

2016

ANNUAL REPORT

OTAVA
GROUP



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”Quality matters, even in shrinking markets.”

Otava Group is thriving despite sectoral difficulties

Group net sales in 2016 were unchanged at MEUR 292.0 (MEUR 292.5). Contributing to this were previous corporate acquisitions, strong sales of educational materials and good development in New Business Functions. The Group result continued good at MEUR 21.0 (20.7).

PUBLISHING MARKETS continued to decline in Finland in 2016. Despite this, sales of general literature by Otava Publishing Company Ltd remained at the level of the previous year. The Group's greatest success was in educational materials, where its market share rose significantly.

At Otavamedia Ltd, magazine subscriptions and media sales continued to decline in 2016. A pleasant exception was the news magazine Suomen Kuvalehti, which held its circulation at the level of 2015 after modernising its content. Good performance like this in both books and magazines shows once more that quality matters, even in shrinking markets.

Personnel remain strongly committed to the company's success, as shown by the excellent

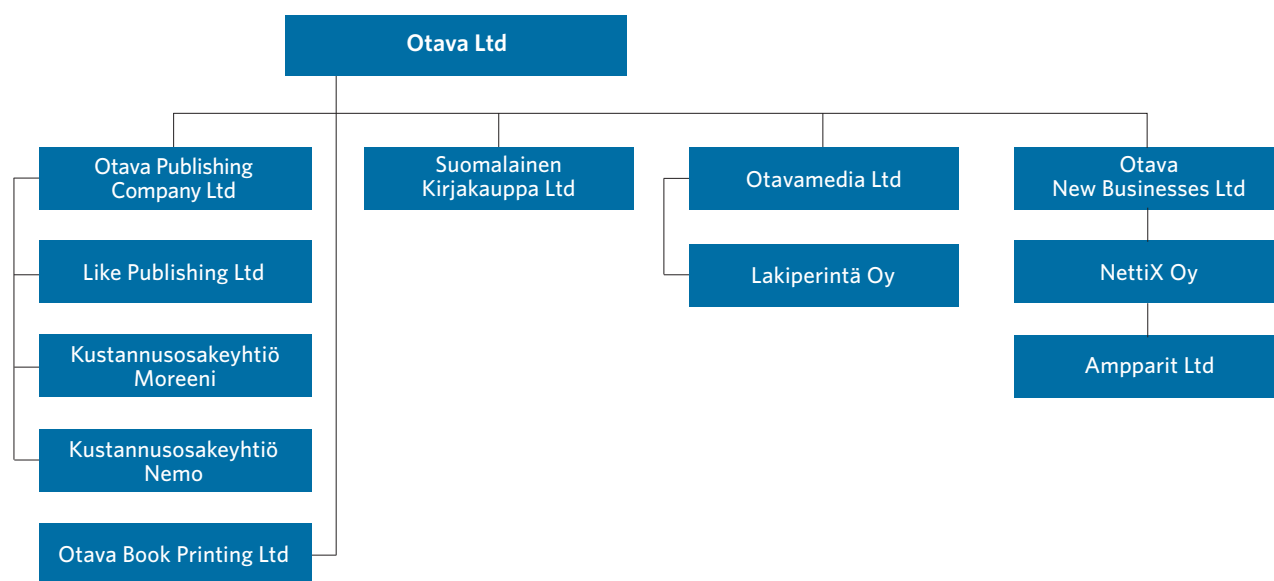
results of a staff survey. Otava Group has been voted one of Finland's most inspiring places of employment.

GREAT CHALLENGES lie ahead for our sector. The media field is continuing to shrink and no end is yet in sight. In our view, there will inevitably be mergers and acquisitions in the near term, to create better prospects for the companies in the sector. Otava Group is well prepared for this and we have the economic resources required.

The Group has operated successfully as a book and magazine publisher for well over a century. We see a viable future too, because reading will remain a foundation of Finnish welfare and success.

