



*Ilkka-Yhtymä Oyj*

**2005**

INTERIM REPORT  
1 Jan.–30 Sep.

# Ilkka-Yhtymä Oyj's Interim Report

## I January – 30 September 2005

The Group's Interim Report has been prepared in compliance with the International Financial Reporting Standards (IFRS), under the standards valid at the end of the report period. Detailed information on the effects of IFRS-transition was provided in the bulletin published by the company on 15 April 2005, available on Ilkka-Yhtymä Oyj's website (in Finnish) at [www.ilkka-yhtyma.fi](http://www.ilkka-yhtyma.fi).

### Financial Results

The Group's consolidated net sales increased during January - September by 3.9 per cent year-on-year, amounting to EUR 40.2 million (EUR 38.7 million in 2004). External net sales from both publishing and printing increased by EUR 0.8 million. Third-quarter net sales fell by one per cent. The publishing business improved its third-quarter net sales by 1.4 per cent, but net sales in printing business fell by 8.6 per cent.

Other operating income totalled EUR 0.3 million (EUR 0.5 million). The figure for the previous year includes EUR 0.2 million of capital gains from assets.

Operating expenses for January - September amounted to EUR 30.6 million (EUR 30.1 million), increasing by 2.0 per cent year-on-year. Depreciation for the period amounted to EUR 2.5 million (EUR 2.5 million).

Consolidated operating profit came to EUR 7.3 million (EUR 6.6 million), accounting for 18.1 per cent (17.1 per cent) of net sales. Third-quarter operating profit amounted to EUR 2.3 million (EUR 2.2 million) increasing in both publishing and printing businesses. Net financial income came to EUR 2.6 million (EUR 1.8 million), of which financial assets at fair value through profit or loss contributed EUR 0.9 million to corporate performance. Net financial income increased year-on-year, excluding interest income. Pre-tax profits were EUR 9.8 million (EUR 8.4 million). Tax totals EUR 2.1 million and the profit for the report period EUR 7.7 million (EUR 6.9 million). The consolidated balance sheet total was EUR 56.9 million (EUR 65.6 million).

### Share Performance

The Series II shares of Ilkka-Yhtymä Oyj have been listed on the Main list of the Helsinki Stock Exchange since 10 June 2002, while the company's Series I shares are listed on the I-list.

In January - September, 59,599 Ilkka-Yhtymä Oyj's Series I shares were traded on the I-list, which accounts for 1.6 per cent of the series share stock. The trading value of shares was EUR 0.6 million. The number of Series II shares traded on the Main list totalled 1,431,747, which equals 15.5 per cent of the series share stock. Their trading value was EUR 13.2

million. During the report period, the lowest quotation for Ilkka-Yhtymä Oyj's Series I share was EUR 8.15 and the highest EUR 13.70, while the lowest quotation for a Series II share was EUR 7.50 and the highest EUR 11.30. At period-end closing price, the share capital market value was EUR 152.4 million.

### Corporate Governance

Ilkka-Yhtymä Oyj complies with recommendations on corporate governance issued in 2003 by OMX Exchanges Ltd, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers. The corporate governance principles are available on Ilkka-Yhtymä Oyj's website at [www.ilkka-yhtyma.fi](http://www.ilkka-yhtyma.fi).

### Administration and The Annual General Meeting

The Annual General Meeting (AGM) of 11 April 2005 approved the financial statements, discharged the members of the Supervisory Board and the Board of Directors as well as the CEO of any liability, and decided to distribute a dividend of EUR 0.60 per share.

The AGM cancelled the authorisation given on 26 April 2004 and authorised the Board of Directors to decide, within twelve months from the date of the meeting, on increasing share capital as opposed to the shareholders' subscription privileges, if required, by a maximum of EUR 651,793 and/or issuing convertible bonds and/or stock options.

Of the members of the Supervisory Board whose term of service had come to an end, the AGM re-elected the following: Markku Akonniemi Töysä, Alpo Joensuu Kuortane, Heikki Järvi-Laturi Teuva, Martti Koski Mustasaari, Esa Latva-Rasku Ilmajoki, Juho Tunkkari Veteli and Marja Vettenranta Laihia. The employee representatives Tarja Järvi Ilmajoki and Juha Aho-Pynttari Kuortane were elected as new members of the Supervisory Board.

Ernst & Young Oy, Authorised Public Accountants, with Tomi Englund, Authorised Public Accountant, M.Sc.(Econ.), LL.M., and Pekka Kiljunen, Authorised Public Accountant, were elected as principal auditors. Päivi Virtanen, Authorised Public Accountant, and Johanna Winqvist-Ilkka, Authorised Public Accountant, were elected as deputy auditors.

At its meeting on 23 May 2005, the Supervisory Board of Ilkka-Yhtymä Oyj re-elected Veikko Heikkilä to the Board of Directors of Ilkka-Yhtymä Oyj. He continues as the Chairman of the Board of Directors. Jaakko Rintala will continue as the Chairman of the Supervisory Board.

