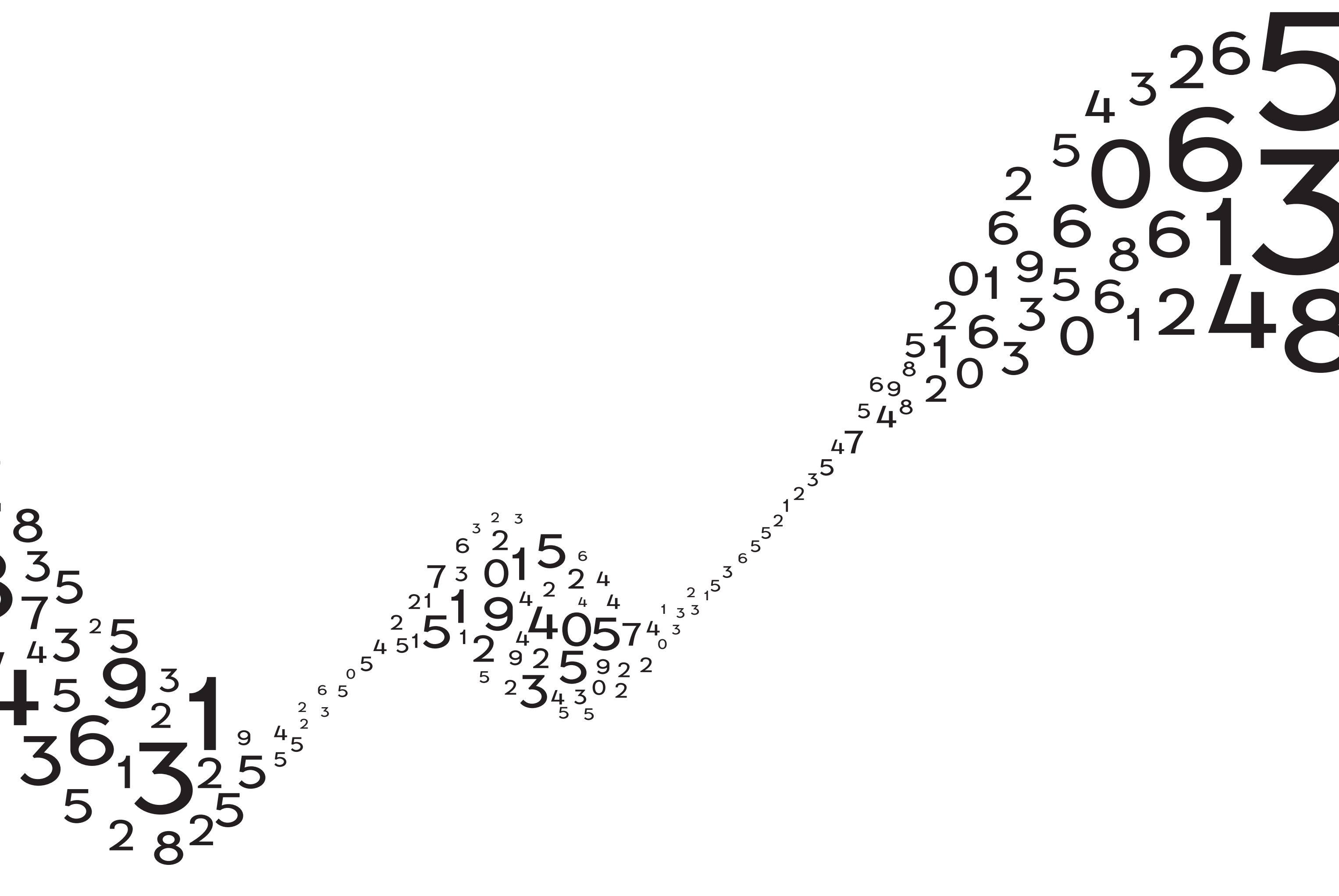
Sanoma



Financial statements for 2008

Contents

Key indicators

Key indicators, EUR million	2008	2007	2006	2005	2004
Net sales	**3 030.1**	2 926.3	2 742.1	2 622.3	2 504.6
Operating profit before depreciation and impairment losses	**468.3**	493.4	428.2	431.9	421.7
% OF NET SALES	**15.5**	16.9	15.6	16.5	16.8
Operating profit excluding non-recurring items	**295.7**	305.2	288.2	269.1	270.9
% OF NET SALES	**9.8**	10.4	10.5	10.3	10.8
Non-recurring items	**-59.3**	38.6	4.3	32.2	25.8
Operating profit	**236.3**	343.8	292.5	301.3	296.7
% OF NET SALES	**7.8**	11.7	10.7	11.5	11.8
Result before taxes	**190.3**	320.4	276.3	286.0	271.6
% OF NET SALES	**6.3**	11.0	10.1	10.9	10.8
Result for the period	**120.8**	246.1	208.4	228.4	203.8
% OF NET SALES	**4.0**	8.4	7.6	8.7	8.1
Balance sheet total	**3 278.7**	3 192.3	3 132.2	2 972.5	2 693.6
Capital expenditure	**109.9**	90.5	81.9	93.8	71.0
% OF NET SALES	**3.6**	3.1	3.0	3.6	2.8
Return on equity (ROE), %	**9.1**	18.6	17.7	22.3	22.7
Return on investment (ROI), %	**10.7**	15.9	14.3	15.4	18.0
Equity ratio, %	**40.0**	45.4	45.0	41.3	38.6
Net gearing, %	**78.5**	58.2	59.2	72.9	81.6
Interest-bearing liabilities	**1 082.6**	881.4	863.9	928.7	894.8
Non-interest-bearing liabilities	**959.0**	946.7	945.5	886.1	812.8
Interest-bearing net debt	**971.6**	793.3	782.4	843.8	804.5
Average number of employees	**21 329**	19 587	18 434	16 885	16 209
Average number of employees (full-time equivalents)	**18 168**	16 701	15 732	14 256	13 651
Share indicators					
Earnings/share, EUR	**0.72**	1.47	1.32	1.45	1.31
Earnings/share, diluted, EUR	**0.72**	1.46	1.31	1.42	1.26
Cash flow from operations/share, EUR	**1.56**	1.38	1.63	1.69	1.58
Equity/share, EUR	**7.59**	8.27	7.92	7.27	6.34
Dividend/share, EUR *	**0.90**	1.00	0.95	0.90	0.80
Dividend payout ratio, % *	**125.1**	67.9	72.2	62.0	61.2
Market capitalisation, EUR million ***	**1 479.7**	3 196.2	3 521.8	3 121.5	2 632.2
Effective dividend yield, % *, **	**9.8**	5.1	4.4	4.6	4.7
P/E ratio **	**12.8**	13.3	16.2	13.5	13.2
Adjusted number of shares at the end of the period **, ***	**160 665 651**	162 822 889	164 957 053	156 927 582	153 112 152
Adjusted average number of shares **, ***	**160 900 511**	164 827 232	159 154 715	154 238 909	157 294 911
Lowest share price **	**8.31**	18.32	17.80	17.07	13.70
Highest share price **	**19.87**	24.51	22.45	21.60	17.77
Average share price **	**14.84**	21.70	20.19	19.72	15.72
Share price at the end of the period **	**9.21**	19.63	21.35	19.67	17.19
Trading volumes **	**100 271 123**	92 576 174	72 670 001	81 239 652	29 868 290
% OF SHARE CAPITAL	**62.3**	56.2	45.7	52.7	19.0

* Year 2008 proposal of the Board of Directors
** Sanoma's share series were combined on 7 April 2006. Share indicators of 2004–2005 are based on the old Series B shares. The number of shares in 2004–2005 includes all share classes. More information can be found in "Shares and shareholders" of the Financial Statements for 2006.
*** The shares on the market, no treasury shares included

Net sales by business

EUR million	1–3/ 2008	4–6/ 2008	7–9/ 2008	10–12/ 2008	**1–12/ 2008**	1–3/ 2007	4–6/ 2007	7–9/ 2007	10–12/ 2007	**1–12/ 2007**
Sanoma Magazines										
Sanoma Magazines Netherlands	111.7	135.2	124.8	143.9	**515.7**	119.8	136.6	129.2	154.2	**539.8**
Sanoma Magazines International	70.1	76.8	77.4	82.4	**306.7**	65.8	68.5	66.0	83.2	**283.4**
Sanoma Magazines Belgium	54.2	55.5	53.7	59.8	**223.2**	52.5	55.8	48.1	60.1	**216.6**
Sanoma Magazines Finland	50.7	51.9	49.1	53.9	**205.6**	50.1	48.6	48.1	56.0	**202.8**
Eliminations	-1.3	-0.9	-1.0	-1.1	**-4.3**	-1.2	-1.2	-1.0	-1.2	**-4.6**
Total	285.5	318.5	304.0	338.9	**1 246.8**	287.1	308.2	290.4	352.4	**1 238.1**
Sanoma News										
Helsingin Sanomat	74.1	71.2	65.6	68.6	**279.5**	72.3	68.0	66.2	72.4	**278.9**
Ilta-Sanomat	22.5	24.1	22.5	21.9	**91.0**	23.6	24.6	22.9	23.6	**94.8**
Other publishing	22.4	23.3	22.1	24.6	**92.4**	24.3	24.7	22.6	25.9	**97.5**
Other businesses	38.5	38.1	37.1	38.9	**152.5**	38.5	38.0	37.0	39.1	**152.6**
Eliminations	-36.6	-35.6	-33.7	-34.8	**-140.7**	-36.4	-35.5	-34.8	-36.4	**-143.0**
Total	120.8	121.1	113.5	119.2	**474.7**	122.4	119.8	114.0	124.6	**480.8**
Sanoma Entertainment										
TV and radio	22.6	24.5	18.0	23.8	**88.9**	20.1	20.3	16.3	26.5	**83.2**
Other businesses	18.0	16.7	16.8	17.9	**69.4**	15.4	15.3	16.7	16.2	**63.6**
Eliminations	-0.1	-0.3	-0.1	-0.6	**-1.1**	-0.3	-0.2	-0.2	-0.2	**-0.8**
Total	40.5	40.9	34.7	41.0	**157.1**	35.2	35.4	32.8	42.5	**146.0**
Sanoma Learning & Literature										
Educational publishing	24.6	83.9	102.9	48.1	**259.4**	20.0	78.5	68.7	30.6	**197.7**
Publishing	27.5	20.8	22.6	33.3	**104.2**	26.3	20.8	20.7	29.6	**97.3**
Other businesses	12.0	11.3	14.1	12.3	**49.8**	12.0	11.0	14.2	14.0	**51.1**
Eliminations	-5.7	-5.5	-6.4	-5.7	**-23.3**	-6.0	-5.4	-6.5	-5.7	**-23.7**
Total	58.3	110.5	133.2	88.0	**390.0**	52.2	104.8	97.0	68.5	**322.5**
Sanoma Trade										
Kiosk operations	94.6	102.5	103.8	108.6	**409.4**	86.9	99.3	95.5	103.8	**385.5**
Press distribution	58.2	60.2	61.8	61.3	**241.5**	56.2	61.0	61.8	66.5	**245.5**
Bookstores	31.0	24.0	36.9	47.3	**139.2**	29.6	23.1	37.7	50.0	**140.3**
Movie operations	24.4	19.4	23.8	26.7	**94.3**	19.5	18.8	21.8	25.5	**85.5**
Other businesses	0.0	0.0	0.0	0.0	**0.0**	4.0	3.2	2.1	1.1	**10.4**
Eliminations	-5.5	-3.0	-4.8	-4.5	**-17.8**	-3.9	-4.0	-4.3	-5.8	**-18.0**
Total	202.7	203.2	221.4	239.3	**866.6**	192.4	201.3	214.5	241.1	**849.3**
Other companies and eliminations	-24.8	-24.4	-28.2	-27.9	**-105.2**	-25.6	-25.1	-30.1	-29.4	**-110.3**
Total	683.1	769.8	778.6	798.7	**3 030.1**	663.7	744.4	718.6	799.6	**2 926.3**

Operating profit by division

EUR million	1–3/ 2008	4–6/ 2008	7–9/ 2008	10–12/ 2008	**1–12/ 2008**	1–3/ 2007	4–6/ 2007	7–9/ 2007	10–12/ 2007	**1–12/ 2007**
Sanoma Magazines	48.2	46.6	31.6	-40.6	**85.7**	32.1	61.3	30.4	37.2	**160.9**
Sanoma News	17.9	14.7	15.2	9.4	**57.3**	19.6	17.3	17.2	13.6	**67.6**
Sanoma Entertainment	4.0	6.3	2.8	4.1	**17.3**	2.9	4.0	3.5	5.4	**15.8**
Sanoma Learning & Literature	-4.3	26.4	36.3	-12.7	**45.6**	-6.5	29.8	27.9	-6.6	**44.5**
Sanoma Trade	9.9	7.4	13.0	14.7	**45.1**	9.0	10.6	13.0	23.1	**55.6**
Other companies and eliminations	-3.0	-2.9	-5.0	-3.7	**-14.6**	-3.1	10.1	-3.4	-4.3	**-0.7**
Total	72.7	98.5	94.0	-28.8	**236.3**	54.0	133.0	88.5	68.3	**343.8**

Income statement by quarter

EUR million	1–3/ 2008	4–6/ 2008	7–9/ 2008	10–12/ 2008	**1–12/ 2008**	1–3/ 2007	4–6/ 2007	7–9/ 2007	10–12/ 2007	**1–12/ 2007**
Net sales	683.1	769.8	778.6	798.7	**3 030.1**	663.7	744.4	718.6	799.6	**2 926.3**
Other operating income	38.1	17.7	14.8	26.5	**97.1**	13.3	49.0	12.4	20.6	**95.2**
Materials and services	309.4	333.4	352.0	372.6	**1 367.4**	294.9	327.1	323.3	363.5	**1 308.9**
Personnel expenses	172.2	177.5	167.8	185.2	**702.8**	158.4	162.2	151.8	174.2	**646.5**
Other operating expenses	131.1	141.5	141.9	174.3	**588.8**	135.0	133.9	130.3	173.5	**572.7**
Depreciation and impairment losses	35.8	36.6	37.7	121.9	**231.9**	34.6	37.3	37.1	40.7	**149.7**
Operating profit	72.7	98.5	94.0	-28.8	**236.3**	54.0	133.0	88.5	68.3	**343.8**
Share in result of associated companies	3.0	1.6	0.4	-0.1	**4.9**	1.8	2.7	2.0	5.9	**12.4**
Financial income	3.5	3.1	6.1	6.2	**18.9**	4.8	-0.2	2.5	2.1	**9.2**
Financial expenses	12.7	14.5	15.3	27.4	**69.9**	11.9	9.4	11.2	12.4	**44.9**
Result before taxes	66.5	88.7	85.2	-50.1	**190.3**	48.6	126.1	81.9	63.8	**320.4**
Income taxes	-12.2	-23.4	-24.1	-9.8	**-69.4**	-13.7	-30.6	-20.3	-9.7	**-74.4**
Result for the period	54.4	65.3	61.1	-59.9	**120.8**	34.9	95.5	61.5	54.1	**246.1**
Attributable to:										
Equity holders of the Parent Company	54.5	64.4	59.0	-62.2	**115.7**	35.5	95.8	59.7	51.8	**242.8**
Minority interest	-0.2	0.9	2.1	2.3	**5.1**	-0.6	-0.3	1.8	2.3	**3.2**

Board of Directors' Report

- Sanoma Group's net sales increased by 3.5% in 2008, totalling EUR 3,030.1 (2,926.3) million.
- Operating profit excluding non-recurring items was EUR 295.7 (305.2) million in 2008. Non-recurring items totalled EUR -59.3 (38.6) million.
- In the fourth quarter, Group net sales were EUR 798.7 (799.6) million and operating profit excluding non-recurring items was EUR 49.0 (63.4) million.
- Fourth quarter earnings per share, including non-recurring items, were EUR -0.39 (0.32). Earnings per share for 2008 were EUR 0.72 (1.47).
- The proposed dividend is EUR 0.90 per share.

OUTLOOK FOR 2009

In 2009, Sanoma's net sales are expected to decrease somewhat. The Group's operating profit excluding non-recurring items is estimated to decline from the previous year. In the comparable year of 2008, operating profit excluding non-recurring items was EUR 295.7 million. The Group's financial expenses are expected to decrease, and as a result, Sanoma's net result for 2009 is expected to decrease less than its operating profit.

In the first quarter of 2009, development is expected to be significantly weaker than during the full-year due especially to decreasing newspaper advertising affecting the Sanoma News division and currency exchange rate fluctuations and the growth of seasonal educational publishing business impacting the Sanoma Learning & Literature division.

The outlook of Sanoma's net sales and operating profit in 2009 is affected by the overall economic development in the Group's countries of operation, and the development of advertising and private consumption in particular. Advertising is expected to decrease in the primary markets in 2009. Sanoma will continue its focus on investing in online media and strengthening its market positions. At the same time, the Group will increase the efficiency of its operations in all markets.

NET SALES

In 2008, Sanoma's net sales grew by 3.5%, totalling EUR 3,030.1 (2007: 2,926.3; 2006: 2,742.1) million. Out of the divisions, Sanoma Magazines, Sanoma Learning & Literature, Sanoma Entertainment and Sanoma Trade increased their net sales. Growth was strongest in Sanoma Learning & Literature. Net sales in Sanoma News were slightly down because of the decline of the advertising market towards the end of the year. Net sales adjusted for changes in the Group structure increased by 2.4%.

Advertising sales accounted for 25% (24%) of the Group's total net sales. Particularly the online advertising grew. In geographical terms, Finland accounted for 49% (49%) of net sales, with other EU countries accounting for 46% (46%) and non-EU countries for 5% (5%).

RESULT

Sanoma's operating profit excluding non-recurring items was EUR 295.7 (305.2) million. The operating profit included a total of EUR -59.3 (38.6) million in non-recurring items. During the financial period, non-recurring capital gains were realised from the sale of the movie distribution company R.C.V. Entertainment, as well as real estate. Non-recurring expenses were the result of write-downs of goodwill, immaterial rights and inventories, as well as costs associated with the restructuring of the multi-volume book and yearbook businesses.

The Group's operating profit was EUR 236.3 (2007: 343.8; 2006: 292.5) million or 7.8% (2007: 11.7%; 2006: 10.7%) of net sales. Operating profit increased in Sanoma Learning & Literature, where educational publishing was particularly successful, and Sanoma Entertainment. The recording of a non-recurring impairment loss impacted the operating profit of Sanoma Magazines. The operating profits of Sanoma News and Sanoma Trade decreased.

Sanoma's net financial items totalled EUR -51.0 (-35.7) million. Financial income amounted to EUR 18.9 (9.2) million. Financial expenses amounted to EUR 69.9 (44.9) million and were comprised primarily of interest costs of EUR 56.3 (41.4) million on interest-bearing liabilities. Financial expenses increased due to the rise in reference rates.

The result before taxes was EUR 190.3 (320.4) million and earnings per share were EUR 0.72 (1.47). The Group's effective tax rate rose exceptionally to 36.5% (23.2%) as a result of the impairment recognitions in the fourth quarter. Excluding these impairments, the tax rate would have been 27.5%. The profit for the year totalled EUR 120.8 (246.1) million.

BALANCE SHEET AND FINANCIAL POSITION

At the end of the year, the consolidated balance sheet totalled EUR 3,278.7 (3,192.3) million. Cash flow from operations was EUR 250.3 (227.9) million and cash flow per share was EUR 1.56 (1.38). Cash flow from operations increased as a result of more effective working capital management by the Group – despite acquisitions, Sanoma's working capital only increased slightly.

At the end of December, Sanoma's equity ratio was 40.0% (45.4%). The equity ratio and other balance sheet items were impacted by the impairment losses recorded in the magazine business, corporate acquisitions and the repurchases of own shares. Net gearing increased to 78.5% (58.2%). Equity totalled EUR 1,237.1 (1,364.2) million. A total of EUR 47.6 million was spent on repurchasing of treasury shares. Return on equity (ROE) was 9.1% (2007: 18.6%; 2006: 17.7%), and the return on investment (ROI) was 10.7% (15.9%). Interest-bearing liabilities increased to EUR 1,082.6 (881.4) million and interest-bearing net debt to EUR 971.6 (793.3) million. The debt was mainly driven by the acquisition of the Polish educational publisher Nowa Era and other acquisitions. At the end of December, the Group's cash and cash equivalents totalled EUR 110.9 (88.1) million. At the end of December, the Group had a net debt/EBITDA ratio of 2.1.

Sanoma's financial position is stable as a result of the Group's strong balance sheet, steady cash flow and a syndicated, long-term credit line. Sanoma has no need for instalments of long-term loans. This credit line agreement worth a total of EUR 802 million is in effect until autumn 2012. Sanoma Corporation does not have any other significant agreements covered by the statutory obligation to disclose. In addition, the Group has, within the scope of normal business operations, agreements or agreements as a whole containing a standard change-of-control clause.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

In 2008, investments in tangible and intangible assets totalled EUR 109.9 (90.5) million, and were focused, for example, on ICT systems, replacement investments and improvement of real estate. R&D expenditure was recorded at EUR 4.1 (2.0) million or 0.1% (0.1%) of net sales. Acquisition costs of Sanoma's acquisitions during the year totalled EUR 190.7 (67.5) million.

On 10 January 2008, Sanoma Magazines divested the Dutch movie distribution company R.C.V. Entertainment. In 2007, the company's net sales amounted to EUR 34.2 million and operating profit to about EUR 5 million. Capital gains amounting to EUR 23.5 million were recorded in the first quarter of 2008 for the transaction.

On 11 March 2008, Sanoma Learning & Literature finalised its acquisition of the Polish educational publisher Nowa Era. In 2007, Nowa Era's net sales amounted to about EUR 43 million, and the company's profitability was in line with the general level of good profitability in educational publishing. The acquisition resulted in a significant improvement in Sanoma Learning & Literature's March–September result. Due to the seasonal nature of Nowa Era's business, the first and fourth quarters typically post losses. Goodwill amounting to EUR 54.6 million was recorded for the transaction.

SANOMA MAGAZINES

Sanoma Magazines is one of the largest consumer magazine publishers in Europe. The Division publishes more than 300 magazines in 13 different countries. Apart from developing its strong portfolio of magazine brands, Sanoma Magazines is rapidly expanding its business to digital media platforms.

Key indicators, EUR million	1–12/ 2008	1–12/ 2007
Net sales	**1 246.8**	1 238.1
Operating profit excluding non-recurring items	**138.9**	139.7
% OF NET SALES	**11.1**	11.3
Non-recurring items	**-53.2**	21.2
Operating profit	**85.7**	160.9
% OF NET SALES	**6.9**	13.0
Balance sheet total	**1 903.0**	1 937.5
Capital expenditure	**26.8**	20.6
Return on investment (ROI), %	**7.2**	12.4
Average number of employees	**6 280**	5 623
Average number of employees (full-time equivalents)	**5 731**	5 169

- Sanoma Magazines' net sales increased, with most businesses contributing to growth.
- Advertising sales in 2008 increased by 11% and online advertising sales by 32%.
- Sanoma Magazines' portfolio was developed actively: a total of over 35 new magazines and 17 online sites were launched or acquired during the year.
- Weakened short-term outlook in CEE countries and Russia caused a significant impairment affecting Sanoma Magazines' operating profit markedly. The operational result was at the previous year's level.

Sanoma Magazines' net sales in 2008 totalled EUR 1,246.8 (1,238.1) million. Net sales grew in all businesses, except in Sanoma Magazines Netherlands where operations were divested both in June 2007 and January 2008. Net sales growth was strongest in Sanoma Magazines International. Adjusted for changes in the Group structure, the Division's net sales grew by 1.8%. Of the Division's net sales, 16% (16%) came from Finland. In October–December, Sanoma Magazines' net sales decreased by 3.8% and amounted to EUR 338.9 (352.4) million. Net sales decreased in all businesses due to structural changes as well as lower sales from line and brand extensions.

The Division's advertising sales in 2008 increased by 11% and represented 33% (30%) of net sales. Most growth during the year came from Sanoma Magazines International and online advertising in the Netherlands. In total, the Division's online advertising sales grew by 32%. Advertising sales growth slowed down at the end of the year.

Circulation sales grew by 1% and represented 55% (55%) of Sanoma Magazines' net sales. Circulation sales in Belgium and Finland developed positively. Single copy sales in the Netherlands and some CEE countries declined.

Sanoma Magazines Netherlands' net sales in 2008 totalled EUR 515.7 (539.8) million. This was mainly due to structural changes. Sanoma

Magazines Netherlands has strongly focused its operations, divesting its puzzle portfolio in June 2007. In January 2008, Sanoma Magazines Netherlands consolidated magazine publisher Mood for Magazines and divested movie distributor R.C.V. Entertainment. In 2007, R.C.V. Entertainment's annual net sales totalled EUR 34.2 million.

According to Nielsen Media Research, the consumer magazine advertising market in the Netherlands decreased by 4% in 2008 with magazine advertising's share of the total advertising market decreasing. Sanoma Magazines Netherlands' advertising sales grew due to new operations and online advertising sales. Online advertising grew by 26% and outperformed market growth. In total, advertising sales represented 29% (24%) of Sanoma Magazines Netherlands' net sales. The readers' market in the Netherlands declined in the third quarter of 2008. Subscription sales at Sanoma Magazines Netherlands were on the comparable year's level, but with decreased single copy sales, the total circulation sales decreased slightly. Sanoma Magazines Netherlands developed its product portfolio through acquisitions and launches with over 10 magazines and five online services. Two magazines were sold.

Sanoma Magazines International's net sales grew to EUR 306.7 (283.4) million. Growth came from increased advertising sales. Advertising sales increased in most countries, but especially in Hungary, Russia and Bulgaria, where Sanoma Magazines International's online advertising revenues grew as a result of the acquisition of Netinfo, the leading Bulgarian internet company, in July. In total, online advertising sales of the business increased by 52%. Advertising sales represented 56% (52%) of Sanoma Magazines International's net sales. Circulation sales in Sanoma Magazines International were slightly below the comparable year, with most markets showing some decline in single copy sales. Net sales in Russia, the biggest market of Sanoma Magazines International, grew by 7% despite the negative impact of the exhange rate and amounted to some EUR 109 million. In 2008, Sanoma Magazines International launched or acquired 24 magazines and 12 online sites. Five magazines were discontinued or divested.

Net sales at Sanoma Magazines Belgium increased to EUR 223.2 (216.6) million. The increase in sales came mainly from growing circulation and other sales. In Belgium, the readers' market declined slightly. Sanoma Magazines Belgium increased its circulation sales, through both cover price increases and successful launches. Especially subscription sales developed positively. In Belgium, the total advertising market grew only slightly with magazine advertising's share of the total remaining stable. Sanoma Magazines Belgium's advertising sales were at the previous year's level. Advertising sales represented 27% (28%) of Sanoma Magazines Belgium's net sales. The portfolio in Belgium grew by one title in 2008.

Sanoma Magazines Finland's net sales amounted to EUR 205.6 (202.8) million. Growth came from increased circulation sales. Especially subscription sales grew. Single copy sales and advertising sales were at the comparable year's level. Advertising sales represented 15% (15%) of Sanoma Magazines Finland's net sales. According to TNS Gallup Adex, advertising in consumer magazines in Finland decreased by 7% in 2008. The magazine single copy market increased in volume by 5% in 2008. Sanoma Magazines Finland improved its market share both in advertising and the readers' market, and developed its portfolio by launching two magazines.

Sanoma Magazines' investments in tangible and intangible assets totalled EUR 26.8 (20.6) million and consisted mainly of ICT investments and improvement of real estate. The most significant acquisitions in 2008 were the majority shareholding in magazine publisher Mood for Magazines and the acquisitions of Netinfo and European Auto Trader. In the comparable year, the most significant transaction was the acquisition of *SchoolBANK.nl* and its related online sites.

Sanoma Magazines' operating profit excluding non-recurring items was at the previous year's level at EUR 138.9 (139.7) million. The non-recurring items included in operating profit totalled EUR -53.2 (21.2) million and consisted of a recognition of impairment and write-offs in the fourth quarter totalling EUR 83.7 million and capital gains of EUR 30.5 million related to the divestments of R.C.V. Entertainment and some online assets. Operating profit in 2008 decreased by 46.8% due to non-recurring costs and amounted to EUR 85.7 (160.9) million. Operating profit excluding non-recurring items in October–December totalled EUR 36.1 (37.2) million.