Henrik Ehrnrooth
Chairman of the Board





Otava is Finland's largest in its main businesses

THE GROUP'S core business areas are book publishing (Books), book sales (Trade), periodical publishing (Magazines) and New Business Functions. Operations began with Otava Publishing Company Ltd, established in 1890. It started printing books in 1908 and became a periodical publisher (Suomen Kuvalehti) in 1916.

Otava was one of the founders in 1934 of Otavamedia Ltd (previously known as United Magazines) and in 1969 of the Great Finnish Book Club. The Group has expanded online operations since acquiring NettiX Oy in 2006 and Ampparit Ltd in 2012. In 2011 Otava Ltd acquired the entire stock of Suomalainen Kirjakauppa Ltd.

Otava Ltd is the Group's parent company. The Group is a privately owned, independent, impartial and financially sound media corporation.

Books

The principal company of the Books division is Otava Publishing Company Ltd. It

publishes Finnish fiction and non-fiction, as well as educational material. Like Publishing Ltd has been part of the Books division since the start of 2006. Otava acquired a majority stake in Kustannusosakeyhtiö Moreeni in 2014, the shares of F-Publishing Ltd in 2015 and the shares of Kustannusosakeyhtiö Nemo in 2016. Otava Group is the largest book publisher in Finland.

Otava Book Printing Ltd is a diverse and modern printer and book binder, producing books for various publishers in Finland and abroad. Its printing works are in Keuruu.

Trade

Suomalainen Kirjakauppa Ltd is a book retailer. The company has 58 bookstores in a network that spans Finland. It is the largest in its field and also operates an online bookstore suomalaisen.com.

Magazines

Otavamedia Ltd publishes consumer and customer magazines and operates book

clubs. In all of these sectors it is the largest in Finland. Customer communications expanded significantly in 2015 when Otavamedia Ltd acquired MCI Press Ltd, which acquired Alma 360 Oy at the end of 2015. The customer communications unit, operating under the name Otavamedia OMA, was previously a subsidiary of Otavamedia Ltd but merged with it in 2016.

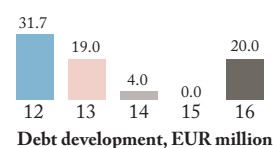
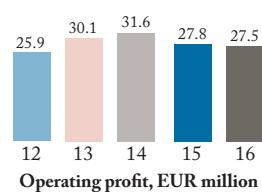
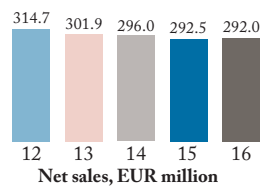
Otavamedia Ltd runs the Great Finnish Book Club (Suuri Suomalainen Kirjakerho). Operations grew in 2015 when it acquired the book club operations of Bonnier Books Finland.

New business functions

Otava New Businesses Ltd serves as the parent company of NettiX Oy and Ampparit Ltd. NettiX Oy operates various websites that serve as electronic marketplaces, for cars, boats and so on. Ampparit Ltd runs a news site (ampparit.com) and sells media monitoring services.

