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Accelerating change

The pace of change is increasing and our business arena is changing.

World economic growth is fading and Finland's brief upswing is also losing momentum. Digitalisation and the competition for consumer attention are strengthening. Indeed, as the pace of change continues to accelerate, today's rate will appear slow in the future.

All this will affect Otava Group's operating environment and the fields in which our business divisions compete. Printed products – books and magazines alike – face a declining sales trend.

Our group operates principally in the domestic market but a digital world knows no borders. Google, Facebook and Amazon have an impact on all our business divisions. We will need to respond to their challenge in a new way.

Operating within Finland and the language isolate of Finnish will not necessarily protect us in the competition for consumers. Changing distribution channels will affect the structure of retailing in the near future. There will no longer be enough customers for every shopping centre, to say nothing of high street stores.

In updating the Otava Group's strategy we aim to respond to the above challenges. The core of our business is high-quality consumer content. Books with excellent content will remain in demand, whether they are printed, ebooks or audiobooks. The same is true of magazines. High quality content is decisive and its importance will increase as there is a need to combat the growing amount of fake news and other disinformation.

Otava learning services, previously called educational materials, are being transformed as this business becomes a service operation. The change is being spurred by curriculum changes, and thus

new competitors are entering the field alongside traditional textbook publishers. Teaching and teachers also face new demands.

Finnish teaching is of a high quality and has a good reputation abroad. This has opened opportunities for exporting educational material, which is also becoming significant for Otava's result.

Otava New Business Functions has been a success story and NettiX has played a major role in that. The achievement has been founded on understanding changes in consumer behaviour and has even shaped the changes. There are various examples of this in the form of new products and new features in our electronic marketplaces.

At the end of the year the Group became the largest shareholder in Alma Media Corporation. This is a long-term strategic holding and will not affect our operational management. Our equity ratio is still good and would allow us to participate in the possible restructuring of our field.

One of Otava's main competitive edges comes from its skilled and motivated employees. We are used to operating in a constantly changing environment. Our solid group values give us the courage and determination to respond to future challenges.

In the year under review we have invested in working premises and divested surplus properties. I believe that our state-of-the-art offices in Uudenmaankatu, central Helsinki and in Pasila's Tripla building will serve us well in helping to evolve our operations.

Otava Group will continue to prosper.

HENRIK EHRNROOTH
Chairman of the Board



“The Otava Group’s
finances are stable
but achieving growth
was hard work.”

Alexander Lindholm

The Otava Group's net sales grew by 2% during the financial year, thanks to business acquisitions.

An increase in the usage rate of digital materials reinforced the growth in sales of upper-secondary-school learning materials.

Otava Book Printing Ltd decided to invest in modern inkjet printing technology and related post-production.

The operations of the Great Finnish Book Club were merged into those of Suomalainen Kirjakauppa as of the beginning of 2019.

Otavamedia's efforts to renew its media websites have been successful and have translated into an increase in digital readers and online advertising.

Towards the end of the financial year, New Business Functions launched its OmaNettiX service, which consumers can use, for example, to carry out C2C car trading digitally.

299.1 M€

Net sales in 2018

TEXT Selja Tiilikainen
PHOTOS Ville Rinne

Colour at the end of the tunnel

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For Linda Liukas, the secret to success is failure.

“When I didn’t get into the university I’d applied to, it made me stop and think what I want and who I am,” says children’s author **Linda Liukas**. Instead of the traditional career path via a degree, she set off in a different direction. She first drew her literary character Ruby in the corner of a notebook in 2011. Since then her life has been on the up and up.

To date she has written four children’s books, bagged a Finnish state prize for children’s culture, been named the Digital Champion of Finland by the European Commission, and won China’s DIA Gold design prize worth €130,000. She is also Chairman of the Board of a new type of programming school Hive Helsinki. Last autumn Forbes magazine included her on its list of Europe’s Top 50 Women in Tech.

“Just 10 years ago my parents would never have expected me to become the sort of person who writes computer science books for children,” she says. “It was tough on them when I didn’t even get a university degree, but last autumn Tampere University awarded me an honorary doctorate in natural sciences.”

Perhaps it’s a sign that the world familiar to her parents has been superseded.





“People are always at the core of technology,” Liukas points out.

