Ilkka-Yhtymä Oyj Financial Statements Bulletin, 18 February 2013, at 3 p.m.

THE ILKKA-YHTYMÄ GROUP'S FINANCIAL STATEMENTS FOR 2012

FINANCIAL YEAR 2012

- Net sales: EUR 46.2 million (EUR 50.0 million), down 7.6%
- The holding in the associated company Alma Media Corporation was written down by EUR 22 million. The write-down has no impact on cash flow.
- Operating profit excluding the EUR 22 million Alma Media write-down was EUR 11.1 million (EUR 17.6 million) and the reported operating loss EUR 10.9 million (operating profit EUR 17.6 million for the financial year 2011)
- Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 5.9 million (EUR 8.9 million), down 33.9%
- Operating margin excluding the write-down was 24.1 (35.2) and the reported margin -23.5 (35.2). Operating margin of the Group's own operations, excluding Alma Media Corporation and the other associated companies, was 12.8 (17.9).
- Earnings per share excluding the write-down were EUR 0.31 (EUR 0.49) and the reported earnings per share EUR -0.55 (EUR 0.49)
- Equity ratio (50.7%) remained good (55.5% in 2011)
- The Board of Directors proposes a per share dividend of EUR 0.15

Q4/2012

- Net sales: EUR 11.9 million (EUR 13.0 million), down 8.5%
- Operating profit excluding the EUR 22 million write-down was EUR 1.4 million (EUR 2.6 million) and the reported operating loss EUR 20.6 million (operating profit EUR 2.6 million for October-December 2011)
- Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 1.6 million (EUR 2.1 million), down 25.0%
- Operating margin excluding the write-down was 12.0 (20.0) and the reported margin -173.2 (20.0). Operating margin of the Group's own operations, excluding Alma Media Corporation and the other associated companies, was 13.5 (16.5)
- Earnings per share excluding the write-down were EUR 0.03 (0.05) and the reported earnings per share EUR -0.83 (EUR 0.05)

MATTI KORKIATUPA, MANAGING DIRECTOR:

"The business environment in the media sector was challenging in 2012. The positive outlook of the first half of the year turned increasingly negative as the financial crisis progressed. Economic growth slowed, leading to a 3% fall in advertising in Finland. The 9% value-added tax imposed on subscription newspapers at the same time also contributed to a decline in circulation volumes, and to readers and advertisers moving to the use of advertiser-funded online and mobile services. The future will show how fast consumers and advertisers will switch to using facsimile editions subject to a charge. High-quality newspapers have played and will continue to play an important role in the success story of Finnish society and civilisation, regardless of how they are used.

Global players, whose business environment differs from that of Finnish media companies in terms of taxation, for example, have entered the Finnish advertising market, challenging the traditional domestic media. Meanwhile, the new tax-based financing model of Yle, the Finnish Broadcasting Company, has enabled it to invest in new delivery channels, thereby limiting the opportunities of domestic media to generate revenue.

With the increasing competition and the declining circulation, advertising and printing revenues, media companies have been forced to adjust their operations and cut their workforce. For example, the financial statements of the associated company Alma Media include EUR 11.9 million of restructuring expenses and write-downs. Our own net sales and profitability have also weakened. Thanks to development measures implemented in recent years, our operational profitability has remained satisfactory.

In preparation for slowing economic growth in the strategy period 2013–2015, we have been analysing our operational processes during the year and looking at where improvements could be made. The greatest operational overhaul will be the gradual change of our provincial newspapers' editorial partner over the course of 2013, with Alma Regional Media replacing Väli-Suomen Media. This change is based on our strategy regarding the long-term development of our operations in cooperation with the regional newspapers of Alma Media, a company operating in the neighbouring regions that is partially owned by us. The collaboration concerns both traditional newspaper journalism and content published in digital format, as well as the related development and training projects.

We have prepared for the rising personnel expenses for 2013 by implementing voluntary personnel arrangements and a strict personnel budget. We will be developing our working methods and employee skills, in order to improve employee productivity and working atmosphere. We have renewed our newspaper delivery contracts with Itella to cover the entire strategy period. Our investments and other development projects have been prioritised to offer the shortest possible payback period."

