

Q4

panostaja

FINANCIAL STATEMENT
November 2015–October 2016
December 9, 2016



PANOSTAJA OYJ'S FINANCIAL STATEMENT BULLETIN

August 1, 2016–October 31, 2016 (3 months)

- KotiSun continued its strong growth in the review period, with net sales increasing by 45% from the reference period in the previous year. Profitability, too, remained excellent.
- Grano's net sales for the review period dropped 2% from the reference period in the previous year. EBIT dropped to MEUR 1.9 from last year's MEUR 3.1.
- The market situation remained challenging in many investment targets. Net sales increased in five of the eight investment targets. Net sales for the Group as a whole increased by 4% and stood at MEUR 45.7 (MEUR 44.1).
- EBIT improved in three of the eight investment targets, but the EBIT of the entire Group declined from MEUR 3.1 to MEUR 2.6.
- Earnings per share (undiluted) were 3.0 cents (17.6 cents). The profit/loss for the review period includes the divestment of Flexim Security.

November 1, 2015–October 31, 2016 (12 months)

- Net sales increased in five of the eight investment targets. For the Group as a whole, net sales in the review period increased by 16% from the same period last year, standing at MEUR 172.5 (MEUR 148.2).
- EBIT improved in four of the eight investment targets, and the EBIT of the entire Group increased from MEUR 7.3 to MEUR 9.0.
- Earnings per share (undiluted) were 6.9 cents (14.1 cents).

Proposal for the distribution of profits: The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.04 per share be paid for the past financial period.

CEO Juha Sarsama:

"In the final quarter of the financial period, the uneven development of the investment targets continued, and there were still significant variation in their profitability development. KotiSun maintained its strong profitable growth. On the other hand, the poor profitability development of Takoma and Heatmasters continued, and Megaklinikka's result was encumbered by the opening of the Stockholm clinic. In addition to this, Grano's profit development failed to reach our expectation with a slight decline from the reference period due to reorganization costs dragging the earnings down. All in all, the profitability development of the investment targets was slightly weaker than expected in the final quarter.

Some additional positive signs regarding Finland's economic situation emerged in the fourth quarter, but we have yet to see a substantial change in the economic climate in the fields of our investment targets and the situation remained uncertain. The market situation of many investment targets has remained poor.

The corporate acquisitions market has been active in the period under review, and the availability of new opportunities has remained high. However, we still did not make an investment in a new target. We will continue to actively explore new opportunities but remain cool-headed in terms of assessing prospective corporate acquisitions.

Panostaja will change its guideline practices and discontinue the publication of financial guidelines as of the beginning of 2017. Instead of result management regarding the Group's EBIT, Panostaja will provide its investors with more information on the growth and development opportunities of the investment targets as well as the company's goals for increasing value in them. Discontinuing the result management arrangement is a natural part of the shift in Panostaja's communications from a group-centric perspective to an investment company standpoint. It is not related to the prevalent market conditions. Our future aim is to ensure that investors have the opportunity to ascertain the independent value of the investment targets and gain a clearer view of Panostaja's structure as an investment company."

Investment targets 12 months

Grano



Grano is the leading graphic industry company in Finland

Grano's net sales for the review period increased more than 26% from the previous year. The main reason behind this is the acquisition of Multiprint Group in June 2015. Grano's EBIT increased from MEUR 5.9 to MEUR 7.8, which is 8.9% of the net sales (8.5%). The result for the reference year includes MEUR 1.7 in costs related to the acquisition of Multiprint. The fourth quarter result lagged behind expectations with net sales dropping from the reference period. The result is also encumbered by MEUR 0.2 in costs of the Group's internal restructuring arrangements as well as the MEUR 0.2 sales loss of the Kuvat kirjaksi (Photos to books) business operations.

Grano's market situation remains challenging, with the exception of construction-related and electronic services. There are also significant regional differences in the market situation.

During the review period, the company increased the proportion of digital business and intensified sales efforts. In addition to this, Micromedia's marketing logistics operations were acquired, which further bolsters Grano's position as a comprehensive service provider.

Immediately after the review period, the company acquired the entire share capital of Oy Fram Ab.

MEUR	3 months	3 months	12 months	12 months
	8/16-10/16	8/15-10/15	11/15-10/16	11/14-10/15
Net sales, MEUR	22.8	23.4	88.2	69.9
EBIT, MEUR	1.9	3.1	7.8	5.9
Net liabilities	34.4	37.2	34.4	37.2
Panostaja's shareholding	50.2%			

KotiSun

KotiSun provides heating, water and sewer renovations for detached houses.



KotiSun's net sales for the review period increased by 34% compared to the previous year. The growth of business operations in the review period continued as planned, with a special boost from the sewer business, which has been included from the start. Due to the increase in business operations, plenty of new employees were recruited and significant investments were made in equipment.

Despite the growth, profitability remained at an excellent level. EBIT for the review period grew from the reference period's MEUR 4.2 to MEUR 5.8, which amounts to 18.1% of the net sales (17.7%). EBIT in the review period was encumbered by the difference of MEUR -0.5 between the values of KotiSun Oy's additional purchase price and the estimated value on the balance sheet date (Q1 2015).

There were no notable changes in the market situation during the review period, and demand for KotiSun's services has remained good.

MEUR	3 months	3 months	12 months	12 months
	8/16-10/16	8/15-10/15	11/15-10/16	11/14-10/15
Net sales, MEUR	9.8	6.8	31.9	23.7
EBIT, MEUR	1.9	1.4	5.8	4.2
Net liabilities	8.2	8.2	8.2	8.2
Panostaja's shareholding	57.3%			

Megaklinikka

Megaklinikka provides dental care with an entirely new concept.



Megaklinikka's net sales for the review period stood at MEUR 4.7 while its EBIT was MEUR -1.5. Megaklinikka was acquired in March 2015, so the data for the reference year are from a period of eight months. The profit/loss for the review period is encumbered by the costs of the initial phase of the dental care model with monthly payments, which was implemented at the beginning of the financial period. In addition to this, significant marketing efforts were made during the review period. The opening of the Stockholm clinic also caused significant expenses.