“All parents hope that their child will do well. But as information becomes fragmented it is getting ever harder to find a relevant ready training package. Hence, the idea that university is the summit of education will be as strange to the next generation as the idea that parents once sent out children to buy tobacco.”

Dare to trust in the future

“We need the courage to stop trying for a good grade average. Students who always aim at high marks will never discover new paths. Success and failure are really equally important learning experiences.”

The way people associate computers with keyboards and monitors is also ephemeral folklore. Even the Digital Champion herself was surprised last summer when two out of three children in Espoo said that they talked with their computers. Technology is changing the world faster than media, schools and politics can keep up with.

Liukas believes in the growing importance of giving children a multifaceted identity. They should be encouraged to dream of being, for example, a marine biologist/ballet dancer. Silicon Valley already has its programmer-baristas.

Through their presence and influence, adults

play a major role in this for children, Liukas says. Although shapes and mechanisms change over time, it is still important to be surrounded by benign adults who trust and believe in the child. This is why she encourages adults to learn about the world in which modern children are growing up and to form an opinion of it.

Changing the world with books

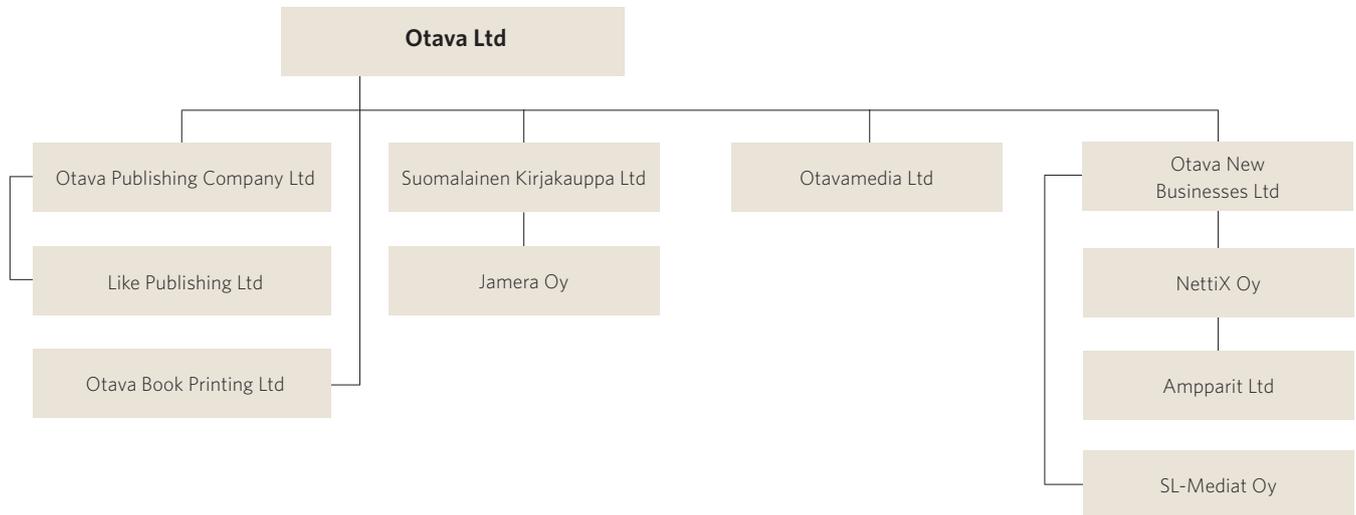
When we dare to trust and believe in children, and not merely our own, the world will change. Liukas hopes to be able to change the world with her books, by giving everyone the experience of empowerment. If every child’s voice was heard, the world would be a gentler, more empathetic and more colourful place.

To unleash the possibilities of artificial intelligence, we must define what it is needed for and what the role of people will be. We must ask: What problems are we seeking a solution to?

“At the core of technology, there is always a person,” Liukas points out. “To speak of technology is to speak about questions related to humanity. This is why the amount of children’s screen time is less important than the kind of children we want to raise and the kind of society we want to create.” •



Group structure and business areas



Otava is the largest in Finland in its main business areas

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THE GROUP'S business areas are book publishing (Books), book trade (Trade), magazine publishing (Magazines) and New Business Functions. Operations began with Otava Publishing Company Ltd., which was established in 1890. It started printing books in 1908 and publishing magazines in 1916 (Suomen Kuvalehti).

