



talentum annual report 2005

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information for shareholders

Shares

Talentum Oyj shares are quoted on the Main List of Helsinki Stock Exchange. The trading code for the shares is TTMV1 and the ISIN code is FI0009900898. Talentum Oyj and Nordea Securities Oyj have concluded a market making agreement, which fulfils the requirements of Helsinki Exchange's Liquidity Providing (LP) operation.

The share register is maintained by Finnish Central Securities Depository Ltd. All public information concerning the company's shares and a register of those with insider information is available at Finnish Central Securities Depository Ltd.

A list of the major shareholders of Talentum Oyj is on page 28 of this annual report.

Dividend

The Board of Directors proposes that a dividend of EUR 0.30 be paid for 2005. The date of record for dividend payment is 31 March, 2006 and payment shall be made as of 7 April 2006.

Annual General Meeting

The Annual General Meeting of Talentum Oyj will be held on March 28, 2006 at 2 p.m. at Scandic Marski, Mannerheimintie 10, Helsinki.

Shareholders wishing to attend the AGM must notify the company's office thereof no later than 4 p.m. on 24 March 2006, either in writing to Talentum Oyj, Share Register, P.O. Box 920, FIN 00101 Helsinki, Finland, or by telephone to (+358 0) 20 442 4388, or by e-mail

to info@talentum.fi. Letters must arrive by the deadline. Please send any proxy documents with the notification of attendance.

Share and shareholder register

Talentum Oyj's share and shareholder register is maintained by Finnish Central Securities Depository Ltd.

Shareholders should notify changes of holdings, personal details and addresses to the account operator that maintains their book-entry account.

Financial information in 2006

Talentum Oyj will publish quarterly financial information in 2006. The interim reports will be published on 27 April, 21 July and 27 October.

Annual reports and releases can be ordered from Talentum, Communications, P.O. Box 920, 00101 Helsinki, Finland and by e-mail from info@talentum.fi.

The annual report and company's releases are also available on Talentum's website, www.talentum.fi.

The annual report is published in Finnish and English. In case of doubt the Finnish version is authoritative.





a media company focused on professionals

The media company Talentum produces journals, professional literature, seminars and network content for professionals in different fields: economists, engineers, lawyers, doctors, and IT and marketing experts in both Finland and Sweden. Talentum's media content is geared to the needs of the target groups and produced by journalists with solid professional credentials. Journals published by Talentum have a readership of about 1,100,000, while its services are used by 2,000 marketing professionals.

In Finland, the publishing activities of Talentum are the responsibility of Talentum Media Oy, while in Sweden they come under Talentum Sweden AB (Ekonomi&Teknik Förlag). The Talentum Group also comprises the Varesvuo Partners subgroup, which produces advertisement films and TV programmes, Talentum Premedia Oy, which produces graphical and digital communications services, and Suoramarkkinointi Mega Oy, a specialist in the tele-selling of journals in Finland and the Baltic States.

Talentum is continuously improving its operations, puts high priority on the well-being of its staff and emphasizes cost effectiveness. High quality and a development-oriented personnel make Talentum a leading Nordic producer of content and marketing services.

net sales



key indicators for the group

EUR MILLION	2005	2004
Net sales (*)	103.3	96.4
Operating profit (**)	20.4	9.3
Financing items	-0.5	0.01
Net profit for the year	17.9	6.3
Gross investments (***)	28.5	9.0
Shareholder's equity + minority interest	43.3	32.9
Equity ratio %	48.84	42.3
Net gearing %	-16.5	-22.3
Balance sheet total	90.5	78.5
Earnings per share Eur	0.42	0.15
Dividend per share Eur	0.30/**	0.15
Average per personnel (***)	1202	1203
Net sales per employee 1000 Eur (***)	102	100

*) net sales excluding discontinued operations

**) board proposal

***) including discontinued operations

main events in 2005

2005 was a successful year for Talentum in many ways. The Group's structure became clearer through corporate restructuring, Publishing strengthened its position and Talentum became a significant Nordic operator in the media sector.

In September, Talentum sold its complete holding in Satama Interactive, which it had set up in 1997 and listed on the NM list of the Helsinki Stock Exchange in 2000. The sale price was EUR 23 million and the profit from the sale was EUR 10 million.

In October, Talentum bought the Swedish Ekonomi&Teknik Förlag for a total sale price of around EUR 17.4 million, of which EUR 11 million was in cash and EUR 6.4 million as Talentum shares.

Publishing accounted for 63% of Talentum's net sales in the final quarter of the year.

Publishing improved its financial performance during the year and is doing extremely well; its level of profitability (EBIT) of 17.1% is good.

In September, Publishing changed over to a sector-based matrix organization to speed up growth.

The integration of Talentum Finland and Talentum Sweden's publishing operations got underway and cooperation looks promising.

Measures to improve the efficiency of Premedia continued.

The financial performance of Varesvuo Partners improved towards the end of the year and the programmes were very successful.



review by the ceo



Successful year in many ways

2005 was a successful year for Talentum in many ways. Two events during the year stand out above the rest: the sale of Satama Interactive's shares in Finland and the acquisition of E+T, Ekonomi & Teknik Förlag in Sweden. The Talentum Group's structure became clearer and publishing took its first significant step towards creating international operations.

Satama's shares were sold in cash, and in our opinion for a relatively good price at 23 million euros. Correspondingly, we invested 11 million euros in cash and 6 million euros in own shares for the acquisition of our publishing business in Sweden. Because E+T's operations have not been very profitable over the last few years, the purchase price in relation to net sales was quite reasonable.

Our aim is to achieve rapid growth in the turnover of our Swedish operations and in this way get profitability back on track. However, a degree of patience will be required, because we want to turn especially Talouselämä's sister magazine, Affärsvärlden, into the clear market leader and this will take a few years. We believe, however, that Talentum's operations in Finland and Sweden have so many similarities that cooperation will strengthen us in both countries and good results will soon start to show. Net sales in Sweden have clearly turned upwards even during our first four months of cooperation.

The year under review was also primarily successful for Talentum's established businesses. Publishing improved its financial performance again during the year and is doing particularly well, which is reflected in the operating profit level of 17 per cent. The introduction of

a sector-based organization in September was the next step in our quest for growth and for providing new products and services for our customers.

Sales of Talentum magazines held up well compared with our competitors, and we are not aware of any external factors that would prevent our competitive advantage from remaining good in the future. Book publishing and training also fared very well. If the operations continue equally well, then our success will continue, too.

The profitability of Direct Marketing, that does a fine job in supporting Publishing, was excellent and the division's growth increased rapidly toward the end of the year.

TV Content Production continued to make quality programmes, winning awards and praise, although profitability still remained modest. The financial performance improved towards the end of the year when the production companies successfully rationalized their operations.

There were also disappointments in the otherwise successful year. The financial performance of the Premedia division did not improve in spite of the many corrective measures implemented, and we were sadly forced to resort to reducing staff. As a result of the measures taken, the financial performance is expected to improve towards the end of 2006.

The integration of operations in Sweden and Finland has gone smoothly. Management and working practices together with systems have been unified. Numerous opportunities for

cooperating and developing joint products or sharing best practices have been come to light in our publishing operations. Cooperation will be intensified towards the end of the year and especially in the publishing programme for 2007. At a practical level, cooperation between the operations of Talentum Sweden and Talentum Finland has become part of daily life. Integration has required Talentum's employees to show flexibility and work hard, in addition to carrying out their everyday work. I would like to take this opportunity to thank the staff for their good work, flexibility and attitude.

Shareholders can also take pleasure in Talentum's successful year. Talentum's share price rose 25% during the year and the Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.30 per share be paid, which is double the sum compared with the previous year and 8% on the closing price of the year.

Great changes are still taking place in the media sector. There is a declining trend in newspaper reading. There is an increasing number of television channels and audiences are fragmenting, leaving no single channel in a position of power. The importance of online services is increasing rapidly. Magazines and the online services and events supporting them are strong and a winning combination in the changing media environment, which will create the best opportunities for Talentum to succeed exceptionally well in the future, both in Finland and abroad. 2006 will be an interesting year ahead for Talentum.

Harri Roschier

strategy and areas of operational focus

Mission

Linking professionals

Vision

To be Scandinavia's largest and most profitable publisher of professional literature. Talentum's areas of operation are Scandinavia and the countries of Eastern Europe.

Talentum aims to be the leading content provider among professionals and the leading media partner among marketing professionals.

Strategy

Talentum's strategy is to produce a portfolio of magazines, books, online services and events based on our customers' business sectors, which will be managed as a unified service.

Talentum aims to be:

- More focused than its competitors.
- The market leader in selected business areas.
- To grow rapidly and be profitable.

The Talentum Way

- We want to earn the respect of our customers.
- We respect the individual and value cooperation.
- We operate cost-efficiently in everything we do.

The Talentum Group's strategy is revised every year for approximately the next three years ahead and the annual budget directs the operational activities in line with the strategy. In 2005, Talentum decided on a strategic policy to grow its publishing operations more rapidly than before. The aim is that through a combination of organic growth and corporate acquisitions, the share of consolidated net sales accounted for by Publishing will be around 80% in 2008.



business areas

publishing

Publishing accounts for 56% of the Talentum Group's net sales.

Publishing performed very well and net sales increased 23.6%. Magazine publishing's net sales increased 24.2% compared with the previous year and book publishing 3.7%. Growth was achieved through corporate acquisitions and by concentrating on diversifying and developing magazines, books and services.

Talentum's magazines and books are printed in Finnish and Swedish magazine and book printing presses. Prepress production and quality control of Talentum's magazines published in Finland are managed by Heku and Faktor, which are part of the Group's Premedia division.

In August, Talentum's publishing activity was organized into a sector-based operating model. The sectors are the Business, Industry and IT, Law and Health. The magazines, books, online services, training and events in each sector now operate together, serving readers and customers in their own sector better than before.

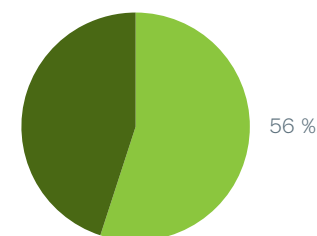
Talentum consolidated its position as a significant Nordic publisher of trade journals by acquiring the Swedish publisher E+T, Ekonomi & Teknik Förlag AB (nowadays Talentum Sweden AB) in October.

The acquisition of Ekonomi & Teknik Förlag AB was a significant step for Talentum towards strengthening its publishing operations and expanding into new market areas. The company's most successful magazines, Ny Teknik and Affärsvärlden, are so similar to Talentum's equivalent titles (Teknikka & Talous and Talouselämä) that cooperation will bring operational benefits in both countries. For example, there are elements in book publishing, online operations and job advertising that will help business operations in Sweden to grow. Product development in the future will be implemented more successfully by working together rather than separately. Furthermore, selling advertising internationally is an area where combining will probably bring benefits to both parties.

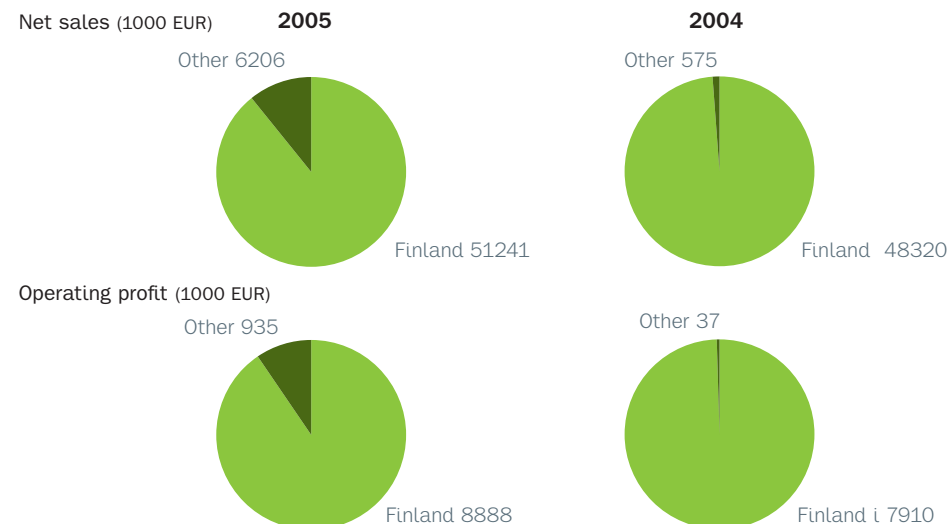
PUBLISHING	2005	2004
Net sales, EUR million	57.4	48.9
Operating profit EBIT, EUR million	9.8	7.9
% of net sales	17.1	16.2
Average number of employees	308	268

Foreign subsidiaries
Talentum Sweden AB, Sweden
Conseco Press OOO, Russia

share of talentum group's net sales



geographical distribution





publishing

magazine publishing

The goal of every Talentum magazine is to be the market leader in its sector in the country in which it is published.

Talentum publishes a total of 15 magazines and their readers come from the business world, especially professionals in finance, marketing and advertising, IT, engineering and industry, as well as health care professionals. In Sweden, the readership includes those working with employment legislation.

Business

Arvopaperi

The Arvopaperi magazine is not just a monthly magazine, but a magazine that actively operates on many fronts. Arvopaperi magazine's Internet service is a forum for discussion on the day's stock exchange topics, investor tours organized in the provinces bring companies closer to investors, and service companies and investors meet at breakfast seminars.

Arvopaperi magazine, together with the Talouselämä magazine, produce the Perjantaipörssi slot (Friday exchange) for the morning TV programme on Channel YLE1, in which, apart from reviewing the week's happenings on the stock exchange, people making the news are interviewed.

Arvopaperi celebrated the 25th anniversary of its publication in 2005.

Affärsvärlden

Affärsvärlden is Sweden's leading, most respected and in-depth financial magazine that is published weekly. The magazine, which is highly rated by its readers, contains company analyses and news about developments on the stock exchange. The circulation of Affärsvärlden increased significantly in 2005 as the SIF trade union, one of the largest in Sweden, ordered the magazine for its 20,000 members.

The Affärsvärlden Internet site, along with the magazine itself, contains the top stories of the day, features of people in the news together with commentaries and opinions.

Affärsvärlden, together with the Ny Teknik magazine has started publishing a monthly lifestyle supplement called Passion, which, as the name suggests, contains features and issues that concern readers' daily lives as well as subjects that are out of the ordinary.

Fakta

Hannu Ollikainen was appointed editor-in-chief of Fakta magazine at the start of 2006 on the retirement of Timo Holtari, who had piloted the magazine as editor-in-chief since 1991.

Fakta focuses on management, leadership, key personnel and entrepreneurs. Some of the magazine's most in-depth reports are articles published in conjunction with The Harvard Business Review. Fakta is preparing to celebrate the 25th anniversary of its publication in 2006.

Markkinointi & Mainonta

Markkinointi & Mainonta is the leading magazine in its field, and is the organ for advertising, marketing and sales.

Markkinointi & Mainonta organizes important networking events, M&M evenings, about once a month. In 2005, M&M evenings were held in Turku, Tampere and Oulu, in addition to those in Helsinki. The 'high position' camp will be held in the early spring and the 'low position' camp at the end of the summer.

Markkinointi & Mainonta has a group subscription agreement with the Finnish Marketing Federation, and cooperation with the Federation is undertaken in several areas and in a way that benefits professionals working in the sector.



magazine publishing

Talouselämä

Talouselämä is the largest weekly economic journal in Scandinavia. The magazine's profiles, precise company analyses and reports on the economy that are of interest to readers make the magazine indispensable. The annual 'Talouselämä Top 500' is one of the magazine's most popular special issues, which is also published as a separate book.

Talouselämä magazine also organizes, for example, the Talouselämä Economic Seminar (previously Finance Seminar), which has become a significant annual event for participants.

Talouselämä sends a daily newsletter to 64,000 subscribers and together with Arvopaperi sends an investor newsletter once a week to 42,000 subscribers.

Talouselämä magazine has over 220,000 readers and its Internet site gets 46,000 hits a week.

In March 2006 Pekka Seppänen, editor-in-chief, was awarded the Suuri Journalistipalkinto of Bonnier AB, and nominated Journalist of the Year 2005.

Industry and IT

Tekniikka & Talous

Tekniikka & Talous is Finland's largest weekly magazine for industry and technology. Tekniikka & Talous is a news magazine that reports on the latest R&D trends, on industrial activity and success and on Finnish success stories and the people behind them. The magazine's core group of readers comprise graduate engineers and engineers. T&T is an effective advertising tool for this readership and Uratie a good recruitment channel.

Tekniikka & Talous sends a daily newsletter to 32,000 subscribers and organizes seminars and events.

Uratie is a service for employers and jobseekers and provides tips to those wanting to get ahead in their careers.

Ny Teknik

Ny Teknik is the largest industrial and IT sector newspaper in Sweden. Ny Teknik is a weekly newspaper with a readership of over 160,000. The paper comes in two parts; the first section concentrates on industry and technology and the second section on IT and the tele-

com sector. In addition, the paper has a Ny Teknik Jobb section, which makes the paper the leading recruitment medium for industrial, technological and IT jobs in Sweden. Ny Teknik Jobb is also available on the Internet. Ny Teknik organizes seminars and events on current issues in the sectors relevant to the magazine.

Metalliteknikka

Metalliteknikka is Finland's largest industrial sector trade journal with a faithful readership and stable circulation.

Energia

Energia magazine is the leading trade journal for the Finnish energy industry, and it actively monitors the sector in Finland and abroad. In September, Energia magazine reached its 20th anniversary and to mark the event organized an anniversary seminar in Helsinki. Arja Haukkasalo started as the magazine's new editor-in-chief at the beginning of November.

Ympäristö+tekniikka

Every year environmental issues are becoming increasingly important for industry. Ympäristö+tekniikka, which is published six times a year, complements analysis of the sectors covered by other Talentum magazines.

MiljöRapporten

MiljöRapporten is published in Sweden and monitors environmental and energy issues, legislation and international events in all areas of industrial and business life. The magazine is published 12 times a year and its readers especially comprise employees in industry and business who are responsible for environmental matters and environmental authorities.

Tietoviikko

Tietoviikko builds a bridge between IT and business. Tietoviikko profitably increased its circulation and took its place as the clear market leader.

Tietoviikko's online service grew dramatically against all measures in 2005. The number of hits on the service increased by over a third on the previous year to an average of 36,000 a month. Tietoviikko also has over 36,000 subscribers to its daily newsletter.

Tietoviikko expanded its offering of events more towards large user organizations by organizing the 'Chief Information Officer of the Year' contest. The CIO of the year concept will be expanded further in 2006 through cooperation with Tietoviikko's corporate partners and the Helsinki School of Economics.



magazine publishing

MikroPC

MikroPC strengthened its position as the font of information on digital technology for enlightened consumers through a revamp of the magazine. The good economic development in 2005 will allow readers to be better served in 2006.

Law

Lag & Avtal

Lag & Avtal, which is published in Sweden, specializes in Swedish labour legislation and legal cases, and the issues involved are discussed in the journal's columns and Internet pages. In addition to the journal and Internet service, Lag & Avtal produces a newsletter that is available for subscription. Lag & Avtal is published monthly.

Health care

Mediuutiset

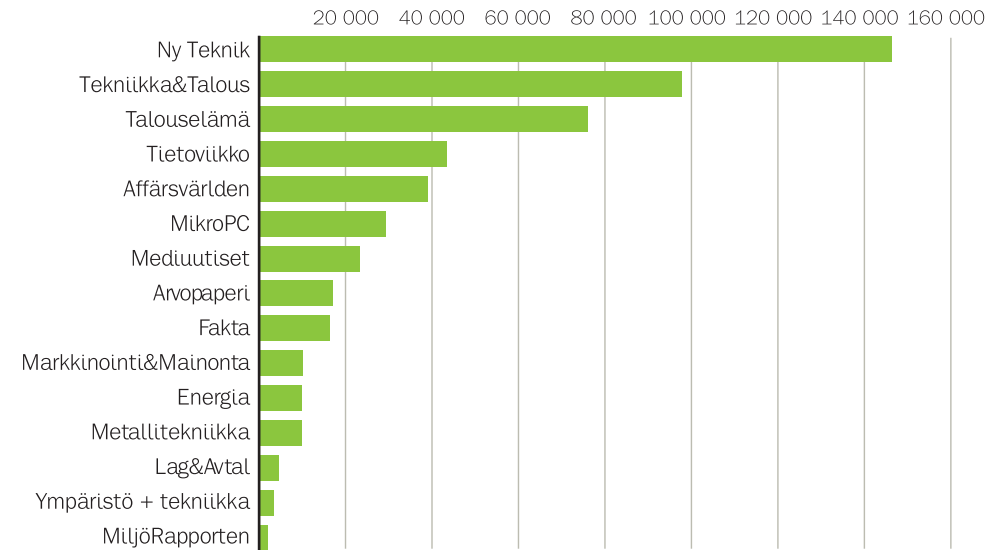
Mediuutiset magazine's circulation continued to grow. Mediuutiset is a valued and widely-read news magazine for doctors. The magazine's job adverts are also on the Uratie Internet service and in this way strengthen the position of Talentum's media as a diverse recruitment channel.

Uratie

The revamped Uratie, launched by Talentum in October, is a portal site in which several magazines, online services and newsletters form a complete package. Employers can inform the Uratie service of vacant positions, add company presentations and links to their own pages. Jobseekers, on the other hand, can save their own details on the service and can be notified of suitable vacant positions. The revamped Uratie Internet service, that went online in October, has an average of 400-500 adverts a month and during the first few months around 14,000 different hits a week were recorded on the site.

