



panostaja
ANNUAL REPORT
2017



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PANOSTAJA'S CORNERSTONES OF OWNERSHIP

PARTNER FOR GROWTH

Panostaja is an active partner for growth. The company identifies growth potential, supports the growth of the companies it owns and creates tools for business development. The growth is based on a strategic vision, understanding of customers, interactive coaching, co-operation and trust.

ACTIVE BUSINESS DEVELOPER

To Panostaja, ownership and growth are responsible and sustainable. The growth of a company to the next level requires long-term work from everyone. For each company, a partnership for reaching full business potential is a unique journey that does not depend on time. With Panostaja, this is done through active and corrective development work and guidance.

COMMUNITY OF GOOD LEADERSHIP

The companies owned and managers coached by Panostaja form a community that supports Panostaja's business model and the development of its investment targets. The members of the community benefit directly from sparring, measurement of operation, training and spreading of the best operation modes. The community grows organically with Panostaja.

OUR CORE MESSAGE AND OPERATING POLICY

We are actively seeking financially healthy businesses that we see as having the potential to grow into forerunners in their fields with our support.

ACQUISITION

- Creating an investment strategy
- Purchasing a majority share and engaging minority shareholders
- The net sales of acquired companies is typically MEUR 5–50

DEVELOPMENT

- Implementation of investment strategy: growth, corporate acquisitions and operational efficiencies
- Board and strategy work
- Development of business and management: active support, tools and systems

DIVESTMENT

- Continuous monitoring of the corporate acquisitions market and valuation levels
- Realization of value increases in conjunction with the sale of holdings
- The goal is to secure the best possible return on investment

Net sales

193.2 M€

Profit/loss for the financial period

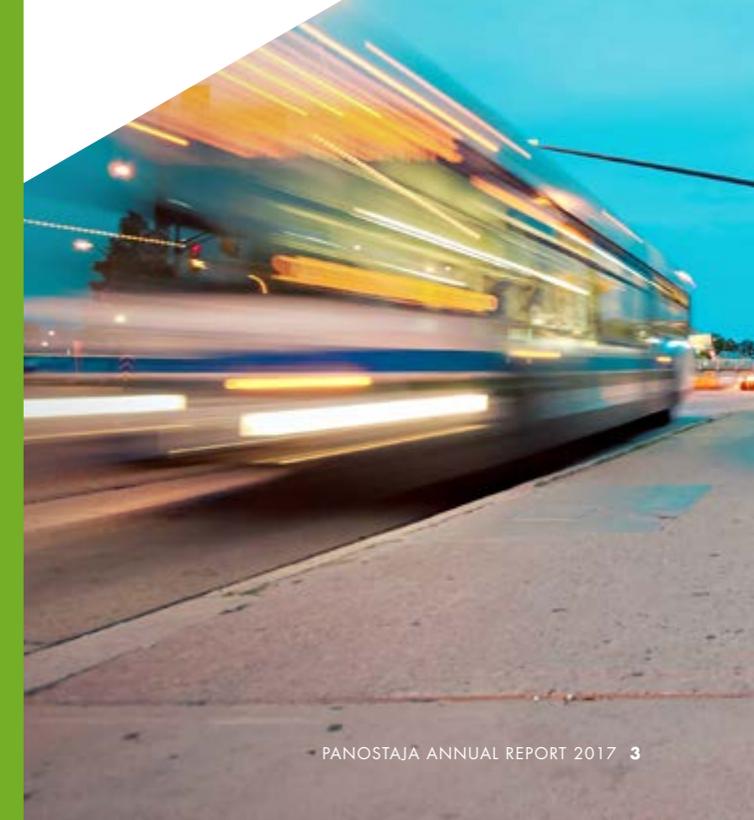
6.9 M€

Personnel

1,622

Market value

47.5 M€



AN ACTIVE OWNER MUST ALSO CONTINUE TO DEVELOP ITSELF

Juha Sarsama

More than 40 Board meetings, several new contacts and interesting companies, sessions in many conference rooms with corporate acquisition consultants and lawyers. Once again we have reached the end of a work-filled year, during which I, too, learned a great many things. The best perks of this job are the interesting and capable people who I meet and with whom we at Panostaja have had the privilege of working. I wish to extend a warm thanks to all of you for your cooperation!



risks to achieve growth and product breakthroughs.

It is the owner's role to make these tough calls and take responsibility for incorrect estimates and assumptions. Early in the year, we were forced to make a difficult decision and file for bankruptcy for Takoma Oyj. In accordance with our values, we handled things in a transparent and responsible manner. All stakeholders were kept informed of the various phases

of the process, and we even managed to save some of the jobs when the bankruptcy estate was sold.

The year 2017 was particularly significant for Grano. We at Panostaja thought that Grano had reached the home stretch of its development efforts. However, when an opportunity for another round of consolidations presented itself in Finland in the spring of 2017, we got involved and helped complete it successfully. Continuing on the path of corporate acquisitions after nine years of ownership was a big decision for Panostaja, but it was definitely worth it. Over a period of frenzied corporate acquisitions, Grano bought six companies, increasing its size by 50%.

After the end of the financial period, we finalized the decision to sell our entire shareholding in KotiSun to a fund managed by CapMan. We have been very pleased with our investment in KotiSun. In 2014, we sat down with the company's management to draw up an ambitious plan, which we then proceeded to implement through determined efforts over the last few years. Now, we have reached our mutual goal and it is time to divest our holding. I would like to thank the entire staff of KotiSun for their amazing work and our very educational journey together.

As I am writing this, we are already fast approaching the new financial period. The positive economic trends seem to be continuing and, according to the latest surveys, the outlooks of SMEs are excellent. This spells a busy year for us at Panostaja.

One of the basic tenets of Panostaja's operations is the development of our activities in a way that genuinely creates added value for our investments. Currently, there is about a billion euros of uninvested capital on the markets for SMEs. So if a company is in need of money to fuel growth, there is plenty to go around. However, funding alone does not ensure progress, let alone success. This year, we at Panostaja continued to make significant investments in the development of our management systems and provide the employees of our investment targets with development opportunities in a variety of ways. An owner must develop itself alongside its businesses in a pre-emptive manner.

Panostaja worked for 18 months to prepare and negotiate the acquisition of CoreHW Oy, which manufactures high-performance electronics. The process was slow, since, in addition to the need to secure the requisite funding, there was a genuine desire to actively develop the company. We put our heads together with CoreHW to figure out what the company is actually about and where the core challenges lie. In terms of its personnel and net sales, CoreHW is beginning to reach a size where it can significantly benefit from the clarification of the roles of its Management Team and Board. CoreHW is a profitable company with a solid foundation. With Panostaja in the picture, the company will have even more steam to push forward and take strategic

EVENTS DURING THE YEAR

RESPONSIBILITY

In the spring, Panostaja carried out a responsible investment project, as a result of which matters related to the environment, social responsibility and good governance (ESG) will be more systematically considered in investment decisions and the development of investment targets, alongside financial aspects. ESG considerations are now integrated into every phase of the investment process, from initial investment analysis to exit. Each period of ownership is in line with the company-specific corporate responsibility development plan.

ACQUISITION OF COREHW

Panostaja's latest investment from September is CoreHW Group, which specializes in the engineering of high-performance electronics. In addition to a profitable and modern core business, the company has excellent opportunities for productization. Panostaja was impressed by the company's exceptionally good, capable and intelligent management, which sparked immediate trust, as well as the opportunities provided by the high level of technological expertise as Internet of Things applications become more commonplace.

MENTORING

This year, investments were made in developing and sharing competence among Panostaja companies by initiating a Cross Company mentoring program in cooperation with MPS. The mentors and mentees were CEOs and Board members of Panostaja companies.

ADVISORY NETWORK

Panostaja formed a network to bolster competence and knowledge regarding prevalent and upcoming trends within its own organization and in its portfolio companies. The theme of the first meeting of the Advisory Network centered around artificial intelligence and robotization as well as their effects on business and management. In the future, the network will meet a few times a year, always around a specific theme. In addition to experienced business managers, the network consists of five representatives of the Millennial generation. If they want, the members can participate in the development of Panostaja companies in other ways – with a role in the Board of Directors, for example.

SALE OF KOTISUN

After the end of the financial period, the decision was made to sell the KotiSun Group. The deal made Capman a majority shareholder in KotiSun Group, alongside Suomen Teollisuussijoitus Oy and Varma Mutual Pension Insurance Company. Panostaja's holding in the company before the transaction was 56.6%. Once the deal has been completed, Panostaja Group will record an estimated MEUR 33 in sales profit before taxes.

PANOSTAJA OWNS COMPANIES FROM NUMEROUS FIELDS



Grano is the strongest operator in Finland in terms of the management of managing content and materials. The company implements digital and printing services related products, marketing and solutions to facilitate and improve its customers' business operations.

Panostaja's shareholding:	Year of investment	Net sales
52.8%	2008	105.3 M€



KotiSun offers consumers conceptualized service water, heating network and sewer renovations as a turnkey service. The company is the largest and best known operator of its kind in Finland.

Panostaja's shareholding:	Year of investment	Net sales
56,6 %	2014	42.5 M€



Helakeskus is a company specializing in the import of and services related to fittings. The selection consists of fitting products for the fixtures industry.

Panostaja's shareholding:	Year of investment	Net sales
100%	2007	8.9 M€



KL-Varaosat is a spare parts business engaged in the import, wholesale and retail of original spare parts and supplies for Mercedes-Benz, BMW and Volvo cars.

Panostaja's shareholding:	Year of investment	Net sales
75%	2007	13.5 M€

Associated companies

Spectra
Panostaja's holding in Spectra 39%
Managing Director Olli Plaketti

Ecosir Group
Panostaja's holding in Ecosir 38.6%
CEO Mauri Leponen

Juuri Partners
Panostaja's holding in Juuri 20%
CEO Samuli Sipilä



Megaklinikka is a dental clinic which utilizes an entirely new service concept and offers all dental care services in one go with a high level of quality, without the need to wait in line.

Panostaja's shareholding:	Year of investment	Net sales
79.8%	2015	6.0 M€



Heatmasters Heatmasters is a leading heat treatment services and equipment provider in Europe with 40 years of experience.

Panostaja's shareholding:	Year of investment	Net sales
80%	2007	5.3 M€



Selog is a ceiling materials wholesaler that provides services to contractors, fitters, hardware stores and construction firms.

Panostaja's shareholding:	Year of investment	Net sales
60%	2012	10.8 M€



CoreHW provides design and consulting services related to Radio Frequency Integrated Circuits (RFIC) and antennas used in various wireless technologies.

Panostaja's shareholding:	Year of investment	Net sales
63%	2017	1.0 M€*

*12 month

GRANO INVESTS IN GROWTH

Grano serves its customers by developing products, marketing and solutions related to digital and printing services.

This year, Grano continued on the path of reformation and growth. The most important themes of the year were implementing a new strategy and making corporate acquisitions in line with the growth strategy.

The strategy focuses on pre-emptively meeting the changing needs of the customers. Changes in purchasing behavior and digitalization are opportunities. New operations are built to support the core business, since the printing business will eventually decline. A more customer-oriented productization of Grano's services has become the cornerstone of the reformation efforts. Grano positions itself on the market in accordance with the content as a service (CaaS) strategy.

FROM A SELLER OF PRINT PRODUCTS TO A PARTNER THAT INCREASES CUSTOMERS' SALES

The productization of services and the new position have meant reorganizations and focus in increasing demand and improving the efficiency of customer work. The new sales model, national customer service and increase in sales expertise initiated a change which replaced the approach focused on the order and delivery chain with more proactive customer work, which also brings in new customers.

Grano divided its customers into groups based on purchasing behavior, thus improving allocation and targeting of sales resources and marketing communications. Steering customers toward digital channels increases cost-efficiency and enables round-the-clock product orders. As part of improving the degree of automation and digital solutions, Grano opened its own online store, Grano Shop, in the fall.

Grano is making investments in increasing brand familiarity. Marketing was integrated into the reformed sales operations. During the financial period, Grano's recognition improved significantly and an increase was achieved in lead creation.

MARKET LEADER GAINS MORE GROUND WITH A SLEW OF CORPORATE ACQUISITIONS

Grano carried out six corporate acquisitions this year. This accelerated the increase of net sales alongside organic growth. At the end of the review period, Grano's net sales climbed to MEUR 105. The corporate acquisitions increased the number of employees from 800 to 1,100.

Grano's subsidiary Grano Diesel purchased the Helsinki-based creative advertising agency Planeetta 10 Oy as well as its subsidiary Planeetta 10 Consulting Oy, which both specialize in tactical marketing. In Western Finland, Grano strengthened its market position by purchasing the printing house Finepress Oy, which operates in Helsinki and Turku. In addition to this, Grano made investments in point-of-sale and in-store marketing solutions and updating the appearances of brands and businesses by purchasing Kuopion Neon 2 Oy, a Kuopio-based producer of neon signs and new looks for outlets. In the summer, Grano bought Brand Factory Oy, which specializes in large prints and various types of decals. In September, Grano purchased the entire share capital of Lönnberg Painot Oy. Lönnberg specializes in high-quality printing, packaging and point-of-sale solutions. It has a strong foothold in the Helsinki Metropolitan Area and with operations also in Northern Ostrobothnia. After the Lönnberg deal, Grano Group gained 300 new employees.

In the fall, overlaps due to the corporate acquisitions were dealt with. Grano carried out extensive employer-employee negotiations, involving over 100 people. The streamlining aims for annual savings of MEUR 4. The companies purchased during the financial period will be merged with Grano and its subsidiary Grano Diesel. The focus is on implementing Grano's new CaaS strategy and increasing the company's brand capital. Consolidating the operations under the Grano brand makes things clearer for the customers and ensures that they can access an even more comprehensive range of marketing and content services through a single provider.



Grano opened its own online store, Grano Shop.



Jaakko Hirvonen, CEO

Kingdam revolutionizes product photography

Grano's internal startup Kingdam is strongly involved in promoting the digital disruption and changing the models of product photography and product information management. The company's focus is a solution that combines product photography, a lighting solution and a PIM system (Product Information Management).

The project, which grew into a startup of its own through Grano's innovation unit, began with a problem shared by many of Grano's customers. In the rapidly-developing digital world, the processes of product information management and product photography often lag behind. Kingdam offers a comprehensive solution for taking product photos, enriching product information and publishing this information in a multi-channel environment. The aim is to create savings for customers in various phases of the product photography process and reduce the price-per-photo to a fraction of what it is with traditional models.

Companies with a wide product selection gain particular benefits from the cost-efficient way of managing product photos in their online store. Kingdam's patent application related to lighting technology is pending, and the overall solution was published at this year's Slush startup event.

Net sales
105.3 M€

Personnel
1,122

KOTISUN EXPANDS ITS OPERATIONS IN FINLAND AND OPENS AN OFFICE IN SWEDEN

KotiSun provides service water, heating network and sewer renovations primarily for detached houses but also for larger properties.

In 2017, KotiSun expanded its operations by opening new offices – the sewer business unit was particularly active in this respect. In Finland, new facilities were opened in Kuopio, Seinäjoki, Oulu and Lappeenranta. Alongside the domestic growth, the company expanded its operations to Sweden by opening an office in Dalarna. The intention is to expand the Swedish operations even more during the coming financial period.

The profit development was excellent in 2017 and the set goals were achieved. The company's number of employees increased by some 100 people. The recruitment and training of new personnel is hard work, particularly in Eastern Finland, where hiring new people proved somewhat challenging. Expansion was also achieved in customer segments. Previously, KotiSun focused on the renovation of detached houses, but now the operations have been expanded to cover other properties as well, from terraced houses to large resorts.

With growth, the service offering has also been expanded and the strategy has been fine-tuned to support internationalization. In the upcoming financial period, the service offering and strategy will be developed even further, and there will also be some developments in terms of the digitalization of services.

SAVING ENERGY IS AN ACT OF SOCIAL RESPONSIBILITY

Responsibilities related to the environment must be taken into account carefully in KotiSun's operations. Waste handling and waste management are always conducted in the appropriate manner. As a new service, KotiSun provides its customers with the opportunity to adopt the heating control system Kotivo, which provides energy savings. It is a Finnish system developed in Joensuu, which was purchased by KotiSun a year ago.

THE FUTURE HOLDS EFFORTS TO CONQUER THE REST OF THE NORDIC COUNTRIES

Even more ambitious goals have been set for next year: KotiSun is aiming for growth across all of its three companies, which have focused on sewer renovation and maintenance, service water and heating, and energy management and electrical renovations. All of the companies operate on a national scale.

The future of the field seems bright as the renovation deficit throughout the country is increasing continuously. Buildings are growing older, and iron, which is known to be a risky material due to its susceptibility to rust, has been used particularly in the piping of detached houses built between the 60s and 80s. In the coming years, investments will also be made in internationalization, and the goal is to expand to other Nordic countries besides Sweden.

OWNERSHIP OF KOTISUN GROUP TO BE TRANSFERRED TO A FUND OWNED BY CAPMAN

At the end of the year Panostaja, together with the other owners of KotiSun Group, signed an agreement to sell the company's entire share capital to the CapMan Buyout fund managed by CapMan. The conclusion of the transaction requires the approval of the competition authorities, but the acquisition is expected to be completed at the end of January 2018.

KotiSun has been owned by Panostaja since 2014. Immediately following the acquisition Panostaja, together with KotiSun's management, prepared an ambitious strategy for the company, which was implemented in a determined manner. Under Panostaja's ownership, KotiSun's operations expanded strongly to new services as well as new geographical areas, in addition to which the company tripled its net sales and EBIT.



The heating control system Kotivo provides energy savings.

Net sales
42.5 M€

Personnel
422



Jesse Tauriainen, CEO,
KotiSun Viemäripalvelut

KotiSun leaps to the other side of the gulf

KotiSun found a suitable partner in the Dalarna region of Sweden, which is located in Central Sweden, northwest of Stockholm. The intention is to expand operations to other parts of Sweden in the coming years. The first months culminated in the efforts to adapt the Finnish operating model to the business environment on the other side of the Gulf of Bothnia. So far, the customer experiences have been positive.

The Swedish office has been supported by leveraging the Finnish procurement channels. Plenty of equipment and competence have also been provided from Finland. The personnel of the Swedish office were also initially trained in Finland. Employee recruitment in Sweden was challenging, and the technical properties of Swedish buildings were found to be different from their Finnish counterparts.

The journey has been one of overcoming plenty of obstacles, analyzing the environment and learning. Securing a successful future will take a lot of work and the path will not be easy, but KotiSun has confidence in the efficiency of its own operating model and working culture in terms of tackling all kinds of challenges in Finland and abroad.

NEW LOCATIONS ENSURE TRULY NATIONWIDE OPERATIONS

KL-Varaosat provides original spare parts for select car brands (BMW, Mercedes Benz and Volvo) to the majority of Finnish repair workshops and consumers.

KL-Varaosat made its most important investments in the development of the ServicePartner network and the new online store for spare parts. The new online store enables users to find the correct spare parts based on the registration number of their car. The new arrangements have invigorated electronic sales.

The groundwork for the year's good result was laid in previous years by opening new locations in Raisio and Vantaa and expanding the brand offering by adding Volvo to the range alongside BMW and Mercedes in 2015. The most significant challenge for this financial period was the warm winter. A week or two of sufficiently cold weather is enough to increase spare parts sales.

The efforts to expand operations will continue in the coming financial period and the production selection will be increased. Expanding the ServicePartner network is also at the core of the strategic efforts.

ELECTRIC CARS ARE COMING

The most significant changes in the field are seen in the car population. Finland has a passenger car population of approximately 2.6 million vehicles that are relatively old on average. KL-Varaosat has made preparations for the increase in the number of electric cars. Investments have been made in training partner repair shops to ensure that the repair of electric cars is handled appropriately and safely. It is important to maintain the capacity to serve the changing car population.

The car brands for which KL-Varaosat provides spare parts are active in the development of electric and hybrid cars. Mercedes-Benz and BMW are particularly investing in plugin hybrids. Volvo, in turn, has stated that, starting from 2019, it will no longer bring models with a combustion engine only to the market.

EMPLOYEE COMPETENCE IS FOSTERED WITH CARE

In the coming financial period, information systems, operating methods and customer service arrangements will be further developed. A survey of the entire personnel was conducted earlier, which covered the competence and job descriptions of employees. This information has been used to develop tools and work methods. The goal is to ensure that the company is capable of responding to future challenges as effectively as possible. It is particularly important to maintain the capacity to serve the changing car population. KL-Varaosat encourages and enables continuous learning among its partners.

RESPONSIBILITY COMES FROM WITHIN

The wholesale of specialty items is governed by many provisions that set limits for the transport of combustible liquids or batteries, for example. In addition to compliance with the provisions, KL-Varaosat invests in responsibility with regard to other safety-related matters. Regular occupational safety surveys covering all operating locations and the systematic processing of these surveys are the cornerstones of the company's operations.

Social responsibility is fostered through cooperation with educational institutes and schools. In 2017, the Board of Directors of KL-Varaosat implemented a digital project with higher education students in Tampere, and the company participated in the Yritysappro project of the Tampere Chamber of Commerce. Toward the end of the financial period, the company was also involved in the Tuhat nuorta johtajaa (1,000 young leaders) project organized by JCI. In addition to the cooperation projects, KL-Varaosat has also provided schoolchildren with the opportunity to familiarize themselves with working life.



KL-Varaosat encourages and enables continuous learning among its partners.



Juha Kivinen, CEO

Repair shop and customer reception facilities as part of image building

KL-Varaosat's ServicePartner cooperation helps repair shops to succeed. Alongside the idea of sharing special expertise, the cooperation hinges on continuous development of expertise, various tools and marketing support. In addition to quality, economy and customer service, it is important to pay attention to how the appearance and environment of the repair shops affect the customer experience. For this reason, the ServicePartner cooperation often involves putting some finishing touches on the interior and exterior of the repair shops.

In 2017, ServicePartner Moottorikoneistus Ojala from Kaarina received an update to the appearance of its reception area and repair shop. The ServicePartner chain has a complete package of ready-made elements for updating interior designs and facades. If necessary, the updates can be prepared with Grano's 3D design solutions, which enables the visual elements to be incorporated into a 360° visual presentation. With some guidance, the preliminary planning of the changes is an effortless process, and the visual update project is initiated and completed in no time at all. KL-Varaosat is more than happy to provide its assistance for any task, from small updates to a facility's appearance to full visual overhauls.

Net sales
13.5 M€

Personnel
48

UNPRECEDENTED DELIVERY RELIABILITY DESPITE CHALLENGES WITH PERSONNEL

Suomen Helakeskus is a wholesaler and importer of products for the fixture and furniture industry as well as carpentry workshops.

As is customary for the company in odd years, Helakeskus attended a number of trade fairs over the course of 2017. The company visited ISH, the world's largest trade fair for bathroom fixtures and accessories, in Frankfurt and the Interzum fair for fixture fittings in Cologne to learn about global trends and developments. The Jyväskylä Wood and Bioenergy exhibition is also held in Finland in odd years. In 2017, Helakeskus attended the event for the third time as an exhibitor. The increase in construction was apparent at the Jyväskylä fair as a general positive atmosphere. The popular Open House event was also held at Helakeskus' facility in Seinäjoki.

Even though the year included interesting trade fairs and the construction industry as a whole is enjoying an upward trend, Helakeskus failed to meet the profit target set for the period. The most significant challenges were faced with regard to personnel. In the relatively small organization, the exit of two sales representatives, the retirement of one procurement manager and the lengthy sick leave of a manager in the fixtures segment due to an injury took their toll on the company's end result. The recruitment and training of new sales personnel have taken time and energy this year, but the successful hiring process is sure to bear fruit in the coming year.

As the prices of metal increased, the company also faced challenges with raw material prices over the course of the year. The majority of Helakeskus' products feature metals.

DELIVERY RELIABILITY COMBINED WITH AN ENVIRONMENTALLY FRIENDLY APPROACH

Helakeskus has recently burgeoned into a company capable of providing reliable courier services and stocking a large inventory of products – the delivery reliability is high enough that customers who submit an order today will re-

ceive it tomorrow or the day after, at the latest. The order book often spans a mere two hours. In addition to traditional fittings, Helakeskus has imported made-to-measure tabletops for kitchens and bathrooms. These custom-made composite tabletops were particularly well received at the Jyväskylä Wood and Bioenergy exhibition.

Helakeskus has paid special attention to the recycling of packing products. This year, the company implemented clear plastic sorting arrangements alongside the sorting of organic waste.

THE DECLINE OF THE FINNISH FURNITURE INDUSTRY HAS REQUIRED SOME ADAPTATION

Very few of the products imported by Helakeskus are manufactured in Finland. About a dozen companies operate in the same area of imports, and Helakeskus is the third largest of these companies. With some 40 years of experience, it is safe to say that the company has established its market position. Helakeskus imports about 70% of its products from Europe – primarily from Italy, Germany, Austria and Spain.

Helakeskus' customers have traditionally operated in the bathroom and kitchen fixture industry as well as the furniture industry. While the fixture industry has remained stable, the Finnish furniture industry has been in a long-lasting decline. For this reason, Helakeskus has been forced to look for a new niche on the market. This was found in the direct consumer interface: outlets that sell products imported by Helakeskus to DIYers. Finding new channels for product sales is a continuous process.



With some 40 years of experience, it is safe to say that Helakeskus has established its market position.

Net sales
8.9 M€

Personnel
23



Hannu Rantanen, CEO

Delivery reliability through cooperation

Helakeskus has concluded long-term product and delivery agreements with Kankarin Kaluste Oy, which provide the rapidly-growing fixture factory with a clear advantage in terms of both pricing and delivery reliability. What the arrangement involves in practice is that Helakeskus keeps the items and materials needed by Kankarin Kaluste in its inventory at all times to ensure quick response when an order is received.

In terms of the numbers, the operations of Kankarin Kaluste, which was established in 1980, are truly impressive. The range includes some 800 bathroom fixture products, for which roughly 50,000 varying types of cabinets have been manufactured each year. In addition to this, Kankarin Kaluste has built kitchens and cupboards for about 4,000 homes. Kankarin Kaluste does not have brands of its own, but the company is a trusted manufacturer of well-known brands. Its customers include IDO and Gustavsberg.

THE INCREASE IN CONSTRUCTION IS ALSO EVIDENT IN THE CEILING BUSINESS

Selog specializes in surface and support structures for ceilings, which it provides primarily to professional builders of ceilings but also to construction and painting companies and hardware stores.

For Selog, 2017 went according to plan. The company's result developed well and there were no changes in personnel. The current employees are competent and committed, and the work atmosphere is good.

Investments were made into serving current customers and ensuring profit performance. The services were also improved further.

