

OTAVA



Financial Statement
2020



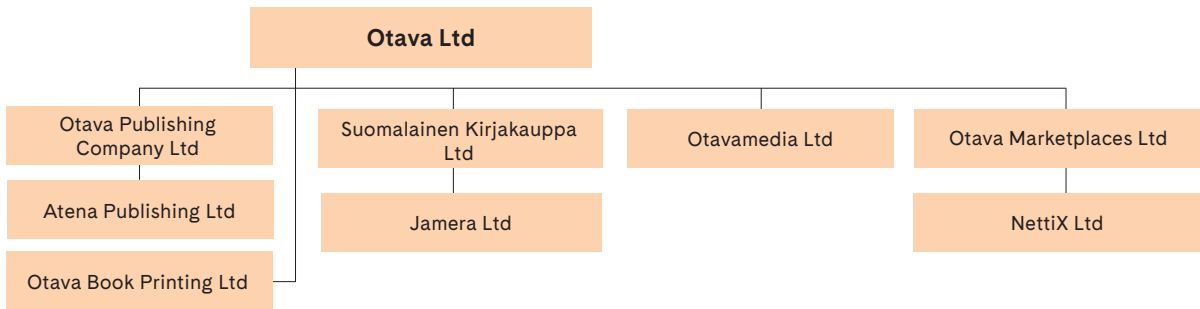


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Read more about Otava's year 2020:
vuosikertomus.otavakonserni.fi/en/

Group structure and business areas 1 January 2021



Otava is the largest company in its main lines of business in Finland

THE GROUP'S business areas are: book publishing (Books), the book retail trade (Trade), magazine publishing (Media) and marketplaces (Otava Marketplaces). Our story began in 1890 with the establishment of Otava Publishing Company, which started printing books in 1908 and publishing magazines in 1916 (Suomen Kuvalehti).

Otava was involved in establishing Otavamedia Oy (1934, previously Yhtyneet Kuvalehdet Oy) and the Great Finnish Book Club (1969). The Group grew its digital business with the acquisition of NettiX Ltd in 2006 and Ampparit Ltd in 2012. In 2011, Otava Ltd acquired the entire share capital of Suomalainen Kirjakauppa Ltd.

Otava Ltd is the Group's parent company. The Group is a stable and independent privately owned media company.

BOOKS. Otava Publishing Company is the main company in the Books business area. This company's line of business encompasses Finnish-language fiction and non-fiction, the provision of learning services, and the publication of learning materials.

The following companies also belong to this business area: Like Publishing (since 2006), Moreeni (since 2014), F-Kustannus (since 2015), Nemo (since 2016), Finn Lectura (since 2018), Satukustannus (since 2019) and Karisto since the beginning of February 2020 and Atena Publishing Ltd since October 2020. The Otava Group is the largest book publisher in Finland.

Otava Book Printing Ltd is a diverse and modern printer and bookbinder that produces books for many Finnish and foreign publishers. The company's production facilities are located in Keuruu.

TRADE. Suomalainen Kirjakauppa Ltd engages in the retail sale of books. The company has 68 bookstores and a sales network that covers the whole of Finland. In 2018, Otava acquired the entire share capital of Jamera Ltd, a company that specialises in the sale of second-hand learning materials. Suomalainen Kirjakauppa is the largest company in the market and also sells books online at suomalaisen.com. The Great Finnish Book Club has been part of

the Trade business area since the beginning of 2019.

MEDIA. Otavamedia Ltd publishes general-interest and customer magazines. Otavamedia is the largest company in its line of business in Finland. The acquisition of the entire share capital of MCI Press Ltd and Alma 360 Ltd in 2015 expanded Otava's Customer Communications business. The Customer Communications Unit currently operates as part of Otavamedia under the name Otavamedia OMA.

OTAVA MARKETPLACES. Otava Marketplaces consists of Otava Markkinapaikat Ltd (the parent company of this business area) and NettiX Ltd. Ampparit Ltd and SL-Mediat Ltd have been merged into NettiX. The latter publishes professional media and was acquired in 2018. NettiX's numerous websites act as digital marketplaces. The most well-known are nettiauto.com, nettivene.com and nettivuokraus.com. NettiX runs the ampparit.com news website and sells media tracking services.