2016

KEY FIGURES



GROUP INCOME STATEMENT	2016 EUR million	%	2015 EUR million	%	2014 EUR million	%	2013 EUR million	%	2012 EUR million	%
Net sales	292.0		292.5		296.0		301.9		314.7	
EBITA	31.6	10.8	31.1	10.6	37.1	12.6	32.4	10.7	26.6	8.5
Depreciation of goodwill and business acquisition costs	4.3	1.5	3.8	1.3	5.8	2.0	2.8	0.9	1.2	0.4
Operating profit	27.5	9.4	27.8	9.5	31.6	10.7	30.1	10.0	25.9	8.2
Profit before taxes	27.3	9.4	27.7	9.5	31.3	10.6	29.6	9.8	25.0	8.0
Profit for the financial year	21.0	7.2	20.7	7.1	23.6	8.0	22.0	7.3	18.5	5.9
Cash flow from operations	31.9	10.9	31.9	10.9	36.3	12.3	32.1	10.6	26.4	8.4
BALANCE SHEET AND PROFITABILITY										
Capital expenditure	47.5		15.9		5.9		13.5		10.4	
Shareholders' equity	188.8		177.5		165.6		150.3		134.6	
Non-current liabilities	0.0		0.0		2.0		13.7		13.0	
Current liabilities	92.3		72.3		69.1		62.9		81.6	
Equity ratio %	72.5		77.6		77.1		72.8		64.8	
Return on investment (ROI) %	14.4		16.0		18.6		18.0		15.9	
Return on equity (ROE) %	11.5		12.1		15.0		15.5		14.6	
Group personnel (average)	1103		1079		1082		1178		1249	
BOOKS										
Net sales	61.5		54.5		51.5		55.5		58.4	
EBITA	8.0	12.9	7.2	13.2	5.8	11.3	6.3	11.3	8.9	15.1
Operating volumes:										
New titles published	1048		712		597		666		722	
New editions	1101		1120		1011		1019		1345	
Books sold, million	5.0		4.6		4.4		5.0		5.4	
Books printed, million	6.8		5.9		5.4		6.2		7.9	
TRADE										
Net sales	105.2		107.9		106.7		106.3		106.5	
EBITA	3.2	3.1	4.5	4.1	4.2	3.9	2.4	2.2	-1.9	-1.8
Operating volumes:										
Number of customers, million	5.8		5.9		5.8		5.7		6.0	
Books sold, million	4.2		4.4		4.6		5.1		4.7	
MAGAZINES										
Net sales	127.3		130.5		137.8		143.6		154.6	
EBITA	15.2	11.9	17.2	13.2	22.5	16.4	18.7	13.0	16.8	10.9
Operating volumes:										
Number of magazines and periodicals*)	158		213		111		107		108	
Annual magazines sales, million *)	34		34		35		35		40	
Books sold (Great Finnish Book Club), million	0.6		0.8		1.0		1.1		1.2	
NEW BUSINESS FUNCTIONS										
Net sales	16.0		14.4		14.1		12.3		11.0	
EBITA	7.4	46.0	7.6	52.9	7.6	53.6	6.5	53.1	5.4	49.6

*) General-circulation, customer and online magazines

2016

Use of Otava digital learning materials ten times higher than in 2015.

Otava acquires Kustannusosakeyhtiö Nemo, renowned for its children's and adults' non-fiction.

books

Seikkailujen aapinen (The ABC of Adventures) is in every other first grader's backpack.

The king of literature for children and young people is Mauri Kunnas, with eleven books in the Top 20 list.

Johannes Ekholm's first novel "Rakkaus niinku" (Love, Sort of, Like) wins the Kalevi Jäntti prize and is a candidate for the Helsingin Sanomat literature award.

Otava begins cooperation with the Slow Life online community to promote Finnish wellbeing.

Minority stake acquired in the video storytelling company DiSEL21 Ltd.

Educational materials sales flourish despite changes in the curriculum.

Top-class employee engagement, reports the HR intelligence company Corporate Spirit.

The customer promise of friendly, expert service confirmed by all indicators.

Efficient distribution of the full range of digital learning products.

trade

Top place among specialist store chains according to Taloustutkimus market research in January.

Eight bookstores modernised: now 48 are new-concept stores.

Good improvement in loyalty programme sales; loyal customer database now exceeds 800,000.

Multi-channel 24/7 reinforced, online sales grow.

magazines

Media sales improve more strongly than other markets.

Media sales of Suomen Kuvalehti's jubilee edition exceed all expectations.

Suomen Kuvalehti celebrates 100th anniversary, Vene magazine turns 50.

Stronger subscription sales at Maalla, Kanava and Parnasso.

The Great Finnish Book Club records excellent improvement in turnover and profit.

Anna becomes the women's weekly with the highest readership in Finland.

Otavamedia OMA merges with Otavamedia at the turn of the year.

new business functions

Online auction site huutokaupat.fi acquired.

Otava New Businesses Ltd subsidiary established.

Growth of 11%, EBIT 46% of net sales.

Sport is the most popular feature in the ampparit.com news service.

Dome.fi merged into the technology-themed muropaketti.com site.

New site nettivuokraus.com opened, for leasing vehicles, machinery and leisure equipment.

Media sales at NettiX online marketplaces up 30%.

