

Annual Report 2012



ILKKA-YHTYMÄ

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I-print Oy



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Printed product



” **High-quality newspapers will continue to play an important role in the success story of Finnish society.**

**Matti Korkiatupa, Managing Director,
Ilkka-Yhtymä Oyj**

A year of development

THE BUSINESS ENVIRONMENT in the media sector was challenging in 2012. The positive outlook of the first half of the year turned increasingly negative as the financial crisis progressed. Economic growth slowed, leading to a 3% fall in advertising in Finland. The 9% value-added tax imposed on subscription newspapers at the same time also contributed to a decline in circulation volumes, and to readers and advertisers moving to the use of advertiser-funded online and mobile services. The future will show how fast consumers and advertisers will switch to using facsimile editions subject to a charge. High-quality newspapers have played and will continue to play an important role in the success story of Finnish society and civilisation, regardless of how they are used.

Global players, whose business environment differs from that of Finnish media companies in terms of taxation, for example, have entered the Finnish advertising market, challenging the traditional domestic media. Meanwhile, the new tax-based financing model of Yle, the Finnish Broadcasting Company, has enabled it to invest in new delivery channels, thereby limiting the opportunities of domestic media to generate revenue.

WITH THE INCREASING competition and the declining circulation, advertising and printing revenues, media companies have been forced to adjust their operations and cut their workforce. For example, the financial statements of the associated company Alma Media include EUR 11.9 million of restructuring expenses and write-downs. Our own net sales and profitability have also weakened. Thanks to development measures implemented in recent years, our operational profitability has remained satisfactory, but the EUR 22 million write-down on the holding in the associated company Alma Media pushed the results into the red.

IN PREPARATION FOR slowing economic growth in the strategy period 2013–2015, we have been analysing our operational processes during the year and looking

at where improvements could be made. The greatest operational overhaul will be the gradual change of our provincial newspapers' editorial partner over the course of 2013, with Alma Regional Media replacing Väli-Suomen Media. This change is based on our strategy regarding the long-term development of our operations in cooperation with the regional newspapers of Alma Media, a company operating in the neighbouring regions that is partially owned by us. The collaboration concerns both traditional newspaper journalism and content published in digital format, as well as the related development and training projects.

WE HAVE PREPARED for the rising personnel expenses for 2013 by implementing voluntary personnel arrangements and a strict personnel budget. We will be developing our working methods and employee skills, in order to improve employee productivity and working atmosphere. We have renewed our newspaper delivery contracts with Itella to cover the entire strategy period. Our investments and other development projects have been prioritised to offer the shortest possible payback period.

Despite strict cost control, we will invest in new and innovative service, marketing and sales activities, to maintain volumes and productivity. We have launched tablet applications for provincial newspapers and the related new pricing models, and we are working on self-service channels for consumer customers. This year, we will also focus on our total offering for corporate customers as well as mobile advertising and news services.

I would like to thank all of our employees for their successful work in a challenging business environment, and our customers and members of the administration for fruitful cooperation.

Matti Korkiatupa
Managing Director

Ilkka-Yhtymä Group in Brief

ILKKA-YHTYMÄ GROUP is a media group comprising the parent company Ilkka-Yhtymä Oyj, the publishing company I-Mediat Oy and the printing house I-print Oy. The Group also includes two property companies and Alma Media Corporation, Arena Partners Oy, Väli-Suomen Media Oy and Yrittävä Suupohja Oy as associated companies.

The Series I shares of Ilkka-Yhtymä Oyj have been listed on the Helsinki Stock Exchange since 1981. The Series II shares have been listed since their issue in 1988 and, on 10 June 2002, they were listed on the Main List of the Helsinki Stock Exchange. At present, the Series II shares of Ilkka-Yhtymä Oyj are listed on the NASDAQ OMX Helsinki List, Consumer Services sector, the company's market value being classified as Mid Cap. The Series I shares are listed on the Pre List.

The parent company is responsible for the Group's management, strategic planning and development of strategies together with its subsidiaries. Ilkka-Yhtymä Oyj offers its subsidiaries services ranging from financial and investment services to human relations, development and information management and property maintenance services.

CORPORATE RESPONSIBILITY has been the cornerstone and driving force behind Ilkka-Yhtymä's operations throughout the firm's more than century-long history. Journalistic publishing independent of external pressure lies at the core of its operations. The Group is also strongly committed to its home region. In many respects, this is reflected in the operations of the Group and its various parts. The Group aims to develop the region by participating in chamber of

commerce activities and those of entrepreneurial organisations, as well as in joint marketing of the region. It also supports the region's universities and other higher education institutions through donations and, via cooperation agreements, promotes voluntary civic activities, particularly youth work, in associations and organisations. The Group's newspapers also maintain links with schools, with the aim of supporting regional institutions - from day-care centres all the way to universities - in their media education and use of newspapers in teaching.

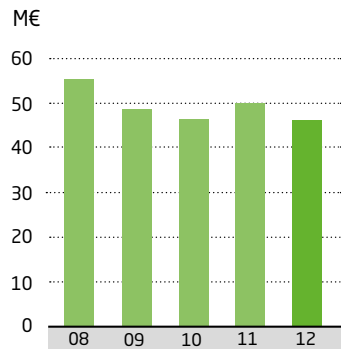
The Group's ambition to develop the region can also be seen in its objective of building a competitive and modern communications infrastructure. Development of electronic communications and electronic services is an integral part of these efforts. Ilkka-Yhtymä also highlights the regional perspective in organisational activities within the sector. The Group is an active member of the Finnish Newspapers Association, the Federation of the Finnish Media Industry and Graafinen Teollisuus ry (the Finnish graphic industry association).

Responsibility is also crystallised in the Group's values, mission and vision. Ilkka-Yhtymä is an Ostrobothnian communications company with customer-driven, profitable and networked operations. It actively contributes to the sector's development and generates economic and cultural added value for its stakeholders. By participating in cultural and sports events, both large and small, within its circulation areas, the Group promotes the region's sense of community and, thereby, takes responsibility for general well-being.

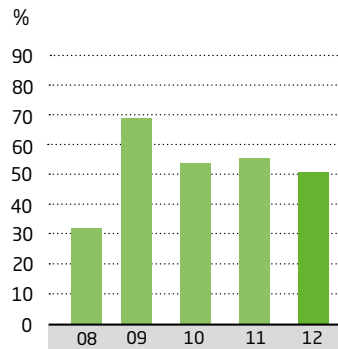
ILKKA-YHTYMÄ GROUP (IFRS)	2012	2011	Change -%
Net sales, MEUR	46.2	50.0	-7.6
Operating profit excluding the write-down, MEUR	11.1	17.6	-36.7
Reported operating profit/ loss, MEUR	-10.9	17.6	-161.8
Profit before tax excluding the write-down, MEUR	8.6	13.8	-37.7
Reported profit/ loss before tax, MEUR	-13.4	13.8	-197.4
Return on investment (ROI) excluding the write-down, %	6.6	9.6	
Reported return on investment (ROI), %	-6.2	9.6	
Earnings per share (EPS) excluding the write-down, EUR	0.31	0.49	-37.6
Reported earnings per share (EPS), EUR	-0.55	0.49	-211.1
Dividend per share, EUR	0.15 *)	0.40	
Equity ratio, %	50.7	55.5	
Gross capital expenditure, MEUR	1.3	4.4	-70.3
Personnel	336	341	-1.5

*) Board of Directors' proposal

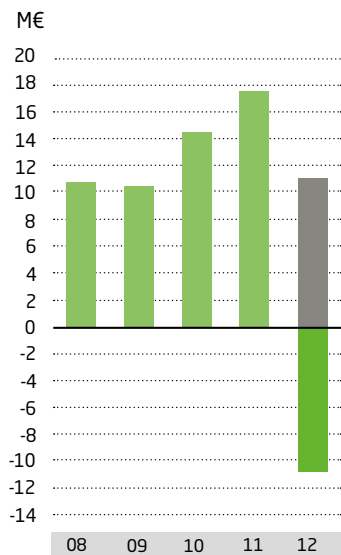
NET SALES



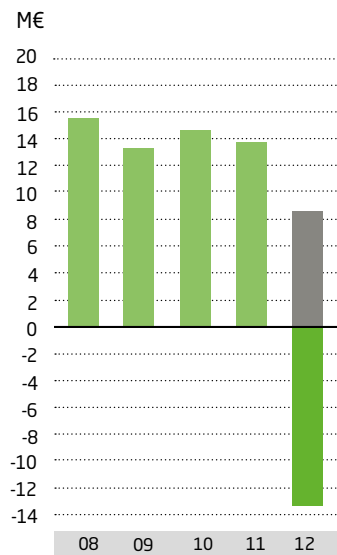
EQUITY RATIO



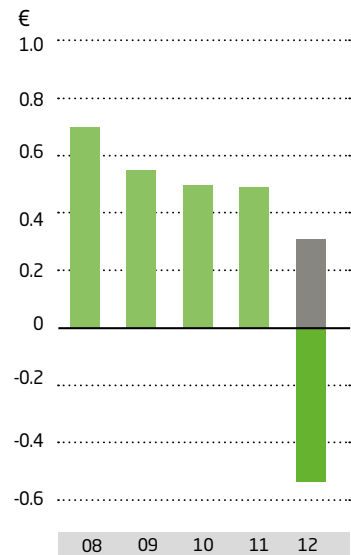
OPERATING PROFIT



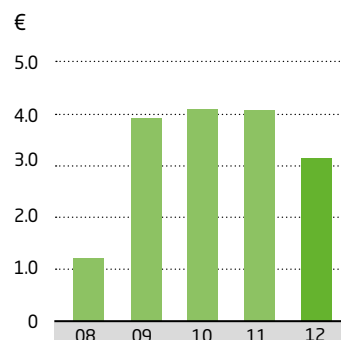
PROFIT BEFORE TAXES



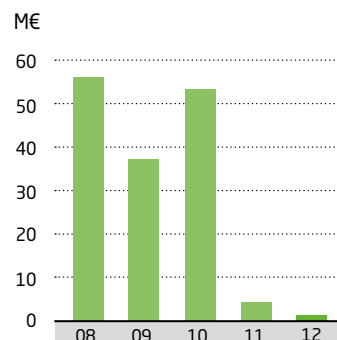
EARNINGS PER SHARE



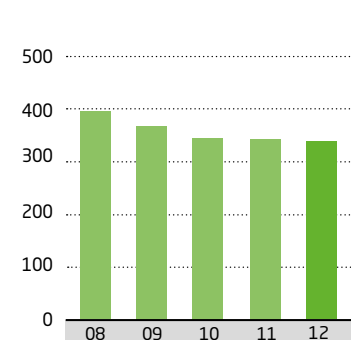
EQUITY PER SHARE



CAPITAL EXPENDITURE



PERSONNEL



Ilkka-Yhtymä's History

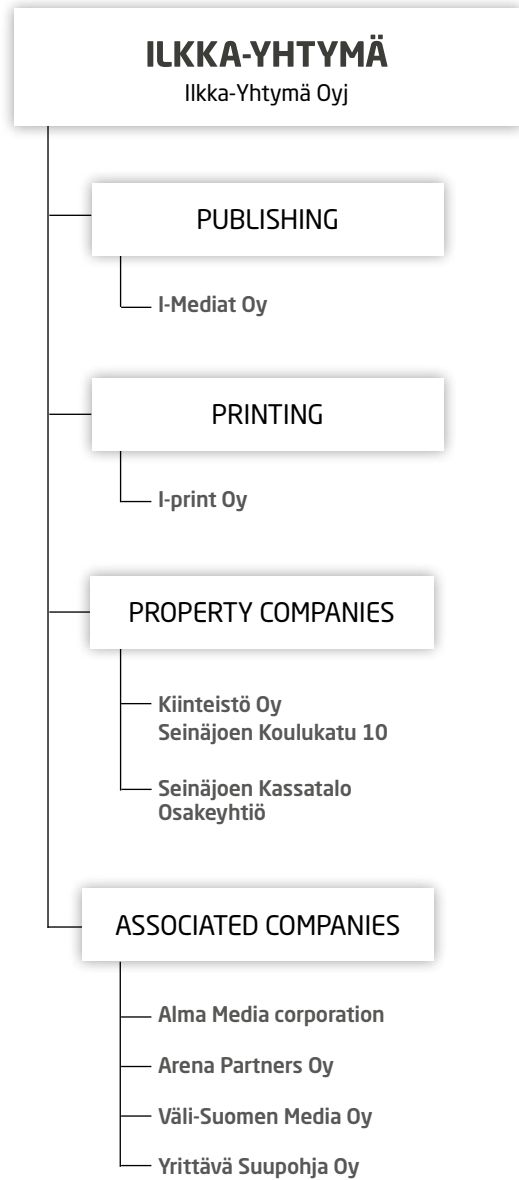
- 1906** Ilkka established.
- 1962** Ilkka Oy moves from Vaasa to Seinäjoki.
- 1981** Ilkka's shares (current Series I shares) listed on the Broker's List of the Helsinki Stock Exchange.
- 1988** The new Series II shares listed on the Broker's List.
- 1992** Acquisition of Vaasa Oy: Papers Pohjalainen (established in 1903) and Etelä-Pohjanmaa.
- 1980-1990's**
Acquisition of local newspapers: Viiskunta, Härmät, Suupohjan Sanomat, Jurvan Sanomat and Järviseutu.
- 1995** Dismantling of Pro Lehdistö; Ilkka obtains 16.8% of Savon Mediat Oy.

Local newspapers merged into Ilkka Oy.
- 1997** Introduction of I-print Oy's new print factory.
Holding of 40% in Väli-Suomen Media Oy.
- 1999** Change of name from Ilkka Oyj to Ilkka-Yhtymä Oyj.
Acquisition of HSS Media Ab's printing press in Vaasa.
- 2000** Transfer of assets from Ilkka-Yhtymä Oyj:
- Sanomalehti Ilkka Oy (Ilkka)
- Pohjanmaan Lähisanomat Oy (Etelä-Pohjanmaa, Viiskunta, Suupohjan Sanomat, Jurvan Sanomat, Härmät and Järviseutu.)
Holding of 25.9% in Arena Partners Oy.
- 2001** Divestment of 5.6% from Savon Mediat Oy (11.2%).
- 2002** Ilkka-Yhtymä Oyj's Series II shares transferred to the Main List of the Helsinki Stock Exchange.
- 2004** Acquisition of 14.4 % in Savon Mediat Oy (25.6%).
- 2006** Divestment of holding from Savon Mediat Oy.
- 2008** Acquisition of the newspaper Kauhava

A 7% holding acquired from Alma Media Corporation (10.3%)
- 2009** A 10.1 % holding acquired from Alma Media Corporation (20.4 %).

Merger 31 December 2009
- Sanomalehti Ilkka Oy and Pohjanmaan Lähisanomat Oy merged with Vaasa Oy, renamed I-Mediat Oy on 1 January 2010

Holding in Arena Partners Oy changed (37.82%)
- 2010** A 9.66% holding acquired from Alma Media Corporation (29.79%).



OUR MISSION

Ilkka-Yhtymä is a customer-oriented and profitable Ostrobothnian media Group which produces financial and cultural added value for its interest groups. The Group is networked, and participates actively in the development of its industry.

VISION

Ilkka-Yhtymä is in demand, successful and is a **media group that operates in the spirit of the times.**

VALUES

*We respect
We are innovative
We succeed
We care*

STRATEGY

THE CORNERSTONES OF ILKKA-YHTYMÄ'S STRATEGY IN 2013-2015

1. Ilkka-Yhtymä is a customer-driven and cost-effective communications company with networked operations.
2. We will focus on our core businesses, publishing and printing cross-media newspapers, and investigate opportunities for expansion into other areas of the media industry.
3. We will seek to grow both organically and through our associate companies.
4. We will keep our newspaper brands apart while providing common content and services, taking the needs of customers and network partners into account.
5. We will invest in product development, and in the well-being and strategically important areas of expertise of our staff.
6. Our functions steer and develop our business processes in pursuit of improving our profitability and competitiveness.
7. We allocate our long-term investments to strategic targets, focusing on potential industry restructuring.

GROWTH AND PROFITABILITY

The growth target for operating net sales will correspond to at least the level of growth occurring in domestic consumers' purchasing power. Other objectives: ROI (return on investment) 10%, ROE (return on equity) 15% and equity ratio minimum 40%.

OWNERSHIP AND DIVIDEND POLICY

We will guarantee the satisfaction of our owners through a good financial result and profit distribution policy. Ilkka-Yhtymä Oyj practices an active dividend policy and aims to distribute at least half of its consolidated annual income as dividend payments, taking into consideration the financing required for profitable growth and the company's future outlook.

THE GROUP'S PARENT COMPANY



ILKKA-YHTYMÄ

Ilkka-Yhtymä Oyj

Managing Director Matti Korkiatupa

I-MEDIAT OY

Managing Director Matti Korkiatupa

PROVINCIAL PAPERS

ILKKA

Chief Editor
Satu Takala

POHJALAINEN

Chief Editor
Kalle Heiskanen

FREE SHEETS

Etelä-Pohjanmaa, Vaasan Ikkuna

LOCAL NEWSPAPERS

**Jurvan Sanomat, Järviseuu,
Komiä, Suupohjan Sanomat, Viiskunta**

Corporate Marketing: Hannu Uusihauta, Director
Consumer Marketing: Päivi Sairo, Director
Web and Mobile Business: Marko Orpana, Director
Local newspapers: Sauli Harjamäki, Director

I-PRINT OY

Managing Director Seppo Lahti

Newspaper printing, sheet- and digital printing,
the Communications agency I-print | plus

Kiinteistö Oy Seinäjoen Koulukatu 10
Seinäjoen Kassatalo Osakeyhtiö
Pohjalaismediat Oy

THE PARENT COMPANY PROVIDES THE SUBSIDIARIES WITH:

Financial and investment services, Paula Anttila, Financial Director | HR services, Paula Mahlamäki, Human Resources Manager
Development and data management services, Ari Monni, Data Administration and Development Manager
Real-estate services, Heikki Lehtola, Construction Engineer

Information to Shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Ilkka-Yhtymä Oyj will be held on Thursday, 18 April 2013 at 3 p.m. at Seinäjoen teknologiakeskus Oy (FRAMI). The address is Kampusranta 9 B, FIN-60320 Seinäjoki.

DIVIDEND DISTRIBUTION

The Board of Directors proposes to the AGM that a per-share dividend of EUR 0.15 be paid for 2012. If this proposal is approved, the record date of dividend payment will be 23 April 2013, and the dividend will be paid on 30 April 2013.

Shareholders whose shares have not been entered in the book-entry system by the record date will be paid the dividend once their shares have been entered.

SHARE REGISTER

Ilkka-Yhtymä Oyj's share information is maintained by Euroclear Finland Oy, telephone +358 20 770 6000, fax +358 20 770 6658. Issues relating to shareholder information are handled by Ilkka-Yhtymä Oyj's Financial Service Department, located at Koulukatu 10, FIN-60100 Seinäjoki, telephone +358 6 247 7127.

FINANCIAL INFORMATION

In 2013, Ilkka-Yhtymä Oyj will publish interim reports as follows: for the period January-March on 6 May 2013, for the period January-June on 5 August 2013, and for the period January-September on 4 November 2013. These will be available both in Finnish and English on our website at www.ilkka-yhtyma.fi and can also be ordered from internet at www.ilkka-yhtyma.fi under Sijoittajat - Materiaalit - Materiaalitilaus (Finnish web address only) or by calling +358 6 247 7125.

Stock exchange releases and statements published by Ilkka-Yhtymä Oyj in 2012 are available on the company's website at www.ilkka-yhtyma.fi.

IFRS FINANCIAL STATEMENTS

The consolidated financial statements presented in Ilkka-Yhtymä Oyj's annual report have been prepared in accordance with the International Financial Reporting Standards, IFRS. Before the adoption of IFRS, the Group's financial reporting was based on the Finnish Accounting Standards, FAS. The Group adopted IFRS on 1 January 2004. The financial statements of the parent company have been prepared in accordance with the Finnish Accounting Standards.

All the figures in the annual report are rounded, so the sum of separate figures may differ from that presented in the report.

ILKKA-YHTYMÄ OYJ'S AGM

18 April 2013
at 3 p.m.

INTERIM REPORT

JANUARY-MARCH
6 May 2013

CLOSED WINDOW 8 April - 6 May 2013

INTERIM REPORT

JANUARY-JUNE
5 August 2013

CLOSED WINDOW 8 July - 5 August 2013

INTERIM REPORT

JANUARY-SEPTEMBER
4 November 2013

CLOSED WINDOW 7 October - 4 November 2013

ILKKA-YHTYMÄ OYJ'S WEBSITE
WWW.ILKKA-YHTYMA.FI

Business environment

GENERAL ECONOMIC TRENDS

IN ITS ECONOMIC Bulletin of 20 December 2012, the Ministry of Finance projects GDP contraction of approximately 0.1% in 2012. In 2013, GDP growth is expected to come in at 0.5%. According to Statistics Finland, the inflation rate reached 2.4% in December, while the average inflation rate for 2012 stood at 2.8%.

The latest consumer survey of Statistics Finland, published in January, shows that consumer confidence in the economy is slightly higher than a year ago, but clearly below the long-term average. Private consumption is estimated to have grown by 1.5% in 2012. The projected growth for private consumption in 2013 is in the region of 0.6%.

According to Statistics Finland, the unemployment rate for 2012 was 7.7%, while the figure for 2011 was 7.8%. The preliminary estimate is that the average increase in wage earners' income levels was 3.5% from the previous year, while real earnings rose by 0.7%.

DEVELOPMENT OF THE OPERATING REGION

SOUTH OSTROBOTHNIA is famous for its entrepreneurial spirit, fertile land and diverse cultural activities. The strongest clusters are the food industry, the metal and technology industry and the wood product industry.

The uncertainty surrounding the global economy has led to general cautiousness in South Ostrobothnia, reducing the willingness to invest and recruit among export companies in particular. The prevailing mood is one of anticipation, and the perspective on the future is fairly short. In the metal and wood product industry, order books are below average and differences between companies have increased.

With respect to construction, there are quite a lot of projects that are in the planning phase. Large retail trade operators have been investing actively in the region, but the pace of investment is expected to slow down over the next few years. In the food industry, regional investments made by major corporations are creating a positive tone. The closing of the Training Air Wing of the Finnish Defence Forces in Kauhava by the end of 2014 will have an impact on the regional economy.

IN OSTROBOTHNIA, the key activities are those related to the energy cluster: energy production; the manufacture of metal products, machinery and equipment, and electrical appliances; and their servicing and repair. The energy cluster in the Vaasa region is the largest of its kind in the Nordic countries. Investments made in this cluster also bring employment to the construction sector.

Compared to the whole of Finland, agriculture and forestry is another important sector, in which specialised production can be found in areas such as underglass production and fur farming. In commerce and services, major investments are in the pipeline.

The order books of key businesses in the energy cluster have remained stable, and new investments are on the way. The general mood can be characterised as hopeful. The unemployment rate is the lowest in mainland Finland. The European sovereign debt crisis and its repercussions for the region's business life remain an unresolved issue. The strongly expanding Asian markets have become increasingly important for Ostrobothnia in recent years, reducing its dependence on Europe. ♦

Development of the media sector in Finland

ACCORDING TO a survey conducted by TNS Gallup Oy and commissioned by the Finnish Advertising Council, media advertising decreased by 2.9% in 2012. Advertising in newspapers fell by 8.1%, while advertising in free sheets decreased by 1.3%. Newspapers and free sheets accounted for 34.1% and 5.6% of media advertising, respectively. Web media advertising saw an increase of 10%, representing a 17.8% share of media advertising.

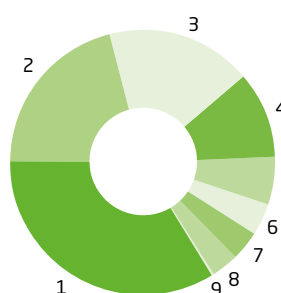
Money spent in 2012 on media advertising in Finland totalled EUR 1,353 million. Money spent on advertising in printed newspapers came to EUR 461.6 million. Print media accounted for 54.1% of media advertising, i.e. EUR 731.7 million.

READING NEWSPAPERS on mobile phones and tablets is rapidly gaining in popularity. Meanwhile, printed newspapers have retained wide readerships. The National Readership Survey indicates that 94 per cent of Finns aged 12 or above read a printed newspaper or magazine at least once a week.

The number of readers of printed papers fell slightly in 2012. With regard to newspapers and their supplements, the number of readers shrank by 3.2% compared to the survey completed six months earlier (autumn 2011/spring 2012).

In 2011, the total circulation for printed newspapers was 2,693,123 copies, decreasing by 2.7% year-on-year. Of newspapers' total circulation, 7-day newspapers represent slightly over half. Circulation of daily newspapers, i.e. newspapers issued 4 to 7 times a week, fell by 3.2%. For local and other newspapers issued 1 to 3 times a week, circulation declined by 1.5% (Suomen Lehdistö 6-7/2012). ♦

MEDIA ADVERTISING BREAKDOWN 2012



1. Newspapers	34.1 %
2. Television	20.7 %
3. Online media	17.8 %
4. Magazines	10.8 %
5. Free sheets, delivered and take away	5.6 %
6. Radio	4.1 %
7. Printed directories	3.6 %
8. Outdoor advertising	3.2 %
9. Movies	0.2 %
	100 %

Co-operation to boost efficiency

Newly established cooperation with Alma Regional Media will improve the newspapers' editorial quality and increase their efficiency.

EDITORIAL COLLABORATION between newspapers is important in the face of ever-increasing competition for readers' time and money. In the year under review, Ilkka and Pohjalainen decided to begin working with Alma Regional Media. The cooperation will begin gradually throughout this year. The long-term partnership with Väli-Suomen Media will be phased out by the end of 2013.