Key figures

GROUP INCOME STATEMENT	2020		2019		2018		2017		2016	
	ME	%	ME	%	ME	%	ME	%	ME	%
Net sales	277.7		286.2		299.1		292.2		292.0	
EBITA	31.6	11.4	31.4	11.0	51.3	17.2	30.7	10.5	31.6	10.8
Depreciation of goodwill and business acquisition costs	8.8	3.2	8.8	3.1	22.0	7.3	7.6	2.6	4.3	1.5
Operating profit	24.0	8.6	23.5	8.2	29.8	10.0	23.8	8.1	27.5	9.4
Profit before taxes	32.1	11.6	23.0	8.0	32.0	10.7	25.1	8.6	27.3	9.4
Profit for the financial year	26.5	9.6	17.3	6.0	20.7	6.9	18.8	6.4	21.0	7.2
Cash flow from business operations	51.1	18.4	35.5	12.4	36.8	12.3	42.8	14.7	33.5	11.5
BALANCE SHEET AND PROFITABILITY										
Capital expenditure	12.5		10.9		141.5		15.4		47.5	
Shareholders' equity	234.8		215.3		208.3		198.2		188.8	
Non-current liabilities	60.6		34.3		60.4		0.0		0.0	
Current liabilities	98.4		85.2		87.7		74.8		92.3	
Equity ratio %	63.7		69.0		62.5		78.9		72.5	
Return on investment (ROI) %	11.3		9.0		13.7		12.4		14.4	
Return on equity (ROE) %	11.8		8.2		10.2		9.7		11.5	
Group personnel (average)	1034		1102		1178		1099		1103	
BOOKS										
Net sales	72.3		70.4		71.9		67.8		61.5	
EBITA	11.9	16.5	11.8	16.7	12.2	16.9	13.0	19.1	8.0	12.9
Operating volumes:										
New titles published, printed	673		585		650		571		554	
New titles published, digital	1089		914		795		508		520	
Books sold, million	6.5		5.6		5.3		5.2		5.0	
Books printed, million	4.9		5.7		6.4		6.6		6.8	
TRADE										
Net sales	111.6		120.2		120.9		108.5		105.2	
EBITA	4.1	3.6	2.8	2.3	3.7	3.1	4.2	3.9	3.2	3.1
Operating volumes:										
Number of customers, million	5.2		5.9		6.1		5.7		5.8	
Books sold, million	4.0		4.5		4.8		4.2		4.2	
MEDIA										
Net sales	85.9		90.5		105.5		117.1		127.3	
EBITA	7.4	8.6	11.0	12.1	7.5	7.1	8.1	6.9	15.2	11.9
Operating volumes:										
Number of magazines and periodicals*)	157		156		172		162		158	
Annual magazines sales, million*)	25		26		28		31		34	
OTAVA MARKETPLACES										
Net sales	23.0		23.7		22.9		18.1		16.0	
EBITA	9.8	42.5	8.6	36.3	8.6	37.4	7.1	39.3	7.4	46.0

*) General-, customer and online magazines

The Board of Directors



Henrik Ehrnrooth
Chairman
SINCE 1988



Eero Broman
Vice Chairman
SINCE 2007



Heikki Lehtonen
SINCE 1991



Alexander Lindholm
SINCE 2008



Eva Reenpää
SINCE 2017

DEPUTY MEMBERS



Pasi Vainio
SINCE 2010



Minna Castrén
SINCE 2011



Timo Kopra
SINCE 2012



Minna Kokka
SINCE 2018



Ora Lyytikäinen
Secretary of Board
SINCE 2006

Corporate Governance

APPLICABLE REGULATIONS

Otava Ltd is a privately owned Finnish limited liability company whose governance and decision-making complies with Finland's Limited Liability Companies Act and Otava Ltd's Articles of Association. Otava Ltd also complies with the applicable sections of the recommendations for good governance for family business issued by the Finnish Family Firms Association on 14 May 2009, and the good governance development guidelines for unlisted companies drawn up by the Central Chamber of Commerce in 2016.

GROUP STRUCTURE

The Otava Group consists of Otava Ltd and its subsidiaries.

GENERAL MEETING

Otava Ltd's highest decision-making body is the company's General Meeting of shareholders. General Meetings are divided into Annual and Extraordinary General Meetings. According to the company's Articles of Association, the Annual General Meeting must be held annually on a day specified by the Board of Directors before the end of June. An Extraordinary General Meeting will be called when required.