Some updates to the strategy are made each year. However, the big picture was not tampered with over the course of the past financial period. Customer feedback has been excellent in 2017.

Some changes were made in terms of products. Old products were replaced with new and better ones, and entirely new items were included in the selection. New suppliers were gained particularly for wood strips and metal. New products are constantly being sought in Europe, especially in the import segment.

SOCIAL RESPONSIBILITY PRESENTS ITSELF IN EVERYTHING THAT THE COMPANY DOES, FROM RECYCLING TO BASKETBALL.

Selog's warehouse features optimized material recycling arrangements for cardboard and wood, for example. The pallets on which goods are brought in are also recycled.

Selog's CEO Simo Tuokko has played and coached basketball for a long time. Some of Selog's customers are also former basketball players, which is why it is quite natural for the game to be present in Selog's operations – the company holds an annual street basketball tournament in which customers and suppliers also participate. The tournament has gained so much popularity that more than two courts are likely to be needed next year. In addition to this, Selog supports the national team and the

Finnish Basketball Association, and Tuokko coaches the junior team of WB-Pantterit which is the oldest specialized basketball club in Finland.

THE UPCOMING FINANCIAL PERIOD SEEMS PROMISING

The number of requests for quotation bodes well for the next financial period. All in all, the field seems to have recovered enough for the upcoming year, although a slight decline is expected at the end of the current period. That said, Selog's operations are founded in a strong belief in the future.

Fitters who have previously worked with Selog have established new construction businesses or been hired by diversified companies, which has led to Selog gaining new customer accounts. The number of Estonian customers has also been growing.

Strictly speaking, the only cause for uncertainty going forward is the global situation, which remains undefinable at least when viewed from Finland. The Finnish construction field is unlikely to grow exponentially but, on the other hand, there seems to be no significant decline in sight either.

Selog's aim is to achieve growth over the course of the coming financial period. However, the company is not planning any substantial changes and intends to forge onward with its tried and tested strategy. Operations will continue in the same locations, efforts will be made to retain old customers and investments will go into gaining new customers.



Material recycling has been optimized in SELOG's warehouses.

Net sales
10.8 M€

Personnel
14



Simo Tuokko, CEO

Superior logistical expertise for a massive project

Selog's largest project in 2017 entailed delivering and installing approximately 20,000 square meters of ceiling for the Kalasatama Health and Wellbeing Center. The new building required a variety of ceiling solutions, which were at times challenging: wood strip ceilings indoors and outdoors, plasterboard ceilings, glue-attached acoustic wool and hygiene panels. In addition to this, support systems required by the ceiling structures were installed. Selog's partner in the project was Karkkilan Sisäverhous Oy.

The biggest challenge of the project was logistics, which is why Selog was selected to handle the contract. Cooperation with the customer was close in order to ensure that all schedules could be fit together appropriately. This meant that Selog had to be ready to deliver on a moment's notice, not unlike the fire department. Sometimes, the customer's schedules were malleable – at times product deliveries were required earlier than had been agreed. Selog handled the challenges it faced during the project in an exemplary manner. In total, the company's own fleet transported about 40 truck loads of various ceiling materials to the site.

RETURNING TO A PATH OF GROWTH AFTER A DIFFICULT YEAR

Established in 1974, Heatmasters Group offers metal heat treatment services and related equipment to operators in the energy, chemical and engineering industries.

For Heatmasters, the year 2017 included concrete measures which succeeded in turning the company's course after a year of losses. The company's operations are divided into two separate divisions, which focus on service and the equipment business. This year, efforts were made to bring these divisions closer together through the Heatmasters United concept, which has meant enhancing cooperation between the various operations. The same human resources have been involved in creating more added value to both customers and the company.

In addition to this, significant bright spots over the course of the financial period were winning large work-site project deals, the increased activity in the furnace and furnace modernization business and the general recovery of the economy. A decision was made to close the facility in Houston, since the result development did not match expectations. The sale of equipment to the United States will continue as normal even with no actual office in the country.

Heat treatment as a sector is influenced by the amount of new construction and the rate at which process facilities update their equipment. In addition to Finland, Heatmasters has facilities in Poland and an affiliate in Estonia. Particularly in Poland, power plants have a backlog of maintenance and renovation needs, which will increasingly manifest itself in Heatmasters' net sales in the coming years.

THE BEST WAY TO SEPARATE YOURSELF FROM THE PACK IS TO INVEST IN SERVICES

Heat treatment processes are regulated by material standards that define how the work must be conducted. When a steel component is fabricated by means of welding or casting, for example, its crystal structure changes in a way that reduces the strength of the material. Heat treatment removes stresses in the crystal structure, thereby restoring the material to its original strength values. Heat treatment

involves a variety of certificates and documents, which must be kept on hand as specified in the relevant standards.

Because the field is so heavily regulated by standards that define the work processes, it is important to invest in services. To this end, Heatmasters has made efforts to refine a service business strategy. In the coming financial period, the expanded service selection will cover processes that precede and follow the actual heat treatment process, such as metal shot blasting, painting and NDT inspections. The fully updated service concept, which involves integrating the current equipment business into the services, will be mobilized in the coming year.

As for the equipment business, the year 2017 saw the delivery of many heat treatment furnaces and modernization projects to customers. New segments (e.g., coating furnaces) have taken their place alongside the building and modernization of traditional stress relief furnaces, which substantially increases the customer potential of the equipment business. Toward the end of the year, a new multi-purpose induction heating device weighing only 10 kg was also launched to further expand the company's market share outside its traditional core area.

SOCIAL RESPONSIBILITY THROUGH COOPERATION WITH EDUCATIONAL INSTITUTES

Heatmasters has engaged in active cooperation with vocational institutes and universities of applied sciences in the fields of both technology and business. The cooperation has taken the form of practice assignments, practical training periods and summer jobs. The company has primarily collaborated with educational institutes in the Lahti region, but students of the University of Tampere have also participated in a development project to hone strategy together with Heatmasters and its Board of Directors.



Heat treatment removes stresses in the crystal structure, thereby restoring the material to its original strength values.

Net sales
5.3 M€

Personnel
43



Ilkka Mujunen, CEO

New facility provides a much-needed boost to operations

At the start of the financial period, Heatmasters' head office and service center moved to new premises in Hollola a few kilometers from the old location in Lahti. The new facilities were renovated comprehensively before the move, and the production equipment (i.e., the heat treatment furnaces) were updated where necessary. The increased lifting capacity ensures that heavier pieces than before can now be handled. The new premises also feature dedicated areas for storing equipment used at worksites and for equipment manufacture, i.e., the final assembly and maintenance of transformers and accessories.

Heatmasters United – a concept centered around pulling in the same direction – was crystallized through the joint barbeque parties held each Friday at the new head office in the summer of 2017. In addition to the staff of the Hollola facility, the parties were attended by employees from other Heatmasters locations and sometimes by representatives of partner companies.

AN INTERNATIONALIZATION STRATEGY IS DISCOVERED THROUGH BOLD ACTION

Megaklinikka licenses out the ERP system responsible for ensuring efficient operations at its Helsinki clinic as well as its service concept to other operators in the field.

A couple of years ago, Megaklinikka Oy set as its goal to expand to specific large cities in Europe. A little over a year ago, the company took its first steps along this path by opening a dental clinic in Stockholm. Although the clinic's operations did not start quite as well as had been hoped, the opening drew plenty of attention in professional circles. After many discussions, a decision was made to sell the Stockholm clinic to the Swedish Aqua Dental Ab. This was a strategic divestment, which involved a cooperation agreement as a key element: Aqua Dental will continue running the clinic with Megaklinikka's concept, which has been dubbed the Megamalli concept. The clinic now branded Aqua Dental Express is Megaklinikka's first foreign license customer.

The learning experience in Stockholm clarified Megaklinikka's internationalization strategy in the sense that the current aim is to expand the licensing business abroad. In particular, the company is focusing on the Swedish public sector. The Megamalli concept significantly increases the efficiency of dental clinics, providing the cost savings desperately needed by the public sector.

Megaklinikka's result for the past financial period was poor, since the expansion to Sweden took a great deal of resources. In Finland, however, both the Helsinki clinic's operations and the licensing business have grown according to expectations. Further investments have been made especially in product development and strengthening technological competence.

THE ROLE OF INFORMATION-BASED MANAGEMENT WILL INCREASE

The commissioning of Megaklinikka's Kerralla Kuntoon (Up and running in one go) ERP system and operating model has been highly productized and standardized. The

project typically takes about two months, during which all phases to initiate the service are conducted. The essential phases include training the staff, forming the service processes, providing support for change management, configuring the information systems and handling hardware installations.

The change management of the organization in question plays an important role in the transition to the Megamalli concept. When transitioning into a new operating model, the entire staff's ability to adapt to the change must be taken into account as this can be fairly challenging at the best of times. However, moving on from old operating models pays off in the long run as information-based management will create significant competitive advantages in the future.

INCREASING THE OPERATIONAL EFFICIENCY YIELDS WIDER SOCIAL BENEFITS

Megaklinikka's ERP system is already being used in ten Finnish cities. Resource optimization has significant social impacts especially in the public sector, which is under constant pressure to achieve cost savings.

It is too early to say what the effects of the upcoming health and social services reform will be, but Megaklinikka's view of the situation as a whole is somewhere between neutral and positive. At the European level, the field of dental care is plagued with a shortage of competent personnel, which contributes to increasing the pressure for resource optimization. At the same time, the sector's prevailing trend of consolidating operations into larger and larger units and business coalitions poses new challenges for the efficient organization of activities. Based on feedback, Megamalli has also improved customer satisfaction and employee comfort.



Megaklinikka's ERP system Kerralla Kuntoon is already being used in about ten Finnish cities.

Net sales
6.0 M€

Personnel
84



Petri Katajamäki, CEO

Up and running in two months

In 2017, Megaklinikka implemented a successful transition to the Kerralla Kuntoon ERP system for the City of Rauma. In order to prevent resistance to change, specific emphasis was placed on managerial work and open communications to all interest groups. In addition to employees, communications were also directed to customers.

Regular communications by means of Skype conferences began well before commissioning. The Rauma project team felt that it received good instructions and responses to its questions even before the actual commissioning, and the employee orientation was found to be an important part of the process.

The training provided by Megaklinikka was designed in such a way that each member of the Megaklinikka project team trained customer employees in their strongest competence areas. Training was also provided to everyone who needed it.

PANOSTAJA'S LATEST ACQUISITION PRODUCES HIGH-PERFORMANCE ELECTRONICS

CoreHW, which previously mostly focused on consulting and projects, is now taking a leap toward establishing its own product family.

In 2017, the most significant event for CoreHW was joining the Panostaja family. In conjunction with the acquisition, a corporate restructuring was conducted, which involved establishing CoreHW Semiconductor under CoreHW Group for the company's own products and IPRs. As its first task, the newly-formed Board of CoreHW Group set out to focus the company's strategy, particularly with regard to productization. Heikki Tenhunen was selected as the Chairman of the Board. He has over 30 years of managerial experience in the telecommunications and semiconductor industry from Nokia, Renesas Mobile, Broadcom and NXP.

CoreHW has had no shortage of product ideas, which has led to the necessity of taking special care in honing the product strategy. The aim has been to carry out customer projects in a way that supports product strategy, which is still taking shape. It has been essential to retain the know-how gained through the various projects, i.e., IPR ownership, to ensure that no product-related possibilities are ruled out.

CoreHW has continued its strong growth in terms of net sales and, to a degree, personnel. A chief operating officer with 20 years of experience in microchip development and organizational management from Nokia and Microsoft was hired to support the company's growth and strategic development in the spring of 2017.

FORGING A PATH TO THE IOT MARKETS WITH THE HELP OF RF FRONT END AND ANTENNA PRODUCTS

IoT is an acronym of the words Internet of Things. Within the past year, the development of the IoT field has manifested itself at CoreHW in increased requests for quotation as well as project proposals that are up to ten times larger than before. There is interest toward Finnish high-performance electronics all around the world since

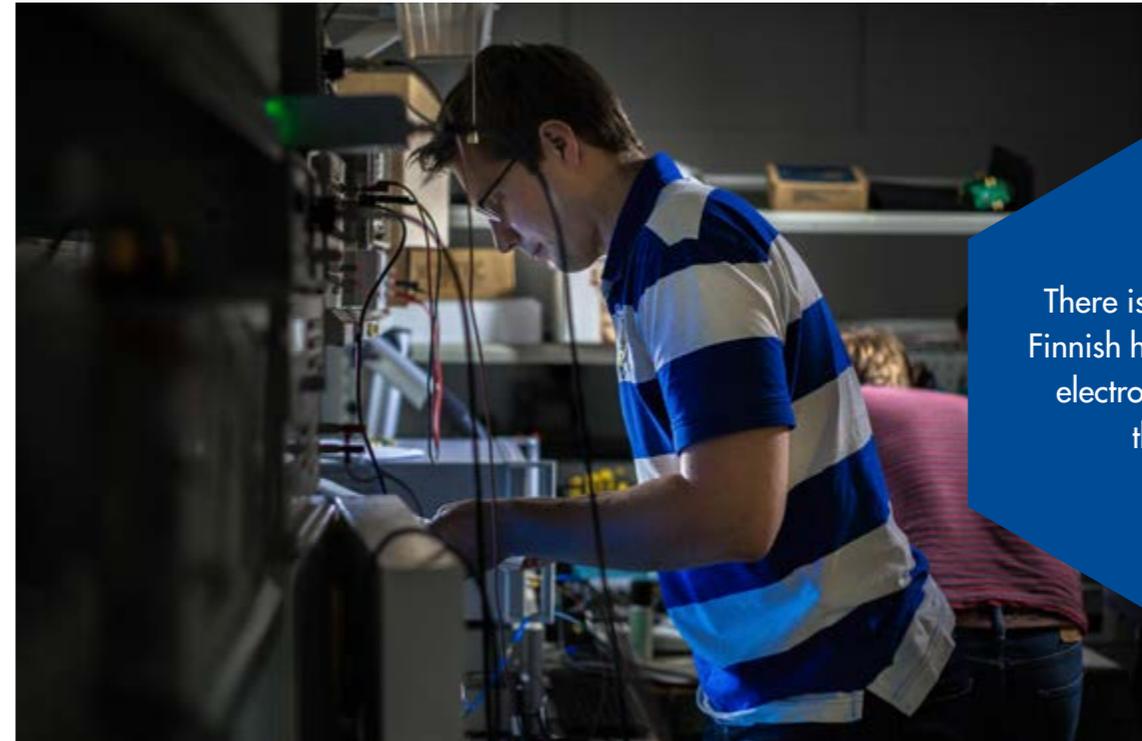
Finland is one of the few concentrations of expertise in the field of radio technology.

In the spring of 2017, a project was initiated to develop RF front end technology for IoT systems with significant funding from Tekes, the Finnish Funding Agency for Innovation. The strategic choice was made based on good growth potential. Many different kinds of radio technologies are in development for IoT. A fierce battle is under way where roughly a dozen radio systems are competing for future markets. In addition to a modem, all radio systems require a transmitter and receiver, a front end and an antenna. CoreHW has top expertise in all of these areas.

THE CHALLENGES OF THE FIELD AND THE NEEDS OF SOCIETY COLLIDE IN THE RECRUITMENT PROCESS

This year, CoreHW implemented a six-month recruitment training process, which involved training RF engineers into RFIC engineers, i.e., microchip engineers. The training was implemented in cooperation with TE Services (Employment and Economic Development Services). As a fortuitous bonus, five professionals who had gone through the Nokia–Microsoft path took part in the training program. An opportunity like this may not present itself again very soon, but the company aims to ensure that social aspects remain part of the recruitment process by continuing close cooperation with institutes of higher education as well as other educational institutes.

The field of radio technology is currently so hot that finding competent employees is difficult even on a global scale. Compared to many others, Finland is a good location for recruitment since Finnish expertise in the field has traditionally been high.



There is interest toward Finnish high-performance electronics all around the world.



Tomi-Pekka Takalo, CEO

Starting out with a strong Board of Directors

From the start, Panostaja and CoreHW felt the need to provide CoreHW Group Oy with a Board of Directors that would help guide the company forward, particularly with regard to productization. Investment Director Miikka Laine and Development Director Minna Telanne were selected from Panostaja, whereas CoreHW is represented by CEO Tomi-Pekka Takalo.

As for external Board members, the most important requirement was for them to have experience and competence in component business and organizational development. As a result, Hannu Tenhunen from the Technology Due Diligence process was selected as the Chairman of the Board. He has extensive experience in large organizations, growth and business development from Nokia, Renesas, Broadcom and NXP, among other companies. Juha Ala-Laurila from Microsoft was appointed as the go-to-market strategy specialist of sales and marketing. The Board will also include Pasi Tikka, who has previously worked at Nokia, Epcos, Murata and Silanna. He has accumulated experience in building component business through numerous projects, which means he specifically knows how to translate technology into business.

Net sales
1.0 M€*

*]2 months

Personnel
45



BOARD OF DIRECTORS

1. Antero (Antti) Virtanen, born 1954

Board member since 2013
M.Sc. (Econ.)
Managing Director of Jesura Oy
Independent of the company and major shareholders

2. Tarja Pääkkönen, born 1962

Board member since 2016
Doctor of Technology, M.Sc. (Tech.)
Partner and Chair of the Board at Boardman Oy, Brand Compass Group
Independent of the company and major shareholders

3. Eero Eriksson born 1963

Board member since 2011
Master of Social Sciences
Deputy Managing Director of Fennia
Independent of the company and major shareholders

4. Mikko Koskenkorva, born 1982

Board member since 2011
Vocational Qualification in Business Information Technology
IT Project Manager of Pajakulma Oy
Independent of the company

5. Jukka Ala-Mello, born 1963

Chairman of the Board since 2011, board member since 2006
M.Sc. (Econ.), APA
Director and Secretary to the Board of Directors of Kone Oy
Independent of the company and major shareholders

6. Hannu Tarkkonen, born 1950

Board member since 2014
Vocational Qualification in Business and Administration
Retired since August 1, 2014. Previous position: Managing Director, Etera Mutual Pension Insurance Company (LEL Työeläkekassa) 2010–2014
Independent of the company and major shareholders



SENIOR MANAGEMENT TEAM

1. Juha Sarsama, born 1965

CEO since 2007
Master of Laws, M.S.M (Boston University Brussels)
Previous work experience: Managing Director of OpusCapita Oy, Administrative Director of Saarioinen Oy, CFO of OpusCapita Oyj
Other positions of trust: Board member of Finland Chamber of Commerce, Board member of Etera Mutual Pension Insurance Company, Chairman of the Board of Fondia Oyj

3. Tapio Tommila, born 1978

Financial and Investment Director and Executive Vice President since 2015
M.Sc. (Econ.), eMBA
Previous work experience: Panostaja Oyj Investment Director, Deloitte Corporate Finance Oy, PricewaterhouseCoopers Oy

2. Miikka Laine, born 1972

Investment Director since 2015
M.Sc. (Econ.), LL.M.
Previous work experience: Shareholder and CFO at Finsweet Holding Oy Group, Investment Director and shareholder at investment company Profita Management Oy, Director of Nokia Oyj's corporate acquisitions unit, various positions in the investment banking sector (FIM, Pohjola)

4. Minna Telanne, born 1964

Development Director since 2013
Licentiate of Administrative Sciences
Previous work experience: Business Director of Leading Partners Oy, HR Director of OpusCapita Oy, Profit Center Manager of MPS Finland Consulting Oy, Development Manager of Suomen Posti Oy

PANOSTAJA AS AN INVESTMENT TARGET

MAJORITY SHAREHOLDER IN THE SME SECTOR

Panostaja provides a unique channel for investing in SME sector companies with high return expectations. We select leading companies in different sectors and acquire a majority shareholding in them. We develop and support their growth in close cooperation with the minority shareholder, executive management. Our aim is for the company's value to have clearly increased once we divest it. This is how we increase shareholder value.



FINANCIAL OBJECTIVES

Panostaja's objective is the constant increase of shareholder and market value so that the overall yield of shares exceeds the average long-term yield of the NASDAQ OMX Helsinki Small Cap Index.

Return on equity is at least **20%** with the internal rate of return (IRR) being more than 22% for each investment target

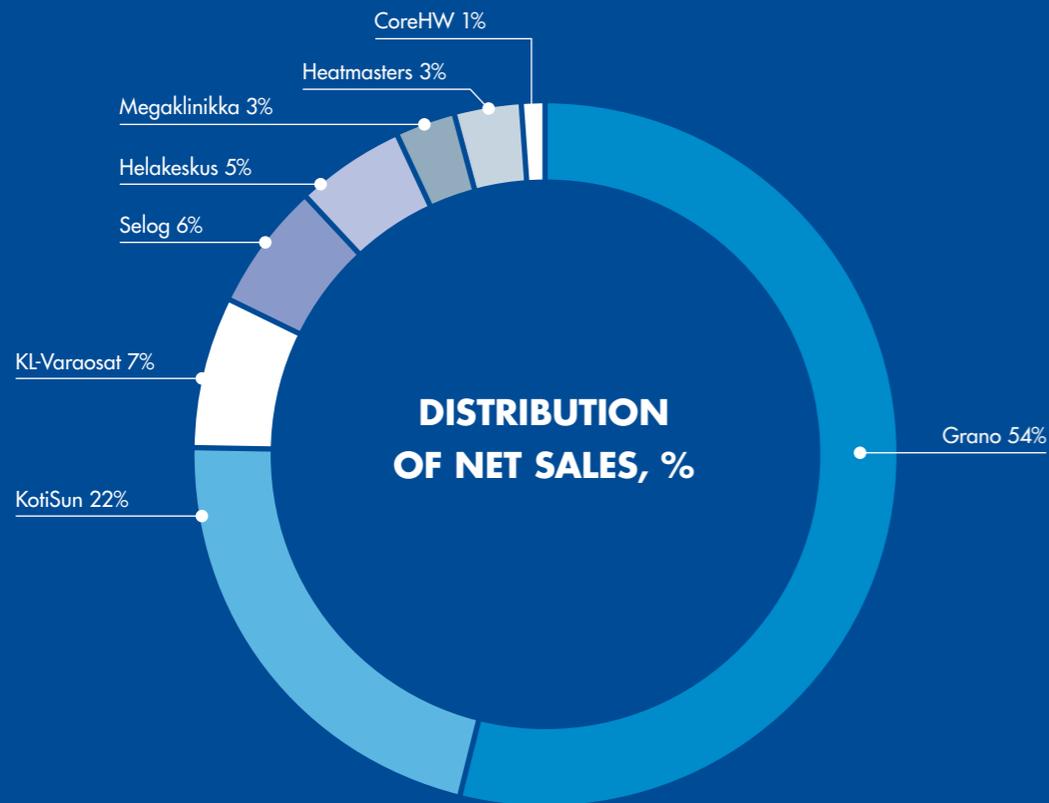
The cumulative earnings per share (EPS) was **€0.80** for the five-year period 2014–2018

Gearing ratio is at least **40%** when subordinated loans are included in equity

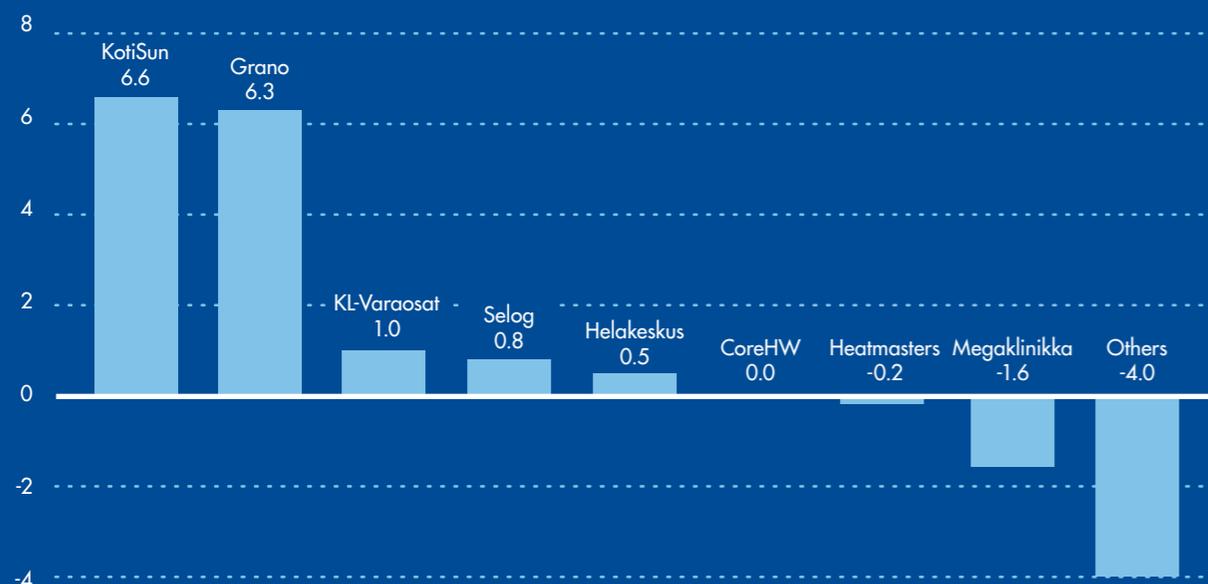
Distribution of profits reflects the development of the Group's result in the long term, and the primary aim is to ensure the continuity of the Group's investment activity, after which it will be possible to distribute at least half of the annual consolidated profit targeted at the parent company shareholders, either as dividends, capital repayments or the repurchase of shares.



panostaja
FINANCIAL
STATEMENTS
2017



DISTRIBUTION OF EBIT, MEUR



Net sales
193.2M€

Profit/loss for the
financial period
6.9 M€

Personnel
1,622

2017 FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD
NOVEMBER 1, 2016–OCTOBER 31, 2017

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Panostaja Group	2017	2016
	November 1, 2016– October 31, 2017	November 1, 2015– October 31, 2016
Net sales, MEUR	193.2	162.3
EBIT, MEUR	9.5	10.1
Profit before taxes, MEUR	7.5	8.3
Profit/loss from continuing operations, MEUR	8.5	6.8
Profit/loss from sold or discontinued operations, MEUR	-1.6	2.4
Profit/loss for the financial period, MEUR	6.9	9.2
Earnings per share, undiluted (EUR)	0.04	0.07
Equity per share (EUR)	0.59	0.77

Annual Report Of Panostaja Oyj's Board of Directors

THE GROUP'S ECONOMIC DEVELOPMENT

Panostaja Group's net sales for the finished review period were MEUR 193.2 (MEUR 162.3). Exports amounted to MEUR 5.0, or 2.6% (MEUR 6.7, or 4.1%), of net sales. The corporate acquisitions made during the previous and current financial period affected the MEUR 30.9 increase in net sales by MEUR 17.4. Of the eight investment targets, seven exceeded the reference period's cumulative net sales level.

