



Talentum
Annual Report 2006



Talentum
Annual Report
2006

Information for shareholders

Shares

Talentum Oyj shares are quoted on the OMX Nordic Exchange. The trading code for the shares is TTM1V and the ISIN code is FI0009900898. Talentum Oyj and Nordea Securities Oyj have concluded a market making agreement which meets the requirements of Liquidity Providing (LP) on the Helsinki Stock Exchange.

The share register is kept by Finnish Central Securities Depository Ltd, which also holds all public information on the company's shares and a register of those with insider information. The public insider register and a list of the 20 biggest shareholders can be viewed on the company's website.

A list of Talentum Oyj's biggest shareholders is also given on page 42 of this annual report.

Dividend

The Board of Directors proposes that a dividend of € 0.18 be paid for 2006. The dividend is to be paid to shareholders with an entry in the list of shareholders on the record date for making the dividend payment, which is 30 March 2007. Payment will be made as from 11 April 2007.

Annual General Meeting

The Annual General Meeting of Talentum Oyj will be held on Tuesday 27 March 2007 at 2 p.m. at the Radisson SAS Royal Hotel, Runeberginkatu 2, Helsinki.

Shareholders wishing to attend the AGM must notify the company no later than 4 p.m. on 23 March 2007, either in writing to Talentum Oyj, Share Register, PO Box 920, 00101 Helsinki, Finland, or by telephone to +358 (0)40 342 4232, or by email to info@

talentum.fi. Letters must arrive by the deadline for registration. Please send any documents relating to proxy with the notification of attendance.

Share and shareholder register

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


Notifications of changes to holdings and personal details and addresses should be sent to the organisation that manages the shareholder's account.

Financial statements for 2007

Talentum Oyj will publish quarterly financial results in 2007. Interim reports will be published on 27 April, 20 July and 26 October.

Annual reports and releases can be ordered from Talentum, Communications, PO Box 920, 00101 Helsinki, Finland and by email from info@talentum.fi.

Annual reports and company releases can also be viewed at www.talentum.fi.

The company will not automatically mail a hard-copy version of the annual report or interim reports to each shareholder. These documents can be ordered by contacting Group Communications on (tel.) +358 (0)20 44 240 or by sending an email to info@talentum.fi. 

Contents

Information for shareholders	4	Direct marketing	28
Talentum in brief	7	Premedia	29
Main events in 2006	8		
Strategy and areas of operational focus	9	Corporate responsibility	30
Report by the Managing Director	10	Personnel	32
Operating environment	12	Corporate governance	34
		Board	38
Business areas		The Management Group	40
Publishing	14	Shares and shareholders	42
<i>Magazine publishing</i>	16	Yearly summary of releases in 2006	44
<i>Book publishing</i>	22	Contact Information	46
<i>Training and events</i>	23		
<i>International operations</i>	24		
TV content production	26		
		Financial Statements	
		are published separately	

Talentum – focus on professionals

Lag&Avtal

- Circulation: 4,700
- Number of readers: 36,000
- Magazine specialising in labour legislation in Sweden



MikroPC

- Circulation: 30,200
- Number of readers: 165,000
- Tests, reviews, guidance and advice



Tekniikka & Talous

- Circulation: 95,700
- Number of readers: 138,000
- The number one magazine for Finnish technological know-how.



Affärsvärlden

- Circulation: 47,000
- Number of readers: 125,000
- Sweden's biggest business magazine



Dagens Teknik

- Distribution: 50,000
- Technology, gadgets and jobs



Markkinointi & Mainonta

- Circulation: 10,235
- Number of readers: 41,000
- Finland's leading marketing specialist publication



MiljöRapporten

- Circulation: 2,000
- Number of readers: 13,000
- The environment sector's leading news source



Tietoviikko

- Copies: 37,900
- Number of readers: 62,000
- Finland's only independent news magazine for the IT sector



Arbetskydd

- Circulation: 23,000
- Number of readers: 62,000
- Health and safety news magazine



Energia

- Circulation: 5,000
- Number of readers: 12,000
- Magazine for decision-makers and specialists in the Finnish energy sector



Medi uutiset

- Distribution: 26,000
- Number of readers: 47,000
- Independent news magazine for healthcare professionals



NyTeknik

- Circulation: 147,500
- Number of readers: 261,000
- Sweden's biggest IT and technology magazine



Uratie

- Copies: 133,600
- Number of readers: 141,000
- The only national recruitment medium for professionals working in the field of technology



Arvopaperi

- Circulation: 17,044
- Number of readers: 54,000
- Magazine for savers and investors



Fakta

- Circulation: 16,400
- Number of readers: 37,000
- Unique magazine for professionals in management and development



Metallitekniikka

- Circulation: 9,600
- Number of readers: 36,000
- Professional magazine for Finland's largest industry



Talouselämä

- Circulation: 95,700
- Number of readers: 216,000
- Nordic countries' largest weekly business magazine



Book publishing – Finnish Law

- Talentum is publishing among other things the Laws of Finland series.



” *Talentum’s publications reach a total of 1,100,100 people. Electronic media reach 200,000 people and its newsletters have a readership of more than 400,000.*

Talentum in brief

The media company for professionals

Talentum is a highly regarded media company specialised in the needs of professionals. It is one of the leading producers of content and marketing services in the Nordic countries, an expert in multi-channel communications and a pioneer in web-based communications.

Talentum publishes journals and professional literature, delivers e-services, and organises training and seminars for professionals in different industries in Finland and Sweden. Talentum’s publications reach a total of 1,100,100 people. Electronic media reach 200,000 people and its newsletters have a readership of more than 400,000.

Talentum’s publishing activities are the responsibility of Talentum Media Oy in Finland and Talentum Sweden AB in Sweden. Publishing is geared to the needs of the company’s professional target groups – economists, engineers, lawyers, doctors and IT and marketing specialists. The company’s ability to produce diverse and first-rate media content is rooted in sound

journalistic expertise. Talentum’s publishing strengths lie in areas of activity which together can serve the needs of its target groups using a range of channels.

The Talentum Group also includes the Varesvuo Partners subgroup, which produces commercials and TV programmes, Talentum Premedia Oy, which delivers graphical and digital communications services, and Suoramarkkinointi Mega Oy, which specialises in telemarketing in Finland and the Baltic countries.

Talentum’s success has much to do with the company’s values. Its priorities are the ongoing development of its operation, appreciation of the work of its employees and being cost-effective. ☺

Main events in 2006

2006 was a time of change for Talentum: the organisational structure was made leaner, responsibilities clearer and the operation more efficient.

Talentum's consolidated net sales for 2006 increased 17.2 per cent and was EUR 121.1 million. The consolidated operating profit was EUR 4.3 million. Of the business areas, Publishing, Direct Marketing and TV Content Production were very successful; Premedia posted a loss.

Changes in the organisation and business areas

In the summer Talentum's head office and Finnish publishing moved to new premises in Annankatu, in central Helsinki. Magazine and book publishing are now in the same offices. At the end of summer Managing Director Harri Roschier resigned after many years of service. Ex-CEO of Kauppalehti Oy and Talentum Board Member Juha Blomster replaced him, taking up the position at the beginning of October and resigning from the Board at the same time.

At the end of October a new Management Group was set up consisting of Juha Blomster, General Counsel and Deputy Managing Director Lasse Rosengren, Chief Financial Officer Kai Järvikare, Editor-in-Chief Pekka Seppänen, Director Jarl Michelsson, Director Mikko Saarela and Director Mika Malin. Timo Niemi was appointed Managing

Director of Talentum's subsidiary, Suoramarkkinointi Mega Oy.

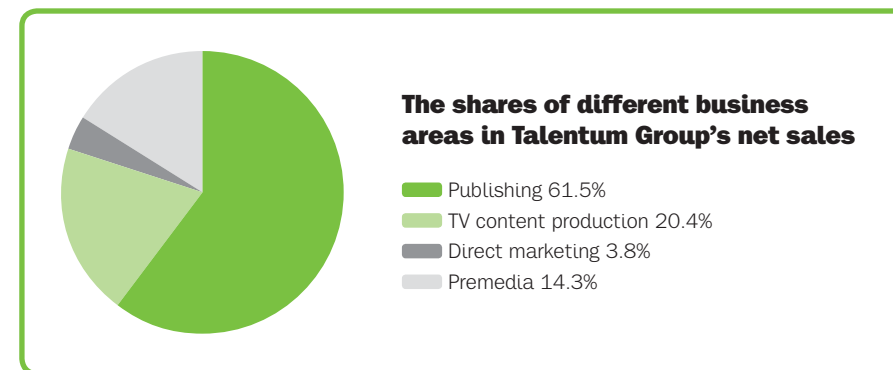
Co-determination talks on staff reductions in Finnish publishing and Group Administration started towards the end of the year. The rationalisation process resulted in 54 staff being laid off.

New services for the customer and other changes

There were also changes in Talentum's business areas. In spring Talentum expanded into customer and student magazines when it acquired 30 per cent of Acacom Academic Communications Oy.

Talouselämä and Arvopaperi magazines together established a new on-line service for investors. The Suomen Laki (Finnish Law) series was revised in autumn 2006: EU legislation was included with national law. In addition, the design and content of Arvopaperi, Fakta and Tekniikka&Talous altered.

Talentum Sweden became a subsidiary of Talentum and magazine sales and profits rose substantially during the course of the year. Talentum Sweden bought Arbetarskydd magazine on December, 12, 2006 from Arbetsmiljöverket. ☺



Key Indicators for the Group

EUR million	2006	2005
Net sales *	121.1	103.3
Operating profit ***	4.3	20.4
Financing items	-0.06	-0.5
Net profit for the year	2.2	17.9
Gross investments ***	5.1	28.5
Shareholder's equity + minority interest	32.2	43.3
Equity ratio, %	36.07	48.84
Net gearing	15.74	-16.5
Balance sheet total	89.7	90.5
Earnings per share, €	0.05	0.42
Dividend per share, €	**0.18	0.30
Average number of personnel ***	1,064	1,202
Turnover per employee, € 1,000 ***	114	102

* net sales excluding discontinued operations

** board proposal

*** including discontinued operations (y 2005)

Strategy and areas of operational focus

The Talentum Group's strategy is revised every year for approximately the next three years ahead and the annual budget steers operational activities in line with the strategy. The general strategic policy is to focus more on publishing. The aim is that, through a combination of organic growth and corporate acquisitions, publishing should account for what is clearly a greater share of overall net sales and that there should be diversification of the income structure in publishing.

Mission

- Linking professionals.

Vision

- To be Scandinavia's largest and most profitable publisher of professional literature.
- Talentum's areas of operation are Scandinavia and other selected geographical regions.
- Talentum aims to be the leading content provider among professionals and the leading media partner among marketing professionals.

Strategy

- Talentum is a media company whose strategy is to produce business and professional publications for selected sectors. Magazines, books, events, training and online services are an essential part of this area of publishing.

Talentum aims to be:

- more focused than its competitors
- the market leader in selected business areas
- fast growing and 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.

2006 – a year of many changes

In many ways 2006 was a time of change for Talentum. Harri Roschier, Talentum's long-serving Managing Director, resigned at the end of July, with Lasse Rosengren, the company's General Counsel, taking over temporarily until the start of October, when I myself took up the post. As a seasoned member of the Board, I was already very familiar with the company, although there is a world of difference between executive management and being on a Board of Directors.

In November 2006 we changed the organisation and management system, which involved switching to a clearer line organisation. The sector-based matrix organisation established for publishing the previous year had not led to the sort of improvements we had expected. However, the new line organisation managed to incorporate the good practices that had emerged in the previous organisation.

Talentum's staff is competent, professional and committed, and they have been through a lot of major changes in the past year. Reorganisation on the publishing side and co-determination talks led to staff cuts

in publishing in Finland, Group administration and premedia. Talentum Sweden has started collaborating with Talentum's Finnish business operations. Although the changes have been difficult at times, performance has improved in several areas of the business.

Talentum's publishing operation did very well in early 2006, with promises of excellent financial results. However, after the first quarter of the year there was less investment by companies in advertising and marketing. This was seen especially in b-to-b advertising, though consumer advertising in general interest magazines and especially in women's magazines did well. However, due to success in recruitment advertising, Talentum's publishing continued to do well. Less investment in advertising also had an adverse impact on Talentum's premedia business, which is also undergoing changes in its production structure. Earnings from TV content production were up, and programming in particular did well. Operating profits from Direct Marketing remained at the previous year's excellent level.

Towards the end of 2005 Talentum bought a leading Swedish publisher of professional magazines and journals, whose company name was altered to Talentum Sweden AB. It takes systematic planning to reconcile different corporate cultures, and it has been rewarding to see the excellent outcomes of well-functioning collaboration. There are more things that unite Talentum's publishing operations in Finland and Sweden than divide them. We focus on the publication of professional magazines, our readers are professionals, and the writers we commission are experts in their field. There is much incentive for cooperation and the exchange of ideas. It will be a continual challenge to make the partnership conspicuous in the yearly company results, and not one that is just confined to the integration phase.

New business development always relies on investment and input and there needs to be a balance between risk and expected yield. Early in the year Talentum planned to launch a new general interest magazine and was promoting it heavily in the media. However, in June the Board of Directors

” *Talentum’s prospects seem bright for 2007. The products are sound, the staff is motivated and cost structure is healthy.*

decided to give the project up, as the risks clearly outweighed the opportunities. I myself was still a Board member at the time the decision was taken.

The media industry has been in the throes of change for a long time now, often thought to be the result of technical developments. However, the media does not function in isolation from the rest of society. Talentum mediums are especially influenced by what is happening in the economy. Technological development is rapid in all sectors. It is the media’s job to provide the public with interesting content in a popular format. The challenge too is to get students and young people interested in their professional development. As the range of media channels keep growing, so does the need for worthwhile content. Talentum has taken up the challenge, and intends to remain at the forefront of developments.

Over the last year Talentum’s magazines have grown in number and prospered. At the end of the year Talentum Sweden bought *Arbetskydd* magazine from the Swedish health and safety authority, and founded

Dagens Teknik, a journal for young professionals and students at the start of 2007. Furthermore, Talentum’s magazines in Finland and Sweden saw their readerships and circulations increase. Popularity with readers is also a healthy basis for advertising sales.

Talentum’s prospects seem bright for 2007. The products are sound, the staff is motivated, content sales are up, the organisation is transparent and our cost structure is healthy. Moreover, the outlook for publishing, especially in Sweden, is good and the job advertising market looks set for further growth in both countries. With this in mind, we can also start to plan investment in new products and on-line business.

I want to thank all the staff for the work they have done and the commitment they have shown. I also thank the customers and shareholders for their confidence in Talentum and in the company’s products and services.

28 February 2007

Juha Blomster



Operating environment

There are many major changes currently going on in the media industry. The digitalisation of communications is one huge factor in this. It affects the media's entire value chain: content production, reception and means of distribution challenging traditional thinking in media business and production. The media is splintering and targeted, commissioned and interactive added value services are now available alongside older channels such as newspapers and TV.

Global on-line market

The media is also globalising, with ownership more internationally spread and with the potential offered by real-time data transfer technology. Global on-line marketing has come with internet search engines, which in practice utilise the content of other media, but nevertheless compete with traditional media. This might result in a change in the business environment in which the media operates.

The whole of society is affected by media technology and the increase in the volume of media, making people's lives more and more media led. New market-based conditions mean that entertainment is outpacing factual content, especially in electronic media. The changes will also have an effect on regulation of the media, as it will not be possible to regulate all the new distribution channels nationally.

Media markets on the rise in Finland and Sweden

The media markets have been growing steadily in Finland for many years. 2006 was the fourth growth year in succession. Further-

more, the volume of free media in the market has increased: new free magazines are being founded and the old ones are changing owners. Media advertising grew by free 3.7 per cent on the previous year and was EUR 1,232.9 million. On-line services are seeing their position continually being strengthened and internet advertising is increasing dramatically. In 2006 it was up 25.7 per cent on the year before. On-line advertising has a 3.8 per cent share of all media advertising marketing and will soon achieve a market share of outdoor advertising.

People still spend a lot of time on their media consumption. Printed media is doing fairly well. Newspapers have maintained their readership. New periodicals are also attracting readers. Family and general interest magazines have seen reader numbers remain steady.

Alongside the printed media, electronic media services have established a strong position. In 2006 there were 141 on-line magazines in Finland (see page 13). However, the big change in the Finnish media industry will be the switch to digital TV broadcasts in 2007.

The growth in the Swedish media market was higher than ever before as it reached 9.6 per cent in 2006 and was EUR 3,283 million. Internet advertising has increased in Sweden by as much as 50 per cent and this rapid trend is expected to continue. As seen also in Finland, printed media holds its position. Use of the internet has continued to grow, although people still consume printed media as much as before.

Professional media an important source of information for decision-makers

Professional magazines are an important source of information for those who have to make key decisions. They provide new ideas, as well as presenting more established alternatives. The internet is also becoming an important source in this connection. Recognizing the needs and wants of the readers has become increasingly important. Senior decision-makers and experts, whose opinions are influencing purchase decisions more than ever, use the media in different ways.

According to research carried out by TNS PäättäjätAtlas, Talentum media is in a strong

position among decision-makers. Both its magazines and on-line services scored very highly in the study. Virtually all Talentum's magazines saw record increases in their number of readers among senior personnel in the private and public sector. Talouselämä was one of the biggest success stories in the entire study and attracted 40,000 decision-making readers more than in the previous survey. Talouselämä now has 180,000 readers working in decision-making positions. Furthermore, Tekniikka & Talous kept its leading position, one that it had kept for years now. Tietoviikko, Arvopaperi and Markkinointi & Mainonta also significantly increased their readerships. ☺

Sources:

- Sitra 2006
- Federation of the Finnish Media Industry
- TNS Media Intelligence
- Institute for Advertising and Media Statistics (IRM)
- KMT (National Media research) 2005
- Internetbarometern 2004, MedieNotiser. Nordicom-Sverige, Göteborgs universitet Nr 2, 2005
- TNS PäättäjätAtlas 2006

Internet versions of newspapers 1997–2006 in Finland*

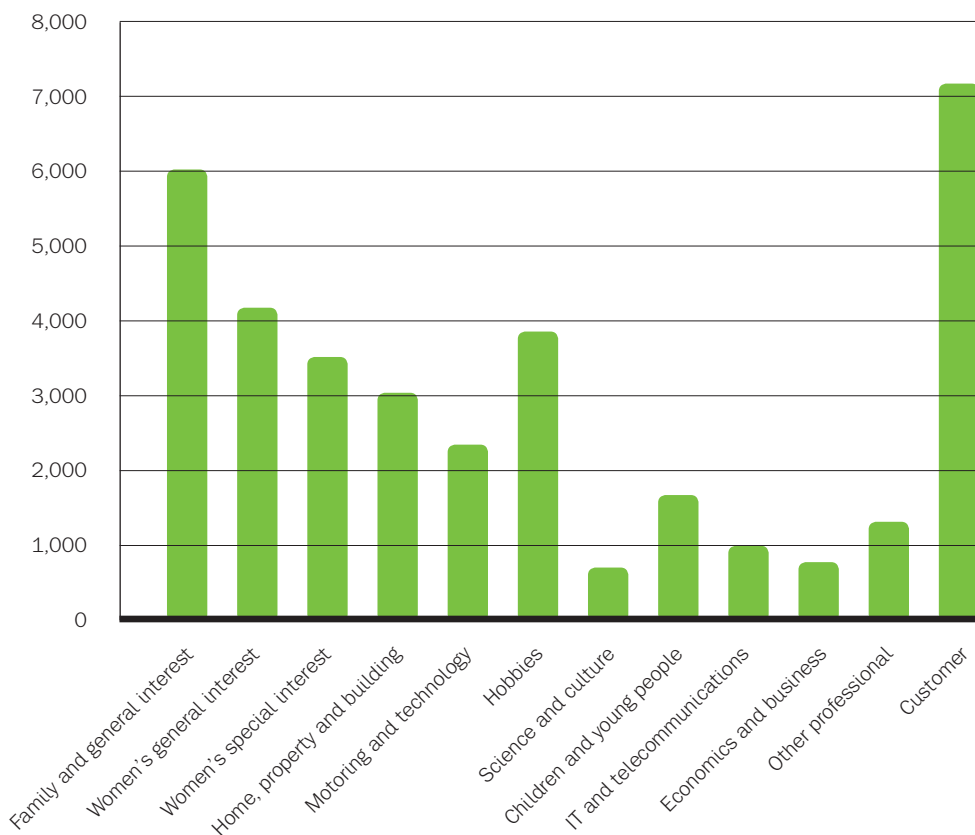
	1997	1998	2000	2001	2002	2004	2005	2006
Dailies	22	34	42	47	49	49	48	53
Non-dailies	11	16	31	42	56	66	83	88
Total	33	50	73	89	105	115	131	141

Sources: Statistics Finland, The Finnish Newspapers Association

* There are no figures for years 1999 and 2003

Number of readers by magazine type in Finland

1,000 readers Source: KMT s2005/k2006, Levikintarkastus, Taloustutkimus Oy, 2006



Media advertising, market share, Finland 2002–2006 (%)

	2002	2003	2004	2005	2006
Magazines	17	16.5	16.1	16.3	16.2
Newspapers	55.1	55.2	54.9	54.1	53.4
Outdoor	3.0	2.9	2.9	3.1	2.9
Film	—	0.2	0.2	0.1	0.1
On-line media	1.4	1.6	2.2	3.0	3.8
Radio	4.2	4.4	4.2	4.0	3.8
Television	19.1	19.2	19.7	19.4	19.7

Source: TNS Gallup, 2006

Media advertising, market share, Sweden 2006 (%)

	(%)	Change (%)
Daily newspapers	26.6	7
Tabloid newspapers	3.2	4
Free papers	5.0	9.5
Professional publications	5.4	5.5
TV	15.2	9.7
Text television	0.1	-6.9
Radio	2.0	17.7
Film	0.2	8.7
On-line media	8.9	50
Outdoor	3.5	5.8
Others	29.9	—

Source: IRM

Business area

Publishing

Publishing is Talentum's core business and is firmly rooted in the needs of the target groups: engineers, lawyers, IT professionals, economists, doctors and marketing personnel. Its success is based on skills and know-how in content production and journalistic professionalism.

