



*Ilkka - Yhtymä Oy*

INTERIM REPORT  
1 Jan. – 30 Sep.

008



# Ilkka-Yhtymä Oyj's Interim Report for Q3/2008

The Group's consolidated net sales for the report period totalled EUR 40.9 million (EUR 40.1 million), up by 2.2 per cent year-on-year. Earnings per share were EUR 0.85 (EUR 0.82) and shareholders' equity per share EUR 3.28 (EUR 4.26). Consolidated operating profit came to EUR 8.1 million (EUR 9.0 million). Pre-tax profits amounted to EUR 14.1 million (EUR 15.1 million) and net profit for the period EUR 12.4 million (EUR 12.0 million).

## NET SALES AND DEVELOPMENT OF RESULTS

The Group's consolidated net sales increased during January–September by 2.2 per cent year-on-year, amounting to EUR 40.9 million (EUR 40.1 million in the reference period in 2007). Net sales for Q3 increased by 3.9 per cent. In the January–September period, external net sales from publishing grew by 1.9 per cent and, during the third quarter, by 2.3 per cent. In the January–September period, external net sales from the printing business grew by 3.3 per cent. July–September saw an 11.1 per cent increase in external net sales from the printing business. Other operating income for January–September totalled EUR 0.5 million (EUR 0.4 million).

Operating expenses for January–September amounted to EUR 33.3 million (EUR 31.5 million), up by 5.8 per cent year-on-year. This increase was attributable to outsourced services, staff costs and other business costs. Staff costs increased partially due to investments in e-business and the Vaasa Housing Fair. During the third quarter, costs increased by 8.2 per cent as a result of growth in staff costs, printing sales volumes and other business costs, including non-recurring items. Depreciation included in the operating expenses for the period amounted to EUR 2.1 million (EUR 2.4 million).

Consolidated operating profit for the report period came to EUR 8.1 million (EUR 9.0 million), accounting for 19.8 per cent (22.5 per cent) of net sales. The operating profit for publishing remained at the previous year's level, but that of the printing business decreased, partially due to the transfer of the layout operations of the Ilkka and Etelä-Pohjanmaa newspapers from printing to publishing. Consolidated operating profit for the third quarter came to EUR 2.7 million (EUR 3.0 million), accounting for 20.6 per cent (23.8 per cent) of net sales.

In March, Ilkka-Yhtymä Oyj purchased 5,255,200 shares of Alma Media Corporation at a purchase price of EUR 51.8 million. Following the purchase, Ilkka-Yhtymä Oyj's shareholding in Alma Media Corporation increased from 3.3 per cent to 10.3 per cent. Ilkka-Yhtymä Oyj shall endeavour to act as a long-term owner in Alma Media and participate in the development of its future operations.

Net financial income for January–September amounted to EUR 5.9 million (EUR 6.1 million), financial assets at fair value through profit or loss accounting for EUR -0.5 million (EUR 0.4 million) and available-for-sale assets for EUR 7.2 million (EUR 5.0 million). Gains from available-for-sale financial assets for the report period include EUR 6.9 million (EUR 1.6 million) in dividend income from Alma Media Corporation. Gains from available-for-sale financial assets for January–September 2007 include EUR 3.2 million in capital gains from sales of Alma Media Corporation shares.

The share of associated companies' profit totalled EUR 0.07 million (EUR 0.06 million). Pre-tax profits amounted to EUR 14.1

million (EUR 15.1 million). Tax totalled EUR 1.7 million (EUR 3.1 million) and the profit for the report period EUR 12.4 million (EUR 12.0 million).

## BALANCE SHEET AND FINANCING

The consolidated balance sheet total came to EUR 105.4 million (EUR 78.4 million), with EUR 48.1 million (EUR 62.4 million) of equity. The fair value reserve decreased by EUR 13.8 million year-on-year and by EUR 13.6 million from the beginning of 2008. The amount of interest-bearing liabilities at the end of the report period amounted to EUR 43.5 million (EUR 0.0 million). Equity ratio was 47.5 per cent (84.0 per cent). Liquid assets totalled EUR 3.3 million (EUR 14.0 million).

