

panostaja

Q1

INTERIM REPORT

1 November 2017–31 January 2018
1 March 2018



PANOSTAJA OYJ INTERIM REPORT

MEUR 33 in sales profit from KotiSun

November 1, 2017–January 31, 2018 (3 months)

- Panostaja divested its KotiSun investment and recorded MEUR 32.9 in profits for the sale before taxes.
- As a result of corporate acquisitions, Grano's net sales for the review period increased by 46% from the corresponding period last year. EBIT in the review period grew to MEUR 1.1 from MEUR 0.6 in the reference period.
- Net sales increased in four of seven investments. For the Group as a whole, net sales increased by 33% to MEUR 44.9 (MEUR 33.7).
- EBIT increased in five of the seven investments, and the entire Group's EBIT improved over the reference period to MEUR 1.7 (MEUR -1.0). The review period EBIT is elevated by the MEUR 1.3 in profit in relation to the right to deduct VAT.
- Earnings per share (undiluted) were 50.7 cents (-1.9 cents).

CEO Juha Sarsama: MEUR 33 in sales profit from KotiSun

“In this financial period, we carried out the most significant divestment in Panostaja’s history by selling KotiSun Group’s shares to a fund managed by CapMan. During our ownership, KotiSun’s business operations were digitalized and expanded dramatically to encompass new services and geographical areas. Under Panostaja’s ownership, the company’s net sales and EBIT tripled and the investment demonstrated excellent development in shareholder value. I am very happy with this investment, which is, in my opinion, a great indication of what can be achieved through strong and insightful development efforts together with the capable management of the company. In the review period, we recorded MEUR 32.9 in sales profit before taxes, and the sales strengthened our balance position considerably.

Overall, the total net sales of the investments continued to increase substantially in the review period, primarily due to the corporate acquisitions conducted by Grano over the course of the previous financial period. However, the net sales of the construction-related investments Selog and Helakeskus were significantly lower than in the reference period. We believe that the surprisingly weak demand in these segments was a temporary occurrence, and the outlook for the spring period with regard to market demand remains good. In terms of other aspects, the financial development of our investments during the period largely matched our expectations.

Within Grano, the restructuring and streamlining of operations is proceeding as planned. Among other measures, significant relocations of production are under way. However, the production changes with the most uncertainties attached have already been implemented. The efforts to improve profitability are also progressing at Megaklinikka. We are continuing to monitor the implementation of the changes in these companies to ensure an upturn in the profit/loss.

Activity on the corporate acquisition market has continued on a good level during the review period, and the supply of new investments has been active. The markets offer new opportunities for both select new acquisitions as well as divestments, and we will continue to actively explore related opportunities.”

Investments 3 months

Grano



Grano is Finland's leading content and marketing services company

Grano's net sales for the review period were MEUR 34.0, growth from the reference period being 46%. The strong growth was a result of the acquisition of Lönnberg Painot Oy as well as the business operations of Oy Fram Ab, Kuopion Neon2 Oy and Brand Factory Finland Oy during the previous financial period. Grano's EBIT for the first quarter stood at MEUR 1.1, which was an increase of MEUR 0,5 over the reference period.

Demand has already been good in many product areas during the review period. Especially construction services, large prints and marketing logistics services are selling well. However, the market volumes of offset printing are continuing their expected downward trend. As a whole, Grano's demand has seen positive development thanks to the general revitalization of the markets, but the month-to-month fluctuations remain fairly significant.

EBIT for the first quarter improved over the reference period. The cost savings achieved through the employer-employee negotiations that concluded in October improved the result of the first quarter somewhat, but the most important financial effects did not manifest themselves until later in the financial period. The result was still encumbered by the development of electronic services.

Over the course of the financial period, Grano implemented staff reductions as specified during the employer-employee negotiations that ended in October 2017 and continued the integrations of the acquired companies and business operations. In addition to this, the significant printing machine investment has proceeded to the

MEUR	3 months	3 months	12 months
	11/17-1/18	11/16-1/17	11/16-10/17
Net sales, MEUR	34.0	23.3	105.3
EBIT, MEUR	1.1	0.6	6.3
Interest-bearing net liabilities	56.4	35.1	55.8
Panostaja's holding	52.8%		

KL-Varaosat

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



KL-Varaosat's net sales for the review period were MEUR 3.4, with growth from the corresponding period being 5%. The growth is largely a result of positive development of the new operating locations and the sale of Volvo spare parts. EBIT for the review period was at the level of the reference period, standing at MEUR 0.2.

The market situation in the review period was as expected: As is normal in winter, there is variation in the weekly demand, with colder periods resulting in sharp peaks. The markets have perked up and the outlook is positive, but, in this field, there is typically a delay in good signs materializing as actual growth in demand. The favorable developments in the registrations of the brands covered by KL form a good basis for future sales growth.

The marketing, outlet image, technology and competence projects conducted within the ServicePartner repair shop cooperation have resulted in excellent sales development within this group. Electronic trade is expected to increase as a result of the digital spare parts list and online store that were revamped last year.