BUSINESS ENVIRONMENT

In its Economic Bulletin of 20 December 2012, the Ministry of Finance projects GDP contraction of approximately 0.1% in 2012. In 2013, GDP growth is expected to come in at 0.5%. According to Statistics Finland, the inflation rate reached 2.4% in December, while the average inflation rate for 2012 stood at 2.8%.

The latest consumer survey of Statistics Finland, published in January, shows that consumer confidence in the economy is slightly higher than a year ago, but clearly below the long-term average. Private consumption is estimated to have grown by 1.5% in 2012. The projected growth for private consumption in 2013 is in the region of 0.6%.

According to a survey conducted by TNS Gallup Oy and commissioned by the Finnish Advertising Council, media advertising decreased by 2.9% in 2012. Advertising in newspapers fell by 8.1%, while advertising in free sheets decreased by 1.3%. Newspapers and free sheets accounted for 34.1% and 5.6% of media advertising, respectively. Web media advertising saw an increase of 10%, representing a 17.8% share of media advertising.

GROUP STRUCTURE

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

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

CONSOLIDATED NET SALES AND PROFIT PERFORMANCE

Consolidated net sales decreased by 7.6%, amounting to EUR 46,158 thousand (EUR 49,952 thousand in 2011). External net sales from publishing operations decreased by 6.5%. Advertising revenues fell by 11.2%, and circulation revenues decreased by 0.9%. External net sales from the printing business decreased by 14.7%. Circulation income accounted for 42% of consolidated net sales, while advertising income and printing income represented 45% and 12%, respectively. Other operating income totalled EUR 437 thousand (EUR 435 thousand).

The Group operating expenses for the financial year amounted to EUR 40,689 thousand (EUR 41,468 thousand), down by 1.9% year-on-year. Expenses arising from materials and services fell by 5.7% and other operating costs by 4.8%. Personnel expenses grew by 3.2%. Depreciation decreased by 5.8%.

The share of the associated companies' result was EUR -16,774 thousand (EUR 8,659 thousand). The most significant item affecting this share was the EUR 22 million write-down on the holding in the associated company Alma Media, recorded as a result of an impairment test. The write-down has no impact on cash flow. The share of the associated companies' result was also affected by non-recurring expense items recorded in Alma Media's results (EUR 11.9 million) as well as changes in the fair value of a conditional purchase price provision arising from the corporate restructuring of Arena Partners Oy.

Group operating profit excluding the EUR 22 million write-down was EUR 11,132 thousand (EUR 17,590 thousand) and the reported operating loss EUR 10,868 thousand (operating profit EUR 17,590 thousand in 2011), down 162%. Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 5,906 thousand (EUR 8,931 thousand), representing 12.8% (17.9%) of net sales. Operating margin excluding the write-down was 24.1 (35.2) and the reported margin -23.5 (35.2).

Net financial expenses amounted to EUR 2,550 thousand (EUR 3,817 thousand). Net gain/loss on shares held for trading was EUR -99 thousand (EUR -949 thousand). Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 2,184 thousand (EUR 2,544 thousand). In order to hedge against interest rate risk, in 2010 the company transformed some of its floating-rate liabilities into fixed-rate liabilities, by means of interest rate swaps. Given that the Group does not apply hedge accounting, unrealised changes in the market value of the interest rate swaps are recognised through profit or loss. For the 2012 financial year, the market value of these interest rate swaps fell by EUR 920 thousand (EUR 1,398 thousand in 2011).

Pre-tax profit excluding the write-down totalled EUR 8,582 thousand (EUR 13,773 thousand) and the reported pre-tax loss EUR 13,418 thousand (pre-tax profit EUR 13,773 thousand in 2011). Direct taxes amounted to EUR 669 thousand (EUR 1,098 thousand). Group profit for the year excluding the write-down was EUR 7,913 thousand (EUR 12,675 thousand) and the reported loss EUR 14,087 thousand (profit EUR 12,675 thousand in 2011). Earnings per share excluding the write-down were EUR 0.31 (EUR 0.49) and the reported earnings per share EUR -0.55 (EUR 0.49).

