panostaja

FINANCIAL STATEMENTS

and investor information

2020

2020 FINANCIAL STATEMENTS AND INVESTOR INFORMATION

**FOR THE FINANCIAL PERIOD
NOVEMBER 1, 2019–OCTOBER 31, 2020**

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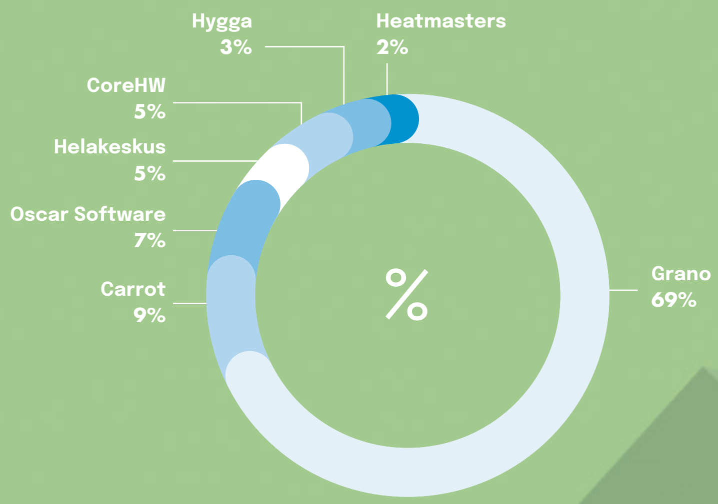
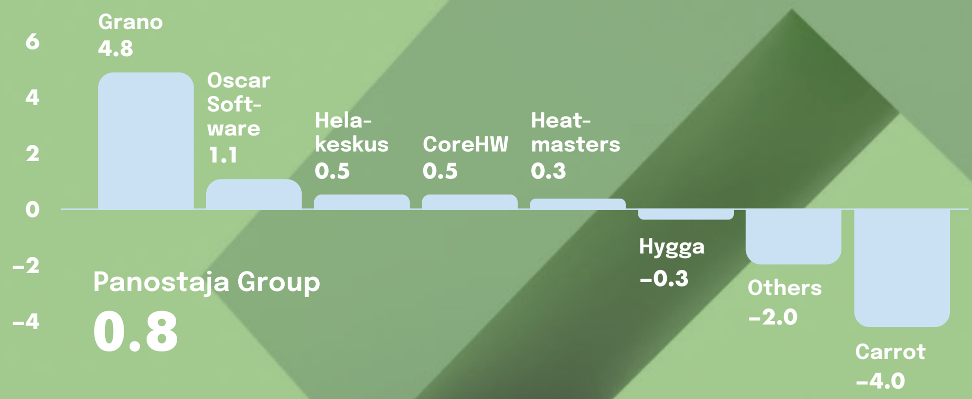
DISTRIBUTION OF NET SALES



DISTRIBUTION OF EBIT

MEUR



PANOSTAJA GROUP

NET SALES
159 M€

PROFIT FOR THE FINANCIAL PERIOD
-3.4 M€

PERSONNEL
1,558

	October 31, 2020	October 31, 2019
Net sales, MEUR	159.0	182.9
EBIT, MEUR	0.8	3.8
Profit before taxes, MEUR	-1.8	1.9
Profit/loss from continuing operations, MEUR	-3.0	0.6
Profit/loss from sold or discontinued operations, MEUR	-0.4	2.0
Profit/loss for the financial period, MEUR	-3.4	2.5
Earnings per share, undiluted (EUR)	-0.08	0.03
Equity per share (EUR)	0.82	0.96

Annual Report of Panostaja Oyj's Board of Directors

THE GROUP'S ECONOMIC DEVELOPMENT

Panostaja Group's net sales for the finished review period were MEUR 159.0 (MEUR 182.9).

Exports amounted to MEUR 9.1, or 5.8% (MEUR 8.2, or 4.0%), of net sales.

Two of the seven segments exceeded the cumulative net sales level of the reference period. The most significant factors resulting in the decline in net sales were the market uncertainty and decreased demand due to the coronavirus pandemic, which began in the second quarter. The coronavirus outbreak had a particularly notable impact on the demand for Grano's print products.

EBIT declined and was MEUR 0.8 (MEUR 3.8). The profit/loss for the review period is encumbered by the MEUR 3.3 goodwill impairment loss of the Carrot segment. As regards Grano, net sales for the review period dropped mostly as a result of the decline in demand as a result of the coronavirus pandemic. On the other hand, Grano and the other Panostaja companies conducted cost adaptation measures through layoffs and cutbacks to lessen the negative impacts caused by the pandemic. The Group's profit/loss for the reference period includes Grano's MEUR 1.0 cost provision related to employer-employee negotiations and the MEUR 0.9 impairment linked to restructuring measures related to ERP systems as well as sales profit for Ecosir Group in the amount of MEUR 1.6. Five of the seven segments exceeded the reference period EBIT.

The loss from discontinued operations was MEUR -0.4. The consolidated income statement does not include the income statement for operations sold in 2019. Instead, the result is entered separately in the consolidated income statement under 'Profit/loss from sold or discontinued operations.'

The Group's net financial expenses for the review period were MEUR -2.8 (MEUR -2.1). The Group's liquidity improved, and operating cash flow was MEUR 23.6 (MEUR 10.8).

During the financial year, the Group employed an average of 1,728 (1,969) people. At the end of the financial period, the Group employed 1,558 (1,895) persons.

The net sales of the parent company, Panostaja Oyj, amounted to MEUR 0.0 (MEUR 0.0). The EBIT loss for the review period was MEUR -2.0 (MEUR 2.9). The parent company's loss in the financial period was MEUR -4.4 (profit of MEUR 4.4).

IMPACTS OF COVID-19

The impacts of the coronavirus pandemic on the business operations of Panostaja and its segments started in mid-March with the pandemic itself and the lockdown and restriction measures implemented to prevent its propagation began to eat into demand and cause general uncertainty. Global and domestic forecasts regarding economic growth have declined significantly after the onset of the pandemic. Panostaja and its segments instituted a number of measures to safeguard their staff immediately after the outbreak.Remote work arrangements and restrictions on meetings were implemented where possible. In addition to this, the companies have responded to the decreased demand through cutbacks and layoffs. The companies have also implemented a wide range of measures to secure funding in the event that the crisis persists. These measures include flexibility in terms of funding, such as postponing loan payments, utilizing the full extent of the payment terms of fiscal payments, and active efforts to repatriate any receivables.

Panostaja tests intangible and tangible assets for impairment whenever there are signs that their value may have decreased. Goodwill and other intangible assets with infinite useful life are tested for impairment at least once a year. For the purposes of the testing, goodwill and intangible assets with infinite useful life are allocated to cash-generating units. The amount recoverable by cash-generating units is based on calculations of service value. Formulating these calculations requires the use of estimates. Panostaja has recognized the impairment risk with regard to certain segments and prepared estimates on their future prospects. Based on these calculations, a goodwill impairment of MEUR 3.3 was recorded for the Carrot segment.

GROUP STRUCTURE

TILATUKKU

On April 9, 2020, Panostaja signed an agreement on selling the majority of Tilatukku Group Oy's share capital to the company's acting management. Panostaja's holding in Tilatukku Group Oy has been 60%. The trade involved Panostaja relinquishing its ownership in the company entirely. After the trade, Tilatukku Group continued to operate as an independent company with Tomi Pirinen as its CEO.

PANOSTAJA GROUP'S BUSINESS SEGMENTS

Panostaja Group's segmentation is based on investment targets in majority ownership. The investment targets are also monitored as separate business operations. 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. Panostaja Group's business segments are Grano, Helakeskus, Hygga, Heatmasters, CoreHW, Carrot, Oscar Software and Others. The Group's segment reporting is based on its business segments.

GRANO

Grano is the most versatile content service specialist in Finland, providing marketing and communications solutions that promote the customers' sales, brand and profit – everything from digital to print services. The company's services cover all content projects that support business from start to finish, from creative design to production, publication, result measurement and asset management – across all digital and print channels essential to the customer's target audience. Grano provides its services in more than 20 localities in Finland. The company's head office is located in Helsinki. It also operates in Tallinn. Pekka Mettälä serves as the Group's CEO. At the end of the review period, Panostaja's shareholding in the Group stood at 55.2%.

During the financial year 2020, demand for Grano's services varied significantly between quarters and product areas. Starting from March, the clear drop in demand due to the coronavirus pandemic dragged the order volumes down. In the fourth quarter, the demand recovered compared to the previous quarter. During the review period, the strongest growth was demonstrated by the packaging and labelling business, translation services, electronic document management solutions and illuminated advertisements. The net sales for traditional sheet printing product groups lagged roughly 25% behind the reference year's level. The drop in demand in the large-scale print line was compensated by means of alternative business opportunities, such as manufacturing protective aprons used for health care and the treatment of COVID-19 patients. Due to the decline of print services, Grano's total net sales weakened by 15% to MEUR 109.9 (MEUR 129.7).

Despite the drop in net sales, Grano's EBIT was slightly higher than in the reference period, standing at MEUR 4.8 (MEUR 4.1). Significant recourse for the declining net sales was secured through extensive layoffs and cutbacks to fixed expenditures. The profit/loss for the reference period is encumbered by the MEUR 1.0 cost provision related to employer-employee negotiations and the MEUR 0.9 impairment linked to restructuring measures related to the company's ERP systems.

In September 2020, the company initiated employer-employee negotiations that aimed at improved structural agility in operations and an increase in customer orientation. The negotiations were completed at the beginning of November. The restructuring measures arrived at through the negotiations will result in the termination of an estimated 96 jobs in total. As a result of new role assignments, some 20 of these employees will remain in employment but in a different role. The operational restructuring and streamlining measures target about MEUR 3.4 in annual cost savings, about MEUR 1.0 of which are estimated to be realized in the 2021 financial year. The targeted savings will take full effect on an entire financial period's profitability level for the first time in the 2022 financial period.At the end of the financial period, the segment employed 940 (1,089) staff.

HELAKESKUS

Suomen Helakeskus Oy, based in Seinäjoki, is a major wholesale dealer concentrating on furniture fittings. The company imports, markets and sells fittings for the fixture and furniture industry. The company is part of the Suomen Helasto Group, in which Panostaja has a 100% holding. The CEO of Suomen Helakeskus Oy is Martti Niemi.

Helakeskus' net sales dropped from the reference year level by about 6%, standing at MEUR 7.6 (MEUR 8.0). Over the course of the financial period, the market situation remained fair, even though the increase in general uncertainty as a result of the coronavirus pandemic weakened the outlook. The company continued its efforts to expand and hone the product selection, which is why the brokerage of consumer light fixtures was discontinued. The company also opened a new website during the financial period and continued to develop online trade. Despite the drop in sales, profitability was maintained at the reference year level at MEUR 0.5, thanks to strict cost control. At the end of the financial period, the segment employed 18 (19) staff.

