Ilkka-Yhtymä Oyj Financial Statements Bulletin, 16 February 2015, at 3 p.m.

THE ILKKA-YHTYMÄ GROUP'S FINANCIAL STATEMENTS FOR 2014

FINANCIAL YEAR 2014
- Net sales: EUR 41.8 million (EUR 44.9 million)
- Total expenses decreased by 5%
- Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 4.9 million (EUR 6.0 million)
- Operating margin of the Group's own operations, excluding Alma Media Corporation and the other associated companies, was 11.8 (13.4).
- Reported operating profit was EUR 9.3 million (operating loss EUR 16.6 million). The operating loss in the comparative year 2013 included the EUR 27 million write-down on the holding in the associated company Alma Media Corporation.
- Reported operating margin 22.1 (-37.0)
- Reported earnings per share EUR 0.35 (EUR -0.71)
- Equity ratio rose to 50.2 per cent (44.2% in 2013)
- Net gearing 78.0% (108.7%)
- The Board of Directors proposes a per share dividend of EUR 0.10

OCTOBER-DECEMBER 2014
- Net sales: EUR 11.0 million (EUR 11.7 million)
- Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 1.8 million (EUR 1.8 million)
- Operating margin of the Group's own operations, excluding Alma Media Corporation and the other associated companies, was 16.1 (15.7).
- Reported operating profit was EUR 2.9 million (EUR 1.3 million).
- Reported operating margin 26.6 (10.9)
- Reported earnings per share EUR 0.09 (EUR 0.02)

MATTI KORKIATUPA, MANAGING DIRECTOR:

In 2014, the Finnish national economy kept shrinking for a third year in a row due to low domestic demand and investment activity, and weak international economic development. Both media advertising and income from content diminished in Finland as a result of consumer caution and digitalisation. With our net sales falling behind the targets already during the first quarter of the year, to secure profitability we were forced to adjust our operations towards the end of the year by, for example, laying off personnel.

In spite of strict cost-saving measures, we kept implementing planned strategic projects to ensure the Group's success in the coming years.

In journalistic terms, the most important project was the establishment and launch of the operations of Lännen Media Oy, jointly owned by provincial newspapers of Western Finland. Lännen Media produces non-local content for the needs of 12 provincial newspapers. Jointly produced content helps us differentiate ourselves from the offering of other media and strengthens our own operations. The shared editorial staff also releases resources for the production of paper's local content to strengthen the local Ostrobothnian approach and community spirit of the paper.

In accordance with our content strategy, we will review the quality and quantity of the advertiser-funded content and paid journalistic content being published during the ongoing year. At the turn of the year, we revamped and harmonised the look of our local newspapers. In our provincial newspapers, on the other hand, we are not planning a format change, a transfer to the tabloid format, in the ongoing year.

Owing to the new strategy of our delivery services provider Posti, the management of the service and expense level of physical delivery in terms of delivery times is becoming more and more important in the years to come. That is why we will revise the forms of subscription during this year. In the future, the revised newspaper subscription will also include a digital edition of the newspaper, which makes it possible for our readers to access the paper regardless of the time and place. As HSS Media launched its own newspaper delivery operations in spring 2014, we became customers of this new delivery company in the Swedish-speaking Ostrobothnia, except in Vaasa.

The new digital products and services produced by us or our associated companies also require a fresh approach to business-to-business marketing and sales. During this year, we will enter the next phase in the development of our customer-oriented operating model that we renewed in 2013. The operating model under development and the adoption of new systems supporting it will enable provision of an expanding, multi-channel and higher-quality service range for boosting the marketing and sales of our customers.

All reforms also require that the staff remains committed to them. The group has created excellent conditions for this by having continued development of its operations for many years.

The price of newsprint has fallen in recent years as the consumption volume is reducing. In spite of reductions in production capacity, overproduction still continues in Europe, which will probably keep the price level down in the coming years. Even though the development of personnel, capital and other expenses has been moderate, the weak development of net sales creates pressures to increase productivity in all operations. However, the profit performance during the last quarter gives us confidence in our ability to make profit.

