Interim Report 1 Jan.–31 Mar.

2011

ILKKA-YHTYMÄ

Ilkka-Yhtymä Oyj's Interim Report for Q1/2011

- Net sales: EUR 12.1 million (EUR 11.1 million), up 9.4%
- Operating profit: EUR 4.2 million (EUR 2.5 million), up 65.6%
- Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 2.1 million (EUR 1.3 million), up 69.3%
- Operating profit totalled 34.4% of net sales, or 17.6% excluding Alma Media and other associated companies (11.4%)
- Pre-tax profits: EUR 4.2 million (EUR 2.6 million), up 62.3%
- Earnings per share: EUR 0.14 (EUR 0.09)
- Increase in financial assets: EUR 17.1 million (EUR 8.6 million)

NET SALES AND PROFIT PERFORMANCE

The Group's consolidated net sales for January–March showed a 9.4% increase. Net sales came to EUR 12.1 million (EUR 11.1 million in the corresponding period of the previous year). External net sales from the publishing business grew by 5.6%. Advertising revenues grew by 6.8% and circulation revenues grew by 1.6%. External net sales from the printing business grew by 38.9%. The higher net sales from publishing resulted from a recovery in advertising volumes, due to, for example, election advertising. The growth in net sales for the printing business was caused by new customers, recovering volumes and price increases due to printing materials. Circulation income accounted for 39% of consolidated net sales, while advertising income and printing income represented 44% and 15%, respectively. Other operating income in January–March totalled EUR 0.1 million (EUR 0.1 million).

Operating expenses for January–March amounted to EUR 10.1 million (EUR 10.0 million). Expenses remained at the previous year's level. Expenses arising from materials and services increased by 11.2%, particularly because of growth in printing volumes. The full cost impact of the price increases seen for printing materials and distribution had not yet materialised in the first quarter. Personnel expenses contracted by 1.2%. Collective agreements for the sector expired at the end of April 2011, but a final settlement has not yet been reached in the collective bargaining. Depreciation remained at the previous year's level.

The share of the associated companies' result was EUR 2.0 million (EUR 1.3 million). Consolidated operating profit amounted to EUR 4.2 million (EUR 2.5 million), up by 65.6 per cent year-on-year. The Group's operating margin was 34.4 per cent (22.7%). Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 2.1 million (EUR 1.3 million), representing 17.6% (11.4%) of net sales. Operating profit from publishing grew by EUR 0.3 million, and operating profit from printing grew by EUR 0.5 million. The considerable rise in operating profit from printing was due to higher volumes, a modest rise in costs early in the year and the fact that the reference period last year included costs for ceasing operation of the Vaasa printing unit.

Net financial income for January–March amounted to EUR 0.1 million (EUR 0.1 million). Net gain/loss on shares held for trading was EUR -0.1 million (EUR 0.1 million). Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 0.6 million (EUR 0.2 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, changes in the market value of the interest rate swap are recognised through profit or loss. In January–March, the change in the interest rate swap's market value was EUR 0.8 million to the positive.

Pre-tax profits totalled EUR 4.2 million (EUR 2.6 million). Direct taxes amounted to EUR 0.6 million (EUR 0.3 million), and the Group's net profit for the period totalled EUR 3.7 million (EUR 2.3 million).

BALANCE SHEET AND FINANCING

The consolidated balance sheet total came to EUR 206.7 million (EUR 154.6 million), with EUR 108.6 million (EUR 102.6 million) of equity. On the reporting date of 31 March 2011, the balance sheet value of the holding in the associated company Alma Media Corporation was EUR 147.0 million and the market value of the shares was EUR 183.1 million.

Interest-bearing liabilities totalled EUR 83.0 million (EUR 37.7 million). The equity ratio was 54.3 per cent (69.3%), and shareholders' equity per share stood at EUR 4.23 (EUR 4.00). The increase in financial assets for the period totalled EUR 17.1 million (EUR 8.6 million), with liquid assets at the end of the period totalling EUR 20.1 million (EUR 15.3 million).

