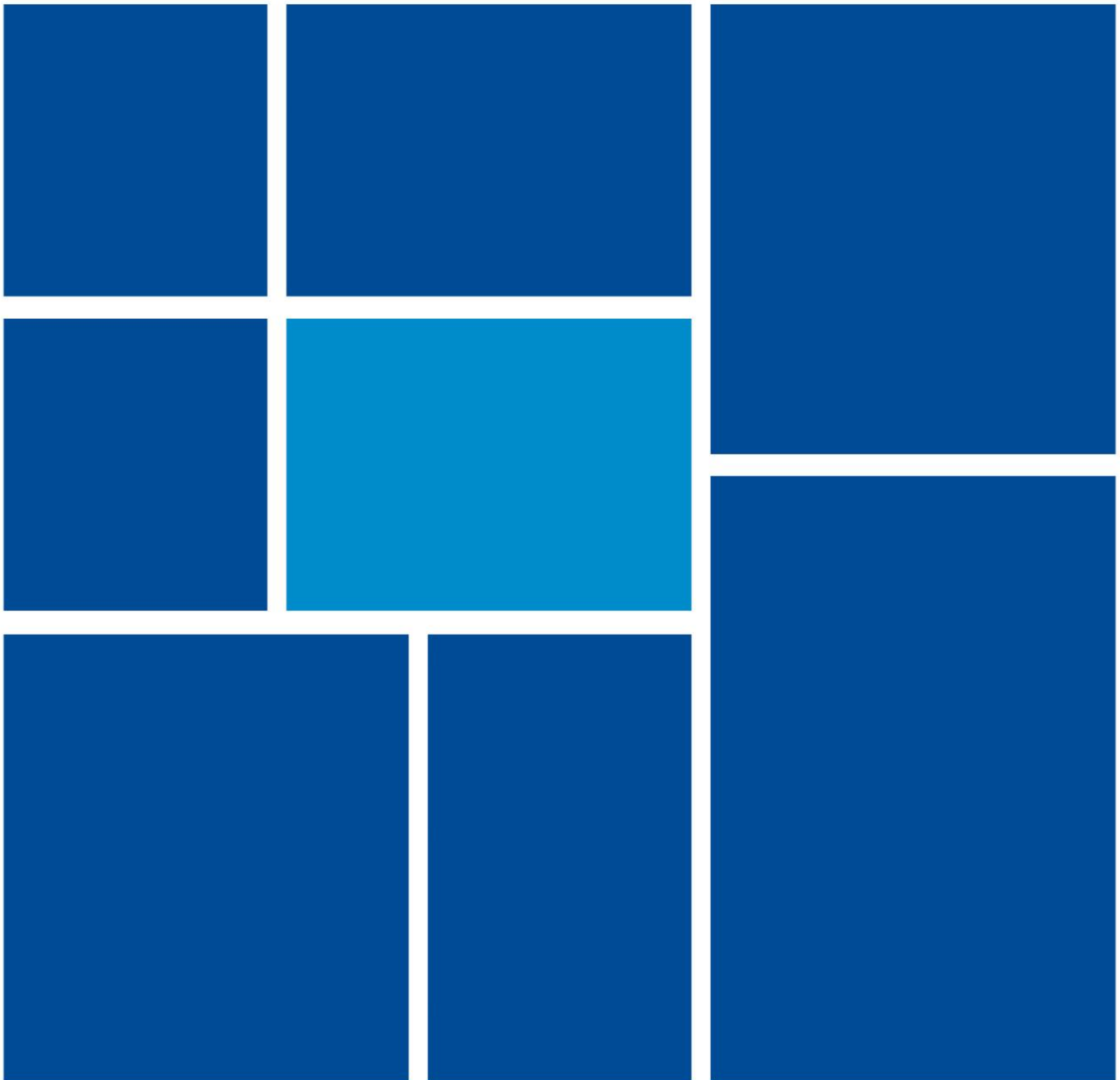


panostaja

Q1 BUSINESS REVIEW 7 MARCH 2019

NOVEMBER 2018–JANUARY 2019



PANOSTAJA OYJ'S BUSINESS REPORT

Active start to the year in terms of minority deals

November 1, 2018–January 31, 2019 (3 months)