Sanoma Magazines Netherlands' operating profit improved. There were significant sales gains in both the reporting and comparable period. The operational result grew due to improved cost efficiency and changes in the product mix. Sanoma Magazines International's operating profit decreased markedly due to the recognition of impairment, but operational result improved due to good development in Russia and Hungary. Sanoma Magazines Belgium's result decreased due to investments in new businesses. Sanoma Magazines Finland's operating profit was below the comparable year due to increased personnel and ICT costs.

Sanoma Magazines continues to develop its magazine portfolio and online businesses and invest in strengthening market positions in all operating countries.

In 2009, Sanoma Magazines' net sales and operating profit excluding non-recurring items are expected to remain somewhat below the previous year's level.

SANOMA NEWS

Sanoma News is the leading newspaper publisher in Finland, and its products have a strong presence both in print and digital format in the lives of their readers. In addition to Helsingin Sanomat, the largest daily in the Nordic region, Sanoma News publishes national and regional newspapers and is also investing heavily in digital business.

Key indicators, EUR million	1–12/ 2008	1–12/ 2007
Net sales	**474.7**	480.8
Operating profit excluding non-recurring items	**57.3**	67.6
% OF NET SALES	**12.1**	14.1
Non-recurring items		
Operating profit	**57.3**	67.6
% OF NET SALES	**12.1**	14.1
Balance sheet total	**456.3**	445.0
Capital expenditure	**19.6**	17.7
Return on investment (ROI), %	**19.2**	19.7
Average number of employees	**2 808**	2 716
Average number of employees (full-time equivalents)	**2 491**	2 411

- Net sales in Sanoma News were slightly down because of the discontinuation of the printed version of Taloussanomat and the severe downturn of the media market towards the end of the year.
- *Ilta-Sanomat*, *Ilta-Sanomat Plus*, *Nyt* (Helsingin Sanomat's weekly supplement) and *Metro* were redesigned.
- Sanoma News online advertising performed extremely well during the year, recording a robust growth of 50%.
- Sanoma News also invested heavily in digital services.

In 2008, Sanoma News' net sales decreased by 1.3%, totalling EUR 474.7 (480.8) million. Net sales remained at the previous year's level in Helsingin Sanomat, but decreased in the Ilta-Sanomat and other publishing business units. Net sales adjusted for changes in the Group structure decreased by 1.2%. In the fourth quarter, Sanoma News's net sales decreased by 4.3%, totalling EUR 119.2 (124.6) million. Advertising sales were down significantly in the fourth quarter due to the rapid and severe downturn in the Finnish newspaper advertising in November–December.

According to TNS Gallup Adex, newspaper advertising in Finland decreased by 3% in 2008. Job and real estate advertising were the first to react to the general economic uncertainty, showing a sharp drop towards the end of the year. Job advertising in Finland decreased by 4% and real estate advertising by 1% in 2008. Advertising in free sheets was down by 3%. Online advertising included in statistics developed strongly during the year, growing by 22%. Sanoma News' advertising sales decreased by 2% from the comparable period due to the decline of newspaper advertising. Online advertising was up by 50% during the year. Sanoma News' advertising sales represented 53% (53%) of its net sales.

The shift of tabloid readers to the internet reduced the Finnish printed tabloid market by 8%. Decreased revenues from newsstand sales affected Sanoma News' circulation sales, which were down 4% in 2008. Subscription sales for daily newspapers were at the previous year's level. Circulation sales accounted for 38% (39%) of the Division's net sales.

The Helsingin Sanomat business unit posted net sales of EUR 279.5 (278.9) million. Increased circulation sales and new acquisitions boosted net sales. Advertising sales were down, although online advertising in Helsingin Sanomat developed well. Advertising sales represented 62% (63%) of net sales. Helsingin Sanomat's job and real estate advertising, in particular, has been affected by the overall economic situation. Job advertising in the Helsingin Sanomat business unit decreased by 8% and real estate advertising by 11%. Online products were clearly up. The Helsingin Sanomat product family, especially the *Oikotie.fi* service entity for classified advertisements, was developed in many different ways during the year.

The net sales of the Ilta-Sanomat business unit were EUR 91.0 (94.8) million. The circulation sales of the business unit decreased due to the shrinkage of the tabloid market. *Ilta-Sanomat* commanded a 57.1% (57.6%) share of the tabloid market. The advertising sales of the business unit grew and the overall readership reached a record level due to the strong growth of online business. Online sales were up by a total of 58%. Advertising sales represented 31% (27%) of net sales. Editorial processes were renewed and cost effectiveness increased.

Net sales from other publishing amounted to EUR 92.4 (97.5) million. The decrease from the comparable year was affected by the discontinuation of the printed version of Taloussanomat and the decline of free sheet advertising. The advertising sales of Sanoma Lehtimediat's regional newspapers remained at the previous year's level and circulation sales increased. Sanoma Kaupunkilehdet merged its public transport free sheets *Metro* and *Uutislehti 100*. The renewed *Metro* became Finland's fourth largest newspaper in terms of readership. Sanoma Digital, a company focusing on online business, expanded its product portfolio and increased clearly its advertising sales.

Net sales from other operations, mainly comprising internal services, were EUR 152.5 (152.6) million. At printing house Sanomapaino, outside sales of printed products were up by over 10%.

In 2008, Sanoma News' investments in tangible and intangible assets totalled EUR 19.6 (17.7) million, and consisted mainly of investments in digital business and replacement capital expenditures. The most significant acquisition of 2008 was the acquisition of a majority holding in Suorakanava, whose services include, e.g., the *Rakentaja.fi* website. The most significant acquisition of the comparable year was that of the *Auto24.ee* marketplace.

In 2008, Sanoma News' operating profit decreased by 15.3%, totalling EUR 57.3 (67.6) million. The operating profit did not include non-recurring items. The operating profit of the Helsingin Sanomat business unit decreased from the comparable period due to the decline in job and real estate advertising and increased marketing investments. The operating profit of the Ilta-Sanomat business unit was reduced by the decline of the tabloid market, price competition and investments in digital business. Other publishing improved its result thanks to the discontinuation of the printed version of *Taloussanomat* and other cost-saving measures. Earnings from other operations were down. In October–December, Sanoma News' operating profit totalled EUR 9.4 (13.6) million. The result of the fourth quarter was affected by the rapid decline of newspaper advertising, especially classified advertisements, towards the end of 2008.

In 2009, the media advertising market is challenging and of low predictability. Sanoma News has launched a rationalisation programme to secure its competitive advantage. At the same time, Sanoma News will continue the determined development of its printed products and digital services.

In 2009, net sales and operating profit excluding non-recurring items of Sanoma News are estimated to decline clearly from the previous year due to the decline of the advertising market.

SANOMA ENTERTAINMENT

Sanoma Entertainment offers consumers entertaining experiences on television, radio, online and mobile devices. Sanoma Entertainment's business units include Nelonen Media, primarily focused on broadcast operations, and Welho, Finland's largest cable television operator. The Division's latest business area is online casual gaming.

Key indicators, EUR million	1–12/ 2008	1–12/ 2007
Net sales	**157.1**	146.0
Operating profit excluding non-recurring items	**17.3**	15.8
% OF NET SALES	**11.0**	10.8
Non-recurring items		
Operating profit	**17.3**	15.8
% OF NET SALES	**11.0**	10.8
Balance sheet total	**161.9**	168.2
Capital expenditure	**13.5**	14.8
Return on investment (ROI), %	**15.8**	14.2
Average number of employees	**526**	501
Average number of employees (full-time equivalents)	**482**	457

- Sanoma Entertainment's operating profit increased clearly.
- Nelonen Media increased its viewing shares; especially Jim has strengthened its position significantly.
- A new TV channel called Liv will be launched in February.

In 2008, Sanoma Entertainment's net sales increased by 7.6%, totalling EUR 157.1 (146.0) million. This clear increase in net sales was brought about in particular by the new TV and radio channels and the growth of Welho. Adjusted for changes in the Group structure, the Division's net sales grew by 4.2%. Advertising sales accounted for 52% (54%) of Sanoma Entertainment's net sales. Television advertising declined in October–December thus decreasing the net sales of Sanoma Entertainment by 3.6% in the fourth quarter of the year. In October–December, Division's net sales were EUR 41.0 (42.5) million.

Net sales from broadcasting operations in 2008 were EUR 88.9 (83.2) million. The increase was largely due to new channels. According to TNS Gallup Adex, Finnish television advertising grew by 2%. Nelonen Media's combined share of all television advertising was 29.5% (29.3%). The television channels of Nelonen Media increased their viewing shares, with their combined commercial viewing share reaching 29.6% (26.8%) in 2008. The viewing of Jim, launched in February 2007, increased the most. Another free, new television channel called Liv is due to launch in February 2009.

Radio Rock and Radio Aalto have continued to strengthen their market shares. Radio Rock had an average of 750,000 listeners each week. Radio Rock is the market leader among males aged 20–44. According to the Association of Finnish Broadcasters, national radio advertising in 2008 grew by 9.4%, and Nelonen Media's radio stations have increased their market share to 11.8%.

Net sales from other operations increased clearly in 2008 due to Welho's strong pay TV and broadband sales. Pay TV business was boosted by investments focused on offering more High Definition (HD) channels. The range of broadband options also increased. The usage of Sanoma Entertainment's online casual gaming sites increased clearly during the year.

In 2008, Sanoma Entertainment's investments in tangible and intangible assets totalled EUR 13.5 (14.8) million, most of which was allocated to the development of Welho's cable network and services. There were no major acquisitions in 2008. The most significant acquisition of the comparable year was the purchase of the Urheilukanava channels.

In 2008, Sanoma Entertainment's operating profit increased clearly, by 9.6%, totalling EUR 17.3 (15.8) million. This increase was driven by improved profitability due to the growth of broadcast operations and the positive development of Welho. The operating profit did not include non-recurring items. The operating profit for October–December was EUR 4.1 (5.4) million. Towards the end of the year, the operating profit was impacted by the decline of television advertising sales. Radio advertising continued to increase clearly also during the last months of 2008.

In line with its strategy, Sanoma Entertainment focuses on its core businesses: television, broadband services and consumer entertainment services. Sanoma Entertainment continues to develop its digital content and media solutions business, invest resources in the development of its online services and in its viewing and listening shares.

In 2009, Sanoma Entertainment's net sales and operating profit excluding non-recurring items are expected to be at the previous year's level.

SANOMA LEARNING & LITERATURE

Sanoma Learning & Literature is a significant European educational publisher offering a broad range of printed and digital educational materials and services to support the learning processes of children and young people. The Division, operating in nine countries, is also Finland's leading book publisher and has growing international language service operations.

Key indicators, EUR million	1–12/ 2008	1–12/ 2007
Net sales	**390.0**	322.5
Operating profit excluding non-recurring items	**53.2**	44.5
% OF NET SALES	**13.6**	13.8
Non-recurring items	**-7.6**	
Operating profit	**45.6**	44.5
% OF NET SALES	**11.7**	13.8
Balance sheet total	**661.1**	585.0
Capital expenditure	**15.6**	7.7
Return on investment (ROI), %	**9.6**	10.4
Average number of employees	**3 221**	2 769
Average number of employees (full-time equivalents)	**2 737**	2 345

- Educational publishing sales increased clearly, with especially the new Nowa Era and e-learning company YDP in Poland performing well.
- Language services expanded through the acquisition of translation company Interverbum.
- General literature performed well, partly as a result of the literature awards won by WSOY's authors.

Sanoma Learning & Literature's net sales in 2008 increased by 20.9% and totalled EUR 390.0 (322.5) million. Both the educational publishing and publishing grew. Net sales adjusted for changes in the Group structure grew by 5.1%. A total of 62% (62%) of the Division's net sales came from outside of Finland. In October–December, the Division's net sales grew by 28.6% to EUR 88.0 (68.5) million. Most growth in the fourth quarter came from Polish e-learning operations of YDP.

Educational publishing's net sales increased to EUR 259.4 (197.7) million. Most growth came from Poland, both from new educational publishing operations of Nowa Era, consolidated at the end of the first quarter as well as from the existing e-learning business of Young Digital Planet, which was able to deliver government tenders in the fourth quarter. In the Netherlands, the net sales were almost at the comparable year's level. Educational materials to primary and secondary schools performed well, but sales of ancillary businesses like the edutainment products decreased sligthly. In Finland, sales of educational materials were almost at the previous year's level and the new edutainment product series *Oppi* & *Ilo* was received positively in the market. Net sales increased clearly in Belgium, with especially the Flemish market growing. Net sales grew also in Hungary, where both NTK and Perfekt won government contracts.

Net sales in publishing grew to EUR 104.2 (97.3) million mainly due to increased sales of language services. General literature sales were at the previous year's level. Sales of domestic fiction and non-fiction developed well, boosted by two literature awards, Finlandia Prizes, won by WSOY's authors in the fourth quarter. However, sales through direct channels in all Nordic countries were under pressure and expectations for the future were revised in the third quarter. A restructuring project in Bertmark's and Weilin+Göös' multi-volume book and annual yearbook businesses was started to safeguard the future profitability of the publishing. Business information, especially the language services, performed well. Partly the increase of sales is due to new operations acquired by translation and localisation company AAC Global both in 2007 and 2008. Language services is one of the growth platforms in the Sanoma Group.

Net sales from other operations, mainly printing, totalled EUR 49.8 (51.1) million.

Sanoma Learning & Literature's investments in tangible and intangible assets totalled EUR 15.6 (7.7) million in 2008. They mainly comprised ICT investments and improvement of real estate. The most significant acquisitions were those of the Polish educational publisher Nowa Era and the Swedish language service provider Interverbum. In the comparable year, the most significant transaction was the acquisition of Translation Services Noodi.

The Division's operating profit excluding non-recurring items grew by 19.5%, to EUR 53.2 (44.5) million. Operating profit included EUR 7.6 (0.0) million of non-recurring expenses related to write-offs and other restructuring costs of multi-volume and yearbook operations. Operating profit in 2008 grew by 2.4% and amounted to EUR 45.6 (44.5) million. Sanoma Learning & Literature's operating loss excluding non-recurring items in October–December totalled EUR 11.6 (6.6) million due to new educational publishing operations, which strengthened the seasonality of the Division.

In 2008, the educational publishing business improved its operating result significantly with the new Polish operations contributing the most to the growth. In publishing, business information and general literature performed well, but write-offs and restructuring costs in Bertmark's and Weilin+Göös' direct sales decreased operating result in publishing. Results in other operations were below the comparable year.

The Division's business is very seasonal. Profit in educational publishing is mainly accrued in the second and third quarters. The acquisition of Nowa Era adds to growth in the educational publishing business and therefore strengthens seasonality in the Division.

Sanoma Learning & Literature continues to focus on further internationalising its educational business, expanding language services and maintaining market leadership in Finnish general literature publishing.

In 2009, net sales and operating profit excluding non-recurring items of Sanoma Learning & Literature are estimated to decrease slightly from the previous year's level. The development of net sales and operating profit is also strongly affected by the exchange rates of Sanoma Learning & Literature's operating countries.

SANOMA TRADE

Sanoma Trade is a retail specialist with operations in seven countries and whose business is based on a thorough understanding of customers' needs and on strong concepts. Sanoma Trade's success is built on over 200 million annual sales contacts, in which the consumer is present at kiosks, bookstores or movie theatres. Sanoma Trade's press distribution operations serve publishers and retailers.

Key indicators, EUR million	1–12/ 2008	1–12/ 2007
Net sales	**866.6**	849.3
Operating profit excluding non-recurring items	**45.1**	52.4
% OF NET SALES	**5.2**	6.2
Non-recurring items		3.2
Operating profit	**45.1**	55.6
% OF NET SALES	**5.2**	6.5
Balance sheet total	**559.2**	565.0
Capital expenditure	**33.8**	28.4
Return on investment (ROI), %	**16.5**	20.9
Average number of employees	**8 396**	7 886
Average number of employees (full-time equivalents)	**6 633**	6 234

- Net sales from kiosk operations were all-time high; the net sales of the whole Sanoma Trade division also grew.
- Movie theatres again attracted a record number of customers.

In 2008, Sanoma Trade's net sales increased by 2.0%, totalling EUR 866.6 (849.3) million. Net sales increased clearly in kiosk operations and movie operations. Net sales adjusted for changes in the Group structure increased by 2.9%. Of Sanoma Trade's net sales, 33% (34%) came from outside Finland. In October–December, Division's net sales of EUR 239.3 (241.1) million were in line with the comparable period. Kiosk and movie operations also enjoyed success in the fourth quarter. However, the decline in press distribution and bookstore sales slowed down the increase in net sales.

Net sales from kiosk operations increased to EUR 409.4 (385.5) million. Finnish R-kiosks had their best year in history. Kiosks increased their net sales and customer numbers as a result of marketing investments. Net sales from kiosks continued to rise in the Baltic countries. The R-kiosk product range was actively developed during the year. In addition, during the year the R-kiosk chain expanded in Russia and also to Romania, where the first R-kiosks opened their doors in July 2008.

Net sales from press distribution were EUR 241.5 (245.5) million. Net sales in Finland increased slightly despite the fall in tabloid sales. Point-of-sale (POS) marketing company Printcenter did extremely well. Press distribution also increased its net sales in Estonia, Lithuania and Russia. In Romania, net sales remained at the previous year's level. The Dutch press distribution market has shrunk, which decreased the net sales of Aldipress. The efficiency improvement programme initiated at Aldipress in the autumn of 2007 is progressing.

The net sales of bookstores were EUR 139.2 (140.3) million. The net sales of the comparable period included the annual volume business divested in May 2008. Bookstore net sales increased in both Finland and Estonia.

The net sales from movie theatres increased to EUR 94.3 (85.5) million. Sales increased in Finland, Latvia and Lithuania, and movie admissions continued to grow. Movie theatres in Finland broke the all-time box office record in November. New multiplex theatres were opened in Finland and Lithuania. The viewing experience was diversified by the latest 3D technology and new alternative content, such as sports and cultural events.

In the comparable period, net sales from other operations totalled EUR 10.4 million, consisting of the multi-purpose arena in Hamburg divested in October 2007.

In 2008, Sanoma Trade's investments in tangible and intangible assets totalled EUR 33.8 (28.4) million, and focused mainly on new multiplexes, ICT projects, as well as the expansion of the dispatch department. The most important acquisitions of the year included minority shares in the Latvian movie theatre operator Forum Cinemas and Lithuanian press distributor Impress Teva, and the acquisition of the Russian kiosk chain KP Roznitsa. In the comparable period, the most important acquisitions were Printcenter in Finland, and the kiosk and press distribution companies Press Point International and HDS CIS in Russia.

In 2008, Sanoma Trade's operating profit excluding non-recurring items decreased by 13.9%, totalling EUR 45.1 (52.4) million. In the comparable period, the operating profit included a total of EUR 3.2 million in non-recurring items from the sale of the multi-purpose arena, other real estate and the restructuring of Dutch press distribution operations. In 2008, operating profit decreased by 18.8%, totalling EUR 45.1 (55.6) million. Operating profit for October-December excluding non-recurring items was EUR 14.7 (18.2) million. Operating profit for the fourth quarter was particularly affected by cost increases in several businesses.

Operating profits from kiosk operations and press distribution were down. The results were above all affected by investments in Russia and Romania. In addition to investments, the operating profit of press distribution was also impacted by smaller distribution volumes in the Netherlands. The result of the bookstores was burdened by the relaunch costs of the online store. Operating profit from movie operations remained at the comparable period's level.

In addition to the home markets of Finland and the Baltic countries, Sanoma Trade's expansion and development efforts will also focus on the emerging economies of Russia and Central Eastern Europe. Sanoma Trade's goal is to achieve a strong position in these countries and participate actively in the development of the local newspaper and magazine markets.

In 2009, Sanoma Trade's net sales and operating profit excluding non-recurring items are expected to be at the previous year's level.

DIVIDEND

On 31 December 2008, Sanoma Corporation's distributable funds were EUR 656.9 million, of which profit for the year comprised EUR 187.2 million.

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

- A dividend of EUR 0.90 per share, or in total an estimated EUR 146.8 million, shall be paid
- A sum of EUR 0.5 million shall be transferred to the donation reserve and used at the Board's discretion
- The amount left in equity shall be EUR 509.6 million.

In accordance with the Annual General Meeting's decision, Sanoma paid out a per-share dividend of EUR 1.00 for 2007. Sanoma conducts an active dividend policy and primarily distributes over half of the Group result after taxes in dividends.

SHARES AND HOLDINGS

Trading in Sanoma shares was active in 2008. For more information on Sanoma's shares and shareholders, stock option schemes, treasury shares and management ownership, see the Shares and shareholders section, p. 57–63, as well as Notes 20 and 31. For key indicators, see p. 3.

PERSONNEL

In 2008, the average number of persons employed by the Sanoma Group was 21,329 (2007: 19,587; 2006: 18,434). In full-time equivalents, the number of Group employees averaged 18,168 (2007: 16,701; 2006: 15,732). Sanoma Magazines had an average of 6,280 (5,623) employees, Sanoma News 2,808 (2,716), Sanoma Entertainment 526 (501), Sanoma Learning & Literature 3,221 (2,769) and Sanoma Trade 8,396 (7,886). The average number of employees in the Parent Company was 99 (92). The number of employees increased, for example, as a result of acquisitions and investments in new businesses.

The total payroll and benefits paid to Sanoma employees in 2008, including the expense recognition of options granted, amounted to EUR 575.5 million (2007: 533.0; 2006: 482.9).

Due to the rapidly declining general economic situation, Sanoma News initiated a rationalisation programme in January 2009. In addition to a variety of cost-saving measures, the Division expects to reduce its workforce by 100–200 employees through voluntary severance packages. Negotiations involving smaller staff reductions have also been initiated in other parts of the Group.

BOARD OF DIRECTORS, AUDITORS AND MANAGEMENT

The AGM of 1 April 2008 confirmed the number of Sanoma's Board members at ten. Board members Robert Castrén, Jane Erkko and Paavo Hohti were re-elected, and Rafaela Seppälä was elected as a new member to the Board. The Board of Directors of Sanoma consists of: Jaakko Rauramo, Chairman; Sari Baldauf, Vice Chairman; and Robert Castrén, Jane Erkko, Paavo Hohti, Sirkka Hämäläinen-Lindfors, Seppo Kievari, Rafaela Seppälä, Hannu Syrjänen and Sakari Tamminen as members.

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

During the year Sanoma experienced many changes in senior management. On 1 January 2009, the Executive Management Group (EMG) comprised Hannu Syrjänen (Chairman), Eija Ailasmaa, Jacques Eijkens, Kim Ignatius, Timo Mänty, Anu Nissinen and Mikael Pentikäinen. Anu Nissinen was appointed President of Sanoma Entertainment and member of the EMG on 25 February 2008, following the retirement of Tapio Kallioja. Kim Ignatius started as the Sanoma Group CFO and member of the EMG on 1 August 2008 following the retirement of Matti Salmi, Senior Vice President, Finance and Administration. Erkki Järvinen, President and CEO of Sanoma Trade, announced on 24 October 2008 he would be pursuing other interests. Timo Mänty was appointed to his position as of 1 January 2009.

In addition to the new CFO, the following people joined Sanoma's Corporate Centre Management Group (CCMG) during the year: Chief Human Resources Officer Ben Tiesnitsch as of 1 June 2008, Chief Legal Officer, Group Legal Affairs, Merja Karhapää as of 1 August 2008, and Chief Strategy Officer (CSO) Sven Heistermann as of 4 August 2008, following the retirement of Senior Vice President, Group Legal Affairs and M&A Kerstin Rinne.

For more information on corporate governance, such as the election of the Board of Directors and provisions of the Articles of Association, see the Corporate governance section, p. 70–73.

BOARD AUTHORISATIONS

The AGM held on 1 April 2008 authorised the Board of Sanoma to decide on the repurchase of the Company's own shares. The Board decided on 1 April 2008 to deploy the authorisation and the repurchases of own shares commenced on 12 June 2008. In addition, the Board had a valid authorisation to increase the share capital issued by the AGM on 4 April 2007. Under the authorisation, the Board decided on 19 December 2008 on the issuance of Stock Option Scheme 2008. For more information on board authorisations, see the Shares and shareholders section, p. 57–63.

OTHER RESOLUTIONS BY THE AGM

The AGM decided to amend Article 1 (the Company's business name and domicile) of Sanoma's Articles of Association as proposed by the Board. The Company's new business name is Sanoma Oyj in Finnish, Sanoma Abp in Swedish, and Sanoma Corporation in English. The Company's registered office continues to be in Helsinki. The new name was adopted on 1 October 2008.

At the same time, the names of divisions were harmonised. The Group now consists of the following divisions and reporting segments: Sanoma Magazines, Sanoma News (formerly Sanoma), Sanoma Entertainment (formerly SWelcom), Sanoma Learning & Literature (formerly SanomaWSOY Education and Books) and Sanoma Trade (formerly Rautakirja).

SEASONAL FLUCTUATION

The net sales and result of Sanoma Magazines, Sanoma News and Sanoma Entertainment are particularly affected by the development of advertising. Advertising sales are influenced, for example, by the number of newspaper and magazine issues published during each quarter, which varies annually. Television advertising in Finland is usually strongest in the second and fourth quarters. The exact date of Easter has an impact on the net sales accumulated from newspapers and distribution when comparing quarters in these businesses on a year-to-year basis.

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

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

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

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

Management of business risks and the opportunities associated with them is included in the daily responsibilities of Sanoma's management. The management takes calculated risks in order to ensure that the Company develops its business as successfully as possible.

The most significant risks and uncertainty factors Sanoma is facing are described in the Financial Statements, p. 74–76, together with the main principles of risk management. The most significant uncertainty factors of the current year are related to the growth of media advertising and consumer spending, as well as the development of currency exchange rates. Due to the general economic uncertainty, reliable estimates on, for example, the development of media advertising in the Group's various markets are not available. Sanoma expects media advertising to decrease in 2009. The rapid decline of media advertising and consumer confidence can affect the Group result.

Sanoma's stable business, strong balance sheet and current loan agreements ensure the Group's financial position, if the uncertainty in the financial markets continues.

Definitions of key indicators are presented on p. 56.