The objective of this new partnership is to improve the newspapers' editorial quality and increase their efficiency. The extensive cooperation also covers areas such as employee training and the development of the newspapers' content, appearance and editorial applications.

AT THE JOINT EDITORIAL DEPARTMENT of Ilkka and Pohjalainen, 2012 began with extensive journalistic development projects. Do the contents of our provincial newspapers meet the requirements of today's readers? Does the digital way of working change the content of printed papers? The editorial staff found good answers in reader surveys and launched a journalistic reform that lasted the whole spring.

In addition to the editors, the reform

was contributed to by employees from all departments, from marketing and circulation to the web and mobile business.

Editorial collaboration has reached a phase of stable development. This has been shown in the versatile, high-quality contents published in both Ilkka and Pohjalainen. Perseverance has made it possible to avoid cooperation negotiations, which are common in this sector and are often taxing. In theme production, Ilkka and Pohjalainen's joint editorial department played a key role in the cooperation with Kaleva and Keskipohjanmaa.

Ilkka and Pohjalainen have invested in monitoring what is going on in their circulation areas. A special handbook for editors was introduced in 2012. It has helped to further raise the quality of the newspapers. This also applies to commercially successful thematic supplements.

"Readers have been enjoying the fruits of our labour since the spring. News stories now answer readers' questions better than before. They contain more background information on why something happened and what the consequences are," says **Satu Takala**, Chief Editor of Ilkka, who succeeded Matti Kalliokoski in August.



Here at Ilkka-Yhtymä,
everyone is an expert in
their own field.

Petra Rintala, Management Assistant,
Ilkka-Yhtymä Oyj





” The best thing about my job is that it is so diverse. I can have a photo shoot in a cowhouse and a formal party during the same day.

**Tomi Kosonen, Photographer,
I-Mediat Oy, Ilkka and Pohjalainen**

"It is also important to differentiate between online and printed news. They must have their own leads, even if the subject is the same," she adds.

A letter of intent for cooperation with Alma, signed in August, also accelerated the internal arrangements of the joint editorial department. The culture and sports departments in Seinäjoki and Vaasa, which were the only independent departments left, were merged at the beginning of 2013. Shared managers were also appointed for the joint departments. Planning for the cooperation was in full swing in the autumn, and the two editorial departments were ready to start working together in early 2013.

"We also took a step forward in technology, when the departments were merged virtually. Great advances were made in modelled layout," says **Kalle Heiskanen**, Chief Editor of Pohjalainen.

WHEN ASSESSING the responsibility of the editorial staff's work, credibility and reliability are essential. In this sense, one of the fundamental pillars is the separation of journalistic and commercial management. Editorial staff have the power of decision over journalistic content.

Ilkka and Pohjalainen comply with the Guidelines for Journalists, an industry code of ethics. Compliance with these guidelines is controlled by the Council for Mass Media in Finland, on whose board Heiskanen, Pohjalainen's Chief Editor, is a member.

The work of editorial staff is also governed by the Freedom of Speech Act as well as regulations on privacy protection and libel cases. Legal responsibility for the contents of a printed newspaper and its online services lies with the editor-in-chief, who has a personal deputy. If neither of them can be contacted, responsibility for a decision to publish is defined on the basis of supervisory relationships.

In addition to traditional printed papers, responsibility related to electronic channels is receiving greater emphasis. Ilkka and Pohjalainen also have internal guidelines, which are stricter than the industry code of ethics in terms of online services. Anyone who wants to make a comment online must first register and verify their identity, and write under their own name.

FOR LOCAL NEWSPAPERS, 2012 was a good one in view of the general economic climate. However, the situation is about to change in 2013.

"Results will be much affected by 2013 not being an election year. Their significance for local papers is great," notes **Sauli Harjamäki**, director in charge of local newspapers.

The Group publishes the following local papers: Viiskunta, Komiati, Suupohjan Sanomat, Järviseutu and Jurvan Sanomat. Their total circulation is approximately 23,400 copies, and their circulation areas are located within the circulation areas of the Group's regional newspapers, Ilkka

and Pohjalainen, which are published seven days a week.

The key priorities for the operations of all of the local papers are investing in employee skills, product development for multiple channels and effective marketing.

"By improving skills and developing multi-channel services, we can meet the changing needs and expectations of customers. Interpaper cooperation will be further increased, contents will be diversified and visual identities continuously improved," Harjamäki outlines.

Suupohjan Sanomat celebrated its 115th anniversary in 2012. One of the highlights of the year was when Suupohjan Sanomat came second in the Best Pages of the Year contest of the Finnish Newspaper Association, in the category for the front pages of small newspapers.

"Our local papers achieved more success on a national level when Komiati won a contest for the online services of weekly newspapers."

The circulation of local papers has continued to fall slightly, and a change seems unlikely. Harjamäki stresses that retaining a wide circulation is only possible if the newspapers continue to implement a policy of balanced journalism with a strong local angle.

THE GROUP has made constant efforts to improve newspaper deliveries. The delivery services for subscription newspapers have been purchased from Itella Oyj since

Audited circulation	2012	2011
Ilkka	50 527	52 651
Pohjalainen	23 282	24 692
Vaasan Ikkuna *)	55 148	52 338
Etelä-Pohjanmaa *)	46 800	44 500
Jurvan Sanomat	2 088	2 152
Järviseutu	5 167	5 314
Komiati	6 389	6 510
Suupohjan Sanomat	3 993	4 092
Viiskunta	5 773	5 987

*) distribution

PUBLISHING

since 1982. From the beginning of 2013, the deliveries of the Group's free sheets, Epari and Ikkuna, will also be carried out by Itella.

In autumn 2006, Ilkka-Yhtymä signed an agreement with Itella Oyj for the service level of newspaper deliveries regarding the times of both early-morning and daytime deliveries. It was agreed that the delivery of letters and newspapers would largely be made by 9 am throughout South Ostrobothnia, and that the last routes would be completed by 12 noon. In smaller locations, early-morning and daytime deliveries (standard delivery) have been combined so that newspapers and other pieces of mail are delivered at the same time.

The delivery services purchased by Ilkka-Yhtymä from Itella Oyj have been 100% carbon neutral since February 2011 (Itella Oyj press release on 1 February 2011).

CONSUMER MARKETING is responsible for paper sales, consumer advertisements, customer service and marketing support for papers.

The decline in the circulation of traditional print newspapers has been moderate. Ilkka's circulation totalled 50,527 copies (FABC audit 2012) and Pohjalainen's circulation 23,282 copies (FABC audit 2012). Director **Päivi Sairo** says that the drop caused by the imposition of VAT on newspapers was smaller than expected because many papers invoiced subscriptions for 2012 in December 2011.

"Ilkka's circulation fell by four and Pohjalainen's by five per cent. This was in line with the prevailing trend, which is a result of the industry going through a significant change, and is probably close to national levels," she observes.

Slightly more cancellations were recorded, but the situation stabilised towards the end of the year. Meanwhile, growth was registered in digital content that is subject to a charge.

"The introduction of a new digital paper version at the end of the year increased the popularity of digital content

considerably, although readership is still small compared to print newspapers. We offer our print newspaper subscribers a reader-friendly, easy-to-use digital paper at a special price, for only three euros per month."

"Reading the paper on a tablet became possible in December. We believe that easy-to-use tablets will become common relatively quickly. A newspaper is just the right kind of content for such devices," Sairo adds.

The loyal customer programme is popular. In 2012, subscribers used more than 10,000 benefits.

"Tickets for local sports and cultural events have been most in demand. We contribute actively to the operations of provincial cultural organisations and sports clubs. Our group sponsors almost one hundred clubs or events.

In 2013, the consumer marketing unit will focus on providing even better customer service online. User-friendliness will be increased by introducing a subscription price calculator.

"We will be investing in employee skills, to provide our digital customers with the same level of service as our traditional print newspaper customers. We must also be able to handle integrated, multichannel marketing in order to reach our customers through various channels," Sairo emphasises.

IN CORPORATE MARKETING, 2012 was a mixed year. The positive outlook of the first quarter turned into a negative trend in advertisement sales, as a result of the global financial crisis. Director Hannu Uusihauta says that thanks to corrective action taken in the first half of the year, the results for the final quarter were slightly better than expected. Advertisement sales for themed supplements gave cause for satisfaction.

Uusihauta stresses that a newspaper is nowadays much more than a traditional print newspaper.

"The product is still a newspaper, but it has many different distribution channels. A newspaper can be read online, on a tablet or a mobile device."

” I love it when you can surprise readers. When they open the paper in the morning and realise that they didn't read this on the web or see it on the evening news. This is something that only a newspaper can provide.

Nadia Paavola, Managing Editor,
I-Mediat Oy, Ilkka and Pohjalainen





**” Ilkka-Yhtymä is
a progressive company.
This is an environment
that supports and
challenges us to think,
improve things and
ourselves.**

Marko Orpana, Director,
I-Mediat Oy, web and mobile business

Although the circulations of print newspapers are on the decline in Finland, reader volumes have not fallen that much; quite the contrary - in many media, the number of readers has even increased with the launch of new multichannel services, according to Uusihauta.

He draws attention to a special characteristic of newspapers from the perspective of advertisers. When browsing the Internet, people are involuntarily flooded with advertisements. Newspapers, on the other hand, are wanted products that people subscribe to, and this also applies to the advertisements.

"For advertisers, a newspaper is a tool that works and reaches its audience."

The advertising activities of the newspapers were revised in 2012: the focus was shifted to reinforcing the brands. Ilkka and Pohjalainen announced on their pages how effective and reliable a newspaper is as a tool for advertising.

Uusihauta says that strengthening the brand image bore fruit, as did the full coverage programme implemented in Pohjalainen. More frequent additional coverage deliveries led to a significant increase in Pohjalainen's advertisement sales.

"I'm very happy with the reforms. Our brands are strong and inspire great confidence. This contributes to the credibility of the commercial content as well."

"We keep constant track of changes in customer needs and markets and react at once if we feel this is necessary. Taking a long-term view of product development brings the best results," he adds.

Reforms have also been made by upgrading the advertisement sales systems and modernising the sales organisation. The Group offers its own services and various services provided by its holding companies in accordance with the one-stop shop principle. Uusihauta notes that the focus is on deepening the Group's customer relationships.

The next area for development will be improving and intensifying cooperation between the free sheets Epari and Ikkuna. The ways of working of these free sheets, published in Vaasa and Seinäjoki, will be revised while taking the synergies to be gained from cooperation into consideration.

A STRONG UPWARD TREND was seen in the web and mobile business in 2012. **Marko Orpana**, the director in charge of this business, says that many new products and services were created for both consumer and corporate customers that contribute to the implementation of the Group's digital strategy, updated during the year.

"We provide companies with easy, cost-effective and reliable ways to operate in the digital world. We want to be not only a service provider but also a digital marketing consultant for companies in this region."

The objective of the web and mobile business is to develop, maintain and market the Group's digital services in cooperation with the Group's other functions. The unit helps local SMEs to operate in the increasingly digital environment. One example is the palvelut.fi concept, which contains messages from local businesses regarding their products and services.

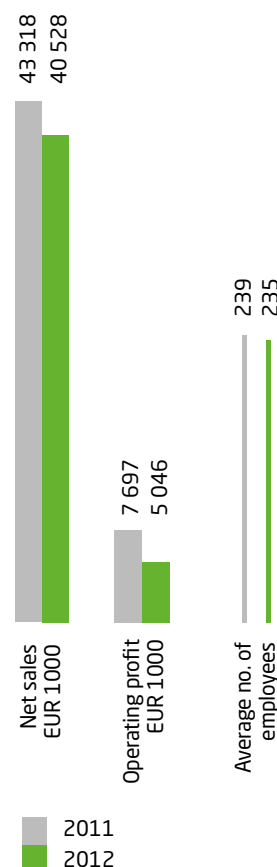
The web and mobile business has networked with several partners in order to provide various services: Etuovi.com, Autotalli.com, Uranus.fi, Arena Interactive's services, Elixir, an ice hockey site, the terve.fi service and the latest addition, the tässä.fi service. According to Orpana, companies have been enthusiastic about this new location-based service. In 2013, this service will also be marketed to consumers.

"We are a powerful online player in regional communications, and nationally as well. Our strategy defines that our offering is not limited to online newspapers; we provide a comprehensive web service," Orpana says.

This development is contributed to by the reform of the web services and facsimile editions of the local papers and free sheets. In addition, the provincial papers launched their tablet applications at the start of the year. A separate web editorial team was set up in early 2013, which has raised the number and quality of news articles.

The growth in visitor numbers to the websites of Ilkka-Yhtymä's various newspaper brands has been promising. The web services provided by Ilkka and Pohjalainen are visited weekly by more than 100,000 visitors using different browsers. ♦

KEY FIGURES

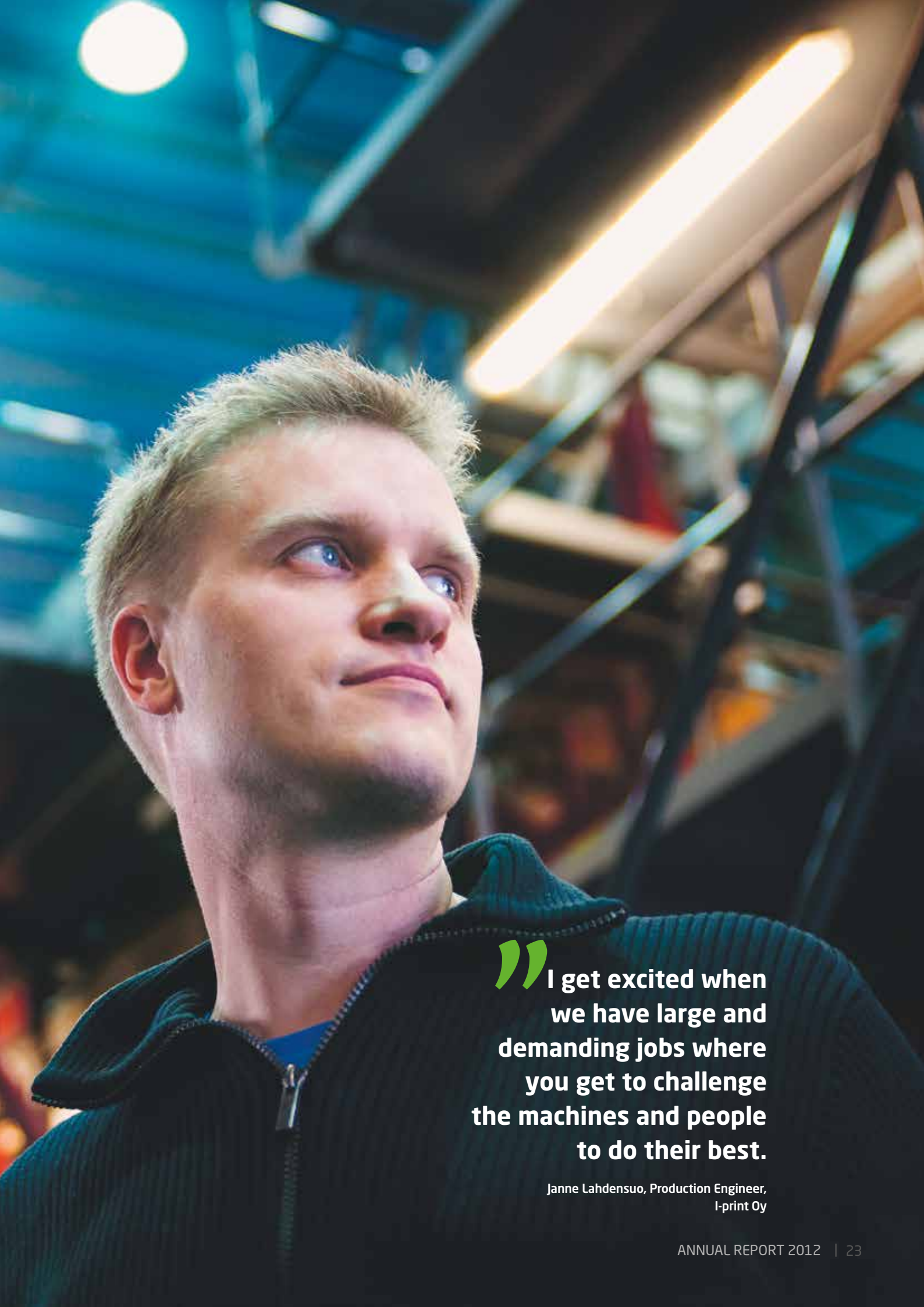


The graphic industry in Finland

AGGREGATE NET SALES from printing and related services are estimated to have decreased by some 1.4% in 2012. The fall in the export of printed material was estimated at around 1%.

According to the Business Tendency Survey published by the Confederation of Finnish Industries EK on 6 February 2013, business trends for printing companies continued to weaken at the end of 2012. Production contracted slightly in October-December and is expected to fall further over the next six months. Capacity utilisation is on the decline and order books are weaker than normal.

THE OUTLOOK is gloomy, since the sluggish demand is showing no signs of recovery. Sales prices have fallen and the number of employees is expected to decrease in the next few months. ♦



” I get excited when we have large and demanding jobs where you get to challenge the machines and people to do their best.

Janne Lahdensuo, Production Engineer,
I-print Oy

Printing business investing in environmental responsibility

In an increasingly digital world, a traditional message printed on paper is still the most effective and often the most environmentally sustainable option.

INVESTING IN environmental responsibility means investing in a bright future, since responsible companies are also often successful when economic indicators are considered. A responsible company ensures its profitability and drives improvement in its operational and production methods. I-print Oy's Managing Director **Seppo Lahti** emphasises that a company must take the wishes and requirements of society and all of its stakeholders into account.

"Here at I-print, responsibility is reflected in the efficiency of our distribution channels and our Nordic Ecolabel certification. The ecolabel indicates that I-print products are among the best in terms of their environmental friendliness.

In August 2012, I-print Oy was awarded Nordic Ecolabel certification for its printing operations. The certification did not require any major changes in the production processes or working methods; all that was needed was minor modifications to reports and a few process details.

"In the future, it is our aim that as many of our printed products as possible will meet the criteria for the Swan label. The ecolabel certification requires strong commitment to environmental activities, since a third party inspects the operations annually as the requirements increase," Lahti explains.

I-PRINT OY'S main products include newspaper rotation, sheet printing and digital printing products as well as communications agency services. The year 2012 was clearly more challenging for this Seinäjoki-based enterprise, due to the global recession.

In newspaper printing, work volumes and the number of pages in newspapers fell, and some customers were also lost. Municipal elections brightened the end of the review period some-

what. Exports were extremely low, due to a lack of possibilities to compete abroad.

Net sales for sheet and digital printing remained roughly the same year-on-year, which was positive, considering the general economic conditions and the prevailing trend in the graphic industry. Investments in new digital and other customer-driven value added services were continued.

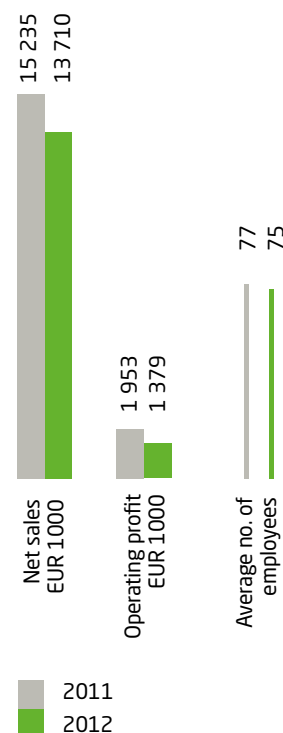
The communications agency I-print | plus serves various organisations in their provision of informative stakeholder communications. Over the course of just a few years, I-print | plus has managed to grow its operations substantially. Its product and service offering has expanded to cover B2B communications ranging from full revamps of organisational identities and the provision of electronic solutions, all the way to harnessing the opportunities provided by social media.

MANAGING DIRECTOR Lahti predicts that the market situation in 2013 will remain difficult in the graphic industry. General economic uncertainty will continue to influence corporate customers' media investments.

"Overcapacity in printing and related operations will persist, which brings about considerable challenges for the profitability of these operations," Lahti says.

In newspaper printing, capacity in Finland will increase in 2013, with the start-up of a couple of new printing presses. Meanwhile, the domestic market is shrinking. The rise in energy and raw material costs is expected to be moderate. Nevertheless, I-print Oy's net sales are projected to remain roughly the same as in the previous year. ♦

KEY FIGURES





**It's great when
work performed
locally receives
nationwide
recognition.**

Kirsi Poltto, Producer,
Communications agency I-print | plus

A learning organisation succeeds when change occurs

A learning organisation is able to use all of its skills productively and increase its knowledge capital. It reinvents itself constantly to meet customer needs and market challenges.

ILKKA-YHTYMÄ is being systematically transformed into a learning organisation. Head of HR **Paula Mahlamäki** emphasises that the operations are based on the entire staff's common understanding of the company's challenges, objectives, strategy and values.

As a result of a value process that lasted for more than a year, the Group now has updated values approved by the Board of Directors: we respect, we are innovative, we succeed and we care. All employees participated in the updating process.

"The values describe what we consider to be important and what kind of behaviour is required from us in order for us to achieve our future objectives. They define what kind of leadership we have and what our decision-making is based on," Mahlamäki explains.

"We want our employer image and values to be such that the new generation will also find us an attractive company."

EMPLOYEE WELL-BEING plays a key role at Ilkka-Yhtymä. Employees are offered opportunities to take fitness tests and participate in longer-term fitness makeovers, which focus on physical and mental well-being. Employees have gyms at their disposal in both Vaasa and Seinäjoki.

"We want people to enjoy their jobs. Em-

ployees who are in good condition mentally and physically can cope better in a demanding environment."

In training and skills improvement, the focus is on the development of function-specific core competencies and individuals' professional skills. A major structural transformation is underway in the sector that poses new challenges for everyone.

"2012 was fast-paced for the Group. New employees were sought for many positions, and a number of people were given an opportunity to show their strengths. The editorial department, in particular, employs a regular job rotation system to increase staff skills. We have new partners, such as our cooperation with Alma. Networking improves the efficiency of work processes and enables us to learn new things," Mahlamäki says.

"As a result of retirement arrangements implemented in 2012, our headcount will fall and we will be really needing our existing talent, who want to develop and challenge themselves as changes take place. As a responsible employer, we constantly commit resources to employee skills, good leadership and well-being at work. This ensures that we can keep up with the changes required by the operations.

All employees are covered by an incentive scheme confirmed annually by the Board of Directors. ♦

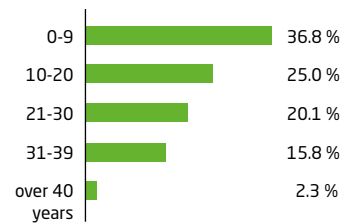




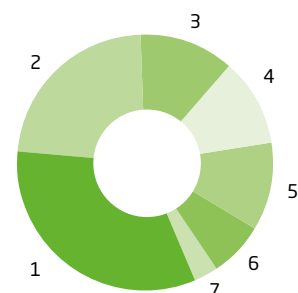
“ Ilkka-Yhtymä provides work for almost 400 people in the provinces of South Ostrobothnia and Ostrobothnia, in ten locations.

Paula Mahlamäki, Head of HR, Ilkka-Yhtymä

BREAKDOWN OF YEARS OF SERVICE

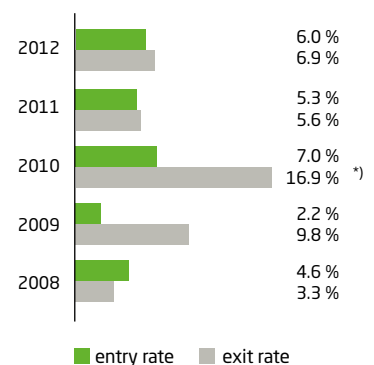


STAFF BROKEN DOWN BY FUNCTION



1. Editorial unit	33 %
2. Production company	23 %
3. Corporate marketing	12 %
4. Local newspapers	11 %
5. Consumer marketing	11 %
6. Corporate services	7 %
7. Web and mobile operations	3 %
Total	100 %

ENTRY AND EXIT RATES FOR THE ENTIRE GROUP 2008-2012



*) The exceptionally high exit rate for 2010 was due to the closure of I-print Oy's Vaskiluoto plant and the agreed voluntary pension arrangements.

Report by the Board of Directors

GROUP STRUCTURE

The Ilkka-Yhtymä Group is a media group that consists of the parent company Ilkka-Yhtymä Oyj, the publishing company I-Mediat Oy, as well as the printing company I-print Oy. The Group also includes two property companies, Kiinteistö Oy Seinäjoen Koulukatu 10 and Seinäjoen Kassatalo Osakeyhtiö, as well as Pohjalaismediat Oy. Our main products are the regional newspapers Ilkka and Pohjalainen, five local newspapers (Viiskunta, Komiat, Järvisetu, Suupohjan Sanomat and Jurvan Sanomat), two free sheets (Vaasan Ikkuna and Etelä-Pohjanmaa), including the online and mobile services of these papers, and I-print Oy's printing and communications services.

The associated companies included in our consolidated financial statements are Alma Media Corporation, Arena Partners Oy, Väli-Suomen Media Oy and Yrittävä Suupohja Oy.

CONSOLIDATED NET SALES AND PROFIT PERFORMANCE

Consolidated net sales decreased by 7.6%, amounting to EUR 46,158 thousand (EUR 49,952 thousand in 2011). External net sales from publishing operations decreased by 6.5%. Advertising revenues fell by 11.2%, and circulation revenues decreased by 0.9%. External net sales from the printing business decreased by 14.7%. Circulation income accounted for 42% of consolidated net sales, while advertising income and printing income represented 45% and 12%, respectively. Other operating income totalled EUR 437 thousand (EUR 435 thousand).