BUSINESS ENVIRONMENT

According to the Bank of Finland forecast of 11 December 2014, the Finnish GDP was expected to shrink by approximately 0.2% in 2014. Even though the production rate is already slowly starting to pick up in 2015, it is expected to remain 0.1% smaller than the year before. According to Statistics Finland, the inflation rate was 0.5% in December, while the average inflation rate for 2014 stood at 1.0%.

Private consumption is not expected to have increased at all in 2014. The projected growth for private consumption in 2015 is in the region of 0.3 per cent. According to the consumer survey of Statistics Finland, the economic confidence continued to rise slightly in January 2015.

According to a survey conducted by TNS Gallup Oy and commissioned by the Finnish Advertising Council, media advertising decreased by 2.6% in 2014. Advertising in newspapers fell by 8.7%, while advertising in free sheets decreased by 1.7%. Newspapers and free sheets accounted for 32.5% and 5.5% of media advertising, respectively. Web media advertising saw an increase of 10.8%, representing a 22.5% share of media advertising.

GROUP STRUCTURE

The Ilkka-Yhtymä Group is a media group that consists of the parent company Ilkka-Yhtymä Oyj, the publishing company I-Mediat Oy, as well as the printing company I-print Oy. The Group also includes two property companies, Kiinteistö Oy Seinäjoen Koulukatu 10 and Seinäjoen Kassatalo Osakeyhtiö, as well as Pohjalaismediat Oy. Our main products are the regional newspapers Ilkka and Pohjalainen, five local newspapers (Viiskunta, Komiat, Järviseutu, Suupohjan

Sanomat and Jurvan Sanomat), two free sheets (Vaasan Ikkuna and Etelä-Pohjanmaa), including the online and mobile services of these papers, and I-print Oy's printing and communications services.

The associated companies included in our consolidated financial statements are Alma Media Corporation, Arena Partners Oy and Yrittävä Suupohja Oy. Our holding in Väli-Suomen Media Oy was sold in June 2014.

CONSOLIDATED NET SALES AND PROFIT PERFORMANCE FOR THE FINANCIAL YEAR

Consolidated net sales decreased by 6.9%, amounting to EUR 41,802 thousand (EUR 44,893 thousand in 2013). External net sales from publishing operations decreased by 4.6%. Advertising revenues fell by 7.8% and circulation revenues by 1.6%. External net sales from the printing business decreased by 19.5%. Circulation income accounted for 46% of consolidated net sales, while advertising income and printing income represented 41% and 13%, respectively. Other operating income totalled EUR 454 thousand (EUR 392 thousand).

The Group operating expenses for the financial year amounted to EUR 37,319 thousand (EUR 39,293 thousand), down by 5.0% year-on-year. Expenses arising from materials and services decreased by 7.6%. Personnel expenses decreased by 1.4%. Other operating costs decreased by 7.2%. Depreciation contracted by 10.7%.

The share of the associated companies' result was EUR 4,318 thousand (in financial year 2013, EUR -22,630 thousand following the EUR 27 million write-down on the holding in the associated company Alma Media Corporation). Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 4,933 thousand (EUR 5,999 thousand), representing 11.8% (13.4%) of net sales. Reported operating profit was EUR 9,251 thousand (operating loss EUR 16,631 thousand in 2013). Reported operating margin was 22.1 (-37.0).

Net financial income amounted to EUR 883 thousand (net financial expenses in the corresponding period of the previous year EUR 347 thousand). Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 1,678 thousand (EUR 1,789 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. For the 2014 financial year, the market value of these interest rate swaps fell by EUR 102 thousand (in 2013, the market value grew by EUR 734 thousand). Net gain/loss on shares held for trading was EUR -130 thousand (EUR 22 thousand). Financial income for the period includes a capital gain of EUR 2 million from the sale of Anvia Oyj's shares.

