talentum

ANNUAL REPORT 2012

# 2012

# WE HELP PROFESSIONALS TO SUCCEED

**TALENTUM OYJ'S** core activities include publishing media and literature for professionals of various fields both in forms of print and online. In addition, Talentum publishes legal literature and offers legal training and organizes topical training and other events to business management. The company also carries out telemarketing as a sales channel supporting publishing operations. Talentum employes altogether 754 persons in Finland, Sweden, Denmark, Baltic countries and Russia. Net sales in 2012 were EUR 77.2 million. Talentum Oyj is listed on NASDAQ OMX Helsinki Ltd.

*Contents*

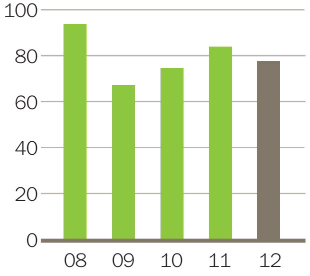


**NET SALES,** EUR million
**77.2**

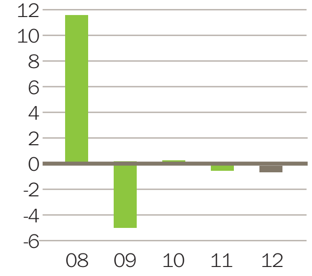
**OPERATING INCOME,** EUR million
**-0.5**

**PERSONNEL,** on average
**754**

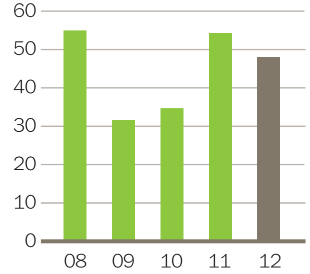
**NET SALES**
CONTINUING OPERATIONS, EUR MILLION



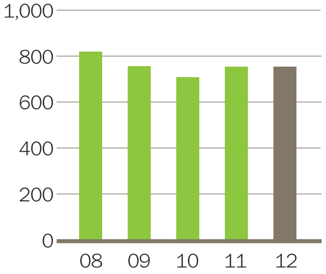

**OPERATING INCOME**
CONTINUING OPERATIONS, EUR MILLION



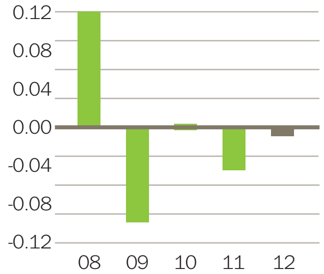

**EQUITY RATIO**
EUR MILLION




**PERSONNEL**
CONTINUING OPERATIONS, ON AVERAGE




**EARNINGS PER SHARE**
CONTINUING OPERATIONS, EUR




# KEY FIGURES

EUR MILLION

| CONTINUING OPERATIONS | 2012 | 2011 |
|---|---|---|
| Net sales | 77.2 | 83.5 |
| Operating income | -0.5 | -0.4 |
| Operating income without non-recurring items | 2.4 | 2.6 |
| Return on investment (ROI), % | -7.1 | 17.2 |
| Investments | 1.6 | 1.4 |
| Equity ratio, % | 48.2 | 54.1 |
| Earnings/share, € | -0.01 | -0.04 |
| Dividend/share, € | 0.03* | 0.06 ** |
| Personnel on average | 754 | 754 |
| Net sales per person, 1,000 € | 102 | 111 |

* board proposal, 0.03 €/share, distribution of assets from invested non-restricted equity reserve
** funds distributed from the invested non-restricted equity reserve

**NET SALES in Finland***

**47.7**

(49.2) **EUR million**

**NET SALES in Sweden***

**26.0**

(31.7) **EUR million**

**NET SALES in other countries***

**3.6**

(2.6) **EUR million**

* continuing operations

# THE CONTINUING TURBULENCE IN THE MEDIA SECTOR HAS ALSO ACCELERATED CHANGE AT TALENTUM

In January 2012, we made our profit centre organisation clearer to provide better support for the Group's current business operations. We divided our business operations into six segments: Magazine Business Finland, Magazine Business Sweden, Event Business, Books and Legal Training, Direct Marketing and Other Operations. At the same time, we created a new Management Team, mainly consisting of segment directors. The company's internal and external financial reporting was also modified to correspond to the new organisation.

As part of the structural change, we began cooperation negotiations in both Finland and Sweden, which led to the company's structure being modified to correspond to the new segments.

The turbulence in the media sector is in a contradictory development phase. Content production, technology and holdings are becoming more harmonised. On the other hand, the use of media is becoming more fragmented and the reading habits of the public are changing. Change in the media sector is also an opportunity for Talentum. In early autumn, we established a new development group unit to develop new products and services for our customers. Furthermore, we are going to launch an online service by the summer 2013 to make it possible to purchase or order our company's magazines and books in digital format.

**“CHANGE IN THE MEDIA SECTOR IS ALSO AN OPPORTUNITY FOR TALENTUM.** I TRUST THAT TALENTUM WILL CONTINUE TO BE A LEADER IN THE MEDIA SECTOR.”

In the first phase, the service will include all magazines and books published by Talentum in 2013 and a selection of online content.

The prospects for the media sector continued to weaken at the end of the year. In October, we lowered our net sales and operating income forecasts for 2012, which was mainly due to weakened advertising sales expectations for Magazine Business Sweden.

### Success stories in 2012

We were successful in content production for professional literature, and one of our books won the Kultasulka (Golden Feather) competition, organised by the Finnish Association of Marketing Communication Agencies, and the golden feather. Two books that won the silver feather were also published by us. Finally, a book written by one of Talentum's editors won the Tieto-Finlandia 2012 competition.

The online publications of the Talouselämä and M&M magazines achieved all-time readership records towards the end of the year.

### 2013

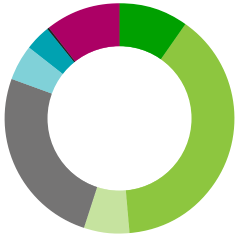
In 2013, we will focus on improving profitability and developing new services and products.

2012 was a challenging year for our personnel. I would like to thank the personnel for their open-mindedness in seeing the opportunities brought by the change in the media sector as well as for their enthusiasm and contribution to the development of our new services.

Easy-to-use and versatile products and services allow us to serve our customers and other stakeholders even better. I trust that Talentum will continue to be a leader in the media sector.

Aarne Aktan
*CEO*

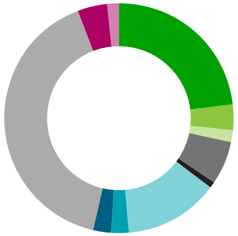
**THE SPLIT OF MEDIA ADVERTISING IN FINLAND 2012**



- Magazines 9.92 %
- Newspapers 38.76 %
- Freesheets 6.51 %
- Television 25.44 %
- Radio 4.94 %
- Outdoor 3.79 %
- Film 0.19 %
- Internet 10.46 %

Source: TNS Gallup

**THE SPLIT OF MEDIA ADVERTISING IN SWEDEN 2012**



- Newspapers 23.20 %
- Magazines 3.54 %
- Professional magazines 1.66 %
- Outdoor 6.30 %
- Film 0.67 %
- Internet 13.28 %
- Search engine 2.47 %
- Radio 2.64 %
- Television 40.52 %
- Direct marketing 4.12 %
- Other 1.61 %

Source: Sveriges Mediebyråer

**CHANGE OF MEDIA ADVERTISING IN FINLAND AND SWEDEN, %**


# Operating environment and strategy

Talentum specialises in publishing directed towards professionals. The core of Talentum's publishing operations is products and services directed towards professionals: magazines, books, events, trainings and electronic information services. The purpose is to help professionals to succeed.

Turbulence in the media sector and changes in macro economy have an impact on media companies. Investments in advertising decrease during unstable economic times and especially the recruitment advertising volume decreases. Digital social networks are competing with traditional recruitment advertising.

Digitalisation has continued in media sector but on the other hand, the use of media has become more fragmented and reading habits of the public are changing. Content production, technology and holdings have become more uniform. Turbulence in media sector creates challenges but also opportunities.

Finland and Sweden are Talentum's main market areas. In 2012 general advertising markets declined 4.1 per cent in Finland (TNS Media Intelligence) and in Sweden 2.4 per cent (Sveriges Mediebyråer).

Finnish periodicals' advertising decreased by 7.8 per cent in 2012 and advertising market for professional magazines in Sweden decreased by 9.5 per cent. Changes in macro economy weakened especially recruitment advertising. Due to unstable situation on the advertising markets advertising revenue declined both in Finland and Sweden but Talentum's circulation revenue stayed successfully at the same level as last year.

Talentum is purposefully developing business operations which are less dependent on economic conditions than advertising. The aim is to diversify the company's income structure to boost the proportion of income derived from content, rather than circulation and advertising.

In 2013 Talentum will concentrate on improving profitability and the development of new services and solutions.

# Business functions

Talentum's business is divided into six business segments: Magazine Business Finland, Magazine Business Sweden, Events, Books and Legal Training, Direct Marketing and Other activities.

**CONTINUING OPERATIONS**

| *EUR million* | *2012* | *2011* |
|---|---|---|
| **Magazines Business Finland** | | |
| Net sales | **27.3** | 30.2 |
| Operating income without non-recurring items | **1.6** | 2.4 |
| Personnel on average | **125** | 144 |
| **Magazines Business Sweden** | | |
| Net sales | **23.1** | 25.0 |
| Operating income without non-recurring items | **1.7** | 2.4 |
| Personnel on average | **105** | 112 |
| **Talentum Events** | | |
| Net sales | **11.0** | 8.9 |
| Operating income without non-recurring items | **-0.7** | -0.6 |
| Personnel on average | **88** | 78 |
| **Books and Legal Training** | | |
| Net sales | **8.4** | 9.1 |
| Operating income without non-recurring items | **1.0** | 0.8 |
| Personnel on average | **38** | 44 |
| **Direct Marketing** | | |
| Net sales | **11.2** | 9.2 |
| Operating income without non-recurring items | **1.4** | 1.2 |
| Personnel on average | **365** | 314 |
| **Other activities** | | |
| Net sales | **-3.8** | 1.2 |
| Operating income without non-recurring items | **-2.6** | -3.5 |
| Personnel on average | **33** | 61 |

## MAGAZINE BUSINESS FINLAND

Magazine Business Finland produces and publishes magazines to professionals in print and online. Talentum's magazines in Finland are Talouselämä, Arvopaperi, Fakta, Tekniikka&Talous, MikroPC, Tietoviikko, Markkinointi&Mainonta, Metallitekniikka, Mediuutiset and Uratie.

## MAGAZINE BUSINESS SWEDEN

Magazine Business Sweden produces and publishes magazines to professionals in print and online. Talentum's magazines in Sweden are Ny Teknik, Affärsvärlden, Dagens Media, Lag&Avtal and Arbetarskydd.

## TALENTUM EVENTS

Talentum Events offers events and training and acts as B2B media to executives, management and other professionals in Finland, Sweden and Denmark.

## BOOKS AND LEGAL TRAINING

Books and Legal Training publishes versatile legal and professional literature and offers legal training.

## DIRECT MARKETING

Direct Marketing consists of Talentum's subsidiary Suoramarkkinointi Mega Oy's operations in Finland and the Baltic countries. The company operates in the telemarketing business.

## OTHER ACTIVITIES

The Other Activities segment comprises Group operations as well as the Russian subsidiary Conseco Press. The Other Activities segment includes also the Group's share of the income of the associated company Professio Oy. The figures for 2011 in Other Activities include also Talentum HR AB, which was sold in December 2011.

Values are the basis of all of Talentum's activities. They guide our employees in their relations with customers, partners and colleagues.

Talentum values:

## RESPECT OF OUR CUSTOMERS

We earn the respect of our customers every day

## COLLABORATION IS STRENGTH

We collaborate both internally and with partners and customers

## COMPETI-TIVENESS

We are competitive in everything we do

# Responsibility

Financial, environmental and social responsibilities are the corner stones of Talentum's business code of conduct. In media business sector responsible communication, securing freedom of speech and autonomy are emphasized. Appreciation of customers, compliance with laws, unconditional ethicality and self-regulation form the basis for products and services offered by Talentum.

### Financial responsibility

As a stock exchange listed company financial responsibility to Talentum means profitable business and added-value to shareholders. The most important short-term goal in Talentum is improving profitability. In addition to other publishing business also e-business and events are the main growth sectors for the company. A sound financial position enables investments in environmental and social responsibility. In 2012 Talentum renewed its organizational structure and procedures to improve efficiency and secure financial success.

### Environmental responsibility

The key environmental concerns relate to paper consumption, delivery, recycling, energy consumption and waste management. Talentum's journals and books are printed by subcontractors and Talentum requires best possible efficiency in energy and material consumption. The company will move to a new rented office in Helsinki in 2013. Talentum has worked together with the constructor of the office to ensure energy efficiency and environmental friendly execution. The property owner is applying for Gold level certification in LEED® -Leadership in Energy and Environmental Design to the new office building.

### Social responsibility

Social responsibility means good operating practices towards own personnel and cooperation with other companies and stakeholders of the company. The success of Talentum is highly based on the commitment and well-being of skilled personnel. In 2012 Talentum launched an extensive program for the whole personnel to encourage enhancement of working capacity and well-being.

The company actively develops professional skills, cooperation and working atmosphere. In 2012 Talentum's intranet was upgraded to a collaboration platform which enables interaction and discussion. Structural changes in media business sector are challenging and therefor Talentum encourages personnel to learn new skills and job rotation. In addition, leadership training is offered to managers to be able to handle situations needing leadership skills.

Vision

# THE PROFESSIONAL'S FIRST CHOICE FOR INSIGHT AND INFORMATION

Mission

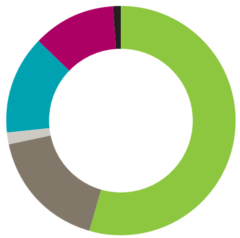
# WE HELP PROFESSIONALS TO SUCCEED

## Personnel in 2012

In January–September, Talentum Group's continuing operations employed an average of 754 people. Geographically, personnel were divided as follows: Finland 412, Sweden 129, Denmark 14, Latvia 103, Estonia 88 and Russia 8.

In 2012 the company carried out negotiations with personnel representatives to reduce personnel. The negotiations covered the personnel of Talentum Oyj and Talentum Media Oy in Finland and the magazine business personnel in Sweden, a total of about 330 people. In order to adapt operations and costs, personnel reductions corresponding to a total of about 40 man-years were made for Finland's publishing operations, the parent company and the Magazine Business Sweden segment.

### GEOGRAPHICAL DIVISION OF PERSONNEL

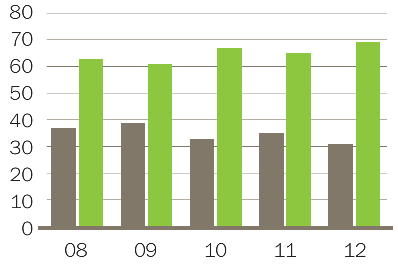


- Finland 54.6 %
- Sweden 17.1 %
- Denmark 1.9 %
- Latvia 13.7 %
- Estonia 11.7 %
- Russia 1.1 %

### AGE PROFILE IN 2012

- < 20 yrs. 13.1 %
- 20–29 yrs. 31.6 %
- 30–39 yrs. 18.6 %
- 40–49 yrs. 16.8 %
- 50–59 yrs. 12.8 %
- over 60 yrs. 7.1 %

### GENDER PROFILE, %




- Men
- Women

# Corporate Governance

Talentum Oyj complies with its Articles of Association, the Companies Act and Helsinki Stock Exchange's rules and regulations applicable to listed companies. Talentum also complies with the Finnish Corporate Governance Code. This Corporate Governance Statement has been composed in accordance with Recommendation 54 of the new Corporate Governance Code and Chapter 7, Section 7 of the Finnish Securities Market Act. The Corporate Governance Statement is issued separately from the company's annual report. The Finnish Corporate Governance Code of listed companies is available at **www.cgfinland.fi**.

**Administration**

Talentum's administrative bodies are the General Meeting, the Board of Directors and the CEO.

Key persons in Talentum Oyj's are members of the Board, CEO, CEO's deputy and member of the Group Management Team.

**General Meeting**

The General Meeting, in which the shareholders take part in the steering and supervision of a company, is the highest administrative body of a limited liability company. It decides on matters that, under the company's Articles of Association and the Finnish Companies Act, fall within its competence, such as

- approval of financial statements
- distribution of dividends
- granting of exemption from liability to the CEO
- and members of the Board of Directors
- election of the members of the Board
- election of the auditor
- fees and remuneration paid to The Board of Directors and auditors.

The Annual General Meeting shall be held once a year by the end of June each year. The Board of Directors convenes the General Meeting by publishing a notice in at least two journals chosen by the General Meeting no more than three months and no less than three weeks before the date of the Meeting. Furthermore, Talentum shall publish the invitation to the General Meeting as a stock exchange release on its website. The total number of shares and votes on the date of the invitation, the documents to be presented at the General Meeting, any proposal of the Board of Directors or other bodies with power of decision and any matter included in the agenda of the General Meeting that does not require a decision shall also be available on the website. The minutes of the General Meeting and the related notes shall be available on the company's website within two weeks of the General Meeting.

An Extraordinary General Meeting can be held whenever the Board of Directors deems it necessary or when otherwise required by law. Under the Articles of Association of Talentum Oyj, a shareholder may exercise a number of votes representing a maximum of 1/6 of the company's total shares at the General Meeting. If subsidiaries or companies in the same group and/or the pension foundation or pension fund of such companies jointly own shares representing more than 1/6 of the total votes, the number of votes that can be exercised at a General Meeting by virtue of these shares is limited to a maximum of 1/6 of the total votes.

## Board of Directors

The activities of the Board of Directors are regulated by the Finnish Companies Act, Talentum Oyj's Articles of Association, the decisions of the Annual General Meeting, legislation concerning bookkeeping and the Securities Markets Act as well as Helsinki Stock Exchange's rules and regulations applicable to listed companies.

**Charter of the Board of Directors**

The Board of Directors operates according to the Charter it has approved. The Charter can be up-dated and changed if needed. The main points of the Charter are presented below.

The company's Board of Directors, which consists of 4 to 8 ordinary members, is responsible for the company's administration and the appropriate organisation of its operations. According to the Articles of Association the members of the Board of Directors are elected at the Annual General Meeting for a term of one year. The General Meeting elects the Chairperson and Vice Chairperson of the Board.

Under the charter, the central task of the Board of Directors is to steer the Group's operations in such a way that it generates maximum added value for the shareholders in terms of future cash flows. The tasks of the Board of Directors also include:

- appointing and dismissing the CEO as well as deciding the service terms and conditions of CEO
- approving the central operating policies and values
- approving the strategy and the annual budget, and supervising their implementation
- approving all important acquisitions and investments and making other significant decisions
- approving the interim reports and financial statements
- approving the dividend policy and presenting dividend payment proposals to the General Meeting
- monitoring the implementation of internal audits, internal control and risk management
- handling the matters brought to the attention of the Board of Directors by the CEO and the
- Chairperson of the Board or those that, according to the Finnish Companies Act, other provisions or the Articles of Associations, belong to the area of responsibility of the Board
- monitoring the statutory audit of the financial statements and consolidated financial statements
- assessing the impartiality of the statutory auditor and especially the provision of ancillary services to the company
- proposing the name of an auditor.

In accordance with the Charter of the Board of Directors, the Chairman of the Board organises the meetings of the Board together with the CEO, is responsible for planning and assessing the operations of the Board and liaises with the CEO and other stakeholders as needed.

In accordance with the Charter of the Board of Directors, the Board convenes an average of eight (8) times a year. The proceedings of the Board of Directors shall be valid only if more than half of the Board members are present.

**Members of the Board of Directors**

The members of the Board of Directors are elected at the Annual General Meeting for a term of one year at a time.

The majority of the Board members must be independent of Talentum Oyj. Furthermore, at least two members belonging to the aforementioned majority must be independent of the company's major shareholders. All Board members must be qualified for the task and able to devote a sufficient amount of time to Board work.

**Committees of the Board of Directors**

The Board of Directors has determined that, in view of the size of the Group and the extent of its operations, the Board shall have no separate committees. The Board, as a whole, is responsible for the tasks of the committees referred to in the Finnish Corporate Governance Code of listed companies.

**Assessment of the independence and activities of the Board of Directors**

The Board of Directors assesses its activities and those of the CEO once a year. The Board of Directors assesses the independence of its members at least once a year or as necessary, and it ensures that legal competence is always assessed in the appropriate manner.

## Chief Executive Officer

The CEO is in charge of the company's day-to-day management in accordance with the instructions issued by the Board of Directors. The CEO is appointed and dismissed by the Board of Directors. The Board of Directors appoints a Deputy CEO as needed. The Board of Directors approves the executive contract of the CEO at its meeting.

## Group Management Team

The members of the Group Management Team are appointed by the CEO. CEO act as chairman of the Group Management Team and calls for Management Team to meeting at least twice a month. It the meetings the Management Team handles strategy, risk management, internal audit, operational planning, financial review, company structures and other significant operational matters.

## Internal control

The general principles governing internal control in the Group have been approved by the Board of Directors. The aim of internal control is to ensure that the Group can operate efficiently and profitably and that the information supplied is reliable. The control system helps to ensure that the operating principles and guidelines are adhered to.

The Group's management and other supervisory staff must, through their actions, ensure that internal control functions well. The Group's financial organization provides these functions with the necessary support by issuing guidelines and by ensuring that they are observed. The financial development of the Group is monitored on a monthly basis using a steering system that covers the entire Group, listing the monthly figures, business reports and forecasts for the current year.

## Risk management principles

The aim of risk management is to identify, analyze and manage potential business-related risks so that the continuity of the Group's operations can be secured and the value of its shares maximized. Risk management is carried out each year in the autumn in connection with the Group's strategy process by determining the most serious risks to the Group. The principles of risk management are presented in the annual report each year.

The risks are classified in seven categories: capital management, operating, product and personnel risks as well as legal, financial and accident risks. The Board of Directors is regularly informed about the risks.

## Organizing internal audit function

The company does not have a separate organization for internal audits, as it has not been considered necessary in view of the size of the Group and the extent of its business operations. Internal control and guidelines help to ensure that there is no need for a separate internal audit organization. The company's audit firm is involved in the review of the Group's control system as part of the audit plan drawn up each year. Furthermore, the company's audit firm, assigned by the Board of Directors, will carry out a comprehensive audit of special items each year. In this respect the auditor reports directly to the Board of Directors. When necessary, the Group also uses external experts for assessment tasks requiring special expertise.

## Main features of internal control and risk management related to financial reporting

The aim of internal control in financial reporting is to ensure that the operations of the Group's finance functions are efficient and productive and that regulations are followed in every country the Group operates in. An additional aim is that financial reporting is high-quality, timely, accurate and intelligible. Internal control in financial reporting includes, amongst other things, operations consistent with the Group's values, as well as processes, operating policies, practices, schedules and organizational structures. Risks relating to financial reporting are continuously analyzed, and the Group's financial management has principal responsibility for risk management Internal control in financial reporting was a focus area for development in the two previous years, and the implementation of development measures will continue in 2013.

The most important finance functions in the Group are based in Finland and Sweden. The Group's finance functions strive for centralised operations and consistent processes. Group finance and related risk management are undertaken centrally in Finland. The finance functions operate in close collaboration with the rest of the organisation.