The Group operating expenses for the financial year amounted to EUR 40,689 thousand (EUR 41,468 thousand), down by 1.9% year-

on-year. Expenses arising from materials and services fell by 5.7% and other operating costs by 4.8%. Personnel expenses grew by 3.2%. Depreciation decreased by 5.8%.

The share of the associated companies' result was EUR -16,774 thousand (EUR 8,659 thousand). The most significant item affecting this share was the EUR 22 million write-down on the holding in the associated company Alma Media, recorded as a result of an impairment test. The write-down has no impact on cash flow. The share of the associated companies' result was also affected by non-recurring expense items recorded in Alma Media's results (EUR 11.9 million) as well as changes in the fair value of a conditional purchase price provision arising from the corporate restructuring of Arena Partners Oy.

Group operating profit excluding the EUR 22 million write-down was EUR 11,132 thousand (EUR 17,590 thousand) and the reported operating loss EUR 10,868 thousand (operating profit EUR 17,590 thousand in 2011), down 162%. Operating profit from the Group's own operations, excluding Alma Media Corporation and the other associated companies, amounted to EUR 5,906 thousand (EUR 8,931 thousand), representing 12.8% (17.9%) of net sales. Operating margin excluding the write-down was 24.1 (35.2) and the reported margin -23.5 (35.2).

Net financial expenses amounted to EUR 2,550 thousand (EUR 3,817 thousand). Net gain/loss on shares held for trading was EUR -99 thousand (EUR -949 thousand). Interest expenses excluding the fair value change in derivatives hedging them totalled EUR 2,184 thousand (EUR 2,544 thousand). In order to hedge against interest rate risk, in 2010 the company transformed some of its float-

ing-rate liabilities into fixed-rate liabilities, by means of interest rate swaps. Given that the Group does not apply hedge accounting, unrealised changes in the market value of the interest rate swaps are recognised through profit or loss. For the 2012 financial year, the market value of these interest rate swaps fell by EUR 920 thousand (EUR 1,398 thousand in 2011).

Pre-tax profit excluding the write-down totalled EUR 8,582 thousand (EUR 13,773 thousand) and the reported pre-tax loss EUR 13,418 thousand (pre-tax profit EUR 13,773 thousand in 2011). Direct taxes amounted to EUR 669 thousand (EUR 1,098 thousand). Group profit for the year excluding the write-down was EUR 7,913 thousand (EUR 12,675 thousand) and the reported loss EUR 14,087 thousand (profit EUR 12,675 thousand in 2011). Earnings per share excluding the write-down were EUR 0.31 (EUR 0.49) and the reported earnings per share EUR -0.55 (EUR 0.49).

CONSOLIDATED BALANCE SHEET AND FINANCING

The consolidated balance sheet total came to EUR 160,823 thousand (EUR 196,998 thousand), with EUR 80,567 thousand (EUR 104,440 thousand) of equity. A EUR 22 million write-down has been recorded on the holding in the associated company Alma Media as a result of an impairment test. The write-down has no impact on cash flow. On the reporting date of 31 December 2012, the balance sheet value of the holding in the associated company, Alma Media Corporation, was EUR 127.6 million following the write-down and the market value of the shares was EUR 102.3 million.

At the end of the financial year, interest-bearing liabilities totalled EUR 70,587

thousand (EUR 76,467 thousand on 31 December 2011). Loan maturities of the company's interest-bearing liabilities range from 1 to 8 years. During the 2012 financial year, accelerated repayments of the TyEL (Employees' Pensions Act) loan for 2013-2015 amounted to EUR 2.0 million.

In order to hedge against interest rate risk, in 2010, the company transformed some of its floating-rate liabilities to a fixed rate, by means of interest rate swaps. Presently, some 44% of the loans in the company's total loan portfolio have a fixed rate and some 56% a floating rate. These hedging measures included, the average interest rate for interest-bearing liabilities on 31 December 2012 came to 2.45%. The loan providers of the loans taken out at the end of the 2010 financial year have the opportunity to adjust the loan margin five years after the loans have been drawn. At the end of the 2012 financial year, these loans amounted to EUR 28.2 million.

As at 31 December 2012, the impact of floating-rate interest-bearing liabilities on profit before taxes would have amounted to +/- EUR 397 thousand over the next 12 months, if the interest level increases or decreases by one percentage point. Of interest-bearing liabilities existing during the 12 months following the financial year, a total of EUR 6,602 thousand will fall due for payment.

With regard to liquidity, the year-end current ratio stood at 0.47 (0.86). Group gearing was at 82.7% (60.9%) at the end of the financial period. Equity ratio was at 50.7% (55.5%) and shareholders' equity per share stood at EUR 3.14 (EUR 4.07). Cash and cash equivalents amounted to EUR 2,263 thousand (EUR 10,926 thousand). Cash flow from operations totalled EUR 7,976 thousand (EUR 31,171 thousand). This includes EUR -1.0 million (EUR 15.4 million) from the Group's own operations as well as EUR 9.0 million (EUR 15.7 million) of dividend income from

Alma Media Corporation. Cash flow from operations in 2011 includes subscriptions of provincial newspapers invoiced in advance in 2011, which would normally have been invoiced in January-March 2012. Approximately EUR 6.6 million of the value of these advance invoices was recognised as income in December 2011, which is why cash flow from operations in 2011 was about EUR 6.6 million higher in this respect and, correspondingly, cash flow from operations in 2012 about EUR 6.6 million lower. Taking account of this adjustment, cash flow from the Group's own operations amounted to EUR 5.6 million (EUR 8.8 million). Cash flow from investments totalled EUR -570 thousand (EUR -3,633 thousand).

PUBLISHING

The Group's publishing segment comprises the publishing company I-Mediat Oy. During the year, net sales from publishing totalled EUR 40,528 thousand (EUR 43,318 thousand). Net sales from the publishing business decreased by 6.4%. This fall was caused by increased media competition, a weaker advertising market and the income from parliamentary election advertisements included in the comparative figure for 2011. Advertising revenues fell by 11.2% and circulation revenues decreased by 0.9%. Net sales for both provincial papers belonging to the publishing segment, Ilkka and Pohjalainen, decreased. Net sales for local newspapers and free sheets grew slightly. Operating profit from publishing decreased by 34.4% year-on-year, to EUR 5,046 thousand (EUR 7,697 thousand).

I-Mediat Oy has signed a three-year follow-up agreement with Itella Posti Oy for the delivery of subscription newspapers and the development of distribution. In addition, the delivery of free sheets published by I-Mediat Oy was transferred to Itella Posti Oy from 1 January 2013.

Due to Finland's weak and uncertain economic situation, it is difficult to forecast

media income in 2013. Media advertising is projected to remain almost unchanged from the previous year, and newspaper circulation income is expected to fall, as a result of digitalisation and the imposition of VAT. Net sales of I-Mediat Oy are expected to remain almost at the same level as before.

PRINTING

The printing segment comprises the printing house I-print Oy. The segment's net sales amounted to EUR 13,710 thousand (EUR 15,235 thousand). Net sales fell by 10% year-on-year due to the decline in volumes. External net sales from the printing business decreased by EUR 991 thousand (14.7%). Operating profit from printing decreased by 29.4% year-on-year, to EUR 1,379 thousand (EUR 1,953 thousand).

Within the printing business, the 2013 market situation is expected to remain difficult. General economic uncertainty will continue to influence corporate customers' media investments. In newspaper printing, capacity in Finland will increase in 2013, with the start-up of a couple of new printing presses. Meanwhile, the domestic market is shrinking. The rise in raw material and energy costs is expected to be moderate. Nevertheless, I-print Oy's net sales are projected to remain roughly the same as in the previous year.

ASSOCIATED COMPANIES

Ilkka-Yhtymä Group's associated companies are Alma Media Corporation (29.79%), Arena Partners Oy (37.82%), Väli-Suomen Media Oy (40%) and Yrittävä Suupohja Oy (38.46%).

Alma Media focuses on publishing operations and digital consumer and corporate services. Its high-profile newspapers are Aamulehti, Iltalehti and Kauppalehti.

Ilkka-Yhtymä's provincial newspapers Ilkka and Pohjalainen and Alma Media's re-

FINANCIAL STATEMENTS

gional and local newspaper division Alma Regional Media will initiate extensive operational collaboration on content and development. Ilkka-Yhtymä's publishing company I-Mediat Oy and Alma Media Kustannus Oy (Alma Media Publishing Ltd) signed a cooperation agreement on 18 December 2012.

The collaboration will be implemented gradually from the beginning of 2013. The objectives include improving the editorial quality of the newspapers, increasing operational efficiency, accelerating the implementation of development measures, and developing editorial reciprocity among the papers. The collaboration will be in full swing from early 2014. The agreement does not include any issues related to the ownership of Ilkka-Yhtymä Oyj and Alma Media Corporation.

The collaboration will cover the Helsinki-based editorial unit and other nationwide news operations, weekend pages and supplements, special supplements, radio and TV pages, utility journalism, world news, and cultural, sports and online journalism. The agreement also includes large-scale collaboration in training and development activities, covering journalism as well as the product development of both printed papers and online content.

The parties have held discussions on extending the cooperation to newspapers published by Keski-Pohjanmaan Kirjapaino Oy, Kaleva Oy and TS-Yhtymä Oy, the scope of which will be agreed separately.

Arena Partners Oy is a digital business development and production company jointly owned by five provincial newspaper companies. Arena Partners owns a 35% share of Alma Mediapartners Oy, which is Alma Media's housing sales, vehicle and consumer advertising marketplace company operating in Finland. The Arena Partners Group includes the

subsidiary Arena Interactive Oy (65%), focusing on mobile services, the recruitment agency Uranus Oy (35%) and Adfore Technologies Oy (11.8%).

Väli-Suomen Media Oy produces a joint Sunday magazine (Sunnuntaisuomalainen) for the region's newspapers. Ilkka-Yhtymä Group's aim is to withdraw from the services and ownership of Väli-Suomen Media at the end of 2013. Yrittävä Suupohja Oy publishes Suupohjan Seutu, a free sheet distributed in the Suupohja region.

RESEARCH AND DEVELOPMENT EXPENSES

In the Group's publishing business, product development for multiple channels has been carried out with Arena Partners Oy, its shareholding newspapers, the Next Media programme of Finnmedia (Federation of the Finnish Media Industry), and STT. Product development has been focused on customer-oriented services relating to news reporting, transactions and communities. With regard to the Group's printing business, the focus was on the development of value-added services and products for digital services.

CAPITAL EXPENDITURE

Reported capital expenditure for the year totalled EUR 1,311 thousand, with printing accounting for EUR 866 thousand and publishing for EUR 170 thousand. In 2012, a total of EUR 186 thousand was invested in available-for-sale shares.

GOVERNANCE PRINCIPLES

Ilkka-Yhtymä Oyj adheres to the Finnish Corporate Governance Code for listed companies, issued by the Securities Market Association on 15 June 2010 and having entered into force on 1 October 2010. Ilkka-Yhtymä Oyj's Corporate Governance Code is detailed and maintained on the Ilkka-Yhtymä website at www.ilkka-yhtyma.fi, under Sijoittajat - Hal-

linnointi (Finnish web address only). The Corporate Governance Statement can be found under this section on the website.

ANNUAL GENERAL MEETING, SUPERVISORY BOARD AND BOARD OF DIRECTORS

On 19 April 2012, the Annual General Meeting (AGM) of Ilkka-Yhtymä Oyj approved the financial statements, discharged the members of the Supervisory Board, the Board of Directors and the Managing Director from liability and decided that a per-share dividend of EUR 0.40 be paid for the year 2011.

The number of members on the Supervisory Board for 2012 was confirmed to be 25. Of the Supervisory Board members whose term had come to an end, the following were re-elected for the term ending in 2016: Vesa-Pekka Kangaskorpi (Jyväskylä), Jarmo Rinta-Jouppi (Seinäjoki), Kimmo Simberg (Seinäjoki) and Jyrki Viitala (Seinäjoki). Timo Mäkinen (Seinäjoki) was elected to the Supervisory Board to replace an employee representative who resigned from her position during the term of office. Mäkinen's term will end in 2013.

At the Annual General Meeting, it was decided to maintain the payments made to the Chairman of the Supervisory Board and the board members at their current level: the Chairman will receive a retainer of EUR 1,500 per month and a fee of EUR 400 per meeting, and the board members will be paid a fee of EUR 400 per meeting attended. The board members' travel expenses are reimbursed in accordance with the current maximum level specified by the tax authorities.

Ernst & Young Oy, Authorised Public Accountants, was elected as the auditor, with Authorised Public Accountant Tomi Englund as the principal auditor. It was decided that the auditors would be reimbursed as per the invoice.

The AGM authorised the Board of Directors to decide upon a donation to be put toward charitable causes or similar, totalling, at maximum, EUR 50,000, as well as to decide upon the recipients, purposes of use, schedules and other terms of these donations.

On 7 May 2012, the Supervisory Board re-elected Timo Aukia, whose term had come to an end, to the Board of Directors of Ilkka-Yhtymä Oyj. Lasse Hautala will continue as 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 vice-chairman.

DIVIDEND

The Board of Directors proposes to the Annual General Meeting of 18 April 2013 that a per-share dividend of EUR 0.15 be paid for the financial year 2012, representing a total dividend payment of EUR 3,849,781.20. Dividends will be distributed to those who are listed on the matching day, 23 April 2013, as shareholders in the Ilkka-Yhtymä Oyj's list of shareholders, maintained at Euroclear Finland Oy. Dividend payments are issued on 30 April 2013. On 31 December 2012, the parent company's distributable funds amounted to EUR 97,690,764.51.

Ilkka-Yhtymä Oyj practises an active dividend policy and aims to distribute at least half of its consolidated annual income as dividend payments, taking into consideration the financing required for profitable growth and the company's future outlook.

AUTHORISATION OF THE BOARD OF DIRECTORS

On 19 April 2010, the Annual General Meeting authorised the Board of Directors to decide upon a share issue and/or granting stock options and/or other special rights and upon their conditions.

The maximum number of Series II shares issued is 7,700,000, corresponding to around 30% of the company's total shares and 36.05% of Series II shares at present.

This authorisation includes the right to issue shares and/or stock options, and/or other special rights, as distinct from the shareholders' pre-emptive rights, under conditions prescribed by law, and the right to decide upon a free issue to the company itself. The authorisation is valid for five years from the date of the AGM's decision.

On 4 November 2010, Ilkka-Yhtymä Oyj purchased 7,250,000 shares in Alma Media Corporation from Oy Herttaässä Ab. From the share purchase price, EUR 30 million was paid in cash. In addition, Ilkka-Yhtymä decided to issue freely negotiable convertible bonds, with a value of EUR 20.0 million, to the seller. The bonds issue decision taken by Ilkka-Yhtymä's Board of Directors is based on the authorisation granted to it by the AGM on 19 April 2010. In addition to this, the company has not issued any option rights or other special rights.

The Board of Directors is not authorised to acquire or sell company's own shares.

SHARES

At the end of 2012, the company's share capital totalled EUR 6,416,302. The number of shares was 25,665,208, of which 4,304,061 were Series I shares (20 votes per share) and 21,361,147 were Series II shares (1 vote per share). Shares of both series entitle the holders to the same dividend.

According to the Articles of Association, a single shareholder at a General Meeting may not use more than one twentieth (1/20) of the entire number of votes represented in a meeting.

The transfer of Series I shares is restricted by an approval clause. According

to this clause, Series I shares cannot be transferred to another holder without the approval of the Board of Directors.

Further information on the shares, shareholders and holding structure of Ilkka-Yhtymä Oyj can be found in the Section Shares and Shareholders, pp. 71-76.

Per-share ratios are presented on page 60.

PERSONNEL

In the year under review, the Group had, on average, 379 employees with employment contracts, the corresponding figure for the parent company being 25. On 31 December 2012, the Group had 332 full-time employees, whereas the parent company had 25.

The average number of employees (full-time equivalents)

	2012	2011	2010
Group	336	341	343
Ilkka-Yhtymä Oyj	25	25	24

Salaries and fees, thousands of euros

	2012	2011	2010
Group	14 543	14 145	14 082
Ilkka-Yhtymä Oyj	1 610	1 473	1 379

Ilkka-Yhtymä Group's entire personnel has been covered by an incentive scheme since 2000. According to the Articles of Association, Ilkka-Yhtymä Oyj's Supervisory Board must include two employee representatives.

On 1 August 2012, Satu Takala (Master of Arts) assumed her position as Chief Editor of provincial paper Ilkka. Takala was previously Managing Editor of the shared editorial unit of Ilkka and Pohjalainen.

In September 2012, retirement arrangements were implemented for eight people. The cost savings from these arrangements will be realised in full after the first quarter of 2013.

QUALITY AND ENVIRONMENT

As with the whole graphics industry, Ilkka-Yhtymä Group has a minor impact on the environment.

The company plans the classification, utilisation and handling of side products and waste created during business operations. Waste paper created during the printing process and printing blocks are recycled. Printing ink waste, plate developing agent waste, solvent waste, and other waste products created during the printing process which are harmful to the environment are delivered to a facility for their treatment.

In accordance with legislation on waste products, the company's responsibility for the use of packaging is handled through the packaging industry's environmental register Pakkausalan Ympäristörekisteri PYR Oy. Responsibility for the recycling of waste paper and imported paper is handled through the paper recycling organisation Paperinkeräys Oy.

In 2012, I-print Oy received the Nordic Ecolabel certification (the Swan) for its printing operations.

Deliveries of Ilkka-Yhtymä's provincial and local papers, made by Itella Oyj, have been 100% carbon neutral since 1 February 2011 (Itella Oyj press release on 1 Feb. 2011).

ESTIMATED OPERATING RISKS AND UNCERTAINTIES

The Risk Management Policy of Ilkka-Yhtymä Group is approved by the Board of Directors and is part of the Group's management system, also approved by the Board. The Risk Management Policy includes a written document and descriptions of key risks and the related management measures defined in separate risk databases. For identified key risks, risk management responsibilities have been defined by profit centre, by subsidiary

and at Group level, and those assigned as being responsible have the capabilities required for risk management tasks. The Group's risk management procedures are consistent and known by the staff participating in holistic risk management.

Ilkka-Yhtymä's most significant short-term risks are related to the development of media advertising, as well as circulation and printing volumes. In a weak economic climate, these risks affect the entire sector. A long-term risk in the sector lies in the potential decrease in circulation and advertising volumes, if consumers transfer to using electronic devices for reading newspapers. It is as yet difficult to estimate the impact of the 9% VAT imposed on newspaper subscription fees from the beginning of 2012 on circulation and printing volumes. Through its holding in Alma Media stock, the company is also exposed to risks related to Alma Media's profit-making capacity, dividend policy and the price development of its shares.

Communications industry

The company estimates that the Group's core operations only involve risks normally associated with the industry, which are increasing due to the changes taking place in the business environment. Such industry risks are mainly related to the development of media advertising and content consumption, since more and more alternatives are being offered to consumers and advertisers. A prolonged weak economic situation and a slow recovery may have a negative impact on the consumption of media products and services. Competition in the industry is being affected by the digitalisation of content and advertising, the emergence of new distribution channels, growth in advertiser-funded content, changes in media use and ways of spending time, as well as by the new operating methods and the actors these are enabling.

Publishing

In the long term, regional demographic

and economic developments will have an impact on provincial and local newspapers' circulation and advertising income. On the other hand, the current reduction underway in the average number of individuals in households will maintain circulation figures. A healthy circulation coverage percentage, a competitive contact price and strong relationships with readers are enhancing provincial and local newspapers' competitiveness in the advertising market. Provincial papers' overall reach has increased as a result of steep growth in the number of online media visitors.

In general, ordinary economic cycles have not had a major impact on local or provincial newspapers' circulation income. On the other hand, media advertising volumes reflect changes in economic cycles, competitive situations and the outlook of advertisers' own industries. Media sales took an upward turn in the spring of 2012.

The market entry and exit of new media, such as new free sheets, depends on economic cycles, regional volumes of the advertisement market and the competitive environment. Most newspaper groups, including Ilkka-Yhtymä Group, have decades of experience with respect to their free sheets, whose high quality and local customer relationships provide a competitive edge.

Due to the consumer behaviour enabled by new technology, some classified advertisements, such as car, housing and job advertisements, have shifted online. In response to this development, Ilkka and Pohjalainen are engaged in collaboration with Arena Partners. Arena Partners Oy has acquired a 35% holding in the Etuovi.com, Vuokraovi.com and Autotalli.com services displaying housing and car advertisements. This will enable us to provide the sector's best services to customers. New players in the market include international search engine and other companies.

In order to face the challenges posed by changing reading habits among young people and the growing volumes of on-line content available for consumers free of charge, Ilkka-Yhtymä Group is providing its provincial newspapers' premium online and mobile services for the benefit of the region's consumers. In line with the allied Arena Partners' strategy, the aim is for these services to become the leading place for digital news, services, transactions and commerce for consumers, communities and companies in our operating provinces.

Graphics

The aggressive price competition in Finland's printing sector is continuing. Developments in circulation and advertising volumes are reflected in the numbers of pages in newspapers, while general economic trends are affecting the use of other advertising media. Exports to the Nordic countries are dependent not only on market conditions, but also on the development of exchange rates.

The availability of newsprint has been good and price developments in recent years have been moderate, even declining, in spite of large annual pricing fluctuations and the fact that the paper industry has downsized its capacity. Pricing pressures will increase in the future, since the paper industry's capacity cuts were intended to safeguard future profitability. I-print Oy has prepared for both availability and price risks by spreading purchases among suppliers and through joint procurement with Alma Media Corporation's and Keski-suomalainen Oyj's printing houses.

Newspaper distribution has been outsourced to Itella Oyj. The risks in delivery operations mainly concern price developments. The price risk depends on the pay development of deliverers, competition between delivery companies and the reform of the Postal Services Act.

The management of the company's financial risks is illustrated in section 22 of the notes.

The key figures describing our financial development are presented on page 60.

PROSPECTS FOR 2013

In the current economic climate, forecasting net sales in the media sector and, in particular, media advertising spending involves major uncertainties. Due to consumer caution, VAT on circulation revenues and media competition, newspapers' circulation revenues are predicted to decrease. Printing business volumes have declined permanently in Finland and the prospects for growth in the sector are weak.

The net sales of Ilkka-Yhtymä Group are estimated to remain almost at the 2012 level.

Group operating profit from Ilkka-Yhtymä's own operations, and operating profit as a percentage of net sales, excluding the share of Alma Media's and other associated companies' results, are expected to remain roughly the same as in 2012. In addition, the year's results will depend on interest-rate trends and the price performance of securities investments.

The associated company Alma Media Corporation (Group ownership 29.79%) will have a significant impact on Group operating profit and profit.

Financial Statements for 2012

Consolidated Income Statement, IFRS

EUR 1,000	NOTE	1.1.-31.12.2012	1.1.-31.12.2011
NET SALES	1	46 158	49 952
Change in inventories of finished and unfinished products			12
Other operating income	2	437	435
Materials and services	3	-13 980	-14 830
Employee benefits	4	-17 824	-17 275
Depreciation	5	-2 918	-3 098
Other operating costs	6	-5 966	-6 265
Share of associated companies' results *)	12	-16 774	8 659
OPERATING PROFIT/LOSS		-10 868	17 590
Financial income and expenses	7	-2 550	-3 817
PROFIT/LOSS BEFORE TAXES		-13 418	13 773
Income tax	8	-669	-1 098
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-14 087	12 675
Earnings per share, undiluted (EUR) **)		-0.55	0.49
The undiluted share average **)		25 665 208	25 665 208

*) Includes the EUR 22 million non-recurring write-down on the holding in the associated company Alma Media Corporation.