Otava Group Agency joins Rights & Brands

Intriguing the world with original voices and fresh talents.

OTAVA GROUP AGENCY (OGA) was founded in 2006. It sells foreign rights to fiction and titles for children and young adults as well as illustrated and narrative non-fiction from Otava Publishing Company Ltd and Like Publishing Ltd.

OGA sells translation rights worldwide, directly and through sub-agents in selected markets, for authors and titles in all genres. It attends several international fairs every year and maintain active contacts with publishers around the world.

2016 saw a new investment in OGA's global strategy: focused attention to licensing was brought in house with Maarit Pyötsiä. Leenastiina Kakko continued her sterling work managing the adult fiction list, and Hanna Pajunen-Walsh, based in London, took on rights sales for children's and Young Adult literature.

Publishers from different corners of the world associate Finnish literature with original voices and a large and interesting variety of contemporary authors. Foreign interest has been aroused by fresh talents and contemporary classics alike.

There is room to mention only a few adult fiction titles from OGA's list in 2016. Riikka Pulkkinen, whose works have been published in around twenty languages across the world, created renewed international interest and foreign sales with

her new novel *The Best of All Possible Worlds*.

Sirpa Kähkönen's novel *Granite Man* was nominated for the prestigious Nordic Council Literature Award; the first foreign edition of *Granite Man* came out in Denmark, and more editions will follow in 2017. Jari Tervo's unique novel *The Matriarch* fascinated the international publishing world, as well as readers and critics in Finland.

Scandinavia is today known for its strong crime fiction. One of the freshest Northern stars in crime comes from Finland: Kati Hiekkapelto. Set in the icy latitudes of the Arctic Circle, her series has charmed publishers and readers around the world. In 2016, she was shortlisted for the Glass Key Award, one of the top prizes in crime fiction.

Finnish children's books stand out internationally for their honest depiction of childhood and for sincere themes that do not condescend to their readers. OGA's list is particularly strong in picture books, enriched with non-fiction elements and seasoned with humour, often with a touch of anarchy.

Otava partners up with Rights & Brands

In February 2017 Otava Publishing Company Ltd. became a minority shareholder

in R & B Licensing AB, a company operating under the name "Rights & Brands".

With this transaction, Otava Group Agency and its staff have been transferred to Rights & Brands, where Otava Group Agency's work of selling rights will now continue in a larger and more comprehensive global network.

Simultaneously with the transaction, Mauri Kunnas, one of the internationally best known and most widely published Finnish children's book authors, signed Rights & Brands as his agent for foreign rights and international licensing.

Rights & Brands was founded in spring 2016, building on a long and successful collaborative licensing business. It works closely with its partners Moomin Characters and Bulls Licensing (Bulls Press AB), to bring Nordic rights and brands – most notably Tove Jansson's Moomins – to an international market.

Otava Group Agency, now trading under Rights & Brands, sells foreign rights to fiction and titles for children and young adults, as well as illustrated and narrative non-fiction. Rights & Brands also operates as a licensing agent for authors. It sees brand licensing as a growth driver for future business.

www.rightsandbrands.com

Brand licensing
is a future growth
driver.



Board of Directors



Henrik Ehrnrooth
Chairman
SINCE 1988



Olli Reenpää
Vice Chairman
SINCE 1968



Jorma Ollila
Vice Chairman
SINCE 1996



Eero Broman
SINCE 2007



Heikki Lehtonen
SINCE 1991



Alexander Lindholm
SINCE 2008

DEPUTY MEMBERS



Pasi Vainio
SINCE 2010



Minna Castrén
SINCE 2011



Timo Kopra
SINCE 2012



Ora Lyytikäinen
Secretary of the Board
SINCE 2006

Review by the Board of Directors

Business environment

The economic downturn continued in 2016 and Finnish GDP grew by only one percent. Some small signs of export growth are visible. The unemployment rate continued high and was about 9% at the end of the year. Interest rates and inflation remained at low levels. Investment has not restarted properly since the financial crisis of 2008. Retail sales grew nearly 2% according to preliminary data. Online sales continue to increase and already account for over 10% of all retail sales although more than half of online orders are placed at foreign sites. The trend in the communications sector shadowed the overall economy. Sales of general literature declined. With a curriculum reform, the market for educational materials was larger than in 2015. Media sales stopped declining in the summer and total for the year was largely unchanged. Magazine media sales continued to decline (-10%), while the volume of online advertising continued to increase (+13%). The magazine sales market shrank in line with falling circulations and it has become still more difficult to find new magazine customers. Customer satisfaction was hurt by disruptions in postal distribution. The Finnish market for digital periodicals and books is still small.

