

PANOSTAJA OYJ INTERIM REPORT

November 1, 2016–January 31, 2017 (3 months)

- KotiSun continued its strong growth in the review period, with net sales increasing by 53% from the reference period in the previous year. As a new area of business, the company began offering room-specific intelligent heating adjustment systems.
- Grano's net sales for the review period increased more than 10% from the reference period in the previous year. EBIT dropped to MEUR 0.6 from last year's MEUR 1.3.
- Net sales increased in six of the eight investment targets. Net sales for the Group as a whole increased by 11.5% and stood at MEUR 45.4 (MEUR 40.7).
- EBIT improved in three of the eight investment targets, but the EBIT of the entire Group declined from MEUR 1.3 to MEUR 0.2.
- Earnings per share (undiluted) were -1.90 cents (0.4 cents). The profit/loss for the review period includes the additional purchase price for the divestment of Flexim Security.

CEO Juha Sarsama:

"KotiSun was once again responsible for the strongest performance in the review period, with an increase in net sales exceeding 50%. Conversely, Takoma and Heatmasters faced the biggest challenges in terms of their bottom line, as their market situation remained poor. The profit/loss for the review period was further encumbered by Megaklinikka's weak profit development, which was due to the slower-than-expected growth in the customer numbers of the Stockholm clinic. Grano's net sales met our expectations, but the volume in the review period largely concentrated in the lower profitability product groups. All in all, the profitability development of the investment targets was slightly weaker than expected in the review period.

The development measures in the investment targets continued. KotiSun expanded its operations and began offering intelligent room-specific heat control systems to residents of detached houses. This is a significant project in KotiSun's strategic transition toward securing more continuous customer relationships. Grano continued to implement its corporate acquisition strategy by purchasing the Vaasa-based Oy Fram Ab. Megaklinikka signed two new agreements for the licensing of its ERP system for oral health care.

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

Investment targets 3 months

Grano



Grano is the leading graphic industry company in Finland

Grano's net sales for the review period were MEUR 23.3, so the increase from the reference period was 10%. The most significant reason for the increase in net sales was the acquisition of Oy Fram Ab in November 2016. Grano's EBIT weakened from MEUR 1.3 in the reference period to MEUR 0.6.

The EBIT in the first quarter was lower than anticipated. The sales concentrated in the lower margin product segment more than was originally expected. The proportion of external services was exceptionally high in the review period. Development investments in the productization of digital solutions, among other areas, remained significant in the review period, and there will be a slight delay before the actual profits are seen.

Construction services are on an upward trend with construction volumes increasing across the board. However, there are differences in the demand for various services, and in terms of offset printing in particular, the situation remains poor. All in all, the demand for Grano's services was satisfactory in the review period.

The company's digital strategy was completed during the review period, and its implementation has been initiated. Sales management efforts are also being further intensified.

MEUR	3 months	3 months	12 months
	11/16-1/17	11/15-1/16	11/15-10/16
Net sales, MEUR	23.3	21.2	88.2
EBIT, MEUR	0.6	1.3	7.8
Net liabilities	35.1	34.7	34.4
Panostaja's shareholding	51.5%		

KotiSun

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



KotiSun's net sales for the review period were MEUR 10.0, which represented an increase of 53% from the reference period. Profitability has also remained excellent. EBIT for the review period grew from the reference period's MEUR 1.2 to MEUR 1.7. The EBIT is partially encumbered by equipment divestments that increased with business expansion, and by the efforts to kick off the new business operations.

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

In the review period, the expansion of the sewer business was continued to new municipalities. The efficiency of the installation business was also successfully improved.

KotiSun expanded its operations and began offering intelligent room-specific heat control systems to residents of detached houses. The product was obtained through the acquisition of Kotivo Oy, which was carried out during the 2016 financial year. The Kotivo product enables significant cost savings in the heating of detached houses, with the measured average annual savings standing at over 30% per property.

Thanks to the Kotivo business, KotiSun is taking a significant step forward in its own growth strategy, and the new operations are an important milestone on the path toward securing sustained customer relationships. KotiSun's strategy is to expand its operations to new geographic areas, new products and maintenance services. One of its visions is to be the most sought-after provider of property services in Finland by 2018.

KotiSun has also begun preparations to initiate operations in Sweden. In the first phase, the intention is to begin offering sewer renovations.