Profit before tax totalled EUR 10,133 thousand (loss before tax EUR 16,978 thousand for the financial year 2013). Direct taxes amounted to EUR 1,063 thousand (EUR 1,199 thousand), and consolidated profit for the period totalled EUR 9,070 thousand (loss EUR 18,178 thousand). Earnings per share amounted to EUR 0.35 (EUR -0.71)

Q4 NET SALES AND PROFIT PERFORMANCE

In Q4/2014, consolidated net sales totalled EUR 10,963 thousand (EUR 11,707 thousand), down by 6.4%. External net sales from the publishing business fell by 3.3%. External net sales from the printing business decreased by 21.9%. Circulation income accounted for 43% of consolidated net sales in October-December, while advertising income and printing income represented 43% and 14%, respectively. Other operating income in October–December totalled EUR 154 thousand (EUR 97 thousand).

In Q4, the Group’s expenses totalled EUR 9,344 thousand (EUR 9,964 thousand), down by 6.2%. For October-December 2014, the share of the associated companies’ result was EUR 1,145 thousand (EUR -565 thousand).

In the fourth quarter, operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 1,768 thousand (EUR 1,838 thousand), representing 16.1% (15.7%) of net sales. Reported operating profit was EUR 2,913 thousand (EUR 1,273 thousand). Reported operating margin was 26.6 (10.9).

Net financial income amounted to EUR 336 thousand (EUR 386 thousand). Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 382 thousand (EUR 450 thousand). In October-December 2014, the market value of interest rate swaps grew by EUR 31 thousand (in October-December 2013, the market value grew by EUR 80 thousand). Net gain/loss on shares held for trading was EUR -2 thousand (EUR -40 thousand).

The consolidated profit for the fourth quarter totalled EUR 2,280 thousand (EUR 581 thousand).

CONSOLIDATED BALANCE SHEET AND FINANCING

The consolidated balance sheet total came to EUR 130,536 thousand (EUR 133,802 thousand), with EUR 64,503 thousand (EUR 58,091 thousand) of equity. On the reporting date of 31 December 2014, the balance sheet value of the holding in the associated company Alma Media Corporation was EUR 104.5 million and the market value of the shares was EUR 61.8 million. According to the management’s estimate, write-down in this holding is unnecessary.

At the end of the 2014 financial year, interest-bearing liabilities totalled EUR 56,936 thousand (EUR 66,379 thousand on 31 December 2013), and their average maturity was 3 years 11 months (3 years 5 months on 31 December 2013).

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 53% of the loans in the company’s total loan portfolio have a fixed rate and some 47% a floating rate. These hedging measures included, the average interest rate for interest-bearing liabilities on 31 December 2014 came to 2.50% (2.53%).

As at 31 December 2014, the impact of floating-rate interest-bearing liabilities on profit before taxes would have amounted to -/+ EUR 267 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 2,353 thousand will fall due for payment.

Group net gearing was 78.0% (108.7%) at the end of the financial period. Equity ratio was 50.2% (44.2%) and shareholders’ equity per share stood at EUR 2.51 (EUR 2.26). The increase in financial assets for the period totalled EUR 3,553 thousand (decrease EUR 282 thousand), with liquid assets at the end of the period totalling EUR 5,534 thousand (EUR 1,980 thousand).

For the financial year, cash flow from operations came to EUR 3,710 thousand (EUR 8,502 thousand). Cash flow from operations for previous financial year 2013 includes EUR 6,253 thousand from the Group’s own operations as well as EUR 2,249 thousand of dividend income from Alma Media Corporation. Cash flow from investments amounted to EUR 11,841 thousand (EUR -750 thousand), including repayment of capital from Alma Media Corporation in the amount of EUR 2,249 thousand and EUR 9,462 thousand 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 36,413 thousand (EUR 38,257 thousand). Net sales from the publishing business decreased by 4.8%. The decrease in net sales from the publishing business was mainly caused by a weaker advertising market. Advertising revenues fell by 7.8% and circulation revenues by 1.6%. Operating profit from publishing decreased by 24.2% year-on-year, to EUR 3,481 thousand (EUR 4,594 thousand).

Due to weak and uncertain economic situation, it is still difficult to forecast media income in 2015. Media advertising in Finland is projected to remain almost unchanged from the previous year, and newspaper circulation income is expected to fall. Net sales of I-Mediat Oy are expected to remain almost the same as in the previous year.

