

THE ILKKA-YHTYMÄ GROUP'S FINANCIAL STATEMENTS FOR 2015

FINANCIAL YEAR 2015

- Net sales: EUR 41,172 thousand (EUR 41,802 thousand)
- Operating profit: EUR 8,998 thousand (EUR 9,251 thousand)
- Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 5,986 thousand (EUR 4,933 thousand)
- Operating profit totalled 21.9% of net sales, or 14.5% (11.8%) excluding Alma Media and other associated companies
- The operating profit for the period includes a non-recurring capital gain of EUR 1,421 thousand. The comparable operating profit, excluding associated companies and the non-recurring capital gain, was EUR 4,565 thousand (EUR 4,933 thousand) and operating margin 11.1% (11.8%).
- As a result of the dilution of ownership in the associated company Alma Media, a non-recurring loss of EUR 3,533 thousand was recorded in financial items in the consolidated financial statements. This entry has no impact on cash flow.
- Earnings per share: EUR 0.14 (EUR 0.35)
- Equity ratio 52.9% (50.2%)
- Net gearing 67.6% (78.0%)
- The Board of Directors proposes a per share dividend of EUR 0.10

OCTOBER-DECEMBER 2015

- Net sales: EUR 10,711 thousand (EUR 10,963 thousand)
- Operating profit: EUR 1,299 thousand (EUR 2,913 thousand)
- Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 1,356 thousand (EUR 1,768 thousand)
- Operating profit totalled 12.1% of net sales, or 12.7% (16.1%) excluding Alma Media and other associated companies
- As a result of the dilution of ownership in the associated company Alma Media, a non-recurring loss of EUR 3,533 thousand was recorded in financial items in the consolidated financial statements. This entry has no impact on cash flow.
- Earnings per share: EUR -0.10 (EUR 0.09)

MATTI KORKIATUPA, MANAGING DIRECTOR:

The economic conditions in Finland continued to be challenging in 2015. The year began on a positive note in terms of net sales and profitability, but the end of the year was weaker due to a drop in advertising sales.

In accordance with our content strategy, part of our digital content that was previously free for consumers was turned into paid-for content, and we also launched a new content and news video production service subject to a charge. The joint content-creation company of twelve provincial newspapers, Lännen Media Oy, proved its value in its first year of operation. The feedback provided by both customers and editorial departments on the collaboration was positive.

Our largest strategic project aimed at significantly raising the service level of the newspapers by including digital subscriptions in all paper subscriptions. The service level improved particularly for customers who live in sparsely populated areas or travel frequently, due to the possibility to read the papers anywhere, anytime. In delivery, we continued our cooperation with Posti by signing a new multi-year contract. The contract is largely based on joint deliveries and productivity generated by the volumes of postal items included in these.

We reformed our B2B sales to support the service offering and sales of our new multi-channel advertising network. We offer a wide range of advertising solutions consisting of services provided by us and our associated companies or other partners, in order to boost our customers' marketing and sales.

During the autumn, we updated our business areas and management system. Our businesses include provincial newspapers and free sheets, local newspapers, and printing and communications services. These are backed up by the publishing company's and the parent company's support services, together with the digital services provided by our associated companies.

In the ongoing year, we will improve customer service by means of a newspaper revamp based on the existing format of our provincial papers, and by enhancing the usability of the digital services. Our personnel policy will focus on motivation and encouragement, along with the development of employee skills in the transforming newspaper sector.

Although personnel and other costs will rise only slightly, the weak outlook for net sales calls for increasing productivity in all parts of the company.

The combination of our associated company Alma Media Corporation and Talentum Corporation inspires faith in the Finnish media's ability to transform itself and continue to prosper well into the future.

#### BUSINESS ENVIRONMENT

According to the Bank of Finland forecast of 10 December 2015, the Finnish GDP was expected to shrink by approximately 0.1% in 2015. Driven by domestic demand, GDP is expected to grow in 2016, but only slowly, by 0.7%. Private consumption is estimated to have increased by 0.5% in 2015. The projected growth for private consumption in 2016 is in the region of 0.6 per cent.

According to Statistics Finland, the inflation rate was -0.2% in December. The consumer survey of Statistics Finland shows that consumers' confidence in Finland's economy strengthened in January 2016.

