panostaja

Q3

INTERIM REPORT
November 2016–July 2017
September 7, 2017

PANOSTAJA OYJ INTERIM REPORT

Continuing growth in many fields

May 1, 2017–July 31, 2017 (3 months)

- KotiSun continued its growth during the review period, its net sales increasing by 20% from the corresponding period last year.
- Grano's net sales for the review period increased by 11% from the corresponding period last year. EBIT weakened from MEUR 1.6 to MEUR 1.4.
- Grano continued the implementation of its corporate acquisition strategy, concluding two acquisitions during the review period and two more after the period’s end. The most significant of the acquisitions was Lönnberg Painot Oy in September.
- Net sales increased in six of seven investments. Net sales for the review period increased by 12% to MEUR 44.0 (MEUR 39.3).
- EBIT improved in four of seven investments, and the entire Group’s EBIT remained at the level of the reference period, standing at MEUR 2.7 (MEUR 2.7).
- Earnings per share (undiluted) were 1.5 cents (1.2 cents)

November 1, 2016–July 31, 2017 (9 months)

- Net sales increased in six of seven investments. Net sales for the review period increased by 13% to MEUR 134.3 (MEUR 118.5).
- EBIT increased in five of seven investments, and EBIT of the Group decreased from MEUR 7.2 to MEUR 6.3.
- During the review period, Takoma’s cash position became critical, and the company filed for bankruptcy. From this, Panostaja recorded a MEUR 2.0 loss.
- Earnings per share (undiluted) were -3.3 cents (3.9 cents) The additional purchase price of Flexim Security Oy is included in the result of the period.

CEO Juha Sarsama: Continuing growth in many fields

”During the review period, the total net sales of the investments increased by 12% from the corresponding period. The growth took place in many areas, and net sales increased in six of the seven investments. The impact of Grano’s corporate acquisitions remained an important factor affecting growth in net sales.

EBIT, on the other hand, remained at the level of the reference period, although we were able to improve profitability in many investment targets. Megaklinikka and Heatmasters, which have been recording poor results, were both successful in improving their performance significantly in the review period. However, Grano’s level of profitability remained weaker than expected, which lowered profitability as a whole. We will continue to implement measures to improve Grano’s profitability and ensure an upturn in Megaklinikka’s result.

Grano implemented a substantial round of consolidations during the summer as a result of the four corporate acquisitions, the most important of which was the procurement of Lönnberg Painot Oy after the end of the review period at the beginning of September. The corporate acquisitions represented an important step in furthering Grano’s strategy and strengthening its market position, but they also postponed the implementation of the necessary streamlining measures identified within the company. Now that the acquisitions have been conducted, Grano has initiated measures to carry out integrations and improve its cost structure.

Activity on the corporate acquisition market has continued on a good level, and the supply of new investments has been active. We will continue to explore new investment targets, but we also feel that the active market situation provides an excellent opportunity to investigate a number of divestment opportunities."

Investments 3 months

Grano

Grano is Finland's leading content and marketing services company

Grano's net sales for the review period were MEUR 23.1, growth from the corresponding period being 11%. 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 1.4 from MEUR 1.6 in the reference period.

During the review period, there were considerable differences in the development of the net sales of the various services – there was clear growth in marketing logistics, large prints and digital color prints, whereas a decline could be seen in relation to offset and digital black-and-white prints. As a whole, the demand for Grano has perked up, but there are still significant monthly fluctuations.

In the third quarter, EBIT was weaker than expected. The sales distribution in the review period continued to favor products with a lower margin, and the share of external services was significant. The company has started a campaign to promote awareness of their brand, which increases their investment in marketing and weighs down their result. Development expenses especially for the development of digital services have been high in the review period. Moreover, the corporate acquisitions implemented resulted in some one-time items for the period.

During the summer, Grano continued consolidations in its sector and purchased the share capital of Kuopion Neon2 Oy and Finepress Oy over the course of the review period and the operations of Brand Factory Finland and the share capital of Lönnberg Painot Oy thereafter. Lönnberg Painot Oy expanded its operations through a corporate acquisition earlier this year – Lönnberg Painot Group's six-month pro forma net sales for January 1, 2017–June 31, 2017 stood at approx. MEUR 17.3 while the operating margin was MEUR 1.7. These acquisitions make Grano the clear market leader in the large print and offset segment. This also adds packing production to Grano's offering and strengthens the selection of point-of-sale marketing. The corporate acquisitions also bolster Grano's market position particularly in Western Finland and the Helsinki Metropolitan Area.

After the acquisitions, Grano has initiated integration measures. In addition to this, the plan is to improve production efficiency through the centralization of operations, among other arrangements. The integrations and development programs may result in one-time cost items for the next quarter. The corporate acquisitions will also cause one-time items for the last quarter.

