panostaja

Q4

FINANCIAL REPORT

November 2017–October 2018

13 December 2018

PANOSTAJA OYJ'S FINANCIAL STATEMENT BULLETIN

Gugguu – new minority shareholding

August 1, 2018–October 31, 2018 (3 months)

- As a result of corporate acquisitions during the previous financial period, Grano's net sales for the review period increased by 6% from the corresponding period last year. EBIT increased to MEUR 2.6 from MEUR 1.9 in the reference period.
- Net sales increased in five of the nine segments. Overall, the Group's net sales for the review period increased by 22% to MEUR 56.6 (MEUR 46.4).
- EBIT improved in six of the nine segments. The profit/loss for the review period includes a group goodwill impairment loss from the Helakeskus segment in the amount of MEUR 3.0, and the EBIT of the entire Group decreased from the reference period to MEUR 0.2 (MEUR 0.8).
- After the review period, Panostaja acquired a significant minority share in Gugguu Oy and sold its minority shareholding in Ecosir Group Oy.
- Earnings per share (undiluted) were -5.1 cents (6.8 cents).

November 1, 2017–October 31, 2018 (12 months)

- Net sales increased in five of the nine segments. Overall, the Group's net sales for the review period increased by 32% to MEUR 199.7 (MEUR 150.7).
- EBIT improved in six of the nine segments, and the EBIT of the entire Group increased from MEUR 2.9 to MEUR 5.3.
- Panostaja divested itself of KotiSun and recorded a profit of MEUR 32.9 before taxes for the sale.
- Panostaja secured a majority shareholding in Carrot Palvelut Oy and Oscar Software.
- Panostaja paid off all of the parent company's interest-bearing liabilities in the amount of MEUR 22.3 and made an agreement on a new MEUR 15.0 corporate acquisition limit.
- Earnings per share (undiluted) were 46.2 cents (3.5 cents)

Proposal for the distribution of profits: The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 per share be paid for the past financial period.

CEO Juha Sarsama: Gugguu – new minority shareholding

"We closed the year of active acquisitions with two minority ownership deals. After the end of the financial period, we invested in the shares of Gugguu Oy and made Panostaja a significant minority shareholder in the company. Gugguu is a rapidly-growing company established in 2012, which designs and manufactures first-rate children's clothing from ecological high-quality materials. The company has begun the process of internationalization, and our goal is to accelerate its growth. Gugguu is the first segment we have entered as a minority shareholder. We see this investment model as an interesting addition to our operating model, and we believe that it will provide us with new and interesting investment opportunities.

After the conclusion of the financial period, we sold our minority shareholding in Ecosir to a group of international owners. We built an effective internationalization strategy for Ecosir, and the new owners will now support the next phase of its implementation. With regard to the deal, Panostaja will record a sales profit of about MEUR 1.4 before taxes in the profit/loss for November 2018.

During the review period, the total net sales of Panostaja's segments increased by 22%. The strong growth stems from new segments and partially the effect of the corporate acquisitions made by Grano during the previous financial period. The slight decline in Helakeskus' net sales continued during this review period, leading to the recording of an impairment loss of MEUR 3.0 on the goodwill assigned to Helakeskus, which dragged Panostaja's EBIT for the period down to MEUR 0.2. Disregarding the goodwill impairment loss, however, Panostaja's EBIT for the review period improved by MEUR 2.4 from the reference period. In addition to incurring the costs of the parent company's corporate restructurings in the reference period, Grano was the segment that saw the most significant improvement in profitability.

Despite the improvement, however, Grano's result was weaker than expected. The company has gone through a successful transformation from a printing house to a provider of comprehensive services, but the opportunities of the new service areas are yet to be fully realized. We still see possibilities in streamlining Grano's operations and will continue our measures to improve the company's profitability even further. CoreHW's net sales in the review period were clearly better than the previous two quarters, which was also mirrored by the company's profitability. We will continue to monitor the improvement of the company's net sales.

The development measures in the investment targets continued. KL-Varaosat began the establishment of a new facility in Lahti, continuing its efforts to secure new growth. Megaklinikka updated its brand and changed its name to Hygga. Hygga also took a significant step in its own growth strategy by initiating a pilot project for expanding its ERP system to cover basic health care. We believe this will provide the company with significant growth opportunities on the new market. The development of CoreHW's own products has proceeded as planned, and the preliminary test results are very promising.

Panostaja's financial goal was to reach an earnings per share of EUR 0.80 over the five-year period from 2014 to 2018. The past quarter was the final stretch of the target period, and the cumulative earnings per share landed at exactly EUR 0.80, meaning that the goal set five years ago was achieved.

The corporate acquisitions market remained active in the period under review, and the availability of new opportunities has been high. The markets continue to provide opportunities for both new select acquisitions and divestments, and we will continue to actively explore new corporate acquisition opportunities.

At the end of the financial period, we announced that I will be stepping down as CEO on December 31, 2018. Our current Executive Vice President Tapio Tommila will assume my position from the beginning of next year. I am confident that Panostaja will continue improving under Tapio's leadership, and I am very excited to continue my work with the familiar team in my new role as Chief Investment Officer, focusing on exploring new investment opportunities and developing our current investments."

Investments 3 months

Grano

Grano is Finland's leading content and marketing services company

Grano's net sales for the review period were MEUR 35.7, growth from the corresponding period being 6%. The reason for the increase in net sales was Lönnberg Painot Oy, which was acquired during the previous financial year and only recorded for two months of the reference period. Grano's EBIT for the fourth quarter stood at MEUR 2.6, which is an increase of MEUR 0.7 from the reference period. The profit/loss of the reference period includes MEUR 0.5 in corporate acquisition costs and MEUR 0.4 in provisions for employer-employee negotiations.

During the review period, there was still significant variation in demand between services. In terms of business areas, large-scale prints, packaging and marketing logistics improved well over the course of the review period. The demand for digital services has also been strong. Printing services, on the other hand, have decreased, and customers have replaced printing products with digital services. In the context of construction services, too, paper printing has decreased, but the sales of the SokoPro document bank has developed well. Grano launched a new version of SokoPro at the FinnBuild fair this year.

The cost savings of the employer-employee negotiations that finished in October 2017 improved the result for the fourth quarter. However, the company has continued to implement its Content as a Service strategy and bolster its brand familiarity, which has contributed to an increase in employees and marketing costs, among other things.

