Ilkka-Yhtymä Oyj Financial Statements Bulletin, 17 February 2014, at 3 p.m.

THE ILKKA-YHTYMÄ GROUP'S FINANCIAL STATEMENTS FOR 2013

FINANCIAL YEAR 2013
- Net sales: EUR 44.9 million (EUR 46.2 million), down 2.7%
- Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 6.0 million (EUR 5.9 million), up 1.6%
- Operating margin of the Group's own operations, excluding Alma Media Corporation and the other associated companies, was 13.4 (12.8).
- The holding in the associated company Alma Media Corporation was written down by EUR 27 million in the third quarter of 2013. The write-down has no impact on cash flow.
- Reported operating loss was EUR 16.6 million (EUR 10.9 million) and reported operating margin -37.0 (-23.5).
- Consolidated earnings per share including earnings of the associated companies and excluding the write-down EUR 0.34 (EUR 0.31)
- Reported earnings per share EUR -0.71 (EUR -0.55)
- Equity ratio (44.2%) remained good (50.7% in 2012)
- The Board of Directors proposes a per share dividend of EUR 0.10

Q4/2013
- Net sales: EUR 11.7 million (EUR 11.9 million), down 1.4%
- Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 1.8 million (EUR 1.6 million), up 14.6%
- Operating margin of the Group's own operations, excluding Alma Media Corporation and the other associated companies, was 15.7 (13.5)
- Reported operating profit was EUR 1.3 million (following the EUR 22 million non-recurring write-down on the holding in the associated company Alma Media Corporation, the Group's reported operating loss was EUR 20.6 million for Q4/2012) and reported operating margin 10.9 (-173.2).
- Consolidated earnings per share including earnings of the associated companies and excluding the Q4/2012 write-down EUR 0.02 (EUR 0.03)
- Reported earnings per share EUR 0.02 (EUR -0.83)

MATTI KORKIATUPA, MANAGING DIRECTOR:

"The business environment in the media sector was challenging due to the poor economic climate and competition driven by digitalisation. The declining advertising market of the first half of 2013 perked up in the summer, only to fall again in the second half owing to consumer caution. Media advertising dropped by 8.1% in all of Finland and by 15.8% in printed newspapers. Circulation volumes decreased as weak economic growth and advertiser-funded content accelerated the change of consumer behaviour. Despite the weaker business environment, the net sales and profitability of our publishing operations remained reasonable. We were most successful in printing, where the net sales and profitability of both the rotary and sheet-fed/digital press remained at a good level, despite the declining overall market.

In the second half of the year, we cut down expenses to adjust our operations to the lower-than-expected net sales. We will continue to implement our strategic projects, which are aimed at ensuring the Group's success in the coming years. We agreed on voluntary cost-saving measures with our employees, of which the conversion of part of the holiday bonuses to leave had the greatest economic impact.

Our long-term editorial collaboration with Väli-Suomen Media ended at the close of 2013. Cooperation with Alma Regional Media began and was gradually expanded over the course of 2013. Keskipohjanmaa will also join the consortium at the beginning of 2014. In addition, our editorial collaboration with Kaleva and Turun Sanomat has been reinforced by editorial staff for international news and thematic stories.

Experiences from the corporate marketing method revised in early 2013 have been positive in terms of customer feedback and results. Our multi-channel advertising sales serve our customers better, and sales results were favourable in the light of industry results.

The publishing company's largest development projects have been the corporate marketing sales management system and the product development and marketing project for digital papers. I-print's greatest investments were made in the modernisation of its mailing equipment and the deployment of a new digital printing press.

In the ongoing year, the most important operational change will concern aligning the editorial board's mode of operation with the new Lännen Media cooperation network. We have not reached a decision on the format change of our provincial newspapers, but we are carrying out surveys and preparations for a potential future change to the tabloid format. We are also working on increasing the proportion of digital content available for a charge.

The cost-effective and comprehensive delivery of newspapers is becoming increasingly important following the strategy revision of state-owned Itella due to declining letter and newspaper volumes. Retaining five-day delivery in sparsely populated areas is important for the equality of newspapers' customers.

In order to further improve working atmosphere and the productivity of our operations, we will continue to invest in employee well-being, competencies and renewing of working methods, along with equipment and systems to support these.

We have strong faith that the Group will succeed if we emphasise customer focus, local presence and the related community spirit in our operations. As a provincial, multi-channel media company, we complement our products and services through partnerships. We listen with a keen ear to the needs of local customers and leverage the quality and cost benefits provided by our networked operations.”

BUSINESS ENVIRONMENT

In its Economic Bulletin of 19 December 2013, the Ministry of Finance projects GDP contraction of approximately 1.2% in 2013. In 2014, GDP growth is expected to come in at 0.8%. According to Statistics Finland, the inflation rate reached 1.6% in December, while the average inflation rate for 2013 stood at 1.5%.

The latest consumer survey of Statistics Finland, published in January, shows that consumer confidence in the economy is higher than a year ago, but slightly below the long-term average. Private consumption is estimated to have decreased by 0.6% in 2013. The projected growth for private consumption in 2014 is in the region of 0.2%.

According to a survey conducted by TNS Gallup Oy and commissioned by the Finnish Advertising Council, media advertising decreased by 8.1% in 2013. Advertising in newspapers fell by 15.8%, while advertising in free sheets decreased by 15.2%. Newspapers and free sheets accounted for 34.7% and 5.4% of media advertising, respectively. Web media advertising saw an increase of 6.8%, representing a 19.7% share of media advertising.