Otava contributed to establishing Otavamedia Ltd (1934, previously Yhtyneet Kuvalehdet Oy) and The Great Finnish Book Club (1969). The Group expanded its online business after acquiring NettiX Oy in 2006 and Ampparit Ltd in 2012. In 2011, Otava Ltd bought the entire stock of Suomalainen Kirjakauppa Ltd.

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

BOOKS. The main company in the Group's Books business is Otava Publishing Company Ltd. The company publishes fiction and non-fiction books and educational materials in Finnish, as well as providing learning services. The business area has also included Like Publishing Ltd since

the start of 2006, Moreeni since 2014, F-Publishing since 2015, Nemo since 2016, and Finn Lectura since 2018. The Otava Group is the largest book publisher in Finland.

Otavan Book Printing Ltd is a diverse and modern book printer and binder, which produces books for several publishers in Finland and abroad. The production facilities are located in Keuruu.

TRADE. Suomalainen Kirjakauppa Ltd operates in the book retail industry. The company has 65 book stores. In 2017, the company bought the shares of Kirja-Kärkkäinen Oy, and in 2018 the shares of Jamera Oy. The network of stores covers all of Finland. The company is the largest operator in the industry in Finland, and it also has an online store for books, suomalaisen.com.

MAGAZINES. Otavamedia Ltd publishes magazines and organises book club activities. Otavamedia is the largest operator in Finland in all these areas. In 2015, Customer Communications expanded significantly when Otavamedia Ltd acquired the outstanding shares of MCI

Press Ltd and Alma 360 Oy. The Customer Communications unit currently operates as a part of Otavamedia Ltd under the name of Otavamedia OMA.

Book club operations are run under the auxiliary business name of the Great Finnish Book Club. Activities expanded in 2015 when Otavamedia Ltd acquired the book club operations of Bonnier Books Finland. From the beginning of 2019, book club operations were transferred to Suomalainen Kirjakauppa Ltd.

NEW BUSINESS FUNCTIONS.

The Group's New Business Functions include Otava New Businesses Ltd, which operates as the parent company, as well as NettiX Oy, Ampparit Ltd and, acquired in 2018, SL-Mediat Oy, which publishes professional media. The numerous websites of NettiX Oy serve as digital marketplaces, of which the best known are nettiauto.com and nettivene.com. The newest are nettivuokraus.com and huutokaupat.fi. Ampparit Ltd maintains the ampparit.com news website and sells media monitoring services.

Key Figures

	2018 M€	%	2017 M€	%	2016 M€	%	2015 M€	%	2014 M€	%
GROUP INCOME STATEMENT										
Net sales	299.1		292.2		292.0		292.5		296.0	
EBITA	51.3	17.2	30.7	10.5	31.6	10.8	31.1	10.6	37.1	12.6
Depreciation of goodwill and business acquisition costs	22.0	7.3	7.6	2.6	4.3	1.5	3.8	1.3	5.8	2.0
Operating profit	29.8	10.0	23.8	8.1	27.5	9.4	27.8	9.5	31.6	10.7
Profit before taxes	32.0	10.7	25.1	8.6	27.3	9.4	27.7	9.5	31.3	10.6
Profit for the financial year	20.7	6.9	18.8	6.4	21.0	7.2	20.7	7.1	23.6	8.0
Cash flow from operations	50.7	16.9	39.6	13.6	31.9	10.9	31.9	10.9	36.3	12.3
BALANCE SHEET AND PROFITABILITY										
Capital expenditure	141.5		15.4		47.5		15.9		5.9	
Shareholders' equity	208.3		198.2		188.8		177.5		165.6	
Non-current liabilities	60.4		0.0		0.0		0.0		2.0	
Current liabilities	87.7		74.8		92.3		72.3		69.1	
Equity ratio %	62.5		78.9		72.5		77.6		77.1	
Return on investment (ROI) %	13.7		12.4		14.4		16.0		18.6	
Return on equity (ROE) %	10.2		9.7		11.5		12.1		15.0	
Group personnel (average)	1178		1099		1103		1079		1082	
BOOKS										
Net sales	71.9		67.8		61.5		54.5		51.5	
EBITA	12.2	16.9	13.0	19.1	8.0	12.9	7.2	13.2	5.8	11.3
Operating volumes:										
Titles published, printed	650		571		554		511		392	
Titles published, digital	795		508		520		212		206	
Books sold, million	5.3		5.2		5.0		4.6		4.4	
Books printed, million	6.4		6.6		6.8		5.9		5.4	
TRADE										
Net sales	120.9		108.5		105.2		107.9		106.7	
EBITA	3.7	3.1	4.2	3.9	3.2	3.1	4.5	4.1	4.2	3.9
Operating volumes:										
Number of customers, million	6.1		5.7		5.8		5.9		5.8	
Books sold, million	4.8		4.2		4.2		4.4		4.6	
MAGAZINES										
Net sales	105.5		117.1		127.3		130.5		137.8	
EBITA	7.5	7.1	8.1	6.9	15.2	11.9	17.2	13.2	22.5	16.4
Operating volumes:										
Number of magazines and periodicals *)	172		162		158		213		111	
Annual magazines sales, million *)	28		31		34		34		35	
Books sold (Great Finnish Book Club), million	0.4		0.5		0.6		0.8		1.0	
NEW BUSINESS FUNCTIONS										
Net sales	22.9		18.1		16.0		14.4		14.1	
EBITA	8.6	37.4	7.1	39.3	7.4	46.0	7.6	52.9	7.6	53.6