Development of the Group's business

Net sales of Otava Group remained unchanged. The Group result in the year under review was good in relation to the general economic situation. This result and good relative profitability were a consequence of timely adaptation and action to improve efficiency, as well as operational changes.

Group organisation and structure

The main organisational features of the Group remained unchanged but there were some structural changes.

In a share placement in summer and autumn, Otava Publishing Company Ltd acquired 21.5% of DiSEL21 Oy. In October Otava Publishing Company Ltd acquired

Key figures for the Group:

Group	2016	2015	2014
Net sales, EUR million	292.0	292.5	296.0
Operating profit, EUR million	31.6	31.1	37.1
Operating profit margin %	10.8	10.6	12.6
Return on investment (ROI) %	14.4	16.0	18.6
Return on equity (ROE) %	11.5	12.1	15.0
Equity ratio %	72.5	77.6	77.1

Kustannusosakeyhtiö Nemo. Nemo will be merged with the parent company on 30 April 2017.

Alma 360 Oy was merged with Otavamedia OMA Ltd on 30 April 2016, creating the customer communications unit of the Otavamedia Group. Otavamedia OMA Ltd was merged with Otavamedia Ltd on 31 December 2016.

Part of Otavamedia Ltd was spun off to form Otava New Businesses Ltd on 31 May 2016. Otava New Businesses Ltd owns NettiX Oy, which owns Ampparit Ltd.

Since the spin-off, the legal structure of New Business Functions matches the reported business unit. At the end of the financial period, Ühinenud Ajakirjad AS, in which Otavamedia Oy Ltd held a 60% stake, was sold in an MBO deal to its operational management.

The managing director of Otavamedia Ltd Pekka Harju resigned. The managing director of Suomalainen Kirjakauppa Ltd Timo Kopra was appointed to replace him with effect from 22 June 2016. Panu Porkka was appointed managing director of Suomalainen Kirjakauppa Ltd and took up the position on 18 January 2017.

Books

Net sales were MEUR 61.5 (54.5), an increase of 13%. The operating result MEUR 8.0 (7.2) was 12.9% (13.1%) of net sales. Net sales of Otava Publishing Company Ltd increased and its result improved. Net sales of Otava Book Printing Company Ltd also increased and its result improved. At Like Publishing Ltd, net sales declined and the result was weaker than the year before.

Trade

Suomalainen Kirjakauppa Ltd recorded net sales of MEUR 105.2 (107.9), a decline of 2%. In line with falling sales, the operating result was lower than the year before. The number of modernised new-concept stores rose to 48 during the financial period and the company continued to increase its market share.

Magazines

Net sales totalled MEUR 127.3 (130.5), a decline of 2%. Magazine subscription sales and media sales were both lower than in the previous year. Operating profit MEUR 15.2 (17.2) was 11.9% (13.2%) of net sales. Amid lower net sales, profitability was supported by measures to increase efficiency and restructuring. Net sales of book club operations increased and the result improved. The result of Otavamedia Ltd remained good. Net sales of the customer communications unit were boosted by acquisitions but the result deteriorated.

New Business Functions

Otava New Businesses Ltd, with its subsidiaries NettiX Oy and Ampparit Ltd, consists of operations spun off from Otavamedia Ltd. The business area continued to grow (+16%) and relative profitability remained high.