The cash flow of operations for the report period totalled EUR 10.0 million (EUR 8.4 million), while the investment cash flow came to EUR -48.2 million (EUR 10.2 million).

## POHJANMAAN LÄHISANOMAT ACQUIRES THE BUSINESS OF THE KAUHAVA NEWSPAPER

On 31 May 2008, Pohjanmaan Lähisanomat Oy, part of the Ilkka-Yhtymä Group, purchased the business operations of the Kauhava newspaper. Three local newspapers are currently published in the area of the future City of Kauhava: Kauhava, Härmät and Järvi-seudun Sanomat. As of 1 January 2009, the Härmät and Kauhava newspapers, both published by Pohjanmaan Lähisanomat Oy, will be combined to form Komiat, the initial circulation of which will be over 8,000 papers.

## SHARES

The Series II shares of Ilkka-Yhtymä Oyj are listed on the NASDAQ OMX Helsinki List, Consumer Discretionary sector, the company's market value being classified as Mid Cap. The Series I shares are listed on the Pre List.

During January–September, 205,093 Series I shares of Ilkka-Yhtymä Oyj were traded, comprising 4.8 per cent of the total number of Series I shares. The total value of the exchanged shares was EUR 2.6 million. A total of 1,496,749 series II shares were traded, comprising 14.4 per cent of the total number of Series II shares. The total value of traded shares was EUR 16.6 million. The lowest price at which Series I shares of Ilkka-Yhtymä Oyj were traded during the report period was EUR 10.75, and the highest EUR 13.45. The lowest price at which Series II shares were traded was EUR 9.99 and the highest EUR 12.40. The market value of the share capital at the closing rate of the report period was EUR 155.3 million.

## RISKS AND RISK MANAGEMENT

No major near-term risks are evident in the publishing and printing businesses, except for a potential decline in media advertising. A satisfying conclusion was reached in the journalists' collective bargaining for the period 1 October 2008–30 April 2011. Other business risks are discussed in more detail in the Annual Report for 2007.

The Group has EUR 43.5 million of interest-bearing loans, EUR 40 million of which are long-term. Some of the loans are fixed-rate, some variable-rate.

The market value of publicly quoted available-for-sale financial assets on 30 September 2008 was EUR 63.7 million. Were this

value to change by 5 per cent, the change in equity would equal EUR 2.4 million.

#### CORPORATE GOVERNANCE AND THE ANNUAL GENERAL MEETING

On 14 April 2008, the Annual General Meeting 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 1.00 shall be paid for the year 2007.

The number of members on the Supervisory Board for 2008 was confirmed to be 28. The following new members were elected onto the Supervisory Board to replace members who resigned mid-term for the rest of their terms: Anne Katajamäki, Seinäjoki (term ends in 2011), Sami Talso, Mustasaari (2010), Sami Eerola, Nurmo (2010) and Johanna Kankaanpää, Ähtäri (2010). Of the Supervisory Board members whose term had come to an end, the following were re-elected for the term ending in 2012: Vesa-Pekka Kangaskorpi, Jyväskylä, Jarmo Rinta-Jouppi, Seinäjoki, Matti Ritämäki, Lapua, Kimmo Simberg, Seinäjoki and Jyrki Viitala, Seinäjoki.

Ernst & Young Oy, Authorised Public Accountants, was elected the auditor, with Authorised Public Accountants Tomi Englund and Pekka Kiljunen as the main auditor. Authorised Public Accountants Päivi Virtanen and Johanna Winqvist-Ilkka were elected deputy auditors.

The AGM decided to amend Sections 5(1), 7 and 9(1) of the Articles of Association. The minimum number of Supervisory Board Members was amended to 20 and the maximum number to 30 in Section 5(1) of the Articles of Association, while Sections 7 and 9(1) were amended to conform to the new Limited Liability Companies Act, i.e. the Board of Directors will elect the Managing Director.

