

OTAVA



Annual Report
2023





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2023

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More information:
vuosikertomus.otavakonserni.fi/en/

Promoting reading lies at the heart of Otava's mission

For more than 130 years, it has been Otava's mission to nurture education and Finnish culture. In Otava's early days, Finland had a strong need to disassociate itself from Russia and stand as an independent nation with its own language and culture. Otava had a role to play in this. Finns became a nation of readers who appreciate literature.

We have now come full circle: Finland became a member of NATO in 2023. We are unequivocally part of the West and Western culture. Yet even in this new era, a small nation still needs to maintain a strong culture of its own.

People in Finland are reading less, and children in particular are less passionate about reading. And yet Finland is increasing the value-added tax on books. In Norway, for example, books are completely VAT-free. Sweden also protects its language and culture by taxing books at a much lower rate than the general VAT rate.

The deterioration in PISA learning outcomes observed in Finland became a topic of public debate during 2023. They have declined rapidly, and there was a particularly large fall in schoolchildren's reading skills. This is alarming: if students do not learn to read properly, they won't be able to study other subjects either. Promoting children's reading is one of the most important ways of influencing learning outcomes.

Highly trained teachers have long been one of Finland's particular strengths. Although teacher education is still of a high standard, studies show that teachers have too little autonomy and cannot play a big enough role in teaching.

We at Otava have also been concerned about the decline in children's enthusiasm for reading. We seized this topic already before the pandemic and we have taken a variety of measures to encourage children to read more.

In line with Otava's mission, we are working to ensure that Finland will continue to be a nation of readers, and that we will be able to read Finnish books and magazines and study in Finnish.

And this mission has never been more topical than it is now.

As Alvar Renqvist said over a hundred years ago: "The awareness that, although our company is a regular limited company obligated to operate profitably for sustainable functioning, it is simultaneously in service of future purposes closely linked to the overall success of our nation. The consciousness has inspired everyone to work towards a common goal."

I thank the entire personnel for their work towards the common cause!

HENRIK EHNRÖÖTH
Chairman of the Board of Directors



Promoting children's reading is one of the most important ways of influencing learning outcomes.

Working together yields results

2 **023** was a very successful year for Otava financially and better than forecast. We didn't expect it to be an easy year, as both the market situation and our operating environment were challenging. The Finnish economy was in recession. Rising interest rates, inflation, a lack of consumer confidence and changes in consumer behaviour made the economic situation difficult to predict.

However, as a family business, Otava has a stable future and our success is in our hands.

Good results were generated through hard work

in all business areas for which I would like to thank all of our personnel. General literature achieved a good result. Otava Learning has invested heavily in digitalisation with excellent results. Christmas, the biggest sales season for Suomalainen Kirjakauppa, went reasonably well reasonably well and the company's result improvement was significant. Otavamedia achieved a good result and media sales outperformed the market. A reduction in the volume of printed learning materials was reflected in Otava Book Printing's result. For Otava's success to continue, all of its business areas must be profitable.

At the turn of 2022–2023, Otava invested in a share of the e-book subscription service provider Storytel. Otava acquired an approximately 10 per cent holding in Enento

Plc through acquisitions made in December 2023 and January 2024. Enento's main line of business is providing credit information services in Nordic markets. A mandatory public purchase offer was made for Alma Media shares in the summer and Otava's share of ownership rose to 31.18 percent.

2023 was a breakthrough year for artificial intelligence in the public's awareness. A number of our business areas have experimented with AI and personnel have received training on how to use it. We will be making increasing use of new technologies and gaining more digital expertise. We must examine the opportunities afforded by artificial intelligence with an open mind, and also weigh up its benefits in areas such as process streamlining. Although AI has already written books, it is unlikely to begin generating content.

In the autumn, we decided to move

Otavamedia into Otava's historic premises in Uudenmaankatu. This decision was enthusiastically received. Our shared premises will offer new opportunities for informal encounters and working together. Closer collaboration between business areas is also guaranteed.