MEUR	3 months	3 months	12 months
	11/17-1/18	11/16-1/17	11/16-10/17
Net sales, MEUR	3.4	3.2	13.5
EBIT, MEUR	0.2	0.2	1.0
Interest-bearing net liabilities	0.6	1.3	0.6
Panostaja's holding	75.0%		

Selog



Selog is the biggest wholesaler of ceiling materials in Finland

Selog's net sales for the review period were MEUR 1.9, the decrease from the reference period being 26%. EBIT stood at MEUR 0.0, which was MEUR 0.1 lower than in the previous year.

The exceptionally slow December and January kept the net sales significantly lower than in the reference year. The customers had a fair amount of installation work during the review period, but an unusually large portion of them was not included in the ceiling material phase. In addition to this, the commencement of many significant installation efforts has been delayed, which will increase the demand for ceiling materials in the coming months. The surprisingly low demand is believed to be temporary, and the outlook for the spring period remains good.

MEUR	3 months	3 months	12 months
	11/17-1/18	11/16-1/17	11/16-10/17
Net sales, MEUR	1.9	2.6	10.8

EBIT, MEUR	0.0	0.1	0.8
Interest-bearing net liabilities	0.4	0.3	0.0
Panostaja's holding	60.0%		

Helakeskus



Helakeskus is a major wholesaler of furniture fittings in Finland

Helakeskus' net sales for the review period were MEUR 1.9, which was a 10% decrease from the reference period. EBIT remained at the level of the reference period, standing at MEUR 0.0.

Due to the exceptionally slow November and December, the net sales for the review period were significantly lower than in the previous year. More broadly speaking, however, the market demand has not been found to point to any changes and is expected to continue at a good level following the first slow quarter.

The demand has remained the strongest in the kitchen and bathroom industry projects, whereas clear growth has not yet been seen in consumer sales. The furniture industry as a whole would seem to continue its decline. The competitive situation has remained fairly difficult, which has manifested itself as an increase in price competition between operators.

The time used by sales representatives on field sales has been increased, and the customer target groups have been specified. The product selection has been updated, and the pricing has seen more active improvements.

MEUR	3 months	3 months	12 months
	11/17-1/18	11/16-1/17	11/16-10/17
Net sales, MEUR	1.9	2.1	8.9
EBIT, MEUR	0.0	0.0	0.5
Interest-bearing net liabilities	5.6	5.4	5.5
Panostaja's holding	100.0%		

Megaklinikka

Megaklinikka offers dental care with a new concept



Megaklinikka's net sales of MEUR 1.4 for the review period were at the level of the reference period. EBIT increased from MEUR -0.8 in the reference period to MEUR -0.2. The result for the review period includes MEUR 0.2 in one-time expenses related to the changing of the CEO. Jussi Heiniö took his position as the new CEO in January.

In terms of the clinic business, market development in Helsinki has continued to be challenging. The customer numbers have not increased, and the operators in the field are battling to maintain their market positions and increase their market shares. The operations of the Helsinki clinic have particularly emphasized the development of the customer experience, resulting in excellent customer satisfaction levels.

The licensing business has been on a steady upward trend. The outlook for expanding the licensing business in Finland remains good, although the competitive situation has become more difficult. Interest in the company's ERP system is also increasing in Sweden, where the company has engaged in active sales efforts.

MEUR	3 months	3 months	12 months
	11/17-1/18	11/16-1/17	11/16-10/17
Net sales, MEUR	1.4	1.4	6.0
EBIT, MEUR	-0.2	-0.8	-1.6
Interest-bearing net liabilities	5.9	5.6	5.9
Panostaja's holding	79.8%		

Heatmasters

Heatmasters offers metal heat treatment services and technology



Heatmasters' net sales for the review period were MEUR 1.0, growth from the corresponding period being 12%. EBIT was slightly negative but MEUR 0.2 higher than in the reference period.

The field is experiencing a slow winter season. The maintenance operations will begin late in the spring, which is mirrored by the furnace installation and worksite operations. In terms of active worksites, the situation is improved by the construction of a multi-fuel power plant, which is about to begin in Lahti.

In the production and modernization of furnaces and the sale of accessories, the demand appears to be improving noticeably as a result of a general increase in industrial activity.

MEUR	3 months	3 months	12 months
	11/17-1/18	11/16-1/17	11/16-10/17

Net sales, MEUR	1.0	0.9	5.3
EBIT, MEUR	-0.1	-0.3	-0.2
Interest-bearing net liabilities	0.7	0.8	0.9
Panostaja's holding	80.0%		

CoreHW



CoreHW provides RF IC design services that yield high added value.

The company has been incorporated into the Panostaja Group as of September 1, 2017, which means that reference information is not available. The company's net sales for the review period were MEUR 1.3, with EBIT standing at MEUR 0.1.

