Ilkka-Yhtymä Oyj Financial Statements Bulletin, 20 February 2012, at 3 p.m.

THE ILKKA-YHTYMÄ GROUP'S FINANCIAL STATEMENTS FOR 2011

FINANCIAL YEAR 2011

- Net sales: EUR 50.0 million (EUR 46.5 million), up 7.4%
- External net sales from publishing increased by EUR 2.0 million (4.8%) and external net sales from printing increased by EUR 1.5 million (27.6%)
- Operating profit: EUR 17.6 million (EUR 14.5 million), up 21.5%
- Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 8.9 million (EUR 7.1 million), up 25.0%
- Operating profit from the publishing business increased by EUR 0.9 million while that of the printing business increased by EUR 0.8 million
- Operating profit totalled 35.2% of net sales; 17.9% excluding Alma Media and other associated companies (15.3%)
- Pre-tax profits: EUR 13.8 million (EUR 14.7 million), down 6.1%
- Earnings per share: EUR 0.49 (EUR 0.50)
- The Board of Directors proposes a per share dividend of EUR 0.40

Q4/2011

- Net sales: EUR 13.0 million (EUR 12.6 million), up 3.0%
- External net sales from publishing increased by EUR 0.2 million (1.5%) and external net sales from printing increased by EUR 0.2 million (13.8%)
- Operating profit: EUR 2.6 million (EUR 4.7 million), a drop of 44.2%
- Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 2.1 million (EUR 2.1 million), up 1.4%
- Operating profit from the publishing business decreased by EUR 0.2 million while that of the printing business remained at the previous year's level
- Operating profit totalled 20.0% of net sales; 16.5% excluding Alma Media and other associated companies (16.7%)
- Pre-tax profits: EUR 1.6 million (EUR 4.7 million), down 64.9%
- Earnings per share: EUR 0.05 (EUR 0.16)

MATTI KORKIATUPA, MANAGING DIRECTOR:

Thanks to good economic growth, Finland's Parliamentary elections and new customer relationships in printing, our net sales and profitability developed favourably early in the year. The economic situation, however, began to deteriorate during the summer, which slowed the growth of our net sales in the latter half of the year. Advertising in Finland began developing negatively in the final quarter and newspaper circulation volumes were in a slight decline throughout the year.

In 2011, the focuses of the three-year development programme carried out between 2009 and 2011 were on consolidating our revised functions and management models, further developing our multi-channel services and preparing for future changes in the media environment.

Predicting customer needs and consumer behaviour will probably be one of the toughest challenges facing media companies in the coming years. The consumer behaviours of different customer groups are diverging more clearly from one another. On the other hand, the multi-channel needs of corporate customers for advertising, communications and printing will increasingly require us to implement Group-specific solution models, for which we will need services provided by our network partners, in addition to our own service selection.

The new editing system introduced in the previous year created a good foundation for renewed, more extensive online services. In 2012, we will renew our online facsimile edition functions. Content cooperation was standardised between provincial newspaper companies, and classified services provided by Alma Mediapartners were well-received by our customers.

Consumers' environmental awareness and corporate responsibility are gaining more emphasis. Newsprint is an almost completely recyclable product, printing requires little energy and Ilkka-Yhtymä's distributions by Itella Corporation are completely carbon neutral.

As for personnel, one of the biggest challenges is to meet the competence requirements of the future media environment. Based on the results of personnel surveys, we initiated leadership coaching for supervisors and a dialogue on values involving the entire personnel, with the aim of developing management and mutual interaction.

Our holding in Alma Media Corporation has significantly strengthened our profits. Cash flow from business operations increased on the previous year thanks to dividends paid by Alma Media and earlier invoicing of newspapers for 2012.

In a weakened economic situation, Finland's GDP is forecast to grow slowly during the current year. The newspaper sector will also be burdened by the 9% value-added tax on income from subscriptions, which entered into force at the start of 2012, and increases in personnel and distribution costs. These factors will have a negative impact on the trend in media companies' net sales and profitability, creating pressures to increase productivity in all functions.

