk budget and the percentage to be held as defense policy for the funding ratio. The risk budget determines which risk may be taken with the investment policy. A lower funding ratio implies a lower risk budget.

In order to achieve its investment goals, the pension fund holds investments in the following investment categories:

- Fixed rate bonds, government bonds, corporate bonds and interest derivatives
- Equities
- Commodities
- Real estate
- Cash and cash-equivalents

On an annual basis the board organises an investment day during which the strategic investment policy is laid down in an investment plan based on the advises of external experts. The 2013 investment plan defines an asset mix comprising 60–88% fixed rate bonds, 13–27% equity securities, 0–2.5% commodities/private equity, 0–5% real estate and 0–5% cash and cash-equivalents.

The Dutch defined benefit Pension Plans are fully funded by the employers (Group's subsidiaries) and the employees with minimum required funding rules. Employee's contributions are based on a fixed percentage of the pension base. The employer's funding requirements are based on the pension fund's actuarial measurement framework as set out in the funding policies of the pension plans. Funding of all plans is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. In case of insufficient pension reserves, the contribution by the employer shall be based on the cost-effective premium (without premium cushion).

Through the Dutch defined benefit plan, the Sanoma Group is exposed to a number of risks, the most significant of which are detailed below:

- Solvency risk. The most important short-term risk for the pension fund is the risk that the pension fund would not be able to fulfil its pension obligation. The solvency is measured based on actuarial valuations in accordance with the general and statutory rules set-out by the supervising authorities. For this purpose a short-term recovery plan was filed by the pension fund to the Dutch national bank on 31 March 2009. This recovery plan is based on a five year recovery term based on which employers will perform recovery payments over that period if needed (depending on the funding ratio). The plan ended 31 December 2013.
- The interest risk is managed by ensuring that the interest coverage in the investment portfolio amounts to 55–65%, based on the investment plan 2013.
- Currency risk. The currency risk on equities is managed by spreading the investments over a broad region as well as spreading those over broad classes of industries.
- The longevity risk is managed by using the AG generational table 2012–2062 with adequate correction for experience mortality that is part of the actuarial assumptions used for calculating the pension obligations and its funding.

There is no unconditional opportunity for the Sanoma Group to recover a surplus from the Dutch pension fund. A reduction in future contributions is possible only if the funding ratio exceeds a very high percentage which is not deemed likely to occur within a long period of time.

Finland

In addition to TyEL insurance policies, 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 pension schemes arranged by pension funds are classified as defined benefit plans.

The pension funds are final average pay plans, and the benefits comprise old-age, disability and surviving dependent pensions.

Pension plans entitle a retired employee to receive a monthly pension payment based on the employee's final average salary. Normal retirement age is 65, but can be lower in certain cases.

The Finnish defined benefit plans are administered by pension funds that are legally separated from the Group. The pension funds are governed by a board, which is composed of employee and employer representatives. The board appoints the delegate for the pension fund, who is also a member of the board.

The boards of the Finnish pension funds set out on annual basis the strategic investment policy and plan. The Investment Committee of the Sanoma Group is assisting the boards and delegates of the pension funds. Pension funds are entitled to use external asset manager who is authorised to do investments in accordance with the investment policy. The investments are allocated mainly to instruments, which have quoted prices in active markets, like listed shares, bonds and investment funds.

Finnish voluntary defined benefit pension plans are fully and statutory pension plans partially funded.

The risks in Finnish pension plans are mainly related to investment operations and the adequacy of the pension liability. The pension liability may prove insufficient if the related insurance portfolio essentially differs from that of other pension institutions and the average lifetime exceeds the calculated assumption. A pension expense development forecast has been prepared for the pension fund in aid of risk management. The actuary of the pension fund is responsible for the solvency of the pension liability. The pension fund's key risks in investment operations include the interest rate risk, stock market risk, credit risk, currency risk and liquidity risk. Risks related to various asset classes are managed through the effective distribution of investments between asset classes. Liquidity risks are managed by making investments that can be converted into cash very rapidly.

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 Sanoma Group recognised total defined benefit costs related to all pension plans as follows:

Pension costs recognised in the income statement, EUR million	**2013**	2012
Current service costs	**17.1**	11.7
Net interest	**1.3**	-1.9
Past service cost	**4.6**	0.7
Effect of curtailments and settlements	**-1.3**	-1.1
Administration costs	**1.2**	0.8
Total	**22.9**	10.3

The remeasurement components recognised in the statement of other comprehensive income (OCI) for the Group's defined benefit plans comprise the following:

Pension costs recognised in the statement of OCI, EUR million	**2013**	2012
Gains/losses arising from demographic assumptions	**-3.8**	-3.7
Gains/losses arising from financial assumptions	**-140.4**	-133.7
Experience adjustments	**29.4**	0.7
Return on plan assets excluding interest income	**49.9**	52.8
The effect of asset ceiling		22.6
Total	**-64.9**	-61.3

Per year-end the net pension liability can be specified as follows:

Pension liabilities and pension assets in the balance sheet, EUR million	**2013**	2012
Pension liabilities	**63.1**	50.4
Pension assets	**4.0**	0.8
Net liability total	**59.0**	49.6

The reconciliation from the opening balances to the closing balances for the net pension liability and its components is presented in the following table.

EUR million	Defined benefit obligation	Fair value of plan assets	The effect of asset ceiling	Total
1 Dec 2012	508.0	-531.0	22.6	-0.4
Current year service cost	11.7			11.7
Interest cost/income	24.1	-26.0		-1.9
Past service cost	0.7			0.7
Effect of curtailments and settlements	-0.7	-0.2		-0.9
Administration cost		0.8		0.8
	35.8	-25.4		10.4
Remeasurement of the net defined benefit liability:				
Gains/losses arising from demographic assumptions	3.7			3.7
Gains/losses arising from financial assumptions	133.7			133.7
Experience adjustments	-0.7			-0.7
Return on plan assets excluding interest income		-52.8		-52.8
Changes in asset ceiling			-22.6	-22.6
	136.7	-52.8	-22.6	61.3
Acquisitions and disposals	0.3	-0.3		0.0
Contributions by the employer		-21.8		-21.8
Contributions by plan participants	3.4	-3.4		0.0
Benefits paid from funds	-17.6	17.6		
31 Dec 2012	**666.6**	**-617.0**	**0.0**	**49.6**
1 Dec 2013	**666.6**	**-617.0**		**49.6**
Current year service cost	17.1			17.1
Interest cost/income	23.4	-22.1		1.3
Past service cost	4.6			4.6
Effect of curtailments and settlements	-1.6	0.4		-1.3
Administration cost		1.2		1.2
	43.5	-20.6		22.9
Remeasurement of the net defined benefit liability:				
Gains/losses arising from demographic assumptions	0.1			0.1
Gains/losses arising from financial assumptions	7.3			7.3
Experience adjustments	-6.2			-6.2
Return on plan assets excluding interest income		2.5		2.5
	1.2	2.5		3.7
Contributions by the employer		-17.4		-17.4
Contributions by plan participants	3.5	-3.5		
Benefits paid from funds	-18.7	18.7		
31 Dec 2013	**696.1**	**-637.1**		**59.0**

A breakdown of net defined benefit liability and the split between countries is shown below.

Net defined benefit pension liabilities in the balance sheet 2013, EUR million	Netherlands	Finland	Other	Total
Present value of funded obligations	499.1	161.2	35.8	696.1
Fair value of plan assets	-451.3	-160.7	-25.1	-637.1
Total	**47.8**	**0.5**	**10.8**	**59.0**

Net defined benefit pension liabilities in the balance sheet 2012, EUR million	Netherlands	Finland	Other	Total
Present value of funded obligations	471.9	161.1	33.7	666.6
Fair value of plan assets	-440.2	-153.6	-23.3	-617.0
Total	31.7	7.5	10.4	49.6

The Sanoma Group's estimated contributions to the defined benefit plans for 2014 are about EUR 14.6 million.

Plan assets by major categories, %	2013	2012
Equity instruments	**26.1**	23.9
Bonds and debentures	**65.3**	67.8
Properties	**1.0**	1.1
Other items	**5.9**	5.5
Cash	**1.5**	1.5
Total	**100.0**	100.0

The fair value of plan assets included investments in Sanoma shares totalling EUR 4.0 million (2012: EUR 4.8 million). None of the properties included in the plan assets are occupied by the Group.

Equity instruments in the Netherlands and Finland consist mainly of investment funds and have quoted prices in active markets. In the Netherlands all government bonds are rated AAA and corporate bonds are investments grade bonds with limited credit risk. The investment in emerging market debt and global high yield imply a credit risk. By participating in an investments fund, the credit risk per debtor is limited.

Principal actuarial assumptions at 31 Dec *	2013	2012
Discount rate, %	**3.5**	3.6
Expected future salary increase, %	**3.4**	3.5
Expected future pension increases, %	**2.0**	2.0

* Expressed as weighted averages

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligations at the reporting date were as follows:

Longevities at 31 Dec, years	2013
Longevity at age 65 for current pensioners	
Males	**21.4**
Females	**24.4**
Longevity at age 65 for current members aged 45	
Males	**23.0**
Females	**25.5**

The weighted average duration of the defined benefit obligation at 31 December 2013 was 19.7 years.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the percentages shown below.

Sensitivity analysis at 31 Dec 2013, %	Increase	Decrease
Discount rate (0.5% movement)	-6.1	7.1
Expected future salary increase (0.5% movement)	1.0	-1.3
Expected future pension increases (0.5% movement)	6.4	-5.7
Future mortality (1 year movement)	1.2	-1.2

9. Other operating expenses

Other operating expenses, EUR million	2013	2012
Losses on sales	**-41.3**	-2.3
Operating costs of investment property	**-0.2**	-0.1
Rents	**-47.6**	-47.8
Advertising and marketing	**-153.8**	-164.4
Office and ICT expenses	**-89.0**	-87.8
Other	**-196.2**	-189.2
Total	**-528.1**	-491.5

Losses on sales are presented in Note 3 Non-recurring items.

Research and development expenditure recorded as expenses amounted to EUR 0.5 million (2012: EUR 0.4 million).

Audit fees, EUR million	2013	2012
Statutory audit	**-1.6**	-1.6
Certificates and statements	**-0.2**	-0.1
Tax counselling	**-0.1**	-0.0
Other services	**-0.7**	-0.2
Total	**-2.6**	-1.9

In 2013, 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.

10. Financial items

Financial items, EUR million	2013	2012
Dividend income from available-for-sale financial assets	**0.7**	0.9
Interest income from loans and receivables	**3.4**	3.7
Capital gains of available-for-sale investments		1.8
Forward currency exchange contracts, no hedge accounting, change in fair value		1.4
Exchange rate gains	**7.7**	10.2
Other financial income	**0.6**	0.1
Financial income total	**12.4**	18.2
Interest expenses from financial liabilities measured at amortised cost	**-47.2**	-50.3
Interest rate swaps, no hedge accounting, change in fair value	**1.9**	-2.6
Forward currency exchange contracts, no hedge accounting, change in fair value	**-2.5**	-2.0
Impairment losses on available-for-sale financial assets	**-3.7**	
Exchange rate losses	**-7.5**	-10.6
Other financial losses	**-7.1**	-10.0
Financial expenses total	**-66.1**	-75.6
Total	**-53.7**	-57.4

11. Income taxes and deferred taxes

Income taxes, EUR million	2013	2012
Income taxes on operational income	**-32.1**	-44.9
Income taxes from previous periods	**-0.2**	4.0
Change in deferred tax due to change in tax rate	**3.0**	-0.1
Other change in deferred tax	**23.2**	6.6
Other taxes	**-1.6**	-2.2
Tax expense in the income statement	**-7.6**	-36.7

The tax expense of the Group, EUR 7.6 million (2012: EUR 36.7 million), includes the tax expense in the income statement of EUR 7.6 million (2012: EUR 36.0 million), and the income taxes of the discontinued operations, EUR 0.0 million (2012: EUR 0.6 million).

Income tax reconciliation against local tax rates, EUR million	2013	2012
Tax calculated at (Finnish) statutory rate	**79.6**	-45.8
Effect of different tax rates in the operating countries	**1.5**	-0.7
Tax based on tax rate in each operating country	**81.1**	-46.6
Non-taxable income	**3.5**	25.2
Deductible amortisation	**2.4**	1.8
Non-deductible amortisation and impairment losses	**-76.6**	-5.4
Other non-deductible expenses	**-18.0**	-6.8
Effect of associated companies	**0.3**	-4.3
Loss for the period for which a deferred tax receivable has not been recorded	**-1.5**	-3.4
Reassessment of deferred tax assets related to losses from previous years	**0.0**	1.2
Other taxes	**-1.6**	-2.2
Tax relating to previous accounting periods	**-0.2**	4.0
Change in deferred tax due to change in tax rate	**3.0**	-0.1
Income taxes in the income statement	**-7.6**	-36.7
Tax rate of the Parent Company	**24.5%**	24.5%

Deferred tax receivables and liabilities 2013, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Recorded in other comprehensive income	Change in tax rate	Translation and other items	At 31 Dec
Deferred tax receivables							
Internal margin in inventories	0.0	0.1					**0.1**
Provisions	2.1	0.7	0.0		-0.1	-0.1	**2.6**
Tax losses carried forward	8.0	2.3			-0.3	0.0	**10.0**
Impairment losses on tangible non-current assets	1.2	-1.1	-0.1			0.0	**0.1**
Pension obligations, defined benefit plans	13.6	2.5		0.6	-0.1	0.0	**16.7**
Hedge accounting	2.6			-1.8	-0.1		**0.6**
Other items	12.5	-2.7			-0.2	1.6	**11.1**
Total	40.0	1.8	0.0	-1.2	-0.9	1.5	**41.2**
Deferred tax liabilities							
Fair value adjustments in acquisitions	93.1	-16.2	-0.2		-0.2	-2.2	**74.3**
Depreciation difference and other untaxed reserves	23.6	-1.5			-3.3	-0.3	**18.5**
Pension assets, defined benefit plans	0.2	1.0			-0.2	-0.2	**0.9**
Other items	20.5	-4.7	-0.2		0.0	-0.1	**15.5**
Total	137.5	-21.5	-0.4		-3.7	-2.7	**109.2**

Deferred tax receivables and liabilities 2012, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/sold	Recorded in other comprehensive income	Change in tax rate	Translation and other items	At 31 Dec
Deferred tax receivables							
Internal margin in inventories	0.3	-0.3					0.0
Provisions	2.9	-0.9				0.1	2.1
Tax losses carried forward	3.0	2.0	2.9		-0.2	0.3	8.0
Impairment losses on tangible non-current assets	2.1		-0.9				1.2
Pension obligations, defined benefit plans	2.5	-4.6		15.7			13.6
Hedge accounting	2.8			-0.2			2.6
Other items	13.5	-0.5	-0.4		0.0	0.0	12.5
Total	27.1	-4.3	1.6	15.5	-0.2	0.4	40.0
Deferred tax liabilities							
Fair value adjustments in acquisitions	94.3	-7.0	4.8			1.1	93.1
Depreciation difference and other untaxed reserves	25.2	-0.9	0.0		-1.2	0.5	23.6
Pension assets, defined benefit plans	2.0	-1.7					0.2
Other items	20.6	-1.2	-0.1		1.1	0.1	20.5
Total	142.1	-10.8	4.7		-0.1	1.7	137.5

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 3.7 million (2012: EUR 7.6 million) have not been recorded in the consolidated balance sheet based on management's judgement. These unrecognised receivables relate mainly to tax losses carried forward of subsidiaries.