Publishing is Talentum's biggest business area and in 2006 it accounted for 61.5 per cent of consolidated net sales. Sales were 30 per cent up on the previous year at EUR 74.7. The increase was mainly due to the fact that the Swedish publishing operation did not become part of the Talentum Group until the last quarter of the previous year. Net sales were EUR 7.1 million.

Talentum Publishing consists of magazine and book publishing, on-line business and organising training and events.

Talentum Publishing's competitive edge lies in its cross promotional abilities, including merging magazines, books, the internet and events into one corporate media package. It is important that our professionals, engaged as they are in different tasks, view the same thing from different angles: reporting news and their background in an interesting way and looking at events and phenomena from the different kinds of

readers point of view. Furthermore, the publication of new and interesting books and improving other services depend on a continual in-depth assessment of the needs of customers.

Talentum's magazines and books are printed in Finnish and Swedish magazine and book printing houses. Heku and Faktor, companies in the Group's Premedia division, are responsible for the prepress production and quality control of Talentum's magazines published in Finland.

The sector-based organisation of the publishing operation adopted in 2005 was abandoned in 2006, with a return to a line organisation. The change narrowed the organisational structure, clarified areas of responsibility and made decision-making a more efficient process. The aim of the new organisation is to boost efficiency and to provide a better service to customers. ☺

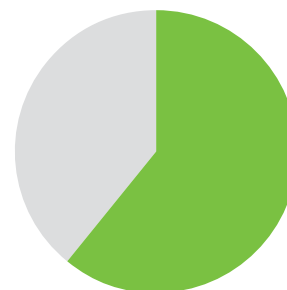
”Talentum Publishing's competitive edge lies in its cross promotional abilities, including merging magazines, books, the internet and events into one corporate media package.

Publishing

	2006	2005
Net sales EUR million	74.7	57.4
Operating profit EBIT, EUR million	7.1	9.8
% of net sales	9.5	17.1
Average number of employees	405	308

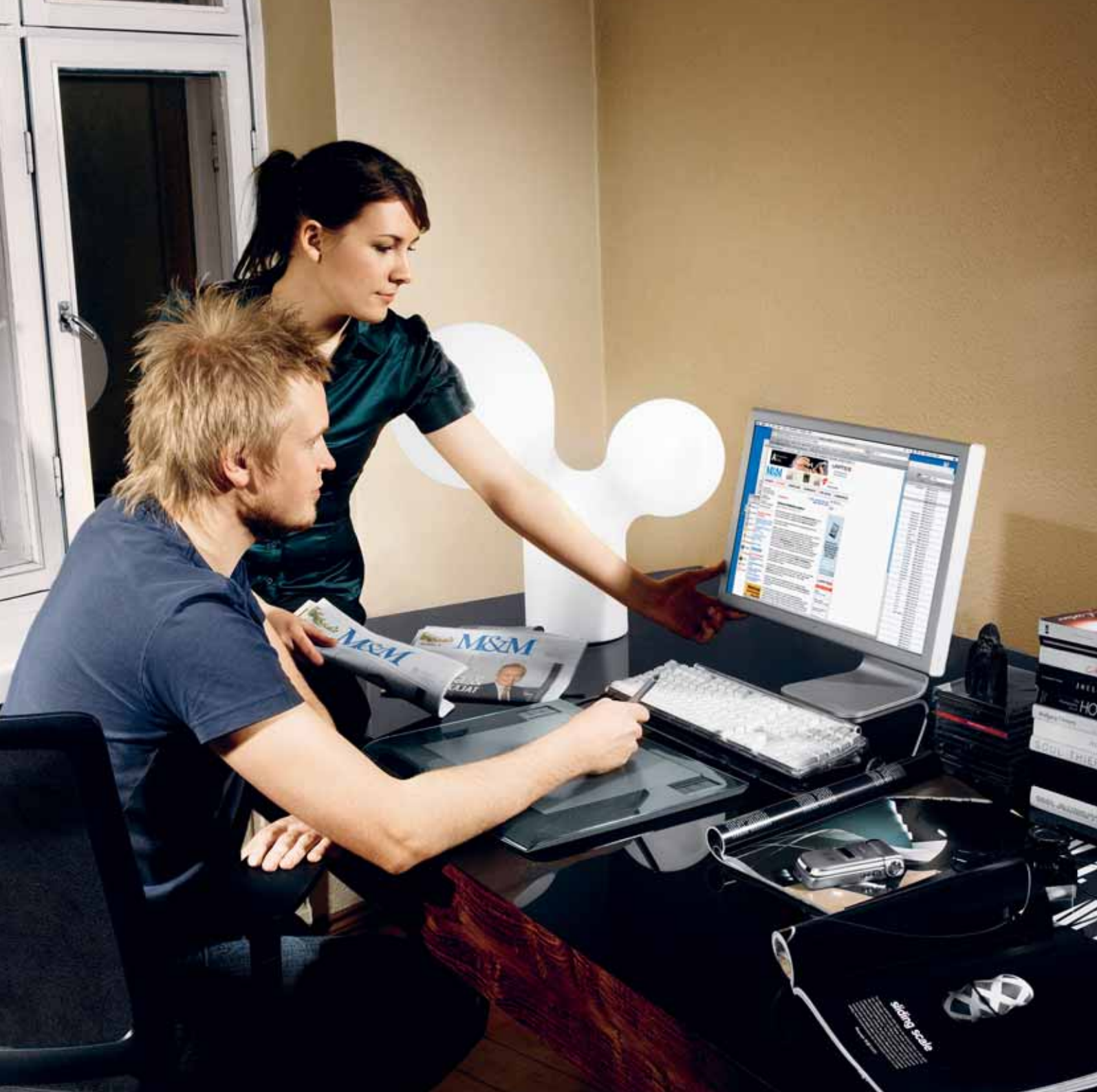
Foreign subsidiaries

Talentum Sweden AB, Sweden
Conseco Press OOO, Russia



The share of Publishing in Talentum Group's net sales

■ Publishing 61.5%



Markkinointi & Mainonta magazine scoop makes big news

In September 2006 Markkinointi & Mainonta (Marketing and Advertising magazine) reported the replacement of Ilta-Sanomat's editor-in-chief. M&M also highlighted the speculations that in addition to official reasons for the replacement – poor sales and circulation growth – it may well have been due to bad personal chemistry and rifts in relations with political parties. The news awoke interest in the rest of the media: M&M's story was reported in all national electronic and printed media. The issue cropped up again just before Christmas.

M&M reports on marketing, advertising, sales and media without pulling any punches. The news forum reaches professionals in the industry in both electronic and hard copy format and in events.

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 16 magazines, whose readers come from the business environment, especially professionals in finance, marketing and advertising, IT, engineering, industry, and health care. In Sweden, the readership also includes those working in employment legislation and health and safety at work.

During the year Ympäristö & Tekniikka (Environment and Technology) magazine ceased publication, with the relevant areas of interest switching to Tekniikka & Talous magazine. The publication of Passion, a supplement to Affärsvärlden and Ny Teknik magazines, ceased publication after just a few issues, as the financial targets would not have been achieved.

Talentum's magazines did well in terms of numbers of readers both in Finland and Sweden. Of crucial importance to advertising sales in the magazines are the surveys conducted on the reading habits of those who have to take decisions on company purchases and procurement. Almost all Talentum's magazines increased their readership to record levels. The biggest winners were Affärsvärlden and Talouselämä. Tekniikka & Talous kept its lead position and Arvopaperi while

Markkinointi & Mainonta attracted larger numbers of decision-maker readers. The newsletters were included in the TNS PäättäjäAtlas survey for the first time. The Talouselämä's newsletter has 39,000 decision-maker readers and the Tekniikka & Talous newsletter 30,000.

Affärsvärlden

Affärsvärlden is one of the world's oldest financial and business magazines and it is Sweden's leading magazine in the field. It is published on weekly basis. The magazine and its website feature the latest news, up-to-date commentaries, people in the news, stock market reports and company analyses.

Its circulation has more than doubled during the year after it merged with Talentum's magazine group. Affärsvärlden has reached a large number of new readers, and the magazine overtook its main competitor in terms of numbers of readers for the first time in 40 years (Oversto Konsument 2006:2).

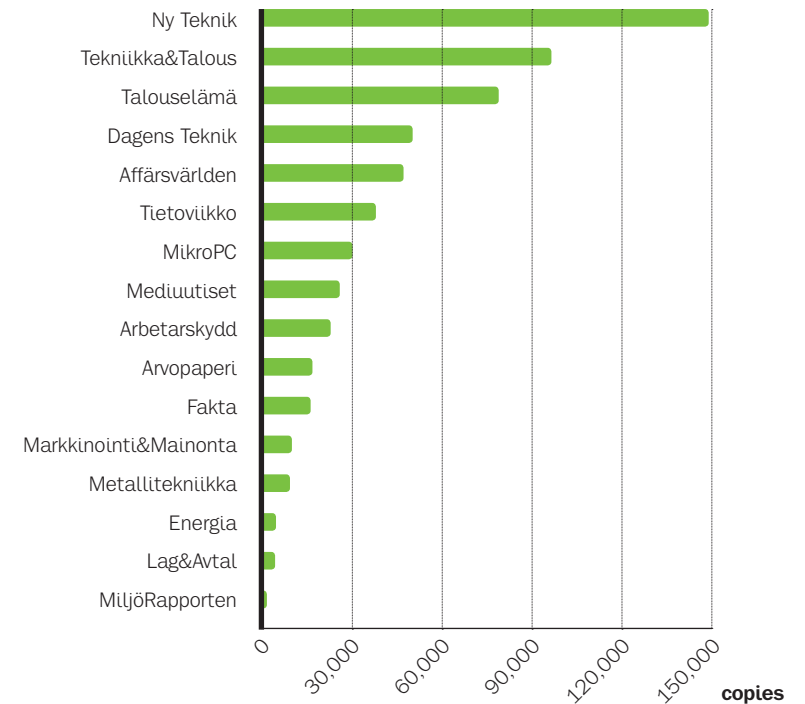
In collaboration with its partners, Affärsvärlden also organised around ten events and seminars.

Konsultguiden is a yearbook edited by Affärsvärlden, which lists around 1,400 Swedish consulting firms. There is also an online service connected with the publication.

The readership of e-letters

Talouselämä	70,000
Sijoittajan viikko	44,000
Tivi	36,000
Tekniikka&Talous	36,000
Affärsvärlden	30,000
Arvopaperin suora	30,000
Ny Teknik	30,000
MPC	28,000
Markkinointi&Mainonta	19,000
Talentum.commentit	17,000
Juristi	9,000
MediLääke / MediTerveys	3,400

Talentum magazines circulation/distribution/copies





Investors' information source on-line

Talouselämä (Finnish business magazine) and Arvopaperi (stocks and shares magazine) also offer digital services to supplement their paper versions. In addition to weekly newsletters, in 2006 they got together and established a new investor on-line service that mainly gives up-to-date advice of interest to the Finnish investor.

The stock market service gives the main stock indexes and daily information on traded shares, and provides investment commentaries, the latest news and stock exchange releases dating back to 2001. Also available is a free portfolio service based on email monitoring.

The service can be found at:

<http://porssi.arvopaperi.fi>

and

<http://porssi.talouselama.fi>

The investment magazine Arvopaperi provides a reader-friendly approach to the current issues in the world of investments and where to get the best returns.

” Swedish magazines *Dagens Teknik* and *Arbetarskydd* are the newcomers in Talentum Group’s selection.

Arbetarskydd

Talentum Sweden bought *Arbetarskydd* magazine at the end of 2006. *Arbetarskydd* complements *Lag & Avtal* magazine well, and they share the same editor-in-chief. *Arbetarskydd* is a news magazine that comes out 14 times a year and is read by professionals in different sectors and by people in the public sector. The magazine used to be published by the Swedish health and safety authority Arbetsmiljöverket. Both the printed version of the magazine and its accompanying on-line service have got developments under way and readers can look forward to a more diverse and wide-ranging magazine.

Arvopaperi

Arvopaperi magazine operates on many fronts. It comes out monthly and twice a year it is accompanied by supplement entitled *Arvoasunto*. *Arvopaperi* organises regional stock market tours which bring businesses closer to investors and also breakfast seminars where investors and service companies can meet.

In 2006 *Arvopaperi* changed its look and content. The magazine now focuses more on investments made by ordinary people. This policy aims at a wider circulation.

Arvopaperi and *Talouselämä* together established a new, updated internet service for readers interested in investment. The user-friendly service provides users with good

quality background information on which to base investment decisions and also a portfolio service where the users can compile their own portfolio for monitoring purposes.

Dagens Teknik

Dagens Teknik magazine, a collaboration between Talentum Sweden and IDG Sweden, saw its first issue published at the end of January 2007. *Dagens Teknik* is a weekly news magazine devoted to technology, IT and jobs. Its edition of around 50,000 is distributed for free in Sweden’s 13 largest cities. The magazine’s goal is to consolidate its position in recruitment advertising and reach students and young professionals.

Energia

Energia magazine is the leading trade journal for the Finnish energy industry. The magazine actively monitors the energy sector in Finland and abroad. *Energia* provides its readers with news, opinions, and articles on people, events and current issues in the sector. The magazine takes an active interest in what is going on in the sector in Finland.

Fakta

Fakta’s look and content has changed. After its renewal, it has become more of a high quality professional magazine for managers and key personnel, still incorporating features and stories of leisure, pastime and

interesting people. The magazine also publishes articles on contemporary themes from *Harvard Business Review*.

Fakta’s readership includes decision-makers in business and, increasingly, men and women in managerial posts in organisations and public administration.

Lag&Avtal

Lag & Avtal specialises in Swedish labour legislation and legal cases, and the issues involved are discussed in the journal’s columns and internet pages. The magazine is complemented perfectly by *Arbetarskydd*, acquired at the end of 2006, which focuses on health and safety at work.

Markkinointi&Mainonta

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

About once a month *Markkinointi & Mainonta* organises important networking events, M&M evenings. In the early spring the ‘high position’ camp will be held at Pyhäntunturi and at the end of summer the ‘low position’ camp will be held at Hanko. The camps have become important events for sounding out trends in the industry.

Markkinointi & Mainonta has a group subscription agreement with the Finnish Marketing Federation. It works closely with the Federation in many areas and in a way

that benefits professionals working in the sector.

Ny Teknik

Ny Teknik is the largest industrial and IT sector newspaper in Sweden, and its circulation is the biggest of the Talentum magazines. The paper comes in two parts; the first section concentrates on industry and technology and the second section on IT and the telecom sector. In addition, the paper has a *Ny Teknik Jobb* (recruitment) supplement and an internet service, which together makes it the leading recruitment medium for jobs in industry, technology and IT in Sweden.

Ny Teknik and its partners organised several seminars and events on current issues in the sectors relevant to the magazine.

Mediutiset

Mediutiset is an independent health care news magazine for doctors, pharmacists and health care executives. The magazine takes an active interest in what is going on in the sector in Finland.

Talentum publishes *Mediutiset* magazine in collaboration with the Swedish organisation *Medicin International Today AB* and has sister magazines in Sweden, Denmark, Norway and Poland.



Interest and versatility from Talouselämä

In 2006 Talouselämä magazine dealt with a wide range of issues: Finns becoming wealthy through baby boom inheritance, Finnish rising star brewer Olvi, the significance of climate change for Finland, electricity from Russia and the state of the paper industry in the eyes of women that follow trends in the forestry sector. Behind all these articles is one and the same person, Talouselämä's Terho Puustinen, whom the Finnish Periodical Publishers Association voted Journalist of the Year 2005. In the words of the jury, Puustinen is a versatile and gifted writer who knows how to present intricate economic and business issues in an interesting way and in the language of the people. Puustinen translates complex issues into Finnish, comments the issues and entertains his readers.

Talouselämä is Finland's most widely read business magazine, which readers also peruse in their leisure time.

” *Talouselämä was one of the outstanding winners in a TNS PäättjäAtlas survey. It had a staggering 40,000 decision-maker readers more than in the previous survey.*

Metalliteknikka

Metalliteknikka is Finland's largest industrial sector trade journal, and is 60 years old in 2007. It has a loyal readership and steady circulation.

The industrial sector has developed at a giddy pace, and the common denominator recognised by its key players is technology. Metalliteknikka magazine has managed to move along with the changes and keep its readers' interest up.

MikroPC

MikroPC produces useful professional and personal content for its readers and visitors on-line. Its readers are buyers who are well versed in digital technology and want a good return for what they spend on it.

MikroPC mainly focuses on product testing, guides (Digital Photographer's Guide, PC Buyer's Guide, etc.), and the latest news from the industry. Every year it selects the year's winners and presents them with an award at a special ceremony. A MikroPC Winner is a product which is clearly the best in a group of MCP-tested products.

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 are mainly personnel in industry and business responsible for environmental matters and the environmental authorities.

Talouselämä

Talouselämä is the largest weekly business magazine in the Nordic countries. It is Finland's most highly respected magazine of its type and it reaches decision-makers in Finnish business, industry and administration. Talouselämä follows forecasts and assesses business phenomena with expertise and in a context that is abreast of the times. The magazine caters for its quality readership in terms of its need for information on business and the economy, and provides the social background necessary for comprehending the information fully.

One of its best known special issues is Talouselämä 500, also available as a separate report.

Perjantaiöpörssi, a Friday TV slot on the stock exchange in the morning YLE Channel 1 TV programme, finished at the end of 2006. Perjantaiöpörssi was produced jointly by Talouselämä and Arvopaperi

Talouselämä was one of the outstanding winners in a TNS PäättjäAtlas survey. It had a staggering 40,000 decision-maker readers

more than in the previous survey. The readership presently stands at 180,000.

In April 2006, Talouselämä's editor, Terho Puustinen, won the Journalist of the Year award presented by the Finnish Periodical Publishers Association.

Tekniikka & Talous

Tekniikka & Talous is Finland's largest weekly newspaper for industry and technology. It reports on events and success in industry, the most recent trends in R&D, and Finnish success stories. T&T has changed its look and made its content more diverse. The renewed magazine pays more attention to the people behind developments in technology. The new look included adding a section dedicated to the lighter side of life.

The magazine's core readers are both graduate and experienced engineers. T&T is an effective advertising tool for this readership and Uratie is an outstanding recruitment channel.

In a TNS PäättjäAtlas survey Tekniikka & Talous has held its lead position of many years. The readership presently stands at 101,000.

Tietoviikko

Tietoviikko builds a bridge between IT and business. It is Finland's only independent

medium for the information sectors. It publishes the news and topics of the day on the internet, while the printed magazine version takes an in-depth look at background information and broader trends.

About once a month, Tietoviikko organises Tivi-evenings where its readers and customers can meet up. Its readers also select the Chief Information Officer of the Year. The winner is announced and presented with an award at its own ceremony.

Uratie (Career Path)

Uratie is Talentum's recruitment service for the Finnish media. The printed version of Uratie appears as a supplement to Tekniikka & Talous and Tietoviikko and forms its own section of Talouselämä. The on-line service comprises vacancies in the industry, company presentations, employment information and training courses. The Swedish magazines incorporate virtually the same service (Ny Teknik Jobb).

Recruitment announcements can be placed in all Talentum magazines, but the main medias for advertising are Tekniikka & Talous, Ny Teknik, Tietoviikko and Markkinointi & Mainonta. ☺



Tekniikka&Talous – an advocate for technology in Finland

Tekniikka & Talous -magazine (Technology and Business) is the number one magazine in the field of Finnish technological know-how. It is a powerful medium and it knows its readers and their predilections, after almost 50 years in the business. In 2006 its columns were concentrated around the following issues; the building of Finland's fifth nuclear power plant, the rise of the sixth proposed plant as a likely energy option, and the importance of the EU's Seventh Framework Programme for Research for Finnish future cutting-edge expertise. The magazine's continual stream of news also dealt with innovations, Finnish and international success stories, and the views of powerful players in the field of technology management. Its new design at the end of the year made its readers impatient to see the graphics in the next issue before the previous one had had time to be discarded.

Tekniikka&Talous features the latest trends in research and product development, current issues and successes in industry, and Finnish success stories and the people behind them.

Book publishing

During the year Talentum's book publishing operation was responsible for some 100 new titles and 10 electronic products (on-line and on CD-Rom).

The outstanding success of the year was the enduring favourite *Älykäs itsensä johtaminen* (Intelligent Self-management) by Pentti Sydänmaanlakka, the third in a series of books by him.

Combining a career and parenthood is a challenge for mothers and fathers alike. The most talked about book of the autumn was Kirsi Piha's *Äitijohtaja* (Mother Manager). The book's publicity event attracted a crowd of almost 200 persons.

A Finnish, if not a world, record was set at Helsinki's Night of the Arts event when *101 kysymystä ja vastausta Google-markki-*

noinnista (101 Questions and Answers on Google Marketing) was completed in 30 hours. This accomplishment has gone into the Guinness Book of Records.

Talentum Professional Books also participated in youth work. The film *Ilman harkintaa* (No Consideration), based on *Nuorten Lakikirja* (Young People and the Law), alerts people to the problem of how the young drift into crime. A new edition of the book is to appear early in 2007.

Talentum's professional and legal books are sold in bookshops, by direct sales, in Talentum's own outlet, and via its on-line bookshop. The internet shop also sells courses and training. Its sales were up 11 per cent in the year of the report. ☺

” The outstanding success of the year was the enduring favourite *Älykäs itsensä johtaminen* (Intelligent Self-management) by Pentti Sydänmaanlakka.



Movie stills: Vantaaan Lähionaytämö, filming Kar Järvinen, dramaturgy and direction Kaarina Kollin.

Book on young people and the law made into an educational film

“I don't really remember anything about that evening. We had been out on the town, and were a bit out of it. But that old geezer was just in the wrong place at the wrong time. I don't think anything's going to happen to me, though, as I'm under 15. And the old geezer will get compensation from the state, or his insurance company, or even from my old man.” This extract from *Nuorten lakikirja* -book (Young

People and the Law) is not an actual quote, but all the same is very typical of the sort of comments the police, social and youth workers hear almost every day.

In 2006 a community theatre in Vantaa, just outside Helsinki, made an educational film for young people in collaboration with the police, the local health centre, and the city authorities. Its subject is youth crime and it is based on *Young People and the Law*, which is published by Talentum.