HYGGA

Hygga offers an entirely new kind of ERP system as a licensed service to public and private dental care and health care providers. It also runs a dental clinic in Kamppi, Helsinki, with and entirely new service concept based on the proprietary ERP system. The clinic's operations are based on a customer-centered approach in which the customer is offered all dental care services in one visit, with top quality and without having to wait in line. The company's CEO is Jussi Heiniö. At the end of the review period, Panostaja's shareholding in the Group stands at 79.8%.

Hygga's net sales decreased during the review period from MEUR 4.7 to MEUR 4.1. The drop in net sales dragged Hygga's EBIT down to MEUR -0.3 (MEUR -0.2). The decrease in net sales is primarily due to the lower net sales of the Kamppi clinic.

As regards the clinic business, the market situation has been extremely challenging through the entire year, even though there was a clear increase in visitor numbers during the summer after the first wave of the pandemic. During the review period, the most significant event in terms of the clinic business was the contract made on June 1, 2020 with the City of Helsinki on the provision of outsourced oral health care services. Hygga estimates the total value of the contract to be about MEUR 23. The provision of the service will begin on November 1, 2020.

As regards the licensing business, the outlook remains bright in Finland and especially on an international scale. That said, the progress of new contracts stalled for almost the entire year as customers focused on urgent health care needs due to the coronavirus pandemic. Domestically, the company's focus is especially on the development of service solutions for general health care, and related pilot projects are currently under way in Rauma and Porvoo. In September, it was announced that Hygga's licensing segment is involved in the Aster project managed by the Central Finland Health Care District. Aster aims to develop a new information system for social welfare and health care professionals to combine basic health care, specialized health care and social services. Within the scope of the project, Hygga is responsible for providing a patient information system for oral health care and supplying the Hygga Flow ERP system. In terms of international licensing business, Hygga Flow has been adopted in the Netherlands and Sweden. Italy and Switzerland have also been interested. At the end of the financial period, the segment employed 79 (58) staff.

HEATMASTERS

Heatmasters Group offers heat treatment services for metals in Finland and internationally, as well as produces, develops and markets heat treatment technology. In Finland, Heatmasters has facilities in Hollola, Varkaus and Turku. In addition to this, the group has facilities in Estonia and Poland. Panostaja's holding in the Group is 80.0%. Heatmasters Group Oy's CEO is Ilkka Mujunen.

Despite the challenging market conditions, Heatmasters' net sales remained almost at the level of the reference period, standing at MEUR 4.0 (MEUR 4.2). The coronavirus pandemic, which began in the spring, pulled the rug out from under the planned measures to boost net sales. Among other contracts, the large-scale outage planned for the Neste refinery in Kilpilahti was cancelled due to the pandemic. On the other hand, the summer season was exceptionally busy in terms of furnace treatments at the Varkaus facility, which provided some compensation for the situation. The coronavirus pandemic was especially hard on equipment demand as customer uncertainty reduced equipment trade across the globe. Despite the drop in net sales, the company's profit/loss improved slightly over the reference period to MEUR 0.3 (MEUR 0.2), thanks to strict cost discipline, adaptation measures and staff flexibility At the end of the financial period, the segment employed 35 (38) staff.

COREHW

Established in 2013, CoreHW is a company that provides high-added value design services in the RF IC sector, developing RF microchips and antenna technology and offering related consulting services. The company's business is divided into design services, consulting and the development of proprietary and licensed technologies (IP). CoreHW has offices in four cities: Tampere, Helsinki, Oulu and Turku. The CEO of the company is Tomi-Pekka Takalo. At the end of the review period, Panostaja's holding in the segment stands at 61.1%.

For CoreHW, the 2020 financial period was good: net sales increased by 40% to MEUR 8.1 (MEUR 5.7). The year largely progressed as planned, and the coronavirus pandemic had little impact on the deliveries of agreed-upon projects. In terms of acquiring new international customers, on the other hand, the pandemic slowed down the process. Demand for the company's services has been high, with no change in sight. Over the course of the financial period, CoreHW began cooperation with three significant new customers, and the order book for design services remains strong for the coming financial year. Over the course of the review period, heavy investments continued to be made on the company's first proprietary product, the CoreHW RABBIT antenna switch intended for indoor positioning. Later in the year, the company supplied evaluation solutions for indoor positioning technology to multiple international customers, and the customer feedback has been excellent. The company successfully recruited several new professionals during the financial year, despite the fierce competition for skilled specialists. CoreHW's EBIT stood at MEUR 0.5 (MEUR 0.4). The result for the review period is partially encumbered by the investments in the sales and marketing of the proprietary product as well as new recruitments. At the end of the financial period, the segment employed 72 (56) staff.

CARROT

The Carrot Palvelut Oy group provides nationwide high-quality staffing, recruitment and outsourcing services and serves as a strategic HR partner to its customers. Carrot employs thousands of experts in various fields annually, meets a variety of recruitment needs and serves as a partner to its customers in wider outsourcing projects. The company's customers include companies in the fields of construction, industry and logistics, for example. Carrot has a head office in Helsinki and smaller offices in more than ten localities in Finland. Jouni Arolainen served as the company's CEO until March 16, 2020. The company's current CEO is Tessa Koivunen. At the end of the review period, Panostaja's holding in the segment stands at 74.1%.

Carrot's net sales for the review period stood at MEUR 14.5 (MEUR 20.8) while its operational EBIT was MEUR -0.7 (MEUR -0.4). The company's reported EBIT of MEUR -4.0 for the reference period includes a goodwill impairment of MEUR 3.3. Over the course of the review period, market demand has remained low and the impacts of the coronavirus pandemic have been significant. In the construction business, project kick-offs have been delayed and, in the customer service segment, restrictions have weakened the demand for Carrot's services. During the review period, the company, under the leadership of its new CEO, implemented a program aimed at restoring profitability and increasing net sales. Significant strides in terms of digitalization were also taken by making the entire recruitment process digital, for example. At the end of the financial period, the segment employed 277 (476) staff.

OSCAR SOFTWARE

Oscar Software Oy is a software service company specialized in the development of enterprise resource planning (ERP) systems and various business services. In addition to the diverse ERP systems, Oscar provides financial management and HR services as well as software for webstores and services for online business. Oscar has a wide customer base, which includes SMEs from various sectors. The company has around 800 customers, its HQ is located in Tampere and it has offices in Helsinki and Turku. The company's CEO was Simo Salminen until May 25, 2020. The company's current CEO is Riikka Kivimäki. At the end of the review period, Panostaja's holding in the segment stands at 54.5%.

Oscar Software's net sales for the review period increased by 9% and were MEUR 11.0 (MEUR 10.1). The demand situation for the ERP software business and financial outsourcing services has been largely good for the financial period. Despite the coronavirus pandemic, most customers have continued normal development with the company. That said, the coronavirus outbreak has slowed down decision-making among customers, especially with regard to new ERP acquistions. EBIT increased significantly from the reference period to MEUR 1.1 (MEUR 0.2). The EBIT boost is explained by the measures taken to streamline internal operations to increase customer invoicing and cut costs. In addition to this, the coronavirus pandemic led to substantial adaptation measures during the review period: for example, recruitment primarily focused on increasing profitability in the short term. During the coming financial year, the intention is to continue to bolster the company's resources through recruitment and pay particular attention to the development of the customer experience. At the end of the financial period, the segment employed 127 (131) staff.

OTHERS

The net sales of the Others segment remained close to the level of the reference period. In the review period, two associated companies, Gugguu Group Oy and Spectra Yhtiöt Oy, issued reports to the parent company. The profit/loss of the reported associated companies in the review period was MEUR 0.2 (MEUR 0.2), which is presented on a separate row in the consolidated income statement.

FINANCE

Operating cash flow improved and stood at MEUR 23.6 (MEUR 10.8). Liquidity remained good. The Group's liquid assets were MEUR 34.3 (MEUR 16.4) and interest-bearing net liabilities MEUR 64.0 (MEUR 53.7). Net gearing increased and was 90.1% (67.5%). Net liabilities increased by about MEUR 20.2 due to the implementation of the IFRS 16 standard. The Group's net financial expenses for the review period were MEUR -2.8 (MEUR -2.1), or 1.8% (1.1%) of net sales.

Panostaja has a MEUR 15.0 corporate acquisition limit, which enables the withdrawal of three-year loans to fund Panostaja's corporate acquisitions and/or additional investments in the Group's companies. MEUR 15.0 of Panostaja's corporate acquisition limit remains to be withdrawn.

The Group's equity ratio at the end of the review period was 33.6% (41.3%). Return on equity was -4.6% (3.1%). Return on investment fell to 0.5% (3.8%).

INVESTMENTS AND DEVELOPMENT EXPENSES

The Group's gross capital expenditure for the review period was MEUR 4.7 (MEUR 7.9), or 3.0% (4.3%) of net sales. Investments were mainly targeted at tangible and intangible assets. During the financial period, MEUR 2.8 (MEUR 1.6) of development expenses were activated.

RELATED PARTY LOANS AND LIABILITIES

At the time of closing the books, there were no payables to related-party companies. The totals and the main loan conditions of the loans issued to management are presented in Note 35 to the financial statements.

RISKS

The Group takes controlled risks to utilize opportunities for business operations in an optimal manner. The Group's conventional business risks concern the market and competitive situations of the investment targets, customer and supplier risks, corporate acquisitions and the risks involved in related financing.

The seven investment targets in which Panostaja has a majority shareholding operate in different fields. The aim is to ensure that the Group's financial performance is not substantially dependent on the development and results of a single investment target but, depending on the market conditions and as a business area grows, its significance for the Group is emphasized, which may mean that the risk is substantial. The Group's financial performance and development are not normally dependent on a single customer, but losing one or more important customers may have financial consequences for the results and development of a single investment target.

The general trend development and especially the development of the Finnish economy may have a significant effect on the Group's financial performance and development. The Group's results and development are also affected by the seasonal nature of the business. The seasonal variations of the business operations have the effect that ordinarily the first half of the year is weaker than the second. The continuous changes in competition, such as price competition and new rivals for an individual investment target, may affect the Group's financial performance and development, although the Group and its investment targets work continuously to develop their activities to meet the competitive situation. The risks involved in the price and availability of the raw materials that the different investment targets use in their operations may also significantly influence the financial performance and development of a single investment target, but will normally not affect the whole Group's development and results in any substantial way.

