panostaja

Q2

SEMI-ANNUAL REPORT

November 2016-April 2017

1 June 2017

SEMI-ANNUAL REPORT OF PANOSTAJA OYJ

1 February 2017–30 April 2017 (3 months)

- KotiSun continued its steady growth during the review period, its net sales growing by 38% from the corresponding period last year.
- Grano's net sales for the review period increased by 9% from the corresponding period last year. EBIT weakened from MEUR 3.0 to MEUR 2.4.
- During the review period, Takoma's cash position became critical, and the company petitioned bankruptcy. From this, Panostaja recorded a MEUR 2.0 loss.
- Net sales increased in four of seven investments. Net sales for the review period increased by 12% to MEUR 46.6 (MEUR 41.6).
- EBIT increased in three of seven investments, and EBIT of the group decreased slightly from MEUR 3.0 to MEUR 2.9.
- Earnings per share (undiluted) were -3.0 cents (2.3 cents). The additional purchase price of Flexim Security Oy is included in the result of the period.

1 November 2016–30 April 2017 (6 months)

- Net sales increased in six of seven investments. Net sales for the review period increased by 14.0% to MEUR 90.3 (MEUR 79.2).
- EBIT increased in three of seven investments, and EBIT of the group decreased slightly from MEUR 4.6 to MEUR 3.6.
- Earnings per share (undiluted) were -4.8 cents (2.7 cents). The additional purchase price of Flexim Security Oy is included in the result of the period.

CEO Juha Sarsama:

”During the review period, the total net sales of the investments increased by 12% from the corresponding period. The growth resulted from corporate acquisitions and organic growth. The growth of the net sales was weakened by the development of net sales in April, which in many of our investments was clearly weaker than expected, even considering the low amount of working days. We believe, however, that the weak demand in April was an exception and the perking up of the economy seen in the beginning of this year will continue.

Our EBIT was slightly lower than we expected as a result of the low net sales in April. We also continue working for better profitability especially in Grano, Megaklinikka and Heatmasters in order to get back to our target profitability levels in these companies as well.

Unfortunately, during this review period we found that despite our many attempts, there was no solution for Takoma’s difficult situation. Takoma’s cash position became critical, and the company had to file a bankruptcy petition. As shareholders, we are strongly committed to the development of all of our companies, but unfortunately, we have to make difficult decisions as well. A new continuator for Takoma business has been found, and its operation in Parkano will continue.

KotiSun begun its operations in Sweden at the end of this review period, and the demand for sewer renewals has been good. They have made their first installations after the review period in May. Grano continued to carry out their strategy of acquisitions and, after the review period, bought Finepress Oy and Neon 2 Oy. After the review period, Megaklinikka made a significant partnership agreement with Swedish Aqua Dental, and as a part of that, Aqua Dental acquired Megaklinikka's Stockholm clinic. Aqua Dental will continue to operate the clinic as Megaklinikka's first private sector licensed client, using Megaklinikka's ERP system. The partnership with Aqua Dental also includes the objectives of opening new clinics that operate under Megaklinikka's ERP system in Sweden in the coming years.

Activity on the corporate acquisition market has continued on a good level, and the supply of new investments has been active. The market continues to offer possibilities for both new acquisitions and selected surrenderings, and we will continue to actively map new opportunities for corporate acquisitions."

Investments

Grano

Grano is Finland's leading content and marketing services company

Grano's net sales for the review period were MEUR 25.4, growth from the corresponding period being 9%. The most prominent reason for the increase in net sales was the acquisition of Oy Fram Ab and Micromedia. Grano's EBIT decreased to MEUR 2.4 from MEUR 3.0 in the corresponding period.

There are still remarkable differences between the demand of different services and areas. As a whole, demand conditions of Grano have perked up, but there are still remarkable monthly fluctuations.

In the second quarter, the distribution of sales was still centred on products with lower marginal profit more than expected, which lowered the result of the review period. The company has started a campaign to promote awareness of their brand, which increases their investment in marketing and weighs down their result in relation to the corresponding period. ICT expenses also still exceed the target set for the transitional period. Development expenses especially for the development of digital services have been high on the review period, which also weighs down the result.

They have continued to enhance their sales management, and as a part of changing their sales model, they have set up a new customer service unit, which will begin their wider operation in June. Repatriation of external services is further continued, and a new production scheduling unit has begun its operation, which at the early stage is managing the purchases of offset and large prints in a centralised way. During the review period, their subsidiary Grano Diesel Oy bought the marketing design company Planeetta 10 Oy, which will further strengthen Grano's position as a maker of targeted marketing communications. After the review period, Grano bought Finepress Oy and Neon 2 Oy.

Grano has taken their new strategy forward. The current entity that has been built with determination, combining an exceptionally wide supply of services, nationwide network, leading production knowhow and digital capability, gives Grano a one of a kind opportunity to strengthen their position as a leading producer of content and marketing services.

Grano's strategy is centred on their unique ability to plan, manage, produce and distribute their client's content as a service throughout the client's entire value chain. Grano offers systems and extensive services for content design, management and production. Examples of this are visual design, digitising, material management, posting and logistic services, press and printing services, and direct marketing. Grano masters the publication and delivery of content to the desired target group both digitally and in print. The content can be delivered in different formats, e.g. large prints, digital press, offset, CAD, and digital channels.