KotiSun's financial objectives are as follows:

- The goal is to increase average net sales over 30% annually in 2017–2019.
- The long-term profitability target for established business areas is an operating margin of 20%. During the expansion into new services and geographical areas, the company's profitability may temporarily drop below the target level.

MEUR	3 months	3 months	12 months
	11/16-1/17	11/15-1/16	11/15-10/16
Net sales, MEUR	10.0	6.5	31.9
EBIT, MEUR	1.7	1.2	5.8
Net liabilities	7.5	7.5	8.2
Panostaja's shareholding	57.0%		

KL-Varaosat

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

The company's net sales of MEUR 3.2 and EBIT of MEUR 0.2 were at the level of the reference period.

The demand was acceptable over the course of the period and the repair shops had a fair amount of work. The temperate winter had a slightly negative effect on sales.

The ServicePartner repair shop cooperation was developed strongly in the areas of marketing and training. The new electronic spare parts list and online store were published in January 2017.

MEUR	3 months	3 months	12 months
	11/16-1/17	11/15-1/16	11/15-10/16
Net sales, MEUR	3.2	3.2	13.0
EBIT, MEUR	0.2	0.2	1.0
Net liabilities	1.3	2.0	1.3
Panostaja's shareholding	75.0%		

Selog

Selog is the largest wholesaler of ceiling materials in Finland.

The company's net sales for the review period were MEUR 2.6, which was an increase of 13% from the reference period. The EBIT of MEUR 0.1 remained at the level of the reference period.

The demand for the period was good. Public building and office construction were most affected by the increase in housing production.

MEUR	3 months	3 months	12 months
	11/16-1/17	11/15-1/16	11/15-10/16
Net sales, MEUR	2.6	2.3	10.3
EBIT, MEUR	0.1	0.1	0.7
Net liabilities	0.3	0.7	0.2
Panostaja's shareholding	60.0%		

Takoma



Takoma manufactures mechanical power transmission components.

Takoma's net sales of MEUR 1.8 for the review period represented a 45% decline from the previous year. Correspondingly, the company's EBIT dropped from MEUR -0.2 to MEUR -0.5.

The unfavorable development of net sales and EBIT is due to the extremely poor market situation of the offshore and marine industries. Cruise ship orders, on the other hand, have remained at a good level.

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

The company's situation has worsened substantially since it has been unable to implement its restructuring program under the current payment schedule. There are considerable uncertainties linked to the company's continued liquidity and operational capability.

MEUR	3 months	3 months	12 months
	11/16-1/17	11/15-1/16	11/15-10/16
Net sales, MEUR	1.8	3.2	10.2
EBIT, MEUR	-0.5	-0.2	-1.2
Net liabilities	3.9	4.3	3.8
Panostaja's shareholding	63.1%		

Helakeskus



Helakeskus is an important wholesaler of furniture fittings in Finland.

The company's net sales for the review period were MEUR 2.1, which was a decrease of 11% from the reference period. EBIT decreased to MEUR 0.0 from last year's MEUR 0.1. The drop in net sales is due to the divestment of the construction fittings business, with the company selling the shares of Rakennushelasto Oy to the acting management in May 2016. The net sales of the furniture fittings business was at the level of the previous year.

Construction is continuing its upward trend in Finland, which has ensured consistent demand for large construction projects in Southern Finland. During the review period, Helakeskus has managed to secure important and binding long-term orders that will continue in the coming years.

MEUR	3 months	3 months	12 months
	11/16-1/17	11/15-1/16	11/15-10/16
Net sales, MEUR	2.1	2.4	9.8
EBIT, MEUR	0.0	0.1	0.3
Net liabilities	5.4	6.2	5.5
Panostaja's shareholding	95.3%		

Megaklinikka



Megaklinikka provides dental care with an entirely new concept.

The company's net sales for the review period were MEUR 1.4, which was an increase of 27% from the reference period. The growth was mostly due to the Stockholm clinic, which was opened at the end of the previous financial period. EBIT, on the other hand, was dragged down from the previous year's MEUR -0.3 to MEUR -0.8 by the costs of the Stockholm clinic.

The clinic's patient numbers grew slower than expected, as a result of which the net sales and profitability are not yet at a satisfactory level. However, the customer numbers are developing in the right direction. The ramp-up of the operations at the Stockholm clinic is estimated to continue encumbering Megaklinikka's profitability for the next two quarters. Measures to intensify marketing are under way.