**) There are no factors diluting the figure.

Consolidated Statement of Comprehensive Income

EUR 1,000	1.1.-31.12.2012	1.1.-31.12.2011
PROFIT/LOSS FOR THE PERIOD UNDER REVIEW	-14 087	12 675
Other comprehensive income:		
Available-for-sale assets	-3	-517
Share of associated companies' other comprehensive income	100	-53
Income tax related to components of other comprehensive income	1	138
Other comprehensive income, net of tax	98	-432
Total comprehensive income for the period	-13 989	12 243

Consolidated Balance Sheet, IFRS

EUR 1,000	NOTE	31.12.2012	31.12.2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	1 008	1 120
Goodwill	9	314	314
Investment properties	11	233	295
Property, plant and equipment	10	11 862	13 481
Shares in associated companies	12	128 796	154 097
Available-for-sale financial assets	13	10 723	10 714
Other tangible assets		214	214
Non-current assets		153 151	180 236
CURRENT ASSETS			
Inventories	14	647	602
Trade and other receivables	15	2 950	3 079
Income tax assets		118	254
Financial assets at fair value through profit or loss	16	1 695	1 902
Cash and cash equivalents	17	2 263	10 926
Current assets		7 673	16 762
ASSETS		160 823	196 998
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		6 416	6 416
Invested unrestricted equity fund and other reserves		48 621	48 623
Retained earnings		25 529	49 401
Shareholders' equity	18	80 567	104 440
NON-CURRENT LIABILITIES			
Deferred tax liability	19	23	532
Non-current interest-bearing liabilities	20	63 954	72 438
Non-current interest-free liabilities		102	115
Non-current liabilities		64 079	73 085
CURRENT LIABILITIES			
Current interest-bearing liabilities	20	6 633	4 029
Accounts payable and other payables	21	9 390	15 383
Income tax liability		155	61
Current liabilities		16 177	19 473
SHAREHOLDERS' EQUITY AND LIABILITIES		160 823	196 998

IFRS=International Financial Reporting Standards

Consolidated Cash Flow Statement, IFRS

EUR 1,000	2012	2011
CASH FLOW FROM OPERATIONS		
Profit/loss for the financial period	-14 087	12 675
Adjustments	22 867	-683
Change in working capital	-6 732	7 395
Cash flow from operations before financial items and taxes	2 048	19 387
Interest paid	-2 235	-2 491
Interest received	46	102
Dividends received	9 117	15 955
Other financial items	-53	322
Direct taxes paid	-947	-2 104
Cash flow from operations	7 976	31 171
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets, net	-1 083	-785
Other investments, net	-16	-3 477
Dividends received from investments	529	628
Cash flow from investments	-570	-3 633
Cash flow before financing items	7 406	27 538
CASH FLOW FROM FINANCING		
Change in current loans	-3 925	-6 930
Change in non-current loans	-1 964	
Dividends paid and other profit distribution	-10 180	-12 728
Cash flow from financing	-16 069	-19 658
Increase (+) or decrease (-) in financial assets	-8 663	7 879
LIQUID ASSETS AT THE BEGINNING OF THE FINANCIAL PERIOD	10 926	3 047
LIQUID ASSETS AT THE END OF THE FINANCIAL PERIOD	2 263	10 926

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT:

ADJUSTMENTS TO PROFIT FOR THE PERIOD

Depreciation	2 918	3 098
Sales gains (-) and losses (+) on non-current assets	-45	-37
Share of profit (-) or loss (+) of associated companies	16 774	-8 659
Unrealised exchange rate gains (-) or losses (+)	1 127	2 541
Financial income and expenses	1 423	1 276
Income taxes	669	1 098
Adjustments to profit for the period total	22 867	-683

CHANGE IN WORKING CAPITAL

Increase (-)/decrease (+) in inventories	-45	155
Increase (-)/decrease (+) in current interest-free operating receivables	145	241
Increase (+)/decrease (-) in current interest-free liabilities	-6 832	6 999
Change in working capital total	-6 732	7 395

Changes in Consolidated Shareholders' Equity

EUR 1,000	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
CHANGE IN SHAREHOLDERS' EQUITY 1-12/2011						
SHAREHOLDERS' EQUITY 1.1.	6 416	480	48 498	24	49 612	105 030
Comprehensive income for the period		-378			12 621	12 243
Dividend distribution					-12 833	-12 833
SHAREHOLDERS' EQUITY TOTAL 31 DEC 2011	6 416	101	48 498	24	49 401	104 440

EUR 1,000	Share capital	Fair value reserve	Invested unrestricted equity fund	Other reserves	Retained earnings	Total
CHANGE IN SHAREHOLDERS' EQUITY 1-12/2012						
SHAREHOLDERS' EQUITY 1.1.	6 416	101	48 498	24	49 401	104 440
Comprehensive income for the period		-2			-13 987	-13 989
Dividend distribution					-10 266	-10 266
Share of associated company changes					382	382
SHAREHOLDERS' EQUITY TOTAL 31 DEC 2012	6 416	99	48 498	24	25 529	80 567

Notes to the Consolidated Financial Statements

KEY FACTS ON THE COMPANY

Ilkka-Yhtymä Group is a media group which publishes the regional newspapers Ilkka and Pohjalainen, and several local newspapers and two free sheets. In addition, the Group has a printing business. The Group comprises the parent company Ilkka-Yhtymä Oyj and the subsidiaries I-Mediat Oy, I-print Oy, Kiinteistö Oy Seinäjoen Koulukatu 10, Seinäjoen Kassatalo Osakeyhtiö and Pohjalaismediat Oy

The Group's parent company Ilkka-Yhtymä Oyj is a Finnish public limited company domiciled in Seinäjoki, and its registered address is Koulukatu 10, 60100 Seinäjoki. Ilkka-Yhtymä Oyj's shares are listed on the NASDAQ OMX Helsinki List.

A copy of the consolidated financial statements is available from the website www.ilkka-yhtyma.fi or from the head office of the Group's parent company.

Ilkka-Yhtymä Oyj's Board of Directors approved the financial statements for publication at its meeting on 18 February 2013. According to the Finnish Companies Act, shareholders have the opportunity to accept or reject the financial statements at the General Meeting held after their publication. The General Meeting may also decide to revise the financial statements.

ACCOUNTING PRINCIPLES USED IN THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

The consolidated financial statements were prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards (IFRS) applicable within the EU, to comply with the IAS and IFRS standards and SIC and IFRIC interpretations in effect on 31 December 2012.

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sales financial assets at fair value and financial assets stated at fair value through profit or loss. The financial statements are presented in thousands of euros.

Since 1 January 2012, the Group has complied with the following new or updated standards and interpretations:

- IFRS 7 *Financial Instruments: Disclosures* (annual periods beginning on or after 1 July 2011). This amendment adds transparency to the disclosure of transfer transactions of financial assets and will provide users with a better understanding of the risks involved in these transfers, and of the effects of such risks on the entity's financial position, particularly with regard to securitisation of fi-

ancial assets. The revision has no significant impact on the financial statements

- IAS 12 *Income Taxes* (annual periods beginning on or after 1 January 2012). IAS 12 previously required an entity to assess what proportion of the carrying amount of an asset measured at fair value can be recovered from continued use (e.g. rental income) and what proportion through sale. According to the amendment, it will be presumed that the carrying amount of certain assets measured at fair value can be entirely recovered through the sale. This presumption is applicable to deferred taxes on investment properties; property, plant and equipment; and intangible assets measured using the fair value model or the revaluation model. The revision has no impact on the financial statements.
- *Annual improvements to IFRS and IFRIC*. These improvements will chiefly enter into force in 2012. Several minor changes made have no bearing on the financial statements.

The IASB has released the following new or revised standards and interpretations that may have a future impact on the Group's financial statements. The Group will apply these standards and interpretations, starting from their respective effective dates or, if an effective date is not the first day of a financial year, from the beginning of the financial year following the effective date.

- IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 July 2012). The key change is the requirement for the separate presentation of items of other comprehensive income depending on whether they will possibly be reclassified to profit or loss in the future if specific conditions are met.
- IAS 19 *Employee Benefits* (effective for annual periods beginning on or after 1 January 2013). The amendments mean that in the future, all actuarial gains and losses must be recognised immediately in other comprehensive income. In other words, the corridor approach will be eliminated and finance costs will be calculated on a net funding basis. It is estimated that this amendment will have no impact on future financial statements.
- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2015). IFRS 9 is the first phase of a larger project aimed at replacing IAS 39 with a new standard. Financial assets are divided into two main classifications: those measured at amortised cost and those measured at fair value. The classification depends on the entity's business model and the contractual cash flow characteristics. The guidelines

for impairment and hedge accounting contained in IAS 39 will remain effective. According to the new standard, the recognition and measurement of financial liabilities should remain unchanged, with the exception of financial liabilities, to which the fair value option is applied. The standard has not yet been endorsed by the EU.

- IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2014). In line with existing principles, the standard establishes control as the key factor for determining whether an entity is consolidated or not. In addition, the standard provides additional guidelines for defining control in situations where it is difficult to assess. The preliminary estimate is that the standard will not alter the Group structure.
- IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2014). In accounting for joint arrangements, the standard emphasises the rights and obligations arising from the arrangements rather than their legal form (as do the current regulations). In addition, the standard requires joint ventures to be accounted for using the equity method and prohibits the use of proportionate consolidation. The preliminary estimate is that the standard will not alter the Group structure.
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014). The standard brings together all existing disclosure requirements related to interests in other entities, including associates, joint arrangements, special purpose entities and other, off-balance-sheet entities. The standard is expected to increase the number of disclosures.
- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013). The standard will increase consistency and comparability by providing an exact definition of fair value and by combining in the same standard requirements for fair value measurement and the necessary disclosures. The requirements do not extend the use of the fair value model, but they provide guidance on how it should be applied when its use is allowed or when it is required by another standard. The standard will increase the number of disclosures.
- Amendment to IAS 32 *Financial Instruments: Presentation* (effective for annual periods beginning on or after 1 January 2014). The amendment clarifies the requirements for offsetting financial assets and liabilities, and provides additional application guidance. The amendment will have no material impact on the consolidated financial statements.
- Amendment to IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2013). The amendment clarifies the disclosure requirements for offsetting financial assets and liabilities on the balance sheet, as well as for master netting

arrangements or similar agreements. The amendment will have no material impact on the consolidated financial statements.

- *Annual Improvements to IFRSs 2009-2011, May 2012* (effective for annual periods beginning on or after 1 January 2013). The amendments apply to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. The amendments will have no material impact on the consolidated financial statements. The amendments have not yet been endorsed by the EU.

ACCOUNTING POLICIES: THE CONSOLIDATED FINANCIAL STATEMENTS

SUBSIDIARIES

Subsidiaries refer to companies in which the Group holds a controlling interest. Said controlling interest arises from the Group owning over half of the subsidiary's votes, or exercising power in some other fashion. The controlling interest implies that the Group has power to govern the entity's financial and operating policies for the purpose of profiting from its operations.

Mutual shareholding between Group companies has been eliminated using the acquisition cost method. All Intra-Group transactions, receivables, liabilities, margins and distribution of profit have been eliminated in the preparation of the consolidated financial statements.

ASSOCIATED COMPANIES

Associated companies are companies over which the Group exercises significant influence. Significant influence originates when the Group owns over 20% of the associated company's votes, or the Group has a significant degree of influence over the company through other means, but has no controlling interest. Associated companies are consolidated in the financial statements using the equity method. If the Group's share of the losses of the associated company exceeds the carrying amount, they will not be consolidated unless the Group has made a commitment to fulfil the liabilities of the associated company in question. An investment in an associated company contains the goodwill generated by the acquisition.

Any impairment of Ilkka-Yhtymä's holding in associated companies is monitored in accordance with the IAS 28 Investments in Associates standard. Should any signs of impairment be detected, the holding's book value will be tested by comparing it to the recoverable amount from the holding, which is the value in use, or fair value excluding expenditure from the sale, whichever is the higher. Should such testing indicate impairment, this will be stated through profit or loss at the time of reporting in question. Should this impairment later reverse, the previously stated loss will be restored through profit or loss. With regard to the holding in Alma Media, factors affecting

FINANCIAL STATEMENTS

the assessment of signs of impairment and implementation of testing include financial profit-making capacity, changes in the market environment, dividend policy, and share price development.

In Group reporting, the share of associated companies' results is included in operating profit, while dividend income is included in cash flow from operations in the cash flow statement. The associated companies are closely related to the Group's publishing business, and, acting in its role as the owner, the Group participates in the development of their operations.

FOREIGN CURRENCY ITEMS

The consolidated financial statements are presented in euros, which is the parent company's operating and reporting currency.

Monetary items denominated in foreign currencies (financial assets and liabilities) were translated into euros using the European Central Bank's average rate quoted on the balance sheet date. Non-monetary items and transactions in foreign currencies were translated into euros using the exchange rate in effect on the date of the transaction. Any gains or losses resulting from transactions in foreign currencies, and from the translation of monetary items, are recognised in the income statement. Foreign exchange gains or losses associated with actual business operations are treated as adjusting entries for sales or purchases. Exchange rate gains and losses on foreign-currency investments and cash and cash equivalents are included in financial income and expenses.

INTANGIBLE ASSETS

Research and Development Expenses

The Group does not carry out a significant amount of research and development. Research and development expenses are charged to expenses in the income statement. On the balance sheet date, the Group's balance sheet did not include development expenses that could be capitalised.

Other Intangible Assets

Other intangible assets in the Group's balance sheet comprise software licenses, which are measured at cost and amortised on a straight-line basis over their expected economic lives. The period of amortisation is 3-10 years. The Group has no intangible assets with unlimited economic life.

Goodwill

Goodwill represents the excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business

at the time of acquisition. Goodwill is allocated to cash-generating units and tested annually for impairment. Goodwill is valued at cost less any impairment losses.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PPE) are measured at cost less depreciation and any impairment losses.

When one part of PPE is treated as a separate asset, expenses associated with its renovation are capitalised. In other cases, major renovations are included in the assets' carrying amount only if it is probable that the Group will derive additional future economic benefits and that the carrying amount can be measured reliably. Other repair and maintenance expenses are charged to expenses as incurred.

The assets are depreciated over their expected economic life using the straight-line depreciation method. Land is not depreciated. The expected economic lives are as follows:

Buildings	20-40 years
Structures	20 years
Machinery and equipment	3-15 years

The residual value and economic life of an asset are reviewed for each set of financial statements and, if necessary, adjusted to reflect changes in expected financial rewards.

INVESTMENT PROPERTY

Investment property refers to property which the Group holds for rental yields or capital appreciation. Investment property is measured at cost less depreciation and any impairment losses (IAS 40) and its fair value is presented in the notes to the financial statements. The fair value is based on an evaluation by an external professional property valuer, and corresponds to market prices paid for properties in the active market. The fair value measurement is performed on an annual basis.

INVENTORIES

Inventories are measured at the lower of cost or net realisable value. The cost is determined using the FIFO method. The cost of finished or unfinished goods is made up of raw materials, direct labour costs, other direct costs, as well as an appropriate portion of variable production overheads and part of fixed production overheads based on normal capacity. The net realisable value is the estimated sale price obtained in regular business, less the estimated costs of completing the good and selling costs.

LEASES

Group as lessee

Leases, in which the risks and rewards associated to the ownership of leased assets remain with the lessor, are classified as operating leases. Payments based on operating leases are recognised as expenses evenly over the lease term.

The Group has a finance lease that transfers the risks and rewards of ownership to the lessee. An asset acquired by means of a finance lease is recognised on the balance sheet at the date of commencement of the lease at the lower of fair value or the present value of minimum lease payments. An asset under a finance lease is depreciated over the shorter of its useful life or the lease term. Lease obligations are included in interest-bearing liabilities.

Group as lessor

Assets leased under operating leases are included in property, plant and equipment. They are depreciated over their economic lives in the same way as the property, plant and equipment used by the Group. Lease income is recognised in the income statement evenly over the lease term.

IMPAIRMENT

At each balance sheet date, the Group assesses whether there is any indication of an impaired asset. Should any such indication exist, the asset's recoverable amount must be calculated. In addition, the recoverable amount of goodwill is assessed on an annual basis, regardless of whether there are indications of impairment.

The impairment loss is recognised in the income statement if the carrying amount of the asset or the cash-generating unit exceeds the recoverable amount. The recoverable amount represents the net selling price of the asset, or a higher, cash-flow-based value in use. In determining the value in use, the net present values of future cash flows are discounted using discount rates which describe the Group's average pre-tax capital cost, adjusted by industry risk. The impairment loss is reversed if circumstances change and the recoverable amount of the asset has changed from the date when the impairment loss was recognised. The impairment loss is not be reversed beyond the value that the carrying amount of the asset would have been, had there been no impairment loss. The impairment loss of goodwill is not reversible.

EMPLOYEE BENEFITS

Pensions

The Group's major pension plan is the statutory pension insurance under the Finnish Employment Pension Scheme (TyEL), which is managed by pension insurance companies. This TyEL pension security is classified as a defined con-

tribution plan. In addition, the Group has taken out certain supplementary group and individual pension plans with insurance companies. These supplementary pension insurance plans are considered defined contribution plans, since the company's payment obligation to the insurance companies is limited to the annually paid contribution and the company has not committed to accruing a pension security of a certain magnitude for the insured. Contributions into the defined contribution plan are recognised as expenses for the period during which the contributions are made.

INCOME TAXES

Tax expense in the income statement includes current tax (taxes based on the taxable profit for the financial year) and deferred tax. The tax based on the taxable profit is calculated using the tax rate currently in force. The amount of the tax for the period is adjusted by any taxes for earlier financial years.

Deferred tax assets and liabilities are calculated on all temporary differences between the carrying amount and taxable value. The greatest temporary differences result from appropriations and the fair value of financial instruments. Deferred taxes are calculated using the tax rates set by the balance sheet date. Deferred tax assets and liabilities are presented in net values in the balance sheet, whenever they concern the same tax recipient.

Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the temporary difference can be utilised.

The impact of a tax rate change is recognised in profit or loss.

REVENUE RECOGNITION PRINCIPLES

Payments in circulation sales are received in advance and their recognition is spread over the subscription period. An advertisement sale is recognised when the service has been rendered. Printing products are recognised when the significant risks and rewards related to the ownership of goods have been transferred to the buyer. In calculating net sales, sales revenue are adjusted by discounts granted, indirect taxes and exchange rate differences associated with sales.

Lease income, presented under other operating income, is recognised evenly over the lease term.

Dividends are recognised as revenue when shareholders have the right to receive a dividend payment.

FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets are classified as financial assets recognised at fair value through profit or loss, loans and receivables, available-for-sale financial assets, and

held-to-maturity investments. Classifying a financial asset is determined by the purpose for which the asset is purchased at time of its purchase. In the case of assets not recognised at their fair value through profit or loss, transaction costs are included in the original carrying value of the financial assets. All purchases and sales of financial assets are recognised on the date of their transaction.

Financial assets at fair value through profit or loss include held-for-trading assets. With respect to shares held for trading, the net values of any unrealised fair-value gains or losses, dividend income and any capital gains or losses are recognised under financial income and expenses in the income statement. Financial assets held for trading include listed shares which prices have been specified in the active market.

Held-to-maturity investments are non-derivative financial assets with fixed and determinable payments and fixed maturity, and which the Group has the positive intent and ability to hold to maturity. They are measured at amortised cost. The Group had no such items during the reporting period.

Loans and receivables are non-derivative assets with fixed and determinable payments, which are not publicly traded in the active market and which the company does not hold for trading. This category includes the Group's financial assets created by providing money, goods or services directly to the debtor. Initially recognised at cost and subsequently measured at amortised cost, they are included in current and non-current financial assets.

Available-for-sale financial assets are non-derivative assets which specifically belong to this category, or which are not classified under other financial asset categories. Assets within this category are carried at fair value subsequent to their initial recognition, and any changes in their fair value are recognised in the fair value reserve under shareholders' equity. Available-for-sale financial assets consist primarily of unlisted shares. Changes in fair value are transferred from equity to the income statement when the asset is disposed of or it has lost its value to the extent that an impairment loss must be recognised for the asset. Unlisted shares for which no reliable fair value was available are measured at cost.

Cash and cash equivalents comprise cash and bank receivables and other highly liquid investments with short maturity. Cash and cash equivalents include assets with a maximum maturity of three months from the date of purchase. Credit limits are included under current interest-bearing liabilities.

The Group's financial liabilities mainly comprise accounts payable and loans from financial institutions. Financial liabilities

are initially measured at fair value, which is the monetary amount received less expenses directly incurring from the liability. After initial recognition, liabilities are carried at amortised cost. Financial liabilities include non-current and current liabilities, and can be either interest-bearing or non interest-bearing in nature.

IMPAIRMENTS OF FINANCIAL ASSETS

At every closing date, the Group evaluates on a case-by-case basis whether there is objective evidence indicating impairment in the value of either a single item or a group of financial assets. A substantial or long-term decline in the value of share investments below their acquisition cost indicates the impairment of available-for-sale shares. Factors that may trigger impairment include any financial difficulties experienced by the other party and any fall in market value substantially under the acquisition cost or lasting for more than 12 months. If there is evidence of impairment, the loss accumulated in the fair value reserve is transferred into the income statement.

MANAGEMENT JUDGEMENT IN APPLYING THE MOST SIGNIFICANT ACCOUNTING POLICIES AND OTHER KEY ASSUMPTIONS ABOUT FUTURE RISKS AND UNCERTAINTIES

Above, we have presented solutions based on the management's judgement and concerning the selection and application of accounting policies in the financial statements.

Preparing the financial statements requires the company's management to make estimates and assumptions concerning the future, but the actual results may differ from the estimates and assumptions which are based on historical experience and other reasonable assumptions. Furthermore, the application of accounting principles requires the use of judgment.

The Group's major assumptions about the future and the uncertainties concerning estimates on the balance sheet date that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year are factored in the assessment of the impairment of intangible and tangible assets and available-for-sale investments and shares in associated companies. Any indications of impairment are evaluated on a regular basis, as stated above in the description of accounting policies. The carrying amounts of tangible and intangible assets, available-for-sale financial assets and holdings in associated companies on the balance sheet date are presented in the notes to the financial statements, under Notes 9, 10, 12 and 13.

1. OPERATING SEGMENTS

The Group comprises three reportable segments. These operating segments are based on the Group's organisational structure and internal financial reporting. The Group's reportable segments consist of cross-media publishing and printing and the associated companies.

The publishing segment comprises the publishing company I-Mediat Oy. The Group publishes the provincial papers, Ilkka and Pohjalainen, five local papers (Jurvan Sanomat, Järvisetu, Komiati, Suupohjan Sanomat and Viiskunta) and two free sheets, Etelä-Pohjanmaa and Vaasan Ikkuna. Segment profit comprises circulation income and advertising income.

The printing segment comprises the printing house I-print Oy. The company's net sales are primarily made up of newspaper printing. In addition, its services include various printed materials, page-making and design, and digital printing and content design.

In the financial statements, associated companies

are presented under their own segment. The associated companies included in our consolidated financial statements are Alma Media Corporation, Arena Partners Oy, Väli-Suomen Media Oy and Yrittävä Suupohja Oy. The associated companies are closely related to the Group's publishing business, and, acting in its role as the owner, the Group participates in the development of their operations.

Within the Group, the profits of these segments represent the level of operating profit.

Segment assets and liabilities are business items used by the segment in its operations. Non-allocated items includes Group services, securities trading, tax and financing items, and items shared by the company. Investments comprise material fixed assets and intangible assets, used over more than one financial year, as well as additions of available-for-sale shares and shares in associated companies. Pricing between the segments is market-based.

OPERATING SEGMENTS

2012 (EUR 1,000)	Publishing	Printing	Associated companies	Unallocated	Eliminations	Group total
INCOME STATEMENT FIGURES						
External net sales	40 414	5 743				46 158
Internal net sales	113	7 967		2 139	-10 219	
Net sales	40 528	13 710		2 139	-10 219	46 158
Depreciation	-498	-1 961		-459		-2 918
Share of associated companies' results			5 226			5 226
Impairment			-22 000			-22 000
Operating profit/loss	5 046	1 379	-16 774	-519		-10 868
Financial income and expenses				-2 550		-2 550
Income tax				-669		-669
Profit/loss for the period						-14 087
ASSETS						
Assets by segment	13 477	9 831		137 516		160 823
Shares in associated companies	17		128 779			128 796
LIABILITIES						
Liabilities by segment	10 329	2 534		67 393		80 257
INVESTMENTS						
	170	866		275		1 311
Products and services, external net sales						
Circulation income						19 366
Advertisement income						20 934
Printing income						5 743
Other income						115

The divergence between the total net sales of the reportable segments and those of the Group is due to Group eliminations. The divergence between the total operating loss of the reportable segments and that of the Group is primarily due to the operating loss of the parent company functions.

FINANCIAL STATEMENTS

OPERATING SEGMENTS

2011 (EUR 1,000)	Publishing	Printing	Associated companies	Unallocated	Eliminations	Group total
INCOME STATEMENT FIGURES						
External net sales	43 217	6 734		2		49 952
Internal net sales	101	8 501		2 000	-10 603	
Net sales	43 318	15 235		2 002	-10 603	49 952
Depreciation	-475	-2 108		-516		-3 098
Share of associated companies' results			8 659			8 659
Operating profit	7 697	1 953	8 659	-719		17 590
Financial income and expenses				-3 817		-3 817
Income tax				-1 098		-1 098
Profit for the period						12 675
ASSETS						
Assets by segment	15 630	10 912		170 456		196 998
Shares in associated companies	17		154 080			154 097
LIABILITIES						
Liabilities by segment	12 160	1 309		84 732		92 558
INVESTMENTS						
	601	227		3 586		4 414
Products and services, external net sales						
Circulation income						19 550
Advertisement income						23 564
Printing income						6 734
Other income						104

The divergence between the total net sales of the reportable segments and those of the Group is due to Group eliminations. The divergence between the total operating profit of the reportable segments and that of the Group is primarily due to the operating loss of the parent company functions.

GEOGRAPHICAL INFORMATION

EUR 1,000	2012	2011
NET SALES		
Finland	46 155	49 946
Other Europe	3	7
Total	46 158	49 952
NON-CURRENT ASSETS		
Finland	142 427	169 522

2. OTHER OPERATING INCOME

EUR 1,000	2012	2011
Rent income from investment properties	256	247
Other rent income	117	120
Sales gains on property, plant and equipment	45	37
Other operating income	20	30
Total	437	435

3. MATERIALS AND SERVICES

EUR 1,000	2012	2011
Purchases during the financial period	4 409	4 661
Increase or decrease of stocks	-45	166
Materials and supplies	4 364	4 827
External charges	9 616	10 003
Materials and services	13 980	14 830

4. EMPLOYEE BENEFITS

EUR 1,000	2012	2011
Salaries and fees	14 543	14 145
Pension costs, defined contribution plans	2 573	2 422
Other personnel costs	707	709
Employee benefits	17 824	17 275
PERSONNEL ON AVERAGE		
Publishing	235	239
Printing	75	77
Unallocated	25	25
Total	336	341

Information on employee benefits covering Group management is presented in section 25.