During the review period, the company acquired the business operations of Arsmat Oy in Kuopio.

After the review period, Grano's CEO Jaakko Hirvonen announced that he will be retiring from his position. Mikko Moilanen has been appointed the new CEO as of December 10.

MEUR	**3 months**	**3 months**	**12 months**	**12 months**
	8/18-10/18	8/17-10/17	11/17-10/18	11/16-10/17
Net sales, MEUR	35.7	33.6	136.6	105.3
EBIT, MEUR	2.6	1.9	8.4	6.3
Interest-bearing net liabilities	59.1	55.8	59.1	55.8
Panostaja's holding	52.8%			

KL-Varaosat

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

KL-Varaosat's net sales for the review period were MEUR 3.8, growth from the corresponding period being 4%. The EBIT for the review period remained at the level of the reference period at MEUR 0.3.

Generally speaking, the demand has been good. It was slightly weaker than expected in September but perked up in October. The tire change season that began in the northern parts of the country at the end of September once again served to entice people to commission other car maintenance services on the side. The market prospects have remained good and there are signs of increased demand.

The company will continue to expand its operations and establish a new facility in Lahti. The process was initiated at the beginning of October, and the Lahti facility will begin its operations in the first quarter of the new financial period. The expansion of the network of service partners has also been continued, along with strengthening the development resources of digital marketing and digital services.

MEUR	**3 months** 8/18-10/18	**3 months** 8/17-10/17	**12 months** 11/17-10/18	**12** 11/16-10/17
Net sales, MEUR	3.8	3.6	14.4	13.5
EBIT, MEUR	0.3	0.3	1.2	1.0
Interest-bearing net liabilities	-0.3	0.6	-0.3	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 2.6, which was a decrease of MEUR 0.2 from the reference period. EBIT stood at MEUR 0.4, which was an improvement of MEUR 0.1 from the previous year due to retroactive adjustments concerning the early financial period. The operating result was at the level of the reference period.

With consideration to the changes in key personnel, the net sales for the company's fourth quarter were reasonable. The estimated development in ceiling work demand is positive for the new year and the demand is expected to remain at a good level. However, installation work planned for the turn of the year are showing some delays, which may affect the progress of ceiling material shipments.

The new CEO of the company Reijo Siekkinen assumed his duties at the end of September. Replacement recruitments in sales have also been completed, with two new sales representatives beginning their work after the end of the review period.

MEUR	3 months 8/18-10/18	3 months 8/17-10/17	12 months 11/17-10/18	12 months 11/16-10/17
Net sales, MEUR	2.6	2.8	9.4	10.8
EBIT, MEUR	0.4	0.3	0.8	0.8
Interest-bearing net liabilities	0.9	0.0	0.9	0.0
Panostaja's holding	100.0%			

Helakeskus

Helakeskus is a major wholesaler of furniture fittings in Finland

Helakeskus' net sales for the review period were MEUR 2.1, which was a 6% decrease from the reference period. In addition to this, operating EBIT decreased from the reference period to MEUR 0.1. The reported net sales of MEUR -2.9 includes a group goodwill impairment loss in the amount of MEUR 3.0.

The general market situation remains good, although a slight decline in demand has been evident. Project trade still forms a large part of the total sales volume.
The short-term market situation remains reasonably good. The competition continues to be fierce especially in project trade, and demand varies a great deal between customers.

MEUR	3 months 8/18-10/18	3 months 8/17-10/17	12 months 11/17-10/18	12 months 11/16-10/17
Net sales, MEUR	2.1	2.3	8.2	8.9
EBIT, MEUR	-2.9	0.2	-2.7	0.5
Interest-bearing net liabilities	4.9	5.5	4.9	5.5
Panostaja's holding	100.0%			

Hygga (formerly Megaklinikka)

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

Hygga's net sales of MEUR 1.3 for the review period were at the level of the reference period. EBIT increased from MEUR -0.2 in the reference period to MEUR 0.0.

During the review period, the company implemented a major brand update, changing its name from Megaklinikka to Hygga. The costs connected to the brand update and related marketing efforts encumbered the result for the review period.

As regards clinic operations, the market situation has remained challenging and is not expected to change significantly in the near future. The intention is to utilize a new monthly program for clinic business in order to invest in preventive and aesthetic oral health care.

The service business built around licensing the company's own ERP system has developed well, although the market situation has become increasingly challenging due to pricing pressure imposed by competitors. By providing a wider selection of services than its competitors, the company successfully renewed all of its ending contracts with Finnish public sector customers. At the end of the review period, the company also secured a new customer account in oral health care. The sales efforts targeted at Swedish public sector customers have also progressed.

A pilot project was initiated in the review period with the City of Rauma with an aim to expand the company's ERP system to cover basic health care. Thanks to the project, the company has the opportunity to expand its operations to a new market, thereby significantly increasing its growth opportunities.

MEUR	**3 months**	**3 months**	**12 months**	**12 months**
	8/18-10/18	8/17-10/17	11/17-10/18	11/16-10/17
Net sales, MEUR	1.3	1.3	5.4	6.0
EBIT, MEUR	0.0	-0.2	-0.2	-1.6
Interest-bearing net liabilities	6.1	5.9	6.1	5.9
Panostaja's holding	79.8%			

Heatmasters

Heatmasters offers metal heat treatment services and technology

Heatmasters' MEUR 1.3 in net sales in the review period was clearly below the reference period level. Despite the drop in net sales, EBIT improved from MEUR 0.0 in the reference period to MEUR 0.2.

The demand for heat treatment services in Finland was moderate during the review period. In the reference period, major downtime took place at the end of the year, which is why the net sales for the period fell behind the reference period. Similarly, furnace treatment services failed to reach the volumes of the previous year.

The work load in Poland was good in the fourth quarter and large projects were completed, but furnace treatment services were fairly slow. The cost structure in Poland will be lightened this year by moving the operations to new and more efficient facilities and changing the power supply agreement for a more affordable one. This will significantly reduce fixed costs.

In the review period, demand for equipment business was poor and furnace deals were not secured in the same way as in the reference period.

In the future, the company will leverage its new service concept and partners to provide its customers with service packages optimized around heat treatment.

