Interim Report 1 Jan.–31 Mar.

2012

ILKKA-YHTYMÄ

Ilkka-Yhtymä Oyj's Interim Report for Q1/2012

CIRCULATION REVENUES GREW

- Net sales: EUR 11.8 million (EUR 12.1 million), down 3.1%
- Circulation revenues grew by 1.8%, advertising revenues fell by 2.7%
- Operating profit: EUR 3.4 million (EUR 4.2 million), down 18.9%
- Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 1.6 million (EUR 2.1 million), down 26.5%
- Operating profit totalled 28.8% of net sales, or 13.4% excluding Alma Media and other associated companies (17.6%)
- Pre-tax profits: EUR 2.7 million (EUR 4.2 million), down 37.4%
- Earnings per share: EUR 0.10 (EUR 0.14)

NET SALES AND PROFIT PERFORMANCE

The Group's consolidated net sales for January–March showed a 3.1% decline. Net sales came to EUR 11.8 million (EUR 12.1 million in the corresponding period of the previous year). External net sales from the publishing business fell by 0.9%. Advertising revenues fell by 2.7% and circulation revenues grew by 1.8%. The decrease in net sales from the publishing business was caused by a weaker advertising market and the income from parliamentary election advertisements included in the comparative figure for 2011. External net sales from the printing business fell by 15.9% due to the decline in volumes. Circulation income accounted for 41% of consolidated net sales, while advertising income and printing income represented 46% and 13%, respectively. Other operating income in January–March totalled EUR 0.1 million (EUR 0.1 million).

Operating expenses for January-March amounted to EUR 10.3 million (EUR 10.1 million), up by 1.8% year on year. Expenses arising from materials and services decreased by 2.7%. Personnel expenses increased by 5.7% and other operating costs increased by 4.0%. Depreciation contracted by 1.8%.

The share of the associated companies' result was EUR 1.8 million (EUR 2.0 million). This share was affected by non-recurring expense items recorded in Alma Media's results as well as changes in the fair value of a conditional purchase price provision arising from the corporate restructuring of Arena Partners Oy. Consolidated operating profit amounted to EUR 3.4 million (EUR 4.2 million), down by 18.9 per cent year-on-year. The Group's operating margin was 28.8 per cent (34.4%). Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 1.6 million (EUR 2.1 million), representing 13.4% (17.6%) of net sales. Operating profit from publishing fell by EUR 0.4 million, and operating profit from printing fell by EUR 0.2 million.

Net financial expenses for January-March amounted to EUR 0.7 million (net financial income in the corresponding period of the previous year EUR 0.1 million). Net gain/loss on shares held for trading was EUR 0.2 million (EUR -0.1 million). Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 0.6 million (EUR 0.6 million). In order to hedge against interest rate risk, on 21 December 2010 the company transformed some of its floating-rate liabilities into fixed-rate liabilities, by means of interest rate swaps. Given that the Group does not apply hedge accounting, unrealised changes in the market value of the interest rate swaps are recognised through profit or loss. In January–March 2012, the market value of these interest rate swaps fell by EUR 0.3 million (in January–March 2011, the market value grew by EUR 0.8 million).

Pre-tax profits totalled EUR 2.7 million (EUR 4.2 million). Direct taxes amounted to EUR 0.2 million (EUR 0.6 million), and the Group's net profit for the period totalled EUR 2.4 million (EUR 3.7 million).

BALANCE SHEET AND FINANCING

The consolidated balance sheet total came to EUR 199.5 million (EUR 206.7 million), with EUR 107.0 million (EUR 108.6 million) of equity. On the reporting date of 31 March 2012, the balance sheet value of the holding in the associated company Alma Media Corporation was EUR 145.6 million and the market value of the shares was EUR 120.1 million. According to the management's estimate, write-down in this holding is unnecessary.

Interest-bearing liabilities totalled EUR 76.5 million (EUR 83.0 million). The equity ratio was 55.6 per cent (54.3%), and shareholders' equity per share stood at EUR 4.17 (EUR 4.23). The increase in financial assets for the period totalled EUR 6.0 million (EUR 17.1 million), with liquid assets at the end of the period totalling EUR 16.9 million (EUR 20.1 million).

Cash flow from operations for the period came to EUR 6.1 million (EUR 20.3 million). This includes EUR -2.9 million (EUR 4.6 million) from the Group's own operations as well as EUR 9.0 million (EUR 15.7 million) of dividend income from Alma Media Corporation. Due to VAT changes, subscription fees for the Group's regional newspapers for 2012 were exceptionally invoiced in December 2011. Consequently, cash flow from the Group's own operations fell in January–March 2012 compared to the same period in 2011. Cash flow from investments totalled EUR -0.1 million (EUR -3.2 million).