Grano's strategy aims to achieve even stronger service and production capacity, digital end-to-end processes, and an active hold on sales deep in the client's processes:

- Customer surface: Grano is involved in the everyday life of their customer. This is achieved e.g. by systematic and modern sales model, which is supported by active development of the brand and marketing operations. Process automation is utilised in all customerships when possible.
- Internal processes: Grano has modern internal end-to-end processes with high level of digitalisation
- Digital services: Creation of new added value to their customers and reaching higher efficiency will support Grano's profitable growth
- The basis of production: Grano is strengthening their leading market position and wide supply

Grano's aim is to grow further by means of selected acquisitions in the area of both digital services and press, and this way strengthen their market position in both channels.

M€	3 months 2/17-4/17	3 months 2/16-4/16	6 months 11/16-4/17	6 months 11/15-4/16	12 months 11/15-10/16
Net sales, MEUR	25.4	23.3	48.7	44.5	88.2
EBIT, MEUR	2.4	3.0	3.0	4.3	7.8
Net liabilities	36.3	35.3	36.3	35.3	34.4
Panostaja's holding	51.5%				

KotiSun

KotiSun offers heating, plumbing and sewer renewal services for

KotiSun's net sales for the review period were MEUR 10.4, growth from the corresponding period being 38%. Growth was strong especially in sewer business. As for Kotivo and the renewals of water and heating systems, the sales did not grow as expected.

EBIT in the review period grew to MEUR 1.5 from MEUR 1.3 in the corresponding period. The profit is partly weighed down by equipment depreciations that have increased due to the expansion of business, as well as the launching of Kotivo and the new business in Sweden.

There were no particular changes in the market situation during the review period. It is expected that also the sales of water and heating renewals will grow, and the sales of sewer business will continue their strong growth.

Wider sales of Kotivo business has been started. The growth rate has not been quite as expected, and the sales operating models are being refined.

A subsidiary has been established in Sweden, which at the initial stage will offer sewer renewal services. The sales in Sweden have started well, and the company has started installations in May.

M€	3 months 2/17-4/17	3 months 2/16-4/16	6 months 11/16-4/17	6 months 11/15-4/16	12 months 11/15-10/16
Net sales, MEUR	10.4	7.6	20.4	14.1	31.9
EBIT, MEUR	1.5	1.3	3.1	2.5	5.8
Net liabilities	10.7	6.9	10.7	6.9	8.2
Panostaja's holding	56.6%				

KL-Varaosat

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

KL-Varaosat's net sales for the review period were MEUR 3.2 and the EBIT was MEUR 0.2, being slightly lower than in the corresponding period.

Demand in the review period was satisfactory. The winter was mild and did not put a great strain to car technology, which can be seen as a mild decrease on sales on late winter. However, the sales have perked up starting from mid-April.

The strong development of ServicePartner repair network has been continued, concentrating especially on knowhow, marketing and building chain image.

M€	3 months 2/17-4/17	3 months 2/16-4/16	6 months 11/16-4/17	6 months 11/15-4/16	12 months 11/15-10/16
Net sales, MEUR	3.2	3.3	6.4	6.4	13.0
EBIT, MEUR	0.2	0.2	0.4	0.4	1.0
Net liabilities	1.0	1.7	1.0	1.7	1.3
Panostaja's holding	75.0%				

Selog

Selog is the biggest wholesaler of ceiling materials in Finland

Selog's net sales for the review period were MEUR 2.4, which was slightly lower than in the corresponding period due to a very quiet April. EBIT of MEUR 0.1 was slightly lower than in the corresponding period.

Demand in the review period has been good. After the quiet April, May looks better. Customers have a good amount of work and they have some big projects beginning.

M€	3 months 2/17-4/17	3 months 2/16-4/16	6 months 11/16-4/17	6 months 11/15-4/16	12 months 11/15-10/16
Net sales, MEUR	2.4	2.5	5.0	4.8	10.3
EBIT, MEUR	0.1	0.1	0.2	0.2	0.7
Net liabilities	0.2	0.7	0.2	0.7	0.2
Panostaja's holding	60.0%				

Helakeskus

Helakeskus is a major wholesaler of furniture fittings in Finland

Helakeskus' net sales for the review period were MEUR 2.4, growth from the corresponding period being 14%. The decrease of net sales results from giving up the Rakennushela business, when the company sold their Rakennushelasto Oy shares to the acting management in May 2016.

EBIT in the review period grew to MEUR 0.2 from MEUR -0.2 in the corresponding period. Valuation loss MEUR 0.3 from the selling of Rakennushelasto is included in the result of the corresponding period.

Construction activities are booming, and therefore the demand for the big construction projects of southern Finland remains good. The construction boom has caused some lengthened delivery times on suppliers, which has slightly slowed down the growth opportunities for net sales.