EBIT declined and was MEUR 9.5 (MEUR 10.1). The profit/loss for the review period is encumbered by corporate acquisition costs at MEUR 1.0, costs related to the preparation of possible future divestments at MEUR 0.9 and the provision for Grano's employer-employee negotiations at MEUR 0.4. Six investment targets out of eight exceeded the EBIT for the reference period.

Profit/loss from discontinued operations was MEUR -1.6. The consolidated income statement does not include the income statement for operations discontinued in 2016. Instead, the result is entered separately in the consolidated income statement under 'Profit/loss from discontinued operations.'

The Group's net financial expenses for the review period were MEUR -2.3 (MEUR -1.9). The Group's liquidity remained good and operating cash flow was MEUR 15.6 positive.

During the financial year, the Group employed an average of 1,622 (1,337) people. At the end of the financial period, the Group employed 1,810 (1,434) persons.

The net sales of the parent company, Panostaja Oyj, amounted to MEUR 0.0 (MEUR 0.0). The EBIT was MEUR -4.1 (MEUR -2.9). The parent company's loss in the financial period was MEUR -4.2 (profit of MEUR 7.3).

GROUP STRUCTURE

CoreHW

On September 15, 2017, Panostaja Oyj signed an agreement on acquiring the share capital of CoreHW Oy, which designs radio frequency (RF) microchips and antennas for wireless technologies. The company's business is divided into design services, consulting and the development of proprietary and licensed technologies (IP).

After the trade, Panostaja will own 63% of the entity formed through the restructuring. In conjunction with

the arrangement, the company was capitalized in order to enable the current product development plans. The value of the company's entire share capital (100%) is approx. MEUR 5.2.

Takoma

Panostaja's subsidiaries Takoma Oyj and Takoma Gears Oy filed bankruptcy petitions. On March 21, 2017, Pirkanmaa district court declared the companies bankrupt.

Takoma's market situation had significantly weakened from the time of the confirmation of their reorganization program, so the assumptions on profitability and financing that the reorganization program was based on were not realized. As a result of the heavy decline on demand in the offshore and marine industry, Takoma's business had been highly unprofitable, which weakened the solvency and liquidity of the Group. During the review period, Takoma's cash position became critical, and the companies had to file a petition for bankruptcy. After Takoma had been declared bankrupt, Panostaja's control over Takoma ended, and Takoma was categorized as a discontinued operation in accordance with IFRS standards.

PANOSTAJA GROUP'S BUSINESS SEGMENTS

The segmentation of Panostaja Group is based on investments with majority holdings that produce products and services that differ from each other. The investment targets are also monitored as separate business operations. The investments in which Panostaja has majority holdings compose the company's operation segments. In addition to that there is the segment Others, in which associated companies and non-allocated items are reported, including the parent company. Panostaja Group's business segments are Grano, KotiSun, KL-Varaosat, Selog, Helakeskus, Megaklinikka, Heatmasters, CoreHW and Others.

The Group's segment reporting is based on its business segments.

Grano

Grano is Finland's leading content and marketing services company, which helps its customers to realize business-supporting content projects from start to finish, from planning to production, publication, result measures and content management across print and digital channels

that are essential to the customer's target audience. Grano has facilities in more than 20 municipalities throughout Finland, from Oulu to Helsinki. It also operates in Tallinn and St. Petersburg. Jaakko Hirvonen serves as the Group's CEO. At the end of the review period, Panostaja's shareholding in the Group stood at 52.8%.

Grano continued on the path of reformation and growth. The most important themes of the review period were implementing the new Content as a Service strategy and making corporate acquisitions in accordance with the growth strategy. As a result, Grano's net sales increased by 20%, from MEUR 88.2 to MEUR 105.3. The growth is explained by numerous corporate acquisitions implemented during the current and previous financial period. Demand in the segment improved during the review period, but there was significant variation in the development of the services' net sales – the demand for construction services, large prints and electronic services was strong, whereas a decline could be seen in the demand for offset printing and black-and-white digital printing. The segment's EBIT weakened from MEUR 7.8 to MEUR 6.3 partially due to strong investments in the development of digital services and the significant brand recognition campaign implemented over the course of the year. In addition to this, the profit/loss of the review period includes MEUR 0.8 in corporate acquisition costs and MEUR 0.4 in provisions for employer-employee negotiations. In the fall, efforts were made to eliminate the overlaps resulting from the corporate acquisitions through wide-ranging employer-employee negotiations within the company. The impact of the negotiations that ended in October 2017 on human resources is estimated to be approximately 100 person-years. During the review period, the company acquired Oy Fram Ab, Planeetta 10 Oy and its subsidiary Planeetta 10 Consulting Oy, Finpress Oy, Kuopion Neon2 Oy, the business operations of Brand Factory Finland and Lönnberg Painot Oy. The acquired companies have already been merged or will be merged in the coming year with Grano or its subsidiary Grano Diesel. At the end of the financial period, the segment employed 1,122 (789) staff.

KotiSun

KotiSun offers conceptualized service water and heating network renovations and sewer overhauls to consumers as a turnkey service. KotiSun also offers heating energy optimization through the Kotivo application. KotiSun has grown rapidly into the largest and best-known company in the sector in Finland. The Group's Managing Director is

Kalle Lahtinen. At the end of the review period, Panostaja's shareholding in the Group stood at 56.6%.

The market situation of the KotiSun segment remained good throughout the review period. Net sales in the Digital Printing Services segment increased by 33%, from MEUR 31.9 to MEUR 42.5. The majority of the growth was thanks to the geographical expansion of the sewer business. In Finland, new facilities were opened in Kuopio, Seinäjoki, Oulu and Lappeenranta. Alongside the domestic growth, the company expanded its operations to Sweden by opening an office in Dalarna. Previously, the operations have focused mainly on the renovation of detached houses, but now the operations have been expanded to cover other properties as well, from terraced houses to large resorts. As a new service, KotiSun provides its customers with the opportunity to adopt the heating control system Kotivo, which provides energy savings. In the future, the intention is to expand the offering to cover electrical renovations. Despite the significant growth, profitability remained good: EBIT improved from MEUR 5.8 to MEUR 6.6. The profit/loss for the review period is encumbered by the significantly larger number of depreciations due to substantial equipment investments. At the end of the financial period, the segment employed 422 (298) staff.

KL-Varaosat

KL-Varaosat Oy is an importer, wholesale dealer and retailer of original spare parts and supplies for Mercedes Benz, BMW and Volvo cars. It operates in Tampere, Jyväskylä, Rovaniemi, Turku and Vantaa. KL-Varaosat Oy is part of KL Parts Group, in which Panostaja's holding is 75%. KL-Varaosat Oy's Managing Director is Juha Kivinen.

KL-Varaosat's strategic projects to develop the ServicePartner repair shop network and electronic trade proceeded as planned. The ServicePartner repair shop cooperation has developed well. The collaboration, which has now expanded to developing the competence and tools and updating the visual appearances of repair shops, has brought in new customers. Online trade is increasing thanks to the new electronic spare parts list and online store, which were launched early in the year. Efforts to strengthen expansion measures implemented during previous periods were continued during the review period. Net sales in the KL-Varaosat segment increased by 4% from MEUR 13.0 to MEUR 13.5. The market situation in the field remained fairly stable, although the warm winter posed some challenges for sales. EBIT remained at the level of the previous year and was MEUR 1.0 (MEUR 1.0). At the end of the financial period, the segment employed 48 (48) staff.

Selog

Established in 2005, Selog Oy is Finland's largest wholesaler of ceiling materials, serving contractors and installation companies in the field. The range of services also includes calculation, design and logistics. Selog's services cover renovation and restoration projects and new construction sites. The company's offices are in Helsinki, Tampere and Lappeenranta. Selog Oy is part of Selog Group, in which Panostaja's holding is 60%. Selog Oy's Managing Director is Simo Tuokko.

The financial period for the segment proceeded as planned. The focus was on serving current customers better than before and ensuring profit performance. There were some new developments in terms of products as new suppliers were gained particularly for wood strips and metal. Net sales in the segment increased by 5%, from MEUR 10.3 to MEUR 10.8. The economic trends were quite strong in construction during the review period and customers had plenty of work, but the competition for projects remained fierce. EBIT improved from MEUR 0.7 to MEUR 0.8. At the end of the financial period, the segment employed 14 (15) staff.

Helakeskus

Suomen Helakeskus Oy, based in Seinäjoki, is a major wholesale dealer concentrating on furniture fittings. The company imports, markets and sells fittings for the fixture and furniture industry. The company is part of the Suomen Helasto Group. At the end of the financial year, Panostaja's shareholding in the Suomen Helasto Group is 100.0%. S. Martti Niemi will take over as the new CEO of the Group on December 15, 2017, at the latest. The current CEO Hannu Rantanen will continue in his position until the arrival of his successor, after which he will leave the employment of Panostaja Group.

Net sales in the Helakeskus segment decreased during the review period from MEUR 9.8 to MEUR 8.9. The drop in net sales is primarily due to the divestment of the construction fittings business, with the company selling the shares of Rakennushelasto Oy to the acting management in 2016. The market situation in the segment has perked up, but particularly the domestic furniture industry has been in significant decline for quite some time. EBIT for the review period increased to MEUR 0.5 from MEUR 0.3 in the reference period. Profitability was encumbered by personnel changes and the increased prices of metal raw materials. The profit/loss for the review period includes a valuation loss of MEUR 0.3 recorded for the divestment of Rakennushelasto. At the end of the financial period, the segment employed 23 (24) staff.

Megaklinikka

Megaklinikka is a dental clinic offering a completely new kind of service concept. Its operations are based on a customer-centered approach in which the customer is offered all dental care services in one visit, with top quality and without having to wait in line. The company also offers its ERP system as a licensed service to public and private health care providers. The CEO of the company is Petri Katajamäki. At the end of the financial year, Panostaja owns 79.8% of the segment.

Megaklinikka's net sales for the review period were MEUR 6.0 (MEUR 4.7). Growth was generated by the Stockholm clinic and the strong license sales. The situation on the Finnish basic health care market has continued to be challenging and customer visits in the private sector have continued to decline from the previous year. During the review period, the company's licensing business expanded as planned and the company concluded three new licensing agreements with public sector operators. The operations of the Stockholm clinic were initiated in September 2016 as planned. In May 2017, Megaklinikka entered into a significant strategic partnership agreement with the Swedish Aqua Dental, which involved Aqua Dental acquiring Megaklinikka's Stockholm clinic. Aqua Dental will continue managing the clinic's operations with Megaklinikka's ERP system as the company's first licensing customer in the private sector. The partnership with Aqua Dental also entails the goal of opening new clinics that use the Megaklinikka ERP system in Sweden in the coming years. The segment's EBIT in the review period was MEUR -1.6 (MEUR -1.5). The profit/loss for the first half of the review period is heavily encumbered by the costs of initiating the Stockholm clinic's operations. At the end of the review period, the segment employed 84 (119) persons.

Heatmasters

Heatmasters Group offers heat treatment services for metals in Finland and internationally, as well as produces, develops and markets heat treatment technology. Heatmasters Group includes two companies engaging in business operations in Finland – Heatmasters Lämpökäsittely Finland Oy and Heatmasters Technology Oy – operating in Lahti and Kouvola. The Group also has subsidiaries in Poland, Sweden and the United States. Panostaja's shareholding in the segment is 80.0%. Heatmasters Group Oy's Managing Director is Ilkka Mujunen.

Net sales in the Heatmasters segment increased during the review period from MEUR 4.5 to MEUR 5.3. Heatmas-

ters was involved in major renovation and modernization projects of Finnish process facilities. This, and the timing of two significant furnace deliveries in the last quarter, improved net sales and profitability for the review period. EBIT improved with strengthening sales from MEUR -1.0 to MEUR -0.2. The costs of the operations in Sweden and the United States encumbered the EBIT. As a result, a decision was made to close the facility in Houston, since the result development did not match expectations. The sale of equipment to the United States will continue as normal even with no actual office in the country. Heatmasters released a new portable multi-purpose heating device at the Schweissen & Schneiden trade fair held in Germany in September 2017. At the end of the financial period, the segment employed 43 (49) staff.

CoreHW

CoreHW is a new segment which was born in September 2017 when Panostaja acquired a majority shareholding in CoreHW Oy, a company designing radio frequency (RF) microchips and antennae for wireless technology. Established in 2013, CoreHW is a company that provides high-added value design services in the RF IC sector, developing RF microchips and antenna technology and offering related consulting services. The company's business is divided into design services, consulting and the development of proprietary and licensed technologies (IP). The CEO of the company is Tomi-Pekka Takalo. Panostaja's shareholding in the segment is 63.0%.

The company was incorporated into the Panostaja Group as of September 1, 2017, which is why no reference information is available. The company's reported net sales in the financial period were MEUR 1.0 and EBIT stood at MEUR 0.0. The segment's net sales are encumbered by the costs of the corporate acquisition, MEUR 0.2. At the end of the review period, the segment employed 45 persons.

Others

There were no significant changes in the net sales of the Others segment. In the review period, three associated companies, Ecosir Group Oy, Spectra Yhtiöt Oy and Juuri Partners Oy, issued reports to the parent company. The profit/loss of the reported associated companies in the review period was MEUR 0.3 (MEUR 0.1), which is presented on a separate row in the consolidated income statement.

FINANCE

Operating cash flow improved and stood at MEUR 15.6 (MEUR 9.6). Liquidity remained good. The Group's liquid

assets were MEUR 19.5 (MEUR 26.6) and interest-bearing net liabilities MEUR 88.5 (MEUR 50.1). The gearing ratio increased and stood at 137.5% (70.4%). The increase in gearing ratio was also influenced by the increased amount of loans as a result of Grano's significant corporate acquisitions and the repayment of Panostaja's hybrid loan in May 2017. The Group's net financial expenses for the review period were MEUR -2.3 (MEUR -1.9), or 1.2% (1.2%) of net sales.

MEUR 7.7 of Panostaja's corporate acquisition limit of MEUR 10 remains to be withdrawn. The corporate acquisition limit can be used to withdraw two-year loans to fund acquisitions made by Panostaja.

The Group's equity ratio at the end of the review period was 28.8% (38.1%). Return on equity was 10.1% (13.1%). Return on investment fell to 5.9% (9.4%).

INVESTMENTS AND DEVELOPMENT EXPENSES

The Group's gross capital expenditure for the review period was MEUR 39.0 (MEUR 10.9), or 20.2% (6.7%) of net sales. Investments were mainly targeted at tangible and intangible assets and corporate acquisitions.

During the financial period, MEUR 0.1 (MEUR 0.1) of development expenses were activated.

RELATED PARTY LOANS AND LIABILITIES

At the time of closing the books, loans to a company belonging to a related party stood at MEUR 0.3. Interest on the loans is 6%.

The company has a MEUR 0.2 subordinated loan receivable from an associated company, the full amount of which will fall due during the 2018 financial period. Interest on the loans is 5%.

The totals and the main loan conditions of the loans issued to management are presented in Note 35 to the financial statements.

RISKS

The Group takes controlled risks to utilize opportunities for business operations in an optimal manner. The Group's conventional business risks concern the market and competitive situations of the investment targets, customer and supplier risks, corporate acquisitions and the risks involved in related financing.

The eight investment targets in which Panostaja has a majority shareholding operate in different fields. The aim is to ensure that the Group's financial performance is not substantially dependent on the development and results of a single investment target but, depending on the market

conditions and as a business area grows, its significance for the Group is emphasized, which may mean that the risk is substantial. The Group's financial performance and development are not normally dependent on a single customer, but losing one or more important customers may have financial consequences for the results and development of a single investment target.

The general trend development and especially the development of the Finnish economy may have a significant effect on the Group's financial performance and development. The Group's results and development are also affected by the seasonal nature of the business. The seasonal variations of the business operations have the effect that ordinarily the first half of the year is weaker than the second. The continuous changes in competition, such as price competition and new rivals for an individual investment target, may affect the Group's financial performance and development, although the Group and its investment targets work continuously to develop their activities to meet the competitive situation. The risks involved in the price and availability of the raw materials that the different investment targets use in their operations may also significantly influence the financial performance and development of a single investment target, but will normally not affect the whole Group's development and results in any substantial way.

Exchange rate, interest, financial and credit loss risks have normally no significant effect on the Group's financial performance and development, but they may have a substantial influence on the financial performance and development of a single investment target. The Group and its various investment targets strive significantly to hedge against these risks in different ways, but it is not always possible.

The risks connected to the Group's staff may influence the Group's and its investment targets' development and financial performance if the Group is unsuccessful in the recruitment of key persons and other employees or in committing them to the Group.

If unsuccessfully managed, risks concerning the environment may affect the development and financial performance of the Group and its investment targets. The Group complies with the legislation concerning environmental issues and takes the responsibilities they bring into account especially carefully and in all its operations strives to observe the principles of sustainable development. The Group has no knowledge of any significant risks concerning environmental issues.

The Group has extensive insurance coverage that covers material damage in accordance with the insurance terms and conditions. The insurance level of property risks is monitored regularly. If unsuccessful in managing them, risks concerning guarantees, suspension, product liability and repair may affect the development and financial performance of the Group and its investment targets. All Group companies endeavor to minimize these risks by investing in the management of the supply chain, the quality of their own activities, product development and the regular assessment of risks. If possible, such risks are covered by insurance protection.

If unsuccessfully managed, risks concerning the corporate acquisitions may affect the development and financial performance of the Group and its investment targets. The Group also aims to grow through corporate acquisitions. The goodwill associated with corporate acquisitions entered in the consolidated balance sheet amounts to approximately MEUR 94.7. Goodwill is not written off annually on a regular basis but, instead of depreciations, an impairment test is performed at least annually, or when there are indications of amortization. Values are normally checked during the second half of the year in connection with the budgeting process. Such a change might make goodwill write-downs necessary.

Official regulations may affect the development and financial performance of the Group and its investment targets. Amendments to regulations are followed carefully within the Group and the different investment targets, and efforts are made to react to them in advance if possible.

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on January 31, 2017 in Tampere. The number of Board members was confirmed at six (6), and Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen, Hannu Tarkkonen and Antero (Antti) Virtanen were re-elected to the Board for the term ending at the end of the next Annual General Meeting.

Auditing service network PricewaterhouseCoopers Oy and Authorized Public Accountant Markku Launis were elected as auditors for the period ending at the end of the next Annual General Meeting. Auditing service network 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, 2015–October 31, 2016

and resolved that the shareholders be paid EUR 0.04 per share as dividends.

The Meeting also resolved that the Board of Directors 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 ending at the end of the next Annual General Meeting, and that the other members of the Board each be paid compensation of EUR 20,000. 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 (1) percent 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. It was further resolved that the travel expenses of the Board members will be paid on the maximum amount specified in the valid grounds of payment of travel expenses ordained by the Finnish Tax Administration.

The Board was authorized to decide on the acquisition of the company's shares in one or more instalments so that the number of the company's own shares acquired may not exceed 5,200,000 in total, which corresponds to about 9.9% 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 while not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting of February 2,

2016 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization remains valid until July 31, 2018. The Board of Directors has not used the authorization granted by the Annual General Meeting to acquire the company's own shares during the review period.

It was resolved at the General Meeting in accordance with Chapter 4 Section 10 Clause 2 of the Companies Act that the right to the so-called ownerless shares on the common book-entry account, which belong to the book-entry system, are lost in a way defined in Chapter 4 Section 10 Clause 2 in the Companies Act. The General Meeting authorized the Board to take all measures required by this decision. After the decision, the company's own regulations concerning the company's own shares held by the company will be applied to the shares that were on the common book-entry account. Before the decision, there were 188,950 shares in total in the common book-entry account. Thus after the decision, as these shares have become the company's own shares held by the company, the total amount of the company's own shares held by the company is 512,706.

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.

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.

The total number of shares held by the company at the end of the review period was 470,512 (at the beginning of the financial period 355,183). The number of the company's own shares corresponded to 0.9% of the number of shares and votes at the end of the entire review period.

In accordance with the decisions by the General Meeting and the Board on February 2, 2016, Panostaja Oy relinquished a total of 18,240 individual shares as share bonuses to the company management on December 12, 2016. On December 12, 2016, the company relinquished to the Board members a total of 13,187 shares as meeting compensation. In accordance with the decisions by the General Meeting on January 31, 2017 and by the Board, Panostaja Oyj relinquished a total of 13,954 individual shares as meeting compensation to the members of the Board on March 2, 2017, a total of 14,286 shares on June 2, 2017, and a total of 13,954 shares on September 8, 2017.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.82 (lowest quotation) and EUR 0.98 (highest quotation) during the financial period. During the review period, a total of 7,863,788 shares were exchanged, which amounts to 15.1% of the share capital. The October 2017 share closing rate was EUR 0.91. The market value of the company's share capital at the end of October 2017 was MEUR 47.5 (MEUR 48.3). At the end of October 2017, the company had 4,095 shareholders (3,708).

EQUITY HYBRID LOAN

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. Equity hybrid loan was repaid on May 29, 2017.

BOARD'S PROPOSAL TO THE GENERAL MEETING

The company's 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.

The Board also proposes that the General Meeting authorize the Board of Directors 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 shall total no more than EUR 4,700,000. It is proposed that the authorization include the right of the Board to decide on all other terms and conditions relating to said asset distribution. It is also proposed that the authorization remain valid until the start of the next Annual General Meeting.

Panostaja Oyj's Annual General Meeting will be held on February 2, 2018 in Tampere.

EVENTS AFTER THE REVIEW PERIOD

Conditional assets

In 2014, the Tax Administration issued a decision stating that Panostaja Oyj is not entitled to VAT deductions. Based on the aforementioned decision, Panostaja Oyj refrained from deducting a total of approx. MEUR 1.3 in value-added tax included in acquisitions during the financial periods between November 1, 2014 and October 31, 2017. Panostaja Oyj appealed the Tax Administration's decision to the Administrative Court, where the Tax Administration's decision was overturned. The Supreme Administrative Court did not grant the Tax Administration a right of appeal in the decision issued in November 2017. As a result of this decision, the Tax Administration will refund the value-added taxes that were not deducted, including interest, and Panostaja Oyj will record approx. MEUR 1.3 of earnings for the first quarter of the 2018 financial period. Panostaja Oyj will also correct the income taxation for the company's previous tax years by adding the deducted value-added taxes to the taxable business income.

The CEO change of Suomen Helakeskus Oy

On November 24, 2017, Panostaja announced that S. Martti Niemi (M. Sc. (Econ.), born 1961) had been invited to become the Chief Executive Officer of Suomen Helakeskus Oy. Niemi will assume his duties as CEO no later than December 15, 2017. Suomen Helakeskus Oy's current CEO Hannu Rantanen will continue in his position until the arrival of his new counterpart, after which he will leave the employment of Panostaja Group.

PROSPECTS FOR THE NEXT FINANCIAL YEAR

The corporate acquisitions market has been active in the financial period, and the availability of new opportunities has been high. The need to exploit ownership arrangements and growth opportunities in SMEs will continue, and as our own activity complements the supply of possible acquisitions from outside, there are plenty of possibilities for corporate acquisitions on the market. Panostaja aims to implement its growth strategy by means

of controlled acquisitions in current investments, and new potential investments are also being actively studied. Divestment possibilities are actively evaluated as well, on a somewhat larger scale than before, as a part of the owner strategies of the investments.

The demand situation for different investments is thought to develop in the short term as follows:

- The demand for KotiSun, Selog, Helakeskus and CoreHW remains good
- The demand for Grano, KL-Varaosat and Heatmaster will remain satisfactory
- Demand for Megaklinikka will remain weak

Key Figures

GROUP KEY FIGURES

	2017	2016	2015
Net sales, MEUR	193.2	162.3	148.2
EBIT, MEUR	9.5	10.1	7.3
% of net sales	4.9	5.2	4.9
Profit for the financial period, MEUR	6.9	9.2	13.5
Return on equity (ROE), %	10.1	13.1	23
Return on investment (ROI), %	5.9	9.4	12.4
Equity ratio, %	28.8	38.1	37.5
Gearing, %	1) 137.5	70.4	65.2
Current ratio	1.2	1.4	1.3
Gross capital expenditure, MEUR	39.0	10.9	54.9
% of net sales	20.2	6.7	37.0
Avg. no. of Group employees	1,622	1,337	1,176
Earnings per share (EPS) (€), undiluted	0.04	0.07	0.14
Earnings per share (EPS) (€), diluted	0.04	0.07	0.14
Equity per share (€)	0.59	0.77	0.74
Dividend per share (€)	2) 0.04	0.04	0.05
Dividend/Earnings % undiluted	114.3	58.0	35.4
Dividend/Earnings % diluted	114.3	58.0	36.2
Effective dividend income %	4.4	4.3	5.8
Average number of outstanding shares in the financial period (1,000)	52,082	51,736	51,373
Number of shares at the end of the financial period (1,000)	52,533	52,533	51,733
Weighted average of the number of issue-adjusted shares during the financial period, (1,000)	52,082	51,736	58,191
Closing price for the share in the financial period, €	0.91	0.92	0.86
Lowest share price, €	0.82	0.81	0.77
Highest share price, €	0.98	1.04	0.94
Average share price in the financial period, €	0.88	0.89	0.85
Market value of stock, MEUR	47.5	48.3	44.5
Shares exchanged, 1,000	7,864	5,959	6,508
Shares exchanged, %	15.1	11.5	12.7

1) Liabilities include the equity convertible subordinated loan

2) Board of Directors' proposal

Key figures provide a brief overview of the business development and financial position of a company as well as profit distribution.

The key figures for the 2015 financial period have not been changed due to divestment or discontinuation of businesses during the past financial period.

