



*Ilkka-Yhtymä Oy*



**2006**

**INTERIM REPORT**  
**1 Jan. – 30 Jun.**

# Ilkka-Yhtymä Oyj's Interim Report I January – 30 June 2006

The Ilkka-Yhtymä Group's consolidated net sales for the report period totalled EUR 26.3 million. Net sales decreased by 4.8 per cent on the previous year. Operating profit amounted to EUR 4.5 million and operating margin was 17.1 per cent. Profit before taxes came to EUR 5.3 million. Earnings per share were EUR 0.30 and equity per share amounted to EUR 2.91.

The Group's Interim Report has been prepared in compliance with the International Financial Reporting Standards (IFRS). The Group transferred to IFRS reporting on 1 January 2005 and prepared its first financial statements in line with IFRS for the financial year 2005.

## **Matti Korkiatupa, CEO:**

“For Ilkka-Yhtymä Oyj, the first half of the year has been characterised by the Group's and the newspaper Ilkka's centenary. The fact that our history extends back 100 years indicates that we have been able to adapt to changes in external circumstances while retaining the confidence of our customers, staff and shareholders in the company and its products.

In accordance with our vision, “Ilkka-Yhtymä is in demand, successful and a media group that operates in the spirit of the times”, we have been focusing on enhancing multi-channel service provision, with regard to journalistic content and classified advertisements. An updated editorial system enables the expansion of multi-channel publishing, while mobile services provided by Arena-Partners makes it possible to offer faster news services including images accessible on the Web and mobile devices. The revised online services of our provincial papers and the new Arena services for recruitment and event information were introduced during the second quarter.

The market situation for media sales in Finland has varied during the first half of the year. After first-quarter growth in media advertising, newspapers went on a downward trend in the second quarter. In the second quarter, growth also stalled in free papers despite growth in consumer purchasing power and the national economy in general.

Ilkka-Yhtymä's circulation income increased by 1.5% in the first half of the year, while advertising income increased by 1.7%. Additional efforts in the centenary year have slightly increased the expenses of publishing operations. The export market for printing has been under intense competition, and export volumes have clearly decreased during the first half of the year. Despite growth in domestic

printing volumes, I-print Oy's net sales decreased by 11.3% during the first half of the year.”

## **Net Sales and Profit Performance**

The Group's consolidated net sales decreased during January-June by 4.8 per cent year-on-year, amounting to EUR 26.3 million (EUR 27.6 million in 2005). Second-quarter net sales fell by 6.2 per cent. External net sales from publishing increased by EUR 0.3 million during the period January-June and remained almost on a par with the previous year in the second quarter. External net sales from printing decreased by EUR 1.6 million during January-June. In the second quarter, the decrease continued at the first quarter's rate and amounted to EUR 0.8 million. Other operating income totalled EUR 0.2 million (EUR 0.2 million).

Operating expenses for January-June amounted to EUR 20.3 million (EUR 21.2 million), decreasing by 3.9 per cent year-on-year. Second-quarter operating expenses decreased by 5.3 per cent. Depreciation for the period amounted to EUR 1.6 million (EUR 1.7 million).

Consolidated operating profit came to EUR 4.5 million (EUR 5.0 million), accounting for 17.1 per cent (17.9 per cent) of net sales. Second-quarter operating profit amounted to EUR 2.4 million (EUR 2.7 million), accounting for 18.2 per cent of net sales. Net financial income came to EUR 0.8 million (EUR 2.0 million), of which financial assets at fair value through profit or loss contributed EUR -0.013 million (EUR 0.9 million), available-for-sale financial assets EUR 0.3 million (EUR 0.8 million) and share of associated companies' results EUR 0.5 million (EUR 0.3 million) to corporate performance.

Pre-tax profits were EUR 5.3 million (EUR 6.9 million). Tax totals EUR 1.0 million and the profit for the report period EUR 4.3 million (EUR 5.4 million).