## Group income statement (1000 eur)

	7-9/2005	7-9/2004	Change	1-9/2005	1-9/2004	Change	1-12/2004
<b>Net sales</b>	<b>12 582</b>	12 708	-1 %	<b>40 199</b>	38 673	4 %	53 890
Other operating income	88	82	8 %	270	488	-45 %	575
Expenses	-9 485	-9 769	-3 %	-30 649	-30 057	2 %	-41 837
Depreciation	-857	-854	0 %	-2 537	-2 481	2 %	-3 334
<b>Operating profit</b>	<b>2 329</b>	2 167	7 %	<b>7 283</b>	6 622	10 %	9 295
Financial income and expenses	564	460	23 %	2 555	1 766	45 %	2 735
<b>Profit before taxes</b>	<b>2 893</b>	2 627	10 %	<b>9 838</b>	8 388	17 %	12 029
Taxes	-629	-546	15 %	-2 126	-1 507	41 %	-2 113
<b>Profit for the period under review</b>	<b>2 264</b>	2 081	9 %	<b>7 713</b>	6 881	12 %	9 917

## Segment information

Group net sales (1000 eur)	7-9/2005	7-9/2004	Change	1-9/2005	1-9/2004	Change	1-12/2004
Publishing	9 894	9 752	1 %	30 722	29 927	3 %	41 065
Printing	5 270	5 455	-3 %	17 211	16 216	6 %	23 025
Non-allocated	499	493	1 %	1 494	1 482	1 %	1 956
Net sales between segments	-3 080	-2 991	3 %	-9 228	-8 952	3 %	-12 155
Total	12 582	12 708	-1 %	40 199	38 673	4 %	53 890

Group operating profit (1000 eur)	7-9/2005	7-9/2004	Change	1-9/2005	1-9/2004	Change	1-12/2004
Publishing	1 884	1 765	7 %	6 099	5 708	7 %	8 092
Printing	589	543	8 %	1 916	1 744	10 %	2 448
Non-allocated	-144	-184	-22 %	-732	-958	-24 %	-1 416
Operating profit between segments		43	-100 %	-1	128	-101 %	171
Total	2 329	2 167	7 %	7 283	6 622	10 %	9 295

## Group balance sheet (1000 eur)

	9/2005	9/2004	Change	12/2004
<b>Assets</b>				
Intangible assets	341	454	-25 %	432
Tangible assets	21 784	24 020	-9 %	23 361
Investments	10 746	6 716	60 %	6 887
Investments in associates	9 735	9 245	5 %	9 588
Inventories	810	974	-17 %	923
Receivables	6 616	11 077	-40 %	8 251
Other financial assets at fair value through profit or loss	1 254	4 985	-75 %	5 438
Cash and cash equivalents	5 579	8 171	-32 %	3 908
Assets Total	56 866	65 641	-13 %	58 790
<b>Liabilities and shareholders' equity</b>				
Shareholders' equity	44 316	49 083	-10 %	44 413
Non-current liabilities	2 987	3 611	-17 %	3 228
Current liabilities	9 563	12 947	-26 %	11 149
Liabilities Total	56 866	65 641	-13 %	58 790

## Group cash flow statement (1000 eur)

	1-9/2005	1-9/2004	1-12/2004
<b>Cash flow from operations</b>			
Profit for the period under review	7 713	6 881	9 917
Adjustments	2 069	1 988	2 476
Change in working capital	1 117	590	-414
<b>Cash flow from operations before finance and taxes</b>	<b>10 898</b>	<b>9 459</b>	<b>11 978</b>
Financial income and expenses	5 276	1 385	1 432
Direct taxes paid	-1 319	-1 475	-2 531
Cash flow from operations	14 856	9 370	10 879
<b>Cash flow from investments</b>			
Investments in tangible and intangible assets, net	-967	-3 842	-3 985
Other investments, net	-3 136	-8 014	-7 993
Dividends received from investments	756	555	635
Cash flow from investments	-3 347	-11 301	-11 344
<b>Cash flow before financing items</b>	<b>11 509</b>	<b>-1 930</b>	<b>-464</b>
<b>Cash flow from financing</b>			
Change in current loans	-2 063	-63	2 000
Change in non-current loans			-126
Dividends paid and other profit distribution	-7 775	-12 857	-20 523
Cash flow from financing	-9 838	-12 921	-18 649
<b>Increase(+) or decrease (-) in financial assets</b>	<b>1 671</b>	<b>-14 851</b>	<b>-19 113</b>
Liquid assets at the beginning of the financial period	3 908	23 022	23 022
Liquid assets at the end of the financial period	5 579	8 171	3 908

Since Q2/2005, an item in financial income under year 2005's cash flow from operations has been transferred under cash flow from investments as other investments, net.