MEUR	3 months 5/17–7/17	3 months 5/16–7/16	9 months 11/16–7/17	9 months 11/15–7/16	12 months 11/15–10/16
Net sales, MEUR	23.1	20.8	71.8	65.4	88.2
EBIT, MEUR	1.4	1.6	4.4	5.9	7.8
Net liabilities	41.9	36.2	41.9	36.2	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 9.5, growth from the corresponding period being 20%. As earlier in the year, growth was strong particularly in the sewer business. The sale of water and heating network renovations and Kotivo did not develop quite as expected.

EBIT for the review period decreased to MEUR 1.1 from MEUR 1.4 in the reference period. The value is partly weighed down by equipment depreciations that have increased heavily due to the expansion of business (growth of MEUR 0.5), as well as the launching of Kotivo and the new business in Sweden.

Overall, the market situation in the review period was good. In Sweden, the market seems favorable and the reception has been good. In the review period, the sales of the Kotivo business went through a slower period due to the holiday season.

MEUR	3 months 5/17–7/17	3 months 5/16–7/16	9 months 11/16–7/17	9 months 11/15–7/16	12 months 11/15–10/16
Net sales, MEUR	9.5	7.9	30.0	22.0	31.9
EBIT, MEUR	1.1	1.4	4.2	3.9	5.8
Net liabilities	12.1	8.3	12.1	8.3	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 3.5, growth from the corresponding period being 9%. EBIT stood at MEUR 0.3, which was an improvement of MEUR 0.1 from the previous year. The growth is largely a result of sales development in the new operating locations and Volvo spare parts.

Demand in the review period was satisfactory. As in recent years, repair shop customers kept their businesses closed due to the summer holidays, which had an obvious impact on sales. The increased consumer confidence promises improvements in demand, but the economic trends will take some time to begin affecting this field.

With the development of the Service Partner network, the cooperation with many old customers has been invigorated through marketing and training, and more and more new and growing customer accounts have been gained.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/17–7/17	5/16–7/16	11/16–7/17	11/15–7/16	11/15–10/16
Net sales, MEUR	3.5	3.2	9.9	9.6	13.0
EBIT, MEUR	0.3	0.2	0.7	0.7	1.0
Net liabilities	0.9	1.7	0.9	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 2.9, growth from the corresponding period being 4%. EBIT stood at MEUR 0.3, which was an improvement of MEUR 0.1 from the previous year.

As a whole, construction has developed favorably and the demand has been good in the review period. The customers seem to have a sufficient amount of work.

MEUR	3 months	3 months	9 months	9 months	12 months
	5/17–7/17	5/16–7/16	11/16–7/17	11/15–7/16	11/15–10/16
Net sales, MEUR	2.9	2.8	8.0	7.6	10.3
EBIT, MEUR	0.3	0.2	0.5	0.5	0.7
Net liabilities	0.3	0.4	0.3	0.4	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 2.2, which was a 4% decrease from the reference period. EBIT remained at MEUR 0.2, i.e. at the level of the corresponding period last year.

The kitchen and bathroom industry and project construction in particular provide a solid foundation for the demand for the company's products and services. The Finnish furniture industry, on the other hand, remains in dire straits. In some areas, competition has become fiercer.

As was agreed beforehand, the company reclaimed the shares of the acting management during the review period, increasing Panostaja's shareholding to 100% at the end of the period.

MEUR	**3 months**	**3 months**	**9 months**	**9 months**	**12 months**
	5/17–7/17	5/16–7/16	11/16–7/17	11/15–7/16	11/15–10/16
Net sales, MEUR	2.2	2.3	6.7	7.4	9.8
EBIT, MEUR	0.2	0.2	0.4	0.1	0.3
Net liabilities	5.8	5.4	5.8	5.4	5.5
Panostaja's holding	100.0%				

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 41%. This is due to business growth in Finland and the Stockholm clinic, which was opened at the end of the previous financial period but sold during the review period. EBIT increased from MEUR -0.2 in the reference period to MEUR -0.0.

The situation in the basic health care market of Helsinki has continued to be challenging, and visits to private dental clinics dropped by 15% from the corresponding period last year. However, during the review period, the company was successful in increasing the net sales of the Kamppi clinic in relation to the reference period. The licensing business has grown steadily, and one new agreement was concluded with the City of Pori during the review period.

Over the course of the period, Megaklinikka also forged 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 did not have a significant effect on the company's result.