GROUP STRUCTURE

The Ilkka-Yhtymä Group is a media group that consists of the parent company

Ilkka-Yhtymä Oyj, the publishing company I-Mediat Oy, as well as the printing company I-print Oy. The Group also includes two property companies, Kiinteistö Oy Seinäjoen Koulukatu 10 and Seinäjoen Kassatalo Osakeyhtiö, as well as Pohjalaismediat Oy. Our main products are the regional newspapers Ilkka and Pohjalainen, five local newspapers (Viiskunta, Komiat, Järviseutu, Suupohjan Sanomat and Jurvan Sanomat), two free sheets (Vaasan Ikkuna and Etelä-Pohjanmaa), including the online and mobile services of these papers, and I-print Oy's printing and communications services.

The associated companies included in our consolidated financial statements are Alma Media Corporation, Arena Partners Oy, Väli-Suomen Media Oy and Yrittävä Suupohja Oy.

CONSOLIDATED NET SALES AND PROFIT PERFORMANCE

Consolidated net sales decreased by 2.7%, amounting to EUR 44,893 thousand (EUR 46,158 thousand in 2012). External net sales from publishing operations decreased by 5.7%. Advertising revenues fell by 11%, and circulation revenues remained at the previous year's level. External net sales from the printing business increased by 18.3%. Circulation income accounted for 43% of consolidated net sales, while advertising income and printing income represented 41% and 15%, respectively. Other operating income totalled EUR 392 thousand (EUR 437 thousand).

The Group operating expenses for the financial year amounted to EUR 39,293 thousand (EUR 40,689 thousand), down by 3.4% year-on-year. Expenses arising from materials and services increased by 3.6%. Personnel expenses decreased by 4.5%. In cooperation with employees, voluntary cost savings measures were agreed in May 2013, corresponding to approximately one week of holiday pay leave in 2013. Other operating costs decreased by 4.3%. Depreciation contracted by 28.8%.

The share of the associated companies' result was EUR -22,630 thousand following the write-down (EUR -16,774 thousand in 2012). In the third quarter of 2013 a EUR 27 million write-down has been recorded on the holding in the associated company Alma Media Corporation as a result of an impairment test (EUR 22 million in Q4/2012). The write-down has no impact on cash flow.

Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 5,999 thousand (EUR 5,906 thousand), representing 13.4% (12.8%) of net sales. Consolidated operating profit including earnings of the associated companies and excluding the EUR 27 million (EUR 22 million) write-down was EUR 10,369 thousand (EUR 11,132 thousand). Reported operating loss was EUR 16,631 thousand (EUR 10,868 thousand). Reported operating margin was -37.0 (-23,5).

Net financial expenses amounted to EUR 347 thousand (EUR 2,550 thousand). Net gain/loss on shares held for trading was EUR 22 thousand (EUR -99 thousand). Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 1,789 thousand (EUR 2,184 thousand). In order to hedge against interest rate risk, in 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. For the 2013 financial year, the market value of these interest rate swaps grew by EUR 734 thousand (in 2012, the market value fell by EUR 920 thousand).

Profit before tax including earnings of the associated companies and excluding the EUR 27 million (EUR 22 million) write-down was EUR 10,022 thousand (EUR 8,582 thousand) and reported loss before tax was EUR 16,978 thousand (EUR 13,418 thousand). Direct taxes amounted to EUR 1,199 thousand (EUR 669 thousand). Consolidated profit for the period including earnings of the associated companies and excluding the write-down was EUR 8,822 thousand (EUR 7,913 thousand) and reported loss was EUR 18,178 thousand (EUR 14,087 thousand). Earnings per share including earnings of the associated companies and excluding the write-down were EUR 0.34 (EUR 0.31) and the reported earnings per share EUR -0.71 (EUR -0,55).

Q4 NET SALES AND PROFIT PERFORMANCE

In Q4/2013, consolidated net sales totalled EUR 11,707 thousand (EUR 11,877 thousand), down by 1.4%. External net sales from publishing operations decreased by 5.1%. External net sales from the printing business grew by 23.2%. Circulation income accounted for 42% of consolidated net sales in October-December, while advertising income and printing income represented 42% and 16%, respectively. Other operating income in October–December totalled EUR 97 thousand (EUR 95 thousand).

In Q4, the Group's expenses totalled EUR 9,964 thousand (EUR 10,362 thousand), down by 3.8%. For October-December 2013, the share of the associated companies' result was EUR -565 thousand (in October-December 2012, EUR -22,180 thousand following the EUR 22 million write-down).

In the fourth quarter, operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 1,838 thousand (EUR 1,604 thousand), representing 15.7% (13.5%) of net sales. Consolidated operating profit including earnings of the associated companies was EUR 1,273 thousand (in October-December 2012, EUR 1,424 thousand excluding the EUR 22 million write-down). Reported operating profit was EUR 1,273 thousand (operating loss EUR 20,576 thousand in October-December 2012). Reported operating margin was 10.9 (-173.2).

Net financial expenses amounted to EUR 386 thousand (EUR 424 thousand). Net gain/loss on shares held for trading was EUR -40 thousand (EUR 102 thousand). Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 450 thousand (EUR 482 thousand). In October-December 2013, the market value of interest rate swaps grew by EUR 80 thousand (in October-December 2012, the market value fell by EUR -65 thousand).

Q4 profit including earnings of the associated companies was EUR 581 thousand (in October-December 2012, EUR 715 thousand excluding the write-down on the holding in the associated company) and reported profit was EUR 581 thousand (loss EUR 21,285 thousand for October-December 2012).

CONSOLIDATED BALANCE SHEET AND FINANCING

The consolidated balance sheet total came to EUR 133,802 thousand (EUR 160,823 thousand), with EUR 58,091 thousand (EUR 80,567 thousand) of equity. In the third quarter of 2013 a EUR 27 million write-down has been recorded on the holding in the associated company Alma Media as a result of an impairment test (EUR 22 million write-down in Q4/2012). The write-down has no impact on cash flow. On the reporting date of 31 December 2013, the balance sheet value of the holding in the associated company, Alma Media Corporation, was EUR 102,7 million following the write-down and the market value of the shares was EUR 67.2 million. According to the management's estimate, there is currently no need for an impairment write-down of this holding.