Exchange rate, interest, financial and credit loss risks have normally no significant effect on the Group's financial performance and development, but they may have a substantial influence on the financial performance and development of a single investment target. The Group and its various investment targets strive significantly to hedge against these risks in different ways, but it is not always possible.

The risks connected to the Group's staff may influence the Group's and its investment targets' development and financial performance if the Group is unsuccessful in the recruitment of key persons and other employees or in committing them to the Group.

If unsuccessfully managed, the risk of weakening reputation or trust due to negative publicity or the realization of some other risk may impact the development and financial result of the Group or its segments. Risks related to reputation are managed by maintaining an ethical corporate culture, ensuring timely and sufficient communications, implementing compliance activities and instructions, understanding the expectations of interest groups and preparing crisis management plans.

If unsuccessfully managed, risks concerning the environment may affect the development and financial performance of the Group and its investment targets. The Group complies with the legislation concerning environmental issues and takes the responsibilities they bring into account especially carefully and in all its operations strives to observe the principles of sustainable development. The Group has no knowledge of any significant risks concerning environmental issues.

The Group has extensive insurance coverage that covers material damage in accordance with the insurance terms and conditions. The insurance level of property risks is monitored regularly. If unsuccessful in managing them, risks concerning guarantees, suspension, product liability and repair may affect the development and financial performance of the Group and its investment targets. All Group companies endeavor to minimize these risks by investing in the management of the supply chain, the quality of their own activities, product development and the regular assessment of risks. If possible, such risks are covered by insurance protection.

If unsuccessfully managed, risks concerning the corporate acquisitions may affect the development and financial performance of the Group and its investment targets. The Group also aims to grow through corporate acquisitions. The goodwill associated with corporate acquisitions entered in the consolidated balance sheet amounts to approximately MEUR 88.0. Goodwill is not written off annually on a regular basis but, instead of depreciations, an impairment test is performed at least annually, or when there are indications of amortization. Values are normally checked during the second half of the year in connection with the budgeting process. Such a change might make goodwill write-downs necessary.

Official regulations may affect the development and financial performance of the Group and its investment targets. Amendments to regulations are followed carefully within the Group and the different investment targets, and efforts are made to react to them in advance if possible.

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on February 6, 2020 in Tampere. The number of Board members was confirmed at five (5), and Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen and Kalle Reponen were re-elected to the Board for the term ending at the end of the next Annual General Meeting. As proposed by the Board, the Annual General Meeting decided to confirm the number of auditors to be one (1).

The Annual General Meeting decided to select Authorized Public Accountants PricewaterhouseCoopers Oy as the auditor for the term concluding upon the end of the Annual General Meeting of 2021. Auditing service network PricewaterhouseCoopers Oy has stated that Authorized Public Accountant Lauri Kallaskari will serve as the chief responsible public accountant.

Discharge from liability for the financial period November 1, 2018–October 31, 2019 was granted to the following persons: Board members Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen and Hannu-Kalle (Kalle) Reponen and CEO Juha Sarsama for the period November 1, 2018–December 31, 2018 and CEO Tapio Tommila for the period January 1, 2019–October 31, 2019. The Annual General Meeting decided to grant a discharge from liability to the aforementioned members of the Board and CEOs.

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2018–October 31, 2019 and resolved that the shareholders be paid EUR 0.05 per share as dividends.

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

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

The chairman presented to the Annual General Meeting the Board's proposal for authorizing the Board to decide on the acquisition of the company's own shares.

As proposed by the Board, the Annual General Meeting decided to authorize the Board to decide on the acquisition of the company's own shares in one or more installments on the following conditions:

The number of the company's own shares to be acquired may not exceed 5,200,000 in total, which corresponds to about 9.9% of the company's total stock of shares. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The company's own shares may be acquired at the date-of-acquisition price in public trading arranged by Nasdaq Helsinki Oy or otherwise at the prevailing market price.

The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired while not following the proportion of ownership of the shareholders (directed acquisition).

The authorization issued at the Annual General Meeting on January 31, 2019 to decide on the acquisition of the company's own shares is canceled by this authorization. The authorization will remain valid until August 5, 2021.

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

SHARE CAPITAL AND THE COMPANY'S OWN SHARES

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

The total number of own shares held by the company at the end of the review period was 110,824 (at the beginning of the financial period 193,594). The number of the company's own shares corresponded to 0.2% 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 February 1, 2019, Panostaja Oy relinquished a total of 28,325 individual shares as share bonuses to the company management on December 16, 2019. On December 16, 2019, the company relinquished to the Board members a total of 12,195 shares as meeting compensation. In accordance with the Board decision of February 6, 2020, Panostaja relinquished a total of 13,514 shares on March 13, 2020, a total of 14,368 shares on June 5, 2020 and a total of 14,368 shares on September 4, 2020, as meeting compensation.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.51 (lowest quotation) and EUR 1.00 (highest quotation) during the financial period. During the review period, a total of 5,807,553 shares were exchanged, which amounts to 11.1% of the share capital. The October 2020 share closing rate was EUR 0.71. The market value of the company's share capital at the end of October 2020 was MEUR 37.2 (MEUR 40.8). At the end of October 2020, the company had 4,697 shareholders (4,464).

BOARD'S PROPOSAL TO THE GENERAL MEETING

The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.03 per share be paid for the past financial period.

The Board also proposes that the General Meeting authorize the Board of Directors 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 shall total no more than EUR 4,700,000. It is proposed that the authorization include the right of the Board to decide on all other terms and conditions relating to said asset distribution. It is also proposed that the authorization remain valid until the start of the next Annual General Meeting.

Panostaja Oyj's Annual General Meeting will be held on February 5, 2021 in Tampere.

EVENTS AFTER THE REVIEW PERIOD

No significant events after the review period.

PROSPECTS FOR THE NEXT FINANCIAL YEAR

As regards the corporate acquisition market, plenty of opportunities are available and the market is active. The need to leverage ownership arrangements and growth opportunities will persist for SMEs, but the high market liquidity and increased price expectations of sellers are making the operating environment more challenging for corporate acquisitions. We will continue exploring new possible investment targets in accordance with our strategy and assess divestment possibilities as part of the ownership strategies of the investment targets.

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

- The demand for CoreHW and Oscar Software is good.
- The demand for Grano, Hygga, Helakeskus and Heatmasters is satisfactory.
- The demand for Carrot is poor.

The demand information presented above involves uncertainties relating to the possible escalation of the COVID-19 pandemic. This may impact the future development of Grano, Carrot and Hygga, in particular, and rapidly and dramatically change the estimate provided above.

REPORT ON NON-FINANCIAL INFORMATION

In this report, we provide information on how Panostaja as a Group handles environmental and social matters as well as employees, human rights and anti-corruption efforts.

Panostaja's Board of Directors approves the report on an annual basis. The report is issued by the parent company for the entire Group, covering the period from November 1, 2019 to October 31, 2020.

Based on Directive 2014/95/EU, the Accounting Act requires listed companies to report on the aforementioned matters. As regards each of them, the company must report the following, for example:

- operating principles (policies) and the due diligence (DD) methods applied
- risks and risk management
- results
- the most important key figures in terms of business, other than KPIs*

ENVIRONMENT	SOCIAL MATTERS AND EMPLOYEES	HUMAN RIGHTS	KORRUPTION TORJUNTA
Energy consumption	Occupational safety and health	Human rights	Anti-corruption and -bribery efforts
Carbon footprint	Absences due to illness	Ethical guidelines	Ethical guidelines
	Employee training	Training attendance	Training attendance
	Employee satisfaction		

**In this context, KPI (Key Performance Indicator) is a key figure specified by Panostaja for non-financial information.*

Panostaja companies strive to adhere to the principle of continuous improvement. This means taking a systematic approach with regard to problems or challenges and their possible causes. The correct resources are used to plan and implement preventive and corrective measures. In addition to the above, results are monitored and analyzed to ensure the success and sustainability of the operations.

Panostaja has published an ethical Code of Conduct on its website. The Code of Conduct includes guidelines regarding our principles and practices, as well as our responsibilities toward our business environment, employees, business partners and society.

BUSINESS MODEL

Panostaja is an investment company developing Finnish SMEs in the role of an active shareholder. At Panostaja, ownership is active partnership, development of management work, identification of growth potential and facilitation of reaching full potential. To Panostaja, growth and ownership are responsible and long-term work for success.

Panostaja actively seeks financially healthy companies it believes can rise to the top tier of its field with the Group's support. Panostaja provides business-related and strategic expertise to the company, along with tools that support management. Panostaja also assists the companies in securing financing and implementing corporate acquisitions. The increased owner value is realized upon divestment after the development phase.

Financial responsibility within the group refers to continuous efforts to ensure operational profitability. Profitable operations enable continuous development in order to maintain the competitiveness of the business operations. This is also a requirement for the Group being able to take care of its personnel, fulfil its responsibilities toward society and partners, and take the necessary responsibility for the development of environmental matters. Panostaja adheres to the effective acts, decrees and regulations.

The financial goal must be reached by responsible and ethical means, with due consideration to environmental and social responsibilities. In the long term, responsible operations according to the principles of sustainable development is the cornerstone of profitable business.

ENVIRONMENTAL MATTERS

Panostaja Group is aware of its responsibility in environmental matters and strives to consistently reduce its environmental load and foster the principles of sustainable development. Panostaja's most significant environmental impacts are related to energy consumption, use of printing materials, and the distribution and transportation of products. The company seeks to prevent and minimize detrimental environmental effects through efficient operations and materials use as well as responsible procurement arrangements. The Group aims to protect and conserve the environment by complying with environmental law, improving the energy efficiency of its operations and reducing the amount of generated waste. This area is covered by Panostaja's Code of Conduct. Panostaja's subsidiary Grano uses a certified environmental management system ISO14001:2015. The principles of continuous development are observed in accordance with the standard. In terms of its other subsidiaries, Panostaja is developing methods that ensure due diligence.

Panostaja has identified energy consumption and carbon footprint as the most important environmental KPIs. The Group companies operate in different fields, which is why there is variation between them in terms of energy consumption. Panostaja does not operate in an energy-intensive field of industry and estimates its environmental risk to be low.

The companies report their energy consumption for all properties involved in their operations. Consumption data is collected from energy company reports, and the companies' figures are aggregated. The Group's key figure for energy consumption (MWh) is 10,432 (10,823). Consumption has remained at the level of the reference period.

Greenhouse gas emissions are reported in accordance with the international GHG Protocol reporting principles. The Group monitors carbon dioxide emissions in adherence to the Scope 2 key figures (tn CO2).