A deferred tax liability of EUR 1.7 million (2012: EUR 1.8 million) on undistributed retained earnings of subsidiaries has not been recognised in consolidated figures as such distribution is not probable within the foreseeable future. These unrecognised deferred tax liabilities were related to earnings for which tax payment would be realised when distributing dividends.

12. Earnings per share

Undiluted earnings per share is calculated by dividing result for the period attributable to the equity holders of the Parent Company, adjusted by the interest on the hybrid bond, by the weighted average number of shares outstanding.

Earnings per share	2013	2012
Result attributable to the equity holders of the Parent Company, EUR million, continuing operations	-319.8	63.7
Result attributable to the equity holders of the Parent Company, EUR million, discontinued operations	-	79.1
Result attributable to the equity holders of the Parent Company, EUR million	-319.8	142.8
Accrued interest on the hybrid bond	-0.4	
Weighted average number of shares, thousands	162 812	162 812
Earnings per share, EUR, continuing operations	-1.97	0.39
Earnings per share, EUR, discontinued operations	-	0.49
Earnings per share, EUR	**-1.97**	**0.88**

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	2013	2012
Profit used to determine diluted earnings per share, EUR million, continuing operations	-319.8	63.7
Profit used to determine diluted earnings per share, EUR million, discontinued operations	-	79.1
Profit used to determine diluted earnings per share, EUR million	-319.8	142.8
Accrued interest on the hybrid bond	-0.4	
Weighted average number of shares, thousands	162 812	162 812
Effect of options, thousands	0	0
Diluted average number of shares, thousands	162 812	162 812
Diluted earnings per share, EUR, continuing operations	-1.97	0.39
Diluted earnings per share, EUR, discontinued operations	-	0.49
Diluted earnings per share, EUR	**-1.97**	**0.88**

⊕ Information on stock options is presented in Note 23. For more information on shares and shareholders, see pages 66–72.

13. Property, plant and equipment

Property, plant and equipment 2013, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	37.5	283.3	471.4	70.7	2.4	865.2
Increases	0.0	2.8	14.0	9.6	5.3	31.8
Acquisition of operations			0.1	0.0		0.1
Decreases	-0.5	-0.4	-34.5	-4.7	-0.1	-40.2
Disposal of operations	-7.0	-12.6	-6.5	-1.0	0.0	-27.2
Reclassifications		-2.1	2.4	0.9	-5.8	-4.6
Transfer to assets classified as held for sale	-20.9	-140.1	-0.5			-161.6
Exchange rate differences	0.0	-0.1	-0.9	-0.5	0.0	-1.6
Acquisition cost at 31 Dec	9.1	130.6	445.5	75.0	1.7	661.8
Accumulated depreciation and impairment losses at 1 Jan	-1.1	-133.8	-393.2	-53.8		-581.9
Decreases, disposals and acquisitions	-2.0	2.4	35.9	4.7		41.0
Depreciation for the period, continuing operations		-7.9	-22.2	-5.3		-35.5
Impairment losses for the period, continuing operations		-5.6	-1.3	-0.5		-7.4
Reclassifications		1.2	0.1	0.6		1.9
Transfer to assets classified as held for sale		70.0	0.4			70.4
Exchange rate differences		0.0	0.8	0.4		1.2
Accumulated depreciation and impairment losses at 31 Dec	-3.1	-73.6	-379.5	-53.9		-510.2
Carrying amount at 31 Dec 2013	**6.0**	**57.0**	**66.0**	**21.0**	**1.7**	**151.7**

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

Carrying amount of assets leased by finance lease agreements, EUR million	2013	2012
Buildings and structures	**8.5**	11.6
Machinery and equipment	**0.9**	1.2
Total	**9.4**	12.8

14. Investment property

Investment property 2013, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	11.3	6.1	17.4
Decreases	0.0	-0.5	-0.5
Reclassifications		1.4	1.4
Acquisition cost at 31 Dec	11.3	7.1	18.3
Accumulated depreciation and impairment losses at 1 Jan		-5.4	-5.4
Depreciation for the period		0.0	0.0
Reclassifications		-0.5	-0.5
Accumulated depreciation and impairment losses at 31 Dec		-5.9	-5.9
Carrying amount at 31 Dec 2013	**11.3**	**1.1**	**12.4**
Fair values at 31 Dec 2013	**29.6**	**1.1**	**30.6**

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

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

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

The draft city plan prepared by the City of Vantaa was completed in the autumn of 2008, and the Vantaa City Council approved the plan on 19 January 2009. The city plan became legally valid in February 2011. During autumn 2011, Sanoma sold about 41,000 square metres of floor residential building right to construction companies for EUR 12.9 million. In 2012, Sanoma gave a part of the Keimola land area to the City of Vantaa as consideration for the city plan. The value of the city plan preparation increased the acquistion cost of Keimola land area.

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

Operating expenses of investment property, EUR million	2013	2012
Investment property, rental income	**0.2**	0.1
Investment property, no rental income	**0.0**	0.0
Total	**0.2**	0.1

Rental income of investment property, EUR million	2013	2012
Rental income of investment property	**0.6**	0.6

15. Intangible assets

Intangible assets 2013, EUR million	Goodwill	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	2 307.6	1 612.9	260.3	26.0	4 206.7
Increases		214.1	43.2	11.8	269.1
Acquisition of operations	6.0	5.3	0.2		11.4
Decreases	-12.4	-82.9	-11.3		-106.6
Disposal of operations	-17.7	-6.2	-8.2		-32.2
Reclassifications	-0.1	-3.1	0.5	0.8	-1.9
Exchange rate differences	-9.2	-12.0	-0.8		-22.0
Acquisition cost at 31 Dec	2 274.1	1 728.1	283.8	38.6	4 324.6
Accumulated amortisation and impairment losses at 1 Jan		-1 027.6	-171.4		-1 199.0
Decreases, disposals and acquisitions		84.1	16.8		100.9
Amortisation for the period, continuing operations		-232.5	-38.6		-271.1
Impairment losses for the period, continuing operations	-309.6	-47.9	-0.5		-358.0
Reclassifications		1.0	1.4		2.5
Exchange rate differences		5.8	0.4		6.2
Accumulated amortisation and impairment losses at 31 Dec	-309.6	-1 217.1	-191.8		-1 718.5
Carrying amount at 31 Dec 2013	**1 964.5**	**511.0**	**91.9**	**38.6**	**2 606.0**

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

At the end of the financial year, the commitments for acquisitions of intangible assets (film and TV broadcasting rights included) were EUR 234.5 million (2012: EUR 273.9 million).

Of total immaterial rights, the carrying amount of intangible assets with indefinite useful lives was EUR 1.3 million (2012: EUR 8.1 million).

Impairment losses recognised from intangible rights

Immaterial rights with indefinite useful life are all related to the Media segment and consist mainly of publishing rights. Assets with indefinite useful life are not amortised according to plan but are subject to annual impairment testing. During the financial year, impairment losses for the immaterial rights with indefinite useful life amounted to EUR 5.7 million (2012: EUR 0.0 million) and reversals of impairment losses amounted to EUR 0.0 million (2012: EUR 0.0 million). Of the impairments losses, EUR 1.6 million related to the Sanoma Media Belgium strategic business unit (SBU), and EUR 4.1 million to the Sanoma Media Russia & CEE SBU. The impairment losses were associated with a Belgian and a few Russian magazines.

In addition, impairment losses totalling EUR 42.3 million (2012: EUR 3.6 million) were recognised from intangible assets with definite useful lifetime, of which EUR 28.3 million related to the Sanoma Media Netherlands SBU, EUR 13.7 million to the Sanoma Media Belgium SBU, EUR 0.2 million to the Sanoma News SBU, and EUR 0.1 million to the Sanoma Media Russia & CEE SBU. In the Netherlands and Belgium, the impairments were associated with magazines and TV operations and were mostly due to the weakened advertising market and the decrease in demand for the magazines in question.

Allocation of goodwill and intangible assets with indefinite useful life

For the purpose of impairment testing, goodwill is allocated to seven cash-generating units (CGUs) which are either operating segments, SBUs, or businesses below the SBU level. The allocation of goodwill and intangible assets with indefinite useful life is as presented in the table.

Carrying amounts of goodwill and intangible assets with indefinite useful life of the most important CGUs in terms of goodwill, EUR million	2013			2012		
	Goodwill	**Intangible assets ***	**Total**	Goodwill	Intangible assets *	Total
Sanoma Media Netherlands	**1 390.0**	**0.0**	**1 390.0**	1 665.3	0.0	1 665.3
Sanoma Media Finland **	**104.0**	**0.0**	**104.0**	104.4	0.0	104.4
Sanoma Media Russia & CEE	**65.0**	**0.6**	**65.6**	110.8	5.7	116.5
Sanoma Learning	**274.1**	**0.0**	**274.1**	294.3	0.0	294.3
Sanoma Media Belgium	**123.8**	**0.7**	**124.5**	123.8	2.3	126.2
Most important CGUs in terms of goodwill, total	**1 956.9**	**1.3**	**1 958.2**	2 298.6	8.1	2 306.7
Other CGUs (2 units)	**7.6**	**0.0**	**7.6**	9.0	0.0	9.0
CGUs, total	**1 964.5**	**1.3**	**1 965.8**	2 307.6	8.1	2 315.7

* Only intangible assets with indefinite useful life.
** Sanoma Media Finland and Sanoma News comprise one SBU (and CGU) as of 1 January 2014, as a result of the merger of the Finnish media operations. For this reason, the Finnish media operations were tested as one CGU (based on one strategic plan) already in the impairment testing of financial year 2013.

Impairment losses recognised from goodwill

Impairment losses recognised from goodwill in the financial year amounted to EUR 309.6 million (2012: EUR 21.5 million). Changes in market environment and weakened outlook for the operative business triggered the need for impairment testing during the first quarter. As a result of the tests, a goodwill impairment loss of EUR 22.8 million was recorded in the Sanoma Media Netherlands SBU. Due to the further weakened advertising market for newspapers and magazines as well as the overall economic situation, the Sanoma Media Netherlands SBU was tested again in the third quarter of the financial year. At the same time also the Sanoma Media Russia & CEE SBU was tested. As a result of the tests, a EUR 252.5 million (2012: EUR 0.0 million) goodwill impairment loss was recorded in the Sanoma Media Netherlands SBU, and a EUR 20.2 million (2012: EUR 2.5 million) impairment loss in the Sanoma Media Russia & CEE SBU. In addition, a EUR 6.0 million goodwill impairment loss related to the closure of a business was recorded in the Sanoma Media Netherlands in the third quarter. The remaining five CGUs were tested in the annual impairment testing carried out in the fourth quarter of the financial year. As a result of the tests, a goodwill impairment loss of EUR 1.4 million (2012: EUR 0.0 million) was recorded in the Bookwell business unit, which is reported under 'Other companies and eliminations'. The impairment loss was caused by the weakened market outlook for the printing business. In addition, a EUR 0.4 million goodwill impairment loss related to the closure of a business was recorded in the Sanoma News SBU, and a EUR 6.4 million goodwill impairment loss related to the divestment of the Czech business in the Sanoma Media Russia & CEE SBU.

Methodology and assumptions used in impairment testing

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

Calculations of the value in use are based on a five-year forecast period. Cash flow estimates are based on management approved strategic plans at the time of testing, including the assumptions on the development of the business environment. Actual cash flows may differ from estimated cash flows if the key assumptions do not realise as estimated.

The key assumptions in the calculations include profitability level, discount rate, long-term growth rate as well as market positions. Assumptions are based on medium-term strategic plans and forecasts made annually in each business unit and approved by the Sanoma Executive Management Group and the Board in a separate process. Market position and profitability level assumptions are based on past experience, the assessment of the SBU and Group management on the development of the competitive environment and competitive position of each CGU, as well as the impact of the Sanoma Redesign transformation program. Sanoma Redesign means redesigning the consumer media operations, focusing the business towards structurally more attractive markets, as well as moving towards even more digital services. As part of changing the operating model and organisation, Sanoma aims to reach EUR 100 million gross savings by the end of year 2016.