The IFRS accounting principles are followed throughout the Group, and they are described in the Group's accounting handbook. The results of Group companies are monitored via monthly reporting. Monthly reporting is based on consistent reporting models and the use of common systems throughout the Group. Members of the companies' financial management verify the results reported and regularly comment on deviations of the results from budget and comparison figures. In addition, the Group's finance function, in collaboration with finance departments, determines other controls that ensure the accuracy and effectiveness of the financial reporting process. These include various approval rights, reports, analyses, records and usage rights of financial management systems.

## Insider administration

Talentum Oyj follows the insider regulations of Financial Supervisory Authority and NASDAQ OMX Helsinki and other applicable legislation.

Inside information refers to all information of a precise nature that has not been made public and that, if it were made public, could have a significant effect on the value of a security. The information can relate to a security, an issuer or securities markets in general. (Financial Supervisory Authority 2.2.2010)

Persons subject to the disclosure obligation

- members and deputy members of a company's board of directors
- managing director and deputy managing director
- auditor, deputy auditor and an employer of an audit

organisation with main responsibility for the audit
- persons responsible for the key areas of activity in the management group.

Talentum Oyj holds also a company-specific insider register including persons who by virtue of their position or duties in the issuer regularly obtain inside information. In addition, Talentum Oyj may keep project-based registers.

The insider guidelines forbid insiders, including persons under their guardianship and companies where they exercise control, to trade in shares or option rights issued of the company for a period of three weeks prior to the publication of an interim report or a financial statements bulletin (the so-called closed window). Insiders belonging to project-based registers are not allowed to trade shares or options before the closing of the project.

The Company lawyer is in charge of the guidance and supervision of insider issues and also maintains the project-specific insider registers if necessary. The insider register of Talentum Oyj is maintained by Euroclear Finland Ltd (previously the Finnish Central Securities Depository Ltd.). The up-to-date shareholdings of the insiders can be seen in Euroclear Finland Ltd's customer service point in Helsinki, Finland, address Urho Kekkosen katu 5 C. The company also maintains a list of insiders on its website.

### Disclosure of information

Information related on Corporate Governance and investors are disclosed at the company web pages. Stock exchange releases and Management's presentation are published on the company web pages **www.talentum.com**

## Corporate Governance in 2012

### General Meeting

The Annual General Meeting was held in Helsinki on March 30, 2012.

### Board of Directors

The Annual General Meeting on March 30, 2012 elected 5 members to the Board of Directors, one of whom was elected Chairperson of the Board and one Vice Chairperson. The Chairperson of the Board is Kai Telanne, the Vice Chairperson is Merja Strengell, and the other members of the Board are Joachim Berner, Atte Palomäki and Henri Österlund.

In 2012, the Board of Directors convened 14 times with an average attendance rate of 87%.

### Chief Executive Officer

Talentum Oyj's Chief Executive Officer in 2012 was Aarne Aktan.

### The Group Management Team

From January 1, 2012 to January 17, 2012 The Group Management Team consisted of CEO Aarne Aktan (chairman), Vice President, customer relations and R&D Hanna Kivelä, CFO Niclas Köhler, Vice President, business development Mika Malin, Vice President, HR Ulla Martola and General Counsel, Vice Executive President Lasse Rosengren.

From January 18, 2012 to December 31, 2012 The Group Management Team consisted of CEO Aarne Aktan (chairman), Director, Talentum Events – Nordic Countries Johan Ehrström, CFO Niclas Köhler, General Counsel, Vice Executive President Lasse Rosengren, Managing Director, Talentum Sweden Roger Thorén and until October 31, 2012 Director, Magazine Business Finland Elina Yrjölä.

CEO Aarne Aktan was responsible for Magazine Business Finland as of November 1, 2012. General Counsel, Vice Executive President Lasse Rosengren was responsible for Books and Legal Training from August 1, 2012 to December 31, 2012.

### Auditing

On March 30, 2012 The Annual General Meeting elected PricewaterhouseCoopers Oy, Authorised Public Accountants as auditor, with APA Juha Wahlroos (born 1956) acting as the accountable auditor.

### Shareholdings of the Board of Directors and CEO

On 31 December 2012, the number of Talentum Oyj shares and options owned by members of the Board of Directors as well as by the Chief Executive Officer, personally or through companies in which they have a controlling interest, was 46,151, representing 0.1% of the company's total shares and votes.

The number of Talentum Oyj shares owned by Talentum Management Team on 31 December 2012 is 10,710 shares.

Corporate Governance Statement can be read in full content at **www.talentum.com**

# Compensation and other benefits

Talentum Oyj complies with its Articles of Association, the Companies Act and Helsinki Stock Exchange's rules and regulations applicable to listed companies. Talentum also complies with the Finnish Corporate Governance Code. This report on compensation and other benefits is compiled according to the recommendations of Finnish Corporate Governance Code.

## The Board of Directors

The Board of Directors has determined that, in view of the size of the Group and the extent of its operations, the Board shall have no separate committees. The Board, as a whole, is responsible for the tasks of the committees referred to in the Finnish Corporate Governance Code of listed companies.

The Annual General Meeting decides fees and remuneration paid to The Board of Directors. On March 30, 2012 the annual fees were decided to be the following:

- Chairperson of the Board 48.000 €
- Vice Chairperson 30.000 €
- Member of the Board 24.000 €

Approximately 40% of the annual remuneration will be used in acquiring Talentum Oyj's shares into the Board members' accounts. The part of the remuneration paid in shares can also be settled by conveying own shares held by the company.

### REMUNERATION OF THE BOARD OF DIRECTORS IN 2012 AND 2011

| *€ 1,000* | *2012* | *2011* |
|---|---|---|
| Aktan Aarne | **–** | 16.0 |
| Berner Joachim | **24.0** | 24.0 |
| Kainulainen Harri | **–** | 6.0 |
| Lehti Eero | **–** | 6.0 |
| Palomäki Atte | **24.0** | 24.0 |
| Strengell Merja | **30.0** | 34.5 |
| Telanne Kai | **48.0** | 43.5 |
| Österlund Henri | **24.0** | 18.0 |
| **TOTAL** | **150.0** | 172.0 |

## The Chief Executive Officer

The Board of Directors approves the terms and conditions of the contract and the remuneration plan of the CEO. CEO's remuneration is made up of fixed monthly salary, short-term performance-based bonuses, long-term share based bonuses and benefits. As a rule, performance-based bonuses are determined on the basis of the growth in consolidated net sales, consolidated operating income and the targets set for the individual areas of responsibility each year.

The maximum performance based bonus for the CEO is equivalent to 40 percent of the annual salary. The Board of Directors decides on the terms and conditions and the payment of the bonuses each year.

CEO's period of notice to terminate his contract is nine months on both parties. There is no separate additional remuneration on termination in place. After resignation or dismissal, the CEO is forbidden from working for and establishing a competing company for six (6) and twelve (12) months, respectively. The CEO's pension is determined according to the Employee Pensions Act in force. There is no separate pension plan in place.

Talentum's CEO received a total of EUR 273 thousand in salary payments, bonuses and benefits in 2012.

## The Group Management Team

The Board of Directors approves the terms and conditions of the employment contracts and the bonus plan for the employees reporting directly to the CEO. The remuneration for the Group Executive Management is made up of fixed monthly salaries, short-term performance based bonuses, long-term share-based bonuses and benefits. The maximum performance-based bonus for the members of the Group Management Team (excluding CEO) is equivalent to four months' salary. The Board of Directors decides on the terms and conditions and the payment of the bonuses each year. As a rule, performance-based bonuses are determined on the basis of the growth in consolidated net sales, consolidated operating income and the targets set for the individual areas of responsibility each year.

The Group Management Team (excluding CEO) received a total of EUR 904 thousand in salaries, bonuses and benefits and the sum includes also other benefits of EUR 199 thousand.

The pensions are determined according to the Employee Pensions Act in force. Two members of the Management Team have a separate pension plan in place.

## Management's share-based incentive scheme

Talentum Oyj's Board of Directors decided on 18 March 2010 to establish a new share-based incentive scheme for corporate management. The scheme consists of three earnings periods, each comprising at least one and no more than three earnings periods, the first of which began on 1 January 2010 and ended on 31 December 2010. The last earnings period started on 1 January 2012 and ended on 31 December 2012. The bonuses will be paid partly in the company's shares and partly in cash after the end of each earnings period. The share paid in cash will cover any taxes and other such costs arising from the bonus. It is prohibited to transfer shares earned as a bonus within two years of the end of the earnings period. The total length of the scheme is five years. After this, the company's CEO must retain one half of the shares earned by him under the scheme for the entire duration of his employment relationship and for one year after its termination. The Board of Directors will decide at a later stage on the next earnings periods and the restrictions related to the disposal of the shares earned during these periods. The possible scheme revenue for the earnings period is based on Talentum Group's net sales and operating profit and Talentum's share revenue. Six people were covered by the scheme for the 2012 earnings period. If the scheme targets would have been fully achieved, a maximum of 484,500 shares in Talentum Oyj and the amount of cash required for taxes and similar charges arising from the distributed shares at issue would have been given within the scheme over a period of 3 years. In 2011 and 2012, no shares were given on the basis of the result.

### Auditors remuneration

**AUDITORS REMUNERATION AND SERVICES**

| *€ 1,000* | *2012* | *2011* |
|---|---|---|
| Auditing | 93 | 93 |
| Other fees and services | 36 | 55 |
| **TOTAL** | 129 | 148 |

**SALARIES AND BONUSES PAID TO CEO AND THE OTHER MEMBERS OF THE GROUP MANAGEMENT TEAM IN 2012**

| *€ 1,000* | *Fixed salary* | *Short-term performance based salary* | *Other benefits* | *Total 2012* |
|---|---|---|---|---|
| CEO | 252 | – | 21 | 273 |
| Other members of The Group Management Team | 704 | – | 199 | 904 |
| **TOTAL** | 956 | – | 221 | 1 177 |

# Board of Directors

## KAI TELANNE

**Chairperson of the Board, member since 2010**
**Vice Chairperson in 2010**

Kai Telanne was born in 1964 and is M.Sc. (Econ.). As his main occupation, he is the CEO of Alma Media Corporation.

**Essential work experience**

2001–2005 Kustannus Oy Aamulehti, Managing Director; 2000–2005 Kustannus Oy Otsikko, Managing Director; 2000–2001 Kustannus Oy Aamulehti, Deputy Managing Director; 1999–2000 Kustannus Oy Aamulehti, Marketing Director; 1996–1999 Suomen Paikallissanomat Oy, Marketing Director

**Main simultaneous positions of trust**

2009– Varma Mutual Pension Insurance Company Board member
2008– Teleste Oyj Board member

Non-independent of major shareholders

## JOACHIM BERNER

**Board member since 2010**

Joachim Berner was born in 1962 and has a degree of MBA and BBA.

**Essential work experience**

2002–2003 Lowe Brindfors; 2001 Expressen; 1996–2000 Dagens Nyheter 1993–1996 Göteborgs-Posten
In addition Berner is an owner of Christian Berner Invest AB family company in third generation.

**Main simultaneous positions of trust**

2008– Nordkom (publ), Chairman of the Board; 2004– Family Business Network, Chairman of the Board; 2009– NHST Mediagroup (publ), Board member; 2010– The Swedish State Pension Authority, Board member; 2010– Forma Publishing Group, Chairman of the Board; 2011– Riksteatern, Chairman of the Board; 2010– Swereco , Board member; 1990– Christian Berner Invest , Chairman of the Board;
2004– CapMan Buyout, Industrial advisor;
2012– Sensia, Board member

Independent of major shareholders

## ATTE PALOMÄKI

**Board member since 2007**

Atte Palomäki was born in 1965 and has a Master's degree in Social Sciences. As his main occupation, Palomäki works as Group Vice President, Corporate Communications of Wärtsilä Corporation.

**Essential work experience**

2008– Wärtsilä (publ.), Group Vice President, Communications & Branding; 2007–2008 Nordea Bank AB (publ.), Group chief communication officer; 2005–2006 Nordea Bank AB (publ.), Chief communication officer, Finland; 2002–2005 Kauppalehti, journalist; 2000–2002 MTV3 Financial news, editor; 1995–2000 MTV3 Huomenta Suomi, news producer/presenter; 1993–1995 MTV3 Huomenta Suomi, reporter

**Palomäki has no other major simultaneous positions of trust.**

Independent of major shareholders

## MERJA STRENGELL

**Vice Chairperson of the Board, member since 2009**
**Chairperson in 2010**

Merja Strengell was born in 1959 and has a Master of Science degree in engineering.

**Essential work experience**

2007–2009 Pöyry Forest Industry Oy, Head of Department; 2005–2007 Jaakko Pöyry Oy, Leading Specialist; 2001–2005 Metso Paper Oy, VIce President, Quality and Environment, General Manager, Environmental Technology; 2000–2001 ABB Oy, Unit leader; 1995–2000 Valmet Oy, Human Resources Development Manager, Head of Application team, Customer training Managers

**Main simultaneous positions of trust**

2012– FCG Finnish Consulting Group, Board member; 2008 – 2012 Technology Academy, member of working committee

Independent of major shareholders

## HENRI ÖSTERLUND

**Board member since 2011**

Henri Österlund was born in 1971 and is M.Sc. (Econ). As his main occupation, he is the CEO of Accendo Capital Partners Oy

**Essential work experience**

2003–2004 Conventum Corporate Finance, partner; 2002–2003 Conventum Corporate Finance, Director; 2000-2002 InterQuest, Chairman of the Board; 1999-2000 Triton, partner; 1995–1999 Doughty Hanson & Co, associate

**Main simultaneous positions of trust**

2009– Okmetic Oyj, Chairman of the Board
2008– Okmetic Oyj, Member of the Board of Directors; 2010– 2012 Comptel Oyj, Member of the Board of Directors

Non-independent of major shareholders

# Group Management Team

## AARNE AKTAN

**Group Chief Executive Officer, Member of Talentum Management Team since 2011**

Aarne Aktan was born in 1973 and is Bachelor of Science (Econ.).

**Essential work experience**

1.12.2011– Talentum Oyj, CEO; 1998–2011 Quartal Oy, CEO; 1997–1998 Account Manager

**Main simultaneous positions of trust**

2010– AtBusiness Group Oy, Board member; 2007– Trainers' House Plc, Board Chairman; 2012– Quartal LTD, Board member; 2008–2012 Investis LTD, Board member; 2008–2012 Aldata Solutions Plc, Board member; 2007–2012 Fondia Tools Oy, Board Chairman

## JOHAN EHRSTRÖM

**Director, Talentum Events – Nordic Countries, Member of Talentum Management Team since 2012**

Johan Ehrström was born in 1969 and has a M.Sc.Economics degree.

**Essential work experience**

2010– Talentum Oyj; 2006–2010 IIR Finland, owner; 2002–2006 IIR/Informa, Regional Director Nordic Countries; 2000–2001 DDB Helsinki, Deputy Managing Director; 1999–2000 McCANN Helsinki, planner; 1988–1998 Silja Line, Vice President, Business Development

## NICLAS KÖHLER

**Chief Financial Officer, Member of Talentum Management Team since 2011**

Niclas Köhler was born in 1966 and is a Master of Economic Sciences.

**Essential work experience**

2011– Talentum Oyj, CFO; 2007–2011 OneMed Group Oy, Director Finance and HR; 2004–2007 Alma Media/Kauppalehti Group, Financial Director

## LASSE ROSENGREN

**General Counsel, Vice Executive President, Member of Talentum Management Team since 2002**

Lasse Rosengren was born in 1963 and has a Master of Laws degree.

**Essential work experience**

2000– Talentum Oyj, General Counsel; 1993–2000 Attorney at law; 1991–1993 OKO, Credit Manager; 1989–1991 SKOP, lawyer

Shareholding in Talentum: 10,710 shares

## ROGER THORÉN

**Managing Director, Talentum Sweden, Member of Talentum Management Team since 2012**

Roger Thorén was born in 1949. Education: Engineer chemistry, Philosophy University, Graduated in journalism on JMK Stockholm University.

**Essential work experience**

1998–Talentum Oyj; More than 35 year in Swedish media, both daily and magazines on all levels. Thorén has been employed at Talentum since 1998. In Talentum eg Ny Teknik and editor-in-chief of MiljöRapporten and Byggvärlden.

# FINANCIAL STATEMENTS 2012



# Annual report by the Board of Directors

## Consolidated net sales and income for 2012, continuing operations

Consolidated net sales for January–December decreased by 7.5%, totalling EUR 77.2 million (EUR 83.5 million). Without Talentum HR AB, which was sold in December 2011, net sales decreased by 2.2%. The exchange rate of the Swedish krona against the euro had a positive impact of EUR 0.9 million on net sales.

Consolidated operating income without non-recurring items was EUR 2.4 million (EUR 2.6 million). Non-recurring items for January–December amounted to EUR 2.9 million (EUR 3.1 million) and included expenses related to the personnel reductions and reorganisation. In the year of comparison, non-recurring costs included the loss of EUR 2.6 million resulting from the sale of Talentum HR AB as well as personnel reduction costs of EUR 0.5 million. Measures related to reorganization have now been completed. The objective of the negotiations is an annual cost reduction of approximately EUR 4.5 million as of 2013. It was estimated that in the current year savings of approximately EUR 2 million will be realized and the estimate will be reached. Wages and salaries on accrual basis for the period under review were EUR 31.4 million (EUR 31.4 million).

Consolidated operating income for January–December was EUR -0.5 million(EUR -0.4 million) and -0.7% (-0.5%) of net sales. Net financial expenses amounted to EUR 0.6 million (EUR 0.8 million).

The exchange rate of the Swedish krona against the euro did not have a significant impact on operating income.

Income before taxes was EUR -1.2 million (EUR -1.2 million). The Group's taxes for the period under review were EUR 0.7 million (EUR -0.6 million). The Group's taxes were reduced, among other things, by the deferred tax assets recognised for the tax losses carried forwards as well as by the decrease in deferred tax liabilities as a consequence of the change in tax rates in Sweden. Consolidated income for January–December was EUR -0.5 million (EUR -1.8 million).

Discontinued operation in comparative year 2011 includes the comprehensive income statement items of Sverige Bygger AB and Norge Bygges AS divested in August 2011, the gain on sale and sale related expenses. Income from discontinued operations was in 2011 EUR 7.3 million, including the gain on sale of EUR 7.3 million resulting from the divestment. Consolidated income for the 2011, including continuing and discontinued operations, was EUR 5.5 million.

## Key figures concerning the financial statements

Key figures concerning the financial statements are presented in the consolidated financial statements in page 61. Order backlog is not presented in the key figures since it is not a material key indicator due to nature of Talentum's business.

## Talentum's prospects for 2013

Talentum estimates that its comparable net sales for 2013 will remain approximately at the same level as in 2012 and that its operating income without non-recurring items will be higher than in 2012.

## Operating environment and seasonal variation

Year 2012 was a restructuring year for Talentum and in the beginning of the year Talentum's business was divided into six segments. The segments are Magazine Business Finland, Magazine Business Sweden, Events business, Books and Legal Training, Direct Marketing and Other Activities. At the same time a new Management Team was formed consisting mainly of segment leaders. A separate stock exchange release on the change in external reporting was issued on 17 April 2012. In 2012 the company carried out negotiations with personnel representatives to reduce personnel in Finland and Sweden. Therefore the income for year 2012 was weakened by non-recurring items. The objective of the negotiations is an annual cost reduction of approximately EUR 4.5 million as of 2013. In 2012 savings of approximately EUR 2 million was reached.

According to TNS Media Intelligence, the Finnish advertising market decreased by 4.1% and in Sweden by 2.4 per cent (Sveriges Mediebyråer). Advertising decreased by 7.8% in Finnish periodicals during the year and in Swedish professional journals decreased by 9.5%. Changes in macro economy weakened in general especially recruitment advertising. Due to unstable situation in advertising market the advertising income in Magazine Businesses in Finland and Sweden decreased but Talentum's circulation revue remained at the same level as in 2011.

The media and advertising markets are subject to seasonal variations. Talentum's magazines and books do not generally come out during the summer holiday season, which is why the third quarter is the weakest in terms of sales. Income for the third period is almost always negative. Operations are generally at their busiest in the final quarter.

## Consolidated cash flow, financial position and the consolidated statement of financial position

The cash flow from business operations in January–December was lower than in the previous year mainly due to the non-recurring expenses included in the income for the period under review. The consolidated cash flow from continuing operations was EUR 1.0 million (EUR 4.6 million). The change in consolidated working capital from continuing operations was EUR 0.1 million (EUR 1.9 million). Working capital is negative, as is usual for the sector, because liabilities include subscription fee advances received from customers of EUR 13.6 million (EUR 16.8 million). The received advance fees on the statement of financial position's receivables at the end of December include subscription fee advances of EUR 4.8 million for Talentum's magazines, of which EUR 1.1 million is included in non-current receivables and EUR 3.7 million in current receivables.

The consolidated statement of financial position total at the end of the period under review stood at EUR 55.0 million (EUR 57.3 million). The Group's interest-bearing loans and borrowings amounted to EUR 4.6 million (EUR 1.2 million).

The Group's liquid assets were EUR 3.5 million (EUR 2.6 million). Interest-bearing net liabilities were EUR 1.1 million (EUR -1.5 million).

The available bank overdraft limit, which is valid until further notice, is EUR 12 million. EUR 4.4 million of the limit was in use at the end of the period under review (EUR 0.8 million was in use on 31 December 2011).

During the spring 2012, the Group reassessed its financing needs. As a consequence of the assessment, the previous financing limits (EUR 22.0 million in total) were deemed unnecessary and discontinued.

The equity ratio at the end of the period under review was 48.2% (54.1%). The Group's equity per share was EUR 0.46 (EUR 0.50). The Group does not hedge against currency fluctuations with regard to the acquisition of subsidiaries. The weakening or strengthening of the Swedish krona against the euro affects the Group's equity through the translation difference arising from the acquisition of the Swedish subsidiaries. On 31 December 2012, the translation difference in the Group's equity was EUR 1.4 million. The change for January–December was EUR 1.1 million (positive).

## Investments

The gross investments of continuing operations in tangible and intangible assets for January–December totalled EUR 1.6 million (EUR 1.4 million), which is 2.1% (1.7%) of net sales.

## Survey of the scope of research and development activities

The Group constantly develops new products and operational models, especially in e-business. Development costs are mainly recognised as expenses over their useful life. EUR 0.1 million (0.1 million) of the investments was capitalized costs on developing e-business.

## Changes in Group structure

The construction information business sold in August 2011 is presented as discontinued operations for the comparative year.

The figures for Talentum HR AB, which was sold in December 2011, are included in continuing operations for the comparative year.

## Personnel

In January–December, Talentum Group's continuing operations employed an average of 754 (754) people. Geographically, personnel were divided as follows: Finland 412 (415), Sweden 129 (162), Denmark 14 (11), Latvia 103 (72), Estonia 88 (86) and Russia 8 (8).

On 30 January 2012, the company started negotiations with personnel representatives to reduce personnel. The negotiations were concluded on 21 March 2012, and they covered the personnel of Talentum Oyj and Talentum Media Oy in Finland and the magazine business personnel in Sweden, a total of about 330 people. In order to adapt operations and costs, personnel reductions corresponding to a total of about 40 man-years were made for Finland's publishing operations, the parent company and the Magazine Business Sweden segment. The negotiations were concluded on 21 March 2012.