- Panostaja acquired a significant minority share in Gugguu Oy and sold its minority shareholding in Ecosir Group Oy.
- Grano's net sales for the review period deteriorated 5% from the reference period. EBIT weakened to MEUR -0.3 from MEUR 1.1 in the reference period.
- Net sales increased in three of the nine investment targets. Overall, the Group's net sales for the review period increased by 12% to MEUR 50.3 (MEUR 44.9).
- EBIT improved in three of the nine segments. EBIT decreased from the reference period to MEUR 0.3 (MEUR 1.7). The review period's EBIT includes sales profit for Ecosir Group in the amount of MEUR 1.6. EBIT for the reference period is improved by MEUR 1.3 in profit pertaining to the right to VAT deductions.
- Earnings per share (undiluted) were -0.1 cents (50.9 cents).

CEO Tapio Tommila Active start to the year in terms of minority deals

“At the very beginning of the financial period, we acquired a significant minority shareholding in Gugguu Oy, which manufactures ecological, high-quality children's wear. Our journey together with Gugguu is off to a good start, and the company's Board of Directors has been bolstered with expertise in brand management and internationalization. Soon after acquiring Gugguu, we concluded another minority deal by selling our holding Ecosir Group to an international group of owners, which will support the next phase in the company's internationalization process. Panostaja recorded a profit of MEUR 1.6 before taxes for the sale.

The development in net sales and profitability over the course of the first quarter was significantly weaker than expected. The total net sales of the segments continued growing by 12% as a result of the of the segments acquired during the previous financial period, but, among the old segments, KL-Varaosat was the only one the increase its net sales. However, there has been no significant change in the short-term market outlook of the segments, although some signs of a gradual decline in demand have been apparent.

Grano's net sales for the review period were far lower than we expected. The process of leveraging the company's diverse range of product areas and scale benefits is still under way, and we will be focusing on developing Grano's operations in order to ensure the targeted net sales level and improve profitability. Mikko Moilanen stepped in as the company's new CEO in December, and we will be continuing measures to achieve our targets under his leadership. The development of Carrot's net sales in the review period reflected the staff turnover in regional organizations. The substitutive recruitments have been completed on a tight schedule, but we will continue to monitor the implementation of the changes to ensure an upward turn in Carrot's profit. The share of CoreHW's customer projects remained below the targeted level during the review period. Even though the company has successfully utilized resources freed from customer work to accelerate the development of proprietary products, the measures to realize potential customer projects at a quicker rate will be continued on a wide scale within the company. In Helakeskus, the measures to reverse the profitability development began to bear fruit during the review period and the company achieved a clear improvement in its profit/loss.

The corporate acquisitions market remained active in the period under review, and the availability of new opportunities has been good. Activity would seem to remain at a high level towards the spring. We will

continue to actively explore corporate acquisition opportunities, but we are currently paying particular attention to supporting the development of our current segments.”

BUSINESS SEGMENTS

Grano



Grano is Finland's leading content and marketing services company

Grano's net sales for the review period were MEUR 32.3, which was 5% below the reference period level. Due to the poor development in net sales, Grano's EBIT for the first quarter was MEUR -0.3, which was MEUR 1.4 less than in the reference period.

There were still significant differences in the development of the various product areas over the course of the review period. The market demand for traditional print services continued its decline, but the development of the company's offset and digital printing business performed as expected in the first quarter. As regards large-scale print products and illuminated advertisement, on the other hand, the targeted net sales were not reached since there were no large projects during the review period, in contrast to previous years. Despite the variation in the quantity of large projects, the market outlook for these products remains good. In construction services, the demand for paper prints decreased more than expected, but sales of the electronic SokoPro document bank have continued to experience growth. In terms of other digital services, the targeted growth was not achieved during the review period.