The Group parent company, Ilkka-Yhtymä Oyj, has recorded a write-down of EUR 49.0 million in the FAS-compliant 2013 separate financial statements. The write-down is related to the carrying amount of the shares in the associated company, Alma Media Corporation. The write-down equals the earlier write-downs made in the Group's IFRS reporting. The FAS-compliant write-down decreases the parent company's distributable funds. Following the write-down, the parent company's distributable funds on 31 December 2013 total EUR 53,792 thousand (EUR 97,691 thousand on 31 December 2012).

At the end of the financial year, interest-bearing liabilities totalled EUR 66,379 thousand (EUR 70,587 thousand on 31 December 2012). Loan maturities of the company’s interest-bearing liabilities range from 3 to 7 years.

In order to hedge against interest rate risk, in 2010, the company transformed some of its floating-rate liabilities to a fixed rate, by means of interest rate swaps. Presently, some 45% of the loans in the company’s total loan portfolio have a fixed rate and some 55% a floating rate. These hedging measures included, the average interest rate for interest-bearing liabilities on 31 December 2013 came to 2.53%. The loan providers of the loans taken out at the end of the 2010 financial year have the opportunity to adjust the loan margin five years after the loans have been drawn. At the end of the 2013 financial year, these loans amounted to EUR 24.7 million.

As at 31 December 2013, the impact of floating-rate interest-bearing liabilities on profit before taxes would have amounted to -/+ EUR 362 thousand over the next 12 months, if the interest level increases or decreases by one percentage point. Of interest-bearing liabilities existing during the 12 months following the financial year, a total of EUR 5,914 thousand will fall due for payment.

With regard to liquidity, the year-end current ratio stood at 0.45 (0.47). Group net gearing was at 108.7% (82.7%) at the end of the financial period. Equity ratio was at 44.2% (50.7%) and shareholders’ equity per share stood at EUR 2.26 (EUR 3.14). Cash and cash equivalents amounted to EUR 1,980 thousand (EUR 2,263 thousand). Cash flow from operations totalled EUR 8,502 thousand (EUR 7,976 thousand). This includes EUR 6.3 million (EUR -1.0 million) from the Group’s own operations as well as EUR 2.2 million (EUR 9.0 million) of dividend income from Alma Media Corporation. Due to VAT changes, 2012 subscription fees for the Group's provincial newspapers were exceptionally invoiced in the amount of EUR 6.6 million in December 2011. Cash flow from investments totalled EUR –750 thousand (EUR -570 thousand).

PUBLISHING

The Group’s publishing segment comprises the publishing company I-Mediat Oy. During the year, net sales from publishing totalled EUR 38,257 thousand (EUR 40,528 thousand). Net sales from the publishing business decreased by 5.6%. This fall was caused by the weakening of the advertising market due to the economic conditions and competition. Advertising revenues fell by 11% and circulation revenues remained at the previous year’s level. Operating profit from publishing decreased by 9% year-on-year, to EUR 4,594 thousand (EUR 5,046 thousand).

Due to Finland’s weak and uncertain economic situation, it is difficult to forecast media income in 2014. Media advertising is projected to remain almost unchanged from the previous year, and newspaper circulation income is expected to fall. Net sales of I-Mediat Oy are expected to remain almost at the same level as before.

PRINTING

The printing segment comprises the printing house I-print Oy. The segment’s net sales amounted to EUR 13,763 thousand (EUR 13,710 thousand). Net sales remained at the previous year’s level. External net sales from the printing business increased by EUR 1,052 thousand (18.3%). Operating profit from printing increased by 32.5% year-on-year, to EUR 1,827 thousand (EUR 1,379 thousand).

In 2014, the market circumstances in the printing business sector will be more difficult than in 2013, as overcapacity will continue in the Finnish graphics industry and the total volume in the printed products market will fall. The rise in raw material and energy costs is expected to be moderate. I-print Oy's net sales are projected to decrease from the 2013 level.

ASSOCIATED COMPANIES

Ilkka-Yhtymä Group’s associated companies are Alma Media Corporation (29.79%), Arena Partners Oy (37.82%), Väli-Suomen Media Oy (40%) and Yrittävä Suupohja Oy (38.46%).

Alma Media focuses on publishing operations and digital consumer and corporate services. Its high-profile newspapers are Aamulehti, Iltalehti and Kauppalehti.

Ilkka-Yhtymä's provincial newspapers Ilkka and Pohjalainen and Alma Media's regional and local newspaper division Alma Regional Media initiated extensive operational collaboration on content and development. Ilkka-Yhtymä's publishing company I-Mediat Oy and Alma Media Kustannus Oy (Alma Media Publishing Ltd) signed a cooperation agreement on 18 December 2012. The collaboration was implemented gradually from the beginning of 2013. The collaboration is in full swing from early 2014. The agreement does not include any issues related to the ownership of Ilkka-Yhtymä Oyj and Alma Media Corporation.

Arena Partners Oy is a digital business development and production company jointly owned by five provincial newspaper companies. Arena Partners owns a 35% share of Alma Mediapartners Oy, which is Alma Media’s housing sales, vehicle and consumer advertising marketplace company operating in Finland. The Arena Partners Group includes the subsidiary Arena Interactive Oy (65%), focusing on mobile services, the recruitment agency Uranus Oy (35%) and Adfore Technologies Oy (11.8%).

