Board of Directors' Report

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

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

Net sales

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

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

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

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

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

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

Result

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

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

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

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

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

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

Balance sheet and financial position

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

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

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

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

Investments, acquisitions and divestments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group outlook for 2013

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

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

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

Three-year, Group-wide cost savings programme

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

Media

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

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

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

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

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

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

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

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

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

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

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

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

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

News

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

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

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

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

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

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

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

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

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

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

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

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

Learning

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

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

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

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

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

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

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

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

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

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

Personnel

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

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

Dividend

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

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

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

Corporate Governance

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

Shares and holdings

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

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

Board of Directors, auditors and management

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

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

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

Board authorisations

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

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

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

Seasonal fluctuation

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

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

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

Significant risks and uncertainty factors

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

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

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

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

As a result of the SBS acquisition, Sanoma's consolidated balance sheet includes about EUR 3.0 billion in goodwill, publishing rights and other intangible assets. Most of this is related to magazine and TV operations. In accordance with IFRS, instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. Major changes in business fundamentals could lead to impairment.

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