The cost savings resulting from the streamlining measures conducted in the previous financial period contributed to improving the profit/loss of the first quarter, particularly in the form of lower staff expenses in production. At the same time, however, the company's numerous development projects have increased personnel and other costs, which significantly impacts the company's profitability. The process of utilizing the results of the development efforts conducted and the scale benefits enabled by the operations is still partially in progress. During the review period, Mikko Moilanen stepped in as Grano's new CEO, and the efforts to develop the company's operations and improve profitability will continue under his leadership.

| MEUR | 3 months | 3 months | 12 months |
|----------------------------------|------------|------------|-------------|
| | 11/18–1/19 | 11/17–1/18 | 11/17–10/18 |
| Net sales, MEUR | 32.3 | 34.0 | 136.6 |
| EBIT, MEUR | -0.3 | 1.1 | 8.4 |
| Interest-bearing net liabilities | 57.1 | 56.4 | 59.1 |
| Panostaja's holding | 52.8% | | |

KL-Varaosat

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



KL-Varaosat's net sales for the review period were MEUR 3.6, growth from the corresponding period being 6%. The growth was accelerated by the new facility opened in December. The related costs were a partial encumbrance to profitability, and EBIT for the review period remained below the reference period, standing at MEUR 0.1.

There have been no significant changes in the short-term market outlook, which remains good. The proportions of the brands served by the company have continued to increase among the car population.

In the review period, the company continued the geographical expansion of its operations by opening a new office in Lahti in December. Sales at the new facility began according to expectations. Investments have also been made in digital development and marketing by increasing the relevant personnel and development resources. The telephone and call-back solutions of the customer service department were also successfully updated during the review period.

| MEUR | 3 months | 3 months | 12 months |
|----------------------------------|------------|------------|-------------|
| | 11/18–1/19 | 11/17–1/18 | 11/17–10/18 |
| Net sales, MEUR | 3.6 | 3.4 | 14.4 |
| EBIT, MEUR | 0.1 | 0.2 | 1.2 |
| Interest-bearing net liabilities | 0.1 | 0.6 | -0.3 |
| 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 1.8, which was a decrease of MEUR 0.1 from the reference period. EBIT stood at MEUR 0.0, which was at the level of the reference period.

Despite market demand remaining good, the company's net sales in the first quarter did not reach the expected level. This was due to the increased competition in the Helsinki Metropolitan Area and the postponed start of the projects planned for the beginning of the year. However, the short-term market prospects remain good and there have been plenty of invitations to tender on new projects.

Sales resourcing was returned to the desired level during the review period, and the sales team is off to a good start under the leadership of the new CEO, who took up his post in the fall.

| MEUR | 3 months | 3 months | 12 months |
|----------------------------------|------------|------------|-------------|
| | 11/18–1/19 | 11/17–1/18 | 11/17–10/18 |
| Net sales, MEUR | 1.8 | 1.9 | 9.4 |
| EBIT, MEUR | 0.0 | 0.0 | 0.8 |
| Interest-bearing net liabilities | 0.2 | 0.4 | 0.9 |
| Panostaja's holding | 100.0% | | |

Helakeskus

Helakeskus is a major wholesaler of furniture fittings in Finland



Helakeskus's net sales for the review period were equal to those of the reference period, standing at MEUR 1.9. EBIT improved from the review period to MEUR 0.1.

For many customers, December and January were much slower than in the previous year. The competitive situation in the fittings industry has remained tight, particularly in terms of drawer fittings and hinges. The increase in the import of kitchen products maintains the difficult competitive situation among domestic manufacturers.

There are no significant changes to the short-term market outlook, even though uncertainty has increased and the market outlook is lightly weaker than last year. The demand continues to vary greatly between customers and the fierce price competition remains on-going.

| MEUR | 3 months | 3 months | 12 months |
|----------------------------------|------------|------------|-------------|
| | 11/18–1/19 | 11/17–1/18 | 11/17–10/18 |
| Net sales, MEUR | 1.9 | 1.9 | 8.2 |
| EBIT, MEUR | 0.1 | 0.0 | -2.7 |
| Interest-bearing net liabilities | 4.7 | 5.6 | 4.9 |
| Panostaja's holding | 100% | | |

Hygga



Hygga provides dental care and health care ERP services with a new operating concept.

