ILKKA-YHTYMÄ

Interim Report

1 Jan.-31 Mar. 2014

Ilkka-Yhtymä Oyj´s Interim Report for Q1/2014

- Net sales: EUR 10.1 million (EUR 11.0 million)
- Circulation revenues increased slightly and total expenses decreased
- Operating profit: EUR 1.2 million (EUR 2.3 million)
- Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 0.7 million (EUR 0.9 million)
- Operating profit totalled 11.8% of net sales, or 6.6% excluding Alma Media and other associated companies (7.8%)
- Pre-tax profits: EUR 0.7 million (EUR 2.1 million)
- Earnings per share: EUR 0.03 (EUR 0.08)
- Eguity ratio 44.1% remained at a good level

NET SALES AND PROFIT PERFORMANCE

The Group's consolidated net sales for January-March showed a 7.7% decline. Net sales came to EUR 10.1 million (EUR 11.0 million in the corresponding period of the previous year). External net sales from the publishing business fell by 5.5%. Advertising revenues fell by 11.8% and circulation revenues grew by 0.7%. The decrease in net sales from the publishing business was caused by a weaker advertising market. External net sales from the printing business decreased by 20.7%. Circulation income accounted for 47% of consolidated net sales, while advertising income and printing income represented 40% and 13%, respectively. Other operating income in January-March totalled EUR 0.1 million (EUR 0.1 million).

Operating expenses for January-March amounted to EUR 9.6 million (EUR 10.2 million), down by 6.2% year on year. Expenses arising from materials and services decreased by 10.9%. Personnel expenses decreased by 1.1% and other operating costs by 10.1%. Depreciation contracted by 6.7%.

The share of the associated companies' result was EUR 0.5 million (EUR 1.4 million). Consolidated operating profit amounted to EUR 1.2 million (EUR 2.3 million), down by 47.2 per cent year-on-year. The Group's operating margin was 11.8 per cent (20.6%). Operating profit excluding Alma Media Corporation and the other associated companies amounted to EUR 0.7 million (EUR 0.9 million), representing 6.6% (7.8%) of net sales. Operating profit from publishing fell by EUR 0.3 million, while operating profit from printing remained at the previous year's level.

Net financial expenses for January-March amounted to EUR 0.5 million (EUR 0.2 million). Net gain/loss on shares held for trading was EUR -0.1 million (EUR -0.01 million). Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 0.4 million (EUR 0.4 million). In order to hedge against interest rate risk, in 2010 the company transformed some of its floating-rate liabilities into fixed-rate liabilities, by means of interest rate swaps. Given that the Group does not apply hedge accounting, unrealised changes in the market value of the interest rate swaps are recognised through profit or loss. In January-March 2014, the market value of these interest rate swaps grew by EUR 0.01 million (in January-March 2013, the market value grew by EUR 0.2 million).

Pre-tax profits totalled EUR 0.7 million (EUR 2.1 million). Direct taxes amounted to EUR 0.04 million (EUR 0.2 million), and the Group's net profit for the period totalled EUR 0.7 million (EUR 1.9 million).

BALANCE SHEET AND FINANCING

The consolidated balance sheet total came to EUR 140.0 million (EUR 169.6 million), with EUR 58.8 million (EUR 82.6 million) of equity. On the reporting date of 31 March 2014, the balance sheet value of the holding in the associated company Alma Media Corporation was EUR 100.9 million and the market value of the shares was EUR 62.5 million. According to the management's estimate, write-down in this holding is unnecessary.

Interest-bearing liabilities totalled EUR 66.4 million (EUR 70.6 million). The equity ratio was 44.1 per cent (50.7%), and shareholders' equity per share was EUR 2.29 (EUR 3.22). The increase in financial assets for the period totalled EUR 2.2 million (EUR 5.8 million), with liquid assets at the end of the period totalling EUR 4.1 million (EUR 8.1 million).

Cash flow from operations for the period came to EUR 2.7 million (EUR 5.9 million). Cash flow from operations for the comparison period includes EUR 3.6 million from the Group's own operations as well as EUR 2.2 million of dividend income from Alma Media Corporation. Cash flow from investments totalled EUR -0.6 million (EUR -0.1 million).

NEWSPAPERS TO COLLABORATE MORE CLOSELY THROUGH LÄNNEN MEDIA

Six Finnish newspaper publishers (I-Mediat Oy, Keski-Pohjanmaan Kirjapaino Oyj, Alma Media Kustannus Oy, Kaleva Oy, Hämeen Sanomat Oy and Turun Sanomat Oy) have signed a letter of intent, which will act as the basis for plans to significantly strengthen and expand their current journalistic collaboration.