Balance sheet, investments and financial position

During 2016 the balance sheet total increased by over 12%. The Group's equity ratio remained good and was 72.5% (77.6%) at the end of the year. →

The Group's gross capital expenditure was MEUR 47.5 (15.9). The most significant investments were in acquisitions, store modernisation and computer software. In a stock exchange deal in December, Otava Ltd acquired 7.8 million shares of Alma Media Plc, 9.5% of Alma Media's share capital, for MEUR 40.6. At the end of the year the market value of the shares was MEUR 39.4.

The Group's financial position and liquidity remained good. At the end of the year it has net cash reserves of MEUR 12.1. Alongside cash reserves and accounts with credit facilities, the Group's liquidity has been secured using short-term credit limits. Its cash flow from operations was MEUR 31.9 (31.9). Net financial expenses were MEUR 0.2 (0.0), which is 0.1% (0.0%) of net sales.

Risks

The Group has a well-established position in the book and magazine markets, which are not subject to major annual fluctuations.

Annual estimates of total book sales by the Group have not diverged significantly from actual sales figures. Group companies use a time-based title-specific obsolescence procedure, which minimises the risk of obsolete book stocks.

The Group's magazine subscribers are long-term customers, most of whom pay in advance. In the customer magazine market, contract durations are generally at least one year. Fluctuations in the media sales market can be larger but media sales account for a smaller proportion of net sales than magazine sales.

Price trends for most of the goods and services required by the Group are very predictable. The Group has protected itself from paper price fluctuations with long-term agreements.

At a time when sales of printed products are declining and seem likely to continue declining, the Group has invested in online businesses related to its core operations in order to secure growth.

On the basis of the foregoing, the risks related to the Group's operations are small. Its strong cash flow and high equity ratio

Board's proposal to the AGM

The parent company's distributable funds are EUR 147,165 thousand, of which profit for the financial year made up EUR 18,507 thousand. The Board proposes to the Annual General Meeting that the distributable funds be used as follows:

EUR 4.80 per share will be distributed as dividend	9,293	EUR thousand
to be left as equity	137,872	EUR thousand
	147,165	EUR thousand

No material changes have taken place in the financial position of the company since the end of the financial period. The liquidity of the company is good and, in the Board of Directors' view, the proposed dividends will not compromise the solvency of the company.

Personnel

In the reporting year, the Group's personnel numbers were as follows:

Group	2016	2015	2014
Average number of personnel	1,103	1,079	1,082
Salaries and remuneration (EUR thousand)	52,459	50,170	51,297

The Group has had an incentive scheme in place for the entire personnel since 2002. Performance incentives will be paid to the personnel for results that have exceeded the targets set for each company using the earnings generated in 2016, altogether worth EUR 2.1 million.

will ensure continuity of operations in case of market disturbances or other risk situations. Risks have also been hedged with property insurance and business interruption insurance.

Decisions by the annual general meeting

The annual general meeting, held on 17 March 2016, elected Olli Reenpää, Henrik Ehrnrooth, Jorma Ollila, Eero Broman, Heikki Lehtonen and Alexander Lindholm to the Board of Directors. Pasi Vainio, Minna Castrén, Timo Kopra and Pekka Harju were appointed deputy members. Ora Lyytikäinen served as Secretary to the Board. Kari Miettinen, Authorised Public Accountant, was re-elected as chief auditor, and Oy Audicon Ab, Authorised Public Accountants, as deputy auditor. The meeting decided to distribute a dividend of 4.50 euros per share, MEUR 8.8 in total.

The annual general meeting authorised the board to repurchase a maximum of 15% of the company's shares using distributable equity. The buy-back authorisation remains valid until the next annual general meeting.

Shares

The company has 1 936 085 shares. The shares have no nominal value. Each share entitles the holder to one vote at a shareholders' meeting. The transfer of shares is subject to a redemption clause in the articles of association.

Outlook for the current financial period

Otava Group expects 2017 to be another challenging year. Signs of growth in the Finnish economy are weak so the business environment will remain difficult. The market for books will continue to shrink. Magazine subscription sales, a significant source of Group's net sales and profits, have become more difficult, especially regarding new customers. It will be difficult to increase net sales in the print media sector. The development of new business operations is essential although sales volumes for electronic books and magazines have been modest and growth slower than expected. By continuing rationalisation and applying new business procedures, it will be possible to maintain the Group's result at its present good level.