Job adverts can be placed in all Talentum magazines, although there is a substantial amount of advertising in the Tekniikka & Talous, Tietoviikko, Markkinointi & Mainonta magazines and in Sweden in the Ny Teknik magazine.

circulation / distribution of talentum magazines



International operations

Ekonomi & Teknik Förlag AB, nowadays Talentum Sweden AB, was bought by Talentum in October and is wholly owned by Talentum Oyj. The aim with Talentum Sweden is to try and increase interaction with Swedish operators in the same sector.

Talentum and the Swedish Medicine Today International, which is part of the Bonnier Group, own equal holdings in Mediuutiset Oy Ab, which publishes the Mediuutiset magazine in Finland. The title has sister publications in Sweden, Norway, Denmark and Poland.

Talentum owns half of Consec Press, which is involved in legal publishing in Russia. Consec Press is still a small company, but is nevertheless a profitable publisher of legal books.

Talentum's IT magazines and books have been engaged for a long time in cooperation with International Data Group (IDG), the world's largest IT publisher. Daily cooperation focuses on magazine editing and advertising sales. Book publishing also cooperates with IDG Books.

ENERGIA

ENERGIA-ALAN AMMATTILEHTI • 10 / 2005 TEKNIKA JA KAUSLEHTI

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Chile ajautui energiakriisiin

Turvettoutajat etsivät nyt uutta bisnestä

Mobiili-muruskaimet yleistyvät Suomessa

YMPÄRISTÖ

YMPÄRISTÖTEKNOLOGIAN ERIKOISLEHTI **+TEKNIikka** 6/2005

FAQ

Yhteiskuntavastuuraportti on hyvä vastaus useimpiin kysymyksiin, joita yleisesti toiminnaa esitetään. Sijittajat eivät siitä paljon kosu, koska raportoinnin aikaperspektiivi on liian pitkä.

Miljö Rapporten magasin

Etiska risker

Så tacklar klädföretag och revisorer leverantörskedjorna

Företag Arvskning ger vinst EU Alla fick utsläppsrätt ÅR 2005 Han köpte utsläppsrätt Flick Läs om miljö

TIVI TIETOVIIKKO

10.2.2006, NUMERO 5

IP ulkoistaa itse

TDC Song ja Finnet löysivät toisensa

3g ei ole Baltiassa

Kaikki it-tieto hallitaan

SSH mielitytti markkinoita

Id on in

Digigrapula iski Turkuun

Softa-testauksen puolesta

MPC

MIKROPC 2 INFORMATIOTEKNIKAN ASIAANTUNTIJA 7,50 €

TEEMANA TIETOTURVA

SPYWARE KURIINI!

Turvaa suoraan paketista

Biometrinen tunnistus

Virtuaalipalvelimen asennus

16.2.2006

Lag & Avtal

9 kapitlet, vers 3

Var och en har rätt till utbildning

MEDI UUTISET

Hammasjono juuttui valituksiin

He rahoittavat hoitoamme

Diabeteslääkitys heikentää näköä

URATIE

Markkinat myllerryksessä

Visionsa palkkasi 30 vuotta radiokäyttöaluetta



training and events

Talentum's training unit organizes professional training and seminars. Legal training organized under the name Lakimiesliiton Koulutus has been providing top-class legal training in Finland for 35 years. The training caters for lawyers but also for other legal and administrative professionals. Last year we organized a total of around 170 seminars and events. We extended our range of training into different areas of business life and arranged seminars on subjects such as management and personnel development.

Talentum together with SEFE, the Finnish Association of Graduates in Economics and Business Administration, put together the Ekonomipäivä 2005 seminar.

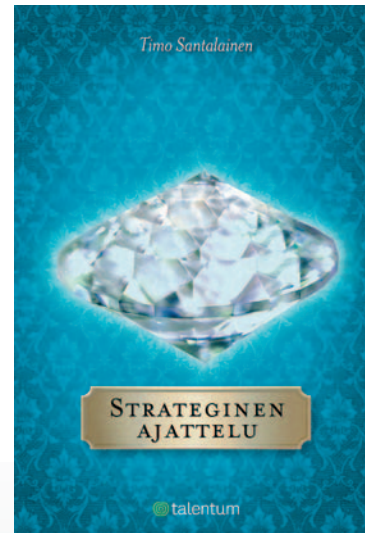
book publishing

During 2005, we published a total of around one hundred new titles and celebrated the 50th anniversary of the national statute books Suomen Laki (Finnish Law). The product family's successful titles, Suomen Laki I, II and III, Finlands Lag I and II and Verolait (tax legislation), went to the top of the bestsellers' list as they did the previous year.

Our strong position as a publisher of legal books was also reflected in the success of such new titles as Elinkeinoverolain kommentaari (A commentary on the Corporate Taxation Act) (Edward Andersson), Uusi vuosilomalaki käytännössä (The Annual Holidays Act in practice) (Harri Hietala, Keijo Kaivanto), Perintö ja lahjaverotus (Inheritance and gift taxation) (Pertti Puronen) and Sopimusoikeus III (Contract law III) (Mika Hemmo).

Kim Lindström's Menesty osakesijoittajana (How to be a successful investor), which sold more than 9,000 copies, was in a class of its own among business books along with Jim Collins' classic Hyvästä paras (Good to Great), Sinisen meren strategia (Blue Ocean Strategy), which was named the strategy book for the 2000s, and Kiltti tyttö ei pääse pomoksi (Nice Girls Don't Get the Corner Office), which has generated a lot of debate. At the end of the year we published the work Luovan luokan esiinmarssi (The Rise of the Creative Class) by Richard Florida, the guru on the creative economy, which Helsingin Sanomat ranked as one of the year's best works of non-fiction. The work will be followed up with a second instalment in Spring 2006 with the publication of Luovan luokan pako (Flight of the Creative Class).

Talentum's professional and legal books are sold in bookstores, by direct sales and via Talentum's online bookshop. Sales by the online bookshop grew 25% in 2005.



tv content production

TV CONTENT PRODUCTION	2005	2004
Net sales, EUR million	21.5	23.2
Operating profit EBIT, EUR million	0.6	0.2
% of net sales	2.8	0.9
Average number of employees	102	124

TV Content Production accounts for 20 per cent of Talentum Group's net sales.

Varesvuo Partners, which concentrates on TV content production, is a subsidiary made up of several companies that produce TV programmes and commercials. Varesvuo Partners is not affiliated to any TV channel and produces content for all channels and advertising agencies. In addition to its core areas, Varesvuo Partners Group also includes Ondine Oy, which focuses on producing classical music.

The volume of commercials produced in Finland decreased significantly during 2001-2005, although the situation now seems to have stabilized. The number of TV commercial production companies at Varesvuo Partners was reduced down to two from the five it had been a couple of years previously. Varesvuo Partners has successfully changed the focus of the company from commercials to producing television programmes. The measures that have been effected also started to show as improved financial figures towards the end of the year.

The Venla award is presented every year for the best television entertainment and drama. Programmes produced by Varesvuo Partners in 2005 were among the top three in nearly every category. Out of all the nominations, prizes went to the series Firma (Filmiteollisuus) and Tahdon asia (Production House).

Voitto is the Finnish commercials competition. There were 31 candidates on the shortlist for the Voitto competition in 2005, of which 10 were the Group's commercials.

The feature length film Tyttö sinä olet tähti produced by Helsinki-Filmi won a Jussi award and won the audience award for the best Finnish film of 2005.

premedia

PREMEDIA	2005	2004
Net sales, EUR million	21.0	21.2
Operating profit EBIT, EUR million	0.03	1.2
% of net sales	0.1	5.7
Average number of employees	228	203

Premedia accounts for 19 per cent of Talentum Group's net sales.

Premedia companies produce graphic and electronic services used in advertising and marketing by advertising and design agencies, printing houses and the media. Customers are increasingly producers of branded products and Premedia's digital asset management can help with their brand management. Premedia manages, for example, prepress production of Talentum's magazines and the quality before material is sent for printing.

In the spring of 2005, Talentum Premedia bought the entire share capital of Faktor and Faktor Tools. Faktor and Faktor Tools became wholly owned subsidiaries of Talentum Premedia. Faktor, which was set up in 2003, specializes in magazine prepress production and making the production process more effective. Faktor Tools specializes in digital asset management. Talentum Premedia became Finland's market leader in magazine prepress production with the acquisition of Faktor.

The services are brought together under the brand name Heku. Heku operates as the strategic partner for its customer companies in all areas of graphic production.





direct marketing

DIRECT MARKETING	2005	2004
Net sales, EUR million	7.2	6.9
Operating profit EBIT, EUR million	1.2	1.1
% of net sales	16.7	15.9
Average number of employees	326	310

Foreign subsidiaries

- Müügimeistrite AS, Estonia
- Telemarket SIA, Latvia
- Telemarketing UAB, Lithuania

Direct Marketing accounts for 5 per cent of Talentum Group's net sales.

Suoramarkkinointi Mega specializes in telemarketing. Suoramarkkinointi Mega's operations are profitable and successfully support sales of Talentum's magazines, books, online services and seminars.

In addition to Finland, Suoramarkkinointi Mega has operations in Estonia, Latvia and Lithuania. Mega has twelve outlets in Finland and the same number in the Baltic States.

personnel

The Talentum Group is an expert organization and its success is dependent on the performance of its staff. Its lean, non-hierarchical corporate structure provides everyone with an opportunity to take part in the development of the company.

Talentum has personnel in Finland, Sweden, the Baltic States and in Russia. The laws, decrees and regulations concerning employees and employers are observed in every country. The common principles followed in all Talentum's operations include Talentum's values, employee equality, the promotion of occupational health, the maintenance of professional skills and support for self-development.

A developing workplace

Talentum encourages its employees to train themselves, since personnel with a high level of professional skills and expertise are critical success factors for an expert organization such as Talentum. Cooperation across organizational boundaries, communication, leadership and management are still priority areas within the company.

The Group's supervisory training, which started in 2002, also continued in 2005. The training included sections on workplace communication, supervisory-level communication, interactive skills, performance management, employment legislation, personal development discussions as a management tool and management accounting. The subject areas for the training were chosen on the basis of a supervisory-level competence assessment. There were about 60 top-level managers and supervisors taking part in the scheme. According to research conducted by an external independent party, the training has produced results and supervisory-level competence is starting to be at a good level standards. The training in 2006 will be redirected to meet the needs of the company as it becomes more international.

We value individuals and cooperation

The annual employee survey is used to gauge satisfaction with Talentum as a whole, the employee's own division, supervisor and performance. Through the employee survey and systematically conducted personal development reviews, Talentum tries to ensure that employees have work that is of interest to them and that the working environment is motivating.

Incentive pay schemes

The Talentum Group has a performance-based pay scheme that varies by Group company, depending on the business area and job. The aim has been to find a motivating and fair scheme that is best suited to each business and job. The present system takes into ac-

count the financial performance of the Group as a whole, the financial results and operating profit of the company in question and the personal success, development and performance of the individual.

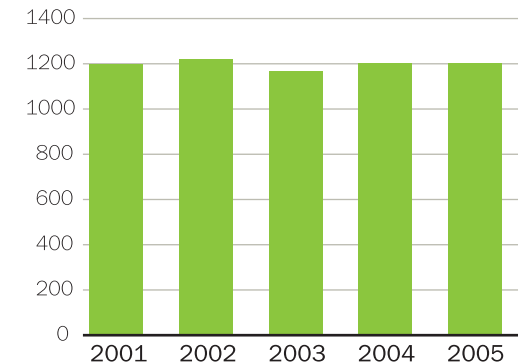
Equality in the workplace

Talentum promotes equality, which means the mutual equality of employees. Implementing equality is the responsibility of all employees. Talentum tries to implement equality between men and women, equality in all positions at all levels of the company and every salary level.

Talentum pension fund

Starting April 1, 2004, statutory employee pension insurance for employees of Talentum Oyj, Talentum Media Oy and Suoramarkkinointi Mega Oy has been organized by the Talentum Group's general pension fund. There are 600 employees that fall within Talentum's pension fund. Employee pension insurance for other employees in the Talentum Group is arranged by pension insurance companies.

personnel, average



GENDER	2005	2004	2003
Male	49 %	51 %	45 %
Female	51 %	49 %	55 %

AGE DISTRIBUTION	2005	2004	2003
<20 v	8 %	10 %	11 %
21 - 30	25 %	26 %	30 %
31 - 40	31 %	32 %	29 %
41 - 50	20 %	19 %	18 %
51 - 60	14 %	12 %	11 %
60 >	2 %	1 %	1 %



shares and shareholders

Talentum shares are quoted on Main List of the Helsinki Stock Exchange. Talentum shares were first quoted on the OTC list (now the I-list) in 1988. The shares moved to the Main List on 1 December 1998. The code for the shares is TTM1V. The company's shares are not traded on any other stock exchange.

Talentum Oyj's issued stock stands at 44 220 817 shares. The shares are included in the book-entry securities system. All the shares are in a single series and each share confers equal entitlement to vote at company meetings and to identical dividend rights. However, Talentum Oyj's Articles of Association include a clause on redemption obligations and restrictions on voting rights.

The total turnover of Talentum shares in 2005 was 35,357,125 shares, representing 80.3% of all shares.

Dividend policy

Talentum Oyj follows an active policy on dividends. In 2004 a dividend of EUR 0.15 was distributed. For 2005, the Board of Directors is proposing to the Annual General Meeting that a dividend of EUR 0.30 per share be distributed.

The factors affecting dividends are the amount of distributable equity, the absolute and relative net profit for the year, the company's cash flow from business operations, the requirement for capital expenditure in the near future, and the outlook for the future.

Investor relations

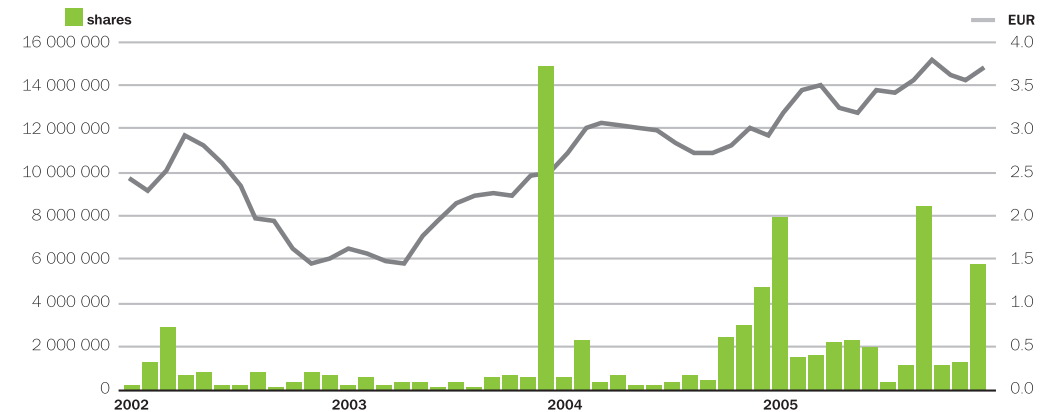
It is the aim of Talentum's investor relations to ensure that the market receives accurate information on the Talentum Group's business and its future prospects. Talentum serves investors and analysts by arranging meetings with the management. Bulletins issued to the market can be seen at the company's website www.talentum.fi.

In all our disclosures, we aim for transparency.

MAJOR SHAREHOLDERS, 31 DECEMBER 2005

	Total shares	% of shares and voting rights
1. Kustannusosakeyhtiö Kauppalehti (Alma Media Corporation)	13 200 000	29.85
2. Keskinäinen Vakuutusyhtiö Eläke-Fennia	1 960 000	4.43
3. The Association of Finnish Engineers	1 693 900	3.83
4. Dia-Tieto Oy (The Finnish Association of Graduate Engineers TEK)	1 598 138	3.61
5. Oy Herttakuutonen Ab	1 208 100	2.73
6. Nordea Bank Finland Abp	1 146 200	2.59
Nordea Life Assurance Finland Ltd	1 023 050	2.31
7. Veikko Laine Oy	1 145 600	2.59
8. Nordea Fennia Fund	915 464	2.07
9. Thominvest Oy	710 000	1.61
10. Evli-Select Equity Fund	700 000	1.58
11. Nordea Fennia Plus Fund	625 100	1.41
12. Nordea Pro Finland Fund	549 600	1.24
13. Mandatum Finnish Small Cap Fund	413 700	0.94
14. Gyllenberg Finlandia Fund	393 900	0.89
15. Suomen Tukkukauppiaiden liitto ry	339 396	0.77
16. Sampo Finnish Equity Fund	328 100	0.74
17. Berling Capital Oy	255 000	0.58
18. Korkeamäki Vilho	247 000	0.56
19. Tekniska Föreningen i Finland Stiftelse	241 974	0.55
20. Alfred Berg Finland Fund	214 898	0.49
Nominee-registered shares	3 138 882	7.10
Other shareholders, total	12 172 015	27.52
Issued stock	44 220 817	100.0

share price and trading



SHARE DISTRIBUTION 31 DECEMBER 2005

By size of holding	Shareholders	% of shareholders	Shares	% of shares and votes
1 - 100	404	9.55	27 619	0.06
101 - 1 000	2 145	50.69	1 115 453	2.52
1 001 - 10 000	1 486	35.11	4 579 536	10.36
10 001 - 100 000	159	3.76	4 337 444	9.81
100 001 - 10 000 000	37	0.87	20 885 981	47.23
10 000 000 - 999 999 999	1	0.02	13 200 000	29.85
Waiting list	0	0	0	0
Joint account			74 784	0.17
Total	4 232	100	44 220 817	100

OWNERSHIP SDISTRIBUTION 31 DECEMBER 2005

	Shareholders	% of shareholders	Shares	% of shares and votes
Companies	366	8.6	20 327 749	46.0
Financial and insurance corporations	34	0.8	7 203 950	16.3
State and local authorities	19	0.4	2 519 265	5.7
Non-profit organizations	82	1.9	3 654 988	8.3
Private persons	3 710	87.7	6 843 827	15.5
Foreign (including nominee registrations)	21	0.5	3 596 254	8.1
Others (joint account)			74 784	0.2
Total	4 232	100.0	44 220 817	100.0

SHARE CAPITAL INCREASES 1994 – 2005

		Number of A shares	Number of B shares
1993		1 081 000	916 000
1994	Bonus issue	1A/1B : 1B	1 997 000
1996	Bonus issue	1A/1B : 1B	3 994 000
1998	Bonus issue	1A:1A, 1B:1B	6 907 000
1998	Targeted issue	1A/1.16	-
		2 507 920	13 814 000
Combined, series A and B			+ 2 507 920
	Total number of shares 31.12.1998		16 321 920
1999	Stock option plan		792 400
	Total number of shares 31.12.1999		17 114 320
2000	Targeted issue/Kauppakaari Oyj		2 801 495
2000	Stock option plan		71 600
	Total number of shares 31.12.2000		19 987 415
2001	Stock option plan		112 100
	Total number of shares 31.12.2001		20 099 515
2002	Stock option plan		18 700
	Total number of shares 31.12.2002		20 118 215
2003	Stock option plan		713 800
	Total number of shares 31.12.2003		20 832 015
2004	Stock option plan		1 200
2004	Targeted share issue/Suomen Arvopaperimediata Oy		408 475
2004	Bonus issue		21 241 690
	Total number of shares 31.12.2004		42 483 380
2005	Targeted share issue/ former owners of Suomen Arvopaperimediata Oy		67 796
2005	Targeted share issue to the owners of Ekonomi & Teknik Förlag AB		1 669 641
	Total number of shares 31.12.2005		44 220 817

corporate governance

According to Talentum Oyj's Articles of Association, the company's decision-making bodies are: the General Meeting of Shareholders, the Board of Directors and the Managing Director.

Talentum Oyj complies with the Corporate Governance Recommendation for Listed Companies issued in December 2003 by the Central Chamber of Commerce, the Confederation of Finnish Industry and Employers, and HEX Plc (Helsinki Exchanges). This Recommendation took effect on July 1, 2004.

The Talentum Group employs Guidelines on Governance which contains stipulations on the composition and decision-making process of Group subsidiaries and sub-groups. The Guidelines stipulate, for instance, what size of investment, change in business areas and corporate restructuring must be placed before the Group's Board of Directors for decision.

General Meeting of shareholders

The Annual General Meeting of Talentum shareholders must be held annually by the end of June. The Board of Directors convenes the General Meeting by publishing a notice in at least two newspapers chosen by a General Meeting not more than two months and at least seventeen days before the date of the meeting. In order to attend a General Meeting, shareholders must register with the company not later than the date stated in the invitation to the meeting.

According to the Articles of Association, a shareholder may exercise at a General Meeting total votes representing a maximum of 1/6 of the company's total shares. If subsidiaries in the same group, enterprises and/or the pension foundation or fund of such companies jointly own shares representing more than 1/6 of the total votes, the votes that can be exercised at a General Meeting by virtue of these shares may only derive from shares carrying a maximum of 1/6 of the total votes.

The Board of Directors

The Board of Directors is elected by an Annual General Meeting for a term of office of one year. The Chairman and the Deputy Chairman of the Board are elected by an Annual General Meeting.

Charter of the Board of Directors

The Board of Directors' charter directs the Board's work and supplements the other regulations to be observed in its activities. The most important of these regulations are the Companies Act, the Securities Market Act and the Company's Articles of Association. The Company also observes the regulations of the Helsinki Stock Exchange, including the recommendation by HEX Oyj, the Confederation of Finnish Industry and Employers and the Central Chamber of Commerce about the corporate governance of listed companies. The main sections of the working order are:

Duties of the Board of Directors

The general duty of the Board of Directors is to conduct the Group's activities so that it produces as much added value for the shareholders as possible in terms of future cash flows. However, other stakeholders in the Company must be taken into account in a proper manner and social responsibility must be implemented in manner that is, at the least, generally acceptable.