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

The terminal growth rate used in calculation of the value in use in the most important CGUs in terms of goodwill, %	2013	2012
Sanoma Media Netherlands	**1.7**	1.0
Sanoma Media Finland *	**0.0**	1.5
Sanoma Media Russia & CEE	**2.6**	4.0
Sanoma Learning	**2.0**	2.0
Sanoma Media Belgium	**0.5**	2.0

* Sanoma Media Finland and Sanoma News comprise one SBU (and CGU) as of 1 January 2014, as a result of the merger of the Finnish media operations. For this reason, the Finnish media operations were tested as one CGU (based on one strategic plan) already in the impairment testing of financial year 2013.

The increase in the terminal growth rate assumption used for the Sanoma Media Netherlands SBU is caused by the increased share of digital business. The decrease in the terminal growth rate assumption used for the Sanoma Media Russia & CEE SBU is caused by lower GDP growth expectations, and for the SBUs Sanoma Media Belgium and Sanoma Media Finland by accelerated decrease in printed newspaper and magazine sales.

The discount rate used in calculation of the value in use in the most important CGUs in terms of goodwill, %	2013 After taxes	2013 Before taxes	2012 After taxes	2012 Before taxes
Sanoma Media Netherlands	**6.8**	**8.5**	6.0	7.7
Sanoma Media Finland *	**6.4**	**8.3**	6.0	7.7
Sanoma Media Russia & CEE	**9.2**	**10.8**	9.6	12.3
Sanoma Learning	**6.4**	**8.6**	6.0	7.7
Sanoma Media Belgium	**6.7**	**9.7**	6.0	7.7

* Sanoma Media Finland and Sanoma News comprise one SBU (and CGU) as of 1 January 2014, as a result of the merger of the Finnish media operations. For this reason, the Finnish media operations were tested as one CGU (based on one strategic plan) already in the impairment testing of financial year 2013.

During the financial year separate discount rates for each CGU were introduced. The CGU-specific discount rate represents the CGU's weighted average cost of capital and is considered to reflect the CGU's business specific and geographical risks more accurately than the previously used Group discount rate. The increase compared to the comparable year in the discount rates used for the media operations in the Netherlands, Finland and Belgium as well as in Sanoma Learning is mostly due to increased market interest rates and market risk premium. For the Sanoma Media Russia & CEE SBU, the decrease in the discount rate is mainly due to higher share of debt in the weighted cost of capital calculation.

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

Sensitivity analysis of the impairment testing

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

Excess of value in use in relation to carrying amount of the most important CGUs in terms of goodwill, %	2013	2012
Sanoma Media Netherlands	**0**	11–20
Sanoma Media Finland *	**over 50**	over 50
Sanoma Media Russia & CEE	**0**	0
Sanoma Learning	**over 50**	over 50
Sanoma Media Belgium	**21–50**	over 50

* Sanoma Media Finland and Sanoma News comprise one SBU (and CGU) as of 1 January 2014, as a result of the merger of the Finnish media operations. For this reason, the Finnish media operations were tested as one CGU (based on one strategic plan) already in the impairment testing of financial year 2013.

The Sanoma Media Netherlands SBU's value in use decreased below the carrying amount due to the lower sales expectations caused by the weakened market situation. After the EUR 281.3 million decrease in value, the SBU's value in use is now equal to the carrying amount of the SBU (EUR 1,611.1 million), and any negative change in the key assumptions would result in additional impairment loss.

As for the Sanoma Media Finland SBU (as of 1.1.2014), the management estimates that a reasonably possible change in a key assumption would not result in the carrying amount exceeding the value in use.

The Sanoma Media Russia & CEE SBU's value in use decreased below the carrying amount due to the lower sales expectations caused by the weakened market situation. After the EUR 26.5 million decrease in value, the SBU's value in use is now equal to the carrying amount of the SBU (EUR 215.6 million), and any negative change in the key assumptions would result in additional impairment loss.

For the Learning segment, the critical key assumptions are the development of profitability and the discount rate. According to the management's estimate, the carrying amount of the Learning segment exceeds the value in use if EBITDA falls below 24% of the planned level each year, or if the post-tax discount rate rises above 9.6%. These estimates exclude simultaneous changes in other variables.

For the Sanoma Media Belgium SBU, the critical key assumptions are the development of profitability and the discount rate. Compared to the testing in 2012, the difference between the value in use and the carrying amount narrowed to 21-50% (2012: over 50%) primarily due to the weakened market situation and sales expectations. According to the management's estimate, the Sanoma Media Belgium SBU's carrying amount exceeds the value in use if EBITDA falls below 24% of the planned level each year, or if the post-tax discount rate rises above 8.8%. These estimates exclude simultaneous changes in other variables.

16. Interests in associated companies

Interests in associated companies, EUR million	2013	2012
Carrying amount at 1 Jan	**8.1**	219.3
Share of results *	**1.2**	-17.7
Dividends	**-0.4**	-4.2
Increases	**2.7**	1.6
Sold associated companies	**-5.7**	-190.7
Other changes	**0.1**	-0.3
Translation differences	**-0.1**	0.2
Carrying amount at 31 Dec	**5.9**	8.1

* In 2013, the share of results included EUR 1.3 million gain on the sale of Helsinki Halli. In 2012, the share of results included a EUR 1.2 million impairment in associated companies, a EUR 3.0 million gain on the sale of the 40% shareholding of Hansaprint and a EUR 19.3 million loss on the sale of the 21.1% shareholding of DNA.

The carrying amount of associated companies included EUR 3.6 million (2012: EUR 2.1 million) of goodwill.

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

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

Associated company transactions, EUR million	2013	2012
Sale of goods to associated companies	**0.0**	0.0
Rendering of services to associated companies	**0.7**	1.0
Purchases of goods from associated companies	**0.1**	0.4
Receiving of services from associated companies	**5.4**	10.1

Receivables from associated companies, current, EUR million	2013	2012
Trade receivables	**0.1**	0.1
Loan receivables		0.1
Total	**0.1**	0.2

Trade and other payables to associated companies, current, EUR million	2013	2012
Trade payables	**0.0**	0.0
Other liabilities	**0.0**	0.4
Total	**0.0**	0.4

The sale of goods and rendering of services to associated companies are based on the Group's effective market prices, and interest on loans is based on market interest rates.

Other related party transactions with associated companies

In 2013 and 2012, there were no other significant transactions or other related party arrangements with associated companies.

17. Available-for-sale financial assets

Available-for-sale financial assets, EUR million	2013	2012
Available-for-sale financial assets, non-current	**4.6**	8.0
Available-for-sale financial assets, current	**0.3**	0.3
Total	**4.9**	8.3

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 December 2013, available for sale financial assets decreased by EUR 3.7 million in Czech operations as the result of a recognised impairment loss.

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

18. Trade and other receivables, non-current

Trade and other receivables, non-current, EUR million	2013	2012
Loans and receivables		
Trade receivables *	**0.1**	0.4
Loan receivables	**9.3**	8.2
Other receivables	**0.4**	0.4
Accrued income	**2.1**	2.9
Advance payments	**1.9**	2.7
Pension assets **	**4.0**	0.8
Total	**17.9**	15.4

* Trade receivables, see Note 29
** Pension assets, see Note 8

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.

19. Inventories

Inventories, EUR million	2013	2012
Materials and supplies	**11.6**	14.2
Work in progress	**3.7**	6.9
Finished products/goods	**36.6**	43.7
Other inventories	**0.4**	0.7
Other	**0.7**	0.7
Total	**53.0**	66.2

EUR 2.0 million (2012: EUR 3.0 million) was recognised as impairment in the financial year. The carrying amount of inventories was written down to reflect its net realisable value.

20. Trade and other receivables, current

Trade and other receivables, current, EUR million	2013	2012
Loans and receivables		
Trade receivables *	**225.3**	254.8
Loan receivables	**0.1**	0.1
Other receivables	**24.6**	19.8
Derivatives, other **	**0.2**	0.1
Accrued income	**83.7**	87.7
Advance payments	**19.6**	21.6
Total	**353.4**	384.1

* Trade receivables, see Note 29
** Derivatives, see Note 29

The Group has recognised a total of EUR 4.3 million (2012: EUR 6.1 million) in credit losses on trade receivables.

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

Accrued income

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

21. Cash and cash equivalents

Cash and cash equivalents in the balance sheet, EUR million	2013	2012
Cash in hand and at bank	**155.4**	154.8
Deposits	**15.8**	12.4
Total	**171.2**	167.2

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

Cash and cash equivalents in the cash flow statement, EUR million	2013	2012
Cash and cash equivalents in the balance sheet	**171.2**	167.2
Bank overdrafts	**-86.4**	-94.1
Total	**84.8**	73.1

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

22. Equity

	Number of shares		Share capital and funds, EUR million			
	All shares	Total	Share capital	Fund for invested unrestricted equity	Hybrid bond	Total
At 1 Jan 2012	162 812 093	162 812 093	71.3	203.3		274.6
At 31 Dec 2012	162 812 093	162 812 093	71.3	203.3		274.6
Issuing of hybrid bond					**99.1**	99.1
At 31 Dec 2013	**162 812 093**	**162 812 093**	**71.3**	**203.3**	**99.1**	**373.7**

The maximum amount of share capital cannot exceed EUR 300.0 million (2012: EUR 300.0 million). The share has no nominal value and no accountable par is in use. The shares have been fully paid.

Treasury shares

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

Fund for invested unrestricted equity

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

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

Translation differences

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

Other reserves

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

Hybrid loan

To strengthen its capital structure, the Group issued a hybrid bond of EUR 100 million in December 2013. The hybrid bond is subordinated to the Group's other debt obligations, but has priority over other equity items. The coupon rate of the bond is 7.25%, and it has no maturity. The interest from the hybrid bond must be paid to the investors if the Group pays dividends. If dividends are not paid, the Group will make a separate decision regarding interest payment on the hybrid bond. Unpaid interest is accrued. The Group may exercise an early redemption option three years after the date when the hybrid bond was issued. The holders of the hybrid bond do not have the right to exercise control or vote at Annual General Meetings. The transaction costs have been deducted from the capital.

23. Share-based payments

Performance Share Plan

The Board of Directors of Sanoma Corporation has on 7 February 2013 approved a share-based long-term incentive programme (Performance Share Plan) to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the Performance Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. In general, Performance Shares vest over three-year period and vesting is subject to meeting Group performance targets set by the Board of Directors for annually commencing new plans. The possible reward is paid as a combination of shares and cash. The reward's cash component is dedicated to cover taxes and tax-related costs. In jurisdictions where shares cannot be granted, the possible reward is paid fully in cash (Cash Subplan).

Shares conditionally granted to the President and CEO and EMG members under the Performance Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required share holding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 25% of performance shares received.

The performance measures for the first two-year performance period (2013–2014) are based on the earnings per share (excluding non-recurring items), and the development of digital and other new media sales. The President and CEO and EMG members are part of Sanoma's Performance Share Plan.

More specific information of the performance share plan grants are presented in the following tables. Information of the management ownership is presented in Note 33.

Performance Share Plan Basic information	Cash Subplan 2013–2014	Performance Share Plan 2013–2014	Total
Initial amount, gross pcs (includes share and cash portions)	14 250	1 055 750	1 070 000
Initial allocation date	7.2.2013	7.2.2013	
Vesting / reward payment at the latest	30.4.2015	30.4.2015	
Maximum contractual life, yrs	2.2	2.2	2.2
Remaining contractual life, yrs	1.3	1.3	1.3
Number of persons at the end of the reporting year	3	221	
Payment method	Cash	Cash & Equity	

Performance Share Plan Changes in 2013	Cash Subplan 2013–2014	Performance Share Plan 2013–2014	Total
1 Jan 2013			
Outstanding at the beginning of the reporting period			0
Changes during the period			
Granted	14 250	1 006 200	1 020 450
Forfeited		110 250	110 250
Exercised			0
Expired			0
31 Dec 2013			
Outstanding at the end of the period	14 250	895 950	910 200

Assumptions made in determining the fair value of share rewards in the performance share plan:

- The fair value for the cash settled portion is remeasured at each reporting date until the possible reward payment. The fair value of the liability will thus change in accordance with the Sanoma share price.
- For the 2013–2014 earning period granted in 2013, the fair value for the equity settled portion based on non-market vesting conditions (earnings per share (excluding non-recurring items) and the development of digital and other new media sales) has been determined at grant using the fair value of Sanoma share as of the grant date less the expected dividends paid before possible share delivery.
- The fair value is expensed until vesting.

Valuation parameters for instruments granted during period, EUR	2013
Share price at grant	**7.71**
Share price at the end of the period	**6.39**
Expected dividends	**0.60**
Fair value of the equity-settled portion at grant	**5.91**

Effect of Performance Share Plan on the result and financial position during the period, EUR million	2013
Expenses for the financial year, share-based payments	**0.7**
Expenses for the financial year, share-based payments, equity-settled	**0.3**
Liabilities arising from share-based payments 31 Dec 2013	**0.4**

Stock option schemes

Sanoma had five option schemes during the financial year 2013: Stock Option Schemes 2007, 2008 and 2009 issued on the basis of an authorisation received at the AGM of 4 April 2007 and Stock Option Schemes 2010 and 2011 issued on the basis of an authorisation received at the AGM of 8 April 2010. Stock options are granted to the management of the Sanoma Group by a decision of the Board of Directors.

Stock Option Scheme 2007

The Stock Option Scheme 2007 comprises a maximum of 1,500,000 stock options, which entitle their holders to subscribe for a maximum total of 1,500,000 new or existing shares held by the Company. The original exercise price of 2007 stock options on 19 December 2007, the date of adoption of the option scheme, was EUR 24.26. The annual dividend or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2007 stock options was 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, a fully-owned subsidiary of the Company, for possible use at a later stage. The exercise price of a 2008 stock option is the volume-weighted average price of a Sanoma share as quoted by NASDAQ OMX Helsinki between 1 November–31 December 2008 with an addition of 20%. Thus, the exercise price of a stock option was originally EUR 12.25. Paid dividends or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2008 stock options will be 1 November 2011–30 November 2014. The exercise price is recognised in the fund for invested unrestricted equity.