M€	3 months	3 months	6 months	6 months	12 months
	2/17-4/17	2/16-4/16	11/16-4/17	11/15-4/16	11/15-10/16
Net sales, MEUR	2.4	2.8	4.5	5.1	9.8
EBIT, MEUR	0.2	-0.2	0.2	-0.1	0.3
Net liabilities	5.3	5.8	5.3	5.8	5.5
Panostaja's holding	95.3%				

Megaklinikka

Megaklinikka offers dental care with a new concept

Megaklinikka's net sales for the review period were MEUR 1.6, growth from the corresponding period being 35%. The growth comes mainly from their Stockholm clinic that was opened at the end of the previous financial period. EBIT decreased from last year's MEUR -0.4 to MEUR -0.6, weighed down by the expenses of the Stockholm clinic.

After the review period on 31 May 2017, Megaklinikka made a strategic partnership with Swedish Aqua Dental Ab. As a part of the agreement, Megaklinikka sold their Stockholm clinic to Aqua Dental, which will continue to operate the clinic using Megaklinikka's ERP system in ten treatment rooms. Aqua Dental is Megaklinikka's first private sector licensed client, and for both parties, the aim is for Aqua Dental to open new clinics using Megaklinikka's ERP system in Sweden in the coming years. In accordance with the cooperation agreement, the Stockholm clinic sold to Aqua Dental will also function as a showroom and training room for Megaklinikka’s ERP system. The selling of the clinic has no significant effect on the company's result.

Demand in Finland has continued weak. The client visit rate in Helsinki in the review period decreased by 15% from the corresponding period. License business has been growing as expected. During the review period, the company started cooperation with South Karelia Social and Health Care District (Imatra and Lappeenranta).

Petri Katajamäki started as the Managing Director of Megaklinikka 1 March 2017.

M€	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/17-4/17	2/16-4/16	11/16-4/17	11/15-4/16	11/15-10/16
Net sales, MEUR	1.6	1.2	3.0	2.3	4.7
EBIT, MEUR	-0.6	-0.4	-1.4	-0.7	-1.5
Net liabilities	6.1	3.9	6.1	3.9	5.1
Panostaja’s holding	74.8%				

Heatmasters

Heatmasters offers metal heat treatment services and technology

Heatmasters' net sales for the review period were MEUR 1.3, growth from the corresponding period being 21%. EBIT was MEUR 0.0, having increased MEUR 0.2 from the corresponding period.

Demand for heat treatment services at work sites in Finland and Poland was volatile. It is perking up after a slow winter, however, and the maintenance of power plants has been started.

During the review period, furnacing services in Finland were at a higher level than the previous year. In Poland, kilograms furnaced were significantly fewer than in the previous year.

Demand for equipment and modernisation is continuing slow. There have been several realised projects early this year, however, and the net sales of equipment business have developed almost as expected.

M€	3 months	3 months	6 months	6 months	12 months
	2/17-4/17	2/16-4/16	11/16-4/17	11/15-4/16	11/15-10/16
Net sales, MEUR	1.3	1.1	2.2	2.0	4.5
EBIT, MEUR	0.0	-0.2	-0.3	-0.5	-1.0
Net liabilities	1.0	0.3	1.0	0.3	0.6
Panostaja’s holding	80.0%				

FINANCIAL DEVELOPMENT 1 November 2016-30 April 2017

M€	Q2	Q2	6 months	6 months	12 months
	2/17-4/17	2/16-4/16	11/16-4/17	11/15-4/16	11/15-10/16
Net sales, MEUR	46.6	41.6	90.3	79.2	162.3
EBIT, MEUR	2.9	3.0	3.6	4.6	10.1
Profit before taxes, MEUR	2.5	2.7	2.7	3.6	8.3
Profit/loss for the financial period, MEUR	0.2	2.8	-0.3	4.5	9.2
Earnings per share, undiluted (EUR)	-0.03	0.02	-0.05	0.03	0.07
Equity per share (EUR)	0.67	0.72	0.67	0.72	0.77
Operating cash flow (MEUR)	1.3	0.3	5.9	4.5	9.6

FEBRUARY 2017–APRIL 2017

Net sales for the review period increased by 12 % and were MEUR 46.6 (MEUR 41.6). The impact of the corporate acquisitions on the MEUR 5.0 growth in net sales stood at MEUR 2.3. Export amounted to MEUR 0.9, or 2.0%, (MEUR 0.4, or 1.0%) of net sales. Net sales increased in four of seven investments.

EBIT weakened slightly from MEUR 3.0 to MEUR 2.9. EBIT increased in three of seven investments. The development of net sales and EBIT for each our investments has been commented on separately.

The profit for the review period was MEUR 0.2 (MEUR 2.8). The result of the corresponding period includes the additional selling price of MEUR 1.6 (after taxes and expenses) regarding the selling of Flexim Security.

The income statement for sold and discontinued operations has been separated from the income statement for continuing operations, and the result for them is presented in the section ”Profit from sold and discontinued operations in accordance with the IFRS standards”. In the result of the review period for discontinued operations, the result of Takoma segment, MEUR -2.1 in total, has been presented.

NOVEMBER 2016–APRIL 2017

Net sales for the review period increased by 14% and were MEUR 90.3 (MEUR 79.2). The impact of the corporate acquisitions on the MEUR 11.1 growth in net sales stood at MEUR 4.7. Export amounted to MEUR 2.5, or 2.7%, (MEUR 2.0, or 2.5%) of net sales. Net sales increased in six of seven investments.