5. DEPRECIATION

EUR 1,000	2012	2011
Intangible rights	399	421
Buildings and constructions	550	565
Investment properties	63	95
Machinery and equipment	1 907	2 017
Depreciation according to plan	2 918	3 098

FINANCIAL STATEMENTS

6. OTHER OPERATING COSTS

EUR 1,000	2012	2011
Rents	123	129
Costs for premises	977	1 041
Production machinery costs	357	409
Telecommunications, office and information technology cost	1 369	1 365
Sales and marketing costs	1 643	1 690
Other costs	1 498	1 630
Other operating costs total	5 966	6 265
AUDIT FEES		
Statutory audit	44	37
Tax counselling	3	7
Other fees	11	15
Total	58	59

7. FINANCIAL INCOME AND EXPENSES

EUR 1,000	2012	2011
FINANCIAL INCOME		
Dividend yields on available-for-sale financial assets	546	628
Interest income from loans, receivables and bank accounts	46	101
Other financial income	66	345
Financial income total	658	1 074
FINANCIAL EXPENSES		
Sales loss on available-for-sale financial assets	-4	
Net loss on held-for-trading financial assets	-99	-949
Interest expenses on financial liabilities measured at amortised cost	-2 184	-2 544
Unrealised change in the market value of the interest rate swaps	-920	-1 398
Financial expenses total	-3 208	-4 891
Financial income and expenses total	-2 550	-3 817

8. INCOME TAXES

EUR 1,000	2012	2011
Income taxes on operations	1 176	1 872
Change in deferred tax liabilities and assets	-508	-774
Income taxes	669	1 098
Reconciliation		
Profit/loss before taxes	-13 418	13 773
Tax calculated at parent company's tax rate	-3 288	3 581
Tax expenses in income statement	-669	-1 098
Difference	-3 956	2 483
Difference analysis (net)		
Non-deductible expenses	-7	-12
Tax-exempt income	160	215
Share of associated companies' results	-4 110	2 251
The impact of a tax rate change		29
Difference analysis (net) total	-3 956	2 483

9. INTANGIBLE ASSETS AND GOODWILL

EUR 1,000	Intangible rights	Other Intangible assets	Advances paid	Goodwill	Total
INTANGIBLE ASSETS 2012					
Acquisition cost 1.1.	5 546	2		314	5 863
Increase	78		210		288
Transfers between items	110		-110		
Acquisition cost 31.12	5 734	2	100	314	6 150
Accumulated depreciation 1.1.	-4 429				-4 429
Depreciation for the financial period	-399				-399
Accumulated depreciation 31.12	-4 828				-4 828
BOOK VALUE 31.12.2012	906	2	100	314	1 323

EUR 1,000	Intangible rights	Other Intangible assets	Advances paid	Goodwill	Total
INTANGIBLE ASSETS 2011					
Acquisition cost 1.1.	5 076	2	223	314	5 617
Increase	141		115		257
Decrease	-11				-11
Transfers between items	339		-339		
Acquisition cost 31.12.	5 546	2		314	5 863
Accumulated depreciation 1.1.	-4 019				-4 019
Accumulated depreciation of decrease and transfers	11				11
Depreciation for the financial period	-421				-421
Accumulated depreciation 31.12.	-4 429				-4 429
BOOK VALUE 31.12.2011	1 117	2		314	1 434

Goodwill of EUR 314 thousand has been allocated to the cash-generating unit of the Komiat weekly paper, which is part of the Publishing segment. In impairment testing, recoverable amounts were defined based on the value in use. Cash flow estimates are based on the next financial year's budget approved by the management, after which the growth factor applied is 0%. The discount rate used is 10%. Any reasonably possible change in the key assumptions used in testing would not cause the carrying amounts to exceed their recoverable amounts.

FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land areas	Buildings and constructions	Machinery and equipment	Advances paid and work in progress	Total
TANGIBLE ASSETS 2012					
Acquisition cost 1.1.	891	19 237	39 029		59 157
Increase		16	169	652	838
Decrease			-198		-198
Transfers between items			168	-168	
Acquisition cost 31.12	891	19 253	39 168	484	59 796
Accumulated depreciation 1.1.		-12 032	-33 644		-45 676
Accumulated depreciation of decrease and transfers			198		198
Depreciation for the financial period		-550	-1 907		-2 456
Accumulated depreciation 31.12		-12 582	-35 352		-47 934
BOOK VALUE 31.12.2012	891	6 671	3 816	484	11 862

EUR 1,000	Land areas	Buildings and constructions	Machinery and equipment	Advances paid and work in progress	Total
TANGIBLE ASSETS 2011					
Acquisition cost 1.1.	934	19 295	38 576	91	58 896
Increase		420	600	23	1 042
Decrease	-43	-478	-260		-781
Transfers between items			114	-114	
Acquisition cost 31.12	891	19 237	39 029		59 157
Accumulated depreciation 1.1.		-11 874	-31 873		-43 746
Accumulated depreciation of decrease and transfers		407	246		653
Depreciation for the financial period		-565	-2 017		-2 582
Accumulated depreciation 31.12		-12 032	-33 644		-45 676
BOOK VALUE 31.12.2011	891	7 204	5 386		13 481

The outstanding undepreciated share of the original costs of machinery and equipment belonging to the Group's property, plant and equipment was EUR 3,396 on 31 Dec 2012 (4,850 thousand on 31 Dec 2011).

11. INVESTMENT PROPERTIES

EUR 1,000	2012	2011
INVESTMENT PROPERTIES		
Acquisition cost 1.1.	2 042	2 042
Acquisition cost 31.12	2 042	2 042
Accumulated depreciation 1.1	-1 747	-1 652
Depreciation for the financial period	-63	-95
Accumulated depreciation 31.12.	-1 810	-1 747
BOOK VALUE 31.12.	233	295

The fair value of investment properties was EUR 2,2 million in 2012 (EUR 2,2 million in 2011).

Ilkka-Yhtymä Oyj owns a property in the district of Jouppi in Seinäjoki, where an amendment has been made to the local detailed plan. This amendment will change the current industrial block area in the old local detailed plan, into part of a commercial building block area allowing a large retail unit to be located in the area (KM block area). If Ilkka-Yhtymä Oyj sells its property, it is required by the land use agreement to pay development compensation of EUR 750,000 from the sale price to the City of Seinäjoki, in accordance with Section 91 a of the Land Use and Building Act. An appeal made against the amendment to the local detailed plan was rejected by the Supreme Administrative Court on 1 November 2011, and the local detailed plan became effective on 9 November 2011.

12. SHARES IN ASSOCIATED COMPANIES

EUR 1,000	2012	2011
SHARES IN ASSOCIATED COMPANIES		
At the beginning of the financial period	154 097	161 248
Share of associated companies' results	5 226	8 659
Impairment	-22 000	
Dividends received	-9 009	-15 756
Share of associated companies' other comprehensive income	100	-53
Share of associated company changes	382	
At the end of the financial period	128 796	154 097

On the basis of impairment testing, Ilkka-Yhtymä Group has decided to record in its 2012 consolidated financial statements a EUR 22 million write-down on the holding in the associated company Alma Media. This write-down, recorded under associated companies, has no impact on cash flow. With respect to the holding in Alma Media, the Group's calculations build on estimates made by management on the basis of public information and on public forecasts of Alma Media's earning power conducted by analysts following the company. The post-tax weighted average cost of capital (WACC) used for calculating the value in use is 7.7%.

On the balance sheet date of 31 December 2012, the balance sheet value of the holding in the associated company Alma Media Corporation was EUR 127.6 million following the write-down (EUR 153.7 million on 31 Dec. 2011) and the shares' market value came to EUR 102.3 million (EUR 138.1 million on 31 Dec. 2011). Of the holdings in associated companies, EUR 65.7 million (market value) were used as collateral for loans on 31 December 2012 (EUR 81.3 million on 31. Dec. 2011).

FINANCIAL STATEMENTS

Information on the Group's associated companies and their total assets, liabilities, net sales and profit/loss:

EUR 1,000	Domicile	Assets	Liabilities	Net sales	Profit/loss	Group ownership%
2011						
Alma Media Corporation	Helsinki	197 968	101 224	316 240	30 816	29.79
Arena Partners Oy	Kuopio	19 762	17 239	2 176	-404	37.82
Väli-Suomen Media Oy	Jyväskylä	257	153	870	-1	40.00
Yrittävä Suupohja Oy	Kauhajoki	202	47	537	54	38.46
Total		218 189	118 663	319 822	30 465	

EUR 1,000	Domicile	Assets	Liabilities	Net sales	Profit/loss	Group ownership%
2012						
Alma Media Corporation	Helsinki	245 054	160 537	320 106	17 752	29.79
Arena Partners Oy	Kuopio	18 192	14 661	2 948	1 208	37.82
Väli-Suomen Media Oy	Jyväskylä	282	177	869	1	40.00
Yrittävä Suupohja Oy	Kauhajoki	233	47	563	62	38.46
Total		263 762	175 423	324 485	19 023	

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include unlisted shares. Unlisted shares are measured at fair value in cases where reliable fair value was available. Fair value has been defined based on market prices of sales of corresponding shares. Fair value changes are transferred from equity to the consolidated income statement, when the financial asset is sold or when its value has impaired in a manner requiring the recognition of an impairment loss.

EUR 1,000	2012	2011
Unlisted shares	10 723	10 714
Available-for-sale financial assets total	10 723	10 714

Holdings in unlisted shares primarily comprised holdings in Anvia and Keski-Pohjanmaan Kirjapaino and real estate companies.

14. INVENTORIES

EUR 1,000	2012	2011
Materials and supplies	620	575
Work in progress	27	27
Inventories	647	602

15. TRADE AND OTHER RECEIVABLES

EUR 1,000	2012	2011
Current receivables from associated companies (loans and receivables)	13	18
Trade receivables (loans and receivables) *)	2 522	2 719
Other receivables (loans and receivables)		
Current accrued income and deferred expenses	415	342
Trade and other receivables	2 950	3 079
Substantial accrued income items		
Accruals of personnel expenses	125	
Other items	290	342
Total	415	342
*) Trade receivables according to age		
Undue	2 107	2 213
Overdue		
under 30 days	273	369
30-60 days	35	43
over 60 days	107	93
Total	2 522	2 719

During the financial year, the Group entered credit losses of EUR 42 thousand for trade receivables (in 2011, EUR 24 thousand).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR 1,000	2012	2011
Shares and holdings (held for trading)	1 695	1 902
Financial assets at fair value through profit or loss	1 695	1 902

Financial assets recognised at fair value through profit or loss include investments held for trading, which are listed shares, which prices have been specified in the active market.

17. CASH AND CASH EQUIVALENTS

EUR 1,000	2012	2011
Liquid assets in consolidated balance sheet and cash flow statement		
Cash and cash equivalents	2 263	10 926
Cash and cash equivalents	2 263	10 926

18. NOTES COVERING SHAREHOLDERS' EQUITY

Series I	Number of shares	Share capital (EUR 1,000)
31.12.2010/ 31.12.2011	4 304 061	1 076
31.12.2012	4 304 061	1 076

Series II	Number of shares	Share capital (EUR 1,000)
31.12.2010/ 31.12.2011	21 361 147	5 340
31.12.2012	21 361 147	5 340

Series I and II total	Number of shares	Share capital (EUR 1,000)
31.12.2010/ 31.12.2011	25 665 208	6 416
31.12.2012	25 665 208	6 416

One Series I share entitles its holder to twenty (20) votes at the shareholders' meeting, while one Series II share one (1) vote. Other information on equity is presented in Shares and Shareholders on page 71.

EUR 1,000	2012	2011
FAIR VALUE RESERVE AND OTHER RESERVES		
Fair value reserve	99	101
Invested unrestricted equity fund	48 498	48 498
Loan repayment reserve	24	24
Fair value reserve and other reserves	48 621	48 623

Fair value reserve

The fair value reserve contains changes in the fair values of available-for-sale financial assets.

Other reserves:

Invested unrestricted equity fund

The invested unrestricted equity fund includes other equity related investments and share subscription prices to the extent that they are not, expressly designated for recording under share capital.

Loan repayment reserve

The loan repayment reserve consists of the equity reserve of a real estate company that belongs to the Group.

Dividends

Following the balance sheet date, the Board of Directors proposed that a dividend of EUR 0.15 per share be distributed.

19. DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX IN 2012

EUR 1,000	1.1.2012	Recognised through profit and loss	Recognised in equity	31.12.2012
Deferred tax assets				
Derivative financial instruments	371	225		597
Total	371	225		597
Deferred tax liabilities				
Depreciation difference and voluntary provisions	833	-293		540
Other accrual differences	5	11		16
Available-for-sale financial assets	64		-1	64
Total	903	-282	-1	620
Net deferred tax liabilities in balance sheet	532	-508	-1	23

DEFERRED TAX IN 2011

EUR 1,000	1.1.2011	Recognised through profit and loss	Recognised in equity	31.12.2011
Deferred tax assets				
Derivative financial instruments	30	341		371
Total	30	341		371
Deferred tax liabilities				
Depreciation difference and voluntary provisions	1 181	-348		833
Other accrual differences	90	-85		5
Available-for-sale financial assets	203		-138	64
Total	1 474	-433	-138	903
Net deferred tax liabilities in balance sheet	1 443	-774	-138	532

The Group has EUR 126 thousand in impairment losses, for which it has not recognised deferred tax assets because it is not probable that these impairment losses can be utilised in taxation in the future.

20. INTEREST-BEARING LIABILITIES

EUR 1,000	2012	2011
NON-CURRENT INTEREST-BEARING LIABILITIES		
Loans from financial institutions (financial liabilities measured at amortised cost)	43 783	49 623
Pension loans (financial liabilities measured at amortised cost)		2 652
Convertible bond (financial liabilities measured at amortised cost)	19 887	19 847
Finance lease liabilities (financial liabilities measured at amortised cost)	285	316
Non-current interest-bearing liabilities	63 954	72 438
CURRENT INTEREST-BEARING LIABILITIES		
Loans from financial institutions (financial liabilities measured at amortised cost)	5 914	1 838
Pension loans (financial liabilities measured at amortised cost)	688	2 161
Finance lease liabilities (financial liabilities measured at amortised cost)	32	30
Current interest-bearing liabilities	6 633	4 029

FINANCIAL STATEMENTS

The Group has both fixed-rate and floating-rate interest-bearing loans. The Group initiated hedging against interest-rate risk towards the end of the financial year 2010. This hedging strategy is intended to ensure that approximately 50% of interest-bearing liabilities are tied to a fixed rate. In order to attain this target, interest derivatives have been used. The hedging measures included, 44% of loans had a fixed rate on the balance sheet date, while 56% had a floating rate. The average interest rate for loans on 31 December 2012 came to 2.45% (3.19% on 31 Dec. 2011).

On the balance sheet date of 31 December 2012, credit limits totalled EUR 13 million, none of which had been drawn by 31 December 2012. On 31 December 2011, credit limits totalled EUR 13 million, none of which had been drawn.

Convertible Bonds

During the financial year 2010, Ilkka-Yhtymä issued convertible bonds with a face value of EUR 20.0 million, the interest rate being 12-month euribor + 2% and the maturity six years. The bonds are convertible into a maximum of 2,835,000 new Series II shares of Ilkka-Yhtymä or shares in the possession of the company, so that half of the bonds can be converted as of 2 January 2012 into 1,417,500 shares and the other half as of 1 November 2014 into 1,417,500 shares. The conversion price per share, rounded up, is EUR 7.05. The conversion price of shares will be recorded in the company's invested unrestricted equity fund. Dividends paid and other distribution of funds by Ilkka-Yhtymä prior to bond conversion will be compensated by lowering the conversion price. If the aggregate conversion price of a convertible bond is below its face value due to a lowered conversion price, at its own discretion the company will pay for the difference either in cash or in shares. If, in the conversion of bonds, the company decides to issue new shares, the number of the company's shares may increase by a maximum of 2,835,000 Series II shares. Any new shares of Ilkka-Yhtymä issued in conversion will represent a maximum of 9.9% of the company's shares and 2.6% of votes following conversion.

On the date of issue, the convertible bonds were recognised entirely in financial liabilities, since on that date the fair value of the debt component equalled the face value of the convertible bonds. The fair value of the debt component is the net present value of the bond's cash flows discounted by the market rate. The market rate used is the interest rate of a comparable liability without a conversion right and was defined by third parties.

21. ACCOUNTS PAYABLE AND OTHER PAYABLES

EUR 1,000	2012	2011
Advances received	1 968	8 778
Accounts payable (financial liability measured at cost)	1 069	1 180
Liabilities to associated companies (financial liabilities measured at cost)	4	9
Interest rate swaps (financial liability measured at cost)	2 435	1 514
Accrued expenses and deferred income	2 745	2 871
Other payables	1 169	1 030
Accounts payable and other payables	9 390	15 383
Substantial accrued expenses and deferred income items		
Accruals of personnel expenses	2 493	2 478
Other items	252	393
Total	2 745	2 871

22. FINANCIAL RISK MANAGEMENT

The Board of Directors defines the principles of financial risk management. Risk management measures are attended to on a centralised basis by the finance department of the Group's parent company. The parent company is responsible for the Group's financing on a centralised basis. The Group is exposed to interest-rate risk and risk associated with share prices.

Foreign exchange risk

The Group's foreign exchange risk is not material, as business transactions are primarily carried out in euros.

Interest rate risk

The Group's interest-rate risk consists of changes in market interest rates applied in the loan portfolio. The company follows an interest-rate management policy confirmed by the Board of Directors. With respect to interest-rate risk management, the goal is to reduce the volatility of interest expenses in order to keep interest expenses, and the associated risk that they will grow, at an acceptable level. Interest-rate risk is managed by selecting both fixed and floating interest rates in loans, and using interest-rate fixing periods. If necessary, in order to hedge against interest-rate risk, the company can rely on interest rate swaps, interest rate options and their combinations.

The company's loan arrangements involve ordinary collaterals and no special covenants.

On 31 December 2012, the Group's interest-bearing liabilities totalled EUR 70.6 million (EUR 76.5 million on 31 Dec. 2011), including EUR 20.0 million in the form of convertible bonds. Loan maturities of the company's interest-bearing liabilities range from 1 to 8 years. During the 2012 financial year, accelerated repayments of the TyEL (Employees' Pensions Act) loan for 2013-2015 amounted to EUR 2.0 million.

In order to hedge against interest rate risk, on 21 December 2010 the company transformed some of its floating-rate liabilities to a fixed rate, by means of interest rate swaps. Presently, some 44% of the loans in the company's total loan portfolio have a fixed rate and some 56% a floating rate. The loan providers of the loans taken out at the end of the 2010 financial year have the opportunity to adjust the loan margin five years after the loans have been drawn. At the end of the 2012 financial year, these loans amounted to EUR 28.2 million.

As at 31 December 2012, the impact of floating-rate interest-bearing liabilities on profit before taxes would have amounted to +/- EUR 397 thousand over the next 12 months, if the interest level increases or decreases by one percentage point.

Market risk of investment activities

Investments are made through well-known partners with high credit rating. In relation to its operations, the Group is subject to price risks for listed shares due to fluctuations in market prices. The Group's Board of Directors has defined the boundary conditions for its investments in shares and reviews the related risk assessment once a month.

Investment sensitivity analysis

The annual change of the OMX Helsinki Cap Index was 11.8%. At the end of 2012, the market value of the Group's financial assets recognised at fair value through profit or loss was EUR 1,695 thousand (EUR 1,902 thousand in 2011). Changes in the value of financial assets recognised at fair value through profit or loss affect earnings after tax. If the market prices of shares went up or down by 10% and other factors remained the same, the change in the income statement would be +/- EUR 128 thousand.

Fair value hierarchy of financial assets and financial liabilities measured at fair value

	31.12.2012	Fair value at end of period		
		Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets at fair value through profit or loss	1 695	1 695		
Available-for-sale financial assets	9 229		9 229	
Total	10 924	1 695	9 229	
Liabilities measured at fair value				
Interest rate swaps	2 435		2 435	
Total	2 435		2 435	
<hr/>				
	31.12.2011	Fair value at end of period		
		Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets at fair value through profit or loss	1 902	1 902		
Available-for-sale financial assets	9 219		9 219	
Total	11 121	1 902	9 219	
Liabilities measured at fair value				
Interest rate swaps	1 514		1 514	
Total	1 514		1 514	

Available-for-sale assets also include EUR 1,495 thousand (EUR 1,495 thousand in 2011) for unlisted shares, which are measured at cost since no reliable fair value was available for them.

At Level 1 of the hierarchy, fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

At Level 2, the instruments' fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

At Level 3, the instruments' fair value is based on inputs for the asset or liability that are not based on observable market data.

Credit risk

The company receives its subscription payments in advance. Receivables from advertising and printing sales are spread among a wide group of domestic customers. The company keeps customer balances under constant surveillance and reacts to outstanding accounts immediately. The maximum exposure of the Group's credit risk corresponds to the carrying amount of the above-mentioned financial asset classes at the end of the financial year (Notes 13, 15, 16 and 17).

Liquidity risk

The Group evaluates and continuously monitors the amount of financing required in its operations. The Group seeks to maintain the availability and flexibility of financing by means of credit limit. At the end of the financial year, the Group's cash and cash equivalents amounted to EUR 2.3 million (EUR 10.9 million on 31 Dec. 2011). Unused credit limits totalled EUR 13 million on 31 December 2012 (EUR 13 million on 31 Dec. 2011). The terms and conditions of debt contain no covenants. As collateral for liabilities, the Group has granted share pledges as well as real estate and corporate mortgages, which are presented under Note 24.

The maturities of interest-bearing liabilities are presented in the table below. The figures have not been discounted.

31.12.2012 (EUR 1,000)	Carrying amount	Cash flow	Less than 1 year	1-2 years	2-5 years	Over 5 years
Repayment	70 271	70 384	6 602	5 914	31 781	26 088
Payment of interest *)		7 074	1 679	1 525	3 291	580
Total	70 271	77 459	8 280	7 439	35 071	26 668

31.12.2011 (EUR 1,000)	Carrying amount	Cash flow	Less than 1 year	1-2 years	2-5 years	Over 5 years
Repayment	76 121	76 274	3 999	7 534	35 785	28 956
Payment of interest *)		12 363	2 578	2 377	5 870	1 538
Total	76 121	88 637	6 577	9 911	41 655	30 494

*) Cash flows from interest rate swaps are included in payment of interest.

23. LEASES

GROUP AS LESSEE

Minimum rents payable under non-cancellable operating leases:

EUR 1,000	2012	2011
Due within one year	48	48
Due within more than one but no more than five years	69	116
Total	117	164

GROUP AS LESSOR

Minimum rents receivable under non-cancellable operating leases:

EUR 1,000	2012	2011
Due within one year	95	110
Due within more than one but no more than five years	313	321
Due within more than five years	78	152
Total	485	583

Leases are tied to the cost-of-living index.

FINANCE LEASE

Gross finance lease liabilities - maturity of minimum lease payments

EUR 1,000	2012	2011
Due within one year	44	44
Due within more than one but no more than five years	178	178
Due within more than five years	155	200
Total	377	422

Finance lease liabilities - present value of minimum lease payments

EUR 1,000	2012	2011
Due within one year	32	30
Due within more than one but no more than five years	141	135
Due within more than five years	144	182
Total	316	347

Financial expenses accruing in the future	61	75
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24. CONTINGENT LIABILITIES

EUR 1,000	2012	2011
COLLATERAL PLEDGED FOR OWN COMMITMENTS		
Loans secured with mortgages		
Loans from financial institutions	49 697	51 462
Pension loans	688	4 812
Total	50 384	56 274
Unused credit limits	13 000	13 000
Mortgages on real estate	8 801	8 801
Mortgages on company assets	1 245	1 245
Mortgages total	10 045	10 045
Pledged shares	65 730	81 332
CONTINGENT LIABILITIES ON BEHALF OF ASSOCIATED COMPANY		
Guarantees	4 096	2 767

Other liabilities

The Group is required to adjust the VAT deductions made on real estate investments conducted in 2008 and in 2010, should taxable use of the real estate be reduced during the adjustment period. The maximum amount of this liability is presented in the table below.

Year of completion of the investment	EUR 1,000
2008	33
2010	43
Total	76

25. RELATED PARTY TRANSACTIONS

Ilkka-Yhtymä Group's related parties include associated companies, members of the Board of Directors, members of the Supervisory Board, the Managing Director and the Group Executive Team.

Parent company ownership in the Group's subsidiaries is as follows:

Company	Domicile	Shareholding	Proportion of votes
The parent company Ilkka-Yhtymä Oyj	Seinäjoki		
I-Mediat Oy	Seinäjoki	100 %	100 %
I-print Oy	Seinäjoki	100 %	100 %
Pohjalaismediat Oy	Seinäjoki	100 %	100 %
Kiinteistö Oy Seinäjoen Koulukatu 10	Seinäjoki	100 %	100 %
Seinäjoen Kassatalo Osakeyhtiö	Seinäjoki	100 %	100 %

Information on associated companies can be found in section 12.

The following related party transactions were carried out:

EUR 1,000	2012	2011
SALES OF GOODS AND SERVICES		
To associated companies	288	322
To other related parties	823	935
PURCHASES OF GOODS AND SERVICES		
From associated companies	463	530
From other related parties	5	56
TRADE RECEIVABLES		
From other related parties	47	55

Transactions with related parties are conducted at fair market prices.

Receivables and debts from associated companies are described in notes 15 and 21.

EUR 1,000	2012	2011
EMPLOYEE BENEFITS TO MANAGEMENT		
Salaries and other short-term employee benefits	936	831

Management comprises the Board of Directors, Supervisory Board, Managing Director and Group Executive Team. The stated figures based on the cash method do not differ significantly from those based on the accrual method.

The retirement age of the Managing Director is in line with the current retirement pension scheme. In the case of dismissal by the company, the Managing Director's period of notice is 6 months before the age of 63, in addition to which the company will pay severance pay equalling 18 months' salary. The severance pay will equal 24 months' salary in the event of a merger or other business reorganisation. The Managing Director must give six months' notice.

EUR 1,000	2012	2011
SALARIES AND FEES		
Managing Directors and Board Members	560	469
Members of the Supervisory Board	36	41

26. CAPITAL MANAGEMENT

The objective of the Group's capital management is to ensure normal operating conditions and to accumulate long-term shareholder value. The capital structure is influenced, for instance, by the distribution of dividends. Ilkka-Yhtymä Oyj pursues an active dividend policy and aims to distribute at least half of the Group's annual results in dividends. However, the distribution of dividends takes account of financing required for profitable growth and the company's future outlook.