## **Balance Sheet and Financial Position**

The consolidated balance sheet total was EUR 67.4 million (EUR 58.0 million) and shareholders' equity was EUR 42.6 million (EUR 42.1 million). The fair value reserve has diminished by EUR 0.3 million in a year and EUR 0.9 million since the beginning of 2006 due to declined share prices. Interest-bearing liabilities totalled EUR 11.1 million (EUR 2.3 million). Equity ratio was 67.7 per cent (78.6 per cent) and liquid assets were EUR 3.0 million (EUR 5.8 million).

Reported cash flow from business operations totalled EUR 6.7 million (EUR 13.0 million). Cash flow from investments was EUR -14.2 million

(EUR –3.3 million), mostly comprised of an investment in Alma Media shares.

### 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-June, 42,581 Ilkka-Yhtymä Oyj's Series I shares were traded on the I-list, which accounts for 1.0 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 1,749,911, which equals 16.9 per cent of the series share stock. Their trading value was EUR 21.3 million. During the report period, the lowest quotation for Ilkka Yhtymä Oyj's Series I share was EUR 10.50 and the highest EUR 14.13, while the lowest quotation for a Series II share was EUR 9.13 and the highest EUR 12.17. At period-end closing price, the share capital market value was EUR 145.7 million.

### Administration and The Annual General Meeting

The Annual General Meeting (AGM) of 20 April 2006 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 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.

The AGM decided to increase the company's share capital by means of a bonus issue of shares from EUR 3,259,074 to EUR 3,666,458.25 by transferring the sum of EUR 165,583.05 from the share premium fund and EUR 241,801.20 from the reserve fund to the share capital.

Under the bonus issue, one (1) new Series I share was issued for eight (8) existing Series I shares and one (1) new Series II share for eight (8) existing Series II shares, i.e. a total of 478,229 new Series I shares at a nominal value of 0.25 euros per share and 1,151,308 new Series II shares at a nominal value of 0.25 euros per share. After the bonus issue, the new share total is 14,665,833 (4,304,061 Series I shares and 10,361,772 Series II shares).

The share capital increase was entered in the Trade Register on 25 April 2006. The new shares have been traded in the Helsinki Stock Exchange together with the old shares since 26 April 2006.

Of the members of the Supervisory Board whose term of service had come to an end, the AGM re-elected the following: Jari Eklund Helsinki, Ossi Jäkärä Vaasa, Yrjö Kopra Helsinki, Juha Mikkilä Kurikka and Sari Mutka Helsinki. Kari Aukia Vaasa, Mari Kiviniemi Helsinki and Sakari Kivisaari Helsinki were elected as new members of the Supervisory Board.

Ernst & Young Oy, Authorised Public Accountants, with Tomi Englund, Authorised Public Accountant 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.

### Group income statement

(EUR 1000)	4-6/2006	4-6/2005	Change	1-6/2006	1-6/2005	Change	1-12/2005
<b>Net sales</b>	<b>13 407</b>	14 294	-6 %	<b>26 302</b>	27 617	-5 %	53 932
Other operating income	<b>99</b>	84	18 %	<b>186</b>	182	2 %	377
Expenses	<b>-10 237</b>	-10 805	-5 %	<b>-20 344</b>	-21 164	-4 %	-41 427
Depreciation	<b>-823</b>	-845	-3 %	<b>-1 637</b>	-1 681	-3 %	-3 361
<b>Operating profit</b>	<b>2 447</b>	2 728	-10 %	<b>4 507</b>	4 954	-9 %	9 521
Financial income and expenses	<b>-49</b>	693	-107 %	<b>835</b>	1 991	-58 %	2 956
<b>Profit before taxes</b>	<b>2 397</b>	3 421	-30 %	<b>5 342</b>	6 945	-23 %	12 477
Taxes	<b>-529</b>	-840	-37 %	<b>-994</b>	-1 497	-34 %	-2 738
<b>Profit for the period under review</b>	<b>1 868</b>	2 580	-28 %	<b>4 348</b>	5 448	-20 %	9 739