*) General-circulation, customer and online magazines

The Board of Directors



Henrik Ehrnrooth
Chairman
SINCE 1988



Eero Broman
Vice Chairman
SINCE 2007



Jorma Ollila
Vice Chairman
SINCE 1996



Heikki Lehtonen
SINCE 1991



Alexander Lindholm
SINCE 2008



Eva Reenpää
SINCE 2017

VARAJÄSENET



Pasi Vainio
SINCE 2010



Minna Castrén
SINCE 2011



Timo Kopra
SINCE 2012



Minna Kokka
SINCE 2018



Ora Iyytikäinen
Secretary of Board
SINCE 2006

Review by the Board of Directors

Business environment

Finland's GDP grew by over 3% in 2018, but the economic forecast changed towards the end of the year. Economic growth was boosted by growth in exports. Unemployment fell below 8%. Inflation and interest rates remained low, but there were signs of a coming raise in long-term rates. Preliminary data show a growth of just under 3% in retail sales. Online sales continued to grow in Finland, with a significant proportion coming from foreign websites.

The favourable economy did not fully translate into development within the communications sector. Book sales declined in general literature, while in educational materials and learning services, the market grew thanks to Finnish curriculum reform. The market for media sales grew by just over 2%. Media sales in magazines continued their decline (-2%), while online advertising continued to grow (+14%). The magazine sales market shrank as circulation figures declined and new subscriptions were increasingly difficult to obtain. Mail distribution disruptions negatively affected customer satisfaction in magazines. The market for digital magazines and books grew, but remained small in Finland. An increased supply of audiobooks attracted new consumers to buying book content.

Group business trends

The net sales of the Otava Group grew by around 2% thanks to business acquisitions, but like-for-like

net sales fell by 3%. The Otava Group's EBITA for the year was good. The parent company's EBITA was positively affected by capital gains of EUR 21.1 on the sale of the Hietalahdenranta property. Otavamedia Ltd's share value was reduced in the financial statements to correspond to their fair value. The value of Otavamedia's magazine publishing rights was depreciated by a total of EUR 18 million in the consolidated financial statements due to the weakening future prospects of the magazine business.

Group organisation and structure

The Group's organisation remained largely the same, but some changes were made to the company structure.

Otava Ltd increased its stake in Alma Media Oyj to 29.04, and Alma Media became an associated company of Otava Ltd. In the financial statements, the ownership is included under Share of results in associated companies, and Alma Media will be consolidated from 1 January 2019 onwards. The generated goodwill will be amortized over 15-20 years.

During the year, Otava Publishing Company Ltd subscribed shares in special issues of EdVisto Oy (formerly DiSEL21 Oy) such that its holding fell to 18.75%. In December 2017, Otava Publishing Company Ltd acquired the shares of Oy Finn Lectura Ab. The trade was executed on 2 January 2018 up and the company was merged into Otava Publishing Company as of 31 December 2018.