Väli-Suomen Media Oy produces a joint Sunday magazine (Sunnuntaisuomalainen) for the region's newspapers. At the end of 2013, Ilkka-Yhtymä dissociated itself from the services produced by Väli-Suomen Media. At the beginning of 2014 it will also divest ownership. Yrittävä Suupohja Oy publishes Suupohjan Seutu, a free sheet distributed in the Suupohja region.

RESEARCH AND DEVELOPMENT EXPENSES

In the Group's publishing business, product development for multiple channels has been carried out with Arena Partners Oy, its shareholding newspapers and the Next Media programme of Finnmedia (Federation of the Finnish Media Industry). Product development has been focused on customer-oriented services relating to news reporting, transactions and communities. With regard to the Group’s printing business, the focus was on the development of value-added services and products.

CAPITAL EXPENDITURE

Reported capital expenditure for the year totalled EUR 1,423 thousand, with printing accounting for EUR 1,022 thousand and publishing for EUR 190 thousand.

ANNUAL GENERAL MEETING, SUPERVISORY BOARD AND BOARD OF DIRECTORS

On 18 April 2013, 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 0.15 be paid for the year 2012.

The number of members on the Supervisory Board for 2013 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 2017: Markku Akonniemi (Töysä), Juhani

Hautamäki (Ylivieska), Heikki Järvi-Laturi (Teuva), Petri Latva-Rasku (Tampere) ja Marja Vettenranta (Laihia). The employee representatives Terhi Ekola (Vaasa) and Niina Vuolio (Seinäjoki) were elected as new members of the Supervisory Board.

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, M.Sc.(Econ.) Harri Pärssinen 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.

On 6 May 2013, the Supervisory Board re-elected Sari Mutka, whose term had come to an end, to the Board of Directors of Ilkka-Yhtymä Oyj. Lasse Hautala will continue as chairman of the Supervisory Board, while Perttu Rinta will continue as vice-chairman. At its membership meeting, the Board of Directors re-elected Seppo Paatelainen as its chairman, while Timo Aukia will continue as vice-chairman.

SHARE PERFORMANCE

At the end of 2013, the company's share capital totalled EUR 6,416,302. The number of shares was 25,665,208, of which 4,304,061 were Series I shares (20 votes per share) and 21,361,147 were Series II shares (1 vote per share). Shares of both series entitle the holders to the same dividend.

According to the Articles of Association, a single shareholder at a General Meeting may not use more than one twentieth (1/20) of the entire number of votes represented in a meeting.

The transfer of Series I shares is restricted by an approval clause. According to this clause, Series I shares cannot be transferred to another holder without the approval of the Board of Directors.

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 Small Cap. The Series I shares are listed on the Pre List.

The number of Series I shares of Ilkka-Yhtymä Oyj traded in 2013 was 52,945, which represents 1.2% of the series share stock. The trading value of shares was EUR 0.3 million. The number of Series II shares traded totalled 2,059,508, which equals 9.6% of the series share stock. Their trading value was EUR 7.0 million. During the report period, the lowest quotation for Ilkka-Yhtymä Oyj's Series I share was EUR 4.36 and the highest EUR 7.95, while the lowest quotation for a Series II share was EUR 2.76 and the highest EUR 5.19. At the period-end closing price, the share capital market value was EUR 81.9 million.

The Board of Directors has an effective authorisation to decide upon a share issue and/or granting stock options and/or other special rights and upon their conditions. On 4 November 2010, Ilkka-Yhtymä Oyj purchased 7,250,000 shares in Alma Media Corporation from Oy Herttaässä Ab. From the share purchase price, EUR 30 million was paid in cash. In addition, Ilkka-Yhtymä decided to issue freely negotiable convertible bonds, with a value of EUR 20.0 million, to the seller. The bond issue decision taken by Ilkka-Yhtymä’s Board of Directors is based on the authorisation granted to it by the AGM on 19 April 2010.

In addition to this, the company has not issued any option rights or other special rights.

The Board of Directors is not authorised to acquire or sell the company’s own shares.

PERSONNEL

The average number of employees (full-time equivalents) was 321 (336 in 2012). In the year under review, the Group had, on average, 365 (379) employees with employment contracts. On 31 December 2013, the Group had 312 full-time employees (332).

Ilkka-Yhtymä Group's entire personnel has been covered by an incentive scheme since 2000. According to the Articles of Association, Ilkka-Yhtymä Oyj's Supervisory Board must include two employee representatives.

In cooperation with employees, voluntary cost savings measures were agreed in May 2013, corresponding to approximately one week of holiday pay leave in 2013.

In November, the Board of Directors of I-Mediat Oy elected Toni Viljanmaa (MA) as new editor-in-chief of the newspaper Pohjalainen, to replace the retiring editor-in-chief Kalle Heiskanen. Mr Viljanmaa took up his post at the beginning of January 2014.

In December, the Board of Directors of Ilkka-Yhtymä Oyj elected Olli Pirhonen, M.Sc.(Econ.), as new Group Chief Financial Officer, to replace Paula Anttila. Mr Pirhonen took up his post at the beginning of February 2014.

ESTIMATED OPERATING RISKS AND UNCERTAINTIES

Ilkka-Yhtymä's most significant short-term risks are related to the development of media advertising, as well as circulation and printing volumes. In a weak economic climate, these risks affect the entire sector. In the longer term, there is a risk of a potential decrease in circulation and advertising volumes, if consumers choose to switch to competitors’ alternative digital services. Through its holding in Alma Media stock, the company is also exposed to risks related to Alma Media’s profit-making capacity, dividend policy and the price development of its shares.