According to a survey conducted by TNS Gallup Oy in cooperation with the Finnish Advertising Council, media advertising decreased by 2.1% in 2015. Advertising in newspapers fell by 7.5%, while advertising in free sheets increased by 1.2%. Newspapers and free sheets accounted for 30.6% and 5.6% of media advertising, respectively. Web media advertising saw an increase of 6.8%, representing a 24.8% 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 property company, Kiinteistö Oy Seinäjoen Koulukatu 10. In the financial year 2015 Ilkka-Yhtymä Oyj sold the shares of one of its property companies, Seinäjoen Kassatalo Oy. On 31 December 2015, Pohjalaismediat Oy was merged with Ilkka-Yhtymä Oyj. Our main products are the regional newspapers Ilkka and Pohjalainen, five local newspapers (Viiskunta, Komiat, Järviseuutu, 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 and Yrittävä Suupohja Oy.

#### CONSOLIDATED NET SALES AND PROFIT PERFORMANCE FOR THE FINANCIAL YEAR

Consolidated net sales decreased by 1.5%, amounting to EUR 41,172 thousand (EUR 41,802 thousand in 2014). External net sales from publishing operations decreased by 3.3%. Advertising revenues fell by 6.5% and circulation revenues by 1.8%. External net sales from the printing business increased by 10.5%.

Circulation income accounted for 46% of consolidated net sales, while advertising income and printing income represented 39% and 15%, respectively.

Other operating income totalled EUR 1,763 thousand (EUR 454 thousand). The other operating income for the financial year, includes a non-recurring capital gain of EUR 1,421 thousand. Ilkka-Yhtymä Oyj sold the shares of one of its property companies, Seinäjoen Kassatalo Oy. The deal was closed on 30 September 2015.

The Group operating expenses for the financial year amounted to EUR 36,950 thousand (EUR 37,319 thousand), down by 1.0% year-on-year. Expenses arising from materials and services increased by 0.3%. Personnel expenses decreased by 1.4%. Other operating costs increased by 0.5%. Depreciation contracted by 10.9%.

The share of the associated companies' result was EUR 3,012 thousand (EUR 4,318 thousand). Consolidated operating profit amounted to EUR 8,998 thousand (EUR 9,251 thousand), down by 2.7% year-on-year. The Group's operating margin was 21.9% (22.1%). Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 5,986 thousand (EUR 4,933 thousand), representing 14.5% (11.8%) of net sales. The operating profit for the financial year includes a non-recurring capital gain of EUR 1,421 thousand. The comparable operating profit, excluding associated companies and the non-recurring capital gain, was EUR 4,565 thousand (EUR 4,933 thousand) and operating margin 11.1% (11.8%).

Net financial expenses amounted to EUR 4,519 thousand (net financial income in the corresponding period of the previous year EUR 883 thousand). As a result of the dilution of ownership in the associated company Alma Media Corporation, a non-recurring loss of EUR 3,533 thousand was recorded in financial expenses in the consolidated financial statements. This entry has no impact on cash flow. In November 2015, Alma Media Corporation made an exchange offer to Talentum's shareholders. In accordance with the offer, Alma Media gave 0.25 new Alma Media shares as share consideration and EUR 0.70 as cash consideration for each Talentum share. After the completion of the exchange offer, Ilkka-Yhtymä Oyj's holding in Alma Media Corporation decreased from 29.79% to 27.30%. Ilkka-Yhtymä Oyj is the largest shareholder of Alma Media Corporation. As an associated company, Alma Media is consolidated using the equity method.

Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 1,308 thousand (EUR 1,678 thousand). In order to hedge against interest rate risk, the company has 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. The change in the market value of these interest rate swaps amounted to EUR -3 thousand (in 2014, EUR -102 thousand). Net gain/loss on shares held for trading was EUR 46 thousand (EUR -130 thousand). Financial income for 2014 includes a capital gain of EUR 2 million from the sale of Anvia Oyj's shares.

Profit before tax totalled EUR 4,479 thousand (EUR 10,133 thousand). Direct taxes amounted to EUR 872 thousand (EUR 1,063 thousand), and consolidated profit for the period totalled EUR 3,607 thousand (EUR 9,070 thousand). Earnings per share amounted to EUR 0.14 (EUR 0.35).

#### Q4 NET SALES AND PROFIT PERFORMANCE

In Q4/2015, consolidated net sales totalled EUR 10,711 thousand (EUR 10,963 thousand), down by 2.3%. External net sales from the publishing business fell by 4.7%. External net sales from the printing business increased by 13.3%. Circulation income accounted for 44% of consolidated net sales in October-December, while advertising income and printing income represented 40% and 16%, respectively. Other operating income in October-December totalled EUR 41

thousand (EUR 154 thousand).

In Q4, the Group's expenses totalled EUR 9,395 thousand (EUR 9,344 thousand), up by 0.5%. For October-December 2015, the share of the associated companies' result was EUR -56 thousand (EUR 1,145 thousand).