PRINTING

The printing segment comprises the printing house I-print Oy. The segment's net sales amounted to EUR 12,333 thousand (EUR 13,763 thousand), down by 10.4%. External net sales from the printing business declined by EUR 1,323 thousand (19.5%) due to tough competition and the weaker market. Operating profit from printing decreased by 4.3% year-on-year, to EUR 1,749 thousand (EUR 1,827 thousand).

Within the printing business, the 2015 market situation is expected to remain extremely difficult in Finland. The overcapacity will continue in the graphics industry, while the total volume of printed products market will decrease. The rise in raw material and energy costs is expected to be moderate. I-print Oy's net sales are projected to remain roughly the same as in the previous year.

ASSOCIATED COMPANIES

Ilkka-Yhtymä Group's associated companies are Alma Media Corporation (29.79%), Arena Partners Oy (37.82%) and Yrittävä Suupohja Oy (38.46%). Our holding in Väli-Suomen Media Oy was sold in June 2014.

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

In 2013, Ilkka-Yhtymä's provincial newspapers Ilkka and Pohjalainen and Alma Media's regional and local newspaper division Alma Regional Media initiated extensive operational collaboration on content and development. At the end of 2014, responsibility for the co-operation was largely transferred to the newly established Lännen Media Oy. The founding newspapers behind Lännen Media include Ilkka-Yhtymä's newspapers Ilkka and Pohjalainen, Alma Media's newspapers Aamulehti, Satakunnan Kansa, Lapin Kansa, Kainuun Sanomat and Pohjolan Sanomat as well as Kaleva, Turun Sanomat, Keskipohjanmaa, Hämeen Sanomat and Forssan Lehti, which is part of the same company.

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 (36.16%) and Adfore Technologies Oy (11.8%).

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

ILKKA-YHTYMÄ SOLD ITS ANVIA OYJ SHARES TO ELISA CORPORATION

Ilkka-Yhtymä Oyj and its subsidiaries I-Mediat Oy and I-print Oy sold all of their Anvia Oyj shares to Elisa Corporation on 28 August 2014. The shares were sold for EUR 9.5 million, and Ilkka-Yhtymä Group recorded a capital gain of approximately EUR 2 million for the sale.

NEWSPAPERS TO COLLABORATE MORE CLOSELY THROUGH LÄNNEN MEDIA

On 23 June 2014, Ilkka-Yhtymä Oyj's subsidiary I-Mediat Oy and five other Finnish newspaper publishers signed a cooperation agreement to establish Lännen Media Oy. The nationwide editorial staff of 40 people began its work in October 2014. Lännen Media Oy produces content for 12 provincial newspapers in western and northern Finland.

The shared editorial staff will produce nationwide Finnish and international news content, timely articles to shed light on the facts behind the news, weekend supplement material, daily theme pages and nationwide online news.

The Lännen Media newspapers reach almost two million Finns (1,980,000). The combined circulation of the printed newspapers is 516,375 copies (FABC Audit 2013) and they are read by 1.28 million readers.

ILKKA-YHTYMÄ'S NEWSPAPERS TO BE PARTLY DISTRIBUTED BY HSS MEDIA

Ilkka-Yhtymä Oyj's subsidiary I-Mediat Oy has started distribution co-operation with HSS Media in the Swedish-speaking coastal regions of Ostrobothnia.

As from 1 June 2014, I-Mediat Oy's provincial newspapers Pohjalainen and Ilkka gradually started using the distribution services of HSS Media in the Swedish-speaking municipalities of Ostrobothnia, with the exception of Vaasa and Mustasaari. In Vaasa and parts of Mustasaari, the newspapers will still be distributed by Posti Group in the early hours.

RESEARCH AND DEVELOPMENT EXPENSES

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

CAPITAL EXPENDITURE

Reported capital expenditure for the year totalled EUR 464 thousand, with printing accounting for EUR 85 thousand and publishing for EUR 181 thousand.

ANNUAL GENERAL MEETING, SUPERVISORY BOARD AND BOARD OF DIRECTORS

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.