ALEXANDER LINDHOLM
CEO Otava Ltd



As a family business,
Otava has
a stable future
and our success is
in our hands.

Otava's Star Moments 2023

2023



01/2023

Eva Reenpää started as Managing Director of Otava Publishing Company on 1 January 2023, when Pasi Vainio after a long and successful career at the company started a new career as a bookstore keeper in Ruovesi.

03/2023

In early 2023, Otava Learning launched the largest digital investment in Otava's history to date: Otava Learning will be getting a new application for the production, publication and use of digital learning materials.



Photo: Petri Anttila

04/2023

Suomen Kuvalehti journalist Petri Pöntinen won Editkilpailu's 2022 Magazine Media Journalist of the Year award. The best magazine media journalists and articles received awards in twelve journalism and three marketing categories.



JAN

FEB

MARCH

APRIL

MAY

JUNE



02-03/2023

One of the most controversial books of the year was published in Finnish on 19 January. Spare, a memoir by Prince Harry, Duke of Sussex, was January's best-selling non-fiction book. The audiobook was published in early February.

05/2023

Otava's first sustainability report was published. The Group also revamped its sustainability organisation during 2023 with the aim of engaging in even better planned and more goal-oriented sustainability work.



WordDive

06/2023

Otavamedia Ltd acquired a majority holding in WordDive Ltd, a provider of self-study language services. Otavamedia's holding will provide greater opportunities to build awareness of the WordDive brand and develop the service.



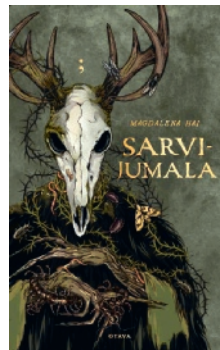


08/2023

Autumn started with Otava Group Day event that is open for all employees of the group. Artificial intelligence and the opportunities it affords were featured strongly in the day's speeches.

10/2023

The first Otavamedia moving workshop took place at Tripla in October. Personnel split into small groups to discuss our sense of community, doing things together and setting a rhythm for in-person work. Rapid progress was made in planning the move.



11/2023

The Finlandia Prize for children's and young people's literature was won by Magdalena Hai with her book The Horned God. Described as creeping horror for a YA audience, The Horned God also won the public vote.



JULY

AUG

SEPT

OCT

NOV

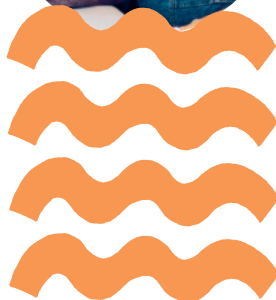
DEC

2024



09/2023

As Otava Publishing Company and Otava Learning want to encourage schoolchildren to read more, they launched the national Tähtipöllö (Star Owl) reading competition for primary school classes.

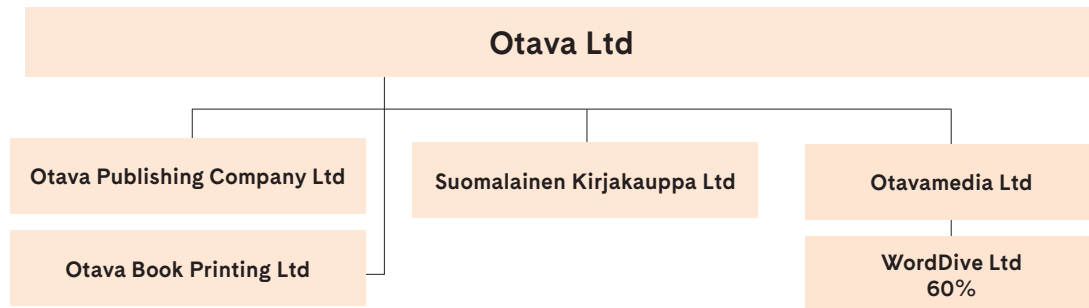


TUUMA
TYÖN ALLA

12/2023

Tekniikan Maailma's own artificial intelligence service, Tuuma, saw the light of day. Users can ask Tuuma to search for answers to questions about Tekniikan Maailma's articles.