Stock options					
Basic information	**2007**	**2008**	**2009**	**2010**	**2011**
Maximum number of stock options	1 500 000	1 700 000	1 800 000	1 600 000	1 700 000
The number of shares exercised by one stock option	1	1	1	1	1
Initial exercise price, EUR	24.26	12.25	17.41	19.51	10.35
Dividend adjustment	Yes	Yes	Yes	Yes	Yes
Exercise price at 31 Dec 2007, EUR *	24.26	---	---	---	---
Exercise price at 31 Dec 2008, EUR *	23.26	12.25	---	---	---
Exercise price at 31 Dec 2009, EUR *	22.36	11.35	17.41	---	---
Exercise price at 31 Dec 2010, EUR *	21.56	10.55	16.61	19.51	---
Exercise price at 31 Dec 2011, EUR *	20.46	9.45	15.51	18.41	10.35
Exercise price at 31 Dec 2012, EUR *	19.86	8.85	14.91	17.81	9.75
Exercise price at 31 Dec 2013, EUR *	19.26	8.25	14.31	17.21	9.15
Beginning of exercise period, date (vesting)	1.11.2010	1.11.2011	1.11.2012	1.11.2013	1.11.2014
End of exercise period, date (expiration)	30.11.2013	30.11.2014	30.11.2015	30.11.2016	30.11.2017
Remaining expiry time at 31 Dec 2013, years	Rendered	0.9	1.9	2.9	3.9
Number of persons at 31 Dec 2013	0	153	184	188	159

* The dividend is deducted from the exercise price annually. The dividend for 2012 was EUR 0.60 per share (record date 8 April 2013). The dividend for 2011 was EUR 0.60 per share (record date 10 April 2012).

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, a fully-owned subsidiary of the Company, for possible use at a later stage. An obligation to own Company shares is included in the distribution of stock options to the President and CEO, members of the Executive Management Group and the senior managers as defined by the Board of Directors. The exercise price of a 2009 stock option is the volume-weighted average price of a Sanoma share as quoted by NASDAQ OMX Helsinki between 1 November–31 December 2009 with an addition of 20%. Thus, the exercise price of a stock option was EUR 17.41 on 31 December 2009. Paid dividends or other distribution of unrestricted equity is deducted from the exercise price. The share subscription period for 2009 stock options will be 1 November 2012–30 November 2015. The exercise price is recognised in the fund for invested unrestricted equity.

Stock Option Scheme 2010

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

Stock options

Changes in 2013	2007	2008	2009	2010	2011	Total
Granted at 1 Jan	1 380 450	1 399 250	1 408 400	1 372 200	1 360 500	6 920 800
Returned at 1 Jan	366 800	292 300	387 900	353200	185 000	1 585 200
Cancelled at 1 Jan	0	0	0	0	0	0
Exercised at 1 Jan	0	1 500	0	0	0	1 500
Outstanding at 1 Jan	1 013 650	1 105 450	1 020 500	1 019 000	1 175 500	5 334 100
Non-distributed at 1 Jan	486 350	593 050	779 500	581 000	524 500	2 964 400
Granted during the period						0
Returned during the period		3 000	500	41 900	261 900	307 300
Cancelled during the period						0
Exercised during the period						0
Weighted average price of share during the exercise period, EUR *	6.62	6.63	6.63	6.80	---	---
Expired during the period	1 500 000					1 500 000
Granted at 31 Dec	1 380 450	1 399 250	1 408 400	1 372 200	1 360 500	6 920 800
Returned at 31 Dec	366 800	295 300	388 400	395 100	446 900	1 892 500
Cancelled at 31 Dec	0	0	0	0	0	0
Exercised at 31 Dec	0	1 500	0	0	0	1 500
Outstanding at 31 Dec	0	1 102 450	1 020 000	977 100	913 600	4 013 150
Non-distributed at 31 Dec	0	596 050	780 000	622 900	786 400	2 785 350
The number of unvested stock options at 31 Dec 2013 **	0	0	0	0	913 600	913 600

* The weighted average price of Sanoma share between January and November 2013 (2007), during the year 2013 (2008 and 2009) and between November and December 2013 (2010).
** Vesting period begins at grant date and ends when exercise period begins.

Stock Option Scheme 2011

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

More specific information on the stock options is presented in the tables on the previous page and in the following tables. Information on the management ownership is presented in Note 33. Changes in ownership of the management during the financial year can be found in Sanoma's insider register at Sanoma.com.

Determination of fair value

The fair value of stock options has been determined using the Black–Scholes valuation model. The fair value of options is determined on the grant date and the fair value is recognised as personnel expenses during the vesting period. The grant date is the date of the decision of the Board of Directors. In 2013, a total of EUR 1.3 million has been recorded as expenses (2012: EUR 2.6 million).

Most significant assumptions in Black–Scholes model *	2012
Number of granted stock options	**5 000**
Average price of share **	**7.10**
Exercise price **	**9.75**
Interest rate **	**0.8%**
Maturity, years **	**5.2**
Volatility **, ***	**31.2%**
Probability of returned stock options **	**0.0%**
Expected dividends	**---**
Fair value total, EUR	**6 600**

* No options were granted in 2013.
** 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	2013		2012	
	Number of stock options	Exercise price, EUR *	Number of stock options	Exercise price, EUR **
Granted at 1 Jan	6 920 800	14.23	8 216 700	16.31
Outstanding at 1 Jan	5 334 100	14.01	6 988 300	15.57
Granted during the period			5 000	9.75
Returned during the period	307 300	10.36	549 000	14.29
Exercised during the period				
Expired during the period	1 500 000	19.26	1 500 000	19.86
Granted at 31 Dec	6 920 800	13.63	8 221 700	15.12
Outstanding at 31 Dec	4 013 150	12.18	5 334 100	14.01

* The exercise price at the beginning of the period is the status at 31 December 2012. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 December 2013.
** The exercise price at the beginning of the period is the status at 31 December 2011. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 December 2012.

24. Provisions

Changes in provisions, EUR million	Restructuring provisions	Other provisons	Total
At 1 Jan 2013	11.6	5.6	17.2
Translation differences		-0.2	-0.2
Increases	20.8	9.3	30.1
Amounts used	-14.7	-4.8	-19.5
Unused amounts reversed	-2.1	-1.8	-3.9
Companies sold		-0.1	-0.1
At 31 Dec 2013	**15.6**	**8.0**	**23.6**

Carrying amounts of provisions, EUR million	2013	2012
Non-current	**4.3**	4.1
Current	**19.4**	13.0
Total	**23.6**	17.2

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

25. Financial debt

Financial liabilities, EUR million	2013	2012
Non-current financial liabilities at amortised cost		
Loans from financial institutions	**352.7**	527.3
Bonds	**399.0**	398.7
Pension loans	**2.3**	3.5
Finance lease liabilities	**9.9**	12.3
Other liabilities	**0.1**	0.4
Total	**764.0**	942.2
Current financial liabilities at amortised cost		
Loans from financial institutions	**210.8**	223.0
Pension loans	**1.1**	1.1
Commercial papers	**321.5**	231.8
Finance lease liabilities	**1.1**	1.3
Other liabilities	**8.0**	9.3
Total	**542.5**	466.5
Total	**1 306.6**	1 408.7

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

Loans from financial institutions

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

The average interest rate for loans (excluding agency fees) during the financial year, excluding finance leases, was 1.7% (2012: 2.0%).

Bonds

In 2012, the Group issued a EUR 400 million five-year Senior Unsecured Eurobond for European investors. The bond pays a fixed coupon of 5.000% and has an issue price of 99.413.

Commercial papers

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

Finance lease liabilities	2013	2012
Total minimum lease payments		
Not more than 1 year	**1.2**	1.5
1–5 years	**4.8**	5.8
More than 5 years	**8.1**	11.1
Total	**14.1**	18.3
Present value of minimum lease payments		
Not more than 1 year	**1.0**	1.0
1–5 years	**3.2**	3.5
More than 5 years	**6.9**	9.1
Total	**11.1**	13.6
Future finance charges	**3.1**	4.7

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

26. Trade and other payables

Trade and other payables, EUR million	2013	2012
Non-current		
Accrued expenses	**24.9**	29.8
Advances received	**0.0**	0.1
Other financial liabilities at amortised cost	**12.3**	15.0
Total	**37.2**	44.9
Current		
Current financial liabilities at amortised cost		
Trade payables	**183.1**	177.1
Other liabilities	**60.4**	68.2
Derivatives, hedge accounting *	**4.4**	12.5
Derivatives, other *	**5.2**	5.6
Accrued expenses	**286.1**	291.6
Advances received	**186.1**	202.0
Total	**725.3**	757.1
Total	**762.5**	801.9

* Derivatives, see Note 29

Accrued expenses

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

27. Contingent liabilities

Contingent liabilities, EUR million	2013	2012
Contingencies for own commitments		
Mortgages	**11.7**	9.7
Pledges	**2.4**	2.4
Other items	**45.9**	45.8
Total	**59.9**	57.9
Other commitments		
Operating lease liabilities (Note 28)	**286.1**	199.4
Royalties	**10.9**	17.5
Other items	**54.4**	46.0
Total	**351.4**	262.9
Total	**411.4**	320.8

Other operating lease liabilities include the lease liabilities of Sanomala and Ärrävaara that were sold in January 2014.

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 9.0 million (2012: EUR 14.0 million) of joint ventures' contingent liabilities.

Interest on hybrid bond

On 12 December 2013, Sanoma issued a hybrid bond of EUR 100 million. At the reporting date, the unpaid interest on the bond was EUR 0.4 million.

Disputes and litigations

The Group is periodically involved in incidental litigation or administrative proceedings primarily arising in the normal course of 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.

28. Operating lease liabilities

Non-cancellable minimum lease liabilities by maturity, EUR million	2013	2012
Not later than 1 year	**45.4**	42.1
1–5 years	**112.4**	90.3
Later than 5 years	**128.4**	67.0
Total	**286.1**	199.4

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

Non-cancellable minimum lease payments to be received by maturity, EUR million	2013	2012
Not later than 1 year	**0.4**	0.7
1–5 years	**1.9**	1.6
Later than 5 years	**1.3**	
Total	**3.5**	2.3

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

29. Financial risk management

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

In the medium term, to ensure financial flexibility, Sanoma's goal is to regain a capital structure corresponding to an investment-grade rating. This will ensure access to low-cost funding. Financial risks can be mitigated with various financial instruments and derivatives whose use, effects and fair values are clearly verifiable.

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

Interest rate risks

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

Loan portfolio by interest rate, EUR million	2013	2012
Floating-rate loans	**866.2**	960.4
of which converted to fixed-rate using interest rate swap	**540.0**	740.0
Fixed-rate loans	**440.4**	448.3
Total	**1 306.6**	1 408.7
Floating-rate loans including the effect of interest rate swap	**326.2**	220.4
Average duration, years	**1.4**	2.0
Average rate (excluding agency fees), %	**3.2**	3.3
Interest sensitivity, EUR million *	**3.4**	1.3

* Interest rate sensitivity is calculated by assuming a one percentage point increase in interest rates. The sensitivity represents the effect on profit before taxes. With an increase of one percentage point in the interest rate, the value of derivatives recognised in the Group's equity increases by EUR 2.2 million.

Currency risks

The majority of the Group cash flow from operations is denominated in euros. However, the Group is exposed to transaction risk resulting from cash flows related to revenue and expenditure in different currencies. Group companies are responsible for monitoring and hedging against transaction risk related to their business operations in accordance with the Group Treasury Policy. Business operations outside the euro area (countries in which the currency is not pegged to the euro) account for about 12% (2012: 14%) of consolidated net sales and mainly consist of sales denominated in Russian roubles, Hungarian forints, Polish zlotys and Czech korunas. The majority of transaction risk in 2014 will be related to the acquisition of programming rights denominated in US dollars. The Group has adopted forward contracts as a means of hedging against major transaction risks. If the currencies mentioned above weakened by 10% against the euro, the change in the value of forward contracts would have a negative effect of EUR 12.9 million on financial expenses. If the currencies strengthened by 10% against the euro, the positive effect on financial income would be EUR 12.8 million. Derivative instruments are used to hedge future cash flows, hence changes in their value will be offset by changes in the value of cash flows.

The Group is also exposed to translation risk resulting from converting the income statement and balance sheet items of foreign subsidiaries into euros. If all reporting currencies weakened by 10% against the euro, the Group net sales would decrease by EUR 28.3 million (based on the figures of 31 December 2013). If all reporting currencies strengthened by 10% against the euro, the Group net sales would increase by EUR 34.6 million. The less developed currency markets in Russia and Eastern Central Europe restrict hedging opportunities. However, a significant change in exchange rates may have an effect on the value of the businesses in Russia and Eastern Central Europe. The Group does not use specific tools to hedge against economic policy risks related to business operations. The Group did not hedge against translation risk in 2013.

Liquidity risks

Liquidity risks are associated with servicing debt, financing investments and retaining adequate working capital. Sanoma aims to minimise its liquidity risks by ensuring sufficient income financing, maintaining adequate committed credit limits, using several financing institutions and forms of financing, and spreading loan repayment programmes over a number of calendar years. The Group's undrawn committed credit limits must be sufficient to cover its estimated funding requirements, loan repayments and issued commercial paper commitments. Liquidity risks are monitored daily, based on a two-week forecast, and monthly on 12-month rolling forecasts. In addition, the Sanoma Group Treasury Policy sets minimum requirements for cash reserves.

The Group's financing programmes on 2013, EUR million	Amount of limits	Unused credit lines
Bilateral committed facilities	1 132.2	680.0
Commercial paper programmes	1 100.0	778.5
Bond	400.0	0
Current account limits	143.4	57.0

Out of EUR 1,132.2 million of committed facilities, EUR 247.8 million will mature in 2014, EUR 129.5 million in 2015, EUR 154.9 million in 2016 and EUR 600 million in 2017. The Group's financing agreements include customary covenants related to factors such as the position of creditors, key financial indicators and the use of pledges and mortgages. In 2013, the Group fulfilled the requirements of all covenants.