On 26 May 2008, the Supervisory Board re-elected Timo Aukia, whose term had come to an end, to the Board of Directors of Ilkka-Yhtymä Oyj. Heikki Kuoppamäki was elected as the 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 its Vice Chairman.

#### EVENTS AFTER THE REPORT PERIOD

In October, I-print Oy put into use an additional press unit for the newspaper printing press, enabling a higher total page number for Ilkka-Yhtymä's provincial papers as well as enhanced supplement options.

#### OUTLOOK FOR 2008

The predictability of the operating environment is challenging due to the present economic turmoil caused by the financial markets.

Towards the end of the year, growth in media advertising is expected to come to a standstill while printing business volumes are likely to remain almost unchanged in Finland.

The net sales of Ilkka-Yhtymä Group for 2008 are anticipated to grow slightly alongside publishing net sales. Operating profit and operating profit as a percentage of net sales are forecast to decrease slightly from the healthy levels of 2007.

The profit for the entire financial year will be affected by the increase in interest expenses as well as securities trading volumes and the price performance of securities investments. Despite these factors and the downturn in the general economic situation, the profit for the entire financial year is anticipated to come close to the 2007 levels.

## Summary of Financial Statements and Notes

### GROUP INCOME STATEMENT

(EUR 1000)	7-9/2008	7-9/2007	Change	1-9/2008	1-9/2007	Change	1-12/2007
<b>NET SALES</b>	<b>13 309</b>	12 811	4 %	<b>40 941</b>	40 058	2 %	54 885
Change in inventories of finished and unfinished products	10	3	188 %	9	20	-55 %	12
Other operating income	95	100	-5 %	498	427	17 %	560
Materials and services	-4 146	-3 811	9 %	-12 463	-11 977	4 %	-16 514
Employee benefits	-4 099	-3 909	5 %	-13 459	-12 490	8 %	-17 415
Depreciation	-725	-784	-8 %	-2 142	-2 382	-10 %	-3 141
Other operating costs	-1 703	-1 364	25 %	-5 268	-4 648	13 %	-6 597
<b>OPERATING PROFIT</b>	<b>2 741</b>	3 046	-10 %	<b>8 116</b>	9 009	-10 %	11 790
Financial income and expenses	-626	361	-274 %	5 928	6 064	-2 %	5 570
Share of associated companies' results	26	32	-21 %	68	57	19 %	28
<b>PROFIT BEFORE TAXES</b>	<b>2 141</b>	3 439	-38 %	<b>14 112</b>	15 130	-7 %	17 388
Income tax	-570	-876	-35 %	-1 683	-3 089	-46 %	-3 689
<b>PROFIT FOR THE PERIOD UNDER REVIEW</b>	<b>1 571</b>	2 563	-39 %	<b>12 429</b>	12 041	3 %	13 699
Earnings per share, undiluted (EUR) *)	<b>0.11</b>	0.17	-39 %	<b>0.85</b>	0.82	3 %	0.93

\*) There are no factor diluting the figure.

## SEGMENT INFORMATION

(EUR 1000)	7-9/2008	7-9/2007	Change	1-9/2008	1-9/2007	Change	1-12/2007
<b>GROUP NET SALES</b>							
Publishing	10 833	10 574	2 %	33 214	32 630	2 %	44 428
Printing	4 830	4 845	0 %	14 770	15 370	-4 %	21 169
Non-allocated	686	538	27 %	2 064	1 620	27 %	2 150
Net sales between segments	-3 039	-3 147	-3 %	-9 107	-9 563	-5 %	-12 862
<b>Total</b>	<b>13 309</b>	<b>12 811</b>	<b>4 %</b>	<b>40 941</b>	<b>40 058</b>	<b>2 %</b>	<b>54 885</b>