At its meeting on 5 May 2014, the Supervisory Board re-elected Esa Lager and Riitta Viitala to the Board of Directors of Ilkka-Yhtymä Oyj when their terms of service had come to an end. Seppo Paatelainen announced that he would step down from the Board. Markku Hautanen, M.Sc. (Econ.), CEO of the Skaala Group, was elected as his replacement for the remainder of the term (ending in 2015). 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 elected Timo Aukia as its chairman and Esa Lager as its 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 2014, 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 2014 was 238,632, which represents 5.5% of the series share stock. The trading value of shares was EUR 0.7 million. The number of Series II shares traded totalled 3,320,092, which equals 15.5% of the series share stock. Their trading value was EUR 7.6 million. During the report period, the lowest quotation for Ilkka-Yhtymä Oyj's Series I share was EUR 2.11 and the highest EUR 4.98, while the lowest quotation for a Series II share was EUR 1.83 and the highest EUR 3.05. At the period-end closing price, the share capital market value was EUR 53.7 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 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 311 (321 in 2013). In the year under review, the Group had, on average, 348 (365) employees with employment contracts. On 31 December 2014, the Group had 294 full-time employees (312).

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 6 May 2014, Ilkka-Yhtymä announced that it would start adaptation measures in order to safeguard profitability. As part of these measures, the company launched negotiations concerning all personnel in line with the Act on Co-operation within Undertakings.

As the outcome of these negotiations, personnel savings was largely achieved through temporary layoffs of all employees. The savings corresponded to layoffs of around one week during the second half of 2014. As a result of voluntary retirement and the part-time employment and redundancies agreed upon in the codetermination negotiations, Ilkka-Yhtymä permanently reduced its full-time employees by about 10. These personnel savings, coupled with other adaptation measures, yielded the targeted cost-savings of EUR 0.6 million in 2014.

ESTIMATED OPERATING RISKS AND UNCERTAINTIES

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

Communications industry

The company estimates that the Group's core operations only involve risks normally associated with the industry 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 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 2014.

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

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

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

Graphics

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

The availability of newsprint has been good and price developments in recent years have been moderate. 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 Group Oyj and HSS Media Ab. The short-term risks in delivery operations mainly concern price and service level developments. These risks depends 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 2014, unused credit limits totalled EUR 13 million (On 31 December 2013, EUR 13 million). In its operations, the Group is also exposed to price risks arising from the volatility of market prices of quoted shares.

EVENTS AFTER THE FINANCIAL YEAR

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 will mainly concern I-Mediat Oy's technical production and media sales personnel and the personnel of the printing press I-print Oy.

The purpose of the negotiations is to adjust the operations and the amount of personnel to the requirements of increasingly digital operations and reducing volumes.

The negotiations may lead to lay-offs of personnel and/or part-time employment or redundancies of less than 10 persons.

THE BOARD'S PROPOSAL ON PROFIT SHARING

The Board of Directors proposes to the Annual General Meeting of 22 April 2015 that a per-share dividend of EUR 0.10 be paid for the financial year 2014, representing a total dividend payment of EUR 2,566,520.80. Dividends will be distributed to those who are listed on the record day, 24 April 2015, as shareholders in the Ilkka-Yhtymä Oyj's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments are issued on 4 May 2015. On 31 December 2014, the parent company's distributable funds amounted to EUR 55,037,623.59.

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 2015

In the current economic climate, forecasting net sales in the media sector and, in particular, media advertising spending involves still major uncertainties. Media advertising in Finland is expected to remain roughly at the previous year's level. Due to caution among consumers as well as competition in the media market, newspaper circulation income is forecast to decline slightly. Printing business volumes have shrunk in Finland and the trend is expected to continue in 2015.

Group net sales and operating profit from Ilkka-Yhtymä's own operations, excluding the share of Alma Media's and other associated companies' results, are expected to remain roughly the same as in 2014.