BUSINESS ENVIRONMENT

In its Economic Bulletin of 20 December 2011, the Ministry of Finance estimated GDP growth in Finland to have attained 2.6% in 2011, and forecast growth of 0.4% for 2012. It is also possible that the economy will sink into a recession during the current year. According to Statistics Finland, the inflation rate decreased to 2.9% in December and averaged 3.4% for 2011.

The January consumer survey by Statistics Finland reported that consumer confidence began to cautiously improve in January. In 2011, private consumption is estimated to have grown almost 3.5%. In 2012, uncertainty and the weak development of real earnings will slow down the growth of private consumption, which will remain at about 0.5%.

According to a survey conducted by TNS Gallup Oy and commissioned by the Finnish Advertising Council, media advertising increased by 3.7% in 2011. Advertising in newspapers increased by 3.5%, while advertising in free sheets grew by 5.3%. Newspapers and free sheets accounted for 36.0% and 5.5% of media advertising, respectively. Web media advertising saw an increase of 8.2%, representing a 15.8% 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, as well as the online and mobile services of these papers, and the printing products and services of I-print Oy.

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 increased by 7.4%, amounting to EUR 49,952 thousand (EUR 46,530 thousand in 2010). External net sales from publishing operations increased by 4.8%. Advertising revenues grew by 5.2%, and circulation revenues grew by 1.6%. External net sales from the printing business increased by 27.6%. The higher net sales from publishing resulted from a recovery in advertising volumes, due to, for example, election advertising early in the year. The growth in net sales for the printing business came as a result of 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 46% and 13%, respectively. Other operating income totalled EUR 435 thousand (EUR 429 thousand).

The Group operating expenses for the financial year amounted to EUR 41,468 thousand (EUR 39,813 thousand), up by 4.2% year-on-year. Expenses arising from materials and services increased by 13.1%, particularly due to growth in printing volumes as well as a rise in the prices of printing materials and distribution. Personnel expenses increased by 0.5%.

The share of the associated companies' result was EUR 8,659 thousand (EUR 7,337 thousand). Consolidated operating profit amounted to EUR 17,590 thousand (EUR 14,479 thousand), up by 21.5% year-on-year. The Group's operating margin was 35.2% (31.1%). Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 8,931 thousand (EUR 7,142 thousand), representing 17.9% (15.3%) of net sales. Operating profit from publishing grew by EUR 911 thousand, and operating profit from printing grew by EUR 775 thousand. 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 first quarter last year included costs for ceasing operation of the Vaasa printing unit.

Net financial expenses amounted to EUR 3,817 thousand (net financial income for the 2010 financial year: EUR 192 thousand). Net gain/loss on shares held for trading was EUR -949 thousand (EUR 495 thousand). Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 2,544 thousand (EUR 1,062 thousand). 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. For the 2011 financial year, the market value of these interest rate swaps fell by EUR 1,398 thousand.

Pre-tax profits totalled EUR 13,773 thousand (EUR 14,670 thousand). Direct taxes amounted to EUR 1,098 thousand (EUR 1,779 thousand). The Group's net profit for the period totalled EUR 12,675 thousand (EUR 12,892 thousand), with earnings per share standing at EUR 0.49 (EUR 0.50).

Q4 NET SALES AND PROFIT PERFORMANCE

In Q4/2011, consolidated net sales totalled EUR 12,979 thousand (EUR 12,601 thousand), up by 3.0%. External net sales from publishing operations increased by 1.5%. Advertising revenues decreased by 1.5% and circulation revenues grew by 2.5%. External net sales from the printing business grew by 13.8%. Circulation income accounted for 38% of consolidated net sales in October–December, while advertising income and printing income represented 46% and 14%, respectively. Other operating income in October–December totalled EUR 92 thousand (EUR 109 thousand).

In Q4, the Group's expenses totalled EUR 10,925 thousand (EUR 10,593 thousand), up by 3.1%. The associated companies' impact on profit and loss totalled EUR 462 thousand (EUR 2,548 thousand). Q4 operating profit amounted to EUR 2,599 thousand (EUR 4,657 thousand). Operating profit decreased by 44.2% year-on-year. The Group's operating margin was 20.0% (37.0%). Operating profit excluding Alma Media and the other associated companies amounted to EUR 2,137 thousand (EUR 2,108 thousand), representing 16.5% (16.7%) of net sales. In Q4, operating profit from publishing decreased by EUR 155 thousand. Operating profit from the printing business remained at the previous year's level.