Q4 NET SALES AND PROFIT PERFORMANCE

In Q4/2012, consolidated net sales totalled EUR 11,877 thousand (EUR 12,979 thousand), down by 8.5%. External net sales from publishing operations decreased by 7.6%. Advertising revenues decreased by 9.9% and circulation revenues decreased by 5.4%. External net sales from the printing business fell by 14.2%. Circulation income accounted for 40% of consolidated net sales in October-December, while advertising income and printing income represented 47% and 13%, respectively. Other operating income in October–December totalled EUR 95 thousand (EUR 92 thousand).

In Q4, the Group's expenses totalled EUR 10,362 thousand (EUR 10,925 thousand), down by 5.1%. The associated companies' impact on profit and loss totalled EUR -22,180 thousand (EUR 462 thousand). The most significant item affecting the share of the associated companies' result in Q4 was the EUR 22 million write-down recorded as a result of an impairment test. The write-down has no impact on cash flow. In Q4/2012, the share of the associated companies' result was also affected by non-recurring expense items recorded in Alma Media's results (EUR 5.8 million) as well as changes in the fair value of a conditional purchase price provision arising from the corporate restructuring of Arena Partners Oy.

Q4 operating profit excluding the EUR 22 million write-down was EUR 1,424 thousand (EUR 2,599 thousand) and the reported operating loss EUR 20,576 thousand (operating profit EUR 2,599 thousand in October-December 2011), down 892%. Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 1,604 thousand (EUR 2,137 thousand), representing 13.5% (16.5%) of net sales. Operating margin excluding the write-down was 12.0 (20.0) and the reported margin -173.2 (20.0).

Net financial expenses amounted to EUR 424 thousand (EUR 964 thousand). Net gain/loss on shares held for trading was EUR 102 thousand (EUR -5 thousand). In Q4, interest expenses excluding the fair value change in derivatives hedging them totalled EUR 482 thousand (EUR 641 thousand). The market value of these interest rate swaps fell by EUR 65 thousand in October–December 2012 (EUR 352 thousand in October–December 2011).

Q4 pre-tax profit excluding the EUR 22 million write-down totalled EUR 1,000 thousand (EUR 1,636 thousand) and the reported pre-tax loss EUR 21,000 thousand (pre-tax profit EUR 1,636 thousand in October-December 2011).

CONSOLIDATED BALANCE SHEET AND FINANCING

The consolidated balance sheet total came to EUR 160,823 thousand (EUR 196,998 thousand), with EUR 80,567 thousand (EUR 104,440 thousand) of equity. A EUR 22 million write-down has been recorded on the holding in the associated company Alma Media as a result of an impairment test. The write-down has no impact on cash flow. On the reporting date of 31 December 2012, the balance sheet value of the holding in the associated company, Alma Media Corporation, was EUR 127.6 million following the write-down and the market value of the shares was EUR 102.3 million.

At the end of the financial year, interest-bearing liabilities totalled EUR 70,587 thousand (EUR 76,467 thousand on 31 December 2011). Loan maturities of the company's interest-bearing liabilities range from 1 to 8 years. During the 2012 financial year, accelerated repayments of the TyEL (Employees' Pensions Act) loan for 2013–2015 amounted to EUR 2.0 million.

In order to hedge against interest rate risk, in 2010, the company transformed some of its floating-rate liabilities to a fixed rate, by means of interest rate swaps. Presently, some 44% of the loans in the company's total loan portfolio have a fixed rate and some 56% a floating rate. These hedging measures included, the average interest rate for interest-bearing liabilities on 31 December 2012 came to 2.45%. The loan providers of the loans taken out at the end of the 2010 financial year have the opportunity to adjust the loan margin five years after the loans have been drawn. At the end of the 2012 financial year, these loans amounted to EUR 28.2 million.

As at 31 December 2012, the impact of floating-rate interest-bearing liabilities on profit before taxes would have amounted to -/+ EUR 397 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 6,602 thousand will fall due for payment.