The Annual General Meeting handles the matters specified in Section 13 of the Articles of Association, as well as any other items proposed to the General Meeting. Among other things, the General Meeting decides on the following:

- approval of the income statement and balance sheet
- distribution of profit
- relieving the CEO and the Members of the Board of Directors from liability
- the number of members of the Board of Directors and the fees paid to them

- selection of the company's auditor and the auditor's fees
- the redemption price of shares.

Otava Ltd is owned by family Reenpää.

ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THEIR TERM OF OFFICE

The Members of Otava Ltd's Board of Directors are elected by the Annual General Meeting. Their term of office ends at the conclusion of the next Annual General Meeting following their election. According to the company's Articles of Association, the Board of Directors must have at least four and at most eight members, plus between one and four deputy members. The Board of Directors elects a Chair and Vice Chair from among its members.

THE TASKS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors ensures the appropriate organisation of the company's business and governance. The tasks of Otava Ltd's Board of Directors are largely dictated by the Board tasks specified in the Limited Liability Companies Act and Articles of Association. Meetings of the Board of Directors cover matters such as:

- defining and approving the Group's main strategic policies
- discussing and approving the budget
- discussing and approving incentive scheme targets
- discussing and approving the Consolidated Financial Statements and Report of the Board of Directors
- deciding on strategically and financially significant investments and divestments
- deciding on contingent liabilities for financing.

**MEETING PRACTICES
AND DECISION-MAKING**

On average, the Board of Directors convenes ten times per year. There is full attendance at most Board meetings.

CEO

The Board of Directors appoints the company's CEO and decides on the CEO's compensation. According to the company's Articles of Association, the CEO handles the routine management of the company in accordance with the instructions and guidelines issued by the Board of Directors.

GROUP'S MANAGEMENT TEAM

The Group has four business areas: Books, Trade, Media and Otava Marketplaces. The Group's Management Team consists of the directors of the first three of the aforementioned business areas, the parent company's CEO, the Group CFO, and the M&A director. The parent company's CEO chairs the Group's Management Team. The Group's Management Team meets at least once per month.

AUDIT

According to the company's Articles of Association, the company must have one auditor and one deputy auditor. The auditor must be approved by the Central Chamber of Commerce. The auditor is elected for a term of one year.

REPORTING

Comprehensive groupwide financial reporting is used to monitor and forecast the attainment of Otava Ltd's financial targets. The Group's liquidity is monitored on a daily basis. Sales reports are drawn up as appropriate, daily, weekly and monthly. Reports on the consolidated income statement and balance sheet are drawn up monthly and interim accounts are prepared every four months.

RISK MANAGEMENT AND CONTROL

The Board of Directors supervises and assesses the adequacy, appropriateness and effectiveness of the Group's processes for risk management, control and governance. Business operations and financial management are monitored with the aid of the aforementioned reports. Appropriate insurance has been taken out to cover risks arising from the company's business with regard to property, business interruption, data security, and liability.

CORPORATE SOCIAL RESPONSIBILITY

The Otava Group puts corporate social responsibility into practice by operating in line with its values.

Review by the Board of Directors

OPERATING ENVIRONMENT

2020 was an exceptional year. The coronavirus pandemic arrived in Finland in March and impacted on almost all human activities. It had dramatic effects in many sectors. Digitalisation progressed at an even faster rate. According to preliminary data, Finland's GDP declined by about 3.5 per cent in 2020. After the spring, the economic outlook and the operating models of companies became somewhat clearer. The unemployment rate rose to 8 per cent at the end of the year and layoffs were common in many sectors. That said, inflation and interest levels remained low. Preliminary data indicates that retail sales rose by approximately 2 per cent at the annual level, but growth varied greatly in different retail sectors. Growth in ecommerce gained momentum towards the end of the year. This had a clear impact on retail structures – and many of the changes will be permanent.

The coronavirus also affected the development of the communications sector in many ways. In the area of general-interest literature, sales of books grew. Surging sales of e-book subscription services generated growth for the book busi-

ness after many years. The market for learning materials and learning services contracted on the previous year. The number of bookshops continued to fall, and their share of total sales declined at a faster rate than the market in general. The pandemic had a great impact on the media sales market, which slumped by almost 17 per cent. The decline in the media sales of magazines steepened (-19%), while growth in online advertising volumes started levelling off (+3%). The market for magazines contracted as circulation fell, but sales of individual issues rose during the pandemic.