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

In the event of the collaboration becoming reality, Lännen Media Oy would provide its 12 stakeholder newspapers with news items on national politics and the economy as well as social issues. Furthermore, Lännen Media would produce international news, weekend supplement material, themed content and national online news items for the use of its stakeholder newspapers. Lännen Media's principal goal is to accelerate product development in the field of digital content. Lännen Media would act as a joint editorial house, with around 40 journalists located around Finland.

SHARE PERFORMANCE

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

In January–March, 15,247 series-I shares of Ilkka-Yhtymä Oyj were traded, accounting for 0.4 per cent of the total number of series-I shares. The total value of the shares exchanged was EUR 0.1 million. In total, 458,994 series-II shares were traded, corresponding to 2.1 per cent of the total number of series II shares. The total value of the shares traded was EUR 1.3 million. The lowest price at which series-I shares of Ilkka-Yhtymä Oyj were traded during the period under review was EUR 3.72, and the highest per-share price was EUR 4.98. The lowest price at which series-II shares were traded was EUR 2.65 and the highest EUR 3.05. The market value of the share capital at the closing rate for the reporting period was EUR 74.0 million.

RISKS AND RISK MANAGEMENT

In the current economic climate, major uncertainties are associated with the predictability of both net sales and operating profit. Ilkka-Yhtymä's most significant short-term risks are related to the development of media advertising, in particular, as well as circulation and printing volumes, which affect the industry in general. Other risks associated with the Group's own operations and its holding in associated company Alma Media Corporation are described in more detail in the Annual Report 2013.

The Group's major financial risks include credit risk of the Group's operative business, the risk associated with the price of shares held for trading, liquidity risk and the risk of changes in market interest rates applied to the loan portfolio. In order to hedge against interest rate risk, on 21 December 2010 the company transformed some of its floating-rate liabilities to a fixed rate, by means of interest rate swaps. Given that the Group does not apply hedge accounting, changes in the market value of the interest rate swap are recognised through profit and loss. Other financial risks are discussed in more detail in the 2013 Annual Report.

EVENTS AFTER THE REPORT PERIOD

Annual General Meeting Decisions

On 24 April 2014, 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 0.10 be paid for the year 2013.

The number of members on the Supervisory Board for 2014 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 2018: Kari Aukia, Sami Eerola, Jari Eklund, Johanna Kankaanpää, Yrjö Kopra, Juha Mikkilä and Sami Talso.

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

Ernst & Young Oy, Authorised Public Accountants, was elected as the auditor, with Authorised Public Accountant, M.Sc.(Econ.) Harri Pärssinen as the principal auditor. It was decided that the auditors would be reimbursed per the invoice.

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

OUTLOOK FOR 2014

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

The net sales of Ilkka-Yhtymä Group are estimated to decline from the 2013 level.

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

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

Summary of Financial Statements and Notes

DRAFTING PRINCIPLES

Ilkka-Yhtymä Group's interim report was prepared in accordance with the requirements of the IAS 34 Interim Financial Reporting standard.

The interim report has been prepared according to the same principles as the 2013 financial statements. New or revised IFRS standards and IFRIC interpretations that become effective in 2014 have also been complied with, as specified in the 2013 financial statements. These changes have not affected the reported figures. The principles and formulae for the calculation of the indicators, presented on page 63 of the 2013 annual report, 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 interim report have been presented unaudited.

CONSOLIDATED INCOME STATEMENT

EUR 1,000	1-3/2014	1-3/2013	Change	1-12/2013
NET SALES	**10 143**	10 987	-8 %	44 893
Change in inventories of finished and unfinished products	**-2**	5	-141 %	6
Other operating income	**115**	93	24 %	392
Materials and services	**-3 215**	-3 608	-11 %	-14 484
Employee benefits	**-4 510**	-4 560	-1 %	-17 020
Depreciation	**-489**	-524	-7 %	-2 078
Other operating costs	**-1 377**	-1 532	-10 %	-5 711
Share of associated companies' profit *)	**527**	1 397	-62 %	-22 630
OPERATING PROFIT/ LOSS	**1 193**	2 258	-47 %	-16 631
Financial income and expenses	**-482**	-162	-198 %	-347
PROFIT/ LOSS BEFORE TAXES	**711**	2 097	-66 %	-16 978
Income tax	**-36**	-170	-79 %	-1 199
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	**675**	1 927	-65 %	-18 178
Earnings per share, undiluted (EUR) **)	**0.03**	0.08	-65 %	-0.71
The undiluted share average (to the nearest thousand) **)	**25 665**	25 665		25 665