Net financial expenses amounted to EUR 964 thousand (EUR 0 thousand). Net gain/loss on shares held for trading was EUR -5 thousand (EUR 293 thousand). In Q4, interest expenses excluding the fair value change in derivatives hedging them totalled EUR 641 thousand (EUR 519 thousand). The market value of these interest rate swaps fell by EUR 352 thousand in October–December 2011.

Pre-tax profits in Q4 totalled EUR 1,636 thousand (EUR 4,656 thousand).

CONSOLIDATED BALANCE SHEET AND FINANCING

The consolidated balance sheet total came to EUR 196,998 thousand (EUR 197,035 thousand), with EUR 104,440 thousand (EUR 105,030 thousand) of equity. On the reporting date of 31 December 2011, the balance sheet value of the holding in the associated company, Alma Media Corporation, was EUR 153.7 million and the market value of the shares was EUR 138.1 million. According to the management's estimate, write-down in this holding is unnecessary.

At the end of the financial year, interest-bearing liabilities totalled EUR 76,467 thousand (EUR 83,011 thousand on 31 December 2010). Loan maturities of the company's interest-bearing liabilities range from 2 to 9 years. EUR 3.6 million in interest-bearing loans were repaid in July on an accelerated basis. EUR 2.4 million of said amount was for loan repayments originally scheduled for 2012. In order to safeguard its long-term financing, Ilkka-Yhtymä has renewed the EUR 15.5 million bullet loan originally maturing in 2013, to 2018.

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. While 3% of the company's interest-bearing liabilities had been tied to a fixed rate, some 40% of floating-rate interest-bearing liabilities were transformed to a fixed rate through interest rate hedges. Presently, some 42% of the loans in the company's total loan portfolio have a fixed rate and some 58% a floating rate. These hedging measures included, the average interest rate for interest-bearing liabilities on 31 December 2011 came to 3.19%. The loan providers of the EUR 30 million 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.

As at 31 December 2011, the impact of floating-rate interest-bearing liabilities on profit before taxes would have amounted to -/+ EUR 442 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 3,999 thousand will fall due for payment.

With regard to liquidity, the year-end current ratio stood at 0.86 (0.88). Group gearing was at 60.9% (72.9%) at the end of the financial period. Equity ratio was at 55.5% (53.8%) and shareholders' equity per share stood at EUR 4.07 (EUR 4.09). Cash and cash equivalents amounted to EUR 10,926 thousand (EUR 3,047 thousand). Cash flow from operations totalled EUR 31,171 thousand (EUR 12,652 thousand). Cash flow from operations for 2011 included, among others, the dividend of EUR 15,742 thousand (EUR 6,088 thousand in 2010) paid by Alma Media and subscriptions invoiced in advance by the provincial papers that normally would have been invoiced in Q1/2012. Around 80% of the value of this advance invoicing was recognised in cash flow in December 2011. Cash flow from investments totalled EUR –3,633 thousand (EUR -32,607 thousand). In 2010, cash flow from investments included investments in Alma Media Oyj's shares. During the financial year 2010, a significant event not affecting the cash flow involved the issue of convertible bonds. The aggregate value of these bonds was EUR 20 million, which forms part of the cost of Alma Media's shares.

PUBLISHING

The Group's publishing segment comprises the publishing company I-Mediat Oy. During the year, net sales from publishing totalled EUR 43,318 thousand (EUR 41,386 thousand). Net sales from the publishing business grew by 4.7%. Advertising revenues grew by 5.2% and circulation revenues grew by 1.6%. Net sales for both provincial papers belonging to the publishing segment, Ilkka and Pohjalainen, and for local newspapers increased. Aggregate net sales for free sheets remained at the previous year's level. Operating profit from publishing increased by 13.4% year-on-year, to EUR 7,697 thousand (EUR 6,786 thousand).