Financial liabilities, EUR million	2013				2012			
	Carrying amount	Cashflow *	Undrawn from limits	Total	Carrying amount	Cashflow *	Undrawn from limits	Total
Loans from financial institutions	563.4	586.7	680.0	1 266.7	750.3	782.4	605.0	1 389.4
Bond	399.0	480.0		480.0	398.7	502.0		502.0
Commercial paper programmes	321.5	322.1		322.1	231.8	232.5		232.5
Finance lease liabilities	11.0	11.0			13.6	13.7		13.7
Other interest-bearing liabilities	11.7	11.9			14.3	14.4		14.4
Trade payables and other liabilities	279.1	279.1			289.4	289.4		289.4
Derivatives	7.4	9.4		9.4	13.2	16.1		16.1
Total	**1 593.1**	**1 700.2**	**680.0**	**2 078.2**	1 711.3	1 850.5	605.0	2 457.5

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

Maturity of financial liabilities 2013, EUR million	2014	2015	2016	2017	2018	2019–	Total
Loans from financial institutions	216.3	60.9	41.8	267.7			586.7
Bond	20.0	20.0	20.0	420.0			480.0
Commercial paper programmes	322.1						322.1
Finance lease liabilities	1.2	1.2	1.2	1.2	1.2	5.0	11.0
Other interest-bearing liabilities	1.3	1.2	9.4				11.9
Trade payables and other liabilities	244.5	17.7	8.3	2.0	1.3	5.3	279.1
Interest rate swaps	7.5	1.5	0.4				9.4
Total	**812.9**	**102.5**	**81.1**	**690.9**	**2.5**	**10.3**	**1 700.2**

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

Credit risks

Sanoma's credit risks are related to its business operations. The Sanoma Group's diversified operations in more than ten countries significantly mitigate credit risk concentration, and no individual customer or group of customers is material to the Group. The Group's operational units are responsible for managing credit risks related to their businesses.

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

The aging of trade receivables, EUR million	2013			2012		
	Gross	Impairment	Net	Gross	Impairment	Net
Not due	173.9	-0.9	173.0	192.4	-0.9	191.5
Past due 1–30 days	31.1	-1.0	30.1	45.6	-1.0	44.6
Past due 31–120 days	13.1	-0.7	12.4	15.5	-1.1	14.4
Past due 121–360 days	8.1	-3.4	4.7	6.9	-2.9	4.0
Past due more than 1 year	11.8	-6.5	5.3	7.8	-7.1	0.6
Total	**237.9**	**-12.5**	**225.4**	268.2	-13.1	255.2

The Group's Treasury Policy specifies that financing transactions are carried out with counterparties of good credit standing and divided between a sufficient number of counterparties in order to protect financial assets. The Group has spread its credit risks efficiently by dealing with several financing institutions.

Trade receivables and other receivables are presented in Notes 18 and 20.

Capital risk management

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

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

To strengthen its capital structure, the Group issued a hybrid bond of EUR 100 million in December. The hybrid bond is subordinated to the Group's other debt obligations, but has priority over other equity items. The coupon rate of the bond is 7.25%, and it has no maturity. The interest from the hybrid bond must be paid to the investors if the Group pays dividends. If dividends are not paid, the Group will make a separate decision regarding interest payment on the hybrid bond. Unpaid interest is accrued. The Group may exercise an early redemption option three years after the date of issue. The holders of the hybrid bond do not have the right to exercise control or to vote at Annual General Meetings.

In 2013, the Group's equity ratio was 37.2% (2012: 41.3%), net debt/EBITDA ratio was 4.6 (2012: 3.6) and gearing 91.7% (2012: 78.7%).

Net debt, EUR million	2013	2012
Interest-bearing liabilities	**1 306.6**	1408.7
Cash and cash equivalents	**171.2**	167.2
Total	**1 135.3**	1 241.5

The Sanoma Group does not have an official credit rating.

Derivative instruments

Nominal values of derivative instruments, EUR million	2013	2012
Interest rate swaps		
Cash flow hedges under IAS 39 hedge accounting	**440.0**	540.0
Outside hedge accounting	**100.0**	200.0
Forward currency exchange contracts		
Outside hedge accounting	**128.4**	102.5
Total	**668.4**	842.5

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

Fair values of derivative instruments, EUR million	2013	2012
Interest rate swaps		
Cash flow hedges under IAS 39 hedge accounting	**-4.4**	-12.5
Outside hedge accounting	**-1.5**	-3.7
Forward currency exchange contracts		
Outside hedge accounting	**-3.5**	-1.1
Total	**-9.4**	-17.3

Based on the interest level on the balance sheet date, cash flows related to the cash flow hedge are not expected to have a significant effect on the results for 2014–2017.

Fair value hierarchy of financial liabilities and financial assets measured at fair value

Financial assets and liabilities measured at fair value are categorised according to the following hierarchy of fair values. During the financial period and the comparable year, no transfers were made between the fair value hierarchy levels 1, 2 and 3.

Financial assets and financial liabilities measured at fair value, EUR million, 2013	Fair value			
	Level 1	Level 2	Level 3	Total
Interest rate swaps				
Cash flow hedges under IAS 39 hedge accounting		-4.4		-4.4
Outside hedge accounting		-1.5		-1.5
Forward currency exchange contracts				
Outside hedge accounting	-3.5			-3.5
Total	**-3.5**	**-5.9**		**-9.4**

Financial assets and financial liabilities measured at fair value, EUR million, 2012	Fair value			
	Level 1	Level 2	Level 3	Total
Interest rate swaps				
Cash flow hedges under IAS 39 hedge accounting		-12.5		-12.5
Outside hedge accounting		-3.7		-3.7
Forward currency exchange contracts				
Outside hedge accounting	-1.1			-1.1
Total	**-1.1**	**-16.2**		**-17.3**

- Level 1: fair values are based on quoted prices in active markets.
- Level 2: fair values are based on valuation models for which all inputs are observable, either directly or indirectly.
- Level 3: fair values are based on input data that is not based on observable market data.

Available netting agreements and derivative instruments

Sanoma has entered into netting agreements with all of its derivative instrument counterparties. Sanoma had no significant derivative assets at the end of 2013.

30. Most significant subsidiaries

Most significant subsidiaries at 31 Dec 2013	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %
SANOMA MEDIA			
Sanoma Media B.V., The Netherlands *	100.0		100.0
Sanoma Image B.V., The Netherlands *	66.7		66.7
Independent Media Holding B.V., The Netherlands		100.0	100.0
Sanoma Media Nederland Holding B.V., The Netherlands			100.0
Sanoma Media Belgium			
Sanoma Media Belgium N.V., Belgium		100.0	100.0
Head Office N.V., Belgium			100.0
Sanoma Regional Belgium N.V., Belgium			100.0
Sanoma Media Russia & CEE			
Sanoma Media Russia & CEE B.V., The Netherlands		100.0	100.0
Independent Media B.V., The Netherlands			100.0
Sanoma Media Budapest Zártkörűen Működő Részvénytársaság, Hungary			100.0
OOO United Press, Russia			100.0
Sanoma Media Netherlands			
Sanoma Media Netherlands B.V., The Netherlands			100.0
Mood for Magazines B.V., The Netherlands			100.0
Sanoma Digital The Netherlands B.V., The Netherlands			100.0
SBS Broadcasting B.V., The Netherlands		100.0	100.0
Head Office Nederland B.V., The Netherlands			100.0
V8 Broadcasting B.V., The Netherlands			100.0
SBS Productions B.V., The Netherlands			100.0
Veronica Uitgeverij B.V., The Netherlands			100.0
Sanoma Media Finland			
Sanoma Magazines Finland Oy, Helsinki *	100.0		100.0
Sanoma Entertainment Ltd, Helsinki *	100.0		100.0
Suomen Rakennuslehti Oy, Helsinki		60.0	60.0
Metroradio Finland Oy, Helsinki			100.0

Most significant subsidiaries at 31 Dec 2013	Parent Company holding, %	Sub-group's Parent Company holding, %	Group holding, %
SANOMA NEWS			
Sanoma News Oy, Helsinki *	100.0		100.0
Lehtikanta Oy, Kouvola			100.0
Netwheels Oy, Helsinki		55.8	55.8
Oikotie Oy, Helsinki		75.0	75.0
AS Sanoma Baltics, Estonia		100.0	100.0
Sanoma Lehtimedia Oy, Kouvola		100.0	100.0
Sanomala Oy, Vantaa		100.0	100.0
Savon Paino Oy, Varkaus			100.0
Hämeen Paino Oy, Forssa			100.0
Saimaan Lehtipaino Oy, Lappeenranta			100.0
SANOMA LEARNING			
Sanoma Learning Oy, Helsinki *	100.0		100.0
Sanoma Invest B.V., The Netherlands *	100.0		100.0
L.C.G. Malmberg B.V., The Netherlands			100.0
Nowa Era Sp. z.o.o., Poland		100.0	100.0
Sanoma Utbildning AB, Sweden		100.0	100.0
Uitgeverij Van In N.V., Belgium			100.0
Vulcan SP. z.o.o., Poland			100.0
Young Digital Planet S.A., Poland		100.0	100.0
Bureau ICE B.V., The Netherlands			100.0
Sanoma Pro Oy, Helsinki			100.0
OTHER COMPANIES			
Lehtipiste Oy, Vantaa	100.0		100.0
Kiinteistö Oy Ärrävaara, Vantaa	100.0		100.0
B.V. Aldipress, The Netherlands			100.0
AAC Global AB, Sweden			100.0
AAC Global Oy, Helsinki		100.0	100.0
Bookwell Ltd, Porvoo		67.8	67.8

* Parent company of the sub-group

31. 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	2013	2012
Non-current assets	**116.5**	128.2
Current assets	**67.3**	71.6
Non-current liabilities	**17.0**	15.9
Current liabilities	**92.2**	103.7
Net assets	**74.6**	80.2
Income	**135.6**	158.5
Expenses	**137.2**	140.5
Net result for the period	**-1.5**	17.9
Average number of employees (full-time equivalents)	**1 263**	1 459

Most significant joint ventures at 31 Dec 2013	Participation of the Group, %
MEDIA	
Independent Media Holding B.V.	
ZAO Business News Media, Russia	33.3
OOO Fashion Press, Russia	50.0
OOO Mondadori Independent Media, Russia	50.0
Hearst Independent Media Publishing Ltd.	
Publishing House Independent Media LLC, Ukraine	50.0
Sanoma Media Russia & CEE B.V.	
Adria Media Holding GmbH, Austria	50.0
Hearst-Sanoma Budapest Kft, Hungary	50.0
Sanoma Bliasak Bulgaria A.D., Bulgaria	50.0
Sanoma Media Netherlands B.V.	
AKN CV, The Netherlands	25.0
Sanoma Magazines Finland Ltd	
Egmont Kustannus Oy Ab, Tampere	50.0
Sanoma Corporation	
De Vijver N.V., Belgium	33.3

32. Related party transactions

Sanoma Group's related parties include subsidiaries, associated companies and joint ventures as well as the members of the Board, President and CEO and members of the Executive Management Group. Remuneration for key management is presented in Note 33. Transactions with associated companies are presented in Note 16. 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 30 and the most significant joint ventures in Note 31. In addition, the Sanoma Group's related parties include pension funds and employees' profit-sharing funds. The sickness fund was liquidated at the end of 2012. Besides pension plans, transactions with those parties are not material.

⊕ Pension funds are described in more detail in accounting policies and pension calculations in Note 8.

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.

33. Management compensation, benefits and ownership

Management remuneration and ownership, 2013	Remuneration (EUR 1 000)	Number of shares	Option costs (EUR 1 000)	Number of stock options				Performance Share Plan costs (EUR 1 000)	Number of Performance Shares
				2008	2009	2010	2011		Performance Share Plan 2013–2014 **
Board of Directors									
Antti Herlin, Chairman (as of 3 April 2013) *	95	9 931 800							
Sakari Tamminen, Vice Chairman	89	5 000							
Annet Aris	82								
Anne Brunila (as of 3 April 2013)	55	910							
Jane Erkko	66	248 213							
Mika Ihamuotila (as of 3 April 2013)	50	20 000							
Robin Langenskiöld (as of 3 april 2013)	55	12 273 371							
Nancy McKinstry	72								
Rafaela Seppälä	72	10 273 370							
Kai Öistämö	76								
Jaakko Rauramo, Chairman (until 3 April 2013)	24	153 338							
Sirkka Hämäläinen-Lindfors (until 3 April 2013)	19	2 000							
Seppo Kievari (until 3 April 2013)	18	10 000							
Total	**771**	**32 918 002**							
President and CEO									
Harri-Pekka Kaukonen	707	25 000		41 000		60 000	60 000		42 800
Total	**707**	**25 000**	**98**	**41 000**		**60 000**	**60 000**	**48**	**42 800**
Executive Management Group									
Jacqueline Cuthbert		6 500					30 000		16 000
Jacques Eijkens		11 500		32 500	34 000	34 000	17 000		18 000
Kim Ignatius		18 000		28 000	30 000	30 000	30 000		16 000
John Martin		7 844			10 000	10 000	30 000		16 000
Dick Molman (until 31 October 2013)		19 250		20 000	20 000	20 000	34 000		9 000
Anu Nissinen		17 500		30 000	30 000	30 000	30 000		12 000
Heike Rosener							15 000		14 000
Pekka Soini		10 000		13 000	13 000	30 000	30 000		18 000
Aimé Van Hecke (until 13 December 2013)				10 000	10 000	10 000			
Total	**4 973**	**90 594**	**322**	**133 500**	**147 000**	**164 000**	**216 000**	**140**	**119 000**

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

* Remuneration for the Chairman of the Board includes the remuneration paid during 1.1–31.12.2013.