Talentum is a leading publisher for professional literature in Finland. Its main areas of focus are law, business, IT and health care.

Training and events

Association of Finnish Lawyers Training Centre

The Association of Finnish Lawyers Training Centre is a market leader in its field and has provided supplementary training in the law for more than 35 years now. The course tries to cover the entire legal field but also provides training for others apart from just lawyers. The Training centre organises company courses for specific needs and business seminars on management, HR administration, business development and marketing. The number of course participants varies according to subject, from a few dozen to more than a hundred.

The Training Center Department follows developments in legal reforms and debates over current issues and latest publications in the field, in order to provide interesting training courses.

In 2006, the Association of Finnish Lawyers Training Centre increased its selection of seminars notably. The number of participants also increased. The seminars received highly posi-

tive feedback regarding the wide selection of seminars, good and up-to-date content and selected lecturers.

Talentum events

Together with the editorial of magazines, Talentum's Events Department produces events linked to magazines and their subject areas. Some events are opportunities for a magazine's staff, readers and advertisers to meet, but a growing trend is to organise seminars that explore the subjects of magazines and books in-depth and charge for participation. These seminars are profitable products. The yearly held Talouselämä Business Seminar and Arvopaperi's Investors' cruise have now both become independent brands.

A total of 45 events were held in 2006.

As a separate project, Talentum and SEFE, the Finnish Association of Graduates in Economics and Business Administration, put together Ekonomipäivä 2006 seminar. ☺

” In 2006, the Association of Finnish Lawyers Training Centre increased its selection of seminars notably. The number of participants also increased.



Legal training in tune with the times

Laws are reformed faster than ever, and lawyers have to be able to deal with increasingly involved and complicated matters. These days lawyers specialise in different areas of the law far more than previously. In order to stay in tune, they need to update their information sources on a regular basis.

The Lawyers Training Centre is the number one training organisation in its field, one that is rich in tradition

and which has proved highly successful. It has been providing lawyers with supplementary training for the last 35 years. In 2006 a team of eight member at the Association of Finnish Lawyers Training Centre organised a total of 119 seminars for lawyers. The organisation also offers company courses, tailored to fill the needs of the customers.

In addition to legal training courses, Talentum produces and offers interesting and rewarding professional seminars and other events focusing on different areas of businesses.

International operations

” *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. The collaboration is established on many fronts, both in Finland and Sweden.*

Talentum’s subsidiary, Talentum Sweden AB (formerly E&T Förlag AB) publishes four magazines and their on-line versions. Through Talentum Sweden, Talentum is aiming to increase interaction with other Swedish players in the same sector.

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

Talentum owns half of Conseco Press, which is involved in legal publishing in Russia. Conseco 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 collaboration involves magazine editing and advertising sales. Talentum Sweden publishes Dagens Teknik magazine in collaboration with IDG Sweden. Book publishing also collaborates with IDG Books. @

Geographical distribution of Publishing

€ 1,000	2006	2005
Net sales		
Finland	52,645	51,241
Others	22,029	6,206
Total	74,674	57,447
Operating profit		
Finland	5,525	8,888
Others	1,618	935
Total	7,143	9,823



Medical news in five countries

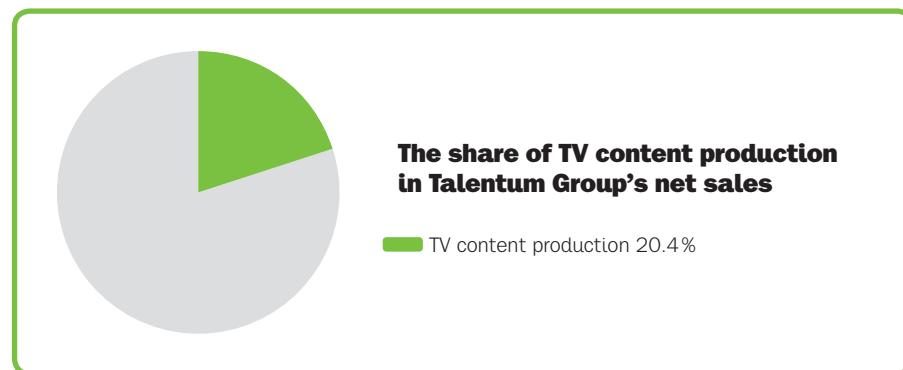
Health care professionals in Finland, Sweden, Norway and Poland read the latest news of their professional sector in the magazine *Medicine Today International*. The original concept for the magazine was *Dagens Medicin*, a Swedish journal founded in 1994. Magazines and journals in different countries represent local trends by their design and content.

Talentum has been successfully publishing *Mediutiset*-magazine (*Medical News*) in Finland since 1998. The magazine's target group is relatively small and limited, and there are no other similar publications on the market. There is close cooperation between its sister magazines. The best ideas and practices are passed on from country to country. Something that works in Finland will also generally work in the other Nordic countries, and vice versa.

In Finland Mediutiset is the only independent news magazine in the health care sector which reaches doctors, pharmacists, local and state authorities and pharmaceutical industry executives. Mediutiset is the most up-to-date and most widely read professional magazine for doctors.

TV content production

Varesvuo Partners, which specialises in TV content production, is a subsidiary made up of several companies that mainly produce TV programmes and advertising films. Varesvuo Partners is not affiliated by any TV channel and produces content for all channels and advertising agencies.



TV content production

	2006	2005
Net sales, EUR million	24.6	21.5
Operating profit EBIT, EUR million	1.8	0.6
% of net sales	7.3	2.8
Average number of employees	98	102

TV content production sales were up 15 per cent on the previous year at EUR 24.6 million. Sales increased to EUR 1.8 million (by EUR 0.6 million). That is 20.4 per cent of Talentum's consolidated net sales.

The number of advertising films produced in Finland decreased significantly during 2001–2005. At the beginning of 2006 demands began to rise steadily and the Varesvuo Partners advertising films production companies, which had undergone structural changes in previous years, did well when competing for a market share. This was also reflected in the financial results.

The Venla award is presented every year for the best television entertainment and drama. Programmes produced by Varesvuo Partners in 2006 were in the top three in several categories.

The 12-part series *Uudisraivaaja* (Pioneer) produced for YLE by Moskito Television took the Venla award for best drama series and best leading male actor. In addition, *Einstein* won the Venla award for best game show. *Pioneer* also won the Prix Europa prize in Berlin.

The film *Keisarin salaisuus* (The Emperor's Secret), produced by Helsinki-Film, was premiered in September 2006. It is the first Finnish computer-animated feature film. In September, shooting started on *Ganes*, the story of the legendary rock band Hurriganes, which is due for release in 2007. The film

has attracted a lot of publicity with regard to the casting.

The Finnish advertising film industry still faces fierce competition from international advertising films that globally operating companies use. The challenge is met by producing high quality films for Finnish viewers and by keeping production costs competitive.

TV programme production sells its programmes to television channels. There is an abundance of players in the Finnish market, including international organisations. The TV channels compete with each other for viewers and together with other mediums they compete for their audience. Our competitive edge lies in our long experience, our excellent, creative staff and the control of production costs.

The Varesvuo Partners Group also includes Ondine Oy, the classical music specialist, for which 2006 was a successful year. Ondine produced the disc *Jouluyö jouluyö*, the Christmas album featuring the University Male Voice choir and star soprano Soile Isokoski, and in December, the album broke the gold disc barrier of 15,000 copies sold in Finland only. The recording of *Magnus Lindberg's Clarinet Concerto* won the coveted 2006 Gramophone Award in September. Ondine also signed a three-year recording deal with the Philadelphia Orchestra, that orchestra's first recording contract for 10 years. ©



Pioneer Series wins Prix Europa

“Although the world is becoming more complicated, moral questions remain simple,” reflects Timo Varpio, who is the scriptwriter for Pioneer. Varpio believes that linking markets to natural forces is just an attempt to shirk responsibility by blaming the endless chains of subcontractors or by keeping to the “I’m only doing my job/ I’m only following orders’ principle. “But behind every market there is always a human being,” says Varpio.

The series was a collaboration between Moskito Television and Yle (Finnish Broadcasting Company). It won the prize in Berlin in 2006 for best TV fiction in Europe’s most noteworthy radio and TV competition, the Prix Europa. Pioneer is about morals and work in Finland in the modern age. Its success was mainly due to its combination of good casting, script and outstanding camerawork. Pioneer uses an old genre to say something new.

Moskito Television Oy, founded in 1999, produces TV programmes for all five main Finnish channels Moskito is part of the Varesvuo Partners group, owned by Talentum.

Photos: Seppo Saikkonen/YLE photo archive

Business area

Direct marketing

Suoramarkkinointi Mega specializes in telemarketing and is the leader in its field in Finland. Mega is profitable and successfully supports sales of Talentum's magazines, books, on-line services and seminars.

Direct Marketing share of Talentum's consolidated net sales is 3.8 per cent. Sales were up 14 per cent on the previous year at EUR 8.2 million. Operating profit (EBIT) stood at EUR 1.1 (1.2) million.

Talentum's magazine, book and training subscription services came under Mega's operation in autumn 2006, so its special skills in telephone sales is also now avail-

able to the customers of publishing. This is part of Talentum's overall goal to establish synergic benefits and share acquired expertise with the other areas of the business.

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 countries.

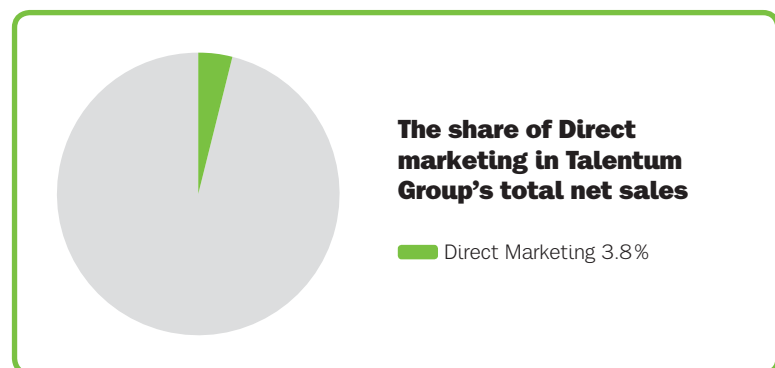
Mega's lasting challenge is to find a professional and motivated staff, as the sector is not always thought to be very interesting. Mega is continually striving to improve the way it operates and ensure that the addresses it uses are correct. A successful company can offer interesting work regardless of the field it operates in. ©



Mega increased the circulation for Maaseudun Tulevaisuus

Newspaper Maaseudun Tulevaisuus (Rural Future) has a readership of 314,000. It is the third most widely read daily in Finland. Its circulation fell steadily over an 18-year period due to structural changes in agriculture and the paper needs to sell a large number of new subscriptions just to keep its place in the circulation figures. The last two years have seen a moderate increase due to some considerable marketing efforts. The new readership now includes city forest owners and rural entrepreneurs. There has also been some vigorous telemarketing with Suoramarkkinointi Mega Oy. Mega has done some mass marketing quickly and effectively and the results were reported clearly and comprehensively. Mega's sales work has paved the way for the rise in circulation figures.

Suoramarkkinointi Mega Oy (Mega Direct Marketing) is the leading outbound telemarketing specialist in Finland and the Baltic countries.



Direct Marketing

	2006	2005
Net sales, EUR million	8.2	7.2
Operating profit EBIT, EUR million	1.1	1.2
% of net sales	13.4	16.7
Average number of employees	346	326

Foreign subsidiaries
 Müügemeistrite AS, Estonia
 Telemarket SIA, Latvia
 Telemarketing UAB, Lithuania

Business area

Premedia

Premedia companies produce graphic and electronic services used in advertising and marketing for advertising and design agencies, book and packaging printing houses, publishers, the media and other corporate customers.

Premedia's share of Talentum's consolidated net sales is 14.3 per cent. Sales were down 14 per cent on the previous year at EUR 18 million. Operating profit (EBIT) fell and stood at EUR 1.8 million on the goodwill contained in Premedia's operations.

The Premedia companies' objective is to act as their customers' strategic partner throughout the entire graphic production sector.

Their customers are companies for which brand name and coherent marketing mate-

rials are important. Talentum Premedia's digital data management business unit thus produces, stores and distributes the material.

Talentum Premedia is responsible for the prepress production of Talentum's Finnish magazines and checks the quality before material is sent for printing.

Premedia has gone through structural changes for several years now, thanks partly to the medium of the internet taking its place alongside printed media, digitalisa-

tion, other technical developments, and structural changes in the printing industry. Talentum Premedia has had to adapt to these changes and has invested in technical development. The changes, however, have outpaced efforts to adapt to them.

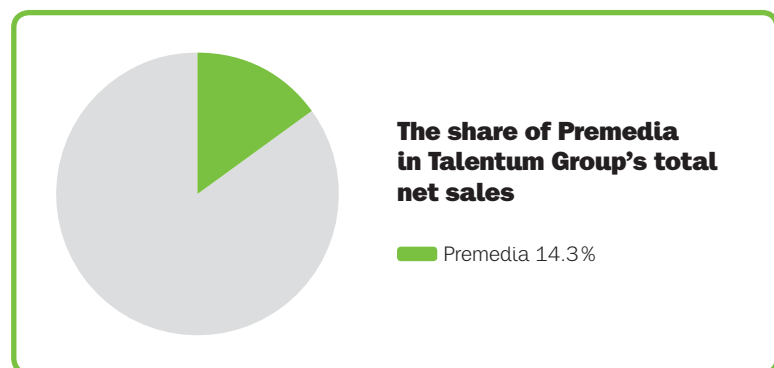
The prospects for the traditional premedia business are challenging, while those for the provision of services to packaging printing houses and prepress production are reasonable. ☺



Neste Oil puts up at Heku's Data Hotel

Since the split with Fortum, Neste Oil has been busy advising its stakeholders on the company's look and logos as well as its guidelines on graphics. Brand guidelines were built for the company in the Data Hotel service maintained by Heku. The brand bank houses all of Neste Oil's marketing materials in printable and editable format compiled by its various partners. There they can be easily managed by the company's marketing and communications personnel. The efficient and user-friendly data-bank has saved a considerable amount of time for Neste Oil's Communications Department. During the first months the new logo and other elements were downloaded 5,000 times.

Talentum Premedia is the market leader in the production of graphic material in Finland. The Premedia companies produce graphic and electronic services for advertising and marketing for advertising agencies, design offices, printing houses and the media.



Premedia

	2006	2005
Net sales, EUR million	18	21.0
Operating profit EBIT, EUR million	-2.5	0.03
% of net sales	—	0.1
Average number of employees	199	228

Corporate responsibility

Talentum actively and broadly monitors the impact the business has socially, financially and environmentally. It also takes account of the changing needs of its stakeholders and of society as well as its legal obligations. It also sets great store by its customers and staff and exercises transparency at all times.

Financial responsibility

Financial responsibility covers the success, profitability and competitiveness of the company. It also means good governance and risk management. In its administrative practices the company adheres to the Group guidelines, described on pages 34–35 of the annual report. The company's risk management strategy is described on pages 36–37.

Financial responsibility is guided by the business strategy. The company's objective here is to become profitable in selected business areas. The steady rise in the company's value and its profitability have a positive effect on customer and have secured financial prosperity for the stakeholders, employees and suppliers of merchandise and services. Moreover, its financial success has had wider social impact in the shape of taxes. A sound financial position is also necessary for investment in the environment and social responsibility.

Environmental responsibility

Corporate responsibility also extends to environmental awareness. Talentum operates in an ecologically and ethically responsible

way. Talentum does not cause major environmental damage because the work is mainly done at computers in offices. The main environmental impact is connected with consumption of paper, transport, recycling, energy use and waste management.

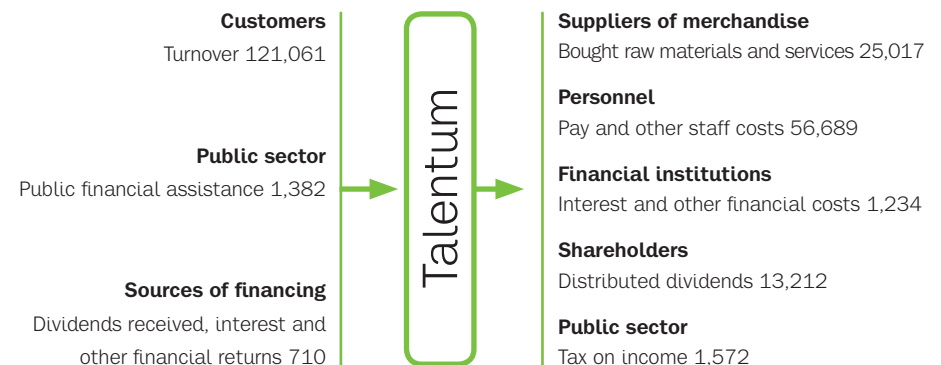
Talentum sorts and recycles waste in accordance with the law. Materials no longer to be used are, where possible, recycled for reuse. Talentum replaces its machinery and equipment regularly. Modern equipment uses less energy. The company invests in the use of electronic services such as websites and on-line newsletters, so reducing the consumption of paper. In 2006, Talentum used 4,000 tons of paper to publish its books and magazines in Finland and Sweden.

Social responsibility

Social responsibility means best practice as regards all the company's stakeholders. That includes staff welfare and skills, corporate partnership, cooperation in the immediate environment, donations and not-for-profit activities.

A company that produces high quality products needs to comply with the law, act

Direct financial impact in 2006 (€ 1,000)



Stakeholders and their expectations

Customers	→	quality products
Personnel	→	sustainable employment, pay, benefits
Shareholders	→	return on investment
Subcontractors and suppliers	→	long-term customer relations and reliable payer
Media	→	open communications
Authorities	→	observance of laws, rules and regulations; honours its tax obligations
NGOs and trade organisations	→	support and resources

ethically and implement self-regulation. Talentum observes the ethical rules and regulations that apply to the media industry and protect its stakeholders. The laws on advertising determine the way a company should act towards its customers, competitors, subcontractors and partners, how employees interact with their colleagues and what approach to adopt in society in general. The company's employees apply best practices in journalism, aimed at responsible use of freedom of speech in the media.

One of the essential aims of the content of Talentum magazines, books and on-line services is to foster a responsible attitude in other companies and organisations.

Talentum will only get involved in sponsorship or open support for other organisations after careful consideration. The sponsorship of support must be in line with Talentum's values and strategy, and the considered organisations must bring added value to Talentum products and services.

Talentum contributes to social development via its skills and professional know-how. Its dissemination of skills and its promotion of honesty and fairness in its own

sector are both very important to the company. Talentum is open to discussions with colleges and, where possible, will send its own experts in different fields along to talk to students about aspects of our industry.

Via the Kaute Foundation (financial assistance for commercial and technical sciences) Talentum supports the creation, compilation and publication of research and data that serves the interests of business. The special fund established in 1977 by Talouselämä magazine gives money to science and research in accordance with the Foundation's rules and practices. Kaute last granted such an award in 2005, the six applicants involved receiving a total of € 25,000. ☺

Personnel

The Talentum Group is a specialised organisation whose success is dependent on the skills of its staff. The company's personnel management strategy is to promote the well-being of staff and ensure that the skills of each employee develop.

Personnel by countries

Average

	2006
Finland	760
Sweden	114
Baltic	175
Russia	15
Total	1,064

Personnel in five countries

In 2006 Talentum employed 1064 staff in Finland, Sweden, Baltic countries and Russia. 405 worked in publishing, 98 in TV content production, 199 in premedia and 346 in direct marketing. In addition, 16 staff were employed in the parent company's administrative departments. Of the total staff 56 per cent were female and 44 per cent male. 29 per cent off the staff was between 31–41 years of age.

Staff numbers in the Group dropped by 138 during the year. The co-determination negotiations in Talentum Media Oy and Talentum Oyj begun in November resulted in 25 redundancies, and at the end of the year the staff was cut by a further 18 employees. Furthermore, the outsourcing of the magazine and book subscription service resulted in 11 staff being transferred to another company in the group. Talentum has assisted the relocation of those laid off and taken responsibility for their welfare, by providing occupational health care services.

High levels of professional skill a critical success factor

The staff's high level of professional skill and expertise are critical success factors for Talentum's ability to compete in the market. Ambitious and highly trained people make Talentum one of Finland's leading producers of content and marketing services. Everyone employed by Talentum has a right and an obligation to develop his or her own skills. Talentum encourages its employees to engage in self-study programmes, supports ongoing training and organises staff-training courses that serve the needs of the company. Tailor-made courses and skills dissemination are ways of ensuring that the company has the necessary resources to meet the challenges of the future. The priority for training in 2006 was courses focused on the needs of individuals and different departments.

The management benefit from a training programme, where the main elements are defined in the context of a 360° feed-back program. The training programme covers such areas as management communications,

interactive skills, performance management, employment law, personal development discussions, and management accounting. A survey was conducted among the key managers and heads of department in the year of the report to examine their development in core competence areas. The findings from the survey were good in comparison to country's average.

Corporate culture promotes involvement in the company's development

Talentum's priorities are the ongoing development of its operation, appreciation of the work of its employees and being cost-effective. Its lean, non-hierarchical corporate structure promotes everyone's involvement in the company's development. Talentum's incentive pay schemes also motivate staff, the purpose being to develop the business and improve results. The schemes take account of the financial results of the company and individual department, as well as the employee's personal success, development and performance. The aim has been to

Personnel by business area 2005–2006

Average

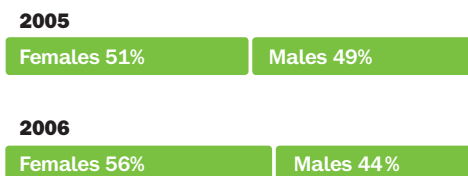
	2006	2005
Publishing	405	308
TV content production	98	102
Premedia	199	228
Direct marketing	346	326
Internet consulting*	0	222
Parent	16	16
Total	1,064	1,202

* discontinued business operations

Age profile 2005–2006

	2006	2005
< 20 years old	10%	8%
21–30	18%	25%
31–40	29%	31%
41–50	22%	20%
51–60	18%	14%
60 >	3%	2%

Gender profile 2005–2006



find a scheme that is fair and motivating, and best suited to each business area and job.