The demand is expected to remain at a satisfactory level. Due to the seasonal nature of the operations, service demand slows down for the winter season.

MEUR	**3 months** 8/18-10/18	**3 months** 8/17-10/17	**12 months** 11/17-10/18	**12 months** 11/16-10/17
Net sales, MEUR	1.3	1.8	4.8	5.3
EBIT, MEUR	0.2	0.0	0.2	-0.2
Interest-bearing net liabilities	0.4	0.9	0.4	0.9
Panostaja's holding	80.0%			

CoreHW

CoreHW provides high added value RF IC design services

The company was incorporated into Panostaja Group as of September 1, 2017, which is why reference information is only available for two months. The company's net sales in the financial period were MEUR 1.1 and EBIT stood at MEUR 0.0.

The demand for the company's services during the review period has remained good. Yet the agreement negotiations and decisions for large customer projects have been delayed even further. That said, numerous customer projects have been secured and the company's net sales were substantially better in the review period when compared to the two previous quarters.

Demand for the company's services is expected to remain good. The level of investments and demand in the 5G and IoT markets remain high on a global scale. However, there are still some uncertainties with regard to certain significant customer projects early in the year.

The development of the company's own products has progressed as planned. The company's first own microchip products are in laboratory testing and the preliminary results are highly promising.

MEUR	**3 months**	**3 months**	**12 months**	**12 months**
	8/18-10/18	8/17-10/17	11/17-10/18	11/16-10/17
Net sales, MEUR	1.1	1.0	3.7	1.0
EBIT, MEUR	0.0	0.0	-0.6	0.0
Interest-bearing net liabilities	3.5	2.3	3.5	2.3
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 6.3 while its EBIT was MEUR 0.1. 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 amortization of MEUR 0.1 resulting from the allocation of the acquisition goodwill (PPA amortizations) encumbers the company's EBIT.

The market demand remained good during the review period. In many ways, growth is restricted more by the availability of employee resources than customer demand. Furthermore, the earlier changes in the company's organization in Pirkanmaa and Uusimaa have been reflected by the sales. Though the prospects remain good, the seasonal fluctuations of the construction sector will weaken sales in the winter season.

Carrot's mission is to be a caring and safe partner for its employees and customers in all phases of working life. The company's operations focus on the continuous personal support and development of its employees. On a daily basis, Carrot employs some 800 people in customer companies, primarily in the fields of industry (44% of net sales), construction (23%) and logistics (16%).

The size of the HR services market is an estimated BEUR 2.2. For the past few years, the market has been growing by 9–10% a year, and it is expected to continue this trend for the coming years. Historically speaking, the growth of the market has been tied to the development of the GDP, and any significant changes in the macroeconomy have typically caused significant volatility in the use of temporary labor.

Attitudes toward staffing have improved significantly, and the utilization of temporary employees is increasing. The popularity of temporary labor is slightly below the European average and clearly lower than in the European countries were it is most widely utilized. Staffing services are expected to become more commonplace in the coming years. The shift toward more project-oriented work and the various forms of employment enabled by technology are also factors that have a significant impact on market trends.

Carrot is making heavy investments in growth, and the company is being prepared for the significant expansion of its business operations. The company is currently in the process of carrying out internal development projects aimed at centralizing and harmonizing operating methods to enable more efficient services on a national level. New key persons have also been recruited to support growth. In addition to organic growth, corporate acquisitions are an essential element of Carrot's growth strategy. Regional expansion by purchasing smaller operators and strategic expansion to cover new services are seen as interesting opportunities for inorganic growth. Through growth, Carrot aims to improve its capability to serve its employees in all phases of their working life. Carrot aims for net sales exceeding MEUR 100.

MEUR	**3 months** 8/18-10/18	**3 months** 8/17-10/17	**12 months** 11/17-10/18	**12 months** 11/16-10/17
Net sales, MEUR	6.3		13.0	
EBIT, MEUR	0.1		-0.1	
Interest-bearing net liabilities	4.1		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 2.3 while its EBIT was MEUR 0.1. 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 amortization of MEUR 0.1 resulting from the allocation of the acquisition goodwill (PPA amortizations) encumbers the company's EBIT.

The demand for the company's services remained at a good level during the review period, and the situation is expected to remain good. However, it is evident that some customers' decisions to purchase an ERP system will be delayed, because many currently have sizeable orderbooks and resources tied up in many projects due to the strong economic situation. However, the need to develop operations and leverage the benefits of digitalization is there.

The strong economic situation is also reflected by the availability and permanence of labor. During the review period, the company recruited people to prepare for coming growth.

MEUR	**3 months** 8/18-10/18	**3 months** 8/17-10/17	**12 months** 11/17-10/18	**12 months** 11/16-10/17
Net sales, MEUR	2.3		4.4	
EBIT, MEUR	0.1		0.1	
Interest-bearing net liabilities	5.1		5.1	
Panostaja's holding	55.0%			

FINANCIAL DEVELOPMENT November 1, 2017–October 31, 2018

MEUR	Q4 8/18-10/18	Q4 8/17–10/17	12 months 11/17-10/18	12 months 11/16-10/17
Net sales, MEUR	56.6	46.4	199.7	150.7
EBIT, MEUR	0.2	0.8	5.3	2.9
Profit before taxes, MEUR	-0.8	0.2	2.7	1.2
Profit/loss for the financial period, MEUR	-1.6	5.3	27.1	6.9
Earnings per share, undiluted (EUR)	-0.05	0.07	0.46	0.04
Equity per share (EUR)	1.01	0.59	1.01	0.59
Operating cash flow (MEUR)	4.3	7.8	8.2	15.6

AUGUST 2018–OCTOBER 2018

Net sales for the review period increased by 22% and were MEUR 56.6 (MEUR 46.4). The impact of the corporate acquisitions on the MEUR 10.2 growth in net sales stood at MEUR 11.2. Exports amounted to MEUR 1.8, or 3.1% (MEUR 1.6, or 3.3%), of net sales. Net sales increased in five of the nine segments.

EBIT weakened to MEUR 0.2 (MEUR 0.8). EBIT improved in six of the nine investments. The development of net sales and EBIT for each of our investments has been commented on separately. The result of the review period is encumbered by the group goodwill impairment loss of the Helakeskus segment in the amount of MEUR 3.0. The profit/loss for the review period was MEUR -1.6 (MEUR 5.3).