The situation on the Finnish basic dental care market has continued to be challenging, and visits to private dental clinics decreased by 15% from the reference period. The competition for customers in the Helsinki Metropolitan Area remains fierce.

In the licensing segment, the company made two new agreements with the City of Porvoo and South Karelia Social and Health Care District (Imatra and Lappeenranta).

MEUR	3 months	3 months	12 months
	11/16-1/17	11/15-1/16	11/15-10/16

Net sales, MEUR	1.4	1.1	4.7
EBIT, MEUR	-0.8	-0.3	-1.5
Net liabilities	5.6	3.4	5.1
Panostaja's shareholding	74.8%		

Heatmasters



Heatmasters provides metal heat treatment services and technology.

The company's net sales of MEUR 0.9 and EBIT of MEUR -0.3 were at the level of the reference period.

Service demand was low due to the winter season. The competition has also remained fierce. Equipment demand has picked up slightly, and the company has secured important orders for new furnaces and modernization projects.

The company has moved to new facilities in Hollola. Thanks to the new facilities, the company can offer its customers a wider service package including blasting and painting services, for example, alongside heat treatment.

MEUR	3 months 11/16-1/17	3 months 11/15-1/16	12 months 11/15-10/16
Net sales, MEUR	0.9	0.9	4.5
EBIT, MEUR	-0.3	-0.3	-1.0
Net liabilities	0.8	-0.7	0.6
Panostaja's shareholding	80.0%		

FINANCIAL DEVELOPMENT November 1, 2016–January 31, 2017

MEUR	Q1 11/16- 1/17	Q1 11/15- 1/16	12 months 11/15- 10/16

Net sales, MEUR	45.4	40.7	172.5
EBIT, MEUR	0.2	1.3	9.0
Profit before taxes, MEUR	-0.3	0.6	7.0
Profit/loss for the financial period, MEUR	-0.5	1.6	9.2
Earnings per share, undiluted (EUR)	-0.02	0.00	0.07
Equity per share (EUR)	0.70	0.75	0.77
Operating cash flow (MEUR)	4.6	4.2	9.6

NOVEMBER 2016–JANUARY 2017

Net sales for the review period increased by 12% to MEUR 45.4 (MEUR 40.7). The impact of the corporate acquisitions on the MEUR 4.7 growth in net sales stood at MEUR 1.6. Exports amounted to MEUR 1.6, or 3.4% (MEUR 1.8, or 4.5%), of net sales. Net sales increased in six of the eight investment targets.

EBIT weakened from MEUR 1.3 to MEUR 0.2. EBIT improved in three of the eight investment targets. The development of the net sales and EBIT has been commented on for each respective investment target.

The profit/loss for the review period was MEUR -0.5 (MEUR 1.6). The reference period's profit/loss includes the recording of a MEUR 1.6 (after taxes and expenses) additional purchase price related to the divestment of Flexim Security.

The income statement for sold and discontinued operations has been separated from the income statement for continuing operations, and the profit/loss for them is presented in accordance with the IFRS standards in the row 'Earnings from discontinued operations.' The review period's profit/loss for discontinued operations includes the bankruptcy estate items recognized for Takoma, the total value of which stands at MEUR 0.2.

Distribution of net sales by segment MEUR

	Q1	Q1	12 months
	11/16-	11/15-	11/15-
Net sales	1/17	1/16	10/16
Grano	23.3	21.2	88.2
KotiSun	10.0	6.5	31.9
KL-Varaosat	3.2	3.2	13.0
Selog	2.6	2.3	10.3
Takoma	1.8	3.2	10.2

Helakeskus	2.1	2.4	9.8
Megaklinikka	1.4	1.1	4.7
Heatmasters	0.9	0.9	4.5
Others	0.0	0.0	0.0
Eliminations	0.0	0.0	-0.1
Group in total	45.4	40.7	172.5

Distribution of EBIT by segment

MEUR	Q1	Q1	12 months
EBIT	11/16- 1/17	11/15- 1/16	11/15- 10/16
Grano	0.6	1.3	7.8
KotiSun	1.7	1.2	5.8
KL-Varaosat	0.2	0.2	1.0
Selog	0.1	0.1	0.7
Takoma	-0.5	-0.2	-1.2
Helakeskus	0.0	0.1	0.3
Megaklinikka	-0.8	-0.3	-1.5
Heatmasters	-0.3	-0.3	-1.0
Others	-0.8	-0.8	-2.9
Group in total	0.2	1.3	9.0

