



*Ilkka-Yhtymä Oyj*



**2006**

**INTERIM REPORT  
1 Jan. – 30 Sep.**

# Ilkka-Yhtymä Oyj's Interim Report

I January – 30 September 2006

The Ilkka-Yhtymä Group's consolidated net sales for the report period totalled EUR 38.7 million. Net sales decreased by 3.6 per cent on the previous year. Operating profit amounted to EUR 7.1 million and operating margin was 18.4 per cent. Profit before taxes came to EUR 9.0 million. Earnings per share were EUR 0.50 and equity per share amounted to EUR 3.22.

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 current 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 interest groups in the company and its services.

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 multichannel service provision, with regard to journalistic content and classified advertisements. An updated editorial system enabled the expansion of multichannel publishing, while mobile services provided by Arena-Partners made it possible to offer faster news services including images accessible on the Web and mobile devices. Our customers have welcomed the reformed online services and new Arena services.

The market situation for media sales in Finland has varied. After first-quarter growth in media advertising, newspapers went on a downward trend in the second quarter but regained a positive track in the third quarter.

Thanks to the good market situation, advertising income from Ilkka-Yhtymä's publishing operations increased by 6% in the third quarter, while circulation income increased by 1%. Additional efforts in the centenary year, which were focused on the first half of the year, have slightly increased the comparable expenses of publishing operations. The export market for printing has been under intense competition, and export volumes have clearly decreased. Due to a decline in export operations, efficiency measures have continued in printing operations."

## Net Sales and Profit Performance

The Group's consolidated net sales decreased during January-September by 3.6 per cent year-on-year, amounting to EUR 38.7 million (EUR 40.2 million

in 2005). Third-quarter net sales fell by 1.2 per cent. External net sales from publishing increased by EUR 0.7 million during the period January-September and by EUR 0.3 million in the third quarter. External net sales from printing decreased by EUR 2.1 million during January-September and by EUR 0.5 million in the third quarter. Other operating income totalled EUR 0.3 million (EUR 0.3 million).

Operating expenses for January-September amounted to EUR 29.4 million (EUR 30.6 million), decreasing by 3.9 per cent year-on-year. Third-quarter operating expenses decreased by 4.1 per cent. Depreciation for the period amounted to EUR 2.5 million (EUR 2.5 million).

Consolidated operating profit came to EUR 7.1 million (EUR 7.3 million), accounting for 18.4 per cent (18.1 per cent) of net sales. Third-quarter operating profit amounted to EUR 2.6 million (EUR 2.3 million), accounting for 21.0 per cent of net sales. Net financial income came to EUR 1.9 million (EUR 2.6 million), of which financial assets at fair value through profit or loss contributed EUR 0.15 million (EUR 0.9 million), available-for-sale financial assets EUR 0.3 million (EUR 0.7 million) and share of associated companies' results EUR 1.4 million (EUR 0.7 million) to corporate performance. Pre-tax profits were EUR 9.0 million (EUR 9.8 million). Tax totals EUR 1.7 million and the profit for the report period EUR 7.3 million (EUR 7.7 million).

## Balance Sheet and Financial Position

The consolidated balance sheet total was EUR 69.3 million (EUR 56.9 million) and shareholders' equity was EUR 47.2 million (EUR 44.3 million). The fair value reserve has grown by EUR 1.3 million in a year and EUR 0.7 million since the beginning of 2006. Interest-bearing liabilities totalled EUR 8.6 million (EUR 0.3 million). Equity ratio was 72.2 per cent (83.7 per cent) and liquid assets were EUR 2.9 million (EUR 5.6 million).

Reported cash flow from business operations totalled EUR 8.1 million (EUR 14.9 million). Cash flow from investments was EUR -13.2 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. On 2 October 2006, quotation of the Series II shares moved to the new Nordic List. The shares belong to the Nordic Mid Cap group and the Consumer Discretionary sector. The Nordic List replaces the Main, I and NM lists of the Helsinki Stock Exchange.

On 2 October 2006, Ilkka-Yhtymä Oyj's Series I shares moved from the I List of the Helsinki Stock Exchange to the Pre List due to the introduction of the new Nordic List. Trading on the Pre List is subject to the same procedures and rules as the I List.