NOVEMBER 2017–OCTOBER 2018

Net sales for the review period increased by 32% and were MEUR 199.7 (MEUR 150.7). The impact of the corporate acquisitions on the MEUR 48.9 growth in net sales stood at MEUR 51.8. Exports amounted to MEUR 6.1, or 3.1% (MEUR 5.1, or 3.4%), of net sales. Net sales increased in five of the nine segments.

EBIT improved from MEUR 2.9 to MEUR 5.3. EBIT improved in six of the nine investments. It is encumbered by the group goodwill impairment loss of the Helakeskus segment in the amount of MEUR 3.0. The development of net sales and EBIT for each of our investments has been commented on separately.

The profit for the review period was MEUR 27.1 (MEUR 6.9). KotiSun’s profit/loss for November–December, MEUR 32.9 in sales profit before taxes from KotiSun’s divestment, and the tax expenses related to the sale, MEUR 7.2, were recorded in the income from sold operations.

A VAT receivable of MEUR 1.3 related to the refunding of value-added taxes was recorded in other operating income. Based on the Tax Administration's decision, Panostaja Oyj refrained from deducting value-added tax included in acquisitions during 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 for general and other costs that are considered to be directly linked to the company's business operations that give rise to a right of deduction.

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 for the KotiSun segment and Takoma segment, standing at a total of MEUR 0.6. Prior to separating discontinued and sold operations from continuing operations in the income statement, the consolidated net sales for the reference period were MEUR 193.2 and the EBIT was MEUR 9.5.

Division of the net sales by segment
MEUR

Net sales	**Q4** 8/18-10/18	**Q4** 8/17–10/17	**12 months** 11/17-10/18	**12 months** 11/16-10/17
Grano	35.7	33.6	136.6	105.3
KL-Varaosat	3.8	3.6	14.4	13.5
Selog	2.6	2.8	9.4	10.8
Helakeskus	2.1	2.3	8.2	8.9
Hygga	1.3	1.3	5.4	6.0
Heatmasters	1.3	1.8	4.8	5.3
CoreHW	1.1	1.0	3.7	1.0
Carrot	6.3		13.0	
Oscar Software	2.3		4.4	
Others	0.0	0.0	0.0	0.0
Eliminations	-0.1	0.0	-0.2	-0.1
Group in total	56.6	46.4	199.7	150.7

Division of EBIT by segment

MEUR EBIT	Q4 8/18- 10/18	Q4 8/17– 10/17	12 months 11/17- 10/18	12 months 11/16- 10/17
Grano	2.6	1.9	8.4	6.3
KL-Varaosat	0.3	0.3	1.2	1.0
Selog	0.4	0.3	0.8	0.8
Helakeskus	-2.9	0.2	-2.7	0.5
Hygga	0.0	-0.2	-0.2	-1.6
Heatmasters	0.2	0.0	0.2	-0.2
CoreHW	0.0	0.0	-0.6	0.0
Carrot	0.1		-0.1	
Oscar Software	0.1		0.1	
Others	-0.5	-1.7	-1.8	-4.0
Group in total	0.2	0.8	5.3	2.9

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

In the review period, two associated companies, Ecosir Group Oy and Spectra Yhtiöt Oy, issued reports to the parent company. The result of the reported associated companies has developed well and its impact on profit/loss in the review period was MEUR 0.3 (MEUR 0.2), which is presented on a separate row under the EBIT in the consolidated income statement. During the period under review, Panostaja sold its shareholding in Juuri Partners Oy, which is a capital investment company making minority investments.

PERSONNEL

	October 31, 2018	October 31, 2017	Change
Average number of employees	1,927	1,622	19%
Employees at the end of the review period	2,043	1,810	13%

Employees in each segment at the end of the review period	October 31, 2018	October 31, 2017	Change
Grano	1,128	1,122	1%
KotiSun	0	422	-100%
KL-Varaosat	52	48	8%
Selog	13	14	-7%
Helakeskus	20	23	-13%
Hygga	77	84	-8%
Heatmasters	39	43	-9%
CoreHW	48	45	7%
Carrot	539		
Oscar Software	118		
Others	9	9	0%
Group in total	2,043	1,810	13%

Carrot's number of employees converted into full-time employees.

At the end of the review period, Panostaja Group employed a total of 2,043 persons, while the average number of personnel during the period was 1,927. During the review period, Panostaja continued to develop its personnel in line with its strategy.

INVESTMENTS AND FINANCE

During the financial period, Panostaja has paid off all of the parent company's interest-bearing liabilities in the amount of MEUR 22.3 and made an agreement on a new MEUR 15.0 corporate acquisition limit. This limit can be used to take out three-year credit loans for the parent company to fund corporate acquisitions. The new corporate acquisition limit will replace the previous corporate acquisition limit.

The parent company's assets, financial securities and liquid fund units were MEUR 14.1. The parent company has the MEUR 15.0 limit for corporate acquisitions in its use. The parent company's interest-bearing loans were MEUR 0.0.

Operating cash flow deteriorated and was MEUR 8.2 (MEUR 15.6). Liquidity remained good. The Group's liquid assets were MEUR 19.3 (MEUR 19.5) and interest-bearing net liabilities MEUR 58.1 (MEUR 88.5). The net gearing ratio fell and was 69.0% (137.5%). The net gearing ratio dropped significantly over the course of the financial period, resulting from the divestment of KotiSun in January. In addition to the KotiSun divestment, the increase in equity ratio was affected by the payment of all interest-bearing debts of the parent company during the financial period. The Group's net financial expenses for the review period were MEUR -3.0 (MEUR -2.0), or 1.5% (1.3%) of net sales.

The Group's gross capital expenditure for the review period was MEUR 23.5 (MEUR 39.0), or 11.8% (25.8%) of net sales. Investments were mainly targeted at tangible and intangible assets and corporate acquisitions.