In the fourth quarter, consolidated operating profit amounted to EUR 1,299 thousand (EUR 2,913 thousand). Operating profit decreased 55.4% from corresponding period. The Group's operating margin was 12.1% (26.6%) in October-December. Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 1,356 thousand (EUR 1,768 thousand), representing 12.7% (16.1%) of net sales.

Net financial expenses amounted to EUR 3,743 thousand (EUR 336 thousand). As a result of the dilution of ownership in the associated company Alma Media Corporation, a non-recurring loss of EUR 3,533 thousand was recorded in the Group's financial expenses in the fourth quarter. This entry has no impact on cash flow. For the fourth quarter, interest expenses excluding the fair value change in derivatives hedging them totalled EUR 304 thousand (EUR 382 thousand). In October-December 2015, the change in the market value of interest rate swaps was EUR -15 thousand (in October-December 2014, EUR +31 thousand). Net gain/loss on shares held for trading was EUR 90 thousand (EUR -2 thousand).

The consolidated loss for the fourth quarter totalled EUR 2,669 thousand (profit EUR 2,280 thousand for October-December 2014).

#### BALANCE SHEET AND FINANCING

The consolidated balance sheet total came to EUR 127,181 thousand (EUR 130,536 thousand), with EUR 66,035 thousand (EUR 64,503 thousand) of equity. On the reporting date of 31 December 2015, the balance sheet value of the holding in the associated company Alma Media Corporation was EUR 101,760 thousand and the market value of the shares was EUR 67,468 thousand. According to the management's estimate, write-down in this holding is unnecessary.

At the end of the 2015 financial year, interest-bearing liabilities totalled EUR 52,229 thousand (EUR 56,936 thousand on 31 December 2014), and their average maturity was 3 years 2 months (3 years 11 months on 31 December 2014).

In order to hedge against interest rate risk, the company has transformed some of its floating-rate liabilities into fixed-rate liabilities, by means of interest rate swaps. Presently, some 58% of the loans in the company's total loan portfolio have a fixed rate and some 42% a floating rate. These hedging measures included, the average interest rate for interest-bearing liabilities on 31 December 2015 came to 2.16% (2.50%).

As at 31 December 2015, the impact of floating-rate interest-bearing liabilities on profit before taxes would have amounted to +/- EUR 220 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 20,250 thousand will fall due for payment.

Group net gearing was 67.6% (78.0%) at the end of the financial period. Equity ratio was 52.9% (50.2%) and shareholders' equity per share stood at EUR 2.57 (EUR 2.51). The increase in financial assets for the period totalled EUR 967 thousand (EUR 3,553 thousand), with liquid assets at the end of the period totalling EUR 6,500 thousand (EUR 5,534 thousand).

For the financial year, cash flow from operations came to EUR 4,201 thousand (EUR 3,710 thousand). Cash flow from investments totalled EUR 4,019 thousand (EUR 11,841 thousand), including capital repayment from Alma Media Corporation

in the amount of EUR 2,699 thousand (EUR 2,249 thousand in the comparison period). Cash flow from investments for the financial year includes EUR 1,748 thousand of proceeds from the sale of property company's shares. Cash flow from investments for 2014 includes EUR 9,462 thousand of proceeds from the sale of Anvia Oyj's shares.

#### PUBLISHING

The Group's publishing segment comprises the publishing company I-Mediat Oy. During the year, net sales from publishing totalled EUR 35,218 thousand (EUR 36,413 thousand). Net sales from the publishing business decreased by 3.3%. The decrease in net sales from the publishing business was mainly caused by a weaker advertising market. Advertising revenues fell by 6.5% and circulation revenues by 1.8%. Operating profit from publishing decreased by 7.0% year-on-year, to EUR 3,238 thousand (EUR 3,481 thousand).

In the current uncertain economic climate and competitive environment, forecasting net sales in the newspaper business involves major uncertainties. Media advertising in Finland is expected to remain roughly at the previous year's level and newspaper circulation income is forecast to decline slightly. Net sales of I-Mediat Oy are expected to remain almost the same as in the previous year.

#### PRINTING

The printing segment comprises the printing house I-print Oy. Net sales for the printing business, EUR 12,321 thousand (EUR 12,333 thousand), were almost unchanged from the previous year. External net sales from the printing business increased by EUR 576 thousand (10.5%). Operating profit from printing decreased by 11.7% year-on-year, to EUR 1,543 thousand (EUR 1,749 thousand).