Consolidated income statement

EUR million	Note	**1.1–31.12.2008**	1.1–31.12.2007
Net sales		**3 030.1**	2 926.3
Other operating income	4	**97.1**	95.2
Materials and services		**1 367.4**	1 308.9
Personnel expenses	5, 31	**702.8**	646.5
Other operating expenses	6	**588.8**	572.7
Depreciation and impairment losses	10–12	**231.9**	149.7
Operating profit		**236.3**	343.8
Share in result of associated companies		**4.9**	12.4
Financial income	7	**18.9**	9.2
Financial expenses	7	**69.9**	44.9
Result before taxes		**190.3**	320.4
Income taxes	8	**-69.4**	-74.4
Result for the period		**120.8**	246.1
Attributable to:			
Equity holders of the Parent Company		**115.7**	242.8
Minority interest		**5.1**	3.2
Earnings per share for result attributable to the equity holders of the Parent Company:	9		
Earnings per share, EUR		**0.72**	1.47
Diluted earnings per share, EUR		**0.72**	1.46

Consolidated balance sheet

EUR million	Note	31.12.2008	31.12.2007
ASSETS			
Non-current assets			
Tangible assets	10	**510.4**	498.7
Investment property	11	**10.2**	9.5
Goodwill	12	**1 491.6**	1 432.8
Other intangible assets	12	**379.7**	379.6
Interest in associated companies	13	**69.9**	75.2
Available-for-sale financial assets	14	**20.6**	15.9
Deferred tax receivables	8	**36.6**	42.4
Trade and other receivables	5, 15	**41.0**	37.9
Non-current assets, total		**2 560.0**	2 492.1
Current assets			
Inventories	16	**173.2**	170.7
Income tax receivables		**24.9**	25.9
Trade and other receivables	17	**409.1**	415.4
Available-for-sale financial assets	14	**0.5**	0.1
Cash and cash equivalents	18	**110.9**	88.1
Current assets, total		**718.7**	700.2
ASSETS, TOTAL		**3 278.7**	3 192.3
EQUITY AND LIABILITIES			
Equity	19		
Equity attributable to the equity holders of the Parent Company			
Share capital		**71.3**	71.3
Premium fund			187.6
Treasury shares		**-37.5**	-51.6
Fund for invested unrestricted equity		**192.7**	
Other reserves			0.1
Translation differences		**-25.2**	11.4
Retained earnings		**1 018.9**	1 127.1
		1 220.1	1 345.9
Minority interest		**17.0**	18.3
Equity, total		**1 237.1**	1 364.2
Non-current liabilities			
Deferred tax liabilities	8	**106.2**	103.9
Pension obligations	5	**37.9**	45.2
Provisions	21	**6.0**	8.8
Interest-bearing liabilities	22	**449.0**	328.1
Trade and other payables	23	**34.6**	28.3
Current liabilities			
Provisions	21	**10.9**	7.8
Interest-bearing liabilities	22	**633.6**	553.4
Income tax liabilities		**11.7**	8.4
Trade and other payables	23	**751.7**	744.3
Liabilities, total		**2 041.6**	1 828.1
EQUITY AND LIABILITIES, TOTAL		**3 278.7**	3 192.3

Changes in consolidated equity

EUR million	Equity attributable to the equity holders of the Parent Company									
	Share capital	Premium fund	Treasury shares	Fund for invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total	Minority interest	Equity, total
Equity at 1 Jan 2007	**70.9**	**181.0**			**6.9**	**17.6**	**1 029.3**	**1 305.7**	**17.0**	**1 322.7**
Change in translation differences						-6.2		-6.2	0.3	-5.9
Other items							-0.7	-0.7		-0.7
Items recognised directly in equity, total						-6.2	-0.7	-6.9	0.3	-6.6
Result for the period							242.8	242.8	3.2	246.1
Total recognised income and expenses						**-6.2**	**242.1**	**235.9**	**3.5**	**239.4**
Unregistered usage of share options	0.1	2.4						2.6		2.6
Conversion of capital notes	0.0	1.7						1.7		1.7
Acquisition of treasury shares			-51.6					-51.6		-51.6
Use of share options	0.1	2.5						2.6		2.6
Expense recognition of options granted							5.5	5.5		5.5
Dividends paid							-156.7	-156.7	-2.1	-158.8
Change in minority interests									0.0	0.0
Other changes					-6.9		6.9			
Equity at 31 Dec 2007	**71.3**	**187.6**	**-51.6**		**0.1**	**11.4**	**1 127.1**	**1 345.9**	**18.3**	**1 364.2**
Equity at 1 Jan 2008	**71.3**	**187.6**	**-51.6**		**0.1**	**11.4**	**1 127.1**	**1 345.9**	**18.3**	**1 364.2**
Change in translation differences						-36.6		-36.6	-0.9	-37.5
Other items							-1.7	-1.7		-1.7
Items recognised directly in equity, total						-36.6	-1.7	-38.3	-0.9	-39.1
Result for the period							115.7	115.7	5.1	120.8
Total recognised income and expenses						**-36.6**	**114.1**	**77.5**	**4.2**	**81.7**
Unregistered usage of share options		-2.4						-2.4		-2.4
Acquisition of treasury shares			-47.6					-47.6		-47.6
Cancellation of treasury shares			61.6				-61.6			
Use of share options	0.0	2.4		5.1				7.5		7.5
Expense recognition of options granted							5.0	5.0		5.0
Dividends paid							-160.8	-160.8	-3.5	-164.3
Change in minority interests							-3.1	-3.1	-2.1	-5.2
Donations							-1.7	-1.7		-1.7
Transfer of premium fund		-187.6		187.6						
Other changes					-0.1		0.1			
Equity at 31 Dec 2008	**71.3**		**-37.5**	**192.7**		**-25.2**	**1 018.9**	**1 220.1**	**17.0**	**1 237.1**

Consolidated cash flow statement

EUR million	Note	1.1–31.12.2008	1.1–31.12.2007
Operations			
Result for the period		**120.8**	246.1
Adjustments			
Income taxes		**69.4**	74.4
Financial expenses	7	**69.9**	44.9
Financial income	7	**-18.9**	-9.2
Share in result of associated companies		**-4.9**	-12.4
Depreciation and impairment losses		**231.9**	149.7
Profit on sales of non-current assets		**-34.2**	-41.3
Other adjustments		**-40.1**	-44.6
Change in working capital			
Change in trade and other receivables		**-18.5**	-38.6
Change in inventories		**-0.5**	-19.0
Change in trade and other payables, and provisions		**3.6**	11.9
Interest paid		**-53.4**	-38.2
Other financial items		**-4.5**	-1.8
Taxes paid		**-70.2**	-93.8
Cash flow from operations		**250.3**	227.9
Investments			
Acquisition of tangible and intangible assets		**-113.3**	-88.6
Operations acquired	3	**-157.0**	-49.1
Associated companies acquired		**-0.2**	-0.6
Acquisition of other holdings		**-5.1**	-0.1
Sales of tangible and intangible assets		**12.7**	23.8
Operations sold	3	**46.0**	83.7
Associated companies sold		**0.7**	0.3
Sales of other companies		**2.5**	0.9
Loans granted		**-19.8**	-4.4
Repayments of loan receivables		**8.8**	3.9
Sales of short-term investments		**0.5**	0.0
Interest received		**7.4**	5.5
Dividends received		**7.5**	7.6
Cash flow from investments		**-209.3**	-17.2
Cash flow before financing		**41.1**	210.7
Financing			
Proceeds from share subscriptions		**5.1**	5.2
Minority capital investment/repayment of equity		**1.0**	-0.1
Acquisition of treasury shares		**-48.2**	-51.0
Change in loans with short maturity		**-53.8**	101.5
Drawings of other loans		**525.1**	295.5
Repayments of other loans		**-264.6**	-403.1
Payment of finance lease liabilities		**-2.8**	-2.5
Dividends paid		**-164.3**	-158.8
Donations/other profit sharing		**-0.5**	-0.4
Cash flow from financing		**-3.1**	-213.7
Change in cash and cash equivalents according to cash flow statement		**38.0**	-3.0
Effect of exchange rate differences on cash and cash equivalents		**0.1**	-1.7
Net increase(+)/decrease(-) in cash and cash equivalents		**38.1**	-4.7
Cash and cash equivalents at 1 Jan		**72.4**	77.1
Cash and cash equivalents at 31 Dec	18	**110.5**	72.4

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

Notes to the consolidated financial statements

1. Accounting policies for consolidated financial statements

CORPORATE INFORMATION

Sanoma Group's five divisions operate in versatile fields of media. Sanoma Magazines is one of the leading European magazine publishers, Sanoma News is the leading newspaper publisher in Finland, Sanoma Entertainment is engaged in the field of electronic media, Sanoma Learning & Literature is a significant European educational publisher and Finland's largest book publisher, and Sanoma Trade is the market leader in kiosk operations and press distribution in Finland and the Baltic countries. Sanoma has operations in 20 countries.

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

On 10 February 2009, Sanoma's Board of Directors approved these financial statements to be disclosed.

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

BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Sanoma has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) while adhering to related IAS and IFRS standards, effective at 31 December 2008, 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 also in accordance with Finnish Accounting Standards and company law.

Financial statements are presented in millions of euros, based on historical cost conventions unless otherwise stated in the accounting policies.

NEW AND AMENDED STANDARDS

No new standards became effective during 2008. The following IFRIC interpretation, which became effective in 2008, did not have any material impact on the Group's financial statement:

- IFRIC 14 IAS 19 The limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation explains how the minimum funding requirements affect the amount of defined benefit assets or liabilities. Additional liability is only to be recognised if the required minimum contributions can not be returned to the entity. Implementation of this interpretation has not had any material impact on the Group's balance sheet.

The following amendments and revised standards and IFRIC interpretations have become effective in 2008 but had no effect on Sanoma's consolidated financial statements:

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions. The interpretation clarifies accounting treatment of transactions that are paid by the company's own equity transactions and the equity instruments are acquired from external parties. The interpretation gives guidance on accounting for transactions involving own equity instruments in the separate financial statements.
- IFRIC 12 Service Concession Arrangements. During the reporting period or the preceding periods the Group did not have any agreements meant by the interpretation. This interpretation has not yet been adopted by the EU.
- Amendments to IAS 39 Financial instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Instruments (the amendment was retrospectively effective from 1 July 2008 to 1 November 2008). The adjustment was targeted at financial institutions and was endorsed by the EU on 15 October 2008. In November the effective date was adjusted by a further amendment to the standard. According to this amendment the reclassification of financial assets that are made after 1 November are effective from that date onwards. The latter amendment has not been endorsed by the EU.

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 impairment testing calculations, allocating acquisition cost, and determining the estimated useful lives for tangible and intangible assets, for example. In addition, management judgement is used when determining the valuation of deferred taxes as well as pension assets and pension obligations. Although these estimates are based on the management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

Impairment testing is illustrated later in the accounting policies and notes to the financial statements. Other uncertainties related to management judgement are presented, if necessary, in the notes in question.

CONSOLIDATION PRINCIPLES

The consolidated financial statements have been prepared by consolidating the Parent Company's and its subsidiaries' income statements, balance sheets and notes to the financial statements. Prior to consolidation, the Group companies' financial statements were adjusted to ensure consistency with the Group's accounting policies.

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

Companies acquired during the financial year are included in the consolidated financial statements from the date of their acquisition, or from the date on which control was transferred to the Group, and divested subsidiaries are included in the consolidated income statement until the date on which said control ceased.

Sanoma uses the acquisition cost method when accounting for acquisitions. Acquisitions carried out after 1 January 2004 are measured at fair value on the date of acquisition, but acquisitions prior to that date have not been adjusted retrospectively. On the date of acquisition, the acquisition cost is allocated to the assets and liabilities of the acquired business by recognising them at their fair value.

Associated companies are entities in which the Group has significant influence. Significant influence is based on a holding of over 20% of the voting rights or otherwise obtaining significant influence but not control over the entity. Associated companies are accounted for using the equity method. The Group's share of the associated companies' result is disclosed separately after operating profit. The balance sheet value of associated companies includes the goodwill originated from acquisitions.

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

Profit for the period attributable to equity holders of the Parent Company and to minority interest is presented in the income statement and equity attributable to minority interest is presented as a separate item in the balance sheet within equity.

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

FOREIGN CURRENCY ITEMS

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

Foreign currency transactions of the group entities are translated to the functional currency at the exchange rate quoted on the transaction date. Assets and liabilities on the balance sheet date are translated into the functional currency at the exchange rate prevailing on the balance sheet date. Any exchange rate differences related to business operations are recognised as adjustments to sales and purchases. Exchange rate differences resulting from the translation of interest-bearing assets and liabilities denominated in foreign currencies are recognised in financial income and expenses.

The income statement items of the non-euro group entities (subsidiaries, associated companies and joint ventures) have been translated into euro using the average exchange rates quoted for the financial period and balance sheets using the exchange rate quoted on the balance sheet date. The profit for the period is translated into euro by separate currency rates in the income statement and balance sheet and the resulting exchange rate difference is recognised as a translation difference under shareholders' equity.

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

Translation differences recorded before 1 January 2004 are recognised in retained earnings, as permitted by IFRS 1.

As of 1 January 2004, the goodwill and fair value adjustments arising on an acquisition are presented as assets and liabilities of the acquired entity and are translated into euro using the exchange rate prevailing on the balance sheet date. Goodwill and value adjustments related to acquisitions prior to 1 January 2004 are recognised in euro.

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

SEGMENT REPORTING

The business segments are Sanoma's primary segments; geographical areas are secondary segments. Risks and returns related to products and services in one business segment are different from those of other business segments. In a similar manner, the risks and returns of a geographical segment within an economic environment differ from a segment in other economic environments. Segment reporting is based on management control and internal reporting systems.

Segment reporting is described in more detail in Note 2.

GOVERNMENT GRANTS

Grants from the government or other similar public entities are recognised in the income statement on a systematic basis over the period necessary to match them with the costs they are intended to compensate. Government grants related to the purchase of property, plant and equipment are recognised as a reduction of the asset's book value and credited to the income statement over the asset's useful life.

The nature and extent of government grants are not material within the Sanoma Group.

GOODWILL AND OTHER INTANGIBLE ASSETS

Acquired subsidiaries are consolidated using the acquisition cost method, whereby the acquisition cost is allocated to the acquired assets and liabilities at their fair value on the date of acquisition. Goodwill represents the excess of the acquisition cost over the fair value of the acquired company's net assets. Goodwill reflects e.g. expected future synergies resulting from acquisitions.

Goodwill is not amortised according to plan but it is annually tested for impairment.

Intangible assets acquired in a business combination must be recognised separately from goodwill if the assets fulfil the criteria set for these assets – i.e., they are identifiable, or based on contractual or other legal rights – and if their fair value can be reliably measured. Intangible assets are initially measured at cost and amortised over the asset's expected useful life.

Intangible assets, for which the expected useful lives cannot be determined, are not amortised according to plan but are subject to an annual impairment testing. Although expected useful lives can principally be determined for intangible rights, the useful life cannot be determined for some publishing rights. With regard to the acquisition of new assets, the Group assesses the expected useful life of the intangible right, for example, in light of historical data and market position, and determines the useful life on the basis of the best knowledge available on the assessment date.

The Group recognises the purchase of broadcasting rights to films and TV programmes in intangible assets and their expenditure is recorded as amortisation.

Amortisation periods for intangible assets with finite useful lives are:

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

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

IMPAIRMENT TESTING

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

The test assesses the asset's recoverable amount, which is the higher of either the asset's net selling price or value in use based on future cash flows. Impairment tests are principally carried out on a cash flow basis by determining the present value of estimated future cash flows and allocating it to the Group's cash generating units.

Previously recognised impairment losses of assets are reversed if this arises from a change in the assumptions used to calculate the recoverable amount. However, impairment losses are not reversed beyond the amount the asset had before recognising impairment losses. Impairment losses recognised for goodwill are not reversed under any circumstances.

Impairment testing is described in more detail in Note 12.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any impairment losses. The depreciation periods of PPE are based on the estimated useful lives and are:

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

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

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

INVESTMENT PROPERTY

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

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

OTHER INVESTMENTS IN PROPERTY AND HOUSING COMPANIES

Investments in property and housing companies that are, for the most part, held by Sanoma for its own use, are classified as land or buildings, depending on which has more relevance. Investments in shares are not subject to depreciation. Properties are measured at cost. Major mutual property companies are consolidated using the proportionate consolidation method.

LEASES

Leases of property, plant and equipment, where the Group substantially has all the rewards and risks of ownership, are classified as finance leases and capitalised as assets and liabilities for the lease period. Finance leases are recorded at the commencement of the lease period based on the estimated present value of the underlying minimum lease payments. The assets are depreciated during the lease term and lease payments are recognised as interest expenses and repayment of financial lease liabilities.

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

Operational leases are charged to other operating expenses and the total future minimum lease payments are presented as off-balance-sheet liabilities in the notes to the financial statements.

INVENTORIES

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

FINANCIAL INSTRUMENTS

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

LOANS AND OTHER RECEIVABLES are assets with a fixed or definite series of payments. These assets are unlisted and not held for trading. Assets are measured at amortised cost. Receivables are presented as current or non-current financial assets. Trade receivables are carried at the expected realisable value. An impairment of trade receivables is recorded when there is justified evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

AVAILABLE-FOR-SALE FINANCIAL ASSETS are non-derivative assets that are either determined to be available-for-sale or for which other classification is not applicable. These assets are included in non-current assets unless the intention is to hold the investment for less than 12 months from the balance sheet date. All non-current investments held by the Group are classified as available-for-sale and mainly consist of a number of assets not related to business operations. These investments are measured at fair value and any change in fair value is recognised in shareholders' equity if the fair value can be reliably measured. When investments are sold, any change in fair value is derecognised from shareholders' equity and recognised in the income statement.

Available-for-sale financial assets do not contain publicly traded investments, and the fair value of these investments cannot be reliably measured. These assets are thus carried at cost and investments do not have any material effect on the consolidated balance sheet.

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

DERIVATIVES AND HEDGE ACCOUNTING

Sanoma can use derivative instruments, such as forward contracts and interest rate swaps, in order to hedge against fluctuations in exchange rates and interest rates. During the financial years 2008 and 2007, the Group did not have any derivatives in use.

Derivatives are initially recognised at cost and subsequently measured at their fair value. Changes in the fair value of derivatives are recognised as financial items in the income statement. Derivative contracts are shown in other current receivables and liabilities in the balance sheet.

The Sanoma Group does not apply hedge accounting according to the requirements of IAS 39. A more detailed description of the Group's financial risk management principles can be found in Note 26.

CASH AND CASH EQUIVALENTS

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

INCOME TAXES

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

Deferred tax assets and liabilities are recorded on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates enacted on the balance sheet date. Changes in the tax rate are recorded as changes in deferred tax in the income statement. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the deductible temporary difference can be utilised. No deferred tax liability on undistributed retained earnings of subsidiaries has been recognised in that respect as such distribution is not probable within the foreseeable future. The most significant temporary differences relate to depreciation differences, defined benefit pension plans, subsidiaries' tax losses carried forward and the fair valuation of assets when acquiring businesses.

PROVISIONS

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

STOCK OPTIONS

The Sanoma Group has applied IFRS 2 Share based payments standard to all options schemes, in which the options have been granted after 7 November 2002 and not vested prior to 1 January 2005.

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

Note 20 provides a more detailed description of the treatment and number of stock options.

REVENUE RECOGNITION

Revenue from the sale of goods is recognised when the risks and rewards related to goods ownership have been transferred to the buyer and the seller no longer has possession of, and control over, the goods. Sales of goods subject to subscription (magazines/newspapers) are recognised as revenue at the time of their delivery to customers. Sales of services are recognised once the service has been rendered. Net sales derive from sales net of discounts granted, indirect taxes and sales-related exchange rate differences. Net sales generated by commission sales include commissions. Press distribution is treated as commission sales and only its commission is recognised in net sales.

RESEARCH AND DEVELOPMENT EXPENSES

R&D expenses are expensed as incurred.

R&D expenditure refers to costs charged to expenses that the company incurs with the aim of developing new products or services for sale, or fundamentally improving the features of its existing products or services, as well as extending its business. R&D expenses are mainly incurred before the company begins to make use of the new product/service for commercial or profitable purposes.

PENSIONS

The Group's pension schemes in different countries are arranged in accordance with local requirements and legislation. Pension schemes are classified into two categories: defined contribution plans and defined benefit plans. In addition to TEL insurance policies (based on the 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. All of the schemes managed by the pension funds are classified as defined benefit plans. The Group's foreign units employ both defined benefit and defined contribution schemes, and the related pension cover is managed by both pension funds and insurance companies.

Contributions under defined contribution plans are expensed as incurred, and once they are paid to insurance companies the Group has no obligation to pay further contributions.

The present value of the Sanoma Group's obligation of defined benefit plans is determined separately for each scheme using the projected unit credit method. Within the defined benefit plan, pension obligations or pension assets represent the present value of future pension payments less the fair value of the plan assets and net of unrecognised actuarial gains or losses as well as potential past service cost. The present value of the defined benefit obligation is determined by using discount interest rates that are based on high-quality corporate bonds or government bonds. Pension expenses under the defined benefit plan are recognised as expenses for the remaining working lives of the employees within the plan based on the calculations of authorised actuaries.

Actuarial gains or losses are recognised in the income statement for the remaining average period of employment to the extent they exceed 10% of the greater of the present value of the pension obligations within the defined benefit plan, and the fair value of the plan assets. The Group has applied the exemption permitted by IFRS 1, whereby all accumulated actuarial gains or losses are recognised in the IFRS transition balance sheet as per 1 January 2004.

NEW STANDARDS AND AMENDMENTS UNDER IFRS

IASB and IFRIC have issued the following standards and interpretations, but they are not yet effective and the Group has not applied these requirements before the effective date.

- IAS 1 (Revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The Group estimates that application of this revised standard will mainly impact the presentation of the income statement and changes in consolidated equity.
- IAS 23 (Revised 2007) Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). The amended standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group estimates that application of this revised standard has no material impact on the consolidated financial statements.
- IAS 27 (Amended 2008) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). The amended standard requires the effects of all transactions with a non-controlling interest to be recorded in equity if the control remains with the parent company. The amendment also specifies that a share of the loss for period can also be allocated to non-controlling interest when the losses exceed the amount of invested capital by the non-controlling parties. The amendment of the standard has not yet been adopted in the EU.
- IAS 32 (Amended 2008) Financial Instruments: Presentation and IAS 1 (Amended 2008) Presentation of Financial Instruments (effective for annual periods beginning on or after 1 January 2009). The Group estimates that the new amendment has no impact on the consolidated financial statements. The amendment of the standard has not yet been adopted in the EU.
- IAS 39 (Amended 2008) Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 July 2009). The amendment relates to hedge accounting and the Group estimates that it has no impact on the consolidated financial statements. The amendment of the standard has not yet been adopted in the EU.
- IFRS 1 (Amended 2008) First-time adoption of International Financial reporting standards IAS 27 (Amended 2008) Consolidated and Separate Financial Statements – Cost of an Investment in a subsidiary, Jointly controlled Entity or Associate (effective for annual periods beginning on or after 1 January 2009). The amendments are applicable for first-time adopters and therefore they do not have any effect on the Group's financial statements. The EU has not yet adopted this amendment.
- IFRS 2 (Amended 2008) Share based payments (effective for annual periods beginning on or after 1 January 2009). The Group is currently studying the possible implications of this amendment on the Group's accounts in 2009.
- IFRS 3 (Revised 2008) Business combinations (effective for annual periods beginning on or after 1 July 2009). The Group estimates that the adoption of the revised standard will have an impact on the amount of goodwill from acquisitions and results on disposing businesses. The standard is estimated to have an impact on profit and loss in those periods in which new business is acquired, the deferred purchase price is paid or additional shares are acquired. The EU has not yet adopted this amendment.
- IFRS 8 (Revised 2008) Operational segments (effective for annual periods beginning on or after 1 January 2009). The Group estimates that the adoption of the standard will mainly have an impact on notes to accounts and there will be no structural changes compared to the current primary reporting segment.
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). The Group estimates that the new amendment has no material impact on the consolidated financial statements.
- IFRIC 15 Agreements for the Construction of the Real Estate Operation (effective for annual periods beginning on or after 1 January 2009). The Group estimates this interpretation to have no material effect on the Group's future financial statements. The EU has not yet adopted this interpretation.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 January 2009). The Group estimates this interpretation to have no effect on the Group's future financial statements. The EU has not yet adopted this interpretation.
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The Group estimates this interpretation to have no effect on the Group's future financial statements. The EU has not yet adopted this interpretation.
- Improvements to IFRS (most of the changes are effective for annual periods beginning on or after 1 January 2009). This annual procedure comprises several minor changes and technical revisions to standards. The Group estimates that these amendments do not have material influence on the Group's financial statements. The EU has not yet adopted these amendments.

2. Segment information

BUSINESS SEGMENTS

The primary segments of the Sanoma Group comprise the Group's five divisions: Sanoma Magazines, Sanoma News, Sanoma Entertainment, Sanoma Learning & Literature and Sanoma Trade. The segmentation is based on business model and product differences. The media business, based on advertising and circulation sales, is divided into three segments: Sanoma Magazines is responsible for magazine products, Sanoma News for newspaper products and Sanoma Entertainment for TV and broadband business. Sanoma Learning & Literature's business is mainly b-2-b business. Sanoma Trade, on the other hand, operates on a retail business model.

Sanoma Magazines

Sanoma Magazines is one of Europe's largest consumer magazine publishers, operating in 13 countries. The majority of the Division's 344 magazines comprise concepts and titles of its own, but the portfolio also includes licensed, well-known international titles. In addition to publishing its strong portfolio of magazine brands, Sanoma Magazines is rapidly expanding its business to digital media platforms. Sanoma Magazines is a leading online player and content provider in the Netherlands, Hungary and Bulgaria.

Sanoma News

Sanoma News is the leading newspaper publisher in Finland, and its products in both print and digital format have a strong presence in the lives of their readers. In addition to Helsingin Sanomat, the largest daily in the Nordic region, the Division publishes national and regional daily newspapers and free sheets. Sanoma News also invests in digital business, which includes Finland's leading classified advertising service, among others. In addition, Sanoma News provides its corporate customers with business information, photo agency, news analysis and summary as well as printing services.

Sanoma Entertainment

Sanoma Entertainment offers consumers entertaining experiences on television, radio, online and mobile devices. Sanoma Entertainment's business units include Nelonen Media, primarily focused on broadcast operations, and Welho, Finland's largest cable television operator. The Division's latest business area is online casual gaming.

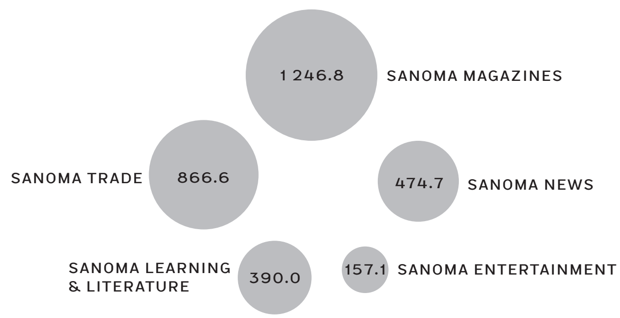
Sanoma Learning & Literature

Sanoma Learning & Literature is a significant European educational publisher that offers a broad range of both print and digital educational materials to support the learning of children and young people in the Netherlands, Finland, Hungary, Belgium and Poland. The Division is also Finland's leading book publisher. In Sanoma Learning & Literature's business services, the fastest growth is seen in language services, which will be strongly developed.

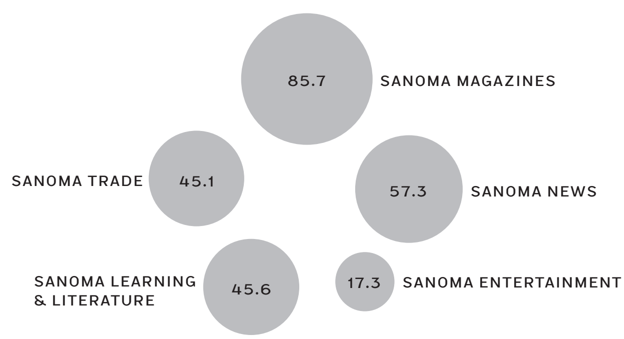
Sanoma Trade

Sanoma Trade is a retail specialist with operations in seven countries. The Division's business is based on a thorough understanding of the customer's needs and strong concepts. Sanoma Trade's success is built on over 200 million annual sales contacts in which the consumer is present at kiosks, bookstores or movie theatres. Sanoma Trade's press distribution operations serve publishers and retailers.

NET SALES 2008
EUR million



OPERATING PROFIT 2008
EUR million

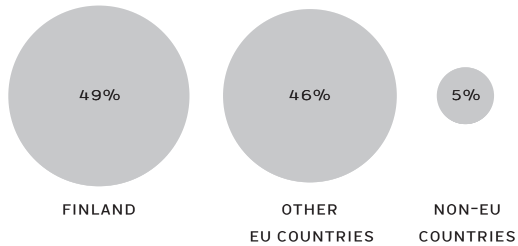


Unallocated/eliminations

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

GEOGRAPHICAL SEGMENTS

The Sanoma Group's geographical segments are reported as secondary segments and comprise Finland, other EU countries and non-EU countries. Segment income is stated by customer location, and assets and investments by the location of the assets. Investments in subsidiaries are not allocated to geographical segments. Goodwill is allocated according to the location of the target entity.