Key Group figures:

Group	2018	2017	2016
Net sales, EUR million	299.1	292.2	292.0
EBITA, EUR million	51.3	30.7	31.6
EBITA, % of net sales	17.2	10.5	10.8
Return on investment (ROI) %	13.7	12.4	14.4
Return on equity (ROE) %	10.2	9.7	11.5
Equity ratio %	62.5	78.9	72.5
Group	2018	2017	2016
Average number of personnel	1178	1 099	1 103
Salaries and remuneration (EUR 1,000s)	57,318	52,703	52,459

Kirja-Kärkkäinen Oy was merged into Suomalainen Kirjakauppa Ltd on 31 March 2018. In June, Suomalainen Kirjakauppa Ltd acquired the outstanding shares of Jamera Oy.

Lakiperintä Oy merged into Otavamedia Ltd on 31 January 2019, after the end of the financial year.

Otava New Businesses Ltd acquired the outstanding shares of SL-Mediat Oy on 1 March 2018.

Books

Net sales were EUR 71.9 (67.8) million, representing an increase of 6%. EBITA was EUR 12.2 (13.0) million, i.e. 16.9% (19.1%) of net sales. The net sales of Otava Publishing Company increased and operating profit improved. The operating profit of Otava Book Printing Ltd also improved, despite a slight decrease in net sales. The net sales of Like Publishing Ltd declined and the operating profit remained negative.

Trade

The CEO of Suomalainen Kirjakauppa Ltd, Panu Porkka, gave his notice and Minna Kokka was appointed as the new CEO. Net sales from Trade were EUR 120.9 (108.5) million, representing an increase of 11%. EBITA declined compared to the previous year due to the opening of new stores. The store concept reform continued. The number of stores increased during the financial year to 65, which meant a further increase in the company's market share.

Magazines

Net sales from the Magazine business were EUR 105.5 (117.1) million, which represented a decrease of 10%. Subscription and media sales both declined. EBITA was EUR 7.5 (8.1) million, i.e. 7.1% (6.9%) of net sales. The proportional EBITA remained fairly good despite the fall in net sales thanks to continued streamlining and reorganisation efforts. Net sales from book club activities declined and the operating profit fell. From the beginning of 1.1.2019, book club operations were transferred to Suomalainen Kirjakauppa Ltd. Net sales from Customer Communications declined in a difficult market, but the operating profit remained positive.

New Business Functions

New Business Functions continued to grow (+26%) and their relative profitability remained

high. Significant investments were made into new services during the financial period.

Balance sheet, investments and debt position

The balance sheet total for 2018 grew by EUR 84 million thanks to financial investments. The Group's equity ratio declined but remained at a good level, being 62.5% at the year-end.

The Group's capital expenditure totalled EUR 141.5 (15.4) million. Investments were made into securities, as well as acquisitions, store renovations, buildings, the printing house and computer software. During the year, Otava Ltd increased its stake in Alma Media Oyj by EUR 117,5 million.

The Group's debt position and liquidity remained good. At the end of the year the Group's net debt totalled EUR 49.0 million (compared to net cash reserves of EUR 30.5 million the previous year). Alongside cash reserves and accounts with credit facilities, the Group's liquidity has been secured using short-term credit facilities. The Group's cash flow from operations was EUR 50.7 (39.6) million. Net financial expenses totalled EUR 0.3 (0.1) million, which was 0.1% (0.0%) of net sales.

Risks

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

The Group's annual forecasts of total book sales have been materially accurate. 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 hedges against paper price fluctuations with long-term agreements.

At a time when sales of printed products are declining and seem likely to continue to do so, 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 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 15 March 2018, elected Henrik Ehrnrooth, Jorma Ollila, Eero Broman, Heikki Lehtonen, Alexander Lindholm and Eva Reenpää to the Board of Directors. Pasi Vainio, Minna Castrén, Timo Kopra and Minna Kokka were appointed deputy members. Henrik Ehrnrooth was appointed Chairman of the Board. 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 EUR 5.10 per share, for a total of EUR 9.9 million.

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

Personnel

The Group has had an incentive scheme in place for the entire personnel since 2002. Performance incentives totalling EUR 1.5 million will be paid to personnel for results exceeding the targets set for each business area, using the earnings from 2018.