Consolidated Income Statement

1.1.–31.12. EUR million	2016	2015
NET SALES	292.0	292.5
Change in inventories of finished goods and in work in progress	-1.6	0.3
Production for own use	1.7	1.0
Other operating income	4.0	3.9
Materials and services	-118.5	-121.1
Personnel expenses	-64.9	-62.5
Depreciation and impairment	-10.9	-11.2
Other operating expenses	-74.5	-75.6
Share of results of associated companies	0.2	0.4
	-268.6	-270.0
OPERATING PROFIT	27.5	27.8
Financial income and expenses	-0.2	0.0
PROFIT BEFORE TAXES	27.3	27.7
Income taxes	-6.3	-6.9
Minority interest	-0.1	-0.1
PROFIT FOR THE FINANCIAL YEAR	21.0	20.7

Consolidated Cash Flow Statement

EUR million	2016	2015
Cash flow from business operations	33.5	32.8
Investments	-47.8	-15.8
Cash flow before financing	-14.3	17.1
Financing	10.1	-12.8
Changes in liquid assets	-4.2	4.3
Liquid assets at 31 December	32.1	36.4

Consolidated Balance Sheet

	2016	2015
31.12. EUR million		
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	85.4	89.4
Tangible assets	60.6	62.0
Long-term financial assets	50.5	8.4
Total non-current assets	196.5	159.8
CURRENT ASSETS		
Inventories	29.8	28.8
Short-term receivables	23.5	25.7
Cash and bank balances	32.1	36.4
Total current assets	85.4	90.8
TOTAL ASSETS	268.2	270.0
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	8.9	8.9
Share premium fund	25.0	25.0
Reserve for invested non-restricted equity	2.3	2.3
Retained earnings	131.6	120.6
Profit for the financial year	21.0	20.7
Total equity	188.8	177.5
Minority interest	0.1	0.1
LIABILITIES		
Long-term liabilities	0.7	0.7
Short-term liabilities	92.3	72.3
Total liabilities	93.0	73.0
TOTAL EQUITY AND LIABILITIES	282.0	250.6

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF OTAVA OY

Report on the Audit of Financial Statements

Opinion

I have audited the financial statements of Otava Ltd (business identity code 0822255-6) for the year ended 31 December, 2016. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the Group as well as for the parent company.

In my opinion, the financial statements give a true and fair view of the Group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

I conducted my audit in accordance with good auditing practice in Finland. My responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am independent of the parent company and of the Group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to my audit, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the Group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities in the Audit of Financial Statements

My objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 parent company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion. →

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

OTHER REPORTING REQUIREMENTS

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. My opinion on the financial statements does not cover the

other information.

In connection with my audit of the financial statements, my responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. My responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In my opinion, the information in the

report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations requirements.

If, based on the work I have performed, I conclude that there is a material misstatement in the information included in the report of the Board of Directors, I am required to report this fact. I have nothing to report in this regard.

Helsinki 10th February, 2017

Kari Miettinen, APA

Group organisation 1 January 2017



Books

Pasi Vainio*

Otava Publishing Company Ltd

Managing Director
Pasi Vainio

General Literature

**Fiction, Books for Children
and Young Readers**
Minna Castrén

Non-Fiction
Eva Reenpää

Educational Materials
Teuvo Sankila

Marketing
Maija Kuusi

Financial Administration
Arto Tuokko

Like Publishing Ltd

Päivi Paappanen

Kustannusosakeyhtiö Moreeni

Pasi Vainio

Kustannusosakeyhtiö Nemo

Pasi Vainio

Otava Book Printing Ltd

Minna Kokka

Trade

Panu Porkka* (as of 18 Jan 2017)

Suomalainen Kirjakauppa Ltd

Managing Director
Panu Porkka

Sourcing

Reetta-Liisa Pikkola

Sales
Mervi Jäntti

Finance and Administration
Pirjo Hämäläinen

Magazines

Timo Kopra*

Otavamedia Ltd

Managing Director
Timo Kopra

**Publishing Unit
General Interest Magazines**

Katriina Kaarre
(as of 1 Feb 2017)