** Sanoma Performance Share Plan has been adopted in 2013. Number of Sanoma performance shares conditionally granted to the President and CEO and EMG members on target level. Shares conditionally granted to the President and CEO and EMG members under the Performance Share Plan are subject to share ownership requirement that is determined by the Board of Directors in accordance with the Human Resources Committee's proposal. Until the required shareholding is achieved, the President and the CEO and EMG members are required to hold (and not sell) at least 25% of performance shares received.

Management remuneration and ownership, 2012	Remuneration (EUR 1 000)	Number of shares	Option costs (EUR 1000)	Number of stock options			
				2008	2009	2010	2011
Board of Directors							
Jaakko Rauramo, Chairman	122	134 512					
Sakari Tamminen, Vice Chairman	88	5 000					
Annet Aris	81						
Jane Erkko	74	248 213					
Antti Herlin	75	9 106 800					
Sirkka Hämäläinen-Lindfors	80	2 000					
Seppo Kievari	77	10 000					
Nancy McKinstry	71						
Rafaela Seppälä	71	10 273 370					
Kai Öistämö	66						
Total	**805**	**19 779 895**					
President and CEO							
Harri-Pekka Kaukonen	769	25 000		41 000		60 000	60 000
Total	**769**	**25 000**	**99**	**41 000**		**60 000**	**60 000**
Executive Management Group							
Jacqueline Cuthbert		6 500					30 000
Jacques Eijkens		11 500		32 500	34 000	34 000	17 000
Kim Ignatius		18 000		30 000	30 000	30 000	30 000
John Martin		7 844			10 000	10 000	30 000
Dick Molman		19 250		20 000	20 000	20 000	34 000
Anu Nissinen		17 500		30 000	30 000	30 000	30 000
Heike Rosener (as of 1 February 2012)							15 000
Pekka Soini		10 000		13 000	13 000	30 000	30 000
Aimé Van Hecke				10 000	10 000	10 000	15 000
Total	**3 507**	**90 594**	**521**	**135 500**	**147 000**	**164 000**	**231 000**

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

The remuneration and benefits payable to the President and CEO and Executive Management Group (EMG) members are approved by the Board of Directors of Sanoma, in accordance with the Human Resources Committee's proposal. In addition, the President and CEO and EMG members receive bonuses according to the short-term incentive plan approved each year by the Board of Directors. For the year 2013, the maximum bonus for the President and CEO is 87.5% of his salary, and for other EMG members it is 60% of salary.

President and CEO and EMG members are part of Sanoma's long-term incentive schemes. The long-term incentives are part of the Group's incentive and commitment programme and are distributed by the Sanoma Board of Directors, in accordance with the Human Resources Committee's proposal.

⊕ 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 and CEO or the Company). If the executive contract is terminated by the company, a severance payment equalling to 12 months' salary in addition to the salary for the notice period will be paid to the President and CEO. The severance payment is subject to a fixed-term non-competition clause.

The additional pension benefits of the President and CEO and other EMG members are currently based on defined contribution. Contracts made prior to 2009 are based on defined benefit. According to his executive contract, Harri-Pekka Kaukonen will retire at the age of 63, and the additional pension contribution amounts to 20% of his salary subject to statutory pension cover and it was EUR 153,838 for the year 2013. The statutory pension cost of the President and CEO for the year 2013 was EUR 161,024. The retirement age of other EMG members is 60–63 years. The pensions of the EMG members whose additional pension benefits are based on defined benefit amount to 60% of their pensionable salary applicable in their home country, together with the statutory pension cover.

34. Events after the balance sheet date

In January 2014, Sanoma sold its Sanomala printing facility and office properties located in Martinlaakso, Vantaa as well as office and production properties located in Koivuvaara, Vantaa to Swedish AB Sagax. Sanoma will remain as a lessee in the properties, with a long-term contract regarding the Sanomala facility. The total value of the transactions was around EUR 65 million.

In February 2014, Sanoma announced the divestment of the Finnish press distribution company Lehtipiste. The transaction is subject to the approval of the Finnish competition authorities. In 2013, the external net sales of Lehtipiste totalled some EUR 50 million. At the closing of the transaction, Sanoma will book a non-recurring capital gain of around EUR 26 million.

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

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

Shares and shareholders

Board authorisations

The AGM held on 3 April 2013 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 2016. The Board of Directors is authorised to grant a maximum of 5,000,000 stock options as part of the Company's incentive programme. In a directed share issue, a maximum of 41,000,000 shares can be issued or transferred. The Board of Directors did not exercise its right under this authorisation during 2013.

The AGM held on 3 April 2013 authorised the Board to decide on the repurchase of maximum of 16,000,000 Company's own shares. The authorisation is effective until 30 June 2014 and terminates the corresponding authorisation granted by the AGM on 3 April 2012. These shares can be purchased with the Company's unrestricted shareholders' equity, and the repurchases will reduce the funds available for distribution of profits. The shares can be repurchased to develop the Company's capital structure, carry out or finance potential corporate acquisitions or other business arrangements, to be used as a part of the Company's incentive programme or to be otherwise conveyed further, retained as treasury shares, or cancelled. The shares can be repurchased either through a tender offer made to all shareholders on equal terms or in a proportion other than that of the current shareholders at the market price of the repurchase moment on the NASDAQ OMX Helsinki Ltd. The Board of Directors did not exercise its right under this authorisation during 2013.

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 2013, Sanoma's registered share capital was EUR 71,258,986.82 and the number of shares was 162,812,093.

Listing of share and options

The Sanoma share (SAA1V) and the Company's options 2008, 2009 and 2010 are listed on the NASDAQ OMX Helsinki.

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

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

Trading codes	Shares	2008 stock options	2009 stock options	2010 stock options
NASDAQ OMX Helsinki	SAA1V	SAA1VEW108	SAA1VEW109	SAA1VEW110
Startel	SAA1V	SAA1VEW108	SAA1VEW109	SAA1VEW110
Bloomberg	SAA1V:FH	SAA1V108:FH	SAA1V109:FH	SAA1V110:FH
Reuters	SAA1V.HE	SAA1VEW108.HE	SAA1VEW109.HE	SAA1VEW110.HE

Number of shares and options

Number of shares at 31 December 2013	
Number of registered shares on 31 December 2013	162 812 093
Average number of shares, adjusted for share issues	162 812 093
Number of shares plus stock options *	
Number of outstanding shares on 31 December 2013	162 812 093
Stock options 2008	1 102 450
Stock options 2009	1 020 000
Stock options 2010	977 100
Stock options 2011	913 600
Number of outstanding shares plus options	166 825 243

* Provided that all issued options are converted into shares.

The shares to be subscribed for on the basis of the options issued would represent 2.4% of all Sanoma shares and votes after the conversion if all outstanding stock options were exercised.

The non-distributed or returned stock options 2008, 2009, 2010 and 2011 have been allocated to the fully-owned Sanoma subsidiary Lastannet Oy, and the Sanoma Board of Directors will decide on their usage at a later date. Including these stock options, the potential combined dilution effect of the stock option schemes on 31 December 2013 would be 6,800,000 shares, accounting for 4.1% of the post-conversion shares and votes.

Option schemes

Sanoma has four option schemes in place:

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

The stock option schemes cover all of Sanoma's strategic business units and the Group's Parent Company. Stock options have been and will be distributed to executives and managers of the Sanoma Group in accordance with the decisions of the Board of Directors. The number of option holders within the Company at the end of 2013 is shown in the table below.

Stock Option Scheme	Number of option holders
Stock Option Scheme 2008	153
Stock Option Scheme 2009	184
Stock Option Scheme 2010	188
Stock Option Scheme 2011	159

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 2008, 2009 and 2010 are listed on the NASDAQ OMX Helsinki. The subscription period of 2007 stock options ended on 30 November 2013, and their listing on the NASDAQ OMX Helsinki ended on 23 November 2013. In 2013, no shares with stock options 2007 were subscribed.

Information on stock options held by Sanoma's Board of Directors and the Executive Management Group can be found in Note 33. 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 23.

Performance Share Plan

Sanoma has adopted in 2013 Performance Share Plan replacing Sanoma's option schemes, under which no new option grants will be made.

Performance Share Plan is the long-term part of the remuneration and commitment programme for the executives and managers of Sanoma Group. The conditions and the issuance of the Performance Shares are decided on by the Sanoma Board of Directors in accordance with the Human Resources Committee's proposal. In general, Performance Shares vest over three-year period and vesting is subject to meeting Sanoma Group performance targets set by the Board of Directors for annually commencing new plans.

Sanoma Board of Directors may extend the group of participants to the performance share plans during the performance period in its sole discretion. In the event the performance share plan participant´s employment or service terminates before the performance share reward delivery date, no performance share reward shall be delivered or paid.

The performance measures for the first two-year performance period, Performance Share Plan 2013–2014, are based on the earnings per share (excluding non-recurring items), and the development of digital and other new media sales.

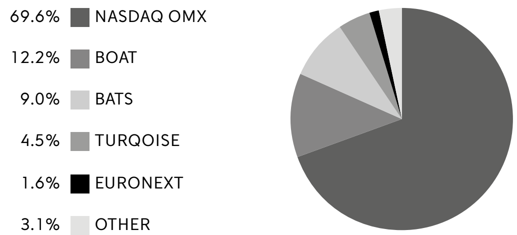
Performance Share Plan 2013–2014 comprises a maximum of 1,070,000 shares. The number of Performance Share Plan participants within the Company at the end of 2013 was 224.

Information on the performance shares conditionally granted to the Executive Management Group within the Performance Share Plan 2013–2014 can be found in Note 23 and 33.

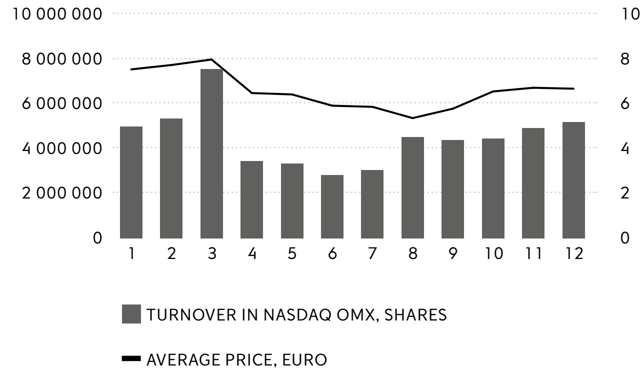
Share performance

In 2013, 54,326,354 (2012: 106,129,204) Sanoma shares were traded on the NASDAQ OMX Helsinki and traded shares accounted for some 33% (2012: 65%) of the average number of shares. Sanoma's NASDAQ OMX Helsinki stock exchange turnover was EUR 368.8 million (2012: 851.7). Sanoma's shares traded on the NASDAQ OMX Helsinki corresponded to around 70% (2012: 64%) of the total traded share volume on stock exchanges.

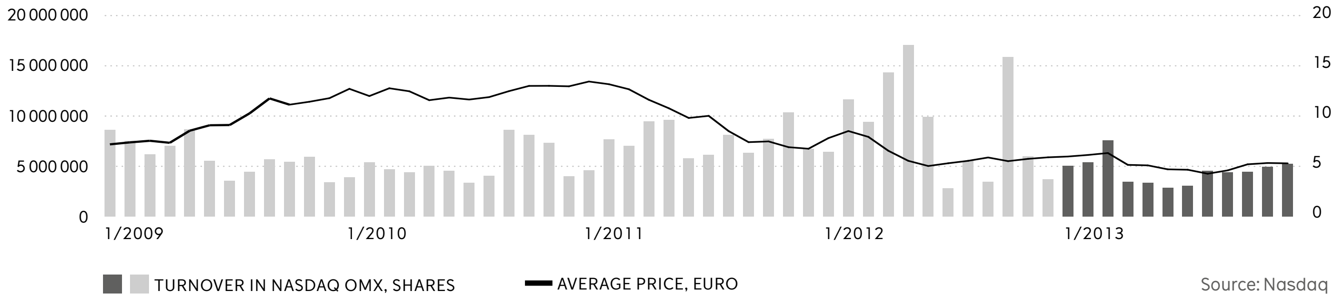
Trading of Sanoma share in different market places in 2013



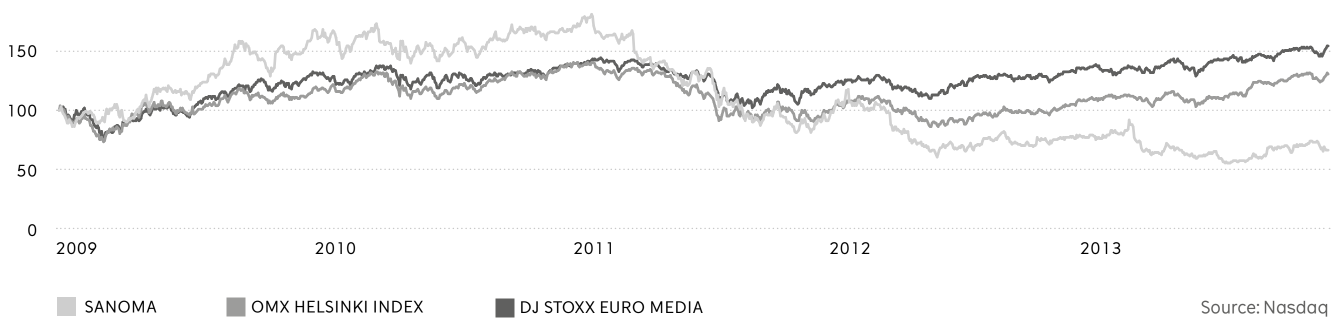
Average share price and turnover 2013



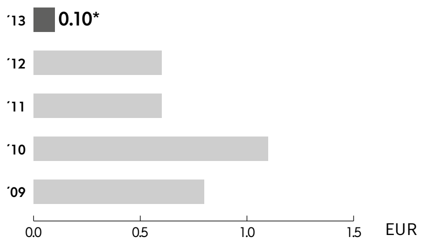
Average share price and turnover 2009–2013



Sanoma share against indices

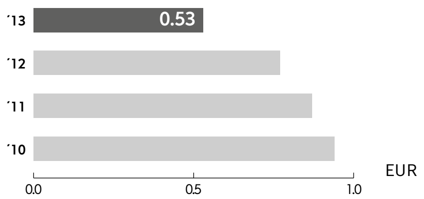


Dividend/share



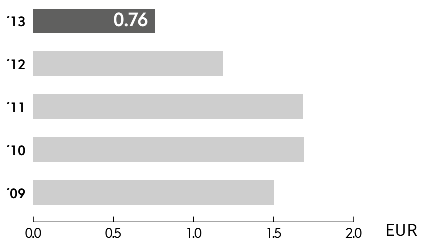
* Proposal of the Board of Directors. In addition, Board decided to propose to the Annual General Meeting that the Board be authorised to decide on the distribution of additional dividend of no more than EUR 0.20 per share.