Financial position **MEUR**	**October 31, 2018**	**October 31, 2017**
Interest-bearing liabilities	82.5	111.6
Interest-bearing receivables	5.1	3.5
Cash and cash equivalents	19.3	19.5
Interest-bearing net liabilities	58.1	88.6
Equity (belonging to the parent company's shareholders as well as minority shareholders)	84.2	64.5
Gearing ratio, %	69.0	137.5
Equity ratio, %	40.4	28.8

GROUP STRUCTURE CHANGES

Oscar Software

Panostaja invested in Oscar Software Holdings Oy, a company providing SMEs with ERP systems and financial management services. After the trade, Panostaja will own 55% of the entity formed through the restructuring, while the company's management and key persons continue as the company's significant minority shareholders. Oscar Software forms a new segment for Panostaja. Oscar Software's figures have been incorporated into the Panostaja Group's figures as of May 1, 2018.

Carrot

Panostaja invested in the growth of the HR services sector and signed an agreement for the acquisition of the staffing, recruitment and outsourcing services provider Carrot Palvelut Oy on April 20, 2018. After the trade, Panostaja owns 63% of the entity formed through the restructuring. Carrot's balance sheet has

been consolidated into Panostaja Group as of April 30, 2018 and the profit/loss have been consolidated as of May 1, 2018.

KotiSun

Panostaja sold the entire share capital of KotiSun Group Oy to the CapMan Buyout X fund managed by Capman, together with the other owners of KotiSun Group. The deal made Capman a majority shareholder in KotiSun Group, alongside Suomen Teollisuussijoitus Oy and Varma Mutual Pension Insurance Company.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.88 (lowest quotation) and EUR 1.21 (highest quotation) during the financial period. During the review period, a total of 9,374,954 shares were exchanged, which amounts to 18.0% of the share capital. The October 2018 share closing rate was EUR 1.00. The market value of the company's share capital at the end of October 2018 was MEUR 52.1 (MEUR 47.5). At the end of October 2018, the company had 4,487 shareholders (4,095).

Development of share exchange	**4Q/2018**	**4Q/2017**	**1-4Q/2018**	**1-4Q/2017**
Shares exchanged, 1,000 pcs	1,075	2,071	9,375	7,864
% of share capital	2.1	2.4	18.0	15.1

Share	**October 31,**	**October 31,**
Shares in total, 1,000 pcs	52,533	52,533
Own shares, 1,000 pcs	391	471
Closing rate	1.00	0.91
Market value (MEUR)	52.1	47.5
Shareholders	4,487	4,095

10 largest shareholders (pcs)	October 31,	October 31, 2017
TREINDEX OY	6,186,200	6,186,200
ILMARINEN MUTUAL PENSION INSURANCE COMPANY	4,259,000	4,259,000
FENNIA MUTUAL INSURANCE COMPANY	3,468,576	3,468,576
OP-HENKIVAKUUTUS OY	3,231,483	1,318,347
KOSKENKORVA, MAIJA	2,847,542	2,847,542
KOSKENKORVA, MATTI	2,658,903	2,658,903
KOSKENKORVA, MAUNO	1,340,769	1,340,769
KOSKENKORVA, MIKKO	1,286,055	1,286,055
JOHTOPANOSTUS OY	1,030,000	1,030,000
MALO, HANNA	982,207	982,207

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, and Kalle Reponen was accepted 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 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 own shares in one or more installments so that the number of the company's own shares to be acquired may not exceed 5,200,000 in total, which corresponds to about 9.9% of the company's total share capital. 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 will remain 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 number of shares is 52,533,110 in total.

The total number of own shares held by the company at the end of the review period was 390,756 (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. In accordance with the Board decision of February 1, 2018, Panostaja relinquished a total of 10,638 shares on March 2, 2018, a total of 10,000 shares on June 1, 2018 and a total of 9,524 shares on September 7, 2018, as meeting compensation.

EVENTS AFTER THE REVIEW PERIOD

Sale of associated company Ecosir

Panostaja sold its shareholding in Ecosir Group. The export of domestic health technology and city solutions will be expedited even further with an international group of investors gaining majority ownership of Ecosir Group's operations. Ecosir Group Oy's CEO Mauri Leponen will continue as a shareholder and CEO in the company. With regard to the deal, Panostaja will record a sales profit of MEUR 1.4 before taxes in the profit/loss for November 2018.

New CEO for Grano

On November 8, 2018, Panostaja announced that the current CEO of Grano Jaakko Hirvonen would be retiring at a time to be specified later. On that date, he will step down as the CEO of Grano.

On December 10, 2018, Grano's Board of Directors appointed Mikko Moilanen as the company's new CEO.

Minority investment in the shares of Gugguu Oy

Panostaja Oyj secured its first minority interest by investing in the shares of Gugguu Oy, entering the company as an owner-partner for the entrepreneurs. Gugguu is a company established in 2012 that designs and manufactures first-rate children's clothing from ecological high-quality materials. The company's products include indoor and outdoor clothing for children as well as children's accesories. After the restructuring, Panostaja's holding in the company is 43%.

MARKET PROSPECTS

Finland's economic development has been fairly strong, but some key demand factors have begun to lose steam and the foundation for economic growth is not quite as broad as before, with the development of import and investments appearing to stall. Even construction, which is currently in a strong phase of its cycle, is showing signs of a shift in the economic climate, although activity seems high at the moment. The availability of labor has also become a problem in certain fields, due to the prolonged positive economic development. The short-term development of demand in the various segments has been evaluated in more detail in conjunction with the prospects for the 2019 financial period. The corporate acquisitions market remained generally active in the period under review, and the availability of new opportunities has been good. The long-term development of the economy and operating environment is increasingly uncertain as political tensions and economic cycles ripen as a result of stricter monetary policies.

MOST SIGNIFICANT NEAR-TERM 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 utilize 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 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. Panostaja's prospects across the segments vary from good to poor. 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 nine 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. The Group's loan portfolio currently consists almost fully of variable-interest loans. Some of our investments use interest rate swaps and interest rate ceiling agreements. In the long term, Panostaja Group's number of interest rate hedges or diversification into variable- and fixed-interest loans must be sufficient with regard to the market situation and outlook. 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 decreases under 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 2019 FINANCIAL PERIOD

The corporate acquisitions market remained generally 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.

The demand situation for different investments is thought to 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 and Heatmasters will remain satisfactory, while the demand for Hygga (formerly Megaklinikka) will improve to a satisfactory level (previously poor) as the focus on the licensing business increases

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 financial statement bulletin has not been audited.