The company’s strategy was revised in conjunction with the sale of the Swedish clinic. In accordance with the revised strategy, expansion into international markets will be conducted in collaboration with partners, meaning that the company will no longer establish new clinics on its own. As a result of the strategic shift, Megaklinikka is aiming for substantial international growth in the licensing business. The goal is to secure new chains of private dental clinics, in addition to Aqua Dental, as customers and also gain licensing customers in the public sector in select markets.

In Finland, the company’s goal is to continue expanding the licensing business – the number of potential municipal customers with sufficient patient numbers is approximately 30. In terms of customer numbers, many of these providers could use the Megaklinikka system in more than one unit. The prospects for expanding the licensing business in Finland are good.

The company’s competitive advantage is formed by process expertise in health care and the development of information systems as part of daily operational activities. As a result, the dental clinic in Helsinki will continue to play a pivotal role as the centre of the company’s operational development.

MEUR	3 months 5/17–7/17	3 months 5/16–7/16	9 months 11/16–7/17	9 months 11/15–7/16	12 months 11/15–10/16
Net sales, MEUR	1.6	1.1	4.6	3.4	4.7
EBIT, MEUR	0.0	-0.2	-1.5	-0.9	-1.5
Net liabilities	5.4	4.2	5.4	4.2	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 4%. EBIT was marginally positive, with an increase of MEUR 0.2 from the reference period.

Demand for heat treatment services in Finland and Poland increased in the review period. Heatmasters has confirmed its involvement in the most significant process plant outages in the fall season, and the peak in project implementation will take place in the last quarter of the financial period. However, very few larger projects are currently slated for the winter season.

In the equipment segment, net sales for the period fell short of expectations as some customer deliveries were moved to the last quarter of the year.

MEUR	3 months 5/17–7/17	3 months 5/16–7/16	9 months 11/16–7/17	9 months 11/15–7/16	12 months 11/15–10/16
Net sales, MEUR	1.3	1.2	3.5	3.2	4.5
EBIT, MEUR	0.0	-0.2	-0.3	-0.7	-1.0
Net liabilities	0.9	0.4	0.9	0.4	0.6
Panostaja's holding	80.0%				

FINANCIAL DEVELOPMENT November 1, 2016–July 31, 2017

MEUR	Q3	Q3	9 months	9 months	12 months
	5/17–7/17	5/16–7/16	11/16–7/17	11/15–7/16	11/15–10/16
Net sales, MEUR	44.0	39.3	134.3	118.5	162.3
EBIT, MEUR	2.7	2.7	6.3	7.2	10.1
Profit before taxes, MEUR	2.3	2.2	5.0	5.8	8.3
Profit/loss for the financial period, MEUR	1.8	1.7	1.5	6.2	9.2
Earnings per share, undiluted (EUR)	0.02	0.01	-0.03	0.04	0.07
Equity per share (EUR)	0.53	0.73	0.53	0.73	0.77
Operating cash flow (MEUR)	1.9	0.5	7.9	5.0	9.6

MAY 2017–JULY 2017

Net sales for the review period increased by 12% and were MEUR 44.0 (MEUR 39.3). The impact of the corporate acquisitions on the MEUR 4.7 growth in net sales stood at MEUR 2.4. Exports amounted to MEUR 1.1, or 2.5%, (MEUR 0.6, or 1.5%) of net sales. Net sales increased in six of seven investments.

EBIT remained the same at MEUR 2.7. EBIT improved in four of the seven investment targets. The development of net sales and EBIT for each of our investments has been commented on separately.

The profit for the review period was MEUR 1.8 (MEUR 1.7). The result of the corresponding period includes the additional selling price of MEUR 0.5 (after taxes and expenses) regarding the selling of Flexim Security.

NOVEMBER 2016–JULY 2017

Net sales for the review period increased by 13% and were MEUR 134.3 (MEUR 118.5). The impact of the corporate acquisitions on the MEUR 15.8 growth in net sales stood at MEUR 7.1. Exports amounted to MEUR 3.6, or 2.7%, (MEUR 2.6, or 2.1%) of net sales. Net sales increased in six of seven investments.

EBIT weakened from MEUR 7.2 to MEUR 6.3. EBIT improved in five of the seven investments. The development of net sales and EBIT for each of our investments has been commented on separately.

The profit for the review period was MEUR 1.5 (MEUR 6.2). The result of the corresponding period includes the additional selling price of MEUR 3.7 (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 126.8 and the EBIT was MEUR 6.4.