The Group's net interest-bearing liabilities amounted to EUR 66.6 million at the end of 2012. With a target equity ratio of 40 per cent defined by the Board of Directors, the Group's equity ratio in 2012 reached 50.7 per cent (55.5 %).

EUR 1,000	2012	2011
THE GROUP'S NET LIABILITIES		
Interest-bearing liabilities	70 587	76 467
Cash and cash equivalents	2 263	10 926
Financial assets at fair value through profit or loss	1 695	1 902
Net liabilities	66 629	63 639
Shareholder's equity	80 567	104 440
Gearing	82.7 %	60.9 %

27. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors is not aware of any significant events after the balance sheet date that would have had an effect on the calculations in the financial statements.

Ilkka-Yhtymä Group 2010-2012

Key figures on financial performance

ILKKA-YHTYMÄ GROUP	2012	2011	2010
Net sales, MEUR	46.2	50.0	46.5
-change %	-7.6	7.4	-4.7
Operating profit/loss, MEUR	-10.9	17.6	14.5
-% of net sales	-23.5	35.2	31.1
Profit/loss before taxes, MEUR	-13.4	13.8	14.7
-% of net sales	-29.1	27.6	31.5
Profit/loss of the financial period, MEUR	-14.1	12.7	12.9
-% of net sales	-30.5	25.4	27.7
Return on equity (ROE), %	-15.2	12.1	12.6
Return on investment (ROI), %	-6.2	9.6	9.6
Equity ratio, %	50.7	55.5	53.8
Gearing, %	82.7	60.9	72.9
Gross capital expenditure, MEUR *)	1.3	4.4	53.5
-% of net sales	2.8	8.8	115.0
Balance sheet total, MEUR	160.8	197.0	197.0
Current ratio	0.47	0.86	0.88
Average no. of employees	336	341	343

*) Includes investments in tangible and intangible assets and shares in associated companies and in available-for-sale financial assets.

Per-share ratios

ILKKA-YHTYMÄ GROUP	2012	2011	2010
Earnings per share (EPS), EUR	-0.55	0.49	0.50
Cash flow from operations per share, EUR	0.31	1.21	0.49
Shareholders' equity per share, EUR	3.14	4.07	4.09
Dividend per share (Series I), EUR *)	0.15	0.40	0.50
Dividend per share (Series II), EUR *)	0.15	0.40	0.50
Dividend per earnings (Series I), %	neg.	81.0	99.5
Dividend per earnings (Series II), %	neg.	81.0	99.5
Effective dividend yield (Series I), %	2.1	4.4	5.1
Effective dividend yield (Series II), %	3.1	6.1	6.1
Price per earnings (P/E) (Series I)	neg.	18.2	19.7
Price per earnings (P/E) (Series II)	neg.	13.4	16.3
Price development of shares			
average price (Series I), EUR	7.96	9.84	8.69
average price (Series II), EUR	5.82	7.65	6.76
lowest price (Series I), EUR	6.40	8.50	7.50
lowest price (Series II), EUR	4.56	5.95	6.05
highest price (Series I), EUR	11.29	11.69	10.89
highest price (Series II), EUR	7.67	8.99	9.24
price at the end of period (Series I), EUR	7.00	9.00	9.90
price at the end of period (Series II), EUR	4.82	6.60	8.19
Market capitalisation, MEUR	133.1	179.7	217.6
Shares traded (Series I), number of shares	41 148	76 617	54 719
- % of total number of shares	1.0	1.8	1.3
Shares traded (Series II), number of shares	947 266	1 446 992	4 486 320
- % of total number of shares	4.4	6.8	21.0
Average number of shares during the financial period	25 665 208	25 665 208	25 665 208
Number of shares at the end on the financial period	25 665 208	25 665 208	25 665 208

*) 2012: Proposal of the Board of Directors

Calculation principles of key figures

THE FOLLOWING FORMULAS ARE USED TO CALCULATE THE GROUP'S FINANCIAL PERFORMANCE:

Return on equity (%) (ROE)	=	$\frac{\text{Net profit}}{\text{Shareholders' equity (average)}} \times 100$
Return on investment (%) (ROI)	=	$\frac{\text{Profit before taxes+ interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}} \times 100$
Equity ratio (%)	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - Advances received}} \times 100$
Gearing (%)	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents - financial assets measured at fair value through profit or loss}}{\text{Shareholders' equity}} \times 100$
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$

THE FOLLOWING FORMULAS ARE USED TO CALCULATE PER-SHARE RATIOS:

Earnings per share (EPS)	=	$\frac{\text{Net profit}}{\text{Average number of shares during the period}}$
Cash flow from operations per share	=	$\frac{\text{Cash flow from operations}}{\text{Average number of shares during the period}}$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Number of shares on the balance sheet date}}$
Dividend per share	=	Dividend per share approved by the Annual General Meeting. With respect to 2012, the Board of Directors' proposal to the Annual General Meeting for a dividend.
Dividend per earnings (%)	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend yield (%)	=	$\frac{\text{Dividend per share}}{\text{Closing share price}} \times 100$
Price/Earnings ratio (P/E)	=	$\frac{\text{Closing share price}}{\text{Earnings per share}}$
Adjusted average share price	=	$\frac{\text{Total turnover of shares, EUR}}{\text{Shares traded, number of shares}}$
Market capitalisation	=	Number of shares x the share's closing price

Parent Company Income Statement, FAS

EUR 1,000	NOTE	1.1.-31.12.2012	1.1.-31.12.2011
NET SALES	1	2 281	2 748
Other operating income	2	1 148	1 286
Material and services	3	-212	-1 445
Personnel costs	4	-2 019	-1 873
Depreciation	5	-404	-459
Other operating costs	6	-1 669	-1 788
OPERATING PROFIT/LOSS		-876	-1 531
Financial income and expenses	7	9 601	15 224
PROFIT BEFORE EXTRAORDINARY ITEMS		8 725	13 693
Extraordinary items	8	5 900	9 200
PROFIT AFTER EXTRAORDINARY ITEMS		14 625	22 893
Appropriations		96	75
Income taxes	9	-701	-1 393
PROFIT FOR THE FINANCIAL PERIOD		14 020	21 575

Parent Company Balance Sheet, FAS

EUR 1,000	NOTE	31.12.2012	31.12.2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	134	162
Tangible assets	10	4 193	4 479
Investments	11	174 638	174 625
Non-current assets		178 964	179 267
CURRENT ASSETS			
Inventories	12	1 649	1 861
Current receivables	13	6 406	504
Cash and bank deposits		691	1 777
Current assets		8 747	4 143
ASSETS		187 711	183 409
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		6 416	6 416
Other reserves		48 498	48 498
Retained earnings		35 173	23 864
Profit for the financial period		14 020	21 575
Shareholders' equity	14	104 107	100 353
ACCUMULATED APPROPRIATIONS	15	673	769
LIABILITIES			
Non-current interest-bearing liabilities		63 669	72 122
Current interest-bearing liabilities		15 782	7 506
Current interest-free liabilities		3 479	2 660
Liabilities	16	82 930	82 287
SHAREHOLDERS' EQUITY AND LIABILITIES		187 711	183 409

FAS=Finnish Accounting Standards

Parent Company Cash Flow Statement, FAS

EUR 1,000	2012	2011
CASH FLOW FROM OPERATIONS		
Profit for the period under review	14 020	21 575
Adjustments	-14 492	-22 795
Change in working capital	148	1 373
Cash flow from operations before financial items and taxes	-324	153
Interest paid	-2 305	-2 574
Interest received	20	72
Dividends received	12 184	18 256
Other financial items	-8	-19
Direct taxes paid	-650	-1 190
Cash flow from operations	8 917	14 698
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets, net	-89	-70
Other investments, net	-16	-3 347
Repayment of loans receivable		100
Addition(-)/ deduction(+) of cash equivalents	19	-76
Dividends received from investments	479	569
Cash flow from investments	393	-2 825
Cash flow before financing items	9 310	11 873
CASH FLOW FROM FINANCING		
Change in current loans	1 748	-6 955
Change in non-current loans	-1 964	
Group contributions received and paid		9 500
Dividends paid and other profit distribution	-10 180	-12 728
Cash flow from financing	-10 396	-10 183
Increase (+) or decrease (-) in financial assets	-1 086	1 690
LIQUID ASSETS AT THE BEGINNING OF THE FINANCIAL PERIOD	1 777	87
LIQUID ASSETS AT THE END OF THE FINANCIAL PERIOD	691	1 777

NOTES TO THE CASH FLOW STATEMENT:

ADJUSTMENTS TO PROFIT FOR THE PERIOD

Depreciation	404	459
Sales gains (-) and losses (+) on non-current assets		-148
Unrealised exchange rate gains (-) or losses (+)	920	1 398
Financial income and expenses	-10 552	-16 622
Income taxes	701	1 393
Other adjustments	-5 996	-9 275
Adjustments to profit for the period total	-14 492	-22 795

CHANGE IN WORKING CAPITAL

Increase (-)/ decrease (+) in inventories	212	1 285
Increase (-)/ decrease (+) in current interest-free operating receivables	-5	-11
Increase (+)/ decrease (-) in current interest-free liabilities	-59	99
Change in working capital total	148	1 373

Notes to the Parent Company's Financial Statements

ACCOUNTING PRINCIPLES

Ilkka-Yhtymä Oyj's financial statements were prepared in accordance with the Finnish Accounting Standards and other rules and regulations governing the preparation of financial statements (FAS).

assets were valued at the original acquisition cost less depreciation according to plan. Depreciation according to plan was calculated as straight-line depreciation from the original acquisition price of fixed assets on the basis of the economic life of the assets. The depreciation periods for different assets are as follows:

COMPARABILITY OF DATA

The figures for 2012 are comparable with those of 2011.

Intangible rights	
and other long-term assets	3-10 years
Buildings	20-40 years
Structures	20 years
Machinery and equipment	3-15 years

SECURITIES TRADING

In the parent company financial statements securities trading is presented as gross of net sales and purchases.

PERIODISATION OF PENSION EXPENSES

Employee pension schemes are arranged through insurance companies.

INVENTORIES

Inventories were valued either at acquisition cost or probable sales value, whichever was the lowest. Marketable securities were valued at their direct acquisition cost, average closing price or probable sales price, whichever was the lowest.

ITEMS IN FOREIGN CURRENCIES

Receivables and debts in foreign currencies were converted to euros according to the average exchange rate of the European Central Bank on the closing date of the financial statements.

FIXED ASSETS AND DEPRECIATION

Revaluations included in balance sheet values of buildings and land were reversed in 2003. Other fixed

EXTRAORDINARY ITEMS

Group contributions are entered in extraordinary items.

Notes to the Income Statement and the Balance Sheet

EUR 1,000	2012	2011
1. NET SALES		
Net sales by operating sector		
Other operations	2 173	2 024
Securities trading	108	723
Total	2 281	2 748
2. OTHER OPERATING INCOME		
Sales gains on fixed assets		148
Rent income	1 142	1 137
Other	6	1
Total	1 148	1 286
3. MATERIALS AND SERVICES		
Purchases during the financial period		160
Increase or decrease of stocks	212	1 285
Materials and supplies total	212	1 444
External charges		1
Materials and services total	212	1 445
4. PERSONNEL COSTS		
Salaries and fees	1 610	1 473
Pension expenses	352	347
Other personnel costs	57	52
Total	2 019	1 873
MANAGEMENT'S SALARIES AND FEES		
Managing Director	301	246
Members of the Board of Directors		
Paatelainen Seppo	34	33
Aukia Timo	22	21
Lager Esa	16	1
Mutka Sari	15	11
Savola Tapio	16	11
Viitala Riitta	16	10
Members of the Supervisory Board		
Hautala Lasse, Chairman	22	21
Other members		
The members receive EUR 400 for each meeting. (EUR 400 in 2011).		
The Supervisory Board convened twice during 2012. During 2011 Supervisory Board convened three times.		
Personnel on average during the financial period		
Corporate services	25	25

FINANCIAL STATEMENTS

EUR 1,000	2012	2011
5. DEPRECIATION ACCORDING TO PLAN		
Intangible rights	72	113
Other long-term expenses	10	10
Buildings and constructions	197	212
Machinery and equipment	125	124
Total	404	459
6. OTHER OPERATING EXPENSES		
Costs for premises	698	746
Other cost items	971	1 041
Total	1 669	1 788
Audit fees		
Statutory audit	31	26
Tax counselling	3	7
Other fees	11	15
Total	45	47
7. FINANCIAL INCOME AND EXPENSES		
FINANCIAL INCOME		
DIVIDEND YIELDS		
From Group companies	3 175	2 500
From Associated companies	9 009	15 756
From others	495	569
Total	12 680	18 825
OTHER INTEREST AND FINANCIAL INCOME		
From Group companies	6	6
From others	80	408
Total	86	415
Financial income total	12 766	19 239
FINANCIAL EXPENSES		
OTHER INTEREST AND FINANCIAL EXPENSES		
To group companies	-71	-82
To others	-2 174	-2 535
Total	-2 244	-2 617
Unrealised change in the market value of the interest rate swaps	-920	-1 398
Financial expenses total	-3 164	-4 015
FINANCIAL INCOME AND EXPENSES TOTAL	9 601	15 224
Interest income total	20	70
Interest expenses total	-2 232	-2 598
8. EXTRAORDINARY ITEMS		
Extraordinary income	5 900	9 200
Extraordinary items consist of Group contributions received.		

9. INCOME TAXES

Income tax on extraordinary items	1 446	2 392
Income tax on ordinary operations	-744	-999
Total	701	1 393

10. INTANGIBLE AND TANGIBLE ASSETS

EUR 1,000	Intangible rights	Other longterm assets	Advances paid	Total
INTANGIBLE ASSETS				
Acquisition cost 1.1.2012	1 025	1 960		2 985
Increase	20		33	53
Transfers between items	25		-25	
Acquisition cost 31.12.2012	1 069	1 960	9	3 038
Accumulated depreciation and impairment 1.1.2012	884	1 939		2 823
Depreciation for the financial period	72	10		82
Accumulated depreciation 31.12.2012	956	1 949		2 905
BOOK VALUE 31.12.2012	114	11	9	134
BOOK VALUE 31.12.2011	141	21		162

EUR 1,000	Land areas	Buildings and constructions	Machinery & equipment	Advances paid	Total
TANGIBLE ASSETS					
Acquisition cost 1.1.2012	452	7 234	6 218		13 905
Increase		16	20		36
Decrease			-20		-20
Acquisition cost 31.12.2012	452	7 251	6 218		13 921
Accumulated depreciation and impairment 1.1.2012		3 561	5 864		9 426
Accumulated depreciation of decrease and transfers			-20		-20
Depreciation for the financial period		197	125		322
Accumulated depreciation 31.12.2012		3 758	5 970		9 728
BOOK VALUE 31.12.2012	452	3 492	249		4 193
BOOK VALUE 31.12.2011	452	3 673	354		4 479

Balance sheet value of production machinery and equipment 31.12.2012	171
Balance sheet value of production machinery and equipment 31.12.2011	257

11. INVESTMENTS

EUR 1,000	Shares in Group companies	Shares in associated companies	Other shares and holdings	Other investments	Total
Book value 1.1.2012	8 144	156 366	9 946	170	174 625
Increase			186		186
Decrease			-174		-174
BOOK VALUE 31.12.2012	8 144	156 366	9 958	170	174 638

FINANCIAL STATEMENTS

EUR 1,000	2012	2011
DIFFERENCE IN MARKET VALUE AND BOOK VALUE OF PUBLICLY QUOTED SECURITIES		
Publicly quoted securities entered under investments		
Market value	102 326	138 084
Book value	155 904	155 904
Difference	-53 578	-17 820

Companies owned by the parent company	Ownership %
GROUP COMPANIES	
I-Mediat Oy, Seinäjoki	100.0
I-print Oy, Seinäjoki	100.0
Kiinteistö Oy Seinäjoen Koulukatu 10, Seinäjoki	100.0
Seinäjoen Kassatalo Osakeyhtiö, Seinäjoki	100.0
Pohjalaismediat Oy, Seinäjoki	100.0
ASSOCIATED COMPANIES	
Alma Media Corporation, Helsinki	29.79
Arena Partners Oy, Kuopio	37.8
Väli-Suomen Media Oy, Jyväskylä	20.0
Yrittävä Suupohja Oy, Kauhajoki	38.5

12. INVENTORIES

Inventories	1 649	1 861
Total	1 649	1 861
DIFFERENCE IN MARKET VALUE AND BOOK VALUE OF PUBLICLY QUOTED SECURITIES		
Marketable securities		
Market value	1 695	1 902
Book value	1 649	1 861
Difference	45	41

EUR 1,000	2012	2011
13. RECEIVABLES		
CURRENT RECEIVABLES		
Trade receivables	5	9
Accrued income (from others)	129	119
RECEIVABLES FROM GROUP COMPANIES		
Trade receivables	314	299
Loan receivables	57	76
Other receivables	5 900	
Total	6 272	375
CURRENT RECEIVABLES TOTAL	6 406	504
SUBSTANTIAL ACCRUED INCOME ITEMS		
Accruals of personnel expenses	12	
Other	117	119
Total	129	119
14. SHAREHOLDERS' EQUITY		
Share capital 1.1.	6 416	6 416
Share capital 31.12.	6 416	6 416
Invested unrestricted equity fund 1.1.	48 498	48 498
Invested unrestricted equity fund 31.12.	48 498	48 498
Retained earnings 1.1.	45 439	36 697
Dividend distribution	-10 266	-12 833
Retained earnings 31.12.	35 173	23 864
Profit for the financial period	14 020	21 575
Shareholders' equity total	104 107	100 353
STATEMENT OF DISTRIBUTABLE FUNDS 31.12.		
Retained earnings	35 173	23 864
Profit for the financial period	14 020	21 575
Invested unrestricted equity fund	48 498	48 498
Total	97 691	93 937
Breakdown of the Parent Company's share capital by share type:		
Series I (20 votes/share)	1 076	1 076
Series II (1 vote/share)	5 340	5 340
Total	6 416	6 416

The transfer of Series I shares is restricted by an approval clause. According to the clause, Series I shares cannot be transferred without the approval of the Board of Directors.

15. ACCUMULATED APPROPRIATIONS

Accumulated appropriations in Ilkka-Yhtymä Oyj consist of accumulated depreciation difference.

FINANCIAL STATEMENTS

EUR 1,000	2012	2011
16. LIABILITIES		
NON-CURRENT LIABILITIES		
Loans from financial institutions	43 783	49 623
Pension loans		2 652
Convertible bond	19 887	19 847
Total	63 669	72 122
NON-CURRENT LIABILITIES	63 669	72 122
LIABILITIES THAT MATURE IN MORE THAN FIVE YEARS		
Loans from financial institutions	26 088	28 956
Total	26 088	28 956
CURRENT LIABILITIES		
Loans from financial institutions	5 914	1 838
Pension loans	688	2 161
Accounts payable	83	154
Accrued expenses and deferred income	534	598
Other payables	2 813	1 862
Payables to Group companies		
Accounts payable	50	44
Other payables	9 180	3 508
Total	9 230	3 552
CURRENT LIABILITIES	19 261	10 165
SUBSTANTIAL ACCRUED EXPENSES AND DEFERRED INCOME ITEMS		
Accruals of personnel expenses	267	244
Accruals of Interest expenses	142	255
Accruals of income taxes	112	61
Other	13	39
Total	534	598
Interest-free liabilities	3 479	2 660
17. GUARANTEES AND CONTINGENT LIABILITIES		
COLLATERAL PLEDGED FOR OWN COMMITMENTS		
Loans secured with mortgages		
Loans from financial institutions	49 697	51 462
Pension loans	688	4 812
Total	50 384	56 274
Unused credit limits	13 000	13 000
Mortgages on real estate	4 672	4 672
Pledged shares	111 131	102 797
Contingent liabilities on behalf of associated company		
Guarantees	4 096	2 767

Shares and Shareholders

On 31 December 2012, the share capital of Ilkka-Yhtymä Oyj entered in the Finnish Trade Register totalled EUR 6,416,302, the number of shares being 25,665,208. The shares are divided into two series. Series I shares and Series II shares differ in such a way that each Series I share entitles the holder to twenty (20) votes at the AGM, while a Series II share entitles the holder to one (1) vote. Shares of both series entitle the holders to the same dividend.

According to the Articles of Association, a single shareholder at a General Meeting may not use more than one twentieth (1/20) of the entire number of votes represented in a meeting.

The transfer of Series I shares is restricted by an approval clause. According to this clause, Series I shares cannot be transferred to another holder without the approval of the Board of Directors.

SHARE CAPITAL 31. DEC 2012

	Share capital EUR	Number of shares	% of share capital	% of votes
Series I	1 076 015	4 304 061	16.8	80.1
Series II	5 340 287	21 361 147	83.2	19.9
Total	6 416 302	25 665 208	100.0	100.0

QUOTATION AND TRADING IN SHARES

The Series I shares of Ilkka-Yhtymä Oyj were listed on the Helsinki Stock Exchange in 1981 and have remained listed ever since. The Series II shares have been listed since their issue in 1988, and on 10 June 2002 they were transferred from the I List of the Helsinki Stock Exchange to the Main List. At present, the Series II shares of Ilkka-Yhtymä Oyj are listed on the NASDAQ OMX Helsinki List, in the Consumer Services sector, the company's market value being classified as Mid Cap. The Series I shares are listed on the Pre List.

The number of Series I shares of Ilkka-Yhtymä Oyj traded in 2012 was 41,148, which represents 1% of the series share stock. The trading value of shares was EUR 0.3 million. The number of Series II shares traded totalled 947,266, which equals 4.4% of the series share stock. Their trading value was EUR 5.5 million. During the report period, the lowest quotation for Ilkka-Yhtymä Oyj's Series I share was EUR 6.40 and the highest EUR 11.29, while the lowest quotation for a Series II share was EUR 4.56 and the highest EUR 7.67. At the period-end closing price, the share capital market value was EUR 133.1 million.

MAJOR SHAREHOLDERS BY NUMBER OF SHARES ACCORDING TO THE REGISTER OF OWNERS (ALL SHARES)

31 DEC 2012	Series I	Series II	Shares in total	% of shares
Pohjois-Karjalan Kirjapaino Oyj	99	2 613 125	2 613 224	10.18 %
Keskisuomalainen Oyj		1 537 199	1 537 199	5.99 %
Keski-Pohjanmaan Kirjapaino Oyj	203 409	599 245	802 654	3.13 %
Ilmarinen Mutual Pension Insurance Company	101 880	504 517	606 397	2.36 %
Mandatum Life Insurance Company Limited		525 764	525 764	2.05 %
Etelä-Pohjanmaan Lehtiseura ry	216 229	265 917	482 146	1.88 %
Mutual Insurance Company Pension-Fennia		400 000	400 000	1.56 %
Lako Helena	500	352 538	353 038	1.38 %
TS-Yhtymä Oy	40 050	239 829	279 879	1.09 %
LocalTapiola General Mutual Insurance Company	144 450	108 336	252 786	0.98 %
Mäkelä Kai	10 831	233 885	244 716	0.95 %
E-P:n Osuuskauppa	111 864	84 024	195 888	0.76 %
Rinta-Jouppi Jarmo	85 530	110 052	195 582	0.76 %
Keskinen Martti		192 541	192 541	0.75 %
Mutka Heikki	69 512	105 391	174 903	0.68 %
Aukia Jaakko	139 580	25 000	164 580	0.64 %
LocalTapiola Mutual Pension Insurance Company	92 924	69 693	162 617	0.63 %
Järvi-Laturi Heikki	41 490	120 026	161 516	0.63 %
Aukia Kari	47 159	113 694	160 853	0.63 %
Oy Herttaässä Ab	24 057	136 486	160 543	0.63 %
20 major shareholders, total	1 329 564	8 337 262	9 666 826	37.67 %
Nominee-registered		401 255	401 255	1.56 %
Other owners	2 974 497	12 622 630	15 597 127	60.77 %
Total	4 304 061	21 361 147	25 665 208	100.00 %

*) Nominee-registered are not included.