Cash flow from operations for the period came to EUR 20.3 million (EUR 8.9 million). Cash flow from operations includes EUR 15.7 million (EUR 6.1 million) in dividend income from Alma Media Corporation. Cash flow from investments totalled EUR -3.2 million (EUR -0.3 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 listed on the Main List of the Helsinki Stock Exchange. At present, the series-II shares of Ilkka-Yhtymä Oyj are listed on the NASDAQ OMX Helsinki List, in the Consumer Discretionary sector, the company's market value being classified as Mid Cap. The series-I shares are listed on the Pre List.

In January–March, 18,976 series-I shares of Ilkka-Yhtymä Oyj were traded, accounting for 0.4 per cent of the total number of series-I shares. The total value of the shares exchanged was EUR 0.2 million. In total, 583,426 series-II shares were traded, corresponding to 2.7 per cent of the total number of series II shares. The total value of the shares traded was EUR 5.0 million. The lowest price at which series-I shares of Ilkka-Yhtymä Oyj were traded during the period under review was EUR 9.56, and the highest per-share price was EUR 10.80. The lowest price at which series-II shares were traded was EUR 8.15 and the highest EUR 8.98. The market value of the share capital at the closing rate for the reporting period was EUR 232.7 million.

RISKS AND RISK MANAGEMENT

It is still difficult to predict how the economic recovery will affect media advertising and the circulation and printing volumes in 2011. Ilkka-Yhtymä's most significant short-term risks are related to the development of media advertising as well as circulation and printing volumes, which affect the industry in general. Other business risks are discussed in more detail in the 2010 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 2010 Annual Report.

EVENTS AFTER THE REPORT PERIOD

ANNUAL GENERAL MEETING DECISIONS

On 14 April 2011, 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 0.50 be paid for the year 2010. The dividend will be paid on 28 April 2011, and the record date of dividend payment is 19 April 2011.

The number of members on the Supervisory Board for 2011 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 2015: Lasse Hautala (Kauhajoki), Perttu Rinta (Mikkeli), Satu Heikkilä (Helsinki), Ari Rinta-Jouppi (Vähäkyrö) and Raija Tikkala (Jurva). Minna Sillanpää of Seinäjoki and Jorma Vierula of Seinäjoki were elected as new members of the Supervisory Board for the term ending in 2015.

The AGM decided to raise the remuneration of the Chairman and members of the Supervisory Board. The Chairman of the Supervisory Board will be paid a monthly fee of EUR 1,500 and meeting fee of EUR 400, while other members will be paid EUR 400 per meeting. 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 approved the Board of Directors proposal on amending the Articles of Association. The amendments include the following:
(i) that Section 5(2), concerning the retirement age of a Supervisory Board member, be removed;
(ii) that Section 8(1) be amended by removing the regulations concerning the retirement age of a member of the Board of Directors and by increasing the maximum number of Board members to six (6), and Section 8(3), concerning the quorum for the Board of Directors, be removed and
(iii) that Section 11(2), concerning shareholders' initiatives to the General Meeting, be removed.

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.

The proposal by Osakesäästäjien Keskusliitto ry (Shareholders Association) and Kari Karpoff to eliminate the Supervisory Board was not approved.

OUTLOOK FOR 2011

It is difficult to predict how the slow recovery of the global economy will affect media advertising, as well as circulation and printing volumes, in 2011. Media advertising is forecast to grow in Finland. Due to consumer caution and media competition, newspapers' circulation income is predicted to remain at the previous year's level. Printing business volumes have decreased permanently in Finland, but there are tentative signs of growth in the sector.

Some growth is forecast for the net sales of Ilkka-Yhtymä's printing and publishing business.

Group operating profit from Ilkka-Yhtymä's 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 increase from the 2010 level. In addition, the year's results will be influenced by upward trends in interest rates, changes in the market value of interest rate swaps, any trading in securities and the price performance of securities investments.

The associated company Alma Media Corporation (29.93%) will have a significant impact on Group operating profit and profit.

In the current economic climate, several uncertainty factors remain, related to the predictability of both net sales and operating 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.

