

ANNUAL REPORT 2012

GENERAL

The Jane and Aatos Erkkö Foundation was established in 2002 to support high-level international medical, technological and economic research. The Foundation also supports arts and culture as well as sports and physical education and well-being in order to promote the nation's interests. The Foundation's aims, based on its founding charter, reflect the values of its founders and are broad-based to allow the Foundation to provide answers to the needs of a changing world.

Aatos Erkkö – one of the Foundation's two founding members and its honorary chairman – died after a long illness on 5 May 2012. He chaired the Foundation's Board of Trustees from its founding until 2010, when he retired from his active duties in the Foundation. During his time as the chairman of the Foundation's Board of Trustees, Dr Erkkö established a strong basis and values for the Foundation's activities. Through personal donations and a testamentary disposition, Dr Erkkö provided the Foundation with a strong financial base, which has allowed the Foundation to develop and expand its activities.

DONATIONS

The Foundation's donations grew substantially during the year under review. The number of contacts with the Foundation is on the rise, and the number of applications for grants and scholarships nearly doubled in comparison to the year before (approximately 470 in 2012, in comparison to 262 in 2011). The continuous development of operations and activities has allowed the Foundation to make manifold increases in the amount of donations it grants.

In 2012, the Foundation's grants totalled EUR 9,024,400, or double the amount of donations granted a year before.

The distributed grants are specified in Appendix 1.

Beneficiaries are selected in accordance with the goals of the founding charter, and the allocation of grants to more large-scale projects continues. The Foundation has directed donations to scientific research which gives Finnish researchers increasingly better opportunities to attain international standards and international status. The broad purpose of the Foundation's founding charter is observed when making decisions concerning beneficiaries.

The Foundation processes applications for donations on a continuous basis. Preparations are flexible and the Foundation's secretary general has met the applicants or team leaders of all major beneficiary projects in person. The electronic application system has increased both the efficiency of the Foundation's operations as well as the execution of donation decisions.

The Foundation requires successful applicants to submit reports on their project's progress and results.

The beneficiaries of the donation or grant must report the results of their project annually (for long-term donations) or once the project has been completed (for short-term donations). Beneficiaries are also required to submit annual reports on their spending to the Foundation.

The Foundation reports on its activities openly, thereby allowing its operations to be monitored as closely as possible. Its website details all publicly available information, such as the Foundation's goals pursuant to its founding charter, the Foundation's bylaws, the members of its Board of Directors and Executive and Financial Committees, as well as the Foundation's annual report and profit and loss statements. The website also contains information about any donations granted.

When submitting an application to the Foundation, applicants provide personal information. This information is entered into a personal data register. Information on the Foundation's privacy policy concerning its registers of applicants and recipients is available on its website.

INCOME STATEMENT AND INVESTMENT ACTIVITIES

General

Aatos Erkkö's will left the stocks and bonds he owned to the Foundation. The will was executed on 3 October 2012, when all Sanoma shares, as well as all other domestic and international stocks and bonds owned by Dr Erkkö, were transferred to the Foundation. In addition, the Foundation gained ownership of the share capital of Oy Asipex Ab.

Following the execution of the will, the structure of the Foundation's assets was as follows. The market value of the diversified investment assets in the direct ownership of the Foundation totalled EUR 101 million, the market value of the Sanoma shares (37,483,619 shares, or 23.02 per cent of shares and votes) owned by the Foundation totalled EUR 279 million and the market value of the investment portfolio of Asipex Group totalled EUR 357 million. The combined market value of the foregoing totalled EUR 737 million. Some 89 per cent of the assets are invested in shares.

Income statement

The expense deficit of actual operating costs amounted to EUR 9.2 million (EUR 4.6 million in 2011), of which grants and donations accounted for EUR 9.0 million (EUR 4.4 million). Operating costs during the period totalled EUR 0.3 million (EUR 0.3 million).

The donations received through the legacy of Aatos Erkkö totalled EUR 559.0 million. Dr Erkkö's donations to the Foundation the year before totalled EUR 20 million.

The book profit of the Foundation's investments during the operating year was EUR 6.6 million (expenses of EUR -3.3 million). The largest items comprised investment write-ups in the amount of EUR 3.4 million (write-downs of EUR -5.4 million) and profit shares in funds, which amounted to EUR 2.5 million (EUR 2.5 million).

The surplus for the 2012 financial period was EUR 556.5 million (surplus of EUR 12.1 million). The legacy excluded, the deficit for the financial period stood at EUR -2.5 million (deficit of EUR -7.9 million). The amounts of donations granted in 2011 and 2012 exceeded the net yield from investments.

Investment activities

The total return on the Foundation's investments in 2012 amounted to 12 per cent, or EUR 11.3 million (-8 per cent, or EUR -7.3 million in 2011), when accounting for unrealised change in market value. The return on share investments was 15 per cent (-11 per cent) and the return on fixed-income investments was +5 per cent (+1 per cent). In absolute terms, the results of investment activities were excellent, and the yield on share investments surpassed benchmarks.

The yield review does not account for the Sanoma shares and Asipex Group received as legacy at the end of the year.

At the turn of the year, the market value of the Foundation's assets (including Asipex Group for the year 2012) was EUR 737 million (EUR 88.4 million). Share investments accounted for 89 per cent (67 per cent) and fixed-income investments for 11 per cent (33 per cent) of the total.