The Board monitors the development of the Group's operative activities mainly through reviews by the Managing Director and monthly reports. Other main duties of the Board of Directors among others: to appoint and discharge the Managing Director and decide the terms and conditions of his employment, to approve operating policies and values, to confirm the strategy and annual budget and to supervise their implementation, to approve major corporate deals and investments and other particularly important decisions.

The main sections of the working order are presented in more detail at www.talentum.fi

Meetings of the Board of Directors

The Board is quorate when more than half its members, of whom one shall be the chairman or deputy chairman, are present at the meeting. Board decisions supported by a majority of the members shall carry or, if the votes are evenly divided, the chairman has the casting vote. Decisions passed must be unanimous in the event that the minimum number of members required for a quorum are present at the meeting.

In 2005 the Board of Directors met 14 times. The Board members' average attendance percentage was 94%.

Board Committees

The Board has decided that, in view of the Talentum Group's size, and its monitoring and supervision systems, there is no reason to establish a separate audit, nomination or compensation committee. The Board in general is responsible for the duties of the committees.

Managing Director

The Managing Director is appointed and discharged by the Board of Directors. He or she is responsible for the operative management of the company in accordance with the law and instructions issued by the Board of Directors, and is subject to its authority.

The Managing Director is directly responsible for implementing strategy and for related investments, and for organizing the financial administration, financing, legal matters, group communications and investor relations, and for preparations for Board of Directors meetings. The Managing Director monitors decisions concerning staff at management level and important operative decisions. The Managing Director ensures that group subsidiaries operate in accordance with the interests of the parent company of the Talentum Group and carry out group strategy.

The Managing Director is not a member of the Board of Directors.

Management Organisation

Management Group

The chairman of the Management Group (MG) is the Managing Director. The MG also comprises the Director of Finance, Director of Legal Affairs, Director of Sales and Marketing, and one Manager of a business area. The duties of the MG include ensuring that strategy is

implemented, monitoring financial performance, annual planning and corporate structuring. The MG also handles financing and investment, public communications and preparation of matters to be presented to the Executive Management Group. The Management Group meets on average 20 times a year.

The Executive Management Group

The Executive Management Group (EMG) comprises the managers of the business areas in addition to the Management Group. The EMG deals with strategies, budgets and operating plans, promotes cooperation and joint sales between units in order to increase business, monitors the development of skills and key personnel and takes a stand on corporate structuring. The Executive Management Group meets six times a year.

Insider administration

The Talentum Group complies with the Guidelines for Insiders issued by the Helsinki Stock Exchange. The so-called 'closed window' (the time during which insiders may not trade in company shares before the publication of financial disclosures) is 21 days, compared with the 14 days in Helsinki Stock Exchange's regulations.

In addition to the statutory insiders (subject to disclosure requirement), the Company has also decided that the following are also permanent insiders: the Executive Management Group, the person responsible for communications and investor relations (at the same time the Managing Director's assistant), and also those who are responsible for and those who handle Group accounting and reporting.

In addition to the statutory restrictions, the Company sets, if necessary, trading restrictions on a project-by-project basis, where people participating in big projects that could affect the share value (such as corporate deals) and in their planning and preparation are placed under the heading of project-based insiders. The observance of the insider guidelines is monitored at regular intervals. The Group's Director of Legal Affairs is responsible for matters relating to Company insiders.

Permanent insiders are regularly instructed and trained in insider matters.

Talentum Oyj's insider register is in the SIRE system of the Finnish Central Securities Depository Ltd.

Talentum's insider register is available at www.talentum.fi.

Risk management

1. Market risk

Of the consolidated turnover, 40% is tied up in advertising, and in particular the b-to-b sector, which is susceptible to cyclical fluctuations. We endeavour to manage this market risk by increasing the revenue from circulation sales and the content-sales service. All our products and services aim to be the market leader in their own field, so that even in a recession it is possible to do well.

Publishing

The group subscriptions for the biggest magazines are important for their comprehensiveness, and contracts have been in force for several decades. Changes to them may have major effects on magazine circulations.

Internet services are a variable factor that can change the revenue-generation model of magazines and books temporarily or over the long term as well. Media usage habits can change and make business difficult. Should we fail to develop our business operations to meet the changing media usage habits, it may retard the development of the business.

Economic trends have a considerable effect on the advertising market. Job ads are the area of advertising revenue most sensitive to cyclical trends. Operating in several sectors in Finland and in Sweden reduces the risk in advertising sales. Our strong market position supports and protects our business's profitability and at the same time reduces the susceptibility to cyclical trends.

Our most important subcontractors are printing plants, magazine distributors (Post) and Internet operators. This chain is susceptible to operational and cost risks.

Direct marketing

Most of the direct-marketing revenue comes from selling different publishers' magazines and books over the telephone. Possible changes in the publishing field's operating method are reflected in direct marketing's turnover.

The risk exists in the direct marketing field that legislation or consumers' attitudes will change and make selling by telephone more difficult.

Premedia

The Premedia field has been changing rapidly during the past few years. The development of techniques and technology will continue to change operating methods in the field, and if we do not adapt to the change with sufficient speed, it may retard the development of the business.

Operating on a subcontractors' market may lead to price competition, which will lower the general price level. This trend can be restrained by long-term agreements, the maintenance of quality, increasing efficiency and a top-grade service.

TV Content Production

The operations of Varesvuo Partners Oy have focused in the main on two different areas of operation: the production of advertising films and the production of television programmes. In both areas the market risks are linked to a great extent with the success of the electronic media and also to TV advertising's share of the entire advertising market.

The risk in advertising film production in the long term is the numerical reduction in product brands being advertised and the globalization of product brands, in which case some of the decision-making concerning them and the production of advertisements may be moved out of Finland.

2. Personnel risk

Our business operations are based on the expertise of leading professionals, the creativity of widely gifted and competent personnel and an adequate number of capable employees. In order to obtain the personnel's commitment, we observe dynamic payment by results, we develop skills through active job rotation and we pay attention to training and the operating environment.

The sophisticated production processes and the readiness to utilize new technology quickly reduce the risk associated with people. It is also important that working methods are systemized so that seeing projects through is not too dependent on certain individuals.

3. Production process

In each of our companies basic data security functions have been implemented e.g. back-up copying, anti-virus and firewall solutions. Data network services have been acquired centrally from outside suppliers with as high service levels as possible, and there are back-up connections at the critical production points. If, in spite of all the precautions, information security is compromised, it can cause damage to production and business relationships, and, consequently, the operating result.

Our business relies on complicated IT systems and data networks. Production materials move along the networks from one work stage to another inside their own production and between subcontractors. The production processes have deadlines within the framework of which the material must be ready for publication or printing. If there are long breaks in the telecommunications connections at the critical moments of production and the breaks cannot be replaced by portable media, publishing may be delayed beyond the agreed flexitime, which may have an effect on customer relationships and, consequently, the business.

4. Legal risks

The Group's companies bear, in their agreements and on the basis of legislation, the responsibility for the services that they produce not infringing the rights of third parties or otherwise being illegal. It is possible that in spite of careful preparation some third party will claim that services produced by the Group's companies are infringing some third party's copyrights or other immaterial rights or are in other ways illegal, for example, on the basis of freedom of speech or defamation legislation. If such an infringement of rights or illegality were to be detected, it may give rise to indemnification or compensation.

Protecting copyrights is in an important position in almost all the Group's companies. The possibility of exploiting works financially means that the Group must hold the necessary copyrights to the works and to the services that are assigned to customers. If it were to be noticed that the Group does not hold all the copyrights to a certain product or service, the Group could no longer to exploit its financial rights associated with the product or service in question, and this might cause financial losses.

Legislative developments and developments concerning practices and technology associated with copyrights or the Internet may cause risks for which we have not been able to

prepare, and because of the varied nature of things we may have to adapt to surprising and unpredictable changes that can have a negative effect on the profitability of our business. Attempts are made to manage legal risks in many different ways: the Talentum Group aims to ensure that on the basis of all employment relationships all copyrights and other immaterial rights are transferred to the appropriate companies in the Talentum Group. Agreements made with subcontractors used by the Group aim to ensure that the Group obtains at any given time adequate rights for an acquired service or product. At the same time, as far as Group services and products are concerned, customer agreements endeavour to ensure adequate rights for the companies in the Talentum Group to use the material and know-how contained in them in other connections. The legality of the contents produced by the Group is checked in all unclear or doubtful situations with the Group's Director of Legal Affairs. The people responsible for the contents are given guidance and training regularly in the development and interpretation of legislation and legislative practice.

5. Finance risks

The Talentum Group's finance risks are at the present level relatively small. The equity ratio is reasonably high, the Group's net debt is negative and the cash situation is good. Emphasis has been placed on following up trade receivables, and no special risks of big credit losses have been perceived at Talentum because our customer base is weighted towards big, financially sound companies. Our customers are mainly in Euroland, so there are no major currency risks. The Swedish business unit applies matching principle. Liquid funds have been invested mainly in interest instruments and there are no derivatives risks. The holdings in investments have been valued conservatively. However, there could be a risk with them that Talentum cannot affect through its own action.

6. Accident risks

The companies in the Talentum Group have insured their personnel, property and operations with insurance policies. The coverage of the policies, insurance values and the deductibles are checked annually in association with a broker and insurance companies.

Talentum's updated corporate governance principles in more detail are presented at www.talentum.fi

board of directors

The Board of Directors are elected at the Annual General Meeting for a year-long term of office. The Annual General Meeting elects a Chairman of the Board of Directors and a Deputy Chairman.

Name	Position on the Board	Year of birth	Member since
Jussi Länsiö	Chairman	1952	2004
Manne Airaksinen	Deputy Chairman	1966	2003
Juha Blomster	Member	1957	2001
Ari Heiniö	Member	1945	2004
Kirsti Piiponius	Member	1946	2004

Jussi Länsiö

Jussi Länsiö, B.Sc (Econ.), was born in 1952 and works as a professional board member. His work experience includes: Scottish & Newcastle Plc, Member of the Group Management Board 2002-2003; Hartwall Ltd, Managing Director 1994-2003; Langnese-Iglo GmbH/ Unilever Germany, Marketing Director 1992-1994; Jalostaja Oy Huhtamäki, CEO 1983-1992; Huhtamäki Oy, marketing and sales 1978-1983.

Other important current positions of trust:

J.L. Westment Oy, Chairman of the Board 1998- ; Mezera Oy, Chairman of the Board 2000- ; Lumene Oy, Chairman of the Board 2003- ; SoliferPolar Ab, Member of the Board 2004- ; Elisa Corporation, Member of the Board 2004- ; Satama Interactive Oyj, Chairman of the Board 2004-

Manne Airaksinen

Manne Airaksinen, LL.M., was born in 1966 and is 2005 Chief Adviser, Confederation of Finnish Industries EK. His work experience includes: Ministry of Justice, Counsellor of Legislation 1993-2005; University of Helsinki, Institute of International Economic Law, Researcher 1992-1993; Headline Group, Company Lawyer 1990-1992; board member of several companies in the Headline Group, 1990-1998; Wellmedia Oy, Member of the Board 1998-2002; books and articles chiefly on company law; member/secretary of arbitration courts.

Other important current positions of trust:

Satama Interactive Oyj, Member of the Board 2004 - .

Juha Blomster

Juha Blomster, M.Sc.(Econ. & B.A.), was born in 1957 and is Senior Vice President, Head of Kauppalehti Group (Alma Media Corporation). His work experience includes: Kustannus Oy Aamulehti, President, Marketing Director 1996-2000; Kustannus Oy Kauppalehti, Assistant Director 1991-1995; various positions at Keskusautohalli Oy including Sales Director, Director of Car Dealerships, and Marketing Manager, Car Dealerships 1986-1991, Finnish Media Audit Bureau, Chairman of the Board 1999-2000; Kärkimedia Ltd, Member of the Board 1996-1999.

Other important current positions of trust:

Baltic News Service, Tallinn, Chairman of the Board; Balance Consulting Oy, Chairman of the Board; TietoEnator 121 Oy, Member of the Board 2005 - .



Jussi Länsiö



Manne Airaksinen



Juha Blomster



Ari Heiniö



Kirsti Pionius

Ari Heiniö

Ari Heiniö, LL.M., was born in 1945 and is a professional board member. His work experience includes 30 years service with Stockmann Plc, CEO 1989–2001.

Other important current positions of trust: Hakvästi Oy, Chairman of the Board 2002- ; Bodim Port Oy (the Body Shop) Member of the Board 2002- ; Jaakko Lehto Oy, Member of the Board 2003- ; Solteq Plc, Member of the Board 2002- ; Suomen Terveystalo Oyj, Member of the Board 2002-; Tiimari Plc, Member of the Board 2002-.

Kirsti Pionius

Kirsti Pionius, M.Sc. (Econ. & B.A.), is Deputy Chairman of the Board at Sodexho Oy, and a Member of the Sodexho Alliance Committee. Her work experience includes: Oy Polarkesti Ab/Sodexho Oy, Managing Director 1984–2002, and Director 1980–1984.

Other important current positions of trust:

Ilmarinen, Member of the Supervisory Board 1999- ; Finnish Hotel and Restaurant Association FHR, Member of the Board 2002- ; the Strategic Management Society of Finland, Member of the Board 2000- ; the Finnish Association of Professional Board Members, Member of the Board 2003- ; Member of the Council of the Helsinki Chamber of Commerce, 2001-; the Shipping Enterprise – Finstashtip, Member of the Board 2004-; Chamber Orchestra Avanti! supporters' association, Member of the Board, 2005-; Helsinki Missio ry and Helsinki City Mission, Member of the Board, 2006-; Helsingin Cecilia Palvelut Oy, Member of the Board, 2006-.

Board of Directors' Fees

The Annual General Meeting approves the fees for the Board of Directors. The monthly fees approved at the Annual General Meeting of March 29, 2005 are: Chairman EUR 4,000, Deputy Chairman EUR 2,500, and Member EUR 2,000.

In 2005 the fees paid to the Members of the Board were:

Länsiö Jussi	45 000,00 eur
Airaksinen Manne	30 000,00 eur
Blomster Juha	24 000,00 eur
Heiniö Ari	24 000,00 eur
Pionius Kirsti	24 000,00 eur
Yhteensä	147 000,00 eur

Meetings of the Board of Directors

The Board of Directors met 14 times in 2005 and the average attendance of directors at meetings was 94%.

Share ownership of the Board of Directors is available at www.talentum.fi

The Management Group

The Chairman of the Management Group (MG) is the Managing Director. The MG also comprises the Director of Finance, Director of Legal Affairs, Director of Sales and Marketing, and one Manager of a business area. The duties of the MG include ensuring that strategy is implemented, monitoring financial performance, annual planning and corporate structuring. The MG also handles financing and investment, public communications and preparation of matters to be presented to the Executive Management Group. The Management Group meets on average 20 times a year.

The Executive Management Group

The Executive Management Group comprises managers of the business areas in addition to the Management Group. The EMG deals with strategies, budgets and operating plans, promotes cooperation between units and joint sales in order to increase business, monitors the development of skills and key personnel and takes a stand on corporate structuring. The Executive Management Group meets six times a year.

The Management Group and Executive Management Group

Name	Position or area of responsibility	Born	Year of joining the company
Management Group			
Harri Roschier	Managing Director	1957	1991
Kai Järvikare	Chief Financial Officer	1964	2003
Jarl Michelsson	Director, Sales and Marketing Talentum Media Oy	1947	1997
Lasse Rosengren	General Counsel	1963	2000
Seppo Summanen	Director, tv-content production and premedia	1954	2005

The Executive Management Group also includes

Björkin Christer	Managing Director, Talentum Sweden AB	1964	2001
Petri Karjalainen	Business Unit Director, IT and Industry	1965	2000
Seppo Kyrö	Business Controller	1967	2001
Mika Malin	Business Unit Director, Business	1969	2006
Jarmo Rosenberg	Business Unit Director, Law and Health	1961	2002
Mikko Saarela	Managing Director, Suoramarkkinointi Mega Oy	1960	1995
Pekka Seppänen	Editor-in-Chief, Talouselämä	1960	1988

management

Harri Roschier

Harri Roschier, M.Sc. (Econ. & B.A.), was born in 1957 and has been Managing Director of Talentum since 1992. His previous work experience includes: 1982–88 Skimbaaja Ky, Managing Director; 1988–91 Erikoislehdet Oy, Marketing Director; 1991–92 Talentum Oyj, Division Manager; 1992 – Managing Director.

Kai Järvikare

Kai Järvikare, Dr.Sc. (Econ. & B.A.), was born in 1964 and has been Talentum's Chief Financial Officer since 2003. His previous work experience includes: 2001–2003 Fennia Mutual Insurance Company, Chief Financial Officer; 2001 Sonera Plaza, Chief Financial Officer; 1999–2001 Telia Mobile, Business Controller, Telia Finland, Manager, Corporate planning; 1992–1999 Helsinki School of Economics (Accounting and Finance), Professor 1998–99, Associate Professor 1997–98, Lecturer 1992–97.

Jarl Michelsson

Jarl Michelsson, commercial college graduate, was born in 1947. He has been Director of Sales and Marketing at Talentum Media Oy since 1997. His previous work experience includes: 33 years of sales experience at Oy International Business Machines Ab Finland, Xerox Oy Finland and experience as an entrepreneur, a trainer in sales and consultant.

Lasse Rosengren

Lasse Rosengren, LL.M., was born in 1963 and has worked at Talentum as General Counsel since 2000. His work experience includes: 1993–2000 advocate; 1991–1993 Credit Manager, OKO Bank; 1989–1991 Skopbank, Lawyer.

Christer Björkin

Christer Björkin, graduate from Business Marketing Stockholm University, was born in 1964 and has worked at Talentum Sweden AB (former E+T, Ekonomi & Teknik Förlag) as General Manager since 2003. His work experience includes: 2001 - 2003, Affärsvärlden, Managing Director; E-respect Communications AB, CEO; Computer Sweden (IDG), Product Director 5 years.

Petri Karjalainen

Petri Karjalainen, engineer, was born in 1965 and has been working as Business Unit Director of Talentum Media since 2005. His work experience includes: 2001-2005 Talentum Oyj, Director of Technology; 7 years sales and marketing management experience at IBM; 3 years as IT Manager at the National Ecclesiastical Board.

Seppo Kyrö

Seppo Kyrö, M.Sc. Techn., was born in 1967 and has been working at Talentum as Business Controller since 2001. His work experience includes: 1998-2001 Telia Finland Oy, Network Services, Business Controller; 1993 - 1998, Rautaruukki Oy, sales capacity planning.

Mika Malin

Mika Malin, M.Sc. Economics, Master of Business, was born in 1969 and has been Business Unit Director of Talentum Media Oy since 2005. His work experience includes: 2003-2006 Boston Consulting Group, consultant; 2000-2001 Stepstone Ltd, International Site Manager; 1999-2000 United Biscuits Holdings Pls, International Brand Manager, UK.

Jarmo Rosenberg

Jarmo Rosenberg, LL.M., was born in 1961 and has been Business Unit Manager, Law and Health, since 2005. His work experience includes: 2002-2005 Talentum Media Oy, Publishing Director; 1995-2002 Keski-Uusimaa Oy, Marketing Manager; 1989-95 Kauppakaari Yhtymä, Legal Counsel, 1993-95 legal counsel, director of the publishing sector; 1988-89 Ministry of Social Affairs and Health, Administrative Officer; 1981-88 news and sports reporter.

Mikko Saarela

Mikko Saarela, commercial college graduate, was born in 1960 has worked for Talentum since 1995, currently Managing Director of Suoramarkkinointi Mega Oy. His work experience includes 20 years in Suoramarkkinointi Mega.

Pekka Seppänen

Pekka Seppänen, B.Soc.Sc., was born in 1960. He has worked at Talentum as Editor-in-Chief of Talouselämä Magazine since 2000, and has been with Talouselämä magazine since 1988.

Seppo Summanen

Seppo Summanen, M.Sc. Techn., eMBA, was born in 1954. He has worked at Talentum as Director, responsible for TV-programme production and premedia since 2005. His work experience includes: 2001-2005 Assuratum Oy, Managing Director, Consultant; 1998-2001 Telia Finland Oy, Deputy Managing Director; 1993-1998 Telivo Oy, Managing Director, Development Manager.

The share ownership of the Executive Management Group subject to disclosure requirement is available on Talentum's web site at www.talentum.fi. The information is updated by the NetSire system of the Finnish Central Securities Depository.

Managing Director's service contract

A retirement age of 60 has been agreed on in the service contract for the Managing Director, Harri Roschier. The period of notice for the service contract is three months. If the company gives notice of termination of the contract, or the Managing Director himself resigns for reasons due to the company, he will be entitled to resignation compensation equal to six months pay, in addition to notice-period pay.

Pay and compensation system

The Managing Director and the rest of the Group's management

The group management compensation system aims to promote long-term commitment, and takes account of the Group's financial result and the trend in the share price. The financial result accounts for 75% and the share price for 25%. The system is in effect until the end of 2006.

The total amount of salary, fees and benefits in kind paid to the Managing Director of Talentum Oyj in 2005 was EUR 286 766.

The total amount of salary, fees and benefits in kind paid to the rest of the management of Talentum Oyj was EUR 1 568 451.

yearly summary of releases in 2005

auditor

The Annual General Meeting chooses an auditor annually which must be an Authorized Accounting Firm. The auditor is Authorized Accounting Firm PricewaterhouseCoopers Oy, with Kari Miettinen (b. 1951), Authorized Public Accountant, acting as the responsible auditor.

Auditor's fees

The auditors fee for 2005 was EUR 217 558.77 and for non-audit services was paid EUR 61 679.

December

27 Dec 2005 01:45 PM

ANNOUNCEMENT PURSUANT TO SECURITIES ACT CHAPTER 2, SECTION 10

Oy Herttakuutonen Ab announced that its holding in Talentum will reach 5.17% on forward trade maturing on March 17, 2006.