The demand for the company's services has remained good in the review period. However, the competition has become fiercer, particularly with regard to resources. Despite the developments, CoreHW's appeal as an employer has remained at a good level and new employees have been recruited successfully. The two largest projects have reached their main milestones as planned during the review period, and customer satisfaction has been excellent.

CoreHW's mission is to provide design services that yield high added value in the RF and IC field by supplying microchips and antenna technology as well as related consulting services. The company's customer base includes network operators, chipset manufacturers, module manufacturers and wireless technology companies that provide IoT (Internet of Things) solutions. The global market demand is very good thanks to large investments in these fields. Sources of the company's competitive advantage on the market:

- Reliability – Proven competence in the design of transceivers and RF systems as well as project management utilizing technologies of different generations
- Agility – Small size enables the ability to adapt to changes and new specifications very quickly
- Expertise – Wide-ranging experience within a single company enables a unique ability to design comprehensive microchip solutions in a quality-oriented and reliable manner

The company's future goal is to develop its own solutions and use subcontracted designs to develop and manufacture patented products. During the review period, the development of the company's own products has proceeded as planned and approximately 10% of resources has been allocated to the development efforts. The company will adhere to the following strategic goals as the product business progresses:

- Commercialization of the current IP licensing operations based on the company's existing intellectual property rights
- Production and commercialization of the first chipset
- Product development of the first IoT-integrated chipset
- Building of a partner network for the production and distribution of the company's products

In terms of the implementation of the strategy, the 2018 financial period will focus on the development of the company's own product. The aim is to launch the product in the 2019 financial period.

MEUR **3 months** **3 months** **12**

	11/17-1/18	11/16-1/17	11/16-10/17
Net sales, MEUR	1.3		1.0
EBIT, MEUR	0.1		0.0
Interest-bearing net liabilities	2.6		2.3
Panostaja's holding	63.0%		

FINANCIAL DEVELOPMENT November 1, 2017–January 31, 2018

MEUR	Q1	Q1	12 months
	11/17- 1/18	11/16- 1/17	11/16- 10/17
Net sales, MEUR	44.9	33.7	150.7
EBIT, MEUR	1.7	-1.0	2.9
Profit before taxes, MEUR	1.2	-1.4	1.2
Profit/loss for the financial period, MEUR	27.2	-0.5	6.9
Earnings per share, undiluted (EUR)	0.51	-0.02	0.03
Equity per share (EUR)	1.09	0.71	0.59
Operating cash flow (MEUR)	-0.9	4.6	15.6

NOVEMBER 2017–JANUARY 2018

Net sales for the review period increased by 33% and were MEUR 44.9 (MEUR 33.7). The impact of the corporate acquisitions on the MEUR 11.3 growth in net sales stood at MEUR 12.0. Exports amounted to MEUR 0.9, or 4.1% (MEUR 1.6, or 4.7%), of net sales. Net sales increased in five of the seven investments.

EBIT improved, standing at MEUR 1.7 (MEUR -1.0). EBIT improved in four of the seven investment targets. The development of net sales and EBIT for each of our investments has been commented on separately.

During the review period, a receivable in the amount of MEUR 1.3 related to the refunding of value-added taxes was recorded under other operating income. Pursuant to the Tax Administration's decision, Panostaja Oyj has not deducted value-added taxes included in purchases for the financial periods between November 1, 2014 and October 31, 2017. The Administrative Court overturned the Tax Administration's decision, deeming that Panostaja Oyj is entitled to full deductions from general and other expenses that are considered to be directly linked to the business operations conducted by the company that entitle it to the deductions. As a result of this decision, the Tax Administration will refund the undeducted value-added taxes with interest.

The profit/loss for sold operations includes the November–December result of KotiSun, MEUR 32.9 in pre-tax profit from the sale of KotiSun and the tax expense of MEUR 7.2 related to the sale. The profit for the review period was MEUR 27.2 (MEUR -0.5).

The income statement for operations sold during the reference period has been separated from the income statement for continuing operations and the profit/loss for them is presented on the row Earnings from discontinued operations in accordance with the IFRS standards. The profit/loss for sold and discontinued operations presents the profit/loss of the KotiSun segment and the Takoma segment, totalling at MEUR 0.9. Prior to separating sold and discontinued operations from continuing operations in the income statement, the consolidated net sales for the reference period were MEUR 45.4 and the EBIT was MEUR 0.2.