Within the printing business, the market situation in Finland is expected to remain difficult in 2016. The overcapacity in the graphics sector will continue, while printing volumes will decrease further. The rise in raw material and energy costs is expected to be moderate. I-print Oy's net sales are projected to fall slightly.

#### ASSOCIATED COMPANIES

Ilkka-Yhtymä Group's associated companies are Alma Media Corporation (27.30%), Arena Partners Oy (37.82%) 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. In November 2015, Alma Media Corporation made an exchange offer to Talentum's shareholders, of whom around 95% accepted the offer.

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 also includes the subsidiary Arena Interactive Oy (65%), focusing on mobile services, the recruitment agency Uranus Oy (100%) and Adfore Technologies Oy (34%).

Yrittävä Suupohja Oy publishes Suupohjan Seutu, a free sheet distributed in the Suupohja region.

ILKKA-YHTYMÄ OYJ AND POSTI OY SIGNED AN AGREEMENT FOR NEWSPAPER DELIVERIES IN SOUTH OSTROBOTHNIA AND VAASA

Ilkka-Yhtymä Oy and Posti Oy announced on 12 May 2015 that they had agreed to continue their collaboration on newspaper deliveries for several years, and that they would specify the contract over the course of the year. The final agreement, signed on 20 August 2015, will ensure the best possible service level and cost-efficiency for the provincial and local newspapers in both population centres and sparsely populated areas.

The solution is based on the current delivery model, developed together by the parties since 2007. The delivery model will make partial use of the joint delivery of newspapers and other postal items.

#### RESEARCH AND DEVELOPMENT EXPENSES

In the Group's publishing business, product development for multiple channels has been carried out with Arena Partners Oy, Lännen Media Oy and their shareholding newspapers as well as the Next Media programme of Finnmedia (Federation of the Finnish Media Industry). The focus in product development is on customer-driven multi-channel services related 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 584 thousand, with printing accounting for EUR 120 thousand and publishing for EUR 272 thousand.

#### ANNUAL GENERAL MEETING, SUPERVISORY BOARD AND BOARD OF DIRECTORS

On 22 April 2015, the Annual General Meeting (AGM) of Ilkka-Yhtymä Oy 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 0.10 be paid for the year 2014.

The number of members on the Supervisory Board for 2015 was confirmed to be 24. Of the Supervisory Board members whose term had come to an end, the following were re-elected for the term ending in 2019: Lasse Hautala, Satu Heikkilä, Perttu Rinta, Ari Rinta-Jouppi, Minna Sillanpää and Jorma Vierula.

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, MSc(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 share issue and/or granting stock options and/or other special rights and upon their conditions. The maximum number of Series II shares issued under the authorisation is 7,700,000, corresponding to around 30% of the company's total shares and 36.05% of Series II shares at present. This authorisation includes the right to issue shares and/or stock options and/or other special rights as distinct from the shareholders' pre-emptive rights, under conditions prescribed by law, and the right to decide upon a free issue to the company itself. The authorisation is valid for five years from the date of the AGM's decision.

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.

At its meeting on 4 May 2015, the Supervisory Board re-elected Markku Hautanen and Tapio Savola to the Board of Directors of Ilkka-Yhtymä Oyj when their terms of service had come to an end. 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 Timo Aukia as its chairman, while Esa Lager will continue as vice-chairman. The Board of Directors of Ilkka-Yhtymä Oyj now has the following membership: chairman Timo Aukia, vice-chairman Esa Lager, members Markku Hautanen, Sari Mutka, Tapio Savola, and Riitta Viitala.

#### SHARE PERFORMANCE

At the end of 2015, 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 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 2015 was 129,096, which represents 3.0% of the series share stock. The total value of the shares exchanged was EUR 339 thousand. In total, 3,393,977 series-II shares were traded, corresponding to 15.9% of the total number of series II shares. The total value of the shares traded was EUR 7,283 thousand. The lowest price at which series-I shares of Ilkka-Yhtymä Oyj were traded during the period under review was EUR 2.17, and the highest per-share price was EUR 3.49. The lowest price at which series-II shares were traded was EUR 1.92 and the highest EUR 2.68. The market value of the share capital at the closing rate for the reporting period was EUR 53,994 thousand.

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 299 (311 in 2014). In the year under review, the Group had, on average, 331 (348) employees with employment contracts. On 31 December 2015, the Group had 290 full-time employees (294).

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.

On 30 January 2015, Ilkka-Yhtymä Group announced that the Group's publishing company I-Mediat Oy and the printing house I-print Oy will start cooperation negotiations. The negotiations mainly concerned provincial newspapers' technical production and media sales personnel and the personnel of the printing press. The purpose of the negotiations was to adjust the operations and the amount of personnel to the requirements of increasingly digital operations and reducing volumes.