Outlook for the current financial period

Economic growth is expected to slow down in Finland during 2019, which will have an impact on the operations of the Otava Group. Structural reforms can be expected to continue in the Group's business areas. The book market will continue to decline, as will magazine subscription sales, which make up a significant source of the Group's net sales and profits.

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. However, by continuing the Group's rationalisation and applying new business procedures, it will be possible to maintain the Group's results at the present good level.

Board's proposal to the AGM

The parent company's distributable funds are EUR 168,222 thousand, of which profit for the financial year accounts for EUR 22,862 thousand. The Board proposes to the annual general meeting that the distributable funds be used as follows:

EUR 5.30 per share to be distributed as a dividend	EUR 10,261 thousand
To be left as equity	EUR 157,961 thousand
	EUR 168,222 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.

Consolidated Income Statement

1 January - 31 December EUR million	2018	2017
NET SALES	299.1	292.2
Change in inventories of finished goods and in work in progress	-0.2	0.9
Production for own use	1.1	1.2
Other operating income	25.2	4.0
Materials and services	-120.5	-118.1
Personnel expenses	-69.5	-64.3
Depreciation and impairment	-30.0	-20.9
Other operating expenses	-75.9	-71.8
Share of results of associated companies	0.5	0.6
	-295.3	-274.5
OPERATING PROFIT	29.8	23.8
Financial income and expenses	2.1	1.3
PROFIT BEFORE TAXES	32.0	25.1
Income taxes	-11.3	-6.3
Minority interest		0.0
PROFIT FOR THE FINANCIAL YEAR	20.7	18.7

Consolidated Balance Sheet

31 December EUR million	2018	2017
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	75.2	85.6
Tangible assets	36.4	48.2
Long-term financial assets	174.9	56.4
Total non-current assets	286.6	190.2
CURRENT ASSETS		
Inventories	30.5	30.5
Short-term receivables	23.4	22.2
Cash and bank balances	16.5	30.5
Total current assets	70.4	83.2
TOTAL ASSETS	356.9	273.4
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	8.9	8.9
Share premium fund	25.0	25.0
reserve for invested non-restricted equity	3.6	3.6
Retained earnings	150.2	142.0
Profit for the financial year	20.7	18.7
Total equity	208.3	198.2
LIABILITIES		
Long-term liabilities	60.9	0.4
Short-term liabilities	87.7	74.8
Total liabilities	148.7	75.2
TOTAL EQUITY AND LIABILITIES	356.9	273.4

Consolidated Cash Flow Statement

EUR million	2018	2017
Cash flow from business operations	36.8	42.8
Investments	-105.7	-14.6
Cash flow before financing	-69.0	28.2
Financing	55.0	-29.8
Changes in liquid assets	-14.0	-1.6
Liquid assets at 31 December	16.5	30.5

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF OTAVA LTD

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Otava Ltd (business identity code 0822255-6) for the year ended 31 December, 2018. The financial statements comprise the balance sheets, 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 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 for 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 circum-

stances, 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.

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 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my 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.

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 that fact. I have nothing to report in this regard.

Helsinki 14th February, 2019

KARI MIETTINEN

APA

Group organisation



Books Pasi Vainio*	Trade Minna Kokka*	Magazines Timo Kopra*	New Business Functions Jaakko Haapakangas
Otava Publishing Company Ltd Managing Director Pasi Vainio	Suomalainen Kirjakauppa Ltd Managing Director Minna Kokka	Otavamedia Ltd Managing Director Timo Kopra	Otava New Businesses Ltd
General Literature	Sourcing Reetta-Liisa Pikkola	Publishing Unit Consumer Magazines Katriina Kaarre	Antti Karlqvist* M & A
Fiction, Books for Children and Young Readers Minna Castrén	Sales Mervi Jäntti	Consumer Sales Tuomas Hämäläinen and Markus Rouhiainen	NettiX Oy Veli-Matti Vänninmaja
Non-Fiction Eva Reenpää	Finance Timo Kauppila	B2B Sales	Ampparit Ltd Kirsikka Isohanni
Marketing and Communications Kirsi Tähjänjoki	Jamera Oy Hanna Haukka	Media Sales Tomi Takanen	SL-Mediat Oy Jussi Lehtonen
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F-Publishing Pasi Vainio			
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