DEVELOPMENTS IN THE GROUP'S BUSINESS

The Otava Group's net sales fell by 3 per cent. Comparable net sales were down by about 5 per cent. The Otava Group's EBITA for the year was good. Alma Media is treated as an associated company and its impact on the Group's earnings was EUR 8.9 million (share of earnings: EUR 24.3 million minus EUR 15.4 million in depreciation of consolidated goodwill). The parent company's result was improved by EUR 9.6 (8.4) million in dividends received from Alma Media.

The Group's key indicators:

Group	2020	2019	2018
Net sales, MEUR	277.7	286.2	299.2
EBITA, MEUR	31.6	31.4	51.3
EBITA as a percentage of net sales, %	11.4	11.0	17.2
Return on Investment, %	11.3	9.0	13.7
Return on Equity, %	11.8	8.2	10.2
Equity ratio, %	63.7	69.0	62.5

GROUP ORGANIZATION AND STRUCTURE

Otava Publishing Company acquired the publishing operations of Karisto Ltd through an asset deal in February and a majority holding in Atena Publishing Ltd in October 2020. Otava Publishing Company was partially demerged on 31 December 2020, such that its Uudenmaankatu property was turned into a separate corporation, Kiinteistö Oy Helsingin Uudenmaankatu 8–12.

BOOKS

Net sales totalled EUR 72.3 (70.4) million, representing growth of 3 per cent. EBITA was EUR 11.9 (11.8) million, or 16.5 (16.7) per cent of net sales. Surging growth in e-book subscription services contributed to the rise in the net sales of Otava Publishing Company, but the result of the company weakened due to outlays on learning services. Otava Book Printing Ltd's net sales fell but its result improved.

TRADE

Net sales of the Trade business area were down 7 per cent due to the coronavirus and amounted to EUR 111.6 (120.2) million. Sales of textbooks fell. The structure of sales changed significantly as online sales more than doubled. However, the result improved thanks to successful adjustment measures. At the end of the financial year, there were 68 stores and the company further increased its market share. Jamera Ltd, which specialises in the sale of second-hand textbooks, improved its result.

MEDIA

Net sales in the Media business area were down 5 per cent and totalled EUR 85.9 (90.5) million. Sales of magazine subscriptions and media fell, but the decline in magazine sales levelled off towards the end of the year. EBITA decreased and was EUR 7.4 (11.0) million, or 8.6 (12.1) per cent of net sales. Further reorganisation and efficiency measures were taken, which had a negative impact on the result for the financial year.

OTAVA MARKETPLACES

The coronavirus impacted on the business environment and the net sales of Marketplaces were down 3 per cent. Thanks to adjustment measures, profitability improved and EBITA amounted to EUR 9.8 (8.6) million, representing 42.5 (36.3) per cent of net sales.

BALANCE SHEET, INVESTMENTS AND FINANCIAL POSITION

The balance sheet total grew as loans were drawn down. The Group's equity ratio at the end of the year was 63.7 (69.0) per cent.

The Group's gross investments totalled EUR 12.5 (10.9) million. Investments were made in assets, acquisitions, store refurbishments, buildings and software. A payment of EUR 9.6 million for the Maistraatinportti property, sold in 2019, was received in March.

The Group's financial position and liquidity remained good. At year-end, the Group's net cash totalled EUR 6.9 (-34.3) million. In addition to book credit, cash and cash equivalents, the Group safeguards its liquidity with short-term revolving credit facilities. The Group's cash flow from operating activities was EUR 51.1 (35.5) million. Net financial expenses totalled EUR 0.8 (1.4) million, or 0.3 (0.5) per cent of net sales.

RISKS

The Group holds an established position in the book and magazine markets, which do not experience any large annual fluctuations.

Annual estimates of the Group's total book sales have not significantly differed from actual sales. The company uses a time-bound, title-specific process to assess the marketability of stock. The risk of nonmarketable items in our inventory is therefore low.

The Group's magazine subscribers are long-term customers who mainly pay for their subscriptions in advance. Although much greater variations occur in the media sales market, media sales account for only a small proportion

of total net sales compared to magazine sales.

Price trends for most of the goods and services required by the Group are highly forecastable. The company employs long-term agreements as a precaution against variations in paper prices.

In order to safeguard sales growth, the Group has also made investments in digital business relating to its core business, as there is no foreseeable change in the contracting market for printed products.

On the basis of the factors described above, the risks to the Group's business are minor. The Group's strong cash flow position and high equity ratio will safeguard the continuity of our business during market disruptions and the realisation of other risks. Risks have also been covered with property insurance and business interruption insurance.