Division of the net sales by segment
MEUR

	Q1	Q1	12 months
	11/17-	11/16-	11/16-
Net sales	1/18	1/17	10/17
Grano	34.0	23.3	105.3
KL-Varaosat	3.4	3.2	13.5
Selog	1.9	2.6	10.8
Helakeskus	1.9	2.1	8.9
Megaklinikka	1.4	1.4	6.0
Heatmasters	1.0	0.9	5.3
CoreHW	1.3	0.0	1.0
Others	0.0	0.0	0.0
Eliminations	0.0	0.0	-0.1
Group in total	44.9	33.7	150.7

Division of EBIT by segment

MEUR	Q1	Q1	12 months
EBIT	11/17- 1/18	11/16- 1/17	11/16- 10/17
Grano	1.1	0.6	6.3
KL-Varaosat	0.2	0.2	1.0
Selog	0.0	0.1	0.8
Helakeskus	0.0	0.0	0.5
Megaklinikka	-0.2	-0.8	-1.6
Heatmasters	-0.1	-0.3	-0.2
CoreHW	0.1	0.0	0.0
Others	0.6	-0.8	-4.0
Group in total	1.7	-1.0	2.9

Panostaja Group's business operations for the current review period are reported in eight segments: Grano, Selog, Helakeskus, KL-Varaosat, Heatmasters, Megaklinikka, CoreHW and Others (parent company and associated companies).

There were no significant changes in the net sales of the segment Others. In the review period, three associated companies issued reports: Juuri Partners Oy, Ecosir Group Oy and Spectra Yhtiöt Oy. The profit/loss of the reported associated companies in the review period was MEUR 0.0 (MEUR 0.0), which is presented on a separate row in the consolidated income statement.

PERSONNEL

	January 31, 2018	January 31, 2017	Change
Average number of employees	1,584	1,462	8%
Employees at the end of the review period	1,358	1,490	-9%

Employees in each segment at the end of the review period	January 31, 2018	January 31, 2017	Change
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Grano	1,098	813	35%
KotiSun	0	347	-100%
KL-Varaosat	49	47	4%
Selog	14	14	0%
Takoma	0	80	-100%
Helakeskus	24	24	0%
Megaklinikka	78	111	-30%
Heatmasters	42	45	-7%
CoreHW	44	0	
Others	9	9	0%
Group in total	1,358	1,490	-9%

At the end of the review period, Panostaja Group employed a total of 1,358 persons, while the average number of personnel during the period was 1,584. During the review period, Panostaja continued to develop its personnel in line with its strategy.

INVESTMENTS AND FINANCE

The parent company's assets, financial securities and liquid fund units stood at MEUR 44.6. Additionally, the parent company has a MEUR 7.7 limit for corporate acquisitions in its use. The parent company's interest-bearing liabilities amount to MEUR 22.3.

The Group's operating cash flow deteriorated and was MEUR -0.9 (MEUR 4.6). Liquidity remained good. The Group's liquid assets were MEUR 52.0 (October 31, 2017: MEUR 19.5) and interest-bearing net liabilities were MEUR 38.6 (October 31, 2017: MEUR 88.6). Gearing ratio dropped to 46.5% (October 31, 2017: 137.5%). This decrease was primarily due to the divestment carried out in the review period. The Group's net financial expenses for the review period were MEUR -0.6 (MEUR -0.4), or 1.3% (1.2%) of net sales.

The Group's gross capital expenditure for the review period was MEUR 2.0 (MEUR 8.7), or 4.6% (25.8%) of net sales. The investments mainly focused on machinery and equipment.

Financial position MEUR	January 31, January 31, October 31,		
	2018	2017	2017
Interest-bearing liabilities	95.3	82.9	111.6
Interest-bearing receivables	4.6	3.9	3.5
Cash and cash equivalents	52.0	26.0	19.5
Interest-bearing net liabilities	38.6	52.9	88.6

Equity (belonging to the parent company's shareholders as well as minority shareholders)	83.1	66.2	64.5
Gearing ratio, %	46.5	79.9	137.5
Equity ratio, %	38.1	35.3	28.8

GROUP STRUCTURE CHANGES

KotiSun

Together with the other owners of KotiSun Group, Panostaja sold the entire share capital of KotiSun Group Oy to the CapMan Buyout X fund, which is managed by CapMan. In the sale, CapMan became the majority shareholder of KotiSun Group, together with Suomen Teollisuussijoitus Oy and Varma Mutual Pension Insurance Company.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 1.06 (lowest quotation) and EUR 1.09 (highest quotation) during the financial period. During the review period, a total of 3,754,114 shares were exchanged, which amounts to 7.2% of the share capital. The January 2018 share closing rate was EUR 1.09. The market value of the company's share capital at the end of January 2018 was MEUR 56.8 (MEUR 50.5). At the end of January 2018, the company had 4,282 shareholders (3,878).

Development of share exchange	1Q/2018	1Q/2017	2017
Shares exchanged, 1,000 pcs	3,754	3,116	5,959
% of share capital	7.2	6.0	11.5

Share	January 31, 2018	January 31, 2017	October 31, 2017
Shares in total, 1,000 pcs	52,533	52,533	52,533
Own shares, 1,000 pcs	421	512	471
Closing rate	1.09	0.97	0.91

Market value (MEUR)	56.8	50.5	47.5
Shareholders	4,282	3,878	4,095

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on February 1, 2018 in Tampere. The number of Board members was confirmed at five (5), and Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva and Tarja Pääkkönen were re-elected to the Board for the term ending at the end of the next Annual General Meeting, with Kalle Reponen being added as a new member.