Divisions 2008, EUR million	Sanoma Magazines	Sanoma News	Sanoma Entertainment	Sanoma Learning & Literature	Sanoma Trade	Unallocated/ eliminations	Consolidated
External net sales	1 243.8	467.2	155.5	372.8	790.9	0.0	3 030.1
Internal net sales	3.1	7.5	1.6	17.2	75.8	-105.2	
Depreciation and impairment losses	111.7	30.3	42.9	13.4	32.5	1.2	231.9
Operating profit	85.7	57.3	17.3	45.6	45.1	-14.6	236.3
Share in result of associated companies	4.5	0.2	0.0	0.0	0.4	-0.1	4.9
Capital expenditure	26.8	19.6	13.5	15.6	33.8	0.5	109.9
Goodwill	1 031.6	73.7	24.6	272.0	75.8	13.8	1 491.6
Interest in associated companies	61.7	1.5	0.0	0.7	6.0		69.9
Total assets	1 882.0	453.1	156.8	639.9	556.1	-409.2	3 278.7
Liabilities	848.7	240.7	104.1	312.9	400.7	134.5	2 041.6
Cash flow from operations	102.9	84.4	19.7	46.4	42.4	-45.4	250.3
Average number of employees (full-time equivalents)	5 731	2 491	482	2 737	6 633	94	18 168

Divisions 2007, EUR million	Sanoma Magazines	Sanoma News	Sanoma Entertainment	Sanoma Learning & Literature	Sanoma Trade	Unallocated/ eliminations	Consolidated
External net sales	1 235.4	473.4	142.5	304.5	771.3	-0.7	2 926.3
Internal net sales	2.7	7.4	3.5	18.0	78.0	-109.6	
Depreciation and impairment losses	34.2	31.3	39.5	10.4	33.4	0.9	149.7
Operating profit	160.9	67.6	15.8	44.5	55.6	-0.7	343.8
Share in result of associated companies	8.4	0.4	0.1	0.1	3.5	-0.1	12.4
Capital expenditure	20.6	17.7	14.8	7.7	28.4	1.3	90.5
Goodwill	1 054.6	65.1	24.1	204.2	70.8	13.9	1 432.8
Interest in associated companies	67.0	2.2	0.9	0.3	5.7	-1.1	75.2
Total assets	1 906.6	443.8	157.2	566.5	556.3	-438.2	3 192.3
Liabilities	872.6	194.9	86.5	237.6	373.4	63.1	1 828.1
Cash flow from operations	96.6	92.8	20.8	22.8	46.5	-51.6	227.9
Average number of employees (full-time equivalents)	5 169	2 411	457	2 345	6 234	86	16 701

Geographical segments 2008, EUR million	Finland	Other EU countries	Non-EU countries	Eliminations	Consolidated
Net sales	1 459.5	1 407.7	163.0	0.0	3 030.1
Total assets	1 686.5	2 398.6	133.6	-940.0	3 278.7
Capital expenditure	70.8	35.8	3.3	0.0	109.9

Geographical segments 2007, EUR million	Finland	Other EU countries	Non-EU countries	Eliminations	Consolidated
Net sales	1 430.4	1 343.8	152.2	0.0	2 926.3
Total assets	1 614.1	2 295.8	146.3	-864.0	3 192.3
Capital expenditure	58.9	28.4	3.2	0.0	90.5

3. Acquisitions and disposals

Specification of assets and liabilities acquired at 31 Dec, EUR million	2008	2007
Tangible assets	6.9	1.2
Intangible assets	72.2	22.4
Other non-current assets	-2.6	-2.0
Inventories	4.1	2.3
Other current assets	28.0	20.7
Assets, total	108.5	44.6
Non-current liabilities	-33.6	-6.9
Current liabilities	-20.6	-13.8
Liabilities, total	-54.2	-20.6
Minority interest	6.0	0.4
Exchange rate differences and other changes	-12.9	1.1
New goodwill from acquisitions	143.4	42.0
Acquisition cost	190.7	67.5
Change in acquisition liabilities and advance payments	-22.4	-10.4
Cash and cash equivalents of operations acquired	-11.3	-8.0
Cash flow from operations acquired	**157.0**	49.1

ACQUISITIONS IN 2008

In 2008, Sanoma Group's acquisitions totalled EUR 190.7 million (2007: EUR 67.5 million). The largest single transaction, amounting to EUR 62.5 million, was the acquisition of the Polish educational publisher Nowa Era in March. The acquisition cost of each individual acquisition remained under one percent of the Group's total balance sheet, and their combined impact on the Group assets and liabilities was minor. The combined effect of the acquisitions on the Group's net sales since the acquisition date amounted to EUR 101.9 million and on operating profit EUR 13.1 million in 2008. If the acquired entities had been consolidated with the Group's figures from the beginning of the year, the impact on net sales or on operating profit would not have been materially higher than mentioned above.

The acquisition costs of new businesses in Sanoma Magazines division amounted to EUR 94.0 million, and the goodwill recorded on the acquisitions amounted to EUR 48.8 million. Goodwill consists of functional and commercial synergies.

Sanoma Uitgevers, part of the Sanoma Magazines division, increased its share in the Dutch magazine publisher Mood for Magazines by 53% in January. In connection with the acquisition of Mood for Magazines, the company recorded a goodwill of EUR 16.7 million. Before the 53% increase in the ownership, Mood for Magazines was consolidated into the Group result as an associated company. In 2008, the net sales of Mood for Magazines amounted to EUR 16.5 million.

In July, Sanoma Magazines International acquired an 82% share in Net Info.BG AD, Bulgaria's leading internet company. Furthermore, Sanoma Magazines International has agreed to purchase the 18% minority share by the year 2011. Netinfo has been consolidated with the Group according to a 100% ownership share as of 1 July 2008. The company's acquisition cost, EUR 28.6 million, exceeded the fair value of the net assets acquired by EUR 14.9 million, and this amount was recorded in the Group balance sheet as goodwill. The immaterial rights that were indentified in the acquisition, consist of four separate online sites. EUR 13.3 million of the acquisition cost was allocated to these immaterial rights. In July–December 2008, the net sales of Netinfo amounted to EUR 1.6 million. At the end of the year, after a significant worsening of the market situation, an impairment loss of EUR 13.3 million, was recognised on Netinfo's immaterial rights.

In August, Sanoma Uitgevers acquired 100% of European Auto Trader B.V., a publisher of motor magazines in the Benelux countries. The company's website *Autotrader.nl* is one of the largest sites for second-hand cars in the Netherlands. The acquisition cost of European Auto Trader was EUR 24.6 million, and a goodwill of EUR 10.0 million was recorded in connection with the transaction. In August–December 2008, the net sales of the company amounted to EUR 4.2 million.

In June, Sanoma Magazines International acquired OOO Lux Media, a Russian magazine publisher, whose financial statements have been consolidated with the Group financial statement according to a 100% ownership percentage as of 1 June 2008. Some EUR 4 million acquisition cost corresponding to an ownership share of 100% was recorded.

Other acquisitions of lower acquisition cost by the Sanoma Magazines division included, e.g., the purchase of two home and decoration websites, *Leadz.nl* and *Woonwebsite.nl*, as well as purchase of a minority share in the Dutch gaming site Insidegamer B.V. The Division expanded in Croatia by taking over 100% of the shares of the wedding magazine publisher Damjana Vjencanja d.o.o., and in Serbia by acquiring the parenting magazine publisher Mama Media d.o.o. The latter two companies were merged with Adria Media.

The acquisitions of the Sanoma News division totalled EUR 14.4 million, and a corresponding increase in goodwill amounted to EUR 8.6 million. Goodwill from Suorakanava's acquisition consists of the expected synergies with existing online services.

In June, Sanoma News acquired a majority holding in Suorakanava Oy, the leading Finnish provider of online services for home builders and remodelers. The company's best known website is *Rakentaja.fi*. Suorakanava has been consolidated with the Group according to a 100% ownership share. In June–December 2008, the net sales of Suorakanava amounted to EUR 1.8 million. In addition, Sanoma News increased its holding in Netwheels Oy from 20.1% to 55.8%.

The Sanoma Learning & Literature division recorded new business acquisition costs of a total of EUR 75.1 million. After the allocation of acquisition costs, the remaining goodwill was EUR 78.3 million. Goodwill consists mainly of the knowledge of Polish educational market and knowhow of the personnel related to the acquisition of Nowa Era.

In early March, Sanoma Learning & Literature finalised its acquisition of the Polish educational publisher Nowa Era. The acquisition cost was recorded at EUR 62.5 million. Nowa Era employs some 400 people, and in March–December its net sales were EUR 44.5 million. A more detailed specification of the impact of Nowa Era's consolidation on the Group's assets and liabilities is shown in the accompanying table.

Specification of acquired net assets, Nowa Era, EUR million	**Fair value**	**Carrying amounts in acquired unit**
Tangible assets	2.7	2.1
Intangible assets	12.3	0.5
Other non-current assets	1.0	1.0
Inventories	5.3	3.8
Other current assets	13.0	13.0
Assets, total	34.2	20.3
Deferred tax liabilities	2.1	-0.5
Other non-current liabilities	-21.9	-21.9
Current liabilities	-6.6	-6.6
Liabilities, total	-26.3	-28.9
Net assets	**7.8**	**-8.6**
Acquisition cost	62.5	
Goodwill	54.6	
Purchase price paid in cash	61.4	
Costs attributable to the acquisition	0.4	
Cash and cash equivalents of acquired unit	8.2	
Cash flow from the acquisition	**53.5**	

In August, Sanoma Learning & Literature expanded its language services business through the acquisition of the Swedish translation, localisation and language training company Interverbum AB, Interverbum Localisation AB and Interverbum UK Ltd. In August–December 2008, the combined net sales of the companies were EUR 4.1 million, and they had an average total of about 60 employees. At year end, Sanoma Learning & Literature purchased the remaining 25% minority share in the Hungarian educational publisher Nemzeti Tankönyvkiadó Rt (NTK).

Other 2008 acquisitions of lower acquisition cost included the kiosk company KP Roznitsa in the Rostov region in Southern Russia by Sanoma Trade. Minority buy outs were carried out in the Lithuanian press distributor UAB Impress Teva and in the movie theatre SIA Forum Cinemas in Latvia.

ACQUISITIONS IN 2007

In 2007, Sanoma's acquisitions totalled EUR 67.5 million. The acquisitions during the year were small considering the size of the Group, and the impact of each individual acquisition on the Group assets and liabilities was minor. The acquisition cost of each individual acquisition remained under one per cent of the Group's total balance sheet. The combined effect of the acquisitions since the acquisition date on the Group's net sales amounted to EUR 28.3 million and on operating profit EUR 0.3 million, which includes the amortisation related to the acquisitions. If the acquired entities had been consolidated with the Group's figures from the beginning of the year, the impact on net sales or on operating profit would not have been materially higher than mentioned above.

In February, Sanoma Trade's press distribution business acquired 100% of Printcenter Oy, which specialises in point-of-sale marketing services and products. The net sales of Printcenter group totalled EUR 12.6 million in 2007, of which EUR 11.2 million was consolidated with Sanoma Trade after the acquisition. At the time of the acquisition, Printcenter group employed 213 people. The most significant assets and liabilities recorded at the acquisition were contract-based intangible assets, goodwill and deferred tax liabilities. Goodwill is based on the estimated synergies in the logistics and merchandising services of press distribution in Finland.

In March, AAC Global, part of the Sanoma Learning & Literature division, acquired 100% of Translation Services Noodi Oy. Noodi is a Finnish technical communications service company providing translations, localisation, documentation and corporate communications. After the acquisition, AAC Global transferred all translation and localisation-related businesses in Finland to the acquired company, which operates under the name of AAC Noodi Oy. The company's net sales in 2007 amounted to EUR 9.3 million, of which EUR 8.5 million was consolidated with Sanoma Learning & Literature after the acquisition. The most significant assets recorded at the acquisition were goodwill. Goodwill represents the capabilities of a well-trained workforce as well as considerable synergies within the sales and marketing operations of language services.

Ilse media, part of the Sanoma Magazines division, acquired 100% of Rosetta Holding B.V. in May. Rosetta manages *SchoolBANK.nl*, a popular meeting place for former schoolmates in the Netherlands. Apart from *SchoolBANK.nl*, Rosetta manages the websites *DienstMAKKERS.nl* and *WorkMATES.nl*. The company's net sales in 2007 totalled EUR 4.2 million, of which EUR 2.4 million was consolidated to Sanoma Magazines after the acquisition. The most significant assets and liabilities recorded on the acquisition were intangible assets, goodwill and deferred tax liabilities. Goodwill represents estimated synergies within the sales and marketing of ilse media's online operations.

In August, Sanoma Entertainment acquired 100% of SportUp Finland Oy. SportUp Finland Oy owns 49.9% of the shares of Suomen Urheilutelevisio Oy, of which Sanoma Entertainment already owned 17.55%. Suomen Urheilutelevisio practises commercial TV business under the names of Urheilukanava and Urheilu+kanava. The channels are national channels focusing on sports. The combined sales of the acquired companies totalled EUR 8.0 million in 2007, of which EUR 4.4 million was consolidated with Sanoma Entertainment in August–December. The most significant assets and liabilities recorded on the acquisition were customer-based intangible assets, trademarks, goodwill and deferred tax liabilities. Goodwill represents estimated synergies within the purchase of broadcasting rights, advertising sales, cross promotion and infrastructure of Sanoma Entertainment's TV operations.

The Ilta-Sanomat business unit, part of the Sanoma News division, increased its holding in Estonian Auto24 to 85% in December. *Auto24.ee* is the leading market place for used and new cars in Estonia. The company employs 14 people. Net sales of the company amounted to EUR 2.0 million in 2007, of which EUR 0.0 million was consolidated to Sanoma News after the acquisition. The most significant assets recorded on the acquisition were technology-based intangible assets, trademark and goodwill. Goodwill is related to expanding the operations to new markets as well as estimated synergies in marketing, call centre operations and other back office functions, among others.

Other acquisitions in 2007 comprised the purchase of the remaining minority of Láng Kiadó és Holding Zrt (acquired in 2006) and smaller acquisitions of Belegger.nl B.V. (the Netherlands), Jok Foe N.V. (Belgium), Websitemaster a.s. (the Czech Republic) and Älypää Oy (Finland), among others.

DISPOSALS

In January 2008, Sanoma Magazines sold all the shares in the Dutch distributor R.C.V. Entertainment B.V. The Group recognised a gain of EUR 23.5 million on the sale. In December Sanoma Magazines International sold its 65 % holding in the Hungarian online auction site Sanoma Payback Komunikáción and recorded a gain of EUR 7.0 million on this transaction.

The most significant operations divested in 2007 were Dutch puzzle magazines and multi-purpose arena and properties in Hamburg. The combined effect of the disposals on the balance sheet is presented below.

Specification of disposed assets and liabilities, EUR million	2008	2007
Non-current assets	30.7	69.2
Inventories	0.1	0.8
Other current assets	9.7	16.1
Assets, total	40.6	86.0
Non-current liabilities	-0.1	-4.9
Current liabilities	-24.1	-6.8
Liabilities, total	-24.2	-11.6
Minority interest and accumulated translation differences	0.5	0.1
Net result from sales of operations	30.3	22.0
Sales price	**47.2**	96.5
Change in receivables from sales and advance payments	0.0	-0.4
Cash and cash equivalents of disposals	-1.2	-12.4
Cash flow from disposals	**46.0**	83.7

4. Other operating income

Other operating income, EUR million	2008	2007
Capital gains	**36.2**	43.2
Rental income from investment property	**0.6**	0.6
Other rental income	**13.6**	12.9
Other	**46.6**	38.5
Total	**97.1**	95.2

The most significant capital gains were related to the sale of non-core assets. In addition to those, capital gains included ordinary sales of fixed assets.

5. Personnel expenses

Personnel expenses, EUR million	2008	2007
Wages, salaries and fees	**570.6**	527.5
Expense recognition of granted options	**5.0**	5.5
Pension costs, defined contribution plans	**54.5**	47.4
Pension costs, defined benefit plans	**7.4**	5.5
Other social expenses	**65.3**	60.6
Total	**702.8**	646.5

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

EMPLOYEE BENEFITS

The Sanoma Group has various schemes for personnel's pension cover. Pension schemes are arranged in accordance with local requirements and legislation. In Finland the statutory pension cover is handled both through Finnish TEL system and pension funds. In addition, some voluntary pension cover has been arranged through pension funds or insurance companies. Pension schemes are described in more detail in accounting policies (Note 1).

Defined benefit plans exist both in and outside Finland. The actuarial calculations for the Group's defined benefit pension plans have been prepared by external actuaries. In addition to pension plans, the Sanoma Group has no other defined benefit plans.

The reconciliation of net pension obligations and break-down of pension costs are presented in the following tables. In addition, the most significant actuarial assumptions are presented.

RECONCILIATION OF DEFINED BENEFIT PLANS

Net defined benefit pension obligations in the balance sheet, EUR million	2008	2007
Present value of funded obligations	**397.7**	373.0
Fair value of plan assets	**-358.0**	-385.5
Deficit(+)/surplus(-) in the plan	**39.7**	-12.5
Unrecognised actuarial gains(+) and losses(-)	**-24.8**	41.5
Unrecognised past service cost	**-2.4**	-2.4
Total	**12.6**	26.6

Pension obligations and pension assets in the balance sheet, EUR million	2008	2007
Pension obligations	**37.9**	45.2
Pension assets	**25.3**	18.6
Net obligation total	**12.6**	26.6

Pension costs recognised in the income statement, EUR million	2008	2007
Current service costs	**11.6**	10.6
Interest cost	**20.0**	17.7
Expected return on plan assets	**-23.7**	-21.7
Actuarial gains(-) and losses(+)	**-1.6**	-3.6
Past service cost	**1.9**	3.4
Effect of curtailments and settlements	**-0.8**	-0.9
Total	**7.4**	5.5

The Sanoma Group's estimated contributions to the defined benefit plans for 2009 are about EUR 21 million. With regard to Sanoma's Dutch pension fund, the coverage of any deficit as required by local legislation can have impacts on the level of contributions for 2009, and therefore it can differ from earlier estimates. The exact contribution amount is expected to be available in the first half of 2009.

Actual return on plan assets, EUR million	2008	2007
Expected return on plan assets	**23.7**	21.7
Actuarial gains/losses on plan assets	**-62.8**	-24.5
Total	**-39.1**	-2.8

Movements in obligations, EUR million	2008	2007
Obligation at 1 Jan	**373.0**	351.1
Current year service cost	**11.6**	10.6
Interest cost	**20.0**	17.7
Actuarial gains and losses on obligation	**6.2**	-2.9
Contributions by plan participants	**2.4**	3.5
Past service cost	**1.9**	3.4
Effect of curtailments and settlements	**-4.7**	-0.4
Benefits paid from funds	**-12.7**	-10.0
Obligations at 31 Dec	**397.7**	373.0

Movements in plan assets, EUR million	2008	2007
Fair value of plan assets at 1 Jan	**385.5**	375.8
Expected return on plan assets	**23.7**	21.7
Actuarial gains/losses on plan assets	**-62.8**	-24.5
Contributions to funds by the employer	**18.4**	17.5
Contributions by plan participants	**5.9**	5.0
Benefits paid from funds	**-12.7**	-10.0
Settlements	**-0.1**	0.0
Fair value of plan assets at 31 Dec	**358.0**	385.5

Plan assets by major categories, %	2008	2007
Equity instruments	**23.1**	26.9
Bonds and debentures	**58.6**	58.1
Money market instruments	**1.4**	7.1
Properties	**2.2**	2.7
Other items	**14.4**	5.1
Cash	**0.3**	0.1
Total	**100.0**	100.0

Fair value of plan assets included investments in Sanoma shares totalling EUR 9.0 million (2007: EUR 19.2 million). None of the properties included on the plan assets are occupied by the Group.

The amounts for the current and previous annual periods, EUR million	2008	2007	2006	2005
Present value of unfunded pension obligations				0.9
Present value of funded obligations	**397.7**	373.0	351.1	341.5
Fair value of plan assets	**-358.0**	-385.5	-375.8	-343.5
Deficit(+)/surplus(-) in the plan	**39.7**	-12.5	-24.6	-1.1
Experience adjustments to obligations	**-4.2**	3.6	18.7	30.9
Experience adjustments to plan assets	**-64.8**	-24.6	-0.8	15.6

Principal actuarial assumptions at 31 Dec	2008	2007
Discount rate, %	5.3–5.3	5.0–5.3
Expected return on plan assets, %	4.0–6.5	4.0–6.5
Expected future salary increase, %	2.0–9.0	3.0–9.0
Expected future pension increases, %	1.3–3.0	0.0–2.1
Turnover of personnel, %	3–20	0–20
Expected remaining working years of personnel, years	3–22	4–23

The expected return on plan assets is set at the long-term rate estimated to be earned based on the long-term investment strategy of each pension fund and the various classes of the invested funds. For each asset class, a long-term asset return assumption is developed taking into account the long-term level of risk of the asset and historical returns of the asset class. A weighted average expected long-term rate is developed based on long-term returns for each asset class and the target asset allocation of the plan.

6. Other operating expenses

Other operating expenses, EUR million	2008	2007
Losses on sales	**1.9**	1.9
Operating costs of investment property	**0.2**	0.2
Rents	**80.4**	71.9
Advertising and marketing	**201.4**	207.4
Office and ICT expenses	**85.7**	81.2
Other	**219.1**	210.0
Total	**588.8**	572.7

Research and development expenditure recorded as expenses amounted to EUR 4.1 million (2007: EUR 2.0 million).

Audit fees, EUR million	2008	2007
Statutory audit	**1.4**	1.4
Certificates and statements	**0.2**	0.2
Tax counselling	**0.0**	0.0
Other services	**1.1**	0.8
Total	**2.8**	2.4

In 2008, KPMG Oy Ab, a firm of Authorised Public Accountants, acted as Sanoma's auditor. Other services was paid to auditors for, e.g. circulation audits in countries with no official national circulation audit in place and for consulting services related to matters such as corporate transactions.

7. Financial items

Financial items, EUR million	2008	2007
Dividend income from available-for-sale financial assets	**1.8**	1.4
Interest income from loans and receivables	**7.8**	5.5
Exchange rate gains	**6.0**	2.0
Other financial income	**3.3**	0.3
Financial income total	**18.9**	9.2
Interest expenses from financial liabilities amortised at cost	**56.3**	41.4
Exchange rate losses	**12.0**	2.5
Other financial losses	**1.6**	1.0
Financial expenses total	**69.9**	44.9
Total	**-51.0**	-35.7

Exchange rate gains and losses included in operating profit, EUR million	2008	2007
Net sales	**0.0**	-0.3
Other operating income	**1.6**	-0.1
Expenses	**-1.4**	0.4
Total	**0.2**	-0.1

8. Income taxes and deferred taxes

Income taxes, EUR million	2008	2007
Income taxes on operational income	**68.0**	68.1
Income taxes from previous periods	**1.2**	-2.0
Change in deferred tax due to change in tax rate	**-2.7**	0.1
Other change in deferred tax	**2.9**	8.2
Tax expense in the income statement	**69.4**	74.4

Income tax reconciliation against local tax rates, EUR million	2008	2007
Tax calculated at (Finnish) statutory rate	**49.5**	83.3
Effect of different tax rates in the operating countries	**-0.9**	-0.6
Tax based on tax rate in each operating country	**48.5**	82.7
Non-taxable income	**-17.4**	-9.8
Non-deductible depreciation and impairment losses	**16.2**	0.8
Other non-deductible expenses	**21.6**	5.0
Deductible depreciation	**-1.1**	-0.6
Loss for the period for which a deferred tax receivable has not been recorded	**3.7**	1.0
Adjustment to deferred tax receivables from previously non-recorded taxable losses	**-0.8**	-2.9
Tax relating to previous accounting periods	**1.2**	-2.0
Change in deferred tax due to change in tax rate	**-2.7**	0.1
Other items	**0.0**	0.2
Income taxes in the income statement	**69.4**	74.4

Deferred tax receivables and liabilities 2008, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/ sold	Change in tax rate	Translation and other items	At 31 Dec
Deferred tax receivables						
Internal margin in inventories	1.7	-0.3				1.5
Provisions	2.0	0.1	0.4		-0.6	1.9
Tax losses carried forward	12.0	-6.1	0.7		0.5	7.1
Impairment losses on tangible non-current assets	1.7	-0.1				1.6
Pension obligations, defined benefit plans	12.4	-1.7				10.7
Other items	12.7	2.0	0.1	-0.3	-0.4	14.0
Total	42.4	-6.1	1.1	-0.3	-0.5	36.6
Deferred tax liabilities						
Fair value adjustments in acquisitions	46.1	-6.5	10.9	-3.0	-1.9	45.5
Depreciation difference and other untaxed reserves	33.6	-0.2	0.0		-0.3	33.1
Pension assets, defined benefit plans	4.9	1.8				6.6
Other items	19.4	1.7	0.0	0.1	-0.2	21.0
Total	103.9	-3.2	10.9	-3.0	-2.5	106.2

Deferred tax receivables and liabilities 2007, EUR million	At 1 Jan	Recorded in the income statement	Operations acquired/ sold	Change in tax rate	Translation and other items	At 31 Dec
Deferred tax receivables						
Internal margin in inventories	1.7	0.0				1.7
Provisions	1.6	0.4				2.0
Tax losses carried forward	19.9	-7.9				12.0
Impairment losses on tangible non-current assets	1.9	-0.2				1.7
Pension obligations, defined benefit plans	14.9	-2.5			0.0	12.4
Other items	5.2	7.4	0.0		0.1	12.7
Total	45.2	-2.8	0.0		0.1	42.4
Deferred tax liabilities						
Fair value adjustments in acquisitions	47.1	-3.2	3.4	0.1	-1.2	46.1
Depreciation difference and other untaxed reserves	32.9	0.5			0.1	33.6
Equity component of convertible capital note	0.0	0.0				
Pension assets, defined benefit plans	4.7	0.2			0.0	4.9
Other items	11.5	7.9			0.0	19.4
Total	96.2	5.4	3.4	0.1	-1.0	103.9

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 3.9 million (2007: EUR 9.9 million) have not been recorded in the consolidated balance sheet based on management's judgement. These unrecognised receivables related mainly to tax losses carried forward of subsidiaries.

Deferred tax liability of EUR 4.2 million (2007: EUR 2.6 million) on undistributed retained earnings of subsidiaries has not been recognised in consolidated figures as such distribution is not probable within foreseeable future. These unrecognised deferred tax liabilities were related to earnings, for which tax payment would be realised when distributing dividends.

9. Earnings per share

Earnings per share	2008	2007
Result attributable to the equity holders of the Parent Company, EUR million	**115.7**	242.8
Weighted average number of shares, thousands	**160 901**	164 827
Earnings per share, EUR	**0.72**	1.47

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 diluting effect when the exercise price is lower than the market value of the share. The diluting 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	2008	2007
Profit used to determine diluted earnings per share, EUR million	**115.7**	242.8
Weighted average number of shares, thousands	**160 901**	164 827
Effect of options, thousands	**8**	1 036
Diluted average number of shares, thousands	**160 909**	165 863
Diluted earnings per share, EUR	**0.72**	1.46

10. Property, plant and equipment

Property, plant and equipment 2008, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	39.9	363.0	552.2	99.2	5.8	1 060.0
Increases	0.4	13.3	49.3	15.8	2.4	81.3
Acquisition of operations	0.5	4.4	4.4	3.1	0.1	12.4
Decreases		-2.1	-20.3	-1.8	-0.3	-24.5
Disposal of operations		-0.1	-1.6			-1.7
Reclassifications		0.4	4.6	1.6	-6.5	0.0
Exchange rate differences	-0.1	-0.7	-2.7	-1.3	0.0	-4.8
Acquisition cost at 31 Dec	40.6	378.2	586.0	116.7	1.4	1 122.8
Accumulated depreciation and impairment losses at 1 Jan		-112.8	-392.4	-56.1		-561.3
Decreases, disposals and acquisitions		-0.6	15.7	-1.2		13.9
Depreciation for the period		-12.6	-43.6	-10.2		-66.4
Impairment losses for the period			-0.7			-0.7
Reclassifications		0.3	0.0	-0.7		-0.4
Exchange rate differences		0.1	1.7	0.7		2.5
Accumulated depreciation and impairment losses at 31 Dec		-125.7	-419.2	-67.4		-612.4
Carrying amount at 31 Dec 2008	**40.6**	**252.5**	**166.7**	**49.2**	**1.4**	**510.4**

Property, plant and equipment 2007, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at 1 Jan	40.2	432.8	564.3	83.8	2.3	1 123.4
Increases	0.2	9.1	31.2	13.1	9.9	63.4
Acquisition of operations		0.5	1.6	0.1	0.0	2.2
Decreases	0.0	-2.9	-34.5	-2.2	0.0	-39.6
Disposal of operations	-0.1	-74.4	-16.3	-0.2	0.0	-91.0
Reclassifications	-0.3	-2.2	6.2	4.6	-6.4	1.8
Exchange rate differences	0.0	0.1	-0.2	-0.1	0.0	-0.2
Acquisition cost at 31 Dec	39.9	363.0	552.2	99.2	5.8	1 060.0
Accumulated depreciation and impairment losses at 1 Jan		-114.2	-389.9	-46.9		-551.0
Decreases, disposals and acquisitions		16.3	40.0	2.1		58.4
Depreciation for the period		-14.6	-42.8	-8.2		-65.7
Impairment losses for the period		-0.2	-0.1	0.0		-0.3
Reclassifications		-0.2	0.2	-3.0		-2.9
Exchange rate differences		0.0	0.2	0.0		0.2
Accumulated depreciation and impairment losses at 31 Dec		-112.8	-392.4	-56.0		-561.3
Carrying amount at 31 Dec 2007	39.9	250.1	159.8	43.1	5.8	498.7

At the end of the financial period the commitments for acquisitions of tangible assets were EUR 0.0 million (2007: EUR 3.1 million).