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

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

PERSONNEL

	January 31, 2017	January 31, 2016	Change
Average number of employees	1,467	1,238	19%
Employees at the end of the review period	1,490	1,236	21%

Employees in each segment at the end of the review period	January 31, 2017	January 31, 2016	Change
Grano	813	767	6%
KotiSun	347	159	118%
KL-Varaosat	47	45	4%
Selog	14	14	0%
Takoma	80	85	-6%
Helakeskus	24	28	-14%
Megaklinikka	111	83	46%
Heatmasters	45	46	-2%
Others	9	9	0%
Group in total	1,490	1,236	21%

At the end of the review period, Panostaja Group employed a total of 1,490 persons, while the average number of personnel during the review period was 1,467. During the review period, Panostaja continued to develop its personnel in line with its strategy.

INVESTMENTS AND FINANCE

The parent company's funds, financial securities and liquid fund shares stood at MEUR 15.7. In addition to this, the parent company has a MEUR 10.0 corporate acquisition limit for implementing corporate acquisitions.

The Group's operating cash flow improved and was MEUR 4.6 (MEUR 4.2). Liquidity remained good. The Group's liquid assets were MEUR 26.0 (October 31, 2016: MEUR 26.6) and interest-bearing net liabilities were MEUR 52.9 (October 31, 2016: MEUR 50.1). The gearing ratio increased and stood at 79.9% (October 31, 2016: 70.4%). The increase in the gearing ratio was mainly due to the distribution of dividends during the review period. The Group's net financial expenses for the review period were MEUR -0.5 (MEUR -0.7), or 1.1% (1.7%) of net sales.

The Group's gross capital expenditure for the review period was MEUR 8.7 (MEUR 2.3), or 19.1% (5.7%) of net sales. Investments were mainly targeted at corporate acquisitions as well as tangible and intangible assets.

Financial position MEUR	January 31, 2017	January 31, 2016	October 31, 2016
Interest-bearing liabilities	82.9	76.6	80.9
Interest-bearing receivables	3.9	3.5	4.3
Cash and cash equivalents	26.0	26.7	26.6
Interest-bearing net liabilities	52.9	46.4	50.1
Equity (belonging to the parent company's shareholders as well as minority shareholders)	66.2	66.2	71.1
Gearing ratio, %	79.9	70.0	70.4
Equity ratio, %	35.3	36.4	38.1
Return on equity, %	-2.8	9.6	13.1
Return on investment, %	0.6	8.2	8.6

GROUP STRUCTURE CHANGES

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

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.94 (lowest quotation) and EUR 0.98 (highest quotation) during the first quarter. In the period under review, a total of 3,116,217 shares were exchanged, which amounts to 6.0% of the share capital. The January 2017 share closing rate was EUR 0.97. The market value of the company's share capital at the end of January 2017 was MEUR 50.5 (MEUR 50.2). At the end of January 2017, the company had 3,878 shareholders (3,631).

Development of share exchange	1Q/2017	1Q/2016	2016
Shares exchanged, 1,000 pcs	3,116	2,176	5,959
% of share capital	6.0	4.2	11.5

Share	January 31, 2017	January 31, 2016	2016
Shares in total, 1,000 pcs	52,533	51,733	52,533
Own shares, 1,000 pcs	512	296	355
Closing rate	0.97	0.97	0.92
Market value (MEUR)	50.5	50.2	48.3
Shareholders	3,878	3,631	3,708

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on January 31, 2017 in Tampere. The number of Board Members was confirmed at six and the following persons were re-elected to the Board for the term

ending at the end of the next Annual General Meeting: Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen, Hannu Tarkkonen and Antero (Antti) Virtanen.

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

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2015–October 31, 2016 and resolved that shareholders be paid a dividend of EUR 0.04 per share.

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

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

In addition, the Board was authorized to decide on the acquisition of the company's own shares in one or more installments so that the number of the company's own shares to be acquired may not exceed 5,200,000 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 not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting of February 2, 2016 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization will remain valid until July 31, 2018.