Communications industry

The company estimates that the Group's core operations only involve risks normally associated with the industry, which are increasing due to the changes taking place in the business environment. Such industry risks are mainly related to the development of media advertising and content consumption, since more and more alternatives are being offered to consumers and advertisers. A prolonged weak economic situation and a slow recovery may have a negative impact on the consumption of media products and services. Competition in the industry is being affected by the digitalisation of content and advertising, the emergence of new distribution channels, growth in advertiser-funded content, changes in media use and ways of spending time, as well as by the new operating methods and the actors these are enabling.

Publishing

In the long term, regional demographic and economic developments will have an impact on provincial and local newspapers' circulation and advertising income. A healthy circulation coverage percentage, a competitive contact price and strong relationships with readers are enhancing provincial and local newspapers' competitiveness in the advertising market. The strong growth seen in the volumes of online and mobile users has extended the overall reach of provincial newspapers.

In general, ordinary economic cycles have not had a major impact on local or provincial newspapers' circulation income. On the other hand, media advertising volumes reflect changes in economic cycles, competitive situations and the outlook of advertisers' own industries. Media sales took a downturn in spring 2012, and the trend continued in 2013.

Economic cycles, the regional volume of the advertising market and other competitive conditions all have an influence on the rate of market entry and exit of new media, such as free sheets and digital services. Like most other newspaper groups, Ilkka-Yhtymä has years of experience of its own free sheets and digital services. High quality and local customer relationships give a competitive edge.

Due to the consumer behaviour enabled by new technology, some classified advertisements, such as car, housing and job advertisements, have shifted online. In response to this development, Ilkka and Pohjalainen are engaged in collaboration with Arena Partners. Arena Partners Oy has acquired a 35% holding in the Etuovi.com, Vuokraovi.com and Autotalli.com services displaying housing and car advertisements. This will enable us to provide the sector's best services to customers. New players in the market include international search engine and other companies.

In order to face the challenges posed by changing reading habits among young people and the growing volumes of online content available for consumers free of charge, Ilkka-Yhtymä Group is providing its provincial newspapers' premium online and mobile services for the benefit of the region's consumers. In line with the allied Arena Partners' strategy, the aim is for these services to become the leading place for digital news, services, transactions and commerce for consumers, communities and companies in our operating provinces.

Graphics

The aggressive price competition in Finland's printing sector is continuing. Developments in circulation and advertising volumes are reflected in the numbers of pages in newspapers, while general economic trends are affecting the use of other advertising media. Exports to the Nordic countries are dependent not only on market conditions, but also on the development of exchange rates.

The availability of newsprint has been good and price developments in recent years have been moderate, in spite of large annual pricing fluctuations and the fact that the paper industry has downsized its capacity. Pricing pressures will increase in the future, since the paper industry's capacity cuts were intended to safeguard future profitability. I-print Oy has prepared for both availability and price risks by spreading purchases among suppliers and through joint procurement with Alma Media Corporation's, Keskisuomalainen Oyj's and Kaleva Oy's printing houses.

Newspaper distribution has been outsourced to Itella Oyj. The short-term risks in delivery operations mainly concern price developments. The price risk depends on the pay development of deliverers, competition between delivery companies and the reform of the Postal Services Act. In the longer term, the availability of distribution services as well as the related price risks will increase.

Financial risks

The Group is exposed to an interest-rate risk and a risk associated with share prices. The Group's interest-rate risk consists of changes in market interest rates applied in the loan portfolio. The company follows an interest-rate management policy confirmed by the Board of Directors. With respect to interest-rate risk management, the goal is to reduce the volatility of interest expenses in order to keep interest expenses, and the associated risk that they will grow, at an acceptable level. Interest-rate risk is managed by selecting both fixed and floating interest rates in loans, and using interest-rate fixing periods. If necessary, in order to hedge against interest-rate risk, the company can rely on interest rate swaps, interest rate options and their combinations. The Group's loan arrangements and hedging against interest-rate risk have been described in further detail above, under 'Consolidated balance sheet and financing'. The company's loan arrangements involve ordinary collaterals and no special covenants.

In its operations, the Group is exposed to price risks arising from the volatility of market prices of quoted shares. In order to ensure the availability and flexibility of financing, the Group has available credit limits. On 31 December 2013, unused credit limits totalled EUR 13 million (On 31 December 2012, EUR 13 million).

EVENTS AFTER THE FINANCIAL YEAR

In February 2014, I-Mediat Oy, a subsidiary of Ilkka-Yhtymä Oyj, and five other newspaper publishers (Keski-Pohjanmaan Kirjapaino Oyj, Alma Media Kustannus Oy, Kaleva Oy, Hämeen Sanomat Oy, and Turun Sanomat Oy) signed a letter of intent, which will act as the basis for plans to significantly strengthen and expand their current journalistic collaboration.

The newspapers Ilkka, Pohjalainen, Keskipohjanmaa, Aamulehti, Satakunnan Kansa, Lapin Kansa, Kainuun Sanomat, Pohjolan Sanomat, Kaleva, Hämeen Sanomat, Forssan Lehti, and Turun Sanomat are planning to establish during 2014 an editorial undertaking called Lännen Media. The new company would produce shared content for all the newspapers.

In the event of the collaboration becoming reality, Lännen Media Oy would provide its 12 stakeholder newspapers with news items on national politics and the economy as well as social issues. Furthermore, Lännen Media would produce foreign news, weekend supplement material, themed content and national online news items for the use of its stakeholder newspapers.

Lännen Media would act as a joint editorial house, with journalists located around Finland. Because it would produce ready-to-publish shared content, each individual newspaper would be free to dedicate its resources to boosting local content and service. The joint editorial house would comprise around 40 journalists.

At the same time, the stakeholder newspapers in Lännen Media would intensify their cooperation in other journalistic content, collaborating in design, product development and training. Lännen Media's principal goal would be to accelerate product development in the field of digital content.