14 Dec 2005 05:15 PM

TALENTUM'S FINANCIAL INFORMATION IN 2006

Talentum published its schedule for financial reporting in 2006.

October

26 Oct 2005 08:30 AM

TALENTUM'S OPERATING PROFIT FOR JANUARY-SEPTEMBER WAS BOOSTED BY THE SALE OF SATAMA SHARES
Interim report January - September 2005

12 Oct 2005 09:45 AM

TALENTUM'S SHARE CAPITAL INCREASE ENTERED INTO THE TRADE REGISTER

Share capital increase due to the new issue of shares targeted at the shareholders of E+T, Ekonomi och Teknik Förlag AB was entered into the trade register.

06 Oct 2005 08:30 AM

TARGETED NEW ISSUE OF SHARES AND INCREASE OF THE SHARE CAPITAL OF TALENTUM OYJ

The Board of Directors of Talentum Oyj decided to increase the share capital of the company by means of targeted new issue in order to pay the subscription price in connection with the acquisition of the share capital of E+T, Ekonomi & Teknik Förlag AB.

06 Oct 2005 08:30 AM

TALENTUM ACQUIRES EKONOMI & TEKNIK FÖRLAG IN SWEDEN - A MAJOR STEP IN IMPLEMENTING STRATEGY

Talentum acquired the Swedish Ekonomi & Teknik Förlag AB.

September

16 Sep 2005 08:50 AM

TALENTUM SOLD ITS HOLDING IN SATAMA INTERACTIVE OYJ

Talentum Oyj sold all its 23,170,000 shares in Satama Interactive Oyj. The total consideration was EUR 23,170,000. Talentum's profit from the sale will be approximately 10 million euros on Q3.

August

26 Aug 2005 10:00 AM

TALENTUM INTRODUCING SECTOR-BASED ORGANIZATION

Talentum's publishing business area introduced sector-based organization.

04 Aug 2005 08:30 AM

TALENTUM'S NET SALES AND OPERATING PROFIT IN JANUARY-JUNE 2005 EXCEEDED LAST YEAR'S FIGURES FOR THE SAME PERIOD

Interim Report January - June 2005

April

27 Apr 2005 08:30 AM

TALENTUM'S INTERIM REPORT JANUARY-MARCH 2005 IN ACCORDANCE WITH IFRS STANDARDS

Interim report January - March 2005

25 Apr 2005 04:30 PM

TALENTUM GROUP'S FINANCIAL INFORMATION FOR 2004 ACCORDING TO IFRS

Talentum Group adopted the International Financial Reporting Standards (IFRS) as of 1 January, 2005. Until January 2005 Talentum group reported under Finnish Accounting Standards (FAS). This release describes the preliminary main impacts to the consolidated income statement, balance sheet and key figures.

12 Apr 2005 08:15 AM

TALENTUM'S Q1 RESULT FALLS SHORT OF PREVIOUS YEAR DUE TO WEAK SALES IN MARCH

Talentum Oyj informed that its turnover at the end of March was smaller than anticipated. Respectively April will be better than in the previous year, and the second quarter will be clearly better than the one year before, and also the turnover and operating profit of the first half are expected to exceed the comparative period last year.

08 Apr 2005 01:00 PM

MANAGING DIRECTOR OF SUORAMARKKINOINTI MEGA RESIGNS

Suoramarkkinointi Mega Oy's Managing Director changed.

04 Apr 2005

MANAGING DIRECTOR OF VARESVUO PARTNERS RESIGNS

Managing Director of Varesvuo Partners resigned from Talentum Group.

March

29 Mar 2005 04:30 PM

TALENTUM'S ANNUAL GENERAL MEETING MARCH 29, 2005

Talentum's AGM dealt with items stated in Companies Act and among other things discharged the Board of Directors and the Managing Director from liability.

23 Mar 2005 09:30 AM

TALENTUM'S SHARE CAPITAL INCREASE ENTERED INTO THE TRADE REGISTER

Share capital increase due to the new issue of shares targeted at the former shareholders of Suomen Arvopaperimediata Oy was entered into the trade register.

18 Mar 2005 09:30 AM

TARGETED NEW ISSUE OF SHARES TO THE FORMER SHAREHOLDERS OF SUOMEN ARVOPAPERIMEDIAT OY

Talentum Oyj and the former owners of Suomen Arvopaperimediata Oy agreed on March 17, 2005, that the additional purchase price set in the Share Exchange Agreement will be paid, in deviation from the terms of the Share Exchange Agreement, in one instalment, after which, the purchase price has been fully paid. In order to pay the additional purchase price The Board of Directors of Talentum Oyj decided, on the basis of the authorization given by the Annual General Meeting of Talentum Oyj on March 24, 2004, to increase the share capital through a targeted new issue of shares.

10 Mar 2005 05:10 PM

TALENTUM BOARD OF DIRECTORS CONVENES ANNUAL GENERAL MEETING

02 Mar 2005 05:10 PM

TALENTUM BOARD OF DIRECTORS' PROPOSALS TO THE ANNUAL GENERAL MEETING

February

11 Feb 2005 08:30 AM

TALENTUM'S FINANCIAL STATEMENTS BULLETIN AND OCTOBER-DECEMBER 2004

Financial statement bulletin 2004 and interim report Q4

07 Feb 2005 09:55 AM

ANNOUNCEMENT PURSUANT TO SECURITIES ACT CHAPTER 2, SECTION 10

Talentum Oyj was informed by Insinööriliitto IL ry that its and its controlled company's holding and voting rights in Talentum had fallen below 5% on January 25, 2005.

January

21 Jan 2005 12:30 PM

TALENTUM AND THE FINNISH STATE WITHDRAW FROM THE AGREEMENT REGARDING THE PURCHASE OF THE SHARES OF EDITA

Talentum Oyj and the Finnish state withdrew from the agreement published on December 22, 2004, regarding the purchase of the shares of Edita Oyj.

19 Jan 2005 09:00 AM

ANNOUNCEMENT PURSUANT TO SECURITIES ACT CHAPTER 2, SECTION 10

Talentum Oyj was informed by Suomen Lakimiesliitto - Finlands Juristförbund that its holding and voting rights had fallen below 5%.

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A new Talentum bookstore will open during summer 2006

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 **talentum**
financial statement 2005

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report by the board of directors 2005

Operating environment

The media market expanded by 2.7% in 2005, with emphasis on the early part of the year, which was the case with Talentum's professional journals, too. Job advertising continued to develop favourably in the last quarter, which gave reason to expect that the relatively favourable market situation would continue in the early part of 2006.

Net sales and financial performance

Talentum Group's 2005 net sales came to EUR 103.3 million (EUR 96.4 million), an increase of 7.0%. The growth rate for the last quarter was 18.6%.

The 17% increase by Publishing and the 4% increase by Direct Marketing had the most favourable impact on the growth in consolidated net sales, but the figures of -1.1% for Premedia and -7.2% for TV Content Production fell short of the target.

Publishing accounted for 55% of the consolidated net sales in 2005, TV Content Production for 19%, Premedia for 18%, Direct Marketing for 6% and inter-group business for 3%.

The trend in advertising sales is a significant variable in terms of Publishing's financial performance. Magazines and on-line activities account for 75% of the net sales in publishing. Advertising sales account for 60% and books and training for the remaining 25%.

In accordance with the corporate strategy, a competitive edge is being sought through the different media in the Group and through cooperation between the content production units and the sales organization. The proportions of internal sales were most significant in Direct Marketing, 40%, and in Premedia, 4%.

Among Talentum's business areas, Publishing and Direct Marketing achieved good results, TV Content Production showed satisfactory results and Premedia showed only a slight profit.

The consolidated operating profit was EUR 20.5 million (EUR 9.3 million). The figure includes a EUR 10.5 million profit on the sale of Satama Interactive shares.

Profit for the financial year was EUR 18.7 million (EUR 7.0 million). Earnings per share were EUR 0.42 (EUR 0.15) and EUR 0.16 (EUR 0.14) for ongoing operations. The return on investment (ROI) was 37.6% (18.9%) and return on equity (ROE) 49.0% (19.7%).

Cash flow, financial position and balance sheet

The balance sheet total stood at EUR 90.5 million at the end of December (EUR 78.5 million on December 31, 2004). Talentum Group's financial position was good and the equity ratio was 48.8% at the end of the year (42.3% on December 31, 2004) and equity per share was EUR 0.94 (EUR 0.54 on December 31, 2004).

Cash flow from business operations was EUR 8.2 million (EUR 12.2 million). Talentum Oyj distributed a dividend of EUR 6.4 million, i.e. EUR 0.15 per share. Consolidated interest-bearing liabilities totalled EUR 15.5 million (EUR 21.1 million). The consolidated interest-bearing debts are denominated in euros and thus not hedged against rate of exchange fluctuation. Net financial expenses came to EUR 0.7 million (EUR 0.3 million).

The Group's liquid assets have been invested primarily in financial instruments and a small amount in equities. There was a decrease of EUR -5.7 million (EUR -6.6 million) in cash assets in the January-December period.

As part of its overall financing scheme, Talentum has a EUR 20 million domestic commercial paper programme issuing commercial papers for maturities under twelve months. The purpose of the programme is to diversify Talentum's financing structure. Commercial papers issued totalled EUR 8.0 million on December 31, 2005.

The parent company handled the financial arrangements of the Group companies centrally.

Structural changes

On September 16, Talentum sold its 60% majority holding in Satama Interactive, a company which engages in Internet consulting and was listed on the Helsinki Stock Exchange NM List in 2000. The Satama Interactive net sales in accordance with the IFRS came to EUR 23.6 million and operating profit to EUR 0.6 million in 2004. Talentum Oyj sold all the 23,170,000 Satama Interactive shares it owned via the Stock Exchange at an average price of EUR 1.00 per share. The sales price totalled EUR 23,170,000. A further 1,000,000 shares were sold in a forward arrangement with maturity in December 2005. With the forward arrangement effected, the deals were finally concluded and Talentum's ownership fell to zero. Talentum recorded a sales profit of EUR 10.5 million in the third quarter.

On October 6, Talentum agreed to buy the entire stock of the Swedish magazine publishing company Ekonomi & Teknik Förlag AB (E+T), which issues four very similar business magazines to those published by Talentum in Finland. Ny Teknik is a weekly targeted at industry and engineers in the same way as the Finnish Tekniikka & Talous. Affärsvärlden is an economics weekly in the style of Talouselämä, Lag & Avtal specializes in legal matters and Miljörapporten is the equivalent of the Finnish Ympäristö+teknikka published by Talentum. On December 15, the company was renamed Talentum Sweden. The net sales of the group of companies, which employs about 130 people, came to some EUR 18.0 million in 2005, of which Talentum's share was EUR 5.8 million in the fourth quarter. The total purchase price would seem to be EUR 17.4 million (SEK 142 million), of which EUR 11.0 million (SEK 102 million) in cash and EUR 6.4 million (SEK 60 million) in Talentum Oyj shares. A total of 1,669,641 Talentum shares with a subscription price of EUR 3.855 (not an exact value) were issued in a targeted issue. The sellers were the private equity fund Strukturfonden, which is managed by the investment company Catella, and Ingenjörsvärdagens Förvaltnings AB, which is owned by the Swedish Association of Graduate Engineers and the Swedish Society of Engineers.

On April 1, 2005 Talentum Premedia, a Talentum Group company, made a deal through which Talentum Premedia bought the entire stock of Faktor and Faktor Tools, which became subsidiaries owned fully by Premedia. Faktor Oy, established in 2003, specializes in prepress production and the improvement of production processes. Its 2004 net sales came to EUR 3.2 million and it employs 36 people. Faktor Tools Oy specializes in digital asset management. With the acquisition of Faktor, Talentum Premedia became the market leader in prepress production of magazines in Finland.

The Group structure was given a clearer definition by merging three key companies in Talentum's premedia business area: Litoscan, Offset-Kopio and Reprostudio & Heku.

Business operations and seasonal variation in the media market

The general economic situation remained fairly good in 2005. There is seasonal fluctuation in the media and media services markets, and business is at its briskest during the final quarter of the year. Not all Talentum's personnel resources are available during the summer holidays, and generally no magazines or books are put out in the summer.

Customers typically make a significant proportion of their purchases in the final quarter. These characteristics of the business may cause considerable variation in Talentum's quarterly net sales and particularly in operating profit: the figures are the highest in the last quarter, and correspondingly, lower in the third quarter than in the first and second quarters. The main part of net sales and an even greater part of the operating profit in publishing — book publishing in particular — accrue in the latter half of the year. This is the most important reason why most of Talentum's profit is made in the latter half of the year and why the profit trend looks better towards the end of the year.

Business risks and risk management

Talentum takes controlled risks that are integrally linked with its corporate strategy and objectives. Risks relating to strategy and objectives are controlled and reduced in various ways. 40% of the consolidated net sales are linked with advertising, specifically to the b-to-b sector, which is susceptible to cyclical fluctuation. We try to control this market risk by increasing revenue from circulation sales and content-sales services. All our products and services aim at being market leaders in their own field, which makes it possible to succeed even during a low cycle. The company is not prepared to take risks that endanger continuation of operations or are difficult to control and cause substantial harm to the company's operations.

Risk management does not have a separate organization of its own; its responsibilities follow the division of responsibilities in business operations and the organization. The most important perceived risks are reported to the Board of Directors annually when operations are being planned, and the Board then analyses risks from the shareholder value perspective, as well. In addition, internal auditing is outsourced to Tuokko Tilintarkastus Oy (PKF International), a professional and independent external service provider with sufficient resources. The aim or internal auditing is to promote and improve risk management in Talentum's various operating areas.

Talentum keeps an active eye on the market situation in order to be able to prepare for changes in the competition situation in advance. Competition has remained unchanged for a longer period now, but it is possible that the major media companies will increase their input in Talentum's product areas significantly.

Talentum Group's currency risks comprise risks concerning foreign currency flows and risks involved with translating shareholders' equity denominated in foreign currencies. The majority of the Group's direct income and costs are generated in the euro area. The basic principle for risks involved with translating shareholders' equity denominated in foreign currencies is to try and hedge against large foreign currency movements. The basic principle for controlling risks concerning foreign currency flows is by matching income and costs.

Talentum tries to hedge against finance risks relating to its business operations by ensuring that stable financial conditions are created for developing business operations. Customers' payment behaviour is monitored continuously. Talentum aims to invest liquid funds in financially sound liquid financial instruments. Liquid funds do not contain significant interest rate risks due to the short duration of the investments.

Business areas

Publishing

Publishing accounted for 55% of total consolidated net sales.

Net sales in publishing totalled EUR 57.5 million (EUR 48.9 million), up 17%. Operating profit (EBIT) was EUR 9.8 million (EUR 7.9 million).

Magazine publishing's net sales came to EUR 45.6 million (Internet services accounted for some EUR 3.8 million); the net sales for book publishing were EUR 10.0 million and EUR 1.8 million for training activities. Profitability improved substantially in magazine publishing in particular, and advertising revenue continued to account for close on 62% of all magazine revenues.

Talentum publishes fifteen magazines targeted at professionals: eleven

in Finland and four in Sweden. Closer cooperation between these magazines has created conditions for a good profit trend.

Advertising revenues for Talentum's magazines went up 6%. The most significant factor in the increase was an upswing in job advertising in the latter half of the year. Internet publishing began to show a steady profit during the year, and Internet advertising accounted for a good 15% of total advertising net sales at the annual level.

Circulation revenues for Talentum's magazines grew a good 6%. Cooperation between Talentum's magazines and professional organizations continued to work well. The Finnish organizations of engineers and economists have made group subscription agreements for the magazines Tekniikka & Talous and Talouselämä, and the Finnish Marketing Association has a similar agreement for Markkinointi & Mainonta. The Swedish Association of Graduate Engineers and the Swedish Society of Engineers have group subscription agreements for Ny Teknik, and a group subscription agreement covering some 20,000 members in supervisory and management positions was made in autumn 2005 with Sweden's private sector trade union (Sif).

Talentum's legal publishing is a firmly based profitable and long-term business resting on a solid foundation and not as susceptible to cyclical fluctuation as magazine publishing. Talentum has consolidated its status as a publisher of corporate literature, which is a future growth sector.

Publishing was reinforced in accordance with the strategy during the period under review by the acquisition of Ekonomi & Teknik Förlag AB, which increases Talentum's publishing operations by some 30%. The Swedish company was renamed Talentum Sweden on December 15. Talentum Sweden's biggest magazines, Ny Teknik and Affärsvärlden, are so much like their Finnish equivalents Tekniikka & Talous and Talouselämä that cooperation will bring synergy benefits in both countries.

TV Content Production

TV content Production accounted for 20% of total consolidated net sales.

Net sales by Varesvuo Partners Oy, which concentrates on TV content production, totalled EUR 21.5 million (EUR 23.2 million), down 7.2%. Operating profit rose to EUR 0.6 million (EUR 0.2 million).

The production companies engaging in TV content production concentrated increasingly on the production of TV programmes, since Finnish advertising film production continued to decrease compared with the previous year. The number of advertising film production companies is now down to two compared with the five of a few years back. Group companies produced programmes for all Finnish TV channels and one feature film.

Premedia

Premedia accounted for 19% of total consolidated net sales.

Premedia's net sales came to EUR 21.0 million (EUR 21.2 million), down 1.1%. Operating profit fell and was EUR 0.0 million (EUR 1.2 million). Measures to improve business processes, efficiency and profitability will continue.

Direct Marketing

Direct Marketing accounted for 5% of total consolidated net sales.

Direct Marketing's net sales were EUR 7.2 million (EUR 6.9 million), up 4%. Operating profit (EBIT) was EUR 1.2 million (EUR 1.1 million). Direct Marketing succeeded in Finland and the Baltic States as planned.

Internet Consulting

On September 16, 2005 Talentum Oyj sold all its 23,170,000 shares in Satama Interactive. The shares represented some 60% of Satama's total stock. The average sales price was EUR 1.0 per share, totalling EUR 23,170,000. A sales profit of EUR 10.5 million was recorded for Talentum in the third quarter of 2005.

Depreciation and write-downs

Depreciation on intangible and tangible assets was EUR 3.7 million, 3.6% of net sales.

Investment

Talentum Group's gross investment totalled EUR 28.5 million. Of this amount, EUR 1.9 million was invested in tangible assets, EUR 10.6 million in intangible assets and EUR 15.9 million in goodwill relating to the acquisition of shareholdings. Some 90% of all investments were made in shares and holdings in companies in the Group's business area, the biggest being Talentum Sweden. Investment totalled 23.3% of net sales.

Personnel

The Group employed an average of 1,202 (1,203) people in 2005, 236 (191) of them abroad.

On average, the personnel were divided between the business areas as follows:

	1-12/2005	1-12/2004
Publishing	308	268
TV Content Production	102	124
Premedia	228	203
Direct Marketing	326	310
Internet Consulting *)	222	281
Group administration	16	17
Total	1202	1203

*) terminated operations

49% of the personnel were men and 51% were women.

The biggest age group among the personnel was the 31-40 year bracket. The personnel was divided as follows in terms of age:

AGE DISTRIBUTION	
< 20v	8 %
21-30	25 %
31-40	31 %
41-50	20 %
51-60	14 %
60>	2 %

Management

During the second quarter, Jukka Valtanen, Managing Director of Talentum Oyj's subsidiary Varesvuo Partners Oy, resigned from the company. Mr Valtanen was a member of Talentum Group's Management Group and Executive Management Group. Jukka Näntö, Managing Director of Suoramarkkinointi Mega Oy and member of the Group's Executive Management Group, resigned during the second quarter.

Mikko Saarela started as Managing Director of Suoramarkkinointi Mega during the second quarter. He is a member of the Group's Executive Management Group and reports to CEO Harri Roschier. Seppo Summanen, M.Sc. (Technology), eMBA, was appointed a director with responsibility for Premedia and TV Content Production during the third quarter. He is a member of the Group's Management Group and Executive Management Group and reports to CEO Harri Roschier.

AGM, Board and auditor

Talentum's Annual General Meeting was held on March 29, 2005.

The AGM re-elected Manne Airaksinen, Juha Blomster, Ari Heiniö, Jussi Länsiö and Kirsti Pilonius as members of the Board of Directors.

Jussi Länsiö was elected Chairman and Manne Airaksinen Deputy Chairman of the Board.

Authorized Public Accountants PricewaterhouseCoopers Oy with APA Kari Miettinen as the accountable auditor were re-elected auditors.

The Board met altogether 14 times during the financial period. The average participation of Board members was 94%.

Shares and share capital

At the end of the financial period Talentum Oyj's share capital totalled EUR 18,593,518.79, comprising 44,220,817 fully paid-up shares. The book counter-value of each share is EUR 0.42 (not an exact value). The shares are listed on the Helsinki Stock Exchange Main List.

At the end of the financial year the company and its subsidiaries held 181,000 company shares, 0.41% of Talentum's total stock and votes.

A total of 35,357,125 shares were traded during the financial period, 80.3% of the total average stock during the financial period.

Notifications

The Association of Finnish Lawyers reported that its ownership fell below 5% of the total ownership and votes on January 18, 2005.

On February 7, 2005 the Union of Professional Engineers in Finland reported that the ownership of the Union and companies closely linked to and controlled by it fell below 5% of total ownership and votes.

On December 27, 2005 Oy Herttakuutonen AB reported that its share of Talentum Oyj's ownership and votes would reach 1/20 as a result of a forward trade made on December 23, 2005 and due to mature on March 17, 2006.

On January 4, 2006 Nordea Bank AB reported that its subsidiary, Nordea Bank Plc, had acquired 600,000 Talentum shares on January 3, 2006, as a result of which the Nordea Group's share of Talentum's ownership and votes exceeded 1/20. At the same time, Nordea Bank AB reported that, as a result of derivative deals made on January 3, 2006, Nordea Group's and Nordea Bank Finland Plc's share of Talentum's ownership and shares would fall below 1/20 when the forwards mature on March 17, 2006.