The situation on the Finnish basic dental care market has continued to be challenging: customer visits in general have dropped from the previous year and competition in Helsinki has tightened.

During the review period, the company's licensing operations were expanded as a result of new agreements. In the final quarter, two new licensing agreements were made. The company's ERP system has garnered widespread interest and its prospects are good.

The Stockholm clinic was opened in September as planned. The initial costs encumber the profit/loss for the company's fourth quarter, in particular.

MEUR	3 months	3 months	12 months	12 months
	8/16-10/16	8/15-10/15	11/15-10/16	11/14-10/15
Net sales, MEUR	1.3	1.2	4.7	3.4
EBIT, MEUR	-0.6	-0.2	-1.5	-0.5
Net liabilities	5.1	3.2	5.1	3.2
Panostaja's shareholding	74.8%			

Takoma



Takoma manufactures mechanical power transmission components.

Takoma's net sales decreased by 23% from the previous year. The drop is due to the dramatic decline of the market situation in the offshore and marine industry segments during the financial period. Correspondingly, the company's EBIT dropped from MEUR -0.7 to MEUR -1.2.

The offshore market remains at an exceptionally low point. However, demand has remained at a moderate level in terms of cruise ships and other propeller equipment. The competition regarding deck equipment for ships is fierce, which is partially the reason for Takoma's weak prospects. The competition remains stiff as other operators in the field are suffering from the weakened demand and short-term order book.

Due to the clear losses made in operations, Takoma has implemented significant functional changes aimed at adapting the operations to the prevalent demand and making them profitable once more. Halting the drop in business volume and further streamlining the operations are critical factors in terms of the company's continued operations.

MEUR	3 months	3 months	12 months	12 months
	8/16-10/16	8/15-10/15	11/15-10/16	11/14-10/15
Net sales, MEUR	1.9	3.1	10.2	13.2
EBIT, MEUR	-0.3	-0.3	-1.2	-0.7
Net liabilities	3.8	4.2	3.8	4.2
Panostaja's shareholding	63.1%			

Selog

Selog is the largest wholesaler of ceiling materials in Finland.

Selog's net sales for the review period increased from the previous year by 4%, which also improved profitability from the reference year level.

The economic trends in construction were better than in the previous year, although competition for projects remained fierce. The market has picked up in the review period, but the effects on interior construction will take some time to materialize.

MEUR	3 months	3 months	12 months	12 months
	8/16-10/16	8/15-10/15	11/15-10/16	11/14-10/15
Net sales, MEUR	2.7	2.4	10.3	9.9
EBIT, MEUR	0.2	0.1	0.7	0.5
Net liabilities	0.2	0.9	0.2	0.9
Panostaja's shareholding	60.0%			

Helakeskus

Helakeskus is an important wholesaler of furniture fittings in Finland.

The company's net sales declined slightly from the previous year. The drop in net sales is due to the divestment of the construction fittings business, with the company selling the shares of Rakennushelasto Oy to the acting management.

Operational profitability remained at the level of the previous year, when we consider the MEUR 0.3 write-down, which has already been entered in the second quarter result as a valuation loss.

The market situation has improved, but at the same time many customers are having financial difficulties.

MEUR	3 months	3 months	12 months	12 months
	8/16-10/16	8/15-10/15	11/15-10/16	11/14-10/15
Net sales, MEUR	2.4	2.6	9.8	10.4
EBIT, MEUR	0.2	0.2	0.3	0.7
Net liabilities	5.5	6.4	5.5	6.4
Panostaja's shareholding	95.3%			

KL-Varaosat

KL-Varaosat is a wholesaler and retailer of MB, BMW and Volvo spare parts

KL-Varaosat's net sales for the review period increased 10% from the previous year. The growth is a result of the expansions of the product range and the network of operating locations, which were implemented between 2014 and 2015. The market situation has remained fairly stable in the field in the review period.

The company completed a service streamlining project to balance resources, increase operational efficiency and reduce the costs-to-net-sales ratio as the net sales grow. As a result, net sales increased substantially over the reference period, standing at 7.8% of the net sales (4.0%).

The strategic projects for developing customer relationships and cooperation, as well as electronic trade, have proceeded as planned.

MEUR	3 months	3 months	12 months	12 months
	8/16-10/16	8/15-10/15	11/15-10/16	11/14-10/15
Net sales, MEUR	3.4	3.3	13.0	11.8
EBIT, MEUR	0.4	0.3	1.0	0.5
Net liabilities	1.3	2.2	1.3	2.2
Panostaja's shareholding	75.0%			

Heatmasters

Heatmasters provides metal heat treatment services and technology.

Heatmasters' net sales for the review period were almost 30% lower than in the previous year. The poor demand primarily results from a very low invoicing level of some of the main customers as well as the poor demand for almost all investment products (furnaces, transformers) in all markets.

In addition to the poor demand, the EBIT is encumbered by the start-up costs of the new units (HM Scandinavia, HM Inc, Turku) and the inverter device's product development costs. Due to the poor demand, staff and costs have been adapted to the prevalent situation.

A new service center was opened in Turku in the review period. HM Inc. was also opened in the Houston area in Texas, where the first deal on heat treatment equipment was made in the fourth quarter.