THE BOARD'S PROPOSAL ON PROFIT SHARING

The Board of Directors proposes to the Annual General Meeting of 24 April 2014 that a per-share dividend of EUR 0.10 be paid for the financial year 2013, representing a total dividend payment of EUR 2,566,520.80. Dividends will be distributed to those who are listed on the record day, 29 April 2014, as shareholders in the Ilkka-Yhtymä Oyj's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments are issued on 7 May 2014. On 31 December 2013, the parent company's distributable funds amounted to EUR 53,792,075.63.

No substantial changes have taken place in the company's financial position since the end of the financial year. In the view of the Board of Directors, the proposed dividends do not jeopardise the company's liquidity.

Ilkka-Yhtymä Oyj practises an active dividend policy and aims to distribute at least half of its consolidated annual income as dividend payments. However, dividend distribution is affected not only by the earnings trend, but also by the Group's financial standing, the financing required for profitable growth and the company's future outlook and development needs.

PROSPECTS FOR 2014

In the current economic climate, forecasting net sales in the media sector and, in particular, media advertising spending involves major uncertainties. Media advertising is expected to remain roughly at the previous year's level and, due to caution among consumers as well as competition in the media market, newspaper circulation income is forecast to shrink. Printing business volumes have shrunk in Finland and the trend is expected to continue in 2014.

The net sales of Ilkka-Yhtymä Group are estimated to remain almost at the 2013 level.

Group operating profit from Ilkka-Yhtymä's own operations, excluding the share of Alma Media's and other associated companies' results, are expected to decline from the 2013 level.

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

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	10-12/ 2013	10-12/ 2012	Change %	1-12/ 2013	1-12/ 2012	Change %
NET SALES	11 707	11 877	-1	44 893	46 158	-3
Change in inventories of finished and unfinished products	-2	-6	73	6		
Other operating income	97	95	2	392	437	-10
Materials and services	-3 661	-3 454	6	-14 484	-13 980	4
Employee benefits	-4 274	-4 608	-7	-17 020	-17 824	-5
Depreciation	-519	-679	-24	-2 078	-2 918	-29
Other operating costs	-1 511	-1 622	-7	-5 711	-5 966	-4
Share of associated companies' profit *)	-565	-22 180	97	-22 630	-16 774	-35
OPERATING PROFIT/	1 273	-20 576	106	-16 631	-10 868	-53

LOSS						
Financial income and expenses	-386	-424	9	-347	-2 550	86
PROFIT/ LOSS BEFORE TAX	887	-21 000	104	-16 978	-13 418	-27
Income tax	-306	-285	7	-1 199	-669	79
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	581	-21 285	103	-18 178	-14 087	-29
Earnings per share, undiluted (EUR)**)	0.02	-0.83	103	-0.71	-0.55	-29
The undiluted share average (to the nearest thousand)**)	25 665	25 665		25 665	25 665	

*) Includes non-recurring write-down on the holding in the associated company Alma Media Corporation, Q3/2013: EUR 27 million, Q4/2012: EUR 22 million.

**) There are no factor diluting the figure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	10-12/ 2013	10-12/ 2012	Change %	1-12/ 2013	1-12/ 2012	Change %
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	581	-21 285	103	-18 178	-14 087	-29
OTHER COMPREHENSIVE INCOME:						
Items that may be reclassified subsequently to profit or loss:						
Available-for-sale assets				2	-3	178
Share of associated companies' other comprehensive income	-235	-72	-228	-342	100	-440
Income tax related to components of other comprehensive income	12			11	1	1405
Other comprehensive income, net of tax	-223	-72	-210	-328	98	-434
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	358	-21 357	102	-18 506	-13 989	-32

SEGMENT INFORMATION

NET SALES BY SEGMENT

(EUR 1,000)	10-12/ 2013	10-12/ 2012	Change %	1-12/ 2013	1-12/ 2012	Change %
Publishing						
External	9 809	10 336	-5	38 098	40 414	-6

Inter-segments	44	25	76	159	113	40
Publishing total	9 853	10 360	-5	38 257	40 528	-6
Printing						
External	1 898	1 541	23	6 795	5 743	18
Inter-segments	1 773	2 022	-12	6 968	7 967	-13
Printing total	3 671	3 563	3	13 763	13 710	
Non-allocated						
Inter-segments	568	538	6	2 269	2 139	6
Non-allocated total	568	538	6	2 269	2 139	6
Elimination	-2 385	-2 585	-8	-9 395	-10 219	-8
Group net sales total	11 707	11 877	-1	44 893	46 158	-3

OPERATING PROFIT/ LOSS BY SEGMENT

(EUR 1,000)	10-12/ 2013	10-12/ 2012	Change %	1-12/ 2013	1-12/ 2012	Change %
Publishing	1 339	1 440	-7	4 594	5 046	-9
Printing	573	367	56	1 827	1 379	33
Associated companies	-565	-22 180	97	-22 630	-16 774	-35
Non-allocated	-74	-203	64	-422	-519	19
Group operating profit/ loss total	1 273	-20 576	106	-16 631	-10 868	-53

ASSETS BY SEGMENT

(EUR 1,000)	12/2013	12/2012	Change %
Publishing	9 252	13 477	-31
Printing	8 788	9 831	-11
Non-allocated	115 762	137 516	-16
Group assets total	133 802	160 823	-17

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	12/2013	12/2012	Change %
ASSETS			
NON-CURRENT ASSETS			
Intangible rights	789	1 008	-22
Goodwill	314	314	
Investment properties	182	233	-22

