

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 employees 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 IAS 19 '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

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

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.

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 Biasak 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 Ihmuotila 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 Ihmuotila, 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 exercise 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.