As a result of the negotiations, I-Mediat Oy cut seven jobs and laid off advertisement production employees temporarily. At I-print Oy's newspaper printing house, employees were also temporarily laid off.

Ilkka-Yhtymä announced on 17 June 2015 that it would clarify operational responsibilities at its publishing company I-Mediat Oy and complement the Group Executive Team as of 1 September 2015. The matrix organisation and governance model, which have been in use since 2010, was changed into a business-driven management system, which will better meet the requirements of the increasingly digital business environment.

Marko Orpana, MSc (Econ.), was appointed as the director in charge of I-Mediat Oy's provincial newspaper and free sheet business and internal support services. Previously Orpana was the director in charge of I-Mediat Oy's web and mobile business. Sauli Harjamäki, DSc (Econ.), will continue as the director in charge of I-Mediat Oy's local newspaper business and newspaper delivery. They were both appointed as members to the Group Executive Team.

In December, Ilkka-Yhtymä Oyj's Board of Directors appointed Annika Tuovinen, MSocSc, to succeed Paula Mahlamäki as the Group's HR Director. Tuovinen will take up her post at the beginning of March 2016. The HR Director is a member of the Group Executive Team.

In accordance with Ilkka-Yhtymä's management system, the joint editorial function of the provincial newspapers is managed by a management team, which is alternately chaired by the Editors-in-Chief of Ilkka and Pohjalainen. The chairman of the editorial function's management team is also a member of the Group Executive Team. Since January 2016, the post has been held by the Editor-in-Chief of Pohjalainen, Toni Viljanmaa (MA).

#### ESTIMATED OPERATING RISKS AND UNCERTAINTIES

Ilkka-Yhtymä's most significant short-term risks are still 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 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 operating in a changing 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 will 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 digital 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 still continued in 2015.

Economic cycles, the regional development 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. The comprehensive regional advertising network formed by these, coupled with local customer relationships, give the Group 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 and Alma Mediapartners. Ilkka-Yhtymä's associated companies Alma Media Corporation and Arena Partners Oy own the Etuovi.com, Vuokraovi.com and Autotalli.com services, which enable us to provide our customers with the best services in these sectors. New players in the market include for instance international search engine companies.

In order to face the challenges posed by changing reading habits among consumers and the growing volumes of digital content available 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

Fierce price competition continues in the Finnish printing sector. Developments in circulation and advertising volumes are reflected in the numbers of pages in newspapers, and the use of other advertising media is affected by their price

competitiveness and general economic trends.

The availability of newsprint has been good and price developments in recent years have been moderate. Pricing pressures may 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 other actors within the industry.

Newspaper distribution has been outsourced to Posti and HSS Media. The short-term risks in delivery operations mainly concern price and service level developments. These risks depend on the diminishing volumes, 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. 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 order to ensure the availability and flexibility of financing, the Group has available credit limits. On 31 December 2015, unused credit limits totalled EUR 13 million (On 31 December 2014, EUR 13 million). In its operations, the Group is also exposed to price risks arising from the volatility of market prices of quoted shares.

#### THE BOARD'S PROPOSAL ON PROFIT SHARING

The Board of Directors proposes to the Annual General Meeting of 20 April 2016 that a per-share dividend of EUR 0.10 be paid for the financial year 2015, representing a total dividend payment of EUR 2,566,520.80. Dividends will be distributed to those who are listed on the record day, 22 April 2016, as shareholders in the Ilkka-Yhtymä Oyj's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments are issued on 29 April 2016. On 31 December 2015, the parent company's distributable funds amounted to EUR 55,343,303.48.

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.

#### OUTLOOK FOR 2016

In the current uncertain economic climate and competitive environment, forecasting net sales in the newspaper business involves major uncertainties. Media advertising in Finland is expected to remain roughly at the previous year's level and newspaper circulation income is forecast to decline slightly. Printing business volumes are expected to decline further.

The net sales of Ilkka-Yhtymä Group are estimated to remain almost at the 2015 level. Operating profit from the Group's own operations, excluding non-recurring items and the share of Alma Media's and other associated companies' results, is expected to fall slightly.