Property, plant and equipment	11 459	11 862	-3
Shares in associated companies	103 492	128 796	-20
Available-for-sale assets	10 668	10 723	-1
Other tangible assets	214	214	
TOTAL NON-CURRENT ASSETS	127 118	153 151	-17
CURRENT ASSETS			
Inventories	483	647	-25
Trade and other receivables	2 866	2 950	-3
Income tax assets	96	118	-19
Financial assets at fair value through profit or loss	1 259	1 695	-26
Cash and cash equivalents	1 980	2 263	-12
TOTAL CURRENT ASSETS	6 684	7 673	-13
TOTAL ASSETS	133 802	160 823	-17
SHAREHOLDERS’ EQUITY AND LIABILITIES			
SHAREHOLDER’S EQUITY			
Share capital	6 416	6 416	
Invested unrestricted equity fund and other reserves	48 635	48 621	
Retained earnings	3 040	25 529	-88
SHAREHOLDER’S EQUITY	58 091	80 567	-28
NON-CURRENT LIABILITIES			
Deferred tax liability	216	23	831
Non-current interest-bearing liabilities	60 432	63 954	-6
Non-current interest-free liabilities	88	102	-13
NON-CURRENT LIABILITIES	60 736	64 079	-5
CURRENT LIABILITIES			
Current interest-bearing liabilities	5 947	6 633	-10
Accounts payable and other payables	8 768	9 390	-7
Income tax liability	260	155	68
CURRENT LIABILITIES	14 975	16 177	-7
SHAREHOLDERS’ EQUITY AND LIABILITIES TOTAL	133 802	160 823	-17

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-12/ 2013	1-12/ 2012
CASH FLOW FROM OPERATIONS		
Profit/ loss for the period under review	-18 178	-14 087
Adjustments	26 229	22 867
Change in working capital	408	-6 732

CASH FLOW FROM OPERATIONS BEFORE FINANCE AND TAXES	8 459	2 048
Interest paid	-1 749	-2 235
Interest received	35	46
Dividends received	2 344	9 117
Other financial items	333	-53
Direct taxes paid	-920	-947
CASH FLOW FROM OPERATIONS	8 502	7 976
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets, net	-1 398	-1 083
Other investments, net	121	-16
Dividends received from investments	528	529
CASH FLOW FROM INVESTMENTS	-750	-570
CASH FLOW BEFORE FINANCING ITEMS	7 753	7 406
CASH FLOW FROM FINANCING		
Change in current loans	-4 217	-3 925
Change in non-current loans		-1 964
Dividends paid and other profit distribution	-3 818	-10 180
CASH FLOW FROM FINANCING	-8 035	-16 069
INCREASE (+) OR DECREASE (-)IN FINANCIAL ASSETS	-282	-8 663
Liquid assets at the beginning of the financial period	2 263	10 926
Liquid assets at the end of the financial period	1 980	2 263

KEY FIGURES

	2013	2012
Net sales, Meur	44.9	46.2
change %	-2.7	-7.6
Operating profit/ loss, Meur	-16.6	-10.9
% of net sales	-37.0	-23.5
Profit/ loss before tax, Meur	-17.0	-13.4
% of net sales	-37.8	-29.1
Profit/ loss for the financial period, Meur	-18.2	-14.1
% of net sales	-40.5	-30.5
Return on equity (ROE), %	-26.2	-15.2
Return on investment (ROI), %	-11.6	-6.2
Equity ratio, %	44.2	50.7
Net gearing, %	108.7	82.7
Gross capital expenditure, Meur *)	1.4	1.3
% of net sales	3.2	2.8
Balance sheet total, Meur	133.8	160.8

Current ratio	0.45	0.47
Average no. of employees	321	336
Earnings per share (EPS), eur	-0.71	-0.55
Cash flow from operations per share, eur	0.33	0.31
Shareholders’ equity per share, eur	2.26	3.14
Dividend per share (Series I), eur **)	0.10	0.15
Dividend per share (Series II), eur **)	0.10	0.15
Dividend per earnings (Series I), %	neg.	neg.
Dividend per earnings (Series II), %	neg.	neg.
Effective dividend yield (Series I), %	2.1	2.1
Effective dividend yield (Series II), %	3.5	3.1
Price per earnings (P/E) (Series I)	neg.	neg.
Price per earnings (P/E) (Series II)	neg.	neg.
Market capitalisation, Meur	81.9	133.1
Average number of shares during the financial period	25 665 208	25 665 208
Number of shares at the end on the financial period	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 (shares).

**) 2013: Proposal of the Board of Directors

CONSOLIDATED NET SALES AND PROFIT BY QUARTER

(EUR 1,000)	Q1/ 2013	Q2/ 2013	Q3/ 2013	Q4/ 2013
NET SALES	10 987	11 585	10 614	11 707
OPERATING PROFIT/ LOSS	2 258	3 859	-24 022	1 273
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	1 927	3 982	-24 668	581

(EUR 1,000)	Q1/ 2012	Q2/ 2012	Q3/ 2012	Q4/ 2012
NET SALES	11 763	11 734	10 785	11 877
OPERATING PROFIT/ LOSS	3 385	2 566	3 757	-20 576
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	2 449	1 852	2 897	-21 285

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (EUR 1,000)

Change in shareholders’ equity 1-12/ 2012	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
SHAREHOLDERS’ EQUITY 1.1.	6 416	101	48 498	24	49 401	104 440
Comprehensive income for the period		-2			-13 987	-13 989
Dividend distribution					-10 266	-10 266

Share of associated company changes					382	382
TOTAL SHAREHOLDERS' EQUITY 12/2012	6 416	99	48 498	24	25 529	80 567

Change in shareholders' equity 1-12/ 2013	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.	6 416	99	48 498	24	25 529	80 567
Other change in shareholders' equity					-53	-53
Comprehensive income for the period		14			-18 519	-18 506
Dividend distribution					-3 850	-3 850
Share of associated company changes					-68	-68
TOTAL SHAREHOLDERS' EQUITY 12/2013	6 416	113	48 498	24	3 040	58 091