INCOME STATEMENT

EUR 1,000	3 months 8/18-10/18	3 months 8/17–10/17	12 months 11/17-10/18	12 months 11/16-10/17
Net sales	56,559	46,382	199,652	150,718
Other operating income	140	527	2,862	985
Costs in total	56,494	46,071	197,216	148,794
Depreciations, amortizations and impairment	5,632	2,466	12,650	7,255
EBIT	204	838	5,298	2,909
Financial income and expenses	-1,115	-752	-2,957	-1,984
Share of associated company profits	63	113	350	278
Profit before taxes	-847	199	2,691	1,203
Income taxes	-762	2,314	-2,086	2,240
Profit/loss from continuing operations	-1,609	2,513	605	3,443
Profit/loss from sold operations	0	2,016	26,511	5,057
Profit/loss from discontinued operations	0	783	0	-1,646
Profit/loss for the financial period	-1,609	5,312	27,116	6,853
Attributable to				
Shareholders of the parent company	-2,652	3,547	24,069	2,137
Minority shareholders	1,043	1,765	3,046	4,717
Earnings per share from continuing operations EUR, undiluted	-0.051	0.014	-0.047	-0.031
Earnings per share from continuing operations EUR, diluted	-0.051	0.014	-0.047	-0.031
Earnings per share from discontinued operations EUR, undiluted	0.000	0.054	0.509	0.066
Earnings per share from sold operations EUR, undiluted	0.000	0.054	0.507	0.066

Earnings per share from continuing and discontinued operations EUR, undiluted	-0.051	0.068	0.462	0.035
Earnings per share from continuing and discontinued operations EUR, diluted	-0.051	0.068	0.461	0.035
EXTENSIVE INCOME STATEMENT				
Items of the extensive income statement	-1,609	5,312	27,116	6,853
Translation differences	-190	-20	-190	-20
Extensive income statement for the period	-1,799	5,292	26,926	6,833
Attributable to				
Shareholders of the parent company	-2,842	3,527	23,879	2,117
Minority shareholders	1,043	1,765	3,046	4,717

BALANCE SHEET

EUR 1,000	**October 31, 2018**	**October 31, 2017**
ASSETS		
Non-current assets		
Goodwill	94,838	94,714
Other intangible assets	16,569	13,485
Property, plant and equipment	17,525	23,234
Interests in associated companies	1,140	4,037
Deferred tax assets	6,453	11,328
Other non-current assets	8,525	6,772
Non-current assets total	145,049	153,571
Current assets		

Stocks	9,474	12,698
Trade and other receivables	34,782	38,417
Financial assets recorded at fair value through profit and loss	11,000	0
Cash and cash equivalents	8,348	19,466
Current assets total	63,605	70,582
ASSETS IN TOTAL	**208,656**	**224,154**
EQUITY AND LIABILITIES		
Equity attributable to parent company shareholders		
Share capital	5,569	5,569
Share premium account	4,646	4,646
Invested unrestricted equity fund	13,393	13,325
Translation difference	-292	-157
Retained earnings	29,500	7,546
Total	52,816	30,928
Minority interest	31,342	33,522
Equity total	**84,158**	**64,451**
Liabilities		
Imputed tax liabilities	5,655	4,621
Non-current liabilities	63,831	94,034
Current liabilities	55,012	61,047
Liabilities total	**124,498**	**159,703**
EQUITY AND LIABILITIES IN TOTAL	**208,656**	**224,154**

CASH FLOW STATEMENT	October 31, 2018	October 31, 2017
Profit/loss for the financial period before the minority share	27,116	6,853
Adjustments:		
Depreciations	12,650	9,969
Financial income and costs	2,957	2,250
Share of associated company profits	-350	-278
Taxes	2,086	-969
Sales profits and losses from property, plant and equipment	-718	-102
Other earnings and expenses with no payment attached	-27,606	2,022
Operating cash flow before change in working capital	**16,135**	19,746
Change in working capital		
Change in non-interest-bearing receivables	1,866	-5,575
Change in non-interest-bearing liabilities	-6,877	8,570
Change in stocks	261	-1,288
Change in working capital	-4,750	1,707
Operating cash flow before financial items and taxes	11,384	21,453
Financial items and taxes:		
Interest paid	-2,882	-2,432
Interest received	207	70
Taxes paid	-495	-3,465
Financial items and taxes	-3,171	-5,827
Operating net cash flow	**8,214**	15,626
Investments		
Investments in intangible and tangible assets	-6,473	-10,823
Sales of intangible and tangible assets	2,897	739
Acquisition of subsidiaries with time-of-acquisition liquid assets deducted	-17,001	-28,137
Sale of subsidiaries with time-of-sale liquid assets deducted	39,397	2,351
Acquisition of associated companies	0	0
Financial assets acquired and sold entered at fair value through profit and loss	0	0

Capital gains from sales of other shares	70	14
Loans receivable and repayments granted	-3,080	341
Investment net cash flow	**15,808**	-35,516
Finance		
Share issue	3,186	3,090
Hybrid loan		-7,500
Loans drawn	10,492	39,987
Loans repaid	-34,023	-16,259
Disposal of own shares	69	61
Dividends paid	-3,854	-6,595
Finance net cash flow	**-24,130**	12,785
Change in liquid assets	-108	-7,105
Liquid assets at the beginning of the period	19,466	26,573
Effect of exchange rates	-10	-2
Liquid assets at the end of the period	**19,348**	19,466

EQUITY

EUR 1,000	Share capital	Premium fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Other funds	Minority shareholders' interest	Total
Equity November 1, 2016	5,569	4,646	13,260	-124	9,277	7,390	31,127	71,145
Profit for the financial period					2,136		4,717	6,853
Profit and costs recorded during the financial period, total					2,136		4,717	6,853
Dividends paid					-2,081			-2,081