Group structure



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

THE GROUP'S MAIN COMPANIES

are Otava Publishing Company Ltd, Suomalainen Kirjakauppa Ltd and Otavamedia Ltd. 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 (previously Yhtyneet Kuvalehdet Ltd) in 1934 and the Great Finnish Book Club in 1969. In 2011, Otava Ltd acquired the entire share capital of Suomalainen Kirjakauppa Ltd. The Group invested in its digital business with the acquisition of NettiX Ltd in 2006 and Ampparit Ltd in 2012. Ampparit Ltd were merged into NettiX Ltd in 2019. The entire share capital of NettiX Ltd was divested to Alma Media Corporation in 2021.

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

Otava Publishing Company Ltd 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 Kustannus Ltd (since the beginning of 2006), Moreeni (since 2014), F-Kustannus (since 2015), Nemo (since 2016), and Satukustannus' publishing business (since 2019). Otava Publishing Company acquired Karisto's publishing business and Atena Kustannus Ltd in 2020. Finn Lectura Ltd has been part of Otava Learning since 2018, and Cloubi Ltd since 2020. All of the publishing businesses that were acquired as companies have been merged into Otava Publishing Company, which 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.

Suomalainen Kirjakauppa Ltd engages in the retail sale of books.

The company has 58 bookstores, an online store at suomalaisen.com, and a store network that covers the whole of Finland. Suomalainen Kirjakauppa is the largest operator in the sector and includes the Great Finnish Book Club.

Otavamedia Ltd publishes general-interest and customer magazines.

Otavamedia is the largest company in its line of business in Finland. The acquisition of the entire share capital of MCI Press Ltd and Alma 360 Ltd in 2015 expanded Otava's Customer Communications business. The Customer Communications Unit currently operates as part of Otavamedia under the name Otavamedia Content Marketing. In 2023, Otavamedia acquired 60 per cent of WordDive Ltd, a provider of self-study language services.

Key figures

GROUP INCOME	2023		2022		2021		2020		2019	
STATEMENT	M€	%	M€	%	M€	%	M€	%	M€	%
Net sales	232.8		239.6		255.3		277.7		286.2	
EBITA	17.1	7.3	8.8	3.7	142.6	55.9	31.6	11.4	31.4	11.0
Depreciation of goodwill and business acquisition costs	1.2	0.5	1.6	0.7	16.6	6.5	8.8	3.2	8.8	3.1
Operating profit	16.8	7.2	8.0	3.3	127.0	49.8	24.0	8.6	23.5	8.2
Profit before taxes	25.3	10.9	15.7	6.5	125.7	49.2	32.1	11.6	23.0	8.0
Profit for the financial year	21.3	9.2	14.2	5.9	121.1	47.4	26.5	9.6	17.3	6.0
Cash flow from business operations	40.6	17.4	20.7	8.6	34.2	13.4	51.1	18.4	35.5	12.4
BALANCE SHEET AND PROFITABILITY										
Capital expenditure	56.3		15.3		5.0		12.5		10.9	
Shareholders' equity	351.3		342.0		343.6		234.8		215.3	
Non-current liabilities	0.0		0.0		9.5		60.6		34.3	
Current liabilities	110.0		74.6		83.7		98.4		85.2	
Equity ratio %	81.1		87.9		83.9		63.7		69.0	
Return on investment (ROI) %	7.4		4.5		37.6		11.3		9.0	
Return on equity (ROE) %	6.0		4.1		41.9		11.8		8.2	
Group personnel (average)	869		958		987		1034		1102	
PUBLISHING OF BOOKS										
Net sales	80.2		78.8		77.9		72.3		70.4	
EBITA	10.0	12.5	5.5	7.0	12.6	16.1	11.9	16.5	11.8	16.7
Operating volumes:										
New titles published, printed	692		811		771		673		585	
New titles published, digital	1179		1864		2012		1089		914	
Books sold, million	10.1		9.8		8.5		6.5		5.6	
Books printed, million	4.2		5.1		5.7		4.9		5.7	
TRADE										
Net sales	85.7		89.9		102.2		111.6		120.2	
EBITA	-1.2	-1.4	-4.2	-4.7	1.3	1.3	4.1	3.6	2.8	2.3
Operating volumes:										
Number of customers, million	4.6		4.7		4.8		5.2		5.9	
Books sold, million	2.6		2.8		3.5		4.0		4.5	
MEDIA										
Net sales	75.7		80.7		82.9		85.9		90.5	
EBITA	10.6	14.0	8.9	11.1	10.4	12.6	7.4	8.6	11.0	12.1
Operating volumes:										
Number of magazines and periodicals *)	119		123		136		157		156	
Annual magazines sales, million *)	21		23		24		25		26	