For years now the atmosphere at work has been good, and at times even extremely good. On a yearly basis there are evaluations and discussions on development and atmosphere at work. These are held in order to ensure every employee is doing a job that motivates them and that the working environment is conducive to cooperation.

Internal communications make use of email, bulletins and intranets, where can be found work instructions and procedures, various documents, and information on managers' job control. The company's senior management regularly produces personnel information bulletins, and the departmental heads accordingly inform their own subordinates and if necessary the entire staff. In addition, staff briefing sessions are held at least twice a year.

Attractive employer reputation

Talentum wants to recruit the best professionals in the field, either experts with

years of experience or ambitious and far-sighted individuals who eventually wish to tackle demanding jobs within the company.

The company's image as an employer is positive and there is always a large number of good, professionally qualified applicants for vacant positions.

Equal work community

It is important for Talentum's success that staff remain healthy and energetic. To promote staff fitness and well-being the company has a comprehensive staff health care scheme and a health and safety at work facility. Staff health care lays the emphasis on preventive action to maintain fitness for work. In health and safety Talentum complies with the legislation and the regulations in place, maintains standards and encourages further improvements in this area. Health and safety at work at Talentum is the result of cooperation between management, staff and occupation health officers. Talentum also provides facilities for staff recreation.

There is an equality plan in effect in-house, and Talentum promotes the placement of women and men in different jobs impartially and allows them equal opportunities to further their careers through training and career planning, or by developing their own personal characteristics. It is the responsibility of all members of the work community to establish equality, and it is one of the tasks of the Health and Safety Committee to monitor this. Nevertheless, it has been a challenge to find women for management positions.

Talentum conforms with the Finnish Act on Co-determination. Work sites covered by the Act have a Co-determination Advisory Committee. The Committee meets regularly twice a year and, if necessary, when summoned by the Chairman. The Chairman is a representative of the employer one year and of the employees the next. Co-determination talks were held in Talentum Media Oy and Talentum Oyj in the period November–December in the year of the report.

Since 1 April 2004, statutory pensions for employees of Talentum Oyj, Talentum Media

Oy and Suoramarkkinointi Mega Oy have been in effect courtesy of the Talentum Group's general pension fund. Six hundred employees are covered under the fund. Statutory pensions for other employees in the group are with independent pension insurance providers.

Development and training in the workplace the key priorities for the immediate future

The priorities in Talentum's personnel management plans over the next few years are development and training at work. Preserving a positive employer image is also one of the crucial areas for personnel management, as future competition for staff with the highest levels of competence to fill demanding specialist positions will become fierce. One of the main challenges is the recruitment of women for managerial and departmental head positions, and this is an area which the company will be paying close attention to. ☺

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 Oyj (Helsinki Exchanges). This Recommendation took effect on 1 July 2004.

The Talentum Group employs Guidelines on Governance which contain stipulations on the composition and decision-making process of Group subsidiaries and sub-groups. The Guidelines determine, for example, the size of investments made in the Group and the changes in business areas and corporate restructuring that should be presented for a decision by the Board of Directors of the Group's parent company.

General meeting of shareholders

The Annual General Meeting of Talentum shareholders must be held each year by the end of June. The Board of Directors convenes the General Meeting by publishing a notice

in at least two newspapers chosen by the General Meeting not more than two months and at least seventeen days before the date of the meeting. In order to attend, shareholders must register to do so with the company not later than the date stated in the invitation to the meeting.

Under the Articles of Association, at the General Meeting a shareholder may exercise total votes representing a maximum of 1/6 of the company's total shares. If subsidiaries or companies in the same group and/or the pension 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.

Board of directors

The Board of Directors is elected at the Annual General Meeting for a one-year term. The AGM elects a Chairman and Deputy Chairman.

Charter

The charter of the Board of Directors guides the Board's work and supplements the other

legislation and regulations it has to comply with, principally including the Finnish Companies Act, the Securities Market Act and the Company's Articles of Association. The Company also observes the rules and 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 on the corporate governance of listed companies. The main points covered by the charter are as follows:

Responsibilities of the Board

The main task of the Board of Directors is to steer the Group's activities, enabling it to produce maximum added value for the shareholders in terms of future cash flow. However, the interests of other stakeholders in the Company must be taken into account in a proper manner and a sense of social responsibility must be adopted that is, at the least, generally acceptable.

The Board monitors the development of the Group's operations mainly through reviews by the Managing Director and monthly reports. Other main responsibilities of the Board of Directors include: to appoint and discharge

the Managing Director and decide the terms and conditions of his/her contract of employment, to approve operating policies and values, to confirm company strategy and the annual budget and supervise their implementation, and to approve major company acquisitions and investments and other particularly important decisions.

The main points covered by the charter are presented in more detail on the company's website at www.talentum.fi.

Board meetings

The Board is quorate when more than half its members, of whom one must 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 is present at the meeting.

In 2006 the Board of Directors met 16 times. The average attendance rate was 91 per cent.

Committees

The Board has decided that, in view of the size of the Talentum Group and its monitoring and supervision systems, there is no reason to establish a separate audit, appointments or bonus committee. The Board in general is responsible for the tasks 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 the instructions given by the Board of Directors, and is subject to its authority.

The Managing Director is directly responsible for implementing strategy and for related investment, and for financial administration, financing, legal matters, group communications and investor relations, as well as preparations for Board meetings. The Managing Director monitors staff decisions at management level and important operative decisions. He or she ensures that the Group's subsidiaries operate in accordance with the interests of the parent company in the Talentum Group and implement Group strategy.

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

Management organisation Management Group (MG)

The Chairman of the Management Group (MG) is the Managing Director. The duties of the MG include implementation of strategy, monitoring financial performance, annual planning and corporate structuring. The MG also handles financing and investment, and public communications. The Management Group meets generally every week.

Insider administration

The Talentum Group applies the Guidelines for Insiders issued by the Helsinki Stock Exchange. In the Talentum Group the 'closed window' (the time during which permanent insiders may not trade in company shares before the publication of financial disclosures) is 21 days, as opposed to the 14 days in the Helsinki Stock Exchange's regulations.


The statutory insiders subject to the disclosure requirement are the Members of the Board, the Managing Director, the auditors, and also the Group's Chief Financial Officer and its General Counsel. In addition

to these, the company has also decided that the following should also be permanent insiders: the 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 accounts and reports.

In addition to the statutory restrictions, the Company sets, if necessary, trading restrictions on a project-by-project basis, where people participating in projects that could affect the share value (such as acquisitions) and in their planning and preparation are designated as project insiders. Compliance with the insider guidelines is monitored at regular intervals. The Group's General Counsel is responsible for matters relating to Company insiders.

Permanent insiders are regularly instructed and trained in insider matters.

Talentum Oyj's public insider register is held in the SIRE system of the Finnish Central Securities Depository (APK).

Details of the share ownership of public outsiders can be found on Talentum's website: www.talentum.fi. 

Risk management

1. Market risks

40 per cent of the consolidated turnover 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. Our goal is for all our products and services to be the market leader in their own field, so that success is possible even in a recession.

Publishing

Group subscriptions for the biggest magazines are important in terms of the area they cover, and contracts have been in effect 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 affect business adversely. Should we fail to develop our business to meet changing media usage habits, problems may arise.

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 businesses' profitability and at the same time reduces susceptibility to cyclical trends.

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

Direct marketing

Most of the revenue from direct marketing comes from selling different publishers' magazines and books over the telephone. Any changes in approach and procedures in publishing are reflected in the turnover for direct marketing.

The risk exists in direct marketing that legislation or consumers' attitudes will change and make selling over the phone 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 hamper the development of the business.

Operating in a subcontractors' market may lead to price wars, which will lower prices generally. This trend can be checked through the use of long-term agreements, by keeping levels of quality high, by increasing efficiency and by offering a top-grade service.

TV content production

Varesvuo Partners Oy has focused in the main on two different areas: advertising film production and television programmes. In both areas the market risks are largely linked to the success of electronic media and so also to TV advertising's share of the entire advertising market.

The risk in advertising film production in the long-term is the reduction in the number of product brands being advertised and the globalisation of product brands, with the result that some of the decision-making on them and the production of advertising film generally may move away from Finland.

2. Personnel risks

Our business depends on the expertise of leading professionals, the creativity of very talented, competent personnel and sufficient numbers of skilled employees.

In order to obtain the commitment of our staff, we adhere to a system of performance-related pay, we develop skills through active job rotation and we pay attention to the importance of training and the work environment.

Sophisticated production processes and our facility for introducing new technology quickly will reduce staff risks overall. It is also important that working methods are systemized so the successful outcome of projects is not over-dependent on certain individuals.

3. Production process

In each of our companies basic data security functions have been introduced e.g. back-up copying, anti-virus and firewall solutions. Data network services are acquired centrally from outside suppliers offering the highest levels of service possible, and there are back-up connections at critical production points. If, in spite of all the precautions, information

security is compromised, it can cause damage to production and business relationships, and therefore have an adverse effect on profits.

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

4. Legal risks

In their agreements and under the law, the Group's companies bear 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 the precautions taken, a third party will claim that services produced by the Group's

companies are infringing a third party's copyrights or other intellectual property 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 result in claims for compensation.

Protecting copyright is of the utmost importance in almost all the Group's companies. The possibility of exploiting works financially means that the Group must hold the necessary copyright to the works in question and to the services that are delivered to customers. If it were found that the Group does not hold all the copyrights to a certain product or service, the Group could no longer 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 copyright or the internet may cause risks for which we have not been able to prepare ourselves, and as matters are now so complicated we may have to adapt to unexpected and thus unpredictable changes that may have a negative impact on profitability.

Attempts are being made to manage legal risks in many different ways. The Talentum Group aims to ensure that, with reference to all employment contracts, all copyrights and other intellectual property rights are assigned 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. Similarly, 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 content produced by the Group is checked in all unclear or doubtful situations with the Group's General Counsel. The people responsible for content are given guidance and training regularly in the development and interpretation of legislation and legislative practice.

5. Finance risks

The Talentum Group's financial 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 monitoring trade receivables, and no special risk of major credit losses has been identified at Talentum because our customer base is weighted towards big, financially sound companies. Our customers are mainly in the Eurozone, so there are no major currency risks. The Swedish business unit applies the matching principle. Liquid funds have been invested mainly in interest-bearing securities and there are no derivatives risks. The holdings in investments have been valued conservatively. However, there could be risks with them beyond Talentum's control.

6. Accident risks

The personnel, property and operations of companies in the Talentum Group are covered by insurance policies. The coverage of the policies, the values insured and excess values are revised annually with a broker and insurance companies. @

Board

**The Members of the Board are elected at the Annual General Meeting for a one-year term.
The AGM elects a Chairman and Deputy Chairman.**

Manne Airaksinen

Manne Airaksinen was born in 1966 and is a Master of Laws. His main occupation is Senior Advisor at Roschier Oy, Attorneys-at-law.

• **Main work experience:** Confederation of Finnish Industries 2005–2006, Chief Adviser; 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 Headline Group 1990–1998; Wellmedia Oy, Member of the Board 1998–2002. Books and articles mainly on company law; member/secretary of Courts of Arbitration.

• **Main positions of trust held simultaneously:** Satama Interactive Oyj, Member of the Board 2004–.

Juha Blomster, up till 30.9.2006

Juha Blomster, M.Sc. (E con. & B.A.) was born in 1957. His main occupation is Managing Director of Talentum Oyj, a position he has held since 1 October 2006. He resigned from the Board on assuming the appointment of Managing Director.

• **Main work experience:** Business Information Group (Managing Director of Kustannus Oy Kauppalehti) President of Alma Media Oyj Business Group 2000–2006; Kustannus Oy Aamulehti, President, Marketing Director 1996–2000; Kustannus Oy Kauppalehti, Assistant Director 1991–1995; Keskusautohalli Oy, Sales Director, Director of Car Dealerships, Marketing Manager of Car Dealerships 1986–1991. Finnish Media Audit Bureau, Chairman of the Board 1999–2000; Kärkimedia Oy, Member of the Board 1996–1999.

• **Main positions of trust held simultaneously, up till 31.9.2006** Baltic News Service, Tallinn, Chairman of the Board; Balance Consulting Oy, Chairman of the Board; TietoEnator 121 Oy, Member of the Board 2005–.

Harri Kainulainen

Harri Kainulainen was born in 1947 and is a Master of Political Science. His main occupation is Managing Director of the Local Insurance Group.

• **Main work experience:** Local Insurance Mutual Company, Managing Director 1997–2005; Pori Jazz Oy, Managing Director

1990–1997; Savonlinna Opera Festival Oy, Managing Director 1987–1990; OP Bank Group, managerial positions 1977–1987.

• **Main positions of trust held simultaneously:** Federation of Finnish Insurance Companies, Member of the Board 1998–; Red Cross Finland Blood Service, Member of the Board 2000–; the Pellervo Confederation of Finnish Cooperatives, Member of the Board 2000–; Mutual Insurance Company Pension Fennia, Member of the Supervisory Board 2002–2003, Vice-chairman of the Supervisory Board 2004–; National Defence Training Association, Chairman 2006–.

Eero Lehti

Eero Lehti was born in 1944 and is a Master of Political Science. His main occupation is Chairman of the Board of companies he owns.

• **Main work experience:** Taloustutkimus Oy, founder, owner, CEO 1971–1997 and Member of the Board 1997–; Suomen Lehti-yhtymä, main owner and Chairman of the Board 1978–.

• **Main positions of trust held simultaneously:** Kerava town council, Chairman; Fennia, Chairman of the Board;

Pension Fennia, Chairman of the Board; Fennia Life, Chairman of the Board; Federation of Finnish Enterprises, Chairman; Eila Kaisla Oy, Member of the Board; Nordia Management, Member of the Board; Economic Council of Finland, member; Finnish Industry Investment Ltd, member of the Investment Council; TEKES, Member of the Board; Uudenmaan pääomarahasto Oy (regional venture capital fund), Member of the Board.

Kai Mäkelä

Kai Mäkelä, M.Sc. (Econ. & B.A.) was born in 1947. His main occupation is Managing Director of Oy Herttaässä Ab, which he owns, and other Hertta companies owned by him.

• **Main work experience:** Janton Oy, Chairman of the Board, 1994–2003; Intervanti Oyj, Member of the Board; Saunalahti, Member of the Board.

• **Main positions of trust held simultaneously:** Ruukki Group Oyj, Member of the Board.

Tuomo Saarinen

Tuomo Saarinen, M.Sc. (Eng.) was born in 1946. He retired from his main occupation

Name	Position in the Board	Born	Member since
Tuomo Saarinen	Chairman	1946	2006
Manne Airaksinen	Deputy Chairman	1966	2003
Juha Blomster	Member, up till 30.9.2006	1957	2001
Harri Kainulainen	Member	1947	2006
Eero Lehti	Member	1944	2006
Kai Mäkelä	Member	1947	2006

as Managing Director of Satakunnan Kirjateollisuus Oy on 31 July 2006.

• **Main work experience:** Managing Director of Satakunnan Kirjateollisuus Oy 1984–2006, Satakunnan Kirjateollisuus, Deputy Managing Director 1983–1984; Sanoma Osakeyhtiö/Sanomaprint, Production Manager 1977–1983; Sanoma Osakeyhtiö/Sanomaprint, Head of Production 1974–1977; WSOY, Printing Departments Manager 1971–1974; Suomalaisen Kirjallisuuden Kirjapaino, Development Manager 1970–1971. No other main positions of trust held simultaneously.

Board of Directors: remuneration


The Board's fees are approved at the AGM. The Board's monthly fees decided at the AGM on 28 March 2006 are as follows: Chairman € 4,000, Deputy Chairman € 2,500 and Members € 2,000.

In 2006 the fees paid to the Members of the Board were:

Heiniö Ari (up till 28.3.2006)	€ 6,000
Länsiö Jussi (up till 28.3.2006)	€ 12,000
Piponius Kirsti (up till 28.3.2006)	€ 6,000
Airaksinen Manne	€ 30,000
Blomster Juha (up till 30.9.2006)	€ 18,000
Kainulainen Harri	€ 18,000
Lehti Eero	€ 18,000
Mäkelä Kai	€ 18,000
Saarinen Tuomo	€ 36,000
Total	€ 162,000

Board meetings

In 2006 the Board of directors met 16 times, with an average attendance rate of 91 per cent.

Details of the share ownership of the Board of Directors can be found at the company's website: www.talentum.fi. 



In the front of the photograph is Manne Airaksinen. Behind him from left to right are Tuomo Saarinen, Harri Kainulainen, Eero Lehti and Kai Mäkelä.

The Management Group

The Management Group

Name	Position or area of responsibility	Born	Year of joining the company
Juha Blomster	Managing Director	1957	2006
Kai Järvikare	Chief Financial Officer	1964	2003
Mika Malin	Director, book publishing and e-business	1969	2006
Jarl Michelsson	Director, media sales and marketing	1947	1997
Lasse Rosengren	General Counsel, Deputy Managing Director, TV content production and premedia	1963	2000
Mikko Saarela	Director, circulation, book, training, event and content sales	1960	1995
Pekka Seppänen	Editor-in-Chief, financial magazines manager	1960	1988

The Chairman of the Management Group (MG) is the Managing Director. The MG also includes those mentioned in the table below. The duties of the MG include implementation of strategy, monitoring financial performance, annual planning and corporate structuring. The MG also handles financing and investment, and public communications. The Management Group meets regularly every week.

The share ownership of the Management Group subject to disclosure can be found on Talentum's website at www.talentum.fi. The information is updated from the NetSire system of the Finnish Central Securities Depository (APK).

Juha Blomster

Juha Blomster, M.Sc. (Econ. & B.A.) was born in 1957. He has been Talentum's Managing Director since October 2006.

• **Main work experience:** Kauppalehti Oy, Managing Director 2000–2006; Kustannus Oy Aamulehti, President, Marketing Director 1996–2000; Kustannus Oy Kauppalehti, Assistant Director 1991–1995.

Kai Järvikare

Kai Järvikare, Dr.Sc. (Econ. & B.A.), was born in 1964 and has been Talentum's Chief Financial Officer since 2003.

• **Main work experience:** Fennia Mutual Insurance Company, Chief Financial Officer, 2001–2003; Sonera Plaza, Chief Financial Officer, 2001; Telia Mobile, Business Controller, Telia Finland, Manager, Corporate Planning, 1999–2001; Helsinki School of Economics (Accounting and Finance) 1992–1999, Professor 1998–99, Associate Professor 1997–98, Lecturer 1992–97.

Mika Malin

Mika Malin, M.Sc. Economics, Master of Business, was born in 1969. He was first Business Unit Director of Talentum Media Oy and since 2006 has been Director of Publishing and Online Business.

• **Main work experience:** Boston Consulting Group, consultant, 2003–2006; Stepstone Ltd, International Site Manager 2000–2001; United Biscuits Holdings Pls, International Brand Manager, UK, 1999–2000.

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.

• **Main work experience:** 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, Master of Laws, was born in 1963 and has worked at Talentum as General Counsel since 2000.

• **Main work experience:** advocate 1993–2000; OKO Bank, Credit Manager, 1991–1993; Skopbank, lawyer, 1989–1991.

Mikko Saarela

Mikko Saarela, commercial college graduate, was born in 1960. He is responsible for magazine circulation and book sales. He has worked for Talentum since 1995.

• **Main work experience:** 20 years in Suora-markkinointi Mega Oy.

Pekka Seppänen

Pekka Seppänen was born in 1960 and is a Master of Political Science. He has worked at Talentum as Editor-in-Chief of Talouselämä Magazine since 2000, and has been with Talouselämä magazine since 1988.

Pay and bonuses

Managing Director and the rest of the group's management

The Board of Directors approves the Managing Director's salary and that of those reporting directly to him/her, including annual bonuses and the management bonus scheme.

Pay levels in the group are monitored by means of a system where the person each manager reports to approves the terms and conditions of his/her subordinates' contracts of employment.

The bonus system in place for the Group's MG aims to promote long-term commitment and takes account of the group's financial results and trends in share prices. They have an importance rating of 75 per cent and 25 per cent respectively. This system was in

effect until the end of 2006.

Talentum Oyj's Managing Director received a total of 532,863 € in salary, bonuses and benefits in 2006.

The rest of the Group's management together received a total of 1,620,158 € in salary, bonuses and benefits in 2006.

Terms and conditions of the Managing Director's contract of employment

The Managing Director has a written contract of employment, whose terms and conditions have been approved by the Board.

Under his contract, Managing Director Juha Blomster (MD since 1.10.2006) has the right to retire at the age of 60. His pension will be 60 per cent of his salary.

The period of notice to terminate the agreement is six months. If the agreement should be terminated through no fault of the Managing Director's, he will receive severance pay equal to nine months' salary in addition to the pay due to cover the normal period of notice.

Auditor

Every year the Annual General Meeting chooses a KHT (authorised by the Finnish Central Chamber of Commerce) auditor. The auditor is PricewaterhouseCoopers Oy, with Authorised Public Accountant Kari Miettinen (b. 1951) acting as responsible auditor until 21.6.2006 and being replaced by Authorised Public Accountant Juha Wahlroos (b. 1956) as from 22.6.2006.

Auditor's fees

In 2006 the auditor was paid 221,850.83 €, plus the sum of 43,941.30 € for additional services. ©



In the photograph from left to right are Juha Blomster, Lasse Rosengren, Miika Malin, Kai Järviokare, Jarl Michelsson, Pekka Seppänen, and Mikko Saarela

Shares and shareholders

Talentum's shares are quoted in the OMX Exchange Nordic list. The shares were first quoted on the Helsinki Stock Exchange OTC list (later the I list) in 1988. They moved to the Main List on 1 December 1998 and the OMX Nordic Exchange on 2 October 2006 when the Helsinki and Stockholm Stock Exchanges merged. 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.

Total turnover for Talentum shares in 2006 was 26,957,486 shares, representing 61.2 per cent of all shares.

Dividend policy

Talentum Oyj employs an active policy on dividends. In 2005 a dividend of 0.30 euros

per share was distributed. For 2006, the Board of Directors is proposing to the Annual General Meeting that a dividend of 0.18 euros per share be distributed.