## Group key figures

	9/2005	9/2004	12/2004
Earnings/share (eur)	0.59	0.53	0.76
Shareholders' equity/share (eur)	3.40	3.77	3.41
Average number of personnel	418	434	427
Investments (1 000 eur) *)	1 029	4 028	4 226
Interest-bearing debt (1 000 eur)	252	378	2 315
Equity ratio, %	83.7	79.5	77.4

\*) Tangible and intangible assets

Taxes included in the income statement are taxes corresponding to the result for the period under review.

The deferred tax liability in voluntary provisions and depreciation difference has been taken into account when calculating the ratios.

## Statement of changes in shareholders' equity, IFRS (1000 eur)

	Share capital	Share issue premium	Revaluation reserve	Other reserves	Retained earnings	Total
<b>Change in shareholders' equity 1-9/2004</b>						
<b>SHAREHOLDERS' EQUITY 1.1.</b>	3 259	166	3 304	13 103	38 442	58 274
<b>Investments available for sale</b>						
Profit/loss of fair value revaluation and amount transferred to income statement			-4 291			-4 291
Deferred taxes' share of period movements			1 255			1 255
<b>Net profits/losses recognised directly to shareholders' equity</b>			-3 036			-3 036
Profit/loss for the period					6 881	6 881
<b>Total profits and losses</b>			-3 036		6 881	3 845
Dividend distribution					-13 036	-13 036
<b>SHAREHOLDERS' EQUITY TOTAL 09/2004</b>	<b>3 259</b>	<b>166</b>	<b>268</b>	<b>13 103</b>	<b>32 287</b>	<b>49 083</b>
<b>Change in shareholders' equity 1-9/2005</b>						
<b>SHAREHOLDERS' EQUITY 1.1.</b>	3 259	166	385	13 103	27 500	44 413
<b>Investments available for sale</b>						
Profit/loss of fair value revaluation and amount transferred to income statement			16			16
Deferred taxes' share of period movements			-4			-4
<b>Net profits/losses recognised directly to shareholders' equity</b>			12			12
Profit/loss for the period					7 713	7 713
<b>Total profits and losses</b>			12		7 713	7 724
Dividend distribution					-7 822	-7 822
<b>SHAREHOLDERS' EQUITY TOTAL 09/2005</b>	<b>3 259</b>	<b>166</b>	<b>397</b>	<b>13 103</b>	<b>27 391</b>	<b>44 316</b>

## Group contingent liabilities (1000 eur)

	9/2005	9/2004	12/2004
<b>For company assets</b>			
Mortgages on company assets	505	505	505
Mortgages on real estate	1 867		1 867
<b>Other guarantees</b>			
Mortgages on real estate	168	168	168
<b>On behalf of others</b>			
Guarantees	16	145	16

The figures have not been audited.

## Events after the Report Period

In October, I-print Oy, an Ilkka-Yhtymä Oyj subsidiary, entered into joint discussions, based on the statutory Information and Consultation of Employees (under the Act on Co-operation within Undertak-

ings), on fixed-term layoffs applying to part of the Seinäjoki plant's day shift, as a result of reduced orders for external presswork.

## Outlook for the Year-End

The growth in media advertising in Finland is estimated to become slower during the latter part of the year. Printing business volumes will probably remain unchanged, with profitability hampered by fierce competition in the industry and cost development.

The net sales from Ilkka-Yhtymä Group's core business, publishing and printing, is estimated to stay in 2004's levels. Operating profit of the core business as a percentage of net sales is predicted to grow moderately, with overall financial performance almost matching the previous year's level.

## Key Changes in Reporting Principles (IFRS/FAS)

Financial statements are prepared in compliance with the FAS-based accounting principles, adjusted to comply with IFRS principles. The effects of transition to IFRS-compliant reporting are analysed in more detail in our stock exchange release issued on 15 April 2005: Ilkka-Yhtymä's preliminary IFRS opening balance sheet and comparative figures for 2004.

Key changes in accounting principles for 2005 are as follows:

### Financial assets and financial liabilities

The Group's cash and cash equivalents are classified as financial assets at fair value through profit or loss, loans and other receivables and also as available-for-sale financial assets. Financial assets held for trading (trading assets) are classified under financial assets at fair value through profit or loss.

The items in this category are measured at fair value and the value gains and losses are recognised in the income statement under financial income and expenses.

Financial assets not held for trading as well as loans and other receivables are classified under available-for-sale financial assets. The items in this category are measured at fair value and the value gains and losses are recognised in fair value and other reserves under shareholders' equity. Changes in fair value will be transferred from shareholders' equity to the income statement, when the asset is disposed of or it has lost its value to the extent that an impairment loss should be recognised for the asset. However, unquoted shares are measured at cost.

Financial assets included in loans and other receivables are measured at amortized cost.

Seinäjoki, October 2005

ILKKA-YHTYMÄ OYJ

Board of Directors

Matti Korkiatupa  
CEO



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