Separate stock exchange releases on the personnel reductions were issued on 30 January 2012 and 21 March 2012.

## Business areas

### Magazine Business Finland

Financial development for periodicals is reported in the Magazine Business Finland segment. The magazines with the highest circulation are Talouselämä and Tekniikka & Talous.

Net sales from Magazine Business Finland for January–December amounted to EUR 27.3 million (EUR 30.2 million), a decrease of 9.7% from the previous year.

Operating income from Magazine Business Finland was EUR 0.6 million (EUR 2.3 million). Operating income from Magazine Business Finland without non-recurring items was EUR 1.6 million (EUR 2.4 million).

In January–December, advertising revenue decreased by 19.9% from the previous year. The share of advertising revenue in net sales from Magazine Business Finland totalled 42.6% (48.0%).

**MAGAZINE BUSINESS FINLAND REVENUE,**
**CONTINUING OPERATIONS**

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Net sales** | | |
| Advertisement revenue | 11.6 | 14.5 |
| Circulation revenue | 15.3 | 15.4 |
| Other revenue | 0.4 | 0.3 |
| **TOTAL** | **27.3** | 30.2 |

### Magazine Business Sweden

Financial development for periodicals is reported in the Magazine Business Sweden segment. The magazines with the highest circulation are Ny Teknik and Affärsvärlden.

Net sales from Magazine Business Sweden for January–December amounted to EUR 23.1 million (EUR 25.0 million), a change of -7.4% from the previous year.

Operating income from Magazine Business Sweden was EUR 0.8 million (EUR 2.5 million). Operating income from Magazine Business Sweden without non-recurring items was EUR 1.7 million (EUR 2.4 million.)

In January–December, advertising revenue decreased by 12.3% from the previous year. The share of advertising revenue in net sales from Magazine Business Sweden totalled 58.9% (62.2%).

**MAGAZINE BUSINESS SWEDEN REVENUE,**
**CONTINUING OPERATIONS**

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Net sales** | | |
| Advertisement revenue | 13.6 | 15.5 |
| Circulation revenue | 9.0 | 9.1 |
| Other revenue | 0.5 | 0.3 |
| **TOTAL** | **23.1** | 25.0 |

### Events

Financial development for the event business in Finland, Sweden and Denmark is reported in the Events segment.

Net sales from Events for January–December amounted to EUR 11.0 million (EUR 8.9 million), an increase of 23.4% from the previous year.

Operating income from Events was EUR -0.7 million (EUR -0.6 million). Operating income from Events was affected by the EUR 0.2 million (EUR 0.2 million) amortisation of intangible assets due to corporate acquisitions. In conjunction with the acquisition of the event business (former IIR Finland Oy), a receivable related to a non-compete undertaking was recorded, and the resulting cost entry, which weakens the result, is EUR 0.3 million (EUR 0.3 million).

**Books and Legal Training**

Financial development for book publishing and legal training is reported in the Books and Legal Training segment.
The best-known book in the book publishing business is the green Finnish Law book.

Net sales from Books and Legal Training for January–December amounted to EUR 8.4 million (EUR 9.1 million), a decrease of 7.6% from the previous year.

Operating income was EUR 0.5 million (EUR 0.8 million). Operating income from Books and Legal Training without non-recurring items was EUR 1.0 million (EUR 0.8 million).

**Direct Marketing**

Financial development for the direct marketing business is reported in the Direct Marketing segment. Talentum's subsidiary Suoramarkkinointi Mega Oy's operations in Finland and the Baltic countries belong to this segment. The company operates in the telemarketing business.

Net sales from Direct Marketing for January–December amounted to EUR 11.2 million (EUR 9.1 million), an increase of 22.6% from the previous year.

Operating income was EUR 1.4 million (EUR 1.2 million).

**Other Activities**

The Other Activities segment comprises Group operations as well as the Russian subsidiary Conseco Press. The Other Activities segment includes also the Group's share of the income of the associated company Professio Oy. In 2011, Other Activities also included Talentum HR AB, which was sold in December 2011.

## Risks and risk management

Group's aim of risk management is to identify, analyse and manage potential business-related risks in order so that the continuity of the Group's operations can be secured and the value of its shares maximized.

Talentum's most significant strategic risks involve a sudden drop in readership figures, decline in advertising sales as well as fast transfer into digital contents. Group subscriptions for major magazines are significant as far as coverage is concerned, and contracts have been in place for several decades. Changes in these contracts could have major impacts on magazine circulations and, indirectly, media sales.

The changes in general economic development will affect Talentum's revenue and revenue structure. Traditionally, about 40% of consolidated net sales are dependent on advertising, particularly in the B2B sector, which is sensitive to economic conditions. Under the present economic conditions, the share of advertising is about 33% (36%) of net sales. The most economically sensitive component of advertising revenue is job advertising.

The aim of the Group is to minimise the market risk relating to advertising by increasing revenue from circulation and content sales. The goal is for all Talentum products and services to be market leaders in their fields, so that success is possible even in times of recession.

The growth of online services on the markets may change Talentum's earnings logic and have an impact on revenue structure. Talentum actively follows the development of the online services markets.

Book readers will probably start using digital materials. If income from these materials does not cover income from traditional printed products to an adequate extent, this may result in weaker profitability for the Books and Legal Training segment.

The expansion of the operations of the event business to other Nordic countries involves a certain amount of risk. If, contrary to expectations, the growth plans were to remain unrealised, this could result in a temporary decrease in profitability.

With the growth of the Group's international operations, the consolidated profit and loss account and balance sheet are increasingly exposed to the effects of exchange rate fluctuations. The companies' operations are local and language-area-bound by nature, and there are very few currency-denominated transactions. The profit and loss account and balance sheet have not been hedged against exchange rate fluctuations.

Operative risks involve failures in information technology and telecommunications as well as interruptions in printing and distribution. Each business unit is responsible for the daily risk management and pro-active measures.

Financial risks are described in the notes to the consolidated financial statements.

## Environment

Talentum's main environmental effects are associated with paper consumption, transport, recycling and premises.

Talentum sorts and recycles waste in accordance with the law. Material that is taken out of use, such as machines, equipment and waste paper, is recycled to maximum possible extent.

## Management, Fees of the members of the Board of Directors and Auditing

The AGM on 30 March 2012 decided that the number of members of the Board of Directors is five. The following people were re-elected as members of the Board: Joachim Berner, MBA, BBA; Atte Palomäki, Group Vice President Corporate Communications; Merja Strengell, MSc (Eng.); Kai Telanne, CEO and Henri Österlund, CEO.

Kai Telanne was re-elected as Chairman of the Board and Merja Strengell was re-elected as Deputy Chairman.

The AGM decided that the following annual fees will be paid to the Board members: member of the Board EUR 24,000, Deputy Chairman EUR 30,000 and Chairman EUR 48,000, and that approximately 40% of the annual fee will be used for the acquisition of Talentum Oyj shares on behalf of the Board members. The proportion of the fee payable in shares may also be paid by transferring own shares held by the company.

In August 2012 the members of the Board were paid approximately 40% of the annual fee by transferring own shares held by the company. The number of own shares held by the company transferred to the members of the Board amounts to 46,151 shares. As a consequence of the transfer, the value of the Group's own shares in the Group's equity decreased by EUR 0.2 million, amounting to EUR -2.6 million on 31 December 2012. The transfer of shares resulted in a loss of EUR 0.1 million in equity, which was recognised under retained earnings. Authorised Public Accountants PricewaterhouseCoopers Oy were re-elected as auditors, with APA Juha Wahlroos as the accountable auditor.

**Corporate Governance**

In its decision-making and corporate governance, Talentum Oyj observes its Articles of Association, the Finnish Companies' Act, provisions on publicly listed companies and NASDAQ OMX Helsinki's rules and regulations. Talentum observes the Corporate Governance Code of Finnish listed companies. The Corporate Governance Statement is presented in the Annual Report in a separate section.

**Shares and share capital**

On 31 December 2012, Talentum Oyj's share capital totalled EUR 18,593,518.79 and the company had 44,295,787 fully paid shares. The shares are listed on the NASDAQ OMX Helsinki stock exchange.

A total of 2,324,863 Talentum shares were traded in January–December, which corresponds to 5,2 % of all shares. The highest price paid for shares in January–December was EUR 1.71, and the lowest was EUR 1.11. The closing price for the shares on 31 December 2012 was EUR 1.18. Market capitalisation at the closing price for the period was EUR 52.3 million (EUR 65.1 million).

On 31 December 2012, the company held 634,849 of its own shares, which is about 1.4% of Talentum's total shares and votes.

**Shareholdings of the Board of Directors and CEO**

On 31 December 2012, the number of Talentum Oyj shares and options owned by members of the Board of Directors as well as by the Chief Executive Officer, personally or through companies in which they have a controlling interest, was 46,151, representing 0.1% of the company's total shares and votes.

The number of Talentum Oyj shares owned by Talentum Management Team on 31 December 2012 is 10,710 shares.

**Material events after the reporting period**

Talentum sent out a stock exchange release on January 1, 2013 when Accendo Capital SICAV-SIF informed that the total number of shares held by Accendo Capital SICAV-SIF exceeded the threshold of 10 per cent of Talentum Oyj's share capital and voting rights on December 28, 2012 following Accendo Capital SICAV-SIF's share purchases.

## Authorisations of the Board of Directors

**Authorisation to acquire Talentum's treasury shares**

The Annual General Meeting decided to authorise the Board of Directors to acquire a maximum of 3,500,000 of Talentum Oyj shares, which corresponds to approximately 8% of all Talentum Oyj shares. The authorisation will remain in force until 30 June 2013.

**Authorisation to decide on share issues**

The Annual General Meeting authorised the Board of Directors to decide on a share issue including the conveyance of Talentum's own shares and the issue of special rights. Based on the authorisations, a maximum number of 3,500,000 new shares may be issued and/or own shares held by the company may be disposed of, which corresponds to approximately 8% of the issued shares of the company. The authorisations will remain in force until 30 June 2013.

## The Board of Directors' proposal concerning distribution of profits

The parent company's distributable assets as of 31 December 2012 comprise invested non-restricted equity of EUR 70,009,802.36, treasury shares of EUR -2,642,432.30 and EUR -14,778,121.07 of retained earnings, of which the loss for the financial period is EUR -15,757,098.14, totalling EUR 52,589,248.99.

Income for the financial year of the parent company was reduced by the impairment of shares of Talentum Media Oy, amounting EUR 15.0 million.

The Board of Directors proposes that no dividend should be distributed for 2012, and that funds should be distributed from the invested non-restricted equity reserve of EUR 0.03 per share (EUR 0.06 per share).

The Board of Directors proposes that the parent company's loss for the period EUR 15,757,098.14 will be covered by the invested non-restricted equity reserve.

## Annual General Meeting

The Annual General Meeting will be held in Helsinki on March 22, 2013 at 2pm.

## General statement

The forecasts and estimates presented here are based on the management's current view of economic development, and the actual results may differ substantially from what is now expected of the company.

Helsinki, 12 February 2013

**Talentum Oyj**
**Board of Directors**

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*Information required by the Companies Act and the Decree of the Ministry of Finance on the Regular Duty of Disclosure of an Issuer of a Security, such as classes of shares, shareholders, related parties, terms of stock options and financial key figures, have been presented in the notes to the financial statements.*

# Consolidated statement of comprehensive income

| EUR million | Note | 2012 | 2011 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Net sales** | 2 | **77.2** | 83.5 |
| Other operating income | 5 | **0.6** | 0.7 |
| Materials and services | | **-11.8** | -13.7 |
| Employee benefit expenses | 6, 21 | **-40.1** | -40.3 |
| Depreciation, amortisation and impairment | 7 | **-1.3** | -1.7 |
| Other operating expenses | 8 | **-25.4** | -29.3 |
| Share of income of associated companies *) | 14 | **0.2** | 0.2 |
| **Operating income** | 2 | **-0.5** | -0.4 |
| Financial income | 9 | **0.7** | 1.0 |
| Financial expenses | 9 | **-1.3** | -1.7 |
| **Income before taxes** | | **-1.2** | -1.2 |
| Taxes | 10 | **0.7** | -0.6 |
| **Income for the period from continuing operations** | | **-0.5** | -1.8 |
| | | | |
| **Discontinued operations** | | | |
| Income for the period from discontinued operations | | **–** | 7.2 |
| **Income for the period** | | **-0.5** | 5.5 |
| | | | |
| **Other comprehensive income** | | | |
| Translation differences | | **1.1** | 0.2 |
| Translation differences transferred to profit and loss | | **–** | -0.3 |
| Available-for-sale investments | | **0.0** | -0.02 |
| Income tax on available-for-sale investments | | **-0.0** | 0.0 |
| Other comprehensive income for the year, net of tax | | **1.1** | -0.2 |
| **Total comprehensive income for the period** | | **0.6** | 5.3 |

| EUR million | Note | 2012 | 2011 |
|---|---|---|---|
| **Income attributable to:** | | | |
| Owners of the parent company | | **-0.5** | 5.5 |
| Non-controlling interest | | **0.0** | -0.0 |
| | | | |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the parent company | | **0.6** | 5.3 |
| Non-controlling interest | | **0.0** | -0.0 |
| | | | |
| **Basic and diluted earnings per share, EUR, calculated on the net income attributable to equity holders of the parent company** | | | |
| Continuing operations | 11 | **-0.01** | -0.04 |
| Discontinued operations | 11 | **–** | 0.17 |

*) As of 1 August 2012, the share of income of associated companies that relate closely to business operations are presented above operating income in the consolidated statement of comprehensive income. Previously, the share of income of those associated companies that relate closely to business operations was presented below operating income. The comparative years' figures have been adjusted accordingly.

*The notes are an integral part of these consolidated Financial Statements..*

# Consolidated statement of financial position

| EUR million | Note | 2012 | 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **1.3** | 1.0 |
| Goodwill | 12, 13 | **20.2** | 19.7 |
| Other intangible assets | 13 | **12.9** | 12.4 |
| Investments in associates | 14 | **0.3** | 0.3 |
| Available-for-sale investments | 15 | **0.1** | 0.1 |
| Deferred tax assets | 18 | **1.4** | 1.0 |
| Other non-current assets | 17, 21 | **1.6** | 5.6 |
| **Total non-current assets** | | **37.8** | 40.2 |
| **Current assets** | | | |
| Inventories | 16 | **0.6** | 0.7 |
| Trade and other receivables | 17 | **12.8** | 13.2 |
| Current tax assets | | **0.4** | 0.6 |
| Cash and cash equivalents | 19 | **3.5** | 2.6 |
| **Total current assets** | | **17.2** | 17.2 |
| **TOTAL ASSETS** | | **55.0** | 57.3 |

| EUR million | Note | 2012 | 2011 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity owners of the parent** | 20 | | |
| Share capital | | **18.6** | 18.6 |
| Treasury shares | | **-2.6** | -2.8 |
| Other reserves | | **1.5** | 0.4 |
| Invested non-restricted equity reserve | | **-0.2** | 2.4 |
| Retained earnings | | **2.7** | 3.3 |
| **Total** | | **19.9** | 21.9 |
| Non-controlling interest | | **0.1** | 0.1 |
| **Total equity** | | **20.0** | 21.9 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 18 | **3.0** | 3.3 |
| Non-current financial liabilities | 25 | **0.1** | 0.1 |
| Pension obligations | 21 | **0.1** | 0.1 |
| Other non-current liabilities | 25 | **0.8** | 0.7 |
| Provisions | 23 | **0.2** | 0.2 |
| **Total non-current liabilities** | | **4.2** | 4.4 |
| **Current liabilities** | | | |
| Current financial liabilities | 25 | **4.5** | 1.1 |
| Advances received | 24 | **13.6** | 16.8 |
| Current tax liabilities | | **0.1** | 0.0 |
| Trade and other payables | 24 | **11.8** | 13.1 |
| Current provisions | 23 | **0.9** | – |
| **Total current liabilities** | | **30.8** | 31.0 |
| **TOTAL EQUITY AND LIABILITIES** | | **55.0** | 57.3 |

# Consolidated statement of cash flows

| *EUR million* | *Note* | **2012** | *2011* |
|---|---|---|---|
| **Cash flow from operating activities, continuing operations** | | | |
| Operating income | | **-0.5** | 7.2 |
| Adjustments to operating income: | | | |
| Depreciation, amortisation and impairment | | **1.3** | 2.0 |
| Other adjustments *) | | **-0.2** | -5.6 |
| Total adjustments | | **1.1** | -3.6 |
| Change in working capital: | | | |
| Increase (-) /decrease (+) in trade and other receivables | | **3.7** | -8.6 |
| Increase (-) /decrease (+) in inventories | | **0.1** | 0.3 |
| Increase (+) /decrease (-) in current liabilities | | **-4.6** | 10.3 |
| Change in provisions | | **1.0** | -0.1 |
| Total change in working capital | | **0.2** | 1.9 |
| Interest paid | | **-0.2** | -0.5 |
| Interest received | | **0.1** | 0.1 |
| Dividend received | | **0.2** | – |
| Income taxes paid | | **0.1** | -0.6 |
| **Net cash from operating activities** | | **1.0** | 4.4 |

| *EUR million* | *Note* | **2012** | *2011* |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Previous years' disposal of subsidiaries | 3 | **0.9** | 12.4 |
| Acquisition of property, plant and equipment and intangible assets | | **-1.6** | -1.4 |
| Previous years' business acquisitions of subsidiaries | | **-0.2** | – |
| Other items in cash flows from investing activities | | **0.0** | 0.1 |
| **Net cash from investing activities** | | **-0.9** | 11.1 |
| **Cash flow from financing activities** | | | |
| Change in current loans | | **3.4** | -13.4 |
| Return of equity | | **-2.6** | -0.9 |
| Dividends paid to non-controlling interest | | **0.0** | -0.0 |
| **Net cash used in financing activities** | | **0.8** | -14.3 |
| **Change in cash and cash equivalents** | | **0.9** | 1.2 |
| Cash and cash equivalents on 1 January | | **2.6** | 1.5 |
| Foreign exchange adjustment | | **0.0** | -0.1 |
| Net change in cash and cash equivalents | | **0.9** | 1.2 |
| **Cash and cash equivalents on 31 December** | 19 | **3.5** | 2.6 |

*) Adjustments to operating income mainly include non-monetary adjustments related to previous years' disposal of subsidiaries, exchange rate differences and adjustment to associate's operating income (in comparative period also related to gain and loss on subsidiary sales presented in the cash from investing activities).

Cash flows from discontinued operations in comparative year included in the Consolidated statement of cash flows are specified in the note 3.

# Consolidated statement of changes in equity

| EUR million | Share capital | Invested non-restricted equity fund | Translation reserve | Fair value reserve | Treasury shares | Retained earnings | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | *Equity attributable to owners of the parent company* | | | | | | | | |
| Note 20 | | | | | | | | | |
| **Equity on 1 Jan 2012** | **18.6** | **2.4** | **0.3** | **0.0** | **-2.8** | **3.3** | **21.9** | **0.1** | **21.9** |
| Total comprehensive income for the year | | | | | | | | | |
| Income for the year | – | – | – | – | – | -0.5 | -0.5 | 0.0 | -0.5 |
| Other comprehensive income, net of tax | | | | | | | | | |
| Translation differences | – | – | 1.1 | – | – | – | 1.1 | -0.0 | 1.1 |
| Translation differences transferred to profit and loss | – | – | – | – | – | – | – | – | – |
| Available-for-sale investments | – | – | – | 0.0 | – | – | 0.0 | – | 0.0 |
| Total comprehensive income for the year | – | – | 1.1 | 0.0 | – | -0.5 | 0.6 | 0.0 | 0.6 |
| Transactions with owners of the company | | | | | | | | | |
| Conveyance of treasury shares | – | – | – | – | 0.2 | -0.1 | 0.1 | – | 0.1 |
| Return of equity | – | -2.6 | – | – | – | – | -2.6 | 0.0 | -2.6 |
| Other items | – | – | – | – | – | – | – | 0.0 | 0.0 |
| **Equity on 31 Dec 2012** | **18.6** | **-0.2** | **1.4** | **0.0** | **-2.6** | **2.7** | **19.9** | **0.1** | **20.0** |
| | | | | | | | | | |
| **Equity on 1 Jan 2011** | 18.6 | 3.3 | 0.5 | 0.0 | -2.8 | -2.2 | 17.4 | 0.1 | 17.5 |
| Income for the year | – | – | – | – | – | 5.5 | 5.5 | -0.0 | 5.5 |
| Other comprehensive income, net of tax | | | | | | | | | |
| Translation differences | – | – | 0.2 | – | – | – | 0.2 | – | 0.2 |
| Translation differences transferred to profit and loss | – | – | -0.3 | – | – | – | -0.3 | – | -0.3 |
| Available-for-sale investments | – | – | – | -0.0 | – | – | -0.0 | – | -0.0 |
| Total comprehensive income for the year | – | – | -0.2 | -0.0 | – | 5.5 | 5.3 | -0.0 | 5.3 |
| Transactions with owners of the company | | | | | | | | | |
| Other items | – | – | – | – | – | -0.0 | -0.0 | -0.0 | -0.0 |
| Return of equity | – | -0.9 | – | – | – | – | -0.9 | 0.0 | -0.9 |
| Dividends | – | – | – | – | – | – | – | -0.0 | -0.0 |
| **Equity on 31 Dec 2011** | 18.6 | 2.4 | 0.3 | 0.0 | -2.8 | 3.3 | 21.9 | 0.1 | 21.9 |

# Notes to the consolidated financial statements

## 1. Accounting principles

### 1. Basic information

Talentum Group companies mainly publish magazines for professionals as well as literature for the legal and other professions. They also provide online services, information services, events and seminars. Direct Marketing is focused on telemarketing of newspapers and books. The Group has operations in Finland, Sweden, Denmark, Russia, Estonia and Latvia.

Talentum Oyj is a Finnish public limited company, established in accordance with Finnish law, and its registered address is Annankatu 34–36 B, 00100 Helsinki, Finland. Copies of the consolidated financial statements are available on the Internet at the following address: www.talentum.fi or from the parent company headquarters.

The company's shares are quoted at the NASDAQ OMX Helsinki Stock Exchange classed under consumer goods and services.

At its meeting on 12 February 2013, the Board of Directors of Talentum Oyj approved these financial statements for publication. Under the Finnish Companies Act, the shareholders may approve or reject the financial statements at the General meeting held after publishing the financial statements. The General meeting also has a possibility to amend the financial statements.

## 2. Accounting principles for the consolidated financial statements

### 2.1 Basis for preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force at 31 December 2012. In the Finnish Accounting Act and the ordinances based on the provisions of the Act, IFRSs refer to the standards and their interpretations adopted in accordance with the procedures laid down in the EU regulation (EC) No 1606/2002. The notes to the consolidated financial statements are also in accordance with the Finnish accounting and company legislation.

The consolidated financial statements have been prepared on the historical cost basis, except for the items mentioned below, which are measured at fair value as required by the standards.

The financial statements are presented in millions of euro. For the purposes of presentation, individual figures and totals are rounded off to even millions of euro, which causes rounding-off differences in the totals.