GROUP CONTINGENT LIABILITIES

(EUR 1,000)	12/2013	12/2012
Collateral pledged for own commitments		
Mortgages on company assets	1 245	1 245
Mortgages on real estate	8 801	8 801
Pledged shares	49 680	65 730
Contingent liabilities on behalf of associated company		
Guarantees	4 059	4 096

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	1-12/ 2013	1-12/ 2012	Change %
Carrying amount at the beginning of the financial period	11 862	13 481	-12
Increase	1 266	838	51
Depreciation for the financial period	-1 670	-2 456	-32

Carrying amount at the end of the financial period	11 459	11 862	-3

RELATED PARTY TRANSACTIONS

Ilkka-Yhtymä Group’s related parties include associated companies, members of the Board of Directors, members of the Supervisory Board, the Managing Director and the Group Executive Team.

THE FOLLOWING RELATED PARTY TRANSACTIONS WERE CARRIED OUT:

(EUR 1,000)	12/2013	12/2012
Sales of goods and services		
To associated companies	261	288
To other related parties	860	823
Purchases of goods and services		
From associated companies	464	463
From other related parties	29	5
Trade receivables		
From associated companies	48	13
From other related parties	61	47
Accounts payable		
To associated companies	16	4

Transactions with related parties are conducted at fair market prices.

EMPLOYEE BENEFITS TO MANAGEMENT

(EUR 1,000)	12/2013	12/2012
Salaries and other short-term employee benefits	989	936

Management comprises the Board of Directors, Supervisory Board, Managing Director and Group Executive Team. The stated figures based on the cash method do not differ significantly from those based on the accrual method.

FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

		Fair value at end of period		
(EUR 1,000)	12/2013	Level 1	Level 2	Level 3
ASSETS MEASURED AT FAIR VALUE				
Financial assets at fair value through profit or loss	1 259	1 259		
Available-for-sale financial assets	9 249		9 249	

TOTAL	10 507	1 259	9 249	

LIABILITIES MEASURED AT FAIR VALUE				
Interest rate swaps	1 701		1 701	
TOTAL	1 701		1 701	

		Fair value at end of period		
(EUR 1,000)	12/2012	Level 1	Level 2	Level 3
ASSETS MEASURED AT FAIR VALUE				
Financial assets at fair value through profit or loss	1 695	1 695		
Available-for-sale financial assets	9 229		9 229	
TOTAL	10 924	1 695	9 229	
LIABILITIES MEASURED AT FAIR VALUE				
Interest rate swaps	2 435		2 435	
TOTAL	2 435		2 435	

Available-for-sale assets also include EUR 1,419 thousand for unlisted shares (EUR 1,495 thousand in 2012), which are measured at cost since no reliable fair value was available for them.

At Level 1 of the hierarchy, fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

At Level 2, the instruments' fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

At Level 3, the instruments' fair value is based on inputs for the asset or liability that are not based on observable market data.

AUDITED CIRCULATION OF NEWSPAPERS FOR 2013

Ilkka	48 863
Pohjalainen	22 355
Jurvan Sanomat	2 043
Järviseutu	5 086
Komiat	6 355
Suupohjan Sanomat	3 907
Viiskunta	5 603
Vaasan Ikkuna (delivery)	50 314
Etelä-Pohjanmaa (delivery)	46 800

Drafting principles

This financial statements bulletin, issued by Ilkka-Yhtymä Group, was prepared in accordance with the requirements of the IAS 34 Interim Financial Reporting standard.

Since 1 January 2013, the Group has complied with the following new or updated standards and interpretations:

- IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012). The key change is the requirement for the separate presentation of items of other comprehensive income depending on whether they will possibly be reclassified to profit or loss in the future if specific conditions are met.
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013). The standard will increase consistency and comparability by providing an exact definition of fair value and by combining in the same standard requirements for fair value measurement and the necessary disclosures. The requirements do not extend the use of the fair value model, but they provide guidance on how it should be applied when its use is allowed or when it is required by another standard. The standard will increase the number of disclosures.
- Amendment to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2013). The amendment clarifies the disclosure requirements for offsetting financial assets and liabilities on the balance sheet, as well as for master netting arrangements or similar agreements. The amendment will have no material impact on the consolidated financial statements.
- Annual Improvements to IFRSs 2009–2011, May 2012 (effective for annual periods beginning on or after 1 January 2013). The amendments apply to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. The amendments will have no material impact on the consolidated financial statements.

As regards other parts and issues, the same drafting principles have been applied to the financial statements bulletin as used in the previous financial statements on 31 December 2012. Moreover, the calculation formulas and principles for indicators also remain unchanged.

The figures in the financial statements bulletin are unaudited.

PROPOSALS TO THE ANNUAL GENERAL MEETING

The Board of Directors proposes to the Annual General Meeting of 24 April 2014 that a per-share dividend of EUR 0.10 be paid for the financial year 2013, representing a total dividend payment of EUR 2,566,520.80. Dividends will be distributed to those who are listed on the record day, 29 April 2014, as shareholders in the Ilkka-Yhtymä Oyj's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments are issued on 7 May 2014. On 31 December 2013, the parent company's distributable funds amounted to EUR 53,792,075.63.

AUTHORISATION TO DONATE

The Board of Directors proposes to the AGM that the Board of Directors be authorised to decide upon a donation, totalling a maximum of EUR 50,000, to be made towards charitable causes or similar, and that the Board of Directors be authorised to decide upon the recipients, purposes of use, schedules and other terms of these donations.

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.

ILKKA-YHTYMÄ OYJ

Board of Directors

Matti Korkiatupa
Managing Director

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