FORMULAE FOR CALCULATING KEY FIGURES

Return on investment (ROI) %	=	$\frac{\text{Profit/loss after financial items} + \text{financial costs} + \text{profit/loss on discontinued operations} \times 100}{\text{Balance sheet total} - \text{non-interest bearing liabilities (average in the financial period)}}$
Return on equity (ROE) %	=	$\frac{\text{Profit for the financial period} \times 100}{\text{Equity (average in the financial period)}}$
Equity ratio, %	=	$\frac{\text{Equity} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Interest-bearing net liabilities	=	Interest-bearing liabilities – Interest-bearing receivables – financial assets
Gearing, %	=	$\frac{\text{Interest-bearing net liabilities}}{\text{Equity}}$
Equity per share	=	$\frac{\text{Equity attributable to parent company shareholders}}{\text{Adjusted number of shares on the balance sheet date}}$
Earnings per share (EPS)	=	$\frac{\text{Result for the financial period attributable to parent company shareholders}}{\text{Adjusted number of shares on average during the financial period}}$
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Dividend per share	=	$\frac{\text{Dividend distributed in the financial period}}{\text{Adjusted number of shares on the balance sheet date}}$
Dividend / Earnings %	=	$\frac{\text{Dividend} / \text{share} \times 100}{\text{Earnings per share (EPS)}}$
Effective dividend income, %	=	$\frac{\text{Dividend per share}}{\text{Share price on the balance sheet date}}$

Reconciliation of key figures – interest-bearing liabilities and interest-bearing net liabilities

MEUR

MEUR	2017	2016
Liabilities total	159,7	116,1
Non-interest-bearing liabilities	48,1	35,2
Interest-bearing liabilities	111,6	80,9
Trade and other receivables	38,4	30,0
Non-interest-bearing receivables	34,9	25,7
Interest-bearing receivables	3,5	4,3
Interest-bearing liabilities	111,6	80,9
Interest-bearing receivables	3,5	4,3
Cash and cash equivalents	19,5	26,6
Interest-bearing net liabilities	88,6	50,1

CONSOLIDATED INCOME STATEMENT, IFRS

EUR 1,000	Note	November 1, 2016– October 31, 2017	November 1, 2015– October 31, 2016
Net sales		193,173	162,277
Other operating income	9	1,597	1,370
Materials and services		67,822	58,916
Staff expenses	11	73,404	61,006
Depreciations, amortizations and impairment	12	9,969	6,722
Other operating expenses	13	34,073	26,869
EBIT		9,502	10,135
Financial income	14	332	311
Financial expenses	15	-2,582	-2,243
Share of associated company profits	10	278	107
Profit before taxes		7,530	8,309
Income taxes		969	-1,498
Profit/loss from continuing operations		8,499	6,811
Profit/loss from sold and discontinued operations	7	-1,646	2,410
Profit/loss for the financial period		6,853	9,221
Attributable to			
Shareholders of the parent company		2,136	4,154
Minority shareholders		4,717	5,067
Earnings per share calculated from the profit belonging to the shareholders of the parent company:			
Earnings per share from continuing operations €	17		
Undiluted		0,066	0,035
Diluted		0,066	0,035
Earnings per share from sold and discontinued operations	17		
Undiluted		-0,031	0,034
Diluted		-0,031	0,034
Earnings per share on continuing and discontinued operations	17		
operations		0,035	0,069
Undiluted		0,035	0,069
Extensive consolidated income statement			
Result for the period		6,853	9,221
Items of the extensive income statement			
Translation differences		-20	41
Extensive income for the period		6,833	9,262
Attributable to			
Shareholders of the parent company		2,117	4,195
Minority shareholders		4,717	5,067

The notes constitute an integral part of the financial statements

CONSOLIDATED BALANCE SHEET, IFRS

EUR 1,000	Note	October 31, 2017	October 31, 2016
ASSETS			
Non-current assets			
Goodwill	18	94,714	78,406
Other intangible assets	18	13,485	9,673
Property, plant and equipment	19	23,234	13,308
Interests in associated companies	20	4,037	3,759
Other non-current assets	21	6,772	7,538
Deferred tax assets	23	11,328	6,974
Non-current assets total		153,571	119,659
Current assets			
Stocks	24	12,698	11,043
Trade and other receivables	25	37,257	29,671
Tax assets based on taxable income for the period	25	1,160	333
Cash and cash equivalents	26	19,466	26,573
Current assets total		70,582	67,620
Assets in total		224,154	187,279
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders			
Share capital	27	5,569	5,569
Share premium account	27	4,646	4,646
Other funds	27	0	7,390
Invested unrestricted equity fund	27	13,325	13,260
Translation difference		-157	-124
Retained earnings		7,546	9,277
Total		30,929	40,017
Minority shareholders' interest		33,522	31,128
Equity total		64,451	71,145
Non-current liabilities			
Deferred tax liabilities	23	4,621	2,611
Financial liabilities	28	94,034	65,772
Non-current liabilities total		98,656	68,385
Current liabilities			
Current financial liabilities	28	19,119	17,280
Tax liabilities based on taxable income for the period		328	367
Trade payables and other liabilities	29	41,600	29,906
Provisions	30	0	197
Current liabilities total		61,047	47,750
Liabilities total		159,703	116,135
Equity and liabilities in total		224,154	187,279

The notes constitute an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	Note	2017	2016
Business operations			
Profit/loss for the financial period before the minority share		6,853	9,221
Adjustments:			
Depreciations	12	9,969	7,371
Financial income and expenses	14,15	2,250	2,112
Share of associated company profits	10	-278	-107
Taxes	16	-969	1,486
Sales profits and losses from property, plant and equipment	9,13	-102	-5,459
Other earnings and expenses with no payment attached		2,022	671
Operating cash flow before change in working capital		19,746	15,295
Change in working capital			
Change in non-interest-bearing receivables		-5,575	-1,024
Change in non-interest-bearing liabilities		8,570	3,297
Change in stocks		-1,288	986
Change in working capital		1,707	3,259
Operating cash flow before financial items and taxes		21,452	18,555
Financial items and taxes:			
Interest paid		-2,432	-3,756
Interest received		70	305
Taxes paid		-3,465	-5,456
Financial items and taxes		-5,827	-8,908
Operating net cash flow		15,626	9,647
Investments			
Investments in intangible and tangible assets		-10,823	-9,606
Sales of intangible and tangible assets		739	872
Acquisition of subsidiaries with time-of-acquisition liquid assets deducted	6	-28,137	-1,285
Sale of subsidiaries with time-of-sale liquid assets deducted	7	2,351	5,029
Acquisition of associated companies		0	0
Financial assets acquired and sold entered at fair value through profit and loss		0	6,606
Capital gains from sales of other shares		14	11
Loans receivable and repayments granted		341	-331
Investment net cash flow		-35,516	1,296
Finance			
Share issue		3,090	325
Hybrid loan		-7,500	0
Loans drawn		39,987	31,550
Loans repaid		-16,259	-31,323
Disposal of own shares		61	658
Dividends paid		-6,595	-9,580
Finance net cash flow		12,785	-8,370
Change in liquid assets		-7,105	2,572
Liquid assets at the beginning of the period		26,573	24,001
Effect of exchange rates		-2	0
Liquid assets at the end of the period		19,466	26,573

The notes constitute an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	Note	Equity attributable to parent company shareholders							Minority shareholders' interest	Equity total
		Share capital	Share premium account	Invested unrestricted equity fund	Other funds	Translation differences	Retained earnings	Total		
Equity as of November 1, 2015		5,569	4,646	12,602	7,390	-124	7,816	37,899	32,001	69,900
Extensive income										
Profit/loss for the financial period							4,154	4,154	5,067	9,221
Translation differences							41	41		41
Extensive income for the financial period total		0	0	0	0	0	4,195	4,195	5,067	9,262
Transactions with shareholders										
Dividend distribution	27						-2,562	-2,562	-7,053	-9,615
Repayment of capital	27			581				581		581
Share issue								0		0
Interest on equity convertible loan							-731	-731		-731
Acquisition of the company's own shares								0		0
Disposal of own shares	27,35			77				77		77
Options as shares and payments								0		0
Stock options issued							158	158	92	250
Reward scheme	35						15	15		15
Transactions with shareholders, total		0	0	658	0	0	-3,120	-2,462	-6,961	-9,423
Changes to subsidiary holdings										
Share of minority shareholders resulted from the acquisition of subsidiaries										
Sales of shares in subsidiaries without change in controlling interest										
							550	550	1,417	1,967
Changes in shares of subsidiaries owned resulting in loss of controlling interest										
								0	-65	-65
Acquisitions of minority shareholdings	8						-164	-164	-332	-496
Error correction							-176	-176		-176
Adjusted equity as of October 31, 2016		5,569	4,646	13,260	7,390	-124	9,277	40,018	31,127	71,145
Equity as of November 1, 2016		5,569	4,646	13,260	7,390	-124	9,277	40,018	31,127	71,145
Extensive income										
Profit/loss for the financial period							2,136	2,136	4,717	6,853
Other extensive income items (adjusted with tax effect)								0		0
Cash flow hedging								0		0
Held-for-sale investments								0		0
Translation differences							-33	13	-20	-20
Extensive income for the financial period total		0	0	0	0	0	-33	2,149	2,116	6,833

Transactions with shareholders										
Dividend distribution	27					-2,081	-2,081	-4,188	-6,269	
Repayment of capital	27						0	-558	-558	
Share issue							0		0	
Interest on equity convertible loan						-841	-841		-841	
Acquisition of the company's own shares							0		0	
Disposal of own shares	27,33		65				65		65	
Options as shares and payments							0		0	
Stock options issued							0		0	
Other changes						-7,390	179	-7,211	-7,211	
Reward scheme	35						15	15	15	
Transactions with shareholders, total		0	0	65	-7,390	0	-2,728	-10,053	-4,746	-14,799
Disbursement of equity convertible loan	28						0		0	
Changes to subsidiary holdings										
Share of minority shareholders created from subsidiary acquisition	8							1,399	1,399	
Sales of shares in subsidiaries without change in controlling interest						416	416	1,835	2,251	
Changes in shares of subsidiaries owned resulting in loss of controlling interest								0	602	602
Acquisitions of minority shareholdings	8						-1,569	-1,569	-1,412	-2,981
Equity as of October 31, 2017		5,569	4,646	13,325	0	-157	7,545	30,929	33,522	64,451

Notes to the Consolidated Financial Statements

1. Basic Information About the Company

The parent company, Panostaja Oyj, invests in Finnish SMEs primarily by purchasing majority shareholdings in them. Panostaja Oyj, together with its subsidiaries, (hereinafter referred to as "Panostaja" or "the Group") form a group whose primary market area is Finland. At the time of closing the books, Panostaja has a majority holding in eight investment targets.

Panostaja Oyj is a Finnish public corporation operating under the legislation of the Finnish state. The company's shares have been quoted publicly since 1989. The shares are quoted on the Nasdaq Helsinki stock exchange. The company's registered office is in Tampere and the address of its head office is Kalevantie 2, 33100 Tampere. A copy of its consolidated financial statements is available at this address. At its meeting of December 13, 2017, Panostaja Oyj's Board of Directors approved these consolidated financial statements for publishing. Under the Finnish Companies Act, the shareholders may approve or reject the financial statements at the Annual General Meeting held after its publication on February 1, 2018. The AGM also has the opportunity to decide on implementing changes to the financial statements.

2. Accounting Principles for the Financial Statements

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards, as well as the SIC and IFRIC interpretations, valid as of October 31, 2017, have been complied with. The International Financial Reporting Standards refer to the standards approved for application in the EU and the interpretations given on them in the Finnish Accounting Act and the provisions based on it in accordance with the procedure enacted in EU Regulation No 1606/2002. The notes to the consolidated financial statements also comply with the requirements of the Finnish legislation on accounting and corporations which complement the IFRSs.

The consolidated financial statements have been prepared based on the original acquisition costs, with the

exception of the financial assets and liabilities recorded at fair value through profit and loss. Compiling financial statements in accordance with the IFRSs requires the Group's management to prepare certain estimates and to use discretion in applying the accounting principles. The data about such discretion the management have used in applying the Group's accounting principles for the preparation of the financial statements, and which most affect the consolidated financial statements, are presented in Accounting Principles under the section "Accounting principles requiring the management's judgement and the principal uncertainties of estimates."

CONSOLIDATION PRINCIPLES

Subsidiaries

The consolidated financial statements include the parent company Panostaja Oyj and all its subsidiaries.

Subsidiaries are companies in which the Group has a controlling interest. This controlling interest arises when the Group owns more than half of the voting power, or it otherwise has a controlling interest. The existence of potential voting power has also been taken into consideration in estimating the conditions for the emergence of a controlling interest, when the instruments warranting potential voting power are realizable at the time of observation. Controlling interest refers to the right to dictate the principles of the company's finances and business activities to gain benefits from its operations.

The Group's inter-group shareholding has been eliminated by the acquisition method. The consideration given and the acquired company's separately identifiable assets and equity and liabilities have been valued at fair value at the time of purchase. The expenses connected to the acquisition, apart from the costs incurred by the issuance of liability or equity securities, are recognized as expenditure. The consideration given does not include business operations which are processed as separate from the acquisition. The effect thereof has been observed in connection with the acquisition through profit and loss. Any conditional additional purchase price is valued at fair value at the time of purchase and is classified either as a liability or equity. An additional purchase price that is categorized as a liability is valued at fair value on the closing date of each reporting period, and the profit or loss arising from this is recognized through profit and loss or in other items of

extensive income. An additional purchase price that has been classified as equity will not be revalued.

Subsidiaries acquired are integrated in the consolidated financial statements from the moment when the Group has gained a controlling interest, and disposed subsidiaries until such time when the controlling interest ends. All of the Group's intracompany transactions, receivables, liabilities and unrealized gains as well as its internal profit distribution are eliminated when preparing the consolidated financial statements. Unrealized losses are not eliminated if the loss results from amortization. The distribution of the financial year profit or loss to the owners of the parent company and minority shareholders is presented in a separate income statement, and the distribution of extensive income to the owners of the parent company and minority shareholders is presented in connection with the extensive income statement. Any minority shareholders' interest in the procured item is valued either at fair value or to the amount that corresponds to the proportion of minority shareholders' interest in the separately identifiable net assets of the procured item. The valuation principle is determined separately for each corporate acquisition. Extensive income is allocated to the owners of the parent company and minority shareholders, even if this results in the minority shareholders' interest being negative. The proportion of equity belonging to minority shareholders is presented in the balance sheet as a separate item as part of equity. The changes to the parent company's holding in a subsidiary which do not result in the loss of the controlling interest are treated as business operations concerning equity.

When an acquisition takes place in stages, any previous holding is valued at fair value, and the profit or loss arising from this is recognized through profit and loss. When the Group loses its controlling interest in a subsidiary, the remaining investment is valued at the fair value on the date of the loss of the controlling interest, and the difference arising from this is recognized through profit and loss.

Associated companies

Associated companies are enterprises in which the Group has substantial authority. Substantial authority is created when the Group owns more than 20% of the company's voting power, or when the Group has considerable influence in some other manner without having a controlling interest. Associated companies are integrated in the consolidated financial statements using the equity method. If the Group's share of the associated company's loss exceeds the book value of the investment, the investment is recognized in the balance sheet at zero value and losses exceeding

the book value are not combined, unless the Group has committed itself to fulfilling the associated company's obligations.

Unrealized profits between the Group and an associate have been eliminated following the holding the Group has. An investment in an associated company includes the goodwill arising from the acquisition. In the Group's income statement, the result corresponding to the Group's holding is presented in row Share of associated company profits.

SEGMENT REPORTING

The Group's segment reporting is based on its business segments. Reports on these business segments are prepared in a manner in line with the internal reporting submitted to the highest operational decision-maker. Panostaja's Senior Management Team has been defined as the highest operational decision-making body, which is responsible for allocating resources to segments and assessing their results.

AMOUNTS IN FOREIGN CURRENCY

The consolidated financial statements are prepared in Euros, which is the functional and presentation currency of the Group's parent company. Foreign currency transactions are recorded in the functional currency using the rate of exchange prevailing on the date of transaction. At each balance sheet date, monetary receivables and liabilities are translated using the rate on the closing date. The exchange differences arising from such translations are recorded in the income statement. The foreign exchange gains and losses of operations are included in the comparable items above operating profit. Non-monetary items are translated using the rate of the transaction date.

Income statements of foreign Group companies have been translated into euros at the average exchange rate for the period, while balance sheets have been translated using the closing rates of the balance sheet date. The translation of the profit for the financial year using different currencies in the income statement, the extensive income statement and equity causes a translation difference that is recognized in the other items of the extensive income statement, and it is included in equity in the item 'Translation differences'. The translation differences arising from the elimination of the acquisition costs of foreign subsidiaries and from the translation of equity items accrued after the acquisition are recorded in the items of the extensive income statement. When a foreign unit is sold in part or in full, the translation differences accumulated in equity are recognized through profit and loss as an adjustment of classification as part of sales profit or loss.

NET SALES AND RECOGNITION PRINCIPLES

Net sales consist of income from the sale of products and services at fair value, adjusted according to indirect taxes and discounts. Within the Group, earnings from product sales are primarily recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely. Correspondingly, earnings from services are generally recorded once the services have been rendered. The recognition principles of segment-specific net sales are presented in conjunction with segment information in Note 5.

EBIT

The IAS 1 standard on the presentation of financial statements does not define the concept of operating profit or loss. The Group has defined it as follows: EBIT is the net sum arrived at when other operating income is added to net sales and the following expenses deducted from it: acquisition costs adjusted by the changes in the stocks of finished or incomplete goods, expenses incurred in manufacture for the company's own use, employee benefit expenses, depreciation and any amortization or impairment losses or other operating expenses. All other income statement items besides those mentioned above are presented under operating profit. Exchange rate differences are included in EBIT if they arise from business-related items; in other cases, they are recognized in financial items.

INCOME TAXES

Tax expense consists of the taxes based on taxable income and deferred tax liabilities for the financial period. Taxes are recognized through profit and loss, except when they relate directly to the items recorded in equity or other items of the extensive income. In such cases, tax is also recorded in these items.

Deferred taxes are calculated on temporary differences between the book values of assets and liabilities and the tax value of assets and liabilities. Deferred taxes are recorded by the balance sheet date using statutory tax rates. However, deferred tax liabilities are not recorded when an asset item or a liability to be initially recognized in bookkeeping is in question, and when the integration of business operations is not in question, and when the recording of such an asset item or liability item does not affect the accounting result nor taxable income at the time the business transaction takes place.

The most important temporary differences arise from the valuation of the net assets of acquired companies at

fair value, and from appropriations and unexploited tax losses. Deferred tax assets are recognized to the extent that it is probable that future taxable income will become available against which the temporary differences may be utilized. In this respect, the requirements for recognizing deferred tax assets are always estimated on the last trading day of the reporting period.

NON-CURRENT ASSET ITEMS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current asset items (or disposal groups) are classified as held for sale when their recoverable amount, equivalent to their book value, will be recovered mainly from their sale and when their sale is extremely probable. If their recoverable amount which corresponds to their book value will mainly be accrued from their sale instead of their continuous use, they are presented at their book value or fair value less costs to sell, depending on which is smaller. Depreciations from non-current asset items are cancelled on the date of classification.

A discontinued operation is a part of the Group that has been disposed of or that has been classified as held for sale and that represents an important separate business area or geographical area of operation, or is a part of one coordinated plan that concerns the renunciation of an important separate business area or geographical area of operation, or is a subsidiary that has been acquired with the sole purpose of reselling it. The profit from discontinued operations is presented in a row of its own in the consolidated income statement.

GOODWILL AND OTHER INTANGIBLE ASSETS

The goodwill arising from the integration of operations is recorded in the amount that makes the combined amount of the consideration given, minority shareholders' interest in procured item and the proportion owned previously exceed the acquired net assets.

Instead of recording goodwill depreciations, goodwill is tested at least once a year for amortization, and it is valued at its original acquisition cost less amortizations. For the purpose of impairment testing, goodwill is allocated to cash-generating units.

Research expenditure is recognized as an expense in the income statement for the period in which it incurs. Development costs are activated when they can reliably be expected to benefit the Group financially in the future and when their acquisition costs can be determined reliably, and when other IAS 38 criteria, such as the product's technical and financial execution criteria, are met.

Other development expenditure is recognized as expenses. Development costs that have been previously recorded as expenses are not activated in later financial periods.

Other intangible assets that have limited financial useful lives are recorded in the balance sheet and recognized as expenses in the income statement, marked as depreciations on a straight-line basis, during their financial useful lives. All the company's intangible assets have a limited financial useful life.

Intangible rights include software licenses, joining fees and customer relationships. Other intangible assets include computer software.

The standard times for planned depreciations of intangible assets:

- Development costs 5 years
- Intangible rights 3–5 years
- Other intangible assets 5–10 years

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are valued at original acquisition cost less depreciations, amortizations and impairment. Depreciations on a straight-line basis are made on property, plant and equipment within their estimated financial useful lives. No depreciations are made on land.

The estimated financial useful lives are as follows:

- Buildings 20–25 years
- Plant and equipment 3–5 years
- Other tangible assets 3–10 years

The depreciation values and financial useful lives of property, plant and equipment are estimated and adjusted at least at the end of each financial period, and if they differ significantly from previous estimates they will be altered accordingly.

The sales profits and losses of property, plant and equipment are determined by comparing their sales price to their book value, and they are presented in the income statement as other operating income or expenses.

RENTAL AGREEMENTS

Rental agreements where the Group has shouldered a significant share of the risks and rewards integral to ownership are classified as finance leases. A finance lease is recorded in the balance sheet at the fair value of the leased item on the lease's commencement, or a lower present value of the minimum lease payments. Item acquired under finance leases are depreciated over the financial useful

life of the asset or over a shorter lease term. The leasing rates payable are divided into the financing cost and the decrease in liabilities. Equivalent leasing rental responsibilities, less costs of funding, are included in non-current and current interest-bearing liabilities according to their expiration. The share of interest of financial expenses is recorded in the income statement during the rental agreement so that the remaining liability has an identical interest rate during each financial period.

Rental agreements where the lessor carries a significant share of the risks and rewards integral to ownership are classified as other rental agreements. Rental liabilities related to other rental agreements are not recorded in the balance sheet, and the related rents are recognized in the income statement as equal-sized items over the lease term.

AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

At each balance sheet closing date, the Group assesses whether there are indications that the carrying amount of an asset item may not be recoverable. If such indications exist, the recoverable amount of the asset item in question will be measured. The recoverable amount is also assessed yearly with reference to the following asset items, regardless of whether there are indications of impairment: goodwill, intangible assets with indefinite useful lives and incomplete intangible assets. The impairment need is examined at the level of cash-generating units.

An impairment loss is recognized if the book value of the asset item or cash-generating unit exceeds the recoverable amount. Impairment losses are recorded in the income statement. An impairment loss of a cash-generating unit is first allocated to decrease the goodwill directed at the cash-generating unit, and thereafter to symmetrically decrease the other asset items of the unit. On the recognition of an impairment loss, the financial useful life of the asset item depreciated is reassessed.

The recoverable amount of tangible and intangible assets is determined either so that it is their fair value less costs to sell, or a higher service value. In determining service value, the estimated deferred cash flows are discounted to their current value based on discount rates which reflect the average capital cost before tax of the cash-generating unit in question. The discount rates used have been determined before taxes, and the special risk of the cash-generating unit in question is also taken into consideration in calculating them.

Impairment loss connected to property, plant and equipment and other intangible assets except goodwill is cancelled if a change has occurred in the estimates used in determining the amount recoverable from an asset item. Impairment loss is cancelled no higher than to the amount that would have been determined as the book value of an asset item (less depreciation) if impairment losses had not been recognized for it in previous years. Impairment loss recorded for goodwill will not be cancelled.

GOVERNMENT ALLOWANCES

Allowances for the acquisition of tangible or intangible assets are reduced from the book value of the asset item in question where there is reasonable reliability that the grant will be received and that the Group will meet all the conditions set for receiving the grant. Allowances are recognized in the form of smaller depreciations during the service life of the asset item.

STOCKS

Stocks are valued at the acquisition cost or a lower net realizable value. Net realizable value is the estimated sales price obtainable in conventional business, from which the estimated costs resulting from manufacturing the item for sale and the estimated costs necessary for carrying out the sale have been deducted.

The value of stocks has been determined using the FIFO method and it includes all the direct costs resulting from the acquisition, as well as other indirect focused costs. In addition to the purchase cost of materials, direct labor costs and other direct expenses, the acquisition cost of manufactured stocks includes a proportion of the general expenses of production, but not the outlay for sales or financing. The value of stocks has been reduced as far as obsolescent property is concerned.

FINANCIAL DERIVATIVES

The Group has no essential derivative agreements other than interest rate swaps.

Derivative agreements are initially recognized in accounting at fair value on the day that the Group becomes a party to a contract, and they are further valued at fair value at a later date. The Group does not apply hedge accounting to interest rate swaps, because they do not meet the conditions for hedge accounting defined in IAS 39. In such a case, a change in the fair value of hedging instruments is immediately recognized in financing income and costs through profit and loss.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

Financial assets are classified as follows: financial assets at fair value through profit and loss, loans and other receivables recognized at fair value through profit and loss, and saleable liquid assets. This classification takes place in connection with the original acquisition based on the purpose of use of the financial assets.

Purchases and sales of financial assets are recognized based on the trading day, i.e., the day when the Group undertakes to purchase or sell an asset item. Investments in financial assets, which are not recognized at fair value through profit and loss, are initially recorded at fair value, to which transaction costs are added. The financial assets recognized at fair value through profit and loss are initially recorded at fair value and transaction costs are recorded as costs in the income statement. Financial assets are not recognized in the balance sheet after the rights to the cash flows of the investment have ceased or been transferred to another party and the Group has transferred a substantial part of the risks and rewards involved in ownership to another party.

Financial assets recognized at fair value through profit and loss consist of financial assets held for the purpose of trading and of financial assets that the Group classifies in this category in connection with the original recording. Financial instruments held for the purpose of trading include the Group's derivatives only. The latter group includes quoted interest fund shares, because the company administers them and their profitability is assessed based on fair value in accordance with a documented risk management strategy, and information concerning the group is produced internally on this basis for key persons belonging to the management of the organization.

Financial assets held at fair value through profit and loss belong to short-term assets, except when their period for falling due exceeds 12 months or management does not intend to divest them within 12 months of the reporting date. Changes in the fair value of financial assets recognized at fair value through profit and loss are recorded on the income statement in 'Financial Items' in the period during which they were created.

Loans and other receivables are investments not belonging to derivative assets. Any charges connected to them are fixed or specifiable. They are not quoted on functioning markets, and the Group does not hold them for the purpose of trade, nor have they been originally recorded as saleable. Loans and other receivables are valued in the allocated acquisition cost using the effective interest

method, and those with no fixed maturity date are valued at purchase price. Loans and other receivables are included in current or non-current assets, whichever is applicable, in the balance sheet: as the latter, if they fall due more than 12 months after the date on which the reporting period ends. Trade receivables are valued according to the original invoiced amount, less any amortization.