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/ 2014	10-12/ 2013	Change %	1-12/ 2014	1-12/ 2013	Change %
NET SALES	10 963	11 707	-6	41 802	44 893	-7
Change in inventories of finished and unfinished products	-5	-2	-246	-3	6	-153
Other operating income	154	97	59	454	392	16
Materials and services	-3 384	-3 661	-8	-13 379	-14 484	-8
Employee benefits	-4 060	-4 274	-5	-16 782	-17 020	-1
Depreciation	-426	-519	-18	-1 856	-2 078	-11
Other operating costs	-1 473	-1 511	-2	-5 302	-5 711	-7
Share of associated companies' profit *)	1 145	-565	303	4 318	-22 630	119
OPERATING PROFIT/ LOSS	2 913	1 273	129	9 251	-16 631	156
Financial income and expenses	-336	-386	13	883	-347	354
PROFIT/ LOSS BEFORE TAX	2 577	887	191	10 133	-16 978	160
Income tax	-297	-306	-3	-1 063	-1 199	-11
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	2 280	581	292	9 070	-18 178	150
Earnings per share, undiluted (EUR)**)	0.09	0.02	292	0.35	-0.71	150
The undiluted share average (to the nearest thousand)**)	25 665	25 665		25 665	25 665	

*) 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)	10-12/ 2014	10-12/ 2013	Change %	1-12/ 2014	1-12/ 2013	Change %
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	2 280	581	292	9 070	-18 178	150
OTHER COMPREHENSIVE INCOME:						
Items that may be reclassified subsequently to profit or loss:						
Available-for-sale assets						
Measured at fair value	2			-24	2	-1126
Transferred to the income statement				126		
Share of associated companies' other comprehensive income	-43	-235	82	-173	-342	49
Income tax related to components of other comprehensive income		12		-20	11	-282
Other comprehensive income, net of tax	-42	-223	81	-91	-328	72
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2 239	358	526	8 979	-18 506	149

SEGMENT INFORMATION

NET SALES BY SEGMENT

(EUR 1,000)	10-12/ 2014	10-12/ 2013	Change %	1-12/ 2014	1-12/ 2013	Change %
Publishing						
External	9 481	9 809	-3	36 330	38 098	-5
Inter-segments	20	44	-54	83	159	-47
Publishing total	9 501	9 853	-4	36 413	38 257	-5
Printing						
External	1 482	1 898	-22	5 472	6 795	-19
Inter-segments	1 797	1 773	1	6 861	6 968	-2
Printing total	3 279	3 671	-11	12 333	13 763	-10
Non-allocated						
Inter-segments	550	568	-3	2 231	2 269	-2
Non-allocated total	550	568	-3	2 231	2 269	-2

Elimination	-2 368	-2 385	-1	-9 175	-9 395	-2
Group net sales total	10 963	11 707	-6	41 802	44 893	-7

OPERATING PROFIT/ LOSS BY SEGMENT

(EUR 1,000)	10-12/ 2014	10-12/ 2013	Change %	1-12/ 2014	1-12/ 2013	Change %
Publishing	1 231	1 339	-8	3 481	4 594	-24
Printing	556	573	-3	1 749	1 827	-4
Associated companies	1 145	-565	303	4 318	-22 630	119
Non-allocated	-20	-74	73	-297	-422	30
Group operating profit/ loss total	2 913	1 273	129	9 251	-16 631	156

ASSETS BY SEGMENT

(EUR 1,000)	12/2014	12/2013	Change %
Publishing	8 826	9 252	-5
Printing	8 674	8 788	-1
Non-allocated	113 036	115 762	-2
Group assets total	130 536	133 802	-2

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	12/2014	12/2013	Change %
ASSETS			
NON-CURRENT ASSETS			
Intangible rights	629	789	-20
Goodwill	314	314	
Investment properties	147	182	-19
Property, plant and equipment	10 230	11 459	-11
Shares in associated companies	105 310	103 492	2
Available-for-sale assets	2 953	10 668	-72
Non-current trade and other receivables	567		
Other tangible assets	214	214	
TOTAL NON-CURRENT ASSETS	120 364	127 118	-5
CURRENT ASSETS			
Inventories	523	483	8
Trade and other receivables	2 876	2 866	
Income tax assets	150	96	56