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

Investor relations

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

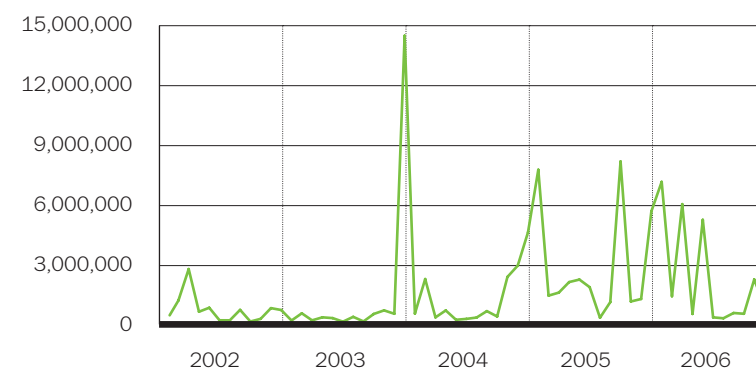
Talentum aims for transparency in all the information it provides. ☺

Major shareholders, 31 December 2006

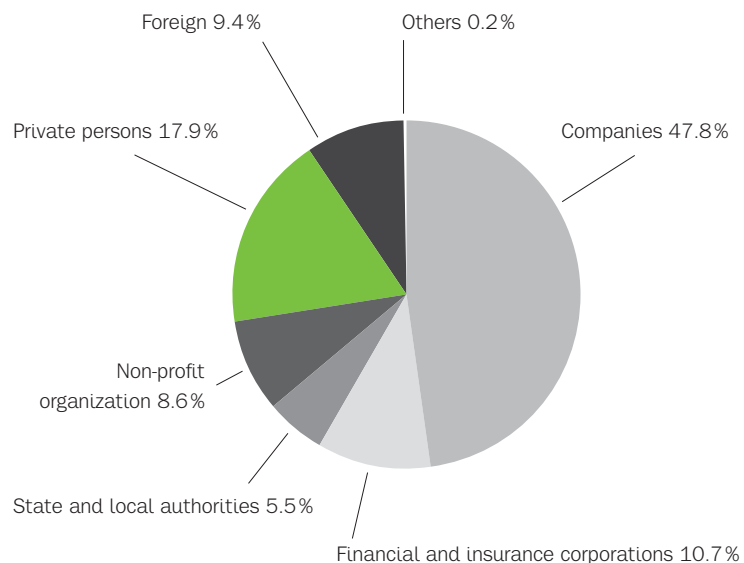
	Total shares	% of shares and voting rights
1. Kauppalehti Oy (Alma Media Corporation)	13,200,000	29.85
2. Oy Herttaässä Ab	4,438,100	10.04
3. Keskinäinen Vakuutusyhtiö Eläke-Fennia	1,950,000	4.41
4. Dia-Tieto Oy (The Finnish Association of Graduate Engineers TEK)	1,598,138	3.61
5. The New Association of Finnish Engineers	1,500,900	3.39
6. Nordea Life Assurance Finland Ltd	1,392,500	3.15
7. Nordea Fennia Fund	853,264	1.93
8. Evli-Select Equity Fund	700,000	1.58
9. Nordea Fennia Plus Fund	653,300	1.48
10. Nordea Pro Finland Fund	583,600	1.32
11. The Association of Finnish Wholesalers and Importers	339,396	0.77
12. Neste Oil Pension Fund	311,772	0.71
13. SEB Gyllenberg Small Firm	273,400	0.62
14. Korkeamäki Vilho	270,000	0.61
15. FIM Fenno Fund	250,000	0.57
16. Tekniska Föreningen i Finland Stiftelse	241,974	0.55
17. Saarela Mikko	155,000	0.35
18. Repo Eljas	140,292	0.32
19. Kaupallisten ja Teknillisten tieteiden tukisäätiö	130,800	0.30
20. FIM Rento Leisure Fund	122,400	0.28
Administrative registered shares	3,908,700	8.84
Other shareholders total	11,207,281	25.34
Issued stock	44,220,817	100.0

Share trading 2002–2006

Share, Share issue adjustment



Ownership distribution 31 December 2006



Share price 2002–2006

EUR, Share issue adjustment



Share distribution 31 December 2006

	Shareholders	% of shareholders	Shares	% of shares and votes
1–100	481	9.54	35,440	0.08
101–1,000	2,638	52.33	1,411,769	3.19
1,001–10,000	1,751	34.73	5,351,075	12.10
10,001–100,000	145	2.88	3,944,593	8.92
100,001–10,000,000	25	0.50	20,204,836	45.69
10,000,000–999,999,999	1	0.02	13,200,000	29.85
Waiting list	0	0.0	0	0.0
Joint account			73,104	0.17
Total	5,041	100	44,220,817	100

Ownership distribution 31 December 2006

	Shareholders	% of shareholders	Shares	% of shares and votes
Companies	369	7.3	21,125,509	47.8
Financial and insurance corporations	25	0.5	4,716,646	10.7
State and local authorities	5	0.1	2,431,452	5.5
Non-profit organizations	87	1.7	3,803,020	8.6
Private persons	4,536	90.0	7,927,256	17.9
Foreign (including nominee registrations)	19	0.4	4,143,830	9.4
Others (joint account)			73,104	0.2
Total	5,041	100	44,220,817	100

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	1,081,000
			6,907,000
1998	Targeted issue	1A/1,16	345,920
			2,507,920
			13,814,000
			+ 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/Kauppaari 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 E+T, Ekonomi & Teknik Förlag AB		1,669,641
	Total number of shares 31.12.2005		44,220,817
	Total number of shares 31.12.2006		44,220,817

Yearly summary of releases in 2006

Yearly summary of Talentum Oyj's stock exchange releases in 2006

January

4.1.2006 14:45

Announcement pursuant to securities act chapter 2, section 10

The Swedish Nordea Bank AB announced that its Finnish subsidiary Nordea Bank Finland Plc had acquired 600,000 Talentum shares on 3.1.2006, with the result that Nordea Group's holding of share capital and voting rights had exceeded one-twentieth (1/20). Nordea Bank AB also announced that, due to forward trades concluded on 3.1.2006 and maturing on 17.3.2006, Nordea Group and Nordea Bank Finland holdings would fall below one-twentieth (1/20) of Talentum's share capital and voting rights.

4.1.2006 17:50

Herttakuutonen Oy's holding in Talentum exceeds 10 per cent

Announcement pursuant to Securities Act Chapter 2, Section 10. Oy Herttakuutonen Ab announced that its holding and voting rights in Talentum Oyj would exceed one-tenth (1/10) with a forward deal concluded on 4.1.2006, maturing on 17.3.2006.

12.1.2006 08:15

Talentum Premedia's managing director resigns

Talentum Premedia Oy's Managing Director Pekka Hämäläinen resigned.

February

10.2.2006 08:30

Successful year for Talentum – dividend proposal of 0.30 €

Year-end financial statements release and Board's dividend proposal to AGM.

13.2.2006 10:30

Franklin Mutual Advisers' holding in Talentum 5.57 per cent

Announcement pursuant to Securities Act, Chapter 2, Section 10.

March

2.3.2006 08:40

Talentum board's proposals to the annual general meeting

9.3.2006 09:00

Notice of Talentum Oyj's annual general meeting

10.3.2006 09:00

Announcement pursuant to securities act chapter 2, section 10

Oy Herttakuutonen Ab announced that its holding and voting rights in Talentum Oyj had reached one tenth (1/10) with forward trades that closed the forward position of Oy Herttakuutonen Ab maturing on 17.3.2006 and announced in a stock exchange release on 4.1.2006, resulting in the purchase of the shares.

13.3.2006 14:30

Announcement pursuant to securities act chapter 2, section 10

The Swedish Nordea Bank AB (publ.) announced that its Finnish subsidiary Nordea Bank Finland Plc had sold 1,692,700 Talentum Oyj shares on 10.3.2006, with the result that its share capital and voting rights in Talentum as of 10.3.2006 was 0.00 per cent. Furthermore, the Finnish subsidiary Nordea Life Assurance Finland Ltd, part of the Nordea Bank AB (publ.) Group, owned 1,049,050 shares in Talentum Oyj, corresponding to 2.37 per cent of the share capital and voting rights. The holdings of Nordea Bank AB (publ.) and

its subsidiaries in Talentum Oyj's share capital and voting rights was consequently 2.37 per cent, and had thus fallen to below one-twentieth (1/20).

16.3.2006 15:00
Changes to the Talentum executive management group

24.3.2006 11:15
Proposals for Talentum's board of directors

28.3.2006 16:45
Talentum Oyj's annual general meeting
28.3.2006
AGM's resolutions.

April
19.4.2006 12:00
Talentum expands into customer and student magazine business
Talentum acquired 30 per cent of Acacom Academic Communications Oy.

25.04.2006 15:45
Talentum plans to launch a wide-circulation magazine during autumn 2006
Talentum announced its plan to launch a quality magazine on the market in autumn 2006.

27.04.2006 09:30
Successful start to year – Talentum's investment in growth
January–March interim report.

May
22.05.2006 12:00
Announcement pursuant to securities act chapter 2, section 10 2/22.5.2006
Oy Herttakuutonen Ab announced that its holding and voting rights in Talentum Oyj had reached one tenth (1/10) with a deal struck on 19.5.2006.

22.05.2006 12:00
Announcement pursuant to securities act chapter 2, section 10 1/22.5.2006
Oy Herttaässä Ab announced that its holding and voting rights in Talentum Oyj had fallen to less than one tenth (1/10) with a deal struck on 19.5.2006.

June
20.06.2006 19:00
Talentum to withdraw from launch of Focus magazine
Talentum announced it was withdrawing its plan to launch a new magazine on the market in autumn 2006.

July
21.07.2006 08:30
Talentum emphasis on development and one-off expenses affect the financial results
January–June interim report.

28.07.2006 12:30
Talentum's CEO Harri Roschier resigns

August
31.08.2006 08:00
Juha Blomster new Talentum CEO

September
No stock exchange releases.

October
04.10.2006 14:30
Talentum's July–September net profit below previous year's due to poor sales in September
Profits warning.

27.10.2006 08:30
Talentum's financial performance for July–September falls short of 2005 figure
January–September interim report.

30.10.2006 12:15
Talentum's new organisation and executive management team

November
06.11.2006 12:00
Personnel negotiations at Talentum
Talentum started co-determination talks with the aim of cutting costs equivalent to those incurred from 35–45 staff.

10.11.2006 11:00
Talentum's AGM and release of financial results 2007
Talentum released its timetable for company information in 2007.

December
15.12.2006 08:30
Talentum concludes personnel negotiations
Co-determination talks resulted in a cut in staff costs of 2.5 million € due to rationalisation. The move resulted in one-off costs of approximately 1.5 million € for the last quarter of 2006.

18.12.2006 10:30
Goodwill impairment charge in Talentum Premedia
As a result of a goodwill impairment test, the Board decided to apply a goodwill impairment charge of around two million € in respect of Talentum Premedia for the financial year 2006. It will have an overwhelming impact on the Group's financial results for 2006. The Board's view is that a dividend of 0.18 € per share will be proposed at the next AGM to be distributed for 2006.

All the releases can be read on the company's website:
www.talentum.fi.

Contact Information

Talentum Oyj

Visiting Address:
Annankatu 34-36 B, Helsinki
P.O. Box 920, 00101 Helsinki,
Finland
Telephone: +358 204 4240
Fax: +358 204 424 130
firstname.lastname@
talentum.fi
www.talentum.fi

Talentum Media Oy

Visiting Address:
Annankatu 34-36 B, Helsinki
P.O. Box 920, 00101 Helsinki,
Finland
Telephone: +358 204 4240
Fax: +358 204 424 130
firstname.lastname@
talentum.fi
www.talentum.fi

Lakimiesliiton koulutus

Annankatu 34-36 B
00100 Helsinki, Finland
Telephone: +358 204 424 730
Fax: +358 204 424 723
lakimiesliiton.koulutus@
talentum.fi
www.lakimiesliitonkoulutus.fi

Talentum Shop

Annankatu 34-36 B
00100 Helsinki, Finland
Telephone: +358 204 424 701
Fax: +358 204 424 723
kirjatilaus@talentum.fi
www.talentumshop.fi
Open Monday-Friday,
8:00 a.m-5:00 p.m.

Suoramarkkinointi Mega Oy

Salomonkatu 17 A
00100 Helsinki, Finland
Telephone: +358 9 6132 9200
Fax: +358 9 6132 9100
firstname.lastname@
sm-mega.fi
www.sm-mega.fi

Müügimeistrite AS

Pirita tee 20
Tallinn, 10127
Estonia
Telephone: +372 6 405 405

Telemarket SIA

Meza ielā 4
Riika, LV-1048
Latvia
Telephone: +371 761 1665

Telemarketing Uab AB

Juozapaviciaus 6/2
Vilna, LT-09310
Lithuania
Telephone: +370 5 273 4838

Talentum Premedia Oy

Merimiehenkatu 36 D
00150 Helsinki, Finland
Telephone: +358 1068 1700
Fax: +358 9 633 752
firstname.lastname@heku.fi

Sata-flexo Oy

Vanhakoiviston tie 5
28360 Pori, Finland
Telephone: +358 2 634 7500
Fax: +358 2 634 7510
www.sata-flexo.fi

Reprostudio & Heku Oy

Merimiehenkatu 36 D
00150 Helsinki, Finland
Telephone: +358 1068 1700
Fax: +358 9 627 166
firstname.lastname@heku.fi
www.heku.fi

Marvaco Oy

Merimiehenkatu 36 D
00150 Helsinki, Finland
Telephone: +358 1068 1703
Fax: +358 106 817 630
firstname.lastname@
heku.fi
www.heku.fi

Faktor Oy

Hämeentie 153 B
00560 Helsinki, Finland
Telephone: +358 9 686 0960
Fax: +358 9 6860 9640
firstname.lastname@faktor.fi
www.faktor.fi

Faktor Tools Oy

Hämeentie 153 B
00560 Helsinki, Finland
Telephone: +358 9 686 0960
Fax: +358 9 6860 9640
firstname.lastname@faktor.fi
www.faktor.fi

Talentum Sweden AB

Mäster Samuelsgatan 56
106 12 Stockholm
Sweden
Telephone: +46 8 796 6650
firstname.lastname@talentum.se
www.talentum.se

Suomen Arvopaperilehti Oy

Annankatu 34-36 B
00100 Helsinki, Finland
Telephone: +358 104 004 410
Fax: +358 204 424 677
firstname.lastname@
arvopaperi.fi
www.arvopaperi.fi

Oy Mediutiset AB

Annankatu 34-36 B
00100 Helsinki, Finland
Telephone: +358 204 424 680
Fax: +358 204 424 699
firstname.lastname@mediu-
utiset.fi
www.mediutiset.fi

Conseco Press

40/2, bld. 3, Prechistenka Str.
Moscow, 119034
Russia
Telephone: +7 95 246 4606
Fax: +7 95 246 7049
firstname.lastname@conseco.ru
www.conseco.ru

Acacom Academic Communications Oy

Katajanokanlaituri 5
00160 Helsinki, Finland
Telephone: +358 207 439 900
Fax: +358 207 439 909
firstname.lastname@
acacom.com
www.acacom.com

Varesvuo Partners Oy

Laiurinkatu 10 B
00150 Helsinki, Finland
Telephone: +358 9 696 2930
Fax: +358 9 656 799
firstname.lastname@
varesvuopartners.fi

Angel Films Oy

Sahaajankatu 28
00880 Helsinki, Finland
Telephone: +358 9 759 4770
Fax: +358 9 7594 7722
firstname.lastname@
angelstudiot.fi
www.angelfilms.fi

Angel Studios (Kiinteistö Oy

helsingin sahaajakatu 30)
Sahaajankatu 30
00810 Helsinki, Finland
Telephone: +358 9 759 4770
Fax: +358 9 7594 7722
www.angelfilms.fi

Bada Bing Productions Oy

Vanha Talvitie 11 A
00580 Helsinki, Finland
Telephone: +358 9 774 0300
Fax: +358 9 7740 3060

Crea Sport Production

Laiurinkatu 10 B
00150 Helsinki, Finland
Telephone: +358 9 684 0370
Fax: +358 9 6840 3730
firstname.lastname@creasport.fi

Electric Light Company Finland Oy

Tehtaankatu 5 C 48
00140 Helsinki, Finland
Telephone: +358 40 547 6464
Fax: +358 9 6227 0026
ville@elc.fi

Kaivopuiston Grillifilmi Oy

Puistokatu 1 F 16
00140 Helsinki, Finland
Telephone: +358 9 682 9100
Fax: +358 9 6829 1099
firstname.lastname@
grillifilms.fi
www.grillifilms.fi

Oy Filmiteollisuus Fine AB

Vanha Talvitie 11 A
00580 Helsinki, Finland
Telephone: +358 9 774 0300
Fax: +358 9 7740 3060
firstname.lastname@
filmiteollisuus.fi
www.filmiteollisuus.fi

Filmiteollisuus Fine – Mediastation Oy

Vanha Talvitie 11 A
00580 Helsinki, Finland
Telephone: +358 9 774 0300
Fax: +358 9 7740 3060
firstname.lastname@
filmiteollisuus.fi
www.filmiteollisuus.fi

Generator Post

Tammasaarenlaituri 3
00180 Helsinki, Finland
Telephone: +358 201 232 300
Fax: +358 201 232 360
firstname.lastname@
generator.fi
www.generator.fi

Helsinki-filmi Oy

Vanha Talvitie 11 A
00580 Helsinki, Finland
Telephone: +358 9 774 0300
Fax: +358 9 7740 3060
firstname.lastname@
helsinkifilmi.fi
www.helsinkifilmi.fi

Moskito Television Oy

Kruunuvuorenkatu 5 A 4
00160 Helsinki, Finland
Telephone: +358 9 6220 0097
Fax: +358 9 6872 2500
firstname@moskito-tv.fi
www.moskito-tv.fi

Ondine Oy

Fredrikinkatu 77 A 2
00100 Helsinki, Finland
Telephone: +358 9 434 2210
Fax: +358 9 493 956
firstname.lastname@
ondine.fi
www.ondine.fi

Production House Oy

Höyläämötie 18 A
00380 Helsinki, Finland
Telephone: +358 9 229 3260
Fax: +358 9 2293 2660
firstname.lastname@
productionhouse.fi
www.productionhouse.fi

Ten Years Production Oy

Kuninkaankatu 30 A
33200 Tampere, Finland
Telephone: +358 3 260 6111
Fax: +358 3 260 6112
firstname.lastname@
tenyearsproduction.fi
www.tenyearsproduction.fi

Van Der Media Oy

Laiurinkatu 10 B
00150 Helsinki, Finland
Telephone: +358 9 251 5060
Fax: +358 9 6840 3730
firstname@vandermedia.fi
www.vandermedia.fi

Woodpecker Film Oy

Laiurinne 1
00120 Helsinki, Finland
Telephone: +358 9 8566 5500
Fax: +358 9 8566 5501
firstname.lastname@
woodpeckerfilm.fi
www.woodpeckerfilm.fi



Talentum
Financial
Statements
2006



Talentum

Financial

Statements

2006

Annual report by the board of directors	4
Consolidated income statement (IFRS)	9
Consolidated balance sheet (IFRS)	10
Consolidated cash flow statement (IFRS)	11
Statement of changes in equity (IFRS)	12
Notes to the parent company's financial statements	13
Key figures 2002–2006	28
Key indicators for the group	29
Calculation of key indicators	30
Profit and loss account of parent company (FAS)	31
Balance sheet of parent company (FAS)	32
Source and application of funds of parent company (FAS)	33
Notes to the parent company's financial statements	34
Proposal by the parent company on the distribution of profits	41
Auditors' report	41

Financial Statements have been published in Finnish and in English.
In case of doubt, the Finnish version is authoritative.

Annual report by the board of directors

Consolidated net sales and group targets

Talentum's consolidated net sales for 2006 came to EUR 121.1 million (EUR 103.3 million), an increase of 17.2%. The comparability of figures for the entire year is adversely affected by the fact that the publishing business in Sweden being part of the Talentum Group only during the final quarter of 2005. The comparable final-quarter growth was 6.6%.

The 30% increase in Publishing, 15% in TV Content Production and 14% in Direct Marketing had the most favourable impact on the growth in consolidated net sales for the entire year. Premedia's growth in net sales was -14%.

Publishing accounted for 61% of the consolidated net sales for the entire year, TV Content Production for 20%, Premedia for 16%, Direct Marketing for 7% and inter-group business for 4%.

The advertising revenue from Talentum's magazines for the year remained almost at the level of the previous year in spite of a slight dip in the third quarter in Finland, the most important factor being the more than 30% increase in job advertising. The trend in advertising sales is a significant variable in terms of Publishing's financial performance. Magazines and online activities account for about 85% of Publishing's net sales. Of this, advertising sales account for about 60% and content sales around 40%. Internet advertising accounts for a good 10% of the advertising net sales. Books and training bring in the remaining 15% of Publishing's net sales.

Talentum has integrated its business operations portfolio with resolute development work and the implementation of synergy potential. Talentum's objective is to continue refining its business operations and synergy potential and to divest non-core assets and operations in a way that will create economic value added for shareholders and support profitability and growth in the company's core business.

Group financial performance

The consolidated operating profit was EUR 4.3 million (EUR 20.5 million). The figure includes an impairment charge of EUR 1.8 million on the goodwill in Premedia operations, non-recurring expenditure of about EUR 1.6 million on personnel arrangements in the publishing business and corporate administration in Finland, and non-recurring expenses of some EUR 1.0 million arising from unrealized projects. The operating profit for the comparative year of 2005 includes the recording of a profit of EUR 10.5 million from the sale of the shares in Satama Interactive Oy.

Of the business areas, Publishing, Direct Marketing and TV Content Production were very successful; Premedia posted a loss.

The profit for the financial year was EUR 2.7 million (EUR 18.7 million). Earnings per share were EUR 0.05 (EUR 0.42) and EUR 0.05 (EUR 0.16) for ongoing operations. The consolidated return on investment (ROI) was 9.4% (37.6%) and return on equity (ROE) 7.2% (49.0%).