Carrying amount of assets leased by finance lease agreements, EUR million	2008	2007
Buildings and structures	**36.5**	30.9
Machinery and equipment	**2.2**	2.2
Total	**38.7**	33.1

11. Investment property

Investment property 2008, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	6.6	8.9	15.6
Acquisition of operations	0.6	0.6	1.2
Decreases	-0.5	-0.2	-0.7
Exchange differences	-0.1	-0.1	-0.2
Acquisition cost at 31 Dec	6.6	9.3	15.8
Accumulated depreciation and impairment losses at 1 Jan		-6.0	-6.0
Decreases		0.4	0.4
Accumulated depreciation and impairment losses at 31 Dec		-5.6	-5.6
Carrying amount at 31 Dec 2008	**6.6**	**3.6**	**10.2**
Fair values at 31 Dec 2008	**14.4**	**5.3**	**19.7**

Investment property 2007, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at 1 Jan	6.8	9.3	16.0
Decreases	-0.5	-0.3	-0.8
Disposal of operations			
Reclassifications *	0.3		0.3
Acquisition cost at 31 Dec	6.6	8.9	15.6
Accumulated depreciation and impairment losses at 1 Jan		-6.0	-6.0
Decreases			
Accumulated depreciation and impairment losses at 31 Dec		-6.0	-6.0
Carrying amount at 31 Dec 2007	6.6	2.9	9.5
Fair values at 31 Dec 2007	15.1	4.9	20.0

* Reclassifications between investment property and owner-occupied property

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

The investment properties include a land area of some 45 hectares in the City of Vantaa, Village of Keimola (Finland). This land area is located in the old motor stadium, most of which has been allocated for residential use in the disposition plan prepared by the City of Vantaa in the 2000's. Sanoma Corporation acquired the land area in the 1980's as a potential site for production facilities.

Sanoma Corporation and the City of Vantaa have jointly drawn up plans designed to facilitate the construction of a residential area in the Keimola Motor Stadium area.

The necessary plans and surveys as well as studies needed for the town plan have been finalised in 2007. The city plan draft prepared by the City of Vantaa was completed in the autumn of 2008, and the Vantaa City Council approved the plan on 19 January 2009. Sanoma Corporation shall convey to the City of Vantaa residential zoned land in the said area in compensation for civil engineering costs. The size of the land area to be conveyed equals 50% of the residential building rights permitted to the land area held by the Company.

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

Operating expenses of investment property, EUR million	2008	2007
Investment property, rental income	**0.1**	0.1
Investment property, no rental income	**0.1**	0.2
Total	**0.2**	0.3

12. Intangible assets

Intangible assets 2008, EUR million	Goodwill	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	1 436.3	773.3	82.4	17.0	2 309.0
Increases		54.6	14.3	4.6	73.5
Acquisition of operations	143.4	74.6	5.4		223.3
Decreases	-1.4	-2.5	-0.7	-1.5	-6.1
Disposal of operations	-1.0	-147.3			-148.3
Reclassifications		-3.8	1.7	1.9	-0.4
Exchange rate differences	-20.7	-18.7	-0.6		-39.9
Acquisition cost at 31 Dec	1 556.5	730.3	102.2	22.0	2 411.0
Accumulated depreciation and impairment losses at 1 Jan	-3.4	-439.1	-54.0	0.0	-496.5
Decreases, disposals and acquisitions		118.4	-2.6		115.8
Depreciation for the period		-70.5	-10.2		-80.7
Impairment losses for the period	-61.8	-22.0	-0.3		-84.1
Reclassifications		0.4	0.1		0.5
Exchange rate differences	0.4	4.4	0.5		5.3
Accumulated depreciation and impairment losses at 31 Dec	-64.9	-408.4	-66.4	0.0	-539.8
Carrying amount at 31 Dec 2008	**1 491.6**	**321.9**	**35.8**	**22.0**	**1 871.3**

Intangible assets 2007, EUR million	Goodwill	Immaterial rights	Other intangible assets	Advance payments	Total
Acquisition cost at 1 Jan	1 396.0	696.5	86.4	19.6	2 198.5
Increases		64.2	10.2	4.4	78.8
Acquisition of operations	42.0	22.3	0.0		64.3
Decreases	0.0	-6.0	-12.1	-1.1	-19.2
Disposal of operations	-1.3	-3.0			-4.4
Reclassifications	2.2	3.3	-2.1	-5.9	-2.4
Exchange rate differences	-2.6	-4.0	0.0		-6.7
Acquisition cost at 31 Dec	1 436.3	773.3	82.4	17.0	2 309.0
Accumulated depreciation and impairment losses at 1 Jan	-3.4	-374.0	-60.3	0.0	-437.8
Decreases, disposals and acquisitions		8.0	12.0	1.1	21.2
Depreciation for the period	0.0	-72.6	-8.3		-80.9
Impairment losses for the period		-1.3	-1.6	-1.1	-4.0
Reclassifications		0.3	4.2		4.5
Exchange rate differences	-0.1	0.6	0.0		0.5
Accumulated depreciation and impairment losses at 31 Dec	-3.4	-439.1	-54.0	0.0	-496.5
Carrying amount at 31 Dec 2007	1 432.8	334.2	28.5	16.9	1 812.4

Impairment losses of goodwill for the period amounted to EUR 61.8 million (2007: 0.0), of which EUR 58.6 million was recognised due to impairment testing.

At the end of the financial period the commitments for acquisitions of immaterial rights (film rights included) were EUR 16.5 million (2006: EUR 11.3 million).

Of total immaterial rights, the carrying amount of intangible assets with indefinite useful lives was EUR 47.0 million (2006: EUR 57.0 million). All these assets, mainly publishing rights, are related to the Sanoma Magazines division, and no useful life has been determined. Assets with indefinite useful lives are not amortised according to plan but are subject to annual impairment testing. During the financial year impairment losses for the immaterial rights with indefinite useful lives amounted to EUR 6.2 million (2007: EUR 0.2 million).

GOODWILL AND IMPAIRMENT TESTING

Impairment testing of assets is principally carried out on a cash flow basis by determining the present value of future cash flows and allocating it to the Group's cash generating units (CGUs).

Actual cash flows may differ from the estimated cash flows in case key assumptions vary from the estimates.

Calculations of the value in use cover a five-year period. Cash flow estimates are based on strategic plans in line with current operational structure, which are approved by management, as well as on the assumptions used in the strategic plans on the long-term development of the business environment. Estimates on future growth rates, market positions and profitability levels are the most important key assumptions. Price development of a single cost item has no material impact whereas the estimated development of total costs affects the profitability level, which is one of the key assumptions. Capital expenditure is estimated to be comprised of normal replacements. Foreign exchange rates are based on the euro rates at the time of impairment testing.

The terminal growth rate used in the calculations is based on the management's assessment on long-term growth. The growth rate is estimated by taking into account growth projections by country available at external sources of information as well as the characteristics of each division and cash generating unit. The terminal growth rate used varies from 0% to 5%.

The discount rate applied to the cash flow is based on the Group's weighted average cost of capital, in view of country and business risks.

The discount rate used in impairment testing in 2008 was 7.3% for those cash generating units which mainly operate within the euro zone, and 8.7% for cash generating units which mainly operate outside the euro zone.

Goodwill and intangible assets with indefinite useful lives of cash generating units with significant carrying amounts 2008, EUR million	Goodwill	Intangible assets *	Total
Sanoma Magazines Netherlands	770.4	3.6	774.0
Sanoma Magazines International	153.1	40.9	194.0
Educational publishing	244.6	0.0	244.6
Sanoma Magazines Belgium	107.5	2.6	110.1
Others (10 units)	216.0	0.0	216.0
Total	**1 491.6**	**47.0**	**1 538.7**

* Only intangible assets with indefinite useful lives

Estimates on long-term growth, development of profitability level and discount rate were the key assumptions used in impairment testing of cash generating units with significant carrying amounts of goodwill.

The amount by which the unit's recoverable amount exceeds its carrying amount has been assessed as follows:

- 0% equals
- 1–20% exceeds moderately
- 21–50% exceeds clearly
- over 50% exceeds significantly

Carrying amount in relation to recoverable amount of cash generating units with significant carrying amounts of goodwill 2008	
Sanoma Magazines Netherlands	exceeds clearly
Sanoma Magazines International	equals
Educational publishing	exceeds significantly
Sanoma Magazines Belgium	exceeds significantly

As for Sanoma Magazines Netherlands, according to management, a reasonably possible change in a key assumption would not cause the unit's carrying amount to exceed its recoverable amount.

Sanoma Magazines International is responsible for the Group's magazine and online business in Central Eastern Europe and Russia. The short-term outlook of these businesses has weakened due to changes in market conditions. The general economic uncertainty has affected especially the advertising income generated in these countries. In addition, the exchange rates used in consolidating the operations in CEE countries and Russia with the Group's financial statements have weakened considerably against the euro in the last months of 2008. Due to the above reasons, there were indications in December 2008 that the goodwill associated with this business area had been impaired. The goodwill impairment test was performed for the cash-generating unit Sanoma Magazines International and separately for the goodwill associated with country-specific Russian and Central Eastern European publishing rights based on management forecasts and future cash flow projections. As the carrying amount of the Sanoma Magazines International business unit had declined below the recoverable amount of the unit, the Group recorded a total of EUR 78.6 million in impairment losses on goodwill and immaterial rights in the Group income statement in December 2008.

Since Sanoma Magazines International's assets and liabilities in the financial statements are recorded at their net fair value, this value is highly sensitive to the potential negative effects of different variables. The key critical assumptions include the development of the determinant factors of profitability, growth, currency exchange rates and discount rate.

As for educational publishing, according to management, a reasonably possible change in a key assumption would not cause the unit's carrying amount to exceed its recoverable amount.

As for Sanoma Magazines Belgium, according to management, a reasonably possible change in a key assumption would not cause the unit's carrying amount to exceed its recoverable amount.

13. Interests in associated companies

Interests in associated companies, EUR million	2008	2007
Carrying amount at 1 Jan	**75.2**	68.2
Share in result	**4.9**	12.8
Dividends	**-5.7**	-6.2
Increases	**0.2**	0.4
Decreases and other changes	**-4.6**	-0.2
Translation differences	**-0.1**	0.1
Carrying amount at 31 Dec	**69.9**	75.2

Carrying amount of associated companies included goodwill of EUR 6.6 million (2007: EUR 10.3 million). No losses in associated companies were recognised in the consolidated figures.

Most significant associated companies 2008, EUR million	Participation of the Group, %	Assets	Liabilities	Net sales	Profit/loss
SANOMA MAGAZINES					
Sanoma Magazines Finland					
Hansaprint * (Printing, Finland)	40.0				
Sanoma Magazines International					
Stratosféra sr.o. (Magazine publishing, the Czech Republic)	30.0	3.9	1.8	14.2	1.6
SANOMA TRADE					
Jokerit HC ** (Sports activity, Finland)	36.4	42.2	19.0	14.3	-0.4

* Figures for 2008 not available by the date of completing the financial statements of Sanoma
** Figures from financial year 1.5.2007–30.4.2008

Most significant associated companies 2007, EUR million	Participation of the Group, %	Assets	Liabilities	Net sales	Profit/loss
SANOMA MAGAZINES					
Sanoma Magazines Finland					
Hansaprint * (Printing, Finland)	40.0	173.1	35.9	219.8	20.2
Sanoma Magazines International					
Stratosféra sr.o. (Magazine publishing, the Czech Republic)	30.0	4.1	1.3	12.8	0.9
SANOMA TRADE					
Jokerit HC * (Sports activity, Finland)	36.4	42.8	19.2	12.2	-0.9

* Figures from financial year 1.5.2006–30.4.2007

Associated company transactions, EUR million	2008	2007
Sales of goods to associated companies	**0.0**	0.1
Rendering of services to associated companies	**0.5**	0.7
Purchases of goods from associated companies	**26.6**	28.1
Receiving of services from associated companies	**13.7**	16.1
Outstanding receivables and liabilities against associated companies, EUR million	**2008**	**2007**
Non-current receivables from associated companies	**1.5**	1.8
Current receivables from associated companies	**0.2**	2.2
Non-current liabilities to associated companies		0.5
Current liabilities to associated companies	**3.4**	1.8

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

OTHER RELATED PARTY TRANSACTIONS WITH ASSOCIATED COMPANIES

In 2008 and 2007, there were no other significant transactions or other related party arrangements with associated companies.

14. Available-for-sale financial assets

Available-for-sale financial assets, EUR million	2008	2007
Available-for-sale financial assets, non-current	**20.6**	15.9
Available-for-sale financial assets, current	**0.5**	0.1
Total	**21.1**	16.0

Available-for-sale financial assets mainly included investments in shares, and the Group does not intend to sell these assets. These assets were non-listed shares for which fair values could not be reliably defined. Assets have been valued at cost less potential impairment losses.

15. Trade and other receivables, non-current

Trade and other receivables, non-current, EUR million	2008	2007
Loans and other receivables		
Trade receivables *	**1.0**	0.9
Loan receivables	**3.8**	6.3
Other receivables	**4.1**	4.4
Accrued income	**6.7**	7.2
Advance payments	**0.0**	0.5
Pension assets **	**25.3**	18.6
Total	**41.0**	37.9
Receivables from associated companies		
Loan receivables	**1.5**	1.8
Total	**1.5**	1.8

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

The fair values of receivables do not significantly differ from the carrying amounts of receivables. The interests on loan receivables are based on the market interest rates and on predetermined repayment plans.

16. Inventories

Inventories, EUR million	2008	2007
Materials and supplies	**12.4**	13.0
Work in progress	**39.9**	35.5
Finished products/goods	**119.1**	120.6
Other inventories	**0.7**	0.5
Advance payments	**1.0**	1.1
Total	**173.2**	170.7

EUR 8.9 million (2007: EUR 1.5 million) was recognised as impairment in the financial year. The carrying amount of inventories was written down to reflect its net realisable value.

17. Trade and other receivables, current

Trade and other receivables, current, EUR million	2008	2007
Loans and other receivables		
Trade receivables *	**295.6**	292.5
Loan receivables	**1.0**	1.4
Other receivables	**29.6**	44.1
Accrued income	**60.8**	53.8
Advance payments	**22.1**	23.6
Total	**409.1**	415.4
Receivables from associated companies		
Trade receivables	**0.1**	0.9
Accrued income	**0.1**	0.2
Loan receivables	**0.0**	1.1
Total	**0.2**	2.2

* Trade receivables, see Note 26

The Group has recognised a total EUR 10.4 million (2007: EUR 6.7 million) in credit losses as expenses on trade receivables.

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

ACCRUED INCOME

Most significant items under accrued income were related to normal business activities and included e.g. agency commissions accruals.

18. Cash and cash equivalents

Cash and cash equivalents in the balance sheet, EUR million	2008	2007
Cash in hand and at bank	**95.3**	78.7
Deposits	**15.6**	9.5
Total	**110.9**	88.1

Cash and cash equivalents in the cash flow statement, EUR million	2008	2007
Cash and cash equivalents in the balance sheet	**110.9**	88.1
Bank overdrafts	**-0.5**	-15.7
Total	**110.5**	72.4

Deposits include over-night deposits and money market deposits with maturity under 3 months. Average maturity is very short and the fair values do not differ significantly from the carrying amounts.

19. Equity

Share capital	Number of shares, thousands			EUR million				
	All shares	Treasury shares	Total	Share capital	Premium fund	Treasury shares	Fund for invested unrestricted equity	Total
At 1 Jan 2007	164 957		164 957	70.9	181.0			251.9
Unregistered usage of share options	317		317	0.1	2.4			2.6
Usage of stock-options	333		333	0.1	2.5			2.6
Acquisition of treasury shares		-2 577	-2 577			-51.6		-51.6
Conversion of capital notes	109		109	0.0	1.7			1.7
At 31 Dec 2007	165 717	-2 577	163 140	71.3	187.6	-51.6		207.3
Unregistered usage of share options	278		278	-0.1	-2.4		1.8	-0.8
Usage of stock-options	232		232	0.1	2.4		3.3	5.9
Acquisition of treasury shares		-2 984	-2 984			-47.6		-47.6
Invalidation of shares	-3 136	3 136				61.6		61.6
Transfer between funds					-187.6		187.6	
At 31 Dec 2008	**163 091**	**-2 425**	**160 666**	**71.3**		**-37.5**	**192.7**	**226.4**

The maximum amount of share capital cannot exceed EUR 300.0 million (2007: EUR 300.0 million). The shares have no nominal value and no accountable par is in use. The shares have been fully paid.

TREASURY SHARES

During the financial period the Group has repurchased 2,984,097 shares from stock exchange. The cost of the repurchased treasury shares was EUR 47.6 million and it is disclosed as a deduction from equity. The calculated par value of treasury shares was EUR 1,059,552.10.

TRANSLATION DIFFERENCES

Translation differences include those items that have arisen when consolidating foreign companies.

FUND FOR INVESTED UNRESTRICTED EQUITY

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

According to the AGM decision the Company's premium fund was reduced 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.

20. Stock options

Sanoma has four option schemes: Warrant Scheme 2001 issued on the basis of an authorisation received at the EGM of 21 August 2001, Stock Option Scheme 2004 issued on the basis of an authorisation received at the AGM of 30 March 2004 and Stock Option Schemes 2007 and 2008 issued on the basis of an authorisation received at the AGM of 4 April 2007. Stock options are granted to the management of the Sanoma Group by a decision of the Board of Directors.

WARRANT SCHEME 2001 AND STOCK OPTION SCHEME 2004

Both schemes comprise a maximum 4,500,000 stock options, each entitling the holder to one Sanoma share. 2001 stock options have been granted in three stages: at the turn of 2001/2002 (2001A stock options), 2002/2003 (2001B) and 2003/2004 (2001C). Correspondingly, 2004 stock options have been granted in three stages: at the turn of 2004/2005 (2004A stock options), 2005/2006 (2004B) and 2006/2007 (2004C). In each stock option category a maximum of 1,500,000 stock options could be issued. The exercise price in all three stages of both option schemes is the average price of Sanoma shares as quoted in November–December of each year with an addition of 20%. The annual dividend is deducted from the exercise price. In accordance with the decision of the AGM of 1 April 2008, the exercise price is recognised in its entirety in fund for invested unrestricted equity.

Trading in 2001A options began on the Main List of the Nasdaq OMX Helsinki on 1 November 2004 and both the trading and share subscription ended on 30 November 2007. A total of 609,450 Sanoma shares were subscribed with 2001A options. Trading with 2001B options began on the Main List of the NASDAQ OMX Helsinki on 1 November 2005, with 2001C options on 1 November 2006, with 2004A options on 1 November 2007 and with 2004B options on 1 November 2008. During the financial period, total of 788 054 Sanoma shares were subscribed with 2001B options and trading with 2001B share options ended on 30 November

Options

Basic information	2001A	2001B	2001C	2004A	2004B	2004C	2007	2008
Maximum number of options	1 500 000	1 500 000	1 500 000	1 500 000	1 500 000	1 500 000	1 500 000	1 700 000
The number of shares exercised by one option	1	1	1	1	1	1	1	1
Initial exercise price, EUR	12.74	11.50	19.61	19.92	23.25	25.21	24.26	12.25
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Exercise price at 31 Dec 2005, EUR *	10.03	9.30	17.81	19.12	23.25	---	---	---
Exercise price at 31 Dec 2006, EUR *	9.13	8.40	16.91	18.22	22.35	25.21	---	---
Exercise price at 31 Dec 2007, EUR *	8.18	7.45	15.96	17.27	21.40	24.26	24.26	---
Exercise price at 31 Dec 2008, EUR *		6.45	14.96	16.27	20.40	23.26	23.26	12.25
Beginning of exercise period, date (vesting)	1.11.2004	1.11.2005	1.11.2006	1.11.2007	1.11.2008	1.11.2009	1.11.2010	1.11.2011
End of exercise period, date (expiration)	30.11.2007	30.11.2008	30.11.2009	30.11.2010	30.11.2011	30.11.2012	30.11.2013	30.11.2014
Remaining expiry time at 31 Dec 2008, years	Rendered	Rendered	0.9	1.9	2.9	3.9	4.9	5.9
Number of persons at 31 Dec 2008	0	0	132	170	177	213	256	287

* The dividend is deducted from the exercise price annually. The dividend for 2007 was 1.00 per share (record date 4 April 2008). The dividend for 2006 was 0.95 per share (record date 11 April 2007).

2008. By the end of 2008 no shares were subscribed with 2001C share options. The non-distributed and returned options are cancelled or given to Sanoma's fully-owned subsidiary Lastannet Oy to be used according to a future decision of the Board of Directors of Sanoma. The non-distributed and returned 2001A, 2001B and 2001C stock options have been cancelled.

STOCK OPTION SCHEME 2007

The Stock Option Scheme 2007 comprises a maximum of 1,500,000 stock options, which entitle their holders to subscribe for a maximum total of 1,500,000 new or existing shares held by the Company. The original exercise price of 2007 stock options on 19 December 2007, the date of adoption of the option scheme, was EUR 24.26. The annual dividend or other distribution of unrestricted equity is deducted from the exercise price. Thus, the exercise price of a share subscribed for on the basis of a stock option was EUR 23.26 on 31 December 2008. The share subscription period for 2007 stock options will be 1 November 2010–30 November 2013. The exercise price is recognised in reserve 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 senior managers of Sanoma Corporation and its subsidiaries. The remaining 364,250 stock options were given to Lastannet Oy, a fully-owned subsidiary of the Company for possible use at a later stage. The exercise price of a 2008 stock option is the volume-weighted average price of a Sanoma share as quoted by NASDAQ OMX Helsinki between 1 November–31 December 2008 with the addition of 20%. Thus, the exercise price of a stock option was EUR 12.25 on 31 December 2008, 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.

More specific information on the options is presented on the following tables. Information on the management ownership is presented in Note 31. Changes in ownership of management during the financial year can be found in Sanoma's insider register at Sanoma.com.

Options

Changes in 2008	2001A	2001B	2001C	2004A	2004B	2004C	2007	2008	Total
Granted at 1 Jan	691 000	1 112 100	1 172 500	1 145 600	1 148 300	1 280 900	1 331 450	0	7 881 850
Returned at 1 Jan	76 000	59 400	88 000	93 200	84 500	42 000	0	0	443 100
Cancelled at 1 Jan	890 550	447 300	405 100	0	0	0	0	0	1 742 950
Exercised at 1 Jan	609 450	261 926	0	0	0	0	0	0	871 376
Outstanding at 1 Jan	0	790 774	1 084 500	1 052 400	1 063 800	1 238 900	1 331 450	0	6 561 824
Non-distributed at 1 Jan	0	0	10 400	447 600	436 200	261 100	168 550	0	1 323 850
Granted during the period				20 000	20 000	20 000	40 000	1 335 750	1 435 750
Returned during the period					56 100	77 400	138 400		271 900
Cancelled during the period									0
Exercised during the period		788 054							788 054
Weighted average price of share during the exercise period, EUR *		15.40	14.96	14.96	10.21	---	---	---	---
Expired during the period		2 720							2 720
Granted at 31 Dec	691 000	1 112 100	1 172 500	1 165 600	1 168 300	1 300 900	1 371 450	1 335 750	9 317 600
Returned at 31 Dec	76 000	59 400	88 000	93 200	140 600	119 400	138 400	0	715 000
Cancelled at 31 Dec	890 550	450 020	405 100	0	0	0	0	0	1 745 670
Exercised at 31 Dec	609 450	1 049 980	0	0	0	0	0	0	1 659 430
Outstanding at 31 Dec	0	0	1 084 500	1 072 400	1 027 700	1 181 500	1 233 050	1 335 750	6 934 900
Non-distributed at 31 Dec	0	0	10 400	427 600	472 300	318 500	266 950	364 250	1 860 000
The number of unvested options at 31 Dec 2008 **	0	0	0	0	0	1 181 500	1 233 050	1 335 750	3 750 300

* The weighted average price of Sanoma share between January and November 2008 (2001B), during the year 2008 (2001C and 2004A) and between November and December 2008 (2004B).
** Vesting period begins at grant date and ends when exercise period begins.

Most significant assumptions in Black–Scholes model	2008	2007
Number of granted options	**1 435 750**	1 345 250
Average price of share *	**9.52**	18.42
Exercise price *	**12.88**	24.27
Interest rate *	**3.1%**	4.2%
Maturity, years *	**5.8**	6.0
Volatility *, **	**23.2%**	21.0%
Probability of returned options *	**6.7%**	6.9%
Expected dividends	**---**	---
Fair value total, EUR	**2 213 885**	4 413 696

* 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.

DETERMINATION OF FAIR VALUE

The fair value of stock options has been determined using the Black–Scholes valuation model. The fair value of options is determined at the grant date and the fair value is recognised as personnel expenses during the vesting period. The grant date is the date of the decision of the Board of Directors. According to IFRS, those options that have been granted before 7 November 2002, have not been recognised as expenses. Accordingly, no fair value of Sanoma 2001A stock options has been calculated. In 2008 a total of EUR 5.0 million has been recorded as expenses (2007: EUR 5.5 million).

Changes in options during the period and the weighted average exercise prices	2008		2007	
	Number of options	Exercise price, EUR *	Number of options	Exercise price, EUR **
Granted at 1 Jan	7 190 850	18.90	6 536 600	16.48
Outstanding at 1 Jan	6 561 824	19.44	6 022 428	16.97
Granted during the period	1 435 750	12.89	1 345 250	24.26
Returned during the period	271 900	22.67	150 100	20.77
Exercised during the period	788 054	6.45	650 204	7.99
Expired during the period	2 720	0.00	5 550	8.18
Granted at 31 Dec	8 626 600	17.06	7 881 850	17.81
Outstanding at 31 Dec	6 934 900	18.49	6 561 824	19.28

* The exercise price at the beginning of the period is the status at 31 Dec 2007. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 Dec 2008.
** The exercise price at the beginning of the period is the status at 31 Dec 2006. Dividend adjustment has been taken into account during the period and the exercise price is based on the status at 31 Dec 2007.

21. Provisions

Changes in provisions, EUR million	Restructuring provisions	Other provisions	Total
At 1 Jan 2008	6.3	10.3	16.6
Translation differences	0.0	-0.6	-0.6
Increases	5.0	7.7	12.7
Amounts used	-3.8	-2.9	-6.7
Unused amounts reversed	-1.7	-4.4	-6.1
Other changes	2.4	-1.4	1.0
At 31 Dec 2008	**8.2**	**8.7**	**16.8**

Carrying amounts of provisions, EUR million	2008	2007
Non-current	**6.0**	8.8
Current	**10.9**	7.8
Total	**16.8**	16.6

Provisions were based on best estimates on the balance sheet date. Restructuring provisions were mainly related to normal business restructuring of the Sanoma Magazines division. Other provisions comprised expense provisions for common business activities. Cancellation of provisions was due to re-evaluating realised expenses. Individual provisions are not material at the Group level.