Sanoma shares

The Foundation received 25,680,076 Sanoma shares as a legacy.

Furthermore, the Sanoma shares owned by Oy Asipex Ab – totalling 11,803,543 shares – were acquired to the Foundation's direct ownership with a stock exchange transaction concluded on 31 October 2012.

All in all, these 37,483,619 shares represent 23.02 per cent of all Sanoma shares and voting rights.

Oy Asipex Ab Group

The entire share capital of Oy Asipex Ab was transferred to the ownership of the Jane and Aatos Erkko Foundation in the will of Aatos Erkko. The company's registered office is located in Helsinki. It has full ownership of its Swiss subsidiary Asipex AG.

The company's investment activities and risk management comply with the investment policy adopted by its Board of Directors.

Calculated at market value, the total yield of Asipex Group's portfolio investments in 2012 was +14 per cent (-9 per cent). The corresponding yield from share investments was +18 per cent (-9 per cent). The 2012 yield in the stock market clearly surpassed benchmarks and was excellent.

The Group's net sales totalled EUR 62.1 million (137.6). The majority of net sales derived from securities trading. Operating profit amounted to EUR 14.0 million (operating loss -10.4). The Group's financial income totalled EUR 87.0 million (12.7) which, in addition to income from dividends, consisted primarily of the sales profit (EUR 79.9 million) gained through the sale of Sanoma shares to the Jane and Aatos Erkko Foundation. The operating profit for the period totalled EUR 79.6 million (operating loss -0.2) after taxes.

At the end of the review period, the consolidated balance sheet totalled EUR 360.1 million (276.8). The Group's equity amounted to EUR 340.4 million (276.3) and its equity ratio was 94.5 per cent (99.8 per cent). The book value of shares and funds in current assets at the end of the year was EUR 274.3 million (243.0), while their market value was EUR 314.5 million (268.7). A tax provision

in the amount of EUR 19.2 million for the income tax for the reporting period is recognised under deferred liabilities.

The Group's average number of personnel during the period was four people.

Mrs. Jane Erkkö is entitled to dividends distributed for the shares of Asipex Group and for 25,680,076 Sanoma shares. This entitlement has no material significance on the Foundation's operating conditions.

Risk management

The primary goal of investment activities is to retain and increase the long-term real value of the Foundation's assets. The Foundation's investment activities also aim to secure a steady cash flow and sufficient liquidity for its core operations. With a long investment horizon, the Foundation's investment strategy is share-orientated (share orientation at the end of the year was 89 per cent), and the investment portfolio is not generally protected.

Short-term fluctuations in exchange rates are not relevant to the Foundation when the goals rest on long-term real yield and cash flow.

In line with the Foundation's investment strategy, its investments are spread geographically and by sector, company and currency. The Foundation's investments are in liquid securities and funds that can be realised quickly. In other words, the Foundation has a very low funding and liquidity risk.

The domestic and international economic situations are reflected in the Foundation's investments. The risks are mainly related to the general market risk, that is, the performance of international stock markets and dividend income over the long term.

Assets have been managed and investments have been made in line with the investment policy approved by the Board of Trustees. Matters related to investments have been processed by the Financial Committee.

ADMINISTRATION

Board of Trustees

The Chairman of the Board is Nils Ittonen. His term of office will last until the next annual meeting. Jane Erkkö continues as Vice Chair of the Board.

Jaakko Rauramo, Sakari Alhopuro and Heli Rahka were re-elected to the Board as members. The Board members' term of office will last until the next annual meeting. The Board convened five times during the operating year.

Financial Committee

In its annual meeting held on 28 March 2012, the Board of Trustees appointed a Financial Committee with Nils Ittonen as Chairman and Marja Leskinen and Karl Tujulin as members.

The Financial Committee closely follows developments in financial markets and general economic trends, and acts within the framework of the investment strategy adopted by the Board of Trustees. The Financial Committee convened four times during the operating year.

Executive Committee

In its annual meeting held on 28 March 2012, the Board of Trustees appointed Nils Ittonen as Chairman of the Executive Committee and Jane Erkkö and Marja Leskinen as members of the Committee.

The Executive Committee prepares matters for the Board to decide on. The Committee convened four times during the operating year.

Officials

Marja Leskinen is the secretary general of the Foundation, and Dita Eklund serves as a part-time clerical employee.

AUDITING

In its annual meeting held on 28 March 2012, the Board appointed Johanna Perälä, M.Sc. (Econ.), APA, and Samuli Perälä, M.Sc. (Econ.), APA, as the Foundation's auditors, along with Sari Airola, M.Sc. (Econ.), APA, and Henrik Sormunen, M.Sc. (Econ.), APA, as deputy auditors.

OUTLOOK FOR 2013

A controlled increase in the amount of donations to be granted during any particular year continues even as the Foundation's assets have grown. The beneficiaries are selected in accordance with the goals of the founding charter, and the allocation of grants to more large-scale projects will continue. The Foundation continues to seek beneficiaries whose support will in turn promote high-level scientific research on par with international standards.

Activities during the operating year will focus on the investigation and preparation of grants for projects that are in line with the Foundation's goals, as well as on any related decisions. Operations will also include monitoring and oversight of the donations and scholarships granted. Preparations for the transfer to a fully electronic archive will get under way.

The Foundation's financial situation and its effect on the return on investment assets are considered when making decisions about donations.