Cash flow, financial position and balance sheet

The balance sheet total stood at EUR 89.7 million at the end of December (EUR 90.5 million on December 31, 2005). The Talentum Group's financial position was good and the equity ratio was 36.0% at the end of the year (48.8% on December 31, 2005), and equity per share was EUR 0.69 (EUR 0.94 on December 31, 2005).

The cash flow from business operations was EUR 9.1 million (EUR 8.2 million). Talentum Oyj distributed a dividend of EUR 13.2 million, i.e. EUR 0.30 per share. Consolidated interest-bearing liabilities totalled EUR 25.5 million (EUR 15.6 million). The consolidated interest-bearing debts are denominated in euros and thus not hedged against exchange-rate fluctuations. Net financial expenses came to EUR 0.5 million (EUR 0.7 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 2.2 million (EUR 5.7 million) in cash assets in the January-December period.

As part of its overall financing scheme, Talentum has a EUR 30 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 20.0 million on December 31, 2006.

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

Depreciation, amortization and impairment

Consolidated depreciation, amortization and impairment amounted to 3.0% (3.6%) of net sales i.e. EUR 3.4 million (EUR 3.7 million). In addition, an impairment of EUR 1.8 million, i.e. 2% of net sales was recorded in 2006.

Personnel

The Group employed an average of 1,064 persons during the year (1,202). Of these, 304 (236) worked abroad.

The average number of staff broken down by business area is as follows:

	1-12/2006	1-12/2005
Publishing	405	308
TV Content Production	98	102
Premedia	199	228
Direct Marketing	346	326
Internet Consulting *	0	222
Group Administration	16	16
Total	1,064	1,202

*) discontinued business operations

44% of the staff were men and 56% women.

The biggest age group among personnel was the 31-40 year bracket (29%). The age distribution was as follows:

Age distribution

< 20 y	10%
21-30	18%
31-40	29%
41-50	22%
51-60	18%
60>	3%

Management

Talentum Oyj's CEO Harri Roschier resigned on July 28, 2006. General Counsel Lasse Rosengren acted as CEO between July 28, 2006 and September 30, 2006. CEO Juha Blomster started in his new post on October 1, 2006. Juha Blomster resigned from Talentum's Board of Directors on September 30, 2006.

A new Executive Management Team effective as of November 1, 2006, was appointed for Talentum and at the same time the organization and management system were reformed. The aim was to streamline the organization, clarify responsibilities and increase efficiency. The Executive Management Team comprises CEO Juha Blomster, Group General Counsel and Deputy CEO Lasse Rosengren, CFO Kai Järvikare, Editor-in-Chief Pekka Seppänen, Director Jarl Michelsson, Director Mikko Saarela and Director Mika Malin.

The new line organization replaced the previous matrix organization. Responsibilities in the new organization are as follows: Lasse Rosengren is responsible for legal affairs as well as for the TV Content Production and Premedia business areas; Kai Järvikare is responsible for financial management and IT management; Editor-in-Chief Pekka Seppänen is responsible for business journals; Editor-in-Chief Kauko Ollila is responsible for journals for the industrial and IT sectors; Jarl Michelsson is responsible for media sales and marketing in magazine publishing; Mikko Saarela is responsible for sales in circulation, book publishing, training and media content sales; and Mika Malin is responsible for book publishing, training, events and online business operations.

Talentum's Swedish subsidiary Talentum Sweden AB has its own Management Team and its CEO Christer Björkin reports directly to CEO Juha Blomster.

Investment

Gross investment in fixed assets in January-December totalled EUR 3.6 million, i.e. 3.0% of net sales. Gross investment comprised mainly normal replacement and maintenance investment, such as procuring equipment, software and fixtures. Long-term investment in shares totalled EUR 1.5 million.

Structural changes

The comparison figures for 2005 show Satama Interactive's figures under the heading 'Discontinued operations' in the income statement. As announced on September 16, 2005, Talentum sold for EUR 23.2 million its 60% majority holding in Satama Interactive, a company that engages in internet consulting and was listed on the Helsinki Stock Exchange NM List in 2000. Satama Interactive's net sales according to IFRS came to EUR 23.6 million and the operating profit to EUR 0.6 million in 2004. Talentum recorded a profit of about EUR 10.5 million on the sale of its holding in Satama in the third quarter of 2005.

On October 6, 2005, Talentum purchased the entire stock of the Swedish magazine publishing company Ekonomi & Teknik Förlag AB, and on December 15, 2005 the company was renamed Talentum Sweden. The total purchase price was EUR 17.4 million (SEK 162 million), of which EUR 11.0 million (SEK 102 million) was in cash and EUR 6.4 million (SEK 60 million) in Talentum Oyj shares. Talentum Sweden recorded net sales of some EUR 18 million in 2005, of which EUR 5.8 million went to Talentum in the final quarter of 2005.

Business operations and seasonal variation in the media market

The general economic situation remained fairly good during the year. There is a 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 tend to make a considerable proportion considerable part of their purchases in the final quarter of the year. These characteristics of the business may cause considerable variation in Talentum's quarterly net sales and particularly in the profit: the figures are at their highest in the final quarter, and correspondingly lower in the third quarter than in the first and second quarters. As a result of the heavy seasonal fluctuation in publishing and particularly in the book business, the majority of net sales and an even greater part of the profit in publishing accrue in the latter half of the year. This is the main reason why most of Talentum's profit is made in the latter half of the year and the profit trend looking better towards the end of the year.

The annual quarterly-based seasonal fluctuation in Publishing's operating profit is increased from earlier periods by the seasonal fluctuation in Sweden being greater than in Finland, owing to the one-dimensional structure of the operations and the predominance of magazines.

Order backlog

The order backlog is not detailed here, since this information is not relevant due to the nature of the business of the Talentum Group. As none of the Talentum business areas have orders extending forward for further than about one month, an order backlog in the conventional sense does not really exist. While customers and the company have signed commercial agreements for periods of several years ahead, the company management does not consider that these agreements constitute an order backlog as such.

Business risks

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 to advertising, specifically 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, so that success is possible even in a recession. The company is not prepared to take risks that jeopardize the 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. In addition, internal auditing is outsourced by a Board decision to Tuokko Tilitarkastus Oy (PKF International), a professional, independent and well-resourced external service provider. The aim of 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 in advance. Competition has remained unchanged for a long time, but it is possible that the major media companies will increase their input in Talentum's product areas significantly.

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

Talentum tries to hedge against finance risks relating to its business operations by ensuring that stable financial conditions are created for developing them. Customers' payment behaviour is monitored constantly. Attempts are made to invest liquid funds in liquid money market instruments that have a good credit standing. Liquid funds do not contain a major interest rate risk because of the short duration of the investments.

Business areas

Publishing

Publishing's net sales increased by 30% to EUR 74.7 million (EUR 57.5 million). Most of the growth is explained by the publishing business in Sweden being part of the Talentum Group only during the final quarter of 2005. The comparable net sales in the final quarter of 2006 went up by 8% compared with the corresponding quarter in the previous year. The operating profit (EBIT) for the entire year 2006 was EUR 7.1 million (EUR 9.8 million). Personnel arrangements in publishing in Finland generated non-recurring costs of approximately EUR 1.5 million, which were recorded for the fourth quarter of 2006. The effect of these arrangements will be to reduce personnel costs by about EUR 2.5 million annually.

Magazine publishing's net sales in 2006 totalled EUR 62.3 million, book publishing's net sales were EUR 10.0 million and the net sales for training activities were EUR 2.4 million. Advertising revenue accounted for about 60% of all magazine revenue.

Talentum, together with its subsidiaries and associated companies, publishes 15 magazines for professionals, ten in Finland and five in Sweden. The advertising revenue from Talentum's magazines rose by 6%. The most significant factor in the development of advertising sales was the healthy increase of more than 30% in recruitment advertising during the year.

Circulation revenue from Talentum's magazines grew by 6%. Cooperation between Talentum's magazines and professional organizations continued to go well. The Finnish organizations of engineers and economists have taken out group subscriptions with the magazines *Tekniikka & Talous* and *Talouselämä*, and the Finnish Marketing Association has a similar agreement with *Markkinointi & Mainonta*. The Swedish Association of Graduate Engineers and the Swedish Society of Engineers have group subscriptions with *Ny Teknik*. *Affärsvärlden* also has a group subscription agree-

ment covering some 20,000 members in supervisory and management positions in Sweden's private sector trade union (Sif).

Talentum's publishing in the legal field is a firmly based profitable and long-term business, and not as susceptible to cyclical fluctuation as magazine publishing. Talentum has also consolidated its status as a publisher of business books.

TV Content Production

The net sales of Varesvuo Partners Oy, which concentrates on TV content production, increased by 15% to EUR 24.6 million (EUR 21.5 million). The operating profit rose to EUR 1.8 million (EUR 0.6 million).

TV Content Production's production companies invested in TV programme production, with growth and profitability improving for both TV programmes and commercials. The group's companies produced programmes for all the Finnish TV channels and two full-length feature films.

Premedia

Premedia's net sales decreased by 14% to EUR 18.0 million (EUR 21.0 million). The operating profit went down and was EUR -2.5 million (EUR 0.0 million). The business area's operating profit included an impairment charge of EUR 1.8 million on the goodwill contained in Premedia's operations. Measures will continue in order to improve the business's processes, efficiency and profitability.

Direct Marketing

Direct Marketing's net sales increased by 14% to EUR 8.2 million (EUR 7.2 million). The operating profit (EBIT) was EUR 1.1 million (EUR 1.2 million). Direct Marketing succeeded as planned in Finland and the Baltic States.

AGM, board and auditor

Talentum's Annual General Meeting was held on March 28, 2006.

The AGM re-elected Manne Airaksinen and Juha Blomster as members of the Board of Directors. Harri Kainulainen, Eero Lehti, Kai Mäkelä and Tuomo Saarinen were elected new members of the Board.

Tuomo Saarinen was elected Chairman of the Board and Manne Airaksinen continued as Vice Chairman.

Juha Blomster resigned from Talentum's Board of Directors on September 30, 2006, taking up the position of Talentum Oyj's CEO on October 1, 2006.

Authorized Public Accountants PricewaterhouseCoopers Oy with APA Kari Miettinen as the accountable auditor were re-elected auditors. APA Juha Wahlroos started as the accountable auditor on June 22, 2006 with the departure of his predecessor, APA Kari Miettinen, from the employ of PriceWaterhouseCoopers Oy.

The Board met 16 times altogether during the financial year. Average participation by Board members was 91%.

Shares and share capital

At the end of the period under review, Talentum Oyj's share capital totalled EUR 18,593,518.79, and the company has 44,220,817

fully paid-up shares. The shares are listed on the OMX Nordic List (on the Helsinki Stock Exchange Main List until October 2, 2006)

At the end of the period under review, the company held 181,000 company shares, 0.41% of Talentum's total stock and votes.

A total of 26,957,486 shares were traded during the financial period, 61.2% of the total average stock during the financial year.

Shareholdings of the Board of Directors and Managing Director

On December 31, 2006, 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 4,470,162, representing 10.1% of the company's total shares and votes.

Board of Directors' authorizations

An Annual General Meeting on March 28, 2006 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 rights issue in one or several instalments, provided that the increase is no more than EUR 1,859,351.88 and that no more than 4,422,081 new shares are subscribed. The maximum increase in the share capital and the combined number of votes of the shares issued correspond to less than 10% of the company's registered share capital and of the combined number of votes conferred by the shares. The Board of Directors has the right to decide on the subscription price, the grounds for determining the subscription price, other terms and conditions of the subscription, and the other terms and factors relating to the rights issue, issuing of options and taking out of 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. As at December 31, 2006, the authorization had not been exercised.

The Annual General Meeting on March 28, 2006 authorized the Board of Directors 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 4,422,081 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 10% of the company's registered share capital and combined votes conferred by the shares. The authorization includes the right to acquire shares in a manner other than in proportion to the shareholders' holdings. As at December 31, 2006, the authorization had not been exercised.

The Annual General Meeting on March 28, 2006 authorized the Board of Directors 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 4,422,081 on the maximum number of shares to be relinquished. The limit is equivalent to less than 10% of the company's registered share capital and combined votes conferred by the shares. The authorization includes the right to relinquish shares in a manner other than

in the proportion to the shareholders' pre-emptive rights to acquire the company's own shares. As at December 31, 2006, the authorization had not been exercised.

Notifications

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, the Nordea Group's and Nordea Bank Finland Plc's share of Talentum's ownership and shares would fall below 1/20 when the forwards matured 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.

On February 13, 2006 Franklin Resources Inc. informed Talentum Oyj that the holding by Franklin Mutual Advisers, LLC had exceeded the 5% proportion of ownership and voting rights and was 5.57%.

On March 10, 2006 Oy Herttakuutonen Ab informed Talentum Oyj that its proportion of votes and share capital in Talentum Oyj (10.04%) had reached one tenth (1/10) on trades that settled the forward trades of Oy Herttakuutonen Ab maturing on March 17, 2006, announced by a stock exchange release on January 4, 2006, resulting in the purchase of the linked shares.

Nordea Bank AB (publ.) informed Talentum Oyj on March 13, 2006 that on March 10, 2006 its Finnish subsidiary Nordea Bank Finland Plc had sold 1,692,700 Talentum Oyj shares, due to which its proportion of Talentum's share capital and voting rights as of March 10, 2006 was 0.00%. The Finnish subsidiary Nordea Life Assurance Finland Ltd of the Nordea Bank AB (publ.) Group, owned in addition 1,049,050 Talentum Oyj shares, corresponding to 2.37% of the share capital and voting rights. The holding of Nordea Bank AB (publ.) and its subsidiaries in Talentum Oyj's share capital and voting rights was consequently 2.37%, and had thus fallen below one-twentieth (1/20).

On May 22, 2006, Oy Herttakuutonen Ab reported that its share of Talentum's share capital and voting rights had fallen below one tenth (1/10) through a transaction conducted on May 19, 2006.

On May 22, 2006, Oy Herttaässä Ab reported that its share of Talentum's share capital and voting rights had reached one tenth (1/10) through a transaction conducted on May 19, 2006.

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 or 1/2 of the total stock, the shareholder must make a redemption offer to all shareholders.

Dividend for 2005

The Annual General Meeting held on March 28, 2006 decided that a dividend of EUR 0.30 per share (adjusted for share issues) be paid for the 2005 financial year.

Market guarantee

An agreement with Nordea Securities Oyj on a market guarantee for Talentum Oyj shares became effective on June 21, 2004. Under the agreement, Nordea Securities will submit a purchase and sales offer so that the maximum permitted differential between them is 3% of the purchase offer. The offers will include a minimum of 2,500 shares.

Corporate governance

Talentum Group complies with 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 can be found on Talentum's website 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.

Pension Foundation

Talentum's pension foundation 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.

Prospects for sector and Talentum in 2007

The growth in the media market continued in the final quarter of 2006. In particular the continued good trend in recruitment advertising gives cause to assume that the fairly favourable market situation will continue during the beginning of 2007.

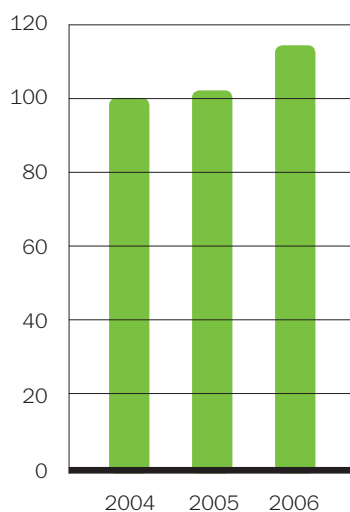
General statement

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

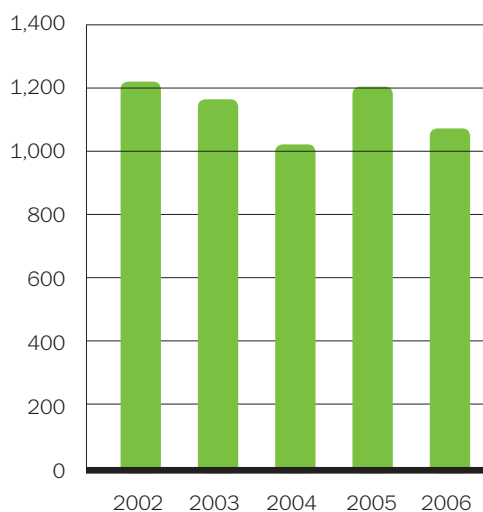
IAS/IFRS reporting

Talentum transferred to financial reporting in accordance with the International Financial Reporting Standards (IFRS) on January 1, 2005. In accordance with IFRS terminology, discontinued business operations refer to Internet Consulting. In a transaction announced on September 16, 2005, Talentum Oyj sold all its Satama Interactive shares.

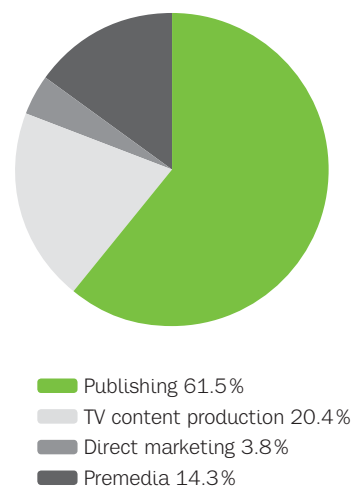
**Net sales/employee
(€ 1,000)**



**Average number
of employees**



**Share of Talentum groups'
net sales**



Consolidated income statement (IFRS)

Consolidated Income statement (€ 1,000)	Note	2006	2005
Sales	2	121,062	103,289
Change in inventories		-258	1,617
Other operating income	4	1,723	1,227
Material and services		-25,017	-20,585
Personnel expenses	5.19	-56,689	-46,595
Depreciation and amortization	6	-5,233	-3,735
Other operating expenses	7	-31,312	-25,493
Operating profit (adjusted) *	2	4,275	20,447
Financial income and expenses	8	-524	-741
Share of profit of associates		464	239
Profit (adjusted) before tax and adjustments *		4,216	19,945
Operating profit of discontinued operations		0	-11,231
Profit before tax		4,216	8,714
Income taxes	9	-1,498	-1,556
Profit for the period – ongoing operations		2,718	7,158
Profit for the period – discontinued operations		0	11,500
Profit for the period		2,718	18,658
Attributable to:			
Equity holders of the parent		2,179	17,868
Minority interest		539	789
Basic earnings per share (€)	10	0.05	0.42
Earnings per share (€)		0.05	0.42
Earnings per share, ongoing operations (€)		0.05	0.16
Earnings per share, discontinued operations (€)		-0.00	0.26

* Includes operating profit of discontinued operations

Consolidated balance sheet (IFRS)

(€ 1,000)	Note	2006	2005
ASSETS			
Non-current assets			
Intangible assets	11	12,196	12,135
Goodwill	11	23,686	24,792
Tangible assets	11	7,854	7,754
Investments in associates	12	2,750	1,389
Available-for-sale investments	13	910	889
Non-current receivables	15	535	486
Deferred tax assets	16	3,514	3,458
Total non current assets		51,444	50,903
Current assets			
Inventories	14	3,326	3,469
Financial assets at fair value through profit or loss	13	34	33
Trade receivables and other receivables	15	14,448	13,407
Cash and cash equivalents	17	20,434	22,644
Total current assets		38,242	39,553
TOTAL ASSETS		89,686	90,456
EQUITY AND LIABILITIES			
Shareholders' equity			
	18		
Share capital		18,594	18,594
Share premium reserve		5,896	5,896
Own shares		-1,314	-1,314
Fair value reserve and other reserves		4	4
Exchange differences		543	-44
Retained earnings		4,562	254
Net income		2,179	17,868
Total		30,464	41,259
Minority interest		1,689	2,043
Total equity		32,153	43,302
Long term debt			
Deferred tax liabilities	16	3,289	3,052
Interest-bearing liabilities	20	3,682	5,018
Other liabilities	21	1,253	391
Retirement benefit obligations	19	0	60
		8,224	8,522
Short term debt			
Current interest bearing liabilities	20	21,847	10,537
Trade payables and other payables	21	27,462	28,095
		49,310	38,632
Total liabilities		57,533	47,154
TOTAL EQUITY AND LIABILITIES		89,686	90,456
Interest bearing debt		25,529	15,555

Consolidated cash flow statement (IFRS)

(€ 1,000)

	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	2,718	18,658
Adjustments	6,893	-5,309
Change in working capital	999	-3,393
Net financial items	35	-112
Income taxes paid	-1,572	-1,613
Net cash from operating activities	9,074	8,231
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisitions of subsidiaries and associates	-3,907	-11,903
Other investments	-29	-1,772
Purchase of other non-current assets	-3,615	-3,225
Sales of subsidiaries	0	17,770
Sales of other non-current assets	542	461
Net cash from investing activities	-7,009	1,331
CASH FLOW FROM FINANCING ACTIVITIES		
Change in short term loans	12,000	-2,000
Change in long term loans	-1,816	-4,710
Payment of finance lease liabilities	-127	-174
Change in long-term receivables	-201	339
Dividends paid and equivalent	-13,734	-6,621
Share issue	0	0
Minority's capital investment in subsidiaries	0	100
Other financing items	-395	-513
Share repurchases	0	-1,724
Net cash used in financing activities	-4,273	-15,303
Net change in cash and cash equivalents	-2,209	-5,741
Cash and cash equivalents at beginning of period	22,677	28,418
Cash and cash equivalents at end of period	20,468	22,677

Cash and cash equivalents includes also current assets at fair value through profit or loss.

Statement of changes in equity (IFRS)

(€ 1,000)

	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 1.1.2005	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
Other							-8,390	-8,390
Equity 31.12.2005	18,594	5,896	4	-44	16,808	41,259	2,043	43,302
Exchange differences				587		587	0	587
Net income recognized directly in equity					-348	-348	-125	-473
Profit for the period					2,179	2,179	539	2,718
Dividends paid					-13,212	-13,212	-523	-13,735
Other							-246	-246
Equity 31.12.2006	18,594	5,896	4	543	5,427	30,464	1,689	32,153

Notes to the parent company's financial statements

1. ACCOUNTING PRINCIPLES

Basic information

Talentum Oyj (Plc) is a Finnish, public limited company established under Finnish legislation with domicile in Helsinki. Talentum Oyj is the parent company of the Talentum Group. Talentum Oyj's shares are quoted on the Nordic list of OMX. Operating area of Talentum Oyj is Media. The registered address of the company:

Annankatu 34–36 B
00100 HELSINKI

General

At its meeting on 7.2.2007, the Board of Directors of Talentum Oyj approved these financial statements for publication. Under the Finnish Companies Act, the shareholders may accept or reject the financial statement at the shareholder's meeting held after they are published. The shareholders' meeting also has the power to alter the financial statements.