(EUR 1000)	7-9/2008	7-9/2007	Change	1-9/2008	1-9/2007	Change	1-12/2007
<b>GROUP OPERATING PROFIT</b>							
Publishing	2 216	2 244	-1 %	7 024	7 051	0 %	9 507
Printing	709	936	-24 %	2 079	2 691	-23 %	3 475
Non-allocated	-184	-134	38 %	-986	-733	35 %	-1 190
Operating profit between segments				-1	-1		-1
<b>Total</b>	<b>2 741</b>	<b>3 046</b>	<b>-10 %</b>	<b>8 116</b>	<b>9 009</b>	<b>-10 %</b>	<b>11 790</b>

## GROUP BALANCE SHEET

(EUR 1000)	9/2008	9/2007	Change	12/2007
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible rights	727	413	76 %	439
Goodwill	314			
Investment properties	561	672	-17 %	646
Property, plant and equipment	19 911	18 109	10 %	19 537
Shares in associated companies	554	515	8 %	486
Available-for-sale financial assets	68 814	33 663	104 %	34 666
Non-current trade and other receivables	39	39		39
Other tangible assets	214	214		214
Deferred tax asset	1 904			
<b>Non-current assets</b>	<b>93 038</b>	<b>53 624</b>	<b>74 %</b>	<b>56 027</b>
<b>CURRENT ASSETS</b>				
Inventories	885	951	-7 %	714
Trade and other receivables	4 118	4 979	-17 %	3 997
Income tax assets	2 523	1 338	89 %	31
Financial assets at fair value through profit or loss	1 547	3 559	-57 %	4 345
Cash and cash equivalents	3 314	13 982	-76 %	12 396
<b>Current assets</b>	<b>12 387</b>	<b>24 809</b>	<b>-50 %</b>	<b>21 482</b>
<b>ASSETS</b>	<b>105 425</b>	<b>78 433</b>	<b>34 %</b>	<b>77 509</b>

## SHAREHOLDERS' EQUITY AND LIABILITIES

<b>SHAREHOLDERS' EQUITY</b>				
Share capital	3 666	3 666		3 666
Fair value reserve and other reserves	7 442	21 218	-65 %	21 041
Retained earnings	36 963	37 542	-2 %	39 199
<b>Shareholders' equity</b>	<b>48 071</b>	<b>62 426</b>	<b>-23 %</b>	<b>63 907</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liability	1 639	4 886	-66 %	4 692
Non-current interest-bearing liabilities	40 022			
<b>Non-current liabilities</b>	<b>41 661</b>	<b>4 886</b>	<b>753 %</b>	<b>4 692</b>
<b>CURRENT LIABILITIES</b>				
Current interest-bearing liabilities	3 478			
Accounts payable and other payables	9 987	8 775	14 %	7 903
Income tax liability	2 228	2 346	-5 %	1 008
<b>Current liabilities</b>	<b>15 692</b>	<b>11 121</b>	<b>41 %</b>	<b>8 911</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>105 425</b>	<b>78 433</b>	<b>34 %</b>	<b>77 509</b>

## GROUP CASH FLOW STATEMENT

(EUR 1000)	1-9/2008	1-9/2007	1-12/2007
<b>CASH FLOW FROM OPERATIONS</b>			
Profit for the period under review	12 429	12 041	13 699
Adjustments	-2 515	-775	1 109
Change in working capital	1 044	454	257
<b>Cash flow from operations before finance and taxes</b>	<b>10 958</b>	<b>11 720</b>	<b>15 065</b>
Financial income and expenses	2 207	-1 476	-2 206
Direct taxes paid	-3 134	-1 854	-2 617
<b>Cash flow from operations</b>	<b>10 032</b>	<b>8 391</b>	<b>10 242</b>
<b>CASH FLOW FROM INVESTMENTS</b>			
Investments in tangible and intangible assets, net	-2 821	-494	-2 685
Other investments, net	-52 590	9 002	7 759
Dividends received from investments	7 236	1 737	1 738
<b>Cash flow from investments</b>	<b>-48 175</b>	<b>10 245</b>	<b>6 813</b>
<b>Cash flow before financing items</b>	<b>-38 143</b>	<b>18 636</b>	<b>17 055</b>
<b>CASH FLOW FROM FINANCING</b>			
Change in current loans	3 478	-63	-63
Change in non-current loans	40 022	-6 000	-6 000
Dividends paid and other profit distribution	-14 439	-13 216	-13 221
<b>Cash flow from financing</b>	<b>29 061</b>	<b>-19 279</b>	<b>-19 285</b>
<b>Increase(+) or decrease (-) in financial assets</b>	<b>-9 082</b>	<b>-644</b>	<b>-2 230</b>
LIQUID ASSETS AT THE BEGINNING OF THE FINANCIAL PERIOD	12 396	14 626	14 626
LIQUID ASSETS AT THE END OF THE FINANCIAL PERIOD	3 314	13 982	12 396