Due to Finland's weak and uncertain economic situation, it is difficult to forecast media income in 2012. Media advertising is estimated to grow mildly, while circulation income is expected to decrease as a result of the introduction of a value-added tax. 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 15,235 thousand (EUR 13,052 thousand). Net sales grew by 16.7% year-on-year. External net sales from the printing business increased by EUR 1,458 thousand (27.6%,). The growth in net sales came as a result of new customers, recovering volumes and price increases due to printing materials. Operating profit from printing increased by EUR 775 thousand year-on-year, to EUR 1,953 thousand (EUR 1,177 thousand). 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 first quarter last year included costs for ceasing operation of the Vaasa printing unit.

Within the printing business, the 2012 market situation is expected to be more challenging than that of the previous year. The general uncertainty surrounding the economy will also impact corporate customers' media investments. Finland still has overcapacity in printing and the related operations, which will pose major challenges to the profitability of operations. Energy and raw materials expenses are expected to develop moderately. Net sales of I-print Oy are expected to remain almost at the same level as before.

ASSOCIATED COMPANIES

Ilkka-Yhtymä Oyj'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. Arena Partners Oy is an electronic 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.

On 9 September 2011, Arena Interactive Oy acquired the entire capital stock of Steam Communications Oy. Arena Interactive Oy is owned by Ilkka-Yhtymä Oyj's associated companies Arena Partners Oy and Alma Media Oyj, which hold 65% and 35% of its shares, respectively. Both Arena Interactive and Steam Communications specialise in the development and production of mobile services, and message communication.

On 4 October 2011, Arena Partners Oy acquired 36.16% of Uranus Konsultointi Oy. Uranus is engaged in two business sectors: matching experts with employers (www.uranus.fi) and managing the recruitment process (www.laura.fi). Uranus is also a member of the world’s leading international electronic recruitment network, The Network (www.the-network.com), providing its services in Finland.

Väli-Suomen Media Oy produces, among other things, a joint Sunday publication for six newspapers (Ilkka, Karjalainen, Keskisuomalainen, Pohjalainen, Savon Sanomat and Etelä-Suomen Sanomat) called Sunnuntaisuomalainen. Yrittävä Suupohja Oy publishes Suupohjan Seutu, a free sheet distributed in the Suupohja region.

In 2011, the share of the associated companies’ result was EUR 8,659 thousand (EUR 7,337 thousand).

RESEARCH AND DEVELOPMENT EXPENSES

The Group’s publishing business has carried out multi-channel product development in cooperation with Arena Partners’ associated papers. Product development has been focused on customer-oriented services relating to news reporting, transactions and communities. With regard to the Group’s printing business, development activities focused on the development of value-added web-based services and products. Additional human resources were allocated to the development of commercial content design.

CAPITAL EXPENDITURE

Reported capital expenditure for the year totalled EUR 4,414 thousand, with printing accounting for EUR 227 thousand and publishing for EUR 601 thousand. In 2011, a total of EUR 3,477 thousand was invested in available-for-sale shares.

ANNUAL GENERAL MEETING, SUPERVISORY BOARD AND BOARD OF DIRECTORS

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 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 (Seinäjoki) and Jorma Vierula (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 a 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.

On 2 May 2011, the Supervisory Board re-elected Seppo Paatelainen and Tapio Savola, 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.

At its meeting on 7 November 2011, the Supervisory Board decided to increase the number of members on the Board of Directors of Ilkka-Yhtymä Oyj to six (6). Esa Lager, M.Sc.(Econ.), LL.M., was elected as a new member to the Board of Directors of Ilkka-Yhtymä Oyj.

SHARE PERFORMANCE

At the end of 2011, 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 Mid Cap. The Series I shares are listed on the Pre List.