Since 1 January 2011, the Group has complied with the following new or updated standards and interpretations:

- IAS 24 Related Party Disclosures – the revised standard. This revision clarifies and simplifies the definition of a related party, in particular with regard to the parties' significant influence and joint control. The revision has no impact on the interim report.
- IFRS 32 Financial instruments: Presentation – Classification of Rights Issues. The amendment concerns the classification of share issues, options and subscription rights denominated in foreign currencies. In the future, share issues, options and subscription rights may, under certain conditions, be classified as equity rather than derivative instruments, as previously. This amendment has no impact on the interim report.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The interpretation addresses certain situations (sometimes referred to as 'debt for equity swaps') where an entity renegotiates the terms of a financial liability and issues an equity instrument to a creditor of the entity to extinguish all or part of the financial liability. Such swaps are primarily considered as repayment of debt. The fair value of the financial liability's carrying amount and of the equity instrument is recognised in profit or loss. This interpretation has no impact on the interim report.
- Annual improvements to IFRS and IFRIC (5/2010). These improvements will chiefly enter into force in 2011. Several minor changes made have no bearing on the interim report.

In other respects, the interim report was compiled in compliance with the same accounting principles as the previous financial reports. The principles and formulae for the calculation of the indicators, presented on page 53 of the 2010 annual report, remain unchanged.

The figures in the interim report have been presented unaudited.

CONSOLIDATED INCOME STATEMENT

EUR 1,000	1-3/2011	1-3/2010	Change	1-12/2010
NET SALES	**12 143**	11 100	9 %	46 530
Change in inventories of finished and unfinished products	**7**	-1	698 %	-5
Other operating income	**113**	123	-8 %	429
Materials and services	**-3 676**	-3 307	11 %	-13 108
Employee benefits	**-4 322**	-4 376	-1 %	-17 183
Depreciation	**-772**	-777	-1 %	-3 182
Other operating costs	**-1 353**	-1 498	-10 %	-6 341
Share of associated companies' profit	**2 035**	1 258	62 %	7 337
OPERATING PROFIT	**4 174**	2 521	66 %	14 479
Financial income and expenses	**66**	91	-28 %	192
PROFIT BEFORE TAXES	**4 240**	2 613	62 %	14 670
Income tax	**-567**	-316	79 %	-1 779
PROFIT FOR THE PERIOD UNDER REVIEW	**3 673**	2 297	60 %	12 892
Earnings per share, undiluted (EUR)*)	**0.14**	0.09	60 %	0.50
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	1-3/2011	1-3/2010	Change	1-12/2010
PROFIT FOR THE PERIOD UNDER REVIEW	**3 673**	2 297	60 %	12 892
Other comprehensive income:				
Available-for-sale assets	**-47**			682
Share of associated companies' other comprehensive income	**-22**	48	-146 %	344
Income tax related to components of other comprehensive income	**12**			-203
Other comprehensive income, net of tax	**-57**	48	-219 %	824
Total comprehensive income for the period	**3 617**	2 344	54 %	13 715

SEGMENT INFORMATION

EUR 1,000	1-3/2011	1-3/2010	Change	1-12/2010
GROUP NET SALES				
Publishing	**10 396**	9 873	5 %	41 386
Printing	**3 852**	3 162	22 %	13 052
Non-allocated	**502**	487	3 %	1 942
Net sales between segments	**-2 608**	-2 423	8 %	-9 850
Group net sales total	**12 143**	11 100	9 %	46 530

EUR 1,000	1-3/2011	1-3/2010	Change	1-12/2010
GROUP OPERATING PROFIT				
Publishing	**1 708**	1 369	25 %	6 786
Printing	**550**	44	1163 %	1 177
Associated companies	**2 035**	1 258	62 %	7 337
Non-allocated	**-119**	-149	21 %	-821
Group operating profit total	**4 174**	2 521	66 %	14 479