MEUR	3 months	3 months	12 months	12 months
	8/16-10/16	8/15-10/15	11/15-10/16	11/14-10/15
Net sales, MEUR	1.3	1.3	4.5	6.3

EBIT, MEUR	-0.3	-0.2	-1.0	0.1
Net liabilities	0.6	-0.9	0.6	-0.9
Panostaja's shareholding	80.0%			

FINANCIAL DEVELOPMENT November 1, 2015–October 31, 2016

MEUR	Q4	Q4	12 months	12 months
	8/16- 10/16	8/15- 10/15	11/15- 10/16	11/14- 10/15
Net sales, MEUR	45.7	44.1	172.5	148.2
EBIT, MEUR	2.6	3.1	9.0	7.3
Profit before taxes, MEUR	2.1	1.4	7.0	3.4
Profit/loss for the financial period, MEUR	3.1	13.5	9.2	13.5
Earnings per share, undiluted (EUR)	0.03	0.18	0.07	0.14
Equity per share (EUR)	0.77	0.74	0.77	0.74
Operating cash flow (MEUR)	4.6	-1.6	9.6	8.0

AUGUST 2016–OCTOBER 2016

In the review period, the Group's net sales increased by 4% and stood at MEUR 45.7 (MEUR 44.1). The impact of the corporate acquisitions on the MEUR 1.6 growth in net sales stood at MEUR 0.2. Exports amounted to MEUR 1.7, or 3.9% (MEUR 1.9, or 4.3%), of net sales. Net sales increased in five of the eight investment targets.

EBIT weakened from MEUR 3.1 to MEUR 2.6. EBIT improved in three of the eight investment targets. The development of the net sales and EBIT has been commented on for each respective investment target.

The profit for the review period was MEUR 3.1 (MEUR 13.5). The profit/loss for the review period includes the divestment of Flexim Security.

NOVEMBER 2015–OCTOBER 2016

Net sales for the review period increased by 16% and were MEUR 172.5 (MEUR 148.2). The impact of the corporate acquisitions on the MEUR 24.3 growth in net sales stood at MEUR 18.8. Exports amounted

to MEUR 6.7, or 3.9% (MEUR 6.5, or 4.4%), of net sales. Net sales increased in five of the eight investment targets.

EBIT improved from MEUR 7.3 to MEUR 9.0. EBIT for the reference period was encumbered by the difference of MEUR -0.5 between the values of Kotisun Oy's additional purchase price and the value on the balance sheet date, which has been recognized in the company's other costs, as well as the MEUR 1.7 cost caused by the acquisition of Multiprint. EBIT improved in four of the eight investment targets. The development of the net sales and EBIT has been commented on for each respective investment target.

The profit for the review period was MEUR 9.2 (MEUR 13.5). The period's profit/loss includes the recording of a MEUR 3.7 (after taxes and expenses) additional purchase price related to the sale of Flexim Security.

The income statement for operations discontinued during the reference period has been separated from the income statement for continuing operations and the profit/loss for them is presented in accordance with the IFRS standards in the row 'Earnings from discontinued operations.'

Distribution of net sales by segment MEUR

	Q4		Q4 12 months 12 months	
	8/16- 10/16	8/15- 10/15	11/15- 10/16	11/14- 10/15
Net sales				
Grano	22.8	23.4	88.2	69.9
KotiSun	9.8	6.8	31.9	23.7
Takoma	1.9	3.1	10.2	13.2
Selog	2.7	2.4	10.3	9.9
Helakeskus	2.4	2.6	9.8	10.4
KL-Varaosat	3.4	3.3	13.0	11.8
Heatmasters	1.3	1.3	4.5	6.3
Megaklinikka	1.3	1.2	4.7	3.4
Others	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	-0.1	-0.3
Group in total	45.7	44.1	172.5	148.2

Distribution of EBIT by segment

MEUR	Q4		Q4 12 months 12 months	
	8/16- 10/16	8/15- 10/15	11/15- 10/16	11/14- 10/15
EBIT				

Grano	1.9	3.1	7.8	5.9
KotiSun	1.9	1.4	5.8	4.2
Takoma	-0.3	-0.3	-1.2	-0.7
Selog	0.2	0.1	0.7	0.5
Helakeskus	0.2	0.2	0.3	0.7
KL-Varaosat	0.4	0.3	1.0	0.5
Heatmasters	-0.3	-0.2	-1.0	0.1
Megaklinikka	-0.6	-0.2	-1.5	-0.5
Others	-0.7	-1.2	-2.9	-3.3
Group in total	2.6	3.1	9.0	7.3

Panostaja Group's business operations for the period under review are reported in nine segments, which are Grano, KotiSun, Takoma, Selog, Helakeskus, KL-Varaosat, Heatmasters, Megaklinikka and Others (parent company and associated companies).

There were no significant changes in the net sales of the Others segment. In the review period, three associated companies, Juuri Partners Oy, Ecosir Group Oy and Spectra Yhtiöt Oy, issued reports to the parent company. The impact on profit/loss of the reported associated companies in the review period was MEUR 0.1 (MEUR -0.1), which is presented in a separate row in the consolidated income statement.

PERSONNEL

	October 31, 2016	October 31, 2015	Change
Average number of employees	1,337	1,176	14%
Employees at the end of the review period	1,434	1,239	16%

Employees in each segment at the end of the review period	October 31, 2016	October 31, 2015	Change
Grano	789	775	2%
KotiSun	298	139	114%
Takoma	83	90	-8%
Selog	15	14	7%
Helakeskus	24	28	-14%
KL-Varaosat	48	47	2%
Heatmasters	49	51	-4%

Megaklinikka	119	86	38%
Others	9	9	0%
Group in total	1,434	1,239	16%

The Group's number of employees was increased by the Multiprint arrangement and Megaklinikka, which was purchased in the previous financial period. At the end of the review period, Panostaja Group employed a total of 1,434 persons, while the average number of personnel during the review period was 1,337. During the review period, Panostaja continued to develop its personnel in line with its strategy.

INVESTMENTS AND FINANCE

Panostaja signed agreements for a financing package worth a total of MEUR 30.0 on December 8, 2015. The package consists of MEUR 20.0 in loans and a MEUR 10.0 acquisition limit. The loans are secured debt loans. The 20.0 million in loans were withdrawn during the review period.

Over the course of the review period, Panostaja repaid the MEUR 15.0 convertible subordinated loan.

The parent company's funds, financial securities and liquid fund shares stood at MEUR 18.0. In addition to this, the parent company has a MEUR 10.0 corporate acquisition limit for implementing corporate acquisitions.

