



Financial Statement
2021





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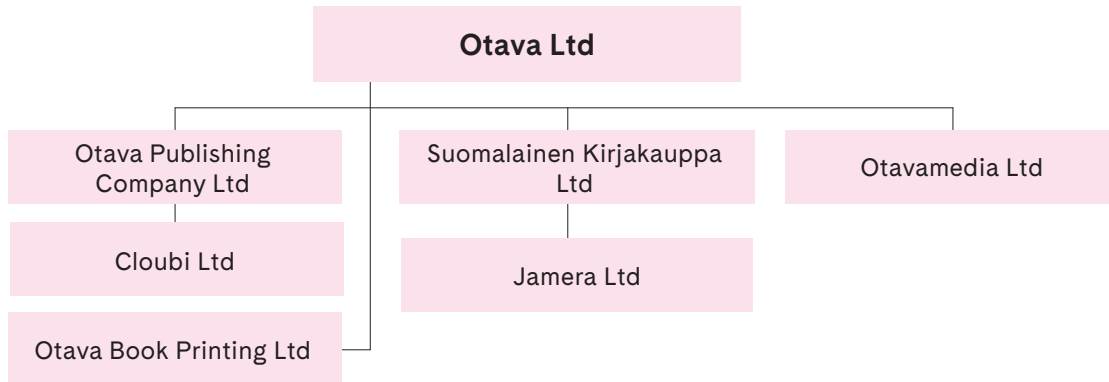
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Organization

Read more about Otava's year 2021:
vuosikertomus.otavakonserni.fi/en/

Group structure and business areas 1 January 2022



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) and magazine publishing (Media). 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 Ltd (1934, previously Yhtyneet Kuvalehdet Ltd) 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. Ampparit Ltd was merged in NettiX Ltd in 2019. NettiX Ltd's entire share capital was sold to Alma Media Plc in 2021.

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. Also, Finn Lectura Ltd (since 2018) and Cloubi Ltd (since 2020) are parts of Otava Learning. 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 64 book-

stores 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. Suomalainen Plus streaming service is a part of Suomalainen Kirjakauppa. The Great Finnish Book Club is a part of the Trade business area.

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 as Otavamedia OMA.

Key figures

GROUP INCOME STATEMENT	2021 M€	%	2020 M€	%	2019 M€	%	2018 M€	%	2017 M€	%
Net sales	255.3		277.7		286.2		299.1		292.2	
EBITA	142.6	55.9	31.6	11.4	31.4	11.0	51.3	17.2	30.7	10.5
Depreciation of goodwill and business acquisition costs	16.6	6.5	8.8	3.2	8.8	3.1	22.0	7.3	7.6	2.6
Operating profit	127.0	49.8	24.0	8.6	23.5	8.2	29.8	10.0	23.8	8.1
Profit before taxes	125.7	49.2	32.1	11.6	23.0	8.0	32.0	10.7	25.1	8.6
Profit for the financial year	121.1	47.4	26.5	9.6	17.3	6.0	20.7	6.9	18.8	6.4
Cash flow from business operations	34.2	13.4	51.1	18.4	35.5	12.4	36.8	12.3	42.8	14.7
BALANCE SHEET AND PROFITABILITY										
Capital expenditure	5.0		12.5		10.9		141.5		15.4	
Shareholders' equity	343.6		234.8		215.3		208.3		198.2	
Non-current liabilities	9.5		60.6		34.3		60.4		0.0	
Current liabilities	83.7		98.4		85.2		87.7		74.8	
Equity ratio %	83.9		63.7		69.0		62.5		78.9	
Return on investment (ROI) %	37.6		11.3		9.0		13.7		12.4	
Return on equity (ROE) %	41.9		11.8		8.2		10.2		9.7	
Group personnel (average)	987		1034		1102		1178		1099	
BOOKS										
Net sales	77.9		72.3		70.4		71.9		67.8	
EBITA	12.6	16.1	11.9	16.5	11.8	16.7	12.2	16.9	13.0	19.1
Operating volumes:										
New titles published, printed	771		673		585		650		571	
New titles published, digital	2012		1089		914		795		508	
Books sold, million	8.5		6.5		5.6		5.3		5.2	
Books printed, million	5.7		4.9		5.7		6.4		6.6	
TRADE										
Net sales	102.2		111.6		120.2		120.9		108.5	
EBITA	1.3	1.3	4.1	3.6	2.8	2.3	3.7	3.1	4.2	3.9
Operating volumes:										
Number of customers, million	4.8		5.2		5.9		6.1		5.7	
Books sold, million	3.5		4.0		4.5		4.8		4.2	
MEDIA										
Net sales	82.9		85.9		90.5		105.5		117.1	
EBITA	10.4	12.6	7.4	8.6	11.0	12.1	7.5	7.1	8.1	6.9
Operating volumes:										
Number of magazines and periodicals*)	136		157		156		172		162	
Annual magazines sales, million*)	24		25		26		28		31	