With regard to liquidity, the year-end current ratio stood at 0.47 (0.86). Group gearing was at 82.7% (60.9%) at the end of the financial period. Equity ratio was at 50.7% (55.5%) and shareholders' equity per share stood at EUR 3.14 (EUR 4.07). Cash and cash equivalents amounted to EUR 2,263 thousand (EUR 10,926 thousand). Cash flow from operations totalled EUR 7,976 thousand (EUR 31,171 thousand). This includes EUR -1.0 million (EUR 15.4 million) from the Group's own operations as well as EUR 9.0 million (EUR 15.7 million) of dividend income from Alma Media Corporation. Cash flow from operations in 2011 includes subscriptions of provincial newspapers invoiced in advance in 2011, which would normally have been invoiced in January–March 2012. Approximately EUR 6.6 million of the value of these advance invoices was recognised as income in December 2011, which is why cash flow from operations in 2011 was about EUR 6.6 million higher in this respect and, correspondingly, cash flow from operations in 2012 about EUR 6.6 million lower. Taking account of this adjustment, cash flow from the Group's own operations amounted to EUR 5.6 million (EUR 8.8 million). Cash flow from investments totalled EUR –570 thousand (EUR -3,633 thousand).

PUBLISHING

The Group's publishing segment comprises the publishing company I-Mediat Oy. During the year, net sales from publishing totalled EUR 40,528 thousand (EUR 43,318 thousand). Net sales from the publishing business decreased by 6.4%. This fall was caused by increased media competition, a weaker advertising market and the income from parliamentary election advertisements included in the comparative figure for 2011. Advertising revenues fell by 11.2% and circulation revenues decreased by 0.9%. Net sales for both provincial papers belonging to the publishing segment, Ilkka and Pohjalainen, decreased. Net sales for local newspapers and free sheets grew slightly. Operating profit from publishing decreased by 34.4% year-on-year, to EUR 5,046 thousand (EUR 7,697 thousand).

I-Mediat Oy has signed a three-year follow-up agreement with Itella Posti Oy for the delivery of subscription newspapers and the development of distribution. In addition, the delivery of free sheets published by I-Mediat Oy was transferred to Itella Posti Oy from 1 January 2013.

Due to Finland's weak and uncertain economic situation, it is difficult to forecast media income in 2013. Media advertising is projected to remain almost unchanged from the previous year, and newspaper circulation income is expected to fall, as a result of digitalisation and the imposition of VAT. Net sales of I-Mediat Oy are expected to remain almost at the same level as before.

PRINTING

The printing segment comprises the printing house I-print Oy. The segment's net sales amounted to EUR 13,710 thousand (EUR 15,235 thousand). Net sales fell by 10% year-on-year due to the decline in volumes. External net sales from the printing business decreased by EUR 991 thousand (14.7%). Operating profit from printing decreased by 29.4% year-on-year, to EUR 1,379 thousand (EUR 1,953 thousand).

In 2012, I-print Oy received the Nordic Ecolabel certification (the Swan) for its printing operations.

Within the printing business, the 2013 market situation is expected to remain difficult. General economic uncertainty will continue to influence corporate customers' media investments. In newspaper printing, capacity in Finland will increase in 2013, with the start-up of a couple of new printing presses. Meanwhile, the domestic market is shrinking. The rise in raw material and energy costs is expected to be moderate. Nevertheless, 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%), Väli-Suomen Media Oy (40%) and Yrittävä Suupohja Oy (38.46%).

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

Ilkka-Yhtymä's provincial newspapers Ilkka and Pohjalainen and Alma Media's regional and local newspaper division Alma Regional Media will initiate extensive operational collaboration on content and development. Ilkka-Yhtymä's publishing company I-Mediat Oy and Alma Media Kustannus Oy (Alma Media Publishing Ltd) signed a cooperation agreement on 18 December 2012.

The collaboration will be implemented gradually from the beginning of 2013. The objectives include improving the editorial quality of the newspapers, increasing operational efficiency, accelerating the implementation of development measures, and developing editorial reciprocity among the papers. The collaboration will be in full swing from early 2014. The agreement does not include any issues related to the ownership of Ilkka-Yhtymä Oyj and Alma Media Corporation.

The collaboration will cover the Helsinki-based editorial unit and other nationwide news operations, weekend pages and supplements, special supplements, radio and TV pages, utility journalism, world news, and cultural, sports and online journalism. The agreement also includes large-scale collaboration in training and development activities, covering journalism as well as the product development of both printed papers and online content.

The parties have held discussions on extending the cooperation to newspapers published by Keski-Pohjanmaan Kirjapaino Oy, Kaleva Oy and TS-Yhtymä Oy, the scope of which will be agreed separately.