Saleable liquid assets are investments not belonging to the group of derivative assets. They are either specifically classified to be in this group or they have not been classified to belong to any group. They are current assets, unless the management intends to keep the investment in question for a period longer than 12 months from the balance sheet date. Changes to the fair value of saleable liquid assets are recognized in other items of the extensive income and presented in the fair value fund contained in the equity item Retained earnings, with the tax effects taken into consideration. Unlisted shares whose fair value cannot be reliably determined are recognized in the acquisition value on the balance sheet. The changes accrued in fair value are transferred from equity through profit and loss and recognized as an adjustment resulting from classification changes when the investment is sold or its value has decreased to such an extent that an impairment loss must be recorded on the investment.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, short-term bank deposits and other current, extremely liquid investments whose initial maturity is no more than three months. Used bank account limits are presented in other non-current liabilities.

Amortization of financial assets

On every balance sheet date, the Group estimates whether there is objective evidence of the depreciation of an item part of the financial assets, or of the depreciation of a group of financial assets. A debtor's significant economic difficulties, the likelihood of bankruptcy and a default on a payment are evidence of depreciation. If there is evidence, depreciation is performed on loans and other receivables (including trade receivables) if their balance sheet value is greater than the estimated recoverable amount.

The amount of an impairment loss recognized in the income statement is determined by the difference between the book value of a receivable and estimated deferred cash flows that have been discounted with the effective interest rate. If the amount of the impairment loss decreases during a later financial period and the deduction can objectively

be considered to relate to an event taking place after the amortization was entered, the loss recorded will be canceled through profit and loss.

If it is a question of share investments classified as held for sale, the significant or prolonged amortization of fair value under the acquisition cost is considered to be evidence of the amortization of the asset item. If such evidence exists in relation to financial assets held for sale, the accrued loss, which is defined as the difference between the acquisition cost and its present fair value minus the impairment loss previously recorded through profit and loss on the item in question belonging to financial assets, is removed from equity and recorded through profit and loss. Impairment losses from shares entered in the income statement are not canceled through the income statement.

Financial liabilities

Initially, loans are recognized in accounting at fair value, less transaction costs. After this, they are valued in allocated acquisition costs using the effective interest method; the difference between payment received (less transaction costs) and the amount repayable is recognized as interest costs during the loan period.

Loans are classified as current, unless the Group has an absolute right to postpone their payment to at least 12 months from the balance sheet date.

Liability costs are recognized as expenses once they materialize. The liability expenses resulting directly from the acquisition, construction or manufacture of an asset item that fulfills the conditions set are activated as part of the asset's acquisition costs when they are likely to produce deferred financial benefits and when the costs can be reliably determined.

EQUITY

The Group classifies the instruments it issues based on their nature either as equity or as a financial liability. An equity instrument is any agreement which demonstrates the right to a share of an organization's assets after the deduction of all its liabilities. Costs that concern the issue or acquisition of the Group's own equity instruments are presented as an equity deductible item. If the Group buys back its own equity instruments, the acquisition cost for these instruments is deducted from equity.

An equity debenture loan (so-called hybrid loan) is recognized as company equity because it has no maturity date, but the Group is entitled, but not obliged, to redeem it. Interest is only paid if the General Meeting decides to distribute dividends. If dividends are not distributed, the

Group may decide separately on the payment of interest. Interest is presented as the distribution of dividends according to their nature.

PENSION LIABILITIES

The Group's pension schemes have been classified as payment-based schemes. A payment-based pension scheme refers to an arrangement in which the company makes fixed payments to a separate corporation. The company is under no legal or actual obligation to pay additional charges if the separate corporation in question does not have enough funds to pay everyone the benefits relating to their work that they have made payments on during the present or earlier financial periods. The payments made to the paymentbased scheme are recognized as the expenses of the financial period during which the payment is made.

SHARE-BASED PAYMENTS

The Group has incentive schemes in which payments are made as equity instruments. Expenses incurred by business operations that are paid as equity are determined based on the fair value of the grant date. The company determines fair value using an appropriate pricing method. An expense resulting from business operations paid as equity and a corresponding increase in equity is recognized during the period when the work is performed and/or when the conditions based on the performance of the work are met. This period ends on the date when the persons involved are fully entitled to remuneration ("Time of the origin of entitlement"). The expenses accrued that are recorded by each balance sheet date from business operations that are paid as equity reflect the extent to which the time of the origin of entitlement has elapsed, and the Group's best estimate on the number of the equity instruments to which this right will eventually be created. The profit/loss is presented in the Group's income statement under staff expenses.

PROVISIONS

Provisions are recognized when a company, as a result of past events, has a legal or actual obligation, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision corresponds to the best estimate of the costs that are required for the fulfillment of the existing obligation on the balance sheet date.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLIED

In the financial period from November 1, 2016 to October 31, 2017, no standards were instituted that would have had significance on the Group's financial statements.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS TO BE APPLIED AT A LATER DATE

The IASB has published the following new and amended standards and interpretations, which the Group has not yet applied.

- Disclosure Initiative – Amendments to IAS 7 (effective for financial periods beginning on or after January 1, 2017). Companies are henceforth required to present a reconciliation of liabilities arising from financing activities.
- Recognition of deferred tax assets for unrealized losses – amendments to IAS 12 (effective for financial periods beginning on or after January 1, 2017)
- Annual Improvements to IFRSs 2014–2016 (effective for financial periods beginning on or after January 1, 2017) that cause changes to the following standards: The amendments clarify that requirements on information to be presented in financial statements, as laid down in IFRS 12, also apply to shares that are classified as held for sale, with the exception of the summary of financial information.
- Annual Improvements to IFRSs 2014–2016 (effective for financial periods beginning on or after January 1, 2018) that cause changes to the following standards: IFRS 1 – short-term relief measures regarding the IFRS 7, IAS 19 and IFRS 10 transition rules were removed as no longer relevant. IAS 28 – Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRS 15 Revenue from Contracts with Customers (effective for financial periods beginning on or after January 1, 2018) The new standard includes five-phase instructions on the recording of revenue from contracts with customers and replaces the current IAS 18 and IAS 11 standards and related interpretations. Revenue can be recorded over time or at a specific time, and the key criterion is the transfer of control. The standard also increases the number of notes to be presented. The Group has prepared

a preliminary IFRS 15 impact analysis over the course of 2017. Based on the preliminary analysis, the Group expects the standard to affect calculation principles, but substantial changes to reported figures have not been identified, since the amendments do not significantly apply to the main types of the Group's net sales. Based on the preliminary impact analysis, the Group expects the standard to impact the timing of the commissioning and establishment projects connected to the sale of certain software services, which will be delayed once the standards take effect. However, the identified revenue streams from commissioning and establishment projects are not essential to the Group in terms of their number. The observations and interpretations made based on the preliminary assessment may be changed once the more detailed analysis is completed.

- IFRS 9 Financial Instruments (effective for financial periods beginning on or after January 1, 2018; earlier application is permitted). The new standard replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 changes the classification and valuation of financial assets and includes a new model based on anticipated credit losses for assessing the impairment of financial assets. During the 2018 financial period, the Group intends to more specifically evaluate the effects of IFRS 9 on the figures to be reported.
- IFRS 16 Leases (effective for financial periods beginning on or after January 1, 2019; earlier application is permitted only if IFRS 15 is implemented at the same time). As a result of the standard, nearly all leases will be recorded in the balance sheet as there will no longer be a distinction between operating and finance leases. The new standard requires the asset item (right to use the leased commodity) and the finance liability regarding rent payment to be recorded in the balance sheet. The only exceptions to this are lease agreements concerning short-term and low-value assets. The accounting process applied by lessors will not be changed significantly. During 2018, Panostaja intends to assess the effects of IFRS 16 on the figures to be reported.
- The classification and measurement of share-based payment transactions – amendments to IFRS 2 (effective for annual periods beginning on or after January 1, 2018). These amendments clarify the measurement principle for cash-settled share-based payment transactions and the accounting process for modifications of share-based payment transactions from cash-settled to equity-settled.

3. Financial Risk Management

FINANCIAL RISK MANAGEMENT

The Group's financial risks comprise credit and counterparty risk, interest rate risk and liquidity risk. Credit and counterparty risk comprises payments of trade receivables coming from customers, the centralization of the customer base and co-operative banks approved as counterparties. Group companies operate primarily in the euro-zone and so are only exposed to transaction risk stemming from exchange rate fluctuations, principally resulting from export activity, to a slight degree. The Group has no significant investments in foreign companies, so it is not exposed to significant translation risk. The effects of changes in interest rates on the value of interest-bearing liabilities and receivables and on the amount of future interest payments cause interest risk.

The Group's financial functions are centralized in the parent company, which is responsible for banking relations, long-term financial arrangements, asset investment and the Group's internal financial allocation in accordance with the liquidity needs of the different Group companies together with the management of the subsidiaries. The general principles of the Group's risk management are approved by the Board of Directors and their practical implementation is the responsibility of the parent company together with the subsidiaries.

INTEREST RATE RISK

The Group's income and operating cash flow is largely independent of fluctuations in market interest rates. The Group's interest risk primarily constitutes borrowing. At the end of the financial year, the liabilities of EUR 102,800 were variable interest loans (EUR 73,979). In the reference period, fixed-interest loans stood at EUR 7,529.

INTEREST RATE RISK SENSITIVITY ANALYSIS

The following table illustrates how any moderate change in interest rates, other variables remaining constant, would affect the Group's results as a consequence of changes to the cost of interest on debts with floating interest rates. Interest rate risk sensitivity is presented after taxes.

EUR 1,000	1% higher Income statement	2% higher Income statement	1% lower Income statement
Effect of change to interest rate			
2017	-822	-1,645	822
2016	-592	-1,184	592

CREDIT RISK

Credit risk is managed at Group level, with the exception of risk associated with trade receivables. The companies in the Group check the creditworthiness of customers at least when the customer relationship is being established. To minimize credit risk, the aim is to obtain effective collateral if a customer's creditworthiness so requires. The Group has long-established business relationships with its major customers. The Group has no significant risk concentration. Credit risk is primarily focused on outstanding receivables. The Group recorded impairment losses of EUR 209,000 on trade receivables in the financial period (EUR 239,000 in 2016). The maturity distribution of sales receivables is presented in Note 25 to the financial statements.

The risk associated with the Group's liquid assets and derivative agreements is low, since these financial agreements are only concluded with banks with a good credit rating in accordance with the Group's risk management principles.

LIQUIDITY RISK

The Group's most important loan covenants are reported to financiers every three and six months. If the Group breaches the terms and conditions of a loan covenant, the creditor may demand the accelerated repayment of the loans. Management regularly checks the fulfilment of loan covenant terms and conditions. The Group's parent company has provided securities to financiers on behalf of its subsidiaries as security for creditors. (Note 29 to the financial statements).

The loan covenant terms are related to the key figure of the Group's separate company or subgroup, the ratio between interest-bearing loans and operation margin (interest-bearing loans/operating margin) and equity ratios or Panostaja Group's equity ratio and the ratio of interest-bearing liabilities and operating margin.

Negligence related to liabilities, and breaches of contract:

During the financial period, the loan covenant was violated in three subgroups and the Group's parent company. However, in regard to the loans of two subgroups and the parent company, totaling MEUR 12.3, consent has been received from the financiers that they will not demand the accelerated repayment of the loans before the end of the financial period. In regard to the MEUR 0.7 loan of one subgroup, consent was received after the end of the financial period, due to which the loan is classified as a current liability in the consolidated balance sheet. Arrangements concerning liabilities and breaches of contract are presented in Note 28 to the financial statements.

MEUR 7.7 of Panostaja's corporate acquisition limit of MEUR 10 remains to be withdrawn. The corporate acquisition limit can be used to withdraw two-year loans to fund acquisitions made by Panostaja.

CAPITAL MANAGEMENT

The aim of the Group's capital management is to ensure that the business has the prerequisites for operating normally and to increase the share value over the long term. Dividend distribution, the purchase of own shares, capital repayments and share issues all impact on the capital structure. In Panostaja's operating model, decisions on acquiring and divesting investments are also an important part of capital management. Panostaja's goal is to persistently increase the value of its investments and, over the long term, implement divestments that lead to significant increases in value and strengthen the capital structure.

In May 2013, Panostaja Oyj issued a domestic hybrid loan of MEUR 7.5 (equity debenture loan). The hybrid loan issued has strengthened the company's solvency and financial position. The hybrid loan was processed in accordance with the IFRS standards as an equity loan and shown on the balance sheet in the equity group. The hybrid loan was paid off in full in May 2017.

The trend in the Group's capital structure is monitored with equity ratio and gearing. The Group's equity ratio was 28.8% (38.1%) and its gearing ratio 137.5% (70.4%). The increase in gearing ratio was also influenced by the increased amount of loans as a result of Grano's significant corporate acquisitions and the repayment of Panostaja's hybrid loan in May 2017.

EUR 1,000	2017	2016
Interest-bearing financial liabilities	111,575	80,935
Interest-bearing receivables	3,486	4,264
Cash and cash equivalents	19,466	26,573
Net liabilities	88,623	50,098
Equity total	64,451	71,145
Gearing ratio	137.5%	70.4%

4. The Accounting Principles Requiring Management Discretion and the Key Uncertainties Relating to Estimates

In preparing the consolidated financial statements and related notes, the management of the company must prepare estimates and make assumptions. Any estimates prepared and discretion exercised are founded on previous experience and other factors, such as presumptions about future events. The estimates prepared and discretion applied are examined on a regular basis. Below is a description of the most important areas in which estimates and discretion have been applied.

VALUATION OF ACQUIRED ASSETS AT FAIR VALUE

IFRS 3 requires the supplier to enter any intangible asset as separate from goodwill, if the entry criteria are met. Recognizing an intangible right at fair value requires the management's estimate of future cash flows. As far as possible, the management has applied the available market values as the basis for the allocation of an acquisition cost in determining fair value. Whenever this is not possible, which is typical with intangible assets especially, valuation is based on the asset item's historical revenue and its intended use in future business. Valuations are founded on discounted cash flows and estimated transfer and replacement prices, and require the management's estimates and assumptions on the future use of the asset items and their effects on the company's financial status. Shifts in the focus and orientation of the company's business activities may, in the future, bring about changes in the original valuation (Note 6 and 18 to the financial statements).

CONDITIONAL PURCHASE PRICES CONCERNING CORPORATE ACQUISITIONS

Management uses significant discretion when assessing the fair value of possible conditional additional purchase prices on the closing day of each reporting period.

In the review period, Grano Oy acquired the share capital of Kuopion Neon 2 Oy, which manufactures neon signs. The trade involves a conditional purchase price based on the level of the operating margin until January 2018. At the time of the closing of the books, management estimated the conditional additional purchase price to be MEUR 1.2. The grounds on which the additional purchase price has been formed are described in more detail in Note 6 on acquired business operations.

IMPAIRMENT TESTS

Intangible and tangible assets are tested for impairment whenever there are signs that their value may have decreased. Goodwill and other intangible assets with infinite useful life are tested for impairment at least once a year. For the purposes of the testing, goodwill and intangible assets with infinite useful life are allocated to cash-generating units. The amount recoverable by cash-generating units is based on calculations of service value. Formulating these calculations requires the use of estimates. Although the presumptions applied in accordance with the management's vision are appropriate, the estimated recoverable amounts may differ significantly from those materializing in the future (Note 18 to the financial statements).

VALUATION OF STOCKS

It is the management's principle to enter any impairment loss from slowly moving and outdated stocks on the basis of the management's best estimation of the potentially unusable stocks possessed at the balance sheet date. The management bases its estimation on a systematic and continuous monitoring and evaluation. The company also applies a valuation code founded on the stocks' turnover ratio.

RECOVERABILITY OF DEFERRED TAX ASSETS

It takes discretion to decide whether deferred tax assets should be entered on the balance sheet. Deferred tax assets are only recognized if it is more likely that they will be realized than not, which is determined by whether sufficient taxable income accumulates in the future. The assumptions for accrual of taxable income are based on the evaluations and assumptions of the management.

These evaluations and suppositions involve risk and uncertainty, and it is therefore possible that changes in circumstances bring about changes to assumptions, and this may in turn affect the deferred tax receivables recorded in the balance sheet as well as any other as yet unrecognized tax losses and temporary differences.

If the taxable income of Group companies turns out to be less than what management predicted when deferred tax receivables were being determined, the value of the receivables will fall or they will become completely worthless. In that case, the amounts entered on the balance sheet may have to be canceled through profit and loss.

There are MEUR 11.3 worth of deferred tax assets on the balance sheet of Panostaja Group.

5. Segment Information

The eight 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. Panostaja Group's business segments are Grano, Kotisun, KL-Varaosat, Selog, Helakeskus, Heatmasters, Megaklinikka, CoreHW and Others.

These reported segments have been formed because they produce products and services that differ from each other. The transactions between segments have taken place on normal commercial terms and conditions.

Reports on these business segments are prepared in a manner in line with the internal reporting submitted to the highest operational decision-maker. Senior operational decision-making is represented by the Senior Management Team of the Panostaja Group.

The Group has determined the subgroups Grano Group and KotiSun Group as subgroups involving a significant minority shareholding, as specified in IFRS 12. The Grano Group subgroup's financial information is presented in this segment note under the Grano business segment, while KotiSun Group subgroup's financial information is presented under the KotiSun business segment. To specify, the financial information of the subgroups in question corresponds with the segment-specific information in question.

BUSINESS SEGMENTS

Net sales and recognition principles

Net sales consist of income from the sale of products and services at fair value, adjusted according to indirect taxes and discounts.

- Grano's earnings primarily come from the sale of printing services as well as digital marketing and content services. Earnings from product sales are recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely. Earnings from services are recorded once the services have been rendered.
- Revenue in the KotiSun segment comes from the renovation of service water, heating and sewer networks and the sale of room-specific heat adjustment systems. Earnings from product sales are recorded once the essential risks and benefits related to ownership of the goods as

well as their right of possession and actual control have been transferred to the buyer and payment is likely. Earnings from services are recorded once the services have been rendered.

- Revenue in the KL-Varaosat segment comes from the import, wholesale and distribution of original spare parts and accessories for cars. Earnings from product sales are recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely.
- The Selog segment's revenue comes from wholesale trade in ceiling materials, suspended ceiling products and their support systems. Earnings from product sales are recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely.
- Revenue in the Helakeskus segment comes from the wholesale trade of furniture fittings. Earnings from product sales are recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely.
- Revenue in the Megaklinikka segment comes from the production of oral health care services and selling licenses to its own ERP system. Earnings from services are recorded once the services have been rendered.
- Revenue in the Heatmasters segment comes from metal heat treatment services, and from the development, manufacture and marketing of machinery and equipment needed in metal heat treatment. Earnings from product sales are recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely. Earnings from services are recorded once the services have been rendered. Long-term projects are recognized in part based on their degree of completion.
- Revenue in the CoreHW segment comes from the design service of microchips and antennas used in radio-technology. Earnings from services are recorded once the services have been rendered. Long-term projects are recognized in part based on their degree of completion.

Business segments 2017

2017	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	EBIT	Financial income and expenses	Share of associated company profits	Income tax	Profit/loss from continuing operations	Assets	Liabilities	Employees at the end of the period
Grano	105,345	99	105,246	-5,916	6,299					128,267	93,629	1,122
KotiSun	42,455	0	42,455	-2,714	6,593					34,970	21,885	422
KL-Varaosat	13,540	0	13,540	-100	1,045					4,986	2,099	48
Selog	10,764	1	10,763	-200	805					3,905	1,371	14
Helakeskus	8,912	0	8,912	-73	546					9,323	6,828	23
Megaklinikka	5,964	0	5,964	-640	-1,644					4,609	7,337	84
Heatmasters	5,300	0	5,300	-220	-202					2,731	1,948	43
CoreHW	994	0	994	-34	25					6,896	4,723	45
Others	0	0	0	-72	-4,091		278			35,141	26,558	9
Eliminations		-100	0	0	127					-6,675	-6,675	
Group in total	193,273	0	193,173	-9,969	9,502	-2,250	278	969	8,499	224,154	159,702	1,810

Business segments 2016

2016	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	EBIT	Financial income and expenses	Share of associated company profits	Income tax	Profit/loss from continuing operations	Assets	Liabilities	Employees at the end of the period
Grano	88,153	124	88,028	-4,078	7,838		0			85,677	54,048	789
KotiSun	31,869	0	31,869	-1,177	5,778					27,741	16,715	298
KL-Varaosat	13,043	0	13,043	-108	1,022					5,068	2,887	48
Selog	10,271	2	10,269	-202	651					4,132	1,695	15
Helakeskus	9,822	1	9,822	-93	328					9,579	6,947	24
Megaklinikka	4,746	0	4,746	-737	-1,528					5,533	6,545	119
Heatmasters	4,498	0	4,498	-252	-1,033					2,877	1,785	49
CoreHW	0	0	0	0	0					0	0	0
Others	8	8	0	-74	-2,890		107			54,072	32,912	92
Eliminations		-134	2	0	-30					-7,400	-7,400	
Group in total	162,409	0	162,277	-6,722	10,135	-1,933	107	-1,498	6,811	187,279	116,134	1,434

6. Acquired Businesses

SUBSIDIARY ACQUISITIONS

On September 15, 2017, Panostaja Oyj announced that it had signed an agreement on acquiring the share capital of CoreHW Oy, which designs RF (radio frequency) microchips and antennas for wireless technologies. After the trade, Panostaja will own 63% of the entity formed through the restructuring. CoreHW forms a new segment for Panostaja. Panostaja's aim is to build CoreHW into a company with its own array of successful products and a global offering of high-quality design services.

The value of the company's entire share capital (100%) is approx. MEUR 5.2. At the time of the closing of the books, the overall purchase price was estimated to be MEUR 5.2. Based on an acquisition cost calculation, the fair value of the net assets acquired is MEUR 1.8, resulting in a goodwill of MEUR 3.4. The fair values of MEUR 0.7 recorded for the consolidation were related to customer relationships and technology. The remaining goodwill is formed by good profitability and prospects as well as skilled personnel. CoreHW has been incorporated into the Panostaja Group as of September 1, 2017. The expenses connected to the acquisition, totaling MEUR 0.2, are included under other operating expenses in the consolidated income statement for the 2017 financial period.

Consideration given

	Note	MEUR
Consideration paid		5.2
Conditional consideration		0.0
Consideration in total		5.2
Acquired assets and liabilities		
Permanent assets	19	0.0
Customer relationships	18	0.7
Machinery and equipment	19	0.1
Stocks	24	0.0
Current receivables	25	0.7
Cash and cash at bank	26	0.9
Total assets		2.4
Non-current liabilities	28	0.0
Current liabilities	29	0.5
Deferred tax liabilities	23	0.1
Total liabilities		0.6
Net assets		1.8
Goodwill		3.4

Cash flow statement

	MEUR
Purchase price paid as cash	-5.2
Liquid assets acquired	0.9
Direct costs of acquisition	-0.2
Cash flow effect	-4.5

On August 18, 2017, Panostaja Oyj's subsidiary Grano Group Oy signed an agreement on the acquisition of the entire share capital of Lönnberg Painot Oy, a company providing printing services. By virtue of the Lönnberg Painot Oy acquisition, Grano will become the market leader in offset printing and will also be able to include the production of packaging in its offering.

The sale price of the shares is MEUR 12.8. Once the arrangement has been carried out, Panostaja Oyj's shareholding in Grano Group will stand at 52.8%.

Based on an acquisition cost calculation, the fair value of the net assets acquired is MEUR 3.0, resulting in a goodwill of MEUR 9.8. The fair values of MEUR 2.0 recorded for the consolidation were related to customer relationships. The remaining goodwill consists of the capability to serve customers with a wider range of products than before, Grano's strengthened market position and increased market share, capable staff and anticipated synergy benefits related to the acquired operations. The expenses connected to the acquisition, totaling MEUR 0.5, are included under other operating expenses in the consolidated income statement for the 2017 financial period.

Consideration given

	Note	MEUR
Consideration paid		12.8
Conditional consideration		0.0
Consideration in total		12.8
Acquired assets and liabilities		
Permanent assets		
Customer relationships	19	3.0
Machinery and equipment	18	2.0
Stocks	24	1.5
Current receivables	25	3.8
Cash and cash at bank	26	0.2
Total assets		11.4
Non-current liabilities	28	3.3
Current liabilities	29	4.5
Deferred tax liabilities	23	0.6
Total liabilities		8.4
Net assets		3.0
Goodwill		9.8

Cash flow statement

	MEUR
Purchase price paid as cash	-12.8
Liquid assets acquired	0.2
Direct costs of acquisition	-0.2
Cash flow effect	-12.8

The smaller acquisitions of Oy Fram AB, Neon2 Oy, Finepress Oy, Planeetta 10 Oy and Brand Factory Finland Oy during the financial period and the total goodwill formed by them are presented below.

The goodwill consists of the capability to serve customers with a wider range of products than before, Grano's strengthened market position and increased market share, capable staff and anticipated synergy benefits related to the acquired operations.

With its corporate acquisitions, Grano strengthened its market position particularly with regard to large prints and point-of-sale marketing. Grano also strengthened its market position locally, particularly in Western Finland.

Consideration given

	Note	MEUR
Consideration paid		15.2
Conditional consideration		1.2
Consideration in total		16.4
Acquired assets and liabilities		
Permanent assets	19	2.0
Customer relationships	18	1.8
Machinery and equipment	19	0.7
Stocks	24	1.5
Current receivables	25	0.9
Cash and cash at bank	26	7.7
Total assets		14.7
Non-current liabilities	28	0.6
Current liabilities	29	2.0
Deferred tax liabilities	23	0.4
Total liabilities		3.0
Net assets		11.7
Minority interest		-0.6
Goodwill		5.3

Cash flow statement

	MEUR
Purchase price paid as cash	-15.2
Liquid assets acquired	7.7
Direct costs of acquisition	-0.3
Cash flow effect	-7.8

ACQUISITIONS IN THE 2016 FINANCIAL YEAR

Panostaja did not acquire new business operations in the review period.

7. Divestment and discontinuations of subsidiaries and business operations

Panostaja did not divest business operations during the review period or the reference period.

Panostaja's subsidiaries Takoma Oyj and Takoma Gears Oy filed bankruptcy petitions. On March 21, 2017, Pirkanmaa district court declared the companies bankrupt.

Takoma's market situation had significantly weakened from the time of the confirmation of their reorganization program, so the assumptions on profitability and financing that the reorganization program was based on were not realized. As a result of the heavy decline on demand in the offshore and marine industry, Takoma's business had been highly unprofitable, which weakened the solvency and liquidity of the Group. During the review period, Takoma's cash position became critical, and the companies had to file a petition for bankruptcy. The operations of the Takoma subgroup have been classified as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, and the incorporation of the Takoma subgroup into the consolidated financial statements was stopped on March 21, 2017. The reference information for 2016 has been corrected with regard to the extensive income statement, including the extensive income statement items, cash flow statement and some key figures.