The General Meeting decided that, in accordance with Chapter 4, Section 10(2) of the Limited Liability Companies Act, the right to the unclaimed shares incorporated in the joint book-entry system and the rights that the shares carry have been forfeited in the manner referred to in Chapter 4, Section 10(2) of the Limited Liability Companies Act. The General Meeting authorized the Board to take all measures required by the decision. After the decision, the provisions for the company shares held by the company will be applied to the shares on the joint book-entry account. Before the decision, the joint book-entry account held a total of 188,950 company shares, which means that after the decision, once the shares have been transferred to the company's ownership, the number of company shares held by the company will stand at 512,706.

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

SHARE CAPITAL AND THE COMPANY'S OWN SHARES

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

The total number of shares held by the company at the end of the review period was 512,706 individual shares (at the beginning of the review period: 355,183). The number of the company's own shares corresponded to 1.0% of the number of shares and votes at the end of the entire review period.

In accordance with the decisions by the General Meeting on February 2, 2016 and by the Board, Panostaja Oyj relinquished a total of 18,240 individual shares as share bonuses to the company management on December 12, 2016. On December 12, 2016, the company relinquished to the Board members a total of 13,187 shares as meeting compensation.

EQUITY HYBRID LOAN

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

Panostaja's Board has decided that the equity hybrid loan be repaid on the first possible repayment date on May 29, 2017.

EVENTS AFTER THE REVIEW PERIOD

Panostaja announced on February 10, 2017 that MBA Petri Katajamäki (born 1962) had been invited to step in as Managing Director of the Panostaja Group company Megaklinikka. Katajamäki will assume his duties as Managing Director no later than March 13, 2017.

Assa Abloy Oy has presented a claim to Panostaja and other former owners of Flexim Security Oy regarding the reduction of the purchase price based on the seller's assurances in the deed signed on June 4, 2015. The total value of the claim is approximately MEUR 1.9. In Panostaja's opinion, the claim is unfounded.

MARKET PROSPECTS

Finland's economic situation and climate have continued their development in a positive direction. The market situation has improved the most for investment targets that serve construction. Yet some investment targets have remained poorly positioned in their respective markets. The drop in the price of oil has slowed down investments significantly in the off-shore sector, and the impact of the poor market situation has been particularly strong on investment targets serving the technology industry. Due to the threats related to the development of the global economy, political risks and the financial markets, there are still many uncertainties linked to the economic climate. The corporate acquisitions market, as a whole, was active in the period under review, and the availability of new opportunities has remained high.

THE MOST SIGNIFICANT SHORT-TERM BUSINESS RISKS AND RISK MANAGEMENT

Risk management is part of the Panostaja Group's management and monitoring systems. Panostaja aims to identify and monitor changes in the business environment and general market situation of its investment targets, to react to them and to utilize the business opportunities that they present. Risk is classified as factors that may endanger or impede Panostaja or the investment targets owned by it from achieving strategic objectives, improvement in profit and the financial position or business continuity, or that may otherwise cause significant consequences for Panostaja, its owners, investment targets, personnel or other stakeholder groups. A more detailed report on Panostaja's risk management policy and the most significant risks was published in the 2016 annual report. Financial risks are discussed in greater detail in the Notes to the 2016 Financial Statements.

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

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

Strategic risks: Panostaja represents the Finnish SME sector extensively. The net sales are divided among eight investment targets with a varying cyclical nature. The Group's business structure partially evens out economic fluctuations. In spite of this, general and target-specific market risks can, however, affect the Group's result and financial development. In the investment targets, the expected market situation is taken into account by adapting operations and costs to market demand and by safeguarding the financial position. In changes in the global economy, Panostaja also sees opportunities to improve its market position, for example through corporate acquisitions.

Financial risks: As a consequence of its operations, the Group is exposed to many financial risks. The aim of risk management is to limit the adverse effects of changes in financial markets on the result and financial development of the Group. The Group's revenue and operative cash flows are mainly independent of fluctuations in market interest rates. The interest risk of the Group mainly constitutes

borrowing, which is spread over variable and fixed-interest loans. Some of the investment targets use interest rate swaps and interest rate ceiling agreements. The Group mainly operates in the eurozone and so is only exposed to foreign exchange risks resulting from changes in exchange rates to a slight degree. Credit loss risks continue to represent a significant uncertainty factor in some of the investment targets. This risk is increased by the tightness of credit issued to SMEs.