EBIT weakened from MEUR 4.6 to MEUR 3.6. EBIT increased in three of seven investments. The development of net sales and EBIT for each our investments has been commented on separately.

The profit for the review period was MEUR -0.3 (MEUR 4.5). The result of the corresponding period includes the additional selling price of MEUR 3.2 (after taxes and expenses) regarding the selling of Flexim Security.

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. In the result of the review period for discontinued operations, the result of Takoma segment, MEUR -2.4 in total, has been presented. Prior to separating discontinued and sold operations from continuing operations in the income statement, the consolidated net sales for the reference period were MEUR 85.2 and the EBIT was MEUR 4.0.

Division of the net sales by segment M€	**Q2**	**Q2**	**6 months**	**6 months**	**12 months**
Net sales	**2/17-4/17**	**2/16-4/16**	**11/16-4/17**	**11/15-4/16**	**11/15-10/16**
Grano	25.4	23.3	48.7	44.5	88.2
KotiSun	10.4	7.6	20.4	14.1	31.9
KL-Varaosat	3.2	3.3	6.4	6.4	13.0
Selog	2.4	2.5	5.0	4.8	10.3
Helakeskus	2.4	2.8	4.5	5.1	9.8
Megaklinikka	1.6	1.2	3.0	2.3	4.7
Heatmasters	1.3	1.1	2.2	2.0	4.5
Others	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	0.0	0.0	-0.1
Group in total	46.6	41.6	90.3	79.2	162.3

Division of EBIT by segment M€	**Q2**	**Q2**	**6 months**	**6 months**	**12 months**
EBIT	**2/17-4/17**	**2/16-4/16**	**11/16-4/17**	**11/15-4/16**	**11/15-10/16**
Grano	2.4	3.0	3.0	4.3	7.8
KotiSun	1.5	1.3	3.1	2.5	5.8
KL-Varaosat	0.2	0.2	0.4	0.4	1.0
Selog	0.1	0.1	0.2	0.2	0.7
Helakeskus	0.2	-0.2	0.2	-0.1	0.3

Megaklinikka	-0.6	-0.4	-1.4	-0.7	-1.5
Heatmasters	0.0	-0.2	-0.3	-0.5	-1.0
Others	-0.8	-0.8	-1.6	-1.6	-2.9
Group in total	2.9	3.0	3.6	4.6	10.1

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

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

PERSONNEL

	30/04/2017	30/04/2016	Change
Average number of employees	1,446	1,283	13%
Employees at the end of the review period	1,458	1,327	10%

Employees in each segment at the end of the review period	30/04/2017	30/04/2016	Change
Grano	828	749	11%
KotiSun	368	257	43%
KL-Varaosat	48	48	0%
Selog	14	14	0%
Takoma	0	86	-100%
Helakeskus	24	30	-20%
Megaklinikka	119	85	40%
Heatmasters	47	49	-4%
Others	10	9	11%
Group in total	1,458	1,327	16%

At the end of the review period, Panostaja Group employed a total of 1,458 persons, while the average number of personnel during the period was 1,446. During the review period, Panostaja continued to develop its personnel in line with its strategy.

INVESTMENTS AND FINANCE

The parent company's assets, financial securities and liquid fund units were MEUR 14.8. Additionally, the parent company has a MEUR 10.0 limit for corporate acquisitions in its use.

The Group's operating cash flow improved and was MEUR 5.9 (MEUR 4.5). Liquidity remained good. The Group’s liquid assets were MEUR 22.0 (31 October 2016: MEUR 26.6) and interest-bearing net liabilities were MEUR 57.1 (31 October 2016: MEUR 50.1). Net gearing increased and was 87.3% (31 October 2016: 70.4%). The rise in net gearing resulted primarily from distribution of dividends during the review period. The Group’s net financial expenses for the review period were MEUR -0.9 (MEUR -1.0), or 1.0% (1.3%) of net sales.

The Group’s gross capital expenditure for the review period was MEUR 11.3 (MEUR 4.2), or 12.5% (5.3%) of net sales. Investments were mainly targeted at corporate acquisitions as well as tangible and intangible assets.

Financial position M€	**30/04/2017**	**30/04/2016**	**31/10/2016**
Interest-bearing liabilities	82.9	81.9	80.9
Interest-bearing receivables	3.8	3.4	4.3
Cash and cash equivalents	22.0	26.5	26.6
Interest-bearing net liabilities	57.1	52.0	50.1
Equity (belonging to the parent company’s shareholders as well as minority shareholders)	65.3	66.0	71.1
Gearing ratio, %	87.3	78.7	70.4
Equity ratio, %	35.6	35.5	38.1
Return on equity, %	-0.9	13.2	13.1
Return on investment, %	5.0	10.7	8.6

GROUP STRUCTURE CHANGES

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

Takoma’s market situation had significantly weakened from the time of the confirmation of their reorganisation programme, so the assumptions on profitability and financing that the reorganisation programme were based on did not realise. As a result of the heavy decline on demand in offshore and marine industry, Takoma's business had been highly unprofitable, which weakened the solvency and liquidity of the Group. Takoma implemented significant structural and operational changes in order to adapt their operations to the changed demand conditions and restore their profitability, but these measures were not sufficient. During the review period, Takoma's cash position became critical, and the companies had to file a petition for bankruptcy.