In January-September, 49,782 Ilkka-Yhtymä Oyj's Series I shares were traded on the I List, which accounts for 1.2 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 1,913,213, which equals 20.3 per cent of the series share stock. Their trading value was EUR 22.8 million. During the report period, the lowest quotation for Ilkka Yhtymä Oyj's Series I share was EUR 9.78 and the highest EUR 14.13, while the lowest quotation for a Series II share was EUR 8.85 and the highest EUR 12.17. At period-end closing price, the share capital market value was EUR 137.1 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)	7-9/2006	7-9/2005	Change	1-9/2006	1-9/2005	Change	1-12/2005
<b>Net sales</b>	<b>12 434</b>	12 582	-1 %	<b>38 736</b>	40 199	-4 %	53 932
Other operating income	88	88	-1 %	274	270	1 %	377
Expenses	-9 098	-9 485	-4 %	-29 442	-30 649	-4 %	-41 427
Depreciation	-814	-857	-5 %	-2 451	-2 537	-3 %	-3 361
<b>Operating profit</b>	<b>2 610</b>	2 329	12 %	<b>7 117</b>	7 283	-2 %	9 521
Financial income and expenses	1 082	564	92 %	1 917	2 555	-25 %	2 956
<b>Profit before taxes</b>	<b>3 692</b>	2 893	28 %	<b>9 034</b>	9 838	-8 %	12 477
Taxes	-728	-629	16 %	-1 722	-2 126	-19 %	-2 738
<b>Profit for the period under review</b>	<b>2 964</b>	2 264	31 %	<b>7 312</b>	7 713	-5 %	9 739

### Segment information

Group net sales (EUR 1000)	7-9/2006	7-9/2005	Change	1-9/2006	1-9/2005	Change	1-12/2005
Publishing	10 225	9 894	3 %	31 350	30 722	2 %	41 664
Printing	4 664	5 270	-11 %	15 258	17 211	-11 %	22 725
Non-allocated	515	499	3 %	1 556	1 494	4 %	2 002
Net sales between segments	-2 969	-3 080	-4 %	-9 429	-9 228	2 %	-12 459
<b>Total</b>	<b>12 434</b>	12 582	-1 %	<b>38 736</b>	40 199	-4 %	53 932

<b>Group operating profit (EUR 1000)</b>	<b>7-9/2006</b>	<b>7-9/2005</b>	<b>Change</b>	<b>1-9/2006</b>	<b>1-9/2005</b>	<b>Change</b>	<b>1-12/2005</b>
Publishing	2 130	1 884	13 %	5 741	6 099	-6 %	8 089
Printing	636	589	8 %	2 272	1 916	19 %	2 492
Non-allocated	-156	-144	8 %	-895	-732	22 %	-1 058
Operating profit between segments				-1	-1		-1
<b>Total</b>	<b>2 610</b>	<b>2 329</b>	<b>12 %</b>	<b>7 117</b>	<b>7 283</b>	<b>-2 %</b>	<b>9 521</b>

## Group balance sheet

(EUR 1000)	<b>9/2006</b>	<b>9/2005</b>	<b>Change</b>	<b>12/2005</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible rights	471	341	38 %	346
Investment properties	775	872	-11 %	852
Property, plant and equipment	20 052	21 802	-8 %	21 171
Shares in associated companies	10 889	9 735	12 %	10 046
Available-for-sale financial assets	24 172	9 628	151 %	10 521
Non-current trade and other receivables	39	1 315	-97 %	39
Other tangible assets	214	227	-6 %	227
<b>Non-current assets</b>	<b>56 612</b>	<b>43 922</b>	<b>29 %</b>	<b>43 202</b>
<b>Current assets</b>				
Inventories	825	810	2 %	827
Trade and other receivables	4 217	4 323	-2 %	3 856
Income tax assets	2 033	977	108 %	571
Financial assets at fair value through profit or loss	2 734	1 254	118 %	2 650
Cash and cash equivalents	2 913	5 579	-48 %	7 331
<b>Current assets</b>	<b>12 723</b>	<b>12 944</b>	<b>-2 %</b>	<b>15 236</b>
<b>Assets</b>	<b>69 335</b>	<b>56 866</b>	<b>22 %</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	14 595	13 500	8 %	14 161
Retained earnings	28 908	27 391	6 %	29 418
<b>Shareholders' equity</b>	<b>47 169</b>	<b>44 316</b>	<b>6 %</b>	<b>47 003</b>
<b>Non-current liabilities</b>				
Deferred tax liability	2 956	2 798	6 %	2 971
Non-current interest-bearing liabilities	6 063	189	3104 %	63
<b>Non-current liabilities</b>	<b>9 019</b>	<b>2 987</b>	<b>202 %</b>	<b>3 034</b>
<b>Current liabilities</b>				
Current interest-bearing liabilities	2 563	63	3964 %	126
Accounts payable and other payables	8 871	8 230	8 %	7 484
Income tax liability	1 713	1 270	35 %	791
<b>Current liabilities</b>	<b>13 147</b>	<b>9 563</b>	<b>37 %</b>	<b>8 401</b>
<b>Shareholders' equity and liabilities</b>	<b>69 335</b>	<b>56 866</b>	<b>22 %</b>	<b>58 438</b>

