Talentum

Financial Statements 2006

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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 Tilintarkastus 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 agreement 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.

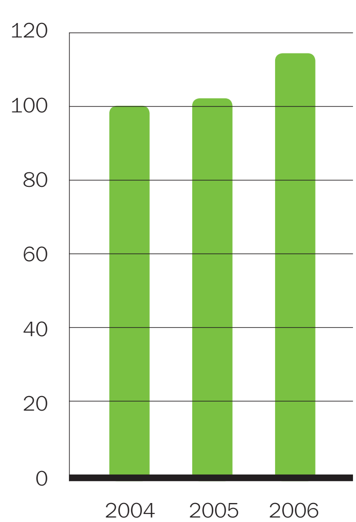
General statement

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.

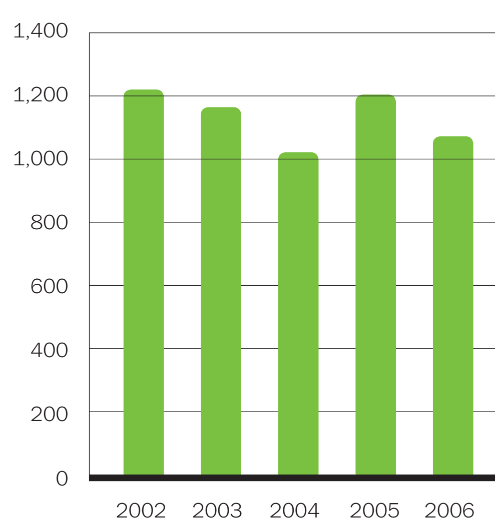
IAS/IFRS reporting

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.

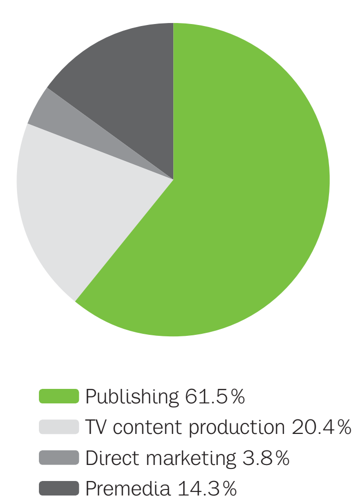
Net sales/employee (€ 1,000)



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
Opereting 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 differecies		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

The appended information forms a fundamental part of the financial statements

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		
Aquisitions of subsidiaries and associates	-3,907	-11,903
Other investments	-29	-1,772
Purhase 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 differencies	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 differencies				-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
Divideds 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 differencies				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**
Divideds 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

The appended information forms a fundamental part of the financial statements

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 transited its financial reporting from Finnish Accounting Standards (FAS) to International Financial Reporting Standards (IFRS). International Financial Reporting Standards refer to the standards, and their interpretations, approved for application in the EU in accordance with the procedure stipulated 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 Mediauutiset 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 1standard 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 (Ingerjörsförlaget) acquired 12.12.2006 Arbetsskydd – magazine business from the Swedish State (Arbetsmiljöverket). 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**
Aquired 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 prise	**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)

	2006	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 EXPENCES

	2006	2005
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 expences	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

	2006	2005
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 differencies 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 differencies	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 differencies		-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 approch/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/discontiued operations				
Exchange differencies		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/discontiued operations				
Depreciation	-77	-2,709		-2,786
Exchange differencies		-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:

Machinery and equipment	**2006**	**2005**
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 differencies	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 ad 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 differencies	615	468
	3,514	**3,458**
Deferred tax liabilities		
Retirement benefit	-25	0
Other temporary differencies	-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 differencies	
Exchange differencies	543
	543

Exchange differencies include differencies 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.