Hygga's net sales of MEUR 1.2 for the review period were MEUR 0.2 below the level of the reference period. EBIT was MEUR -0.1 (MEUR -0.2). The profit/loss for the reference period includes MEUR 0.2 in one-time expenses related to the CEO change.

As regards clinic operations, the market situation has remained quite challenging and is not expected to change significantly in the near future. The company has been unable to achieve the targeted increase in net sales, and it has initiated measures to streamline the clinic operations.

In terms of the service operations built around licensing of the company's proprietary ERP system, significant new opportunities emerged with regard to public dental care in Sweden with Norrbotten County agreeing to implement the system at one of its clinics. The implementation of the pilot project will take place during the second quarter of the financial period.

| MEUR | 3 months | 3 months | 12 months |
|----------------------------------|------------|------------|-------------|
| | 11/18–1/19 | 11/17–1/18 | 11/17–10/18 |
| Net sales, MEUR | 1.2 | 1.4 | 5.4 |
| EBIT, MEUR | -0.1 | -0.2 | -0.2 |
| Interest-bearing net liabilities | 6.2 | 5.9 | 6.1 |
| Panostaja's holding | 79.8% | | |

Heatmasters

Heatmasters offers metal heat treatment services and technology



Heatmasters' MEUR 0.8 in net sales in the review period was clearly below the reference period level. Despite the decline in net sales, EBIT remained at the level of the reference period at MEUR -0.1.

The demand for field services has been low during the winter season. Business has also been slow in furnace treatment services and equipment operations. The reduced offering on the market will tighten the competitive situation. Costs during the slow winter season have been cut by means of lay-offs, for example. Sales efficiency has also been increased in Poland and equipment operations.

Due to the seasonal nature of the field, service demand will increase towards spring, with volumes typically reaching their peak levels between May and October.

| MEUR | 3 months | 3 months | 12 months |
|----------------------------------|------------|------------|-------------|
| | 11/18–1/19 | 11/17–1/18 | 11/17–10/18 |
| Net sales, MEUR | 0.8 | 1.0 | 4.8 |
| EBIT, MEUR | -0.1 | -0.1 | 0.2 |
| Interest-bearing net liabilities | 0.5 | 0.7 | 0.4 |
| Panostaja's holding | 80.0% | | |

CoreHW

CoreHW provides high added value RF IC design and consulting services



The company's net sales in the financial period were MEUR 1.0, which was MEUR 0.3 less than in the reference period. The low net sales dragged EBIT down to a negative value of MEUR -0.3 (MEUR 0.1).

During the review period, the company's number of customer projects remained below the target level. However, new customer accounts were established during the review period and at the beginning of the second quarter. Available resources were utilized during the period to accelerate the development of proprietary products. The product development efforts have progressed to the introduction of the company's first proprietary product, CoreHW RABBIT, an antenna switch for indoor positioning. Customer interest in the product has been favorable.

Market demand is expected to remain good. The influx of customer inquiries is increasing, but the negotiations tend to take time.

| MEUR | 3 months | 3 months | 12 months |
|------|------------|------------|-------------|
| | 11/18–1/19 | 11/17–1/18 | 11/17–10/18 |
| | | | |

| | | | |
|----------------------------------|-------|-----|------|
| Net sales, MEUR | 1.0 | 1.3 | 3.7 |
| EBIT, MEUR | -0.3 | 0.1 | -0.6 |
| Interest-bearing net liabilities | 3.4 | 2.6 | 3.5 |
| Panostaja's holding | 63.0% | | |

Carrot



Carrot Palvelut Oy provides staffing, recruitment and outsourcing services

Carrot's net sales for the review period stood at MEUR 5.3 while its EBIT was MEUR -0.4. Carrot's profit/loss was consolidated into Panostaja Group's figures as of May 1, 2018, which is why no reference information is yet available.