*) General-circulation, customer and online magazines

The Board of Directors



Henrik Ehrnrooth
Chairman
MEMBER SINCE 1988



Jorma Ollila
Vice Chairman
SINCE 2022



Eva Reenpää
SINCE 2017



Philip Aminoff
SINCE 2021



Mervi Airaksinen
SINCE 2023



Jesse Maula
SINCE 2023

DEPYTY MEMBER

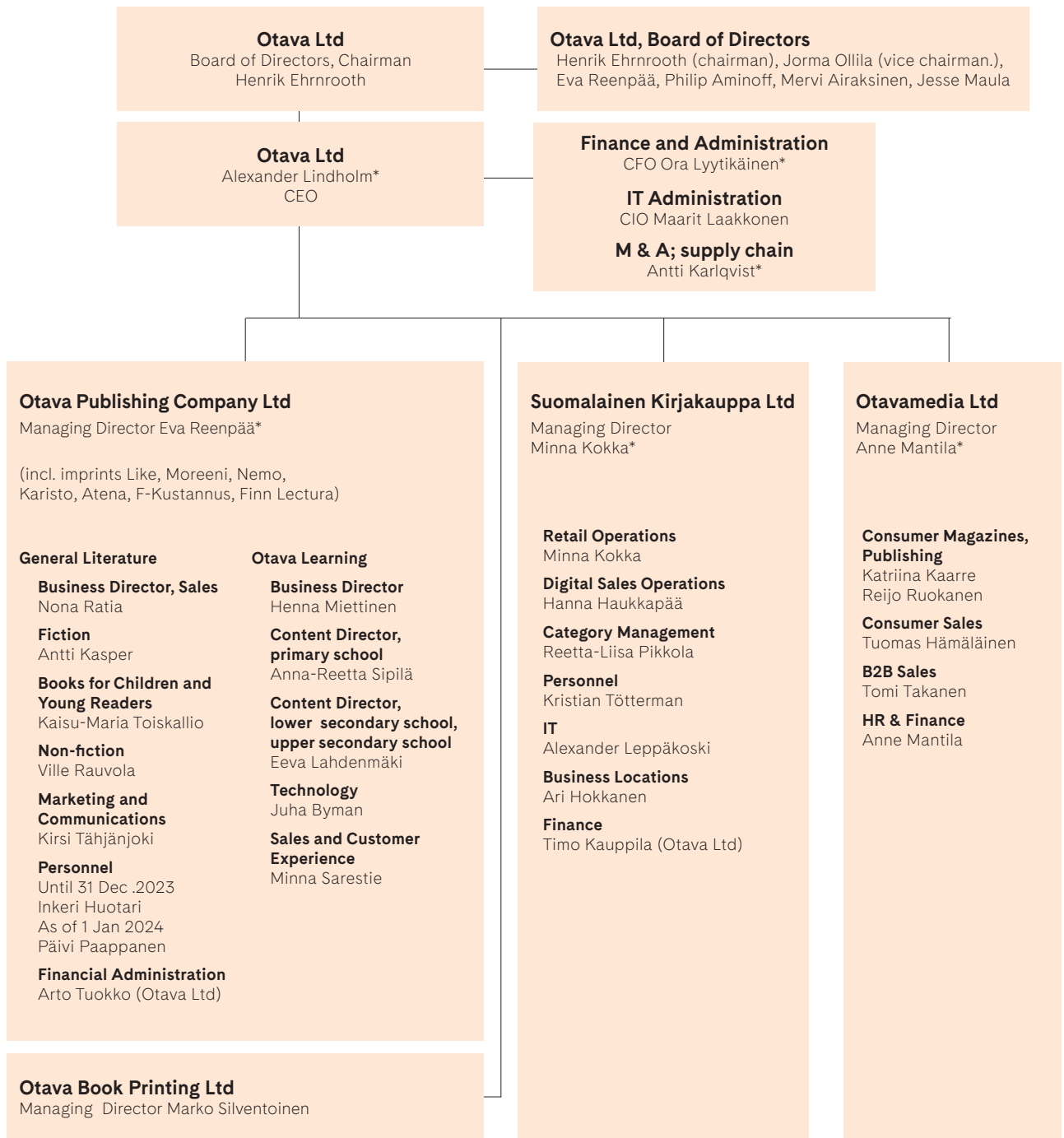


Timo Hirvonen
SINCE 2023



Ora Lyytikäinen
Secretary of Board
SINCE 2006

Group organization 31 December 2023



* member of the Group's management team

Review by the Board of Directors

OPERATING ENVIRONMENT

The effects of the coronavirus pandemic were not particularly noticeable in 2023. The event that had the most significant impact on the world was Russia's invasion of Ukraine, which began in 2022 and is still ongoing. The crisis in the Middle East increased uncertainty in the global political situation towards the end of the year. The Ukraine war has had manifold effects on the economy. Its negative impacts were initially visible in the form of higher energy prices and rising inflation. Interest rates also increased sharply. The rise in both inflation and interest rates slowed down during the second half of the year. Consumer confidence in the economy has remained low. According to preliminary data, Finland's GDP declined by about 0.5 per cent in 2023. The unemployment rate has fallen on the back of a decrease in labour supply, and stood at 7.5 per cent at the end of the year. Many sectors are suffering from labour shortages. According to preliminary data, euro-denominated sales in the retail trade fell by

about 3 per cent year-on-year. Although sales during early 2023 were more subdued than in the previous year, they returned to 2022 levels in December. The rise in e-commerce came to a halt after many years of growth.

The weakened economic situation has been reflected in developments in the communications sector. In the book business, sales of general literature fell by just under 2 per cent on the previous year. The growth seen in digital book sales also came to an end. The market for learning materials and learning services increased by 4 per cent on the previous year. Growth focused on digital and primary school materials. The number of bookstores continued to decline. There was a -2.4 per cent change in the overall media market in 2023. The decline in the media sales of printed magazines continued (-14%), and earlier growth in online advertising volumes came to a standstill (+0.2%). The market for magazine sales further contracted, as declining circulation appears to be an ongoing trend.