Division of the net sales by segment MEUR	Q3	Q3	9 months	9 months	12 months
Net sales	**5/17–7/17**	**5/16–7/16**	**11/16–7/17**	**11/15–7/16**	**11/15–10/16**
Grano	23.1	20.8	71.8	65.4	88.2
KotiSun	9.5	7.9	30.0	22.0	31.9
KL-Varaosat	3.5	3.2	9.9	9.6	13.0
Selog	2.9	2.8	8.0	7.6	10.3
Helakeskus	2.2	2.3	6.7	7.4	9.8
Megaklinikka	1.6	1.1	4.6	3.4	4.7
Heatmasters	1.3	1.2	3.5	3.2	4.5
Others	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	-0.1	-0.1	-0.1	-0.1
Group in total	44.0	39.3	134.3	118.5	162.3

Division of EBIT by segment MEUR	Q3	Q3	9 months	9 months	12 months
EBIT	**5/17–7/17**	**5/16–7/16**	**11/16–7/17**	**11/15–7/16**	**11/15–10/16**
Grano	1.4	1.6	4.4	5.9	7.8
KotiSun	1.1	1.4	4.2	3.9	5.8
KL-Varaosat	0.3	0.2	0.7	0.7	1.0
Selog	0.3	0.2	0.5	0.5	0.7
Helakeskus	0.2	0.2	0.4	0.1	0.3
Megaklinikka	0.0	-0.2	-1.5	-0.9	-1.5
Heatmasters	0.0	-0.2	-0.3	-0.7	-1.0

Others	-0.7	-0.6	-2.3	-2.2	-2.9
Group in total	2.7	2.7	6.3	7.2	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 0.1 (MEUR 0.0), which is presented on a separate row in the consolidated income statement.

PERSONNEL

	July 31, 2017	July 31, 2016	Change
Average number of employees	1,468	1,302	13%
Employees at the end of the review period	1,502	1,364	10%

Employees in each segment at the end of the review period	July 31, 2017	July 31, 2016	Change
Grano	894	763	17%
KotiSun	379	277	37%
KL-Varaosat	46	51	-10%
Selog	14	14	0%
Takoma	0	84	-100%
Helakeskus	24	26	-8%
Megaklinikka	91	90	1%
Heatmasters	45	50	-10%
Others	9	9	0%
Group in total	1,502	1,364	10%

At the end of the review period, Panostaja Group employed a total of 1,502 persons, while the average number of personnel during the period was 1,468. 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 5.2. 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 7.9 (MEUR 5.0). Liquidity remained good. The Group's liquid assets were MEUR 12.2 (October 31, 2016: MEUR 26.6) and interest-bearing net liabilities were MEUR 70.8 (October 31, 2016: MEUR 50.1). Net gearing increased and was 121.1% (October 31, 2016: 70.4%). The rise in net gearing resulted primarily from distribution of dividends during the review period and the payment of the hybrid loan. The Group's net financial expenses for the review period were MEUR -1.4 (MEUR -1.5), or 1.1% (1.3%) of net sales.

The Group's gross capital expenditure for the review period was MEUR 18.4 (MEUR 7.0), or 13.7% (5.9%) of net sales. Investments were mainly targeted at corporate acquisitions as well as tangible and intangible assets.

Financial position MEUR	**July 31, 2017**	**July 31, 2016**	**October 31, 2016**
Interest-bearing liabilities	86.8	81.3	80.9
Interest-bearing receivables	3.7	4.2	4.3
Cash and cash equivalents	12.2	27.5	26.6
Interest-bearing net liabilities	70.8	49.6	50.1
Equity (belonging to the parent company's shareholders as well as minority shareholders)	58.5	67.6	71.1
Gearing ratio, %	121.1	73.4	70.4
Equity ratio, %	33.1	37.3	38.1
Return on equity, %	3.2	11.9	13.1
Return on investment, %	5.8	10.0	9.4

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 reorganization programme, so the assumptions on profitability and financing that the reorganization programme were based on did not realise. As a result of the heavy decline on demand in the 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 insufficient. 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 the 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 0.87 (highest quotation) during the third quarter. During the review period, a total of 1,239,146 shares were exchanged, which amounts to 2.4% of the share capital. The share closing rate of April 2017 was EUR 0.85. The market value of the company's share capital at the end of July 2017 was MEUR 44.2 (MEUR 46.8). At the end of July 2017, the company had 3,991 shareholders (3,615).

Development of share exchange	3Q/2017	3Q/2016	1–3Q/2017	1–3Q/2016	2016
Shares exchanged, 1,000 pcs	1,239	1,644	5,793	4,951	5,959
% of share capital	2.4	3.2	11.1	9.6	11.5

Share	July 31,	July 31,	2016
Shares in total, 1,000 pcs	52,533	52,533	52,533
Own shares, 1,000 pcs	484	368	355
Closing rate	0.85	0.89	0.92
Market value (MEUR)	44.2	46.8	48.3
Shareholders	3,991	3,615	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 Authorized 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 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 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 authorized to decide at its discretion on the potential distribution of assets to shareholders should the company's financial status permit this, either as dividends or as repayment of capital from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals EUR 4,700,000. The authorization includes the right of the Board to decide on all other terms and conditions relating to said asset distribution. The authorization will remain valid until the beginning of the next Annual General Meeting. The General Meeting granted exemption from liability to the members of the Board and to the CEO.