Earnings per share excluding non-recurring items *

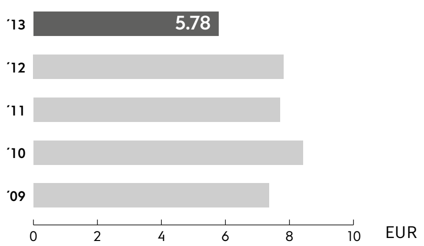


* 2009 figure not comparable.

Cash flow from operations/share



Equity/share



During 2013, the volume-weighted average price of a Sanoma share on the NASDAQ OMX Helsinki was EUR 6.79, with a low of EUR 5.28 and a high of EUR 8.95. At the end of the year, Sanoma's market capitalisation was EUR 1.0 billion (2012: EUR 1.2 billion), with Sanoma's share closing at EUR 6.39 (2012: 7.44).

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

Dividend policy

Sanoma follows an active dividend policy and primarily pays out over half of the Group's result excluding non-recurring items for the period in dividends. As communicated on 31 October 2013, one-time investments and costs associated with the transformation of its business require Sanoma to pursue a prudent dividend policy in the near-term implying a lower than historical dividend payout.

The Board of Directors proposes a dividend of EUR 0.10 (2012: EUR 0.60) per share for 2013.

In addition, Board decided to propose to the Annual General Meeting that the Board be authorised to decide on the distribution of additional dividend of no more than EUR 0.20 per share.

Shareholders

On 31 December 2013, the Company had 30,626 (2012: 32,722) shareholders, with foreign holdings accounting for 12.7% (2012: 7.3%) 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 2013, the combined holdings in the Company shares of members of the Board of Directors, the President and CEO, and the bodies they control (as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act) accounted for 20.5% (2012: 11.9%) of all shares and votes. If all outstanding, non-distributed and returned stock options were to be converted into shares through subscriptions and the President and CEO exercised all of his subscription rights, the combined holdings of the Board members and the President and CEO (including the bodies they control) would account for 19.9% (2012: 11.2%) 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 33 and at Sanoma.com.

Sanoma's guidelines on insider trading can be found at Sanoma.com.

Major changes in shareholdings

There were no major changes in share ownership in 2013, and Sanoma did not issue any flagging announcements.

Major shareholders at 31 December 2013

	Shareholder	Shares, total	Of shares and votes, %
1	**Jane ja Aatos Erkon säätiö**	37 483 619	23.02
2	**Langenskiöld Robin**	12 273 371	7.54
3	**Seppälä Rafaela**	10 273 370	6.31
4	**Herlin Antti**	9 931 800	6.10
	Holding Manutas Oy	8 100 000	4.98
	Security Trading Oy	1 800 000	1.11
	Herlin Antti	31 800	0.02
5	**Helsingin Sanomat Foundation**	5 701 570	3.50
6	**Ilmarinen Mutual Pension Insurance Company**	4 732 220	2.91
7	**Foundation for Actors´ Old-Age Home**	2 249 357	1.38
8	**The State Pension Fund**	2 090 000	1.28
9	**The WSOY´s Literature Foundation**	2 005 000	1.23
10	**Aubouin Lorna**	1 968 970	1.21
11	**Noyer Alex**	1 968 965	1.21
12	**Alfred Kordelin Foundation**	1 348 774	0.83
13	**The Finnish Cultural Foundation**	1 000 000	0.61
14	**Oy Karl Fazer Ab**	875 322	0.54
15	**Varma Mutual Pension Insurance Company**	776 925	0.48
16	**Kuningas Henrik**	747 588	0.46
17	**Inez och Julius Polins fond**	646 149	0.40
18	**Langenskiöld Lars Christoffer R.**	645 996	0.40
19	**Langenskiöld Pamela**	645 963	0.40
20	**Langenskiöld Sebastian**	645 963	0.40
	Total	**98 010 922**	**60.20**
	Nominee registrations and foreign shareholders total	20 738 719	12.7

The shareholdings have been grouped for Antti Herlin.

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

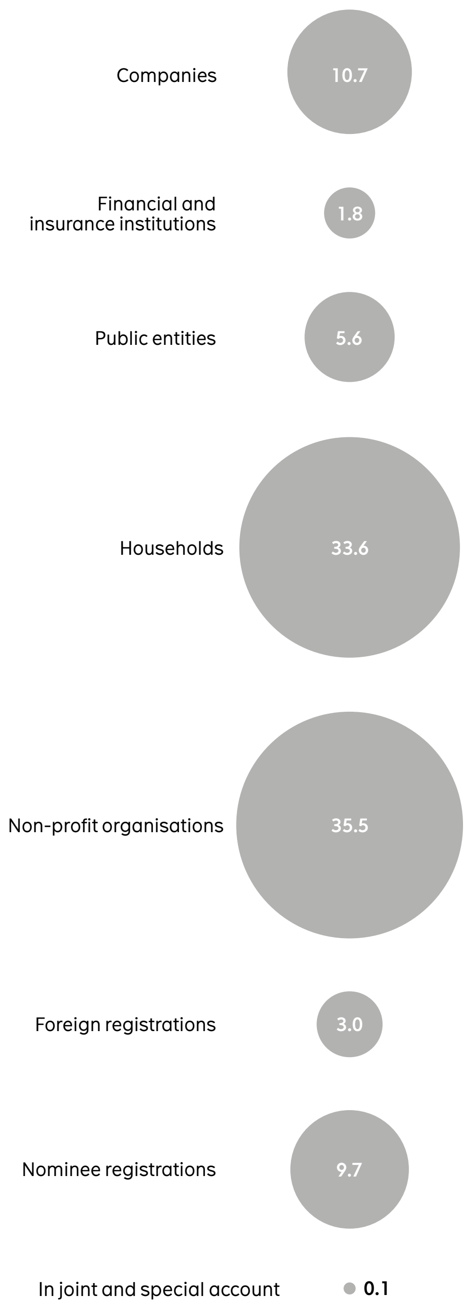
Shareholders by sector at 31 December 2013

Sector	Number of shareholders	%	Number of shares	%
Companies	1 471	4.8	17 434 664	10.7
Financial and insurance institutions	76	0.2	2 964 544	1.8
Public entities	34	0.1	9 070 330	5.6
Households	28 380	92.7	54 711 208	33.6
Non-profit organisations	538	1.8	57 806 651	35.5
Foreign registrations	123	0.4	4 877 714	3.0
Nominee registrations	10	0.0	15 861 005	9.7
Total	**30 626**	**100**	**162 726 116**	**99.9**
In joint and special account			85 977	0.1
Number of shares on the market			**162 812 093**	**100**

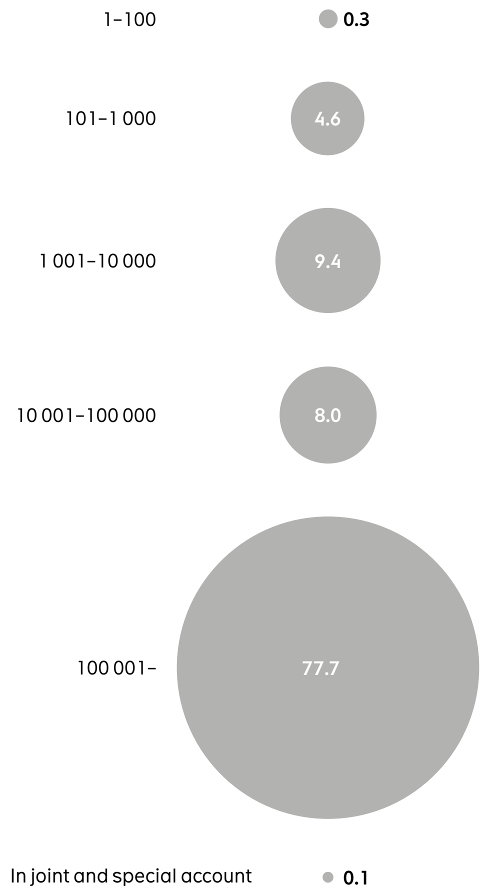
Shareholders by number of shares held at 31 December 2013

Number of shares	Number of shareholders	%	Number of shares	%
1–100	7 075	23.1	454 896	0.3
101–1 000	17 428	56.9	7 435 773	4.6
1001–10 000	5 547	18.1	15 289 302	9.4
10 001–100 000	490	1.6	13 101 037	8.0
100 001–	86	0.3	126 445 108	77.7
Total	**30 626**	**100**	**162 726 116**	**99.9**
In joint and special account			85 977	0.1
Number of shares on the market			**162 812 093**	**100**

Sanoma shareholders by sector 31 December 2013 (% shares and votes)



Shareholders by number of shares held 31 December 2013 (% shares and votes)



Parent Company income statement, FAS

EUR million	1.1–31.12.2013	1.1–31.12.2012
Other operating income	33.7	117.2
Personnel expenses	-15.9	-15.1
Depreciation, amortisation and impairment losses	-18.9	-1.5
Other operating expenses	-37.5	-26.3
Operating profit (loss)	**-38.6**	74.3
Financial income and expenses	44.7	21.0
Result before extraordinary items	**6.1**	95.2
Extraordinary items	38.6	32.1
Result before appropriations and taxes	**44.7**	127.3
Appropriations	0.0	-0.4
Income taxes	12.5	9.6
Result for the year	**57.2**	136.5

Parent Company balance sheet, FAS

EUR million	31.12.2013	31.12.2012
ASSETS		
Non-current assets		
Intangible assets	3.2	3.6
Tangible assets	11.3	11.1
Investments	2 356.8	2 522.4
Non-current assets, total	**2 371.3**	2 537.1
Current assets		
Long-term receivables	6.1	7.1
Short-term receivables	92.3	187.0
Cash and cash equivalents	4.5	2.0
Current assets, total	**102.8**	196.1
ASSETS, TOTAL	2 474.2	2 733.2
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	71.3	71.3
Fund for invested unrestricted equity	203.3	203.3
Retained earnings	278.3	238.9
Profit for the year	57.2	136.5
Shareholders' equity, total	**610.0**	649.9
Appropriations	**0.8**	0.8
Liabilities		
Non-current liabilities	806.4	866.6
Current liabilities	1 056.8	1 215.8
EQUITY AND LIABILITIES, TOTAL	2 474.2	2 733.2

Parent Company cash flow statement, FAS

EUR million	1.1–31.12.2013	1.1–31.12.2012
Operations		
Result for the period	**57.2**	136.5
Adjustments		
Income taxes	**-12.5**	-9.6
Appropriations	**0.0**	0.4
Extraordinary items	**-38.6**	-32.1
Financial income and expenses	**-44.7**	-21.0
Depreciation, amortisation and impairment losses	**18.9**	1.5
Gains/losses on sales of non-current assets	**-1.3**	-80.5
Other adjustments	**18.9**	-4.5
Change in working capital		
Change in trade and other receivables	**-1.2**	-3.6
Change in trade and other payables, and provisions	**2.4**	1.7
Interest paid	**-43.7**	-30.5
Other financial items	**-6.1**	-7.6
Group contributions	**42.5**	51.5
Dividends received	**221.0**	50.3
Taxes paid	**5.6**	-1.0
Cash flow from operations	**218.5**	51.7
Investments		
Acquisition of tangible and intangible assets	**-2.0**	-2.9
Group companies acquired	**-10.1**	-55.1
Sales of tangible and intangible assets	**3.3**	6.2
Group companies sold		135.6
Loans granted	**-28.8**	-130.6
Repayments of loan receivables	**117.9**	150.9
Interest received	**21.3**	28.8
Cash flow from investments	**101.6**	132.9
Cash flow before financing	**320.1**	184.5
Financing		
Change in loans with short maturity	**89.7**	13.4
Drawings of other loans	**314.3**	1 424.3
Repayments of other loans	**-623.8**	-1 562.7
Dividends paid	**-97.7**	-97.7
Cash flow from financing	**-317.6**	-222.7
Change in cash and cash equivalents according to cash flow statement	**2.6**	-38.2
Net increase(+)/decrease(-) in cash and cash equivalents	**2.6**	-38.2
Cash and cash equivalents at 1Jan	**2.0**	40.1
Cash and cash equivalents at 31 Dec	**4.5**	2.0

Parent Company shareholders' equity

Shareholders' equity, EUR million	2013	2012
Restricted equity		
Share capital at 1 Jan	**71.3**	71.3
Share capital at 31 Dec	**71.3**	71.3
Restricted equity 31 Dec	**71.3**	71.3
Unrestricted equity		
Fund for invested unrestricted equity at 1 Jan	**203.3**	203.3
Fund for invested unrestricted equity at 31 Dec	**203.3**	203.3
Retained earnings at 1 Jan	**375.4**	336.5
Dividends	**-97.7**	-97.7
Other changes	**0.6**	0.0
Retained earnings at 31 Dec	**278.3**	238.9
Profit (loss) for the year	**57.2**	136.5
Unrestricted equity 31 Dec	**538.8**	578.7
Total	**610.0**	649.9

Further information on share capital is presented in Note 22 to the Financial Statements.