On January 4, 2006 Oy Herttakuutonen Ab reported that its share of Talentum's ownership and votes would reach 1/10 through a forward trade made on January 4, 2006 and maturing on March 17, 2006.

The full notifications under chapter 2, section 10 of the Securities Markets Act are accessible on the company's web pages at www.talentum.fi.

Board of Directors' authorizations

Authorizations to raise share capital

The Annual General Meeting held on March 29, 2005 authorized the Board of Directors to decide, within one year of the meeting, on taking out one or several convertible bonds and/or issuing options and/or on increasing the share capital by a new issue in one or several instalments, provided that the aggregate increase is no more than EUR 893,149 and that no more than 2,124,169 new shares can be subscribed. The maximum increase in the share capital and the total number of votes carried by the shares to be issued correspond to less than 5% of the company's registered share capital and total votes.

The Board has the right to decide on the subscription price, the grounds for determining the subscription price, other terms and conditions of the subscription and other terms and factors relating to the new issue, issuing of options and taking out a convertible loan. The

authorization includes the right to overrule the shareholders' right of pre-emption. The authorization can be exercised only for financing mergers and acquisitions.

Authorization to buy the company's own shares

The AGM held on March 29, 2005 authorized the Board to decide, within one year of the meeting, on the acquisition of the company's own shares using the company's disposable funds in one or several instalments, but placed a limit of 2,124,169 on the maximum number of shares to be acquired, including the 181,000 shares acquired on the basis of previous acquisition authorizations. The limit is equivalent to less than 5% of the company's registered share capital and total votes. The authorization includes the right to acquire shares in a manner other than in proportion to the shareholders' holdings. The authorization had not been exercised by December 31, 2005.

Authorization to relinquish the company's own shares

The Annual General Meeting held on March 29, 2005 authorized the Board to decide, within one year of the meeting, on the relinquishment in one or several instalments of the company's own shares acquired for the company, but placed a limit of 2,124,169 on the maximum number of shares to be relinquished. The limit is equivalent to less than 5% of the company's registered share capital and total votes. The authorization includes the right to relinquish shares in a manner other than in proportion to the shareholders' pre-emptive rights to acquire the company's own shares. The authorization had not been exercised by December 31, 2005.

Targeted issue for former shareholders of Suomen

Arvopaperimediata Oy

Talentum Oyj acquired the entire stock of Suomen Arvopaperimediata Oy, the publisher of the magazine Arvopaperi, pursuant to a share exchange agreement signed on July 9, 2004. Under the share exchange agreement, Talentum agreed to pay the shareholders of Suomen Arvopaperimediata Oy an additional purchase price provided that the conditions for this set out in the agreement are met. On March 17, 2005 Talentum Oyj and the former shareholders of Suomen Arvopaperimediata Oy agreed that the additional purchase price set out in the share exchange agreement will, contrary to the terms of the agreement, be paid in one instalment, after which the purchase price will have been paid in full. In order to pay the additional purchase price the Board of Talentum Oyj decided, on the basis of the authorization given by the AGM held on March 24, 2004 to increase the share capital through a targeted new issue of shares that may increase the share capital by a maximum total of EUR 28,506.17 through an offer of a maximum of 67,796 new company shares offered for subscription by the former owners of Suomen Arvopaperimediata Oy at EUR 2.95/share. A total of 67,796 Talentum shares were subscribed in the issue targeted at the shareholders of Suomen Arvopaperimediata Oy. The increase of EUR 28,506.17 in the share capital was entered in the Trade Register on March 23, 2005.

Targeted issue for former shareholders of E+T, Ekonomi och Teknik Förlag AB

On October 5, 2005 the Board of Talentum Oyj decided, in order to pay the share exchange price relating to the acquisition of the entire stock of Ekonomi och Teknik Förlag AB, to increase the share capital of the company by means of a targeted new issue on the basis of the authorization given by the AGM on March 29, 2005. The subscription price was paid by contributions in kind so that the subscribers gave Talentum Oyj, as consideration for the share subscriptions, their shares in E+T, Ekonomi och Teknik Förlag AB.

The increase in the share capital was EUR 702,033.64 and the corresponding increase in the number of shares was 1,669,641. The increase in the share capital was entered in the Trade Register on October 12, 2005.

After the increase, the share capital of Talentum Oyj was EUR 18,593,518.79, divided into 44,220,817 shares.

Shareholdings of the Board of Directors and the CEO

On December 31, 2005, the number of Talentum Oyj shares and options owned by members of the Board of Directors and the CEO personally and through companies in which they have a controlling interest was 120,776, representing 0.3% of the company's total stock and votes.

Voting at shareholders' meetings

Talentum Oyj's Articles of Association provide that no shareholder may exercise more than 1/6 of the total votes carried by the company shares at a shareholders' meeting. If subsidiaries or companies within the same group and/or pensions foundations or pension funds of such companies together own shares carrying more than 1/6 of the total votes, only 1/6 of the total votes can be exercised at shareholders' meetings on the basis of these shares.

Shareholder agreements

The company is not aware of any mutual shareholder agreements between its shareholders relating to the operations or ownership of the company.

Redemption clause

Talentum Oyj's Articles of Association include a clause stating that if the number of shares controlled by a single owner exceeds 1/3 of the total stock, the shareholder must make a redemption offer to all shareholders.

Dividend for 2004

The Annual General meeting held on March 29, 2005 decided that a dividend of EUR 0.15 per share (adjusted for share issues) be paid for the 2004 financial year.

Taxable share value

The confirmed taxable value for Talentum Oyj shares for taxation in 2005 is EUR 2.67.

Liquidity providing agreement

An agreement with Nordea Securities Oyj on liquidity providing for Talentum Oyj shares became effective on June 21, 2004. Under the agreement, Nordea Securities submits a purchase and sale offer so that the maximum differential between them is 3% of the purchase offer. The offers will include a minimum of 2,500 shares, equivalent to 25 trading lots.

Corporate governance

Talentum Group observes the Companies Act, the legislation regulating the securities markets and all other legislation relating to the management of public limited companies. Talentum also observes the Corporate Governance Recommendation issued in December 2003 by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industries, which became effective on July 1, 2004. Talentum's corporate governance principles are accessible on Talentum's web pages at www.talentum.fi.

Insider instructions

Talentum Group applies the Guidelines for Insiders by the Helsinki Stock Exchange. In the Group, the period during which insiders do not trade in company shares prior to the issue of financial information is 21 days, against the 14 days laid down by the Helsinki Stock Exchange.

Pension Fund

Talentum's pension fund began operations on April 1, 2004. It handles the pension liabilities of Talentum Oyj, Talentum Media Oy and Suoramarkkinointi Mega Oy, covering a total of some 600 employees.

Significant events after the end of the financial period

The Managing Director of Talentum Oyj's subsidiary Talentum Premedia Oy, Pekka Hämäläinen, who was a member of the Group's Executive Management Group, resigned on January 12, 2006. He was Talentum Premedia's Managing Director from 2003 and Managing Director of Offset-Kopio Oy before that. Under his management, Talentum's premedia

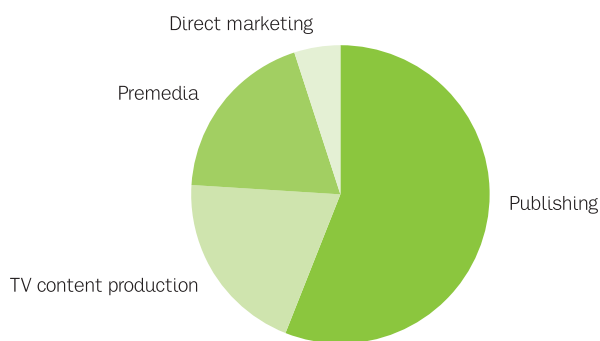
companies were reorganized in order to gain synergy benefits and to rationalize the whole business area. For the time being, the managers of Talentum Premedia Oy units report to Director Seppo Summanen, who is responsible for TV content production and premedia operations.

Outlook for 2006

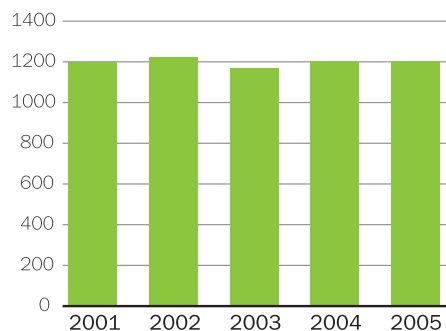
The economies in Finland and Sweden are going well. This generally means that advertising and marketing go well and the media are successful. Talentum's media did well in 2005 considering their competitor groups. Talentum's view is that, on the basis of the market situation that can now be seen, the arrangement will be similar in 2006. Magazines are complemented by Internet media, which appear more frequently, and the growth in Internet advertising will continue. The development of the publishing operations on a sector of operations basis, which started in 2005, will continue in 2006, so that an increase in publishing products and services in 2006 – 2007 is possible. Talentum's aim is to increase its business so that most of the net sales are derived from publishing.

The forecasts and estimates presented here are based on the management's current view of the trend in the economy, and the actual performance may significantly differ from what is expected at the moment.

share of talentum group's net sales



average number of employees



including discontinued operations

IFRS Consolidated financial statements and notes for 2005

CONSOLIDATED INCOME STATEMENT (1000 EUR)	NOTE	2005	2004
Sales	3	103 289	96 431
Changes in inventories		1 617	48
Other operating income	5	1 227	656
Material and services		-20 585	-18 590
Personnel expenses	6,20	-46 595	-42 725
Depreciation and amortization	7	-3 735	-4 135
Other operating expenses	8	-25 493	-23 007
Operating profit (adjusted) *)	3	20 447	9 298
Financial income and expenses	9	-741	-295
Share of profit of associates		239	308
Profit (adjusted) before tax and adjustments *)		19 945	9 311
Operating profit of discontinued operations	4	-11 231	-640
Profit before tax *)		8 714	8 670
Income taxes	10	-1 556	-2 564
Profit for the period - ongoing operations		7 158	6 106
Profit for the period - discontinued operations		11 500	863
Profit for the period		18 658	6 969
Attributable to:			
Equity holders of the parent		17 868	6 280
Minority Interest		789	690
Basic earnings per share (EUR)	11	0,42	0,15
Earnings per share (EUR)		0,42	0,15
Earnings per share, ongoing operations (EUR)		0,16	0,14
Earnings per share, discontinued toiminnot (EUR)		0,26	0,01

*) Includes operating profit of discontinued operations

CONSOLIDATED BALANCE SHEET (1000 EUR)	NOTE	2005	2004
ASSETS			
Non-current assets			
Intangible assets	12	12 135	2 569
Goodwill	12	24 792	12 748
Tangible assets	12	7 754	9 460
Investments in associates	13	1 389	1 234
Available-for-sale investments	14	889	192
Non-current receivables	16	486	899
Deferred tax assets	17	3 458	5 754
Total non current assets		50 903	32 855
Current assets			
Inventories	15	3 469	1 878
Available-for-sale investments	14	33	137
Trade receivables and other receivables	16	13 407	15 314
Cash and cash equivalents	18	22 644	28 281
Total current assets		39 553	45 610
TOTAL ASSETS		90 456	78 464
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	18 594	17 863
Share premium reserve		5 896	-2
Own shares		-1 314	-1 348
Fair value reserve and other reserves		4	7
Exchange differences		-44	84
Retained earnings		254	93
Net income		17 868	6 280
Total		41 259	22 977
Minority interest			
Total equity		43 302	32 852
Long term debt			
Deferred tax liabilities	17	3 052	344
Interest-bearing liabilities	22	5 018	8 920
Other liabilities		391	0
Retirement benefit obligations	20	60	836
Provisions	21	0	452
		8 522	10 552
Short term debt			
Current interest bearing liabilities	22	10 537	12 257
Trade payables and other payables	23	28 095	22 803
		38 632	35 060
Total liabilities		47 154	45 612
TOTAL EQUITY AND LIABILITIES		90 456	78 464
Interest bearing debt		15 555	21 177

CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	18 658	6 969
Adjustments	-5 309	7 523
Change in working capital	-3 393	-1 194
Net financial items	-112	472
Income tax paid	-1 613	-1 517
Net cash from operational activities	8 231	12 253
CASH FLOW FROM INVESTING ACTIVITIES		
Aquisitions of subsidiaries and associates	-11 903	-1 069
Other investments	-1 772	-411
Purchase of other non-current assets	-3 225	4 359
Sales of subsidiaries	17 770	0
Sales of other non-current assets	461	664
Investointien rahavirta	1 331	-5 175
CASH FLOW FROM FINANCING ACTIVITIES		
Change in short-term loans	-2 000	10 000
Change in long-term loans	-4 710	-8 773
Payment of finance lease liabilities	-174	-196
Change in long-term receivables	339	-82
Dividends paid and equivalent	-6 621	-13 869
Share issue	0	3
Minority's capital investment in subsidiaries	100	-8
Other financing items	-513	-739
Share repurchases	-1 724	0
Net cash used in financing activities	-15 303	-13 663
Net change in cash and cash equivalents	-5 741	-6 585
Cash and cash equivalents at beginning of period	28 418	35 003
Cash and cash equivalents at end of period	22 677	28 418

Cash and cash equivalents includes also current available-for-sale investments

*) Includes cash flow of discontinued operations (note 4.3)

STATEMENT OF CHANGES IN EQUITY (1000 EUR)

	Equity	Share premium reserve	Fair value reserve and other reserves	Exchange differences	Retained earnings	Equity attributable to equity holders of the parent	Minority earnings	Total equity
Equity Jan. 1.1, 2004	8 759	391	7 204	86	8 899	25 339	12 561	37 901
Exchange differences				-2		-2		-2
Share-based payments					392	392	261	653
Net income recognized directly in equity			-117		-878	-995	-221	-1 216
Profit for the period					6 280	6 280	690	6 969
Dividends paid					-10 452	-10 452	-334	-10 786
Bonus issue	8 931	-2 637	-6 294					
Transfers			-786		786			
Return of equity							-3 083	-3 083
Issue of share capital	173	2 244				2 417		2 417
Equity Dec. 31, 2004	17 863	-2	7	84	5 026	22 978	9 875	32 852
Exchange differences				-128	157	29	0	29
Share-based payments					54	54	36	90
Net income recognized directly in equity			-3		24	21	-2	19
Profit for the period					17 868	17 868	789	18 658
Sale of own shares					34	34		34
Dividends paid					-6 356	-6 356	-265	-6 620
Issue of share capital	731	5 898				6 629		6 629
Others							-8 390	-8 390
Equity Dec. 31, 2005	18 594	5 896	4	-44	16 808	41 259	2 043	43 302

notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES

Main procedures

Talentum Oyj (Plc) is a Finnish, public limited company established according to Finnish legislation with domicile in Helsinki. Talentum Oyj is the parent company of Talentum Group, and it is listed on the main list of Helsinki Stock Exchange. Operating area of Talentum Oyj is Media.

The registered address of the company: Malminkatu 20, 00100 HELSINKI

General

Talentum Group (Group) has as of January 1, 2005 transited its financial reporting from Finnish Accounting Standards (FAS) to International Financial Reporting Standards (IFRS). International Financial Reporting Standards refer to the standards, and their interpretations, approved for application in the EU in accordance with the procedure stipulated the EU's regulation (EC) no. 1606/2002 and embodied in Finnish Accounting Act and the statutes enacted under it. In transition IFRS 1 First-time Adoption Standard was applied. Transition date was January 1, 2004.

The following standards and their interpretations have not been applied due to the nature of business and transactions in the group: IFRS 4, IFRS 6, IAS 11, IAS 29, IAS 30 and IAS 41

The changes in IAS 39 published by IASB in 2004 will be applied in year 2006 as well as changes in IAS 19. These changes will not have a significant effect on consolidated financial statements in the future. The new standard IFRS 7 (Financial Instruments: Disclosures) will be applied in 2007. This will affect mainly the notes to the consolidated financial statements.

Use of estimates

The preparation of consolidated financial statements according to IFRS requires management to make estimates and assumptions. These have effect on the amounts of assets and liabilities in the balance sheet, to the reporting of contingent liabilities and possible funds in the financial statements and both the reported revenues and expenses during the reporting period.

Principles of consolidation

The consolidated financial statements include income statements, balance sheets and notes to the financial statements of parent company and subsidiaries.

Subsidiaries

Subsidiaries - those companies, of which Group has over half of the voting right or in some other way has significant influence - have been consolidated to the financial statements of the Group. Subsidiaries have been consolidated starting from the date when Group has acquired control and consolidation has ceased the date when Group's control has ceased. All inter-company transactions, debtors and creditors and unrealized profits have been eliminated. Also unrealized deficits have been eliminated, except when earnings corresponding to the book value based on acquisition accounting method cannot be accrued. Subsidiaries' accounting principles of financial statements have been

modified when needed to make them consistent with the accounting principles of the Group. All those companies over which parent company has either direct or indirect control have been consolidated to the financial statements of the Group. The acquisition accounting method has mainly been applied when consolidating subsidiaries. In the year 2000, in the merger between Talentum Oyj and Kauppakaari Oyj, pooling method has been applied. The Minority interests are recorded as a separate deduction on the consolidated income statement. In the balance sheet the minority interests have been disclosed separately from the consolidated shareholders' equity and liabilities and are presented as a separate item within the equity. The minority's share of accumulated losses will not be recorded if it exceeds the value of the investment.

Associated companies

Investments in associated companies are included in the consolidated financial statements in accordance with the equity method of accounting. Associated companies are companies, in which Group generally has 20-50 % voting rights or Group has significant influence but in which it does not have control. Unrealized profits between Group and its associated companies have been eliminated in proportion to share ownership; also unrealized deficits have been eliminated except when transaction shows that the value of the transferred asset has impaired. Group's investment in associated companies includes goodwill in connection with the acquisition of companies (deducted by the accrued depreciations). Applying equity method of accounting is ceased if the book value of investment has decreased to zero, unless Group has liabilities concerning associated company or unless it has guaranteed liabilities of associated companies.

Joint ventures

Group's share ownership in joint ventures is included in the financial statements of Group by applying relative pooling method. According to this method financial statement of Group includes Group's proportion of revenues and expenses, assets and liabilities and cash flow at each item of the financial statements of joint venture. Oy Mediautiset Ab has been consolidated row by row as joint enterprise according to ownership (50 %).

Transactions in foreign currencies

Profitability and financial position of the Group's companies are measured in the currency of the main operating area (operating currency). Operating currency of parent company is euro, which is also the currency for presenting financial statements of the Group.

Items in foreign currency have been presented in euros by using the exchange rate quoted by European Central Bank at the date of the closing of the books. Exchange rate differences realized during the accounting period have been included in the financial income and expenses.

The balance sheet items of the financial statements of foreign companies in the Group and associated companies have been exchanged into euros at the rate quoted by the European Central Bank at the date of the closing of the books. Profit and loss accounts have been exchanged by using the average rate of the accounting period. Exchange rate difference realized when exchanged financial statements and the exchange rate difference in shareholders' equity are presented in the item 'retained earnings'. When the subsidiary is sold, accrued exchange rate differences are included in the profit and loss account as part of sales profit or loss.

Revenue recognition

Sales of goods

Income from the sales of goods is recognized, when the remarkable risks and benefits for owning goods have been transferred to buyer.

Sales of services

Income from the sales of services is recognized on the percentage of completion method provided that both the percentage of completion and revenues and expenses related to it can be determined in a reliable way. Percentage of completion is determined by the work done as a proportion of the total service has been completed. When it is likely that total expenses to complete a service exceed the total income from the project in question, the expected deficit is recognized as an expense immediately.

License and royalty income

License and royalty income: revenue recognition takes place according to the actual contents of the agreement.

Interest income and dividends

Dividends are recognized when the right of the shareholder to the dividend is realized. Interest income is recognized according to time elapse.

Public contributions

Public contributions are recognized systematically in the accounting periods, when they are matched with the expenses that they are meant to cover. Contributions are included both in the other operating income and as a deduction of expenses in the other operating expenses.

Pension arrangements

According to IAS 19 payment based arrangements mean benefit arrangements for the time after termination of employment, according to which company pays fixed payments to separate unit (fund) and it does not have juridical nor actual obligations to pay additional extra payments in case fund does not have enough assets for the payment of all the employment benefits based on the work accomplished in the accounting period in question and previous accounting periods. Group payments to payment-based arrangements are expenses of the accounting period, to which payment is connected.

Benefit based arrangements mean all the other arrangements for the time after termination of employment, which are not payment-based arrangements. In the benefit based arrangements where benefits have been determined in advance and extra payment obligations or refunds may become to the Group, pension expenses are usually determined by using Projected Unit Credit Method-method. According to this method pension expenses are charged to the profit and loss account by periodizing regulatory expenses over remaining service years of the employee according to the actuarial mathematics calculations. The pension obligation is set forth as the present value of the future pension cash outflows. The actuarial mathematics profits and deficits of the actuarial calculations are charged to the average remaining service years for the part they exceed by 10 % the present value of benefit based pension obligations of the arrangement or the fair value of the assets belonging to this arrangement which is greater than the previous alternative.

Insurance mathematical profits and deficits are presented in the opening IFRS-balance sheet according to IFRS 1-standard relief.

Biggest part of the pension liabilities of the Group has been transferred to pension trust fund in the beginning of the year 2004. TEL-pension trust funds are handled as benefit based arrangements. In addition Group has some additional pension schemes that can be classified as benefit based. The disability pension part of TEL-insurance is handled

as payment based. Actuarial calculations are annually made of the benefit based arrangements.