The Group's operating cash flow improved and was MEUR 9.6 (MEUR 8.0). Liquidity remained good. The Group's liquid assets were MEUR 26.6 (October 31, 2015: MEUR 30.6) and interest-bearing net liabilities were MEUR 50.1 (October 31, 2015: MEUR 45.7). The gearing ratio increased and stood at 70.4% (October 31, 2015: 65.2%). The increase in the gearing ratio was mainly due to the distribution of dividends from the investment targets during the review period. The Group's net financial expenses for the review period were MEUR -2.1 (MEUR -3.8), or 1.3% (2.6%) of net sales.

The Group's gross capital expenditure for the review period was MEUR 10.9 (MEUR 54.9), or 6.3% (37.0%) of net sales. Investments were mainly targeted at corporate acquisitions as well as tangible and intangible assets.

Financial position MEUR	October 31, 2016	October 31, 2015
Interest-bearing liabilities	80.9	79.8
Interest-bearing receivables	4.3	3.5
Cash and cash equivalents	26.6	30.6
Interest-bearing net liabilities	50.1	45.7
Equity (belonging to the parent company's shareholders as well as minority shareholders)	71.1	70.1

Gearing ratio, %	70.4	65.2
Equity ratio, %	38.1	37.5
Return on equity, %	13.1	23.0
Return on investment, %	8.6	12.4

GROUP STRUCTURE CHANGES

There were no changes to the Group structure during the review period.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.87 (lowest quotation) and EUR 0.95 (highest quotation) during the fourth quarter. In the period under review, a total of 1,008,258 shares were exchanged, which amounts to 1.9% of the share capital. The October 2016 share closing rate was EUR 0.92. The market value of the company's share capital at the end of October 2016 was MEUR 48.3 (MEUR 44.5). At the end of October 2016, the company had 3,708 shareholders (3,660).

Development of share exchange	4Q/2016	4Q/2015	1-4Q/2016	1-4Q/2015
Shares exchanged, 1,000 pcs	1,008	1,016	5,959	6,508
% of share capital	1.9	2.0	11.5	12.7

Share	October 31, 2016	October 31, 2015
Shares in total, 1,000 pcs	52,533	51,733
Own shares, 1,000 pcs	355	342
Closing rate	0.92	0.86
Market value (MEUR)	48.3	44.5
Shareholders	3,708	3,660

10 largest shareholders (pcs)	October 31, 2016	October 31, 2015
TREINDEX OY	5,679,200	5,679,200
ETERA MUTUAL PENSION INSURANCE COMPANY	4,259,000	4,259,000
KOSKENKORVA, MATTI	4,048,903	4,308,756
FENNIA MUTUAL INSURANCE COMPANY	3,468,576	3,468,576

KOSKENKORVA, MAIJA	3,387,542	3,729,542
KOSKENKORVA, MIKKO	1,455,055	1,245,139
KOSKENKORVA, MAUNO	1,340,769	1,340,769
MALO, HANNA	1,151,207	982,207
KUMPU, MINNA	1,151,170	982,170
JOHTOPANOSTUS OY	1,030,000	1,030,000

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on February 2, 2016 in Tampere. The number of Board Members was confirmed at six and the following persons were elected to the Board for the term ending at the end of the next Annual General Meeting: Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Antero (Antti) Virtanen and Hannu Tarkkonen were re-elected and Tarja Pääkkönen was included as a new member.

The audit firm PricewaterhouseCoopers Oy and Authorized Public Accountant Markku Launis were elected as auditors for the period that ends at the end of the Annual General Meeting following the election. The audit firm PricewaterhouseCoopers Oy has stated that Authorized Public Accountant Lauri Kallaskari will serve as the chief responsible public accountant.

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2014–October 31, 2015 and resolved that shareholders be paid a dividend of EUR 0.05 per share.

The Meeting also resolved that the Board be authorized to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividends or as repayment of capital from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals EUR 4,700,000. The authorization includes the right of the Board to decide on all other terms and conditions relating to said asset distribution. The authorization will remain valid until the beginning of the next Annual General Meeting. The General Meeting granted exemption from liability to the members of the Board and to the CEO.

The General Meeting resolved that the remuneration of the Board of Directors remain unchanged and that the Chairman of the Board be paid EUR 40,000 as compensation for the term that ends at the end of the next Annual General Meeting, and that the other members of the Board each be paid a compensation of EUR 20,000 for the same period. It was further resolved at the General Meeting that approximately 40% of the compensation remitted to the members of the Board be paid on the basis of the share issue authorization given to the Board, by issuing company shares to each Board member if the Board member does not own more than one percent (1%) of the company's shares on the date of the General Meeting. If the holding of a Board member on the date of the Meeting is over one percent (1%) of all company shares, the compensation will be paid in full in monetary form. Furthermore, the General Meeting decided that the travel expenses of the Board members will also be paid based on the maximum amount specified in the valid grounds for payment of travel expenses ordained by the Finnish Tax Administration.

In addition, the Board was authorized to decide on the acquisition of the company's own shares in one or more installments so that the number of the company's own shares to be acquired may not exceed 5,100,000 in total, which corresponds to about 9.86% of the company's total stock of shares. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The company's own shares may be acquired at the date-of-acquisition price in public trading arranged by Nasdaq Helsinki Oy or otherwise at the prevailing market price. The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the

Annual General Meeting of February 5, 2015 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization will remain valid until August 2, 2017.

Immediately upon the conclusion of the General Meeting, the company's Board held an organizing meeting in which Jukka Ala-Mello was elected Chairman and Eero Eriksson Vice Chairman.

The Board of Directors has not used the authorization granted by the Annual Meeting to acquire the company's own shares during the review period.

SHARE CAPITAL AND THE COMPANY'S OWN SHARES

At the close of the review period, Panostaja Oyj's share capital was EUR 5,568,681.60. The total number of shares is 52,533,110.

Under the authorization provided by the Annual General Meeting, Panostaja Oyj's Board of Directors decided on May 4, 2016 to carry out a free-of-charge share issue of 800,000 shares, pursuant to Chapter 9, Section 20 of the Limited Liability Companies Act, to the company itself. This was to ensure that the company holds a sufficient number of its own shares for securing the commitment of key personnel and for other purposes decided on by the Board of Directors. The new shares were recorded in the Trade Register on May 6, 2016.