The General Meeting resolved that the remuneration of the Board of Directors remain unchanged and that the Chairman of the Board be paid EUR 40,000 as compensation for the term ending at the end of the next Annual General Meeting, and that the other members of the Board each be paid compensation of EUR 20,000. It was further resolved at the General meeting that approximately 40% of the compensation remitted to the members of the Board be paid on the basis of the share issue authorization given to the Board, by issuing company shares to each Board member if the Board member does not own more than one (1) per cent 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 per cent (1%) of all company shares, the compensation will be paid in full in monetary form. It was further resolved that the travel expenses of the Board members will be paid on the maximum amount specified in the valid grounds of payment of travel expenses ordained by the Finnish Tax Administration.

In addition, the Board was authorized to decide on the acquisition of the company's shares in one or more instalments so that the number of the company's own shares acquired may not exceed 5,200,000 in total, which corresponds to about 9.9% of the company's total stock of shares. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The company's own shares may be acquired at the date-of-acquisition price in public trading arranged by NASDAQ Helsinki Oy or otherwise at the prevailing market price. The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired while not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting of 2 February 2016 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization remains valid until 31 July 2018.

It was resolved at the General Meeting in accordance with 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 authorized 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 the company's own shares held by the company, the total amount of the 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 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 484,466 (at the beginning of the financial period 355,183). The number of the company's own shares corresponded to 0.9% 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 December 12, 2016, the company relinquished to the Board members a total of 13,187 shares, on March 2, 2017, a total of 13,954 shares, and on June 2, 2017, a total of 14,286 shares as meeting compensation.

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. Equity hybrid loan was repaid on 29 May 2017.

EVENTS AFTER THE REVIEW PERIOD

On August 18, 2017, Panostaja Oyj released a statement indicating that its subsidiary Grano Group Oy had signed an agreement on the acquisition of the entire share capital of Lönnberg Painot Oy, a company providing printing services. The trade was made binding to both parties on September 1, 2017.

On September 1, 2017, Panostaja Oyj released a statement indicating that Grano will be commencing employer-employee negotiations on September 6, 2017, with regard to all Grano Group operations. According to a preliminary estimate, the reorganizations may lead to the full-time or part-time lay-off or dismissal of up to 150 people. The negotiations will also cover changes in job descriptions. In the event that any measures are taken, the aim is to implement them by March 31, 2018.

DISPUTE PROCEEDINGS DURING THE FINANCIAL PERIOD

In the second quarter of the financial period, Assa Abloy Oy put forward a claim against Panostaja and other former Flexim Security Oy owners for a discount on the purchase price based on the seller policies of the contract of sale of June 4, 2015. The total value of the claim was approx. MEUR 1.9. According to Panostaja, the claim was unwarranted.

During the third quarter of the period, Assa Abloy Oy dropped the claim in its entirety and the matter is now undisputed.

MARKET PROSPECTS

The economic situation and atmosphere in Finland have continued to develop in a positive way. The foundation of financial growth is expanding to include exports alongside domestic demand. In addition to this, the exceptionally light economic and monetary policy supports investments. The perking up of the market situation has been most visible in our investments serving construction, but there have been brighter views on a larger scale as well. However, due to the threats related to political risks and the 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 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 the global economic situation, political risks, changes in the 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 an unusually high level of uncertainty. The prospects of Panostaja's various investments vary from good to weak. Panostaja regularly assesses the risks for each investment and, based on the updated risk assessment, takes the necessary remedial action.

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

Financial risks: As a consequence of its operations, the Group is exposed to many financial risks. The aim of risk management is to limit the adverse effects of changes in financial markets on the result and financial development of the Group. The Group's revenue and operative cash flows are mainly independent of fluctuations in market interest rates. 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, and 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 a significant decrease in profitability. Investments strive to prepare themselves for the changes in demand by maintaining an adjustment plan as part of their yearly planning. Panostaja has also specified an operating model for restoring the financial performance, which is applied if the deviation from performance is significant. The implementation of development projects that are part of the development of the operations of the investments also involves risks that can lead to not achieving the desired benefits on time. For these development projects, Panostaja has developed a process and tools that aim to ensure the 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. Divestment 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, KL-Varaosat and Heatmaster will remain satisfactory
- Demand for Megaklinikka will remain weak

Panostaja Oyj

Board of Directors

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

Panostaja Oyj

Juha Sarsama

CEO

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

ACCOUNTING PRINCIPLES

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

The information in the interim report has not been audited.