Defined benefit plans	**2006**	**2005**
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	**2006**	**2005**
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 iabilities 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**
Substancial 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 copany 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 Arvopaperimediat Oy	Helsinki	100.00	100.00
Expose Oy	Helsinki	100.00	100.00
Michelsson Sales Consults Oy	Helsinki	100.00	100.00
Subgroups holding			
Talentum Media Oy:			
Oy Mediuutiset Ab	Helsinki	50.00	
Conseco Press	Moscow	40.00	(51% of votes)
Acacom Academic Communications Oy	Helsinki	30.00	
Talentum Sweden AB:			
Ny Teknik Tidskrift Ab	Stockholm	100.00	
Affärsvärlden Förlag AB	Stockholm	100.00	
Ingenjörsförlaget AB	Stockholm	100.00	
Zenitina Förlag AB	Stockholm	100.00	
Jobfinder Student AB	Stockholm	100.00	
Meditid Försäljning	Stockholm	100.00	
Suomen Arvopaperimediat 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	Vilnus	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 Filmiteollisuus Fine Ab	Helsinki	59.32	
Helsinki-Filmi Oy	Helsinki	30.20	
Filmiteollisuus fine-Mediastation Oy	Helsinki	35.59	
Ten Years Production Oy	Tampere	30.25	
Bada Bing Productions Ab	Helsinki	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:

CEO and group management	2006	2005
Salaries, fees and bonuses		
CEO	533	287
Group management	1,620	1,568
Board of Direcors	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.

Transctions with associates

Transactions with associates are priced at the prevailing market price.	**2006**	**2005**
Sales	111	152
Purhase	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 Mediuutiset Ab. It has been consilidated 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
Puchases	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 interes	€ 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

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

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

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

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

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

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

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

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

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

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

Market capitalization = Number of shares on the market x share price on the last trading day of the yeari

Enterprise Value = Market capitalisation + interest-bearing debt - cash and bank receivables - 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	12		
Share capital		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 1st January	15,903	16,360
Liquid assets 31st 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

	2006	2005
Profits in sale of non-current assets	13	27
Other income	12	0
	25	**27**

4. PERSONNEL EXPENSES

	2006	2005
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

	2006	2005
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

	2006	2005
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

	2006	2005
Group contributions	4,500	4,156
Extraordinary items, total	**4,500**	**4,156**

8. TAXES

	2006	2005
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 1st Jan.	3,093	2,452
Increases	371	941
Transfers	521	0
Decreases	0	-299
Acquisition cost 31st Dec.	3,985	3,093
Accumulated depreciation 1st Jan.	-2,015	-1,493
Depreciation for the period	-458	-522
Accumulated depreciation 31st Dec.	-2,473	-2,015
Book value 31st Dec.	1,512	1,078
Tangible assets		
Acquisition cost 1st Jan.	1,677	1,374
Increases	234	471
Decreases	-337	-168
Acquisition cost 31st Dec.	1,574	1,677
Accumulated depreciation 1st Jan.	-1,156	-1,078
Depreciation for the period	-220	-218
Cumulative depreciation on reclassifications	283	140
Accumulated depreciation 31st Dec.	-1,093	-1,156
Book value 31st Dec.	481	521
Investments		
Shares in subsidiaries		
Acquisition cost 1st Jan.	134,286	144,864
Increases	16	20,268
Decreases	0	-30,846
Acquisition cost 31st Dec.	134,302	134,286
Other shares		
Acquisition cost 1st Jan.	28	28
Increases	0	0
Decreases	0	0
Acquisition cost 31st Dec.	28	28
Accumulated planned depreciation and writedowns	0	0
Book value 31st Dec.	28	28
Investments, total	**134,330**	**134,314**

Itemization of intangible and tangible assets

	2006	2005
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 1st Jan.	18,594	17,863
New issue	0	731
Share capital 31st Dec.	**18,594**	**18,594**
Share premium fund 1st Jan.	89,594	83,696
Issue premium	0	5,898
Share premium fund 31st Dec.	**89,594**	**89,594**
Retained profits 1st 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 31st 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