The market demand remained good during the review period, as was the case with the market outlook. However, the availability of labor, especially trained professionals, has imposed some limitations on the implementation of customer assignments. Furthermore, the seasonal fluctuations of the construction sector weakened net sales during the winter season.

During the review period, changes in the company's organization, particularly in the Pirkanmaa and Uusimaa regions, also contributed to the below-expected development in net sales. However, the substitutive recruitments were completed quickly and sales management was streamlined significantly during the review period. New key persons have also been recruited to support growth.

| MEUR | 3 months | 3 months | 12 months |
|----------------------------------|------------|------------|-------------|
| | 11/18–1/19 | 11/17–1/18 | 11/17–10/18 |
| Net sales, MEUR | 5.3 | | 13.0 |
| EBIT, MEUR | -0.4 | | -0.1 |
| Interest-bearing net liabilities | 4.4 | | 4.1 |
| Panostaja's holding | 63.0% | | |

Oscar Software



Oscar Software provides ERP systems and financial management services

Oscar Software's net sales for the review period stood at MEUR 2.6 while its EBIT was MEUR 0.2. The company's profit/loss was incorporated into the Panostaja Group's figures as of May 1, 2018, which is why no reference information is yet available.

The low number of working days in December reduced the service yields for the review period, but the project for establishing a national income register and work related to financial statements increased the net sales of the financial administration services in January. The situation in terms of demand is expected to remain good. That being said, the ERP procurement decisions of new customers are expected to be delayed and many customers are short on time for initiating expansive system investments with the volume of the customers' own operations at a high level. With regard to existing customers, on the other hand, sales have developed well and the customers have commissioned development projects. In terms of product development, the focus has been on developing SaaS software.

The positive trend of the field has a negative impact on labor availability and permanence of labor. The

| MEUR | 3 months | 3 months | 12 months |
|----------------------------------|------------|------------|-------------|
| | 11/18–1/19 | 11/17–1/18 | 11/17–10/18 |
| Net sales, MEUR | 2.6 | | 4.4 |
| EBIT, MEUR | 0.2 | | 0.1 |
| Interest-bearing net liabilities | 4.7 | | 5.1 |
| Panostaja's holding | 55.0% | | |

KEY FIGURES

| MEUR | Q1 | Q1 | 12 months |
|--|----------------|----------------|-----------------|
| | 11/18– 1/19 | 11/17– 1/18 | 11/17– 10/18 |
| Net sales, MEUR | 50.3 | 44.9 | 199.7 |
| EBIT, MEUR | 0.3 | 1.7 | 5.3 |
| Profit before taxes, MEUR | -0.1 | 1.2 | 2.7 |
| Profit/loss for the financial period, MEUR | -0.7 | 27.2 | 27.1 |
| Distribution: | | | |
| Shareholders of the parent company | -0.1 | 26.5 | 24.1 |

| | | | |
|-------------------------------------|-------|------|------|
| Minority shareholders | -0.7 | 0.6 | 3.0 |
| Earnings per share, undiluted (EUR) | -0.00 | 0.51 | 0.46 |
| Interest-bearing net liabilities | 57.5 | 38.6 | 58.1 |
| Gearing ratio, % | 72.2 | 46.5 | 69.0 |
| Equity ratio, % | 39.8 | 38.1 | 40.4 |
| Equity per share (EUR) | 0.96 | 1.10 | 1.02 |