Dividends paid for minority shareholders							- 4,188	-4,188
Repayment of capital							-558	-558
Interest on equity convertible loan and repayment					-841	-7,390		-8,231
Disposal of own shares			65					65
Reward scheme					15			15
Translation differences				-33	13			-20
Other changes					179			179
Share of minority shareholders resulted from the acquisition of subsidiaries							1,399	1,399
Selling of shares of subsidiaries owned resulting in loss of controlling interest							602	602
Selling of shares of subsidiaries owned that have not resulted in loss of controlling interest					416		1,835	2,251
Acquisitions of minority shareholdings					-1,569		-1,412	-2,981
Other changes in equity, total			65	-33	-3,868	-7,390	-2,322	-13,548
October 31, 2017	5,569	4,646	13,325	-157	7,546	0	33,522	64,451
Equity November 1, 2017	5,569	4,646	13,325	-157	7,546	0	33,523	64,451
Profit for the financial period					24,069		3,046	27,116
Profit and costs recorded during the financial period, total					24,069		3,046	27,116
Share issue								
Dividends paid					-2,084			-2,084
Dividends paid for minority							-1,785	-1,785

shareholders								
Capital repayment								
Interest on equity convertible loan								
Disposal of own shares			68					68
Reward scheme					11			11
Translation differences				-135	-55			-190
Other changes					356			356
Share of minority shareholders resulted from the acquisition of subsidiaries							3,179	3,179
Selling of shares of subsidiaries owned resulting in loss of controlling interest							-5,829	-5,829
Acquisitions of minority shareholdings					-341		-792	-1,133
Other changes in equity, total			68	-135	-2,115		-5,227	-7,409
Equity								
October 31, 2018	5,569	4,646	13,393	-292	29,501	0	31,341	84,159

KEY FIGURES

	October 31, 2018	October 31, 2017
EBIT, MEUR	5.3	2.9
Equity per share (EUR)	1.01	0.59
Earnings per share, undiluted (EUR)	0.46	0.03
Earnings per share, diluted (EUR)	0.46	0.03
Average number of outstanding shares during financial period, 1,000 pcs.	52,125	52,082
Number of shares at end of financial period, 1,000 pcs.	52,533	52,533
Number of shares, 1,000 pcs, on average, diluted	52,141	52,118
Return on equity, %	36.5%	10.1%
Return on investment, %	18.6%	4.9%
Gross capital expenditure In permanent assets, MEUR	23.5	39.0
% of net sales	11.8%	25.8%
Interest-bearing liabilities, MEUR	82.5	111.6
Interest-bearing net liabilities, MEUR	58.1	88.6
Equity ratio, %	40.4	28.8
Average number of employees	1,927	1,622

Key figures provide a brief overview of the business development and financial position of a company. Formulae for calculating 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. Reconciliation of interest-bearing liabilities and interest-bearing net liabilities is presented at the end of this bulletin.

ACQUIRED BUSINESSES

Acquisition cost calculation Oscar Software

On May 8, 2018, Panostaja Oyj announced that it had signed an agreement for the purchase of Oscar Software Group Oy, a company providing ERP systems and financial management services. After the trade, Panostaja will own 55% of the entity formed through the restructuring.

The value of the company's entire share capital (100%) is approx. MEUR 9.1. Based on an acquisition cost calculation, the fair value of the net assets acquired is MEUR 2.0, resulting in a goodwill of MEUR 7.1. The fair values of MEUR 2.1 recorded for the consolidation were related to customer relationships and technology. Oscar Software's figures have been consolidated with those of the Panostaja Group as of May 1, 2018.

Acquisition cost calculation MEUR

Consideration paid	9.1
Conditional consideration	0.0
Consideration in total	**9.1**
Acquired assets and liabilities	
Permanent assets	0.6
Customer relationships and technology	2.1
Machinery and equipment	0.1
Stocks	0.0
Current receivables	1.5
Cash and cash at bank	0.9
Total assets	**5.2**
Non-current liabilities	0.3
Current liabilities	2.5
Deferred tax liabilities	0.4
Total liabilities	**3.2**
Net assets	2.0
Goodwill	**7.1**

Acquisition cost calculation Carrot

On April 20, 2018, Panostaja Oyj announced that it had signed an agreement on the acquisition of the share capital of Carrot Palvelut Oy, a company providing staffing, recruitment and outsourcing services. After the trade, Panostaja owns 63% of the entity formed through the restructuring.

The value of the company's entire share capital (100%) is approx. MEUR 6.55. Based on an acquisition cost calculation, the fair value of the net assets acquired is MEUR -1.3, resulting in a goodwill of MEUR 7.9.

The fair values of MEUR 1.3 recorded for the consolidation were related to customer relationships. Carrot's balance sheet has been consolidated into Panostaja Group as of April 30, 2018 and the profit/loss as of May 1, 2018.

Acquisition cost calculation MEUR

Consideration paid	6.6
Conditional consideration	0.0
Consideration in total	**6.6**
Acquired assets and liabilities	
Permanent assets	0.0
Customer relationships	1.3
Machinery and equipment	0.1
Stocks	0.0
Current receivables	3.4
Cash and cash at bank	0.6
Total assets	**5.4**
Non-current liabilities	0.9
Current liabilities	5.5
Deferred tax liabilities	0.3
Total liabilities	**6.7**
Net assets	-1.3

Goodwill	**7.9**

GROUP DEVELOPMENT BY QUARTER
MEUR

MEUR	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17
Net sales	56.6	52.3	45.9	44.9	46.4	34.5	36.2	33.7
Other operating income	0.1	0.6	0.5	1.7	0.5	0.2	0.1	0.2
Costs in total	56.5	51.4	44.4	44.9	46.1	33.1	34.8	34.8
Depreciations, amortizations and impairment	5.6	2.5	2.3	2.2	2.5	1.9	1.5	1.4
EBIT	0.2	1.4	1.9	1.7	0.8	1.6	1.5	-1.0
Finance items	-1.1	-0.7	-0.6	-0.6	-0.8	-0.4	-0.4	-0.4
Share of associated company profits	0.1	0.1	0.2	0.0	0.1	0.1	0.0	0.0
Profit before taxes	-0.8	0.8	1.6	1.2	0.2	1.3	1.1	-1.4
Taxes	-0.8	-0.3	-0.5	-0.5	2.3	-0.2	0.1	0.0
Profit from continuing operations	-1.6	0.5	1.1	0.6	2.5	1.1	1.2	-1.3
Profit/loss from sold operations	0.0	0.0	0.0	26.5	2.0	0.8	1.0	1.2
Profit/loss from discontinued operations	0.0	0.0	0.0	0.0	0.8	0.0	-2.1	-0.4
Profit for the financial period	-1.6	0.5	1.1	27.2	5.3	1.8	0.2	-0.5
Minority interest	1.0	0.5	0.9	0.6	1.8	1.0	1.6	0.3
Parent company shareholder interest	-2.7	0.0	0.2	26.5	3.5	0.8	-1.4	-0.8