## GROUP KEY FIGURES

	9/2008	9/2007	12/2007
Earnings/share (EUR)	0.85	0.82	0.93
Shareholders' equity/share (EUR)	3.28	4.26	4.36
Average number of personnel	398	393	388
Investments (EUR 1 000) *)	55 697	1 848	5 283
Interest-bearing debt (EUR 1 000)	43 500	-	-
Equity ratio, %	47.5	84.0	84.2

\*) Investment in tangible and intangible assets and available-for-sale assets (shares).

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

## GROUP CONTINGENT LIABILITIES

(EUR 1000)	9/2008	9/2007	12/2007
<b>COLLATERAL PLEDGED FOR OWN COMMITMENTS</b>			
Mortgages on company assets	1 245	168	168
Mortgages on real estate	8 801	4 017	4 017
Pledged shares	42 567		
<b>ON BEHALF OF OTHERS</b>			
Guarantees		16	16

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1000)	Share capital	Fair value reserve	Other reserves	Retained earnings	Total
<b>CHANGE IN SHAREHOLDERS' EQUITY 1-9/2007</b>					
<b>SHAREHOLDERS' EQUITY 1.1.</b>	3 666	5 540	12 862	38 700	60 768
<b>Available-for-sale financial assets</b>					
Gain/loss on fair valuation		6 200			6 200
Amount transferred to income statement		-2 394			-2 394
Share of deferred taxes		-990			-990
<b>Net gains and losses recognised in equity</b>		2 816			2 816
Profit for the period				12 041	12 041
<b>Total profits and losses</b>		2 816		12 041	14 857
Dividend distribution				-13 199	-13 199
<b>SHAREHOLDERS' EQUITY TOTAL 09/2007</b>	<b>3 666</b>	<b>8 357</b>	<b>12 862</b>	<b>37 542</b>	<b>62 426</b>

(EUR 1000)	Share capital	Fair value reserve	Other reserves	Retained earnings	Total
<b>CHANGE IN SHAREHOLDERS' EQUITY 1-9/2008</b>					
<b>SHAREHOLDERS' EQUITY 1.1.</b>	3 666	8 179	12 862	39 199	63 907
<b>Available-for-sale financial assets</b>					
Gain/loss on fair valuation		-18 376			-18 376
Share of deferred taxes		4 778			4 778
<b>Net gains and losses recognised in equity</b>		-13 599			-13 599
Profit for the period				12 429	12 429
<b>Total profits and losses</b>		-13 599		12 429	-1 170
Dividend distribution				-14 666	-14 666
<b>SHAREHOLDERS' EQUITY TOTAL 09/2008</b>	<b>3 666</b>	<b>-5 419</b>	<b>12 862</b>	<b>36 963</b>	<b>48 071</b>

Ilkka-Yhtymä Group's interim report has been prepared in compliance with the recognition and measurement principles of IFRS but not in compliance with all IAS 34 requirements. In preparing this interim report, the same standards have been used as when preparing the previous financial statements. The figures have not been audited.

Seinäjäki 27 October 2008

ILKKA-YHTYMÄ OYJ

Board of Directors

Matti Korkiatupa  
Managing Director