During the review period, Panostaja sold 700,000 of its own shares to Management Team members as part of the long-term share-based incentive and commitment scheme.

The total number of shares held by the company at the end of the review period was 355,183 individual shares (at the beginning of the review period: 342,398). The number of the company's own shares corresponded to 0.7% of the number of shares and votes at the end of the entire review period.

In accordance with the decisions by the General Meeting on February 5, 2015 and by the Board, Panostaja Oyj relinquished a total of 32,800 individual shares as share bonuses to the company management on December 11, 2015. On December 11, 2015, the company relinquished to the Board members a total of 13,483 shares, on March 4, 2016, a total of 13,793 shares, on June 3, 2016, a total of 13,952 shares, and on September 2, 2016, a total of 13,187 shares, for a grand total of 54,415 shares as meeting compensation.

EQUITY CONVERTIBLE SUBORDINATED LOAN AND HYBRID LOAN

The convertible subordinated loan of 2011 was paid back in full over the course of the review period.

On May 27, 2013, the Group issued an equity convertible subordinated loan to the value of MEUR 7.5. The equity convertible subordinated loan has no maturity date, but the Group is entitled, but not obliged, to redeem the loan within four years. Based on the contract, the annual interest is 9.75%. Interest is only paid if the company decides to distribute dividends. If dividends are not distributed, the Group will decide separately on the payment of interest. In the consolidated financial statements, the loan is classified as equity and interest is presented as dividend.

On May 27, 2016, Panostaja Oyj paid hybrid loan interest in the amount of MEUR 0.7.

EVENTS AFTER THE REVIEW PERIOD

No significant events after the review period.

MARKET PROSPECTS

Although the Finnish economy maintained its gradual growth, the market situation in the fields of the investment targets has not yet changed significantly and many of the companies have been forced to operate in weak markets. Due to threats related to developments in the global economy, political risks, development of raw material prices and the financial market, the economic climate remains uncertain. The drop in the price of oil has slowed down investments significantly in the off-shore sector, and the impact of the poor market situation has been particularly strong on investment targets serving the technology industry. In the construction industry, the market situation has seen some positive development during the financial period, which is expected to support investment targets serving construction companies. The corporate acquisitions market, as a whole, was active in the period under review, and the availability of new opportunities has remained high.

THE MOST SIGNIFICANT SHORT-TERM BUSINESS RISKS AND RISK MANAGEMENT

Risk management is part of the Panostaja Group's management and monitoring systems. Panostaja aims to identify and monitor changes in the business environment and general market situation of its investment targets, to react to them and to utilize the business opportunities that they present. Risk is classified as factors that may endanger or impede Panostaja or the investment targets owned by it from achieving strategic objectives, improvement in profit and the financial position or business continuity, or that may otherwise cause significant consequences for Panostaja, its owners, investment targets, personnel or other stakeholder groups. A more detailed report on Panostaja's risk management policy and the most significant risks was published in the 2015 annual report. Financial risks are discussed in greater detail in the Notes to the 2015 Financial Statements.

Market risks, general: General market risks are mainly tied to the uncertainty resulting from Finland's economic situation and the development of the global economy, political risks, the changes in raw material prices, the prolonged instability of the financial market and the possible effects these factors may have on achieving the goals set for the investment targets. The change in the financial markets and the tightening on credit issue may hamper the realization of corporate acquisitions and the availability of finance for working capital.

Market risks, operating fields of the investment targets: The instability of the overall economic situation has led to a decline in customer demand as well as the postponement of investments, which may result in a need for consolidated goodwill write-downs. Economic prospects in the fields of the existing investment targets are strongly tied to the prospects of customer enterprises. Expectations for the financial situation are still characterized by uncertainty and poor forecastability. The prospects in Panostaja's investment targets vary from positive to weak. Panostaja regularly assesses the risks for each investment target and, based on the updated risk assessment, takes the necessary remedial action.

Strategic risks: Panostaja represents the Finnish SME sector extensively. The net sales are divided among eight investment targets with a varying cyclical nature. The Group's business structure partially evens out economic fluctuations. In spite of this, general and target-specific market risks can, however, affect the Group's result and financial development. In the investment targets, the expected market situation is taken into account by adapting operations and costs to market demand and by safeguarding the financial position. In changes in the global economy, Panostaja also sees opportunities to improve its market position, for example through corporate acquisitions. The crises in Russia, Ukraine and Syria do not have direct effects on Panostaja Group, but their protraction is negatively affecting demand on the domestic Finnish market and thereby the development of Panostaja's profit and financial position.

Financial risks: As a consequence of its operations, the Group is exposed to many financial risks. The aim of risk management is to limit the adverse effects of changes in financial markets on the result and financial development of the Group. The Group's revenue and operative cash flows are mainly independent of fluctuations in market interest rates. The interest risk of the Group mainly constitutes borrowing, which is spread over variable and fixed-interest loans. Some of the investment targets use interest rate swaps and interest rate ceiling agreements. The Group mainly operates in the eurozone and so is only exposed to foreign exchange risks resulting from changes in exchange rates to a slight degree. Credit loss risks continue to represent a significant uncertainty factor in some of the investment targets. This risk is increased by the tightness of credit issued to SMEs.

Corporate acquisitions: Panostaja actively seeks SMEs and endeavors to create value through organic growth, corporate acquisitions and correctly-timed divestments. The market still provides sufficient opportunities for corporate acquisitions, and Panostaja aims to implement its strategy by means of controlled acquisitions in current investment targets, and new potential targets are also being actively studied. Preparation for divestments is being continued as part of the ownership strategies of investment targets. Risks related to corporate acquisitions are managed by investing carefully according to specific investment criteria, conducting in-depth analyses of the target companies and target markets, and ensuring the efficiency of integration processes. Panostaja has specified harmonized guidelines and a corporate acquisitions process for the preparation and implementation of corporate acquisitions.