*) 1-12/2013: Includes the EUR 27 million non-recurring write-down on the holding in the associated company Alma Media Corporation (Q3/2013).
**) There are no factor diluting the figure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	1-3/2014	1-3/2013	Change	1-12/2013
Profit/ loss for the period under review	**675**	1 927	-65 %	-18 178
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Available-for-sale assets				
Measured at fair value	**1**	2	-70 %	2
Transferred to the income statement	**2**			
Share of associated companies' other comprehensive income	**-12**	85	-114 %	-342
Income tax related to components of other comprehensive income	**-1**			11
Other comprehensive income, net of tax	**-10**	86	-111 %	-328
Total comprehensive income for the period	**665**	2 013	-67 %	-18 506

SEGMENT INFORMATION

EUR 1,000	1-3/2014	1-3/2013	Change	1-12/2013
NET SALES BY SEGMENT				
Publishing				
External	**8 875**	9 388	-5 %	38 098
Inter-segments	**25**	37	-33 %	159
Publishing total	**8 900**	9 425	-6 %	38 257
Printing				
External	**1 268**	1 599	-21 %	6 795
Inter-segments	**1 686**	1 774	-5 %	6 968
Printing total	**2 954**	3 372	-12 %	13 763
Non-allocated				
Inter-segments	**560**	567	-1 %	2 269
Non-allocated total	**560**	567	-1 %	2 269
Elimination	**-2 271**	-2 377	-4 %	-9 395
Group net sales total	**10 143**	10 987	-8 %	44 893

EUR 1,000	1-3/2014	1-3/2013	Change	1-12/2013
OPERATING PROFIT/ LOSS BY SEGMENT				
Publishing	**499**	778	-36 %	4 594
Printing	**330**	317	4 %	1 827
Associated companies	**527**	1 397	-62 %	-22 630
Non-allocated	**-163**	-234	30 %	-422
Group operating profit/ loss total	**1 193**	2 258	-47 %	-16 631

EUR 1,000	1-3/2014	1-3/2013	Change	1-12/2013
ASSETS BY SEGMENT				
Publishing	**14 304**	15 364	-7 %	9 252
Printing	**9 999**	10 184	-2 %	8 788
Non-allocated	**115 700**	144 060	-20 %	115 762
Group assets total	**140 003**	169 609	-17 %	133 802

CONSOLIDATED BALANCE SHEET

EUR 1,000	3/2014	3/2013	Change	12/2013
ASSETS				
NON-CURRENT ASSETS				
Intangible rights	**708**	981	-28 %	789
Goodwill	**314**	314		314
Investment properties	**173**	220	-21 %	182
Property, plant and equipment	**11 210**	11 926	-6 %	11 459
Shares in associated companies	**101 758**	128 029	-21 %	103 492
Available-for-sale financial asset	**10 541**	10 682	-1 %	10 668
Non-current trade and other receivables	**567**			
Other tangible assets	**214**	214		214
Non-current assets	**125 486**	152 367	-18 %	127 118
CURRENT ASSETS				
Inventories	**584**	577	1 %	483
Trade and other receivables	**8 201**	6 422	28 %	2 866
Income tax assets	**396**	510	-22 %	96
Financial assets at fair value through profit or loss	**1 192**	1 672	-29 %	1 259
Cash and cash equivalents	**4 144**	8 060	-49 %	1 980
Current assets	**14 517**	17 241	-16 %	6 684
ASSETS	**140 003**	169 609	-17 %	133 802
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	**6 416**	6 416		6 416
Invested unrestricted equity fund and other reserves	**48 637**	48 622		48 635
Retained earnings	**3 703**	27 541	-87 %	3 040
Shareholders' equity	**58 756**	82 579	-29 %	58 091
NON-CURRENT LIABILITIES				
Deferred tax liability	**197**	54	266 %	216
Non-current interest-bearing liabilities	**61 634**	66 349	-7 %	60 432
Non-current interest-free liabilities	**88**	102	-13 %	88
Non-current liabilities	**61 919**	66 504	-7 %	60 736
CURRENT LIABILITIES				
Current interest-bearing liabilities	**4 747**	4 241	12 %	5 947
Accounts payable and other payables	**14 222**	15 929	-11 %	8 768
Income tax liability	**359**	355	1 %	260
Current liabilities	**19 328**	20 525	-6 %	14 975
SHAREHOLDERS' EQUITY AND LIABILITIES	**140 003**	169 609	-17 %	133 802