After Takoma had been declared bankrupt, Panostaja's control over Takoma ended, and Takoma was categorised as a discontinued operation in accordance with IFRS standards. From this, Panostaja recorded a MEUR 2.0 loss. In addition to Takoma Oyj's shares, Panostaja Oyj wrote-off all receivables from Takoma Oyj and Takoma Gears Oy.

The loss caused by Takoma's bankruptcy becomes tax-deductible for Panostaja when the liquidation of the bankrupt's estate has advanced and they have been regarded as finally lost. As tax authorities have approved the loss, Panostaja has the possibility to consider if the prerequisites for recording the tax claim to consolidated financial statement are met. If the prerequisites are met, the tax claim can amount to a maximum of approx. EUR 3 million.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.82 (lowest quotation) and EUR 0.93 (highest quotation) during the second quarter. During the review period, a total of 1,437,877 shares were exchanged, which amounts to 2.8% of the share capital. The share closing rate of April 2017 was EUR 0.84. The market value of the company's share capital at the end of April 2017 was MEUR 43.7 (MEUR 44.0). At the end of the 2017, the company had 3,900 shareholders (3,626).

Development of share exchange	2Q/2017	2Q/2016	1-2Q/2017	1-2Q/2016	2016
Shares exchanged, 1,000 pcs	1,438	1,131	4,554	3,307	5,959
% of share capital	2.8	2.2	8.7	6.4	11.5

Share	30/04/2017	30/04/2016	2016
Shares in total, 1,000 pcs	52,533	51,733	52,533
Own shares, 1,000 pcs	499	282	355
Closing rate	0.84	0.97	0.92
Market value (MEUR)	43.7	44.0	48.3
Shareholders	3,900	3,626	3,708

ADMINISTRATION AND GENERAL MEETING

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

Auditing service network PricewaterhouseCoopers Oy and Authorised Public Accountant Markku Launis were elected as auditors for the period ending at the end of the next Annual General Meeting. Auditing service network PricewaterhouseCoopers Oy has stated that Authorised 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 1 November 2015–31 October 2016 and resolved that the shareholders be paid EUR 0.04 per share as dividends.

The Meeting also resolved that the Board of Directors be authorised 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 authorisation totals EUR 4,700,000 The authorisation includes the right of the Board to decide on all other terms and conditions relating to the said asset distribution. The authorisation 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 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 authorisation 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 authorised to decide on the acquisition of the company's shares in one or more instalments so that the number of the company's own shares acquired may not exceed 5,200,000 in total, which corresponds to about 9.9% of the company's total stock of shares. By virtue of the authorisation, 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 authorisation issued at the Annual General Meeting of 2 February 2016 to decide on the acquisition of the company's own shares is cancelled by this authorisation. The authorisation remains valid until 31 July 2018.

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

Immediately upon the conclusion of the General Meeting, the company's Board held an organising 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 498,752 (at the beginning of the financial 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 and the Board on 2 February 2016, Panostaja Oy relinquished a total of 18,240 individual shares as share bonuses to the company management on 12 December 2016. On 12 December 2016, the company relinquished to the Board members a total of 13,187 shares, and on 2 March 2017, a total of 13,954 shares as meeting compensations.

EQUITY HYBRID LOAN

On 27 May 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.

EVENTS AFTER THE REVIEW PERIOD

Equity hybrid loan was repaid on 29 May 2017.

CURRENT DISPUTES

Assa Abloy Oy has put forward a claim against Panostaja and other former Flexim Security Oy's owners for a discount on the purchase price based on the seller policies of the contract of sale of 4 June 2015. The claim is approx. MEUR 1.9 in total. According to Panostaja, the claim is unwarranted.

MARKET PROSPECTS

The economic situation and atmosphere in Finland have continued to develop in a positive way. Perking up of the market situation has been visible in our investments serving construction, but there have been brighter views on a larger scale as well. However, due to the risks related to political risks and financial market, the long-term development of the economy is still uncertain, and the structural problems in Europe are not over yet. Activity on the corporate acquisition market has continued on a good level during the review period, and the supply of new investments has been active.

MOST SIGNIFICANT NEAR-FUTURE BUSINESS RISKS AND RISK MANAGEMENT

Risk management is part of 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 investments, to react to them and to utilise the business opportunities that they present. Risks are classified as factors that may endanger or impede Panostaja or its investments from achieving strategic objectives, improvement in profit and the financial position or business continuity, or that may otherwise cause significant consequences for Panostaja, its owners, investments, personnel or other stakeholder groups. A more detailed report on Panostaja's risk management policy and the most significant risks was published in the 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 continuing uncertainty resulting from Finland's economic situation and global economic situation, political risks, changes in price of raw materials, and the continued uncertainty of the financial market, 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 realisation 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. Expectations for the financial situation are still partly characterised by unusually high level of uncertainty. The prospects on Panostaja's various investments vary from good to weak. Panostaja regularly assesses the risks for each investment and, based on the updated risk assessment, takes the necessary remedial action.