Division of the net sales by segment MEUR

| | Q1 | Q1 | 12 months |
|----------------|--------|--------|-----------|
| | 11/18– | 11/17– | 11/17– |
| Net sales | 1/19 | 1/18 | 10/18 |
| Grano | 32.3 | 34.0 | 136.6 |
| KL-Varaosat | 3.6 | 3.4 | 14.4 |
| Selog | 1.8 | 1.9 | 9.4 |
| Helakeskus | 1.9 | 1.9 | 8.2 |
| Hygga | 1.2 | 1.4 | 5.4 |
| Heatmasters | 0.8 | 1.0 | 4.8 |
| CoreHW | 1.0 | 1.3 | 3.7 |
| Carrot | 5.3 | | 13.0 |
| Oscar Software | 2.6 | | 4.4 |
| Others | 0.0 | 0.0 | 0.0 |
| Eliminations | -0.1 | 0.0 | -0.2 |
| Group in total | 50.3 | 44.9 | 199.7 |

Division of EBIT by segment

| MEUR | Q1 | Q1 | 12 months |
|----------------|-----------|-----------|------------------|
| | 11/18– | 11/17– | 11/17– |
| EBIT | 1/19 | 1/18 | 10/18 |
| Grano | -0.3 | 1.1 | 8.4 |
| KL-Varaosat | 0.1 | 0.2 | 1.2 |
| Selog | 0.0 | 0.0 | 0.8 |
| Helakeskus | 0.1 | 0.0 | -2.7 |
| Hygga | -0.1 | -0.2 | -0.2 |
| Heatmasters | -0.1 | -0.1 | 0.2 |
| CoreHW | -0.3 | 0.1 | -0.6 |
| Carrot | -0.4 | | -0.1 |
| Oscar Software | 0.2 | | 0.1 |
| Others | 1.0 | 0.6 | -1.8 |
| Group in total | 0.3 | 1.7 | 5.3 |

In the review period, two associated companies, Gugguu and Spectra, issued reports to the parent company. The profit/loss of the associated companies in the review period was MEUR 0.0 (MEUR 0.0), which is presented in the consolidated income statement under the EBIT. Panostaja sold its shareholding in the Ecosir Group during the review period. Panostaja recorded a profit of MEUR 1.6 before taxes for the sale. At the end of the review period, interests in associated companies stood at MEUR 2.4.

Interest-bearing net liabilities by segment

| MEUR | Q1 | Q1 | 12 months |
|---|-----------|-----------|------------------|
| | 01/19 | 01/18 | 10/18 |
| Interest-bearing net liabilities | | | |
| Grano | 57.1 | 56.4 | 59.1 |
| KL-Varaosat | 0.1 | 0.6 | -0.3 |
| Selog | 0.2 | 0.4 | 0.9 |
| Helakeskus | 4.7 | 5.6 | 4.9 |
| Hygga | 6.2 | 5.9 | 6.1 |
| Heatmasters | 0.5 | 0.7 | 0.4 |
| CoreHW | 3.4 | 2.6 | 3.5 |

| | | | |
|---------------------------------|-------|-------|-------|
| Carrot | 4.4 | | 4.1 |
| Oscar Software | 4.7 | | 5.1 |
| Parent company (Others segment) | -23.8 | -33.6 | -25.9 |
| Group in total | 57.5 | 38.6 | 58.1 |

OUTLOOK FOR THE 2019 FINANCIAL PERIOD

The corporate acquisitions market remained active in the period under review, and the availability of new opportunities has been good. 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 will also be assessed as part of the ownership strategies of the investment targets.

It is thought that the demand situation for different investments will develop in the short term as follows:

- the demand for Selog, Helakeskus, CoreHW, KL-Varaosat, Carrot and Oscar Software will remain good
- the demand for Grano, Heatmasters and Hygga will remain satisfactory

Panostaja Oyj

Board of Directors

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Panostaja Oyj

Tapio Tommila
CEO

This is not an interim report compliant with the IAS 34 standard. The company observes the six-monthly reporting practice prescribed in the Finnish Securities Markets Act and publishes business reports for the initial three and nine months of each year, presenting the key information on the company's financial development. The financial information presented in the business report have not been audited.

Panostaja is an investment company developing Finnish start-ups in the role of an active 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 strives to increase shareholder value and create Finnish success stories. www.panostaja.fi