During the reporting period the Group has changed the presentation of statement of comprehensive income so that the share of income of those associated companies that relate closely to business operations are presented before operating profit or loss since business operations of these associated companies support the operative activities of the Group. Previously, the share of income of those associated companies that relate closely to business operations was presented in connection with the financial items. The comparative period's figures have been adjusted correspondingly.

The Group has changed its segment reporting to correspond with the new profit center organisation. The Group adopted the new segment reporting in the first interim report of 2012. The comparative period's figures have been adjusted to correspond with the new segment reporting structure. The reported segments are Magazine Business Finland, Magazine Business Sweden, Events Business, Books and Legal Training Business, Direct Marketing and Other Activities.

The other new or revised standards or interpretations that are applied during the reporting period did not have a material effect on the Group's financial reporting.

The preparation of financial statements in accordance with IFRS requires Group management to make certain estimates, and information on how management have exercised judgment in applying the accounting principles. Information about the judgment exercised by management in applying the accounting principles followed by the Group and which has the most significant impact on the figures presented in the financial statements is presented under the item "Accounting principles requiring management judgment and key sources of estimation uncertainty".

### 2.2 Principles of consolidation

***Subsidiaries***

Talentum's consolidated financial statements include the financial statements of the parent company Talentum Oyj and its subsidiaries. Companies in which Talentum Oyj has control are regarded as subsidiaries. Control exists when Talentum Oyj, either directly or indirectly, owns over 50% of the voting rights or has otherwise control.

Internal shareholdings are eliminated using the purchase method. The acquisition cost includes the fair value of the funds paid or the shares issued. Direct costs arisen from the acquisition are recognised as expenses. The consideration transferred does not include transactions accounted separately from the acquisition. They are recognised mainly in profit or loss at the date of transaction. Possible contingent consideration is measured at fair value at the date of acquisition and is classified as liability or equity. Contingent consideration classified as liability is measured at fair value at the end of each reporting period and gain or loss arisen from it is recognised in other operating income or other operating expenses. The unwinding of the contingent consideration discount is recognised as finance cost. Contingent consideration classified as equity is not re-measured. Subsidiaries acquired during the year are consolidated from the date when the Group's control commences and consolidation is terminated on the date on which the Group's control ceases. The accounting principles of the subsidiaries' financial statements are changed if necessary to correspond to the accounting principles of the consolidated financial statements.

All Group internal transactions are eliminated as part of the consolidation process. Unrealised losses are not eliminated if the loss results from impairment.

***Associates***

Associated companies are entities in which the Group has significant influence but not control. A significant influence is generally exerted through a 20–50% share of the votes.

Holdings in associated companies are consolidated using equity method. The Group's share of an associated company's net income for the period is shown in the statement of comprehensive income generally before operating profit or loss, and the share of equity movements that are not recognised through profit or loss in the investment are shown in other comprehensive income. The Group's share of an associated company's net assets together with goodwill identified on acquisition (less any accumulated impairment losses) are shown on the balance sheet reduced by impairments recognised in individual investments. Unrealised gains and losses between the Group and associated company are eliminated in proportion to the Group's shareholding, except when a loss results from impairment. Applying the equity method is terminated when the book value of the investment in the associated company has fallen to zero, unless the Group has a duty to fulfil obligations of the associated company which it has guaranteed or to which it is committed in some other way. If necessary the accounting principles of the associated company's financial statements are changed to correspond to the accounting principles of the consolidated financial statements.

***Joint ventures***

Joint ventures are companies in which the Group exercises joint control on the basis of an agreement with another party. The Group's shares in joint ventures are combined on a pro-rata basis line by line. The consolidated financial statements include the Group's share in the joint venture's assets, liabilities, income and expenses.

***Non-controlling interests***

Distribution of the profit for the financial period to parent company owners and non-controlling interests is presented in the statement of comprehensive income, and the non-controlling interest's share of equity is presented as a separate item under equity in the balance sheet. The Group recognises any non-controlling interest in the acquire on an acquisition – by –acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Total comprehensive income is allocated to the owners of the parent company and non-controlling interest even if this results in the non-controlling interest having a deficit balance. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions if they do not result in change of control.

**2.3 Items denominated in foreign currencies**

Items included in the financial statements of the Group companies are measured in a currency of each operating financial environment in which the company in question mainly operates ("functional currency"). The consolidated financial statements are presented in euro, which is the Group parent company's functional and presentation currency.

Transactions denominated in foreign currencies are translated into functional currency at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies are translated into functional currency using the exchange rate prevailing on the end date of the reporting period.

Non-monetary items denominated in foreign currencies, which are measured at fair value, are translated into functional currency using the exchange rate on the day of the measurement. Non-monetary items are otherwise measured at the exchange rate on the transaction date. Exchange rate gains and losses related to business operations are included in corresponding items above operating income and exchange rate differences on loans denominated in foreign currencies in financial items.

Statements of comprehensive income of foreign subsidiaries are translated into euro at the average exchange rate for the period under review and balance sheets at the exchange rate applying on the end day of the reporting period. Exchange rate differences arising from the translation are recognised in the other comprehensive income.

Exchange rate differences related to equity items arising from the elimination of the acquisition cost of foreign subsidiaries are recognised in other comprehensive income. When a foreign subsidiary is disposed of, the exchange rate differences related to the entity are recycled into profit and loss, and recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill arising from the acquisition of foreign subsidiaries is treated as the foreign company's asset denominated in a foreign currency and is translated into euro at the exchange rate prevailing on the end date of the reporting period.

**2.4 Property, plant and equipment**

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and any impairment. They are depreciated on a straight line basis over their estimated useful lives as follows:

| | |
|---|---|
| Machinery and equipment | 3–7 years |
| Other tangible assets | 3–10 years |

Useful lives and residual values are reviewed at the end of each reporting period. Depreciation of tangible assets is terminated when an item of property, plant and equipment is classed as for sale. Ordinary maintenance and repair costs are recognised as expenses as they are incurred. Such substantial costs that go within the capitalisation criteria and that improve the asset's profitability are capitalised and depreciated on a straight line basis over their expected useful life.

Gains on the sale and disposal of property, plant and equipment are included in other operating income, and losses in other operating expenses.

***The Group as lessee***

Leases of property, plant and equipment where substantially all the risks and rewards incidental to the ownership are transferred to the Group, are classified as finance leases. The Group had no leases classified as finance leases during the reporting periods.

Leases where the lessor retains the risks and rewards incidental to the ownership are treated as operating leases. Where the Group is the lessee, lease payments under the operating leases are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease. Benefits received under leases, such as reductions in rents and rent-free months, are deducted from the rents and allocated equally over the whole rental period.

## 2.5 Intangible assets

***Goodwill***

Goodwill arisen in business combinations after 1 January 2010 represents the excess of the sum of consideration transferred, non-controlling interest in the acquired company, and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, over the fair value of the net identifiable assets of the acquired company. Business combinations before 1 January 2010 are accounted in accordance with the former IFRSs (IFRS 3 (2004)). Goodwill is not amortised but it is tested annually for impairment.

***Other intangible assets***

Intangible assets comprise magazine publishing rights, trademarks, patents, software licences, and customer relationships. They are measured at the cost less accumulated amortisation and any impairment. Intangible assets with definite useful lives are amortised on a straight line basis over their estimated useful lives (2–5 years). Estimated useful lives are reviewed at the end date of the reporting period, and the amortisation period is adjusted if necessary. Intangible assets whose useful life cannot be determined are not amortised, but their value is tested annually. The magazine publishing rights are considered to have an indefinite useful life, since on the basis of analyses performed there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the group.

***Research and development costs***

Research costs are expensed as incurred. Development costs are capitalised if the plans for new or significantly improved products or processes can be produced on the basis of them, and if the products or processes are commercially and technically feasible, and the Group has sufficient funds to complete the development work and use and sell the asset, and if they otherwise fulfil the capitalisation criteria of IAS 38 standard. Capitalised development costs are shown as an item Development costs and depreciated over their useful lives, which is 2–3 years. The Group's capitalised development costs relate to the development of e-business business operations.

## 2.6 Impairment of property, plant and equipment and intangible assets

The carrying amounts of intangible assets with definite useful lives are reviewed when external events or changes in conditions indicate an impairment in the value of an asset.

The carrying amounts of goodwill and other assets with indefinite useful lives are reviewed annually or more often when there is a weakening of income, or if there are changes in external business conditions that may result in permanent impairment. The need for impairment is reviewed at the level of the cash generating unit, i.e. at the lowest level that is mainly independent of other units and whose cash flows are separately identifiable and largely independent of the cash flows of other similar units.

The recoverable amount is the higher of the asset's fair value less the cost to sell or its value in use. Value in use represents the discounted future net cash flows expected to be derived from the asset or from the cash generating unit. The discount rate used is the after-tax interest rate that reflects the market view of the time value of money and the particular risks associated with the asset. If the recoverable amount derived from an asset is lower than its book value, an impairment loss is recognised in profit and loss. Impairment of goodwill is not reversed even if the conditions that led to the impairment have improved. However, impairment made previously to other assets with indefinite useful lives may be reversed if the cash flows generated are significantly improved compared to the forecasts that were the basis of the impairment. A reversal cannot however lead to a higher carrying amount than would have been recognised without the impairment.

## 2.7 Non-current assets held for sale

Non-current assets (or disposal group) and assets and liabilities that are part of a discontinued operation are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for classification as held for sale is considered to be met when the sale is highly probable and the asset (or disposal group) is immediately for sale in its present condition on usual or customary terms, when management is committed to the sale and the sale is expected to be completed within a year of the classification.

Up to the point of being classified as being held for sale, the assets, or the assets and liabilities of disposal groups, are measured in accordance with the relevant IFRS standards. From the point of classification, the assets (or disposal group) held for sale are measured at the lower of carrying amount or fair value less the costs of disposal. Depreciation on these assets is terminated at the date of classification.

Assets in disposal groups that are not in the scope of the measurement rules of the IFRS 5 as well as liabilities are measured after classification according to the each IFRS standards applicable to these items.

A discontinued operation is a part of the Group that either has been disposed of or is classified as held for sale and which meets the following criteria:

1. It represents a separate major business unit or a unit that covers a geographical area.

2. It is part of a single co-ordinated plan to dispose of a separate major line of business or a geographical area of operations, or
3. It is a subsidiary acquired exclusively with a view to resale.

The profit and loss of a discontinued operation is presented as a separate line item in the statement of comprehensive income and cash flows related to a discontinued operation are presented in the notes to the financial statements.

### 2.8 Financial assets and liabilities

***Financial assets***

The Group's financial assets have been classified into the following categories: Loans and other receivables, and financial assets available for sale. Classification is made at the time of the acquisition of the assets on the basis of the purpose of the acquisition. Financial instruments are entered into the bookkeeping initially at fair value on the basis of the consideration received or paid. All purchases and sales of financial assets are recognised on the transaction date. Transaction expenses have been included in the original book value of financial instruments. Financial assets are included in current assets or liabilities on the balance sheet when they mature within 12 months of the end date of the financial period. In other cases they are included under non-current assets or liabilities on the balance sheet.

Loans and other receivables are financial assets whose related payments are fixed or quantifiable and that are not quoted on active market. Loans and other receivables are measured at the amortised cost.

Investments which have no maturity date and where the time of sale has not been decided are classified as financial assets available for sale. Financial assets available for sale are shown on the balance sheet as non-current financial assets. The fair values of quoted securities are based on public price quotations. Unquoted securities, whose fair value cannot be reliably measured, are entered on the balance sheet at cost. Unrealised changes in the fair value of investments available for sale are recognised as other comprehensive income items, and they are presented in the fair value reserve, taking into account the tax effect. The accumulated fair value changes are transferred from equity into profit or loss as a classification adjustment when an investment is sold or when the amount of the investment has fallen so that an impairment loss is recognised for it.

At the end date of the reporting period, the Group does not hold derivatives and does not apply hedge accounting.

***Cash and cash equivalents***

Cash and cash equivalents on the balance sheet include cash and bank balances as well as short-term liquid investments with a maturity of less than 30 days. Bank deposits with a maturity over 30 days are presented as other receivables.

***Impairment of financial assets***

On the end date of each reporting period, the Group assesses whether there is objective evidence for impairment of individual financial assets or asset groups. Loans and other receivables group includes trade receivables which are impaired when there is objective evidence that the Group will not recover all its receivables in full on the original conditions. The amount of doubtful receivables is estimated by customer on the basis of individual receivables. Bad debts are recognised under other operating expenses.

If the fair value of the securities belonging to the available-for-sale investments group is significantly below their carrying amounts and over a period defined by the group.

***Financial liabilities***

Financial liabilities are initially measured at fair value on the basis of the original consideration received. Transaction costs are included in the original book value of the financial liabilities. Subsequently all financial liabilities are measured at amortised cost using the effective interest rate method. Financial liabilities are included in non-current and current liabilities, and they can be interest-bearing or non-interest-bearing.

Borrowing costs are recognised as an expense in the period incurred.

### 2.9 Inventories

Group inventories mainly comprise books. Inventories are measured at the lower of cost or net realisable value. The cost is determined on a FIFO (first-in, first-out) basis. The cost of inventories includes capitalised direct costs of acquisition and production and proportion of their indirect costs. The net realisable value is the expected sales price in normal business reduced by the estimated costs needed to prepare the product for sale and the sales costs.

### 2.10 Equity

Ordinary shares in issue are presented as share capital. Costs associated with issuing equity instruments or acquiring them is presented as reductions in equity.

When the company or its subsidiary acquires their own shares, the equity is decreased by the amount that consists of the compensation paid, reduced by transaction expenses after taxes, until the treasury shares are cancelled. No gain or loss is recognised into the statement of comprehensive income as the result of sale, issue or cancellation of the company's treasury shares, but any consideration is presented as a change in equity.

***Dividend distribution and return of equity***

Dividends and return of equity proposed by the Board of Directors for the Annual General Meeting are not deducted from distributable equity until approval at the Annual General Meeting.

***Earnings per share***

Earnings per share is calculated by dividing the income for the period attributable to the owners of the parent company by the weighted average of shares outstanding during the reporting period. Diluted earnings per share is calculated by dividing the diluted income for the period attributable to the owners of the parent company by the weighted average of the diluted number shares outstanding during the reporting period. The company does not have any instruments which would have a dilution effect on earnings per share.

### 2.11 Taxes

Tax on Group companies' income for the reporting period, as well as adjustments to taxes for previous periods and changes in deferred taxes are entered under taxes in the consolidated income statement. The tax effect relating to other comprehensive income items or items recognised directly in equity is recognised in the items in question accordingly.

Deferred tax asset or liability is calculated for all temporary differences between the carrying amount of an item and its tax base using tax rates prescribed at the closing date of the reporting period. However, a deferred tax liability or asset is not recognised in the case of an asset or liability related to a business combination, and having no impact on the income in bookkeeping or on the taxable income at the time of the transaction. Non-deductible goodwill is not included in the deferred tax liability.

Deferred tax assets relating to tax losses carried forward are recognised to the extent that it is probable that a future taxable profit will be available against which the losses can be utilised. The most significant temporary differences arise from the depreciation of tangible assets and measurement to fair values from business combinations.

A deferred tax liability is recorded for undistributed earnings of subsidiaries only when a tax payment can be regarded as realisable in the foreseeable future. Depreciation differences and untaxed reserves are divided between equity and deferred tax liabilities in the consolidated balance sheet.

### 2.12 Pension obligations

Pension plans are classified as defined-benefit and defined-contribution plans. In a defined contribution plan, fixed payments are made to a separate unit. The Group does not have a legal or an effective obligation to make further payments if the party that has received the payments is not able to make the retirement pension payments.

All plans that do not fulfil these conditions are defined-benefit pension plans. Group payments into defined-contribution plans are recorded as expenses in the financial period when the obligation occurs.

In defined-benefit pension plans the obligations are calculated using the Projected Unit Credit Method. Pension costs are recognised in the income statement over employees' periods of service in accordance with calculations made by authorised actuaries. The discount rate used for determining the present value of a retirement benefit obligation is based on the market yield of high quality corporate bonds issued or the interest on Finnish treasury bonds. The pension obligation recognised in the balance sheet is presented as the present value of future pension payments at the end date of the reporting period less the fair value of the plan-related assets at the end date of the reporting period and adjusted with the unrecorded actuarial profits or losses and retroactive labour costs. Actuarial gains and losses, in so far as they exceed the greater of 10% of the retirement benefit obligations or 10% of the fair value of plan assets, are recognised in the comprehensive income statement over the expected remaining working lives of the persons participating in the plan.

At the reporting date the Group's defined benefit pension plans include an additional pension plan for management and additional pension plans for personnel. Entries arising from the defined benefit pension plans are based on actuarial calculations.

### 2.13 Share-based payments

The Group has a share-based management incentive plan in which part of the bonus is paid in shares and part in cash. The new incentive plan follows the terms of the old incentive plan. Additional information about share-based plans is presented in Note 22, Share-based payments.

Shares given are measured at their fair value at the time they are awarded and expensed in the statement of comprehensive income on a straight line basis over the time the rights to them accrued. The specific expense is based on the defined fair value of the shares and the management's evaluation of the number of shares to which rights will have accrued by the end of the period of the scheme. The fair value of the shares is defined by the market price of the company's shares.

The effects of non-market conditions (for example profitability and growth targets for certain results) are not included in the fair value, but are taken into account in the number of shares to which it is estimated rights will have accrued by the end of the period of the scheme. The Group reviews its assumptions about the final number of shares on the end date of each reporting period. Changes in estimations are recognised in the statement of comprehensive income.

### 2.14 Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, when realisation of the payment is probable and the amount of the obligation can be reliably estimated. The costs capitalised as a provision as well as the original cost of assets, are depreciated over the useful life of the asset. Provisions are measured at the present value of the expenses required to cover the obligations.

A restructuring provision is recognised when the Group has drawn up a detailed restructuring plan and has begun to implement the plan or announced it. Provisions are not recognised for expenses associated with the Group's ongoing operations. Provisions are recognised for onerous contracts if the direct expenses required to meet the obligations under the agreement exceed the benefits arising from it.

A contingent liability is a possible obligation arising out of an earlier event, and the existence of this obligation will only be confirmed through the realisation of an uncertain event outside the control of the Group. Obligations which will probably not require the fulfilment of a payment obligation or whose size cannot be reliably determined are also regarded as contingent liabilities. Contingent liabilities are presented in the notes to the financial statements.

### 2.15 Revenue recognition

The fair value of revenue from sales of products and services is presented as net sales. Revenues are adjusted by value added taxes, rebates and discounts.

***Sales of goods and services***

Revenues from magazine businesses are recognised in the Group so that they match to the number of magazine copies issued in the period. Revenues from events and training are recognised at the time when the events or training occurs. Revenue from sales of other goods and services is recognised at the point that the risks, benefits and control associated with ownership are transferred to the purchaser or the service is complete.

***Licence and royalty income***

For licence and royalty income, revenue recognition is in accordance with the actual contents of the agreement.

***Interest income and dividends***

Dividend income is recognised when the right to the dividend arises, and interest income is recognised using the effective interest method.

## 3 Accounting principles that require management judgment and key sources of estimation uncertainty

### 3.1 The key accounting estimates and assumptions

Preparing the consolidated financial statements in accordance with IFRS requires Group management to make estimates and assumptions about future scenarios, the outcome of which may differ from those estimates and assumptions. Furthermore, judgment must be exercised in the application of accounting principles. Estimates are based on management's best knowledge at the closing of the accounts. Any changes in these estimates and assumptions are stated in the accounts of the financial period in which the estimate or assumption is amended and in all financial periods thereafter.

Group management have considered the following subsections of the accounts to be the most important as the accounting principles applied are, from the Group's perspective, the most complicated and their application requires, more than for other areas, the use of significant estimates and assumptions for example in measurement of assets. Furthermore, the effects of changes in the assumptions and estimates used in these sub-sections are estimated to be the most significant.

***Impairment tests***

The Group tests goodwill and those intangible assets with indefinite useful lives for possible impairment annually and evaluates indications of impairment as previously indicated. The levels of recoverable amount from cash generating units have been determined in calculations based on value in use. These calculations require the use of estimates. The most significant assumptions and estimates in testing goodwill, and the sensitivity of these factors to changes in goodwill testing are described in more detail in Note 13 Impairment of tangible and intangible assets.

***Taxes***

The Group pays tax on its income in several different countries. Estimating the total tax payable at Group level requires judgments to be made. For many operations and calculations, the final amount of tax is uncertain. If the estimates differ from the final tax, the differences affect both the tax receivables and liabilities based on the period's taxable income as well as the deferred tax assets and liabilities in the period when they are paid or received.

The Group has recognised a deferred tax asset for temporary differences between the recognised amounts and taxable amounts as well as tax losses carried forward. The assumptions of management about the taxable profits for future financial periods have been taken into account when recognising deferred tax assets. A deferred tax asset recorded in a previous financial period is recognised in profit or loss for the financial period, if the unit in question is not regarded as accumulating enough taxable income, so that the losses that are the basis of the deferred tax asset can be utilised.

### 3.2 Non-recurring items

Non-recurring items described in the Annual Report by the Board of Directors are not related to the ordinary businesses of the company but are significant in their quantity and nature. They are presented separately in the Annual Report by the Board of Directors, when the presentation helps to understand better the development of the consolidated financial income. The most material non-recurring items are the gains and losses on sale of group companies and the provisions relating to re-organisation of the functions. The Management of the Group exercises consistent judgement from financial period to another financial period in decision-making on classification of non-recurring items.

## 4. Management of financial risks

### 4.1 Elements of financial risk

As a consequence of its operations, the Group is exposed to several financial risks: Market risk (which includes currency risk, fair value interest-rate risk, cash-flow interest-rate risk and price risk), credit risk and liquidity risk. The objective of the Group's risk management is to minimise the detrimental effects of changes in the financial markets on the Group's results. The main financial risks are currency and interest-rate risks. The Group's central financing operation is responsible for the practical implementation of financial risk management together with the business units. The Group's financial unit identifies and evaluates risks and acquires the necessary instruments to hedge risks in cooperation with the operating units.

#### 4.1.1 Market risks

***Currency risk***

The Talentum Group operates internationally and is thus exposed to risks related to its foreign currency positions. The Swedish Krona (SEK) is the most important foreign currency for the Group. Exchange-rate risks arise from business transactions denominated in foreign currencies, from assets and liabilities denominated in foreign currencies in the statement of financial position and from commercial transactions and from net investments made in foreign entities.

The Group's foreign currency risk is not hedged at the end of the reporting period. During the reporting periods, however, a currency denominated loan was borrowed to hedge certain currency denominated intra-Group loan receivables. The Group has net investments mainly in Swedish units, which are exposed to foreign-currency risks associated with translation differences. The exchange-rate changes resulting from translation differences are recorded in other comprehensive income in the Group's comprehensive income statement. The total net investment of these subsidiaries at the year-end was EUR 19.6 million. A 10% decrease in the Krona's exchange rate against euro would have a negative impact of EUR 1.9 million on the Group's other comprehensive income and shareholders' equity. This currency risk is not hedged.

Transaction risk arises when the company has receivables and liabilities in currencies other than the company's operating currency. Group companies mainly operate in their own markets and in their own operating currency, and therefore transaction risks are low. Individual significant and predictable receivables and liabilities in foreign currencies can be hedged using forward contracts.