SHARE PERFORMANCE

The Series I shares of Ilkka-Yhtymä Oyj were listed on the Helsinki Stock Exchange in 1981 and have remained listed ever since. The Series II shares have been listed since their issue in 1988, and on 10 June 2002 they were transferred from the I List of the Helsinki Stock Exchange to the Main List. At present, the Series II shares of Ilkka-Yhtymä Oyj are listed on the NASDAQ OMX Helsinki List, in the Consumer Services sector, the company's market value being classified as Mid Cap. The Series I shares are listed on the Pre List.

In January–March, 5,814 series-I shares of Ilkka-Yhtymä Oyj were traded, accounting for 0.1 per cent of the total number of series-I shares. The total value of the shares exchanged was EUR 0.1 million. In total, 303,244 series-II shares were traded, corresponding to 1.4 per cent of the total number of series II shares. The total value of the shares traded was EUR 2.1 million. The lowest price at which series-I shares of Ilkka-Yhtymä Oyj were traded during the period under review was EUR 9.00, and the highest per-share price was EUR 11.29. The lowest price at which series-II shares were traded was EUR 6.43 and the highest EUR 7.67. The market value of the share capital at the closing rate for the reporting period was EUR 184.6 million.

RISKS AND RISK MANAGEMENT

In the current economic climate, major uncertainties are associated with the predictability of both net sales and operating profit. Ilkka-Yhtymä's most significant short-term risks are related to the development of media advertising as well as circulation and printing volumes, which apply to the entire sector. Other business risks are discussed in more detail in the 2011 Annual Report.

The Group's major financial risks include credit risk, the risk associated with the price of shares held for trading, liquidity risk and the risk of changes in market interest rates applied to the loan portfolio. In order to hedge against interest rate risk, on 21 December 2010 the company transformed some of its floating-rate liabilities to a fixed rate, by means of interest rate swaps. Given that the Group does not apply hedge accounting, changes in the market value of the interest rate swap are recognised through profit and loss. Other financial risks are discussed in more detail in the 2011 Annual Report.

EVENTS AFTER THE REPORT PERIOD

ANNUAL GENERAL MEETING DECISIONS

On 19 April 2012, the Annual General Meeting (AGM) of Ilkka-Yhtymä Oyj approved the financial statements, discharged the members of the Supervisory Board and the Board of Directors and the Managing Director from liability and decided that a per-share dividend of EUR 0.40 be paid for the year 2011. The dividend will be paid on 2 May 2012, and the record date of dividend payment is 24 April 2012.

The number of members on the Supervisory Board for 2012 was confirmed to be 25. Of the Supervisory Board members whose term had come to an end, the following were re-elected for the term ending in 2016: Vesa-Pekka Kangaskorpi (Jyväskylä), Jarmo Rinta-Jouppi (Seinäjoki), Kimmo Simberg (Seinäjoki) and Jyrki Viitala (Seinäjoki). Timo Mäkinen (Seinäjoki) was elected to the Supervisory Board to replace an employee representative who resigned from her position during the term of office. Mäkinen's term will end in 2013.

At the Annual General Meeting it was decided to maintain the payments made to the Chairman of the Supervisory Board and the board members at their current level: the Chairman will receive a retainer of EUR 1,500 per month and a fee of EUR 400 per meeting, and the board members will be paid a fee of EUR 400 per meeting attended. The board members' travel expenses are reimbursed in accordance with the current maximum level specified by the tax authorities.

Ernst & Young Oy, Authorised Public Accountants, was elected as the auditor, with Authorised Public Accountant Tomi Englund as the principal auditor. It was decided that the auditors would be reimbursed per the invoice.

The AGM authorised the Board of Directors to decide upon a donation to be put toward charitable causes or similar, totalling, at maximum, EUR 50,000, as well as to decide upon the recipients, purposes of use, schedules and other terms of these donations.

OUTLOOK FOR 2012

In the current economic climate, major uncertainties are associated with the predictability of both net sales and operating profit. Media advertising is forecast to grow slightly in Finland. Due to consumer caution, VAT on circulation revenues and media competition, newspapers' circulation revenues are predicted to decrease. Printing business volumes have declined permanently in Finland and the prospects for growth in the sector are weak.

The net sales of Ilkka-Yhtymä Group are estimated to remain almost at the 2011 level.

Group operating profit from Ilkka-Yhtymä's own operations, and operating profit as a percentage of net sales, excluding the share of Alma Media's and other associated companies' results, are expected to decrease from the 2011 level due to cost developments. In addition, the year's results will depend on interest-rate trends and the price performance of securities investments.

The associated company Alma Media Corporation (Group ownership 29.79%) will have a significant impact on Group operating profit and profit.