The profit/loss of the Takoma subgroup's discontinued operations, including the removal of the consolidated goodwill from the consolidated balance sheet, was MEUR -1.6 in total. The profit/loss of divested and discontinued business operations for the reference period MEUR 2.4 includes the MEUR -1.3 loss of the Takoma segment and the additional purchase price of MEUR 3.7 related to the divestment of Flexim Security Oy.

MEUR	2017	2016
Profit/loss from sold and discontinued operations	-1.6	2.4

TAKOMA SUBGROUP, DISCONTINUED OPERATION

Result of the Takoma segment

MEUR	November 1, 2016–March 21, 2017	November 1, 2015–October 31, 2016
Earnings	2.1	10.2
Costs	-2.8	-11.5
Profit before taxes	-0.7	-1.3
Taxes	0.0	0.0
Profit after taxes	-0.7	-1.3
Removal of Takoma's net assets from the balance sheet	-0.9	
Profit/loss from discontinued operations	-1.6	-1.3

Cash flows of the Takoma segment until bankruptcy

MEUR		
Operating cash flow	-0.4	1.1
Investment cash flow	0.0	-0.1
Funding cash flow	0.0	-0.4
Total cash flows	-0.4	0.6

Impact of the discontinuation of the Takoma segment on the Group's financial standing:

MEUR	March 21, 2017
Property, plant and equipment	1.6
Intangible assets	2.2
Stocks	1.6
Deferred tax assets	0.0
Other assets	0.7
Cash and cash equivalents	0.5
Sold liabilities	-8.5
Net assets	-1.9
Consideration received as cash	0.0
Cash and cash equivalents from divested unit	-0.5
Net cash flow of discontinuing the business	-0.5

8. Disposals and Acquisitions of Subsidiary Holdings Without Change in Controlling Interest

Grano Group conducted a rights issue to the key persons of the companies bought in conjunction with the corporate acquisition. Panostaja Oyj purchased the Grano Group Oy shares owned by two minority shareholders. After the arrangements, Panostaja's holding in Grano Group stood at 52.8%.

Panostaja Oyj redeemed the minority shares of Megaklinikka Group, increasing its holding in Megaklinikka Group to 79.8%.

Suomen Helasto Oy redeemed the entire minority share and recorded them as its own shares. After the arrangement, Panostaja owns 100% of the Helasto Group.

The following table shows the total effect of the change in shareholding on Group earnings:

EUR 1,000	2017
Divested or acquired minority shareholders' interest	-232
Consideration received or paid	-921
Effect of the change in ownership on retained earnings	-1,153

FINANCIAL PERIOD 2016

Grano subgroup claims minority holdings and conducts a share issue

During the financial period Grano Oy and Grano Group Oy claimed the shares of minority shareholders in Luotta Oy, Leeviprint Oy, Oulun Kopiokeskus Oy and Kopiahtinen Oy, increasing the Group's holding in the company to 100%. As part of the arrangement, Grano Group Oy carried out a share issue to the former minority shareholders of Oulun Kopiokeskus Oy and Kopiahtinen Oy. After the arrangements, Panostaja's holding in Grano Group stood at 50.2%.

Kotisun Group Oy: share issue

KotiSun Group Oy conducted a rights issue to the company's key persons. After the share issue, Panostaja's holding in Kotisun Group Oy was diluted to 57.3%.

The following table shows the total effect of the change in shareholding on Group earnings:

EUR 1,000	2016
Divested or acquired minority shareholders' interest	-1,068
Consideration received or paid	-116
Effect of the change in ownership on retained earnings	-1,184

9. Other Operating Income

EUR 1,000	Adjusted*)	
	2017	2016
Sales profits from corporate acquisitions	67	0
Sales profits on tangible assets	83	430
Received allowances	59	62
Other income	1,388	878
Total	1,597	1,370

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2016 has been adjusted due to the Takoma subgroup being presented as a discontinued operation.

10. Share of Associated Company Profits

Details of the company's associated companies are given in note 20. Investments in associated companies.

11. Employee Benefit Expenses

The Group has payment-based pension schemes, the payments of which are recorded in the income statement in the relevant period.

Details of the employee benefits, including share-based payments, of management considered related parties are given in note 35. Related party disclosures.

During the financial year, the Group employed an average of 1,622 (1,337) people. At the end of the financial period, it employed 1,810 (1,434) persons. The figures for the reference year include the personnel employed by the Takoma Group (83).

EUR 1,000	Adjusted*	
	2017	2016
Salaries and fees	59,871	49,315
Pension costs - payment-based arrangements	10,814	8,992
Other social security expenses	2,719	2,699
Total	73,404	61,006

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2016 has been adjusted due to the Takoma subgroup being presented as a discontinued operation.

12. Depreciations, Amortizations and Impairment

EUR 1,000	Adjusted*)	
	2017	2016
Depreciation by asset group:		
Property, plant and equipment		
Machinery and equipment	5,583	2,933
Other tangible assets	0	0
Intangible assets		
Goodwill	0	0
Development expenses	198	250
Intangible rights	2,760	2,310
Other capitalized long-term expenditure	1,428	1,229
Total	9,969	6,722

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2016 has been adjusted due to the Takoma subgroup being presented as a discontinued operation.

13. Other Operating Expenses

EUR 1,000	Adjusted *)	
	2017	2016
Sales losses and scrappings connected with tangible assets	49	0
Rental costs	8,370	8,138
External services	11,319	7,547
Other expense items	14,335	11,184
Total	34,073	26,869
Auditing fees	112	106
Other fees	339	299
Fees paid to auditors total, continuing operations	451	405

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2016 has been adjusted due to the Takoma subgroup being presented as a discontinued operation.

14. Financial Income

EUR 1,000	Adjusted *)	
	2017	2016
Dividend income from held-for-sale investments	4	2
Foreign exchange gains	2	0
Financial income from associated companies	38	39
Interest earned	288	270
Changes in fair value from financial assets recorded at fair value through profit and loss		
Interest derivatives, not in hedge accounting	0	0
From financial assets that are managed based on fair value	0	0
Total	332	311

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2016 has been adjusted due to the Takoma subgroup being presented as a discontinued operation.

15. Financial Expenses

EUR 1,000	Adjusted*)	
	2017	2016
Foreign exchange losses	2	8
Impairment losses from loan receivables	193	0
Interest expenses for finance lease liabilities	128	34
Interest expenses for other financial liabilities	2,260	2,201
Total	2,582	2,243

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2016 has been adjusted due to the Takoma subgroup being presented as a discontinued operation.

16. Income Taxes

EUR 1,000	2017	2016
Direct tax	-2,547	-1,696
Taxes in previous periods	6	-3
Deferred taxes	3,510	213
Income taxes total	969	-1,486

Balancing statement between the tax expense in the income statement and the taxes calculated using the Finnish tax rate of 20.0% Reconciliation:

Profit before taxes	7,530	6,957
Income tax on Group income at the tax rate in Finland before taxes	-1,506	-1,391
Non-taxable income	1,334	2,413
Non-deductible expenses	-808	-949
Unrecognized deferred tax assets from tax losses	-374	-1,577
Tax impact of previously non-deductible expenses	2,270	
Use of tax losses not recorded previously		
Change in deferred taxes Change in the Finnish tax rate	0	0
Share of associated company profits	56	21
Taxes for previous periods	-3	-3
Taxes in the income statement	969	-1,486

The figures for discontinued operations are not distinguishable in the information for the reference year.

17. Earning Per Share

Undiluted earnings per share (EPS) are calculated by dividing the profit for the period attributable to the parent company shareholders by the weighted average of the number of shares outstanding during the period. By decision of the Annual General Meeting, 188,950 "ownerless" shares on the joint book-entry account were returned to the company. The fair value of a share is based on the average price of a share for the financial year. The profit used when calculating earnings per share has been adjusted with the interest amount of the equity convertible hybrid loan.

EUR 1,000	2017	2016
Continuing operations	3,783	2,374
Discontinued operations	-1,646	1,780
Profit for the financial period attributable to parent company shareholders	2,137	4,154
Interest on equity convertible loan (taking into account the impact of tax)	-337	-585
Profit used when calculating profit per share	1,800	3,569

Profit used when calculating profit per share adjusted with the diluting effect	1,800	3,569
Number of shares at the end of the financial period	52,533	52,533
of which held by company	471	355
Weighted average number of shares outstanding, 1,000 pcs	52,082	51,736
Share-based payments, 1,000 pcs	36	18
Weighted average number of shares outstanding, diluted	52,118	51,754

EUR	2017	2016
Earnings per share calculated from the profit belonging to the shareholders of the parent company:		
Earnings per share from continuing operations		
Undiluted	0,066	0,035
Diluted	0,066	0,035
Earnings per share from discontinued operations		
Undiluted	-0,031	0,034
Diluted	-0,031	0,034
Earnings per share on continuing and discontinued		
Undiluted	0,035	0,069
Diluted	0,035	0,069

18. Intangible Assets

EUR 1,000	Goodwill	Intangible rights	Development expenses ¹	Other intangible assets	Yhteensä
Acquisition cost as of November 1, 2016	84,509	16,639	1,627	7,095	109,870
Additions		704	78	1,176	1,958
Deduction	-4			-11	-15
Effect of company acquisition	18,600	4,565		646	23,811
Effect of the company sale or discontinuation	-2,224	-169			-2,393
Asset deal				-327	-327
Transfer merger		115			115
Transfer between balance sheet groups					
Exchange rate differences				-2	-2
Acquisition cost as of October 31, 2017	100,881	21,854	1,705	8,577	133,016
Accumulated depreciations, amortizations and impairment as of November 1, 2016	-6,103	-10,823	-1,219	-3,645	-21,790
Depreciation in the financial period		-2,760	-198	-1,428	-4,386
Deductions				84	84
Effect of company acquisition					
Effect of the company sale or discontinuation	-64	129			65
Asset deal				34	34
Transfer merger				467	467
Transfers between balance sheet groups		-116		909	793
Impairment					
Accumulated depreciations, amortizations and impairment as of October 31, 2017	-6,167	-13,570	-1,417	-3,663	-24,817
Book value as of October 31, 2017	94,714	8,283	288	4,914	108,199
Acquisition cost as of November 1, 2015	84,145	16,118	1,492	5,666	107,421
Additions		267	135	1,512	1,914
Deduction					0
Effect of company acquisition	614	265			879
Effect of company sale	-250				-250
Asset deal					0
Exchange rate differences				-15	-15
Transfer between balance sheet groups		-11		-68	-79
Acquisition cost as of October 31, 2016	84,509	16,639	1,627	7,095	109,870
Accumulated depreciations, amortizations and impairment as of November 1, 2015	-6,103	-8,484	-969	-2,571	-18,127
Depreciation in the financial period		-2,330	-250	-1,228	-3,808
Deductions				84	84
Effect of company sale					
Effect of the company sale or discontinuation					0
Transfers between balance sheet groups		-9		70	61
Impairment					0
Accumulated depreciations, amortizations and impairment as of October 31, 2016	-6,103	-10,823	-1,219	-3,645	-21,790
Book value as of October 31, 2016	78,406	5,816	408	3,450	88,079

GOODWILL IMPAIRMENT TEST

Goodwill has been allocated to the following cash flow-producing units (or groups within units):

MEUR	2017	2016
Grano	67.0	51.9
KotiSun	12.0	12.0
Helakeskus	6.0	6.0
CoreHW	3.4	-
Megaklinikka	2.6	2.6
KL-Varaosat	1.9	1.9
Selog	1.6	1.6
Heatmasters	0.3	0.3
Takoma	-	2.2
Total	94.7	78.4

Impairment testing of goodwill in the financial period was undertaken for the situation on September 30. The recoverable amount through business operations has been determined in an impairment test with the help of service value. The determined anticipated cash flows are based on the vision of the Group's management on the development of the next three years. The subsequent years after the forecast period have been extrapolated using a 2% growth estimate.

The key variables used in calculating service value are budgeted net sales and budgeted operating profit. In terms of operating profit, the cost savings and other benefits produced by restructuring activities which have already been implemented, or to which a commitment has been made, were also taken into account. Future outgoing cash flows taking place after the time of observation are not linked to these reorganization efforts to any significant extent.

In calculating service value, Grano's net sales are expected to grow both organically and as a result of conducted corporate acquisitions. Grano's EBIT is expected to improve during the forecast period as a result of operational restructuring and streamlining measures. KotiSun's net sales are expected to continue growing while its relative profitability is expected to slightly decrease from the current level. The net sales and EBIT of KL-Varaosat, Selog ja Helakeskus are expected to grow moderately during the forecast period. Megaklinikka's net sales and EBIT are expected to grow as a result of a moderate increase in the visitor numbers of the company's own clinic and streamlining measures as well as the continued growth of the licensing business. Heatmasters' net sales and EBIT

are expected to grow as a result of a moderate growth in volume and especially the streamlining of the equipment business. CoreHW's net sales are expected to continue growing while its relative profitability is expected to remain at a good level.

The discount rates before tax used in the calculations are (discount rate % used in the reference year):

Grano 7.5% (6.8%), KotiSun 10.0% (9.2%), Helakeskus 7.7% (7.0%), Megaklinikka 10.2% (9.5%), KL-Varaosat 8.6% (7.9%), Selog 9.0% (8.2%), Heatmasters 10.4% (9.6%) and CoreHW 8.3% (-).

The service value determined with the test of the company's units that have been analyzed through continuous testing has been greater than their book value in all units.

Moderate changes to the key parameters used in the calculations do not result in the asset items' book value exceeding the recoverable amount accruable from them.

19. Property, Plant and Equipment

EUR 1,000	Land areas	Buildings and premises	Machinery and equipment	Other tangible assets	Advance payments fixed assets	Total
Acquisition cost as of November 1, 2016	194	417	36,332	294	119	37,356
Additions			11,818		1,969	13,787
Effect of company acquisition	976	147	3,723	14	218	5,078
Effect of the company sale or discontinuation		-417	-6,158	-28	-10	-6,613
Deductions			-672		-114	-786
Transfer merger			1,400			
Transfers between balance sheet groups			61			61
Exchange rate differences			30			30
Other changes						0
Acquisition cost as of October 31, 2017	1,170	147	46,534	280	2,182	50,313
Accumulated depreciations, amortizations and impairment as of November 1, 2016	-179	0	-23,598	-270	0	-24,047
Depreciation in the financial period			-5,583			-5,583
Effect of company acquisition						0
Effect of the company sale or discontinuation			3,526	28		3,554
Deductions			-9			-9
Transfer merger			-20			-20
Transfers between balance sheet groups				33	-947	-914
Exchange rate differences			-33			-33
Other changes			-26			-26
Accumulated depreciations, amortizations and impairment as of October 31, 2017	-179	0	-25,743	-209	-947	-27,078
Book value as of October 31, 2017	991	147	20,791	71	1,235	23,234

Acquisition cost as of November 1, 2015	194	0	29,346	294	651	30,485
Additions			7,256		482	7,738
Effect of company acquisition			15			15
Effect of company sale		0	35			35
Deductions			-282		-1,014	-1,296
Transfers between balance sheet groups		417				417
Exchange rate differences			-38			-38
Other changes						0
Acquisition cost as of October 31, 2016	194	417	36,332	294	119	37,356
Accumulated depreciations, amortizations and impairment as of November 1, 2015	-179	0	-19,870	-269	0	-20,318
Depreciation in the financial period			-3,562			-3,562
Effect of company sale						0
Deductions			-191			-191
Transfers between balance sheet groups						0
Exchange rate differences			25	-1		24
Other changes						0
Accumulated depreciations, amortizations and impairment as of October 31, 2016	-179	0	-23,598	-270	0	-24,047
Book value as of October 31, 2016	15	417	12,734	24	119	13,308

20. Investments in associated companies

EUR 1,000	2017	2016
Book value as of November 1	3,759	3,666
Share of the profit of the financial period	278	107
Additions	0	0
Deductions	0	-14
Book value as of October 31	4,037	3,759

Spectra Oy is an associated company in which Panostaja Group has a 39.0% holding. The profit/loss is based on the profit/loss for the financial period.

Ecosir Group Oy is an associated company, of which the Panostaja Group owns 38.6%. Profit/loss is based on

Associated company

31.10.2017	Registered office	Shareholding	Assets	Equity	Liabilities	Net sales	Profit/loss
Spectra Oy	Lohja	39.0%	1,365	258	1,107	6,070	164
Ecosir Group Oy	Espoo	38.6%	1,817	275	1,542	3,793	277
PE Kiinteistörahasto I Ky	Helsinki	27.1%	-	-	-	-	-
Juuri Partners Oy	Helsinki	20.0%	754	386	368	1,594	285

21. Other Non-Current Assets

Panostaja Oyj has a loan receivable from associated company Ecosir Group Oy totaling MEUR 0.5, MEUR 1.2 from the Group's Senior Management Team concerning the bonus scheme and an unsecured receivable of MEUR 3.6 maturing in 2020, relating to the sale of business operations in 2008. There are more details concerning the reward scheme in note 35. Related party disclosures.

EUR 1,000	2017	2016
Loan receivable	2,171	2,454
Held-for-sale investments	534	713
Other receivables	4,068	4,371
Total	6,772	7,538

Held-for-sale financial assets

Investments in unquoted shares:		
At the start of the financial period, November 1	713	554
Additions caused by the merging of businesses	0	0
Additions	40	159
Deductions	-219	0
At the end of the financial period, October 31	534	713

the profit/loss for the financial period, and profits for the associated company are adjusted by amortization of goodwill under IFRS regulations.

The co-owners of PE Kiinteistörahasto I Ky decided in the financial period 2012 to dissolve the fund. The dissolution of the fund is still in progress.

Juuri Partners Oy is the management company of Juuri Rahasto I Ky. Juuri Rahasto I Ky is a capital fund that finances Finnish SMEs. The strategy of the fund is to finance and support companies with regard to growth, investments and exceptional situations, such as generational transitions. Panostaja's holding in Juuri Partners Oy is 20%.

22. Financial Assets at Fair Value Through Profit and Loss

EUR 1,000	2017	2016
Financial assets recorded at fair value through profit and loss		
At the start of the financial period, November 1	0	6,606
Changes in fair value realized	0	28
unrealized	0	0
Additions	0	0
Deductions	0	-6,634
At the end of the financial period, October 31	0	0

In the reference year, the financial assets recorded at fair value through profit and loss included an investment in the Fennian Varainhoito Oy Cash Asset Management Portfolio. The portfolio mainly consists of short-term interest bond funds and investments in company loan funds. The fund is low-risk and the investment can be withdrawn at any time. There were no investments in the fund at the end of the financial period.

23. Deferred Tax Assets and Liabilities

Deferred tax assets

EUR 1,000	Losses confirmed or to be confirmed in taxation	Impairment losses	Other items	Total
November 1, 2015	155		5,756	5,911
Recorded in the income statement	1,063			
Items of the extensive income statement				
Acquired business operations				
Discontinued operations				
Adjustment from changes in the tax rate				
Losses confirmed or to be confirmed in taxation				
Exchange rate differences				
Recognized directly in equity				
October 31, 2016	1,218	0	5,756	6,974
Recorded in the income statement	4,198		156	4,264
Items of the extensive income statement				
Acquired business operations				
Discontinued operations				
Adjustment from changes in the tax rate				
Losses confirmed or to be confirmed in taxation				
Exchange rate differences				
Recognized directly in equity				
October 31, 2017	5,416	0	5,912	11,328

Deferred tax liabilities:

EUR 1,000	Fair value allocations	Varying tax depreciations	Discontinued operations	Other items	Total
November 1, 2015	1,728			108	1,836
Recorded in the income statement	776				
Items of the extensive income statement					
Acquired business operations					
Discontinued operations	26				
Adjustment from changes in the tax rate	81				
Losses confirmed or to be confirmed in taxation				-108	
Exchange rate differences					
Recognized directly in equity					
October 31, 2016	2,611				2,611
Recorded in the income statement	-298	1,131			
Items of the extensive income statement					
Acquired business operations	1,051	105			
Discontinued operations			21		
Adjustment from changes in the tax rate					
Losses confirmed or to be confirmed in taxation					
Exchange rate differences					
Recognized directly in equity					
October 31, 2017	3,364	1,236	21	0	4,621

The deferred tax receivables include a MEUR 4.8 item related to the unused tax losses of the parent company Panostaja Oyj. The losses are related to write-downs of Takoma Oyj shares and receivables from Takoma Oyj and Takoma Gears Oy as a result of the Takoma bankruptcy and the expenses of the parent company's operations from the past two financial periods. In the management's estimation, it is likely that sales profits from the investments will generate a sufficient amount of taxable income before the unused tax losses expire. The estimate is based on the management's assessment of the future sales profits from the current investments and Panostaja's proven capability to carry out divestments that yield significant profits. Assessments of external experts have also been used in the estimation of the sales profits from the most important investment targets. The unused tax losses will expire in the period 2025–2027.

A tax receivable in the amount of MEUR 0.5 has been recognized for the confirmed losses of the subsidiaries. Deferred tax receivables have not been recognized for the MEUR 1.9 in total confirmed losses of subsidiaries. In the management's estimation, the deferred tax receivables from the subsidiaries' confirmed losses can be utilized based on estimated taxable income derived from the subsidiaries' approved business plans and budgets. The unused tax losses will expire in the period 2019–2026.

24. Stocks

EUR 1,000	2017	2016
Materials and supplies	3,493	2,574
Unfinished products	781	1,422
Finished products and goods	8,424	7,048
Total	12,698	11,043

In the Group, a total of EUR 130,000 has been recorded as costs for the financial year 2017 (136,000 in 2016), by which the book value of the stocks was reduced to correspond to its net realization value.

25. Trade and Other Receivables

The book value of trade receivables and other receivables corresponds to the maximum amount for the credit risk associated with them on the balance sheet date.

EUR 1,000	2017	2016
Trade receivables	28,374	20,711
Loan receivable	488	879
Accrued income	6,473	6,827
Receivables from associated companies	782	651
Tax assets based on taxable income for the period	1,160	333
Other receivables	1,140	603
Total	38,418	30,004

AGING OF TRADE RECEIVABLES

EUR 1,000	2017	2016
Not past due	24,879	17,722
Past due 1–30 days	2,758	1,860
Past due 31–180 days	298	469
Past due 181–360 days	87	276
Past due over a year	352	384
Balance sheet value of trade receivables	28,374	20,711

The Group recorded impairment losses of EUR 209,000 from trade receivables in the financial period (EUR 239,000 in 2016). The amortizations have affected invoices over a year past due as well as receivables from companies with a bankruptcy or corporate restructuring decision.

EUR 1,000	2017	2016
Salaries and social charges	91	324
Annual rebates	1,486	1,375
Advances	1,635	1,882
Others	3,261	3,246
Total	6,473	6,827

The balance sheet value of receivables is essentially the equivalent of their fair value.

26. Cash and Cash Equivalent

EUR 1,000	2017	2016
Cash in hand and bank accounts	19,466	26,573
Total	19,466	26,573

27. Notes on Equity

At the end of the financial period, Panostaja Oyj's share capital was EUR 5,568,681.60 and the total number of shares was 52,533,110.

SHARE PREMIUM ACCOUNT

The maximum amount paid by the shareholders in connection with share issues that exceeds the nominal value of the shares is recorded in the share premium account. The amounts recorded in the share premium account relate to the share issues under the former Finnish Limited Liability Companies Act (734/1978), which was in force on August 31, 2006.

In cases where option rights were decided when the old Companies Act was in force, the cash payments received from share subscriptions based on the options are recognized in accordance with the terms and conditions of the arrangement for share capital and the share premium account.

OTHER FUNDS

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. In the consolidated financial statements, the loan is classified as equity and interest is presented as dividend. The loan was paid off in full in May 2017.

INVESTED UNRESTRICTED EQUITY FUND

The invested unrestricted equity fund consists of investments of the nature of equity and the amount paid by shareholders in connection with share issues decided upon following the entry-into-force on September 1, 2006 of the new Limited Liability Companies Act (624/2006), where it is not recognized in the share capital in accordance with an express decision. The invested unrestricted equity fund also contains a convertible bond loan equity component.

SHARE ISSUE

A share issue was not conducted in the 2017 financial period. In the 2016 reference period, a targeted issue of

MEUR 0.6 in total was carried out to key persons as part of the share-based incentive system.

SHARE SUBSCRIPTION

Share subscriptions were not carried out in the 2017 financial period or the 2016 reference period.

OWN SHARES

The purchase price of bought shares and their transaction costs are given as a deduction under invested unrestricted capital.

It was resolved at the General Meeting in accordance with Chapter 4, Section 10, Subsection 2 of the Companies Act that the right to the so-called ownerless shares on the common book-entry account, which belong to the book-entry system, are lost in a way defined in the aforementioned subsection of the Companies Act. The General Meeting authorized the Board to take all measures required by this decision. After the decision, the company's own regulations concerning the company's own shares held by the company will be applied to the shares that were on the common book-entry account. Before the decision, there were 188,950 shares in total in the common book-entry account. Thus after the decision, as these shares have become the company's own shares held by the company. At the end of the 2017 financial period, there were 470,512 of the company's own shares (355,173).

In accordance with the decisions by the General Meeting and the Board on February 2, 2016, Panostaja Oy relinquished a total of 18,240 individual shares as share bonuses to the company management on December 12, 2016. On December 12, 2016, the company relinquished to the Board members a total of 13,187 shares. In accordance with the decisions by the General Meeting on January 31, 2017 and by the Board, Panostaja Oyj relinquished a total of 13,954 individual shares as meeting compensation to the members of the Board on March 2, 2017, a total of 14,286 shares on June 2, 2017, and a total of 13,954 shares on September 8, 2017.

DIVIDENDS

The dividend paid for the 2016 financial period stood at MEUR 2.1 in total (EUR 0.04 per share). MEUR 4.2 in dividends was paid to minority shareholders in subsidiaries.

The dividend paid for the 2015 financial period stood at MEUR 2.6 in total (EUR 0.05 per share). MEUR 7.0 in dividends was paid to minority shareholders in subsidiaries.

28. Financial Liabilities

EUR 1,000	2017	2016
Non-current financial liabilities valued at acquisition cost		
Loans from financial institutions	89,126	62,729
Convertible subordinated loan	0	0
Finance lease liabilities	3,176	767
Other loans	1,760	2,276
Total	94,062	65,772
Current financial liabilities valued at acquisition cost		
Installments on non-current financial loans	13,343	15,507
Other loans from financial institutions	4,156	1,394
Finance lease liabilities	1,620	380
Total	19,119	17,280

The fair value of liabilities is presented in Note 32. The fair values of financial assets and liabilities.