The associated company Alma Media Corporation (Group ownership 27.30%) 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/ 2015	10-12/ 2014	Change %	1-12/ 2015	1-12/ 2014	Change %
NET SALES	10 711	10 963	-2 %	41 172	41 802	-2 %
Change in inventories of finished and unfinished products	-2	-5	63 %	1	-3	141 %
Other operating income	41	154	-73 %	1 763	454	288 %
Materials and services	-3 391	-3 384	0 %	-13 418	-13 379	0 %
Employee benefits	-4 146	-4 060	2 %	-16 548	-16 782	-1 %
Depreciation	-411	-426	-4 %	-1 653	-1 856	-11 %
Other operating costs	-1 447	-1 473	-2 %	-5 331	-5 302	1 %
Share of associated companies' profit	-56	1 145	-105 %	3 012	4 318	-30 %
OPERATING PROFIT/LOSS	1 299	2 913	-55 %	8 998	9 251	-3 %
Financial income and expenses *)	-3 743	-336	-1013 %	-4 519	883	-612 %
PROFIT/ LOSS BEFORE TAX	-2 444	2 577	-195 %	4 479	10 133	-56 %
Income tax	-225	-297	-24 %	-872	-1 063	-18 %
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	-2 669	2 280	-217 %	3 607	9 070	-60 %
Earnings per share, undiluted (EUR)**)	-0.10	0.09	-217 %	0.14	0.35	-60 %
The undiluted share average (to the nearest thousand)**)	25 665	25 665		25 665	25 665	

\*) As a result of the dilution of ownership in the associated company Alma Media Corporation, a non-recurring loss of EUR 3,533 thousand was recorded in the financial expenses for Q4/2015.

\*\*\*) There are no factor diluting the figure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	10-12/ 2015	10-12/ 2014	Change %	1-12/ 2015	1-12/ 2014	Change %
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	-2 669	2 280	-217 %	3 607	9 070	-60 %
OTHER COMPREHENSIVE INCOME:						
Items that may be reclassified subsequently to profit or loss:						
Available-for-sale assets						
Measured at fair value	1	2	-50 %	4	-24	116 %
Transferred to the income statement				-8	126	-107 %
Share of associated companies' other comprehensive income	355	-43	928 %	517	-173	399 %
Income tax related to components of other comprehensive income				3	-20	115 %
Other comprehensive income, net of tax	356	-42	955 %	516	-91	666 %
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-2 313	2 239	-203 %	4 123	8 979	-54 %

SEGMENT INFORMATION

NET SALES BY SEGMENT

(EUR 1,000)	10-12/ 2015	10-12/ 2014	Change %	1-12/ 2015	1-12/ 2014	Change %
Publishing						
External	9 031	9 481	-5 %	35 123	36 330	-3 %
Inter-segments	23	20	13 %	95	83	14 %
Publishing total	9 054	9 501	-5 %	35 218	36 413	-3 %
Printing						
External	1 680	1 482	13 %	6 048	5 472	11 %
Inter-segments	1 586	1 797	-12 %	6 273	6 861	-9 %
Printing total	3 266	3 279	0 %	12 321	12 333	0 %
Non-allocated						
Inter-segments	554	550	1 %	2 199	2 231	-1 %
Non-allocated total	554	550	1 %	2 200	2 231	-1 %
Elimination	-2 163	-2 368	-9 %	-8 567	-9 175	-7 %
Group net sales total	10 711	10 963	-2 %	41 172	41 802	-2 %

OPERATING PROFIT/ LOSS BY SEGMENT

(EUR 1,000)	10-12/ 2015	10-12/ 2014	Change %	1-12/ 2015	1-12/ 2014	Change %
Publishing	960	1 231	-22 %	3 238	3 481	-7 %
Printing	469	556	-16 %	1 543	1 749	-12 %
Associated companies	-56	1 145	-105 %	3 012	4 318	-30 %
Non-allocated	-73	-20	-271 %	1 205	-297	505 %
Group operating profit/ loss total	1 299	2 913	-55 %	8 998	9 251	-3 %

ASSETS BY SEGMENT

(EUR 1,000)	12/2015	12/2014	Change %
Publishing	9 882	8 826	12 %
Printing	9 257	8 674	7 %
Non-allocated	108 042	113 036	-4 %
Group assets total	127 181	130 536	-3 %

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	12/2015	12/2014	Change %
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ASSETS

NON-CURRENT ASSETS

Intangible rights	674	629	7 %
Goodwill	314	314	0 %
Investment properties	63	147	-57 %
Property, plant and equipment	8 825	10 230	-14 %
Shares in associated companies	102 608	105 310	-3 %
Available-for-sale assets	2 922	2 953	-1 %
Non-current trade and other receivables	567	567	0 %
Other tangible assets	214	214	0 %
TOTAL NON-CURRENT ASSETS	116 188	120 364	-3 %