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

Väli-Suomen Media Oy produces a joint Sunday magazine (Sunnuntaisuomalainen) for the region's newspapers. Ilkka-Yhtymä Group's aim is to withdraw from the services and ownership of Väli-Suomen Media at the end of 2013. Yrittävä Suupohja Oy publishes Suupohjan Seutu, a free sheet distributed in the Suupohja region.

RESEARCH AND DEVELOPMENT EXPENSES

In the Group's publishing business, product development for multiple channels has been carried out with Arena Partners Oy, its shareholding newspapers, the Next Media programme of Finnmedia (Federation of the Finnish Media Industry), and STT. 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 for digital services.

CAPITAL EXPENDITURE

Reported capital expenditure for the year totalled EUR 1,311 thousand, with printing accounting for EUR 866 thousand and publishing for EUR 170 thousand. In 2012, a total of EUR 186 thousand was invested in available-for-sale shares.

ANNUAL GENERAL MEETING, SUPERVISORY BOARD AND BOARD OF DIRECTORS

On 19 April 2012, the Annual General Meeting (AGM) of Ilkka-Yhtymä Oyj approved the financial statements, discharged the members of the Supervisory Board, the Board of Directors and the Managing Director from liability and decided that a per-share dividend of EUR 0.40 be paid for the year 2011.

The number of members on the Supervisory Board for 2012 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 2016: Vesa-Pekka Kangaskorpi (Jyväskylä), Jarmo Rinta-Jouppi (Seinäjoki), Kimmo Simberg (Seinäjoki) and Jyrki Viitala (Seinäjoki). Timo Mäkinen (Seinäjoki) was elected to the Supervisory Board to replace an employee representative who resigned from her position during the term of office. Mäkinen's term will end in 2013.

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 Tomi Englund as the principal auditor. It was decided that the auditors would be reimbursed as per the invoice.

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

On 7 May 2012, the Supervisory Board re-elected Timo Aukia, whose term had come to an end, to the Board of Directors of Ilkka-Yhtymä Oyj. Lasse Hautala will continue as chairman of the Supervisory Board, while Perttu Rinta will continue as vice-chairman. At its membership meeting, the Board of Directors re-elected Seppo Paatelainen as its chairman, while Timo Aukia will continue as vice-chairman.

SHARE PERFORMANCE

At the end of 2012, the company's share capital totalled EUR 6,416,302. The number of shares was 25,665,208, of which 4,304,061 were Series I shares (20 votes per share) and 21,361,147 were Series II shares (1 vote per share). Shares of both series entitle the holders to the same dividend.

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

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

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

The number of Series I shares of Ilkka-Yhtymä Oyj traded in 2012 was 41,148, which represents 1% of the series share stock. The trading value of shares was EUR 0.3 million. The number of Series II shares traded totalled 947,266, which equals 4.4% of the series share stock. Their trading value was EUR 5.5 million. During the report period, the lowest quotation for Ilkka-Yhtymä Oyj's Series I share was EUR 6.40 and the highest EUR 11.29, while the lowest quotation for a Series II share was EUR 4.56 and the highest EUR 7.67. At the period-end closing price, the share capital market value was EUR 133.1 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 336 (341 in 2011). In the year under review, the Group had, on average, 379 (382) employees with employment contracts. On 31 December 2012, the Group had 332 full-time employees (333).

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 1 August 2012, Satu Takala (Master of Arts) assumed her position as Chief Editor of provincial paper Ilkka. Takala was previously Managing Editor of the shared editorial unit of Ilkka and Pohjalainen.

In September 2012, retirement arrangements were implemented for eight people. The cost savings from these arrangements will be realised in full after the first quarter of 2013.

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. A long-term risk in the sector lies in the potential decrease in circulation and advertising volumes, if consumers transfer to using electronic devices for reading newspapers. It is as yet difficult to estimate the impact of the 9% VAT imposed on newspaper subscription fees from the beginning of 2012 on circulation and printing volumes. Through its holding in Alma Media stock, the company is also exposed to risks related to Alma Media's profit-making capacity, dividend policy and the price development of its shares.

Communications industry

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

Publishing

In the long term, regional demographic and economic developments will have an impact on provincial and local newspapers' circulation and advertising income. On the other hand, the current reduction underway in the average number of individuals in households will maintain circulation figures. A healthy circulation coverage percentage, a competitive contact price and strong relationships with readers are enhancing provincial and local newspapers' competitiveness in the advertising market. Provincial papers' overall reach has increased as a result of steep growth in the number of online media visitors.