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 in 2019. 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, 2016–October 31, 2017 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.

In addition, 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 January 31, 2017 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization remains valid until August 1, 2019.

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 420,918 (at the beginning of the financial period 470,512). The number of the company's own shares corresponded to 0.8% of the number of shares and votes at the end of the entire review period.

In accordance with the decisions by the General Meeting on January 31, 2017 and by the Board, Panostaja Oyj relinquished a total of 36,261 individual shares as share bonuses to the company management on December 15, 2017. On December 15, 2017, the company relinquished to the Board members a total of 13,333 shares as meeting compensation.

EVENTS AFTER THE REVIEW PERIOD

No significant events following the review period.

MARKET PROSPECTS

The economic situation and atmosphere in Finland have continued to develop in a positive way and the foundation for economic growth is broad. The perking up of the market situation has been most visible in our investments serving construction, but there have been positive developments on a larger scale as well. However, some of our investments operate in fields with a delayed cycle, which is why we expect the improvements to manifest themselves in these fields at a later time. However, due to the threats related to political risks and the financial market, the long-term development of the economy is still uncertain. Activity on the corporate acquisition market has continued on a good level during the review period, and the supply of new investments has been active.

MOST SIGNIFICANT NEAR-FUTURE BUSINESS RISKS AND RISK MANAGEMENT

Risk management is part of Panostaja Group's management and monitoring systems. Panostaja aims to identify and monitor changes in the business environment and general market situation of its investments, to react to them and to utilise the business opportunities that they present. Risks are classified as factors that may endanger or impede Panostaja or its investments from achieving strategic objectives, improvement in profit and the financial position or business continuity, or that may otherwise cause significant consequences for Panostaja, its owners, investments, personnel or other stakeholder groups. A more detailed report on Panostaja's risk management policy and the most significant risks was published in the 2017 annual report. Financial risks are discussed in greater detail in the Notes to the 2017 Financial Statements.

Market risks, general: General market risks are mainly tied to the continuing uncertainty resulting from Finland's economic situation and the global economic situation, political risks, changes in the price of raw materials and the uncertainty brought on by the financial market risks, as well as their potential impact on achieving the goals set for investments. The change in the financial markets and the tightening on credit issue may hamper the realization of corporate acquisitions and the availability of finance for working capital.

Market risks, industries of the investments: Economic trend expectations in the fields of existing business areas are strongly tied to the prospects of customer enterprises. The prospects of Panostaja's various investments vary from good to weak. Panostaja regularly assesses the risks for each investment and, based on the updated risk assessment, takes the necessary remedial action.

Strategic risks: Panostaja represents the Finnish SME sector extensively. Net sales are divided into seven different investments whose cyclical nature varies. The Group's business structure partially evens out economic fluctuations. General and investment-specific market risks can, however, affect the Group's result and financial development. The expected market situation is taken into account by adapting operations and costs to market demand and by safeguarding the financial position. Regarding changes in the global economy, Panostaja also sees opportunities to improve its market position, for example through corporate acquisitions.

Financial risks: As a consequence of its operations, the Group is exposed to many financial risks. The aim of risk management is to limit the adverse effects of changes in financial markets on the result and financial development of the Group. The Group's revenue and operative cash flows are mainly independent of fluctuations in market interest rates. Almost all of the Group's liabilities are currently variable-interest loans. Some of our investments use interest rate swaps and interest rate ceiling agreements. In the long term, the quantity and diversification of Panostaja Group's interest rate hedges through variable-interest and fixed-interest loans must be sufficient with regard to the market situation and the related outlooks. The Group mainly operates in the eurozone and so is only slightly exposed to foreign exchange risks resulting from changes in exchange rates. Credit loss risks continue to represent a significant uncertainty factor for some of our investments.

Corporate acquisitions: Panostaja actively seeks SMEs and aims to increase and create value through organic growth, corporate acquisitions and correctly-timed divestments. The market still provides sufficient opportunities for corporate acquisitions, and Panostaja Group aims to implement its growth strategy by means of controlled acquisitions in current investments, and new potential investments are also being actively studied. Preparation for divestments is being continued as part of the ownership strategies of investments. Risks related to corporate acquisitions are managed by investing carefully according to specific investment criteria, thorough analysis of the potential acquisition and the target

market, and through efficient integration processes. Panostaja has specified harmonized guidelines and a corporate acquisitions process for the preparation and implementation of corporate acquisitions.

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

Operative risks: Changes in the market situations of the investments can lead to situations where the net sales of the company temporarily drop below the desired level. The risk is that the investments will not be able to adapt their operations to the changed situation quickly enough, which then leads to a significant decrease in profitability. Investments strive to prepare themselves for the changes in demand by maintaining an adjustment plan as part of their yearly planning. Panostaja has also specified an operating model for restoring the financial performance, which is applied if the deviation from performance is significant. The implementation of development projects that are part of the development of the operations of the investments also involves risks that can lead to not achieving the desired benefits on time. For these development projects, Panostaja has developed a process and tools that aim to ensure the realization of the desired changes.