The number of Series I shares of Ilkka-Yhtymä Oyj traded in 2011 was 76,617, which represents 1.8% of series share stock. The trading value of shares was EUR 0.8 million. The number of Series II shares traded totalled 1,446,992, which equals 6.8% of the series share stock. Their trading value was EUR 11.1 million. During the report period, the lowest quotation for Ilkka-Yhtymä Oyj's Series I share was EUR 8.50 and the highest EUR 11.69, while the lowest quotation for a Series II share was EUR 5.95 and the highest EUR 8.99. At the period-end closing price, the share capital market value was EUR 179.7 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 bonds 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.

FLAGGING ANNOUNCEMENTS

As a result of a share purchase completed on 10 June 2011, Pohjois-Karjalan Kirjapaino Oyj's holding in Ilkka-Yhtymä Oyj's share capital exceeded 10%. Holding increased to 10.0039% of the share capital and 2.3914% of the voting rights.

PERSONNEL

The Group had an average of 382 employees during the year under review (388 in 2010), while the average number of personnel expressed as full-time equivalents was 341 (343).

On 31 December 2011, the Group had 333 full-time employees (333).

Since 2000, Ilkka-Yhtymä Group's entire personnel has been covered by an incentive scheme, with the exception of 2009 when the scheme was not in use.

The Articles of Association provide for two employee representatives to serve on the Supervisory Board of Ilkka-Yhtymä Oyj.

ESTIMATED OPERATING RISKS AND UNCERTAINTIES

Ilkka-Yhtymä's most significant short-term risks are related to the development of media advertising and printing volumes, which apply to the entire sector. A long-term risk in the sector lies in the potential decrease in circulation volumes, if consumers transfer to using electronic devices for reading newspapers. At this point, it is difficult to evaluate the impacts of the 9 per cent value-added tax, imposed on newspapers' subscription fees at the start of 2012, on circulation and printing volumes. 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 share, as well as risks resulting from the development of Alma Media's ownership structure.

Communications industry

According to the company's estimates, risks attendant on the Group's core business are those normally associated with the sector. Such industry risks are mainly associated with the development of media advertising and media 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, the emergence of new distribution channels, growth in freely available content, changes in media use and ways of spending time, as well as the new operating methods and 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. On the other hand, the current reduction underway in the average number of individuals in households will maintain circulation figures. 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. Provincial papers’ overall reach has increased as a result of steep growth in the number of online media visitors.

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 an upward turn in the autumn of 2010 and continued to grow modestly until the autumn of 2011.

The market entry and exit of new media, such as new free sheets, depends on economic cycles, regional volumes of the advertisement market and the competitive environment. Most newspaper groups, including Ilkka-Yhtymä Group, have decades of experience with respect to their free sheets, the high quality and local customer relationships of which provide 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 markets include international search engine companies.

In order to face the challenges posed by changing reading habits among young people and growing volumes of content available free of charge on the Internet, Ilkka-Yhtymä Group is providing its provincial newspapers’ premium online services for the benefit of the region’s consumers. In line with the allied Arena Partners’ strategy, our online services aim at becoming the leading site for electronic 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, even declining, in spite of large annual pricing fluctuations and the fact that the paper industry has downsized its capacity. Pricing pressures are increasing, since the paper industry’s capacity cuts were intended to safeguard future profitability. Similarly, there is potential for an increase in pricing fluctuations as the paper industry strives to achieve shorter delivery agreements than before. I-print Oy has prepared for both supply and price risks, by attempting to divide its purchasing between several suppliers.

Newspaper delivery has been outsourced to Itella Oyj and Suomen Suorajakelu Oy. Risks in delivery operations concern price developments. The price risk depends on the availability of deliverers, competition between delivery companies and the reform of the Postal Services Act.

Financial risks

The Group is exposed to an interest-rate risk and a risk associated with share prices. The EUR 15.5 million bullet loan originally maturing in 2013 has been refinanced until 2018.

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 2011, unused credit limits totalled EUR 13 million (On 31 December 2010, EUR 13 million).

EVENTS AFTER THE FINANCIAL YEAR

Matti Kalliokoski, Chief Editor of the Ilkka provincial paper, which is published by I-Mediat Oy, one of the Ilkka-Yhtymä Group’s companies, has announced that he will join the Helsingin Sanomat newspaper as from 1 August 2012. Later in the autumn he will be appointed as Helsingin Sanomat’s Senior Editorial Writer. Kalliokoski has served as Ilkka’s Chief Editor and Executive Chief Editor since 2007. The Board of Directors of I-Mediat Oy has begun preparations for filling his position.