The relevant key figure encompasses the emissions caused by energy procured within subgroups. The energy consumption data have been obtained from the companies' electricity providers. This information has been collected from all facilities of all companies and then consolidated. Scope 2 emissions are calculated and reported in two ways:

1. Market based (method based on contractual greenhouse gas emissions/residual mix). The market-based emission amount caused by energy consumption is 2,598 tnCO2 (2,859)
The market-based value is calculated using the following formula:

$$\frac{\text{Energy consumption (kWh) * emission factor (gCO2/kWh)}}{1{,}000{,}000}$$

2. Location based (method based on average greenhouse gas emissions from Finnish energy production). The emission amount caused by location-based energy consumption is 1,471 tnCO2. (1,710)
The location-based emission value is calculated by multiplying the energy consumption with the average emission factor of Finnish energy production 141 g CO2/kWh. In 2019, the emission factor was 158 g CO2/kWh.

The most significant reason for the change in power consumption and greenhouse gas emissions is the divestment of a portion of the Group's business operations and the decrease in the volume of print production.

SOCIAL MATTERS AND EMPLOYEES

The rapidly progressing coronavirus pandemic impacted Panostaja's operations from March onward. Immediately after the escalation of the pandemic, the Group companies implemented precautions to protect the health and well-being of their staff and customers and ensure the functionality of services. Where possible, the companies transitioned to remote working arrangements and made efforts to minimize workplace contact. The companies were able to adapt to the extraordinary circumstances without any service interruptions.

The Group has identified risks related to employee health, occupational safety and the work environment. The Group's Code of Conduct details relevant principles, practices and responsibilities.

Social responsibility is a key factor in terms of employee well-being. Panostaja wishes to create safe and healthy work conditions that are based on respect and fairness.

Panostaja does not tolerate any forms of harassment, threats, bullying or discrimination. The company respects its employees and treats them equally. Panostaja provides its employees with equal opportunities to advance their careers, regardless of their gender, age, values or other personal characteristics.

The Group strives to promote work well-being and improve the quality of working life within the work community. The equal treatment of personnel and the promotion of equality are the principles guiding supervisory work. Management work also considers the varying life situations, values and expectations among employees of different ages.

Panostaja takes care of work well-being by investing in high-quality management and supervisory work, smooth interaction and internal communications, and a healthy and trusting atmosphere at work.

Numerous training and discussion events are organized for the management personnel of companies each year. Coaching to supervisors and mentors is also provided. During the past financial period, the sessions have primarily been held remotely. Sales training and various events related to business development have also been organized. A Management Index survey was arranged between 2013 and 2019 to measure the development of management with regard to a variety of areas.

Employee satisfaction and related factors have been studied since 2013. The results of the Management Index survey conducted at the beginning of 2018 indicated that work satisfaction is at a good level at Panostaja, with the total index standing at 4.4 (scale 1–6). An updated Management Index survey was carried out in the 2019 financial period. The structure of the survey has been changed but the results are in line with the previous years. Toward the end of 2020, Panostaja switched to the more agile Pulssi survey. Initially, the Pulssi survey was conducted on a monthly basis. Going forward, it will be carried out at least every other month. The purpose of the survey is to measure work satisfaction and well-being among the staff of Panostaja companies. The more concise survey that is conducted more than only once a year enables proactive measures and more focused responses to a variety of issues.

Work satisfaction has remained good for the entire seven-year-period during which surveys have been carried out. Work atmosphere and its development within the companies is also monitored through occupational health.

The Group finds it important that the employees are competent enough to perform their tasks in a responsible manner. Therefore, orientation training is provided to new employees and staff training is organized actively. Training is considered an element of day-to-day work activities. The Group companies have their own training systems, and employees have personal development plans.

The companies pay attention to preventive health care and encourage their employees to engage in sports and exercise. They also have in place an early support model aimed at ensuring the recognition of factors related to work capability and well-being and their sufficiently early recognition. It is important to Panostaja to ensure that employees are enthusiastic about their own work and the work atmosphere remains good.

Each subgroup must handle matters related to occupational safety and health at individual workplaces. Heatmasters Group has the occupational health and safety certificate OHSAS 18001.

Panostaja monitors employee absences and work-related accidents on a monthly basis. HR management records employee absences, any accidents that occur and average training days among personnel. The occupational health service issues regular reports on the statistics it collects. This information is used to derive the following non-financial key figures for the Group:

	2020	2019	2018	2017
Number of work accidents	53	91	85	47
Work accidents in proportion to working hours (Lost time incident frequency)	17.7	25.1	21.7	17.6
Sickness absence rate %	3.4	3.2	2.7	2.8
Number of training days	1,138	1,853	1,518	459

Lost time incident frequency

*Number of work accidents that led to at least one day of sick leave / working hours completed * 1,000,000*

Absences during illness or injury and in relation to the illness of a child are counted toward the time of absences for the financial period.

Sickness absence rate %

*Number of sick days in the financial period November 1–October 31 / (theoretical regular working hours during the financial period in days) * 100*

HUMAN RIGHTS

Panostaja has estimated its risk in relation to respecting human rights to be low. That said, there is always the risk that the Group may violate human rights in its own operations or through its supply chain. These infringements may have a negative effect on individual persons and harm Panostaja's reputation.

Panostaja respects all internationally recognized human rights and strives to construct its methods and practices in a manner that ensures the consideration of human rights across all of the company's operations. The Group observes the labor legislation, collective agreements and rights defined in the Universal Declaration of Human Rights, adopted by the United Nations, that include equality between people, prohibition of discrimination and freedom of religion and opinion. In its Code of Conduct, Panostaja provides guidelines to employees on how to report possible infringements. No human rights violations were reported in 2020.

In its Code of Conduct, Panostaja prohibits all activities that may violate human rights. At the end of the financial period, 91% of the Group's entire staff (92% in the reference year) have completed training on the content of the Code of Conduct.

ANTI-CORRUPTION AND -BRIBERY EFFORTS

Panostaja adheres to the effective acts, decrees and regulations. Panostaja's companies always compete in a fair and honest manner in compliance with competition law. The Group's companies do not participate in cartels or discuss contract terms, prices or other matters related to competition with our competitors. Panostaja prohibits corruption and bribery in all our operations, and we do not accept services, goods, trips or anything else from any of our cooperation partners or suppliers that exceeds the limits of normal hospitality This area is covered by Panostaja's Code of Conduct.

The identification and assessment of corruption-related risks are part of the general risk assessment measures conducted by Panostaja and business units. However, corruption and bribery can occur in Panostaja's own operations or its supply chain. Cases of corruption and bribery may lead to legal sanctions. Although, based on these assessments, Panostaja's own operations and services do not entail a high risk of corruption, it strives to incorporate responsible business practices into all areas of its operations.

Panostaja has provided guidelines to employees on how to report possible infringements. No infringements related to bribery were reported during the financial period or the reference period.

Key Figures

KEY FIGURES OF PANOSTAJA-GROUP

		2020	2019	2018
Net sales, MEUR		159.0	182.9	185.2
EBIT, MEUR		0.8	3.8	4.1
% of net sales		0.5	2.1	2.2
Profit for the financial period, MEUR		-3.4	2.5	27.1
Return on equity (ROE), %		-4.6	3.1	36.5
Return on investment (ROI), %		0.5	3.8	18.4
Equity ratio, %		33.6	41.3	40.4
Gearing, %	1)	90.1	67.5	69.0
Current ratio		1.0	1.0	1.2
Gross capital expenditure, MEUR		4.7	7.9	23.5
% of net sales		3.0%	4.3%	12.7%
Avg. no. of Group employees		1,727	1,969	1,927
Earnings per share (EPS), EUR, undiluted	*	-0.08	0.03	0.46
Earnings per share (EPS), EUR, diluted	*	-0.08	0.03	0.46
Equity per share, EUR		0.82	0.96	1.02
Dividend per share, EUR	2)	0.03	0.05	0.05
Extra dividend per share, EUR			0.03	
Dividend/Earnings % undiluted		-36.1	159.2	10.8
Dividend/Earnings % diluted		-36.1	159.2	10.8
Extra dividend/Earnings % diluted			95.5	
Extra dividend/Earnings % diluted			95.5	
Effective dividend income %		4.2	6.4	5.0
Average number of outstanding shares in the financial period (1,000)		52,392	52,298	52,125
Number of shares at the end of the financial period (1,000)		52,533	52,533	52,533
Weighted average of the number of issue-adjusted shares during the financial period, (1,000)		52,392	52,298	52,125
Closing rate for the financial period, EUR		0.71	0.78	1.00
Lowest share price, EUR		0.51	0.77	0.88
Highest share price, EUR		1.00	1.16	1.21
Average share price in the financial period, EUR		0.75	0.86	1.03
Market value of stock, MEUR		37.2	40.8	52.1
Shares exchanged, 1,000		5,808	9,499	9,375
Shares exchanged, %		11.1	18.1	18.0

1) Liabilities include the equity convertible subordinated loan
2) Board of Directors' proposal
*** Audited key figure**

The value-added tax adjustment by deducting a total of MEUR 0.5 from the previous year's profits did not have a substantial impact on the key figures for 2018–2019.

Key figures provide a brief overview of the business development and financial position of a company as well as profit distribution.

The key figures for the 2018 financial period have not been changed due to divestment or discontinuation of businesses during the past financial period.