OUTLOOK FOR THE 2018 FINANCIAL PERIOD

Activity on the corporate acquisition market has continued on a good level during the review period, and the supply of new investments has been active. 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. In addition to this, the possibilities for divestment continue to be actively assessed as part of the investments' ownership strategies.

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

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

Panostaja Oyj

Board of Directors

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

Panostaja Oyj

Juha Sarsama

CEO

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

ACCOUNTING PRINCIPLES

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

The information in the interim report has not been audited.

INCOME STATEMENT

EUR 1,000	3 months	3 months	12
	11/17- 1/18	11/16- 1/17	11/16- 10/17
Net sales	44,949	33,672	150,718
Other operating income	1,663	163	985
Costs in total	44,878	34,807	148,794
Depreciations, amortizations and impairment	2,215	1,391	7,255
EBIT	1,734	-972	2,909
Financial income and expenses	-603	-408	-1,984
Share of associated company profits	37	28	278
Profit before taxes	1,168	-1,353	1,203
Income taxes	-527	20	2,240
Profit/loss from continuing operations	641	-1,333	3,443
Profit/loss from sold operations	26,511	1,228	5,057
Profit/loss from discontinued operations	0	-369	-1,646
Profit/loss for the financial period	27,152	-474	6,853
Attributable to			

Shareholders of the parent company	26,507	-820	2,137
Minority shareholders	645	347	4,717
Earnings per share from continuing operations EUR, undiluted	0.006	-0.028	0.011
Earnings per share from continuing operations EUR, diluted	0.006	-0.028	0.011
Earnings per share from discontinued operations EUR, undiluted	0.501	0.009	0.023
Earnings per share from sold operations EUR, diluted	0.501	0.009	0.023
Earnings per share from continuing and discontinued operations EUR, undiluted	0.507	-0.019	0.035
Earnings per share from continuing and discontinued operations EUR, diluted	0.507	-0.019	0.035
EXTENSIVE INCOME STATEMENT			
Items of the extensive income statement	27,152	-474	6,853
Translation differences	-75	11	-20
Extensive income statement for the period	27,077	-463	6,833
Attributable to			
Shareholders of the parent company	26,432	-809	2,117
Minority shareholders	645	347	4,717

BALANCE SHEET

January 31,

2018 January 31, 2017 October 31, 2017

EUR 1,000

ASSETS			
Non-current assets			
Goodwill	82,737	79,637	94,714
Other intangible assets	12,086	10,299	13,485
Property, plant and equipment	14,939	15,093	23,234
Interests in associated companies	4,099	3,837	4,037
Deferred tax assets	6,456	7,212	11,328
Other non-current assets	8,315	7,509	6,772
Non-current assets total	128,631	123,586	153,571
Current assets			
Stocks	9,511	10,947	12,698
Trade and other receivables	28,485	28,200	38,418
Financial assets at fair value through profit and loss	35,000	6,000	0
Cash and cash equivalents	17,023	20,046	19,466
Current assets total	90,019	65,193	70,582
ASSETS IN TOTAL	218,652	188,779	224,154
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders			
Share capital	5,569	5,569	5,569
Share premium account	4,646	4,646	4,646
Invested unrestricted equity fund	13,337	13,290	13,325
Equity convertible loan		7,390	
Translation difference	-176	-132	-157
Retained earnings	33,555	5,755	7,546
Total	57,059	36,517	30,929

Minority interest	26,006	29,719	33,522
Equity total	83,065	66,236	64,451
Liabilities			
Deferred tax liabilities	7,027	2,535	4,621
Non-current liabilities	83,654	75,220	94,034
Current liabilities	44,906	44,788	61,047
Liabilities total	135,587	122,543	159,702
EQUITY AND LIABILITIES IN TOTAL	218,652	188,779	224,154

CASH FLOW STATEMENT	January 31,	January 31,	October 31,
EUR 1,000	2018	2017	2017
Operating net cash flow	-914	4,629	15,626
Investment net cash flow	35,996	-8,329	-35,516
Loans drawn	1,031	5,633	39,987
Loans repaid	-3,112	-3,228	-23,759
Share issue	0	1,200	3,090
Disposal of own shares	12	30	61
Dividends paid and capital repayments	-455	-466	-6,595
Finance net cash flow	-2,524	3,169	12,785
Change in cash flows	32,558	-530	-7,105

EQUITY

EUR 1,000	Share capital	Premium fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Other funds	Minority shareholders' interest	Total
Equity	5,569	4,646	13,260	-124	9,277	7,390	31,128	71,145
November 1, 2016								
Profit for the financial period					-820		347	-474
Profit and costs recorded during the financial period, total					-820		347	-474
Dividends paid					-2,081			-2,081
Dividends paid for minority shareholders							-1,383	-1,383
Repayment of capital							-558	-558
Interest on equity convertible loan								
Disposal of own shares				30				30
Reward scheme					4			4
Translation differences				-8	19			11
Other changes					179			179
Share of minority shareholders resulted from the acquisition of subsidiaries					231		969	1,200
Acquisitions of minority shareholdings					-1,054		-783	-1,837
Other changes in equity, total				30	-8	-2,702	-1,755	-4,435
January 31, 2017	5,569	4,646	13,290	-132	5,755	7,390	29,720	66,236