The weighted average of interest rates on October 31, 2017 was 2.19% (October 31, 2016: 2.95%). At the time of closing the books, the Group's financial liabilities in the amount of EUR 102,800 are variable-interest loans. Interest-bearing non-current and current liabilities are in euros.

ARRANGEMENTS CONCERNING LIABILITIES AND BREACHES OF CONTRACT

Heatmasters Group Oy's MEUR 0.7 loans involve a covenant term on equity ratio and key figure on interest-bearing net liabilities / operating margin. At the time of closing the books, the company did not meet the required covenant term. However, the financier has, after the end of the financial period, consented to not maturing

the liabilities in question due to a breach of covenant. In the consolidated financial statement, the loan is presented under current liabilities.

Megaklinikka Group's MEUR 1.4 loans involve a covenant term on equity ratio and key figure on interest-bearing net liabilities / operating margin. At the time of closing the books, the company did not meet the required covenant term. However, the financier has, before the end of the financial period, consented to not maturing the liabilities in question due to a breach of covenant.

Helasto Group's MEUR 2.9 loans involve a covenant term on equity ratio and key figure on interest-bearing net liabilities / operating margin. At the time of closing the books, the company did not meet the required covenant term. However, the financier has, before the end of the financial period, consented to not maturing the liabilities in question due to a breach of covenant.

The Group's parent company has a MEUR 7.3 loan that examines the Group's key figures 'interest-bearing net liabilities / operating margin' and 'equity'. The covenant terms have not been realized at the time of closing the books. However, the financier has, before the end of the financial period, consented to not maturing the liabilities in question due to a breach of covenant.

Maturity analysis of non-current liabilities

Amortizations	LOANS FROM FINANCIAL INSTITUTIONS		FINANCE LEASE LIABILITIES		OTHER LOANS	
	2017	2016	2017	2016	2017	2016
EUR 1,000						
< 1 year	13,555	17,020	1,620	380	24	341
1-2 years	37,848	12,913	783	168	0	0
2-3 years	46,969	28,293	755	168	0	0
3-4 years	3,769	20,972	755	168	0	0
4-5 years	1,994	2,321	756	168	0	0
> 5 years	187	45	127	95	4,156	

29. Trade Payables And Other Liabilities

EUR 1,000	2017	2016
Advances received	300	495
Trade payables	15,702	8,994
Accruals and deferred income	17,096	13,215
Other current liabilities	8,830	7,597
Total	41,928	30,302
Material items contained in accruals and deferred income		
Annual holiday pay and social costs	8,413	6,391
Accrued wages and salaries	1,827	1,588
Accrued interest	55	2
Accrued taxes	323	40
Accrued employee pension	1,897	776
Other items	4,581	4,418
Total	17,096	13,215

30. Provisions

EUR 1,000	Guarantee provisions	Loss-making contracts	Total
November 1, 2016	197	0	197
Increases in existing provisions	0	0	0
Effect of the company sale or discontinuation	-197	0	-197
Used provisions	0	0	0
October 31, 2017	0	0	0

EUR 1,000	Guarantee provisions	Loss-making contracts	Total
November 1, 2015	189	0	189
Increases in existing provisions	56	0	56
Effect of the company sale or discontinuation	0	0	0
Used provisions	-48	0	-48
October 31, 2016	197	0	197

EUR 1,000	2017	2016
Non-current provisions	0	0
Current provisions	0	197
Total	0	197

GUARANTEE PROVISIONS

The Group provides a guarantee of between one and three years for certain of its products. Faults in products noticed during the guarantee period are repaired at the cost of the Group or a similar new product is given to the customer. A provision for a guarantee given is recognized on the basis of an estimate of probable guarantee expenses. Guarantee provisions are expected to be used over the next three years, especially, however, during the first 12 months.

31. Maturity Analysis of Finance Lease Liabilities

EUR 1,000	2017	2016
Gross amount of finance lease liabilities – minimum rents by maturity date:		
In one year	1,775	429
Between one and five years	3,215	833
In over five years	128	0
Total	5,118	1,262
Future financial costs of finance lease liabilities	-322	-115
Current value of finance lease liabilities	4,796	1,147
The current value of finance lease liabilities will mature as follows		
In one year	1,620	380
Between one and five years	3,049	672
In over five years	127	95
Total	4,796	1,147

Property, plant and equipment includes machinery and equipment purchased on the basis of finance leases.

32. Fair Values for Financial Assets and Liabilities

The fair values of trade receivables, other current receivables, trade payables and other current liabilities correspond to their book value, because the effect of discounting is not essential, taking into account the maturity of the receivables. Their fair value is therefore not specified in the Notes.

The fair values of other receivables and liabilities valued at allocated acquisition cost are set by discounting their future cash flows on the balance sheet day using market interest rates, at which the company would get a similar loan on the date of the closing of the books or, with regard to receivables, market interest rates at which the company could grant a loan to a counterparty on the date of the closing of the books.

The process of determining the fair value of items valued at fair value on the balance sheet is explained in Note 33.

2017 Balance sheet item

EUR 1,000	Note	Financial assets and liabilities recognized at fair value through profit and loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at amortized cost	Book values of balance sheet items	Fair value
Non-current financial assets							
Other non-current assets	21		6,772			6,772	6,772
Held-for-sale investments				534		534	534
Current financial assets							
Trade and other receivables	25		30,784			30,784	30,784
Short-term investments	22					0	0
Financial assets total		0	37,557	534	0	38,091	38,091
Non-current financial liabilities							
Loans from financial institutions	28				92,302	92,302	92,456
Convertible subordinated loan	28					0	0
Other non-current liabilities	28				1,760	1,760	1,760
Current liabilities							
Convertible subordinated loan	28				0	0	0
Interest-bearing liabilities	28				19,119	19,119	19,119
Trade payables	29				15,702	15,702	15,702
Other liabilities	29	23			8,806	8,829	8,829
Financial liabilities total		23	0	0	137,689	137,712	137,868

2016 Balance sheet item

EUR 1,000	Note	Financial assets and liabilities recognized at fair value through profit and loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at amortized cost	Book values of balance sheet items	Fair value
Non-current financial assets							
Other non-current assets	21		6,825			6,825	6,825
Held-for-sale investments				701		701	701
Current financial assets							
Trade and other receivables	25		22,844			22,844	22,844
Short-term investments	22					0	0
Financial assets total		0	29,669	701	0	30,370	30,370
Non-current financial liabilities							
Loans from financial institutions	28				63,496	63,496	63,379
Convertible subordinated loan	28					0	0
Other non-current liabilities	28				2,276	2,276	2,276
Current liabilities							
Convertible subordinated loan	28				0	0	0
Interest-bearing liabilities	28				17,280	17,280	17,280
Trade payables	29				8,994	8,994	8,994
Other liabilities	29	12	0	0	7,152	7,164	7,164
Financial liabilities total		12	0	0	99,198	99,210	99,093

33. The Fair Value Hierarchy for Financial Assets and Liabilities Valued at Fair Value

October 31, 2017	FAIR VALUES AT THE END OF THE PERIOD UNDER REVIEW		
	Level 1	Level 2	Level 3
Financial assets recorded at fair value through profit and loss			
Interest rate swaps		0	
Interest rate fund shares	0		
Held-for-sale investments			
Short-term investments		0	
Investments in unquoted shares			534
Total	0	0	534
Financial liabilities recorded at fair value through profit and loss			
Interest rate swaps		23	
Total	0	23	
October 31, 2016			
Financial assets recorded at fair value through profit and loss			
Interest rate swaps		0	
Interest rate fund shares	0		
Held-for-sale investments			
Short-term investments			
Investments in unquoted shares			701
Total	0	0	701
Financial liabilities recorded at fair value through profit and loss			
Interest rate swaps		12	
Total		12	

The fair values under Level 1 in the hierarchy are based completely on the quoted prices for the same asset items or liabilities on existing markets.

Level 2 fair values are based on input data other than the quoted prices contained in Level 1, yet on information that is verifiable either directly or indirectly for the asset item or liability concerned. Fund investments are valued based on the valuation reports of fund management companies. Derivatives are valued using the discounted cash flow method.

Level 3 fair values are based on a price other than that available on the market, and they might contain assessments made by management.

HELD-FOR-SALE NON-CURRENT FINANCIAL ASSETS

Held-for-sale non-current financial assets are all investments in unquoted shares. They are valued at acquisition price, because their fair values are not reliably available. Therefore they are not included in the fair value hierarchy.

34. Guarantees and Contingencies

EUR 1,000	2017	2016
Guarantees given on behalf of Group companies		
Enterprise mortgages	82,642	87,180
Pledges given	137,159	131,117
Other liabilities	18,495	12,715

The pledges given include pledged shares in subsidiaries worth MEUR 137.1. The nominal or book value of a collateral has been used as the value of liabilities.

EUR 1,000	2017	2016
Other rental agreements		
In one year	10,246	7,096
In over one year but within five years maximum	22,215	16,202
In over five years	2,651	2,126
Total	35,112	25,424
Total for loans from institutions	111,421	80,776

35. Related Party Disclosures

The Group's related parties include the parent company as well as the subsidiaries, associated companies and joint ventures. Alongside companies with control and significant influence, corresponding power is exercised by natural persons. In addition to any persons exercising control and significant influence, the company's related parties include key persons in the management of the company and its parent company.

Individuals with rights and responsibilities relating to the planning, management and control of the activities of the corporation in question are regarded as key persons. Examples of key persons are members of the Board and Senior Management Team as well as the chief executive officer and senior vice president.

Close family members of key persons (and persons exercising control/influence) are also considered to be related parties. Marital or common law spouses and the children or other dependents of the person or their spouse, for example, are regarded as family members. In addition to family members (and persons exercising control/influence) the company's circle of related parties includes companies in which a key person or their spouse, individually or together, exercises control or significant influence.

REWARD SCHEME

The Board of Directors of Panostaja Oy decides on the principles underlying the reward scheme for the CEO and members of the Senior Management Team. The management's reward and commitment schemes consist of salary, employee benefits and a share reward scheme. The retirement pension is determined in accordance with the Employees Pensions Act (TyEL).

Until the end of 2018, Panostaja has in place a share remuneration scheme where the company's shares may be awarded to members of the Senior Management Team as a reward for reaching the set goals. The goals are set for earnings periods that equal financial periods in length based on the Panostaja Group's EBIT and/or other operational goals, and for a five-year (5) earnings period (2014–2018) based on the cumulative earnings per share (EPS) key figure.

At the end of the 2017 financial period, a total of 230,161 shares are available if the set goals are met. A potential bonus may also be paid in cash to cover the taxes and tax-like payments arising from the bonus. Members of the Senior Management Team are obliged not to sell shares received as a bonus during a period of 27 months after receiving them.

At the time of closing the books on October 31, 2017, the members of the Senior Management Team held in their personal ownership or in the ownership of a company where

they have a controlling interest 1,250,000 Panostaja shares related to the remuneration system that they have undertaken to retain in their ownership for the duration of the system's period of validity. The Management's share ownership within the incentive and commitment scheme is distributed as follows:

Pravia Oy (Juha Sarsama)	550,000 pcs
Comito Oy (Tapio Tommila)	300,000 pcs
Miikka Laine	200,000 pcs
Minna Telanne	200,000 pcs
Total	1,250,000 pcs

The members of the Senior Management Team have financed their investments themselves, in part, and through company loans, in part, and they bear the genuine corporate risk with respect to the investment they have made in the scheme.

LOANS TO RELATED PARTIES

EUR 1,000	2017	2016
At the start of the financial period	2,048	1,464
Loans granted during the financial period	0	689
Loans repaid and amortizations	-370	-105
Debited interest	19	57
Interest payments received during the financial period	-19	-57
At the end of the financial year	1,678	2,048

The loan conditions for key management personnel are as follows:

Name	Amount of loan	Conditions of repayment	Interest
Pravia Oy (Juha Sarsama)	230	Repayment in full at the end of the loan period	0,250
Pravia Oy (Juha Sarsama)	113	Repayment in full at the end of the loan period	0,250
Pravia Oy (Juha Sarsama)	166	Repayment in full at the end of the loan period	0,250
Comito Oy (Tapio Tommila)	178	Repayment in full at the end of the loan period	0,250
Comito Oy (Tapio Tommila)	79	Repayment in full at the end of the loan period	0,250
Comito Oy (Tapio Tommila)	83	Repayment in full at the end of the loan period	0,250
Minna Telanne	166	Repayment in full at the end of the loan period	0,250
Miikka Laine	166	Repayment in full at the end of the loan period	0,250
Total	1,181		

On October 31, 2017, company shares with a fair value of MEUR 1.1 represented the collateral on loans granted.

The loan conditions of other related party loans are as follows:

Name	2017	2016	
Rollcock Oy	0	309	An equity convertible bond loan, to which the provisions of Chapter 12 of the Limited Liability Companies Act are applicable. If the company has failed to repay the loan by the end of the loan period, on the basis of special rights the issuer of the loan is entitled to exchange these convertible bond loans for shares in the company. The loan was converted into shares during the past financial period.
Ecosir Group Oy	497	535	Subordinated loans that will mature in full in 2018. Ecosir Group Oy is liable to repay the principal and interest accrued on it only for the part of the sum of the company's unrestricted equity and all subordinated loans at the time of payment exceeding the loss on the balance sheet of the last financial period ended or of financial statements newer than this. If principal or interest remains unpaid on the annulment, liquidation or bankruptcy of the company, it will be repaid using a privilege worse than all other liabilities of the company. The company has not given collateral for the payment of the loan capital or its interest.

MANAGEMENT EMPLOYEE BENEFITS

EUR 1,000	2017	2016
Salaries and other current employee benefits	664	664
Share-based benefits	17	29
Total	680	693

Salaries and bonuses		
CEO	226	247
Deputy CEO	181	181
CEO's performance-based employer's statutory pension expenditure	43	47
Deputy CEO's performance-based employer's statutory pension expenditure	34	34

Members of the Board of Directors		
Ala-Mello Jukka	40	40
Eriksson Eero	20	20
Tarkkonen Hannu	20	20
Pääkkönen Tarja	20	15
Viranen Antti	20	20
Terhonen Jukka	0	5
Koskenkorva Mikko	20	20

It was further resolved at the General Meeting on January 31, 2017 regarding payment of meeting compensation 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 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 General Meeting is over one percent of all company shares, the compensation will be paid in full in monetary form. In addition, the Board of Directors of Panostaja Oyj decided at an organizing meeting held immediately after the General Meeting to implement the decision taken at the General Meeting regarding the compensation of the Board members as regards shares, so that the compensation is always sent four times a year on the day following publication of an interim report/financial statements for the year.

36. Subsidiaries as of October 31, 2017

RELATIONS BETWEEN THE GROUP PARENT COMPANY AND SUBSIDIARIES

	Registered office	Share of voting power	Parent company's shareholding %
Parent company			
Panostaja Oyj	Tampere		
Subsidiaries			
Brand Factory Finland Oy	Espoo	52.8	52.8
Copynet Finland Oy	Helsinki	52.8	52.8
CoreHW Group Oy	Tampere	63.0	63.0
CoreHW Oy	Tampere	63.0	63.0
CoreHW Semiconductor Oy	Tampere	63.0	63.0
Grano Oy	Helsinki	52.8	52.8
Grano 3D Oy	Turku	52.8	52.8
Grano Group Oy	Helsinki	52.8	52.8
Grano Diesel Oy	Helsinki	52.8	52.8
Flexim Group Oy	Tampere	70.0	70.0
Heatmasters Group Oy	Tampere	80.0	80.0
Heatmasters Lämpökäsittely Finland Oy	Lahti	80.0	80.0
Heatmasters Technology Oy	Lahti	80.0	80.0
Heatmasters Sp.zoo	Poland	80.0	80.0
Heatmasters Scandinavia AB	Sweden	80.0	80.0
Heatmasters Inc	Texas, USA	80.0	80.0
KL-Parts Oy	Tampere	75.0	75.0
KL-Varaosat Oy	Tampere	75.0	75.0
KFZ Nord Oy	Tampere	75.0	75.0
As Grano Digital	Tallinn, Estonia	52.8	52.8
Keili Oy	Helsinki	52.8	52.8
Kotelovalmiste Oy	Helsinki	52.8	52.8
KotiSun Group Oy	Jyväskylä	56.6	56.6
KotiSun Oy	Jyväskylä	56.6	56.6
KotiSun Viemäripalvelut Oy	Tampere	56.6	56.6
Kuopion Neon 2 Oy	Kuopio	52.8	52.8
Sundahm AB	Sweden	56.6	56.6
Megaklinikka Group Oy	Helsinki	79.8	79.8
Megaklinikka Oy	Helsinki	79.8	79.8
Megakliniken AB	Stockholm, Sweden	79.8	79.8
Lönnberg Digital Oy	Helsinki	52.8	52.8
Lönnberg Kalenterit Oy	Helsinki	52.8	52.8
Lönnberg Painot Oy	Helsinki	52.8	52.8
Selog Group Oy	Helsinki	60.0	60.0
Selog Oy	Helsinki	60.0	60.0
Suomen Arkistovoima Oy	Turku	52.8	52.8
Suomen Helakeskus Oy	Seinäjoki	100.0	100.0
Suomen Helasto Oy	Seinäjoki	100.0	100.0

The subgroup subsidiary holdings are presented in the table in accordance with the holding of the Panostaja subgroup's parent company. More specific information on relationships of ownership of sub-group subsidiaries can be found in the financial statements of each respective subgroup.

37. Judicial Events

At the time of the closing of the books, the Group had no legal cases or disputes regarding which significant claims could be targeted at the Group.

38. Events After the Balance Sheet Date

On November 24, 2017, Panostaja announced that S. Martti Niemi (M. Sc. (Econ.), born 1961) had been invited to become the Chief Executive Officer of Suomen Helakeskus Oy. Niemi will assume his duties as CEO no later than December 15, 2017. Suomen Helakeskus Oy's current CEO Hannu Rantanen will continue in his position until the arrival of his new counterpart, after which he will leave the employment of Panostaja Group.

In 2014, the Tax Administration issued a decision stating that Panostaja Oyj is not entitled to VAT deductions. Based on the aforementioned decision, Panostaja Oyj refrained from deducting a total of approx. MEUR 1.3 in value-added tax included in acquisitions during the financial periods between November 1, 2014 and October 31, 2017. Panostaja Oyj appealed the Tax Administration's decision to the Administrative Court, where the Tax Administration's decision was overturned. The Supreme Administrative Court did not grant the Tax Administration a right of appeal in the decision issued in November 2017. As a result of this decision, the Tax Administration will refund the value-added taxes that were not deducted, including interest, and Panostaja Oyj will record approx. MEUR 1.3 of earnings for the first quarter of the 2018 financial period. Panostaja Oyj will also correct the income taxation for the company's previous tax years by adding the deducted value-added taxes to the taxable business income.

PARENT COMPANY INCOME STATEMENT

EUR 1,000	Note	November 1, 2016–October 31, 2017	November 1, 2015–October 31, 2016
NET SALES	1.1.	0	8
Other operating income	1.2.	153	119
Staff expenses	1.3.	-1,419	-1,366
Depreciations, amortizations and impairment	1.4.	-72	-74
Other operating expenses	1.5.	-2,775	-1,576
OPERATING PROFIT/LOSS		-4,113	-2,890
Financial income and costs	1.6	-103	10,196
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		-4,216	7,306
Income taxes	1.7.	0	36
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-4,216	7,341

PARENT COMPANY BALANCE SHEET

ASSETS

EUR 1,000	Note	October 31, 2017	October 31, 2016
PERMANENT ASSETS			
Intangible assets	2.1.	52	118
Tangible assets	2.2.	128	134
Investments	2.3.	42,278	40,504
PERMANENT ASSETS TOTAL		42,458	40,757
CURRENT ASSETS			
Non-current receivables	2.4.	12,354	12,419
Current receivables	2.5.	2,853	2,471
Cash and cash at bank		4,903	18,011
CURRENT ASSETS TOTAL		20,111	32,901
TOTAL ASSETS		62,569	73,657

LIABILITIES

EUR 1,000	Note	October 31, 2017	October 31, 2016
EQUITY	2.6		
Share capital		5,569	5,569
Share premium account		4,691	4,691
Invested unrestricted equity fund		16,545	16,479
Profit/loss for the previous financial periods		13,384	7,944
Profit/loss for the financial period		-4,216	7,341
SHAREHOLDERS' EQUITY TOTAL		35,973	42,025
LIABILITIES	2.7		
Non-current liabilities		22,358	20,042
Current liabilities		4,238	11,591
LIABILITIES TOTAL		26,596	31,633
TOTAL LIABILITIES		62,569	73,657

FINANCIAL STATEMENT OF PARENT COMPANY

EUR 1,000	November 1, 2016–October 31, 2017	November 1, 2015–October 31, 2016
OPERATING CASH FLOW		
Profit/loss for the financial period	-4,216	7,341
Adjustments:	197	-10,158
Planned depreciations	72	74
Financial income and costs	125	-10,196
Taxes	0	-36
CHANGES		
Change in current non-interest-bearing operating receivables	-1,731	-91
Change in current non-interest-bearing liabilities	240	88
Interest and other financial costs	-1,374	-2,158
Interest and other financial income	508	560
Taxes paid	0	-323
Cash flow before extraordinary items	-6,375	-4,739
OPERATING CASH FLOW	-6,375	-4,739
INVESTMENT CASH FLOW		
Investments in tangible and intangible assets	0	-84
Investments in subsidiaries	-4,026	0
Other investments	-12	-150
Capital gains from the disposal of subsidiaries	31	0
Net change in internal receivables	-1,562	1,209
Loans granted	-98	-581
Loans receivable repaid	431	30
Paid dividends	5,482	12,065
INVESTMENT CASH FLOW	245	12,488
FINANCIAL CASH FLOW		
Acquisition and disposal of own shares	66	658
Change in current interest-bearing receivables	222	330
Change in current interest-bearing liabilities	0	-15,000
Loans drawn	2,316	20,000
Loans repaid	-7,500	-788
Dividends paid	-2,081	-2,562
FINANCIAL CASH FLOW	-6,977	2,638
CHANGE IN CASH AND CASH EQUIVALENTS	-13,108	10,387
Cash and cash equivalents at the beginning of the financial period	18,011	7,624
CHANGE IN CASH AND CASH EQUIVALENTS	-13,108	10,387
Cash and cash equivalents at the end of the financial period	4,903	18,011

NOTES TO THE FINANCIAL STATEMENTS, OCTOBER 31, 2017

Panostaja Group's parent company is Panostaja Oyj, registered office in Tampere, Finland. The Group's consolidated financial statements can be obtained at Kalevantie 2, 33100 Tampere, Finland.

COMPARABILITY OF FIGURES

The figures for the financial period and the previous financial period are comparable.

VALUATION PRINCIPLES

Current fixed assets are entered in acquisition costs in the balance sheet with planned depreciations deducted. Fixed asset shares are valued at their acquisition price.

PENSIONS

Statutory pension insurance for staff is managed by an external pension insurance company. Pension costs are entered as a cost in the year of accrual.