CURRENT ASSETS

Inventories	614	523	17 %
Trade and other receivables	2 787	2 876	-3 %
Income tax assets	36	150	-76 %
Financial assets at fair value through profit or loss	1 057	1 089	-3 %
Cash and cash equivalents	6 500	5 534	17 %
TOTAL CURRENT ASSETS	10 993	10 172	8 %

TOTAL ASSETS	127 181	130 536	-3 %
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	6 416	6 416	0 %
Invested unrestricted equity fund and other reserves	48 691	48 716	0 %
Retained earnings	10 928	9 371	17 %
SHAREHOLDER'S EQUITY	66 035	64 503	2 %
NON-CURRENT LIABILITIES			
Deferred tax liability	194	178	9 %
Non-current interest-bearing liabilities	31 943	54 549	-41 %
Non-current interest-free liabilities	61	75	-18 %
NON-CURRENT LIABILITIES	32 199	54 801	-41 %
CURRENT LIABILITIES			
Current interest-bearing liabilities	20 286	2 387	750 %
Accounts payable and other payables	8 309	8 340	0 %
Income tax liability	352	504	-30 %
CURRENT LIABILITIES	28 947	11 232	158 %
SHAREHOLDERS' EQUITY AND LIABILITIES			
TOTAL	127 181	130 536	-3 %

#### CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-12/ 2015	1-12/ 2014
CASH FLOW FROM OPERATIONS		
Profit/ loss for the period under review	3 607	9 070
Adjustments	2 592	-2 334
Change in working capital	62	-486
CASH FLOW FROM OPERATIONS	6 262	6 250
BEFORE FINANCE AND TAXES		
Interest paid	-1 255	-1 649
Interest received	50	31
Dividends received	66	55
Other financial items	-33	-45
Direct taxes paid	-889	-932
CASH FLOW FROM OPERATIONS	4 201	3 710
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets, net	-590	-352
Disposal of subsidiaries	1 748	
Capital repayment received	2 699	2 249
Other investments		-29
Proceeds from sale of other investments	68	10 056

Granted loans		-567
Dividends received from investments	95	484
CASH FLOW FROM INVESTMENTS	4 019	11 841
CASH FLOW BEFORE FINANCING ITEMS	8 220	15 551
CASH FLOW FROM FINANCING		
Change in current loans	-2 353	-3 561
Change in non-current loans	-2 353	-5 889
Dividends paid and other profit distribution	-2 547	-2 548
CASH FLOW FROM FINANCING	-7 253	-11 998
INCREASE (+) OR DECREASE (-) IN FINANCIAL ASSETS	967	3 553
Liquid assets at the beginning of the financial period	5 534	1 980
Liquid assets at the end of the financial period	6 500	5 534

#### KEY FIGURES

	2015	2014
Net sales, Meur	41.2	41.8
change %	-1.5	-6.9
Operating profit/ loss, Meur	9.0	9.3
% of net sales	21.9	22.1
Profit/ loss before tax, Meur	4.5	10.1
% of net sales	10.9	24.2
Profit/ loss for the financial period, Meur	3.6	9.1
% of net sales	8.8	21.7
Return on equity (ROE), %	5.5	14.8
Return on investment (ROI), %	4.8	9.7
Equity ratio, %	52.9	50.2
Net gearing, %	67.6	78.0
Gross capital expenditure, Meur *)	0.6	0.5
% of net sales	1.4	1.1
Balance sheet total, Meur	127.2	130.5
Current ratio	0.38	0.91
Average no. of employees	299	311
Earnings per share (EPS), eur	0.14	0.35
Cash flow from operations per share, eur	0.16	0.14
Shareholders' equity per share, eur	2.57	2.51
Dividend per share (Series I), eur **)	0.10	0.10
Dividend per share (Series II), eur **)	0.10	0.10
Dividend per earnings (Series I), %	71.2	28.3
Dividend per earnings (Series II), %	71.2	28.3
Effective dividend yield (Series I), %	4.0	3.3
Effective dividend yield (Series II), %	4.9	5.2

Price per earnings (P/E) (Series I)	17.6	8.5
Price per earnings (P/E) (Series II)	14.4	5.4
Market capitalisation, Meur	54.0	53.7
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).