*) 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



Philip Aminoff
VUODESTA 2021

DEPUTY MEMBERS



Pasi Vainio
SINCE 2010



Minna Castrén
SINCE 2011



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

The Board of Directors convenes at minimum 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 three business areas: Books, Trade, and Media. The Group's Management Team consists of the directors 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

The coronavirus pandemic continued throughout 2021, although its effects were largely felt in waves. An end to the pandemic is not yet in sight. The pandemic has had varying effects on different sectors. Although it has had a dramatic impact on the travel, hospitality and event sectors, many other sectors have benefited from it. According to preliminary data, Finland's GDP rose by more than 3 per cent in 2021. By the end of the year, the unemployment rate had fallen to 10.5 per cent, and many sectors had begun to suffer from staff shortages. Interest rates have remained low. However, there are clear signs of rising inflation. According to preliminary data, full-year retail sales in general rose by about three per cent, although Christmas sales contracted and were therefore disappointing. There was huge variation in sales trends between different sectors. The pandemic has accelerated growth in e-commerce, and the impact of this growth on retail structures will be permanent.

The pandemic has also contributed to a variety of developments in the communications sector.

In the area of general-interest literature, sales of books grew. Surging sales of e-book subscription services generated growth for the book business. Sales of printed books remained at the same level as in the previous year. The market for learning materials and learning services also increased on the previous year. The number of bookshops continued to fall, and their share of total sales declined. Although the pandemic initially had a dramatic impact on the media sales market, the market recovered to almost pre-pandemic levels during 2021. The decline in the media sales of magazines continued (-0.4%), as did growth in online advertising volumes (+21%). The market for magazine sales fell even further during the pandemic, as declining circulation appears to be an ongoing trend.

DEVELOPMENTS IN THE GROUP'S BUSINESS

The Otava Group's net sales fell by 8 per cent. Comparable net sales were down by 3 per cent. The Otava Group's operating result for the year was good. The entire share capital of NettiX Ltd was divested to Alma Media Corporation on 1 April 2021. This transaction resulted in capital

The Group's key indicators:

Group	2021	2020	2019
Net sales, MEUR	255.3	277.7	286.2
EBITA, MEUR	142.6	31.6	31.4
EBITA as a percentage of net sales, %	55.9	11.4	11.0
Return on Investment, %	37.6	11.3	9.0
Return on Equity, %	41.9	11.8	8.2
Equity ratio, %	83.9	63.7	69.0

gains of EUR 118.1 million, which had a significant impact on the Group's result. Alma Media is treated as an associated company and its impact on the Group's earnings was EUR 0.3 million (share of Alma Media's result EUR 12.7 million and of result after FAS adjustments EUR 5.6 million minus EUR 5.3 million in depreciation of consolidated goodwill). EUR 10 million in additional depreciation of publication rights for Otavamedia magazines was entered into the balance sheet due to the deteriorating outlook for magazines.

GROUP ORGANIZATION AND STRUCTURE

The Group's organisation and structure remained largely unchanged. In late 2021, Atena Kustannus Ltd was merged into Otava Publishing Company Ltd, and Otava Marketplaces Ltd into Otava Ltd. Otavamedia Ltd's CEO Timo Kopra left the Group on 1 September 2021 and Alexander Lindholm was appointed CEO of Otavamedia Ltd alongside his existing position.

BOOKS

Net sales totalled EUR 77.9 (72.3) million, representing growth of 8 per cent. The direct operating result was EUR 12.6 (11.9) million, or 16.1 (16.5) per cent of net sales. Strong growth in e-book subscription services fuelled an increase in Otava Publishing Company's net sales. Net sales of printed books increased. Otava Book Printing Ltd's net sales rose and its result improved significantly.

TRADE

The net sales of the Trade business area were down 8 per cent due to the coronavirus pandemic and a fell in sales of textbooks and amounted to EUR 102.2 (111.6) million. The operating result fell on the previous year to EUR 1.3 (4.1) million. The Group had 64 stores at the end of the year. Jamera Ltd, which specialises in the sale of second-hand textbooks, saw a fall in both its sales and result.