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1-3/ 2014	1-3/ 2013	1-12/ 2013
CASH FLOW FROM OPERATIONS			
Profit/ loss for the period under review	**675**	1 927	-18 178
Adjustments	**454**	-546	26 229
Change in working capital	**2 052**	2 813	408
Cash flow from operations before finance and taxes	**3 180**	4 194	8 459
Interest paid	**-208**	-224	-1 749
Interest received	**6**	7	35
Dividends received	**8**	2 257	2 344
Other financial items	**-11**	-12	333
Direct taxes paid	**-257**	-331	-920
Cash flow from operations	**2 718**	5 890	8 502
CASH FLOW FROM INVESTMENTS			
Investments in tangible and intangible assets, net	**-111**	-204	-1 398
Other investments, net	**126**	97	121
Granted loans	**-567**		
Dividends received from investments		15	528
Cash flow from investments	**-552**	-92	-750
Cash flow before financing items	**2 166**	5 798	7 753
CASH FLOW FROM FINANCING			
Change in current loans			-4 217
Dividends paid and other profit distribution	**-3**		-3 818
Cash flow from financing	**-3**		-8 035
Increase(+) or decrease (-) in financial assets	**2 163**	5 797	-282
LIQUID ASSETS AT THE BEGINNING OF THE FINANCIAL PERIOD	**1 980**	2 263	2 263
LIQUID ASSETS AT THE END OF THE FINANCIAL PERIOD	**4 144**	8 060	1 980

GROUP KEY FIGURES

	3/2014	3/2013	12/2013
Earnings/share (EUR)	**0.03**	0.08	-0.71
Shareholders' equity/share (EUR)	**2.29**	3.22	2.26
Average number of personnel	**304**	320	321
Investments (EUR 1,000) *)	**150**	561	1 423
Interest-bearing debt (EUR 1,000)	**66 381**	70 590	66 379
Equity ratio, %	**44.1**	50.7	44.2
Average number of shares during the financial period	**25 665 208**	25 665 208	25 665 208
Number of shares at the end on the financial period	**25 665 208**	25 665 208	25 665 208

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

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
CHANGE IN SHAREHOLDERS' EQUITY 1-3/2013						
Shareholders' equity 1.1.	6 416	99	48 498	24	25 529	80 567
Comprehensive income for the period		1			2 011	2 013
SHAREHOLDERS' EQUITY TOTAL 3/2013	**6 416**	**100**	**48 498**	**24**	**27 541**	**82 579**

EUR 1,000	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
CHANGE IN SHAREHOLDERS' EQUITY 1-3/2014						
Shareholders' equity 1.1.	6 416	113	48 498	24	3 040	58 091
Comprehensive income for the period		2			663	665
SHAREHOLDERS' EQUITY TOTAL 3/2014	**6 416**	**115**	**48 498**	**24**	**3 703**	**58 756**

GROUP CONTINGENT LIABILITIES

EUR 1,000	3/2014	3/2013	12/2013
COLLATERAL PLEDGED FOR OWN COMMITMENTS			
Mortgages on company assets	**1 245**	1 245	1 245
Mortgages on real estate	**8 801**	8 801	8 801
Pledged shares	**51 042**	53 451	49 680
CONTINGENT LIABILITIES ON BEHALF OF ASSOCIATED COMPANY			
Guarantees	**4 059**	4 096	4 059

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	1-3/2014	1-3/2013	Change	1-12/2013
Carrying amount at the beginning of the financial period	**11 459**	11 862	-3 %	11 862
Increase	**147**	484	-70 %	1 266
Depreciation for the financial period	**-396**	-420	-6 %	-1 670
Carrying amount at the end of the financial period	**11 210**	11 926	-6 %	11 459

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	3/2014	3/2013	12/2013
SALES OF GOODS AND SERVICES			
To associated companies	**56**	55	261
To other related parties	**173**	213	860
PURCHASES OF GOODS AND SERVICES			
From associated companies	**125**	136	464
From other related parties	**2**		29
NON-CURRENT TRADE AND OTHER RECEIVABLES			
Loan receivables from associated companies	**567**		
TRADE RECEIVABLES			
From associated companies	**10**	14	48
From other related parties	**42**	77	61
ACCOUNTS PAYABLE			
To associated companies	**61**	15	16

Transactions with related parties are conducted at fair market prices.

EUR 1,000	3/2014	3/2013	12/2013
EMPLOYEE BENEFITS TO MANAGEMENT			
Salaries and other short-term employee benefits	**293**	247	989

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

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

		Fair value at end of period		
EUR 1,000	**31.3.2014**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Financial assets at fair value through profit or loss	1 192	1 192		
Available-for-sale financial assets	9 122		9 122	
Total	**10 313**	**1 192**	**9 122**	
Liabilities measured at fair value				
Interest rate swaps	1 693		1 693	
Total	**1 693**		**1 693**	

		Fair value at end of period		
EUR 1,000	**31.3.2013**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Financial assets at fair value through profit or loss	1 672	1 672		
Available-for-sale financial assets	9 243		9 243	
Total	**10 915**	**1 672**	**9 243**	
Liabilities measured at fair value				
Interest rate swaps	2 199		2 199	
Total	**2 199**		**2 199**	

Available-for-sale assets also include EUR 1,419 thousand for unlisted shares (EUR 1,439 thousand in 3/2013), 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.

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

ILKKA-YHTYMÄ

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