CONSOLIDATED BALANCE SHEET

EUR 1,000	3/2011	3/2010	Change	12/2010
ASSETS				
NON-CURRENT ASSETS				
Intangible rights	**1 292**	1 154	12 %	1 284
Goodwill	**314**	314		314
Investment property	**366**	470	-22 %	390
Property, plant and equipment	**14 734**	16 687	-12 %	15 150
Shares in associated companies	**147 519**	104 385	41 %	161 248
Available-for-sale assets	**10 502**	5 732	83 %	7 754
Non-current trade and other receivables		30	-100 %	
Other tangible assets	**214**	214		214
Non-current assets	**174 940**	128 986	36 %	186 354
CURRENT ASSETS				
Inventories	**565**	554	2 %	757
Trade and other receivables	**7 337**	6 196	18 %	3 322
Income tax assets	**625**	689	-9 %	144
Financial assets at fair value through profit or loss	**3 097**	2 856	8 %	3 412
Cash and cash equivalents	**20 111**	15 296	31 %	3 047
Current assets	**31 734**	25 590	24 %	10 681
ASSETS	**206 674**	154 576	34 %	197 035
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDER'S EQUITY				
Share capital	**6 416**	6 416		6 416
Fair value reserve and other reserves	**48 967**	48 522	1 %	49 002
Retained earnings	**53 264**	47 704	12 %	49 612
Shareholder's equity	**108 647**	102 642	6 %	105 030
NON-CURRENT LIABILITIES				
Deferred tax liability	**1 560**	1 437	9 %	1 443
Non-current interest-bearing liabilities	**78 475**	33 204	136 %	78 465
Non-current liabilities	**80 035**	34 641	131 %	79 909
CURRENT LIABILITIES				
Current interest-bearing liabilities	**4 545**	4 545	0 %	4 545
Accounts payable and other payables	**12 714**	12 049	6 %	7 368
Income tax liability	**733**	698	5 %	183
Current liabilities	**17 992**	17 292	4 %	12 096
SHAREHOLDERS' EQUITY AND LIABILITIES	**206 674**	154 576	34 %	197 035

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1-3/2011	1-3/2010	1-12/2010
CASH FLOW FROM OPERATIONS			
Profit for the period under review	**3 673**	2 297	12 892
Adjustments	**-797**	-261	-2 586
Change in working capital	**1 947**	1 650	-364
Cash flow from operations before finance and taxes	**4 824**	3 686	9 942
Interest paid	**-209**		-844
Interest received	**13**	12	63
Dividends received	**15 772**	6 197	6 368
Other financial items	**283**	-473	-750
Direct taxes paid	**-369**	-498	-2 128
Cash flow from operations	**20 314**	8 924	12 652
CASH FLOW FROM INVESTMENTS			
Investments in tangible and intangible assets, net	**-484**	-170	-916
Acquisition of shares in associated companies			-30 487
Other investments, net	**-2 795**	-166	-1 509
Repayments of loan receivables		28	58
Dividends received from investments	**30**	32	247
Cash flow from investments	**-3 249**	-277	-32 607
Cash flow before financing items	**17 065**	8 648	-19 955
CASH FLOW FROM FINANCING			
Change in non-current loans			25 261
Dividends paid and other profit distribution	**-1**		-8 908
Cash flow from financing	**-1**		16 353
Increase(+) or decrease (-) in financial assets	**17 064**	8 647	-3 602
LIQUID ASSETS AT THE BEGINNING OF THE FINANCIAL PERIOD	**3 047**	6 648	6 648
LIQUID ASSETS AT THE END OF THE FINANCIAL PERIOD	**20 111**	15 296	3 047

GROUP KEY FIGURES

	3/2011	3/2010	12/2010
Earnings/share (EUR)	**0.14**	0.09	0.50
Shareholders' equity/share (EUR)	**4.23**	4.00	4.09
Average number of personnel	**326**	338	343
Investments (EUR 1,000) *)	**3 135**	745	53 522
Interest-bearing debt (EUR 1,000)	**83 021**	37 749	83 011
Equity ratio, %	**54.3**	69.3	53.8
Adjusted average number of shares during the period	**25 665 208**	25 665 208	25 665 208
Adjusted number of shares 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 profit 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 1-3/2010						
Shareholders' equity 1.1.	6 416		48 498	24	45 359	100 298
Comprehensive income for the period					2 344	2 344
SHAREHOLDERS' EQUITY TOTAL 03/2010	**6 416**		**48 498**	**24**	**47 704**	**102 642**

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**

GROUP CONTINGENT LIABILITIES

EUR 1,000	3/2011	3/2010	12/2010
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	**107 824**	38 258	109 679
CONTINGENT LIABILITIES ON BEHALF OF ASSOCIATED COMPANY			
Guarantees	**2 458**		2 458

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, 2 May 2011

ILKKA-YHTYMÄ OYJ

Board of Directors

Matti Korkiatupa
Managing Director

ILKKA-YHTYMÄ

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