FORMULAE FOR CALCULATING KEY FIGURES

Return on investment (ROI) %	=	$\dfrac{\text{Profit/loss after financial items + financial costs + profit/loss on discontinued operations x 100}}{\text{Balance sheet total - non-interest bearing liabilities (average in the financial period)}}$
Return on equity (ROE) %	=	$\dfrac{\text{Profit for the financial period x 100}}{\text{Equity (average in the financial period)}}$
Equity ratio, %	=	$\dfrac{\text{Equity x 100}}{\text{Balance sheet total - advances received}}$
Interest-bearing net liabilities	=	Interest-bearing liabilities - interest-bearing receivables - financial assets
Gearing, %	=	$\dfrac{\text{Interest-bearing net liabilities}}{\text{Equity}}$
Equity per share	=	$\dfrac{\text{Equity attributable to parent company shareholders}}{\text{Adjusted number of shares on the balance sheet date}}$
Earnings per share (EPS)	=	$\dfrac{\text{Result for the financial period attributable to parent company shareholders}}{\text{Adjusted number of shares on average during the financial period}}$
Current Ratio	=	$\dfrac{\text{Current assets}}{\text{Current liabilities}}$
Dividend per share	=	$\dfrac{\text{Dividend distributed in the financial period}}{\text{Adjusted number of shares on the balance sheet date}}$
Dividend / Earnings %	=	$\dfrac{\text{Dividend / share x 100}}{\text{Earnings per share (EPS)}}$
Effective dividend income, %	=	$\dfrac{\text{Dividend per share x 100}}{\text{Share price on the balance sheet date}}$

RECONCILIATION OF KEY FIGURES – INTEREST-BEARING LIABILITIES AND INTEREST-BEARING NET LIABILITIES

MEUR	October 31, 2020	October 31, 2019
Liabilities total	140.9	113.8
Non-interest-bearing liabilities	37.6	38.6
Interest-bearing liabilities	**103.4**	**75.2**
Trade and other receivables	22.9	29.8
Non-interest-bearing receivables	17.8	24.7
Interest-bearing receivables	**5.1**	**5.1**
Interest-bearing liabilities	103.4	75.2
Interest-bearing receivables	5.1	5.1
Cash and cash equivalents	34.3	16.4
Interest-bearing net liabilities	**64.0**	**53.7**

Financial Statements

For the financial period November 1, 2019–October 31, 2020

CONSOLIDATED INCOME STATEMENT, IFRS

(EUR 1,000)	Note	November 1, 2019–October 31, 2020	November 1, 2018–October 31, 2019
Net sales		**158,998**	**182,949**
Other operating income	9	1,009	2,485
Materials and services		45,180	51,151
Staff expenses	11	75,582	89,806
Depreciations, amortizations and impairment	12	20,340	11,461
Other operating expenses	13	18,093	29,245
EBIT		**812**	**3,771**
Financial income	14	369	382
Financial expenses	15	-3,212	-2,451
Share of associated company profits	10	233	150
Profit before taxes		**-1,798**	**1,853**
Income taxes		-1,230	-1,283
Profit/loss from continuing operations		**-3,028**	**569**
Profit/loss from sold and discontinued operations	7	-410	1,963
Profit/loss for the financial period		**-3,438**	**2,533**
Attributable to			
Shareholders of the parent company		-4,351	1,640
Minority shareholders		913	893
Earnings per share calculated from the profit belonging to the shareholders of the parent company:			
Earnings per share from continuing operations, EUR	17		
Undiluted		-0.075	-0.006
Diluted		-0.075	-0.006
Earnings per share from discontinued operations, EUR	17		
Undiluted		-0.008	0.038
Diluted		-0.008	0.038
Earnings per share on continuing and discontinued operations, EUR	17		
Undiluted		-0.083	0.031
Diluted		-0.083	0.031
Extensive consolidated income statement			
Result for the period		-3,438	2,533
Items of the extensive income statement			
Translation differences		-5	-132
Extensive income for the period		**-3,443**	**2,401**
Attributable to			
Shareholders of the parent company		-4,356	1,508
Minority shareholders		913	893

The notes constitute an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET, IFRS

(EUR 1,000)	Note	October 31, 2020	October 31, 2019
ASSETS			
Non-current assets			
Goodwill	18	88,010	93,685
Other intangible assets	18	12,633	14,525
Property, plant and equipment	19	32,177	14,359
Interests in associated companies	20	3,575	3,342
Other non-current assets	21	5,818	8,057
Deferred tax assets	23	6,248	6,007
Non-current assets total		**148,462**	**139,975**
Current assets			
Stocks		6,330	7,158
Trade and other receivables	25	22,868	29,714
Tax assets based on taxable income for the period	25	40	130
Cash and cash equivalents	26	34,255	16,381
Current assets total		**63,494**	**53,383**
Varat yhteensä		**211,958**	**193,360**
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders			
Share capital	27	5,569	5,569
Share premium account	27	4,646	4,646
Other funds	27	0	0
Invested unrestricted equity fund	27	13,612	13,550
Translation difference		-282	-353
Retained earnings		19,281	26,929
Total		**42,826**	**50,341**
Minority shareholders' interest		**28,185**	**29,211**
Equity total		**71,012**	**79,552**
Non-current liabilities			
Deferred tax liabilities	23	6,727	6,204
Financial liabilities	28	71,119	54,361
Non-current liabilities total		**77,847**	**60,567**
Current liabilities			
Current financial liabilities	28	32,264	20,839
Tax liabilities based on taxable income for the period		232	123
Trade payables and other liabilities	29	30,605	32,279
Provisions	30	0	0
Current liabilities total		**63,100**	**53,242**
Liabilities total		**140,947**	**113,809**
Equity and liabilities in total		**211,958**	**193,360**

The notes constitute an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT, IFRS

(EUR 1,000)	Note	2020	2019
Business operations			
Profit/loss for the financial period before the minority share		-3,438	2,533
Adjustments:			
Depreciations	12	20,340	11,495
Financial income and costs	14, 15	2,843	2,082
Share of associated company profits	10	-233	-150
Taxes	16	1,230	1,283
Sales profits and losses from property, plant and equipment	9, 13	-40	-1,876
Other earnings and expenses with no payment attached		683	-3,159
Operating cash flow before change in working capital		**21,384**	**12,209**
Change in working capital			
Change in non-interest-bearing receivables		5,681	3,620
Change in non-interest-bearing liabilities		-858	743
Change in stocks		238	166
Change in working capital		**5,061**	**4,529**
Operating cash flow before financial items and taxes		**26,446**	**16,738**
Financial items and taxes:			
Interest paid		-2,753	-2,972
Interest received		202	244
Taxes paid		-339	-3,168
Financial items and taxes		**-2,889**	**-5,896**
Operating net cash flow		**23,556**	**10,842**
Investments			
Investments in intangible and tangible assets		-4,490	-5,129
Sales of intangible and tangible assets		176	206
Acquisition of subsidiaries with time-of-acquisition liquid assets deducted	6	-226	-1,283
Sale of subsidiaries with time-of-sale liquid assets deducted	7	540	4,106
Acquisition and divestment of associated companies		1	701
Financial assets acquired and sold entered at fair value through profit and loss		0	0
Capital gains from sales of other shares		0	5
Loans receivable and repayments granted		2,135	1,076
Investment net cash flow		**-1,865**	**-319**
Finance			
Share issue		0	400
Loans drawn		15,202	2,725
Loans repaid		-15,601	-11,464
Disposal of own shares		-202	184
Dividends paid		-3,214	-5,334
Finance net cash flow		**-3,814**	**-13,489**
Change in liquid assets		17,877	-2,966
Liquid assets at the beginning of the period		16,381	19,348
Effect of exchange rates		-3	-1
Liquid assets at the end of the period		**34,255**	**16,381**

The notes constitute an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to parent company shareholders							
MEUR	Note	Share capital	Share premium account	Invested unrestricted equity fund	Translation differences	Retained earnings	Total	Minority shareholders' interest	Equity total
Equity as of November 1, 2018		**5,569**	**4,646**	**13,393**	**-292**	**29,501**	**52,818**	**31,341**	**84,159**
Credit loss provision						-144			
Adjusted equity as of November 1, 2018		**5,569**	**4,646**	**13,393**	**292**	**29,361**	**52,677**	**31,341**	**84,018**
Extensive income									
Profit/loss for the financial period						1,640	1,640	893	2,533
Other extensive income items (adjusted with tax effect)									
Translation differences					-61	-71	-132		-132
Extensive income for the financial period total		**0**	**0**	**0**	**-61**	**1,569**	**1,508**	**893**	**2,401**
Transactions with shareholders									
Dividend distribution	27					-4,185	-4,185	-1,439	-5,624
Repayment of capital	27						0	0	0
Share issue							0		0
Disposal of own shares	27, 35			157			157		157
Other changes							0		0
Reward scheme	35					-9	-9		-9
Transactions with shareholders, total		**0**	**0**	**157**	**0**	**-4,194**	**-4,037**	**-1,439**	**-5,476**
Changes to subsidiary holdings									
Sales of shares in subsidiaries without change in controlling interest						380	380	1,210	1,590
Selling of shares of subsidiaries owned resulting in loss of controlling interest						-25	-25	-2,119	-2,144
Business operations with minority shareholders						8	8	437	445
Acquisitions of minority share-holdings	8					-166	-166	-1,112	-1,278
Adjusted equity as of October 31, 2019		**5,569**	**4,646**	**13,550**	**-353**	**26,928**	**50,340**	**29,211**	**79,552**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to parent company							
MEUR	Note	Share capital	Share premium account	Invested unrestricted equity fund	Translation differences	Retained earnings	Total	Minority shareholders' interest	Equity total
Adjusted equity as of October 31, 2019		**5,569**	**4,646**	**13,550**	**-353**	**26,928**	**50,340**	**29,211**	**79,552**
Value-added tax adjustment for financial periods 2018–2019						-511			
Adjusted equity as of November 1, 2019		**5,569**	**4,646**	**13,550**	**-353**	**26,416**	**49,828**	**29,211**	**79,040**
Extensive income									
Profit/loss for the financial period						-4,351	-4,351	913	-3,438
Translation differences					71	-76	-5		5
Extensive income for the financial period total		**0**	**0**	**0**	**71**	**-4,427**	**-4,356**	**913**	**-3,443**
Transactions with shareholders									
Dividend distribution	27					-2,619	-2,619	-751	-3,370
Disposal of own shares	27, 35			62			62		62
Other changes							0		0
Reward scheme	35					64	48		48
Transactions with shareholders, total		**0**	**0**	**62**	**0**	**-2,555**	**-2,493**	**-751**	**-3,244**
Changes in shares of subsidiaries									
Changes in shares of subsidiaries owned resulting in loss of controlling interest							0	-935	-935
Business operations with minority shareholders	8						0		0
Acquisitions of minority share-holdings	8					-152	-152	-253	-405
Equity as of October 31, 2020		**5,569**	**4,646**	**13,612**	**-282**	**19,282**	**42,827**	**28,185**	**71,012**

*Adjustment regarding value-added tax deducted from the parent company's other expenses for the 2018-2019 financial periods based on tax auditing. The reversing entry is listed under other Group liabilities in the financial statement.

DIVIDENDS PAID TO MINORITY SHAREHOLDERS

		2020	2019
KL-Varaosat	KL Parts Oy	0	100
Grano	Grano Group Oy	506	972
	Grano Diesel Oy	245	367
		751	**1,439**

Notes to the Consolidated Financial Statements

1. BASIC INFORMATION ABOUT THE COMPANY

The parent company, Panostaja Oyj, invests in Finnish SMEs primarily by purchasing majority shareholdings in them. Panostaja Oyj, together with its subsidiaries, (hereinafter referred to as "Panostaja" or "the Group") form a group whose primary market area is Finland. At the time of closing the books, Panostaja has a majority holding in nine investment targets.