Strategic risks: Panostaja represents the Finnish SME sector extensively. Net sales are divided into seven different investments whose cyclical nature varies. The Group's business structure partially evens out economic fluctuations. General and investment-specific market risks can, however, affect the Group's result and financial development. The expected market situation is taken into account by adapting operations and costs to market demand and by safeguarding the financial position. 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 our investments use interest rate swaps and interest rate ceiling agreements. 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. This risk is increased by the tightness of credit issue to SMEs.

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, as well as through efficient integration processes. Panostaja has specified harmonised 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 significant decrease in profitability. Investments strive for preparing 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 involve 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 realisation of the desired changes.

OUTLOOK FOR THE 2017 FINANCIAL PERIOD

Activity on the corporate acquisition market has continued on a good level during the review period, and the supply of new investments has been active. The need to exploit ownership arrangements and growth opportunities in SMEs will continue, and as our own activity complements the supply of possible acquisitions from outside, there are plenty of possibilities for corporate acquisitions on the market. Panostaja aims to implement its growth strategy by means of controlled acquisitions in current investments, and new potential investments are also being actively studied. Withdrawing possibilities are actively evaluated as well, on a somewhat larger scale than before as a part of the owner strategies of the investments.

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

- Demand for KotiSun, Selog and Helakeskus will remain good
- Demand for Grano and KL-Varaosat will remain satisfactory, and demand for Heatmasters will rise to satisfactory level (has been weak)
- Demand for Megaklinikka will remain weak

Panostaja Oyj

Board of Directors

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

Panostaja Oyj

Juha Sarsama

CEO

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

ACCOUNTING PRINCIPLES

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

The information in the Semi-Annual Report has not been audited.

INCOME STATEMENT

EUR 1,000	3 months	3 months	6 months	6 months	12
	2/17-4/17	2/16-4/16	11/16-4/17	11/15-4/16	11/15-10/16
Net sales	46,611	41,596	90,284	79,178	162,277
Other operating income	192	587	459	1,054	1,370
Costs in total	43,892	39,160	87,150	75,672	153,512
Depreciations, amortisations and impairment	2,138	1,700	4,076	3,253	6,722
EBIT	2,911	3,023	3,593	4,559	10,135
Financial income and expenses	-450	-380	-915	-1,028	-1,933
Share of associated company profits	30	22	58	19	107
Profit before taxes	2,491	2,665	2,736	3,550	8,309
Income taxes	-261	-1,051	-610	-1,652	-1,498
Profit/loss from continuing operations	2,230	1,614	2,125	1,898	6,811
Profit/loss from sold operations	0	1,600	0	3,200	3,750
Profit/loss from discontinued operations	-2,060	-371	-2,429	-618	-1,341
Profit/loss for the financial period	170	2,843	-303	4,480	9,221

Attributable to					
Shareholders of the parent company	-1,401	1,316	-2,221	1,681	4,154
Minority shareholders	1,571	1,527	1,918	2,799	5,067
Earnings per share from continuing operations EUR, undiluted	0.010	0.005	-0.002	0.013	0.034
Earnings per share from continuing operations EUR, diluted	0.010	0.005	-0.002	0.013	0.034
Earnings per share from discontinued operations EUR, undiluted	-0.039	0.017	-0.047	0.014	0.034
Earnings per share from sold operations EUR, diluted	-0.039	0.017	-0.04	0.014	0.034
Earnings per share from continuing and discontinued operations EUR, undiluted	-0.030	0.023	-0.048	0.027	0.068
Earnings per share from continuing and discontinued operations EUR, diluted	-0.030	0.023	-0.048	0.027	0.068
EXTENSIVE INCOME STATEMENT					
Items of the extensive income statement	170	2,843	-303	4,480	9,221
Translation differences	-35	-6	-35	-6	41
Extensive income statement for the period	135	2,837	-338	4,474	9,262
Attributable to					
Shareholders of the parent company	-1,436	1,310	-2,256	1,675	4,195
Minority shareholders	1,571	1,527	1,918	2,799	5,067

BALANCE SHEET

EUR 1,000	30/04/2017	30/04/2016	31/10/2016

ASSETS			
Non-current assets			
Goodwill	77,584	78,343	78,406
Other intangible assets	9,937	10,072	9,673
Property, plant and equipment	14,267	11,275	13,308
Interests in associated companies	3,867	3,671	3,759
Deferred tax assets	7,488	5,922	6,974
Other non-current assets	7,564	7,241	7,538
Non-current assets total	120,706	116,525	119,659
Current assets			
Stocks	9,601	10,582	11,043
Trade receivables and other non-interest-bearing receivables	31,185	32,057	30,004
Financial assets at fair value through profit and loss	6,000	0	0
Cash and cash equivalents	16,044	26,513	26,573
Current assets total	62,830	69,152	67,620
Held-for-sale non-current asset items		895	
ASSETS IN TOTAL	**183,536**	**186,572**	**187,279**
EQUITY AND LIABILITIES			
Equity attributable to parent company owners			
Share capital	5,569	5,569	5,569
Share premium account	4,646	4,646	4,646
Invested unrestricted equity fund	13,302	12,655	13,260
Equity convertible loan	7,390	7,390	7,390
Translation difference	-152	-123	-124
Retained earnings	4,307	6,928	9,277
Total	35,062	37,067	40,017