INCOME STATEMENT **EUR 1,000**	**3 months**	**3 months**	**9 months**	**9 months**	**12**
	5/17–7/17	5/16–7/16	11/16-7/17	11/15–7/16	11/15–10/16

Net sales	44,017	39,295	134,300	118,473	162,277
Other operating income	288	85	747	1,138	1,370
Costs in total	41,620	36,711	128,770	112,384	153,512
Depreciations, amortisations and impairment	2,622	1,679	6,698	4,932	6,722
EBIT	2,685	2,669	6,278	7,228	10,135
Financial income and expenses	-508	-487	-1,423	-1,515	-1,933
Share of associated company profits	107	60	165	78	107
Profit before taxes	2,284	2,242	5,020	5,792	8,309
Income taxes	-439	-763	-1,050	-2,415	-1,498
Profit/loss from continuing operations	1,845	1,479	3,970	3,377	6,811
Profit/loss from sold operations	0	542	0	3,742	3,750
Profit/loss from discontinued operations	0	-340	-2,429	-959	-1,341
Profit/loss for the financial period	1,845	1,680	1,542	6,160	9,221
Attributable to					
Shareholders of the parent company	811	781	-1,410	2,462	4,154
Minority shareholders	1,034	899	2,952	3,698	5,067
Earnings per share from continuing operations EUR, undiluted	0.015	-0.005	0.013	0.029	0.034
Earnings per share from continuing operations EUR, diluted	0.015	-0.005	0.013	0.029	0.034
Earnings per share from discontinued operations EUR, undiluted	0.000	0.017	-0.047	0.010	0.034
Earnings per share from sold operations EUR, diluted	0.000	0.017	-0.047	0.010	0.034
Earnings per share from continuing and discontinued operations EUR, undiluted	0.015	0.012	-0.033	0.039	0.068
Earnings per share from continuing and discontinued operations EUR, diluted	0.015	0.012	-0.033	0.039	0.068
EXTENSIVE INCOME STATEMENT					
Items of the extensive income statement	1,845	1,680	1,542	6,160	9,221

Translation differences	-36	8	-36	8	41
Extensive income statement for the period	1,809	1,688	1,506	6,168	9,262
Attributable to					
Shareholders of the parent company	775	789	-1,446	2,470	4,195
Minority shareholders	1,034	899	2,952	3,698	5,067

BALANCE SHEET

EUR 1,000	July 31, 2017	July 31, 2016	October 31, 2016
ASSETS			
Non-current assets			
Goodwill	81,266	78,874	78,406
Other intangible assets	10,140	9,776	9,673
Property, plant and equipment	17,697	12,005	13,308
Interests in associated companies	3,974	3,731	3,759
Deferred tax assets	7,568	5,924	6,974
Other non-current assets	7,441	7,666	7,538
Non-current assets total	128,086	117,976	119,659
Current assets			
Stocks	11,023	11,025	11,043

Trade receivables and other non-interest-bearing receivables	25,836	25,446	30,004
Financial assets at fair value through profit and loss	0	0	0
Cash and cash equivalents	12,240	27,476	26,573
Current assets total	49,099	63,948	67,620
ASSETS IN TOTAL	**177,184**	**181,924**	**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	13,314	13,248	13,260
Equity convertible loan	0	7,390	7,390
Translation difference	-148	-132	-124
Retained earnings	4,231	6,991	9,277
Total	27,613	37,711	40,017
Minority interest	30,877	29,871	31,128
Equity total	58,490	67,582	71,145
Liabilities			
Imputed tax liabilities	2,995	1,622	2,611
Non-current liabilities	78,681	75,234	65,970
Current liabilities	37,018	37,486	47,553
Liabilities total	118,695	114,341	116,134
EQUITY AND LIABILITIES IN TOTAL	**177,184**	**181,924**	**187,279**

CASH FLOW STATEMENT

EUR 1,000	July 31, 2017	July 31, 2016	October 31, 2016
Operating net cash flow	7,883	5,023	9,647
Investment net cash flow	-17,151	-1,609	1,296
Loans drawn	11,645	30,574	31,550
Loans repaid	-12,183	-29,349	-31,323
Share issue	1,200	581	325
Disposal of own shares	54	65	658
Dividends paid and capital repayments	-5,785	-8,410	-9,580
Finance net cash flow	-5,069	-6,539	-8,370
Change in cash flows	-14,337	-3,125	2,572