In connection with the introduction of Ilkka-Yhtymä’s new management system in 2010, it was agreed that the joint editorial unit of the provincial papers will be led by a management team, the chairmanship of which will alternate between the Chief Editors of Ilkka and Pohjalainen. The Chairman of the editorial unit management team is also a member of the Group’s Executive Team. As from January 2012, Kalle Heiskanen, Chief Editor of Pohjalainen, became the Chairman of the editorial unit management team and, consequently, a member of the Group’s Executive Team.

THE BOARD’S PROPOSAL ON PROFIT SHARING

The Board of Directors proposes to the Annual General Meeting of 19 April 2012 that a per-share dividend of EUR 0.40 be paid for the financial year 2011, representing a total dividend payment of EUR 10,266,083.20. The Group will distribute 81.0% of its profit in dividends. Dividends will be distributed to those who are listed on the matching day, 24 April 2012, as shareholders in the Ilkka-Yhtymä Group's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments are issued on 2 May 2012. On 31 December 2011, the parent company's free capital amounted to EUR 93,937,033.69.

No substantial changes have taken place in the company’s financial position after 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 practices an active dividend policy and aims to distribute at least half of its consolidated annual income as dividend payments, taking into consideration the financing required for profitable growth and the company's future outlook.

PROSPECTS 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 have deteriorated.

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

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	10-12/ 2011	10-12/ 2010	Change %	1-12/ 2011	1-12/ 2010	Change %
NET SALES	12 979	12 601	3	49 952	46 530	7
Change in inventories of finished and unfinished products	-9	-9	-7	12	-5	349
Other operating income	92	109	-16	435	429	1
Materials and services	-3 769	-3 416	10	-14 830	-13 108	13
Employee benefits	-4 420	-4 546	-3	-17 275	-17 183	1
Depreciation	-771	-797	-3	-3 098	-3 182	-3
Other operating costs	-1 965	-1 834	7	-6 265	-6 341	-1
Share of associated companies' profit	462	2 548	-82	8 659	7 337	18
OPERATING PROFIT	2 599	4 657	-44	17 590	14 479	21
Financial income and expenses	-964	0	316678	-3 817	192	-2093
PROFIT BEFORE TAXES	1 636	4 656	-65	13 773	14 670	-6
Income tax	-273	-545	-50	-1 098	-1 779	-38
PROFIT FOR THE PERIOD UNDER REVIEW	1 363	4 111	-67	12 675	12 892	-2
Earnings per share, undiluted (EUR)*)	0.05	0.16	-67	0.49	0.50	-2
The undiluted share	25 665	25 665		25 665	25 665	

average, adjusted for the share issue (to the nearest thousand)*)

*) There are no factor diluting the figure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	10-12/ 2011	10-12/ 2010	Change %	1-12/ 2011	1-12/ 2010	Change %
PROFIT FOR THE PERIOD UNDER REVIEW	1 363	4 111	-67	12 675	12 892	-2
OTHER COMPREHENSIVE INCOME:						
Available-for-sale assets		682	-100	-517	682	-176
Share of associated companies' other comprehensive income	150	103	45	-53	344	-116
Income tax related to components of other comprehensive income	4	-203	-102	138	-203	-168
Other comprehensive income, net of tax	154	583	-74	-432	824	-152
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 517	4 694	-68	12 243	13 715	-11

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	12/2011	12/2010	Change %
ASSETS			
NON-CURRENT ASSETS			
Intangible rights	1 120	1 284	-13
Goodwill	314	314	
Investment properties	295	390	-24
Property, plant and equipment	13 481	15 150	-11
Shares in associated companies	154 097	161 248	-4
Available-for-sale assets	10 714	7 754	38
Other tangible assets	214	214	
TOTAL NON-CURRENT ASSETS	180 236	186 354	-3
CURRENT ASSETS			
Inventories	602	757	-20
Trade and other receivables	3 079	3 322	-7
Income tax assets	254	144	76