Distributable earnings, EUR million	2013	2012
Fund for invested unrestricted equity	**203.3**	203.3
Retained earnings	**278.3**	238.9
Profit (loss) for the year	**57.2**	136.5
Total	**538.8**	578.7

Parent Company contingent liabilities

Contingent liabilities, EUR million	2013	2012
Contingencies for own commitments		
Other contingent liability for own commitments	**45.0**	45.0
Total	**45.0**	45.0
Contingencies incurred on behalf of Group companies		
Guarantees *	**143.5**	68.7
Total	**143.5**	68.7
Other commitments		
Operating lease liabilities	**0.4**	
Total	**0.4**	
Total	**188.9**	113.7

* Includes the lease guarantee of Sanomala real estate sold in January 2014.

Nominal values of derivatives, EUR million	2013	2012
Interest derivatives		
Interest rate swaps	**540.0**	740.0
Total	**540.0**	740.0
Currency derivatives		
Forward currency exchange contracts	**128.4**	102.5
Total	**128.4**	102.5
Total	**668.4**	842.5

Fair values of derivatives, EUR million	2013	2012
Interest derivatives		
Interest rate swaps	**-3.9**	-13.2
Total	**-3.9**	-13.2
Currency derivatives		
Forward currency exchange contracts	**-3.5**	-1.0
Total	**-3.5**	-1.0
Total	**-7.5**	-14.3

Board's proposal for distribution of profits and signatures

At 31 December 2013, Sanoma Corporation's distributable earnings total EUR 538,772,513.27, of which the profit for the year is EUR 57,189,186.23.

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

• a dividend of EUR 0.10 per share shall be paid	EUR 16,281,209.30 *
• 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 521,941,303.97

In addition, Board proposes to the Annual General Meeting that the Board be authorised to decide on the distribution of additional dividend of no more than EUR 0.20 per share.

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

* The dividend will be paid to shareholders registered with the Shareholder Register maintained by the Euroclear Finland Ltd on the record date set by the Board for payment of the dividend, Monday, 14 April 2014. The Board will propose to the Annual General Meeting that the dividend will be paid on Wednesday, 23 April 2014.

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

Helsinki, 6 February 2014

Antti Herlin
Chairman

Sakari Tamminen
Vice Chairman

Annet Aris

Jane Erkko

Anne Brunila

Mika Ihamuotila

Nancy McKinstry

Robin Langenskiöld

Rafaela Seppälä

Kai Öistämö

Harri-Pekka Kaukonen
President and CEO

Auditor's report

To the Annual General Meeting of Sanoma Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Sanoma Corporation for the year ended 31 December 2013. The financial statements comprise the consolidated balance sheet, consolidated income statement, statement of comprehensive income, statement of changes in consolidated equity and consolidated cash flow statement, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

OTHER OPINIONS

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

Helsinki, 6 February 2014
KPMG OY AB

Virpi Halonen
Authorised Public Accountant

Corporate Governance Statement

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

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

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

Organisational Structure and Statutory Governance Bodies

The Sanoma Group comprised six Strategic Business Units ('SBU') in 2013: Sanoma News, Sanoma Media Belgium, Sanoma Media Finland, Sanoma Media Netherlands, Sanoma Media Russia & CEE and Sanoma Learning. In 2013 Sanoma ('Sanoma Group' or the 'Group') reported in three segments: Media, News and Learning. The line item 'Other companies and eliminations' includes non-core operations, head office functions, real estate companies and Group eliminations. As of 1 January 2014, Sanoma will consist of two segments, Consumer Media and Learning, and three Strategic Business Units: Sanoma Media Netherlands, Sanoma Media Finland and Sanoma Learning. The line item 'Other companies and eliminations' will remain as a part of the reporting. Sanoma Corporation is the Parent Company of the Sanoma Group (the 'Parent Company'). Sanoma's administrative bodies are the General Meeting, the Board of Directors and its committees and the President and CEO.

GENERAL MEETING

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

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

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

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

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

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

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

BOARD OF DIRECTORS

Election and term

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

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

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

The following persons served on Sanoma's Board of Directors at the end of 2013:

- Antti Herlin (Chairman), born 1956. Chairman of KONE Corporation. Term ends at AGM 2016.
- Sakari Tamminen (Vice Chairman), born 1953, M.Sc. (Econ.). President of Rautaruukki Corporation. Term ends at AGM 2015.
- Annet Aris, born 1958, M.Sc. (Land planning and operations research), MBA INSEAD. Term ends at AGM 2015.
- Anne Brunila, born 1957, D.Sc. (Econ.). Term ends at AGM 2016.
- Jane Erkko, born 1936. Term ends at AGM 2014.
- Mika Ihamuotila, born 1964, Ph. D. (Econ.). Term ends at AGM 2016.
- Robin Langenskiöld, born 1946, B.Sc. (Econ.). Term ends at AGM 2015.
- Nancy McKinstry, born 1959, MBA (Finance and marketing), BA (Econ.). Term ends at AGM 2014.
- Rafaela Seppälä, born 1954, M.Sc. (Journalism). Term ends at AGM 2014.
- Kai Öistämö, born 1964, M.Sc. (Eng.), D.Sc. (Tech.). Term ends at AGM 2014.

All members of the Board of Directors are non-executive directors and independent of the Company. Nine members (Annet Aris, Anne Brunila, Antti Herlin, Mika Ihamuotila, Robin Langenskiöld, Nancy McKinstry, Rafaela Seppälä, Sakari Tamminen and Kai Öistämö) are also independent of major shareholders as stipulated in the Finnish Corporate Governance Code.

The Board of Directors of Sanoma convened 12 times in 2013 with an average attendance rate of 89%.

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

Duties of the Board of Directors

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

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

The Board of Directors:

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

Committees appointed by the Board

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

Sanoma has an Executive Committee that prepares proposals for matters to be decided or noted by the Board of Directors.

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

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

Executive Committee

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

In 2013, the Executive Committee comprised Jaakko Rauramo (Chairman), Sakari Tamminen (Vice Chairman) and Harri-Pekka Kaukonen until the AGM and after the AGM Jaakko Rauramo was replaced by Antti Herlin. The Executive Committee convened seven times in 2013 with all members present at the meetings.

Audit Committee

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

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

In 2013 until the AGM, the Audit Committee comprised Sirkka Hämäläinen-Lindfors (Chairman), Rafaela Seppälä (Vice Chairman) and Antti Herlin. After the AGM, the Audit Committee comprises Sakari Tamminen (Chairman), Anne Brunila (Vice Chairman) and Robin Langenskiöld. All members of the Committee are independent of the Company and major shareholders. The Audit Committee convened six times in 2013 with all members present at the meetings.

Human Resources Committee

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

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

In 2013 until the AGM, the Human Resources Committee comprised Jaakko Rauramo (Chairman), Annet Aris (Vice Chairman), Jane Erkko, Antti Herlin and Seppo Kievari. The majority of the Committee members are independent of the Company. After the AGM, the Committee comprises Kai Öistämö (Chairman), Annet Aris (Vice Chairman) and Rafaela Seppälä. All members of the Committee are independent of the Company and major shareholders. The Human Resources Committee convened seven times in 2013 with all members present at the meetings.

PRESIDENT AND CEO

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

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

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

In 2013, Harri-Pekka Kaukonen, born 1963, M.Sc. (Tech.), D.Sc. (Tech.) served as the President and CEO of the Company.

EXECUTIVE MANAGEMENT GROUP

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

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

The Executive Management Group is chaired by the President and CEO of Sanoma and in 2013 comprised the CEOs of Sanoma News, Sanoma Media Belgium, Sanoma Media Finland, Sanoma Media Netherlands, Sanoma Media Russia & CEE and Sanoma Learning, the CFO (Chief Financial Officer), the CHRO (Chief Human Resources Officer), and the CSDO (Chief Strategy and Digital Officer) of the Sanoma Group.

In 2014 the Executive Management Group comprises President and CEO (chairman) and the CEOs of Sanoma Media Finland, Sanoma Media Netherlands, Sanoma Media Russia & CEE and Sanoma Learning, the CFO (Chief Financial Officer), the CHRO (Chief Human Resources Officer) as well as the CEO of new Sanoma Digital unit.

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

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

CONTROL ENVIRONMENT

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

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

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

The Group Risk Management function, part of Group Finance & Control, coordinates the Risk Management and Internal Control process. Updated assessment results with related ongoing or planned mitigation actions are communicated to the Audit Committee and further to the Board of Directors periodically.

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

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

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

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

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

RISK MANAGEMENT

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

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

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

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

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

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

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

Strategic risks

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

Operational risks

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

Financial risks

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

Hazard risks

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

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

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

INTERNAL CONTROLS

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

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

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

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

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

Following the revised Internal Control Policy, a Group-level harmonisation programme regarding internal control systems was initiated in 2011. Group Risk Management function, part of Group Finance & Control, coordinates the Internal Control programme and reports to the Audit Committee on a regular basis.

MONITORING OF FINANCIAL REPORTING PROCESS

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

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

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

Audit

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

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

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

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

In 2013, KPMG Oy Ab, with Virpi Halonen, Authorised Public Accountant, as Auditor in Charge acted as Sanoma's statutory auditor.

Insider Administration

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

Risk management

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

Risk management policy and process

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

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

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

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

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

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

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

⊕ Group internal control systems, as well as internal audit and external audit activities are presented in more detail in the Corporate Governance Statement, on pp. 78–82, and 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 35% of Sanoma's net sales is derived from media advertising and some 35% from single copy or subscription sales. Rapid changes in media advertising and consumer confidence will affect the Group's results. Newspaper and TV advertising react fastest to changes in media advertising expenditure.

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

STRATEGIC RISKS

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

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

Changes in customer preferences and the threat of new entrants

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

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

New entrants and / or new technological developments might be in a better position to utilise changes in customer preferences and digitisation, and therefore gain market share from Sanoma's established businesses. To further enhance capability to respond to changes and focus the digital transformation, Sanoma established as of 1 January 2014 the new Sanoma Digital unit.

Mergers & Acquisitions ('M&A')

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

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

Laws and regulations

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

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

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

Intellectual Property Rights ('IPR's)

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

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

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

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

OPERATIONAL RISKS

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

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

Leadership and human resources

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

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

Knowledge management

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

Information and Communication Technologies ('ICT') systems

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

Regarding ICT security, risks relate to confidentiality, integrity or availability of information, as well as reliability and compliance of data processing. These can be divided into physical risks (fire, sabotage and equipment breakdown) and logical risks (related to data security, employees and software failure). Sanoma has established continuity plans for systems critical to the Group. Sanoma's ICT Governance model includes clear responsibilities regarding ICT security.

FINANCIAL RISKS

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

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

A more detailed description of the Group's financial risk management can be found in Note 29.

As a result of acquisitions, the consolidated balance sheet on 31 December 2013 included about EUR 2.6 billion in goodwill, publishing rights and other intangible assets, most of which is related to magazine and TV operations in the Netherlands. In accordance with the International Financial Reporting Standards (IFRS), instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. The impairment losses on goodwill and other immaterial rights for 2013 totalled EUR 358.0 million (2012: EUR 46.5 million), and there were no indicators of other impairment impacts on the Group's financials.

HAZARD RISKS

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

Investing in Sanoma

Annual General Meeting

Sanoma Corporation's Annual General Meeting of Shareholders (AGM) will be held on 9 April 2014 at 14:00 (CET+1) in the Congress Wing of Messukeskus, the Helsinki Exhibition & Convention Centre (Messuaukio 1, 00520 Helsinki, Finland).

NOTICE OF THE AGM

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

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

ATTENDING THE AGM

Shareholders whose holding is registered in the list of shareholders, maintained by Euroclear Finland Ltd, on 28 March 2014 are welcome to attend the AGM.

REGISTRATION

Shareholders wishing to attend and to use their voting rights are kindly requested to register by 16:15 (CET+1) on Thursday, 3 April 2014. Registration can be made at Sanoma.com, by phone +358 20 770 6864 or by fax +358 105 19 5058.

The holder of nominee registered shares is requested to ask, in good time, his/her asset manager to provide the necessary instructions for registration in the shareholder register, for issuing proxies and for registration for the AGM. The account operator of the asset manager must register the holder of nominee-registered shares wishing to attend the AGM to the Company's temporary shareholder register no later than on 3 April 2014 at 16:15 (CET+1).

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

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

DIVIDEND

The Board of Directors proposes to the AGM that a dividend of EUR 0.10 per share should be paid for 2013. All shareholders registered on the Company's list of shareholders (maintained by Euroclear Finland Ltd) on the record date of 14 April 2014 are entitled to the dividend decided by the AGM. In Finland, the dividend payment date will be 23 April 2014. Outside Finland, the actual dividend payment date will be determined by the practices of the intermediary banks transferring the payments.

In addition, Board decided to propose to the Annual General Meeting that the Board be authorised to decide on the distribution of additional dividend of no more than EUR 0.20 per share.

Sanoma's financial reporting during 2014

The Group's Interim Reports in 2014 will be published:

- Interim Report January–March on 30 April, at approximately 8:30 (CET+1);
- Interim Report January–June on 25 July, at approximately 8:30 (CET+1);
- Interim Report January–September on 29 October, at approximately 8:30 (CET+1).

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

Sanoma's Corporate Social Responsibility report 2013 can be viewed at Sanoma.com. An annual review, the 'Sanoma View' will be published on 9 April 2014 and can also be viewed and ordered 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, Danske Markets, Deutsche Bank, Evli Bank, Handelsbanken Capital Markets, Inderes, Nordea, Pareto Securities, Pohjola Bank, and SEB Enskilda. Sanoma does not accept any responsibility for the views or opinions expressed by the analysts.

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

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