MAJOR SHAREHOLDERS BY NUMBER OF VOTES ACCORDING TO THE SHAREHOLDERS' REGISTER (registered shares)

31 DEC 2012	Series I reg.	% of shares	Series II	% of shares	Shares in total	% of votes
Keski-Pohjanmaan Kirjapaino Oyj	190 552	4.43 %	599 245	2.81 %	789 797	4.10 %
Etelä-Pohjanmaan Lehtiseura ry	201 588	4.68 %	265 917	1.24 %	467 505	4.00 %
Aukia Jaakko	139 265	3.24 %	25 000	0.12 %	164 265	2.62 %
Pohjois-Karjalan Kirjapaino Oyj	99	0.00 %	2 613 125	12.23 %	2 613 224	2.43 %
Ilmarinen Mutual Pension Insurance Company	101 880	2.37 %	504 517	2.36 %	606 397	2.37 %
E-P:n Osuuskauppa	111 864	2.60 %	84 024	0.39 %	195 888	2.16 %
LocalTapiola General Mutual Insurance Comp.	107 190	2.49 %	108 336	0.51 %	215 526	2.10 %
Rinta-Jouppi Jarmo	85 224	1.98 %	110 052	0.52 %	195 276	1.69 %
LocalTapiola Mutual Pension Insurance Comp.	85 695	1.99 %	69 693	0.33 %	155 388	1.66 %
Keskisuomalainen Oyj			1 537 199	7.20 %	1 537 199	1.43 %
Etelä-Pohjanmaan Osuuspankki	73 350	1.70 %	60 445	0.28 %	133 795	1.42 %
Mutka Heikki	69 512	1.62 %	105 391	0.49 %	174 903	1.39 %
SV-Turkis Oy	64 194	1.49 %	58 022	0.27 %	122 216	1.25 %
Kyrönmaan Osuuspankki	55 134	1.28 %	42 924	0.20 %	98 058	1.07 %
Aukia Timo	50 292	1.17 %	90 245	0.42 %	140 537	1.02 %
Rinta-Jouppi Ari	48 555	1.13 %	91 539	0.43 %	140 094	0.99 %
Mikkilä Juha	49 051	1.14 %	29 810	0.14 %	78 861	0.94 %
Järvi-Laturi Heikki	41 490	0.96 %	120 026	0.56 %	161 516	0.88 %
Aukia Kari	40 397	0.94 %	113 694	0.53 %	154 091	0.86 %
Beetajuuri Oy	43 457	1.01 %			43 457	0.81 %
Total	1 558 789	36.22 %	6 629 204	31.03 %	8 187 993	35.19 %

MAJOR SHAREHOLDERS BY NUMBER OF SHARES ACCORDING TO THE SHAREHOLDERS' REGISTER (registered shares)

31 DEC 2012	Series I reg.	Series II	Shares in total	% of shares
Pohjois-Karjalan Kirjapaino Oyj	99	2 613 125	2 613 224	10.18 %
Keskisuomalainen Oyj		1 537 199	1 537 199	5.99 %
Keski-Pohjanmaan Kirjapaino Oyj	190 552	599 245	789 797	3.08 %
Ilmarinen Mutual Pension Insurance Company	101 880	504 517	606 397	2.36 %
Mandatum Life Insurance Company Limited		525 764	525 764	2.05 %
Etelä-Pohjanmaan Lehtiseura ry	201 588	265 917	467 505	1.82 %
Mutual Insurance Company Pension-Fennia		400 000	400 000	1.56 %
Lako Helena	500	352 538	353 038	1.38 %
TS-Yhtymä Oy	9 000	239 829	248 829	0.97 %
Mäkelä Kai	9 032	233 885	242 917	0.95 %
LocalTapiola General Mutual Insurance Company	107 190	108 336	215 526	0.84 %
E-P:n Osuuskauppa	111 864	84 024	195 888	0.76 %
Rinta-Jouppi Jarmo	85 224	110 052	195 276	0.76 %
Keskinen Martti		192 541	192 541	0.75 %
Mutka Heikki	69 512	105 391	174 903	0.68 %
Aukia Jaakko	139 265	25 000	164 265	0.64 %
Järvi-Laturi Heikki	41 490	120 026	161 516	0.63 %
Oy Herttaässä Ab	24 057	136 486	160 543	0.63 %
LocalTapiola Mutual Pension Insurance Company	85 695	69 693	155 388	0.61 %
Aukia Kari	40 397	113 694	154 091	0.60 %
Total	1 217 345	8 337 262	9 554 607	37.23 %

Nominee-registered are not included.

BOOK-ENTRY SYSTEM

Ilkka-Yhtymä Oyj's shares are included in the book-entry system. The notification date for the transfer to the book-entry system was 7 June 1995. A shareholder list of the company's shares and their holders is maintained at Euro-clear Finland Oy.

MANAGEMENT HOLDINGS

On 31 December 2012, the company's Supervisory Board, the Board of Directors and the Managing Director held a total of 1,258,178 shares, or 4.90% of the entire share capital and 8.12% of the votes.

SHAREHOLDERS BY NUMBER OF SHARES HELD ON 31 DEC 2012 *)

Number of shares, Series I	No. of holdings	% of holdings	No. of shares	% of shares
1 - 200	1 913	51.94	173 157	4.02
201 - 400	637	17.30	183 354	4.26
401 - 2 000	926	25.14	823 032	19.12
2 001 - 4 000	101	2.74	267 636	6.22
4 001 -	106	2.88	2 438 317	56.65
TOTAL	3 683	100.00	3 885 496	90.28
On waiting list			305 130	7.09
In joint account			113 435	2.64
SHARES ISSUED			4 304 061	100.00

Number of shares, Series II	No. of holdings	% of holdings	No. of shares	% of shares
1 - 200	2 362	28.18	244 768	1.15
201 - 400	1 341	16.00	407 736	1.91
401 - 2 000	3 335	39.78	3 165 719	14.82
2 001 - 4 000	712	8.49	2 004 611	9.38
4 001 -	633	7.55	15 431 668	72.24
TOTAL	8 383	100.00	21 254 502	99.50
In joint account			106 645	0.50
SHARES ISSUED			21 361 147	100.00

*) According to shareholders' register

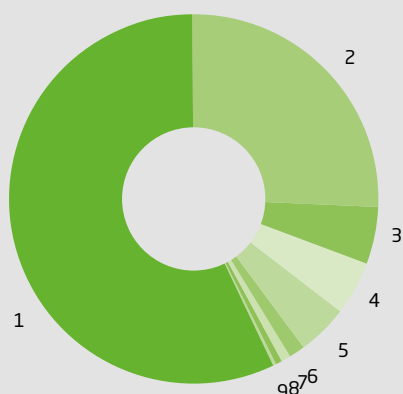
SHAREHOLDERS BY SECTOR 31 DEC 2012 *)

Shareholder category, Series I	No. of holdings	% of holdings	No. of shares	% of shares
Private companies	52	1.41	544 368	12.65
Financial institutions and insurance companies	10	0.27	278 044	6.46
Public-sector organisations	3	0.08	188 142	4.37
Non-profit organisations	75	2.04	345 801	8.03
Households	3 542	96.17	2 528 826	58.75
Foreign owners	1	0.03	315	0.01
TOTAL	3 683	100.00	3 885 496	90.28
On waiting list total			305 130	7.09
In joint account			113 435	2.64
SHARES ISSUED			4 304 061	100.00

Shareholder category, Series II	No. of holdings	% of holdings	No. of shares	% of shares
Private companies	221	2.64	6 030 831	28.23
Financial institutions and insurance companies	22	0.26	942 476	4.41
Public-sector organisations	7	0.08	984 105	4.61
Non-profit organisations	131	1.56	878 672	4.11
Households	7 988	95.29	12 001 701	56.18
Foreign owners	9	0.11	15 462	0.07
Nominee-registered	5	0.06	401 255	1.88
TOTAL	8 383	100.00	21 254 502	99.50
In joint account			106 645	0.50
SHARES ISSUED			21 361 147	100.00

*) According to shareholders' register

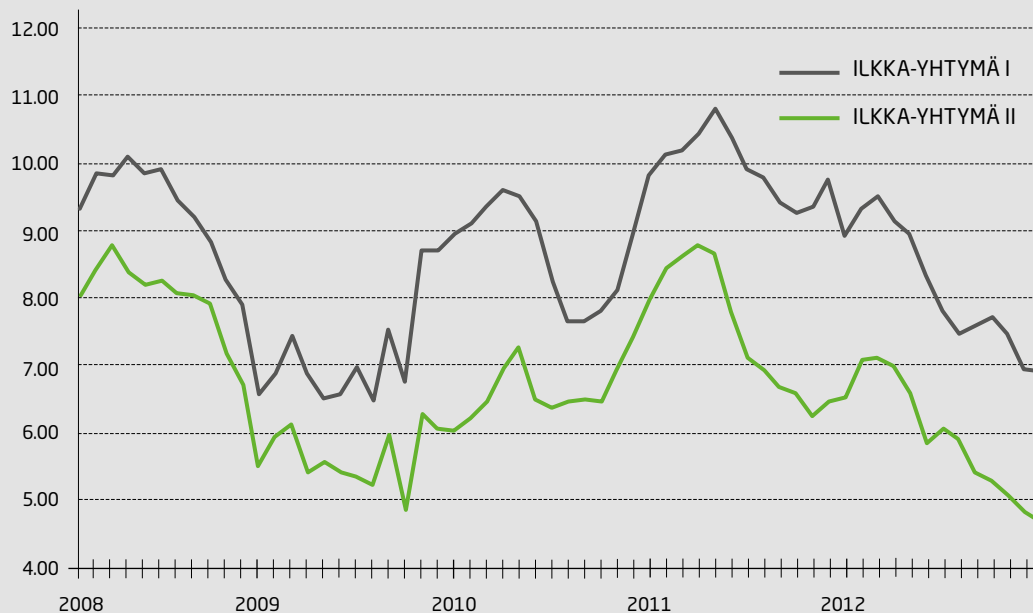
SHAREHOLDERS BY SECTOR 31 DEC 2012, SERIES I AND SERIES II



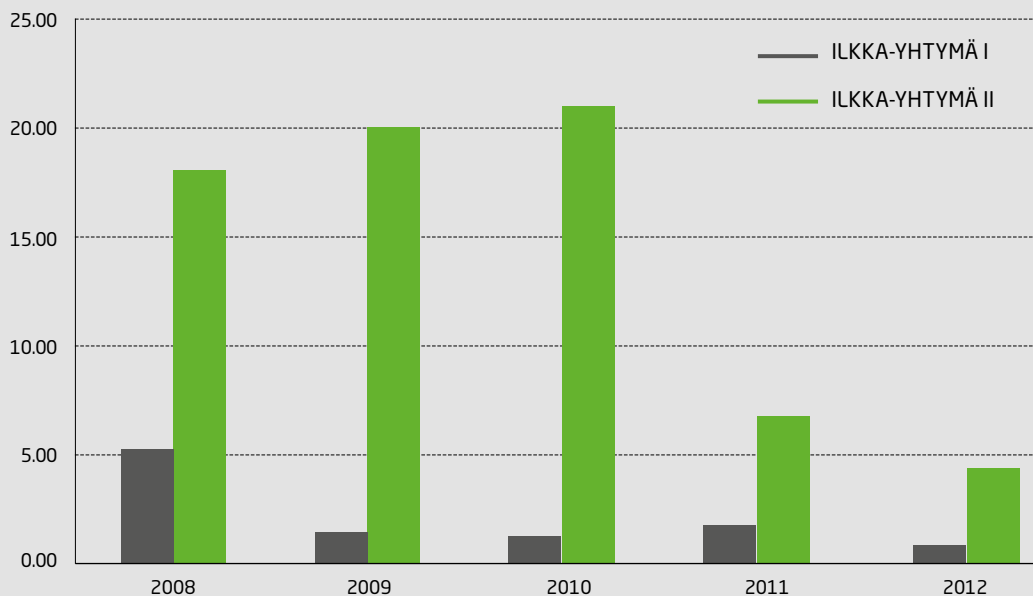
1. Households 56.6 %
2. Private companies..... 25.6 %
3. Non-profit organisations 4.8 %
4. Financial institutions and insurance companies..... 4.8 %
5. Public-sector organisations 4.6 %
6. Nominee-registered 1.6 %
7. On waiting list 1.2 %
8. In joint account 0.9 %
9. Foreign owners 0.1 %

FINANCIAL STATEMENTS

ADJUSTED AVERAGE SHARE PRICE OF ILKKA-YHTYMÄ OYJ'S SHARES (EUR) 1 JAN 2008-31 DEC 2012



ILKKA-YHTYMÄ OYJ'S SHARES TRADED AS A PERCENTAGE OF TOTAL SHARES ISSUED (%) 2008-2012



Signatures of the Board of Directors' Report and Financial Statements

PROPOSAL BY THE BOARD OF DIRECTORS ON PROFIT DISTRIBUTION

The parent company's distributable funds:

Retained earnings	EUR 35,173,199.41
The profit for the financial year	EUR 14,019,814.02
Invested unrestricted equity fund	EUR 48,497,751.08
Total	EUR 97,690,764.51

The Board of Directors proposes to the Annual General Meeting that the profit for the financial year be entered in retained earnings and that a per share dividend of EUR 0.15 be distributed, i.e. a total dividend payment of EUR 3,849,781.20.

No substantial changes have taken place in the company's financial position after the end of the financial year. In the view of the Board of Directors, the proposed dividends do not jeopardise the company's liquidity.

Seinäjoki, 18 February 2013

BOARD OF DIRECTORS

Seppo Paatelainen	Timo Aukia
Esa Lager	Sari Mutka
Tapio Savola	Riitta Viitala

Matti Korkiatupa
Managing Director

A report on the audit has been issued today.

Seinäjoki, 20 February 2013

Ernst & Young Oy
Authorised Public Accountants

Tomi Englund
Authorised Public Accountant

Auditors' Report

TO THE ANNUAL GENERAL MEETING OF ILKKA-YHTYMÄ OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Ilkka-Yhtymä Oyj for the financial year 1 January - 31 December 2012. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the parent company's Supervisory Board and Board of Directors and the Managing Director are

guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Seinäjoki 20 February 2013

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

Supervisory Board's Statement

Having examined the company's and the consolidated balance sheets and income statements for 2012, and after reviewing the Auditor's Report, the Supervisory Board declares that it approves the Board of Directors' Report, the Financial Statements and the proposal for the allocation of the distributable funds. On this occa-

sion, Supervisory Board also notifies that the terms of office of the following members of the Supervisory Board are about to expire: Markku Akonniemi, Juhani Hautamäki, Heikki Järvi-Laturi, Petri Latva-Rasku and Marja Vettenranta and employee representatives Timo Mäkinen and Petri Taipale.

Helsinki, 4 March 2013

Lasse Hautala
Chairman of the Supervisory Board

Matti Korhonen
Managing Director

ADMINISTRATION

Corporate Governance

STRUCTURE OF THE ILKKA-YHTYMÄ GROUP

Ilkka-Yhtymä Group is a media group comprising the parent company Ilkka-Yhtymä Oyj, the publishing company I-Mediat Oy and the printing house I-print Oy. The Group also includes two property companies and Alma Media Corporation (29.79%), Arena Partners Oy (ca. 37.8%), Väli-Suomen Media Oy (40%) and Yrittävä Suupohja Oy (38.5%) as associated companies.

Ilkka-Yhtymä Oyj is a limited company, which in terms of decision-making and administration adheres to the Finnish Companies Act, other regulations concerning quoted companies, its Articles of Association, and the recommendations and guidelines issued by NASDAQ OMX Helsinki Oy.

Ilkka-Yhtymä Oyj complies with the Finnish Corporate Governance Code for listed companies that was issued by the Securities Market Association on 15 June 2010 and which came into force on 1 October 2010. Any divergences from these recommendations have been listed separately.

Ilkka-Yhtymä Oyj operates a two-tier administrative model. The Annual General Meeting elects the members of the Supervisory Board and the Supervisory Board elects the members of the Board of Directors.

THE ANNUAL GENERAL MEETING

The Annual General Meeting is held yearly before the end of June. According to Ilkka-Yhtymä Oyj's Articles of Association, the Supervisory Board summons the AGM and makes statements on issues to be presented at the meeting. Ilkka-Yhtymä Oyj usually holds its AGM in March or April.

The following issues are discussed at the AGM:

1. the Board of Directors' Report, including the financial statements for the previous financial year, as well as the auditor's report,
2. adoption of the financial statements,
3. discharge the Supervisory Board, the Board of Directors and the Managing Director from liability,
4. measures warranted by the profit or loss recorded on the adopted balance sheet,
5. determining the remuneration of the members of the Supervisory Board and the auditors,
6. electing members of the Supervisory Board replacing those whose terms as members are about to expire and electing the auditors,
7. other issues mentioned in the invitation to the meeting.

In addition, the AGM elects one auditor, which must be an Authorised Public Accountant firm approved by the Central Chamber of Commerce.

Shareholders are summoned to a General Meeting no more than three months (3) and no less than three (3) weeks prior to the General Meeting, with a notice of the General Meeting for shareholders, published in a newspaper published by the company or its subsidiary, as well as in the form of a stock exchange release and on the corporate website. However, the notice of the General Meeting is published a minimum of nine (9) days prior to the matching date of the General Meeting. The Annual Report is available from Ilkka-Yhtymä Oyj's financial services department no later than one week prior to the AGM, and is also available on the Group's website.

If a shareholder wishes to present an issue to the AGM, he or she must present it in writing to the Supervisory Board in sufficient time that it may be included in the Notice of Annual General Meeting. All shareholders who, on the record date separately announced by the company, were registered in the Shareholders Register maintained by Euroclear Finland Oy are entitled to attend the AGM. Those shareholders wishing to attend the AGM must register in advance by the final date given in the Notice of Annual General Meeting, which can be no earlier than ten (10) days prior to the meeting.

According to the Articles of Association, a single shareholder at a General Meeting may not use more than one twentieth (1/20) of the entire number of votes represented in a meeting. The goal is that all members of the Board of Directors be present at the Annual General Meeting.

Deviation from Finnish Corporate Governance Recommendations 4 and 11:

No director candidatures are published in the notice of general meeting since the members of the Board of Directors are elected by the Supervisory Board (Section 7 of the Articles of Association). For the same reason, first-time candidates will not necessarily participate in the general meeting.

SUPERVISORY BOARD

According to Ilkka-Yhtymä Oyj's Articles of Association, the Company has a Supervisory Board with a minimum of twenty (20) and a maximum of thirty (30) members, two of which must be employees of the Group. The members of the Supervisory Board are elected at the AGM for a term of office of four (4) years at a time, beginning immediately after their election.

The duties of the Supervisory Board include supervising the company's management and the way it conducts its business, electing and discharging the members of the company's Board of Directors and determining their remuneration, calling meetings of the AGM, and issuing statements on issues presented to the AGM. The Supervisory Board appoints a four-person Compensation and Nomination Committee, which comprises the Chairmen and Deputy Chairmen of the Supervisory Board and the Board of Directors of Ilkka-Yhtymä Oyj, and the Head of HR, who acts as secretary.

Deviation from Finnish Corporate Governance Recommendation 8: Ilkka-Yhtymä has a so-called two-tier management model. The general meeting elects the members of the Supervisory Board, while the Supervisory Board elects the Board of Directors. Due to the nature of the publishing sector, interaction with the circulation area and other owners is of great importance. This interaction is enabled through the Supervisory Board, which allows the Board of Directors to be small and efficient.

The Supervisory Board convened twice during 2012. Average attendance at meetings was 78%. The Chairman and members of Ilkka-Yhtymä Oyj's Supervisory Board were paid a total of EUR 35,600 in monthly and meeting fees .

The AGM on 19 April 2012 determined Supervisory Board emoluments for 2012 as follows:

- Chairman's fee EUR 1,500/month plus the standard meeting fee of EUR 400/meeting.
- Meeting fee for members - EUR 400/meeting

BOARD OF DIRECTORS

According to the Articles of Association, the duties of the Supervisory Board of Ilkka-Yhtymä Oyj include electing and dismissing members of the company's Board of Directors and determining their remuneration. At the first meeting of the Supervisory Board following the AGM, members are elected to replace those whose membership of the Board is about to expire.

The Board of Directors comprises a minimum of four (4) and a maximum of six (6) members. Currently, the Board of Directors has six members. Board members are elected for a term of four (4) years.

Deviation from Finnish Corporate Governance Recommendation 8:

The AGM does not elect the members of the Board of Directors, as according to Ilkka Yhtymä Oyj's Articles of Association, the company's Supervisory Board is responsible for electing and discharging the members of the Board of Directors and for determining their remuneration. An election to replace the Board's outgoing members is held at the Supervisory Board's first meeting after the AGM.

Deviation from Finnish Corporate Governance Recommendation 10:

Under the Articles of Association, the members of the Board of Directors are elected for a term of four (4) years. In view of the continuity of operations and the regional dimension, a director's term of office is set to exceed one year.

Deviation from Finnish Corporate Governance Recommendation 11:

Proposed candidates for the Board of Directors are not included in the Notice of Annual General Meeting, as the members of the Board of Directors are chosen by the Supervisory Board, which meets after the AGM.

Deviation from Finnish Corporate Governance Recommendation 12:

Under the Articles of Association, the members of the Board are elected by the Supervisory Board meeting held subsequent to the Annual General Meeting. The Articles of Association do not specify a special order of appointment of the directors.

According to the Articles of Association, the tasks of the Board of Directors include supervising the company's management and the way it conducts its business, appointing and discharging the Managing Director and the Managing Director's immediate subordinates, ensuring that decisions of General Meetings and the Supervisory Board are implemented, supervising the company's finances and accounting, and granting and revoking procurement

The Chairman of the Supervisory Board has the right to participate in Board meetings and present his opinion.

According to the standing order, the Board of Directors executes the following, inter alia:

- confirms its own standing order, which is reviewed annually
- considers and approves the Group's strategy, ensures that it remains abreast of the latest developments, approves corporate annual plans, budgets and the staff incentive scheme on the basis of the strategy, and supervises their implementation
- confirms the basic structure of the group's organisation and the group's values
- goes through the main risks related to the companies' operations on an annual basis alongside its consideration of the corporate strategy
- considers and approves the interim reports, the Board of Directors' Report and the financial statements
- meets with the auditors once a year
- defines the company's profit-distribution policy (including the dividend policy)
- appoints the Group Executive Team and the Extended Group Executive Team and the members of the functions' Executive Teams as proposed by the Managing Director
- decides on exceptionally broad issues which do not form part of the everyday operative management of the company
- based on approval clause of §3 of the Articles of Association, approves the transfer of series I shares to the shareholder register
- considers any other issues the Managing Director and the Chairman of the Board of Directors believe warrant their attention.

The Board of Directors of Ilkka-Yhtymä Oyj has analysed the independence of its members. On the basis of this analysis, all the members of the Board of Directors (Chairman Seppo Paatelainen, Deputy Chairman Timo Aukia and members Esa Lager, Sari Mutka, Tapio Savola and Riitta Viitala) were declared independent of both the company and, in accord-

ADMINISTRATION

ance with the Corporate Governance recommendations, of its major shareholders.

In 2012, the Board of Directors held 11 meetings and 1 teleconference with an average participation of 98.6%. The Board of Directors conducts an internal self-assessment of its activities and working methods once a year.

There are at least 12 meetings of the Board of Directors each year. Issues considered at meetings include the financial statements and interim reports, and the monthly reports of the group's and group's subsidiaries. The Board of Directors convenes at least once a year for a strategy meeting, and confirms the plan of action and budget for the following year, at which time it also confirms investments for the coming year. Taking into consideration the size of the group and its field of business, it is fairly easy for members of the Board of Directors to develop an overall-view of the company's structure, business operations and markets.

The Managing Director functions as rapporteur at Board meetings and, if necessary, other members of the company's management can function as additional rapporteurs on the Managing Director's invitation, with regard to their expert tasks. The majority of the members of the subsidiary companies' Boards of Directors are members of the Board of Directors of the parent company.

The Supervisory Board decided at its meeting on 7 May 2012 on the Board of Directors of Ilkka-Yhtymä Oyj's emoluments for 2012 as follows:

- The Chairman's remuneration is EUR 2,500/month plus the standard fee of EUR 400/meeting
- Vice Chairman's remuneration is EUR 1,500/month plus the standard fee of EUR 400/meeting.
- Remuneration for members is EUR 600/month plus the standard fee of EUR 400/meeting.

A total of EUR 143,143 (Group) was paid in monthly and meeting fees to the members of the Board of Directors of Ilkka-Yhtymä Oyj in 2012. The Board's remuneration has never been paid in own shares, nor have the share-based incentive schemes used for rewarding the members of Board of Directors.

COMPENSATION AND NOMINATION COMMITTEE

The Supervisory Board and Board of Directors have appointed a four-person Compensation and Nomination Committee to handle certain preparatory tasks. The Committee, which is set by the Supervisory Board, comprises the Chairmen and Deputy Chairmen of the Supervisory Board and the Board of Directors of Ilkka-Yhtymä Oyj, and the Head of HR, who acts as secretary. The Compensation and Nomination Committee meets at least twice a year, or as required. The Committee met four times in 2011. Remuneration for members is EUR 400/meeting. Remuneration is not paid if the meeting is on the same day

that the meeting of the Board of Directors and/or Supervisory Board. Average attendance at meetings was 100%.

Deviation from Finnish Corporate Governance Recommendation 22:

The Board of Directors does not elect the members of the Compensation and Nomination Committee, since the company has a Supervisory Board which appoints said committee.

The Compensation and Nomination Committee prepares and presents the following for consideration and approval by the relevant body:

- To the Annual General Meeting: new members to be elected to the Supervisory Board to replace the outgoing members
- To the Supervisory Board: new members to be elected to the Board of Directors to replace the outgoing members
- Chairmen of the Supervisory Board and Board of Directors
- Compensation for the Chairmen and members of the Supervisory Board and Board of Directors
- Members and compensation of the Boards of Directors of Group subsidiaries
- The profit-related incentive scheme for Group personnel
- The salary and other benefits of the Group's Managing Director and his immediate subordinates
- The written contract of the Managing Director of Ilkka-Yhtymä Oyj
- The performance-related incentive scheme for the extended Group Executive Team
- The choice of auditors and deputy auditors

GOVERNING BODY IN CHARGE OF AUDIT COMMITTEE DUTIES

Deviation from the Finnish Corporate Governance recommendation 24, 25, 26, 27:

Ilkka-Yhtymä has not established an audit committee. Considering the company's business sector, home market-orientation and the extensiveness of its operations, the Board has been deemed as having the opportunity to familiarise itself with the matters relating to finance and control while also managing communications with the auditors.

Ilkka-Yhtymä does not appoint an audit committee; the Board of Directors of the company is in charge of the related duties. On an annual basis, decisions of greater scope are taken alongside the Authorised Public Accountant, which the Authorised Public Accountant then analyses and reports to the Chairman of the Board of Directors and the Managing Director. The essential sections of the report are discussed at Board of Directors' meetings.

MANAGING DIRECTOR

The Managing Director of Ilkka-Yhtymä Oyj is also the Managing Director of the Group and is responsible for the operations of the entire Group in line with the aims and instructions issued and approved by its Board of Directors. As the Manag-

ing Director of Ilkka-Yhtymä Oyj, the Managing Director of the group is in charge of the company's day-to-day administration and the achievement of its goals, as well as preparing issues in line with instructions issued by the Board of Directors. The Managing Director of the subsidiary, function managers as well as appointed persons in charge of units report to the Group Managing Director. The Group Managing Director is assisted by the Group Executive Team, proposed by the Managing Director and appointed by the Group's Board of Directors.