Financial assets at fair value through profit or loss	1 902	3 412	-44
Cash and cash equivalents	10 926	3 047	259
TOTAL CURRENT ASSETS	16 762	10 681	57
TOTAL ASSETS	196 998	197 035	0
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	6 416	6 416	
Fair value reserve and other reserves	48 623	49 002	-1
Retained earnings	49 401	49 612	0
SHAREHOLDER'S EQUITY	104 440	105 030	-1
NON-CURRENT LIABILITIES			
Deferred tax liability	532	1 443	-63
Non-current interest-bearing liabilities	72 438	78 465	-8
Non-current interest-free liabilities	115		
NON-CURRENT LIABILITIES	73 085	79 909	-9
CURRENT LIABILITIES			
Current interest-bearing liabilities	4 029	4 545	-11
Accounts payable and other payables	15 383	7 368	109
Income tax liability	61	183	-67
CURRENT LIABILITIES	19 473	12 096	61
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	196 998	197 035	0

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-12/ 2011	1-12/ 2010
CASH FLOW FROM OPERATIONS		
Profit for the period under review	12 675	12 892
Adjustments	-683	-2 586
Change in working capital	7 395	-364
CASH FLOW FROM OPERATIONS BEFORE FINANCE AND TAXES	19 387	9 942
Interest paid	-2 491	-844
Interest received	102	63
Dividends received	15 955	6 368
Other financial items	322	-750
Direct taxes paid	-2 104	-2 128
CASH FLOW FROM OPERATIONS	31 171	12 652
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets, net	-785	-916
Acquisition of shares in associated companies		-30 487

Other investments, net	-3 477	-1 509
Repayments of loan receivables		58
Dividends received from investments	628	247
CASH FLOW FROM INVESTMENTS	-3 633	-32 607
CASH FLOW BEFORE FINANCING ITEMS	27 538	-19 955
CASH FLOW FROM FINANCING		
Change in current loans	-6 930	
Change in non-current loans		25 261
Dividends paid and other profit distribution	-12 728	-8 908
CASH FLOW FROM FINANCING	-19 658	16 353
INCREASE (+) OR DECREASE (-)IN FINANCIAL ASSETS	7 879	-3 602
Liquid assets at the beginning of the financial period	3 047	6 648
Liquid assets at the end of the financial period	10 926	3 047

KEY FIGURES

	2011	2010
Net sales, Meur	50.0	46.5
change %	7.4	-4.7
Operating profit, Meur	17.6	14.5
% of net sales	35.2	31.1
Profit before taxes, Meur	13.8	14.7
% of net sales	27.6	31.5
Result for the financial period, Meur	12.7	12.9
% of net sales	25.4	27.7
Return on equity (ROE), %	12.1	12.6
Return on investment (ROI), %	9.6	9.6
Equity ratio, %	55.5	53.8
Gearing, %	60.9	72.9
Gross capital expenditure, Meur *)	4.4	53.5
% of net sales	8.8	115.0
Balance sheet total, Meur	197.0	197.0
Current ratio	0.86	0.88
Average no. of employees	341	343
Earnings per share (EPS), eur	0.49	0.50
Cash flow from operations per share, eur	1.21	0.49
Shareholders' equity per share, eur	4.07	4.09
Dividend per share (Series I), eur **)	0.40	0.50
Dividend per share (Series II), eur **)	0.40	0.50
Dividend per earnings (Series I), %	81.0	99.5

Dividend per earnings (Series II), %	81.0	99.5
Effective dividend yield (Series I), %	4.4	5.1
Effective dividend yield (Series II), %	6.1	6.1
Price per earnings (P/E) (Series I)	18.2	19.7
Price per earnings (P/E) (Series II)	13.4	16.3
Market capitalisation, Meur	179.7	217.6
Weighted average of adjusted number of shares during the financial period	25 665 208	25 665 208
Adjusted 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).