Panostaja Oyj is a Finnish public corporation operating under the legislation of the Finnish state. The company's shares have been quoted publicly since 1989. The shares are quoted on the Nasdaq Helsinki stock exchange. The company's registered office is in Tampere and the address of its head office is Kalevantie 2, 33100 Tampere. A copy of its consolidated financial statements is available at this address. At its meeting of December 10, 2020, Panostaja Oyj's Board of Directors approved these consolidated financial statements for publishing. Under the Finnish Limited Liability Companies Act, the shareholders may approve or reject the financial statements at the Annual General Meeting held after its publication on February 5, 2021. The AGM also has the opportunity to decide on implementing changes to the financial statements.

2. ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards, as well as the SIC and IFRIC interpretations, valid as of October 31, 2020, have been complied with. The International Financial Reporting Standards refer to the standards approved for application in the EU and the interpretations given on them in the Finnish Accounting Act and the provisions based on it in accordance with the procedure enacted in EU Regulation No 1606/2002. The notes to the consolidated financial statements also comply with the requirements of the Finnish legislation on accounting and corporations which complement the IFRSs.

The consolidated financial statements have been prepared based on the original acquisition costs, with the exception of the financial assets and liabilities recorded at fair value through profit and loss. Compiling financial statements in accordance with the IFRSs requires the Group's management to prepare certain estimates and to use discretion in applying the accounting principles. The data about such discretion the management have used in applying the Group's accounting principles for the preparation of the financial statements, and which most affect the consolidated financial statements, are presented in Accounting Principles under the section "Accounting principles requiring the management's judgement and the principal uncertainties of estimates."

CONSOLIDATION PRINCIPLES

Subsidiaries

The consolidated financial statements include the parent company Panostaja Oyj and all its subsidiaries.

Subsidiaries are companies in which the Group has a controlling interest. This controlling interest arises when the Group owns more than half of the voting power, or it otherwise has a controlling interest. The existence of potential voting power has also been taken into consideration in estimating the conditions for the emergence of a controlling interest, when the instruments warranting potential voting power are realizable at the time of observation. Controlling interest refers to the right to dictate the principles of the company's finances and business activities to gain benefits from its operations.

The Group's inter-group shareholding has been eliminated by the acquisition method. The consideration given and the acquired company's separately identifiable assets and equity and liabilities have been valued at fair value at the time of purchase. The expenses connected to the acquisition, apart from the costs incurred by the issuance of liability or equity securities, are recognized as expenditure. The consideration given does not include business operations which are processed as separate from the acquisition. The effect thereof has been observed in connection with the acquisition through profit and loss. Any conditional additional purchase price is valued at fair value at the time of purchase and is classified either as a liability or equity. An additional purchase price that is categorized as a liability is valued at fair value on the closing date of each reporting period, and the profit or loss arising from this is recognized through profit and loss or in other items of extensive income. An additional purchase price that has been classified as equity will not be revalued.

Subsidiaries acquired are integrated in the consolidated financial statements from the moment when the Group has gained a controlling interest, and disposed subsidiaries until such time when the controlling interest ends. All of the Group's intracompany transactions, receivables, liabilities and unrealized gains as well as its internal profit distribution are eliminated when preparing the consolidated financial statements. Unrealized losses are not eliminated if the loss results from amortization. The distribution of the financial-year profit or loss to the owners of the parent company and minority shareholders is presented in a separate income statement, and the distribution of extensive income to the owners of the parent company and minority shareholders is presented in connection with the extensive income statement. Any minority shareholders' interest in the procured item is valued either at fair value or to the amount that corresponds to the proportion of minority shareholders' interest in the separately identifiable net assets of the procured item. The valuation principle is determined separately for each corporate acquisition. Extensive income is allocated to the owners of the parent company and minority shareholders, even if this results in the minority shareholders' interest being negative. The proportion of equity belonging to minority shareholders is presented in the balance sheet as a separate item as part of equity. The changes to the parent company's holding in a subsidiary which do not result in the loss of the controlling interest are treated as business operations concerning equity.

When an acquisition takes place in stages, any previous holding is valued at fair value, and the profit or loss arising from this is recognized through profit and loss. When the Group loses its controlling interest in a subsidiary, the remaining investment is valued at the fair value on the date of the loss of the controlling interest, and the difference arising from this is recognized through profit and loss.

ASSOCIATED COMPANIES

Associated companies are enterprises in which the Group has substantial authority. Substantial authority is created when the Group owns more than 20% of the company's voting power, or when the Group has considerable influence in some other manner without having a controlling interest. Associated companies are integrated in the consolidated financial statements using the equity method. If the Group's share of the associated company's loss exceeds the book value of the investment, the investment is recognized in the balance sheet at zero value and losses exceeding the book value are not combined, unless the Group has committed itself to fulfilling the associated company's obligations.

Unrealized profits between the Group and an associate have been eliminated following the holding the Group has. An investment in an associated company includes the goodwill arising from the acquisition. In the Group's income statement, the result corresponding to the Group's holding is presented in row Share of associated company profits.

SEGMENT REPORTING

The Group's segment reporting is based on its business segments. Reports on these business segments are prepared in a manner in line with the internal reporting submitted to the highest operational decision-maker. Panostaja's Senior Management Team has been defined as the highest operational decision-making body that is responsible for allocating resources to segments and assessing their results.

AMOUNTS IN FOREIGN CURRENCY

The consolidated financial statements are prepared in Euros, which is the functional and presentation currency of the Group's parent company. Foreign currency transactions are recorded in the functional currency using the rate of exchange prevailing on the date of transaction. At each balance sheet date, monetary receivables and liabilities are translated using the rate on the closing date. The exchange differences arising from such translations are recorded in the income statement. The foreign exchange gains and losses of operations are included in the comparable items above operating profit. Non-monetary items are translated using the rate of the transaction date.

Income statements of foreign Group companies have been translated into euros at the average exchange rate for the period, while balance sheets have been translated using the closing rates of the balance sheet date. The translation of the profit for the financial year using different currencies in the income statement, the extensive income statement and equity causes a translation difference that is recognized in the other items of the extensive income statement, and it is included in equity in the item 'Translation differences.' The translation differences arising from the elimination of the acquisition costs of foreign subsidiaries and from the translation of equity items accrued after the acquisition are recorded in the items of the extensive income statement. When a foreign unit is sold in part or in full, the translation differences accumulated in equity are recognized through profit and loss as an adjustment of classification as part of sales profit or loss.

NET SALES AND RECOGNITION PRINCIPLES

Net sales consist of income from the sale of products and services at fair value, adjusted according to indirect taxes and discounts. Within the Group, earnings from product sales are primarily recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely. Correspondingly, earnings from services are generally recorded once the services have been rendered. The recognition principles of segment-specific net sales are presented in conjunction with segment information in Note 5.

EBIT

The IAS 1 standard on the presentation of financial statements does not define the concept of operating profit or loss. The Group has defined it as follows: EBIT is the net sum arrived at when other operating income is added to net sales and the following expenses deducted from it: acquisition costs adjusted by the changes in the stocks of finished or incomplete goods, expenses incurred in manufacture for the company's own use, employee benefit expenses, depreciation and any amortization or impairment losses or other operating expenses. All other income statement items besides those mentioned above are presented under operating profit. Exchange rate differences are included in EBIT if they arise from business-related items; in other cases, they are recognized in financial items.

INCOME TAXES

Tax expense consists of the taxes based on taxable income and deferred tax liabilities for the financial period. Taxes are recognized through profit and loss, except when they relate directly to the items recorded in equity or other items of the extensive income. In such cases, tax is also recorded in these items.

Deferred taxes are calculated on temporary differences between the book values of assets and liabilities and the tax value of assets and liabilities. Deferred taxes are recorded by the balance sheet date using statutory tax rates. However, deferred tax liabilities are not recorded when an asset item or a liability to be initially recognized in bookkeeping is in question, and when the integration of business operations is not in question, and when the recording of such an asset item or liability item does not affect the accounting result nor taxable income at the time the business transaction takes place.

The most important temporary differences arise from the valuation of the net assets of acquired companies at fair value, and from appropriations and unexploited tax losses. Deferred tax assets are recognized to the extent that it is probable that future taxable income will become available against which the temporary differences may be utilized. In this respect, the requirements for recognizing deferred tax assets are always estimated on the last trading day of the reporting period.

NON-CURRENT ASSET ITEMS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current asset items (or disposal groups) are classified as held for sale when their recoverable amount, equivalent to their book value, will be recovered mainly from their sale and when their sale is extremely probable. If their recoverable amount which corresponds to their book value will mainly be accrued from their sale instead of their continuous use, they are presented at their book value or fair value less costs to sell, depending on which is smaller. Depreciations from non-current asset items are cancelled on the date of classification.

A discontinued operation is a part of the Group that has been disposed of or that has been classified as held for sale and that represents an important separate business area or geographical area of operation, or is a part of one coordinated plan that concerns the renunciation of an important separate business area or geographical area of operation, or is a subsidiary that has been acquired with the sole purpose of reselling it. The profit from discontinued operations is presented in a row of its own in the consolidated income statement.

GOODWILL AND OTHER INTANGIBLE ASSETS

The goodwill arising from the integration of operations is recorded in the amount that makes the combined amount of the consideration given, minority shareholders' interest in procured item and the proportion owned previously exceed the acquired net assets.

Instead of recording goodwill depreciations, goodwill is tested at least once a year for amortization, and it is valued at its original acquisition cost less amortizations. For the purpose of impairment testing, goodwill is allocated to cash-generating units.

Research expenditure is recognized as an expense in the income statement for the period in which it incurs. Development costs are activated when they can reliably be expected to benefit the Group financially in the future and when their acquisition costs can be determined reliably, and when other IAS 38 criteria, such as the product's technical and financial execution criteria, are met. Other development expenditure is recognized as expenses. Development costs that have been previously recorded as expenses are not activated in later financial periods.

Other intangible assets that have limited financial useful lives are recorded in the balance sheet and recognized as expenses in the income statement, marked as depreciations on a straight-line basis, during their financial useful lives. All the company's intangible assets have a limited financial useful life.

Intangible rights include software licenses, joining fees and customer relationships. Other intangible assets include computer software.

The standard times for planned depreciations of intangible assets:
Development costs 5 years
Intangible rights 3–5 years
Other intangible assets 5–10 years

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are valued at original acquisition cost less depreciations, amortizations and impairment. Depreciations on a straight-line basis are made on property, plant and equipment within their estimated financial useful lives. No depreciations are made on land.

The estimated financial useful lives are as follows:
Buildings 20–25 years
Plant and equipment 3–5 years
Other tangible assets 3–10 years

The depreciation values and financial useful lives of property, plant and equipment are estimated and adjusted at least at the end of each financial period, and if they differ significantly from previous estimates they will be altered accordingly.

The sales profits and losses of property, plant and equipment are determined by comparing their sales price to their book value, and they are presented in the income statement as other operating income or expenses.