Non-life risks: Non-life risks are managed in Panostaja Group through insurance and Group guidelines, which set policy for the different areas.

Operative risks: On September 30, 2014, Pirkanmaa District Court confirmed the reorganization programs of Takoma Oyj and Takoma Gears Oy. The confirmation of the reorganization program provides an opportunity to develop the operations of Takoma Gears Oy. Changes concerning Takoma may, however, continue to cause needs for one-time write-downs. Takoma's failure to implement the reorganization program is not expected to cause changes to Panostaja Group's operating conditions.

OUTLOOK FOR THE 2017 FINANCIAL PERIOD

The corporate acquisitions market has been active in the period under review, and the availability of new opportunities has remained high. The need for SMEs to utilize ownership arrangements and growth opportunities persists and, with the companies' own active operations supplementing external procurement opportunities, there are still a sufficient number of corporate acquisition opportunities in the markets. Panostaja aims to implement its strategy by means of controlled acquisitions in current investment targets, and new potential targets are also being actively studied. Divestment possibilities will also be assessed actively, and slightly more widely than before, as part of the ownership strategies of the investment targets.

Economic prospects in the fields of the existing investment targets remain divided and marred by uncertainty and poor predictability. The prospects in Panostaja's investment targets vary from positive to weak.

Panostaja has changed its guideline practices and will discontinue the publication of financial guidelines as of the beginning of 2017. Instead of the result management of the Group's EBIT, Panostaja will provide its investors with more information on the growth and development opportunities of the investment targets as well as the company's goals for increasing value in them. Panostaja's future aim is to ensure that investors have the opportunity to ascertain the independent value of the investment targets and gain a clearer view of Panostaja's structure as an investment company.

Panostaja Oyj

Board of Directors

For further information, contact CEO Juha Sarsama: tel. +358 (0)40 774 2099.

Panostaja Oyj

Juha Sarsama

Managing Director

All forecasts and assessments presented in this interim report bulletin are based on the current outlook of Panostaja and the views of the management of the various investment targets with regard to the state of the economy and its development. The results attained may be substantially different.

ACCOUNTING PRINCIPLES

This financial statement bulletin has been prepared in compliance with the IFRS accounting and valuation principles based on the IAS 34 standard.

INCOME STATEMENT

EUR 1,000	3 months	3 months	12	12
	8/16- 10/16	8/15- 10/15	11/15- 10/16	11/14- 10/15
Net sales	45,700	44,088	172,476	148,218
Other operating income	297	372	1,493	674
Costs in total	43,440	41,331	165,007	141,569
Depreciations, amortizations and impairment	1,951	2,042	7,371	6,049
Operating profit	2,557	3,129	8,962	7,323
Financial income and expenses	-462	-1,917	-2,112	-3,832
Share of associated company profits	28	186	107	-53
Profit before taxes	2,124	1,399	6,957	3,437
Income taxes	929	2,287	-1,486	277
Profit/loss from continuing operations	3,053	3,685	5,471	3,714
Profit/loss from discontinued operations	9	9,803	3,750	9,535
Profit/loss from discontinued operations	0	0	0	250
Profit/loss for the financial period	3,061	13,488	9,221	13,499
Attributable to				
shareholders of the parent company	1,692	9,186	4,154	7,834

minority shareholders	1,369	4,302	5,067	5,665
Earnings per share from continuing operations EUR, undiluted	0.030	-0.015	0.018	0.008
Earnings per share from continuing operations €, diluted	0.030	-0.015	0.018	0.008
Earnings per share from discontinued operations EUR, undiluted		0.191	0.051	0.133
Earnings per share from discontinued operations EUR, undiluted		0.168	0.051	0.118
Earnings per share from continuing and discontinued operations EUR, undiluted	0.030	0.176	0.069	0.141
Earnings per share from continuing and discontinued operations EUR, diluted	0.030	0.159	0.069	0.138
EXTENSIVE INCOME STATEMENT				
Items of the extensive income statement	3,061	13,488	9,221	13,499
Translation differences	41	28	41	50
Extensive income statement for the period	3,102	13,516	9,262	13,549
Attributable to				
shareholders of the parent company	1,733	9,214	4,195	7,884
minority shareholders	1,369	4,302	5,067	5,665

BALANCE SHEET

October 31, 2016 October 31, 2015

EUR 1,000

ASSETS		
Non-current assets		
Goodwill	78,406	78,042
Other intangible assets	9,673	11,252

Property, plant and equipment	13,308	10,167
Interests in associated companies	3,759	3,666
Deferred tax assets	6,974	5,911
Other non-current assets	7,538	6,861
Non-current assets total	119,659	115,898
Current assets		
Stocks	11,043	12,596
Trade receivables and other non-interest bearing receivables	30,004	29,042
Financial assets at fair value through profit and loss	0	6,606
Cash and cash equivalents	26,573	24,001
Current assets total	67,620	72,245
ASSETS IN TOTAL	187,279	188,143
EQUITY AND LIABILITIES		
Equity attributable to parent company shareholders		
Share capital	5,569	5,569
Share premium account	4,646	4,646
Invested unrestricted equity fund	13,260	12,602
Equity convertible loan	7,390	7,390
Translation difference	-124	-124
Retained earnings	9,277	7,992
Total	40,017	38,075
Minority interest	31,128	32,001
Equity total	71,145	70,076
Liabilities		
Deferred tax liabilities	2,611	1,836

Non-current liabilities	65,970	59,825
Current liabilities	47,553	41,407
Equity convertible subordinated loan		15,000
Liabilities total	116,134	118,067
EQUITY AND LIABILITIES IN TOTAL	187,279	188,143

CASH FLOW STATEMENT	October 31, 2016	October 31, 2015
Profit/loss for the financial period before the minority share	9,221	13,499
Adjustments:		
Depreciations	7,371	6,049
Financial income and costs	2,112	3,832
Share of associated company profits	-107	53
Taxes	1,486	-277
Sales profits and losses from property, plant and equipment	-5,459	-10,424
Other earnings and expenses with no payment attached	671	3,383
Operating cash flow before change in working capital	15,295	16,116
Change in working capital		
Change in non-interest-bearing receivables	-1,024	3,003
Change in non-interest-bearing liabilities	3,297	-3,694
Change in stocks	986	-835
Change in working capital	3,259	-1,526
Operating cash flow before financial items and taxes	18,555	14,590
Financial items and taxes:		
Interest paid	-3,756	-4,141