MEDIA

Net sales in the Media business area were down 3 per cent and totalled EUR 82.9 (85.9) million. Sales of newspaper subscriptions fell. Media sales grew, but did not rise to pre-pandemic levels. Thanks to cost adjustments started in the previous year, the direct operating result improved and stood at EUR 10.4 (7.4) million, or 12.6% (8.6%) of net sales.

BALANCE SHEET, INVESTMENTS AND FINANCIAL POSITION

The balance sheet total increased as a result of the divestment of NettiX Ltd's shares. The Group's equity ratio at the end of the year was 83.9 (63.7) per cent.

The Group's gross investments totalled EUR 5.0 (12.5) million. Investments were made in assets, acquisitions, store refurbishments and software.

The Group's financial position and liquidity remained excellent. At year-end, the Group's net cash totalled EUR 193.5 (6.9) 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 34.2 (51.1) million. Net financial expenses totalled EUR 1.7 (0.8) million, or 0.7 (0.3) 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. We are prepared for the rising price of paper, and its availability has been guaranteed with long-term contracts.

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 significant cash reserves, strong cash flows 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 18 March 2021 re-elected Henrik Ehrnrooth, Eero Broman, Heikki Lehtonen, Alexander Lindholm and Eva Reenpää as Members of the Board of Directors, and elected Philip Aminoff as a new member.

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 6.30 per share, which totals EUR 12.4 million.

SHARES

The company has 1,968,085 shares. The shares have no nominal value. Each share entitles the 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 pandemic in 2022. 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,

The Board of Directors' proposal to the Annual General Meeting

The parent company's distributable funds total EUR 355,481 thousand, of which EUR 156,636 thousand is profit for the financial year. The Board of Directors will propose to the Annual General Meeting that the company's distributable funds should be used in the following manner:

A dividend of EUR 6.55 per share and an additional dividend of EUR 1.20 per share.	EUR 15,253 thousand
To remain in shareholders' equity	EUR 340,228 thousand
	EUR 355,481 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	2021	2020	2019
Average number of personnel	987	1,034	1,102
Salaries and fees (EUR 1,000)	52,586	55,285	54,918

Since 2002, the Group has run an incentive scheme covering all personnel. Incentives were paid to personnel for exceeding business area-specific targets in 2021. The total amount of personnel incentives paid (including social contributions) was EUR 2.0 million.

even though sales of audiobooks and e-books continue to grow. 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 2021	GROUP 2020
NET SALES	255.3	277.7
Change in inventories of finished goods and work in progress	2.3	2.6
Production for own use	1.2	0.8
Other operating income	121.5	3.1
Materials and services	-105.6	-111.5
Personnel expenses	-63.3	-65.1
Depreciation and impairment	-23.2	-16.8
Other operating expenses	-62.4	-67.9
Share of results of associated companies	1.0	1.2
	-253.3	-260.2
OPERATING PROFIT	127.0	24.0
Financial income and expenses	-1.4	8.1
PROFIT BEFORE TAXES	125.7	32.1
Income taxes	-4.5	-5.5
Minority interest		0.0
PROFIT FOR THE FINANCIAL YEAR	121.1	26.5

Consolidated Balance Sheet

31 Dec EUR million	GROUP 2021	GROUP 2020
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	41.6	61.3
Tangible assets	26.6	29.0
Long-term financial assets	108.7	166.6
Total non-current assets	177.0	256.9
CURRENT ASSETS		
Inventories	29.4	27.9
Long-term receivables	0.9	0.4
Short-term receivables	21.1	20.7
Cash and bank balances	208.4	87.9
Total current assets	259.8	136.9
Total assets	436.8	393.8

Consolidated Balance Sheet

31 Dec EUR million	GROUP 2021	GROUP 2020
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	7.6
Retained earnings	180.9	166.8
Profit for the financial year	121.1	26.5
Total equity	343.6	234.8
MINORITY INTEREST	0.0	0.0
LIABILITIES		
Long-term liabilities	9.5	60.6
Short-term liabilities	83.7	98.4
Total liabilities	93.3	159.0
TOTAL EQUITY AND LIABILITIES	436.8	393.8

Consolidated Cash Flow Statement

EUR million	GROUP 2021	GROUP 2020
Cash flow from business operations	34.2	51.1
Investments	165.1	-2.8
Cash flow before financing	199.3	48.3
Financing	-78.4	24.3
CHANGE IN LIQUID ASSETS	120.9	72.6
Liquid assets at 1 January	87.9	15.3
Change in value of mutual funds	-0.4	
Liquid assets at 31 December	208.4	87.9

Group organization 1.1.2022



* Member of the Group's management team



We broaden
horizons

Otava Ltd

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