22. Interest-bearing liabilities

Interest-bearing liabilities, EUR million	2008	2007
Non-current financial liabilities amortised at cost		
Loans from financial institutions	**409.4**	293.5
Pension loans	**0.2**	0.1
Finance lease liabilities	**35.5**	30.6
Other liabilities	**3.9**	3.8
Total	**449.0**	328.1
Current financial liabilities amortised at cost		
Loans from financial institutions	**152.4**	2.5
Pension loans		2.7
Commercial papers	**474.4**	527.8
Finance lease liabilities	**3.7**	3.2
Other liabilities	**3.0**	17.2
Total	**633.6**	553.4
Total	**1 082.6**	881.4

The fair values of interest-bearing liabilities do not differ significantly from the carrying amounts.

LOANS FROM FINANCIAL INSTITUTIONS

The Group's loans from financial institutions mainly consist of syndicated revolving credit facility and bilateral facilities granted by banks. The portion of the loans, of which the repayment plan is not defined in advance, is presented in its entirety in non-current liabilities. Loans are valued at nominal values. The transaction costs of facilities are not significant when considering the amortised cost and are mainly recognised as expenses during the loan period.

The average interest rate for loans, excluding finance leases, was 4.6% (2007: 4.2%).

COMMERCIAL PAPERS

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

FINANCE LEASE LIABILITIES

Finance lease liabilities, EUR million	2008	2007
Total minimum lease payments		
Not more than 1 year	**5.5**	4.5
1–5 years	**21.0**	17.8
More than 5 years	**27.7**	23.7
Total	**54.3**	46.0
Present value of minimum lease payments		
Not more than 1 year	**3.3**	2.7
1–5 years	**15.0**	12.8
More than 5 years	**20.9**	18.4
Total	**39.2**	33.8
Future finance charges	**15.1**	12.2

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

23. Trade and other payables

Trade and other payables, EUR million	2008	2007
Non-current		
Accrued expenses	**7.2**	0.9
Advances received	**6.0**	8.0
Other financial liabilities amortised at cost	**21.4**	19.3
Total	**34.6**	28.3
Non-current to associated companies		
Other liabilities		0.5
Total		0.5
Current		
Short-term financial liabilities amortised at cost		
Trade payables	**193.9**	200.4
Other liabilities	**97.2**	78.4
Accrued expenses	**277.9**	283.2
Advances received	**182.7**	182.3
Total	**751.7**	744.3
Current to associated companies		
Trade payables	**3.4**	1.1
Other liabilities	**0.0**	0.7
Total	**3.4**	1.8
Total	**786.3**	772.6

ACCRUED EXPENSES

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

24. Contingent liabilities

Contingent liabilities, EUR million	2008	2007
Contingencies for own commitments		
Mortgages	**23.7**	20.2
Pledges	**6.0**	5.8
Other items	**0.4**	0.4
Total	**30.1**	26.4
Contingencies incurred on behalf of associated companies		
Guarantees	**10.5**	7.9
Total	**10.5**	7.9
Contingencies incurred on behalf of other companies		
Guarantees	**0.2**	0.1
Total	**0.2**	0.1
Other commitments		
Operating lease liabilities (Note 25)	**263.8**	275.8
Royalties	**23.6**	27.2
Other items	**38.1**	42.9
Total	**325.5**	345.9
Total	**366.2**	380.4

Pledges for own commitments included pledged financial assets EUR 1.4 million (2007: EUR 1.5 million). Pledged financial assets are given as a collateral mainly to local post offices for distribution costs.

Contingent liabilities of joint ventures have been included based on the proportionate consolidation method according to ownership percentage. The Group's total contingent liabilities include EUR 5.4 million (2007: EUR 7.0 million) of joint ventures' contingent liabilities.

DISPUTES AND LITIGATIONS

The Sanoma Group had no major ongoing litigation or administrative proceedings during the financial year or previous year. The Group is periodically involved in incidental litigation or administrative proceedings primarily arising in the normal course of our business. Sanoma feels that its gross liability, if any, under any pending or existing incidental litigation or administrative proceedings would not materially affect the Group's financial position or results of operations.

25. Operating lease liabilities

Non-cancellable minimum lease liabilities by maturity, EUR million	2008	2007
Not later than 1 year	**57.9**	43.9
1–5 years	**146.1**	127.8
Later than 5 years	**59.8**	104.1
Total	**263.8**	275.8

Operating liabilities include both premises and other operating lease liabilities.

Non-cancellable minimum lease payments to be received by maturity, EUR million	2008	2007
Not later than 1 year	**2.3**	1.8
1–5 years	**4.5**	4.9
Later than 5 years	**0.1**	0.8
Total	**6.9**	7.5

Total lease payments to be received included sublease payments of EUR 2.5 million (2007: EUR 3.2 million).

26. Financial risk management

The Group Treasury unit is responsible for managing Sanoma's treasury on a centralised basis. Operating as a counterparty to the Group divisions, the unit is responsible for the management of external financing, liquidity and external hedging operations. The centralisation of treasury operations is aimed at ensuring external financing on flexible and favourable terms, optimised cash management, cost-effectiveness and efficient financial risk management. Sanoma's Board of Directors has approved the unit's guidelines in the Group's Treasury Policy. Sanoma is exposed to interest rate, currency, liquidity and credit risks. Its risk management aims to hedge the Group against material risks.

The Sanoma Group has a strong, steady and predictable cash flow, which substantially reduces liquidity risks. The Group manages its long-term financial risks by maintaining a financial structure equivalent to a good credit rating with the aim of ensuring sources of low-cost financing. Meeting this aim is based on co-operating closely within the Group, operating with several banks and actively monitoring developments in the financial market.

In its financial risk management, the Group uses various financial instruments whose use, effects and fair values are clearly verifiable.

Consequently, the Group as a whole is exposed to rather low financial risks.

INTEREST RATE RISKS

The Group's interest rate risks mainly refer to changes in market rates and loan margins associated with the Group's loan portfolio. The Group manages its exposure to interest rate risks by using a mix of fixed-rate and floating-rate loans. Derivatives can also be used for hedging purposes.

Loan portfolio by interest rate, EUR million	2008	2007
Floating-rate loans	**1 042.2**	843.2
Fixed-rate loans	**40.4**	38.2
Total	**1 082.6**	881.4

Interest rate sensitivity of floating-rate loans	2008	2007
Value, EUR million	**1 042.2**	843.2
Average duration, years	**0.2**	0.4
Average rate, %	**5.1**	4.3
Interest sensitivity, EUR million*	**8.6**	7.2

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

CURRENCY RISKS

The bulk of the Group's cash flow from operations is denominated in euros. The non-euro area business operations account for about 15% of consolidated net sales, coming mainly from sales denominated in the Russian rouble, the Hungarian forint, Polish zloty and the Czech koruna. Translation risks consist of foreign currency balance sheets in countries mentioned above. The less advanced currency markets in Russia and Eastern Europe restrict hedging opportunities. The Group does not apply specific tools to hedge against economic policy risks associated with business operations. It hedges against material currency risks relevant to its operations. The Group is not currently exposed to any material currency risks concerning operational business due to the relatively high portion of euros in net sales and on the balance sheet. A significant change of exchange rates in Central Eastern Europe and Russia may, however, have an effect on the goodwill of the businesses in the areas in question.

LIQUIDITY RISKS

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

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

The Group's financing programmes in 2008, EUR million	Amount of limits	Unused credit lines
Bilateral committed facilities	802.0	402.0
Bilateral uncommitted facilities	300.0	150.0
Commercial paper programmes	800.0	325.6
Current account limits	42.7	42.2

Out of EUR 802 million of committed facilities, EUR 140 million is maturing in 2012 and EUR 662 million is maturing in 2013. The uncommitted facilities portion is expiring in April 2009. The Group's financing agreements include common covenants relating to the position of creditors, certain key financial indicators and the use of pledges and mortgages, among others.

Financial liabilities, EUR million	2008				2007			
	Capital	Capital with interest	Undrawn from limits	Total	Capital	Capital with interest	Undrawn from limits	Total
Loans from financial institutions	561.8	569.8	444.2	1 014.0	311.7	318.5	539.0	857.5
Commercial paper programmes	474.4	478.4		478.4	527.8	537.6		537.6
Finance lease liabilities	39.2	39.4		39.4	33.8	33.9		33.9
Other interest-bearing liabilities	7.2	7.2		7.2	8.1	8.1		8.1
Trade payables and other liabilities	312.5	312.5		312.5	298.1	298.1		298.1
Total	**1 395.1**	**1 407.3**	**444.2**	**1 851.5**	1 179.5	1 196.2	539.0	1 735.2

Maturity of financial liabilities, EUR million	2009	2010	2011	2012	2013	2014–	Total
Loans from financial institutions	560.4	4.5	0.3	0.3	0.3	4.0	569.8
Commercial paper programmes	478.4						478.4
Finance lease liabilities	5.6	5.4	5.3	5.0	5.0	13.1	39.4
Other interest-bearing liabilities	0.7	0.3	0.9	1.8	0.1	3.4	7.2
Trade payables and other liabilities	293.8	5.3	1.0	0.6	10.7	1.1	312.5
Total	**1 338.9**	**15.5**	**7.5**	**7.7**	**16.1**	**21.6**	**1 407.3**

CREDIT RISKS

Sanoma's credit risks are associated with its business operations. The Group's Treasury Policy specifies credit rating requirements for customers and other counterparties to financial transactions, as well as Group policies related to investments. The Sanoma Group has no major credit risk concentrations because of its wide, global customer base. The Group's operational units assume responsibility for credit risks associated with their businesses.

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

The aging of trade receivables, EUR million	2008			2007		
	Gross	Impairment	Net	Gross	Impairment	Net
Not due	187.0	0.0	187.0	200.2	-0.1	200.1
Past due 1–30 days	51.3	-0.2	51.0	61.7	-0.3	61.4
Past due 31–120 days	43.1	-1.5	41.6	22.1	-1.0	21.0
Past due 121–360 days	17.5	-4.4	13.1	10.0	-2.5	7.5
More than one year	8.2	-4.3	3.9	8.4	-4.9	3.5
Total	**307.1**	**-10.5**	**296.6**	302.4	-8.9	293.5

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

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

CAPITAL RISK MANAGEMENT

The Group's long-term objective when managing capital is to maintain a capital structure which represents a good investment grade. The target level for the equity ratio is between 35–45% and for net debt/EBITDA it is less than 3.5. The equity ratio on 31 December 2008 was 40.0% (2007: 45.4%) and net debt/EBITDA 2.1 (2007: 1.6).

Net debt, EUR million	2008	2007
Interest-bearing liability	**1 082.6**	881.4
Cash and cash equivalents	**110.6**	88.1
Total	**972.0**	793.3

The Sanoma Group does not have an official credit rating.

27. Derivative instruments

The Sanoma Group had no derivative contracts during the financial year or previous year.

28. Most significant subsidiaries

Most significant subsidiaries at 31 Dec 2008	Parent Company holding, %	Sub-Group's parent company holding, %	Group holding, %
SANOMA MAGAZINES			
Sanoma Magazines B.V., The Netherlands *	100.0		100.0
Independent Media Holding B.V., The Netherlands		100.0	100.0
Aldipress			
B.V. Aldipress, The Netherlands			100.0
Sanoma Magazines Belgium			
Sanoma Magazines Belgium N.V., Belgium		100.0	100.0
JERVI N.V., Belgium		100.0	100.0
N.V. Uitgevers Maatschappij, Belgium			100.0
Sanoma Magazines International			
Sanoma Magazines International B.V., The Netherlands		100.0	100.0
Independent Media B.V., The Netherlands			100.0
LLC Lux Media, Russia			55.0
Net Info.BG AD, Bulgaria			82.0
Sanoma Budapest Kiadói Részvénytársaság, Hungary			100.0
Sanoma Hearst Prague B.V., The Netherlands			60.0
Sanoma Hearst Romania s.r.l., Romania			65.0
Sanoma Magazines Praha s.r.o., The Czech Republic			100.0
Sanoma Magazines Slovakia s.r.o., Slovakia			100.0
OOO United Press, Russia			100.0
Websitemaster a.s, The Czech Republic			100.0
Sanoma Magazines Netherlands			
Sanoma Uitgevers B.V., The Netherlands			100.0
ilse media B.V., The Netherlands			100.0
Insidegamer B.V., The Netherlands			100.0
Kieskeurig B.V., The Netherlands			100.0
Leadz B.V., The Netherlands			100.0
Mood for Magazines B.V., The Netherlands			100.0
Sanoma Men's Magazines B.V., The Netherlands			100.0
Sanoma Magazines Finland			
Sanoma Magazines Finland Ltd, Helsinki *	100.0		100.0
Suomen Rakennuslehti Oy, Helsinki		60.0	60.0
SANOMA NEWS			
Sanoma News Ltd, Helsinki *	100.0		100.0
AÜ Autoportaal, Estonia			85.0
Esmerk Oy, Helsinki			90.0
Helsingin Sanomat Oy, Helsinki		100.0	100.0
Ilta-Sanomat Oy, Helsinki		100.0	100.0
Lehtikanta Oy, Kouvola			100.0
Lehtikuva Oy, Helsinki		100.0	100.0
Netwheels Oy, Helsinki			55.8
Oikotie Oy, Helsinki			100.0
AS Sanoma Baltics, Estonia			100.0
Sanoma Data Oy, Helsinki		100.0	100.0
Sanoma Digital Oy, Helsinki		100.0	100.0
Sanoma Kaupunkilehdet Oy, Helsinki		100.0	100.0
Sanoma Lehtimedia Oy, Anjalankoski		100.0	100.0
Sanomapaino Oy, Helsinki		100.0	100.0
Skillnet Oy, Jyväskylä			51.0
Suorakanava Oy, Pori			51.0
Taloussanomat Oy, Helsinki			90.0

Most significant subsidiaries at 31 Dec 2008	Parent Company holding, %	Sub-Group's parent company holding, %	Group holding, %
SANOMA ENTERTAINMENT			
Sanoma Entertainment Ltd, Helsinki *	100.0		100.0
Sanoma Television Ltd, Helsinki		95.3	95.3
Suomen Urheilutelevisio Oy, Helsinki		67.5	67.5
Älypää Oy, Espoo		100.0	100.0
SANOMA LEARNING & LITERATURE			
Werner Söderström Ltd, Helsinki	100.0		100.0
Sanoma Invest B.V., The Netherlands	100.0		100.0
AAC Global Oy, Helsinki		51.0	51.0
Interverbum AB, Sweden			51.0
Interverbum Localization Aktiebolag, Sweden			51.0
Interverbum UK Limited, The United Kingdom			51.0
L.C.G. Malmberg B.V., The Netherlands			100.0
Nemzeti Tankönyvkiádo Rt, Hungary			96.0
Nowa Era Sp. z.o.o., Poland		100.0	100.0
NTK-Perfekt Zrt, Hungary		100.0	100.0
Perfekt Gazdasági Tanácsadó, Oktató és Kiadó Zrt., Hungary			100.0
Suomalainen.com Oy, Helsinki		50.0	100.0
Tankönyvmester Kft, Hungary			52.5
Uitgeverij Van In N.V., Belgium			100.0
Vulcan SP. z.o.o., Poland			80.0
Weilin+Göös Oy, Helsinki		100.0	100.0
WS Bookwell Oy, Porvoo		100.0	100.0
WSOY Oppimateriaalit Oy, Helsinki		100.0	100.0
Young Digital Planet S.A., Poland		55.1	55.1
SANOMA TRADE			
Rautakirja Ltd, Vantaa *	100.0		100.0
Apollo Raamatud AS, Estonia			100.0
Finnkino Oy, Vantaa		100.0	100.0
AS Forum Cinemas, Estonia			100.0
AS Forum Cinemas Home Entertainment, Estonia			100.0
Forum Cinemas Ltd, Ukraine			90.0
SIA Forum Cinemas, Latvia			100.0
SIA Forum Cinemas Home Entertainment, Latvia			100.0
UAB Forum Cinemas, Lithuania			90.0
UAB Forum Cinemas Home Entertainment, Lithuania			100.0
OOO HDS CIS, Russia		100.0	100.0
Hiparion Distribution S.A., Romania		98.8	100.0
UAB Impress Teva, Lithuania		100.0	100.0
OOO KP Roznitsa, Russia		100.0	100.0
AS Lehepunkt, Estonia		100.0	100.0
AB Lietuvos Spauda, Lithuania			90.7
UAB Lietuvos Spaudos Vilniaus Agentura, Lithuania		100.0	100.0
OOO Press Point International, Russia		100.0	100.0
Printcenter Oy, Helsinki		100.0	100.0
OOO R-Kiosk, Russia		70.0	70.0
R Kiosk Eesti AS, Estonia		100.0	100.0
R-Kiosk Romania S.A., Romania		99.0	100.0
Suomalainen.com Oy, Helsinki		50.0	100.0
Suomalainen Kirjakauppa Oy, Helsinki		100.0	100.0
OOO TK Pressexpo, Russia		99.0	100.0

* Parent company of the sub-group

29. Joint ventures

Joint ventures have been consolidated using the proportionate consolidation method. Aggregate assets, liabilities, net sales and net result are presented in the following table as consolidated with proportionate ownership. Personnel figures include the total figure for the companies.

Joint ventures, EUR million	2008	2007
Non-current assets	**13.4**	11.4
Current assets	**57.5**	60.3
Non-current liabilities	**4.6**	3.6
Current liabilities	**39.9**	41.4
Net assets	**26.5**	26.7
Income	**160.9**	152.5
Expenses	**144.6**	135.8
Net result for the period	**16.3**	16.6
Average number of employees (full-time equivalents)	**2 993**	2 278

Most significant joint ventures at 31 Dec 2008	Participation of the Group %
SANOMA MAGAZINES	
Independent Media Holding B.V.	
OOO Alpina Business Books, Russia	50.0
ZAO Business News Media, Russia	33.3
OOO Fashion Press, Russia	50.0
OOO Publishing House Independent Media, Ukraine	50.0
Sanoma Magazines International	
Adria Media Holding GmbH, Austria	50.0
Hearst-Sanoma Budapest Kft, Hungary	50.0
Sanoma Bliasak Bulgaria A.D., Bulgaria	50.0
Magyar Előfizetői Kft., Hungary	30.0
Sanoma Uitgevers	
AKN CV, The Netherlands	25.0
Sanoma Magazines Finland	
Egmont Kustannus Oy Ab, Tampere	50.0
SANOMA TRADE	
Narvesen Baltija SIA, Latvia	50.0
SIA Preses Apvieniba, Latvia	49.3
SIA Preses Serviss, Latvia	49.3

30. Related party transactions

The Sanoma Group's related parties include subsidiaries, associated companies and joint ventures as well as members of the Board, President and CEO, Presidents of the divisions and Corporate Centre management. Remuneration for key management is presented in Note 31. Transactions with associated companies are presented in Note 13. Transactions within the Sanoma Group and joint ventures are not presented as related party transactions because they are eliminated in the consolidated figures. Joint ventures have been included using the proportionate consolidation method. The transactions of the other shareholders' of joint ventures are not presented as related party transactions because those shareholders are not considered to be related parties on the basis of the joint control agreement. The most significant subsidiaries are presented in Note 28 and the most significant joint ventures in Note 29. In addition, the Sanoma Group's related parties include pension funds, sickness fund and employees' profit-sharing funds. Besides pension plans, transactions with those parties are not material. Pension funds are described in more detail in accounting policies (Note 1) and pension calculations in Note 5.

The Sanoma Group had no other significant related parties, which indicate related party definitions or with which significant related party transactions exist during the financial year.

31. Management compensation, benefits and ownership

Management remuneration and ownership, 2008	Remuneration (EUR 1 000)	Number of shares	Option costs (EUR 1 000)	Number of stock options 2001C	2004A	2004B	2004C	2007	2008
President and CEO									
Hannu Syrjänen	948	23 142		50 000	50 000	50 000	50 000	60 000	60 000
Board of Directors									
Jaakko Rauramo, Chairman	107	131 302		100 000					
Sari Baldauf, Vice Chairman	87	7 000							
Robert Castrén	68	127 845							
Jane Erkko	67	248 213							
Paavo Hohti	68	824							
Sirkka Hämäläinen-Lindfors	68	700							
Seppo Kievari	68	10 000		20 000					
Robin Langenskiöld (until 1 April 2008)	15	12 273 371							
Rafaela Seppälä (as of 1 April 2008)	54	11 673 370							
Sakari Tamminen	68	1 200							
Total *	**1 616**		**207**						
Group Management									
Eija Ailasmaa		21 088		30 000	37 000	37 000	37 000	37 000	40 000
Jacques Eijkens					10 000	10 000	34 000	34 000	34 000
Sven Heistermann (as of 4 August 2008)								10 000	10 000
Kim Ignatius (as of 1 August 2008)					20 000	20 000	20 000	30 000	30 000
Nils Ittonen		50 000		30 000	30 000	30 000	30 000	30 000	15 000
Erkki Järvinen				30 000	37 000	37 000	37 000	37 000	
Tapio Kallioja (until 31 March 2008)		1 600		30 000	34 000	34 000	34 000		
Merja Karhapää (as of 1 August 2008)				5 000	5 000	5 000	5 000	6 000	15 000
Anu Nissinen (as of 25 February 2008)		280			6 000	6 000	7 000	30 000	30 000
Mikael Pentikäinen				30 000	37 000	37 000	37 000	37 000	34 000
Kerstin Rinne (until 31 August 2008)		1 199		30 000	30 000	30 000	30 000		
Matti Salmi (until 31 July 2008)				30 000	30 000	30 000	30 000		
Ben Tiesnitsch (as of 1 June 2008)				4 000	5 000	6 000	6 000	15 000	15 000
Total *	**3 301**		**991**						

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

Management remuneration and ownership, 2007	Remuneration (EUR 1 000)	Number of shares	Option costs (EUR 1 000)	Number of stock options 2001B	2001C	2004A	2004B	2004C	2007
President and CEO									
Hannu Syrjänen	870	23 142			50 000	50 000	50 000	50 000	60 000
Board of Directors									
Jaakko Rauramo, Chairman	78	51 322		80 000	100 000				
Sari Baldauf, Vice Chairman	73	7 000							
Robert Castrén	58	127 845							
Jane Erkko	57	248 213							
Paavo Hohti	59	824							
Sirkka Hämäläinen-Lindfors	61	200							
Seppo Kievari	59	5 000		15 000	20 000				
Robin Langenskiöld	58	12 273 371							
Sakari Tamminen	58	1 200							
Total *	**1 431**		**231**						
Group Management									
Eija Ailasmaa		6 088		15 000	30 000	37 000	37 000	37 000	37 000
Jacques Eijkens						10 000	10 000	34 000	34 000
Nils Ittonen		50 000		15 000	30 000	30 000	30 000	30 000	30 000
Erkki Järvinen					30 000	37 000	37 000	37 000	37 000
Tapio Kallioja		1 600		12 500	30 000	34 000	34 000	34 000	
Mikael Pentikäinen					30 000	37 000	37 000	37 000	37 000
Kerstin Rinne		1 199		15 000	30 000	30 000	30 000	30 000	
Matti Salmi				3 000	30 000	30 000	30 000	30 000	
Total *	**2 794**		**1 168**						

* The figures include the remuneration that has been paid for the duties performed by the persons responsible for them during the period. The remuneration includes fringe benefits. Option costs include costs for the membership period. The Group had no outstanding liabilities or debts to the management.

Changes in ownership of shares and stock options during the financial year can be found in the Sanoma's insider register at Sanoma.com.

OTHER BENEFITS OF THE MANAGEMENT

According to his executive contract, Hannu Syrjänen will retire at the age of 60, unless it is specifically agreed otherwise, and his pension will amount to some 60% of his average salary from the last ten full calendar years. The President and CEO's service is subject to a six-month period of notice (both from the President and the Company), and his severance pay equals 18 months of his salary, unless the agreement is ended because of gross procedure by the President and CEO. If the agreement ends due to a takeover bid, severance pay is the equivalent of 30 months' salary. The severance pay is subject to a fixed-term non-competition clause.

32. Events after the balance sheet date

Sanoma management does not have knowledge of any significant events for which adjustments for the period would have had any material impact on the financial statements.

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

Definitions of key indicators

Return on equity (ROE), % =

$$\frac{\text{Result for the period}}{\text{Equity total (average of monthly balances)}} \times 100$$

Return on investment (ROI), % =

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

Equity ratio, % =

$$\frac{\text{Equity total}}{\text{Balance sheet total - advances received}} \times 100$$

Net gearing, % =

$$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity total}} \times 100$$

Earnings/share (EPS) =

$$\frac{\text{Result for the period attributable to the equity holders of the Parent Company}}{\text{Adjusted average number of shares on the market}}$$

Cash flow/share =

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

Equity/share =

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

Dividend payout ratio, % =

$$\frac{\text{Dividend/share}}{\text{Result/share}} \times 100$$

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

Effective dividend yield, % =

$$\frac{\text{Dividend/share}}{\text{Share price on the last trading day of the year}} \times 100$$

P/E ratio =

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

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

Shares and shareholders

Sanoma is included in the Consumer Discretionary sector index of NASDAQ OMX Helsinki, as well as in the OMX Helsinki Cap, OMX Helsinki and OMXH25 indices. In addition, the share is included in several Dow Jones STOXX indices (e.g., Total Market Index, Media, Nordic, Global and 600). For a complete list of the STOXX indices in which the Sanoma share is included, see Stoxx.com.

Sanoma's share has been listed since 1 May 1999. The shares are entered in the book-entry securities system operated by Euroclear Finland Ltd.

TREASURY SHARES

At the end of the year 2008, the Company held a total of 2,425,000 Sanoma shares, representing 1.49% of the Company's shares and votes. The shares held by Sanoma have no accountable par; however, the calculated par value of the treasury shares held by the Company was EUR 1,059,552.10.

Sanoma began repurchasing its shares on 10 August 2007 under the 2007 AGM authorisation. On 1 April 2008, the AGM issued a new authorisation to repurchase the Company's own shares and the share buybacks under this authorisation started on 12 June 2008. In 2008, Sanoma repurchased, under these authorisations, a total of 2,984,097 of the Company's own shares.

On 7 February 2008, Sanoma's Board decided to cancel all treasury shares held by the Company, a total of 3,136,000 shares, equal to 1.9% of the Company's shares and votes. The cancellation did not affect the Company's share capital. The cancellation was entered into the Trade Register on 18 February 2008.

After the review period, on 10 February 2009, Sanoma's Board of Directors decided to cancel all treasury shares held by the Company. The cancellation did not affect the Company's share capital. It was entered into the Trade Register on 19 February 2009. After the cancellation, Sanoma retains the authority to repurchase a further 7,620,000 of its own shares under the current AGM authorisation.

BOARD AUTHORISATIONS

The AGM held on 1 April 2008 authorised the Board of Sanoma to decide on the repurchase of the Company's own shares, valid until the AGM of 2009. A maximum of 8,285,000 shares could be repurchased, corresponding to 5.1% of the Company's shares and voting rights at the end of March 2008. These treasury shares will not be repurchased in proportion to the shareholdings of the existing shareholders. They will be repurchased with the Company's unrestricted equity at the market price at the time of repurchase on NASDAQ OMX Helsinki. However, the minimum repurchase price of a share is the lowest market price in public trading and the maximum repurchase price is the highest price quoted in public trading during the authorisation period. The Board decided on 1 April 2008 to deploy the authorisation and the repurchase of own shares commenced on 12 June 2008.

SHARE INFORMATION

According to Sanoma's Articles of Association, the Company's minimum share capital is EUR 50,000,000 and the maximum is EUR 300,000,000, within which limits the share capital may be increased or reduced without amendment of the Articles of Association.

On 31 December 2008, Sanoma's registered share capital amounted to EUR 71,258,986.82 and the number of shares was 163,090,651. During 2008, Sanoma's share capital increased by EUR 137,146.26 due to share subscriptions with stock options. Changes in share capital can be found at Sanoma.com.

Sanoma has one share series, with all shares entitling the holders to equal voting and shareholder rights. Shares in Sanoma or securities entitling one to said shares do not have any redemption or approval clauses, or other transfer restrictions.

LISTING OF SHARE AND OPTIONS

Sanoma's share (SAA1V) and the Company's 2001C, 2004A and 2004B stock options are listed on NASDAQ OMX Helsinki (Large Cap, Consumer Discretionary Sector).