Equity								
November 1, 2017	5,569	4,646	13,325	-157	7,546	0	33,523	64,451
Profit for the financial period					26,507		645	27,152
Profit and costs recorded during the financial period, total					26,507		645	27,152
Share issue								
Dividends paid								
Dividends paid for minority shareholders							-1,472	-1,472
Capital repayment								
Interest on equity convertible loan								
Disposal of own shares			12					12
Reward scheme								
Translation differences				-19	-56			-75
Other changes					11			11
Selling of shares of subsidiaries owned resulting in loss of controlling interest							-5,829	-5,829
Acquisitions of minority shareholdings					-325		-860	-1,185
Other changes in equity, total			12	-19	-370		-8,161	-8,538
Equity								
January 31, 2018	5,569	4,646	13,337	-176	33,683	0	26,006	83,065

KEY FIGURES

	January 31, 2018	January 31, 2017	October 31, 2017
EBIT, MEUR	1,734	-972	2,909
Equity per share (EUR)	1.09	0.71	0.59
Earnings per share, undiluted (EUR)	0.51	-0.02	0.03
Earnings per share, diluted (EUR)	0.51	-0.02	0.03
Average number of outstanding shares during financial period, 1,000 pcs.	52,088	52,195	52,082
Number of shares at end of financial period, 1,000 pcs.	52,533	52,533	52,533
Number of shares, 1,000 pcs, on average, diluted	52,088	51,736	52,118
Return on equity, %	147.2%	-2.8%	10.1%
Return on investment, %	63.8%	0.8%	4.9%
Gross capital expenditure In permanent assets, MEUR	2.0	8.7	39.0
% of net sales	4.6%	25.8%	25.8%
Interest-bearing liabilities, MEUR	95.3	82.9	111.6
Interest-bearing net liabilities, MEUR	38.6	52.9	88.6
Equity ratio, %	38.1	35.3	28.8
Average number of employees	1,584	1,462	1,622

The key figures provide a brief overview of the business development and financial position of the company as well as profit distribution. The formulae for calculating the key figures have been presented in the financial statement of the financial period 2017. The terms 'operating profit' and 'EBIT' are used to refer to the same thing. Reconciliations of interest-bearing liabilities and interest-bearing net liabilities are presented at the end of this bulletin.

**GROUP DEVELOPMENT BY QUARTER
MEUR**

MEUR	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16
Net sales	44.9	46.4	34.5	36.2	33.7	43.8	39.3	41.6
Other operating income	1.7	0.5	0.2	0.1	0.2	0.2	0.1	0.6
Costs in total	44.9	46.1	33.1	34.8	34.8	41.1	36.7	39.2
Depreciations, amortizations and impairment	2.2	2.5	1.9	1.5	1.4	1.8	1.7	1.7
EBIT	1.7	0.8	1.6	1.5	-1.0	2.9	2.7	3.0
Finance items	-0.6	-0.8	-0.4	-0.4	-0.4	-0.4	-0.5	-0.4
Share of associated company profits	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.0
Profit before taxes	1.2	0.2	1.3	1.1	-1.4	2.5	2.2	2.7
Taxes	-0.5	2.3	-0.2	0.1	0.0	0.9	-0.8	-1.1
Profit from continuing operations	0.6	2.5	1.1	1.2	-1.3	3.4	1.5	1.6
Profit/loss from sold operations	26.5	0.0	0.0	0.0	0.0	0.0	0.5	1.6
Profit/loss from discontinued operations	0.0	2.8	0.8	-1.0	0.9	-0.4	-0.3	-0.4
Profit for the financial period	27.2	5.3	1.8	0.2	-0.5	3.1	1.7	2.8
Minority interest	0.8	1.8	1.0	1.6	0.3	1.4	0.9	1.5
Parent company shareholder interest	26.4	3.5	0.8	-1.4	-0.8	1.7	0.8	1.3

GUARANTEES GIVEN

	January 31, 2018	January 31, 2017	October 31, 2017
Guarantees given on behalf of Group companies			
Enterprise mortgages	75,002	87,585	82,642
Pledges given	137,402	131,538	137,420
Other liabilities	3,764	14,003	18,234
Other rental agreements			
In one year	10,284	5,683	10,246
In over one year but within five years maximum	21,087	11,422	22,215

In over five years	2,324	463	2,651
Total	33,695	17,568	35,112

SEGMENT INFORMATION

The segmentation of Panostaja Group is based on investments with majority holdings that produce products and services that differ from each other. 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.