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

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

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

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

Graphics

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

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

Newspaper distribution has been outsourced to Itella Oyj. The risks in delivery operations mainly concern price developments. The price risk depends on the pay development of deliverers, competition between delivery companies and the reform of the Postal Services Act.

Financial risks

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

In its operations, the Group is exposed to price risks arising from the volatility of market prices of quoted shares. In order to ensure the availability and flexibility of financing, the Group has available credit limits. On 31 December 2012, unused credit limits totalled EUR 13 million (On 31 December 2011, EUR 13 million).

THE BOARD'S PROPOSAL ON PROFIT SHARING

The Board of Directors proposes to the Annual General Meeting of 18 April 2013 that a per-share dividend of EUR 0.15 be paid for the financial year 2012, representing a total dividend payment of EUR 3,849,781.20. Dividends will be distributed to those who are listed on the matching day, 23 April 2013, as shareholders in the Ilkka-Yhtymä Oyj's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments are issued on 30 April 2013. On 31 December 2012, the parent company's distributable funds amounted to EUR 97,690,764.51.

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, taking into consideration the financing required for profitable growth and the company's future outlook.

PROSPECTS FOR 2013

In the current economic climate, forecasting net sales in the media sector and, in particular, media advertising spending involves major uncertainties. Due to consumer caution, VAT on circulation revenues and media competition, newspapers' circulation revenues are predicted to decrease. Printing business volumes have declined permanently in Finland and the prospects for growth in the sector are weak.

The net sales of Ilkka-Yhtymä Group are estimated to remain almost at the 2012 level.

Group operating profit from Ilkka-Yhtymä's own operations, and operating profit as a percentage of net sales, excluding the share of Alma Media's and other associated companies' results, are expected to remain roughly the same as in 2012. In addition, the year's results will depend on interest-rate trends and the price performance of securities investments.

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

SUMMARY OF FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	10-12/ 2012	10-12/ 2011	Change %	1-12/ 2012	1-12/ 2011	Change %
NET SALES	11 877	12 979	-8	46 158	49 952	-8
Change in inventories of finished and unfinished products	-6	-9	40		12	-98
Other operating income	95	92	3	437	435	
Materials and services	-3 454	-3 769	-8	-13 980	-14 830	-6
Employee benefits	-4 608	-4 420	4	-17 824	-17 275	3
Depreciation	-679	-771	-12	-2 918	-3 098	-6
Other operating costs	-1 622	-1 965	-17	-5 966	-6 265	-5
Share of associated companies' profit *)	-22 180	462	-4897	-16 774	8 659	-294
OPERATING PROFIT/ LOSS	-20 576	2 599	-892	-10 868	17 590	-162
Financial income and expenses	-424	-964	56	-2 550	-3 817	33
PROFIT/ LOSS BEFORE TAX	-21 000	1 636	-1384	-13 418	13 773	-197

Income tax	-285	-273	4	-669	-1 098	-39
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	-21 285	1 363	-1662	-14 087	12 675	-211
Earnings per share, undiluted (EUR)**)	-0.83	0.05	-1662	-0.55	0.49	-211
The undiluted share average (to the nearest thousand)**)	25 665	25 665		25 665	25 665	

*) Includes the EUR 22 million non-recurring write-down on the holding in the associated company Alma Media Corporation.
**) There are no factor diluting the figure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	10-12/ 2012	10-12/ 2011	Change %	1-12/ 2012	1-12/ 2011	Change %
PROFIT/ LOSS FOR THE PERIOD UNDER REVIEW	-21 285	1 363	-1662	-14 087	12 675	-211
OTHER COMPREHENSIVE INCOME:						
Available-for-sale assets				-3	-517	99
Share of associated companies' other comprehensive income	-72	150	-148	100	-53	288
Income tax related to components of other comprehensive income		4	-97	1	138	-99
Other comprehensive income, net of tax	-72	154	-147	98	-432	123
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-21 357	1 517	-1508	-13 989	12 243	-214