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

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

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

OUTLOOK FOR THE 2017 FINANCIAL PERIOD

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

Economic prospects in the fields of the existing investment targets remain divided and partially marred by uncommonly high uncertainty. The demand for the various investment targets is estimated to develop as follows in the short term:

- The demand of KotiSun, Selog and Helakeskus will remain good
- The demand of Grano and KL-Varaosat will remain satisfactory
- The demand of Takoma, Megaklinikka and Heatmasters will remain poor

Panostaja Oyj

Board of Directors

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Panostaja Oyj

Juha Sarsama

Managing Director

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

ACCOUNTING PRINCIPLES

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

The information in the interim report has not been audited.

INCOME STATEMENT

EUR 1,000	3 months	3 months	12
	11/16-	11/15-	11/15-
	1/17	1/16	10/16
Net sales	45,425	40,742	172,476
Other operating income	275	478	1,493
Costs in total	45,526	39,884	165,007
Depreciations, amortizations and impairment	2,098	1,712	7,371
Operating profit	174	1,336	8,962
Financial income and expenses	-508	-694	-2,112
Share of associated company profits	28	-4	107
Profit before taxes	-307	638	6,957
Income taxes	-349	-601	-1,486
Profit/loss from continuing operations	-656	36	5,471
Profit/loss from discontinued operations	0	1,600	3,750

Profit/loss from discontinued operations	182	0	0
Profit/loss for the financial period	-474	1,636	9,221
Attributable to			
shareholders of the parent company	-820	365	4,154
minority shareholders	347	1,272	5,067
Earnings per share from continuing operations EUR, undiluted	-0.021	-0.018	0.018
Earnings per share from continuing operations €, diluted	-0.021	-0.018	0.018
Earnings per share from discontinued operations EUR, undiluted	0.002	0.022	0.051
Earnings per share from discontinued operations EUR, undiluted	0.002	0.022	0.051
Earnings per share from continuing and discontinued operations EUR, undiluted	-0.019	0.004	0.069
Earnings per share from continuing and discontinued operations EUR, diluted	-0.019	0.004	0.061
EXTENSIVE INCOME STATEMENT			
Items of the extensive income statement	-474	1,636	9,221
Translation differences	11	28	41
Extensive income statement for the period	-463	1,664	9,262
Attributable to			
shareholders of the parent company	-809	393	4,195
minority shareholders	347	1,272	5,067

BALANCE SHEET**EUR 1,000**

January 31, 2017 January 31, 2016 October 31, 2016

ASSETS			
Non-current assets			
Goodwill	79,637	78,343	78,406
Other intangible assets	10,299	10,565	9,673
Property, plant and equipment	15,093	10,726	13,308
Interests in associated companies	3,837	3,663	3,759
Deferred tax assets	7,212	5,923	6,974
Other non-current assets	7,509	7,069	7,538
Non-current assets total	123,586	116,288	119,659
Current assets			
Stocks	10,947	12,015	11,043
Trade receivables and other non-interest bearing receivables	28,200	27,687	30,004
Financial assets at fair value through profit and loss	6,000	6,606	0
Cash and cash equivalents	20,046	20,114	26,573
Current assets total	65,193	66,422	67,620
ASSETS IN TOTAL	188,779	182,711	187,279
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	13,290	12,643	13,260
Equity convertible loan	7,390	7,390	7,390
Translation difference	-132	-125	-124
Retained earnings	5,755	8,341	9,277
Total	36,517	38,464	40,017

Minority interest	29,719	27,777	31,128
Equity total	66,236	66,241	71,145
Liabilities			
Deferred tax liabilities	2,535	1,748	2,611
Non-current liabilities	75,220	63,368	65,970
Current liabilities	44,788	40,104	47,553
Equity convertible subordinated loan		11,250	
Liabilities total	122,543	116,470	116,134
EQUITY AND LIABILITIES IN TOTAL	188,779	182,711	187,279

CASH FLOW STATEMENT

	January 31, 2017	January 31, 2016	October 31, 2016
EUR 1,000			
Operating net cash flow	4,629	4,224	9,647
Investment net cash flow	-8,329	-2,012	1,296
Loans drawn	5,633	3,758	31,550
Loans repaid	-3,228	-6,830	-31,323
Share issue	1,200		325
Disposal of own shares	30	41	658
Dividends paid and capital repayments	-466	-3,068	-9,580
Finance net cash flow	3,169	-6,099	-8,370
Change in cash flows	-530	-3,887	2,572

