



Ilkka-Yhtymä Oyj

2004
INTERIM REPORT *Jan.-Sep.*

Ilkka-Yhtymä Oyj's Interim Report I January – 30 September 2004

Financial results

The Group's net sales increased during January-September by 14 per cent year-on-year, amounting to EUR 55.2 million (EUR 48.5 million in 2003). This was attributable to a growth in the net sales of securities trading. Net sales from trading in securities grew by EUR 7.5 million, and net sales from publishing operations EUR 1 million. External net sales from the graphics businesses fell by EUR 1.9 million due to the intensifying competition caused by an increase in domestic capacity coupled with the stronger euro that contracted exports. Other operating income totalled EUR 0.5 million, including capital gains of EUR 0.3 million on fixed assets.

January-September operating expenses of EUR 47.6 million (EUR 42 million) grew by 13.2 per cent on a year earlier, due to securities trading. Operating expenses of publishing and graphics businesses however fell mainly due to lower volumes of graphics businesses. Depreciation reported for the period totalled EUR 2.4 million (EUR 2.3 million).

Consolidated operating profit came to EUR 8.2 million (EUR 6.8 million), which is 14.9 per cent of net sales. Operating profit of the Group's core businesses was EUR 6.5 million (EUR 6.1 million), and those of securities trading EUR 1.4 million (EUR 0.8 million). Net financial income amounted to EUR 1.3 million (EUR 2.2 million). Pre-tax profits were EUR 9.5 million (EUR 9.0 million). Direct taxes for the period amounted to EUR 2.7 million. Net profits for the period totalled EUR 6.8 million (EUR 6.4 million). The consolidated balance sheet total was EUR 64.7 million (EUR 68.0 million).

Capital expenditure

The Group's gross capital expenditure for January-September totalled EUR 12.3 million, the most significant investment including the purchase of Savon Mediat Oy shares and new premises for Pohjalainen in Vaasa, built by Ilkka-Yhtymä Oyj and put into service at the beginning of the summer.

Financial position

The Group's liquidity remained solid. Its equity ratio was 79.5 per cent (80.0 per cent).

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.ilkkayhtyma.fi.

IAS/IFRS

Ilkka-Yhtymä Oyj will adopt IFRS-compliant financial statements as of 2005.

Started in 2002, the IFRS transition project has progressed as planned.

For Ilkka-Yhtymä, the shareholders' equity on the IFRS opening balance sheet will be affected, for example, by measuring shares under current assets at fair value for the portion exceeding their acquisition cost, and measuring other shares at fair value. Various balance sheet items will also be re-categorised on the opening balance sheet. The IFRS income statement will show securities trading at net value under financial income and expenses, which will be reflected in lower net sales than those reported under FAS.

Shares

The Series II shares of Ilkka-Yhtymä Oyj are listed on the main list of the Helsinki Exchanges as of 10 June 2002. The company's Series I shares are listed on the I listing of the Helsinki Exchanges. The Series I and II shares of Ilkka-Yhtymä Oyj have been traded splitted as of 13 May 2004. The number of shares after the split is fourfold in both series compared to the figure before.

The number of Series I shares of Ilkka-Yhtymä Oyj traded on the Investors' List during the period January to September was 76,214 (without split-adjustment 36,683), which is 2.0 per cent of series share stock. Their trading value was EUR 0.6 million. The number of Series II shares traded on the main list was 3,410,250 (without split-adjustment 1,139,301), which equals to 37 per cent of the series share stock. Their trading value was EUR 26.5 million. During the period under review, the lowest quotation for a Series I share of Ilkka-Yhtymä Oyj was EUR 6.50 and the highest EUR 9.25 (without split-adjustment EUR 37). The lowest quotation for a Series II share was EUR 6.01 and the highest EUR 8.47 (without split-adjustment EUR 33.89).

At the end of the review period the share capital had a market value of EUR 90.7 million.

Administration and The Annual General Meeting

The Annual General Meeting (AGM) of 26 April 2004 approved the financial statements, discharged the members of the Supervisory Board and the Board of Directors as well as the Managing Director of any liability, and decided to distribute a dividend of EUR 4.00 per share.

The AGM authorised the Board of Directors to decide, within twelve months from the date of the meeting, to

increase share capital as opposed to the shareholders' subscription privileges, if required, by a maximum of EUR 651,793 and/or to issue convertible bonds and/or stock options.

The AGM decided to alter Article 2 of the Articles of Association. The AGM decided also that, in order to increase the number of company shares (split shares), the nominal value of the share, EUR 1.00, will be divided by four, resulting in a new nominal value of EUR 0.25 per share, the number of shares totalling 13,036,296. The number of Series I and II shares after the split is fourfold in both series compared to the figure before.