***Interest-rate risk***

The effects of interest-rate changes on the value of interest-bearing receivables and liabilities create an interest-rate risk. Interest-rate risk is part of market risk.

The cash flows linked to the Group's short-term money-market investments are exposed to interest-rate risk, but the effect is not material. The Group had no material interest-bearing receivables at year end. Operating cash flows are largely independent of fluctuations in market interest rates. The loans and limits are mainly tied in floating rates. The Group's interest-bearing net liability in the financial statements is EUR 1.1 million.

***Credit risk***

Credit risk arises when a contractual party cannot fulfil its obligations. The creditworthiness of customers and counterparties in investment transactions and derivative contracts is constantly monitored. Credit monitoring of customers is performed on a country-specific basis in the finance departments, which work together with the business units. The Group's customer base is weighted towards large companies with a good financial standing, and for them credit risk is assessed as low. Advance payments typical to the industry reduce credit risk since a significant part of the products are paid in the beginning of the subscription period. The Group enters into investment transactions only with counterparties who have a credit rating of at least AA.

During the period under review, the amount of impairment losses recorded through the income statement and the aging of sales receivables is presented in Note 17, Receivables.

**Liquidity risk**

The Group continuously tries to evaluate and monitor the financing required for business operations, so that the Group will have sufficient liquid resources to finance operations and repay loans that are maturing. The Group's financing policy defines the size of the liquidity reserve as well as the maximum amount of annual repayments. The liquidity reserve is made up of cash reserves, realisable short-term investments and bank overdraft limits. Adequate liquidity is maintained through efficient cash management and financing arrangements based on forecasts. The Group has EUR 12 million bank overdraft limits, which are valid until further notice. The annual maturity split of current financing debt is presented in Note 26 Contractual maturities of financial liabilities.

### 4.2 Management of equity risk

One objective of equity management is to maintain a strong financial position and ensure that the financing needs of business operations can be resolved cost effectively when necessary. Another objective is to maintain the optimal capital structure to reduce the cost of equity.

To maintain or change the capital structure, the Group can alter the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell property to reduce debts.

Capital is monitored through the equity ratio and debt-equity ratio in the same manner as other companies operating in this sector. The debt-equity ratio is measured by dividing the net debts by the total capital. Net debts are calculated by subtracting cash assets from total debt (short- and long-term loans on the consolidated balance sheet). Total capital is calculated by adding net debts to the shareholders' equity shown on the consolidated balance sheet. The equity ratio is calculated by dividing shareholders' equity by the balance sheet total.

The Group's long-term objective for some years has been to have an equity ratio of 30%. The capital structure may be temporarily exceptional due to business acquisitions. The equity ratio and debt-equity ratio are presented in tabular form in note 27.

### 4.3 Estimating fair value

The fair value of financial instruments is based on the quoted market prices on the end date of the financial period. The quoted price of financial assets used is the buying price at that time.

The Group uses various methods and makes assumptions that are mainly based on the prevailing conditions on the markets at the end date of the reporting period. The book value of sales receivables reduced through impairment and the book value of accounts payable are assumed to be close to their fair values. The book values of sales receivables and accounts payable are presented in the notes 17 Receivables and 24 Accounts payable and other debts.

## 5 Adoption of new and amended standards and interpretations

The IASB has published the following new or revised standards and interpretations, which the Group has not yet applied. The Group will adopt them as follows:

**In the financial year 2013**

- Amendments to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after 1 July 2012): The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendment does not have a significant effect on the consolidated financial statements.

- Amendment to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 January 2013): In future all actuarial gains and losses are immediately recognised in other comprehensive income, i.e. the corridor approach is eliminated. Expected return is not determined and financial income arising from the asset is calculated by using a discount rate. In consequence to the amendment, in the statement of financial position on 31 December 2012 the equity is estimated to decrease and pension obligation is estimated to increase by EUR 0.3 million.
- IFRS 13 *Fair Value Measurement* (effective for financial years beginning on or after 1 January 2013): IFRS 13 establishes a single source of all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. The new standard does not have a significant effect on the consolidated financial statements.
- Amendments to IFRS 7 *Financial Instruments*: Disclosures (effective for financial years beginning on or after 1 January 2013): The amended standard requires the presentation of information that will allow evaluation of the effects of netting arrangements on the entity's financial position. The disclosures required by those amendments are to be provided retrospectively. The management of the Group is assessing the effects of the amendments into consolidated financial statements.
- *Improvements to IFRSs 2011*: Narrow-scope and non-urgent amendments into standards made in Annual Improvements process are collected into a single package and are adopted once per year. The amendments in this process have an effect on total five standards. The amendments do not have a significant effect on the consolidated financial statements. The amendments are not yet endorsed by EU.

**In the financial year 2014 or later**

- IFRS 10 *Consolidated Financial Statements* (effective for financial years beginning on or after 1 January 2014): In future determining whether an entity will be consolidated will be based at every circumstance on existence of control. The standard provides guidance on the components of control and how to assist if the control exists in different circumstances. Following the issue of IFRS 10 also IAS 27 (renewed 2011) *Separate Financial Statements* (effective for financial years beginning on or after 1 January 2014), was revised. It is applied when an entity prepares a separate company financial statements in accordance with IFRS standards. The changes do not have a significant effect on the consolidated financial statements.
- IFRS 11 *Joint Arrangements* (effective for financial years beginning on or after 1 January 2014): In the accounting of joint arrangements the standard focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future, joint ventures are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. Following the issue of IFRS 11 also IAS 28 *Investments in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2014) was revised and includes the requirements for joint ventures, as well as associates, to be equity accounted. The management of the Group is assessing the effects of the new and revised standards into the consolidated financial statements.
- IFRS 12 *Disclosures of Interests in Other Entities* (effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The management of the Group is assessing the effects of the new standard into the consolidated financial statements.
- *Amendment into transition guidance of IFRS 10, 11 and 12* (effective for financial years beginning on or after 1 January 2014): The transition guidance on IFRS 10, 11 and 12 is relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The management of the Group is assessing the effects of the amendments into the consolidated financial statements.
- Amendments to IAS 32 *Financial Instruments*: *Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Group is assessing the effects of the amendments into the consolidated financial statements.

**In the financial year 2015**

- IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2015: IFRS 9 is the first phase of a more extensive project which aim is to replace IAS 39 by a new standard. In future, financial assets are divided into two main groups on a basis of measurement: financial assets at amortised cost and financial assets at fair value. The classification depends on the business model of the company and the characteristics of contractual cash flows. For impairments and hedge accounting, the standard retains most of the IAS 39 requirements. The standard is not yet endorsed by EU.

The other new or revised standards or interpretations published by the IASB are not relevant to the Talentum's consolidated financial statements.

## 2. Operating segments

The Group changed its profit center organisation in January 2012 to provide better support for the Group's current business operations. Group's segment reporting corresponds with the new profit center structure. Talentum's business has been divided into six segments that are Magazine Business Finland, Magazine Business Sweden, Events, Books and Legal Training, Direct Marketing and Other Activities.

In Magazine Business Finland segment and Magazine Business Sweden segment is reported periodicals. The magazines with highest circulation in Finland are Talouselämä and Tekniikka & Talous and in Sweden Ny Teknik and Affärsvärlden. Books and Legal Training comprises publishing of books for legal and other professionals and provides legal training in Finland. Events comprises of events businesses in Finland, Sweden and Denmark. In Direct Marketing segment is reported Direct Marketing Mega Oy and its subsidiaries that are focused on telemarketing in Finland and the Baltic states. Other Activities segment comprises Group operations as well as the Russian subsidiary Conseco Press. Other Activities includes also the Group's share of the income of the associated company Professio Oy. In 2011, Other Activities also included Talentum HR AB which was disposed of in December 2011. All the Group's operating segments are reported separately. The Group does not have revenues from transactions with single customers that would amount over 10% of the Group's total revenues.

Segment operating income is used to measure performance and to allocate resources to the segments. Measure of operating income is reviewed and decisions about resources allocated to the segments are made by the chief operating decision maker, which in Talentum constitutes the Group Executive Management.

Segment operating income is reported to the chief operating decision maker without non-recurring items, which arose in the financial year from personnel reductions and reorganisation and for the comparative year from personnel reductions and the loss on sale of Talentum HR AB. Other income and expenses not allocated to the segments include financial income and expenses, share of income of associated companies and income taxes.

Operating segments are located in Finland, Sweden, Denmark, Baltic countries and Russia. In presenting geographical information, net sales is based on the geographical location of customers and assets based on geographical location of the assets. Assets include property, plant and equipment, intangible assets and investments in associates.

### OPERATING SEGMENTS

| *EUR million* | *Magazines Finland* | *Magazines Sweden* | *Events* | *Books and legal training* | *Direct marketing* | *Other activities* | *Total* |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| External net sales | 27.3 | 22.9 | 10.9 | 8.4 | 7.4 | 0.3 | 77.2 |
| Inter-segment net sales | 0.0 | 0.2 | 0.1 | – | 3.8 | -4.1 | 0.0 |
| Segment operating income | 1.6 | 1.7 | -0.7 | 1.0 | 1.4 | -2.6 | 2.4 |
| **Reconciliation:** | | | | | | | |
| Segment operating income | – | – | – | – | – | – | 2.4 |
| Non-recurring items not allocated to segments | – | – | – | – | – | – | -2.9 |
| Financial items, net | – | – | – | – | – | – | -0.6 |
| **Consolidated income before taxes** | | | | | | | **-1.2** |
| **2011** *) | | | | | | | |
| External net sales | 30.2 | 24.9 | 8.8 | 9.1 | 5.7 | 4.8 | 83.5 |
| Inter-segment net sales | – | 0.1 | 0.1 | – | 3.5 | -3.7 | 0.0 |
| Segment operating income | 2.4 | 2.4 | -0.6 | 0.8 | 1.2 | -3.5 | 2.6 |
| **Reconciliation:** | | | | | | | |
| Segment operating income | – | – | – | – | – | – | 2.6 |
| Non-recurring items not allocated to segments | – | – | – | – | – | – | -3.1 |
| Financial items, net | – | – | – | – | – | – | -0.8 |
| **Consolidated income before taxes** | | | | | | | -1.2 |

*) Comparison year figures have been adjusted to correspond with the new segment reporting structure.

### THE CONSOLIDATED NET SALES COMPRISES AS FOLLOWS

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Sale of goods | 57.6 | 63.0 |
| Sale of services | 19.6 | 20.6 |
| **Total** | **77.2** | **83.5** |

### GEOGRAPHICAL INFORMATION

| EUR million | Net sales | Assets |
|---|---|---|
| **2012** | | |
| Finland | 47.7 | 8.6 |
| Sweden | 26.0 | 25.9 |
| Other countries | 3.6 | 0.2 |
| **Total** | **77.2** | **34.7** |
| | | |
| **2011** | | |
| Finland | 49.2 | 8.8 |
| Sweden | 31.7 | 24.5 |
| Other countries | 2.6 | 0.1 |
| **Total** | 83.5 | 33.4 |

## 3. Disposals of subsidiaries and businesses

**2012**

There were no disposals of subsidiaries and businesses in 2012.

**2011**

In August 2011, the Group sold Sweden-based Sverige Bygger AB and Nordic Construction Media AB as well as Norway-based Norge Bygges AS to DOCU Group Sweden AB. The purchase price was EUR 15.2 million, and it was paid entirely in cash. It was decided to sell the companies, because according to the Group's estimate, the purchase price exceeded their value creation potential as part of the Group. Within the Group, the companies sold formed a business providing information and marketing services for the construction industry in Sweden and Norway, and they are reported as discontinued operations in the financial statements. The companies had 77 employees in Sweden and 8 in Norway.

### PROFIT FROM DISCONTINUED OPERATIONS:

| EUR million | 1 Jan–9 Aug 2011 |
|---|---|
| Revenue | 12.3 |
| Expenses | -4.7 |
| Profit before taxes | 7.6 |
| Tax | -0.4 |
| **Profit from discontinued operations** | 7.2 |

Gain on sale of discontinued operations including the sales related expenses and translation differences from the subsidiaries sold, amounting EUR 7.3 million, is reported in revenues..

Earnings per share for comparative year's discontinued operations is presented in the statement of comprehensive income.

### CASH FLOWS FROM DISCONTINUED OPERATIONS INCLUDED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

| EUR million | 1 Jan–9 Aug 2011 |
|---|---|
| Cash flows from operating activities *) | -0.2 |
| Cash flows from investing activities *) | 11.4 |
| **Total cash flows for the year** | 11.2 |

*) Payment of disposal related expenses are presented in the cash flows from operating activities. Net of consideration received in cash, and cash and cash equivalents disposed of are presented in the cash flows from investing activities.

### EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP

| EUR million | 9 Aug 2011 |
|---|---|
| Property, plant and equipment | 0.1 |
| Goodwill *) | 6.6 |
| Other intangible assets | 1.4 |
| Trade and other receivables | 1.7 |
| Cash and cash equivalents | 3.8 |
| Total assets | 13.6 |
| | |
| Deferred tax liabilities | -0.4 |
| Non-current liabilities | -5.2 |
| Total liabilities | -5.6 |
| **Total assets and liabilities** | 8.0 |
| | |
| Consideration received, received in cash | 15.2 |
| Cash and cash equivalents disposed of | -3.8 |
| **Net cash inflow** | 11.5 |

*) Included the goodwill that arose in the acquisition date of the businesses.

In addition, on 28 December 2011, the Group disposed of its Swedish subsidiary, Talentum HR AB which provides information services and consulting in the HR sector, to Wise Group AB. The purchase price was EUR 3.1 million, of which EUR 2.2 million was paid in cash. The rest was recognised as a short-term receivable (EUR 0.4 million fell due within six months and EUR 0.4 million within 12 months of the date on which the transaction became effective). There were not any conditions relating to the receivable. The Group had acquired Talentum HR in 2007, and the company had about 30 employees at the time of the acquisition. In 2011, the company's net sales amounted to EUR 4.5 million, and operating income was EUR -0.9 million. Due to the company's relatively low income, its strategy and management were updated in 2011. However, the expected effects of the changes on performance were only partly realised before the sale of the company. Loss on sale of EUR 2.6 million, including the costs incurred in the sale and the translation differences related to the unit sold, are reported under other operating expenses.

### EFFECT OF DISPOSAL OF TALENTUM HR AB ON THE FINANCIAL POSITION OF THE GROUP

| *EUR million* | *28 Dec 2011* |
|---|---|
| Goodwill *) | 5.4 |
| Property, plant and equipment and other intangible assets | 0.1 |
| Deferred tax asset | 0.1 |
| Inventories | 0.1 |
| Trade and other receivables | 1.2 |
| Cash and cash equivalents | 1.3 |
| Total assets | 8.1 |
| | |
| Advance payments | -1.7 |
| Other current liabilities | -0.9 |
| Total liabilities | -2.6 |
| **Total assets and liabilities** | 5.5 |
| | |
| Receivable recognised on consideration | 0.9 |
| Consideration received in cash | 2.2 |
| Cash and cash equivalents disposed of | -1.3 |
| **Net cash inflow** **) | 0.9 |

*) Included the goodwill that arose in the acquisition date of the businesses.
**) Payment of disposal related expenses are presented in the cash flows from operating activities. Net of consideration received in cash, and cash and cash equivalents disposed of are presented in the cash flows from investing activities.

## 4. Acquisitions of subsidiaries and businesses

**2012**

There were no acquisitions of subsidiaries and businesses in 2012.

**2011**

There were no acquisitions of subsidiaries and businesses in 2011.

## 5. Other operating income

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Rental income | 0.0 | 0.0 |
| Service income | 0.2 | 0.2 |
| Other operating income | 0.4 | 0.6 |
| **Total** | **0.6** | 0.7 |

## 6. Employee benefits

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Wages and salaries | 31.4 | 31.4 |
| Pension expenses | | |
| Defined benefit plans | 0.0 | 0.1 |
| Defined contribution plans | 5.0 | 4.6 |
| Other social security expenses | 3.6 | 4.2 |
| **Total** | **40.1** | 40.3 |

Wages and salaries include EUR 0.3 million (EUR 0.3 million in 2011) accrued expense resulting from the business combination in 2010.

### AVERAGE AMOUNT OF PERSONNEL IN THE REPORTING PERIOD

| | **2012** | *2011* |
|---|---|---|
| Magazine Business Finland | 125 | 144 |
| Magazine Business Sweden | 105 | 112 |
| Events | 88 | 78 |
| Books and legal training | 38 | 44 |
| Direct Marketing | 365 | 314 |
| Other Activities | 33 | 61 |
| **Total** | **754** | 754 |

The management employee benefit expenses are presented in the note 28 Related party transactions. Information about share-based payments is presented in the note 22 Share-based payments.

## 7. Depreciation, amortisation and impairment losses

### BY ASSET ITEM

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Property, plant and equipment** | | |
| Machinery and equipment | 0.5 | 0.5 |
| Other tangible assets | 0.1 | 0.1 |
| **Total** | 0.6 | 0.6 |
| | | |
| **Intangible assets** | | |
| Development expenditure | 0.3 | 0.7 |
| Other intangible assets | 0.4 | 0.3 |
| **Total** | 0.7 | 1.1 |
| | | |
| **Total depreciation, amortisation and impairment losses** | **1.3** | 1.7 |

## 8. Other operating expenses

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Marketing expenses | 4.9 | 5.5 |
| IT expenses | 3.7 | 3.1 |
| Rental expenses | 3.4 | 3.7 |
| Office and premises expenses | 2.2 | 2.5 |
| Loss on disposal of subsidiary | – | 2.6 |
| Other operating expenses | 11.3 | 11.9 |
| **Total** | **25.4** | 29.3 |

**Fees to the auditors:**

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Audit fees | 0.1 | 0.1 |
| Other service fees | 0.0 | 0.1 |
| **Total** | **0.1** | 0.1 |

## 9. Financial income and expenses

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Financial income** | | |
| Dividend income from available-for-sale-investments | 0.0 | 0.0 |
| Interest income | 0.1 | 0.0 |
| Exchange rate gains | 0.6 | 0.9 |
| Other financial income | 0.0 | 0.0 |
| **Total** | **0.7** | 1.0 |
| | | |
| **Financial expenses** | | |
| Interest expenses from financial liabilities measured at amortised cost | 0.4 | 0.5 |
| Exchange rate losses | 0.9 | 1.2 |
| Other financial expenses | – | 0.0 |
| **Total** | **1.3** | 1.7 |

## 10. Income taxes

| EUR million | 2012 | 2011 |
|---|---|---|
| Current tax on income for the year | 0.0 | 0.1 |
| Adjustments in respect of prior years | 0.0 | -0.0 |
| Deferred tax | -0.7 | 0.6 |
| **Total** | **-0.7** | 0.6 |

Tax on available-for-sale investments recognised in other comprehensive income amounts to EUR -0,0 million (EUR 0,0 million in 2011).

### RECONCILIATION BETWEEN INCOME STATEMENT TAX ITEM AND TAXES CALCULATED AT THE TAX RATE OF THE GROUP COUNTRY OF DOMICILE 24.5%

| EUR million | 2012 | 2011 |
|---|---|---|
| Profit before taxes | -1.2 | -1.2 |
| Tax calculated by the parent company's domestic tax rate | -0.3 | -0.3 |
| Difference between the Finnish and foreign subsidiaries' tax rates | -0.1 | -0.0 |
| Tax-free income | -0.1 | -0.0 |
| Non-deductible expenses | 0.2 | 0.9 |
| Share of income of associated companies | -0.0 | -0.1 |
| Utilisation of previously unrecognised tax losses | -0.0 | – |
| Recognition of previously unrecognised deferred tax assets | 0.0 | 0.1 |
| Prior periods' taxes | 0.0 | -0.0 |
| Reduction in tax rate | -0.4 | -0.0 |
| Other items | -0.0 | 0.0 |
| **Taxes in consolidated statement of comprehensive income** | **-0.7** | 0.6 |

## 11. Earnings per share

| | 2012 | 2011 |
|---|---|---|
| Profit for the period attributable to the equity owners of the parent, continuing operations, EUR million | -0.5 | -1.8 |
| Profit for the period attributable to the equity owners of the parent, discontinued operations, EUR million | – | 7.2 |
| Weighted average number of shares, 1,000 shares | 43,632 | 43,615 |
| **Basic and diluted earnings per share, continuing operations, EUR** | **-0.01** | -0.04 |
| **Basic and diluted earnings per share, discontinued operations, EUR** | – | 0.17 |

## 12. Property, plant and equipment and intangible assets

### PROPERTY, PLANT AND EQUIPMENT

| EUR million | Machinery and equipment | Other tangible assets | Total |
|---|---|---|---|
| **2012** | | | |
| Acquisition cost on 1 January 2012 | 7.6 | 1.4 | 8.9 |
| Additions | 0.8 | 0.0 | 0.9 |
| Decreases | -1.3 | – | -1.3 |
| Disposals of subsidiaries | – | – | 0.0 |
| Foreign exchange rate differences | 0.1 | – | 0.1 |
| Acquisition cost on 31 December 2012 | 7.2 | 1.4 | 8.6 |
| Accumulated depreciation on 1 January 2012 | -6.7 | -1.2 | -7.9 |
| Decreases | 1.3 | – | 1.3 |
| Disposals of subsidiaries | – | – | 0.0 |
| Depreciation for the period | -0.5 | -0.1 | -0.6 |
| Foreign exchange rate differences | -0.0 | -0.0 | -0.1 |
| Accumulated depreciation on 31 December 2012 | -6.0 | -1.3 | -7.3 |
| **Carrying amount on 1 January 2012** | **0.9** | **0.1** | **1.0** |
| **Carrying amount on 31 December 2012** | **1.2** | **0.1** | **1.3** |

## PROPERTY, PLANT AND EQUIPMENT

| EUR million | Machinery and equipment | Other tangible assets | Total |
|---|---|---|---|
| **2011** | | | |
| Acquisition cost on 1 January 2011 | 7.7 | 1.4 | 9.0 |
| Additions | 0.5 | – | 0.5 |
| Disposals of subsidiaries | -0.6 | – | -0.6 |
| Decreases | -0.0 | – | -0.0 |
| Foreign exchange rate differences | 0.0 | – | 0.0 |
| Acquisition cost on 31 December 2011 | 7.6 | 1.4 | 8.9 |
| Accumulated amortisation on 1 January 2011 | -6.8 | -1.1 | -7.9 |
| Disposals of subsidiaries | 0.6 | – | 0.6 |
| Amortisation for the period | -0.5 | -0.1 | -0.6 |
| Foreign exchange rate differences | 0.0 | – | 0.0 |
| Accumulated amortisation on 31 December 2011 | -6.7 | -1.2 | -7.9 |
| **Carrying amount on 1 January 2011** | 0.9 | 0.3 | 1.2 |
| **Carrying amount on 31 December 2011** | 0.9 | 0.1 | 1.0 |

## INTANGIBLE ASSETS

| EUR million | Goodwill | Publishing rights | Development expenditure | Other intangible assets | Assets not yet in use | Total |
|---|---|---|---|---|---|---|
| **2012** | | | | | | |
| Acquisition cost on 1 January 2012 | 24.4 | 12.6 | 1.8 | 8.3 | 0.5 | 47.5 |
| Additions | – | – | 0.2 | 0.2 | 0.4 | 0.8 |
| Transfers between items | – | – | 0.4 | 0.4 | -0.8 | – |
| Decreases | – | – | – | -0.3 | -0.0 | -0.4 |
| Foreign exchange rate differences | 0.5 | 0.4 | 0.0 | 0.0 | 0.0 | 1.0 |
| Acquisition cost on 31 December 2012 | 24.9 | 13.0 | 2.4 | 8.6 | 0.1 | 48.9 |
| Accumulated amortisation and impairment losses on 1 January 2012 | -4.7 | -1.4 | -1.7 | -7.7 | – | -15.4 |
| Decreases | – | – | – | 0.3 | – | 0.3 |
| Amortisation for the period | – | – | -0.3 | -0.4 | – | -0.7 |
| Foreign exchange rate differences | – | – | -0.0 | -0.1 | – | -0.1 |
| Accumulated amortisation and impairment losses on 31 December 2012 | -4.7 | -1.4 | -1.9 | -7.8 | – | -15.8 |
| **Carrying amount on 1 January 2012** | **19.7** | **11.2** | **0.2** | **0.6** | **0.5** | **32.1** |
| **Carrying amount on 31 December 2012** | **20.2** | **11.6** | **0.4** | **0.8** | **0.1** | **33.1** |

### INTANGIBLE ASSETS

| *EUR million* | *Good-will* | *Publishing rights* | *Develop-ment expendi-ture* | *Other intangible assets* | *Assets not yet in use* | *Total* |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| Acquisition cost on 1 January 2011 | 36.4 | 12.5 | 2.4 | 11.2 | 0.5 | 63.1 |
| Additions | – | – | 0.1 | 0.3 | 0.5 | 0.9 |
| Disposal of subsidiaries | -12.2 | – | -1.2 | -3.0 | – | -16.3 |
| Transfers between items | – | – | 0.5 | – | -0.5 | – |
| Decreases | – | – | – | -0.3 | -0.0 | -0.4 |
| Foreign exchange rate differences | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.2 |
| Acquisition cost on 31 December 2011 | 24.4 | 12.6 | 1.8 | 8.3 | 0.5 | 47.5 |
| | | | | | | |
| Accumulated amortisation and impairment losses on 1 January 2011 | -4.7 | -1.4 | -2.0 | -8.8 | – | -16.9 |
| Decreases | – | – | – | 0.3 | – | 0.3 |
| Accumulated amortisation of disposal of subsidiaries | – | – | 1.1 | 1.5 | – | 2.6 |
| Amortisation for the period | – | – | -0.7 | -0.7 | – | -1.4 |
| Foreign exchange rate differences | – | – | -0.0 | 0.0 | – | -0.0 |
| Accumulated amortisation and impairment losses on 31 December 2011 | -4.7 | -1.4 | -1.6 | -7.7 | – | -15.4 |
| | | | | | | |
| **Carrying amount on 1 January 2011** | 31.7 | 11.2 | 0.4 | 2.4 | 0.5 | 46.2 |
| **Carrying amount on 31 December 2011** | 19.7 | 11.2 | 0.2 | 0.6 | 0.5 | 32.1 |

Customer relationships acquired in business combinations are included into other intangible assets. Development expenditure comprises of e-business development.