The Managing Director and the Group's extended Executive Team are covered by the Group's general profit-related incentive scheme. The profit-related bonus is based on the target gross margin approved by the Board of Directors and company-specific scorecard targets.

The Managing Director and the Group's extended Executive Team are also covered by a performance-related incentive scheme, annually determined by the Board. The performance-related bonus depends on attaining operational targets, set by the Board for each financial year and supporting both a short- and long-term strategy of profitable growth. The potential bonus is paid into the voluntary, defined-contribution group pension plan. In this voluntary plan, the retirement age is defined at 60 years, at which time the payment of pension contributions will end. The pension is determined based on the amount of pension savings accrued by the date on which the pension begins. Under the terms and conditions of the group pension plan for the Managing Director and Executive Team members, the insured is entitled to a vested pension i.e. paid-up pension insurance corresponding to the pension savings accrued by the end of the employment contract. This vested pension includes old-age pension after the retirement age, as well as disability and life cover. The retirement age of the Managing Director and the Group's extended Executive Team has not been agreed.

The maximum amount of bonuses is a sum equalling 4 months' salary. The Group applies no incentive scheme based on rewarding the management with the company's own shares.

The terms and conditions of the Managing Director's employment are defined in a written executive contract. The Managing Director's retirement age will be determined by the prevailing old-age pension system. In the case of dismissal by the company, the Managing Director's period of notice is 6 months before the age of 63, in addition to which the company will pay severance pay equalling 18 months' salary. Severance pay equals 24 months' salary in the event of a merger or other business reorganisation. In the case of resignation, the Managing Director's period of notice is 6 months.

In 2012, the Managing Director Matti Korhonen was paid a total of EUR 309,178 in salary and fringe benefits and EUR 51,719 in pension contributions

GROUP EXECUTIVE TEAM

The Group Executive Team supports the Managing Director in steering and developing the group's business in pursuit of the strategic goals presented by the team and approved by the Board of Directors. The actual Group Executive Team comprises the parent company's Managing Director in the role of Chairman, the Financial Director and Head of HR, the Managing Director of I-print Oy, and the Chairman of the I-Mediat Oy editorial function's Executive Team (alternately the Editor-in-Chief of Ilkka or Pohjalainen). The Group Executive Assistant serves as the secretary to the Executive Team. In addition to the above, the Group's extended Executive Team includes the Director in charge of provincial papers consumer marketing; the Director in charge of provincial papers corporate marketing; Editor-in-Chief of Ilkka or Pohjalainen; the Director of web and mobile operations; the Local Newspaper Director, the Head of Marketing for the Printing House; and the parent company's Development and Data Administration Manager. The duties of the Group's Executive Team are determined in the operating instructions, approved by the Board of Directors.

The Group Executive Team falls under the Group's incentive scheme. Incentive bonuses are based on the target gross margin approved by the Board of Directors and company-specific Balanced Scorecard objectives. Moreover the Group's extended Executive Team is covered by an incentive scheme, annually determined by the Board of Directors.

In 2012, the Group's Executive Team convened 11 times, including 5 occasions involving the Group's extended Executive Team. The subsidiaries have their own Executive Teams, meetings of which are attended by the Managing Director of the parent company.

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDITORS

Internal control is implemented according to the operating instructions and principles prepared by the management and approved by the Board of Directors. The Group monitors the attainment of objectives using the agreed reporting systems. In its meetings, the Board of Directors consider, for instance, the financial statements, interim reports and the Group's and subsidiaries' monthly reports. At least once a year, the Board of Directors also holds a strategy meeting. The Board of Directors confirms investments for the following year. Considering the Group's size and business sector, it is relatively easy for Board members to gain an overall view of the company's structure, business, markets and level of internal control.

The Board of Directors has approved the Risk Management Policy of Ilkka-Yhtymä, which includes all essential items for implementing comprehensive risk management. The Risk Management Policy serves as the foundation for all of the Group's risk management documentation and its practical implementation, and is part of the Group's management system approved by the Board of Directors. Supporting a jointly agreed vision and the strategy

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derived thereof, the policy contributes to ensuring that the long-term business goals are achieved, enabling Ilkka-Yhtymä to be an attractive and successful communications group embracing the spirit of our times.

The Risk Management Policy includes a written document and descriptions of key risks and the related management measures defined in separate risk databases. For identified key risks, risk management responsibilities have been defined by function, by profit centre, by subsidiary and at Group level, and those assigned as being responsible thereof have the capabilities required for risk management tasks. The Group's risk management procedures are consistent and known to the staff participating in holistic risk management.

Considering the nature and extent of Ilkka-Yhtymä Oyj's business, the Group does not sustain a separate internal audit department, but this fact is taken into account in the auditors' audit plan. Every year, the company agrees with the audit firm on the closer assessment of larger entities and on reporting the audit findings to the company's Managing Director and the Chairman of the Board of Directors. Subsequently, the Board of Directors will review the report's most important sections.

INSIDER ADMINISTRATION

In accordance with Insider standard 5.3. regulations of the Securities Market Act, statutory insiders in Ilkka-Yhtymä Oyj include the members of the Board of Directors and the Supervisory Board, the Managing Director and the auditors. In addition to the above-mentioned statutory insiders, according to a decision by the Board of Directors, permanent public insiders include the members of the Group Executive Team and the members of the Extended Group Executive Team. The company-specific insiders of Ilkka-Yhtymä Oyj include members of the subsidiaries' Executive Teams; some members of certain functions' and profit centres' Executive Teams; the Executive Assistant at the parent company; and employees from the Group's financial department. When necessary, a project-specific insider register will be maintained concerning large or otherwise significant projects. The Group's Financial Director is responsible for insider administration.

Ilkka-Yhtymä Oyj complies with the Guidelines for Insiders adopted by the NASDAQ OMX Helsinki Ltd., the Central Chamber of Commerce and the Confederation of Finnish Industries EK. In addition, the Board of Directors has adopted insider information guidelines for Ilkka-Yhtymä Oyj. These guidelines have been distributed to all of the company's insiders, together with a guide for insiders published by the Finnish Foundation for Share Promotion. Starting from 1 January 2009, the Board of Directors has set the duration of the so-called "closed window" at four (4) weeks, i.e. insiders may not trade in Ilkka-Yhtymä Oyj shares four weeks prior to the publication of the financial accounts and interim reports.

Insiders are obliged to inform the keeper of Ilkka-Yhtymä Oyj's insider register (Management Assistant Petra Rintala) of any changes in the information recorded in the register within seven (7) days. The register keeper also annually sends the insiders extracts of the information in the register for verification. The company examines trading by insiders at least once a year.

Information on the holdings of the public insiders of Ilkka-Yhtymä Oyj is available on our website at www.ilkka-yhtyma.fi. The information contained in Ilkka-Yhtymä's insider register is also available at the service desk of Euroclear Finland Oy, Urho Kekkosen katu 5 C, 8th floor, FI-00100 Helsinki.

In 2013, the closed window periods are set at 21 January-18 February 2013 for the publication of the financial statements bulletin for 2012 and, for the interim reports for 2013, 8 April-6 May 2013, 8 July-5 August 2013 and 7 October-4 November 2013. The corresponding periods for 2012 were 23 January-20 February 2012 for the publication of the financial statements bulletin for 2011 and, for the interim reports for 2012, 9 April-7 May 2012, 9 July-6 August 2012 and 8 October-5 November 2012.

AUDITING OF THE ACCOUNTS

The company has one auditor, which must be an Authorised Public Accountant firm approved by the Central Chamber of Commerce.

The 2012 AGM of Ilkka-Yhtymä Oyj elected Ernst & Young Oy, Authorised Public Accountants, as the auditor, with Tomi Englund, Authorised Public Accountant, as the principal auditor. The supervisory audit was performed by Ernst & Young Oy, Authorised Public Accountants.

In 2012, for the auditing of Ilkka-Yhtymä Group's companies, the following fees were paid to Ernst & Young Oy: EUR 44 thousand for auditing, EUR 3 thousand for tax consultancy and EUR 11 thousand for other services.

COMMUNICATIONS

The Managing Director of Ilkka-Yhtymä Oyj is responsible for Group's external communications. The Ilkka-Yhtymä Group's investor and media relations are handled by the Group's financial administration department under the direction of the Managing Director. The Group's financial administration department is also responsible for online investor information and stock exchange bulletins.

SHAREHOLDER CONTRACTS

Ilkka-Yhtymä Oyj has a shareholder contract on the ownership and operations of Arena Partner Oy and Väli-Suomen Media Oy.

Supervisory Board

The Supervisory Board convened twice during the year. In 2012, its number of members was 25, including two employee representatives.

Member of the Supervisory Board since	Current term will expire in	Member of the Supervisory Board since	Current term will expire in
Chairman			
Lasse Hautala, Kauhajoki Member of Parliament	2010 2015	Seija Peitso, Seinäjoki **) Accounting Assistant, Ilkka-Yhtymä Oyj	2009 2012
Vice Chairman			
Perttu Rinta, Mikkeli Managing Director, Suur-Savon Sähkö Oy	1999 2015	Ari Rinta-Jouppi, Vähäkyrö Managing Director, Rauno Rinta-Jouppi Oy	1999 2015
Markku Akonniemi, Töysä Farmer	1985 2013	Jarmo Rinta-Jouppi, Seinäjoki Managing Director, Jarmo Rinta-Jouppi Oy	2004 2016
Kari Aukia, Vaasa Entrepreneur, Kari Aukia Oy	2006 2014	Minna Sillanpää, Seinäjoki Managing Director, The Regional Organization of Enterprises in South Ostrobothnia	2011 2015
Sami Eerola, Nurmo Agricultural entrepreneur	2008 2014	Kimmo Simberg, Seinäjoki Managing Director. Etelä-Pohjanmaan Osuuskauppa	2004 2016
Jari Eklund, Helsinki Director, Tapiola General Mutual Insurance Company and Tapiola Mutual Life Assurance Company	1998 2014	Petri Taipale, Seinäjoki *) Maintenance Technician, I-print Oy	2009 2013
Juhani Hautamäki, Ylivieska Managing Director, Bet-Ker Oy	2009 2013	Sami Talso, Mustasaari Managing Director, Talso Oy	2008 2014
Satu Heikkilä, Helsinki	2010 2015	Raija Tikkala, Jurva Office Director, Social Insurance Institution	1995 2015
Heikki Järvi-Laturi, Teuva Farmer	2001 2013	Marja Vettenranta, Laihia Study Coordinator, University of Vaasa	1997 2013
Vesa-Pekka Kangaskorpi, Jyväskylä Managing Director, Keskiuomalainen Oyj	2000 2016	Jorma Vierula, Seinäjoki Acting Regional Director, Finnish Forestry Centre, Regional Unit for South and Central Ostrobothnia	2011 2015
Johanna Kankaanpää, Ähtäri Chairman of the Board, MTK in South Ostrobothnia	2008 2014	Jyrki Viitala, Seinäjoki Managing Director, Seinäjoen Käyttöauto Oy	2000 2016
Yrjö Kopra, Helsinki Managing Director, Alexander Corporate Finance Oy	1998 2014	*) Employee representative Employees are represented on the Supervisory Board of Ilkka-Yhtymä Oyj.	
Petri Latva-Rasku, Tampere Entrepreneur, Quha Oy	2007 2013	**) When Seija Peitso (employee representative) transferred to another company, Timo Mäkinen was elected as an employee representative at the AGM held on 19 April 2012.	
Juha Mikkilä, Kurikka Business College Graduate, agricultural and forestry entrepreneur	1990 2014	Remunerations in 2012: For the Chairman, EUR 1,500 per month and a standard fee of EUR 400 per meeting. For each member, a standard fee of EUR 400 per meeting.	
Timo Mäkinen, Seinäjoki *) System Specialist, Ilkka-Yhtymä Oyj	2012 2013		

Board of Directors



SEPPO PAATELAINEN

b. 1944
M.Sc. (Agr. & For.)
Ilkka-Yhtymä Oyj,
Chairman of the Board of
Directors since 2007
Shareholdings: 13,125 shares



SARI MUTKA

b. 1968
M.Sc. (Econ.),
Development Manager,
Ilkka-Yhtymä Oyj, member of the
Board of Directors since 2007.
Shareholdings: 96,287 shares



TIMO AUKIA

b. 1973
M.Sc. (Econ.), Managing
Director
Ilkka-Yhtymä Oyj,
Vice Chairman of the Board
of Directors since 2007
Shareholdings: 140,537 shares



TAPIO SAVOLA

b. 1959
LL.M., Master of Laws trained
on the bench, Ilkka-Yhtymä
Oyj, member of the Board of
Directors since 1991.
Shareholdings: 4,073 shares



ESA LAGER

b. 1959
M.Sc. (Econ.), LL.M.,
Chief Financial Officer,
Ilkka-Yhtymä Oyj,
member of the
Board of Directors since 2011
Shareholdings: 8,000 shares



RIITTA VIITALA

b. 1959
PhD (Econ.), Professor,
Ilkka-Yhtymä Oyj, member of
the Board of Directors
since 2010
Shareholdings: -

AUDITORS

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

Chairman of the Board of Directors

SEPPO PAATELAINEN

Born in 1944, M.Sc. (Agr. & For.), Vuorineuvos (Finnish honorary title), Suonenjoki Ilkka-Yhtymä Oyj, Chairman of the Board of Directors since 2007, current term ending in 2015.

Ilkka-Yhtymä Oyj, member of the Board of Directors, 1994-1998 and 1999-2007

Board of Directors membership in the following Group subsidiaries:

- I-Mediat Oy, Chairman since 2010, (member 1995-1998, 2000-2009)
- I-print Oy, Vice Chairman since 2007

Board of Directors membership in the following companies:

- Kesko Oyj, Vice Chairman since 2009, member since 2006
- Alma Media Corporation, Chairman since 2011, member of the Board of Directors and Vice Chairman of the Board 2009-2011
- Seinäjoki Region Business Service Centre, Chairman of the Board of Managers 2009-2013

Previously, for instance, Managing Director and member of the Board of Directors at Atria Yhtymä Oyj, 1991-2006

Shareholdings: 13,125 shares
Emoluments in 2012 (Group): EUR 46,000

Vice Chairman of the Board of Directors

TIMO AUKIA

Born in 1973, M.Sc. (Econ.), Managing Director, Tampere Ilkka-Yhtymä Oyj, Vice Chairman of the Board of Directors since 2007, current term ending in 2016.

Ilkka-Yhtymä Oyj, member of the Supervisory Board, 1999-2007

Board of Directors membership in the following Group subsidiaries:

- I-Mediat Oy, Vice Chairman since 2010, (Chairman of the Board 2007 - 2009)
- I-print Oy, since 2007

Board of Directors membership in the following companies:

- Alma Media Corporation since 2011

Managing Director of Timo Aukia Oy since 1999
Managing Director of Jaakko Aukia Oy since 2012

Shareholdings: 140,537 shares
Emoluments in 2012 (Group): EUR 34,000

ESA LAGER

Born in 1959, M.Sc. (Econ.), LL.M., Chief Financial Officer, Kauniainen

Ilkka-Yhtymä Oyj, member of the Board of Directors since 2011, current term ending in 2014.

Board of Directors membership in the following Group subsidiaries:

- I-Mediat Oy, since 2011

Board of Directors membership in the following companies:

- Olvi Oyj, since 2002
- Subsidiaries of Outokumpu Group

Chief Financial Officer (CFO) at Outokumpu Oyj since 2005

Outokumpu Oyj, deputy to the CEO since 2011

Shareholdings: 8,000 shares
Emoluments in 2012 (Group): EUR 15,886

SARI MUTKA

Born in 1968, M.Sc. (Econ.), Development Manager, Kauniainen

Ilkka-Yhtymä Oyj, member of the Board of Directors since 2007, current term ending in 2013

Ilkka-Yhtymä Oyj, member of the Supervisory Board, 2002-2007

Board of Directors membership in the following Group subsidiaries:

- I-Mediat Oy, since 2010

Previously Financial Administration employee at FIM Oyj, 2004-2008

Business Consultant at Uusimaa's ELY centre 2009-2011

Development Manager at Uusimaa's ELY centre since 2012

Shareholdings: 96,287 shares
Emoluments in 2012 (Group): EUR 15,486

TAPIO SAVOLA

Born in 1959, LL.M., Master of Laws trained on the bench, Lappajärvi

Ilkka-Yhtymä Oyj, member of the Board of Directors since 1991, current term ending in 2015.

Board of Directors membership in the following Group subsidiaries:

- I-Mediat Oy since 2010

Board of Directors membership in the following companies:

- Keski-Pohjanmaan Kirjapaino Oyj since 2009
- Keski-Pohjanmaan Viestintäyhtymä Oy since 2009

Currently Lawyer at Lakiasiantoimisto Savola & Savola

Shareholdings: 4,073 shares
Emoluments in 2012 (Group): EUR 15,886

RIITTA VIITALA

Born in 1959, PhD (Econ.), Professor, Vaasa Ilkka-Yhtymä Oyj, member of the Board of Directors since 2010, current term ending in 2014.

Board of Directors membership in the following Group subsidiaries:

- I-Mediat Oy, since 2010

Board of Directors membership in the following companies:

- Vaasan Sähkö Oyj, since 2005
- Vacon Oyj, since 2008
- Ostrobothnia Chamber of Commerce, Vaasa Department, since 2009

Currently Head of Department, Department of Management, University of Vaasa.

Shareholdings: -
Emoluments in 2012 (Group): EUR 15,886

Managin Director

MATTI KORKIATUPA

Born in 1955, M.Sc. (Agr. & For.), Seinäjoki Managing Director of Ilkka-Yhtymä Oyj since 1999

Board of Directors membership in the following Group subsidiaries:

- I-print Oy, Chairman since 2007, member of the Board of Directors since 1999

Main positions of trust:

- Arena Partners Oy, Chairman since 2010, member of Board of Directors since 2000
- Anvia Oyj, member of the Board of Directors, since 2007
- Alma Mediapartners Oy, member of the Board of Directors since 2010
- Finnish Newspaper Association, Chairman since 2011, member of the Board since 2000
- Board member at WAN-IFRA since 2009
- Confederation of Finnish Industries, Chairman of Regional Board since 2011, member since 2005
- Etelä-Pohjanmaan Messut Oy, member of the Board of Directors since 2012

Previously, for instance, Regional Manager at Tapiola Group, 1992-1998

Member of the Board of Directors since	Expiry of current term	
Seppo Paatelainen, M.Sc. (Agr. & For.), Chairman, Suonenjoki	1999	2015
Timo Aukia, Managing Director, Vice Chairman, Tampere	2007	2016
Esa Lager, Chief Financial Officer, Kauniainen	2011	2014
Sari Mutka, Development Manager, Kauniainen	2007	2013
Tapio Savola, Master of Laws trained on the bench, Lappajärvi	1991	2015
Riitta Viitala, PhD (econ.), Professor, Vaasa	2010	2014

ADMINISTRATION

Group Executive Team

The Group Executive Team convened 11 times in 2012.



MATTI KORKIATUPA
Ilkka-Yhtymä Oyj,
Managing Director since
1999
Born in 1955, M.Sc.
(Agr. & For.)
Chairman of the Group
Executive Team
Shareholdings:
12,521 shares



KALLE HEISKANEN
I-Mediat Oy, Editor-in-
Chief of Pohjalainen
since 2010, the Chair-
man of the editorial
function's Executive
Team since 2012
Born in 1950



SEPPO LAHTI
I-print Oy
Managing Director
since 2003
Born in 1963, M.Sc.
(Eng.)



PAULA ANTTILA
Ilkka-Yhtymä Oyj,
Financial Director
since 1998
Born in 1952, M.Sc.
(Econ.)

- Ilkka-Yhtymä Oyj, deputy to the Managing Director
- Ilkka-Yhtymä Oyj, secretary of the Board of Directors

Previous experience includes:

- Alko Ltd, Koskenkorva plant / Primalco Oy, grain industry, Financial Manager, 1983-1998

Shareholdings: 1,319 shares

Main positions of trust:

- Council for Mass Media in Finland, member 2013-2015

Previous experience includes:

- Turun Sanomat, 3rd Chief Editor, and Head of the Editorial Staff of the Helsinki office of Turun Sanomat and Väli-Suomen Media 2006-2010
- Managing Editor at the Helsinki office of Turun Sanomat and Aamulehti 2001-2006
- YLE TV News, Editor for Economic and Business News, Head of Business News, Brussels correspondent 1989-2001

Shareholdings: -

Previous experience includes:

- Oy Metsäbotnia Ab, Customer Service Manager, Brand Manager and Technical Support Manager, 1995-2003
- Veitsiluoto Oy, R&D engineer, 1989-1994

Shareholdings: -



PAULA MAHLAMÄKI
Ilkka-Yhtymä Oyj,
Head of HR since 1991
Born in 1954, M.Sc.
(Econ.)

Previous experience includes:

- Era-Pak Ky, Office Manager, 1979-1990

Shareholdings: 2,075 shares

Extended Group Executive Team (in addition to the aforementioned)

The Extended Group Executive Team convened 5 times in 2012.



SAULI HARJAMÄKI

I-Mediat Oy, Director in charge of Local Newspapers since 1990
Born in 1958, M.Sc. (Econ.), Bachelor of Business Administration, B.Sc. (Eng.)

Main positions of trust:

- KaupunkiPlus Oy, member of the Board since 2008
- Yrittävä Suupohja Oy, member of the Board of Directors since 1992
- Etelä-Pohjanmaan Uusyrityskeskus Neuvoa-Antava, member of the Board of Directors since 1999

Previous experience includes:

- Pohjanmaan Paikallistelevisio Oy, Managing Director, 1991-2002
- Sento Oy Högfors, Regional Director, 1988-1990

Shareholdings: -



MATTI KALLIOKOSKI

I-Mediat Oy, Editor-in-Chief of Ilkka 2008 - 1 August 2012, the Chairman of the editorial function's Executive Team 2010-2011
Born in 1970, M.Sc. (Pol.)

Shareholdings: 1,400 shares



ARI MONNI

Ilkka-Yhtymä Oyj, Data Administration and Development Manager since 1994
Born in 1958, B.Sc. (Eng.)

Main positions of trust:

- Arena Interactive Oy, member of the Board since 2007, Vice Chairman since 2009
- South Ostrobothnia Chamber of Commerce, member of the ICT Committee since 2005
- Centre for Economic Development, Transport and the Environment of western Finland, ICT-committee of preparedness in Ostrobothnia, member since 2009
- Insurance company LocalTapiola Ostrobothnia, member of the Board of Directors since 2013

Previous experience includes:

- Vaasa Oy Seinäjoen Kirjapaino, Print shop Manager, 1987-1994
- Oy Seinäjoki (the paper Etelä-Pohjanmaa), Managing Director in addition to his regular duties, 1993-1994
- Vaasa Oy Kirjapaino, Production Manager, 1985-1987

Shareholdings: 4,972 shares



MARKO ORPANA

I-Mediat Oy, Director in charge of web and mobile business operations since 2007
Born in 1971, M.Sc. (Econ.)

Main positions of trust:

- Rauhala Yhtiöt Oy, member of the Board since 2012
- Arena Partners, Chairman of the e-Business Group, since 2009
- Finnish Newspapers Association, member of the Newspapers Are a Growth Sector group since 2011.

Previous experience includes:

- Itella Information, Sales and Marketing Director, Finland, 2003-2007

Shareholdings: 500 shares



PÄIVI SAIRO

I-Mediat Oy, Director in charge of the provincial newspapers' consumer marketing and of coordinating Pohjalainen's operations since 2010, Previously Director in charge of Vaasa Oy's business operations 2001-2009
Born in 1956, M.Sc. (Econ.)

Main positions of trust:

- Kova Login Ab Oy, member of the Board since 2012
 - Oy Kråklund Golf Ab, member of the Board since 2004
- Previous experience includes:
- Nordea, Bank Manager, 1986-2000

Shareholdings: 4,221 shares



SATU TAKALA

I-Mediat Oy, Editor-in-Chief of Ilkka since 1 August 2012
Born in 1973, Master of Arts, Forestry Engineer

Main positions of trust:

- Väli-Suomen Media Oy, member of the Board since 2012

Previous experience includes:

- Managing Editor of the shared editorial unit of Ilkka and Pohjalainen 2010-2012
- Managing Director of Väli-Suomen Media Oy and Producer for Sunnuntaisuomalainen 2007-2010
- Editor for Ilkka 2000-2007

Shareholdings: -



ANNA-MAIJA UITTO

I-print Oy, Marketing Manager since 2001
Born in 1952, Correspondent

Main positions of trust:

- Etelä-Pohjanmaan Messut Oy, member of the Board of Directors 2003-2012, Vice Chairman 2009-2012

Previous experience includes:

- Etelä-Pohjanmaan Messut Oy, Managing Director 1999-2000
- South Ostrobothnia Chamber of Commerce, Assistant Director 1995-1999

Shareholdings: 500 shares



HANNU UUSIHAUTA

I-Mediat Oy, Director in charge of the provincial newspapers' corporate marketing and of coordinating Ilkka's operations since 2010, Previously Director in charge of Sanomalehti Ilkka Oy's business operations 2002-2009
Born in 1956, Business College Graduate

Main positions of trust:

- Kärkimedia Oy, member of the Board 2008-2012
- Arena Partners, Chairman of the Marketing Section 2007-2010

Previous experience includes:

- If P&C Insurance Company Ltd, Sales Director, 2001-2002
- Sampo-Leonia/Sampo Bank, Regional Director, 2000-2001
- Sampo Insurance Company Ltd, Office Director, 1988-2000
- Sampo Mutual Insurance Company Ltd, Office Manager, 1980-1988

Shareholdings: -

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