Trading codes	Sanoma share	2001C stock options	2004A stock options	2004B stock options
NASDAQ OMX Helsinki	SAA1V	SAA1VEW301	SAA1VEW104	SAA1VEW204
Startel	SAA1V	SAA1VEW301	SAA1VEW104	SAA1VEW204
Bloomberg	SAA1V FH	SAA1V301 FH	SAA1V104 FH	SAA1V204 FH
Reuters	SAA1V.HE	SAA1VEW301.HE	SAA1VEW104.HE	SAA1VEW204.HE

In addition, the Board has a valid authorisation to increase the share capital. According to the authorisation issued by the AGM on 4 April 2007, the Board may decide, until the AGM of 2010, on the issue of new shares, the transfer of treasury shares and the granting of special rights entitling to shares. The authorisation does not exclude the right of the Board of Directors to decide on a directed share issue. With this authorisation, and as a result of the use of special rights, the Board is authorised to decide on the issuance of a maximum of 82,000,000 new shares and the transfer of a maximum of 5,000,000 treasury shares. In a directed share issue, a maximum of 41,000,000 shares may be issued or transferred. With this authorisation, the Board is authorised to issue a maximum of 5,000,000 stock options as part of an incentive programme within the Company. Under this authorisation, Sanoma's Board decided on 19 December 2008 to issue the stock option scheme 2008.

During the review period, the authorisation by the AGM of 4 April 2007 for repurchase own shares was in force. The authorisation allowed the repurchase of a maximum of 8,200,000 Company shares. These shares were not to be repurchased in relation to the holdings of existing shareholders. They were repurchased with the Company's unrestricted equity at the market price at the moment of repurchase - however, in such a way that the minimum repurchase price of a share was the lowest market price in public trading and the maximum repurchase price was the highest price noted in public trading during the authorisation period. The share repurchases commenced on 10 August 2007, and the authorisation remained valid until 1 April 2008.

NUMBER OF SHARES AND OPTIONS

Number of shares at 31 Dec 2008	
Number of shares at 31 Dec 2008	163 090 651
Adjusted average number of shares	160 900 511
Total number of treasury shares	2 425 000
Number of outstanding shares *	160 665 651
Number of shares if all stock options issued were converted into shares	
Number of outstanding shares at 31 December 2008	160 665 651
2001C stock options	1 084 500
2004A stock options	1 072 400
2004B stock options	1 027 700
2004C stock options	1 181 500
2007 stock options	1 233 050
2008 stock options	1 335 750
Number of outstanding shares, diluted, at 31 December 2008	167 600 551

* Does not include treasury shares held by the Company.

Shares to be subscribed for on the basis of the stock options issued would account for 4.1% of all Sanoma's shares and votes, if all of these stock options were exercised.

Including the non-distributed or returned 2001C, 2004A, 2004B, 2004C, 2007 and 2008 stock options held by Sanoma subsidiary Lastannet Oy, the potential combined dilution effect of the stock option schemes on 31 December 2008 would be 9,200,000 shares, accounting for 5.3% of the post-conversion shares and votes.

STOCK OPTIONS

Sanoma has four stock option schemes in place:

- Warrant Scheme 2001, authorised by the EGM of 21 August 2001.
- Stock Option Scheme 2004, authorised by the AGM of 30 March 2004.
- Stock Option Scheme 2007, authorised by the AGM of 4 April 2007.
- Stock Option Scheme 2008, authorised by the AGM of 4 April 2007.

The stock option schemes cover all of Sanoma's divisions and the Group's Parent Company. Stock options have been and will be distributed to the management of the Sanoma Group in accordance with the decisions of the Board of Directors. On 31 December 2008, under Warrant Scheme 2001 there were, in total, 1,084,500 stock options outstanding and 138 senior managers at Sanoma held these 2001 options. The number of outstanding 2004 stock options was 3,281,600, and they were held by 251 senior managers. The number of options outstanding under Stock Option Scheme 2007 was 1,233,050, held by 257 senior managers. The number of options outstanding under Stock Option Scheme 2008 was 1,335,750, held by 287 senior managers. The remaining 2001C, 2004A, 2004B, 2004C, 2007 and 2008 stock options have been allocated to fully-owned Sanoma subsidiary Lastannet Oy, and the Sanoma Board of Directors will decide on their issuance at a later date.

The Board of Directors may extend the group of parties entitled to stock options, or decide on the issuance of stock options in connection with corporate transactions or recruitment. In the event the stock option holder's contract of employment or service terminates before the beginning of the share subscription period, he or she will be required to offer the stock options back to the Company, without receiving compensation for any value increment related to these stock options. However, this does not apply to those whose employment or service contract is rendered no longer effective for reason of retirement or death.

The 2001C tranche of Warrant Scheme 2001 as well as the 2004A and 2004B tranches of Stock Option Scheme 2004 are listed on NASDAQ OMX Helsinki. The subscription period for 2001B stock options ended on 30 November 2008, and their listing on NASDAQ OMX Helsinki was ended on 24 November 2008. In 2008, there were a total of 826,859 new shares subscribed with stock options, of which 292,462 with 2001A stock options and 534,397 with 2001B stock options. New shares subscribed for with stock options entitle the subscribers to all shareholder rights from the date of entry of the increase in share capital into the Trade Register.

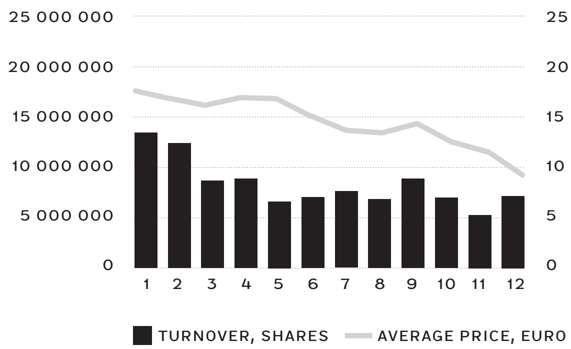
Information on stock options held by Sanoma's Board of Directors and Group Management can be found in Note 31. A daily update on insider holdings in traded stock options can be found at Sanoma.com. More detailed information on the terms and conditions for these schemes (e.g., subscription prices and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

SHARE PERFORMANCE

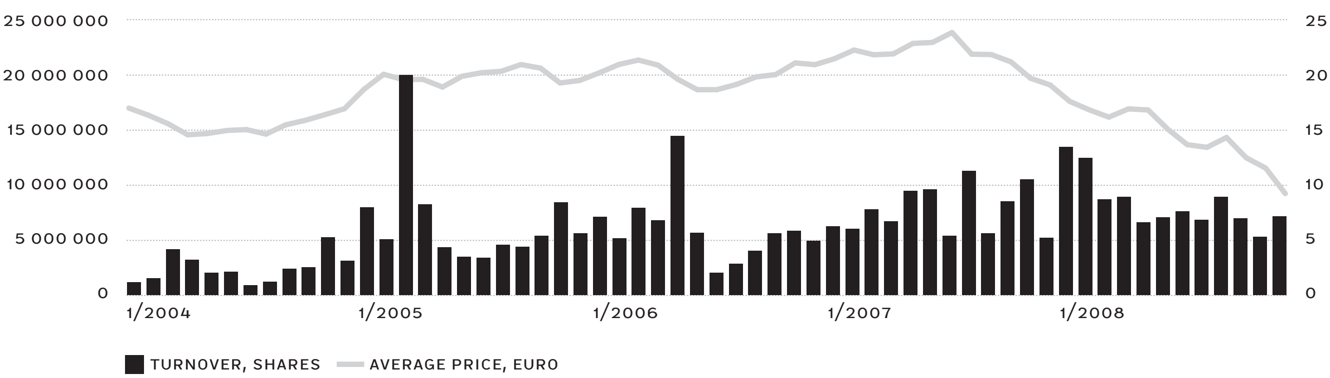
Trading in Sanoma shares was active in 2008. The number of Sanoma shares traded totalled 100,271,123 (92,576,174) in 2008. Traded shares accounted for 62% (56%) of the average number of shares in issue during the year. Sanoma's total stock exchange turnover was EUR 1,500.2 (2,014.5) million.

In 2008, the volume-weighted average price of a share was EUR 14.84, with a low of EUR 8.31 and a high of EUR 19.87. On 31 December 2008, Sanoma's market capitalisation, excluding treasury shares held by the Company was EUR 1,479.7 (3,196.2) million, with Sanoma's share closing at EUR 9.21 (19.63).

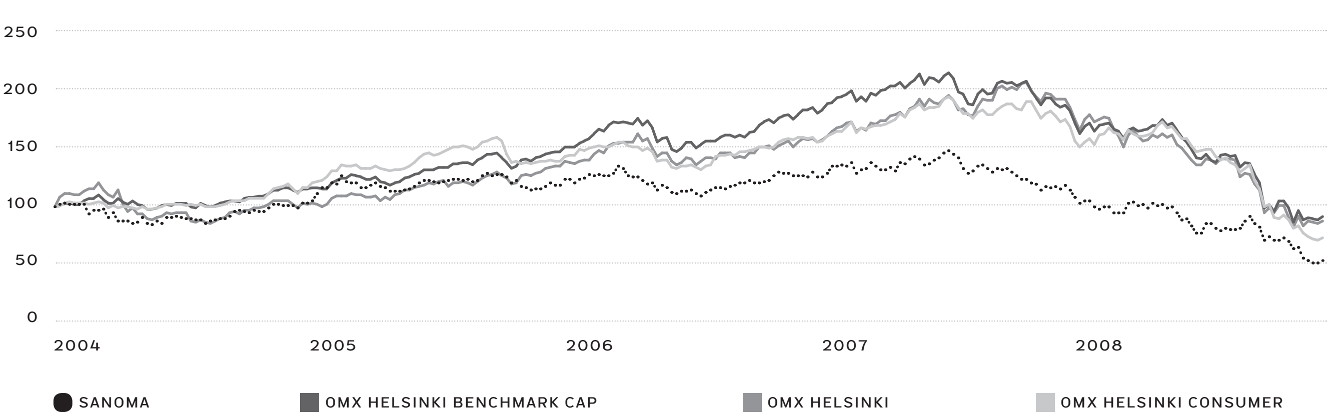
AVERAGE SHARE PRICE AND TURNOVER, 2008



AVERAGE SHARE PRICE AND TURNOVER, 2004–2008 *

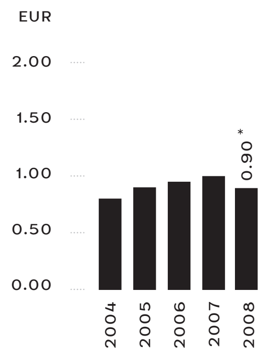


SANOMA SHARE AGAINST INDICES, 2004–2008 *

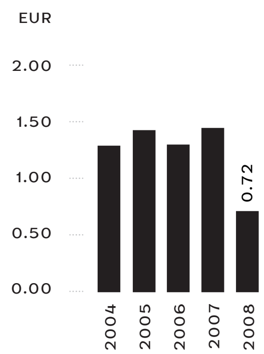


* Prior to the share series combination in 2006, Sanoma had two share series. The graph includes the development of Series B shares. The latest share prices and information on trading can be found at Sanoma.com.

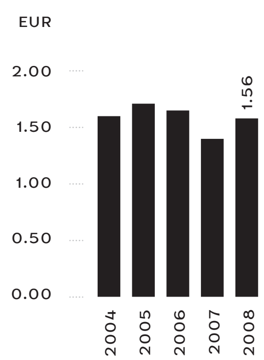
DIVIDEND/SHARE



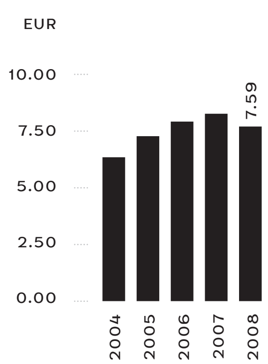
EARNINGS/SHARE



CASH FLOW FROM OPERATIONS / SHARE



EQUITY/SHARE



* Proposal of the Board of Directors to the AGM

DIVIDEND POLICY

Sanoma follows an active dividend policy and primarily pays out over half of the Group's result after taxes in the form of dividends.

The Board of Directors proposes a dividend of EUR 0.90 (EUR 1.00) per share for 2008.

SHAREHOLDERS

On 31 December 2008, the Company had 18,753 shareholders, with foreign holdings accounting for 10.9% (11.4%) of all shares and votes.

SHAREHOLDER AGREEMENTS

The Board of Directors is unaware of any effective agreements related to holdings in Sanoma shares and the exercise of voting rights.

MANAGEMENT SHAREHOLDINGS

On 31 December 2008, the combined holdings in the Company shares of members of the Board of Directors, the President and CEO, and the bodies they control (as referred to in Chapter 1, Section 5 of the Finnish Securities Market Act) accounted for 7.49% (7.70%) of all shares and votes. If all outstanding, non-distributed and returned stock options were to be converted into shares through subscriptions and the Board members exercised all of their subscription rights, the combined holdings of the Board members and President and CEO (including the bodies they control) would account for 7.28% of the total post-conversion number of shares and votes, provided that no other changes occur.

More detailed information on the holdings of the Board of Directors and Group Management can be found in Note 31 and on the Group's website.

Sanoma's guidelines on insider trading can be found on page 73 and on the Group's website.

MAJOR CHANGES IN SHAREHOLDINGS

There were no major changes in share ownership in 2008, and Sanoma did not issue any flagging announcements.

MAJOR SHAREHOLDERS AT 31 DECEMBER 2008

	Shareholder	Shares, total	Of shares and votes, %
1	**Erkko Aatos**	37 483 619	22.98
	Erkko Aatos	25 680 076	15.75
	Oy Asipex Ab	11 803 543	7.24
2	**Langenskiöld Robin**	12 273 371	7.53
3	**Seppälä Rafaela**	11 673 370	7.16
4	**Helsingin Sanomat Foundation**	6 001 570	3.68
5	**Ilmarinen Mutual Pension Insurance Company**	3 669 295	2.25
6	**Alfred Kordelin Foundation**	3 615 325	2.22
7	**Mandatum Life Insurance Company Limited**	2 710 945	1.66
8	**Varma Mutual Pension Insurance Company**	2 576 925	1.58
9	**Sanoma Corporation**	2 425 000	1.49
10	**Foundation for Actors' Old-Age Home**	2 249 357	1.38
11	**The WSOY's Literature Foundation**	2 075 000	1.27
12	**Svenska litteratursällskapet i Finland r.f.**	2 054 000	1.26
13	**The State Pension Fund**	2 000 000	1.23
14	**The Finnish Literature Society (SKS)**	1 915 318	1.17
15	**The Finnish Cultural Foundation**	1 654 690	1.01
16	**Aubouin Lorna**	1 268 970	0.78
17	**Noyer Alex**	1 268 965	0.78
18	**Oy Premiere Holding Ab**	1 210 000	0.74
19	**OP-Delta Fund**	1 157 254	0.71
20	**Kaleva Mutual Insurance Company**	988 026	0.61
	Total	**100 271 000**	**84.48**
	Nominee registrations, total	14 035 153	8.61

Shareholders are grouped according to the direct holdings of individual shareholders and the shares held by their investment companies and are stated as aggregate amounts and specified by category. The shareholdings of companies belonging to the same group are both stated as aggregate amounts and specified by category. A list of the major shareholders (updated monthly) can be found at Sanoma.com.

SHAREHOLDERS BY SECTOR AT 31 DEC 2008

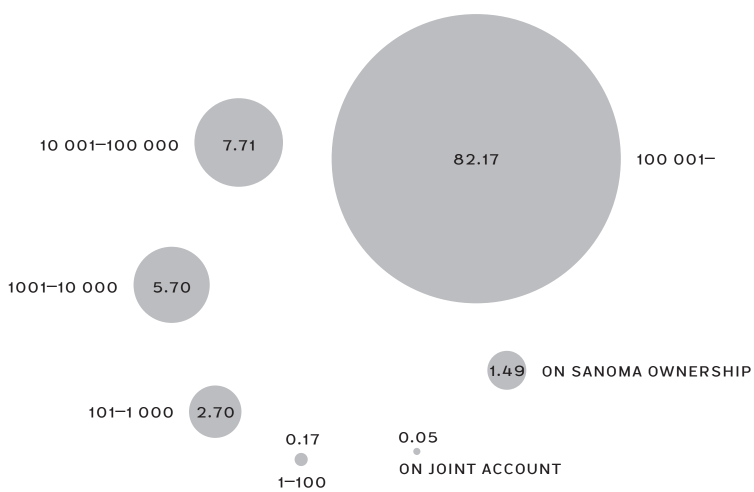
Sector	Number of shareholders	%	Number of shares	%
Companies	1 176	6.27	21 296 674	13.06
Financial and insurance institutions	102	0.54	10 236 295	6.28
Public entities	55	0.29	11 920 015	7.31
Households	16 725	89.18	71 180 705	43.64
Non-profit organisations	570	3.04	28 109 164	17.24
Foreign registrations	112	0.60	3 800 410	2.33
Nominee registrations	13	0.07	14 035 153	8.61
Total	**18 753**	**99.99**	**160 578 416**	**98.46**
On Sanoma ownership	1	0.01	2 425 000	1.49
On joint account			87 235	0.05
Number of shares on the market			**163 090 651**	**100.00**

SHAREHOLDERS BY SECTOR (% OF SHARES AND VOTES)

SHAREHOLDERS BY NUMBER OF SHARES OWNED AT 31 DEC 2008

Number of shares	Number of shareholders	%	Number of shares	%
1–100	4 412	23.53	281 367	0.17
101–1 000	10 609	56.57	4 410 725	2.70
1001–10 000	3 198	17.05	9 290 643	5.70
10 001–100 000	429	2.29	12 577 935	7.71
100 001–	105	0.56	134 017 746	82.17
Total	**18 753**	**99.99**	**160 578 416**	**98.46**
On Sanoma ownership	1		2 425 000	1.49
On joint account			87 235	0.05
Number of shares on the market			**163 090 651**	**100.00**

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



Parent Company income statement, FAS

EUR million	1.1–31.12.2008	1.1–31.12.2007
Other operating income	**14.7**	4.4
Personnel expenses	**11.9**	7.2
Depreciation and impairment losses	**1.3**	0.9
Other operating expenses	**13.6**	11.2
Operating profit (loss)	**-12.1**	-14.9
Financial income and expenses	**106.9**	172.0
Result before extraordinary items	**94.8**	157.1
Extraordinary items	**80.6**	99.1
Result before appropriations and taxes	**175.4**	256.2
Appropriations	**-0.1**	0.0
Income taxes	**11.9**	10.6
Result for the year	**187.2**	266.8

Parent Company balance sheet, FAS

EUR million	31.12.2008	31.12.2007
ASSETS		
Non-current assets		
Intangible assets	**3.0**	3.4
Tangible assets	**9.2**	11.0
Investments	**1 779.1**	1 765.9
Non-current assets, total	**1 791.2**	1 780.3
Current assets		
Long-term receivables	**1.3**	0.7
Short-term receivables	**499.0**	348.0
Securities	**0.1**	1.6
Cash and cash equivalents	**49.1**	17.0
Current assets, total	**549.5**	367.3
ASSETS, TOTAL	**2 340.7**	2 147.6
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**71.3**	71.3
Premium fund		171.5
Treasury shares	**-37.5**	-51.6
Fund for invested unrestricted equity	**176.6**	
Retained earnings	**330.7**	288.1
Profit for the year	**187.2**	266.8
Shareholders' equity, total	**728.2**	746.0
Appropriations	**0.3**	0.2
Provisions	**3.6**	
Liabilities		
Non-current liabilities	**400.0**	290.0
Current liabilities	**1 208.6**	1 111.4
EQUITY AND LIABILITIES, TOTAL	**2 340.7**	2 147.6

Parent Company cash flow statement, FAS

EUR million	1.1–31.12.2008	1.1–31.12.2007
Operations		
Result for the period	187.2	266.8
Adjustments		
Income taxes	-11.9	-10.6
Appropriations	0.1	0.0
Extraordinary items	-80.6	-99.1
Financial income and expenses	-106.9	-172.0
Depreciation and decrease in value	1.3	0.9
Profit on sales of non-current assets	-1.5	-0.4
Profit of mergers	-7.3	
Change in working capital		
Change in trade and other receivables	0.0	-2.0
Change in trade and other payables, and provisions	3.3	0.0
Interest paid	-74.6	-60.5
Other financial items	-2.5	-0.2
Group contributions	133.9	130.1
Dividends received	134.8	195.0
Taxes paid	-25.6	-38.6
Cash flow from operations	149.7	209.4
Investments		
Acquisition of tangible and intangible assets	-0,7	-2.0
Acquisition of other holdings	-5,1	-0.4
Sales of tangible and intangible assets	2,2	0.4
Sales of other investments	2,4	
Loans granted	-251,0	-75.0
Repayments of loan receivables	63,5	106.1
Interest received	50,2	39.9
Cash flow from investments	-138,5	69.1
Cash flow before financing	11,2	278.5
Financing		
Proceeds from share subscriptions	5.1	5.2
Purchase of treasury shares	-48.2	-51.0
Change in loans with short maturity	-43.4	64.8
Drawings of other loans	655.4	450.5
Repayments of other loans	-373.0	-630.8
Dividends paid	-160.8	-156.7
Donations/other profit sharing	-0.5	-0.4
Cash flow from financing	34.6	-318.5
Change in cash and cash equivalents according to cash flow statement	45.9	-40.0
Net increase(+)/decrease(-) in cash and cash equivalents	45.9	-40.0
Cash and cash equivalents at 1 Jan	2.9	42.9
Cash and cash equivalents at 31 Dec	48.7	2.9

Parent Company shareholders' equity

Shareholders' equity, EUR million	2008	2007
Restricted equity		
Share capital at 1 Jan	71.3	70.9
Increase in share capital		0.2
Unregistered use of stock options		0.1
Share capital at 31 Dec	71.3	71.3
Premium fund at 1 Jan	171.5	164.9
Increase in share premium		6.6
Transfer to other funds	-171.5	
Premium fund at 31 Dec		171.5
Restricted equity 31 Dec	**71.3**	242.7
Unrestricted equity		
Treasury shares at 1 Jan	-51.6	
Purchase of treasury shares	-47.6	-51.6
Cancellation of treasury shares	61.6	
Treasury shares at 31 Dec	-37.5	-51.6
Fund for invested unrestricted equity at 1 Jan		
Transfer to other funds	174.8	
Increase in fund for invested unrestricted equity	1.8	
Fund for invested unrestricted equity at 31 Dec	176.6	
Retained earnings at 1 Jan	554.8	445.2
Dividends	-160.8	-156.7
Cancellation of treasury shares	-61.6	
Other changes	-1.7	-0.4
Retained earnings at 31 Dec	330.7	288.1
Profit (loss) for the year	187.2	266.8
Unrestricted equity 31 Dec	**656.9**	503.3
Total	**728.2**	746.0

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

Distributable earnings, EUR million	2008	2007
Treasury shares	-37.5	-51.6
Fund for invested unrestricted equity	176.6	
Retained earnings	330.7	288.1
Profit (loss) for the year	187.2	266.8
Total	**656.9**	503.3

Parent Company contingent liabilities

Contingent liabilities, EUR million	2008	2007
Contingencies incurred on behalf of Group companies		
Guarantees	**107.8**	93.7
Total	**107.8**	93.7
Contingencies incurred on behalf of associated companies		
Guarantees	**10.5**	7.9
Total	**10.5**	7.9
Total	**118.2**	101.6

Sanoma Corporation had no derivative contracts during the financial year or previous year.

Board's proposal for distribution of profits and signatures

At 31 December 2008, Sanoma Corporation's distributable earnings total EUR 656,898,620.11, of which the profit for the year is EUR 187.215.196.47.

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

- a dividend of EUR 0.90 per share shall be paid EUR 146,781,585.90 *
- the following amount shall be transferred to the donation reserve and used at the Board's discretion EUR 500,000.00
- shareholders' equity shall be set at EUR 509,617,034.21

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

* The dividend will be paid to shareholders registered with the Shareholder Register maintained by Euroclear Finland Ltd on the record date set by the Board for payment of the dividend, Monday 6 April 2009. The Board will propose to the Annual General Meeting that the dividend will be paid on Wednesday 15 April 2009.

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

Helsinki, 10 February 2009

Jaakko Rauramo
Chairman

Sari Baldauf
Vice Chairman

Robert Castrén

Jane Erkko

Paavo Hohti

Sirkka Hämäläinen-Lindfors

Seppo Kievari

Rafaela Seppälä

Hannu Syrjänen

Sakari Tamminen

Auditors' report

TO THE ANNUAL GENERAL MEETING OF SANOMA CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Sanoma Corporation for the year ended on 31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity 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.

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

Auditors' responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the Parent Company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with professional ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and the President and CEO have complied with the Finnish Limited Liability Companies Act.

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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.

The audit has been performed in accordance with good auditing practice in Finland. 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, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company 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.

Opinion on the discharge from liability and disposal of distributable funds

The consolidated financial statements and the Parent Company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the Parent Company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Finnish Limited Liability Companies Act.

Helsinki, 10 February 2009

KPMG OY AB

Pekka Pajamo
Authorised Public Accountant

Kai Salli
Authorised Public Accountant

Corporate governance

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

Sanoma's Corporate Governance Principles are determined by the Parent Company's Board of Directors. Some of the recommendations in the new Code, in force since January 2009, require Sanoma to redefine certain corporate governance policies (such as the policy on the Audit Committee responsibilities). These policies will be discussed and decided upon in the Sanoma Board and its committees. After the policies are approved, they will be updated at Sanoma.com during 2009.

Risk management section (p. 74–76) contains information about the organisation of the Group's risk management, internal control systems, internal audit activity and external audit. Other information relevant to an investor (e.g. articles of association, releases, events and share information) can be found on the Group's website.

More information about the new Finnish Corporate Governance Code is available on the Securities Market Association's website at Cgcode.fi.

CORPORATE STRUCTURE

The Sanoma Group comprises five divisions: Sanoma Magazines, Sanoma News, Sanoma Entertainment, Sanoma Learning & Literature and Sanoma Trade. Sanoma Corporation, the Parent Company, is responsible for the Group's strategic control, corporate functions and Group-wide co-operation projects.

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. Sanoma's divisions operate within the scope of strategies, goals and corporate governance principles and operational policies defined at the Group level.

ADMINISTRATIVE BODIES

Sanoma's administrative bodies comprise the Shareholders' meeting, the Board of Directors, and the President and CEO.

Shareholders' Meeting

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

The Annual General Meeting (AGM) convenes within six months of the end of the financial year at a time stipulated by the Board of Directors. Notice of the Shareholders' meeting is published in at least one widely circulated newspaper specified by the Board, no earlier than three months and no later than 17 days before the meeting.

Matters decided upon by the AGM include:
- adopting the financial statements
- using the profit shown on the balance sheet
- discharging the members of the Board of Directors and the President and CEO from liability
- determining the number of Sanoma's Board members
- deciding on amendments to the Articles of Association
- electing the Board's Chairman, Vice Chairman and Board members to replace outgoing members, as well as deciding on Board remuneration
- electing auditors and determining their remuneration.

The Sanoma Board of Directors calls the Shareholders' meeting, prepares matters to be discussed there and implements decisions made therein.

Under the Finnish Limited Liability Companies Act, a shareholder may also, in writing to the company's Board of Directors, request that his or her proposal, in matters that fall within the competence of the General Meetings according to the Act, be dealt with by the next Shareholders' meeting. The request, together with a statement of the reasons or proposal for the decision, should be sent well in advance by email to yhtiokokous@sanoma.com.

Details about AGMs, such as notices for the meetings and Board's proposals, can be found on the Group's website.

Board of Directors

In accordance with Sanoma's Articles of Association, the Board of Directors comprises 5–11 members elected by the Shareholders' meeting. In addition, a maximum of two employee representatives may be elected as Board members. The Board meeting constitutes a quorum when more than half of its members are present. In the event of a tied vote, the Chairman shall have the casting vote.