The consolidated intangible assets comprise magazine publishing rights that are considered to have an indefinite useful life, since on the basis of analyses performed there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

## 13. Impairment of property, plant and equipment and intangible assets

Goodwill and magazine publishing rights with an indefinite useful life are allocated to the cash generating units as described below. Goodwill has been allocated to the cash generating units in accordance with the new segment structure. The new segment structure of the Group had no material effect on impairment testing.

### GOODWILL

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Magazine Business Finland | 2.6 | 2.6 |
| Magazine Business Sweden | 14.6 | 14.0 |
| Events | 2.0 | 2.0 |
| Books and Legal Training | 0.8 | 0.8 |
| Direct Marketing | 0.3 | 0.3 |
| **Total** | **20.2** | 19.7 |

### PUBLISHING RIGHTS

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Magazine Business Finland | 1.2 | 1.2 |
| Magazine Business Sweden | 10.5 | 10.1 |
| **Total** | **11.6** | 11.2 |

Impairment tests of goodwill are based on value in use. In the value in use calculations, five-year forecasts prepared by the management have been taken into account. The net cash flows were based on the budget for the first year and the forecasts approved by the management for the following four years. The most important parameters used in the calculations were as follows:

1. Net sales

In the forecast period, the growth rate of net sales varies between the units. For Magazine Business Finland and Magazine Business Sweden the growth rates are determined based on management views on market development and general economic outlook. The growth rate for Events is estimated to develop favourably particularly during the first years of the forecast period due to synergies and development of foreign subsidiaries. The growth rate estimate for Books and Legal Training is based on management's view on the market development. The growth rate for Direct Marketing is based on unit's past development and management's view on the market development. In 2012, a long term growth into perpetuity for Magazine Businesses Finland and Sweden was 0.5% (0.0% in 2011), for Events 1.0% (0.0%), for Books and Legal Training 0.0% (0.0%) and for Direct Marketing 1.5% (0.0%).

2. Operating profit
Operating profit estimates are based on actual development during previous years. The changes in the product portfolio for the net sales are also reflected in profitability.

3. Discount rate
In the calculations, the weighted average cost of capital after tax (WACC) determined by external experts has been used as the discount rate. The use of the after-tax WACC in place of the pre-tax rate does not have a material effect on the final value. The components of WACC are the risk-free rate of return, market risk premium, beta coefficient, cost of debt and the targeted capital structure. A debt-equity ratio of 25 / 75, as calculated according to market value, is used as the target capital structure. In 2012, the discount rate for Magazine Business Finland was 8.1% (7.5% in 2011), for Magazine Business Sweden 7.9% (6.9%), for Events 8.1% (7.5%), for Books and Legal Training 8.1% (7.5%) and for Direct Marketing 8.1% (7.5%).

### SENSITIVITY ANALYSES OF IMPAIRMENT TESTING

In impairment testing, sensitivity analysis was performed for the most important parameters. The analysis is based on a separate change of each parameter.

| | *percentage units* |
|---|---|
| Net sales | -4.0% |
| Operating profit | -3.0% |
| Discount rate | 2.0% |

It is not probable that the key parameters would differ from management's estimates more than described above.

The changes specified in the sensitivity analysis described above did not lead to a situation in impairment testing where the recoverable amounts by the units would fall below their book value.

## 14. Investments in associates

The Group owns 49.9% of a healthcare training company Professio Oy.

| *EUR million* | **2012** | *2011* |
|---|---|---|
| At the beginning of the financial period | 0.3 | 0.1 |
| Share of profit for the period | 0.2 | 0.2 |
| Dividend received | -0.2 | – |
| **At the end of the financial period** | **0.3** | 0.3 |

### INFORMATION ABOUT ASSOCIATES AND THEIR ASSETS, LIABILITIES, NET SALES AND INCOME

| **2012**<br>*EUR million* | *Domicile* | *Assets* | *Liabilities* | *Income* | *Group holding, %* |
|---|---|---|---|---|---|
| Professio Oy | Oulu | 0,9 | 0,5 | 0,4 | 49,9 |

| **2011**<br>*EUR million* | *Domicile* | *Assets* | *Liabilities* | *Income* | *Group holding, %* |
|---|---|---|---|---|---|
| Professio Oy | Oulu | 1,0 | 0,6 | 0,5 | 49,9 |

## 15. Available-for-sale investments

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Non-current** | | |
| Carrying amount on 1 January | 0.1 | 0.1 |
| Increases | 0.0 | 0.0 |
| Decreases | -0.0 | – |
| Fair value measurement | 0.0 | -0.0 |
| **Carrying amount on 31 December** | **0.1** | 0.1 |

Available-for-sale investments include both listed and unlisted shares. Available-for-sale investments are all denominated in Euros. Listed shares are valued at quoted reporting date bid price. Their fair value hierarchy level is I. The fair value of available-for-sale investments belonging into hierarchy level I is EUR 0.1 million (EUR 0.1 million in 2011). Unlisted shares are shown at their acquisition cost which is considered to approximate the fair value. The maximum credit risk for available-for-sale investments corresponds to the book value at the end of the financial period.

## 16. Inventories

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Work in progress | – | – |
| Finished products and goods | 0.6 | 0.7 |
| **Total** | **0.6** | 0.7 |

EUR 0.2 million was recognised as an expense in the reporting period to reduce the value of inventories to correspond to their net realisable value (EUR 0.3 million in 2011).

## 17. Receivables

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Non-current loan and other receivables** | | |
| Rental guarantee | 0.4 | – |
| Receivable related to business combinations *) | – | 0.3 |
| Other receivables **) | 1.2 | 5.2 |
| **Total** | **1.6** | 5.6 |

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Current loan and other receivables** | | |
| Trade and other receivables | 6.5 | 5.8 |
| Receivables from associates | 0.4 | 0.2 |
| Prepaid expenses and accrued income | 1.3 | 1.2 |
| Other receivables **) | 4.5 | 6.0 |
| **Total** | **12.8** | 13.2 |

*) EUR 0.3 million has been recognised in profit and loss as personnel expense and the corresponding amount to be recognised in profit and loss in 2013 has been transferred into receivables.
**) Other non-current receivables includes EUR 1.1 million (EUR 4.8 million) and other current receivables EUR 3.6 million (EUR 3.5 million) of advance payments made by customers into escrow accounts. These advance payments will release into Group's use step by step by the end of year 2014.

### SIGNIFICANT ITEMS INCLUDED IN PREPAID EXPENSES AND ACCRUED INCOME

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Personnel expenses | 0.2 | 0.1 |
| Other prepaid expenses and accrued income | 1.1 | 1.1 |
| **Total** | **1.3** | 1.2 |

### AGING OF TRADE RECEIVABLES

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Not past due** | 4.2 | 4.5 |
| **Past due** | | |
| 1–30 days | 1.8 | 0.8 |
| 31–60 days | 0.3 | 0.2 |
| 61–90 days | 0.1 | 0.1 |
| over 91 days | 0.1 | 0.2 |
| **Total** | **6.5** | 5.8 |

The Group recognised an impairment loss of EUR 0.3 million on trade receivables (EUR 0.4 million in 2011, of which EUR 0.3 million resulted from continuing operations impairment losses).

Group's current receivables are principally denominated in each Group company's functional currency, and thus there is no significant exposure to the transaction related currency risk.

There are no significant concentrations of credit risk associated with receivables. The balance sheet values best correspond to the amount of money which is the maximum amount of credit risk without taking into account the fair value of guarantees in the event that counterparties are unable to fulfil their obligations associated with the financial instruments. The Group's operating practice does not include taking insurance in respect of sales and other receivables.

## 18. Deferred taxes

### CHANGES IN DEFERRED TAXES DURING 2012

| *EUR million* | *31 Dec 2011* | *Change *)* | *Foreign exchange rate differences* | *Subsidiaries and businesses acquired/ disposed of* | *31 Dec 2012* |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Provisions | – | 0.2 | – | – | 0.2 |
| Tax losses carried forward | 0.6 | 0.2 | 0.0 | – | 0.8 |
| Employee benefits | 0.3 | -0.0 | 0.0 | – | 0.3 |
| Other temporary items | 0.1 | -0.1 | 0.0 | – | 0.1 |
| **Total** | 1.0 | **0.3** | **0.0** | – | **1.4** |
| | | | | | |
| **Deferred tax liabilities** | | | | | |
| Measurement of intangible and tangible assets at fair value in business combinations | 2.8 | -0.5 | 0.1 | – | 2.4 |
| Accumulated appropriations | 0.4 | 0.1 | – | – | 0.4 |
| Other temporary items | 0.2 | 0.0 | 0.0 | – | 0.2 |
| **Total** | 3.3 | **-0.4** | **0.1** | – | **3.0** |

*) Of which EUR 0.0 million is recognised in other comprehensive income.

### CHANGES IN DEFERRED TAXES DURING 2011

| *EUR million* | *31 Dec 2010* | *Change *)* | *Foreign exchange rate differences* | *Subsidiaries and businesses acquired/ disposed of* | *31 Dec 2011* |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Provisions | 0.0 | -0.0 | – | – | 0.0 |
| Tax losses carried forward | 1.3 | -0.6 | 0.0 | -0.1 | 0.6 |
| Employee benefits | 0.4 | -0.1 | 0.0 | – | 0.3 |
| Other temporary items | 0.2 | -0.0 | – | – | 0.1 |
| **Total** | 1.8 | -0.7 | 0.0 | -0.1 | 1.0 |
| | | | | | |
| **Deferred tax liabilities** | | | | | |
| Measurement of intangible and tangible assets at fair value in business combinations | 3.3 | -0.1 | – | -0.4 | 2.8 |
| Accumulated appropriations | 0.3 | -0.0 | – | – | 0.3 |
| Other temporary items | 0.2 | 0.0 | – | – | 0.2 |
| **Total** | 3.8 | -0.1 | – | -0.4 | 3.3 |

*) Of which EUR 0,0 million is recognised in other comprehensive income and of which EUR 0.0 million included in taxes of discontinued operations taxes.

## 19. Cash and cash equivalents

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Cash at hand and in bank accounts** | **3.5** | 2.6 |

The carrying amounts best correspond to the amount of money which is the maximum amount of credit risk without taking into account the fair value of guarantees in the event that counterparties are unable to fulfil their obligations associated with the financial instruments. There are no significant concentrations of credit risk associated with financial assets.

The fair value of financial assets does not differ significantly from the carrying amounts. The average maturity of short term investments is less than30 days. The cash and cash equivalents corresponds with the cash and cash equivalents presented in the consolidated statement of cash flows.

## 20. Equity

**Number of shares reconciliation**

| *EUR million* | *Number of shares, 1,000* | *Share capital* | *Invested non-restricted equity reserve* | *Treasury shares* | *Total* |
|---|---|---|---|---|---|
| **31 Dec 2011** | 43,615 | 18.6 | 2.4 | -2.8 | 18.2 |
| Return of equity | – | – | -2.6 | – | -2.6 |
| Conveyance of treasury shares | 46 | – | – | 0.2 | 0.2 |
| **31 Dec 2012** | **43,661** | **18.6** | **-0.2** | **-2.6** | **15.7** |

Talentum Oyj has one class of shares. In accordance with the articles of association the maximum number of shares permitted is 100 million shares (100 million shares in 2011). The par value of the shares is EUR 0.42 per share, and Talentum Oyj's maximum share capital is EUR 28 million (EUR 28 million in 2011). All shares issued are fully paid.

### EQUITY RESERVES

**Treasury shares:**

The treasury shares comprise the acquisition cost of the company's treasury shares controlled by the Group.

**Other reserves include the Translation reserve and Fair value reserve:**

The translation reserve comprises the translation differences arising from translation of the financial statements of foreign subsidiaries. Fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

**Invested non-restricted equity reserve:**

Invested non-restricted equity reserve includes the other proportion of share subscription prices and other similar items of equity nature not recognised in the share capital in accordance with share issue decisions. The reserve was established in 2008 when the share premium reserve was decreased according to the decision by the AGM and the corresponding amount was transferred into invested non-restricted equity reserve.

## 21. Employee benefit obligations

The defined benefit pension plans in the Group comprise of management's pension plan and employees' voluntary pension plans. The employees' voluntary pension plan was closed in 2000.

There is a collective ITP-pension plan in Sweden (Pressens Pensionkassa), in which several media companies participate, and of which adequate information is not available. Therefore it has been accounted for as a defined contribution plan. The effect of this is not assumed to be significant.

## DEFINED BENEFIT PLANS

### Liability for defined benefit obligations in the statement of financial position

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Present value of funded obligations | 0.6 | 0.4 |
| Fair value of plan assets | -0.3 | -0.3 |
| **Deficit / Surplus** | **0.3** | 0.1 |
| | | |
| Unrecognised actuarial gains (+) and losses (-) | -0.3 | -0.1 |
| **Net liability** | **0.1** | 0.1 |

### Amounts in the statement of financial position

| | | |
|---|---|---|
| Liability | **0.1** | 0.1 |
| Asset | – | – |

### Employee benefit expense recognised in the profit and loss

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Current service cost | 0.0 | 0.1 |
| Interest expense | 0.0 | 0.0 |
| Expected return on plan assets | -0.0 | -0.0 |
| Actuarial gains (+) and losses (-) | 0.0 | 0.0 |
| Settlement | 0.0 | -0.0 |
| **Total** | **0.0** | 0.1 |

### Actual return on plan assets
### Movements in the present value of the obligation

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Obligation in the beginning of the financial period | 0.4 | 1.0 |
| Current service cost | 0.0 | 0.1 |
| Interest expense | 0.0 | 0.0 |
| Actuarial gains (+) and losses (-) | 0.1 | 0.0 |
| Settlement | 0.0 | -0.7 |
| **Obligation in the end of the financial period** | **0.6** | 0.4 |

### Movements in the fair value of the plan assets

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Fair value of the plan assets in the beginning of the financial period | 0.3 | 0.7 |
| Expected return on plan assets | 0.0 | 0.0 |
| Actuarial gains (+) and losses (-) | -0.1 | 0.0 |
| Contributions into the plan paid by the employer | 0.0 | 0.1 |
| Settlement | 0.0 | -0.5 |
| **Fair value of the plan assets at the end of the financial period** | **0.3** | 0.3 |

The distribution of plan assets by assets is not possible to specify since the plan assets are a part of insurance company's investment assets.

### Principal actuarial assumptions on 31 December

| *%* | **2012** | *2011* |
|---|---|---|
| Discount rate | **2.7–2.8** | 4.5 |
| Expected return on plan assets | **2.7–2.8** | 4.5 |
| Future salary increases | **3.3** | 2.5–3.0 |
| Inflation | **2.0** | 2.0 |
| Mortality | **TyEL K2008** | – |
| Benefit increase | **0.0** | 1.0 |

The expected rate of return on plan assets is based on market expectations for returns over the entire life of the related obligation. The rate is estimated to equal to the discount rate applied by the insurance company plus the bonuses given. The Group expects EUR 0.0 million in contributions to be paid to its defined benefit plans in 2013.

### The amounts for the current and the previous financial periods are as follows

| *EUR million* | **2012** | *2011* | *2010* | *2009* | *2008* |
|---|---|---|---|---|---|
| Present value of the obligation | **0.6** | 0.4 | 1.0 | 19.3 | 19.9 |
| Fair value of plan assets | **-0.3** | -0.3 | -0.7 | -19.1 | -16.8 |
| Deficit | **0.3** | 0.1 | 0.3 | 0.2 | 3.0 |
| | | | | | |
| Experience adjustments on plan liabilities | **-0.1** | -0.0 | -0.0 | -0.5 | -1.1 |
| Experience adjustments on plan assets | **-0.1** | 0.0 | 0.0 | 0.8 | -2.2 |

## 22. Share-based payments

**Terms of the share-based incentive plan**

Talentum Oyj's Board of Directors decided on 18 March 2010 to establish a new share-based incentive scheme for corporate management. The scheme consists of three earnings periods, each comprising at least one and no more than three financial years, the first of which was 1 January–31 December 2010, the second was 1 January–31 December 2011 and the third was 1 January–31 December 2012. The bonuses are paid partly in the company's shares and partly in cash after the end of each earnings period. The proportion paid in cash will cover any taxes and other such costs arising from the bonus. Transferring shares earned within two years of the end of the earnings period is prohibited. The total length of the scheme is 5 years. After this, the company's CEO must retain one half of the shares earned by him under the scheme for the entire duration of his employment relationship and for one year after its termination. The possible scheme revenue is based on Talentum Group's net sales and operating profit and Talentum's share revenue. Six people (seven people in 2011) were covered by the scheme for the 2012 earnings period. If the scheme targets were fully achieved in the 2012 earnings period, a maximum of 224,500 shares and the amount of cash required for taxes and similar charges arising from the shares being issued would have been given under the scheme. If the scheme targets were fully achieved, a maximum of 484,500 shares in Talentum Oyj and the amount of cash required for taxes and similar charges arising from the shares being issued would have been given within the scheme over a period of 3 years.

| *Incentive plan* | **2012** | *2011* |
|---|---|---|
| Nature of the incentive plan | Shares | Shares |
| Vesting period | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
| Grant date | For the year 2012 | For the year 2011 |
| Amount of maximum granted instruments | 224,500 | 109,000 |
| Share price at the grant date | – | – |
| Binding period (years) | 2 years after the end of vesting period | 2 years after the end of vesting period |
| Vesting conditions | Three years employment. Net sales, operating profit and share price development during 2012. | Three years employment. Net sales, operating profit and share price development during 2011. |
| Settlement | No shares were granted for 2012 based on the result. | No shares were granted for 2011 based on the result. |

## 23. Provisions

| *EUR million* | *Restructuring provisions* | *Other provisions* | *Total* |
|---|---|---|---|
| **Carrying amount on 1 January 2012** | – | 0.2 | 0.2 |
| Foreign exchange rate differences | – | 0.0 | 0.0 |
| Increases | 0.9 | 0.0 | 1.0 |
| **Carrying amount on 31 December 2012** | 0.9 | 0.2 | **1.2** |

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Non-current provisions | **0.2** | 0.2 |
| Current provisions | **0.9** | – |

### OTHER PROVISIONS

Other provisions include an employee benefit and a related tax. The provision is expected to be realised by year 2018.

## 24. Advances received, trade and other payables

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Current** | | |
| Advances received *) | 13.6 | 16.8 |
| Trade payables | 3.3 | 3.6 |
| Accrued expenses and deferred income | 6.1 | 7.1 |
| Other payables | 2.4 | 2.4 |
| **Total** | **25.3** | 29.9 |

| | | |
|---|---|---|
| Significant items included in accrued expenses and deferred income: | | |
| Personnel expenses | 4.7 | 5.3 |
| Other | 1.3 | 1.8 |
| Total | **6.1** | 7.1 |

*) In 2012 advances received include EUR 4.8 million (EUR 8.3 million in 2011) Talentum's magazines group subscription advances. Advance payments from subscriptions are recognised as revenue so that they match with the number of magazine copies issued in the period.

Group's current liabilities are principally denominated in each Group company's functional currency, and thus there is no significant exposure to the transaction related currency risk.

## 25. Financial liabilities

| *EUR million* | **2012** | *2011* |
|---|---|---|
| **Non-current financial liabilities** | | |
| Interest bearing liabilities measured at amortised cost | 0.1 | 0.1 |
| Non-interest bearing liabilities related to business combinations and measured at fair value *) | 0.8 | 0.7 |
| **Total** | **0.9** | 0.9 |
| **Current financial liabilities** | | |
| Loans from financial institutions | 4.4 | 0.8 |
| Loans from joint ventures | 0.1 | 0.3 |
| Other current liabilities | – | 0.0 |
| **Total current financial liabilities measured at amortised cost** | **4.5** | 1.1 |
| Non-interest bearing liabilities related to business combinations and measured at fair value | 0.3 | 0.7 |
| **Total current financial liabilities** | **4.8** | 1.7 |

*) EUR 0.3 million (EUR 0.7 million in 2011) of non-current liabilities related to business combinations has been transferred into current liabilities in 2012.

Interest bearing liabilities are mainly tied to 3 month or shorter market interest rates and their carrying amounts are reasonably close to their fair values.