Of the members of the Supervisory Board whose terms of service had come to an end, the AGM re-elected the following members: Vesa-Pekka Kangaskorpi, Aarno Puumala, Matti Ritämäki and Jyrki Viitala. Jarmo Rinta-Jouppi and Kimmo Simberg 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 regular auditors. Päivi Virtanen, Authorised Public Accountant, and Johanna Winqvist-Ilkka, Authorised Public Accountant, were elected as deputy auditors.

At its meeting on 24 May 2004, The Supervisory Board of Ilkka-Yhtymä Oyj re-elected Jaakko Aukia to the board of Directors of Ilkka-Yhtymä Oyj. Veikko Heikkilä continues as the Chairman of the Board of Directors. Jaakko Rintala will continue as the Chairman of the Supervisory Board

Changes in the group structure

Ilkka-Yhtymä Oyj acquired 14.5 per cent (7,229 shares) of Savon Mediat Oy's stock in a purchase made on July 1, 2004. The total purchase price came to around EUR 7.3 million. As a result of this acquisition, Ilkka-Yhtymä Oyj's holdings in Savon Mediat Oy increased from 11.2 per cent to 25.6 per cent. Savon Mediat Oy is a subsidiary of Keski-suomalainen Oyj. Savon Mediat publishes Savon Sanomat, and, through its subsidiaries, Iisalmen Sanomat, Warkauden Lehti, and several local newspapers in the Kuopio, Iisalmi, and Pieksämäki-Varkaus market areas.

Savon Mediat Oy becoming an associated company of Ilkka-Yhtymä Oyj enables the further development of the cooperation between newspaper houses operating in the Väli-Suomi region on the basis of the ownership arrangement concluded on November 22, 2001. Ilkka-Yhtymä Oyj considers cooperation between newspaper houses to be important in preparing for future challenges in the operating environment and the field.

Ilkka-Yhtymä Oyj used the minority shareholders' primary preemptive right to subscribe to Savon Mediat Oy shares, as per the agreement concerning the ownership of Savon Mediat Oy. In accordance with the agreement, Sanoma Osakeyhtiö offered its 14.5 per cent share in Savon Mediat Oy to other minority shareholders (TS Yhtymä Oy and Ilkka-Yhtymä Oyj), and Ilkka-Yhtymä Oyj decided to use its preemptive right.

The minority shareholders' put option and Keski-suomalainen Oyj's call option, under the shareholder agreement, remain effective.

Major shareholders by share capital according to the register of owners (all shares)

	Series I	Series II	Shares in total	% of shares
30 Sep. 2004				
Arnedo Oy	146 864	2 312 408	2 459 272	18.86%
Laakkonen Reino		406 168	406 168	3.12%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	90 560	160 000	250 560	1.92%
Etelä-Pohjanmaan Lehtiseura Ry	175 900	52 696	228 596	1.76%
Aukia Jaakko	168 016	55 840	223 856	1.72%
Keski-Pohjanmaan Kirjapaino Oyj	180 808	41 472	222 280	1.71%
TS-Yhtymä	35 600	106 560	142 160	1.09%
Keskinäinen Vakuutusyhtiö Tapiola	128 400		128 400	0.99%
Vahinkovakuutusosakeyhtiö Pohjola	37 376	88 728	126 104	0.97%
Mutka Heikki	58 684	62 236	120 920	0.93%
Ten majos shareholders, total	1 022 208	3 286 108	4 308 316	33.07%
Other owners	2 803 624	5 924 356	8 727 980	66.93%
Total	3 825 832	9 210 464	13 036 296	100.00%

Group net sales by operating sector (1000 EUR)

	Jan.-Sep. 2004	Jan.-Sep. 2003	Change	Jan.-Dec. 2003
Publishing	29,947	28,907	4 %	39,125
Graphics sector	16,216	18,246	-11 %	24,577
Rentals	489	220	122 %	296
Other sales	1,507	1,375	10 %	1,839
Securities trading	16,556	9,030	83 %	12,618
Internal sales	-9,486	-9,247	3 %	-12,419
Total	55,229	48,532	14 %	66,036

Group net sales by market area (1000 EUR)

	Jan.-Sep. 2004	Jan.-Sep. 2003	Change	Jan.-Dec. 2003
Finland	54,102	46,971	15 %	63,803
Other Nordic countries	1,127	1,561	-28 %	2,233
Total	55,229	48,532	14 %	66,036

Group income statement (1000 EUR)

	Jan.-Sep. 2004	Jan.-Sep. 2003	Change	Jan.-Dec. 2003
Net sales	55,229	48,532	14 %	66,036
Other operating income	550	314	75 %	2,815
Expences	45,204	39,680	14 %	54,318
Depreciation	2,352	2,329	1 %	3,108
Operating profit	8,223	6,836	20 %	11,425
Financial income and expences	1,275	2,191	-42 %	2,314
Profit before taxes	9,497	9,027	5 %	13,739
Taxes	-2,670	-2,592	3 %	-3,956
Profit for the period under review	6,827	6,435	6 %	9,783

Group balance sheet (1000 EUR)