Other personnel benefits

The various companies of the Group have their own annual bonus systems that are based on the result and other key targets. In rewarding, in addition to the result of the Group and profit unit, person's individual performance is taken into account. In addition there are special schedules directed particularly to the management.

Stock compensation

Group has applied IFRS 2 Share-based payment-standard on all such option plans, where options have been granted after November 7, 2002 and to which there has not arisen right before January 1, 2005. Option rights are valued at fair value at the moment of acquisition and they are charged to profit and loss account as straight-line basis over the period when right can arise. The expense determined at the moment options are granted bases on the Group's estimate of the amount of options to which right is expected to arise by the end of the period when right can arise. Fair value is determined based on the Black Scholes-pricing method. Group updates the estimate of the final amount of options at every balance sheet date. When option rights are exercised, the proceeds received are credited to the share capital and share premium.

Leases (Group as a lessee)

Lease agreements concerning tangible assets, in which Group has essential part of the risks and rewards characteristic to ownership, are classified as financial lease agreements. Financial lease agreement is included in the balance sheet in the beginning of the lease period at fair value or the lower value of the present value of minimum lease payments. The item acquired by financial lease agreement is depreciated during its economic life or the lease period if it is shorter than economic life. Lease payments are divided into financial expenses and amortizing of loan.

Lease agreements, where lessor has risks and benefits characteristic to ownership, are handled as other lease agreements. Lease payments based on other lease agreements are charged to profit and loss account as equal amount expenses during the lease period. Received incentives are deducted from the paid leases based on the time elapse of benefit (for example received discounts on leases/payment free months (SIC 15). In this way discounts received are divided evenly to the whole lease period.

Income taxes

Group taxes include taxes of the Group companies, which are based on the taxable income for the accounting period and taxes from previous accounting periods and the change in the deferred tax assets and liabilities. Deferred tax assets and liabilities are calculated for all periodizing differences between accounting and taxation by using currently enacted tax rates. Most remarkable periodizing items arise from depreciation differences in assets and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. For the part of Group cumulative accelerated depreciation has been divided into deferred tax liability and equity. According to Finnish Companies Act the part divided into equity is not distributable equity.

Available-for-sale investments and discontinued operations

Discontinued operation, of which assets and result can be separated from the actual main operation, is arisen when it is decided to totally or for essential part to renounce a remarkable separate business area an this is a part of a coordinated plan made by the management. Available-for-sale investments and assets connected to the operation to be discontinued, which have been classified as available-for-sale, are valued at the moment of classification according to the lower of the following: book value or fair value deducted by the cost of realization. Depreciations are not made after classification.

Goodwill

According to Finnish accounting standards, the part of purchase price of the shares of subsidiary that exceeds equity is set forth as a goodwill, which is depreciated at maximum during next ten years. Consolidations/classifications related to these in the opening balance sheet January 1, 2004 have not been modified when preparing Group's opening IFRS-balance sheet. Starting from 2004 new acquisitions are valued adopting IFRS 3 that is, according to net realizable value of the acquired company. In addition from goodwill must be separated and included in the intangible rights certain items acquired in the connection of acquisition, that previously were included in the goodwill. If there is in the connection of acquisition an additional purchase price option this is as a rule included in the balance sheet at once, if management estimates that its payment is probable and additional purchase price can be estimated in a reliable way.

Goodwill is not amortized on an annual basis but goodwill is tested annually for possible impairment (or more often, if some references to impairment are noticed).

Other intangible assets

Patents, trademarks, licenses and EDP-programs, which have limited useful lives are capitalized and amortized using the straight-line method over their useful lives (from 2 to 5 years).

Intangible assets that have unlimited useful lives are not amortized, but they are tested annually for impairment.

Tangible assets

Tangible assets are stated in the balance sheet at cost less accumulated depreciation according to plan. Depreciations according to plan have been calculated on a straight-line basis over the useful economic lives. Useful economic lives are:

Buildings	30 years
Machinery and equipment	2-7 years
Other tangible assets	3-10 years

The profits on sale are recorded in the consolidated financial statements under other operating income and losses of sale are included in the other operating expenses. Costs of major inspections and service operations are capitalized, costs of normal service and repair procedures are entered as expenses in the consolidated income statement.

Impairment

Values of asset items are tested continuously to find out possible need for impairment. Goodwill is tested annually always at the same period of time. If some factors exist referring to impairment, the amount of accruable earnings is estimated for the asset in question. Impairment loss is recorded if the book value of the item exceeds accruable earnings amount. Impairment loss is cancelled, if there is a change in

conditions. However, impairment of goodwill is never cancelled. Impairments are charged to the profit and loss account as expense.

Inventories

Inventories are stated at cost. Cost is determined as direct costs of purchase and production and appropriate proportion of their overheads. The cost of the items in the same inventory category is stated on a first in first out basis (FIFO-method).

Accounts receivable

Accounts receivable are valued at fair value. Estimate for doubtful receivables is made at the balance sheet date based on a comprehensive review of receivables

Financial assets and financial liabilities

Group has adopted IAS 39 Financial instruments: recognition and measurement-standard since January 1, 2004. Before this financial assets and liabilities have been valued according to Finnish accounting standards. From the beginning of the year 2004 the financial assets of the Group have been classified based on the standard by using following categories:

- Financial asset or financial liability at fair value through profit or loss
 - Held for trading
 - On initial recognition at fair value through profit or loss
- Held-to-maturity investments
- Loans and other receivables
- Available-for-sale financial assets

Classification is based on the purpose of the acquisition of financial asset. Management makes decisions concerning classification of investments at the time of purchase and after that estimates classification on a regular bases. Essential transaction expenses are included in the original book value of financial asset, when an item, which is not valued at fair value and charged to profit and loss account, is in question.

Assets are included in the non-current investments, if they are due no earlier than after 12 months, otherwise assets are current investments. These items are included in the non-current investments if management has not expressed an intention to renounce ownership during the next 12 months after balance sheet date.

Available-for-sale assets are valued at fair value. Changes in value are recorded to fair value reserve in the balance sheet. Changes in the fair value in equity are charged to profit and loss account when the investment is sold or impairment is recognized.

Held-to-maturity investments are financial assets that the management of the Group acquires in a serious purpose to hold them till the day they are due. At the moment Group has not classified any financial assets to this group.

Loans and other receivables valued at periodized cost.

Cash and cash equivalents include liquid assets, which have maturity that is less than three months (valued at cost). In the balance sheet credit limits are included in the short-term interest bearing debts.

Financial liabilities are at first included in the accounting based on the fair value of the received compensation. Transaction expenses are included in the original book value (materiality). Later on financial assets are recognized by using the effective interest method (periodized acquisition cost others excluding financial liabilities for trading). Interest expenses are charged to profit and loss account on accrual basis.

Own shares

When company or its subsidiary acquires company's own shares, equity is decreased by the amount that consists of the paid compensation deducted by transaction expenses after taxes, until own shares are void or transferred/sold.

Provisions

Provision is recorded, when Group has as a consequence of previous event juridical or actual obligation, realization of payment is probable and the amount of obligation can be estimated in a reliable way.

Rearrangement provision is recorded, when Group has drawn up detailed rearrangement plan and Group has started to carry out the plan and it has informed about the matter.

Provision is recorded based on an agreement generating loss, if necessary direct expenses to fulfill obligations of the agreement exceed the benefits arising from it.

Dividends

Dividends proposed by the Board of Directors are not recorded in the equity until they have been approved by the shareholders at the Annual General Meeting.

Earnings per share

Earnings per share are calculated dividing result by the average number of shares outstanding at each period. The average number of own shares in the possession of Group has been deducted from the average number of shares outstanding.

2. TRANSITION TO IFRS REPORTING RULES

General

Talentum group has adopted the International Financial Reporting Standards (IFRS) as of 1 January, 2005. Until January 2005 Talentum group reported under Finnish Accounting Standards (FAS).

The following covers the most significant changes in the accounting principles and the total impact on Talentum's 2004 financial accounts resulting from the retrospective implementation of the new rules. On 25.4.2005 Talentum reported the comparative information according to the IFRS on a quarterly basis for year 2004 onwards. Tho-

se figures were not subject to the Auditor's review and minor adjustments have been made afterwards. Talentum has followed the principles contained in IFRS 1 and has opted for the exemptions allowed by it. The following exemptions were used in the preparation of the financial statements: IAS 19 (Employee benefits), IFRS 3 (Business combinations), IAS 39 and IAS 32. Compared to the consolidated financial statements prepared under FAS the most significant changes are related to the goodwill treatment and tax and pension commitments treatment.

CHANGES IN EQUITY (1 000 EUR)	1.1.2004	31.12.2004
Total equity (FAS)	46 519	38 925
IAS 12 Income taxes	4 322	3 640
IAS 17 Leases	85	71
IAS 19 Employee benefits	-721	-588
IAS 32 and 39 Financial instruments	-1 118	-1 312
IAS 36 Impairment of assets	-11 187	-11 187
IFRS 3 Business combinations	3 303	
Total equity (IFRS)	37 901	32 852
RECONCILIATION OF NET PROFIT FOR COMPARISON PERIODS (1000 EUR)	1-12/2004	
Profit for the period before minority interest according to FAS	4 460	
Income taxes	-228	
Leases	-12	
Employee benefits	132	
Share-based payments	-653	
Impairment of assets	3 270	
Profit for the period according to IFRS	6 969	
Attributable for		
Equity holders of the parent	6280	
Minority interest	689	

In the following is presented the conversion of FAS balance sheet at the closing 31 December 2003 into IFRS opening balance sheet of transition date, 1 January 2004.

RECONCILIATION OF OPENING BALANCE SHEET AND EQUITY (EUR)		FAS 31.12.2003	IFRS-OIKAISUT	IFRS 1.1.2004
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	2)	4 125	-1 695	2 430
Goodwill	1)	15 662	-8 019	7 643
Tangible assets	2)&3)	8 974	2 044	11 018
Investments in associates		1 235		1 235
Available-for-sale investments	5)	912	-713	199
Trade receivables and other receivables		467		467
Deferred tax receivables	6)	1 418	4 743	6 161
NON-CURRENT ASSETS		32 793	-3 640	29 153
CURRENT ASSETS				
Inventories		1 840	-66	1 774
Trade receivables and other receivables	5)	16 068	-76	15 993
Available-for-sale investments	5)	2 331	235	2 566
Short-term investments	4)	471	-471	0
Cash and cash equivalents	8)	32 437		32 437
CURRENT ASSETS		53 147	-378	52 769
ASSETS		85 941	-4 018	81 922
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDER'S EQUITY				
Share capital		8 759		8 759
Share premium reserve		5 540	-5 149	391
Fair value reserve and other reserves		7 556	-351	7 204
Exchange differences		86		86
Retained earnings		18 837	-9 938	8 899
Shareholders' equity		40 778	-15 438	25 340
Minority interest		5 742	6 819	12 561
TOTAL EQUITY	9)	46 519	-8 619	37 901
LONG TERM DEBT				
Deferred tax	10)	316	188	504
Loans and other interest bearing debt	12)	13 344	3 274	16 618
Provision for pension liabilities	7)		1 015	1 015
Other long term provisions	11)		1 046	1 046
LONG TERM DEBT		13 660	5 523	19 183
SHORT TERM DEBT				
Current interest bearing debt	12)	3 447	123	3 571
Accounts payable and other liabilities	11)	22 314	-1 046	21 267
SHORT TERM DEBT		25 761	-923	24 838
SHAREHOLDERS' EQUITY AND LIABILITIES		85 941	-4018	81 922

Notes to the reconciliation of opening balance sheet and equity

1. Goodwill

According to FAS goodwill in the balance sheet is based on the excess of the purchase price over the equity of subsidiary at the moment of purchase. Under FAS goodwill is amortized according to plan (on a straight-line-basis over its expected useful life).

In the opening IFRS balance sheet Talentum group's goodwill values remained unchanged as allowed in the IFRS 1- First-Time Adoption. Goodwill has been tested for impairment according to IFRS 1- First Time Adoption. Based on the impairment test 11.2 MEUR impairment loss was recognised. Prior to testing binding obligations in partner agreements were included in goodwill and in long term interest bearing debt (3.2 MEUR) respectively.

2. Other intangible assets

Capitalized renovations of leaseholds (1.7 MEUR) have been shifted from the intangible assets to tangible assets.

3. Tangible assets

Under FAS rental leases are treated as other leases. Under IFRS part of the rental leases have been reclassified as financial leases and they have been included in the balance sheet as tangible assets (0.3 MEUR) after deduction of accrued depreciations. Financial lease-items are depreciated mainly on the lease period basis. Lease obligations corresponding to financial lease-items are included in the balance sheet as long and short term interest bearing debt.

4. Own shares (held by parent company)

Own shares are not included in assets or equity as required by IAS 32.

5. Available-for-sale investments and other receivables

Available-for-sale investments consist of shares in listed and unlisted companies. Listed shares are valued at fair value (+ 0.2 MEUR). Unlisted shares are carried at cost or at lower value (less impairment). Listed equity shares in inventories have been shifted into available-for-sale investments (0.1 MEUR). Impairment of 0.7 MEUR in long term investments and 0.1 MEUR in receivables were recognized.

6. Deferred tax assets

Increase in deferred tax assets is mainly due to tax loss carry forwards of Satama Group, when valued according to IFRS in the opening balance sheet (+ 3.7 MEUR).

7. Provision for pension liabilities

Calculation of benefit plans based on pension solutions according to IAS 19 causes a liability of 1 MEUR in the balance sheet. Majority of group's pension liabilities have been transferred into pension fund in the beginning of 2004. Employment disability insurance is considered to be a defined contribution plan.

8. Cash and cash equivalents

Cash and cash equivalents include interest bearing investments and other investments with maturities at acquisition of shorter than three months.

9. Total Equity

Adjustments caused by assets and liabilities recorded differently under IFRS and FAS or revaluation of balance sheet items due to IFRS are included in the equity of the opening balance sheet. Changes included in retained earnings are mainly due to goodwill impairment -11.2 MEUR based on IAS 36, recognized liability due to benefit plan based pension arrangement -0.7 MEUR, change in deferred tax +4.3 MEUR, recognized impairment in shares and receivables -0.5 MEUR and net change of other items +0.1 MEUR.

Reserve for own shares 0.5 MEUR is not included in the group equity.

Minority shares are included in total equity as a separate item according to IAS 1, whereas under FAS it is not included in the shareholders' equity.

10. Deferred tax liability

Increase in deferred tax liability is mainly due to IFRS-changes in the opening balance sheet.

11. Long term provisions

Long term provisions of 1 MEUR are presented as a separate item (under FAS: other liabilities).

12. Long and short term interest bearing debts

Liability based on the financial lease-items increases both short term and long term interest bearing debt. Interest bearing debt includes 3.2 MEUR liabilities due to binding partner agreements.

3. SALES AND OPERATING PROFIT BY BRANCH

The Board of Directors has decided, after comprehensive consideration and considering synergy benefits, that Talentum has one segment -Media. In order to give additional diversified information the Board has decided to give out key figures by branch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (1000 EUR)	2005	2004
Sales		
Publishing *)	57 447	48 895
TV Content Production	21 499	23 168
Premedia	20 975	21 210
Direct Marketing	7 163	6 885
Internet Consulting **)	19 717	23 602
Sales within group	-4 027	-3 837
Total	122 774	119 923
-Discontinued operations	-19 717	-23 602
Adjustments and eliminations	232	110
Total/ongoing operations	103 289	96 431
Operating profit		
Publishing *)	9 823	7 947
TV Content Production	628	180
Premedia	31	1 204
Direct Marketing	1 157	1 117
Internet Consulting **)	743	640
Parent company and group items	-2 422	-1 790
Capital gain/discontinued operations	10 488	0
Total	20 447	9 298

*) Of which publishing acquired in Sweden 10-12/2001: sales 5 847 000 euros and operating profit 922 000 euros

***) Classified as discontinued operation 16.9.2005

4. ACQUISITIONS AND DISPOSALS

4.1 PREMEDIA

Talentum Premedia Oy bought 4.4.2005 100% of Faktor Oy and Faktor Tools Oy, which operate in the same branch. The specification of the acquisition is below. The acquisition increased sales of the group by MEUR 2.9 and operating profit by MEUR 0.5 from April to December.

ASSETS AND LIABILITIES ARISING FROM THE ACQUISITION	2005
Acquired assets (+)	
Tangible assets	296
Trade receivables and other receivables	381
Cash and cash equivalents	135
Acquired assets	812
Acquired liabilities (-)	
Acquired liabilities	-656
Acquired liabilities	-656
Acquired net assets	157
Goodwill	3 412
Purchase price	3 568
Cash and cash equivalents in subsidiary acquired	135
Cashflow on acquisition	2 979
Specification of purchase price	
Paid in cash and cash equivalents	3 057
Part of purchase price in accruals	455
Costs of acquisition	56
Total purchase price	3 568

In 2005 Talentum Premedia Oy also increased its ownership of Sata-Flexo Oy by 13.3%. The share of ownership is now 93.3%.

Specification of purchase price	
Rahavaroina maksettu osuus	445
Costs of acquisition	7
Total purchase price	452
Goodwill entered	198

4.2 PUBLISHING

In October Talentum Oyj bought 100% of Swedish company Ekonomi & Teknik Förlag AB. Purchase price was MEUR 15.2 (MSEK 142), of which MEUR 8.8 (MSEK 82) was paid in cash and MEUR 6.4 (MSEK 60) in shares of Talentum Oyj. Special issue of 1,669,641 shares was issued and the subscription price "was 3.855 euros (not exact value; the subscription price is calculated average rate weighted by trading volume of Talentum share " in Helsinki Stock Exchange 14.9. - 4.10.2005.

The acquisition increased net sales of the Group by MEUR 5.8 and net profit by MEUR 1.3 from October to December 2005. Additional purchase price of max. MEUR 2.1 was realised and entered into the books based on sales of year 2005 and Q4 operating profit. Maximum additional purchase price required MSEK 165 net from the year 2005 sales and 13% operating profit margin from October to December 2005.

	Fair value	Bookvalue prior to combination
Acquired assets (+)		
Intangible assets	9 653	27
Tangible assets	429	429
Available-for-sale investments	773	773
Long term receivables	177	177
Deferred tax receivables	1 767	1 588
Trade receivables and other receivables	2 634	2 634
Cash and cash equivalents	3 267	3 267
Acquired assets	18 699	8 867
		Bookvalue prior to combination
Acquired liabilities (-)	Fair value	
Deferred tax liabilities	-2 695	0
Long term interest bearing debt	-129	-129
Long term non interest bearing debt	-443	0
Short term interest bearing debt	-5	-5
Trade liabilities and other liabilities	-7 879	-7 682
Acquired liabilities	-11 152	-7 817
Acquired net assets	7 547	1 051
Goodwill	10 096	
Purchase price	17 644	
Cash and cash equivalents in subsidiary acquired	3 267	
Cashflow on acquisition	5 818	
Specification of purchase price		
Paid in cash and cash equivalents	8 797	
Part of purchase price in accruals	2 130	
Special issue	6 428	
Costs of acquisition	288	
Total purchase price	17 644	

4.3 INTERNET CONSULTING

Satama Interactive Group which was classified as discontinued operations in September, made acquisitions under year 2005. It acquired in August OER B.V., which is one of Netherlands' leading interactive marketing communication companies. In May Satama acquired G5 Digital Design Oy, which is specialised in interactive marketing communication. Since Talentum Oyj sold its ownership (60%) in Satama Interactive Oyj are the specifications of these acquisitions within the specifications of discontinued operations.

Talentum Oyj sold its ownership in Satama Interactive Oyj, 23 170 000 shares. The shareholding decreased 16.9.2005 from approximately 60 % to ca 3.8 %. 1 000 000 shares were sold by futures contract, which expired in December 2005, and the ownership of Talentum Oyj decreased to zero. The average price of shares sold was 1.0 euros per share.

The selling price was EUR 23 170 000.

NET ASSETS AND LIABILITIES OF DISPOSALS	2005
Disposed assets	
Goodwill	3 677
Other intangible assets	138
Tangible assets	1 216
Available-for-sale investments	36
Long term receivables	259
Other long term investments	0
Employment benefits	0
Deferred tax receivables	4 489
Inventories	0
Trade receivables and other receivables	7 693
Income tax receivables	0
Available-for-sale investments	0
Other financial assets	3 999
Cash and cash equivalents	1 053
Disposed assets	22 561
Disposed liabilities	
Long term non interest bearing debt	-807
Trade liabilities and other liabilities	-5 128
Other (profit of sales in income statement)	10 488
Disposed liabilities	4 553
Disposals	21 422
Specification of selling price	
Received in cash and cash equivalents	23 170
Part of selling price in accruals (***)	-1 400
Costs of disposal	-348
Disposals	21 422
***) Reservation for management EVA-premium has been reduced from the profit of sale (= long term premium)	
Received in cash and cash equivalents	22 822
Cash and cash equivalents in subsidiaries	-5 052
Casflow on disposal	17 770

DISCONTINUED OPERATIONS	2005	2004
SALES	19 717	23 602
Other operating income	59	12
Financial income	101	285
Income	19 876	23 899
Materials and services	-3 182	-3 141
Personnel expenses	-11 703	-14 764
Depreciation and amortization	-568	-918
Other operating expenses	-3 581	-4 150
Financial expenses	-18	-62
Expenses	-19 052	-23 036
Profit before tax	825	863
Profit of sale	10 488	0
Profit of sale before taxes	10 488	0
Income tax	187	0
Tax of discontinued operations	187	0
Profit for the period	11 500	863
Cashflow on discontinued operations		
Cash flow from operating activities	628	1 070
Cash flow from investing activities	15 290	-1 385
Cash flow from financing activities	-1 401	-3 165
Total	14 517	-3 480
5. OTHER OPERATING INCOME		
Profit of sale of tangible assets	175	280
Grants	772	222
Rent income	51	27
Other income	229	127
Total	1 227	656
6. PERSONNEL EXPENSES		
Wages and salaries	38 237	35 029
Pension costs		
Defined benefit plans	237	592
Defined contribution plans	5 101	4 846
Other social expenses	3 020	2 258
Total	46 595	42 725
Average amount of personnel in the period *)	1 202	1 203
*) Converted to full-time personnel		
7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT		
Intangible assets	984	1 013
Buildings	77	77
Machinery and equipment	2 709	2 732
Other tangible assets	10	323
Group reserve income	-45	-10
Total	3 735	4 135

Depreciation of machinery include 248 624 euros depreciation of leased equipment (216 115 euros year 2004).
Impairment has not been recorded in years 2005 and 2004.
Goodwill has not been subject to amortization since 1.1.2004.