RENTAL AGREEMENTS

Rental agreements where the lessor carries a significant share of the risks and rewards integral to ownership are classified as other rental agreements. Rental liabilities related to other rental agreements are not recorded in the balance sheet, and the related rents are recognized in the income statement as equal-sized items over the lease term.

IFRS 16 LEASES

IFRS 16 Leases (effective for financial periods beginning on or after January 1, 2019) concerns definitions, records, valuations and notes regarding lease agreements. IFRS 16 replaces standard IAS 17 Leases. According to IFRS 16, all leases are to be presented in the lessee's balance sheet. The standard requires companies to record the relevant asset items and lease liabilities in the balance sheet. These are valuated at the current value of upcoming rent payments. Any write-downs from asset items are recorded in the income statement. The interest costs arising from lease liabilities are also recorded in the income statement.

Panostaja has applied the standard as of November 1, 2019. As a result of the standard, almost all lease agreements were recorded in the balance sheet as fixed asset items, excluding agreements that are shorter than 12 months in length and low in value. Panostaja is applying a simplified implementation method, and the reference figures for the year preceding the implementation will not be adjusted. However, the lease agreement concepts in the agreements to be addressed as liabilities and those detailed in IFRS 16 differ, which is why the number of agreements recorded in the balance sheet may differ from the number of liabilities. Primarily, the agreements recorded in the new balance sheet will consist of lease agreements for premises and cars.

In accordance with the applicable financial statement principles, the Group will record the lease agreements in the balance sheet as lease liabilities and asset items. The rent payments are presented as loan repayments and related interest costs. The rent payments are presented in the financial cash flow and the rent-related interests in the business cash flow. Rent payments related to short-term and low-value lease agreements, as well as variable rents, are presented in the business cash flow. The change prescribed by the standard is also impacting the key figures based on the balance sheet, such as gearing.

The nominal value of the lease liabilities is valued at the current value of rent payments. Rent payments do not include variable rents. Variable rents that are not included in the original lease liability value are recorded directly in the income statement. The lease period is the non-cancellable period of the lease agreement, with an extension or cancellation option if the lessee can be reasonably expected to use the extension option. The lease periods for lease agreements effective until further notice are determined based on the realistic estimates of the management. During the transition period, rent payments were discounted at the estimated interest of additional credit.

The net current value of the Group's capitalized lease debt in the balance sheet stands at MEUR 25.6. During the review period, the rental costs arising from the lease agreements dropped by MEUR 6.6 and the interest costs increased by MEUR 0.5. The write-downs for the review period increased by MEUR 6.4 due to the asset item write-downs.

ABRIDGED BALANCE SHEET

EUR 1,000	October 31, 2019	Impact of IFRS 16	November 1, 2019
ASSETS			
Non-current assets			
Intangible assets	108,210		108,210
Property, plant and equipment	231		231
Asset items	14,128	25,651	39,779
Interests in associated companies	3,344		3,344
Deferred tax assets	6,007		6,007
Other non-current assets	8,057		8,057
Non-current assets total	**139,977**	**25,651**	**165,628**
Current assets			
Stocks	7,158		7,158
Trade and other receivables	29,844		29,844
Cash and cash equivalents	16,381		16,381
Current assets total	**53,383**	**0**	**53,383**
ASSETS IN TOTAL	**193,360**	**25,651**	**219,011**
EQUITY AND LIABILITIES			
Share capital	5,569		5,569
Other equity	44,772		44,772
Equity attributable to parent company shareholders	50,341	0	50,341
Minority interest	29,211		29,211
Equity total	**79,552**	**0**	**79,552**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	54,331	19,567	73,898
Imputed tax liabilities	6,204		6,204
Other liabilities	30		30
Non-current liabilities total	**60,566**	**19,567**	**80,133**
Current liabilities			
Interest-bearing liabilities	20,839	6,084	26,923
Other liabilities	32,403		32,403
Current liabilities total	**53,242**	**6,084**	**59,326**
Liabilities total	**113,808**	**25,651**	**139,459**
EQUITY AND LIABILITIES IN TOTAL	**193,360**	**25,651**	**219,011**

AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

At each balance sheet closing date, the Group assesses whether there are indications that the carrying amount of an asset item may not be recoverable. If such indications exist, the recoverable amount of the asset item in question will be measured. The recoverable amount is also assessed yearly with reference to the following asset items, regardless of whether there are indications of impairment: goodwill, intangible assets with indefinite useful lives and incomplete intangible assets. The impairment need is examined at the level of cash-generating units.

An impairment loss is recognized if the book value of the asset item or cash-generating unit exceeds the recoverable amount. Impairment losses are recorded in the income statement. An impairment loss of a cash-generating unit is first allocated to decrease the goodwill directed at the cash-generating unit, and thereafter to symmetrically decrease the other asset items of the unit. On the recognition of an impairment loss, the financial useful life of the asset item depreciated is reassessed.

The recoverable amount of tangible and intangible assets is determined either so that it is their fair value less costs to sell, or a higher service value. In determining service value, the estimated deferred cash flows are discounted to their current value based on discount rates which reflect the average capital cost before tax of the cash-generating unit in question. The discount rates used have been determined before taxes, and the special risk of the cash-generating unit in question is also taken into consideration in calculating them.

Impairment loss connected to property, plant and equipment and other intangible assets except goodwill is cancelled if a change has occurred in the estimates used in determining the amount recoverable from an asset item. Impairment loss is cancelled no higher than to the amount that would have been determined as the book value of an asset item (less depreciation) if impairment losses had not been recognized for it in previous years. Impairment loss recorded for goodwill will not be cancelled.

GOVERNMENT ALLOWANCES

Allowances for the acquisition of tangible or intangible assets are reduced from the book value of the asset item in question where there is reasonable reliability that the grant will be received and that the Group will meet all the conditions set for receiving the grant. Allowances are recognized in the form of smaller depreciations during the service life of the asset item.

STOCKS

Stocks are valued at the acquisition cost or a lower net realizable value. Net realizable value is the estimated sales price obtainable in conventional business, from which the estimated costs resulting from manufacturing the item for sale and the estimated costs necessary for carrying out the sale have been deducted.

The value of stocks has been determined using the FIFO method and it includes all the direct costs resulting from the acquisition, as well as other indirect focused costs. In addition to the purchase cost of materials, direct labor costs and other direct expenses, the acquisition cost of manufactured stocks includes a proportion of the general expenses of production, but not the outlay for sales or financing. The value of stocks has been reduced as far as obsolescent property is concerned.

FINANCIAL DERIVATIVES

The Group has no essential derivative agreements other than interest rate swaps.

Derivative agreements are initially recognized in accounting at fair value on the day that the Group becomes a party to a contract, and they are further valued at fair value at a later date. The Group does not apply hedge accounting to interest rate swaps, because they do not meet the conditions for hedge accounting defined in IFRS 9. In such a case, a change in the fair value of hedging instruments is immediately recognized in financing income and costs through profit and loss.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

Financial assets have been classified into the following groups in accordance with the IFRS 9 Financial Instruments standard: allocated acquisition cost, fair value through profit and loss and financial assets recognized at fair value through other extensive profit/loss items. The classification has been made based on the purpose of the acquisition and the cash flow properties in conjunction with the original acquisition. Financial assets maturing within 12 months are included in current assets.

Purchases and sales of financial assets are recognized based on the trading day, i.e., the day when the Group undertakes to purchase or sell an asset item. Financial assets are not recognized in the balance sheet after the rights to the cash flows of the investment have ceased or been transferred to another party and the Group has transferred a substantial part of the risks and rewards involved in ownership to another party.

Fund investments and derivatives to which hedge accounting is not applied are classified as financial assets at fair value through profit and loss. The Group has no essential derivative agreements other than interest rate swaps. Derivative agreements are initially recognized in accounting at fair value on the day that the Group becomes a party to a contract, and they are further valued at fair value at a later date. The change in fair value is recorded under financial income and expenses in the income statement. The fund investments include interest rate fund shares.

The financial assets recognized through allocated acquisition cost include loan receivables, sale receivables, accrued income and other receivables. Impairments of sales receivables are recorded under expected credit losses based on a simplified model described in Note 25 Trade and other receivables. Sales receivables and agreement-based asset items are derecognized as final credit losses, as payment for them cannot be reasonably expected. Indications of this include the debtor's significant financial troubles, the likelihood of bankruptcy, negligence of payments or delay of payments in excess of 360 days. Impairment losses arising from trade receivables and agreement-based asset items are presented in the income statement under other business costs.

The Group recognizes investments in unquoted shares as financial assets at fair value through profit and loss, which means that profit or loss resulting from a change in fair value can be recorded under other extensive income statement items instead of classifying them as items to be recognized through profit and loss in conjunction with the sale. Dividends from shares are recorded under financial income when the right to receive dividends has been created. They are current assets, unless the management intends to keep the investment in question for a period longer than 12 months from the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, short-term bank deposits and other current, extremely liquid investments whose initial maturity is no more than three months. Used bank account limits are presented in other non-current liabilities. The Group has estimated that these do not involve a substantial expected credit loss.

Financial liabilities

Initially, loans are recognized in accounting at fair value, less transaction costs. After this, they are valued in allocated acquisition costs using the effective interest method; the difference between payment received (less transaction costs) and the amount repayable is recognized as interest costs during the loan period.

Loans are classified as current, unless the Group has an absolute right to postpone their payment to at least 12 months from the balance sheet date.

Liability costs are recognized as expenses once they materialize. The liability expenses resulting directly from the acquisition, construction or manufacture of an asset item that fulfills the conditions set are activated as part of the asset's acquisition costs when they are likely to produce deferred financial benefits and when the costs can be reliably determined.

EQUITY

The Group classifies the instruments it issues based on their nature either as equity or as a financial liability. An equity instrument is any agreement which demonstrates the right to a share of an organization's assets after the deduction of all its liabilities. Costs that concern the issue or acquisition of the Group's own equity instruments are presented as an equity deductible item. If the Group buys back its own equity instruments, the acquisition cost for these instruments is deducted from equity.

PENSION LIABILITIES

The Group's pension schemes have been classified as payment-based schemes. A payment-based pension scheme refers to an arrangement in which the company makes fixed payments to a separate corporation. The company is under no legal or actual obligation to pay additional charges if the separate corporation in question does not have enough funds to pay everyone the benefits relating to their work that they have made payments on during the present or earlier financial periods. The payments made to the payment-based scheme are recognized as the expenses of the financial period during which the payment is made.