**) 2011: Proposal of the Board of Directors

CONSOLIDATED NET SALES AND PROFIT BY QUARTER

(EUR 1,000)	Q1/ 2011	Q2/ 2011	Q3/ 2011	Q4/ 2011
NET SALES	12 143	13 180	11 650	12 979
OPERATING PROFIT	4 174	4 972	5 844	2 599
PROFIT FOR THE PERIOD UNDER REVIEW	3 673	4 247	3 391	1 363

(EUR 1,000)	Q1/ 2010	Q2/ 2010	Q3/ 2010	Q4/ 2010
NET SALES	11 100	11 859	10 970	12 601
OPERATING PROFIT	2 521	3 482	3 819	4 657
PROFIT FOR THE PERIOD UNDER REVIEW	2 297	3 134	3 350	4 111

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

Change in shareholders’ equity 1-12/2010	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
SHAREHOLDERS’ EQUITY 1.1.	6 416		48 498	24	45 359	100 298
Comprehensive income for the period		480			13 236	13 715
Dividend distribution					-8 983	-8 983
TOTAL SHAREHOLDERS’ EQUITY 12/2010	6 416	480	48 498	24	49 612	105 030

Change in shareholders’ equity 1-12/2011	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
SHAREHOLDERS’ EQUITY 1.1.	6 416	480	48 498	24	49 612	105 030

Comprehensive income for the period		-378			12 621	12 243
Dividend distribution					-12 833	-12 833
TOTAL SHAREHOLDERS’ EQUITY 12/2011	6 416	101	48 498	24	49 401	104 440

GROUP CONTINGENT LIABILITIES

(EUR 1,000)	12/2011	12/2010
Collateral pledged for own commitments		
Mortgages on company assets	1 245	1 245
Mortgages on real estate	8 801	8 801
Pledged shares	81 332	109 679
Contingent liabilities on behalf of associated company		
Guarantees	2 767	2 458

SEGMENT INFORMATION

Group net sales (EUR 1,000)	10-12/ 2011	10-12/ 2010	Change %	1-12/ 2011	1-12/ 2010	Change %
Publishing	11 208	11 051	1	43 318	41 386	5
Printing	4 006	3 654	10	15 235	13 052	17
Non-allocated	497	479	4	2 002	1 942	3
Net sales between segments	-2 731	-2 582	6	-10 603	-9 850	8
Group net sales total	12 979	12 601	3	49 952	46 530	7

Group operating profit (EUR 1,000)	10-12/ 2011	10-12/ 2010	Change %	1-12/ 2011	1-12/ 2010	Change %
Publishing	1 867	2 023	-8	7 697	6 786	13
Printing	492	492		1 953	1 177	66
Associated companies	462	2 548	-82	8 659	7 337	18
Non-allocated	-222	-406	45	-719	-821	12
Group operating profit total	2 599	4 657	-44	17 590	14 479	21

AUDITED CIRCULATION OF NEWSPAPERS

Ilkka	52 651
Pohjalainen	24 692
Jurvan Sanomat	2 152
Järviseutu	5 314
Komiat	6 510

Suupohjan Sanomat	4 092
Viiskunta	5 987
Vaasan Ikkuna (delivery)	52 338
Etelä-Pohjanmaa (delivery)	44 500

Drafting principles

This financial statements bulletin, issued by Ilkka-Yhtymä Group, was prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards (IFRS), excluding some requirements of IAS 34.

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 financial statements.
- 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 financial statements.
- 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 difference between the carrying amount of the financial liability (or part) extinguished and the fair value of the equity instruments issued is recognised in profit or loss. This interpretation has no impact on the financial statements.
- 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 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 2010. 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 19 April 2012 that a per-share dividend of EUR 0.40 be paid for the financial year 2011, representing a total dividend payment of EUR 10,266,083.20. The Group will distribute 81.0% of its profit in dividends. Dividends will be distributed to those listed on the matching day, 24 April 2012, as shareholders in Ilkka-Yhtymä Group's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments will be issued on 2 May 2012. On 31 December 2011, the parent company's free capital amounted to EUR 93,937,033.69.

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.

Seinäjoki, 20 February 2012

ILKKA-YHTYMÄ OYJ

Board of Directors

Matti Korkiatupa
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