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	12/2012	12/2011	Change %
ASSETS			
NON-CURRENT ASSETS			
Intangible rights	1 008	1 120	-10
Goodwill	314	314	
Investment properties	233	295	-21
Property, plant and equipment	11 862	13 481	-12
Shares in associated companies	128 796	154 097	-16
Available-for-sale assets	10 723	10 714	

Other tangible assets	214	214	
TOTAL NON-CURRENT ASSETS	153 151	180 236	-15
CURRENT ASSETS			
Inventories	647	602	7
Trade and other receivables	2 950	3 079	-4
Income tax assets	118	254	-53
Financial assets at fair value through profit or loss	1 695	1 902	-11
Cash and cash equivalents	2 263	10 926	-79
TOTAL CURRENT ASSETS	7 673	16 762	-54
TOTAL ASSETS	160 823	196 998	-18
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	6 416	6 416	
Invested unrestricted equity fund and other reserves	48 621	48 623	
Retained earnings	25 529	49 401	-48
SHAREHOLDER'S EQUITY	80 567	104 440	-23
NON-CURRENT LIABILITIES			
Deferred tax liability	23	532	-96
Non-current interest-bearing liabilities	63 954	72 438	-12
Non-current interest-free liabilities	102	115	-12
NON-CURRENT LIABILITIES	64 079	73 085	-12
CURRENT LIABILITIES			
Current interest-bearing liabilities	6 633	4 029	65
Accounts payable and other payables	9 390	15 383	-39
Income tax liability	155	61	155
CURRENT LIABILITIES	16 177	19 473	-17
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	160 823	196 998	-18

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-12/ 2012	1-12/ 2011
CASH FLOW FROM OPERATIONS		
Profit/ loss for the period under review	-14 087	12 675
Adjustments	22 867	-683
Change in working capital	-6 732	7 395
CASH FLOW FROM OPERATIONS BEFORE FINANCE AND TAXES	2 048	19 387
Interest paid	-2 235	-2 491
Interest received	46	102
Dividends received	9 117	15 955

Other financial items	-53	322
Direct taxes paid	-947	-2 104
CASH FLOW FROM OPERATIONS	7 976	31 171
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets, net	-1 083	-785
Other investments, net	-16	-3 477
Dividends received from investments	529	628
CASH FLOW FROM INVESTMENTS	-570	-3 633
CASH FLOW BEFORE FINANCING ITEMS	7 406	27 538
CASH FLOW FROM FINANCING		
Change in current loans	-3 925	-6 930
Change in non-current loans	-1 964	
Dividends paid and other profit distribution	-10 180	-12 728
CASH FLOW FROM FINANCING	-16 069	-19 658
INCREASE (+) OR DECREASE (-)IN FINANCIAL ASSETS	-8 663	7 879
Liquid assets at the beginning of the financial period	10 926	3 047
Liquid assets at the end of the financial period	2 263	10 926

KEY FIGURES

	2012	2011
Net sales, Meur	46.2	50.0
change %	-7.6	7.4
Operating profit/ loss, Meur	-10.9	17.6
% of net sales	-23.5	35.2
Profit/ loss before tax, Meur	-13.4	13.8
% of net sales	-29.1	27.6
Profit/ loss for the financial period, Meur	-14.1	12.7
% of net sales	-30.5	25.4
Return on equity (ROE), %	-15.2	12.1
Return on investment (ROI), %	-6.2	9.6
Equity ratio, %	50.7	55.5
Gearing, %	82.7	60.9
Gross capital expenditure, Meur *)	1.3	4.4
% of net sales	2.8	8.8
Balance sheet total, Meur	160.8	197.0
Current ratio	0.47	0.86
Average no. of employees	336	341
Earnings per share (EPS), eur	-0.55	0.49

Cash flow from operations per share, eur	0.31	1.21
Shareholders' equity per share, eur	3.14	4.07
Dividend per share (Series I), eur **)	0.15	0.40
Dividend per share (Series II), eur **)	0.15	0.40
Dividend per earnings (Series I), %	-27.3	81.0
Dividend per earnings (Series II), %	-27.3	81.0
Effective dividend yield (Series I), %	2.1	4.4
Effective dividend yield (Series II), %	3.1	6.1
Price per earnings (P/E) (Series I)	-12.8	18.2
Price per earnings (P/E) (Series II)	-8.8	13.4
Market capitalisation, Meur	133.1	179.7
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).