Interest received	305	379
Taxes paid	-5,456	-2,847
Financial items and taxes	-8,908	-6,609
Operating net cash flow	9,647	7,981
Investments		
Investments in intangible and tangible assets	-9,606	-6,488
Sales of intangible and tangible assets	872	865
Acquisition of subsidiaries with time-of-acquisition liquid assets deducted	-1,285	-48,272
Sale of subsidiaries with time-of-sale liquid assets deducted	5,029	24,270
Acquisition of associated companies	0	-134
Financial assets acquired and sold entered at fair value through profit and loss	6,606	2,884
Capital gains from sales of other shares	11	70
Loans receivable and repayments granted	-331	-102
Investment net cash flow	1,296	-26,908
Finance		
Share issue	325	23,241
Loans drawn	31,550	46,936
Loans repaid	-31,323	-33,199
Disposal of own shares	658	73
Dividends paid	-9,580	-3,267
Finance net cash flow	-8,370	33,784
Change in liquid assets	2,572	14,857
Liquid assets at the beginning of the period	24,001	9,146
Effect of exchange rates	0	-2
Liquid assets at the end of the period	26,573	24,001

EUR 1,000	Share capital	Share premium account	Invested unrestricted equity fund	Translation differences	Earnings	Other funds	Minority shareholders' interest	Total
Equity	5,569	4,646	14,569	-152	95	7,390	15,378	47,370
November 1, 2014								
Profit for the financial period					7,834		5,665	13,499
Profit and costs recorded during the financial period, total					7,834		5,665	13,499
Dividends paid							-1,189	-1,189
Repayment of capital			-2,047					-2,047
Interest on equity convertible loan					-731			-731
Disposal of own shares				74				74
Reward scheme				3				3
Translation differences				28				28
Other changes								
Sales of shares in subsidiaries that have led to loss of							-101	-101

controlling interest

Share of minority shareholders created from subsidiary acquisition							11,721	11,721
Acquisitions of minority shares					-475		527	52
Other changes in equity, total				-1,922	28	187	10,958	9,206
Equity								
October 31, 2015	5,569	4,646	12,602	-124	7,992	7,390	32,001	70,076
Error correction * Adjustment of convertible subordinated loan interests					-176			
Adjusted equity								
November 1, 2015	5,569	4,646	12,602	-124	7,816	7,390	32,001	69,900
Profit for the financial period					4,154		5,067	9,221
Profit and costs recorded during the financial period, total					4,154		5,067	9,221
Share issue			581					581
Dividends paid					-2,562			-2,562
Dividend distribution to minority shareholders							-7,053	-7,053
Interest on equity convertible loan					-731			-731
Disposal of own shares			77					77
Translation differences					41			41
Sales of shares in subsidiaries that have not led to loss of controlling interest							1,417	1,471
Sales of shares in subsidiaries that have led to loss of controlling interest							-65	-65
Acquisitions of minority shares					-164		-332	-496

Other changes in equity, total	646	-2,693	-5,940	-7,975
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Equity

October 31, 2016	5,569	4,646	13,260	-124	9,277	7,390	31,128	71,145
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KEY FIGURES

EUR 1,000

October 31, 2016 October 31, 2015

Equity per share (EUR)	0.77	0.74
Earnings per share, undiluted (EUR)	0.07	0.14
Earnings per share, diluted (EUR)	0.07	0.14
Average number of shares during financial period, 1,000 pcs.	51,735	51,373
Number of shares at end of financial period, 1,000 pcs.	52,533	51,733
Share issues/CL exchanges during financial period, 1,000 pcs.	581	
Number of shares, 1,000, diluted	51,735	58,191
Return on equity, %	13.1	23.0
Return on investment, %	8.6	12.4
Gross capital expenditure To permanent assets, MEUR	10.9	54.9
% of net sales	6.3	37.0
Interest-bearing liabilities	80.9	79.8
Equity ratio (%)	38.1	37.5
Average number of employees	1,337	1,176

The formulae for calculating key figures are presented in the financial statements for the 2016 financial period.

ACQUIRED BUSINESSES

No new business operations were acquired in the review period.

**GROUP DEVELOPMENT BY
QUARTER
MEUR**

	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Net sales	45.7	41.6	44.5	40.7	44.1	37.9	34.6	26.8
Other operating income	0.3	0.1	0.6	0.5	0.4	0.0	0.2	0.3
Costs in total	43.4	39.3	42.4	39.9	41.3	37.0	32.5	26.6
Depreciations, amortizations and impairment	2.0	1.8	1.9	1.7	2.0	1.7	1.2	1.1
EBIT	2.6	2.4	2.7	1.3	3.1	1.0	2.3	0.6
Finance items	-0.5	-0.5	-0.4	-0.7	-1.9	-0.9	-0.5	-0.5
Share of associated company profits	0.0	0.1	0.0	0.0	0.2	0.0	-0.1	-0.3
Profit before taxes	2.1	1.9	2.3	0.6	1.4	0.1	1.7	-0.2
Taxes	0.9	-0.8	-1.1	-0.6	2.3	-0.7	-0.8	-0.9
Profit from continuing operations	3.1	1.1	1.2	0.0	3.7	-0.7	0.9	-1.1
Profit/loss from discontinued operations	0.0	0.5	1.6	1.6	9.8	0.8	-0.6	0.1
Profit/loss from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.3	-1.3
Profit for the period	3.1	1.7	2.8	1.6	13.5	0.2	0.6	-2.3
Minority interest	1.4	0.9	1.5	1.3	4.3	0.5	0.6	-0.2
Parent company shareholder interest	1.7	0.8	1.3	0.4	9.2	-0.4	0.0	-2.0

GUARANTEES GIVEN	October 31, 2016	October 31, 2015
Guarantees given on behalf of Group companies		
Enterprise mortgages	87,180	97,544
Pledges given	131,117	123,064
Other liabilities	12,715	11,101
Other rental agreements		
In one year	7,096	7,911
In over one year but within five years maximum	16,202	13,526
In over five years	2,126	1,112
Total	25,424	22,549

SEGMENT INFORMATION

The names of Panostaja Group's business segments have changed in the 2016 financial period. The segment names are based on the names of the businesses serving as the investment targets. The contents of the segments have remained as before.