### INTEREST BEARING NON-CURRENT LIABILITIES DIVIDED BY CURRENCY:

| *EUR million* | **2012** | *2011* |
|---|---|---|
| EUR | 0.0 | 0.0 |
| SEK | 0.1 | 0.1 |

### INTEREST BEARING CURRENT LIABILITIES DIVIDED BY CURRENCY:

| *EUR million* | **2012** | *2011* |
|---|---|---|
| EUR | 4.1 | 1.1 |
| SEK | 0.4 | 0.0 |

The covenant of the loans is the equity ratio specified by the financial institutions, which differs in its method of calculation from the equity ratio used generally in that the advances received are not deducted from the statement of financial position total.

## 26. Contractual maturities of financial liabilities

### 2012

| *EUR million* | *2013* | *2014* | *2015* | *2016* | *2017* | *Later* |
|---|---|---|---|---|---|---|
| Trade payables | 3.0 | – | – | – | – | – |
| Liabilities to joint ventures | 0.1 | – | – | – | – | – |
| Loans from financial institutions | 4.4 | – | – | – | – | – |
| Other current liabilities | 0.6 | – | – | – | – | – |
| Other non-current liabilities | – | 0.3 | – | – | – | – |

### 2011

| *EUR million* | *2012* | *2013* | *2014* | *2015* | *2016* | *Later* |
|---|---|---|---|---|---|---|
| Trade payables | 3.6 | – | – | – | – | – |
| Liabilities to joint ventures | 0.3 | – | – | – | – | – |
| Loans from financial institutions | 0.8 | – | – | – | – | – |
| Other current liabilities | 0.7 | – | – | – | | |
| Other non-current liabilities | – | 0.4 | 0.4 | 0.0 | 0.0 | 0.1 |

The Group has available bank overdraft limits, that are valid until further notice, of EUR 12.0 million. EUR 4.4 million of the limits were in use at the end of the reporting period (In 31 December 2011 EUR 0.8 million were in use). During the spring 2012, the Group reassessed its financing needs. As a consequence of the assessment, the previous financing credit limits, EUR 22.0 million in total, were deemed unnecessary and discontinued.

## 27. Capital management

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Interest bearing liabilities | **4.6** | 1.2 |
| Cash and cash equivalents | **3.5** | 2.6 |
| **Net liabilities** | **1.1** | -1.5 |
| | | |
| **Total equity** | **20.0** | 21.9 |
| | | |
| **Gearing, %** | **5.5** | -6.7 |
| **Equity ratio, %** | **48.2** | 54.1 |

## 28. Related party transactions

Related parties of the Group are the Board of Directors of the parent company and the Group's Executive Management Team as well as the associated company Professio Oy, joint venture Oy Mediuutiset Ab and Alma Media Group which owns 32.14% of Talentum Oyj. Transactions with Alma Media Group are not material and are determined on an arm's length basis.

### THE GROUP PARENT COMPANY AND SUBSIDIARIES ARE AS FOLLOWS

| | *Domicile* | *Group holding, %* | *Parent company holding, %* |
|---|---|---|---|
| **Parent company** | | | |
| Talentum Oyj | Helsinki | | |
| | | | |
| **Subsidiaries** | | | |
| Talentum Media Oy | Helsinki | 100 | 100 |
| Talentum Sweden AB | Stockholm | 100 | 100 |
| Suoramarkkinointi Mega Oy | Helsinki | 100 | 100 |
| Talentum Business Information Group AB | Stockholm | 100 | 100 |
| Talentum Events Oy | Helsinki | 100 | 100 |
| Expose Oy | Helsinki | 100 | 100 |
| Michelsson Oy | Helsinki | 100 | 100 |

| **Subgroup companies** | *Domicile* | *Group holding, %* | *Parent company holding, %* |
|---|---|---|---|
| **Talentum Media Oy:** | | | |
| Oy Mediuutiset Ab | Helsinki | 50 | |
| Conseco Press | Moscow | 40 | (51% of votes) |
| | | | |
| **Talentum Sweden AB:** | | | |
| Talentum Media AB | Stockholm | 100 | |
| Talentum Sales AB | Stockholm | 100 | |
| Dagens Media Sverige AB | Stockholm | 100 | |
| Reportagebyrå AB | Stockholm | 100 | |
| | | | |
| **Suoramarkkinointi Mega Oy:** | | | |
| Müügimeistrite AS | Tallinn | 92 | |
| Telemarket SIA | Riga | 96 | |
| | | | |
| **Talentum Events Oy:** | | | |
| FYI Business Events Oy | Helsinki | 100 | |
| Events Sweden AB | Stockholm | 100 | |
| FYI Events Denmark ApS | Copenhagen | 100 | |

## RELATED PARTY TRANSACTIONS WITH THE KEY MANAGEMENT PERSONNEL

### Total key management personnel employee benefits

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Salaries and other short-term employee benefits | 1.3 | 1.1 |
| Termination benefits | – | 0.2 |
| Post-employment benefits | 0.1 | 0.2 |
| **Total** | **1.3** | 1.5 |

### Executive remuneration

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Aarne Aktan, CEO as of 1 December 2011 | 273 | 20 |
| Juha Blomster, CEO until 28 October 2011 | – | 338 |

### Members of the Board of Directors

| | | |
|---|---|---|
| Telanne Kai, Chairman | 48 | 44 |
| Strengell Merja, Deputy Chairman | 30 | 34 |
| Berner Joachim | 24 | 24 |
| Palomäki Atte | 24 | 24 |
| Österlund Henri (Board member since 1 April 2011) | 24 | 18 |
| Aktan Aarne (Board member between 1 April and 30 November 2011) | – | 16 |
| Kainulainen Harri (Board member until 1 April 2011) | – | 6 |
| Lehti Eero (Board member until 1 April 2011) | – | 6 |
| **Board Members remuneration total** | **150** | 172 |

The amounts above include salaries and other remuneration recognised on accrual basis. In August 2012 the members of the Board were paid 40% of the annual fee by transferring treasury shares held by the company. The number of treasury shares held by the company transferred to the members of the Board amounted to 46,151 shares.

Some of the members of the Group Executive Management have a guaranteed right to retire at the age of 60. On 31 December 2012, the number of Talentum Oyj shares owned by the members of the Board of Directors, CEO and Vice Executive President personally and through companies in which they have a controlling interest was 51,665 representing 0.1% of the company's total shares and votes.

Other Group Executive Management did not own Talentum Oyj's shares.

## RELATED PARTY TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

| *EUR million* | *Sales* | *Purchases* | *Receivables* | *Liabilities* |
|---|---|---|---|---|
| **2012** | | | | |
| Associates | 1.5 | 1.6 | 0.4 | 0.3 |
| Joint ventures | 0.3 | – | 0.0 | 0.1 |
| **Total** | **1.8** | **1.6** | **0.4** | **0.5** |

| *EUR million* | *Sales* | *Purchases* | *Receivables* | *Liabilities* |
|---|---|---|---|---|
| **2011** | | | | |
| Associates | 0.8 | 1.1 | 0.2 | 0.5 |
| Joint ventures | 0.3 | – | – | 0.3 |
| **Total** | 1.1 | 1.1 | 0.2 | 0.8 |

## 29. Joint Ventures

Group owns 50% of Mediuutiset which provides a printed magazine, a website and online newsletter designed for professionals and people of influence in the health care industry. The assets, liabilities, revenue and expenses of the joint venture are as follows:

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Current assets | **0.4** | 0.7 |
| Current liabilities | **0.2** | 0.2 |
| Revenue | **1.3** | 1.5 |
| Expenses | **1.3** | 1.7 |

## 30. Operating leases and contingent liabilities

**The Group as lessee**

The Group has leased the production and office premises it uses and cars used by company personnel. The most significant leasing agreements of premises ended in 2012 in Sweden and will end in 2013 in Finland. The Group has entered a new five-year leasing agreement in Sweden and a 10-year leasing agreement in Finland, which includes an option to terminate the agreement with penalty after five years. The minimum operating lease payments and the estimated termination penalty of the new leasing agreements are included in the minimum lease payments presented below.

Non-cancellable minimum operating lease payments are payable as follows:

| *EUR million* | **2012** | *2011* |
|---|---|---|
| Less than a year | 3.0 | 3.6 |
| Between one and five years | 9.2 | 9.2 |
| More than five years | 0.6 | 2.7 |
| **Total** | **12.8** | 15.6 |

In addition, the Group has given EUR 0.1 million guarantee on a loan in Sweden and EUR 0.0 million guarantee on a payment in Denmark.

## 31. Transactions after the end of the reporting period

There were no material transactions after the end of the reporting period.

# Financial statements of parent company, FAS

## INCOME STATEMENT OF PARENT COMPANY (FAS)

| 1,000 EUR | Note | 2012 | 2011 |
|---|---|---|---|
| **Net sales** | 2 | **5,347** | 5,181 |
| Other operating income | 3 | **30** | 1 |
| Personnel expenses | 4 | **2,709** | 2,643 |
| Depreciation and amortisation | 5 | **318** | 321 |
| Other operating expenses | | **5,503** | 5,436 |
| **Operating income** | | **-3,153** | -3,218 |
| Financial income and expenses | 6 | **-15,327** | -266 |
| **Income before extraordinary expenses** | | **-18,480** | -3,485 |
| Extraordinary items | 7 | **2,491** | 3,775 |
| **Profit/loss before appropriations and taxes** | | **-15,989** | 290 |
| Increase (-) / decrease (+) in depreciation difference | 8 | **–** | – |
| Direct taxes | 9 | **232** | -101 |
| **Profit/loss for the financial year** | | **-15,757** | 188 |

The loss for the financial year in 2012 includes an impairment of subsidiary Talentum Media Oy's shares, EUR 15.0 million.

## BALANCE SHEET OF PARENT COMPANY (FAS)

| 1,000 EUR | Note | 2012 | 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 10 | **689** | 622 |
| Tangible assets | 10 | **90** | 132 |
| Investments | 10 | **94,178** | 109,178 |
| **Total non-current assets** | | **94,957** | 109,933 |
| | | | |
| **Current assets** | | | |
| Non-current receivables | 11 | **891** | 660 |
| Current receivables | 12 | **6,021** | 5,649 |
| Cash at hand and in bank accounts | | **2,763** | 1,985 |
| **Total current assets** | | **9,675** | 8,294 |
| | | | |
| **TOTAL ASSETS** | | **104,632** | 118,226 |
| | | | |
| **LIABILITIES AND EQUITY** | | | |
| **Equity** | 13 | | |
| Share capital | | **18,594** | 18,594 |
| Other reserves | | | |
| Treasury shares | | **-2,642** | -2,834 |
| Invested non-restricted equity reserve | | **70,010** | 72,626 |
| Retained earnings | | **978** | 923 |
| Profit/loss for the year | | **-15,757** | 188 |
| **Total equity** | | **71,183** | 89,497 |
| | | | |
| **Accumulated appropriations** | 14 | **–** | – |
| | | | |
| **Liabilities** | | | |
| Non-current liabilities | 15 | **1,073** | 727 |
| Current liabilities | 16 | **32,376** | 28,002 |
| **Total liabilities** | | **33,449** | 28,729 |
| | | | |
| **TOTAL LIABILITIES AND EQUITY** | | **104,632** | 118,226 |

## CASH FLOW STATEMENT OF PARENT COMPANY (FAS)

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / loss before extraordinary items | **-18,480** | -3,485 |
| Adjustments: | | |
| Depreciation and amortisation | **318** | 321 |
| Financial income and expenses | **15,327** | 266 |
| Other adjustments *) | **507** | -13 |
| Cash flows before change in working capital | **-2,327** | -2,911 |
| Change in net working capital | **-861** | 3,651 |
| Cash flows before financing items and taxes | **-3,188** | 740 |
| Interests paid and payments on other operating financing expenses | **-256** | -596 |
| Interest received | **48** | 250 |
| Taxes paid | **–** | -75 |
| **Net cash from/in operating activities** | **-3,396** | 319 |
| | | |
| **Cash flows from investing activities** | | |
| Investments into intangible and tangible assets | **-343** | -544 |
| Acquisitions of subsidiaries | **-220** | – |
| Increase of outstanding loans | **–** | 5,962 |
| Disposal of intangible and tangible assets | **–** | 1 |
| **Net cash from / in investing activities** | **-563** | 5,419 |
| | | |
| **Cash flow from financing activities** | | |
| Change in current loans | **3,583** | -5,469 |
| Change in non-current loans | **–** | – |
| Equity returned | **-2,617** | -872 |
| Group contributions received | **3,775** | 2,620 |
| **Net cash from / in financing activities** | **4,741** | -3,721 |
| | | |
| **Change in cash** | **782** | 2,017 |
| | | |
| **Cash at hand and in bank, 1 January** | **1,985** | 0 |
| **Foreign exchange differences** | **-10** | -32 |
| **Cash at hand and held in bank, 31 December** | **2,757** | 1,985 |

*) Other adjustments comprise mainly from change in obligatory provisions, EUR 459 thousand.

# Notes to the parent company's financial statements

## 1. Accounting principles for the financial statements

Talentum Oyj's financial statements have been prepared in accordance with accounting principles based on Finnish accounting legislation.

### Fixed assets

Tangible and intangible assets have been recognised in the balance sheet at the original acquisition cost less depreciation according to plan. Depreciation according to plan has been calculated on a straight-line basis based on asset's useful life. The useful lives are:

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

The charges for assets rented through lease agreements are recognised as leasing expenses and the assets are not presented in the balance sheet.

Investments and receivables that have an estimated useful life of over a year are presented under investments.

Any impairment items in fixed assets are examined at the balance sheet date and impairment is recognised as soon as there is indication for impairment.

### Financial assets

Deposits held for more than three months and other securities with an estimated holding time of less than one year are presented under financial securities. Cash at bank and in hand includes cash, bank accounts, deposits with a maturity of less than three months and other items considered as cash equivalents.

Shares, holdings and financial instruments included in financial securities are measured at the lower of acquisition cost or market price.

### Items denominated in foreign currency

Items denominated in foreign currency are presented in euro at the rate quoted by the European Central Bank at the balance sheet date. Differences in exchange rates arising during the financial year have been included in financial income and expenses.

### Pension arrangements

Statutory pension liabilities are covered by a pension insurance company.

### Extraordinary items

Group contributions have been recognised as extraordinary items.

### Taxes for the financial period

Taxes for the financial period and adjustments to taxes from earlier financial periods have been recognised as income taxes in the income statement.

The probable tax effects arising from periodisation differences in bookkeeping and taxation have been presented as deferred tax assets and liabilities. The company recognises deferred tax assets from tax losses carried forward.

## 2. Net sales

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Internal invoicing | 5,347 | 5,180 |
| **Total** | **5,347** | 5,180 |

## 3. Other operating income

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Gain on sale of fixed assets | – | 1 |
| **Total** | **–** | 1 |

## 4. Personnel expenses

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Salaries and fees: | | |
| CEOs | 273 | 358 |
| Board of Directors | 150 | 172 |
| Other | 1,811 | 1,575 |
| Pension expenses | 397 | 417 |
| Other social security expenses | 79 | 121 |
| **Total** | **2,710** | 2,643 |

Salaries, fees and fringe benefits of CEO and member of the Board of Directors are presented in the note 28 of the consolidated financial statements.

| | | |
|---|---|---|
| Average amount of personnel in the reporting period | **25** | 24 |

## 5. Depreciation and amortisation

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Intangible assets | 250 | 219 |
| Tangible assets | 68 | 102 |
| **Total** | **318** | 321 |

## 6. Financial income and expenses

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| **Financial income:** | | |
| Interest and financial income from Group companies | 18 | 225 |
| Exchange rate gains | 2 | 835 |
| Other interest and financial income | 28 | 25 |
| **Total** | **48** | 1 085 |
| | | |
| **Financial expenses:** | | |
| Interest and financial expenses to Group companies | 196 | 145 |
| Exchange rate losses | 14 | 806 |
| Other financial expenses | 15,000 | 87 |
| Other interest expenses | 165 | 313 |
| **Total** | **15,375** | 1,351 |
| **Total financial income and expenses** | **-15,327** | -266 |

## 7. Extraordinary expenses

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Group contributions received | 2,770 | 3,775 |
| Other | – | – |
| **Total** | **2,770** | 3,775 |

## 8. Appropriations

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Change in depreciation difference: | | |
| Intangible assets | – | – |
| Tangible assets | – | – |
| **Total** | **–** | – |

## 9. Income tax

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| From ordinary business activities | – | -15 |
| Change in deferred tax | -218 | 116 |
| **Total** | **-218** | 101 |

## 10. Intangible and tangible assets and investments

### INTANGIBLE ASSETS

| *1,000 EUR* | *Intangible rights* | *Renovation of premises* | *Advance payments* | *Total* |
|---|---|---|---|---|
| Acquisition cost on 1 January | 3,501 | 783 | 325 | 4,609 |
| Transfers between items | 325 | | -325 | 0 |
| Increase | 278 | – | 38 | 316 |
| Acquisition cost on 31 December | 4,104 | 783 | 38 | 4,925 |
| | | | | |
| Accumulated amortisation on 1 January | -3,352 | -635 | | -3,987 |
| Amortisation for the period | -145 | -105 | | -250 |
| Accumulated amortisation on 31 December | -3,497 | -740 | | -4,237 |
| | | | | |
| **Carrying amount on 31 December 2012** | **607** | **43** | **38** | **688** |
| Carrying amount on 31 December 2011 | 149 | 148 | 325 | 622 |

### TANGIBLE ASSETS

| *1,000 EUR* | *Investments in subsidiaries* | *Other* | *Total* |
|---|---|---|---|
| Acquisition cost on 1 January | 1,102 | 32 | 1,134 |
| Increase | 26 | – | 26 |
| Acquisition cost on 31 December | 1,128 | 32 | 1,160 |
| | | | |
| Accumulated depreciation on 1 January | -1,002 | – | -1002 |
| Depreciation for the period | -68 | – | -68 |
| Accumulated depreciation on 31 December | -1,070 | – | -1,070 |
| | | | |
| **Carrying amount on 31 December 2012** | **58** | **32** | **90** |
| Carrying amount on 31 December 2011 | 100 | 32 | 132 |

### INVESTMENTS

| 1,000 EUR | Investments in subsidiaries | Other | Total |
|---|---|---|---|
| Acquisition cost on 1 January | 130,055 | 28 | 130,083 |
| Acquisition cost on 31 December | 130,055 | 28 | 130,083 |
| Accumulated impairments on 1 January | -20,905 | – | -20,905 |
| Impairments | -15,000 | – | -15,000 |
| Accumulated impairments on 31 December | -35,905 | – | -35,905 |
| **Carrying amount on 31 December 2012** | **94,150** | **28** | **94,178** |
| Carrying amount on 31 December 2011 | 109,150 | 28 | 109,178 |

Investments in subsidiaries are presented in the consolidated financial statements' Note 28 Related party transactions.

## 11. Non-current receivables

| 1,000 EUR | 2012 | 2011 |
|---|---|---|
| Other receivables | 360 | 360 |
| Deferred tax asset | 531 | 300 |
| **Total** | **891** | 660 |

## 12. Current receivables

| 1,000 EUR | 2012 | 2011 |
|---|---|---|
| Trade receivables | 43 | – |
| Receivables from Group companies | 5,700 | 4,645 |
| Prepaid expenses and accrued income | 241 | 283 |
| Other receivables | 37 | 721 |
| **Total** | **6,021** | 5,649 |

**Receivables from Group companies:**

| | | |
|---|---|---|
| Trade receivables | 155 | 1 |
| Loan receivables | 2,771 | 851 |
| Prepaid expenses and accrued income | 2,774 | 3,793 |
| **Total** | **5,700** | 4,645 |

**Significant items included in prepaid expenses and accrued income:**

| | | |
|---|---|---|
| Group contribution receivables | 2,770 | 3,775 |
| Other receivables | 245 | 301 |
| **Total** | **3,015** | 4,076 |

## 13. Equity

| 1,000 EUR | 2012 | 2011 |
|---|---|---|
| Share capital on 1 January | 18,594 | 18,594 |
| **Share capital on 31 December** | **18,594** | 18,594 |
| **Other reserves** | | |
| Treasury shares on 1 January | -2,834 | -2,834 |
| Conveyance of treasury shares | 192 | – |
| **Treasury shares on 31 December** | **-2,642** | -2,834 |
| Invested non-restricted equity reserve on 1 January | 72,627 | 86,977 |
| Covering of the retained loss according to AGM decision | 0 | -13,478 |
| Return of equity | -2,617 | -872 |
| **Invested non-restricted equity reserve 31 December** | **70,010** | 72,626 |
| **Total other reserves on 31 December** | **67,368** | 69,792 |
| Retained earnings on 1 January | 1,111 | -12,555 |
| Covering of the retained loss according to AGM decision | -132 | 13,478 |
| Profit/loss for the financial year | -15,757 | 188 |
| **Retained earnings on 31 December** | **-14,778** | 1,111 |
| **Total equity on 31 December** | **71,184** | 89,497 |
| **Distributable earnings** | | |
| Treasury shares | -2,642 | -2,834 |
| Invested non-restricted equity fund | 70,010 | 72,626 |
| Retained earnings | -14,778 | 1,111 |
| **Total** | **52,589** | 70,902 |

**Share capital by type of share at the end of the financial year:**

| | shares | *shares* |
|---|---|---|
| Series: TTMV1 | 44,295,787 | 44,295,787 |
| Treasury shares held by the company | 634,849 | 681,000 |

## 14. Appropriations

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Accumulated depreciation difference by asset category: | | |
| Intangible assets | – | – |
| Tangible assets | – | – |
| **Total** | **–** | – |

## 15. Non-current liabilities

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Other non-current liabilities | **1,073** | 727 |

## 16. Current liabilities

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Loans from financial institutions | 4,352 | 770 |
| Trade payables | 248 | 447 |
| Liabilities to Group companies | 26,856 | 25,693 |
| Other current liabilities | 422 | 763 |
| Accrued expenses and deferred income | 498 | 329 |
| **Total** | **32,376** | 28,002 |

**Liabilities to Group companies:**

| | | |
|---|---|---|
| Loan liabilities | 26,849 | 25,661 |
| Trade payables | 7 | 8 |
| Accrued expenses and deferred income | – | 23 |
| **Total** | **26,856** | 25,693 |

**Significant items included in accrued expenses and deferred income:**

| | | |
|---|---|---|
| Holiday pay obligation liability | 334 | 270 |
| Pension and social security contribution debts | 55 | 46 |
| Other | 109 | 13 |
| **Total** | **498** | 329 |

## 17. Future leasing payments

| *1,000 EUR* | **2012** | *2011* |
|---|---|---|
| Leasing commitments | | |
| To be paid within one year | **1,910** | 2,229 |
| To be paid after one year | **7,364** | 8,715 |

# Proposal of the Board of Directors for distribution of profits and signatures of the financial statements

The distributable earnings in the parent company's balance sheet amount to EUR 52,589,248.99 of which the loss for the financial year is EUR -15,757,098.14. No essential changes have taken place in the financial position of the company since the balance sheet date and, as required under the Finnish Companies Act (13/2) the proposed return of equity will not endanger the solvency of the company.

| | |
|---|---|
| Invested non-restricted equity reserve (consists of capital investments only) | 70,009,802.36 |
| Treasury shares | -2,642,432.30 |
| Retained earnings | 978,977.07 |
| Loss for the period | -15,757,098.14 |
| **Total distributable earnings** | **52,589,248.99** |

An impairment of Talentum Media Oy's shares of EUR 15.0 million had a negative effect on the income and retained earnings of the parent company. The book value of the shares, after entry, is EUR 65.0 million.