	30 Sep. 2004	30 Sep. 2003	Change	31 Dec. 2003
Assets				
Intangible assets	580	437	33 %	486
Tangible assets	24,684	22,929	8 %	23,195
Investments	14,832	9,415	58 %	6,673
Inventories	5,233	5,276	-1 %	5,667
Receivables	18,847	27,202	-31 %	28,042
Cash and bank deposits	474	2,730	-83 %	4,563
Assets total	64,650	67,987	-5 %	68,626
Liabilities and shareholder's equity				
Shareholders' equity	48,290	51,244	-6 %	54,499
Group reserve	43	215	-80 %	172
Deferred tax liability	3,055	3,233	-6 %	3,187
Non-current liabilities	315	441	-29 %	315
Current liabilities	12,947	12,854	1 %	10,452
Liabilities total	64,650	67,987	-5 %	68,626

Group operating profit by operating sector (1 000 EUR)

	Jan.-Sep. 2004	Jan.-Sep. 2003	Change	Jan.-Dec. 2003
Publishing	5,520	4,712	17 %	6,318
Graphics sector	1,718	1,747	-2 %	2,159
Rentals	373	112	233 %	151
Other sales	-921	-588	57 %	1,497
Securities trading	1,418	773	83 %	1,194
Inter-group transactions	115	80	44 %	107
Total	8,223	6,836	20 %	11,425

Group cash flow statement (1 000 EUR)

	Jan.-Sep. 2004	Jan.-Sep. 2003	Jan.-Dec. 2003
Cash flow from operations			
Profit before extraordinary items	9,497	9,027	13,739
Adjustments	-2,256	-1,772	-3,899
Change in working capital	983	1,160	-323
Financial income and expences	2,557	1,553	3,974
Direct taxes paid	-1,475	-955	-2,382
Cash flow from operations	9,307	9,012	11,109
Cash flow from investments			
Investments in tangible and intangible assets, net	-3,842	-1,332	-2,546
Other investments, net	-7,956	-673	4,400
Dividends received from investments	555	1,187	1,187
Cash flow from investments	-11,243	-817	3,042
Cash flow before financing items	-1,936	8,195	14,151
Cash flow from financing			
Change in current loans	-63	-63	
Change in non-current loans			-126
Change in current receivables		21	21
Change in non-current receivables	4		
Dividends paid and other profit distribution	-12,857	-8,029	-8,038
Cash flow from financing	-12,916	-8,071	-8,143
Increase (+) or decrease (-) in financial assets	-14,853	124	6,008
Liquid assets at the beginning of the financial period	23,024	17,015	17,015
Liquid assets at the end of the financial period	8,171	17,139	23,024

Events after Q3/2004

At its meeting on 1 October 2004, the Board of Directors decided to propose to the Supervisory Board that an extraordinary general meeting be convened on 10 December 2004. The Board of Directors proposes to the extraordinary general meeting that an extra dividend be distributed.

The proposed dividend payable is EUR 0.60 per share, or a total of EUR 7,821,777.60. The Board of Directors regards the payment of extra dividends as appropriate

since the company holds tax surpluses and profits retained over previous years, which the company's core businesses do not currently need. The Group's core business, or the publishing and printing of multi-channel newspapers, is in good condition, requiring no major replacement investment in the next few years.

The Group is prepared to use share-issue / convertible-bond-issue authorisations to finance any company acquisitions.

Group key figures

	30 Sep. 2004	30 Sep. 2003	31 Dec. 2003
Earnings/share (e) *)	0.52	0.49	0.75
Shareholders' equity/share (e) *)	3.70	3.93	4.18
Average number of personnel	434	452	446
Investments (1000 eur)	12,333	2,044	4,083
Interest-bearing debt (1000 eur)	378	505	441
Equity ratio, %	79.5	80.0	81.0

Group contingent liabilities (1000 EUR)

	30 Sep. 2004	30 Sep. 2003	31 Dec. 2003
For own debt			
Mortgages on company assets	505	1,245	1,245
Other liabilities			
Mortgages on real estates	168	168	168
For others			
Guarantees	161	818	145

*) 2003 figures per share split-adjusted

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

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

The figures have not been audited.

Outlook for the year-end

Consolidated net sales of the core businesses of Ilkka-Yhtymä, i.e. publishing and printing, are estimated to decrease slightly on the year before, due to intensified competition in the printing industry although the net sales from the publishing businesses are expected to increase slightly. The Group's total net sales will grow compared to year 2003 due to securities trading. The relative oper-

ating profit and the net profit of the Group's core businesses are estimated to remain almost at the same level as the previous year. In spite of better net profit in securities trading the results for the year will decrease due to the dividends and sales profit received from the sales of the fixed-assets shares in 2003.

Seinäjoki, October 2004

ILKKA-YHTYMÄ OYJ

Board of Directors

Matti Korkiatupa
Managing Director



Ilkka-Yhtymä Oyj

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