DEPRECIATIONS

Planned depreciations from permanent assets are calculated based on probable operating life from the original purchase price. Planned depreciation periods are:

Intangible rights	3y
Goodwill	5–10y
Other capitalized long-term expenditure	5–10y
Buildings	20–40y
Machinery and equipment	3–10y
Other tangible assets	3–10y

Notes to the income statement

1.1. Net sales

EUR 1,000	2017	2016
Administrative cost charges from Group companies	0	8
	0	8

1.2. Other operating income

EUR 1,000	2017	2016
Support received	10	15
Others	143	104
	153	119

1.3. Staff expenses

EUR 1,000	2017	2016
Salaries and fees	1,137	1,098
Pension costs	196	191
Other social security expenses	86	77
	1,419	1,366

During the financial period, the company employed on average

Clerical staff	9	9
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1.4. Depreciations, amortizations and impairment

EUR 1,000	2017	2016
Planned depreciations		
Intangible rights	3	6
Other capitalized long-term expenditure	29	29
Machinery and equipment	40	39
	72	74

1.5. Other operating expenses

EUR 1,000	2017	2016
Other operating expenses internal	44	27
Other operating expenses	490	565
Marketing costs	195	261
Data management costs	129	146
Costs for expert services	1,750	411
Rental costs	167	166
Other operating expenditure total	2,775	1,576

Auditor's fees

auditing fees	26	42
auxiliary services	2	43
	27	86

Financial income and costs

EUR 1,000	2017	2016
Dividend yields		
From companies in the same Group	5,482	12,065
From others	66	75
Dividend yields total	5,548	12,140
Other interest yields		
From companies in the same Group	317	380
From others	54	70
Other interest yields total	371	450
Other financial income		
From companies in the same Group	72	74
From others	11	28
Other financial income total	83	103
Other interest and financial yields total	454	553
Interest expenses		
For companies in the same Group	0	0
For others	961	1,410
Interest expenses total	961	1,410
Other financial expenses		
For companies in the same Group	2,411	0
For others	104	198
Other financial expenses total	2,515	198
Interest costs and other financial costs total	3,476	1,608
Impairments of Group shares	2,443	889
Impairment of stocks and shares	186	0
Financial income and costs total	-103	10,196

1.7. Income taxes

EUR 1,000	2017	2016
Income taxes from the financial period and previous periods	0	-36
	0	-36

Balance sheet notes

2.1. Intangible assets

EUR 1,000	2017	2016
Intangible rights		
Acquisition cost Nov 1	59	59
Additions Nov 1–Oct 31	0	0
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	59	59
Accrued planned depreciations Nov 1	-51	-44
Planned depreciations Nov 1–Oct 31	-3	-6
Book value as of October 31	6	9
Other capitalized long-term expenditure		
Acquisition cost Nov 1	405	401
Additions Nov 1–Oct 31	0	5
Deductions Nov 1–Oct 31	-34	0
Acquisition cost Oct 31	372	405
Accrued planned depreciations Nov 1	-296	-267
Planned depreciations Nov 1–Oct 31	-29	-29
Book value as of October 31	47	109
Intangible assets total		
Acquisition cost Nov 1	465	460
Additions Nov 1–Oct 31	0	5
Deductions Nov 1–Oct 31	-34	0
Acquisition cost Oct 31	431	465
Accrued planned depreciations Nov 1	-347	-311
Planned depreciations Nov 1–Oct 31	-32	-35
Book value as of October 31	53	118

2.2. Tangible assets

EUR 1,000	2017	2016
Machinery and equipment		
Acquisition cost Nov 1	748	668
Additions Nov 1–Oct 31	0	80
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	748	748
Accrued planned depreciations Nov 1	-614	-575
Planned depreciations Nov 1–Oct 31	-40	-39
Book value as of October 31	94	134
Other tangible assets		
Acquisition cost Nov 1	0	0
Additions Nov 1–Oct 31	34	0
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	34	0
Accrued planned depreciations Nov 1	0	0
Planned depreciations Nov 1–Oct 31	0	0
Book value as of October 31	34	0
Tangible assets total		
Acquisition cost Nov 1	748	668
Additions Nov 1–Oct 31	34	80
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	782	748
Accrued planned depreciations Nov 1	-614	-575
Planned depreciations Nov 1–Oct 31	-40	-39
Book value as of October 31	128	134

2.3. Investments

EUR 1,000	2017	2016
Interests in companies in the same Group		
Acquisition cost Nov 1	36,157	37,046
Additions Nov 1–Oct 31	4,422	0
Deductions Nov 1–Oct 31	-2,473	-889
Acquisition cost Oct 31	38,106	36,157
Interests in associated companies		
Acquisition cost Nov 1	3,858	3,858
Additions Nov 1–Oct 31	0	0
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	3,858	3,858
Other shares and interests		
Acquisition cost Nov 1	489	339
Additions Nov 1–Oct 31	12	150
Deductions Nov 1–Oct 31	-186	0
Acquisition cost Oct 31	314	489
Investments total		
Acquisition cost Nov 1	40,504	41,243
Additions Nov 1–Oct 31	4,433	150
Deductions Nov 1–Oct 31	-2,659	-889
Acquisition cost Oct 31	42,278	40,504

2.4. Non-current receivables

EUR 1,000	2017	2016
Subordinated loans receivable from companies in the same Group	1,528	2,973
Subordinated loans receivable from associated companies	0	235
Loans receivable from companies in the same Group	5,205	3,258
Loans receivable	2,121	2,454
Other receivables	3,500	3,500
	12,354	12,419

2.5. Current receivables

EUR 1,000	2017	2016
Trade receivables from companies in the same Group		
Trade receivables	5	10
Loans receivable from companies in the same Group		
Other receivables	6	5
Subordinated loans receivable from associated companies		
Loans receivable from associated companies	262	323
Other loans receivable	296	542
Interest receivables from companies in the same Group		
Accrued income	1,791	108
	2,853	2,471
Accrued income essential items		
Interest receivables from insider loans	5	4
Interest receivables from other loans receivable	1	0
Interest receivables	18	38
Takoma Gears Oy proportional share	818	0
Takoma Oyj proportional share	103	0
Passed-on costs	769	0
Other items	6	0
Cost scheduling	71	65
	1,791	108

2.6. Equity

EUR 1,000	2017	2016
Share capital Nov 1		
Share capital increase and share issue	0	0
Share capital Oct 31	5,569	5,569
Share premium account Nov 1–Oct 31		
Share premium account Nov 1–Oct 31	4,691	4,691
Invested unrestricted equity fund Nov 1		
Share capital increase and share issue	0	0
Acquisition/disposal of own shares	0	0
Rewards to Senior Management Team as own shares	17	581
Board bonuses as own shares	49	77
Capital repayment	0	0
Invested unrestricted equity fund Oct 31	16,545	16,479
Retained earnings/loss Nov 1		
Nordea conversion 01/17	0	0
Expired dividend liability	179	0
Management reward scheme	0	-20
Dividend distribution	-2,081	-2,562
Retained earnings/loss Oct 31	13,384	7,944
Profit/loss for the financial period		
Profit/loss for the financial period	-4,216	7,341
Equity total	35,973	42,025
Distributable unrestricted equity Oct 31		
Distributable unrestricted equity Oct 31	25,713	31,765

2.7. Liabilities

EUR 1,000	2017	2016
2.7.1 Non-current liabilities		
Loans from financial institutions	22,316	20,000
Other non-current liabilities	3	3
	22,319	20,003
Liabilities owed to companies in the same Group		
Other liabilities	39	39
	39	39
Non-current liabilities total	22,358	20,042
2.7.2 Current liabilities		
Hybrid loan 2013	0	7,500
Trade payables	345	123
Other liabilities	30	211
Accruals and deferred income	3,733	3,626
	4,107	11,461
Liabilities owed to companies in the same Group		
Trade payables	1	0
	1	0
Liabilities to associated companies		
Liabilities to associated companies	130	130
	130	130
Material items contained in accruals and deferred income		
Annual holiday salaries and social costs	128	151
Annual holiday pay TyEL allocation	24	28
Bonus allocation	74	39
Management reward scheme	45	34
Property fund dissolution advance	3,038	3,038
Accrued interest	27	336
Grano Group Oy's additional purchase price	396	0
	3,733	3,626
Current liabilities total	4,238	11,591

Other Notes

EUR 1,000	2017	2016
Guarantees and contingencies		
On behalf of Group companies		
Guarantees given	4,482	4,842
On behalf of associated companies		
Guarantees given	1,145	1,145
On behalf of others		
Guarantees given	0	0
Rental liabilities		
In one year	156	154
More than one and within 5 years	622	618
In over five years	65	219
Leasing liabilities		
In one year	0	1
More than one and within 5 years	0	0
In over five years	0	0
Pledged associated company shares		
As security for own liabilities	0	0
Other pledges given		
As security for own liabilities	6	5

HYBRID LOAN 2013

The EUR 7,500,000 loan was paid in full on the due date May 29, 2017.

Proposal by the Board of the Parent Company on the Processing of the Result and Distribution of Profits of the Financial Period

Panostaja Oyj's distributable assets, including the profit for the current and past financial periods of EUR 9,167,941.38 and EUR 16,544,923.79 in the invested unrestricted equity fund, amount to EUR 25,712,865.17.

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

The Board also proposes that the General Meeting authorize the Board of Directors 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 shall total no more than EUR 4,700,000.

It is proposed that the authorization include the right of the Board to decide on all other terms and conditions relating to said asset distribution. It is also proposed that the authorization remain valid until the start of the next Annual General Meeting.

FINANCIAL STATEMENT ENTRY

A report has today been issued about the audit performed.

PricewaterhouseCoopers Oy
Audit firm

Lauri Kallaskari AUTHORIZED PUBLIC ACCOUNTANT	Markku Launis AUTHORIZED PUBLIC ACCOUNTANT
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Tampere, December 13, 2017

Jukka Ala-Mello Mikko Koskenkorva
Chairman of the Board

Eero Eriksson Hannu Tarkkonen

Antero Virtanen Tarja Pääkkönen

Juha Sarsama
CEO

Audit Report

For Panostaja Oyj's Annual General Meeting

AUDIT OF FINANCIAL STATEMENTS

Report

As our report, we submit that

- The consolidated financial statements provide accurate and sufficient information on the Group's financial position as well as the results of its operations and its cash flows in conformity with the International Financial Reporting Standards (IFRS) approved for use in the European Union; and
- The financial statements provide accurate and sufficient information on the parent company's financial position and the results of its operations in conformity with the regulations currently in effect in Finland regarding the preparation of financial statements, and they meet the statutory requirements.

Our report is consistent with the additional report submitted to the Audit Committee.

Subject of the audit

We have audited Panostaja Oyj's (business ID 0585148-8) financial statements for the financial period November 1, 2016–October 31, 2017. The financial statements contain:

- The Group's balance sheet, income statement, extensive income statement, statement of changes in equity, cash flow statement and notes, including a summary of the significant accounting principles used in the preparation of the financial statements;
- The parent company's balance sheet, income statement, cash flow statement and notes.

GROUNDINGS FOR THE REPORT

We performed the audit in conformity with the good auditing practice enforced in Finland. Our obligations under this good auditing practice are described in more detail in the section 'Duties of the auditor in auditing financial statements'.

It is our view that we have obtained the required amount of appropriate auditing evidence for establishing a foundation for our report.

Independence

We are independent of the parent company and the companies in the Group in accordance with the ethical requirements observed in Finland which pertain to the audit we have performed, and we have fulfilled our other ethical obligations under these requirements.

To the best of our knowledge and understanding, all non-audit services which we have provided to the parent company and the Group's companies are in compliance with the regulations enforced in Finland regarding such services, and we have not provided any prohibited non-audit services within the meaning of paragraph 1 of Article 5 of Regulation (EU) No 537/2014. The non-audit services we have provided are presented in Note 13 to the financial statements, titled 'Other operating expenses'.

GENERAL AUDIT APPROACH

Summary

- The materiality determined in the consolidated financial statements was EUR 1.9 million.
- The scope of the audit of the consolidated financial statements included the parent company as well as its subsidiaries in Finland and Poland, covering the majority of the Group's net sales, assets and liabilities.
- Valuation of goodwill
- Valuation of deferred tax assets
- Valuation of shares in subsidiaries (parent company)

As part of the audit's planning process, we determined the materiality and assessed the risk of the financial statements containing a material inaccuracy. In particular, we assessed areas in which the management made subjective estimates. Examples of such areas include significant accounting estimates which involve assumptions and evaluation of future events.

Materiality

The materiality which we applied affected the planning and implementation of our audit. The goal of the audit is to obtain reasonable assurance of whether the financial statements as a whole contain material inaccuracies. Inaccuracies may be caused by misconduct or errors. They are considered to be material when they, alone or in combination, can be reasonably expected to impact financial decisions that are made by users based on the financial statements.

Based on our professional discretion, we determined certain quantitative thresholds related to materiality, such as the materiality determined for the consolidated financial statements, described in the table below. These thresholds, in combination with qualitative factors, helped us determine the full scope of the audit and the nature, timing and scope of individual auditing measures and assess the impact of inaccuracies on the financial statements as a whole.

Materiality determined for the consolidated financial statements	EUR 1.9 million
Benchmark used in determining materiality	1% of the net sales for financial period 2017
Grounds for choosing the benchmark	We chose net sales as the benchmark for determining materiality as, to our understanding, net sales are a benchmark generally used by readers of financial statements when assessing the Group's performance. Net sales are also a generally accepted benchmark.

Determining the scope of the audit of the consolidated financial statements

When determining the scope of our audit, we took the Panostaja Group's structure and industry as well as the processes and controls related to financial reporting into account.

In addition to the parent company, our audit also covered all of the Group's subsidiaries in Finland. The Group's net sales are formed, to a significant extent, by these subsidiaries. We also performed targeted audit measures on the Group's subsidiary in Poland. The other subsidiaries are not considered to be at risk of material inaccuracy with regard to the consolidated financial statements.

KEY FACTORS FOR THE AUDIT

Key factors for the audit are factors which, according to our professional discretion, were the most significant in the audit of the financial period in question. These factors were taken into account in our audit of the financial statements as a whole and in the preparation of our report on this audit. We will not provide a separate report on these factors.

We take the risk of the management ignoring controls into account in all our auditing. This includes an assessment of whether there are any indications of the management having a tendentious attitude which poses a risk of material inaccuracy as a result of misconduct.

Key factor in the audit of the consolidated financial statements

Valuation of goodwill

See the accounting principles for the preparation of the consolidated financial statements and Note 18 Intangible assets.

The Panostaja Group's balance sheet, dated October 31, 2017, lists EUR 94.7 million as goodwill, which accounts for 42% of the Group's total assets. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units.

The company always tests goodwill for impairment when there are indications that goodwill may be impaired, but at least once a year. In impairment testing, the amount of goodwill is compared to the recoverable amount. The recoverable amount is based on calculations of service value. These calculations require significant discretion from the management in relation to estimates of future cash flows and the determination of the discount rate.

The amount of goodwill on the Group's balance sheet is significant, and its valuation involves significant discretion by the management. As a result of these factors, the valuation of goodwill is a key factor for the audit and poses a significant risk of material inaccuracy (paragraph 2 c of Article 10 of Regulation (EU) No 537/2014).

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Valuation of deferred tax assets

See the accounting principles for the preparation of the consolidated financial statements and Note 23 Deferred tax assets and liabilities

In the consolidated financial statements, the deferred tax receivables on the balance sheet include a EUR 4.8 million item related to the unused tax losses of the parent company.

According to the forecasts prepared by the management of Panostaja Oyj, the parent company will gain taxable income from investment sales, against which tax assets related to unused tax losses can be utilized.

The deferred tax receivables recorded from unused tax losses are considered to be a key factor for the audit, as its valuation involves significant estimates by the management regarding the parent company's future sales profits.

Valuation of shares in subsidiaries

See Note 2.3 Investments to the parent company's financial statements.

In Panostaja Oyj's financial statements, dated October 30, 2017, the value of shares in subsidiaries, which are included in investments on the balance sheet, is EUR 38.1 million.

The value of the shares in subsidiaries was determined with the help of service value calculations.

The number of shares in subsidiaries on the parent company's balance sheet was significant, and their valuation includes significant discretion by the management. As a result of these factors, the valuation of shares in subsidiaries is a key factor for the audit and poses a significant risk of material inaccuracy (paragraph 2 c of Article 10 of Regulation (EU) No 537/2014).

How the factor was handled in the audit

In our audit measures, we focused on confirming the adequacy of the estimates which require discretion by the management by using the following measures:

We audited the accuracy of the service value calculation model used by the company by comparing the model to the requirements of IAS 36: Impairment of Assets and by confirming the mathematical accuracy of the calculations;

We assessed the process related to the determination of cash flow forecasts that are used in service value calculations, and we compared the forecasts to government-approved budgets and strategic figures;

We assessed the reliability of the forecasts used by the management with regard to net sales growth and EBIT trends, among other things, by comparing forecasts from previous years to actual figures;

We assessed the adequacy of the assumptions used in the sensitivity calculation prepared by the management;

We utilized experts who specialize in PwC valuation in reviewing the discount rates used in the calculations. The components used in determining the discount rates were compared, as applicable, to external, generally accepted information sources; and

We assessed the sufficiency and adequacy of the information provided in Note 18 to the consolidated financial statements.

Our audit measures included the following measures:

We went through and assessed the functionality of the process that is related to the valuation of the Group's deferred tax receivables:

We compared the amount of unused tax losses to the tax decisions and tested the accuracy of the financial period's accrued taxes.

We assessed the adequacy of the key assumptions used in the forecasts. We compared the assumptions used by the management to external valuation calculations and

We assessed the sufficiency and adequacy of the information provided in Note 23 to the consolidated financial statements.

Our audit measures included the following measures:

We assessed the process, calculation principles and key assumptions related to the determination of cash flow forecasts used in the service value calculations;

We assessed the reliability of the forecasts used by the management with regard to net sales growth and EBIT trends, among other things, by comparing forecasts from previous years to actual figures;

We utilized experts who specialize in PwC valuation in assessing the adequacy of the discount rates and

We tested the mathematical accuracy of the valuation calculations.

OBLIGATIONS OF THE BOARD OF DIRECTORS AND CEO REGARDING THE FINANCIAL STATEMENTS

The board of directors and CEO are in charge of preparing the financial statements so that the consolidated financial statements provide an accurate and sufficient picture in accordance with the International Financial Reporting Standards (IFRS) approved for use in the European Union and so that the financial statements provide an accurate and sufficient picture in accordance with the regulations currently in effect in Finland regarding the preparation of financial statements and meet the statutory requirements. The board of directors and CEO are also in charge of the type of internal control which they consider to be necessary in order to prepare the financial statements without any material inaccuracies resulting from misconduct or errors.

When preparing the financial statements, the board of directors and CEO are obligated to assess the ability of the parent company and Group to continue their operation and, as applicable, present the factors that are related to the continuity of the operations and the fact that the financial statements are prepared based on this continuity. The financial statements are prepared based on the continuity of operations except if the parent company or Group is planned to be dissolved or the operations discontinued or there are no other realistic alternatives available.

DUTIES OF THE AUDITOR IN AUDITING FINANCIAL STATEMENTS

Our goal is to obtain reasonable assurance of whether the financial statements as a whole contain any material inaccuracies resulting from misconduct or errors and submit an audit report containing our statement. Reasonable assurance is a high level of assurance, but it is no guarantee that a material inaccuracy will always be recognized in audits in accordance with good auditing practice. Inaccuracies may be caused by misconduct or error, and they are considered to be material when they, alone or in combination, can be reasonably expected to impact financial decisions that are made by users based on the financial statements.

Audits that follow good auditing practice involve the use of professional discretion and retention of professional skepticism throughout the audit process. Additionally:

- We recognize and assess the risks of material inaccuracy arising from misconduct or errors, plan and carry out audit measures that respond to these risks and obtain the necessary amount of appropriate auditing evidence to base our report on. The risk of a material inaccuracy arising from misconduct being left unnoticed is

greater than the risk of a material inaccuracy arising from an error being left unnoticed, as misconduct may involve joint action, falsification, deliberate omission of information or provision of incorrect information or ignorance of internal controls.

- We form an understanding of the internal controls that are relevant to the audit process in order to be able to plan audit measures that are appropriate for the situation but not with the intention of being able to provide a statement on the efficiency of the internal controls of the parent company or Group.
- We assess the adequacy of the accounting principles applied in the preparation of the financial statements and the reasonableness of the accounting estimates made by the management and the information presented on these estimates.
- We draw a conclusion of whether it was appropriate for the board of directors and CEO to prepare the financial statements based on an assumption of the continuity of operations, and, based on the auditing evidence we obtain, a conclusion of whether there is any material uncertainty related to events or conditions present which may provide significant reason to doubt the ability of the parent company or Group to continue its operations. If we conclude that material uncertainty does occur, we must draw the reader's attention to the information pertaining to the uncertainty that is presented in the financial statements in our report or, if the information pertaining to the uncertainty is insufficient, adapt our report. Our conclusions are based on auditing evidence obtained before the audit report's submission date. However, future events or conditions may lead to the parent company or Group being unable to continue its operations.
- We assess the financial statements, including all information presented therein, as well as the general presentation, structure and content of the financial statements and whether they reflect the business operations and events they are based on so as to provide an accurate and sufficient picture.
- We obtain a sufficient amount of appropriate auditing evidence from financial information pertaining to the companies or business operations belonging to the Group in order to be able to provide a report on the consolidated financial statements. We are responsible for controlling, monitoring and performing an audit of the Group. We alone are responsible for the audit report.

We communicate with administrative bodies regarding many matters, including the planned scope and timing of the audit and significant observations made during the audit, including possible considerable deficiencies in internal controls which we recognize during the audit.

We also confirm to the administrative bodies that we have complied with the relevant ethical requirements pertaining to independence and communicate with them regarding all relationships and other factors that may reasonably be considered to impact our independence and, as applicable, regarding relevant precautions.

We decide which of the factors communicated to the administrative bodies were the most significant in the audit of the financial period in question and therefore essential to the audit. We describe the factors in question in our audit report, unless a regulation or provision prevents the factor in question from being publicized or when, in extremely rare cases, we find that the factor in question will not be communicated in the audit report because its adverse impacts could be reasonably expected to be greater than the general benefits arising from such communication.

OTHER REPORTING OBLIGATIONS

Information concerning the audit assignment

We have acted as the auditor chosen by the Annual General Meeting for 18 years without interruption, since March 7, 2000.

Other information

The board of directors and CEO are responsible for other information. Other information covers the operations review and the information contained in the annual report, but it does not contain the financial statements or our audit report thereof. We were provided with the operations review before this audit report's submission date and expect to be provided with the annual report after the date in question.

Our report concerning the audit does not cover other information.

We are obligated to read the other information specified above in connection with the audit of the financial statements and simultaneously assess whether the other information is materially inconsistent with the financial statements or the knowledge we obtain while conducting the audit or whether it otherwise appears to be materially inaccurate. With regard to the operations review, we are also obligated to assess whether the review was prepared in accordance with the regulations applicable to its preparation.

As our report, we submit that

- The information in the operations review and financial statements is consistent.
- The operations review was prepared in accordance with the regulations applicable to its preparation.

If, based on work focused on other information that we obtain before the audit report's submission date, we conclude that the other information in question contains a material inaccuracy, we must report this fact. Regarding this matter, we have nothing to report.

Tampere, December 22, 2017
PricewaterhouseCoopers Oy
Audit firm

Lauri Kallaskari
AUTHORIZED PUBLIC ACCOUNTANT

Markku Launis
AUTHORIZED PUBLIC ACCOUNTANT

Information on Shares

SHARE CAPITAL AND 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.

The total number of shares held by the company at the end of the review period was 470,512 (at the beginning of the financial period 355,183). The number of the company's own shares corresponded to 0.9% of the number of shares and votes at the end of the entire review period. The company shares owned by the company's Board of Directors, the CEO and their closely associated entities total 8,500,423, i.e., 16% of the share capital.

In accordance with the decisions by the General Meeting and the Board on February 2, 2016, Panostaja Oy relinquished a total of 18,240 individual shares as share bonuses to the company management on December 12, 2016. On December 12, 2016, the company relinquished to the Board members a total of 13,187 shares as meeting compensation. In accordance with the decisions by the General Meeting on January 31, 2017 and by the Board, Panostaja Oyj relinquished a total of 13,954 individual shares as meeting compensation to the members of the Board on March 2, 2017, a total of 14,286 shares on June 2, 2017, and a total of 13,954 shares on September 8, 2017.

The company's shares have been publicly listed since 1989. Currently, its shares are quoted on the Nasdaq Helsinki stock exchange.

Administration and General Meeting

Panostaja Oyj's Annual General Meeting was held on January 31, 2017 in Tampere. The number of Board members was confirmed at six (6), and Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen, Hannu Tarkkonen and Antero (Antti) Virtanen were re-elected to the Board for the term ending at the end of the next Annual General Meeting.

Auditing service network PricewaterhouseCoopers Oy and Authorized Public Accountant Markku Launis were elected as auditors for the period ending at the end of the next Annual General Meeting. Auditing service network 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, 2015–October 31, 2016 and resolved that the shareholders be paid EUR 0.04 per share as dividends.

The Meeting also resolved that the Board of Directors 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 ending at the end of the next Annual General Meeting, and that the other members of the Board each be paid compensation of EUR 20,000. 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 (1) percent 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. It was further resolved that the travel expenses of the Board members will be paid on the maximum amount specified in the valid grounds of payment of travel expenses ordained by the Finnish Tax Administration.

The Board was authorized to decide on the acquisition of the company's shares in one or more instalments so that the number of the company's own shares acquired may not exceed 5,200,000 in total, which corresponds to about 9.9% 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 while not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting of February 2, 2016 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization remains valid until July 31, 2018. The Board of Directors has not used the authorization granted by the Annual General Meeting to acquire the company's own shares during the review period.

It was resolved at the General Meeting in accordance with Chapter 4 Section 10 Clause 2 of the Companies Act that the right to the so-called ownerless shares on the common book-entry account, which belong to the book-entry system, are lost in a way defined in Chapter 4 Section 10 Clause 2 in the Companies Act. The General Meeting authorized the Board to take all measures required by this decision. After the decision, the company's own regulations concerning the company's own shares held by the company will be applied to the shares that were on the common book-entry account. Before the decision, there were 188,950 shares in total in the common book-entry account. Thus after the decision, as these shares have become the company's own shares held by the company, the total amount of the company's own shares held by the company is 512,706.

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.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.82 (lowest quotation) and EUR 0.98 (highest quotation) during the financial period. During the review period, a total of 7,863,788 shares were exchanged, which amounts to 15.1% of the share capital. The October 2017 share closing rate was EUR 0.91. The market value of the company's share capital at the end of October 2017 was MEUR 47.5 (MEUR 48.3). At the end of October 2017, the company had 4,095 shareholders (3,708).

SHARE TRADE AND RATES

	Lowest, €	Highest, €	Share issue adjusted trading (no. of shares)	% of shares
2017	0.82	0.98	7,863,788	15.1
2016	0.81	1.04	5,959,389	11.5
2015	0.77	0.94	6,508,111	12.7
2014	0.69	0.91	7,908,686	15.4
2013	0.66	0.86	3,814,701	7.4
2012	0.73	1.05	5,725,530	11.1
2011	0.97	1.51	3,841,477	7.7
2010	1.32	1.75	5,301,507	11.2
2009	0.89	1.4	8,108,040	17.5

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

● Panostaja's share price ● Number of shareholders



Largest shareholders

20 LARGEST SHAREHOLDERS OCTOBER 31, 2017

	pcsl		pcsl	
1	Treindex Oy	6,186,200	11.78 %	
2	Etera mutual pension insurance company	4,259,000	8.11 %	
3	Fennia Mutual insurance company	3,468,576	6.60 %	
4	Koskenkorva Maija	2,847,542	5.42 %	
5	Koskenkorva Matti	2,658,903	5.06 %	
6	Koskenkorva Mauno	1,340,769	2.55 %	
7	OP-Henkivakuutus Oy	1,318,347	2.51 %	
8	Koskenkorva Mikko	1,286,055	2.45 %	
9	Johtopanosus Oy	1,030,000	1.96 %	
10	Malo Hanna	982,207	1.87 %	
11	Kumpu Minna	982,170	1.87 %	
12	Porkka Harri	929,379	1.77 %	
13	Leino Satu	831,653	1.58 %	
14	Local Tapiola mutual insurance	674,000	1.28 %	
15	Pravia Oy	632,500	1.20 %	
16	Koskenkorva Helena	584,548	1.11 %	
17	Koskenkorva Pekka	583,502	1.11 %	
18	Panostaja Oyj	470,512	0.90 %	
19	Pentti Kalervo	430,000	0.82 %	
20	Malkavaara Kari	408,203	0.78 %	
		31,904,066	60.73 %	
	Other shareholders	18,374,027		
	Total	52,533,110		

DISTRIBUTION OF SHARE OWNERSHIP BY SIZE OCTOBER 31, 2017

Number of shares	Shareholders pcs	%	Shareholders pcs	%
1-1000	2,112	51.58 %	945,972	1.80 %
1001-10000	1,629	39.78 %	5,558,938	10.42 %
10001-100000	304	7.42 %	7,770,502	14.79 %
100001-1000000	33	0.81 %	7,662,347	14.59 %
1000001-	17	0.42 %	30,595,351	58.24 %
Total	4,095	100.00 %	52,533,110	99.84 %
of which nominee-registered	7		316,852	0.04 %
Number of shares issued			52,533,110	100.00 %

DISTRIBUTION OF SHARE OWNERSHIP BY SECTOR OCTOBER 31, 2017

Sector class	Shareholders pcs	%	Shares/votes pcs	%
Companies	140	3.42%	10,116,252	19.26%
Financial and insurance institutions	14	0.34%	6,113,634	11.64%
Public bodies	1	0.02%	4,259,000	8.11%
Households	3,919	95.70%	31,586,592	60.13%
Non-profit organizations organizations	10	0.24%	90,492	0.17%
Foreign	11	0.27%	208,340	0.40%
Total	4,095	100.00%	52,374,310	99.70%
of which nominee-registered	7		158,800	0.30%
Number of shares issued			52,533,110	100.00%

panostaja

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