\*\* ) 2015: Proposal of the Board of Directors

#### CONSOLIDATED NET SALES AND PROFIT BY QUARTER

(EUR 1,000)	Q1/ 2015	Q2/ 2015	Q3/ 2015	Q4/ 2015
NET SALES	10 078	10 634	9 748	10 711
OPERATING PROFIT/ LOSS	1 071	2 969	3 658	1 299
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	784	2 982	2 510	-2 669

(EUR 1,000)	Q1/ 2014	Q2/ 2014	Q3/ 2014	Q4/ 2014
NET SALES	10 143	10 777	9 918	10 963
OPERATING PROFIT/ LOSS	1 193	2 523	2 622	2 913
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	675	2 603	3 512	2 280

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

Change in shareholders' equity 1-12/ 2014	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.	6 416	113	48 498	24	3 040	58 091
Comprehensive income for the period		82			8 897	8 979
Dividend distribution					-2 567	-2 567
SHAREHOLDERS' EQUITY 12/ 2014	6 416	194	48 498	24	9 371	64 503

Change in shareholders' equity 1-12/ 2015	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.	6 416	194	48 498	24	9 371	64 503
Comprehensive income for the period		-1			4 124	4 123
Dividend					-2 567	-2 567

distribution						
Changes in ownership interests in subsidiaries				-24		-24
SHAREHOLDERS' EQUITY 12/2015	6 416	193	48 498		10 928	66 035

#### GROUP CONTINGENT LIABILITIES

(EUR 1,000)	12/2015	12/2014
Collateral pledged for own commitments		
Mortgages on company assets	1 245	1 245
Mortgages on real estate	8 801	8 801
Pledged shares	55 081	50 491
Contingent liabilities on behalf of associated company		
Guarantees	3 961	3 961

#### CHANGES IN PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	1-12/2015	1-12/2014	Change %
Carrying amount at the beginning of the financial period	10 230	11 459	-11 %
Increase	410	294	39 %
Decrease	-261	-4	-6368 %
Depreciation for the financial period	-1 408	-1 519	7 %
Transfers between items	-147		
Carrying amount at the end of the financial period	8 825	10 230	-14 %

#### 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)	12/2015	12/2014
Sales of goods and services		
To associated companies	258	256
To other related parties	921	837

Purchases of goods and services

From associated companies	256	335
From other related parties	37	4
Non-current loan receivables from associated companies	567	567
Trade and other receivables		
From associated companies	68	53
From other related parties	75	16
Accounts payable		
To associated companies	24	8

Transactions with related parties are conducted at fair market prices.

#### EMPLOYEE BENEFITS TO MANAGEMENT

(EUR 1,000)	12/2015	12/2014
Salaries and other short-term employee benefits	1 026	1 005

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

(EUR 1,000)	12/2015	Fair value at end of period		
		Level 1	Level 2	Level 3
ASSETS MEASURED AT FAIR VALUE				
Financial assets at fair value through profit or loss	1 057	1 057		
Available-for-sale financial assets	1 502		1 502	
TOTAL	2 559	1 057	1 502	

#### LIABILITIES MEASURED AT FAIR VALUE

Interest rate swaps	1 806		1 806	
TOTAL	1 806		1 806	

(EUR 1,000)	12/2014	Fair value at end of period		
		Level 1	Level 2	Level 3
ASSETS MEASURED AT FAIR VALUE				
Financial assets at fair value through profit or loss	1 089	1 089		
Available-for-sale financial assets	1 533		1 533	
TOTAL	2 623	1 089	1 533	

#### LIABILITIES MEASURED AT FAIR VALUE

Interest rate swaps	1 803	1 803
TOTAL	1 803	1 803

Available-for-sale assets also include EUR 1,420 thousand for unlisted shares (EUR 1,420 thousand in 2014), 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 TOTAL CIRCULATION OF NEWSPAPERS IN 2015

Ilkka	45 046
Pohjalainen	20 076
Komiat	5 905
Viiskunta	5 165
JärviseuTu	4 787
Suupohjan Sanomat	3 646
Jurvan Sanomat	1 935
Vaasan Ikkuna (delivery)	55 600
Etelä-Pohjanmaa (delivery)	52 000

#### 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.

The same drafting principles have been applied to the financial statements bulletin as used in the previous financial statements on 31 December 2014. Moreover, the calculation formulas and principles for indicators also remain unchanged.

All the figures in the interim report are rounded, so the sum of separate figures may differ from that presented in the report.

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 20 April 2016 that a per-share dividend of EUR 0.10 be paid for the financial year 2015, representing a total dividend payment of EUR 2,566,520.80. Dividends will be distributed to those who are listed on the record day, 22 April 2016, as shareholders in the Ilkka-Yhtymä Oyj's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments are issued on 29 April 2016. On 31 December 2015, the parent company's distributable funds amounted to EUR

55,343,303.48.

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

For more information:

Matti Korkiatupa, Managing Director, Ilkka-Yhtymä Oyj  
Tel. +358 (0)500 162 015

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