	2006	2005
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

	2006	2005
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

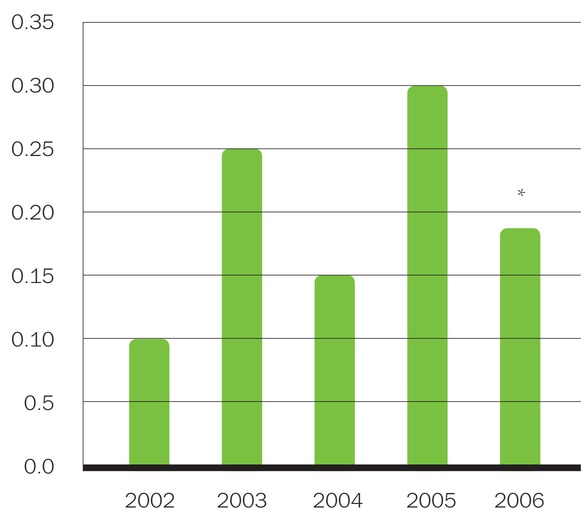
15. CURRENT LIABILITIES

	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

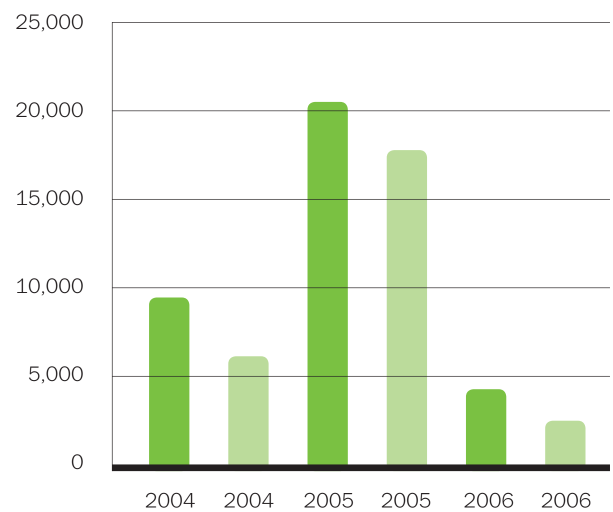
	2006	2005
Financial institution loans with shares as collateral	2,255	2,948
Book value of shares pledged	4,229	4,229
Guarantees posted for own commitments		
Rent guarantees	1	1
Rents of term of notice	11,878	12,859
Leasing commitments		
To be paid in the next financial year	393	44
To be paid later	330	26
Guarantees posted on behalf of Group companies:		
Guarantees	2,831	2,831

Divident per share (EUR)



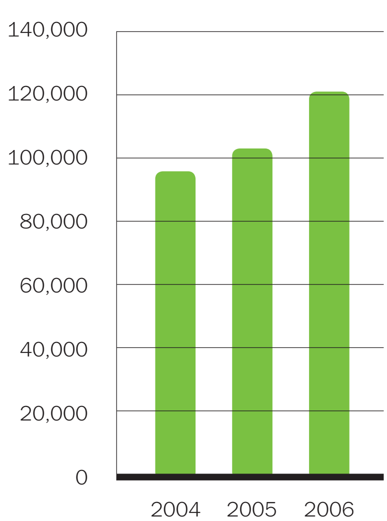
Share issue adjusted
* Board proposal

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



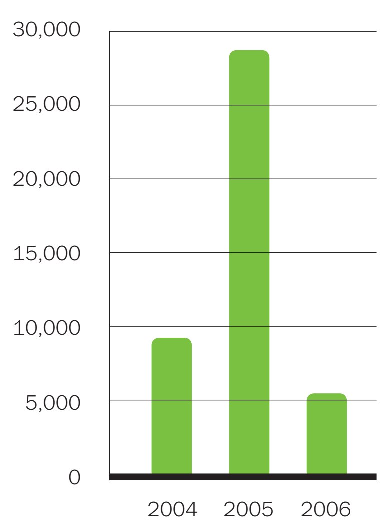
Operating profit
Net profit for the year

Net sales (€ 1,000)



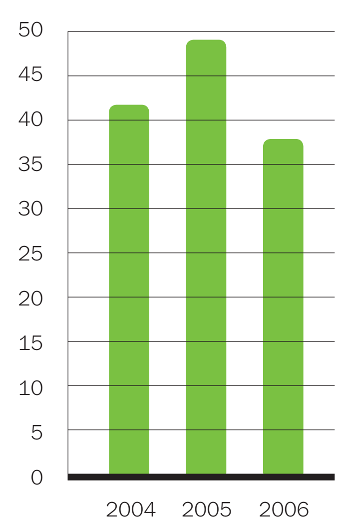
Net sales executing discontinued operations

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

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