Consumer Sales
Eija Männistö and
Markus Rouhiainen

B2B Sales

Media Sales
Tomi Takanen

**Otavamedia OMA
Customer Communications**
Merja Haverinen
(as of 13 Feb 2017)

HR & Finance
Anne Mantila

New Business Functions

Jaakko Haapakangas

Otava New Businesses Ltd

Antti Karlqvist M & A*

NettiX Oy
Veli-Matti Vänninmaja

Ampparit Ltd
Lauri Sihvonen

Contacts

Parent Company

OTAVA LTD

P.O. Box 134,
FI-00121 Helsinki, Finland
Street address:
Uudenmaankatu 10,
FI-00120 Helsinki, Finland
Tel. +358 9 15 661
firstname.lastname@otava.fi
www.otavakonserni.fi

Books

OTAVA PUBLISHING COMPANY LTD

P.O. Box 134,
FI-00121 Helsinki, Finland
Street address: Uudenmaankatu 10,
FI-00120 Helsinki, Finland
Tel. +358 9 15 661
firstname.lastname@otava.fi
www.otava.fi

LIKE PUBLISHING LTD

P.O. Box 37,
FI-00521 Helsinki, Finland
Street address: Uudenmaankatu 10,
FI-00120 Helsinki, Finland
Tel. +358 9 15 661
firstname.lastname@like.fi
www.like.fi

KUSTANNUSOSAKEYHTIÖ

MOREENI

Uudenmaankatu 10,
FI-00120 Helsinki, Finland
Tel. +358 9 15 661
firstname.lastname@moreenikustannus.fi
www.moreenikustannus.fi

KUSTANNUSOSAKEYHTIÖ NEMO

Uudenmaankatu 10,
FI-00120 Helsinki, Finland
Tel. +358 9 15 661
firstname.lastname@nemokustannus.fi
www.nemokustannus.fi

OTAVA BOOK PRINTING LTD

Otavantie 11,
FI-42700 Keuruu, Finland
Tel. +358 9 15 661
Sales and Marketing: Uudenmaankatu 10,
FI-00120 Helsinki, Finland
firstname.lastname@otava.fi
www.otavankirjapaino.fi

Trade

SUOMALAINEN KIRJAKAUPPA LTD

Maistraatinportti 1,
FI-00240 Helsinki, Finland
Tel. +358 9 15 661
firstname.lastname@suomalainen.com
www.suomalainen.com

Magazines

OTAVAMEDIA LTD

Maistraatinportti 1,
FI-00015 Otavamedia, Finland
Tel. +358 9 15 661
firstname.lastname@otava.fi
www.otavamedia.fi

OTAVAMEDIA OMA, CUSTOMER COMMUNICATIONS

Maistraatinportti 1,
FI-00015 Otavamedia, Finland
Tel. +358 9 15 661
firstname.lastname@otava.fi
oma.otavamedia.fi

ElectroCity, Tykistökatu 4,
FI-20520 Turku, Finland
Tel. +358 9 15 661
firstname.lastname@otava.fi
oma.otavamedia.fi

OTAVAMEDIA LTD, THE GREAT FINNISH BOOK CLUB

Maistraatinportti 1,
FI-00015 Otavamedia, Finland
Tel. +358 9 15 661
firstname.lastname@otava.fi
www.sskk.fi

New Business Functions

OTAVA NEW BUSINESSES LTD

Maistraatinportti 1,
FI-00240 Helsinki, Finland
Tel. +358 9 15 661
firstname.lastname@otava.fi

NETTIX OY

Maistraatinportti 1,
FI-00240 Helsinki, Finland
Tel. +358 600 04070
firstname.lastname@otava.fi,
firstname@nettix.fi
asiakaspalvelu@nettix.fi
www.nettix.fi

AMPPARIT LTD

Maistraatinportti 1,
FI-00240 Helsinki, Finland
Tel. +358 9 15 661
ampparit@ampparit.com
www.ampparit.com



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Otavan Kirjapaino Oy