EUR 1,000	Share capital	Premium fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Other funds	Minority shareholders' interest	Total
Equity November 1, 2015	5,569	4,646	12,602	-124	7,816	7,390	32,001	69,900
Profit for the financial period					2,459		3,701	6,160
Profit and costs recorded during the financial period, total					2,459		3,701	6,160
Share issue			581					581
Dividends paid					-2,562			-2,562
Dividends paid for minority shareholders							-5,850	-5,850
Repayment of capital								
Interest on equity convertible					-731			-731

loan								
Disposal of own shares			65					65
Reward scheme								
Translation differences				-8	16			8
Other changes								
Selling of shares of subsidiaries owned resulting in loss of controlling interest							-96	-96
Share of minority shareholders resulted from the acquisition of subsidiaries							118	118
Acquisitions of minority shareholdings					-10		-3	-13
Other changes in equity, total			646	-8	-3,287		-5,828	-8,477
July 31, 2016	5,569	4,646	13,248	-123	6,988	7,390	29,874	67,582
Equity November 1, 2016	5,569	4,646	13,260	-124	9,277	7,390	31,128	71,145
Profit for the financial period					-1,410		2,952	1,542
Profit and costs recorded during the financial period, total					-1,410		2,952	1,542
Share issue								
Dividends paid					-2,081			-2,081
Dividends paid for minority shareholders							-3,378	-3,378
Capital repayment							-558	-558
Interest on equity convertible loan					-731			-731
Disposal of own shares			54					54

Reward scheme						11			11
Translation differences					-24	-12			-36
Other changes						69	-7,390		-7,321
Share of minority shareholders resulted from the acquisition of subsidiaries						-61		-54	-115
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						223		969	1,192
Acquisitions of minority shareholdings						-1,054		-783	-1,837
Other changes in equity, total				54	-24	-3,636	-7,390	-3,202	- 14,198
Equity									
July 31, 2017	5,569	4,646		13,314	-148	4,231	0	30,878	58,490

KEY FIGURES

EUR 1,000	July 31, 2017	July 31, 2016	October 31, 2016
Equity per share (EUR)	0.53	0.73	0.77
Earnings per share, undiluted (EUR)	-0.05	0.03	0.07
Earnings per share, diluted (EUR)	-0.05	0.00	0.07
Average number of outstanding shares during financial period, 1,000 pcs.	52,212	51,589	51,735
Number of shares at end of financial period, 1,000 pcs.	52,533	52,533	52,533
Share issues during financial period, 1,000 pcs		581	581

Number of shares, 1,000 pcs, on average, diluted	52,212	51,589	51,735
Return on equity, %	3.2	11.9	13.1
Return on investment, %	5.8	9.3	9.4
Gross capital expenditure In permanent assets, MEUR	18.4	7.0	10.9
% of net sales	13.7%	5.9%	6.3%
Interest-bearing liabilities	86.8	81.3	80.9
Equity ratio, %	33.1	37.3	38.1
Average number of employees	1,468	1,302	1,337

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

GROUP DEVELOPMENT BY QUARTER
MEUR

MEUR	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15
Net sales	44.0	46.6	43.7	43.8	39.3	41.6	37.6	44.1
Other operating income	0.3	0.2	0.3	0.2	0.1	0.6	0.5	0.4
Costs in total	41.6	43.9	43.3	41.1	36.7	39.2	36.5	41.3
Depreciations, amortisations and impairment	2.6	2.1	1.9	1.8	1.7	1.7	1.6	2.0
EBIT	2.7	2.9	0.7	2.9	2.7	3.0	1.5	3.1
Finance items	-0.5	-0.4	-0.5	-0.4	-0.5	-0.4	-0.6	-1.9
Share of associated company profits	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.2
Profit before taxes	2.3	2.5	0.2	2.5	2.2	2.7	0.9	1.4
Taxes	-0.4	-0.3	-0.3	0.9	-0.8	-1.1	-0.6	2.3
Profit from continuing operations	1.8	2.2	-0.1	3.4	1.5	1.6	0.3	3.7
Profit/loss from sold operations	0.0	0.0	0.0	0.0	0.5	1.6	1.6	9.8

Profit/loss from discontinued operations	0.0	-2.1	-0.4	-0.4	-0.3	-0.4	-0.2	0.0
Profit for the financial period	1.8	0.2	-0.5	3.1	1.7	2.8	1.6	13.5
Minority interest	1.0	1.6	0.3	1.4	0.9	1.5	1.3	4.3
Parent company shareholder interest	0.8	-1.4	-0.8	1.7	0.8	1.3	0.4	9.2