The key indicators for the Group and parent company:

Group	2023	2022	2021
Net sales, MEUR	232.8	239.6	255.3
EBITA, MEUR	17.1	8.8	142.6
EBITA as a percentage of net sales, %	7.3	3.7	55.9
Return on Investment, %	7.4	4.5	37.2
Return on Equity, %	6.1	4.1	41.5
Equity ratio, %	81.1	87.9	83.9
Parent company			
Net sales, MEUR	7.2	6.2	6.4
Operating result, MEUR	-4.1	-2.8	151.0
Equity ratio, %	77.1	83.8	80.2

DEVELOPMENTS IN THE GROUP AND PARENT COMPANY'S BUSINESS

The Otava Group's net sales fell by 3 per cent. The Otava Group's operating result was noticeably better than in the previous year, and can be considered good in light of the circumstances. Alma Media is treated as an associated company and its impact on the Group's earnings was EUR 3.4 million (share of earnings: EUR 11.9 million minus EUR 8.5 million in depreciation of consolidated goodwill). The parent company's result was impacted by EUR 10.6 (8.4) million in dividends received from Alma Media.

GROUP ORGANIZATION AND STRUCTURE

The Group's organization and structure remained largely unchanged. Otavamedia Ltd acquired 60 per cent of WordDive Ltd's share capital in the summer. The company offers self-study language services.

Eva Reenpää was appointed Managing Director of Otava Publishing Company as of 1 January 2023. The administrative reform that was launched last year came into full effect, and both the Nomination Committee and Shareholders' Council started up. After the end of the financial year, Otavamedia employees moved into the Group's premises in Uudenmaankatu.

BOOK PUBLISHING

The net sales of Otava Publishing Company totalled EUR 77.2 (73.8) million, representing growth of 5 per cent. The direct operating result was EUR 10.4 (6.3) million, or 13.5 (8.5) per cent of net sales. The company's earnings improved as a result of efficiency measures. The net sales of Otava Book Printing Ltd decreased due to a contraction in volumes, and the direct operating result also weakened.

TRADE

Suomalainen Kirjakauppa Ltd's net sales decreased by 3 per cent to EUR 85.7 (87.9)

million. The direct operating result improved significantly year-on-year thanks to restructuring measures, and totalled EUR -1.2 (-4.1) million. Poor consumer demand affected sales. The Group had 58 stores at the end of the financial year.

MEDIA

Otavamedia Ltd's net sales decreased by 7 per cent to EUR 75.0 (80.7) million. Both magazine subscriptions and media sales declined. The direct operating result improved thanks to cost cutting and stood at EUR 11.0 (8.9) million, or 14.6 (11.1) per cent of net sales.

BALANCE SHEET, INVESTMENTS AND FINANCIAL POSITION

The balance sheet structure remained approximately unchanged. The Group's equity ratio stood at 81.1 (87.8) per cent at the end of the year.

The Group's gross investments totalled EUR 23.1 (15.3) million. Investments were mainly made in assets and software. In the summer, Otava Ltd acquired EUR 15.6 million worth of shares in Alma Media Corporation, and Otava's holding in the company increased from 29.18 to 31.18 per cent. Otava acquired a 10.02 per cent holding in Enento Plc, worth EUR 47 million, through acquisitions made in December 2023 and January 2024.

The Group's financial position and liquidity remained excellent. At year-end, the Group's net cash totalled EUR 188.9 (182.3) million. In addition to book credit, cash and cash equivalents, the Group safeguards its liquidity with short-term revolving credit facilities. The Group's cash flow from operating activities was significantly better, EUR 40.6 (20.7) million. Net income from financing activities was EUR 5.0 (-0.9) million, or 2.2% (-0.4%) 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. Cost inflation is increasing the Group's costs and there is limited scope for raising product prices. Decreased consumer demand has had an impact on the Group's sales and result.

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

Henrik Ehrnrooth, Jorma Ollila, Eva Reenpää and Philip Aminoff were elected as members of the Board at the Annual General Meeting of 23 March 2023, and Mervi Airaksinen and Jesse Maula were also elected as new members. Timo Hirvonen was elected as a deputy Board member. Henrik Ehrnrooth was elected chairman 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 6.10 per share, which totals EUR 12.0 million.