Panostaja Group's segmentation is based on investment targets that provide a variety of products and services and that are in the Group's majority ownership. The investment targets in which Panostaja has a majority holding form the company's business segments, in addition to which the Others segment has

been defined to report on the Group's parent company, including associated companies and non-allocated items.

SEGMENT NAMES

Previous name	Current name
Digital Printing Services	Grano
Building Technology Renovation	KotiSun
Takoma	Takoma
Ceiling Materials	Selog
Fittings	Helakeskus
Spare Parts for Motor Vehicles	KL-Varaosat
Heat Treatment	Heatmasters
Oral Health Care	Megaklinikka
Others	Others

NET SALES

11/15-10/16 11/14-10/15

EUR 1,000

Grano	88,153	69,882
KotiSun	31,869	23,712
Takoma	10,199	13,182
Selog	10,271	9,867
Helakeskus	9,822	10,365
KL-Varaosat	13,043	11,804
Heatmasters	4,498	6,300
Megaklinikka	4,746	3,386
Others	8	13
Eliminations	-132	-293
Group in total	172,476	148,218

EBIT

11/15-10/16 11/14-10/15

EUR 1,000

Grano	7,838	5,931
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KotiSun	5,778	4,192
Takoma	-1,173	-680
Selog	651	529
Helakeskus	328	657
KL-Varaosat	1,022	472
Heatmasters	-1,033	60
Megaklinikka	-1,528	-548
Others	-2,921	-3,290
Group in total	8,962	7,323

DEPRECIATIONS

EUR 1,000	11/15-10/16	11/14-10/15
Grano	-4,078	-3,404
KotiSun	-1,177	-734
Takoma	-650	-649
Selog	-202	-205
Helakeskus	-93	-150
KL-Varaosat	-108	-116
Heatmasters	-252	-304
Megaklinikka	-737	-400
Others	-74	-87
Group in total	-7,371	-6,049

NET LIABILITIES

EUR 1,000	11/15-10/16	11/14-10/15
Grano	34,400	37,242

KotiSun	8,228	8,179
Takoma	3,750	4,248
Selog	235	907
Helakeskus	5,460	6,374
KL-Varaosat	1,316	2,163
Heatmasters	618	-857
Megaklinikka	5,085	3,159
Parent company	-8,898	-3,827
Eliminations	-96	-11,910
Group in total	50,098	45,678

**SEGMENT INFORMATION BY
QUARTER
NET SALES, MEUR**

	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Grano	22.8	20.8	23.3	21.2	23.4	17.9	14.9	13.6
KotiSun	9.8	7.9	7.6	6.5	6.8	6.0	5.8	0.0
Takoma	1.9	2.3	2.9	3.2	3.1	2.8	3.2	3.5
Selog	2.7	2.8	2.5	2.3	2.4	2.7	2.4	2.7
Helakeskus	2.4	2.3	2.8	2.4	2.6	2.5	2.8	2.5
KL-Varaosat	3.4	3.2	3.3	3.2	3.3	3.0	2.9	2.6
Heatmasters	1.3	1.2	1.1	0.9	1.3	1.8	1.8	2.0
Megaklinikka	1.3	1.1	1.2	1.1	1.2	1.3	0.9	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1
Group in total	45.7	41.6	44.5	40.7	44.1	37.9	34.6	26.8

**SEGMENT INFORMATION BY
QUARTER
EBIT, MEUR**

	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Grano	1.9	1.6	3.0	1.3	3.1	0.2	1.8	1.0
KotiSun	1.9	1.4	1.3	1.2	1.4	1.0	1.1	0.0

Takoma	-0.3	-0.3	-0.3	-0.2	-0.3	-0.1	-0.3	-0.3
Selog	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.1
Helakeskus	0.2	0.2	-0.2	0.1	0.2	0.2	0.1	0.1
KL-Varaosat	0.4	0.2	0.2	0.2	0.3	0.2	0.0	0.2
Heatmasters	-0.3	-0.2	-0.2	-0.3	-0.2	0.1	0.2	0.2
Megaklinikka	-0.6	-0.2	-0.4	-0.3	-0.2	-0.2	-0.1	0.0
Others	-0.7	-0.6	-0.8	-0.8	-1.2	-0.8	-0.7	-0.7
Group in total	2.6	2.4	2.7	1.3	3.1	1.0	2.3	0.6

Panostaja is an investment company developing Finnish SMEs in the role of an active majority shareholder. The company aims to be the most sought-after partner for business owners selling their companies as well as for the best managers and investors. Together with its partners, Panostaja increases the Group's shareholder value and creates Finnish success stories.

Panostaja has a majority holding in eight investment targets. Grano Oy forms Finland's largest company offering digital printing services and publication and production services. Heatmasters Group offers heat treatment services for metals in Finland and internationally, and produces, develops and markets heat treatment technology. KL-Varaosat Oy is an importer, wholesale dealer and retailer of original spare parts and supplies for Mercedes Benz, BMW and Volvo cars. KotiSun Oy is Finland's leading provider of building technology renovations of service water, heating and sewer networks for houses. Megaklinikka Oy is a company providing oral health care services and an ERP system solution for health care. The company is a dental clinic offering a completely new kind of service concept. Suomen Helakeskus Oy is a major wholesale dealer concentrating on furniture fittings. Selog Oy is a specialty supplier and wholesaler of ceiling materials. Takoma Oyj is a listed engineering workshop.