A Board member's term begins at the conclusion of the AGM making the election and ends after the third AGM following his or her election. If a Board member's seat becomes vacant before the end of this three-year term, a new member shall be elected for the remaining portion of the term. In accordance with the Articles of Association, no person over the age of 75, or who will turn 75 during his or her prospective term, may be elected to the Board of Directors.

According to the Finnish Corporate Governance Code, the term of a Board member should be one year. That of a Sanoma Board member is three years. The Company holds the view that the nature of its business makes it necessary for Board members to sit on the Board for a term longer than one year in order to familiarise themselves with and commit to the Group's operations. In order to secure the continuity, Sanoma has adopted a practice whereby approximately one-third of its Board members are elected every year.

The current Board, elected by the AGM of 1 April 2008, comprises ten members. The term of Jaakko Rauramo, Sari Baldauf and Sakari Tamminen will expire upon the 2009 AGM; that of Sirkka Hämäläinen-Lindfors, Seppo Kievari and Hannu Syrjänen upon the AGM in 2010; and that of Robert Castrén, Jane Erkko, Paavo Hohti and Rafaela Seppälä upon the AGM in 2011. Jaakko Rauramo is the Chairman of the Board and Sari Baldauf the Vice Chairman. The Board members' details can be found in the Annual Report, p. 46–47 and details of their holdings in the Company can be found in the Note 31.

Over half of the Board members (Sari Baldauf, Robert Castrén, Paavo Hohti, Sirkka Hämäläinen-Lindfors, Seppo Kievari and Sakari Tamminen) are non-executive directors independent of the Company and its major shareholders, as stipulated in the Finnish Corporate Governance Code. Jane Erkko and Rafaela Seppälä are also non-executive directors independent of the Company. Consequently, the majority of the Board members are independent of the Company. Of the Board members, Jaakko Rauramo and Hannu Syrjänen are not directors independent of the Company as stipulated in the code: Chairman Rauramo was in the Company's service in the three years prior to his membership of the Board and President and CEO Syrjänen is currently in the Company's service.

Sanoma's Board of Directors:

- is, by virtue of the Finnish Limited Liability Companies Act, responsible for the Group's administration and for the appropriate organisation of its operations
- appoints the Group's President and CEO, his or her deputy, divisions' presidents and their deputies, the Parent Company executives who are Executive Management Group members, members of the Corporate Centre Management Group and the Senior Editors-in-Chief of Helsingin Sanomat
- determines their remuneration
- decides on the major strategic direction of the Group and its divisions
- confirms and controls the strategic goals and budgets of the Group and its divisions
- decides on major investments
- confirms the Group's general principles by issuing policy guidelines.

In order to develop its performance, the Board employs a self-assessment process on a regular basis. In 2008, the Board of Directors met eight times, with an average attendance rate of 98%.

DUTIES AND COMPOSITION OF BOARD COMMITTEES

The Executive Committee prepares matters for discussion at Board meetings, in accordance with the Articles of Association. The Board is authorised to appoint other committees as it deems appropriate. In addition to the Executive Committee, Sanoma's Board committees include the Audit Committee, the Compensation Committee and the Editorial Committee, all of whose policies and responsibilities have been confirmed by the Board of Directors. The Audit committee policy will be redefined during 2009 to better reflect the new corporate governance code. The committees regularly report to the Board of Directors.

THE EXECUTIVE COMMITTEE, which prepares matters to be discussed at Board meetings, comprises Jaakko Rauramo (Chairman), Sari Baldauf (Vice Chairman) and Hannu Syrjänen.

The Committee convened seven times in 2008, with all members present at all meetings.

THE AUDIT COMMITTEE prepares, controls and assesses the Group's risk management, financial reporting procedures, reliability of internal control systems, compliance with Sanoma's Corporate Governance Principles and internal audit work as well as the work of independent audit within the limits of the governing laws. The Audit Committee comprises Sakari Tamminen (Chairman), Robert Castrén (Vice Chairman), Sirkka Hämäläinen-Lindfors and Rafaela Seppälä, all independent of the Company.

In 2008 the committee met five times with an average attendance rate of 95%.

THE COMPENSATION COMMITTEE, which is responsible for preparing matters related to management remuneration and the Group's remuneration policy, comprises Sari Baldauf (Chairman), Paavo Hohti (Vice Chairman), Jane Erkko, Seppo Kievari and Jaakko Rauramo.

In 2008 it convened three times, with an average attendance rate of 93%.

THE EDITORIAL COMMITTEE has the duty of monitoring the editorial policies of Helsingin Sanomat. It also prepares changes in these policies, the appointment of Senior Editors-in-Chief and any other policy recommendations. The Editorial Committee comprises Seppo Kievari (Chairman), Jane Erkko (Vice Chairman), Paavo Hohti and Sirkka Hämäläinen-Lindfors.

In 2008 the committee convened once, with all members present at the meeting.

DUTIES OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

The duties of the Chairman of the Board of Directors are mainly governed by the Finnish Limited Liability Companies Act and include, among others:

- ensuring that the Board follows general corporate governance principles in its duties
- developing the working methods of the Board of Directors
- organising evaluation of the Board's activities
- supervising the strategy process
- preparing matters to be discussed at the Board meetings, in co-operation with the President and CEO
- chairing the Board and Executive Committee meetings.

Jaakko Rauramo is the part-time Chairman of the Board.

Duties of the President and CEO

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

The person holding this office is in charge of:

- the management of the Group's daily operations
- preparing matters for discussion at Board meetings (together with the Chairman of the Board of Directors) as well as presenting these matters to the Board and its committees
- chairing Sanoma's Executive Management Group and the Corporate Centre Management Group
- chairing the Board of Directors of the parent companies of the Company's divisions, unless otherwise agreed.

Hannu Syrjänen is Sanoma's President and CEO.

ORGANISATION OF GROUP'S MANAGEMENT

In line with Sanoma's Corporate Governance Principles, the Sanoma **Executive Management Group** (EMG) prepares matters to be discussed at Board meetings, co-ordinates the Group's management and acts as the highest decision-making body of the divisions.

The EMG comprises the President and CEO of Sanoma Corporation, the CFO of Sanoma Corporation and the divisions' presidents. The CVs of the EMG members are presented in the Annual Report, p. 48–49, and their shareholdings in Note 31.

The Corporate Centre supports the Group's divisions. Directors of the Corporate Centre report to the President and CEO. The **Corporate Centre Management Group** (CCMG) comprises, in addition to President and CEO and CFO, the directors of Group Legal Affairs, Group Strategic Development, Group Treasury and Group Human Resources. The CCMG prepares matters to be discussed at EMG meetings. The CVs of the CCMG members are presented in the Annual Report, p. 50, and their shareholdings in Note 31.

REMUNERATION

The AGM determines Board remuneration. In accordance with the Compensation Committee's proposal, the Board of Directors approves remuneration and benefits payable to the President and CEO and other senior executives. In total, the senior management includes Sanoma's Board, the President and CEO, members of the Executive Management Group and those in the Corporate Centre Management Group.

In 2008, Sanoma's senior management received a total of EUR 4.9 million (2007: EUR 4.2 million) in remuneration. This amount includes only the remuneration and benefits paid to these persons for their duties during the financial year in question. An itemised statement of the remuneration paid can be found in Note 31. More detailed information on the management's relationships and connections to the Sanoma Group is provided in Note 30.

The remuneration to auditors is presented in Note 6.

Board remuneration

The AGM of 2008 confirmed the following monthly compensation for the Board of Directors:

- Chairman: EUR 8,500
- Vice Chairman: EUR 6,500
- Members: EUR 5,500.

In addition, a fee of EUR 1,000 is paid for each Committee meeting. No fees are paid for attending the Board meetings.

Board members involved in Sanoma's stock option schemes include Jaakko Rauramo (Chairman), Hannu Syrjänen (President and CEO) and Seppo Kievari.

Remuneration of the President and CEO and other senior executives

In 2008, President and CEO Hannu Syrjänen received EUR 947,700 (2007: EUR 870,300) in remuneration, bonuses and other benefits.

The President and CEO and other senior executives do not receive separate remuneration for their management group membership or other internal management positions, such as Board memberships in Group companies.

In addition to the remuneration and benefits paid to the President and CEO and other senior executives (so-called general wage), they receive bonuses according to the short-term incentive plan approved by the Sanoma Board of Directors. For 2008, the bonuses will be determined on the basis of achieving strategic objectives, especially objectives related to profitability and growth. The maximum bonus for the President and CEO is 7 months' general wage, and for other senior executives it is 5–6 months' general wage.

Most senior management members are part of the Sanoma's stock option schemes. These stock options schemes are part of the Group's incentive and commitment programme. Stock options are distributed by the Sanoma Board of Directors. President and CEO holds 50,000 2001C, 50,000 2004A, 50,000 2004B, 50,000 2004C, 60,000 2007 and 60,000 2008 stock options. Details of the President and CEO's and other senior executives' holdings can be found in the Note 31.

The President and CEO's service is subject to a six-month period of notice (both from the President and the Company), and his severance pay equals 18 months of his salary, unless the agreement is ended because of gross procedure by the President and CEO. If the agreement ends due to a takeover bid, severance pay is the equivalent of 30 months' salary. The severance pay is subject to a fixed-term non-competition clause.

According to his executive contract, Hannu Syrjänen will retire at the age of 60, unless it is specifically agreed otherwise, and his pension will amount to some 60% of his average salary from the last ten full calendar years.

INSIDER REGULATIONS

Those included in Sanoma's public insider register comprise, by law, the Chairman of the Board of Directors, other Board members, the President and CEO, her/his deputy, the company auditor, the auditor in charge, and the deputy auditor. Based on a decision made by Sanoma's Board of Directors, the Executive Management Group and Corporate Centre Management Group members as well as the Board secretary are also included in the public insider register on other criteria.

Persons who, due to the nature of their work, regularly receive confidential information that can have an effect on the price of a Sanoma security * have been included in the company-specific insider register. These persons include, among others, those responsible for the most important businesses, finance, treasury, legal matters, strategy, development and communications, as well as the secretaries to the senior executives.

Sanoma's Insider Regulations comply with the Insider Guidelines issued by the NASDAQ OMX Helsinki insider regulations. According to Sanoma's regulations, insiders should trade in company securities at the time when the marketplace has as complete information as possible on circumstances affecting the company's share value.

In addition to permanent insider registers, Sanoma has project-specific registers as described in the NASDAQ OMX Helsinki insider rules.

According to Sanoma's Insider Regulations, an insider may not use inside information in order to obtain material benefit for her-/himself or another party by disposing of or purchasing Sanoma securities on her/his or the other party's behalf, or by counselling, directly or indirectly, the other party on trading in said security, nor disclose inside information to the other party unless this forms part of the normal performance of the insider's job, profession or duties.

Insiders may not trade in a Sanoma security for 14 days prior to the disclosure of the Group's Interim Report or the disclosure of the Year-End Result. Sanoma recommends that insiders do not buy or sell the same Sanoma securities within six months. Sanoma also recommends that they time their orders to buy, sell, or otherwise transact Sanoma securities, if possible, within 28 days following the disclosure of the company's statutory financial information subject to regular reporting requirements (Year-End Result and Interim Reports).

Euroclear Finland Ltd. maintains Sanoma Corporation's insider register. The information on insider holdings and changes therein is updated daily on the Group's website.

* *Sanoma securities refer to shares in a Sanoma Group company and securities entitling to said shares pursuant to the Securities Markets Act (convertible bonds, warrants, stock options, bonds with warrants, and subscription rights). As defined in the Securities Markets Act, securities entitling to said shares stand for standardised options and futures referred to in the Act on Trading in Standardised Options and Futures (1 §, Chapter 10 of SMA), derivative contracts comparable to them (1 a §, Chapter 10 of SMA), and other derivative contracts (1 b §, Chapter 10 of SMA) whose underlying instruments are the above-mentioned securities and a depository receipt carrying entitlement to securities.*

Risk management

RISK MANAGEMENT

Managing business risks and the opportunities associated with them is included in the daily responsibilities of Sanoma's management. The management takes calculated risks in order to ensure that the Company develops its business as successfully as possible.

The following sections illustrate the most significant risks for Sanoma, those that could have a negative impact on Sanoma's business activities, operations' performance, or financial status if realised. The risks are divided into those relating to the industry and those that could affect the Group's business.

Risks related to the industry

ECONOMIC TRENDS

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

A quarter of Sanoma's net sales is derived from media advertising. The rapid weakening of media advertising and consumer confidence will affect the Group's results. Newspaper and TV advertising react fastest to changes in media advertising expenditure. Sanoma's diversified operations in various fields of media in 20 European countries balance the effects of market fluctuations.

Sanoma's business areas are not exposed to any significant political risks.

TECHNOLOGICAL DEVELOPMENT AND CHANGES IN CONSUMER PREFERENCES

Rapid technological development, the diversifying use of the internet and changes in consumer preferences have an impact on the development of the media sector. At the same time, the supply of digital content services is growing and becoming more focused. Technological development and changes in consumer behaviour may also affect the choices of advertisers regarding the communication channels utilised.

SENSITIVITY ANALYSIS OF SANOMA'S COSTS

The bulk of Sanoma's costs relates to personnel, advertising and marketing and paper. Changes in personnel expenses have the greatest single impact on Sanoma's total costs. For example, a 1% change in personnel expenses equates to EUR 7.0 million per annum, and a 1% change in paper costs constitutes EUR 1.5 million per annum.

Key factors influencing total costs and net sales are presented in the following table.

Cost item	Cost, EUR million	Of total costs, %	Of net sales, %
Materials and services	1 367.4	47.3%	45.1%
Paper costs	148.7	5.1%	4.9%
Other (such as transportation, purchased printing services and royalty payments)	1 218.7	42.2%	40.2%
Personnel expenses	702.8	24.3%	23.2%
Other operating expenses	588.8	20.4%	19.4%
Advertising and marketing	201.4	7.0%	6.6%
Rent payments	80.4	2.8%	2.7%
Office and ICT expenses	85.7	3.0%	2.8%
Others	221.2	7.7%	7.3%
Depreciation and impairment losses	231.9	8.0%	7.7%
Total	**2 890.9**	**100.0%**	**95.4%**

Sanoma closely monitors technological development and changes in consumer preferences, and collaborates with technology companies to develop new products and services to meet these changes for both its consumer and advertising customers. Technological development also generates new opportunities for process development and in new digital business activities for multimedia companies such as Sanoma. The strong development of online operations has also been chosen as one of the focus areas in Sanoma's strategy.

The wide array of products and services offered by the Group reduces the risks posed by technological development and changes in consumer preferences.

Risks related to the Group's business

INTELLECTUAL PROPERTY RIGHTS

Key Intellectual Property Rights (IPRs) with regard to Sanoma's products and services are the copyrights, 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 Intellectual Property Rights involve risks associated with the continuity of rights and their insufficient protection or outside violations. The risk of unauthorised use of Intellectual Property Rights increases with the digitalisation of media.

Sanoma manages these rights in accordance with the Group-wide Intellectual Property Rights policy and procedures. Because of the application of appropriate protection, no material risks arise in relation to the Group's Intellectual Property Rights.

INFORMATION SYSTEMS

The functioning and reliability of a number of ICT systems are integral aspects of the Group's business. These systems include newspaper and magazine subscription, advertising and delivery systems, as well as various production control and customer relations management systems. Risks related to information systems may arise in connection with the confidentiality, integrity or availability of information. 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 carried out an assessment of the risks related to ICT systems and specified the system protection levels and the required backup systems. It has also established separate continuity plans for the systems critical to the Group.

ACQUISITIONS AND INVESTMENTS

In recent years, Sanoma has grown vigorously through acquisitions. Acquisitions may include a risk of the Group becoming affected by partial new market and operational environment risks in countries in which Sanoma has not previously had significant operations. The acquisitions also include risks related to integration of the new business, retention of key personnel and achieving the targets set for operations.

As a result of acquisitions, the consolidated balance sheet on 31 December 2008 included about EUR 1.9 billion in goodwill, publishing rights and other intangible assets, most of which is related to magazine operations. In accordance with the International Financial Reporting Standards (IFRS), instead of goodwill being amortised regularly, it is tested for impairment on an annual basis, or whenever there is any indication of impairment. The impairment losses on goodwill and other tangible assets for 2008 totalled EUR 83.8 million (2007: EUR 1.3 million), and there were no indicators of other impairment losses.

Regarding risks associated with investment decisions, the Sanoma Corporate Governance Principles specify the approval procedures for investments and acquisitions. The Group's M&A Investment Policy defines the general principles of mergers and acquisitions. Various administrative bodies discuss investments when addressing strategies, action plans and budgets. Final investment decisions are made on the basis of specific proposals, in accordance with authorisations governing approval of investments. A proposal for a major investment is submitted for the purpose of decision-making and monitoring, providing information on its grounds and ROI calculations.

PERSONNEL

The Group's successful performance depends on its personnel, and their willingness to develop their competencies, as well as on their skills in developing appealing products and services in accordance with customer needs. Since Sanoma employs numerous professionals, it is estimated that the end of one key person's employment would not have an adverse effect on the Group's result or its ability to carry out its strategy. Recruiting and retaining skilled and motivated staff may become more difficult in the years to come as a result of, e.g., changes in the age structure of a population and intensifying competition for personnel resources.

Sanoma is responding to these challenges by continuously improving its employee reward systems, in-house training programmes and opportunities for job rotation, among other things. In an effort to prepare for job market changes due to the ageing population, the Group has implemented e.g. successor plans.

EXCEPTIONAL CIRCUMSTANCES RELATED TO EMPLOYEES OR OTHER MATTERS

It is possible that Sanoma's business operations will be affected by labour disputes. These disturbances may be caused by strikes among the Group's own employees or by work stoppages or, for example, labour disputes affecting the Group's suppliers.

Paper used in printed products is the single most important raw material of the Group. Paper purchases account for roughly 5% of annual Group expenses. The Group's divisions produce a wide variety of prints with diverse paper grades. Despite its centralised paper purchases, Sanoma manages risks associated with raw material availability and prices by buying paper from several suppliers, on the basis of framework agreements valid for about 12 months. Good relations with paper suppliers also ensure that the Group receives paper in special circumstances.

FINANCIAL RISKS

Sanoma is exposed to interest rate, currency, liquidity and credit risks. The Group has a strong, steady and predictable cash flow, which substantially reduces liquidity risks. Sanoma manages its long-term financial risks by maintaining a financial structure equivalent to a good credit rating, with the aim of ensuring sources of low cost financing. Meeting this aim is based on close co-operation within the Group, operating with several banks and actively monitoring developments in the financial market.

The Group mainly operates in the euro area, which essentially reduces the influence of currency risks. A more detailed description of the Group's financial risk management can be found in Note 26.

GROUP INTERNAL CONTROL SYSTEMS, INTERNAL AUDIT AND EXTERNAL AUDIT

The Sanoma Board of Directors confirms Group goals, responsibilities and control principles, and monitoring methods to manage major, identified risks.

The Group's financial performance is monitored on a monthly basis using a Group-wide operational planning and reporting system, which includes divisions' management letters, the actualised income statements, balance sheets and key performance indicators, as well as forecasts for the current financial year and the rolling 12 months.

Each year the Board of Directors elects the Audit Committee from among its members, which prepares, controls and assesses the Group's risk management, financial reporting procedures, independent audit and internal audit work, the reliability of internal control systems, and compliance with Sanoma's Corporate Governance Principles, in accordance with the policy confirmed by the Board of Directors. All Board members may attend Audit Committee meetings if they so wish. The Audit committee policy will be redefined during 2009 to reflect the new Corporate Governance Code, effective as of 1 January 2009.

Group Internal Audit Services reports direct to Sanoma's President and CEO and co-operates with the Group and division management, the Audit Committee, and the Group's auditors. It is responsible for internal audits involving assessment of the adequacy and efficiency of risk management, internal control and governance processes. The scope of Group Internal Audit Services covers all of the Group's organisational levels and subsidiaries. The department's operations are steered by Sanoma's Corporate Governance Principles and internal audit policy issued by the Audit Committee. The Audit Committee confirms the annual internal audit plan.

In 2008, KPMG Oy Ab, a firm of Authorised Public Accountants, acted as Sanoma's auditor in charge and received a total of EUR 2.8 million in remuneration, of which the statutory audit accounted for EUR 1.4 million. Other remuneration was paid to auditors for example for circulation audits in countries with no official national circulation audit in place and for consulting services related to matters such as taxation and corporate transactions.

Investing in Sanoma

ANNUAL GENERAL MEETING

Sanoma Corporation's Annual General Meeting of Shareholders (AGM) will be held on Wednesday 1 April 2009 at 2:00 pm (Finnish time) in the Congress Wing of the Helsinki Fair Centre (Messuaukio 1, 00520 Helsinki).

Notice of the AGM

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

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

Attending the AGM

Shareholders owning Sanoma shares on Friday 20 March 2009 are welcome to attend the AGM.

Registration

Shareholders wishing to attend and to use their voting rights are kindly requested to register by 4:15 pm (Finnish time) on Wednesday 25 March 2009. Registration can be made at Sanoma.com, by phone +358 105 19 5021, via email yhtiokokous@sanoma.com, or by fax +358 105 19 5058. Regarding the nominee registered shareholders, the respective regulations are applied.

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 0.90 per share should be paid for 2008. All shareholders registered on the Company's list of shareholders on the record date of 6 April 2009 are entitled to a dividend. The shareholders list is maintained by Euroclear Finland Ltd (former Nordic Central Securities Depository Ltd). In Finland, the dividend payment date will be 15 April 2009. Outside Finland, the actual dividend payment date will be determined by the practices of the intermediary banks transferring the payments.

SANOMA'S FINANCIAL REPORTING DURING 2009

The Group's Interim Reports in 2009 will be published:

- Interim Report January–March on Thursday 7 May, approximately at 11 am (Finnish time)
- Interim Report January–June on Thursday 6 August, approximately at 11 am (Finnish time)
- Interim Report January–September on Friday 6 November, approximately at 8:30 am (Finnish time).

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

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

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.

Releases 2008

STOCK EXCHANGE AND PRESS RELEASES 2008

3.1	SanomaWSOY's Share Capital Increased
9.1	Sanoma Magazines Sells R.C.V. Entertainment to Entertainment One
7.2	SanomaWSOY to Cancel Its Treasury Shares
7.2	Anu Nissinen Appointed President of SWelcom
7.2	SanomaWSOY's Year-End Statement 2007
7.2	SanomaWSOY's Notice of Annual General Meeting
7.2	SanomaWSOY Renamed Sanoma
18.2	SanomaWSOY's Share Capital Increased
27.2	The List of SanomaWSOY's Releases in 2007
5.3	SanomaWSOY's Annual Report 2007 Published
1.4	Decisions of SanomaWSOY's Annual General Meeting
2.4	SanomaWSOY to Continue Purchases of Own Shares
9.4	Three New Directors Appointed to SanomaWSOY Corporate Centre
25.4	Sanoma Magazines Acquires Russian Publishing House Lux Media
28.4	Sanoma Magazines International to Acquire Net Info in Bulgaria
9.5	Interim Report 1 January–31 March 2008
21.5	SanomaWSOY's Share Capital Increased
26.6	Exercises with SanomaWSOY's Stock Options
29.7	Merja Karhapää Appointed Chief Legal Officer of SanomaWSOY and Secretary to the Board of Directors
31.7	SanomaWSOY's Interim Report 1 January–30 June 2008
13.8	Exercises with SanomaWSOY's Stock Options
13.8	Sanoma Uitgevers Acquires Auto Trader
27.8	Development Plans for SanomaWSOY's Keimola Land Area Finalised
1.10	Sanoma Brand Combines the Ten-Year Old Group
8.10	Exercises with Sanoma's Stock Options
16.10	Sanoma Applies for Listing of 2004B Stock Options on NASDAQ OMX Helsinki
24.10	Rautakirja's President Erkki Järvinen Takes up New Responsibilities
31.10	Interim Report 1 January–30 September 2008
31.10	Sanoma's Financial Reporting During 2009
13.11	Exercises with Sanoma's Stock Options
19.12	Sanoma Issues Fourth Stock Option Scheme
19.12	Timo Mänty Appointed President of Rautakirja

Press releases in grey

Releases can be found at Sanoma.com.

Sanoma announced on 2 April 2008 that it will continue the repurchases of own shares. The Company has authorised a brokerage company to communicate the acquisitions. Releases related to these share buybacks can be read on NASDAQ OMX Nordic website at Nasdaqomxnordic.com/news/. The authorisation to repurchase own shares is valid until the Annual General Meeting of 2009.

Analyst coverage of Sanoma

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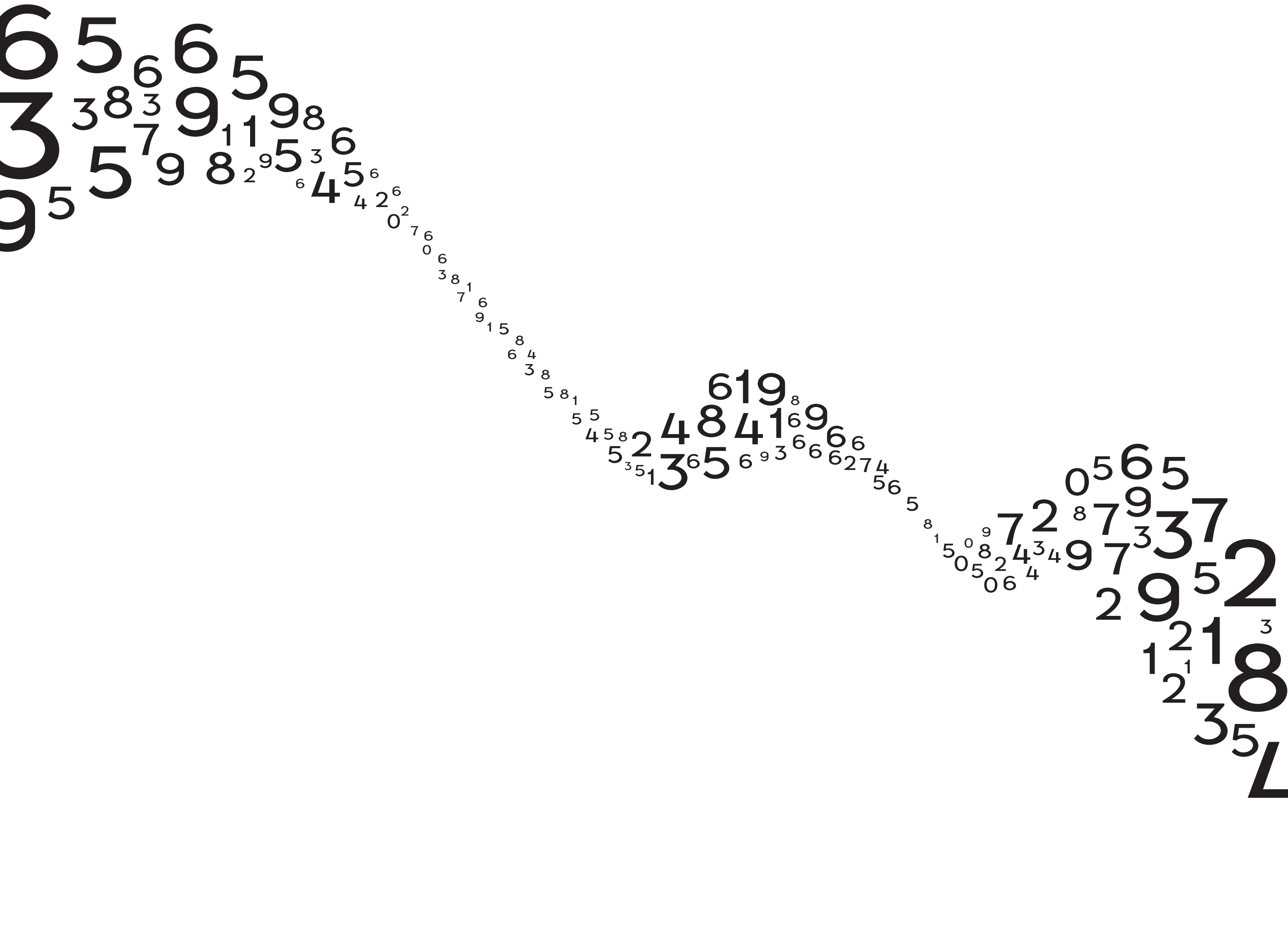

Sanoma

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