8. OTHER OPERATING EXPENCES

	2005	2004
Voluntary social expenses	1 875	1 105
Leases	6 447	3 679
Representation expenses	593	570
Public contributions	-82	-82
Credit losses	222	113
Marketing expenses	3 952	2 737
Other fixed expenses	12 486	14 884
Total	25 493	23 007
Fees paid to the main auditor		
Audit	188	125
Other fees	65	51
Total	253	177

9. FINANCIAL INCOME AND EXPENCES

Dividends received	8	143
Interest and financial income	400	555
Interest expenses		
Long and short term debt	-642	-599
Financial leases	-17	-16
Other financial expenses	-489	-379
Total	-741	-295
Exchange differences in income statement		
Within financial income and expenses	-25	-2

10. INCOME TAX

Income tax in income statement		
Tax for the period	-1 665	-2 418
Tax for earlier periods	-152	-159
Deferred tax	260	12
	-1 556	-2 564

Income tax for the Group in income statement differ from income tax accounted by parent company's tax rate (26% year 2005 and 29% year 2004) as follows

Income tax expense at statutory rate	2 266	2 514
Difference between Finnish and foreign tax rates	70	-70
Items without income tax benefit/expense	11	49
Losses not recognised earlier	-689	0
Taxes for prior years	152	159
Change in tax rate	0	-30
Net profit of associates	-62	-89
Effect of group consolidation and elimination	-33	-91
Other	-157	123
Total	1 556	2 564

11. EARNINGS PER SHARE

Basic earnings per share is computed using the weighted mean number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of stock options, restricted shares and performance shares outstanding during the period.

Net profit attributable to shareholders (basic/diluted)	17 868	6 280
Profit of discontinued operations	11 203	507
Profit of ongoing operations	6 666	5 773
Amount of shares		
Basic	42720075	41793256
Diluted	42720075	41793256
Basic earnings per share (EUR)	0,42	0,15
Diluted earnings per share (EUR)	0,42	0,15
Earnings per share, ongoing operations (EUR)	0,16	0,14
Earnings per share, discontinued operations (EUR)	0,26	0,01

12. INTANGIBLE AND TANGIBLE ASSETS

INTANGIBLE ASSETS	GOODWILL	OTHER	TOTAL
Acquisition cost at 1.1.2005	60 764	12 141	72 904
Additions	16 320	10 225	26 545
Acquisitions through business combinations	0	1 233	1 233
Disposals	-643	-26	-669
Disposals/discontinued operations	-17 220	-1 622	-18 843
Acquisition cost at 31.12.2005	59 220	21 951	81 171
Accumulated depreciation 1.1.2005	-48 016	-9 572	-57 588
Acquisitions through business combinations	0	-998	-998
Disposals	0	162	162
Depreciation	45	-891	-846
Disposals/discontinued operations	13 543	1 484	15 027
Accumulated depreciation 31.12.2005	-34 428	-9 816	-44 244
Carrying amount at 31.12.2005	24 792	12 135	36 927
Carrying amount at 31.12.2004	12 748	2 569	15 316

Talentum Oyj and the previous shareholders of Suomen Arvopaperimediata Oy made 7.3.2005 an agreement that additional purchase price is paid in one instalment differing from earlier agreement, after which the purchase price had been completely paid. The realized additional purchase price was smaller than expected at the time of purchase (this causes goodwill decrease). Goodwill has not been subject to amortization since 1.1.2004.

Impairment test for cash generating units that include goodwill

Talentum observes goodwill at the group level. TV Content Production (Varesvuo subgroup) constitutes due to its special characteristic a separate cash generating unit. In IFRS transition there was a 11.2 impairment loss on TV Content Production recorded in the opening IFRS balance sheet. Impairment testing has showed no need for further impairment charges.

Purchase price has been allocated to the following cash generating units:

MILLION EUR	2005	2004
TV Content Production	3,7	3,7
Other	21,1	9,0
Total	24,8	12,7

Recoverable amount is in impairment testing bigger of either value in use or fair value (less cost to sell). Cash flow forecasts are based on realized operating profit and forecasts of five years. Terminal value is computed by using 0.4 % growth estimate. As discount rate has been used WACC before taxes defined for Varesvuo. WACC has been computed from risk free rate, market risk premium, beta, cost of debt and median debt to EV ratio. Discount rate was 8% in year 2005 (8% in year 2004). Market approach/comparable companies have been used in defining fair value.

Tangible assets and equipment payments	Buildings	Machinery	Advance	Total
Acquisition cost at 1.1.2005	2 421	35 189	0	37 610
Additions	1	2 367	139	2 507
Acquisitions through business combinations	0	3 059	0	3 059
Disposals	0	-2 202	0	-2 202
Disposals/discontinued operations	0	-8 873	0	-8 873
Acquisition cost at 31.12.2005	2 422	29 540	139	32 101
Accumulated depreciation 1.1.2005	-581	-27 569	0	-28 149
Acquisitions through business combinations	0	-2 447	0	-2 447
Disposals	0	1 877	0	1 877
Disposals/discontinued operations	0	7 657	0	7 657
Depreciation	-77	-3 206	0	-3 284
Accumulated depreciation at 31.12.2005	-658	-23 689	0	-24 347
Carrying amount at 31.12.2005	1 764	5 851	139	7 754
Carrying amount at 31.12.2004	1 840	7 620	0	9 460

Tangible assets include financial lease equipment

MACHINERY AND EQUIPMENT	2005	2004
Acquisition cost	1 273	1 059
Accumulated depreciation	-880	-631
Carrying amount at 31.12.	393	428

13. INVESTMENTS IN ASSOCIATES

	2005	2004
At the beginning of period	1 234	1 211
Additions	239	319
Dividends	-84	-297
At the end of period	1 389	1 234

Associates	Domicile	Groupholding percentage %
Main Domain Oy	Helsinki	49,70
Generator Post Oy	Helsinki	50,00
Production House Oy	Helsinki	29,00
Electric Light Company Finland Oy	Helsinki	34,16

Carrying value of associates 31.12.2005 includes Meur 0.3 goodwill (Meur 0.3 per 31.12.2004)

(1000 EUR)

2005	Assets	Liabilities	Sales	Profit
Main Domain Oy	560	173	1 252	386
Generator Post Oy	2 417	1 397	4 322	8
Production House Oy	1 011	265	1 602	114
Electric Light Company Finland Oy	106	45	353	26

2004	Assets	Liabilities	Sales	Profit
Main Domain Oy	648	190	1 356	295
Generator Post Oy	3 138	2 041	4 287	172
Production House Oy	831	226	1744	216
Electric Light Company Finland Oy	161	91	462	44

Accounting period for Main Domain Oy is 1.9. - 31.8. but its numbers have been consolidated since 2004 in income statement for period 1.1. - 31.12., computed from interim reports.

14. AVAILABLE-FOR-SALE INVESTMENTS

	2005	2004
Non-current		
Carrying amount at 1.1.	192	199
Increases	1	18
Acquisitions by business combinations	802	0
Decreases	-85	-24
Disposals/discontinued operations	-20	0
Carrying amount at 31.12.	889	192
Current		
Carrying amount at 31.12.	33	137

Available-for-sale-investments include both listed and unlisted shares. Listed shares are valued at fair value. Unlisted shares have been valued at acquisition cost since fair value cannot be estimated reliably.

15. INVENTORIES

Material and supplies	366	393
Work in progress	1 938	622
Finished products and goods	1 165	863
Total	3 469	1 878

16. TRADE RECEIVABLES AND OTHER RECEIVABLES

	2005	2004
Non-current		
Loan receivables	250	525
Other receivables	236	374
	486	899
Current		
Loan receivables	39	21
Trade receivables	8 715	12 175
Receivables from associates	338	400
Prepayments in accrued income	3 630	2 023
Other receivables	685	694
	13 407	15 314
Prepayments and accrued income include:		
Tax receivables	1 753	431
Personnel expenses	428	311
Interest and other financial receivables	43	48
Other items	1 407	1 233
	3 630	2 023

17. DEFERRED TAXES

Deferred tax assets	3 458	5 754
Deferred tax liabilities	-3 052	-344
Net deferred tax assets	406	5 409
Reconciliation of the movements of deferred tax assets and liabilities balances during the period		
Deferred taxes 1.1.	5 409	5 657
Taxes in income statement	624	213
Acquisitions	-921	160
Disposals/discontinued operations	-4 489	0
Recognized in equity	-217	-621
Deferred taxes 31.12.	406	5 409
Deferred tax assets		
Retirement benefit	16	217
Tax losses carried forward	2 974	5 471
Other temporary differences	468	66
	3 458	5 754
Deferred tax liabilities		
Other temporary differences	-3 052	-344
	-3 052	-344

18. CASH AND CASH EQUIVALENTS

Cash at hand and in bank accounts	6 795	3 559
Current investments	15 849	24 722
	22 644	28 281
Available-for-sale investments	33	137
	22 677	28 418

Current available-for-sale investments have been included in cash and cash equivalents. Fair value for cash and cash equivalents does not differ significantly from carrying value. Mean maturity for current investments was 30 days and effective rate was ca. 2.2%.

19. EQUITY

Maximum amount of shares is 100 000 000. The value of all shares is 0.42 euros each (not exact value) and the maximum share capital is 28 000 000 euros. All emitted shares have been fully paid.

Share capital	Number of shares	Shareholder's equity	Fair value reserve	Own shares	Total
01.01.2005	42298780	17 863	-2	-1 348	16 513
Special issue to shareholders of Suomen Arvopaperimediata Oy 23.3.2005	67796	29	171	0	199
Special issue to shareholders of E+T, Ekonomi & Teknik Förlag AB 12.10.2005	1669641	702	5 726	0	6 428
Sale of own shares 24.3.2005	3600	0	0	34	34
31.12.2005	44039817	18 594	5 896	-1 314	23 175
Own shares held by company 01.01.2005	184600				
Sold 24.3.2005	-3600				
Own shares held by company 31.12.2005	181000				
Number of shares 31.12.2005	44220817				

Series: TTMV1

Fair value reserve and other reserves	2005
Fair value reserve	0
Reserve fund	4
	4

Fair value reserve includes changes in fair value of available-for-sale investments. Reserve fund includes amount transferred from retained earnings through decision of annual general meeting.

Accumulated exchange differences	
Exchange differences	-44
	-44

Exchange differences include differences that originate from translating foreign units annual accounts into euros.

Calculation of distributable assets	2005
Retained earnings	254
Own shares	-1 314
Profit for the period	17 868
Reservations	-483
Exchange differences	-44
	16 282
Reservations	
Accumulated depreciation difference	653
Deferred tax liability	-170
Reservations	483

Calculation of distributable assets is based on IFRS balance sheet and Finnish practice.

Share-based payments

IFRS 2 Share-based payments have been applied on all such option plans, where options have been granted after November 7, 2002 and to which there has not arisen right before January 1, 2005. Satama Interactive Oyj has such option plans. Option rights are valued at fair value at the moment of acquisition and they are charged to profit and loss account as straight-line basis over the period when right can arise. IFRS 2 has no influence on opening balance sheet 1.1.2004. In year 2005 options cost effect is 90 000 euros (653 000 euros 2004) Since Satama Interactive subgroup has been classified as discontinued operation 16.9.2005. The effect on income statement is included in the result of discontinued operations. There is further information about share-based payments and their valuation models in the annual report of Satama Interactive Oyj.

20. RETIREMENT BENEFIT OBLIGATIONS

The most significant pension plan in Finland is TEL. The Ministry of Social Affairs and Health approved in December 2004 changes to TEL-disability system. The changes came into force 1.1.2006 since when the TEL-disability system is treated as defined contribution plan. Talentum has not included the effects of TEL-disability treated as defined benefit plan in the opening balance sheet since the entries were to be cancelled at the latest in annual accounts for 2005. Talentum Oyj, Talentum Media Oy and Suoramarkkinointi Mega Oy moved their statutory retirement benefit obligations into a pension foundation in the beginning of year 2004. The pension foundation is treated as defined benefit plan. In addition the Group has some voluntary retirement benefit arrangements which are treated as defined benefit plans.

In case the TEL disability system had been treated as defined benefit plan in the opening balance sheet and annual accounts, the effects would have been following:

EFFECTS ON THE BALANCE SHEET	1.1.2004	31.12.2004
Equity	-162	0
Retirement benefit obligations	228	0
Deferred tax assets	66	0
Effect on the income statement	0	162

There is a joint retirement benefit arrangement in Sweden (Pressens Pensionskassa), of which there is not adequate information to treat it as defined benefit plan. Therefore it has been treated as defined contribution plan. The effect of this is not assumed to be remarkable.

Defined benefit plans

Items in income statement:	2005	2004
Defined benefit plans	237	592
Defined contribution plans	5 101	4 846
	5 338	5 438
Defined benefit plans:		
Current service cost	648	535
Interest cost	700	551
Expected return on plan assets	-692	-494
Plan liability)	-421	0
Net actuarial gains and losses recognized in year	2	0
Past service cost	0	0
Other costs	0	0
	237	592

The actual return on plan assets was -122 000 euros in 2005 (346 000 euros in 2004).

The amounts recognized in the balance sheet

Liability - defined benefit plans		
Present value of unfunded obligations		
Present value of funded obligations	14 745	13 395
Fair value of plan assets	-15 116	-13 246
Unrecognized actuarial gains and losses	689	687
Liability in the balance sheet	60	836
Retirement benefit obligation	60	836
Balance sheet reconciliation		
Net liability on 1 January	836	1 015
Net expenses recognized in the income statement	237	592
Contributions paid	-1 013	-771
Net liability on 31 December	60	836
The principal actuarial assumptions		
Discount rate	4,50 %	5,0 %
Expected return on plan assets	4,50 %	5,0 %
Future salary increases	2,50 %	3,0 %
Inflation	2,00 %	2,0 %

21. PROVISIONS

Provisions on 1 January	452
Additional provisions and increases to existing provisions	0
Utilized during year	-452
Unused amounts reversed	0
Disposals/discontinued operations	0
Provisions at 31 December	0
Long-term provisions	0
Short-term provisions	0
Total	0

Provision is restructuring provision in Satama Interactive Oyj. It had been recognized in June 2003 and it was completely used by June 2005. The provision was used during two years to costs of long-term lease commitment in Germany and other restructuring costs.

22. INTEREST BEARING DEBTS

	2005	2004
Long term		
Loans from financial institutions	3 950	5 673
Pension loans	0	156
Finance lease liabilities	206	181
Other liabilities	863	2 910
	5 018	8 920
Short term		
Loans from financial institutions	1 709	1 725
Pension loans	96	38
Loans from associates	599	347
Finance lease liabilities	127	147
Other liabilities	5	0
Commercial papers	8 000	10 000
	10 537	12 257
Finance lease liabilities		
Minimum lease payments	2005	2004
Due for payment		
Under 1 year	139	159
1-5 years	218	191
Over 5 years	0	0
Minimum lease payments total	358	350
Present value of minimum lease payments		
Under 1 year	127	147
1-5 years	206	181
Over 5 years	0	0
Total	333	328
Future finance charges	24	22

Repayments of long-term liabilities 31.12.2005

	Loans from financial institutions	Pension loans	Finance lease	Other liabilities	Total
2006 *)	1 709	96	127	604	2 536
2007	1 237	0	63	493	1 793
2008	1 237	0	93	17	1 346
2009	1 237	0	39	230	1 506
2010	238	0	11	5	254
2011	0	0	0	5	5
Later	0	0	0	113	112
Total	5 659	96	333	1 467	7 555

*) Repayments due in 2006 are included in short term debt.

The mean maturity of long-term loans is 9 years and average rate of interest is 3.2%.

Talentum has since spring 2004 a 20 million euros commercial paper program and it issues commercial papers maturing under a year. They have not been included in the table above since the arrangement is continuing.

Carrying amounts and fair values of liabilities

	2005	2005	2004	2004
	Carrying amount	Fair value	Carrying amount	Fair value
Long term debt	5 018	5 018	8 920	8 920
Short term debt	10 537	10 537	12 257	12 257

Interest bearing liabilities are mainly tied to 3 month market rates and their carrying amounts are equivalent to fair values.

23. TRADE LIABILITIES AND OTHER LIABILITIES

	2005	2004
Short term		
Advances received	1 802	874
Trade liabilities	3 103	2 397
Debt to associates	715	380
Accrued expenses and deferred income	16 765	14 642
Other liabilities	5 710	4 509
Total	28 095	22 803
Substantial items in accruals		
Subscription fee advances	4 641	2 579
Personnel expenses	9 758	8 392
Tax liability	150	872
Interest expenses	29	36
Other	2 187	2 764
Total	16 765	14 642

24. RELATED PARTY TRANSACTIONS

Group companies

Parent company	Domicile	Group holding	Parent company holding
Talentum Oyj	Helsinki	%	%
Subsidiaries			
Talentum Media Oy	Helsinki	100,00	100,00
Talentum Sweden AB	Stockholm	100,00	100,00
Suoramarkkinointi Mega Oy	Helsinki	100,00	100,00
Varesvuo Partners Oy	Helsinki	100,00	100,00
Talentum Premedia Oy	Helsinki	99,39	99,39
Suomen Arvopaperimedit Oy	Helsinki	100,00	100,00
Expose Oy	Helsinki	100,00	100,00
Michelsson Sales Consults Oy	Helsinki	100,00	100,00
Subgroups holding			
Talentum Media Oy:			
Oy Mediuutiset Ab	Helsinki	50,00	
Conseco Press	Moscow	40,00	(51% of votes)
Talentum Sweden AB:			
Ny Teknik Tidskrift Ab	Stockholm	100,00	
Affärsvärlden Förlag AB	Stockholm	100,00	
Ingenjör förlaget AB	Stockholm	100,00	
Zenitina Förlag AB	Stockholm	100,00	
Jobfinder Student AB	Stockholm	100,00	
Meditid Försäljning	Stockholm	100,00	
Suomen Arvopaperimedit Oy:			
Suomen Arvopaperilehti Oy	Helsinki	100,00	
Talentum Premedia Oy:			
Reprostudio & Heku Oy	Helsinki	99,39	
Marvaco Oy Ltd	Helsinki	99,39	
Sata-Flexo Oy	Pori	92,76	
Faktor Oy	Helsinki	99,39	
Faktor Tools Oy	Helsinki	99,39	
Main Domain Oy	Helsinki	49,70	
Suoramarkkinointi Mega Oy:			
Müügimeistrite A/S	Tallinn	92,00	
Telemarket SIA	Riga	96,00	
Telemarketing UAB	Vilnius	96,00	
Varesvuo Partners Oy:			
Angel Films Oy	Helsinki	75,90	
Electric Light Company Finland Oy	Helsinki	34,16	
Crea Video Oy	Helsinki	90,00	
Crea Sport Production Oy	Helsinki	72,00	
Van Der Media Oy	Helsinki	68,40	
Oy Kaunofilmi Ab	Helsinki	90,00	
Moskito Television Oy	Helsinki	60,00	
Ondine Oy	Helsinki	81,27	
Oy Filmiteollisuus Fine Ab	Helsinki	59,32	
Helsinki-Filmi Oy	Helsinki	30,20	
Filmiteollisuus fine-Mediastation Oy	Helsinki	35,59	
Ten Years Production Oy	Tampere	30,25	
Bada Bing Productions Ab	Helsinki	59,66	
Woodpecker Film Oy	Helsinki	89,12	10,80
Parru-Filmi Oy	Helsinki	100,00	31,01
Filmitalli Oy	Helsinki	78,54	11,57
Kiinteistö Oy Helsingin Sahaajankatu 30	Helsinki	100,00	
Generator Post Oy	Helsinki	50,00	
Production House Oy	Helsinki	29,00	

Following transactions were made with related parties

CEO and group management		
Salaries, fees and bonuses	2005	2004
CEO	287	237
Group management	1 568	1 346
Board of Directors	147	127

The amounts above have been paid during the reporting period.

Under year 2005 CEO has been paid long-term bonuses 25 000 euros and group management 61 000 euros (EVA 1. stage). CEO was paid bonus under year 2005 32 000 euros (year 2004 30 000 euros). Bonus accrued from year 2005 to be paid in 2006 is 100 000 euros.

CEO and part of group management have the right to retire at the age of 60. The Board of Directors and CEO hold 120 776 Talentum Oyj shares 31.12.2005. Group management own 155 000 shares.

Transactions with associates

TRANSACTIONS WITH ASSOCIATES ARE PRICED AT THE PREVAILING MARKET PRICE.	2005	2004
Sales	152	207
Purchase	824	846
Current receivables		
Loan receivables	334	386
Trade receivables	1	7
Short term debt		
Trade liabilities	113	33
Loan receivables from associates		
Loan receivables 1 January	386	486
Loans granted under period		
Loan repayments	-52	-100
Loan receivables 31 December	334	386

The interest rate on granted loans is based on market interest rates.