<b>Group cash flow statement</b>			
(EUR 1000)	1-9/2006	1-9/2005	1-12/2005
<b>Cash flow from operations</b>			
Profit for the period under review	7 312	7 713	9 739
Adjustments	2 255	2 069	3 104
Change in working capital	1 202	1 117	770
<b>Cash flow from operations before finance and taxes</b>			
Financial income and expenses	-184	5 276	3 980
Direct taxes paid	-2 515	-1 319	-2 064
<b>Cash flow from operations</b>	<b>8 071</b>	<b>14 856</b>	<b>15 529</b>
<b>Cash flow from investments</b>			
Investments in tangible and intangible assets, net	-1 357	-967	-1 144
Other investments, net	-12 775	-3 136	-3 136
Repayments of loan receivables			1 277
Dividends received from investments	967	756	757
<b>Cash flow from investments</b>	<b>-13 165</b>	<b>-3 347</b>	<b>-2 246</b>
<b>Cash flow before financing items</b>	<b>-5 094</b>	<b>11 509</b>	<b>13 283</b>
<b>Cash flow from financing</b>			
Change in current loans	2 437	-2 063	-2 000
Change in non-current loans	6 000		-126
Dividends paid and other profit distribution	-7 761	-7 775	-7 734
<b>Cash flow from financing</b>	<b>675</b>	<b>-9 838</b>	<b>-9 860</b>
<b>Increase(+) or decrease (-) in financial assets</b>	<b>-4 418</b>	<b>1 671</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	2 913	5 579	7 331

<b>Group key figures</b>	9/2006	9/2005	12/2005
Earnings/share (EUR)	0.50	0.53	0.66
Shareholders' equity/share (EUR)	3.22	3.02	3.20
Average number of personnel	405	418	410
Investments (EUR 1 000) *)	15 815	6 606	6 784
Interest-bearing debt (EUR 1 000)	8 626	252	189
Equity ratio, %	72.2	83.7	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.

<b>Group contingent liabilities (EUR 1000)</b>	9/2006	9/2005	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 1-9/2005	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			16			16
Share of deferred taxes			-4			-4
<b>Net fair value gains added to shareholders' equity</b>			12			12
Net profit/ loss					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>
Change in shareholders' equity 1-9/2006	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			913			913
Share of deferred taxes			-237			-237
Transfers between items	407	-166		-242		
<b>Net fair value gains added to shareholders' equity</b>	407	-166	676	-242		676
Net profit/ loss					7 312	7 312
<b>Total profits and losses</b>	407	-166	676	-242	7 312	7 988
Dividend distribution					-7 822	-7 822
<b>SHAREHOLDERS' EQUITY TOTAL 09/2006</b>	<b>3 666</b>		<b>1 733</b>	<b>12 862</b>	<b>28 908</b>	<b>47 169</b>

The figures have not been audited.

### Outlook for the Year-End

Media advertising is expected to show 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 will decrease slightly. Moderate growth will be seen 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 remain almost unchanged due to positive development in the proportional operating margin. The full-year result will be affected by the future development of net financial income.

Seinäjäki, 23 October 2006

ILKKA-YHTYMÄ OYJ

Board of Directors

Matti Korkiatupa  
CEO