SUMMARY OF FINANCIAL STATEMENTS AND NOTES

DRAFTING PRINCIPLES

Ilkka-Yhtymä Group's interim report has been prepared in compliance with the recognition and measurement principles of IFRS, but not in compliance with all IAS 34 requirements.

The interim report has been prepared according to the same principles as the 2011 financial statements. New or revised IFRS standards and IFRIC interpretations that become effective in 2012 have also been complied with, as specified in the 2011 financial statements. These changes have not affected the reported figures. The principles and formulae for the calculation of the indicators, presented on page 61 of the 2011 annual report, remain unchanged.

The figures in the interim report have been presented unaudited.

CONSOLIDATED INCOME STATEMENT

EUR 1,000	1-3/2012	1-3/2011	Change	1-12/2011
NET SALES	**11 763**	12 143	-3 %	49 952
Change in inventories of finished and unfinished products	**11**	7	43 %	12
Other operating income	**109**	113	-4 %	435
Materials and services	**-3 575**	-3 676	-3 %	-14 830
Employee benefits	**-4 570**	-4 322	6 %	-17 275
Depreciation	**-758**	-772	-2 %	-3 098
Other operating costs	**-1 407**	-1 353	4 %	-6 265
Share of associated companies' profit	**1 813**	2 035	-11 %	8 659
OPERATING PROFIT	**3 385**	4 174	-19 %	17 590
Financial income and expenses	**-730**	66	-1206 %	-3 817
PROFIT BEFORE TAXES	**2 655**	4 240	-37 %	13 773
Income tax	**-206**	-567	-64 %	-1 098
PROFIT FOR THE PERIOD UNDER REVIEW	**2 449**	3 673	-33 %	12 675
Earnings per share, undiluted (EUR) *)	**0.10**	0.14	-33 %	0.49
The undiluted share average, adjusted for the share issue (to the nearest thousand) *)	**25 665**	25 665		25 665

*) There are no factor diluting the figure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	1-3/2012	1-3/2011	Change	1-12/2011
PROFIT FOR THE PERIOD UNDER REVIEW	**2 449**	3 673	-33 %	12 675
Other comprehensive income:				
Available-for-sale assets		-47	99 %	-517
Share of associated companies' other comprehensive income	**158**	-22	824 %	-53
Income tax related to components of other comprehensive income		12	-99 %	138
Other comprehensive income, net of tax	**158**	-57	379 %	-432
Total comprehensive income for the period	**2 607**	3 617	-28 %	12 243

SEGMENT INFORMATION

EUR 1,000	1-3/2012	1-3/2011	Change	1-12/2011
GROUP NET SALES				
Publishing	**10 304**	10 396	-1 %	43 318
Printing	**3 524**	3 852	-9 %	15 235
Non-allocated	**534**	502	6 %	2 002
Net sales between segments	**-2 599**	-2 608	0 %	-10 603
Group net sales total	**11 763**	12 143	-3 %	49 952

EUR 1,000	1-3/2012	1-3/2011	Change	1-12/2011
GROUP OPERATING PROFIT				
Publishing	**1 356**	1 708	-21 %	7 697
Printing	**342**	550	-38 %	1 953
Associated companies	**1 813**	2 035	-11 %	8 659
Non-allocated	**-126**	-119	-6 %	-719
Group operating profit total	**3 385**	4 174	-19 %	17 590

CONSOLIDATED BALANCE SHEET

EUR 1,000	3/2012	3/2011	Change	12/2011
ASSETS				
NON-CURRENT ASSETS				
Intangible rights	**1 052**	1 292	-19 %	1 120
Goodwill	**314**	314		314
Investment properties	**277**	366	-25 %	295
Property, plant and equipment	**12 918**	14 734	-12 %	13 481
Shares in associated companies	**147 072**	147 519	0 %	154 097
Available-for-sale financial assets	**10 747**	10 502	2 %	10 714
Other tangible assets	**214**	214		214
Non-current assets	**172 594**	174 940	-1 %	180 236
CURRENT ASSETS				
Inventories	**614**	565	9 %	602
Trade and other receivables	**6 556**	7 337	-11 %	3 079
Income tax assets	**762**	625	22 %	254
Financial assets at fair value through profit or loss	**2 067**	3 097	-33 %	1 902
Cash and cash equivalents	**16 898**	20 111	-16 %	10 926
Current assets	**26 897**	31 734	-15 %	16 762
ASSETS	**199 491**	206 674	-3 %	196 998
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	**6 416**	6 416		6 416
Invested unrestricted equity fund and other reserves	**48 623**	48 967	-1 %	48 623
Retained earnings	**52 008**	53 264	-2 %	49 401
Shareholders' equity	**107 047**	108 647	-1 %	104 440
NON-CURRENT LIABILITIES				
Deferred tax liability	**392**	1 560	-75 %	532
Non-current interest-bearing liabilities	**72 448**	78 475	-8 %	72 438
Non-current interest-free liabilities	**115**			115
Non-current liabilities	**72 956**	80 035	-9 %	73 085
CURRENT LIABILITIES				
Current interest-bearing liabilities	**4 022**	4 545	-12 %	4 029
Accounts payable and other payables	**15 041**	12 714	18 %	15 383
Income tax liability	**425**	733	-42 %	61
Current liabilities	**19 488**	17 992	8 %	19 473
SHAREHOLDERS' EQUITY AND LIABILITIES	**199 491**	206 674	-3 %	196 998