DECISIONS OF THE ANNUAL GENERAL MEETING

The Annual General Meeting of 26 March 2020 elected the following as Members of the Board of Directors: Henrik Ehrnrooth, Eero Broman, Heikki Lehtonen, Alexander Lindholm and Eva Reenpää. Pasi Vainio, Minna Castrén, Timo Kopra and Minna Kokka were elected as Deputy

Members. Henrik Ehrnrooth was elected Chair of the Board of Directors. Ora Lyytikäinen was Secretary to the Board. Kari Miettinen, Authorised Public Accountant, was re-elected as the company's auditor, with the firm of Authorised Public Accountants Oy Audicon Ab as deputy auditor. The Annual General Meeting decided to pay a dividend of EUR 5.70 per share, which totals EUR 11.0 million.

The Annual General Meeting decided to authorise the Board of Directors to acquire a maximum of 15 per cent of the company's treasury shares using unrestricted shareholders' equity. This authorisation will remain in force until the next Annual General Meeting. In addition, the Annual General Meeting resolved to authorise the Board of Directors to decide on a directed share issue for cash payment to the company's executives. The maximum amount of the authorisation was 40,000 shares, of which 32,000 were issued. The share subscription price was the redemption value of the share confirmed by the General Meeting, EUR 125.60 per share.

SHARES

The company has 1,968,085 shares. The shares have no nominal value. Each share entitles the

The Board of Directors' proposal to the Annual General Meeting

The parent company's distributable funds total EUR 211,244 thousand, of which EUR 29,543 thousand is profit for the financial year. The Board of Directors proposes to the Annual General Meeting that the company's distributable funds should be used in the following manner:

To be paid as a dividend of EUR 6.30 per share	EUR 12.399 thousand
To remain in shareholders' equity	EUR 198.845 thousand
	EUR 211.244 thousand

No material changes have occurred in the company's financial position after the close of the financial year. The company's liquidity remains good and the Board of Directors is of the opinion that the proposed distribution of funds will not endanger the company's liquidity.



Personnel

The number of Group personnel and the salaries and fees paid are as follows:

Group	2020	2019	2018
Average number of personnel	1,034	1,102	1,178
Salaries and fees (EUR 1,000)	55,285	54,918	57,318

Since 2002, the Group has run an incentive scheme covering all personnel. Incentives will be paid to personnel for exceeding business area-specific targets in 2020. In addition, the personnel of Suomalainen Kirjakauppa will be paid an additional bonus. The total amount of personnel incentives paid (including social contributions) is EUR 2.4 million

bearer to one vote at the General Meeting. The sale of shares is governed by a redemption clause in the company's Articles of Association.

OUTLOOK FOR THE CURRENT YEAR

It is likely that the Finnish economy will recover slowly from the effects of the coronavirus in 2021. It is assumed that restructuring in the Group's fields of business will continue and that digitalisation will progress at an accelerating pace. Growth in the book market is levelling off, although sales of audiobooks and e-books are seeing strong

growth. The number of bookstores will decrease. Free upper secondary education affects the market for learning materials and services. Magazine subscriptions, which account for a significant proportion of the Group's net sales and result, will continue to fall. It will be difficult to boost net sales in the print publishing sector. It will be essential to develop new business models. With the aid of continued efficiency measures and new working methods, we will be able to keep the Group's result at its current good level.

Consolidated Income Statement

1 Jan–31 Dec EUR million	GROUP 2020	GROUP 2019
NET SALES	277.7	286.2
Change in inventories of finished goods and work in progress	2.6	-1.0
Production for own use	0.8	1.0
Other operating income	3.1	2.4
Materials and services	-111.5	-111.3
Personnel expenses	-65.1	-65.7
Depreciation and impairment	-16.8	-16.9
Other operating expenses	-67.9	-72.1
Share of results of associated companies	1.2	0.9
	-260.2	-265.0
OPERATING PROFIT	24.0	23.5
Financial income and expenses	8.1	-0.6
PROFIT BEFORE TAXES	32.1	23.0
Income taxes	-5.5	-5.7
Minority interest	0.0	
PROFIT FOR THE FINANCIAL YEAR	26.5	17.3