### Segment information

Group net sales (EUR 1000)	4-6/2006	4-6/2005	Change	1-6/2006	1-6/2005	Change	1-12/2005
Publishing	<b>10 732</b>	10 817	-1 %	<b>21 126</b>	20 827	1 %	41 664
Printing	<b>5 387</b>	6 129	-12 %	<b>10 594</b>	11 942	-11 %	22 725
Non-allocated	<b>525</b>	499	5 %	<b>1 041</b>	996	5 %	2 002
Net sales between segments	<b>-3 237</b>	-3 151	3 %	<b>-6 460</b>	-6 148	5 %	-12 459
<b>Total</b>	<b>13 407</b>	14 294	-6 %	<b>26 302</b>	27 617	-5 %	53 932

Group operating profit (EUR 1000)	4-6/2006	4-6/2005	Change	1-6/2006	1-6/2005	Change	1-12/2005
Publishing	2 011	2 302	-13 %	3 611	4 215	-14 %	8 089
Printing	841	752	12 %	1 635	1 327	23 %	2 492
Non-allocated	-406	-325	25 %	-739	-588	26 %	-1 058
Operating profit between segments				-1	-1		-1
Total	2 447	2 728	-10 %	4 507	4 954	-9 %	9 521

## Group balance sheet

(EUR 1000)	6/2006	6/2005	Change	12/2005
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible rights	436	382	14 %	346
Investment properties	802	718	12 %	852
Property, plant and equipment	20 514	22 682	-10 %	21 171
Shares in associated companies	9 946	9 252	8 %	10 046
Available-for-sale financial assets	23 478	9 691	142 %	10 521
Non-current trade and other receivables	39	1 315	-97 %	39
Other tangible assets	236	227	4 %	227
<b>Non-current assets</b>	<b>55 449</b>	<b>44 267</b>	<b>25 %</b>	<b>43 202</b>
<b>Current assets</b>				
Inventories	830	939	-12 %	827
Trade and other receivables	4 214	5 011	-16 %	3 856
Income tax assets	1 254	729	72 %	571
Financial assets at fair value through profit or loss	2 633	1 184	122 %	2 650
Cash and cash equivalents	3 043	5 842	-48 %	7 331
<b>Current assets</b>	<b>11 974</b>	<b>13 706</b>	<b>-12 %</b>	<b>15 236</b>
<b>Assets</b>	<b>67 423</b>	<b>57 973</b>	<b>16 %</b>	<b>58 438</b>
<b>Shareholders' equity and liabilities</b>				
<b>Shareholders' equity</b>				
Share capital	3 666	3 259	13 %	3 259
Share premium fund		166	-100 %	166
Fair value reserve and other reserves	13 022	13 522	-4 %	14 161
Retained earnings	25 944	25 127	3 %	29 418
<b>Shareholders' equity</b>	<b>42 633</b>	<b>42 073</b>	<b>1 %</b>	<b>47 003</b>
<b>Non-current liabilities</b>				
Deferred tax liability	2 474	2 859	-13 %	2 971
Non-current interest-bearing liabilities	6 063	189	3104 %	63
<b>Non-current liabilities</b>	<b>8 537</b>	<b>3 048</b>	<b>180 %</b>	<b>3 034</b>
<b>Current liabilities</b>				
Current interest-bearing liabilities	5 063	2 063	145 %	126
Accounts payable and other payables	10 041	9 722	3 %	7 484
Income tax liability	1 150	1 067	8 %	791
<b>Current liabilities</b>	<b>16 253</b>	<b>12 852</b>	<b>26 %</b>	<b>8 401</b>
<b>Shareholders' equity and liabilities</b>	<b>67 423</b>	<b>57 973</b>	<b>16 %</b>	<b>58 438</b>