GUARANTEES GIVEN

	July 31, 2017	July 31, 2016	October 31, 2016
Guarantees given on behalf of Group companies			
Enterprise mortgages	74,332	85,082	87,180
Pledges given	128,492	123,687	131,117
Other liabilities	15,348	8,923	12,715
Other rental agreements			
In one year	7,223	5,673	7,096
In over one year but within five years maximum	12,750	11,711	16,202
In over five years	1,354	1,347	2,126
Total	21,328	18,731	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	11/16–7/17	11/15–7/16	11/15–10/16
Grano	71,762	65,351	88,153
KotiSun	29,964	22,045	31,869
KL-Varaosat	9,894	9,611	13,043
Selog	7,954	7,584	10,271
Helakeskus	6,659	7,388	9,822
Megaklinikka	4,616	3,438	4,746
Heatmasters	3,506	3,167	4,498
Others	0	6	8
Eliminations	-54	-118	-132
Group in total	134,300	118,473	162,277

EBIT EUR 1,000	11/16–7/17	11/15–7/16	11/15–10/16
Grano	4,405	5,921	7,838
KotiSun	4,206	3,884	5,778
KL-Varaosat	720	652	1,022
Selog	549	455	651
Helakeskus	387	111	328
Megaklinikka	-1,460	-894	-1,528
Heatmasters	-252	-705	-1,033
Others	-2,278	-2,196	-2,921
Group in total	6,278	7,228	10,135

DEPRECIATIONS EUR 1,000	11/16–7/17	11/15–7/16	11/15–10/16
Grano	-3,794	-3,106	-4,078
KotiSun	-1,908	-731	-1,177
KL-Varaosat	-73	-80	-108

Selog	-153	-151	-202
Helakeskus	-55	-74	-93
Megaklinikka	-503	-548	-737
Heatmasters	-157	-186	-252
Others	-54	-56	-74
Group in total	-6,698	-4,932	-6,722

NET LIABILITIES

EUR 1,000	11/16–7/17	11/15–7/16	11/15–10/16
Grano	41,894	36,196	34,400
KotiSun	12,139	8,341	8,228
KL-Varaosat	874	1,654	1,316
Selog	265	442	235
Helakeskus	5,785	5,400	5,460
Megaklinikka	5,443	4,239	5,085
Heatmasters	882	422	618
Parent company	6,367	-6,747	-8,898
Others	-2,806	-367	3,654
Group in total	70,843	49,580	50,098

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

SEGMENT INFORMATION BY QUARTER

NET SALES, MEUR	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15
Grano	23.1	25.4	23.3	22.8	20.8	23.3	21.2	23.4
KotiSun	9.5	10.4	10.0	9.8	7.9	7.6	6.5	6.8
KL-Varaosat	3.5	3.2	3.2	3.4	3.2	3.3	3.2	3.3
Selog	2.9	2.4	2.6	2.7	2.8	2.5	2.3	2.4
Helakeskus	2.2	2.4	2.1	2.4	2.3	2.8	2.4	2.6
Megaklinikka	1.6	1.6	1.4	1.3	1.1	1.2	1.1	1.2
Heatmasters	1.3	1.3	0.9	1.3	1.2	1.1	0.9	1.3

Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	3.1
Group in total	44.0	46.6	43.7	43.8	39.3	41.6	37.6	44.1

SEGMENT INFORMATION BY QUARTER
EBIT, MEUR

Grano	1.4	2.4	0.6	1.9	1.6	3.0	1.3	3.1
KotiSun	1.1	1.5	1.7	1.9	1.4	1.3	1.2	1.4
KL-Varaosat	0.3	0.2	0.2	0.4	0.2	0.2	0.2	0.3
Selog	0.3	0.1	0.1	0.2	0.2	0.1	0.1	0.1
Helakeskus	0.2	0.2	0.0	0.2	0.2	-0.2	0.1	0.2
Megaklinikka	0.0	-0.6	-0.8	-0.6	-0.2	-0.4	-0.3	-0.2
Heatmasters	0.0	0.0	-0.3	-0.3	-0.2	-0.2	-0.3	-0.2
Others	-0.7	-0.8	-0.8	-0.7	-0.6	-0.8	-0.8	-1.5
Group in total	2.7	2.9	0.7	2.9	2.7	3.0	1.5	3.1

Net sales and EBIT for discontinued operations for 2015 have been included in the 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, as well as produces, develops and markets heat treatment technology. KL-Varaosat is an importer, wholesale dealer and retailer of original spare parts and supplies for Mercedes Benz, BMW and Volvo cars. 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 the ERP system for healthcare providers. Suomen Helakeskus Oy is a major wholesaler of furniture fittings in Finland. Selog Oy is a specialty supplier and wholesaler of ceiling materials.