The Talentum Group (Group) has as of January 1, 2005 transitioned 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 in EU Regulation (EC) no. 1606/2002 and embodied in the Finnish Accounting Act and the decrees enacted under it. In the transition the IFRS 1 First-time Adoption Standard was applied. Transition date was January 1, 2004.

The following new and amended standards and their interpretations are issued but not yet effective and have thus not been applied:

IFRS 7
IAS 1 -amended
IFRIC 8
IFRIC 9
IFRIC 10
IFRIC 11, IFRS 2
IFRIC 12
IFRS 8

In 2005 the IASB published a new standard IFRS 7 (Financial Instruments: Disclosures) and it will be effective annually as from 1 January 2007. In 2006 the IASB published a new standard IFRS 8 (Operating segments) which will be applied by 1 January 2009. Applying those standards will mainly affect the notes to the consolidated financial statements. The amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures – will have an effect on the presentation and the Notes. The IFRIC 10 Interim Financial Reporting and Impairment will be applied in year 2007. Other new interpretations may not have been applied due to the nature of business and transactions in the group. The following new and amended standards and interpretations are not yet approved in the EU: IFRS 8, IFRIC 10, IFRIC 11 and IFRIC 12.

Use of estimates

The preparation of consolidated financial statements according to the IFRS requires management to make estimates and assumptions. These have an effect on the amounts of assets and liabilities in the balance sheet, the reporting of contingent liabilities and possible funds in the financial statements and both the reported revenue 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 the parent company and subsidiaries.

Subsidiaries

Subsidiaries – those companies of which the Group has over half of the voting rights or in some other way has a significant influence – have been consolidated in the financial statements of the Group. The subsidiaries have been consolidated starting from the date when the Group 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. Furthermore, unrealized deficits have been eliminated, except when earnings corresponding to the book value based on the acquisition accounting method cannot be accrued. Subsidiaries' accounting principles in the financial statements have been modified when needed to make them consistent with the accounting principles of the Group. All those companies over which the parent company has either direct or indirect control have been consolidated in 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, the pooling method was 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 under 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 the Group generally has 20-50 % of the voting rights or the Group has significant influence but not overall control. Unrealized profits between the Group and its associated companies have been eliminated in proportion to share ownership; unrealized deficits have also been eliminated except when the transaction shows that the value of the transferred asset has impaired. The 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

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

Transactions in foreign currencies

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

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

The balance sheet items in the financial statements of foreign companies in the Group and associated companies have been converted to 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 converted using the average rate for the accounting period. The exchange rate difference when converting 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 notable risks and benefits for owning goods have been transferred to the 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 completed service. When it is likely that total expenses to complete a service exceed the 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 under other operating income and as a deduction of/in? expenses in the other operating expenses.

Pension arrangements

According to IAS 19, payment-based arrangements mean benefit arrangements for the time after the termination of employment, according to which the company makes fixed payments into a separate unit (fund) and it does not have juridical nor actual obligations to make additional extra payments in the event that the 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 for the accounting period to which the payment relates.

Benefit-based arrangements mean all the other arrangements for the time after termination of employment which are not payment-based arrangements. In benefit-based arrangements where benefits have been determined in advance and extra payment obligations or refunds may come to the Group, pension expenses are usually determined by using the Projected Unit Credit Method. According to this method, pension expenses are charged to the profit and loss account by periodizing regulatory expenses over the remaining service years of the employee according to actuarial mathematical 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 the IFRS 1 standard relief.

Most of the pension liabilities of the Group have been transferred to a pension trust fund at the beginning of 2004. TEL pension trust funds are treated as benefit-based arrangements. In addition, the Group has some additional pension schemes that can be classified as benefit-based. The disability pension portion of TEL insurance is treated as payment-based. Actuarial calculations for the benefit-based arrangements are made annually.

Leases (Group as a lessee)

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

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

Income taxes

Group taxes include the Group company taxes, which are based on 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 using current statutory tax rates. Most considerable periodizing items arise from depreciation differences in assets and tax losses carried forward. Deferred tax assets relating to the carrying 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. Group cumulative accelerated depreciation has been divided into deferred tax liability and equity.

Available-for-sale investments and discontinued operations

A discontinued operation, where the assets and result/profits? can be separated from the actual main operation, arises when it is decided to discontinue a major business area either totally or essentially, and 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 whichever is lower, the book or fair value deducted by the cost of realization. Depreciations are not made after classification.

Goodwill

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

IFRS 3 does not provide instructions for the additional acquisition of minority interests. Talentum Group applies the Finnish accounting method and calculates goodwill as the excess acquisition cost over the equity of the acquired subsidiary.

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 their 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 under other operating expenses. The costs of major inspections and service operations are capitalized, and the 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 see if there is a need for impairment. Goodwill is tested annually always at the same period of time. If anything indicates that impairment is necessary, the amount of accruable earnings is estimated for the asset in question. Impairment loss is recorded if the book value of the item exceeds the 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 an expense.

Inventories

Inventories are stated at cost. Cost is determined as the direct costs of purchase and production and an 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. An estimate for doubtful receivables is made at the balance sheet date based on a comprehensive review of receivables.

Financial assets and financial liabilities

The Group has adopted IAS 39 Financial Instruments: recognition and measurement-standard since January 1, 2004. Before this, the financial assets and liabilities were valued according to Finnish accounting standards. Since the beginning of 2004 the financial assets of the Group have been classified based on the standard 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
- Loans and other receivables
- Available-for-sale financial assets

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

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

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

Loans and other receivables are valued at periodized cost.

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

Own shares

When a 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. A rearrangement provision is recorded, when the Group has drawn up a detailed rearrangement plan and has started to implement the plan, and has announced it. A provision is recorded based on an agreement generating loss, if the necessary direct expenses to fulfill obligations under the agreement exceed the benefits arising from it.

Dividends

Dividends proposed by the Board of Directors are not recorded under 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 the Group has been deducted from the average number of shares outstanding.

2. 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 (1,000 €)	2006	2005
Sales		
Publishing *	74,674	57,447
TV Content Production	24,641	21,499
Premedia	18,021	20,975
Direct Marketing	8,177	7,163
Internet Consulting **	0	19,717
Sales within group	-4,451	-4,027
Total	121,061	122,774
-discontinued operations	0	-19,717
Adjustments and eliminations	0	232
Total/ongoing operations	121,061	103,289
Operating profit		
Publishing *	7,143	9,823
TV Content Production	1,769	628
Premedia	-2,510	31
Direct Marketing	1,122	1,157
Internet Consulting **	0	743
Parent company and group items	-3,248	-2,422
Capital gain/discontinued operations	0	10,488
Total	4,275	20,447

* Of which publishing acquired in Sweden sales 21,721 thousand euros and operating profit 1,557 thousand euros (year 2005 (10-12/2005): sales 5,847 thousand euros and operating profit 922 thousand euros).

** Classified as discontinued operation 16.9.2005

3. ACQUISITIONS

Publishing

Talentum Sweden (Ingerjorsforlaget) acquired 12.12.2006 Arbetskydd – magazine business from the Swedish State (Arbetsmiljoverket). The Magazine has 11 issues per year and the number of its subscribers amounts to 17,500. The Magazine's business activities have been unprofitable and its acquisition price mainly consists of the direct acquisition costs. The transfer of ownership took place on 01.01.2007 and the figures of the acquired item will be consolidated in Talentum group from 2007.

According to IFRS 3 the acquired assets and liabilities were measured on the acquisition date at the exchange rate of 9.0661.

	Fair value	Bookvalue prior to combination
Acquired assets (+)		
Publishing rights	560	0
Deferred tax assets	153	0
Acquired assets	713	0
Acquired liabilities (-)		
Deferred tax liabilities	-157	0
Other liabilities	-546	0
Acquired liabilities	-703	0
Acquired net assets	10	
Goodwill	0	
Purchase price	10	
Cashflow on acquisition	-10	
Specification of purchase price		
Paid in cash and cash equivalents		
Part of purchase price in accruals		
Special issue		
Costs of acquisition	10	
Total purchase price	10	

4. OTHER OPERATING INCOME

	2006	2005
Profit of sale of tangible assets	103	175
Public contributions *	1,300	772
Rent income	166	51
Other income	154	229
	1,722	1,227

* Of which major part consists of the support granted by the Finnish Film Foundation 1 million euros (in year 2005 0.6 million euros).

5. PERSONNEL EXPENSES

Wages and salaries	45,173	38,237
Pension costs		
Defined benefit plans	836	237
Defined contribution plans	6,200	5,101
Other social expenses	4,479	3,020
	56,689	46,595
Average amount of personnel in the period *	1,064	1,202

* Converted to full-time personnel

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	2006	2005
Depreciation		
Intangible assets	610	984
Buildings	77	77
Machinery and equipment	2,702	2,709
Other tangible assets	7	10
Group reserve income	0	-45
Total	3,396	3,735

Depreciation of machinery include 159 thousand euros depreciation of leased equipment (249 thousand euros year 2005)

Impairment

Goodwill	1,837	0
Total	1,837	0

Total depreciation, amortization and impairment

5,233	3,735
--------------	--------------

Impairment loss of 1,837 thousand euros booked in the year 2006 (See Appendix 11)

7. OTHER OPERATING EXPENSES

Voluntary social expenses	2,111	1,875
Leases	7,709	6,447
Representation expenses	673	593
Public contributions	-82	-82
Credit losses	462	222
Marketing expenses	4,850	3,952
Other fixed expenses	15,590	12,486
	31,312	25,493
Fees paid to the main auditor:		
Audit	222	188
Other fees	44	65
	266	253

8. FINANCIAL INCOME AND EXPENSES

Dividends received	5	8
Interest and financial income	705	400
Financial income	710	407
Interest expenses		
Long and short term debt	-859	-642
Financial leases	-12	-17
Other financial expenses	-363	-489
Financial expenses	-1,234	-1,148
Total financial income and expenses	-524	-741
Exchange differences in income statement		
Within financial income and expenses	-10	-25

9. INCOME TAX

	2006	2005
Income tax in income statement		
Tax for the period	-1,726	-1,665
Tax for earlier periods	-14	-152
Deferred tax	242	260
	-1,497	-1,556
Income tax for the group in income statement differ from income tax accounted by parent companys tax rate 26% as follows		
Income tax expense at statutory rate	1,096	2,266
Difference between finnish and foreign tax rates	-108	70
Items without income tax benefit/expense	587	11
Losses not recognised earlier		-689
Taxes for prior years	14	152
Change in tax rate		0
Net profit of associates	-121	-62
Effect of group consolidation and elimination	-13	-33
Other	42	-158
	1,497	1,556

10. EARNINGS PER SHARE

Basic earnings per share is computed using the weighted average 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.

	2006	2005
Net profit attributable to shareholders (basic/diluted)	2,179	17,868
Profit of discontinued operations	0	11,203
Profit of ongoing operations	2,179	6,666
Amount of shares		
Basic	44,039,817	42,720,075
Diluted	44,039,817	42,720,075
Basic earnings per share (EUR)	0.05	0.42
Diluted earnings per share (EUR)	0.05	0.42
Earnings per share, ongoing operations	0.05	0.16
Earnings per share, discontinued operations	0.00	0.26

11. INTANGIBLE AND TANGIBLE ASSETS	Goodwill	Other	Total
Intangible assets			
Acquisition cost at 1.1.2006	24,792	21,951	46,743
Additions	345	397	742
Acquisitions through business combinations			
Disposals/transfers		-561	-561
Disposals discontinued operations			
Exchange differences	386	407	793
Acquisition cost at 31.12.2006	25,523	22,194	47,717
Accumulated depreciation 1.1.2006		-9,815	-9,815
Acquisitions through business combinations			
Disposals/transfers		465	465
Depreciation		-610	-610
Impairment loss	-1,837		-1,837
Disposals discontinued operations			
Exchange differences		-38	-38
Accumulated depreciation 31.12.2006	-1,837	-9,998	-11,835
Carrying amount at 31.12.2006	23,686	12,196	35,882
Carrying amount at 31.12.2005	24,792	12,135	36,927

Goodwill has not been subject to amortization since 1.1.2004. The net book value is presented as the acquisition cost.

Impairment loss of 1,837 thousand euros booked in the year 2006.

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. During the year 2006 the board of Talentum has decided to examine the Premedia business as a separate cash generating unit due to its poor financial performance. Thus the related separate goodwill impairment test at Premedia level is found relevant. As a result of the test the board has decided on 1,837 thousand euros goodwill impairment charge in Talentum Premedia for the financial year 2006.

In IFRS transition there was a 11.2 million euros 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:

MEUR	2006	2005
TV Content Production	4.1	3.8
Premedia	5.6	7.3
Other	14.0	13.7
Total	23.7	24.8

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 0.0%/0.4% growth estimate. As discount rate has been used WACC before taxes. 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 2006 (8% in year 2005). Market approach/comparable companies have been used in defining fair value in the TV Content Production.

Tangible assets	Buildings	Machinery	Advance	Total
Acquisition cost at 1.1.2006	2,422	29,539	139	32,100
Additions		3,388		3,388
Acquisitions through business combinations				
Disposals		-3,223	-139	-3,362
Disposals/discontinued operations				
Exchange differences		56		56
Acquisition cost at 31.12.2006	2,422	29,760	0	32,182
Accumulated depreciation 1.1.2006	-658	-23,689		-24,347
Acquisitions through business combinations				
Disposals		2,846		2,846
Disposals/discontinued operations				
Depreciation	-77	-2,709		-2,786
Exchange differences		-41		-41
Accumulated depreciation at 31.12.2006	-735	-23,593		-24,328
Carrying amount at 31.12.2006	1,687	6,167	0	7,854
Carrying amount at 31.12.2005	1,764	5,851	139	7,754

Tangible assets include financial lease equipment:

	2006	2005
Machinery and equipment		
Acquisition cost	412	1,273
Accumulted depreciation	-176	-880
Carrying amount at 31.12.	236	393

12. INVESTMENTS IN ASSOCIATES

At the beginning of period	1,389	1,234
Additions	1,839	239
Disposals	-179	0
Dividends	-299	-84
At the end of period	2,750	1,389

Associates	Domicile	Group holding percentage %
Generator Post Oy	Helsinki	50.00
Production House Oy	Helsinki	29.00
Electric Light Company Finland Oy	Helsinki	34.16
Acacom Academic Communications Oy	Helsinki	30.00

Talentum Media Oy acquired 30% of Acacom Academic Communications Oy. Acacom publishes Improbatur magazine for high school students, the magazine Campus.fi for university students of technical and business fields as well as different customer magazines.

Reprostudio & Heku Oy sold its holdings in Main Domain Oy (50%) in 30.11.2006. Its figures have been included in the consolidated financial statement until September 2006 in accordance with the equity method of accounting. Accounting period for Main Domain Oy is 1.9.–31.8. but its numbers have been consolidated since year 2004 in income statement for period 1.1.–31.12., computed from interim reports.

Carrying value of associates 31.12.2006 includes 1.3 Million euros goodwill (0.3 million euros 31.12.2005).

2006	Assets	Liabilities	Sales	Profit
Main Domain Oy			1,240	201
Generator Post Oy	2,382	1,047	4,593	316
Production House Oy	1,063	250	1,527	127*
Electric Light Company Finland Oy	76	21	287	9
Acacom Academic Communications Oy	1,653	836	2,875	409
2005				
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

* Estimate

13. AVAILABLE-FOR-SALE INVESTMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006	2005
Available-for-sale investments		
Non-current		
Carrying amount at 1.1.	889	192
Increases	0	1
Acquisitions by business combinations	0	802
Decreases	-9	-85
Disposals/discontinued operations	0	-20
Exchange differences	30	0
Carrying amount at 31.12.	910	889
Financial assets at fair value through profit or loss		
Current		
Carrying amount at 31.12.	34	33
Listed shares	34	33

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.

14. INVENTORIES	2006	2005
Material and supplies	455	366
Work in progress	1,604	1,938
Finished products and goods	1,267	1,165
Total	3,326	3,469
15. TRADE RECEIVABLES AND OTHER RECEIVABLES	2006	2005
Non-current		
Loan receivables	0	250
Retirement benefit receivables	98	0
Other receivables	437	236
	535	486
Current		
Loan receivables	4	39
Trade receivables	9,701	8,715
Receivables from associates	222	338
Prepayments and accrued income	3,674	3,630
Other receivables	847	685
	14,448	13,407
Prepayments and accrued income include:		
Tax receivables	2,282	1,753
Personnel expenses	224	428
Interest and other financial receivables	102	43
Other items	1,065	1,407
	3,674	3,630
16. DEFERRED TAXES	2006	2005
Deferred tax assets	3,514	3,458
Deferred tax liabilities	-3,289	-3,052
Net deferred tax assets	225	406
Reconciliation of the movements of deferred tax assets and liabilities balances during the period:		
Deferred taxes 1.1.	406	5,409
Taxes in income statement	242	624
Acquisitions	0	-921
Disposals/discontinued operations	0	-4,489
Recognized in equity	-423	-217
Deferred taxes 31.12.	225	406
Deferred tax assets		
Retirement benefit	0	16
Tax losses carried forward	2,899	2,974
Other temporary differences	615	468
	3,514	3,458
Deferred tax liabilities		
Retirement benefit	-25	0
Other temporary differences	-3,264	-3,052
	-3,289	-3,052

17. CASH AND CASH EQUIVALENTS

	2006	2005
Cash at hand and in bank accounts	8,667	6,795
Current investments	11,767	15,849
	20,434	22,644
Financial assets at fair value through profit or loss	34	33
	20,468	22,677

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%.

18. EQUITY

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

Share capital	Number of shares	Shareholders' equity	Share premium reserve	Own shares
1.1.2006	44,039,817	18,594	5,896	-1,314
31.12.2006	44,039,817	18,594	5,896	-1,314
Own shares held by company 01.01.2006	181,000			
Own shares held by company 31.12.2006	181,000			
Number of shares 31.12.2006	44,220,817			

Series: TTMV1

Fair value reserve and other reserves

	2006
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	543
	543

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

19. 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 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.

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.

	2006	2005
Defined benefit plans		
Items in income statement		
Defined benefit plans	836	237
Defined contribution plans	6,200	5,101
	7,036	5,338
Defined benefit plans:		
Current service cost	810	648
Interest cost	670	700
Expected return on plan assets	-665	-692
Plan liability	0	-421
Net actuarial gains and losses recognized in year	21	2
Past service cost	0	0
Other costs	0	0
	836	237
The actual return on plan assets was -98 thousand euros in year 2006 (-122 thousand euros in year 2005).		
The amounts recognized in the balance sheet		
Net liability – defined benefit plans		
Present value of unfunded obligations		
Present value of funded obligations	17,698	14,155
Fair value of plan assets	-15,022	-14,341
Unrecognized actuarial gains and losses	-2,774	246
Net liability in the balance sheet	-98	60
Retirement benefit receivables	98	0
Retirement benefit obligations	0	60
Balance sheet reconciliation		
Net liability at 1 January	60	836
Net expenses recognized in the income statement	836	237
Contributions paid	-994	-1,013
Net liability at 31 December	-98	60
The principal actuarial assumptions		
Discount rate	4.50%	4.50%
Expected return on plan assets	4.50%	4.50%
Future salary increases	2.50%	2.50%
Inflation	2.00%	2.00%
20. INTEREST BEARING DEBTS	2006	2005
Long term		
Loans from financial institutions	2,713	3,950
Finance lease liabilities	144	206
Other liabilities	825	863
	3,682	5,018
Short term		
Loans from financial institutions	1,324	1,709
Pension loans	0	96
Loans from associates	459	599
Finance lease liabilities	63	127
Other liabilities	2	5
Commercial papers	20,000	8,000
	21,847	10,537
Interest bearing debt	25,529	15,555

Finance lease liabilities	2006	2005
Minimum lease payments		
Due for payment:		
Under 1 year	103	139
1–5 years	115	218
Over 5 years	0	0
Minimum lease payments total	218	357
Present value of minimum lease payments		
Under 1 year	63	127
1–5 years	144	206
Over 5 years	0	0
Total	207	333
Future finance charges	11	24

Repayments of long-term liabilities 31.12.2006	Loans from financial institutions	Finance lease liabilities	Other	Total
2007 *	1,324	63	461	1,848
2008	1,224	95	460	1,779
2009	1,223	39	5	1,267
2010	266	9	229	504
2011			5	5
2012			5	5
Later			119	119
Total	4,036	207	1,286	5,529

* Repayments due year 2007 are included in short term debt.