**Group cash flow statement**

(EUR 1000)	1-6/2006	1-6/2005	1-12/2005
<b>Cash flow from operations</b>			
Profit for the period under review	4 348	5 448	9 739
Adjustments	1 780	1 155	3 104
Change in working capital	2 027	1 769	770
<b>Cash flow from operations before finance and taxes</b>	<b>8 155</b>	<b>8 373</b>	<b>13 613</b>
Financial income and expenses	37	5 260	3 980
Direct taxes paid	-1 500	-593	-2 064
<b>Cash flow from operations</b>	<b>6 692</b>	<b>13 039</b>	<b>15 529</b>
<b>Cash flow from investments</b>			
Investments in tangible and intangible assets, net	-1 003	-884	-1 144
Other investments, net	-14 177	-3 136	-3 136
Repayments of loan receivables			1 277
Dividends received from investments	958	747	757
<b>Cash flow from investments</b>	<b>-14 222</b>	<b>-3 273</b>	<b>-2 246</b>
<b>Cash flow before financing items</b>	<b>-7 530</b>	<b>9 766</b>	<b>13 283</b>
<b>Cash flow from financing</b>			
Change in current loans	4 937	-63	-2 000
Change in non-current loans	6 000		-126
Dividends paid and other profit distribution	-7 695	-7 770	-7 734
<b>Cash flow from financing</b>	<b>3 242</b>	<b>-7 833</b>	<b>-9 860</b>
<b>Increase(+) or decrease (-) in financial assets</b>	<b>-4 288</b>	<b>1 934</b>	<b>3 423</b>
Liquid assets at the beginning of the financial period	7 331	3 908	3 908
Liquid assets at the end of the financial period	3 043	5 842	7 331

**Group key figures**

	6/2006	6/2005	12/2005
Earnings/share (EUR)	0.30	0.37	0.66
Shareholders' equity/share (EUR)	2.91	2.87	3.20
Average number of personnel	396	410	410
Investments (EUR 1 000) *)	15 196	6 497	6 784
Interest-bearing debt (EUR 1 000)	11 126	2 252	189
Equity ratio, %	67.7	78.6	82.6

\*) 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)**

	6/2006	6/2005	12/2005
<b>Collateral pledged for own commitments</b>			
Mortgages on company assets	168	505	168
Mortgages on real estate	4 017	2 035	2 017
<b>On behalf of others</b>			
Guarantees	16	16	16

## Statement of changes in shareholders' equity (EUR 1000)

Change in shareholders' equity 1-6/2005	Share capital	Share issue premium	Fair value reserve	Other reserves	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY 1.1.</b>	3 259	166	385	13 103	27 500	44 413
<b>Available-for-sale financial assets</b>						
Net fair value gains and reclassified and reported in net profit			45			45
Share of deferred taxes			-12			-12
<b>Net fair value gains added to shareholders' equity</b>			33			33
Net profit/ loss					5 448	5 448
<b>Total profits and losses</b>			33		5 448	5 481
Dividend distribution					-7 822	-7 822
<b>SHAREHOLDERS' EQUITY TOTAL 06/2005</b>	<b>3 259</b>	<b>166</b>	<b>418</b>	<b>13 103</b>	<b>25 127</b>	<b>42 073</b>
Change in shareholders' equity 1-6/2006	Share capital	Share issue premium	Fair value reserve	Other reserves	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY 1.1.</b>	3 259	166	1 057	13 103	29 418	47 003
<b>Available-for-sale financial assets</b>						
Net fair value gains and reclassified and reported in net profit			-1 212			-1 212
Share of deferred taxes			315			315
Transfers between items	407	-166		-242		
<b>Net fair value gains added to shareholders' equity</b>	407	-166	-897	-242		-897
Net profit/ loss					4 348	4 348
<b>Total profits and losses</b>	407	-166	-897	-242	4 348	3 451
Dividend distribution					-7 822	-7 822
<b>SHAREHOLDERS' EQUITY TOTAL 06/2006</b>	<b>3 666</b>		<b>161</b>	<b>12 862</b>	<b>25 944</b>	<b>42 633</b>

The figures have not been audited.

### Outlook for the Year-End

Media advertising is expected to show moderate growth in Finland due to increasing consumer spending, while printing volumes are likely to remain almost unchanged and competition will remain tough.

Ilkka-Yhtymä's net sales are estimated to decrease slightly. Moderate growth is expected in net sales from publishing unless significant changes take

place in media advertising. Net sales from printing will decline due to a substantial decrease in export sales compared to the previous year. The full-year operating profit is expected to decrease, while the proportional operating margin is expected to remain at 2005's healthy level. The full-year result will be affected by the future development of net financial income.

Seinäjoki, 24 July 2006

ILKKA-YHTYMÄ OYJ

Board of Directors

Matti Korkiatupa  
CEO