Financial assets at fair value through profit or loss	1 089	1 259	-13
Cash and cash equivalents	5 534	1 980	179
TOTAL CURRENT ASSETS	10 172	6 684	52
TOTAL ASSETS	130 536	133 802	-2
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	6 416	6 416	
Invested unrestricted equity fund and other reserves	48 716	48 635	
Retained earnings	9 371	3 040	208
SHAREHOLDER'S EQUITY	64 503	58 091	11
NON-CURRENT LIABILITIES			
Deferred tax liability	178	216	-18
Non-current interest-bearing liabilities	54 549	60 432	-10
Non-current interest-free liabilities	75	88	-15
NON-CURRENT LIABILITIES	54 801	60 736	-10
CURRENT LIABILITIES			
Current interest-bearing liabilities	2 387	5 947	-60
Accounts payable and other payables	8 340	8 768	-5
Income tax liability	504	260	94
CURRENT LIABILITIES	11 232	14 975	-25
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	130 536	133 802	-2

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-12/ 2014	1-12/ 2013
CASH FLOW FROM OPERATIONS		
Profit/ loss for the period under review	9 070	-18 178
Adjustments	-2 334	26 229
Change in working capital	-486	408
CASH FLOW FROM OPERATIONS BEFORE FINANCE AND TAXES	6 250	8 459
Interest paid	-1 649	-1 749
Interest received	31	35
Dividends received	55	2 344
Other financial items	-45	333
Direct taxes paid	-932	-920
CASH FLOW FROM OPERATIONS	3 710	8 502
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets, net	-352	-1 398

Capital repayment received	2 249	
Other investments	-29	-18
Proceeds from sale of other investments	10 056	138
Granted loans	-567	
Dividends received from investments	484	528
CASH FLOW FROM INVESTMENTS	11 841	-750
CASH FLOW BEFORE FINANCING ITEMS	15 551	7 753
CASH FLOW FROM FINANCING		
Change in current loans	-3 561	-4 217
Change in non-current loans	-5 889	
Dividends paid and other profit distribution	-2 548	-3 818
CASH FLOW FROM FINANCING	-11 998	-8 035
INCREASE (+) OR DECREASE (-)IN FINANCIAL ASSETS	3 553	-282
Liquid assets at the beginning of the financial period	1 980	2 263
Liquid assets at the end of the financial period	5 534	1 980

KEY FIGURES

	2014	2013
Net sales, Meur	41.8	44.9
change %	-6.9	-2.7
Operating profit/ loss, Meur	9.3	-16.6
% of net sales	22.1	-37.0
Profit/ loss before tax, Meur	10.1	-17.0
% of net sales	24.2	-37.8
Profit/ loss for the financial period, Meur	9.1	-18.2
% of net sales	21.7	-40.5
Return on equity (ROE), %	14.8	-26.2
Return on investment (ROI), %	9.7	-11.6
Equity ratio, %	50.2	44.2
Net gearing, %	78.0	108.7
Gross capital expenditure, Meur *)	0.5	1.4
% of net sales	1.1	3.2
Balance sheet total, Meur	130.5	133.8
Current ratio	0.91	0.45
Average no. of employees	311	321
Earnings per share (EPS), eur	0.35	-0.71
Cash flow from operations per share, eur	0.14	0.33
Shareholders' equity per share, eur	2.51	2.26
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), %	28.3	neg.

Dividend per earnings (Series II), %	28.3	neg.
Effective dividend yield (Series I), %	3.3	2.1
Effective dividend yield (Series II), %	5.2	3.5
Price per earnings (P/E) (Series I)	8.5	neg.
Price per earnings (P/E) (Series II)	5.4	neg.
Market capitalisation, Meur	53.7	81.9
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).

**) 2014: Proposal of the Board of Directors

CONSOLIDATED NET SALES AND PROFIT BY QUARTER

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

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

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

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

EQUITY
12/2013

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

GROUP CONTINGENT LIABILITIES

(EUR 1,000)	12/2014	12/2013
Collateral pledged for own commitments		
Mortgages on company assets	1 245	1 245
Mortgages on real estate	8 801	8 801
Pledged shares	50 491	49 680
Contingent liabilities on behalf of associated company		
Guarantees	3 961	4 059

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	1-12/ 2014	1-12/ 2013	Change %
Carrying amount at the beginning of the financial period	11 459	11 862	-3
Increase	294	1 266	-77
Decrease	-4		
Depreciation for the financial period	-1 519	-1 670	-9
Carrying amount at the end of the financial period	10 230	11 459	-11

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)	12/2014	12/2013
Sales of goods and services		
To associated companies	256	261
To other related parties	837	860
Purchases of goods and services		
From associated companies	335	464
From other related parties	4	29
Non-current loan receivables from associated companies	567	
Trade and other receivables		
From associated companies	53	48
From other related parties	16	61
Accounts payable		
To associated companies	8	16

Transactions with related parties are conducted at fair market prices.