The Board of Directors' proposal to the Annual General Meeting

The parent company's distributable funds total EUR 370 076 thousand, of which EUR 27 384 thousand is profit for the financial year. The Board of Directors proposes to the Annual General Meeting that the company's distributable funds should be used in the following manner:

To be paid as a dividend of EUR 6.55 per share	EUR 12 891 thousand
To remain in shareholders' equity	EUR 357 185 thousand
	EUR 370 076 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.

Photo: Roope Permanto



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

Finland's economy will weaken and consumer demand will contract during 2024. It is assumed that restructuring in the Group's fields of business will continue and that digitalisation will progress at an accelerating pace. Artificial intelligence will also create many opportunities

for the Otava Group's businesses. Growth in sales of audiobooks and e-books appears to be levelling out, and the overall book market is contracting. The number of bookstores will decrease. 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 or retain net sales in the print publishing sector. It will be essential to develop new business models. Continued efficiency measures, cutting costs and introducing new operating methods will help the Group's earnings to remain at 2023 levels.



Personnel

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

Group	2023	2022	2021
Average number of personnel	869	958	987
Salaries and fees (EUR 1,000)	50,734	50,409	52,586
Parent company			
Average number of personnel	46	40	39
Salaries and fees (EUR 1,000)	5,090	3,203	4,243

Since 2002, the Group has run an incentive scheme covering all personnel. Incentives were paid to personnel of Otava Publishing Company Ltd, Otavamedia Ltd, Suomalainen Kirjakauppa Ltd and Otava Ltd. The total amount of personnel incentives paid (including social contributions) was EUR 2.8 million.

Consolidated Income Statement

1 January–31 December, EUR million

	GROUP	GROUP
	2023	2022
NET SALES	232.8	239.6
Change in inventories of finished goods and work in progress	-0.6	0.9
Production for own use	1.0	1.4
Other operating income	3.5	2.9
Materials and services	-93.6	-105.3
Personnel expenses	-61.0	-60.5
Depreciation and impairment	-6.6	-7.6
Other operating expenses	-59.7	-64.2
Share of results of associated companies	0.9	0.8
	-219.9	-236.9
OPERATING PROFIT	16.8	8.0
Financial income and expenses	8.5	7.7
PROFIT BEFORE TAXES	25.3	15.7
Income taxes	-4.3	-1.5
Minority interest	0.3	
PROFIT FOR THE FINANCIAL YEAR	21.3	14.2

Consolidated Balance Sheet

31 December, EUR million

	GROUP 2023	GROUP 2022
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	41.6	37.7
Tangible assets	22.8	24.4
Long-term financial assets	163.0	121.4
Total non-current assets	227.4	183.5
CURRENT ASSETS		
Inventories	28.1	29.4
Long-term receivables	1.0	0.9
Short-term receivables	18.5	21.0
Cash and bank balances	188.9	182.3
Total current assets	236.5	233.5
TOTAL ASSETS	463.9	417.0

Consolidated Balance Sheet

31 December, EUR million

	GROUP 2023	GROUP 2022
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	288.5	286.3
Profit for the financial year	21.3	14.2
Total equity	351.3	342.0
MINORITY INTEREST	1.7	
LIABILITIES		
Long-term liabilities	0.9	0.5
Short-term liabilities	110.0	74.6
Total liabilities	110.9	75.1
TOTAL EQUITY AND LIABILITIES	463.9	417.0

Consolidated Cash Flow Statement

EUR million	GROUP	GROUP
	2023	2022
Cash flow from business operations	40.6	20.7
Investments	-22.5	-15.3
Cash flow before financing	18.1	5.4
Financing	-11.5	-30.3
CHANGE IN LIQUID ASSETS	6.6	-24.9
Liquid assets at 1 January	182.3	208.4
Change in value of mutual funds		-1.3
Liquid assets at 31 December	188.9	182.3





We broaden
horizons

Otava Ltd

Uudenmaankatu 10, 00120 Helsinki, Finland
www.otavakonserni.fi/en