GUARANTEES GIVEN

	October 31, 2018	**October 31, 2017**
Guarantees given on behalf of Group companies		
Enterprise mortgages	93,455	82,642
Pledges given	130,373	137,159
Other liabilities	7,307	18,495

Other rental agreements		
In one year	11,685	10,246
In over one year but within five years maximum	23,141	22,215
In over five years	1,748	2,651
Total	**36,575**	**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	11/17-10/18	11/16-10/17
EUR 1,000		
Grano	136,582	105,345
KL-Varaosat	14,424	13,540
Selog	9,435	10,764
Helakeskus	8,153	8,912
Hygga	5,395	5,964
Heatmasters	4,832	5,300
CoreHW	3,653	994
Carrot	12,956	0
Oscar Software	4,423	0
Others	0	0
Eliminations	-202	-100
Group in total	199,652	150,718

EBIT

EUR 1,000	11/17-10/18	11/16-10/17
Grano	8,412	6,299
KL-Varaosat	1,201	1,045
Selog	811	805
Helakeskus	-2,742	546
Hygga	-177	-1,644
Heatmasters	232	-202
CoreHW	-640	25
Carrot	-115	0
Oscar Software	69	0
Others	-1,753	-3,964
Group in total	5,298	2,909

DEPRECIATIONS

EUR 1,000	11/17-10/18	11/16-10/17
Grano	-8,156	-5,916
KL-Varaosat	-68	-100
Selog	-41	-200
Helakeskus	-3,018	-73
Hygga	-421	-640
Heatmasters	-172	-220
CoreHW	-269	-34
Carrot	-197	0
Oscar Software	-239	0
Others	-69	-72
Group in total	-12,650	-7,255

INTEREST-BEARING NET LIABILITIES

EUR 1,000	October 31, 2018	October 31, 2017
Grano	59,110	55,830
KL-Varaosat	-260	572
Selog	947	-43
Helakeskus	4,851	5,534
Hygga	6,102	5,854
Heatmasters	431	868
CoreHW	3,537	2,296
Carrot	4,125	0
Oscar Software	5,145	0
Parent company	-26,053	7,769
Others	117	9,944
Group in total	58,053	88,623

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

SEGMENT INFORMATION BY QUARTER NET SALES, MEUR	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17
Grano	35.7	32.1	34.8	34.0	33.6	23.1	25.4	23.3
KL-Varaosat	3.8	3.7	3.5	3.4	3.6	3.5	3.2	3.2
Selog	2.6	2.5	2.4	1.9	2.8	2.9	2.4	2.6
Helakeskus	2.1	1.9	2.2	1.9	2.3	2.2	2.4	2.1
Hygga	1.3	1.3	1.3	1.4	1.3	1.6	1.6	1.4
Heatmasters	1.3	1.3	1.1	1.0	1.8	1.3	1.3	0.9
CoreHW	1.1	0.7	0.5	1.3	1.0	0.0	0.0	0.0
Carrot	6.3	6.7	0.0	0.0	0.0	0.0	0.0	0.0
Oscar Software	2.3	2.1	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	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Group in total	56.6	52.3	45.9	44.9	46.4	34.5	36.2	33.7

SEGMENT INFORMATION BY QUARTER EBIT, MEUR	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17
Grano	2.6	1.8	2.9	1.1	1.9	1.4	2.4	0.6
KL-Varaosat	0.3	0.4	0.3	0.2	0.3	0.3	0.2	0.2
Selog	0.4	0.2	0.2	0.0	0.3	0.3	0.1	0.1
Helakeskus	-2.9	0.1	0.1	0.0	0.2	0.2	0.2	0.0
Hygga	0.0	0.1	0.0	-0.2	-0.2	0.0	-0.6	-0.8
Heatmasters	0.2	0.2	-0.1	-0.1	0.0	0.0	0.0	-0.3
CoreHW	0.0	-0.1	-0.5	0.1	0.0	0.0	0.0	0.0
Carrot	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Oscar Software	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.5	-1.0	-0.8	0.6	-1.7	-0.7	-0.8	-0.8
Group in total	0.2	1.4	1.9	1.7	0.8	1.6	1.5	-1.0

Reconciliation of key figures – interest-bearing liabilities and interest-bearing net liabilities MEUR	October 31, 2018	October 31, 2017
Liabilities total	124.5	159.7
Non-interest-bearing liabilities	42.0	48.1
Interest-bearing liabilities	82.5	111.6
Trade and other receivables	34.8	30.0
Non-interest-bearing receivables	29.7	25.7
Interest-bearing receivables	5.1	4.3
Interest-bearing liabilities	82.5	111.6
Interest-bearing receivables	5.1	3.5
Cash and cash equivalents	19.3	19.5
Interest-bearing net liabilities	58.1	88.6

New standards to be implemented:

IFRS 15 Revenue from Contracts with Customers

Panostaja will apply the standard as of November 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. Revenue can be recorded over time or at a specific time, and the key criterion is the transfer of control. The Group has prepared an IFRS 15 impact analysis over the course of 2018. Based on the analysis, the standard will 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. Panostaja will apply the transition rule option, which foregoes adjusting the reference periods at the beginning of the application period and involves recording the accumulated effect at the time of implementation on November 1, 2018.

IFRS 9 Financial Instruments

Panostaja will apply the standard as of November 1, 2018. The new standard replaces the current IAS 39 standard. 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 evaluated the effects of IFRS 9 on the figures to be reported. The implementation of the IFRS 9 standard will only affect the application of the expected credit loss model when assessing the impairment related to doubtful receivables, and the amendment is not estimated to substantially impact the consolidated financial statement. The credit loss impairment provision will be adjusted at the beginning of the 2019 financial period to accrued profits in an estimated amount of MEUR 0.3. Other figures for the reference period will not be adjusted.

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 increases the Group's shareholder value and creates Finnish success stories.

Panostaja has a majority holding in nine investment targets. 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. Hygga Oy is a company providing health care services and the ERP system for health care 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 high added value RF IC design services Carrot provides staffing, recruitment and outsourcing services. Oscar Software provides ERP systems and financial management services.