EUR 1,000	Share capital	Share premium account	Invested unrestricted equity fund	Translation differences	Earnings	Other funds	Minority shareholders' interest	Total
Equity	5,569	4,646	12,602	-124	7,992	7,390	32,001	70,076
November 1, 2015								
Profit for the financial period					365		1,272	1,636
Profit and costs recorded during the financial period, total					365		1,272	1,636
Dividends paid							-5,502	-5,502
Repayment of capital								
Interest on equity convertible loan								
Disposal of own shares				41				41
Reward scheme								
Translation differences				-1	-16			-17
Other changes								
Share of minority shareholders created from subsidiary acquisition								
Acquisitions of minority shares								
Other changes in equity, total				41	-1	-16	-5,496	-5,472
January 31, 2016	5,569	4,646	12,643	-125	8,341	7,390	27,777	66,241
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
Share issue								
Dividends paid				-2,081				-2,081
Dividend distribution to minority shareholders						-1,383		-1,383
Capital repayment						-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 created from subsidiary acquisition				231		969		1,200
Acquisitions of minority shares				-1,054		-783		-1,837
Other changes in equity, total		30	-8	-2,702		-1,755		-4,435
Equity								
January 31, 2017	5,569	4,646	13,290	-132	5,755	7,390	29,720	66,236

KEY FIGURES**EUR 1,000**

January 31, January October 31,
2017 31, 2016 2016

Equity per share (EUR)	0.70	0.75	0.77
Earnings per share, undiluted (EUR)	-0.02	0.00	0.07
Earnings per share, diluted (EUR)	-0.02	0.00	0.07
Average number of shares during financial period, 1,000 pcs.	52,195	51,306	51,735
Number of shares at end of financial period, 1,000 pcs.	52,533	51,733	52,533
Share issues in financial period, 1,000			581
Number of shares, 1,000, average dilution	52,195	58,124	51,735
Return on equity, %	-2.8	9.6	13.1
Return on investment, %	0.6	8.2	8.6
Gross capital expenditure To permanent assets, MEUR	8.7	2.3	10.9
% of net sales	19.1%	5.7%	6.3
Interest-bearing liabilities	82.9	76.6	80.9
Equity ratio (%)	35.3	36.4	38.1
Average number of employees	1,462	1,238	1,337

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

ACQUIRED BUSINESSES

No new business operations were acquired in the review period.

GROUP DEVELOPMENT BY QUARTER MEUR

MEUR	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
Net sales	45.4	45.7	41.6	44.5	40.7	44.1	37.9	34.6
Other operating income	0.3	0.3	0.1	0.6	0.5	0.4	0.0	0.2
Costs in total	45.5	43.4	39.3	42.4	39.9	41.3	37.0	32.5
Depreciations, amortizations and impairment	2.1	2.0	1.8	1.9	1.7	2.0	1.7	1.2
EBIT	0.2	2.6	2.4	2.7	1.3	3.1	1.0	2.3

Finance items	-0.5	-0.5	-0.5	-0.4	-0.7	-1.9	-0.9	-0.5
Share of associated company profits	0.0	0.0	0.1	0.0	0.0	0.2	0.0	-0.1
Profit before taxes	-0.3	2.1	1.9	2.3	0.6	1.4	0.1	1.7
Taxes	-0.3	0.9	-0.8	-1.1	-0.6	2.3	-0.7	-0.8
Profit from continuing operations	-0.7	3.1	1.1	1.2	0.0	3.7	-0.7	0.9
Profit/loss from discontinued operations	0.0	0.0	0.5	1.6	1.6	9.8	0.8	-0.6
Profit/loss from discontinued operations	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Profit for the period	-0.5	3.1	1.7	2.8	1.6	13.5	0.2	0.6
Minority interest	0.3	1.4	0.9	1.5	1.3	4.3	0.5	0.6
Parent company shareholder interest	-0.8	1.7	0.8	1.3	0.4	9.2	-0.4	0.0

GUARANTEES GIVEN

	January 31, 2017	January 31, 2016	October 31, 2016
Guarantees given on behalf of Group companies			
Enterprise mortgages	86,535	83,912	87,180
Pledges given	131,499	113,825	131,117
Other liabilities	14,003	6,681	12,715
Other rental agreements			
In one year	5,683	5,484	7,096
In over one year but within five years maximum	11,422	9,138	16,202
In over five years	463	926	2,126
Total	17,568	15,548	25,424

SEGMENT INFORMATION

Panostaja Group's segmentation is based on investment targets that provide a variety of products and services and that are in the Group's majority ownership. The investment targets in which Panostaja has a majority holding form the company's business segments, in addition to which the Others segment has been defined to report on the Group's parent company, including associated companies and non-allocated items.