NET SALES	11/17-1/18	11/16-1/17	11/16-10/17
EUR 1,000			
Grano	34,005	23,346	105,345
KL-Varaosat	3,408	3,243	13,540
Selog	1,943	2,623	10,764
Helakeskus	1,912	2,115	8,912
Megaklinikka	1,385	1,443	5,964
Heatmasters	1,038	928	5,300
CoreHW	1,287	0	994
Others	0	0	0
Eliminations	-30	-25	-100
Group in total	44,949	33,672	150,718

EBIT	11/17-1/18	11/16-1/17	11/16-10/17
EUR 1,000			
Grano	1,112	559	6,299
KL-Varaosat	213	183	1,045
Selog	43	126	805
Helakeskus	-7	40	546
Megaklinikka	-205	-844	-1,644
Heatmasters	-77	-275	-202
CoreHW	75	0	25
Others	580	-761	-3,964

Group in total	1,734	-972	2,909
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DEPRECIATIONS

EUR 1,000	11/17-1/18	11/16-1/17	11/16-10/17
Grano	-1,931	-1,097	-5,916
KL-Varaosat	-17	-10	-100
Selog	-6	-51	-200
Helakeskus	-5	-18	-73
Megaklinikka	-127	-152	-640
Heatmasters	-47	-45	-220
CoreHW	-65	0	-34
Others	-17	-18	-72
Group in total	-2,215	-1,391	-7,255

INTEREST-BEARING NET LIABILITIES

EUR 1,000	January 31, 2018	January 31, 2017	October 31, 2017
Grano	56,439	35,098	55,830
KL-Varaosat	555	1,286	572
Selog	449	330	-43
Helakeskus	5,646	5,380	5,534
Megaklinikka	5,870	5,621	5,854
Heatmasters	657	820	868
CoreHW	2,566	0	2,296
Parent company	-33,639	-6,935	7,769
Others	77	11,328	9,944
Group in total	38,621	52,928	88,623

The interest-bearing net liabilities for sold and discontinued operations in the reference period are presented in the row Others.

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

	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16
Grano	34.0	33.6	23.1	25.4	23.3	22.8	20.8	23.3
KL-Varaosat	3.4	3.6	3.5	3.2	3.2	3.4	3.2	3.3
Selog	1.9	2.8	2.9	2.4	2.6	2.7	2.8	2.5
Helakeskus	1.9	2.3	2.2	2.4	2.1	2.4	2.3	2.8
Megaklinikka	1.4	1.3	1.6	1.6	1.4	1.3	1.1	1.2
Heatmasters	1.0	1.8	1.3	1.3	0.9	1.3	1.2	1.1
CoreHW	1.3	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	0.0	0.0	0.0	9.8	7.9	7.6
Group in total	44.9	46.4	34.5	36.2	33.7	43.8	39.3	41.6

**SEGMENT INFORMATION BY
QUARTER
EBIT, MEUR**

	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16
Grano	1.1	1.9	1.4	2.4	0.6	1.9	1.6	3.0
KL-Varaosat	0.2	0.3	0.3	0.2	0.2	0.4	0.2	0.2
Selog	0.0	0.3	0.3	0.1	0.1	0.2	0.2	0.1
Helakeskus	0.0	0.2	0.2	0.2	0.0	0.2	0.2	-0.2
Megaklinikka	-0.2	-0.2	0.0	-0.6	-0.8	-0.6	-0.2	-0.4
Heatmasters	-0.1	0.0	0.0	0.0	-0.3	-0.3	-0.2	-0.2
CoreHW	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.6	-1.7	-0.7	-0.8	-0.8	1.2	0.8	0.5
Group in total	1.7	0.8	1.6	1.5	-1.0	2.9	2.7	3.0

Reconciliation for key figures – interest-bearing liabilities and interest- bearing net liabilities	January 31, October 31,		
	January 31, 2018	2017	2017
Liabilities total	135.6	122.4	159.7
Non-interest-bearing liabilities	40.3	39.4	48.1
Interest-bearing liabilities	95.3	82.9	111.6
Trade and other receivables	38.4	30	38.4
Non-interest-bearing receivables	34.9	25.7	34.9
Interest-bearing receivables	3.5	4.3	3.5
Interest-bearing liabilities	95.3	82.9	111.6
Interest-bearing receivables	4.6	3.9	3.5
Cash and cash equivalents	52.0	26.0	19.5
Interest-bearing net liabilities	38.6	52.9	88.6

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

Panostaja has seven investments with majority holdings. Grano Oy is the most versatile expert of content services in Finland. Heatmasters Group offers heat treatment services for metals in Finland and internationally, as well as produces, develops and markets heat treatment technology. KL-Varaosat is an importer, wholesale dealer and retailer of original spare parts and supplies for Mercedes Benz, BMW and Volvo cars. Megaklinikka Oy is a company providing health care services and the ERP system for healthcare providers. Suomen Helakeskus Oy is a major wholesaler of furniture fittings in Finland. Selog Oy is a specialty supplier and wholesaler of ceiling materials. CoreHW provides RF IC design services that yield high added value.