Consolidated Balance Sheet

31 Dec EUR million	GROUP 2020	GROUP 2019
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	61.3	66.2
Tangible assets	29.0	38.4
Long-term financial assets	166.6	167.7
Total non-current assets	256.9	272.3
CURRENT ASSETS		
Inventories	27.9	28.1
Long-term receivables	0.4	0.7
Short-term receivables	20.7	18.4
Cash and bank balances	87.9	15.3
Total current assets	136.9	62.4
Total assets	393.8	334.8

Consolidated Balance Sheet

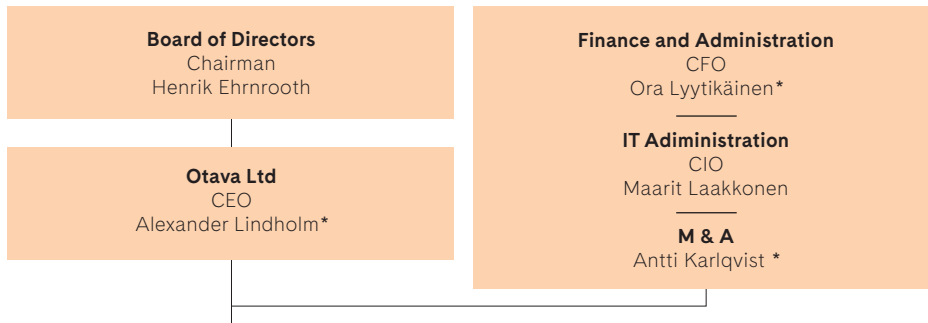
31 Dec EUR million	GROUP 2020	GROUP 2019
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	8.9	8.9
Share premium fund	25.0	25.0
Reserve for invested non-restricted equity	7.6	3,6
Retained earnings	166.8	160.6
Profit for the financial year	26.5	17.3
Total equity	234.8	215.3
MINORITY INTEREST		
	0.0	
LIABILITIES		
Long-term liabilities	60.6	34.3
Short-term liabilities	98.4	85.2
Total liabilities	159.0	119.5
TOTAL EQUITY AND LIABILITIES	393.8	334.8

Consolidated Cash Flow Statement

EUR million	GROUP 2020	GROUP 2019
Cash flow from business operations	51.1	35.5
Investments	-2.8	-10.8
Cash flow before financing	48.3	24.7
Financing	24.3	-25.9
CHANGE IN LIQUID ASSETS	72.6	-1.2
Liquid assets at 1 January	15.3	16.5
Liquid assets at 31 December	87.9	15.3



Group organization 1.1.2021



BOOKS	TRADE	MEDIA	MARKETPLACES
Pasi Vainio*	Minna Kokka*	Timo Kopra*	Jaakko Haapakangas
Otava Publishing Company Ltd / Like Publishing / Moreeni / Nemo / F-Publishing / Finn Lectura / Karisto Managing Director Pasi Vainio General Literature Business Director Nona Ratia Fiction Antti Kasper Books for Children and Young Readers Kaisu-Maria Toiskallio Non-Fiction Eva Reenpää Karisto, Nemo, Like, Atena Päivi Paappanen Marketing and Communications Kirsi Tähjänjoki Sales Nona Ratia Literary Director Minna Castrén Otava Learning Business Director Henna Miettinen Learning Services and Solutions Markku Pelkonen Technology and Platforms Henna Miettinen Sales and Marketing Minna Sarestie Financial Administration Arto Tuokko Atena Publishing Ltd Pasi Vainio Otava Book Printing Ltd Marko Silventoinen	Suomalainen Kirjakauppa Ltd Managing Director Minna Kokka Finance Timo Kauppila Personnel Kristian Tötterman Sourcing Reetta-Liisa Pikkola Retail Operations Minna Kokka Digital Sales Mika Tuomainen Systems Ville Ahola Business Locations Ari Hokkanen Marketing Kirsi Tähjänjoki Jamera Ltd Hanna Haukkapää	Otavamedia Ltd Managing Director Timo Kopra Consumer Magazines, Publishing Katriina Kaarre Reijo Ruokanen Consumer Sales Tuomas Hämäläinen B2B Sales Media Sales Tomi Takanen Otavamedia OMA B2B Customer Media Jukka Mildh HR & Finance Anne Mantila	Otava Marketplaces Ltd NettiX Ltd Jaakko Haapakangas News Services Kirsikka Isohanni Professional Media Jussi Lehtonen Marketplaces Erno Kalalahti

* Member of the Group's management team



We broaden
horizons

Otava Ltd

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