Transactions with joint ventures

Group has 50% ownership in joint venture Oy Mediutiset Ab. It has been consolidated row by row by applying relative pooling method. Group financial statements include Group's proportion of revenues and expenses, assets and liabilities and cashflow of joint venture.

Non-current assets	14	10
Current assets	664	399
Long term debt	0	0
Short term debt	-223	-178
Net assets	455	232
Income	1 289	1 234
Expenses	-1 066	-1 049
Profit for the period	223	185

Specification of internal group items consolidated by by group's proportion:

Sales	94	147
Purchases	0	0
Current receivables		
Trade receivables	4	7
Other receivables	0	1
Short term debt		
Trade liabilities	1	0
Other liabilities	601	348

The interest rate on granted loans is based on market interest rates.

25. LEASE CONTRACTS, GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Commitments on operating leases:		
Due within 12 months	4 612	3 275
Due within 1-5 years	11 167	9 135
Due over 5 years	5 298	8 757
Total	21 077	21 167
Liabilities for discontinued operations		
Mortgages		
Posted for own commitments	5 903	17 220
Guarantees		
Posted on behalf of associates	48	189
Posted on behalf of others	211	1 418

financial trends of the group

		IFRS 2005	IFRS 2004	FAS 2003	FAS 2002	FAS 2001
Net sales, IFRS *)	1000 eur	103 289	96 431			
growth %	%	7,1				
Net sales **)		122 774	119 923	113 188	114 616	106 708
growth %		2.4	6.0	-1.2	7.4	-9.0
Operating profit **)	1000 eur	20 447	9 298	2 855	-263	-6 407
% of net sales **)	%	16.7	7.8	2.5	-0.2	-6.0
Financial items ***)	1000 eur	-502	13	591	-541	1 659
Profit before extraordinary items, taxes and minority interest	1000 eur	-	-	3 446	-804	-4 747
% of net sales	%	-	-	3,0	-0,7	-4,4
Profit before extraordinary items				1 006	1 871	-517
Extraordinary items	1000 eur	-	-	0	9 491	-1 712
Profit for the period (equity holders of the parent company)	1000 eur	17 868	6 280	1 006	-7 620	-2 229
Gross investment **)	1000 eur	28 548	9 029	5 264	17 645	8 065
% of net sales	%	23.3	7.5	4.7	15.4	7.6
Shareholder's equity and minority interest	1000 eur	43 302	32 852	46 519	46 638	58 124
Balance sheet	1000 eur	90 456	78 464	85 941	84 386	86 986
Number of employees, average **)		1202	1203	1166	1222	1197
Net sales per employee **)	1000 eur	102	100	97	94	89

*) Net sales excluding the net sales of discounted operations (income statement)

**) Including discontinued operations

***) IFRS including a share of associate's result (FAS - operating profit)

key indicators for the group

		IFRS	IFRS	FAS	FAS	FAS
		2005	2004	2003	2002	2001
Return on equity (ROE)	%	49	19.7	3.8	-3.2	-9.3
Return on investment (ROI)	%	37.57	18.9	6.6	0.0	-5.7
Equity ratio *)	%	48.84	42.3	55.0	55.5	66.8
Net gearing	%	-16.45	-22.3	-41.0	-26.9	-39.0
Key indicators per share:						
Earnings per share	eur	0.42	0.15	0.03	-0.05	-0.03
Earnings per share, ongoing operations	eur	0.16	0.14			
Earnings per share, discontinued operations	eur	0.26	0.01			
Dividend per share	eur	0.30	0.15	0.25	0.10	0.05
Equity per share	eur	0.94	0.54	0.97	1.03	1.27
Dividend per earnings	%	71.7	100.0	999.7	-214.6	-166.3
Effective dividend yield	%	8.1	5.1	9.8	7.0	2.1
P/E-ratio at year-end shared price		8.8	19.7	102.0	-30.7	-80.3
Market capitalization	meur	162.9	124.8	105.8	57.3	96.6
Net liabilities	meur	-7.1	-7.3	-18.9	-12.5	-22.5
Enterprise Value	meur	155.8	117.5	86.9	44.8	74.1
Traded price 31.12.	eur	3.7	2.95	2.55	1.43	2.42
Traded price high	eur	4.02	3.40	2.65	3.15	4.50
Traded price low	eur	2.85	2.58	1.35	1.375	2.00
Average price for year, share issue adjusted	eur	3.5	2.92	2.49	2.275	3.93
Total share turnover		35 357 125	15 829 990	18 697 948	8 728 404	10 961 273
Total share turnover as percentage of shares	%	80.3	37.4	45.1	21.8	54.9
Number of shares, share issue adjusted						
weighted average during year	shares	42 720 075	41 793 256	40 228 134	40 033 396	39 902 872
at year end	shares	44 039 817	42 298 780	41 479 430	40 051 830	40 018 030
Unredeemed 1999 warrant bond	shares	0	1 450 000	1 450 000	1 450 000	1 450 000
Unredeemed 2000 warrant bond	shares	0	345 000	345 000	345 000	345 000
Company's own shares	shares	181 000	184 600	184 600	184 600	181 000

*) matching of the subscriptions booked in deferred liabilities has been treated as debt

***)board proposal

calculation of key indicators

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit or loss}}{\text{Shareholder's equity (average of beginning and end of year)}} \times 100$$

$$\text{Return on investment (ROI), \%} = \frac{\text{Profit or loss (adjusted) before extraordinary items adjusting items (*)} + \text{interest expenses and other financial expenses} + \text{financial yield of discontinued operations}}{\text{Balance sheet total - non-interest-bearing debts (average of beginning and end of year)}} \times 100$$

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

$$\text{Gearing, \%} = \frac{\text{Interest-bearing debts - cash, bank and securities}}{\text{Shareholder's equity}} \times 100$$

$$\text{Earnings per share (EPS)} = \frac{\text{Profit +/- minority interest}}{\text{Average number of shares for financial year, adjusted for share issues}}$$

$$\text{Dividend per share} = \frac{\text{Dividends paid}}{\text{Number of shares at year-end, adjusted for share issues}}$$

$$\text{Equity per share} = \frac{\text{Shareholder's (parent company) equity}}{\text{Number of shares at year-end, adjusted for share issues}}$$

$$\text{Dividend per earnings, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

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

$$\text{Price/earnings ratio, P/E} = \frac{\text{Share price on the last trading day of the year, adjusted for share issues}}{\text{Earnings per share}}$$

$$\text{Market capitalization} = \text{Number of shares on the market} \times \text{share price on the last trading day of the year}$$

$$\text{Enterprise Value} = \text{Market capitalisation} + \text{interest-bearing debt} - \text{cash and bank receivables} - \text{securities}$$

*) Including operating profit of the discontinued operations

Financial statements of parent company, FAS

PROFIT AND LOSS ACCOUNT OF PARENT COMPANY (1000 EUR)	LIITE	1.1.-31.12.2005	1.1.-31.12.2004
Turnover	2	5 133	5 110
Other operating income	3	27	10
Personnel expenses	4	4 901	3 314
Depreciation and amortization	5	740	697
Other operating expenses		3 422	3 073
Operating profit/loss		-3 903	-1 964
Financial income and expenses	6	-8 298	7 574
Profit/loss before extraordinary items		-12 200	5 610
Extraordinary items	7	4 156	2 261
Profit/loss before appropriations and taxes		-8 044	7 871
Increase(-)/decrease(+) in depreciation difference	5	31	85
Taxes	8	1	-1 818
NET PROFIT/LOSS FOR YEAR		-8 012	6 138

BALANCE SHEET OF PARENT COMPANY (1000 EUR)	NOTE	1.1.2005	1.1.2004
ASSETS			
Non-current assets			
Intangible assets	9	1 078	958
Tangible assets	9	521	296
Investments	9	134 314	144 892
Non-current assets, total		135 913	146 146
Current assets			
Non-current receivables	10	951	1 900
Current receivables	11	19 517	11 328
Bonds and securities		15 849	16 306
Cash at bank and in hand		54	54
Current assets, total		36 371	29 588
ASSETS, TOTAL		172 283	175 734
LIABILITIES AND SHAREHOLDER'S EQUITY			
Shareholder's equity			
	12		
Share capital		18 594	17 863
Share premium fund		89 594	83 696
Retained earnings		24 356	24 574
Net profit/loss for the year		-8 012	6 138
		124 531	132 271
Accumulated appropriations			
Accumulated depreciation difference	13	96	127
Non-current liabilities	14	2 255	2 948
Current liabilities	15	45 402	40 388
Liabilities, total		47 656	43 337
LIABILITIES AND SHAREHOLDER'S EQUITY, TOTAL		172 283	175 734

BUSINESS OPERATIONS		
Operating profit/loss	-3 903	-1 964
Depreciation	740	697
Gain on disposal of non-current assets	-27	-9
Adjustments to operating profit	713	689
Change in net working capital	7	-2 726
Net financing	-274	4 241
Tax paid	-531	-56
Cash flow from business operations	-3 988	184
INVESTMENTS		
Acquired Group companies	-12 395	-503
Acquisitions of other investments	0	3
Acquisitions of other non-current assets	-1 113	-394
Return of equity	0	4 634
Sales of Group companies	22 822	0
Sales of other non-current assets	55	25
Cash flow from investments	9 370	3 766
FINANCING		
Change in short-term loans	-2 000	10 000
Change in long-term loans	-694	-7 463
Increase/decrease in non-current receivables	949	948
Dividends paid and other profit distribution	-6 356	-10 452
Share issue	0	3
Other financial items	0	-610
Group contributions	2 261	4 831
Financing	-5 839	-2 742
Increase/decrease in liquid assets	-457	1 207
Liquid assets 1 January	16 360	15 153
Liquid assets 31 December	15 903	16 360

notes to the parent company's financial statements

1. ACCOUNTING PRINCIPLES

The financial statements of Talentum Oyj have been drawn up in accordance with accounting principles based on Finnish accounting legislation.

Fixed assets

Tangible and intangible assets have been entered in the balance sheet at the original acquisition cost less planned depreciation. Planned depreciation has been calculated on the straight-line method based on economic life. The depreciation periods are as follows:

Intangible rights	2-5 years
Other long-term expenditure	3-10 years
Machinery and equipment	2-7 years

The rental charges of assets leased under leasing agreements have been entered as rental expenses and the assets are not shown in the balance sheet.

Investments are shown as investments and receivables, the estimated holding period of which is more than one year.

The possible depreciation in the value of fixed asset items will be examined at the closing of the accounts, and any depreciation will be entered immediately, should there be grounds to do so.

Financial assets

Deposits held for more than three months and other shares, the estimated holding period of which is less than a year, are shown as financial assets. Cash and cash equivalents include liquid assets, bank accounts, deposits held for less than three months and other items treated as cash in hand.

Shares, holdings, and financial instruments included in financial assets are valued at acquisition cost or market price, whichever is the lower.

Items dominated in foreign currency

Items denominated in foreign currency are shown in euros at the rate quoted by the European Central Bank at year-end. Differences in exchange rates accruing during the financial year have been included in financial income and expenses.

Pensions arrangements

Statutory pension liabilities are covered by the Talentum Group's general pension fund. Pension costs have been entered on the basis of payment.

Extraordinary items

Group contributions have been entered as extraordinary items.

Taxes for the financial period

The profit and loss account contains taxes for the accounting period entered as income tax and adjustments to taxes from previous financial periods. The probable tax effects of the matching differences for the bookkeeping and taxation have been entered as deferred tax credit and liability.

2. TURNOVER AND OPERATING PROFIT BY BUSINESS AREA

NOTES TO INCOME STATEMENT AND BALANCE SHEET OF PARENT COMPANY (1000 EUR)	2005	2004
Turnover		
Internal invoicing	5 133	5 110
	5 133	5 110

According to the Finnish Accounting Standards the financial statements of the parent company should be shown separately from the group financial statements. Income statement and balance sheet items of the parent company are mainly intercompany items and are eliminated in the group financial statements.

3. OTHER INCOME FROM BUSINESS OPERATIONS

Profits in sale of non-current assets	27	9
Other income	0	2
	27	10

4. PERSONNEL EXPENSES

Performance-based salaries and fees:		
Supervisory Board and Boards of Directors	147	127
Others	3 760	2 456
Pension expenses	485	493
Other statutory personnel expenses	509	237
Personnel expenses in profit and loss account	4 901	3 314
Salaries, fees and fringe benefits paid to Managing Director	287	237
Average number of personnel during the period under view	50	49

5. DEPRECIATION, AMORTIZATION AND WRITEDOWNS

	2005	2004
Depreciations		
Intangible assets	522	479
Tangible assets	218	219
Depreciation, total	740	697
Change in depreciation difference		
Intangible assets	29	-17
Tangible assets	2	102
Change in depreciation difference, total	31	85

6. FINANCIAL INCOME AND EXPENSES

Dividend income from Group companies	17	5 993
Interest and financial income from Group companies	479	353
Other interest and financial income	3 489	517
Changes in value of liquid assets and investments	-11 200	1 573
Interest and financial expenses to Group companies	-197	-160
Other financial expenses	-418	-271
Other interest expenses	-467	-431
	-8 298	7 574

7. EXTRAORDINARY ITEMS

Group contributions	4 156	2 261
Extraordinary items, total	4 156	2 261

8. TAXES

From extraordinary items	-1 081	-656
From ordinary functions	1 082	-1 161
Change in deferred tax	-1	-2
	1	-1 818

9. INTANGIBLE AND TANGIBLE ASSETS

	2005	2004
Intangible assets		
Acquisition cost 1 Jan.	2 452	2 115
Increases	941	468
Decreases	-299	-132
Acquisition cost 31 Dec.	3 093	2 452
Accumulated depreciation 1 Jan.	-1 493	-1 014
Depreciation for the period	-522	-479
Accumulated depreciation 31 Dec.	-2 015	-1 493
Book value 31 Dec.	1 078	958
Tangible assets		
Acquisition cost 1 Jan.	1 374	1 364
Increases	471	57
Decreases	-168	-47
Acquisition cost 31 Dec.	1 677	1 374
Accumulated depreciation 1 Jan.	-1 078	-893
Depreciation for the period	-218	-219
Cumulative depreciation on reclassifications	140	34
Accumulated depreciation 31 Dec.	-1 156	-1 078
Book value 31 Dec.	521	296
Investments		
Shares in subsidiaries		
Acquisition cost 1 Jan.	144 864	144 119
Increases	20 268	5 379
Decreases	-30 846	-4 634
Acquisition cost 31 Dec.	134 286	144 864
Other shares		
Acquisition cost 1 Jan.	28	31
Increases	0	0
Decreases	0	-3
Acquisition cost 31 Dec.	28	28
Accumulated planned depreciation and writedowns	0	0
Book value 31 Dec.	28	28
Investments, total	134 314	144 892
Specification of intangible/tangible assets		
Intangible assets		
Computer software	802	948
Renovation of business premises	13	1
Others	263	10
Total	1 078	958
Tangible assets		
Machinery and equipments	489	264
Other tangible assets	32	32
Total	521	296
10. NON-CURRENT RECEIVABLES		
Receivables from Group companies	948	1 897
Deferred tax asset	3	4
	951	1 900

Receivables from Group companies consists of loan receivables.

11. CURRENT RECEIVABLES

	2005	2004
Trade receivables	33	7
Receivables from Group companies	18 808	11 242
Loan receivables	1	1
Prepaid expenses and accrued income	662	77
Other receivables	13	1
	19 517	11 328
Receivables from Group companies:		
Trade receivables	8	170
Loan receivables	14 617	8 789
Prepaid expenses and accrued income	4 183	2 283
Total	18 808	11 242
Prepaid expenses and accrued income:		
Group contribution receivables	4 156	2 261
Tax receivables	532	0
Interest receivables	60	51
Others	97	49
Total	4 845	2 360

12. SHAREHOLDER'S EQUITY

Share capital 1 Jan.	17 863	8 759
New issue	731	172
Bonus issue	0	8 931
Share capital 31 Dec.	18 594	17 863
Share premium fund 1 Jan.	83 696	84 092
Issue premium	5 898	2 241
Bonus issue	0	-2 637
Share premium fund 31 Dec.	89 594	83 696
Reserve fund 1 Jan.	0	6 294
Bonus issue	0	-6 294
Reserve fund 31 Dec.	0	0
Other funds 1 Jan.	0	786
Transfer to retained profits	0	-786
Other funds 31 Dec.	0	0
Retained profits 1 Jan.	30 712	34 850
Dividend payment	-6 356	-10 452
Transfer from other funds	0	786
Costs booked against retained profits	0	-610
Net profit for the year	-8 012	6 138
Retained profits 31 Dec.	16 344	30 712
Shareholder's equity total 31 Dec.	124 531	132 271
Calculation of distributable assets		
Retained profits and other funds 31 Dec.	16 344	30 712
Share capital by type of share at end of financial year:	shares	shares
Serie: TTMV1	44 220 817	42 483 380
Own shares held by the company	181 000	181 000

13. APPROPRIATIONS

Accumulated depreciation difference by non-current asset group		
Intangible assets	173	202
Tangible assets	-78	-75
	96	127
Deferred tax liability included in reserves	25	33

14. NON-CURRENT LIABILITIES

	2005	2004
Interest-bearing long-term debts		
Loans from financial institutions	2 255	2 948
Long-term debts which become due after more than five years	0	173

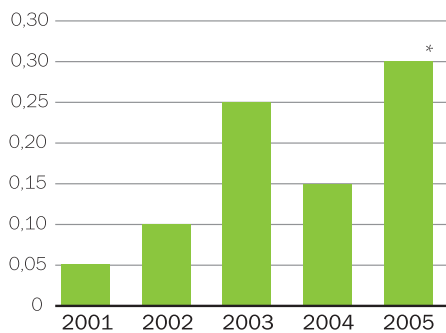
15. CURRENT LIABILITIES

Interest-bearing short-term debts		
Loans from financial institutions	694	694
Commercial papers	8 000	10 000
Lainat konserniyrityksiltä	31 903	27 214
	40 596	37 908
Interest-free short-term debts		
Liabilities to Group companies		
Accounts payable	2	6
Accrued expenses and deferred income	88	56
	90	62
Liabilities to others		
Accounts payable	395	338
Others	2 304	1 066
Accrued expenses and deferred income	2 016	1 014
	4 715	2 418
Interest-free short-term debts, total	4 805	2 480
Current liabilities, total	45 402	40 388
Substantial items included in accrued expenses and deferred income:		
Holiday pay obligation liability	296	378
Reserve for incentive bonuses	1 655	401
Statutory employment pension and social security contribution debt	41	33
Interest debt	47	27
Others	66	232
Total	2 104	1 071

16. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Financial institution loans with shares as collateral	2 948	3 642
Book value of shares pledged	4 229	15 429
Guarantees posted for own commitments		
Rent guarantees	1	1
Rents of term of notice	12 859	13 089
Leasing commitments		
To be paid in the next financial year	44	52
To be paid later	26	52
Guarantees posted on behalf of Group companies		
Rent guarantees	0	2 192
Guarantees	2 831	3 074

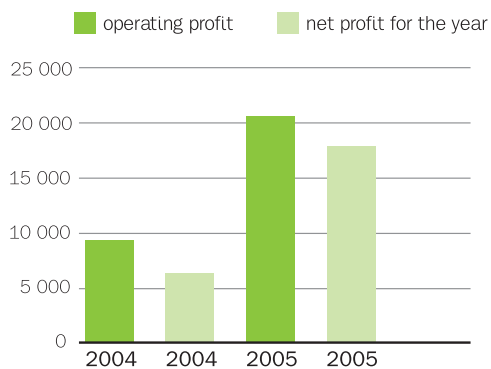
dividend per share (EUR)



share issue adjusted

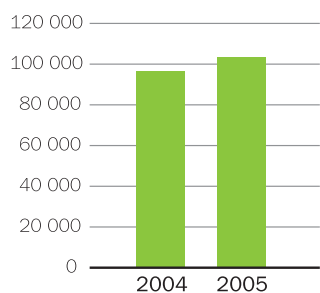
*) board proposal

operating profit and net profit for the year (1000 EUR)



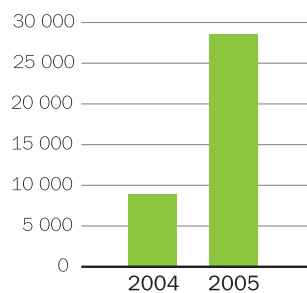
operating profit including discontinued operations

net sales (1000 EUR)



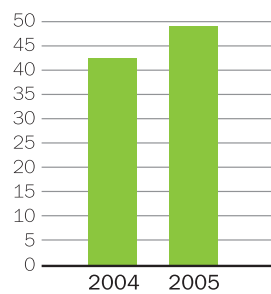
net sales excluding discontinued operations

gross investment (1000 EUR)



including discontinued operations

equity ratio (%)



parent company's proposal for the distribution of dividend

	PARENT COMPANY, EUR	GROUP, EUR
Distributable assets	16 344 143.58	16 281 504.06
The Board of Directors proposes that a dividend of EUR 0.30 be distributed to outstanding 44 039 817 shares	13 211 945.10	13 211 945.10
Retained in distribution assets	3 132 198.48	3 069 558.96

Helsinki, 7 February 2006

Jussi Länsiö
Juha Blomster
Kirsti Piponius

Manne Airaksinen
Ari Heiniö

Harri Roschier
Managing Director

auditor's report

To the shareholders of Talentum Oyj

We have audited the accounting records, the financial statements and the administration of Talentum Oyj for the period 1.1. – 31.12.2005. The Board of Directors and the Managing Director have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that includes parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the Managing Director of the parent company have legally complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

Helsinki 27 February 2006

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kari Miettinen
Authorised Public Accountant



www.talentum.fi

The annual report is published in Finnish and in English. In case of doubt the Finnish version is authoritative.