The Board of Directors proposes that the loss for the period EUR 15,757,098.14 will be covered by the invested non-restricted equity reserve.

The Board of Directors proposes that no dividend should be distributed for 2012, and that funds be distributed from the invested non-restricted equity reserve in the amount of EUR 1,309,828.14.

Helsinki, 12 February 2013

**Kai Telanne**

**Merja Strengell**

**Joachim Berner**

**Atte Palomäki**

**Henri Österlund**

**Aarne Aktan**
*CEO*

# Auditor's Report (Translation from the Finnish Original)

**To the Annual General Meeting of Talentum Oyj**

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Talentum Oyj for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

**Responsibility of the Board of Directors and the Managing Director**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the Consolidated Financial Statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

**Opinion on the Company's Financial Statements and the Report of the Board of Directors**

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

**Other Opinions**

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 28 February 2013

**PricewaterhouseCoopers Oy**
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant

# Share and shareholders

## Talentum shares

**Share price and trading**

Talentum shares have been listed on the OTC stock market (hereinafter I-listing) since 1988, and they moved to the main listing on 1 December 1998 and the OMX Nordic Exchange Helsinki listing on 2 October 2006, when the Helsinki and Stockholm stock exchanges merged. Talentum Oyj is listed on the NASDAQ OMX Helsinki Ltd. The code for Talentum shares is TTM1V. The company's shares are not listed on any other stock exchange. Talentum Oyj's issued stock amounts to 44,295,787 shares. All shares are of the same series, and each share entitles the holder to one vote at GMs and the same dividend rights. Talentum Oyj's Articles of Association, however, contain a clause restricting voting rights. In 2012, the turnover for Talentum shares totalled 2,324,863 which represents 5.2% of all shares. On 31 December 2012, Talentum Oyj held 634,849 treasury shares, accounting for 1.4% of all shares and votes. The company's treasury shares have no voting right, and they do not entitle to dividend.

## Voting at the General Meeting

Under the Articles of Association of Talentum Oyj, a shareholder may exercise total votes representing a maximum of 1/6 of the total number of votes at the GM. If subsidiaries or companies belonging to the same Group and/or the pension foundation or pension fund of such companies jointly own company shares in excess of 1/6 of the total number of votes, the number of votes that can be exercised at an GM based on these shares may not exceed 1/6 of the total number of votes.

## Dividend policy

Talentum Oyj follows an active dividend policy. No dividend was paid out in 2011. However, EUR 0.02 per share was distributed from the invested non-restricted equity fund. The Board of Directors proposes to the GM that no dividend should be distributed for 2012, and that no funds be distributed from the invested non-restricted equity reserve. The factors affecting dividends are the amount of distributable unrestricted equity, the annual absolute and relative net income, the company's operating cash flow, short-term investment needs, as well as future prospects.

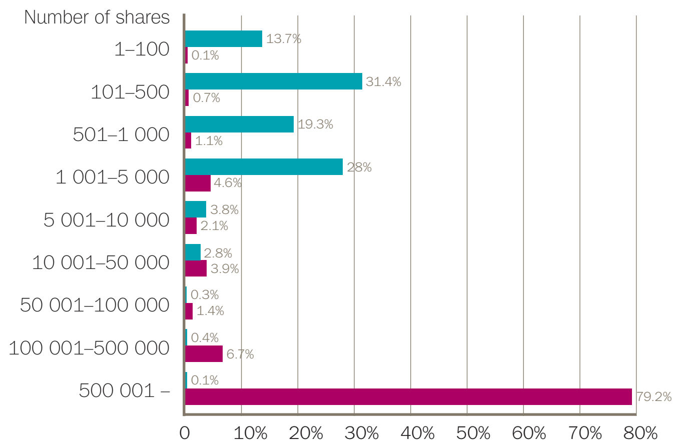
## Investor relations

The goal of Talentum's investor relations is to ensure that the market has the right information regarding Talentum Group's business and future prospects. Talentum serves investors and analysts, for example, by holding meetings with management and publishing results in connection with press conferences. Bulletins issued to the markets can be viewed on the company's website at **www.talentum.fi**. Talentum aims for transparency in all its communication.

**OWNERSHIP STRUCTURE ON DECEMBER 31, 2012**

- Non-financial corporations and housing corporations 46.3%
- Financial and insurance corporations 14.3%
- General Government 10.7%
- Households 11.5%
- Non-profit institutions serving households 6.0%
- Foreign and nominee registered 11.2%

**DISTRIBUTION BY NUMBER OF SHARES DECEMBER 31, 2012**




Owners Shares

## MAJOR SHAREHOLDERS, DECEMBER 31, 2012

| | | Osakkeita | % |
|---|---|---|---|
| 1. | Alma Media companies | 14,236,295 | 32.14 |
| | Kauppalehti Oy | 13,200,000 | 29.80 |
| | Alma Media Oyj | 1,036,295 | 2.34 |
| 2. | Ilmarinen Mutual Pension Insurance Company | 4,308,383 | 9.73 |
| 3. | Nordea Bank Finland Plc (nom. reg) | 4,269,177 | 9.64 |
| 4. | Oy Herttaässä Ab | 4,116,028 | 9.29 |
| 5. | OP-Finland Small Firms Fund | 2,807,428 | 6.34 |
| 6. | Tekniikan Akateemiset ry | 1,598,138 | 3.61 |
| 7. | Sijoitusrahasto Alfred Berg Finland | 1,108,149 | 2.50 |
| 8. | Evli-rahastot | 750,000 | 1.69 |
| | Mutual Fund Evli Select | 750,000 | 1.69 |
| 9. | Sijoitusrahasto Alfred Berg Small Cap Finland | 644,276 | 1.45 |
| 10. | Talentum Oyj | 634,849 | 1.43 |
| 11. | Svenska Handelsbanken AB (publ), Branch Operation in Finland | 625,300 | 1.41 |
| 12. | SEB Gyllenberg Small Firm Fund | 489,400 | 1.10 |
| 13. | Savings Bank Finland Fund | 363,000 | 0.82 |
| 14. | Suomen tukkukauppiaiden liitto | 339,396 | 0.77 |
| 15. | Korkeamäki Vilho | 302,106 | 0.68 |
| 16. | Etelä-Pohjanmaan Turve Oy | 267,000 | 0.60 |
| 17. | Sijoitusrahasto Alfred Berg Optimal | 246,210 | 0.56 |
| 18. | Tekniska Föreningen i Finland Stifte | 201,974 | 0.46 |
| 19. | Nordea rahastot | 200,000 | 0.45 |
| | Nordea Life Assurance Finland Ltd. | 200,000 | 0.45 |
| 20. | Landskapet Ålands Pensionsfond | 164,458 | 0.37 |
| 21. | Smartum Oy | 150,000 | 0.34 |
| 22. | Saarela Mikko Aarne Juhani | 148,325 | 0.33 |
| 23. | Kangasalan kunta | 117,500 | 0.27 |
| 24. | Tallberg Carl Johanw | 99,000 | 0.22 |
| 25. | Saloranta Hannu Tapio | 82,000 | 0.19 |
| 26. | Ammatinharjoittajien ja Yrittäjien Työttömyyskassa AYT ry | 80,000 | 0.18 |
| 27. | Repo Ville Eljas | 77,468 | 0.17 |
| 28. | Jenny and Antti Wihuri's Foundation | 76,800 | 0.17 |
| 29. | Fortum PLC Pension Foundation | 75,000 | 0.17 |
| 30. | Investment Fund Säästöpankki Small Cap | 74,300 | 0.17 |
| | **30 largest owners total** | **38,651,960** | **87.26** |
| | Nominee registrations | 4,942,319 | 11.16 |
| | **NUMBER OF SHARES, TOTAL** | **44,295,787** | **100.00** |

## OWNERSHIP STRUCTURE ON DECEMBER 31, 2012

| | Shares | % |
|---|---|---|
| Non-financial corporations and housing corporations | 20,467,789 | 46.3 |
| Financial and insurance corporations | 6,339,646 | 14.3 |
| General Government | 4,745,941 | 10.7 |
| Households | 5,083,873 | 11.5 |
| Non-profit institutions serving households | 2,640,448 | 6.0 |
| Foreign and nominee registered | 4,950,386 | 11.2 |
| **TOTAL** | **44,228,083** | **100.00** |

## DISTRIBUTION BY NUMBER OF SHARES ON DECEMBER 31, 2012

| Number of shares | Owners | % of owners | Shares | % |
|---|---|---|---|---|
| 1–100 | 430 | 13.7 | 28,234 | 0.1 |
| 101–500 | 989 | 31.4 | 303,359 | 0.7 |
| 501–1,000 | 608 | 19.3 | 499,608 | 1.1 |
| 1,001–5,000 | 882 | 28.0 | 2,021,808 | 4.6 |
| 5,001–10,000 | 120 | 3.8 | 916,103 | 2.1 |
| 10,001–50,000 | 87 | 2.8 | 1,745,011 | 3.9 |
| 50,001–100,000 | 8 | 0.3 | 626,568 | 1.4 |
| 100,001–500,000 | 12 | 0.4 | 2,989,369 | 6.7 |
| 500,001– | 12 | 0.4 | 35,098,023 | 79.2 |
| **On common ccounts** | **0** | **0.0** | **67,704** | **0.2** |
| **TOTAL** | **3 148** | **100.0** | **44,295,787** | **100.0** |

# Financial key figures

| | | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| **Group, continuing and discontinued operations** | | | | | | |
| Net sales | EUR million | **77.2** | 88.3 | 81.0 | 66.8 | 98.9 |
| Operating income *) | EUR million | **-0.5** | 7.2 | 0.3 | -5.2 | 8.8 |
| as % of net sales *) | % | **-0.7** | 8.2 | 0.3 | -7.8 | 8.9 |
| Income for the period (for owners of the parent company) | EUR million | **-0.5** | 5.5 | 0.2 | -4.2 | 5.2 |
| Return on equity (ROE) | % | **-2.3** | 27.7 | 1.0 | -22.4 | 19.3 |
| Return on investment (ROI) | % | **-7.1** | 17.2 | 5.2 | -19.4 | 23.7 |
| Financial items *) | EUR million | **-0.6** | -0.8 | -0.1 | -0.4 | -0.7 |
| Statement of financial position total | EUR million | **55.0** | 57.3 | 64.7 | 58.8 | 49.7 |
| Total equity | EUR million | **20.0** | 21.9 | 17.5 | 14.9 | 22.3 |
| Investments | EUR million | **1.6** | 1.4 | 3.9 | 8.8 | 2.5 |
| as % of net sales | % | **2.1** | 1.6 | 5.3 | 13.2 | 2.5 |
| Equity ratio | % | **48.2** | 54.1 | 34.4 | 31.4 | 54.8 |
| Gearing | % | **5.5** | -6.7 | 70.9 | 81.7 | -15.4 |
| Net interest-bearing liabilities | EUR million | **1.1** | -1.5 | 12.4 | 12.2 | -3.4 |
| Personnel on average | | **754** | 804 | 787 | 755 | 864 |
| Net sales per person | 1,000 € | **102** | 110 | 103 | 89 | 114 |
| **Continuing operations** | | | | | | |
| Net sales | EUR million | **77.2** | 83.5 | 74.1 | 66.8 | 93.4 |
| Operating income | EUR million | **-0.5** | -0.4 | 0.1 | -5.2 | 11.5 |
| as % of net sales | % | **-0.7** | -0.5 | 0.2 | -7.8 | 12.3 |
| Investments | EUR million | **1.6** | 1.4 | 3.9 | 8.8 | 2.4 |
| as % of net sales | % | **2.1** | 1.6 | 4.8 | 13.2 | 2.5 |
| Personnel on average | | **754** | 754 | 707 | 755 | 818 |
| Net sales per person | 1,000 EUR | **102** | 111 | 105 | 89 | 114 |

*) Prior years' figures are adjusted by Group's share of income from an associated company.

# Share key figures

| | | **2012** | *2011* | *2010* | *2009* | *2008* |
|---|---|---|---|---|---|---|
| Earnings per share, continuing operations | € | **-0.01** | -0.04 | 0.00 | -0.10 | 0.12 |
| Dividend per share | € | **0.03*)** | 0.06 | 0.02 | 0.00 | 0.10 |
| Operating cash flows per share | € | **0.02** | 0.11 | 0.05 | -0.13 | 0.24 |
| Equity per share | € | **0.46** | 0.50 | 0.40 | 0.34 | 0.51 |
| Dividend per earnings | % | **–** | – | – | – | 83.5 |
| Effective dividend yield | % | **–** | – | – | – | 5.3 |
| P/E ratio | | **-100.8** | -36.2 | 548.8 | -18.5 | 15.6 |
| Market capitalisation | EUR million | **52.3** | 65.1 | 87.7 | 78.8 | 82.4 |
| Enterprise Value | EUR million | **59.6** | 63.6 | 98.8 | 89.9 | 78.1 |
| Traded price 31 December | € | **1.18** | 1.47 | 1.98 | 1.78 | 1.87 |
| Traded price high | € | **1.71** | 2.16 | 2.26 | 2.39 | 3.16 |
| Traded price low | € | **1.11** | 1.36 | 1.64 | 1.44 | 1.63 |
| Average price per year, share issue adjusted | € | **1.33** | 1.89 | 1.91 | 1.78 | 2.65 |
| Total share turnover | pcs | **2,324,863** | 5,940,303 | 6,572,178 | 7,389,719 | 11,572,194 |
| Total share turnover as percentage of shares | % | **5.2** | 13.4 | 15.1 | 16.7 | 26.1 |
| Number of shares, share issue adjusted: | | | | | | |
| weighted average during the year | pcs | **43,631,936** | 43,614,787 | 43,614,787 | 43,614,787 | 43,775,710 |
| at year end | pcs | **43,660,938** | 43,614,787 | 43,614,787 | 43,614,787 | 44,295,787 |
| Treasury shares | pcs | **634,849** | 681,000 | 681,000 | 681,000 | 681,000 |

*) Board proposal return of equity in the amount of 0.03 EUR per share.

# Calculation of key figures

**RETURN ON EQUITY (ROE), %** $= \dfrac{\text{Income for the period}}{\text{Total equity (annual average)}} \times 100$

**RETURN ON INVESTMENT (ROI), %** $= \dfrac{\text{Income before taxes + interest and other financial expenses}}{\text{Total assets - non-interest bearing debts (annual average)}}$

**EQUITY RATIO, %** $= \dfrac{\text{Total equity}}{\text{Total assets - advances received}} \times 100$

**GEARING, %** $= \dfrac{\text{Interest-bearing debts - cash and cash equivalents}}{\text{Total equity}} \times 100$

**EARNINGS PER SHARE (EPS)** $= \dfrac{\text{Income for the period +/- non-controlling interest}}{\text{Adjusted average number of shares}}$

**DIVIDEND PER SHARE** $= \dfrac{\text{Dividend for the period}}{\text{Adjusted number of shares, 31 December}}$

**EQUITY PER SHARE** $= \dfrac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares, 31 December}}$

**DIVIDEND PER EARNINGS, %** $= \dfrac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

**EFFECTIVE DIVIDEND YIELD, %** $= \dfrac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$

**PRICE PER EARNINGS, P/E** $= \dfrac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$

**MARKET CAPITALIZATION** = Number of shares at 31 December × trading price at the end of the period

**ENTERPRISE VALUE** = Market capitalization + interest-bearing debts - cash

# Information for shareholders

Talentum Oyj is listed on the NASDAQ OMX Helsinki Ltd. The trading code for the shares is TTM1V, and the ISIN code is FI0009900898. The company has concluded a market-making agreement with Nordea Securities Oyj that meets the requirements of Liquidity Providing (LP) on the NASDAQ OMX Helsinki stock exchange.

Number of shares on 31 December 2012: 44,295,787
Sector: Nordic Consumer Services Industry

The share register is maintained by Euroclear Finland Oy. All public information about the company's shares and insider register is available at Euroclear Finland Oy. A list of Talentum Oyj's biggest shareholders can be found on page 61 of this Annual Report.

## Proposal on the payment of dividends

The Board of Directors proposes to the Annual General Meeting that no dividend should be distributed for 2012, and that no funds be distributed from the invested non-restricted equity reserve.

Talentum Oyj's AGM will be held on Friday 22 March 2013 at 2 pm at the Hotel Marski, Mannerheimintie 10, Helsinki, Finland. The reception of participants will commence at 1 pm.

## Instructions for participants

### Attendance and registration

The right to participate in the General Meeting can be exercised by a shareholder who, as of March 12, 2013 (record date of the AGM) is registered as a shareholder in the shareholder register maintained by Euroclear Finland Oy. A shareholder whose shares are registered on his/her personal Finnish book-entry account is registered in the company's shareholder register.

Shareholders who wish to attend the AGM must notify the company of their attendance no later than on March 19, 2013 at 4:00 pm. Notice of attendance can be given as follows:

a) By email at yhtiokokous@talentum.fi
b) By phone at +358 40 342 4227; or
c) By letter to Talentum Oyj, Share Register, P.O. Box 920, FI-00101 Helsinki, Finland.

The notification must be received before the registration deadline. The notification shall include the shareholder's name, social security number, address and telephone number, as well as the names of any assistants or proxy representatives and the proxy representative's social security number. Any personal information provided to Talentum Oyj by its shareholders will only be used in connection with the AGM and for the processing of the related registrations.

Pursuant to Chapter 5, Section 25 of the Companies act, all shareholders present at the AGM have the right to request information on matters to be discussed in the meeting.

### Proxy representative and power of attorney

Shareholders may participate in the AGM and exercise their voting right by way of proxy representation. A proxy representative of a shareholder must produce a dated proxy document or demonstrate his/her right to represent the shareholder in another credible way. If a shareholder participates in the AGM through several proxy representatives, representing the shareholder with shares in different securities accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with registration. Any proxy documents should be delivered in their original form to Talentum Oyj, Share Register, P.O. Box 920, FI-00101 Helsinki, Finland before the registration deadline.

### Nominee-registered shareholders

Nominee-registered shareholders may temporarily be entered in the shareholder register for participation in the AGM if the shareholder is entitled to be entered in the shareholder register based on the shares on the record date of the AGM. Temporary registration in the shareholder register is also considered registration for the AGM. Nominee-registered shareholders are advised to request in advance from the custodian bank the necessary instructions regarding temporary registration in the shareholder register, issuing of proxy documents and registration for the AGM. The account manager of the custodian bank must register a nominee-registered shareholder who wishes to participate in the AGM in the company's shareholder register as described above and no later than on March 19, 2013 at 10:00 am.

### Voting at the Annual General Meeting

Under the Articles of Association of Talentum Oyj, a shareholder may exercise total votes representing a maximum of 1/6 of the total number of votes at the AGM. If subsidiaries or companies belonging to the same Group and/or the pension foundation or pension fund of such companies jointly own company shares in excess of 1/6 of the total number of votes, the number of votes that can be exercised at an AGM based on these shares may not exceed 1/6 of the total number of votes.

Change of address Talentum Oyj's share and shareholder register is managed by Euroclear Finland Oy. Notifications of changes to holdings, personal details and address information are to be reported to the shareholder's account manager.

## Financial statements for 2013

Talentum Oyj will publish its financial statements for 2013 as follows:
Financial results for 2012 on February 13, 2013
Interim report for Q1/2013 on April 25, 2013
Interim report for Q2/2013 on July 17, 2013
Interim report for Q3/2013 on October 22, 2013

The interim reports will be published in Finnish and English, and they will be available on the company's website at **www.talentum.fi** and **www.talentum.com**.

Talentum observes a three-week silent period before publishing interim reports and the annual results.

# Annual summary

Talentum Oyj has published an annual summary of stock exchange releases published in 2012. The releases are available at **www.talentum.com**

JANUARY

30.1. 10:15 – Talentum initiates negotiations to reduce personnel

18.1. 09:00 – Talentum's new Group Executive Management

FEBRUARY

28.2. 13:15 – Notice of Annual General Meeting

15.2. 13:45 – Talentum Board of Directors' proposals to the Annual General Meeting

15.2. 08:30 – Talentum's Financial Statement Release 2011

08.2. 15:29 – Talentum's financial result for 2011 to be published on February 15, 2012

MARCH

30.3. 16:50 – Talentum's Annual General Meeting

21.3. 11:00 – Talentum's negotiations with employee representatives concluded

09.3. 10:00 – Talentum's Annual Report 2011 published

APRIL

27.4. 09:03 – Talentum Oyj Interim Report

17.4. 14:00 – Talentum changes the segment division used in its financial reporting

JULY

20.7. 12:01 – Talentum Board of Directors' annual remuneration paid in shares

20.7. 09:04 – Talentum Oyj Interim Report

AUGUST

31.8. 15:38 – Change in Talentum Oyj's Group executive management team

OCTOBER

24.10. 13:12 – Financial Reporting in 2013

24.10. 09:03 – Talentum Oyj Interim Report

12.10. 13:20 – Talentum Oyj lowers estimates for 2012

Some of the information included in the releases might be out of date. In addition, Talentum Oyj has published an annual report for 2011 on March 9, 2012.

# Contact information

## FINLAND

**Customer service**
Telephone:+358 020 442 4100
**Book orders**
kirjatilaus@talentum.fi

### CONTACT DETAILS IN FINLAND JANUARY 1, 2013–MAY 17, 2013

**Talentum Oyj, Talentum Media Oy, Talentum Shop, Talentum Events Oy, Oy Mediuutiset Ab**
Visiting address: Annankatu 34–36 B, Helsinki
P.O. Box: 920, 00101 Helsinki

**Talentum Oyj**
Telephone: +358 020 442 40
*firstname.lastname@talentum.fi*
*www.talentum.fi*

**Talentum Media Oy**
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*firstname.lastname@talentum.fi*
*www.talentum.fi*

**Talentum Events Oy**
Telephone: +358 20 442 4500
*firstname.lastname@talentumevents.fi*
*www.talentumevents.fi*

**Oy Mediuutiset Ab**
Telephone: +358 20 442 4680
Fax: +358 20 442 4699
*firstname.lastname@mediuutiset.fi*
*www.mediuutiset.fi*

**Talentum Shop**
Annankatu 34–36, ground floor
00100 Helsinki
Telephone: +358 20 442 4701
Open Monday-Friday 9.00 am–5.00 pm

Talentum Shop on Annankatu 34–36 is open until April 19, 2013.
Webshop 24/7:
*www.talentumshop.fi*

**Suoramarkkinointi Mega Oy**
Urho Kekkosen katu 2 C,
00100 Helsinki
Telephone: 020 442 4600
Fax: +358 20 442 4652
*firstname.lastname@smmega.Fi*
*www.smmega.fi*

### CONTACT DETAILS IN FINLAND AS OF MAY 18, 2013

**Customer service**
Telephone:+358 20 442 4100
**Book orders**
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*www.talentumevents.fi*

**Talentum Shop**
Webshop is open 24/7:
*www.talentumshop.fi*

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