Minority interest	30,274	28,956	31,128
Shareholders' equity total	65,336	66,023	71,145
Liabilities			
Imputed tax liabilities	2,465	1,652	2,611
Non-current liabilities	74,081	80,369	65,970
Current liabilities	41,653	37,905	47,553
Liabilities total	118,200	119,926	116,134
Held-for-sale non-current liabilities		624	
EQUITY AND LIABILITIES IN TOTAL	**183,536**	**186,572**	**187,279**

CASH FLOW STATEMENT

EUR 1,000	30/04/2017	30/04/2016	31/10/2016
Operating net cash flow	5,929	4,479	9,647
Investment net cash flow	-12,933	-3,529	1,296
Loans drawn	7,070	27,919	31,550
Loans repaid	-1,013	-25,812	-31,323
Share issue	1,200	0	325
Disposal of own shares	42	53	658
Dividends paid and capital repayments	-4,828	-7,208	-9,580
Finance net cash flow	2,471	-5,047	-8,370
Change in cash flows	-4,533	-4,097	2,572

EUR 1,000	Share capital	Premium fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Other funds	Minority shareholders' interest	Total
Equity 01/11/2015	5,569	4,646	12,602	-124	7,816	7,390	32,001	69,900
Profit for the financial period					1,681		2,799	4,480
Profit and costs recorded during the financial period, total					1,681		2,799	4,480
Dividends paid					-2,562			-2,562
Dividends paid for minority shareholders							-5,850	-5,850
Repayment of capital								
Interest on equity convertible loan								
Disposal of own shares			53					53
Reward scheme								
Translation differences				1	-7			-6
Other changes								
Share of minority shareholders resulted from the acquisition of subsidiaries							6	6
Acquisitions of minority shareholdings								
Other changes in equity, total			53	1	-2,569		-5,844	-8,359
30/04/2016	5,569	4,646	12,655	-123	6,928	7,390	28,956	66,023

Equity 01/11/2016	5,569	4,646	13,260	-124	9,277	7,390	31,128	71,145
Profit for the financial period					-2,221		1,918	-303
Profit and costs recorded during the financial period, total					-2,221		1,918	-303
Share issue								
Dividends paid					-2,081			-2,081
Dividends paid for minority shareholders							-2,961	-2,961
Capital repayment							-558	-558
Interest on equity convertible loan								
Disposal of own shares			42					42
Reward scheme					4			4
Translation differences				-28	-7			-35
Other changes					179			179
Share of minority shareholders resulted from the acquisition of subsidiaries							-54	-54
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					210		982	1,192
Acquisitions of minority shareholdings					-1,054		-783	-1,837
Other changes in equity, total			42	-28	-2,749		-2,772	- 5,507
Equity 30/04/2017	5,569	4,646	13,302	-152	4,307	7,390	30,274	65,336

KEY FIGURES

EUR 1,000	30/04/2017	30/04/2016	31/10/2016
Equity per share (EUR)	0.67	0.72	0.77
Earnings per share, undiluted (EUR)	-0.05	0.03	0.07
Earnings per share, diluted (EUR)	-0.05	0.03	0.07
Average number of shares during financial period, 1,000 pcs.	52,195	51,388	51,735
Number of shares at end of financial period, 1,000 pcs.	52,533	51,733	52,533
Share issues during financial period, 1,000 pcs			581
Number of shares, 1,000 pcs, on average, diluted	52,195	58,206	51,735
Return on equity, %	-0.9	13.2	13.1
Return on investment, %	5.0	10.7	8.6
Gross capital expenditure In permanent assets, MEUR	11.3	4.2	10.9
% of net sales	12.5%	5.3%	6.3%
Interest-bearing liabilities	82.9	81.9	80.9
Equity ratio, %	35.6	35.5	38.1
Average number of employees	1,446	1,283	1,337

Formulae for calculating key figures have been presented in the financial statement of the financial period 2016.

ACQUIRED BUSINESSES

No new businesses have been acquired during the review period.

GROUP DEVELOPMENT BY QUARTER
MEUR

MEUR	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Net sales	46.6	43.7	43.8	39.3	41.6	37.6	44.1	37.9
Other operating income	0.2	0.3	0.2	0.1	0.6	0.5	0.4	0.0
Costs in total	43.9	43.3	41.1	36.7	39.2	36.5	41.3	37.0
Depreciations, amortisations and impairment	2.1	1.9	1.8	1.7	1.7	1.6	2.0	1.7
EBIT	2.9	0.7	2.9	2.7	3.0	1.5	3.1	1.0
Finance items	-0.4	-0.5	-0.4	-0.5	-0.4	-0.6	-1.9	-0.9
Share of associated company profits	0.0	0.0	0.0	0.1	0.0	0.0	0.2	0.0
Profit before taxes	2.5	0.2	2.5	2.2	2.7	0.9	1.4	0.1
Taxes	-0.3	-0.3	0.9	-0.8	-1.1	-0.6	2.3	-0.7
Profit from continuing operations	2.2	-0.1	3.4	1.5	1.6	0.3	3.7	-0.7
Profit/loss from sold operations	0.0	0.0	0.0	0.5	1.6	1.6	9.8	0.8
Profit/loss from discontinued operations	-2.1	-0.4	-0.4	-0.3	-0.4	-0.2	0.0	0.0
Profit for the financial period	0.2	-0.5	3.1	1.7	2.8	1.6	13.5	0.2
Minority interest	1.6	0.3	1.4	0.9	1.5	1.3	4.3	0.5
Parent company shareholder interest	-1.4	-0.8	1.7	0.8	1.3	0.4	9.2	-0.4