EMPLOYEE BENEFITS TO MANAGEMENT

(EUR 1,000)	12/2014	12/2013
Salaries and other short-term employee benefits	1 005	989

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

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

		Fair value at end of period		
(EUR 1,000)	12/2014	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	

Fair value at end of period

(EUR 1,000)	12/2013	Level 1	Level 2	Level 3
ASSETS MEASURED AT FAIR VALUE				
Financial assets at fair value through profit or loss	1 259	1 259		
Available-for-sale financial assets	9 249		9 249	
TOTAL	10 507	1 259	9 249	
LIABILITIES MEASURED AT FAIR VALUE				
Interest rate swaps	1 701		1 701	
TOTAL	1 701		1 701	

Available-for-sale assets also include EUR 1,420 thousand for unlisted shares (EUR 1,419 in 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.

AUDITED TOTAL CIRCULATION OF NEWSPAPERS IN 2014

Ilkka	47 021
Pohjalainen	21 161
Komiat	6 140
Viiskunta	5 331
Järviseutu	5 006
Suupohjan Sanomat	3 804
Jurvan Sanomat	1 983
Vaasan Ikkuna (delivery)	50 314
Etelä-Pohjanmaa (delivery)	46 800

Drafting principles

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

Since 1 January 2014, the Group has complied with the following new or updated standards and interpretations:

- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014). In line with existing principles, the standard establishes control as the key factor for determining whether an entity is consolidated or not. In addition, the standard provides additional guidelines for defining control in situations where it is difficult to assess. The revision has no impact on the financial statements.

- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014). In accounting for joint arrangements, the standard emphasises the rights and obligations arising from the arrangements rather than their legal form (as do the current regulations). In addition, the standard requires joint ventures to be accounted for using the equity method and prohibits the use of proportionate consolidation. The revision has no impact on the financial statements.
- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014). The standard brings together all existing disclosure requirements related to interests in other entities, including associates, joint arrangements, special purpose entities and other, off-balance-sheet entities. The standard increased the number of disclosures.
- Amendment to IAS 32 Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2014). The amendment clarifies the requirements for offsetting financial assets and liabilities, and provides additional application guidance. The amendment has no material impact on the consolidated financial statements.

As regards other parts and issues, the same drafting principles have been applied to the financial statements bulletin as used in the previous financial statements on 31 December 2013. 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 22 April 2015 that a per-share dividend of EUR 0.10 be paid for the financial year 2014, representing a total dividend payment of EUR 2,566,520.80. Dividends will be distributed to those who are listed on the record day, 24 April 2015, as shareholders in the Ilkka-Yhtymä Oyj's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments are issued on 4 May 2015. On 31 December 2014, the parent company's distributable funds amounted to EUR 55,037,623.59.

PROPOSAL ON AUTHORISATION TO THE BOARD

The Board of Directors of Ilkka-Yhtymä Oyj proposes to the AGM of 22 April 2015 that the Board of Directors be authorised to decide upon a share issue and/or granting stock options and/or other special rights and upon their conditions.

The proposed maximum number of Series II shares issued is 7,700,000 corresponding to around 30 per cent of the company’s total shares and 36.05 of Series II shares at present.

The authorisation would include 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 Board proposes that the authorisation would be valid for five years from the date of the decision of the AGM.

AUTHORISATION TO DONATE

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

General statement

This report contains certain statements that are estimates based on the management's best knowledge at the time they were made. For this reason, they involve a certain amount of inherent risk and uncertainty. The estimates may change in the event of significant changes in general economic and business conditions.

ILKKA-YHTYMÄ OYJ

Board of Directors

Matti Korkiatupa
Managing Director

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