**) 2012: Proposal of the Board of Directors

CONSOLIDATED NET SALES AND PROFIT BY QUARTER

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

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

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

Change in shareholders' equity 1-12/2011	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.	6 416	480	48 498	24	49 612	105 030
Comprehensive income for the period		-378			12 621	12 243
Dividend distribution					-12 833	-12 833
TOTAL SHAREHOLDERS' EQUITY 12/2011	6 416	101	48 498	24	49 401	104 440

Change in shareholders' equity 1-12/2012	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.	6 416	101	48 498	24	49 401	104 440
Comprehensive income for the period		-2			-13 987	-13 989
Dividend distribution					-10 266	-10 266
Share of associated company changes					382	382
TOTAL SHAREHOLDERS' EQUITY 12/2012	6 416	99	48 498	24	25 529	80 567

GROUP CONTINGENT LIABILITIES

(EUR 1,000)	12/2012	12/2011
Collateral pledged for own commitments		
Mortgages on company assets	1 245	1 245
Mortgages on real estate	8 801	8 801
Pledged shares	65 730	81 332
Contingent liabilities on behalf of associated company		
Guarantees	4 096	2 767

SEGMENT INFORMATION

Group net sales (EUR 1,000)	10-12/ 2012	10-12/ 2011	Change %	1-12/ 2012	1-12/ 2011	Change %
Publishing	10 360	11 208	-8	40 528	43 318	-6
Printing	3 563	4 006	-11	13 710	15 235	-10
Non-allocated	538	497	8	2 139	2 002	7
Net sales between segments	-2 585	-2 731	-5	-10 219	-10 603	-4
Total	11 877	12 979	-8	46 158	49 952	-8

Group operating profit/ loss (EUR 1,000)	10-12/ 2012	10-12/ 2011	Change %	1-12/ 2012	1-12/ 2011	Change %
Publishing	1 440	1 867	-23	5 046	7 697	-34
Printing	367	492	-25	1 379	1 953	-29
Associated companies	-22 180	462	-4897	-16 774	8 659	-294
Non-allocated	-203	-222	8	-519	-719	28

Total	-20 576	2 599	-892	-10 868	17 590	-162

AUDITED CIRCULATION OF NEWSPAPERS

Ilkka	50 527
Pohjalainen	23 282
Jurvan Sanomat	2 088
Järviseutu	5 167
Komiat	6 389
Suupohjan Sanomat	3 993
Viiskunta	5 773
Vaasan Ikkuna (delivery)	55 148
Etelä-Pohjanmaa (delivery)	46 800

Drafting principles

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

Since 1 January 2012, the Group has complied with the following new or updated standards and interpretations:

- IFRS 7 Financial Instruments: Disclosures (annual periods beginning on or after 1 July 2011). This amendment adds transparency to the disclosure of transfer transactions of financial assets and will provide users with a better understanding of the risks involved in these transfers, and of the effects of such risks on the entity's financial position, particularly with regard to securitisation of financial assets. The revision has no significant impact on the financial statements.
- IAS 12 Income Taxes (annual periods beginning on or after 1 January 2012). IAS 12 previously required an entity to assess what proportion of the carrying amount of an asset measured at fair value can be recovered from continued use (e.g. rental income) and what proportion through sale. According to the amendment, it will be presumed that the carrying amount of certain assets measured at fair value can be entirely recovered through the sale. This presumption is applicable to deferred taxes on investment properties; property, plant and equipment; and intangible assets measured using the fair value model or the revaluation model. The revision has no impact on the financial statements.
- Annual improvements to IFRS and IFRIC. These improvements will chiefly enter into force in 2012. Several minor changes made have no bearing on the financial statements.

As regards other parts and issues, the same drafting principles have been applied to the financial statements bulletin as used in the previous financial statements on 31 December 2011. 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 18 April 2013 that a per-share dividend of EUR 0.15 be paid for the financial year 2012, representing a total dividend payment of EUR 3,849,781.20. Dividends will be distributed to those listed on the matching day, 23 April 2013, as shareholders in Ilkka-Yhtymä Oyj's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments will be issued on 30 April 2013. On 31 December 2012, the parent company's distributable funds amounted to EUR 97,690,764.51.

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

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