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

Talentum has since spring 2004 a 30 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	2006 Carrying amount	2006 Fair value	2005 Carrying amount	2005 Fair value
Long term debt	3,682	3,682	5,018	5,018
Short term debt	21,847	21,847	10,537	10,537

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

21. TRADE LIABILITIES AND OTHER LIABILITIES

	2006	2005
Long term		
Onerous contracts	613	391
Other	640	0
Total	1,253	391
Short term		
Advances received	1,389	1,802
Trade liabilities	3,104	3,103
Debt to associates	540	715
Accrued expenses and deferred income	18,293	16,765
Onerous contracts	323	196
Other liabilities	3,813	5,514
Total	27,462	28,095
Substantial items in accruals:		
Subscription fee advances	5,378	4,641
Personnel expenses	9,831	9,758
Tax liability	847	150
Interest expenses	30	29
Other	2,207	2,187
Total	18,293	16,765

22. 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	99.74	99.74
Suomen Arvopaperimediata 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 Medi uutiset Ab	Helsinki	50.00	
Conseco Press	Moscow	40.00	(51% of votes)
Acacom Academic Communications Oy	Helsinki	30.00	
Talentum Sweden AB:			
Ny Teknik Tidskrift Ab	Stockholm	100.00	
Affärsvärlden Förlag AB	Stockholm	100.00	
Ingenjör förlaget AB	Stockholm	100.00	
Zentina Förlag AB	Stockholm	100.00	
Jobfinder Student AB	Stockholm	100.00	
Meditid Försäljning	Stockholm	100.00	
Suomen Arvopaperimediata Oy:			
Suomen Arvopaperilehti Oy	Helsinki	100.00	
Talentum Premedia Oy:			
Reprostudio & Heku Oy	Helsinki	99.74	
Marvaco Oy Ltd	Helsinki	99.74	
Sata-Flexo Oy	Pori	99.74	
Faktor Oy	Helsinki	99.74	
Faktor Tools Oy	Helsinki	99.74	
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	
Moskito Television Oy	Helsinki	78.30	
Crea Sport Production Oy	Helsinki	70.47	
Van Der Media Oy	Helsinki	68.90	
Ondine Oy	Helsinki	90.34	
Oy Filmitoollisuus Fine Ab	Helsinki	59.32	
Helsinki-Filmi Oy	Helsinki	30.20	
Filmitoollisuus fine-Mediastation Oy	Helsinki	35.59	
Ten Years Production Oy	Tampere	30.25	
Bada Bing Productions Ab	Helsinki	68.81	
Woodpecker Film Oy	Helsinki	84.69	9.72
Kaivopuiston Grillifilmi Oy	Helsinki	75.00	7.00
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:

	2006	2005
CEO and group management		
Salaries, fees and bonuses		
CEO	533	287
Group management	1,620	1,568
Board of Directors	162	147

The amounts above have been paid during the reporting period.

CEO Harri Roschier was paid 1.1.–31.7.2006 479 thousand euros including bonus accrued from year 2005 100 thousand euros (year 2005 32 thousand euros) and severance pay 175 thousand euros.
CEO Juha Blomster was paid in the year 2006 54 thousand euros as well as 18 thousand euros compensation for Board of Directors (1.1.–30.9.2006).

CEO and part of group management have the right to retire at the age of 60. The number of Talentum Oyj shares owned by the members of Board of Directors and the CEO personally and through companies in which they have a controlling interest is 4,470,162, representing 10.1% of the the total shares and votes. Group management owned 155,000 shares.

Transactions with associates

Transactions with associates are priced at the prevailing market price.

	2006	2005
Sales	111	152
Purchase	726	824
Current receivables		
Loan receivables	119	334
Trade receivables	8	1
Short term debt		
Trade liabilities	77	113
Loan receivables from associates		
Loan receivables 1. January	334	386
Loan repayments	-215	-52
Loan receivables 31. December	119	334

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:

	2006	2005
Non-current assets	14	14
Current assets	544	664
Long term debt	0	0
Short term debt	-175	-223
Net assets	383	455
Income	1,157	1,289
Expenses	-1,005	-1,066
Profit for the period	152	223
Specification of internal group items consolidated by group's proportion:		
Sales	98	94
Purchases	0	0
Current receivables		
Trade receivables	17	4
Other receivables	1	0
Short term debt		
Trade liabilities	0	1
Other liabilities	463	601

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

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

Commitments on operating leases:

Due within 12 months	5,607	4,612
Due within 1–5 years	11,160	11,167
Due over 5 years	3,414	5,298
Total	20,181	21,077
Mortgages:		
Posted for own commitments	5,903	5,903
Guarantees:		
Posted on behalf of group companies	0	48
Posted on behalf of others	235	211

Key figures 2002–2006

		IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Net sales, IFRS *	€ 1,000	121,061	103,289	96,431		
growth, %	%	17.2	7.1			
Net sales, **		121,061	122,774	119,923	113,188	114,616
growth, %	%	-1.4	2.4	6.0	-1.2	7.4
Operating profit **	€ 1,000	4,275	20,447	9,298	2,855	-263
% of net sales **	%	3.5	16.7	7.8	2.5	-0.2
Financial items ***	€ 1,000	-60	-502	13	591	-541
Profit before extraordinary items, taxes and minority interest	€ 1,000	—	—	—	3,446	-804
% of net sales	%	—	—	—	3.0	-0.7
Profit before extraordinary items	€ 1,000	—	—	—	1,006	1,871
Extraordinary items	€ 1,000	—	—	—	0	-9,491
Profit for the period (Equity holder of the parent company)	€ 1,000	2,179	17,868	6,280	1,006	-7,620
Gross investment **	€ 1,000	5,087	28,548	9,029	5,264	17,645
% of net sales	%	4.2	23.3	7.5	4.7	15.4
Shareholder's equity and minority interest	€ 1,000	32,153	43,302	32,852	46,519	46,638
Balance sheet	€ 1,000	89,686	90,456	78,464	85,941	84,386
Number of employees, average **		1,064	1,202	1,203	1,166	1,222
Net sales per employee **	€ 1,000	114	102	100	97	94

* Net sales excluding net sales for discontinued operations (income statement)

** Including discontinued operations

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

Key indicators for the group

		IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Return on equity (ROE)	%	7.2	49	19.7	3.8	-3.2
Return on investment (ROI)	%	9.35	37.57	18.9	6.6	0.0
Equity ratio*	%	36.07	48.84	42.3	55.0	55.5
Net gearing	%	15.74	-16.45	-22.3	-41.0	-26.9
Key indicators per share:						
Earnings per share, €	€	0.05	0.42	0.15	0.03	-0.05
Earnings per share, ongoing operations	€	0.05	0.16	0.14		
Earnings per share, discontinued operations	€	0.00	0.26	0.01		
Dividend per share	€	0.18	0.30	0.15	0.25	0.10
Equity per share	€	0.69	0.94	0.54	0.97	1.03
Dividend per earnings	%	360.0	71.7	100.0	999.7	-214.6
Effective dividend yield	%	5.5	8.1	5.1	9.8	7.0
P/E-ratio at year-end share price		66.5	8.8	19.7	102.0	-30.7
Market capitalization	MEUR	144.9	162.9	124.8	105.8	57.3
Net liabilities	MEUR	5.1	-7.1	-7.3	-18.9	-12.5
Enterprise Value	MEUR	150.0	155.8	117.5	86.9	44.8
Traded price 31.12.	€	3.29	3.7	2.95	2.55	1.43
Traded price high	€	4.44	4.02	3.40	2.65	3.15
Traded price low	€	3	2.85	2.58	1.35	1.375
Average price for year, share issue adjusted	€	3.77	3.5	2.92	2.49	2.275
Total share turnover	shares	26,957,486	35,357,125	15,829,990	18,697,948	8,728,404
Total share turnover as percentage of shares	%	61.2	80.3	37.4	45.1	21.8
Number of shares, share issue adjusted:						
weighted average during year	shares	44,039,817	42,720,075	41,793,256	40,228,134	40,033,396
at year end	shares	44,039,817	44,039,817	42,298,780	41,479,430	40,051,830
Unredeemed 1999 warrant bond	shares	0	0	1,450,000	1,450,000	1,450,000
Unredeemed 2000 warrant bond	shares	0	0	345,000	345,000	345,000
Own shares	shares	181,000	181,000	184,600	184,600	184,600

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

Calculation of key indicators

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

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

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

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

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

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

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

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

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

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

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

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

* Including operating profit of the discontinued operations

Profit and loss account of parent company (FAS)

(€ 1,000)	Note	1.1.-31.12. 2006	1.1.-31.12. 2005
Turnover	2	4,250	5,133
Other operating income	3	25	27
Personnel expenses	4	3,713	4,901
Depreciation and amortization	5	678	740
Other operating expenses		3,249	3,422
Operating profit/loss		-3,365	-3,903
Financial income and expenses	6	9,868	-8,298
Profit/loss before extraordinary items		6,503	-12,200
Extraordinary items	7	4,500	4,156
Profit/loss before appropriations and taxes		11,003	-8,044
Increase (-)/decrease (+) in depreciation difference	5	5	31
Direct taxes	8	-242	1
NET PROFIT/LOSS FOR THE YEAR		10,766	-8,012

Balance sheet of parent company (FAS)

(€ 1,000)	Note	31.12. 2006	31.12. 2005
ASSETS			
Non-current assets			
Intangible assets	9	1,512	1,078
Tangible assets	9	481	521
Investments	9	134,330	134,314
Non-current assets, total		136,323	135,913
Current assets			
Non-current receivables	10	3	951
Current receivables	11	31,386	19,517
Bonds and securities		11,767	15,849
Cash at bank and in hand		73	54
Current assets, total		43,228	36,371
ASSETS, TOTAL		179,551	172,283
LIABILITIES AND SHAREHOLDER'S EQUITY			
Shareholder's equity			
Share capital	12	18,594	18,594
Share premium fund		89,594	89,594
Retained earnings		3,132	24,356
Net profit/loss for the year		10,766	-8,012
		122,085	124,531
Accumulated appropriations			
Accumulated depreciation difference	13	91	96
Non-current liabilities	14	1,561	2,255
Current liabilities	15	55,813	45,402
Liabilities, total		57,374	47,656
LIABILITIES AND SHAREHOLDER'S EQUITY, TOTAL		179,551	172,283

Source and application of funds of parent company (FAS)

(€ 1,000)	1.1.-31.12. 2006	1.1.-31.12. 2005
BUSINESS OPERATIONS		
Operating profit/loss	-3,365	-3,903
Depreciation	678	740
Gain on disposal of non-current assets	-13	-27
Adjustments to operating profit	665	713
Change in net working capital	-1,744	7
Net financing	-132	-274
Tax paid	533	-531
Cash flow from business operations	-4,043	-3,988
INVESTMENTS		
Acquired Group companies	-2,160	-12,395
Acquisitions of other investments	-1,126	-1,113
Sales of Group companies	0	22,822
Sales of other non-current assets	67	55
Cash flow from investments	-3,219	9,370
FINANCING		
Change in short-term loans	12,000	-2,000
Change in long-term loans	-694	-694
Increase/decrease in non-current receivables	948	949
Dividends paid	-13,212	-6,356
Group contributions	4,156	2,261
Financing	3,199	-5,839
Increase/decrease in liquid assets	-4,063	-457
Liquid assets 1 st January	15,903	16,360
Liquid assets 31 st December	11,839	15,903

Notes to the parent company's financial statements

Financial statements of parent company, FAS

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.

Notes to income statement and balance sheet of parent company (€ 1,000)

2. TURNOVER AND OPERATING PROFIT BY BUSINESS AREA

	2006	2005
Turnover		
Internal invoicing	4,250	5,133
	4,250	5,133

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	13	27
Other income	12	0
	25	27

4. PERSONNEL EXPENSES

Performance-based salaries and fees:		
Supervisory Board and Boards of Directors	162	147
Others	2,740	3,760
Pension expenses	652	485
Other statutory personnel expenses	159	509
Personnel expenses in profit and loss account	3,713	4,901
Salaries, fees and fringe benefits paid to Managing Directors	533	287
Average number of personnel during the period under view	37	50

5. DEPRECIATION, AMORTIZATION AND WRITEDOWNS

Planned depreciations		
Intangible assets	458	522
Tangible assets	220	218
Depreciation, total	678	740
Change in depreciation difference		
Intangible assets	-18	29
Tangible assets	23	2
Change in depreciation difference, total	5	31

6. FINANCIAL INCOME AND EXPENSES

Dividend income from Group companies	10,077	17
Interest and financial income from Group companies	748	479
Other interest and financial income	372	3,489
Changes in value of liquid assets and investments	0	-11,200
Interest and financial expenses to Group companies	-483	-197
Other financial expenses	-95	-418
Other interest expenses	-751	-467
	9,868	-8,298

7. EXTRAORDINARY ITEMS

Group contributions	4,500	4,156
Extraordinary items, total	4,500	4,156

8. TAXES

From extraordinary items	-1,170	-1,081
From ordinary functions	928	1,082
Change in Deferred tax	0	-1
	-242	1

9. INTANGIBLE AND TANGIBLE ASSETS

	2006	2005
Intangible assets		
Acquisition cost 1 st Jan.	3,093	2,452
Increases	371	941
Transfers	521	0
Decreases	0	-299
Acquisition cost 31 st Dec.	3,985	3,093
Accumulated depreciation 1 st Jan.	-2,015	-1,493
Depreciation for the period	-458	-522
Accumulated depreciation 31 st Dec.	-2,473	-2,015
Book value 31 st Dec.	1,512	1,078
Tangible assets		
Acquisition cost 1 st Jan.	1,677	1,374
Increases	234	471
Decreases	-337	-168
Acquisition cost 31 st Dec.	1,574	1,677
Accumulated depreciation 1 st Jan.	-1,156	-1,078
Depreciation for the period	-220	-218
Cumulative depreciation on reclassifications	283	140
Accumulated depreciation 31 st Dec.	-1,093	-1,156
Book value 31 st Dec.	481	521
Investments		
Shares in subsidiaries		
Acquisition cost 1 st Jan.	134,286	144,864
Increases	16	20,268
Decreases	0	-30,846
Acquisition cost 31 st Dec.	134,302	134,286
Other shares		
Acquisition cost 1 st Jan.	28	28
Increases	0	0
Decreases	0	0
Acquisition cost 31 st Dec.	28	28
Accumulated planned depreciation and writedowns	0	0
Book value 31 st Dec.	28	28
Investments, total	134,330	134,314
Itemization of intangible and tangible assets		
Intangible assets		
Computer software	860	802
Renovation of business premises	651	13
Others	0	263
Total	1,512	1,078
Tangible assets		
Machinery and equipments	449	489
Other tangible assets	32	32
Total	481	521

10. NON-CURRENT RECEIVABLES

	2006	2005
Receivables from Group companies	0	948
Deferred tax asset	3	3
Total	3	951

Receivables from Group companies consists of loan receivables.

11. CURRENT RECEIVABLES

	2006	2005
Trade receivables	175	33
Receivables from Group companies	30,905	18,808
Loan receivables	1	1
Prepaid expenses and accrued income	248	662
Other receivables	58	13
Total	31,386	19,517

Receivables from Group companies:

Trade receivables	628	8
Loan receivables	15,734	14,617
Prepaid expenses and accrued income	14,543	4,183
Total	30,905	18,808

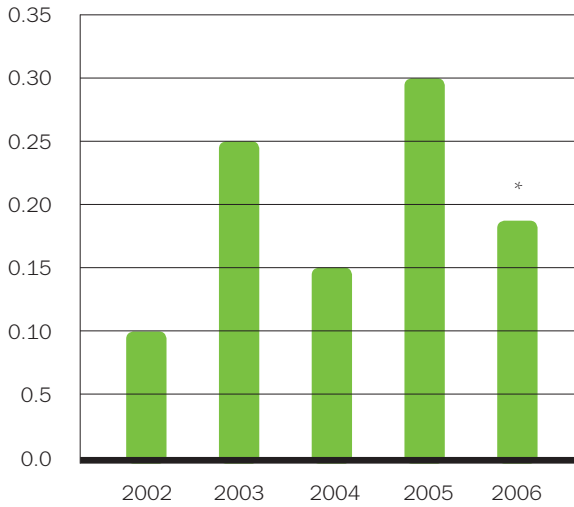
Prepaid expenses and accrued income:

Group contribution receivables	4,500	4,156
Tax receivables	0	532
Dividend receivables	10,000	0
Interest receivables	135	60
Others	155	97
Total	14,790	4,845

12. SHAREHOLDER'S EQUITY	2006	2005
Share capital 1 st Jan.	18,594	17,863
New issue	0	731
Share capital 31st Dec.	18,594	18,594
Share premium fund 1 st Jan.	89,594	83,696
Issue premium	0	5,898
Share premium fund 31st Dec.	89,594	89,594
Retained profits 1 st Jan.	16,344	30,712
Dividend payment	-13,212	-6,356
Transfer from other funds	0	0
Costs booked against retained profits	0	0
Net profit for the year	10,766	-8,012
Retained profits 31st Dec.	13,898	16,344
Shareholder's equity total 31st Dec.	122,085	124,531
Calculation of distributable assets		
Retained profits and other funds 31 st Dec.	13,898	16,344
Share capital by type of share at end of financial year:	Shares	Shares
Serie: TTMV1	44,220,817	44,220,817
Own shares held by the company	181,000	181,000
13. APPROPRIATIONS		
Accumulated depreciation difference by non-current asset group:		
Intangible assets	192	173
Tangible assets	-101	-78
	91	96
Deferred tax liability included in reserves	24	25
14. NON-CURRENT LIABILITIES		
Interest-bearing long-term debts		
Loans from financial institutions	1,561	2,255
Long-term debts which become due after more than five years	0	0

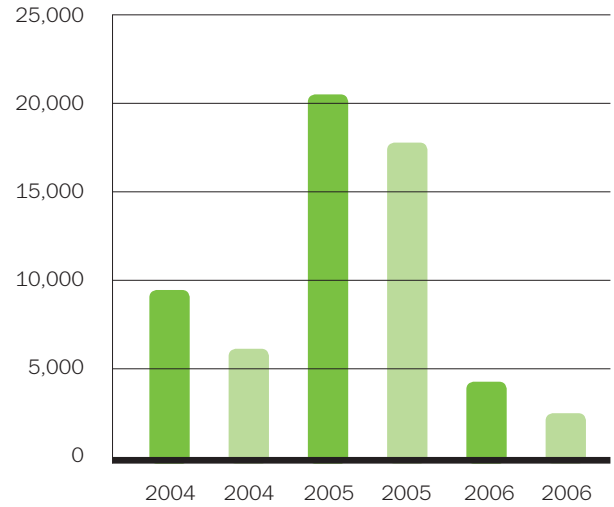
15. CURRENT LIABILITIES	2006	2005
Interest-bearing short-term debts		
Loans from financial institutions	694	694
Commercial papers	20,000	8,000
Liabilities to Group companies	32,691	31,903
Total	53,384	40,596
Interest-free short-term debts		
Liabilities to Group companies		
Accounts payable	0	2
Accrued expenses and deferred income	71	88
Total	71	90
Liabilities to others		
Accounts payable	218	395
Others	193	2,304
Accrued expenses and deferred income	1,947	2,016
Total	2,357	4,715
Interest-free short-term debts, total	2,429	4,805
Current liabilities, total	55,813	45,402
Substantial items included in accrued expenses and deferred income:		
Holiday pay obligation liability	271	296
Reserve for incentive bonuses and salaries	1,398	1,655
Taxes	243	0
Statutory employment pension and social security contribution debt	12	41
Interest debt	83	47
Others	12	66
Total	2,019	2,104
16. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS		
Financial institution loans with shares as collateral	2,255	2,948
Book value of shares pledged	4,229	4,229
Guarantees posted for own commitments		
Rent guarantees	1	1
Rents of term of notice	11,878	12,859
Leasing commitments		
To be paid in the next financial year	393	44
To be paid later	330	26
Guarantees posted on behalf of Group companies:		
Guarantees	2,831	2,831

Divident per share (EUR)



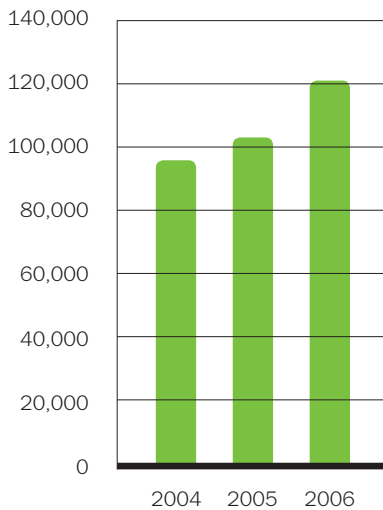
Share issue adjusted
* Board proposal

Operating profit and net profit for the year (€ 1,000)



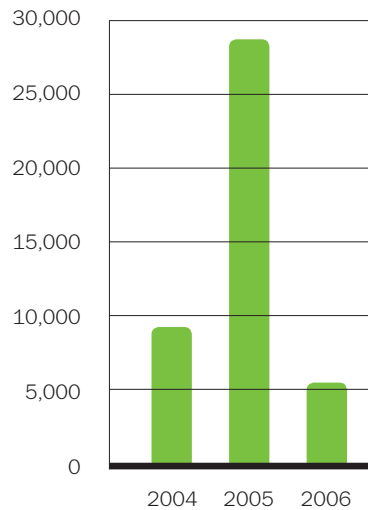
Operating profit
Net profit for the year

Net sales (€ 1,000)



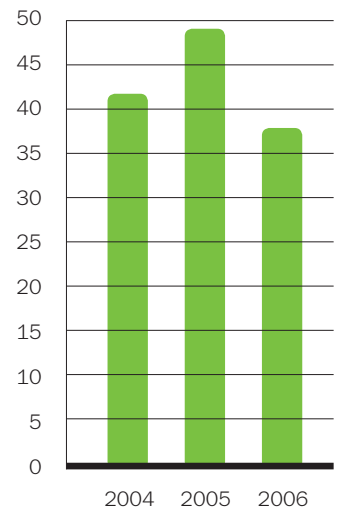
Net sales excluding discontinued operations

Gross investment (€ 1,000)



Including discontinued operations

Equity ratio (%)



Proposal by the parent company On the distribution of profits

The distributable earnings in the consolidated balance sheet amount to EUR 13,898,357.14, of which the profit for the financial year is EUR 10,766,159.67.

No essential changes have taken place in the financial position of the company since the balance sheet date and, as required under the new Finnish Companies Act (13/2) the proposed dividend to be distributed will not endanger the solvency of the company. The Board of Directors proposes to use the distributable earnings as follows

	Parent company, EUR
Distributable earnings	13,898,357.14
The Board of Directors proposes to distribute a dividend of EUR 0.18 per outstanding share (44,039,817 shares)	7,927,167.06
Remaining distributable earnings	5,971,190.08

Helsinki February 7, 2007

Tuomo Saarinen
Chairman of the Board

Manne Airaksinen

Harri Kainulainen

Eero Lehti

Kai Mäkelä

Juha Blomster
Managing Director

Auditors' report

To the shareholders of Talentum Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Talentum Oyj for the period 1.1.–31.12.2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and 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 the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those

standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's 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 disposal of distributable funds is in compliance with the Companies' Act.

Helsinki 27 February 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
APA

Talentum Oyj

Visiting Address:

Annankatu 34-36 B, Helsinki

P.O. Box 920, 00101 Helsinki,

Finland

Telephone: +358 204 4240

Fax: +358 204 424 130

firstname.lastname@talentum.fi

www.talentum.fi