NET SALES	11/16-1/17	11/15-1/16	11/15-10/16
EUR 1,000			
Grano	23,346	21,221	88,153
KotiSun	10,000	6,523	31,869
KL-Varaosat	3,243	3,159	
Selog	2,623	2,317	10,271
Takoma	1,752	3,160	10,199
Helakeskus	2,115	2,382	9,822
Megaklinikka	1,443	1,134	4,746
Heatmasters	928	873	4,498
Others	0	0	8
Eliminations	-25	-29	-132
Group in total	45,425	40,742	172,476
EBIT			
EUR 1,000			
	11/16-1/17	11/15-1/16	11/15-10/16
Grano	559	1,349	7,838
KotiSun	1,654	1,171	5,778
KL-Varaosat	183	203	1,022
Selog	126	125	651
Takoma	-508	-201	-1,173
Helakeskus	40	113	328
Megaklinikka	-844	-274	-1,528
Heatmasters	-275	-338	-1,033
Others	-761	-812	-2,921
Group in total	174	1,336	8,962

DEPRECIATIONS

EUR 1,000	11/16-1/17	11/15-1/16	11/15-10/16
Grano	-1,097	-1,003	-4,078
KotiSun	-546	-186	-1,177
KL-Varaosat	-10	-27	-108
Selog	-51	-50	-202
Takoma	-161	-160	-650
Helakeskus	-18	-21	-93
Megaklinikka	-152	-186	-737
Heatmasters	-45	-63	-252
Others	-18	-18	-74
Group in total	-2,098	-1,712	-7,371

NET LIABILITIES

EUR 1,000	11/16-1/17	11/15-1/16	11/15-10/16
Grano	35,098	34,699	34,400
KotiSun	7,543	7,498	8,228
KL-Varaosat	1,286	1,974	1,316
Selog	330	709	235
Takoma	3,882	4,279	3,750
Helakeskus	5,380	6,202	5,460
Megaklinikka	5,621	3,410	5,085
Heatmasters	820	-708	618
Parent company	-6,935	-8,790	-8,898
Eliminations	-97	-2,901	-96
Group in total	52,928	46,372	50,098

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

	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
Grano	23.3	22.8	20.8	23.3	21.2	23.4	17.9	14.9
KotiSun	10.0	9.8	7.9	7.6	6.5	6.8	6.0	5.8
KL-Varaosat	3.2	3.4	3.2	3.3	3.2	3.3	3.0	2.9
Selog	2.6	2.7	2.8	2.5	2.3	2.4	2.7	2.4
Takoma	1.8	1.9	2.3	2.9	3.2	3.1	2.8	3.2
Helakeskus	2.1	2.4	2.3	2.8	2.4	2.6	2.5	2.8
Megaklinikka	1.4	1.3	1.1	1.2	1.1	1.2	1.3	0.9
Heatmasters	0.9	1.3	1.2	1.1	0.9	1.3	1.8	1.8
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1
Group in total	45.4	45.7	41.6	44.5	40.7	44.1	37.9	34.6

**SEGMENT INFORMATION BY
QUARTER
EBIT, MEUR**

Grano	0.6	1.9	1.6	3.0	1.3	3.1	0.2	1.8
KotiSun	1.7	1.9	1.4	1.3	1.2	1.4	1.0	1.1
KL-Varaosat	0.2	0.4	0.2	0.2	0.2	0.3	0.2	0.0
Selog	0.1	0.2	0.2	0.1	0.1	0.1	0.2	0.1
Takoma	-0.5	-0.3	-0.3	-0.3	-0.2	-0.3	-0.1	-0.3
Helakeskus	0.0	0.2	0.2	-0.2	0.1	0.2	0.2	0.1
Megaklinikka	-0.8	-0.6	-0.2	-0.4	-0.3	-0.2	-0.2	-0.1
Heatmasters	-0.3	-0.3	-0.2	-0.2	-0.3	-0.2	0.1	0.2
Others	-0.8	-0.7	-0.6	-0.8	-0.8	-1.2	-0.8	-0.7
Group in total	0.2	2.6	2.4	2.7	1.3	3.1	1.0	2.3

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

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