GUARANTEES GIVEN

	30/04/2017	30/04/2016	31/10/2016
Guarantees given on behalf of Group companies			
Enterprise mortgages	79,585	83,912	87,180
Pledges given	129,338	132,661	131,117
Other liabilities	15,844	10,530	12,715
Other rental agreements			
In one year	6,852	5,360	7,096
In over one year but within five years maximum	12,112	9,361	16,202
In over five years	470	1,352	2,126
Total	19,435	16,073	25,424

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 EUR 1,000	11/16-4/17	11/15-4/16	11/15-10/16
Grano	48,708	44,526	88,153
KotiSun	20,420	14,098	31,869
KL-Varaosat	6,425	6,417	13,043
Selog	5,029	4,780	10,271
Helakeskus	4,483	5,133	9,822
Megaklinikka	3,025	2,308	4,746
Heatmasters	2,241	1,955	4,498
Others	0	6	8
Eliminations	-47	-44	-132

Group in total	90,284	79,178	162,277

EBIT

EUR 1,000	11/16-4/17	11/15-4/16	11/15-10/16
Grano	2,977	4,304	7,838
KotiSun	3,105	2,468	5,778
KL-Varaosat	372	425	1,022
Selog	210	236	651
Helakeskus	216	-82	328
Megaklinikka	-1,432	-675	-1,528
Heatmasters	-300	-526	-1,033
Others	-1,555	-1,591	-2,921
Group in total	3,593	4,559	10,135

DEPRECIATIONS

EUR 1,000	11/16-4/17	11/15-4/16	11/15-10/16
Grano	-2,174	-1,994	-4,078
KotiSun	-1,180	-520	-1,177
KL-Varaosat	-51	-53	-108
Selog	-102	-101	-202
Helakeskus	-37	-54	-93
Megaklinikka	-391	-368	-737
Heatmasters	-105	-126	-252
Others	-36	-37	-74
Group in total	-4,076	-3,253	-6,722

NET LIABILITIES

EUR 1,000	11/16-4/17	11/15-4/16	11/15-10/16
Grano	36,256	35,310	34,400

KotiSun	10,712	6,923	8,228
KL-Varaosat	1,000	1,680	1,316
Selog	215	660	235
Helakeskus	5,327	5,820	5,460
Megaklinikka	6,065	3,860	5,085
Heatmasters	960	266	618
Parent company	-3,364	-6,115	-8,898
Eliminations	-120	3,581	3,654
Group in total	57,052	51,985	50,098

The net liabilities for operations discontinued in the reference period are presented in the row Eliminations.

SEGMENT INFORMATION BY QUARTER NET SALES, MEUR	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Grano	25.4	23.3	22.8	20.8	23.3	21.2	23.4	17.9
KotiSun	10.4	10.0	9.8	7.9	7.6	6.5	6.8	6.0
KL-Varaosat	3.2	3.2	3.4	3.2	3.3	3.2	3.3	3.0
Selog	2.4	2.6	2.7	2.8	2.5	2.3	2.4	2.7
Helakeskus	2.4	2.1	2.4	2.3	2.8	2.4	2.6	2.5
Megaklinikka	1.6	1.4	1.3	1.1	1.2	1.1	1.2	1.3
Heatmasters	1.3	0.9	1.3	1.2	1.1	0.9	1.3	1.8
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	0.0	-0.1	0.0	0.0	3.1	2.8
Group in total	46.6	43.7	43.8	39.3	41.6	37.6	44.1	37.9

SEGMENT INFORMATION BY QUARTER
EBIT MEUR

Grano	2.4	0.6	1.9	1.6	3.0	1.3	3.1	0.2
KotiSun	1.5	1.7	1.9	1.4	1.3	1.2	1.4	1.0
KL-Varaosat	0.2	0.2	0.4	0.2	0.2	0.2	0.3	0.2

Selog	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.2
Helakeskus	0.2	0.0	0.2	0.2	-0.2	0.1	0.2	0.2
Megaklinikka	-0.6	-0.8	-0.6	-0.2	-0.4	-0.3	-0.2	-0.2
Heatmasters	0.0	-0.3	-0.3	-0.2	-0.2	-0.3	-0.2	0.1
Others	-0.8	-0.8	-0.7	-0.6	-0.8	-0.8	-1.5	-0.8
Group in total	2.9	0.7	2.9	2.7	3.0	1.5	3.1	1.0

Net sales and EBIT for discontinued operations for the year 2015 have been included in row Eliminations/Others.

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 seven investments with majority holdings. Grano Oy is the most versatile expert of content services in Finland. Heatmasters Group offers heat treatment services for metals in Finland and internationally, and 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. KotiSun Oy is Finland’s leading company in service water, heating and sewer network building technology renovations for houses. Megaklinikka Oy is a company providing health care services and ERP system for healthcare providers. Suomen Helakeskus Oy is a major wholesaler of furniture fittings in Finland. Selog Oy is a specialty supplier and wholesaler of ceiling materials.