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1-3/2012	1-3/2011	1-12/2011
CASH FLOW FROM OPERATIONS			
Profit for the period under review	**2 449**	3 673	12 675
Adjustments	**-131**	-797	-683
Change in working capital	**-4 474**	1 947	7 395
Cash flow from operations before finance and taxes	**-2 156**	4 824	19 387
Interest paid	**-244**	-209	-2 491
Interest received	**12**	13	102
Dividends received	**9 004**	15 772	15 955
Other financial items	**-14**	283	322
Direct taxes paid	**-489**	-369	-2 104
Cash flow from operations	**6 111**	20 314	31 171
CASH FLOW FROM INVESTMENTS			
Investments in tangible and intangible assets, net	**-106**	-484	-785
Other investments, net	**-33**	-2 795	-3 477
Dividends received from investments		30	628
Cash flow from investments	**-139**	-3 249	-3 633
Cash flow before financing items	**5 972**	17 065	27 538
CASH FLOW FROM FINANCING			
Change in current loans			-6 930
Dividends paid and other profit distribution	**-1**	-1	-12 728
Cash flow from financing	**-1**	-1	-19 658
Increase(+) or decrease (-) in financial assets	**5 972**	17 064	7 879
LIQUID ASSETS AT THE BEGINNING OF THE FINANCIAL PERIOD	**10 926**	3 047	3 047
LIQUID ASSETS AT THE END OF THE FINANCIAL PERIOD	**16 898**	20 111	10 926

GROUP KEY FIGURES

	3/2012	3/2011	12/2011
Earnings/share (EUR)	**0.10**	0.14	0.49
Shareholders' equity/share (EUR)	**4.17**	4.23	4.07
Average number of personnel	**325**	326	341
Investments (EUR 1,000) *)	**141**	3 135	4 414
Interest-bearing debt (EUR 1,000)	**76 470**	83 021	76 467
Equity ratio, %	**55.6**	54.3	55.5
Adjusted average number of shares during the period	**25 665 208**	25 665 208	25 665 208
Adjusted number of hares on the balance sheet date	**25 665 208**	25 665 208	25 665 208

*) Includes investments in tangible and intangible assets and shares in associated companies and in available-for-sale financial assets.
Taxes included in the income statement are taxes corresponding to the result for the period under review.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
CHANGE IN SHAREHOLDERS' EQUITY 1-3/2011						
Shareholders' equity 1.1.	6 416	480	48 498	24	49 612	105 030
Comprehensive income for the period		-35			3 652	3 617
SHAREHOLDERS' EQUITY TOTAL 03/2011	**6 416**	**445**	**48 498**	**24**	**53 264**	**108 647**

EUR 1,000	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
CHANGE IN SHAREHOLDERS' EQUITY 1-3/2012						
Shareholders' equity 1.1.	6 416	101	48 498	24	49 401	104 440
Comprehensive income for the period					2 607	2 607
SHAREHOLDERS' EQUITY TOTAL 03/2012	**6 416**	**101**	**48 498**	**24**	**52 008**	**107 047**

GROUP CONTINGENT LIABILITIES

EUR 1,000	3/2012	3/2011	12/2011
COLLATERAL PLEDGED FOR OWN COMMITMENTS			
Mortgages on company assets	**1 245**	1 245	1 245
Mortgages on real estate	**8 801**	8 801	8 801
Pledged shares	**70 735**	107 824	81 332
CONTINGENT LIABILITIES ON BEHALF OF ASSOCIATED COMPANY			
Guarantees	**4 182**	2 458	2 767

GENERAL STATEMENT

This report contains certain statements that are estimates based on the management's best knowledge at the time they were made. For this reason, they involve a certain amount of inherent risk and uncertainty. The estimates may change in the event of significant changes in general economic and business conditions.

Seinäjoki, 7 May 2012

ILKKA-YHTYMÄ OYJ

Board of Directors

Matti Korkiatupa
Managing Director

ILKKA-YHTYMÄ

Koulukatu 10, P.O. Box 60, FIN-60101 Seinäjoki | Tel. +358 6 247 7100 | www.ilkka-yhtyma.fi