SHARE-BASED PAYMENTS

The Group has incentive schemes in which payments are made as equity instruments. Expenses incurred by business operations that are paid as equity are determined based on the fair value of the grant date. The company determines fair value using an appropriate pricing method. An expense resulting from business operations paid as equity and a corresponding increase in equity is recognized during the period when the work is performed and/or when the conditions based on the performance of the work are met. This period ends on the date when the persons involved are fully entitled to remuneration ("Time of the origin of entitlement"). The expenses accrued that are recorded by each balance sheet date from business operations that are paid as equity reflect the extent to which the time of the origin of entitlement has elapsed, and the Group's best estimate on the number of the equity instruments to which this right will eventually be created. The profit/loss is presented in the Group's income statement under staff expenses.

PROVISIONS

Provisions are recognized when a company, as a result of past events, has a legal or actual obligation, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision corresponds to the best estimate of the costs that are required for the fulfillment of the existing obligation on the balance sheet date.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLIED

Since November 1, 2019, the Group has applied the following new and amended standards and interpretations.

IFRS 16 Leases
Effective for financial periods beginning on or after January 1, 2019; earlier application is permitted only if IFRS 15 is implemented at the same time.

IFRS 16 primarily affects the accounting of lessees, and as a result, nearly all leases are recorded in the balance sheet. The standard has abandoned the division into operating leases and finance leases, and it requires an asset item (right to use the leased asset item) and finance liability related to the obligation to pay rent to be recorded for practically all lease agreements. An exception can be applied to short-term leases that concern asset items with little value.

The standard also affects the income statement since the total expenses are typically higher at the beginning of the lease agreement's validity and lower near its end. Furthermore, the rent cost that is currently included in the business costs will be replaced with interests and depreciations, which will impact the key figures, such as the EBITDA. Earlier application is permitted only if IFRS 15 is implemented at the same time.

The operating cash flows are larger than before since the payment portion of the lease agreement liability capital is classified as financial cash flow. Only the interest portion will continue to be presented in the operating cash flows.

The accounting process of the lessors will not be changed significantly. The new instructions regarding the definition of a lease agreement may result in some differences compared to the current situation. According to IFRS 16, an agreement is a lease or includes a lease if the agreement grants control entitling to the use of a specified asset item for a specific period of time in exchange for compensation.

The application of the new standards and interpretations began on November 1, 2020. They did not significantly impact the Group's financial statements.

Interpretation IFRIC 23 Uncertainty over Income Tax Treatments
Effective as of January 1, 2019

The interpretation describes the recognition and measurement of tax revenue and liabilities based on taxable profit, when there is uncertainty over income tax treatments. Specific focuses:

- specifying an appropriate calculation unit and the fact that each uncertain tax treatment must be examined either separately or together as a group, depending on which method better predicts the solution to the uncertainty
- the tax authority being expected to examine all uncertain tax treatment and having all the necessary information, i.e., the risk of new observations is not taken into account
- the necessity to account for the impact of the uncertainty in the accounting treatment of taxes if it is unlikely that the tax authorities will approve the treatment
- defining the uncertainty based on either the most likely amount or by using the expected value method, based on which method provides better predictions of the resolution of the uncertainty
- having to reassess all discretionary solutions and estimates if the conditions have changed or new information impacting the solutions has been received.

Even though there are no requirements for new notes, companies are reminded of the general requirement to present information on discretionary solutions and estimates made in conjunction with preparing the financial statement.

Prepayment features with negative compensation and modifications of financial liabilities – amendments to IFRS 9
Effective as of January 1, 2019

The minor change made to IFRS 9 Financial Instruments in October 2017 enables the recognition of certain financial assets with a negative compensation that can be paid before the maturity date to be valued at allocated acquisition cost. These assets, which include some loan receivables and debt loan instruments, would otherwise have to be recognized at fair value through profit and loss.

In order for the requirements for valuation at allocated acquisition cost to be met, the negative compensation must be a "reasonable compensation for the early termination of the contract" and the holding of the asset item must be based on a business model aimed at accumulating cash flows.

Long-term interest in associates and joint ventures – amendments to IAS 28
Effective as of January 1, 2019

The amendments clarify the accounting process for such long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. As regards these interests, IFRS 9 Financial Instruments must be applied before the application of the requirements on loss allocation and impairment laid down in IAS 28 Long-term interests in associates and joint ventures.

Annual improvements to IFRS standards 2015–2017
Effective as of January 1, 2019

The following improvements were confirmed in December 2017:

- IFRS 3 Business Combinations – clarified that when an entity obtains control of a business that is a joint operation, this is regarded as a phased combination of business operations.
- IFRS 11 Joint Arrangements – clarified that when an entity obtains joint control of a business that is a joint operation,

the entity must not remeasure previously held interests in that business.

- IAS 12 Income Taxes – clarified that the income tax effects of dividends paid from financial instruments classified as equity must be recognized according to the same principle as the business operations or events that have resulted in the accumulation of the profit to be distributed.
- IAS 23 Borrowing Costs – clarified that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

Plan Amendment, Curtailment or Settlement – amendments to IAS 19
Effective as of January 1, 2019

The amendments made to the IAS 19 Employment Benefits clarify the accounting treatment of amendments, curtailments or settlements. According to the amendments, companies must:

- define the current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement when an entity remeasures its net defined benefit liability, as of the date of the change
- record the possible reduction of the surplus immediately through profit and loss either as part of past service cost or as profit or loss arising from settlement. In other words, the reduction in surplus must be recognized through profit and loss even if the surplus has not been recorded before due to the maximum amount of the asset item.
- record the changes in maximum amounts in the other extensive income statement items.

**Applied for reporting periods beginning on or after the specified date.*

NEW AND AMENDED STANDARDS AND INTERPRETATIONS TO BE APPLIED AT A LATER DATE

The following standards and interpretations were published by July 31, 2020, but they were not effective in binding form during the financial period that ended on October 31, 2020.

Definition of 'material' – amendments to IAS 1 and IAS 8
Effective as of January 1, 2020

IASB has made some amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. According to the changes, a consistent definition of materiality must be used in all conceptual frameworks of reporting, in addition to clarifying when information is material and amending IAS 1 with instructions on immaterial information.

The amendments specifically clarify that:

- the reference to obscuring information applies to situations where the impact is similar to omitting or misstating, and that the company must assess materiality considering the financial statements as a whole; and that
- the "primary users of general purpose financial statements" are those to whom the financial statements are intended, and it is specified that these parties include "many existing and potential investors, lenders and other creditors" which must largely meet their needs for financial information by means of the financial statements intended for general use.

Definition of a business – amendments to IFRS 3
Effective as of January 1, 2020

According to the updated definition of business, an acquisition must include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of "output" is amended to emphasize the production of goods and services to customers and the accrual of investment revenue and other income. It does not include revenue received in the form of smaller expenses and other financial benefits. As a result of the changes, a larger portion of acquisitions will be treated as asset acquisition.

Updated Conceptual Framework for Financial Reporting
Effective as of January 1, 2020

IASB has released an updated Conceptual Framework for Financial Reporting, the implementation of which began immediately in decisions regarding the issue of standards. The essential changes are as follows:

- increasing the emphasis of the responsible stewardship of a company as a goal in financial reporting
- restoring caution as an element of neutrality
- defining the reporting entity, which can be a legal unit or part thereof
- updating the definitions of assets and liabilities
- removing the recording threshold based on probability and adding to the instructions regarding derecognition
- adding instructions on various valuation criteria
- stating that profit or loss is a primary performance indicator and that earnings and expenses recorded in other extensive profit/loss items should be recognized through profit and loss when this increases the significance of the financial statements or improves accurate presentation.

Changes will not be made to any effective standard. However, the updated framework must be applied as of January 1, 2020 by companies that use the framework to define any such financial statement principles that are applied to business activities, events and circumstances and that are not otherwise addressed in the standards. These companies must consider whether or not the preparation principles they utilize are still appropriate under the updated framework.

3. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The Group's financial risks comprise credit and counterparty risk, interest rate risk and liquidity risk. Credit and counterparty risk comprises payments of trade receivables coming from customers, the centralization of the customer base and co-operative banks approved as counterparties. Group companies operate primarily in the eurozone and so are only exposed to transaction risk stemming from exchange rate fluctuations, principally resulting from export activity, to a slight degree. The Group has no significant investments in foreign companies, so it is not exposed to significant translation risk. The effects of changes in interest rates on the value of interest-bearing liabilities and receivables and on the amount of future interest payments cause interest risk.

Panostaja's management of financial risks is handled in a centralized manner within the framework of the parent company's financial operations, under the leadership of Panostaja's Chief Financial Officer. The CFO actively monitors the subsidiaries' financial risks and actively participates in the process of securing funding and the implementation of hedges with the management of subsidiaries. The CFO also supports the management of Panostaja's subsidiaries in other matters related to financial management. The Group subsidiaries do not utilize a mutual fund allocation scheme, and their financial arrangements are independent of each other. The parent company may, by separate decision, allocate its funds to subsidiaries in the form of additional funding based on their financial and liquidity needs. The general principles of the Group's risk management are approved by the Board of Directors and their practical implementation is the responsibility of the parent company together with the subsidiaries.

EXCHANGE RATE RISK

The Group mainly operates in the eurozone and so is only exposed to foreign exchange risks resulting from changes in exchange rates to a slight degree.

INTEREST RATE RISK

The Group's income and operating cash flow is largely independent of fluctuations in market interest rates. The Group's interest risk primarily constitutes borrowing. At the end of the financial year, liabilities stood at MEUR 60.352 (MEUR 61.840). MEUR 55.891 of the liabilities are variable-interest loans. MEUR 4.461 of the liabilities are fixed-interest loans.

INTEREST RATE RISK SENSITIVITY ANALYSIS

The following table illustrates how any moderate change in interest rates, other variables remaining constant, would affect the Group's results as a consequence of changes to the cost of interest on debts with floating interest rates. Interest rate risk sensitivity is presented after taxes.

EUR 1,000	1% higher Income statement	2% higher Income statement	1% lower Income statement
Effect of change to interest rate			
2020	**-447**	**-894**	**447**
2019	-452	-904	452

CREDIT RISK

Credit risk is managed at Group level, with the exception of risk associated with trade receivables. The companies in the Group check the creditworthiness of customers at least when the customer relationship is being established. To minimize credit risk, the aim is to obtain effective collateral if a customer's creditworthiness so requires. The Group has long-established business relationships with its major customers. The Group has no significant risk concentration. Credit risk is primarily focused on outstanding receivables. The maturity distribution of sales receivables is presented in Note 25 to the financial statement.

The risk associated with the Group's liquid assets and derivative agreements is low, since these financial agreements are only concluded with banks with a good credit rating in accordance with the Group's risk management principles.

LIQUIDITY RISK

The Group's most important loan covenants are reported to financiers every three, six and twelve months. If the Group breaches the terms and conditions of a loan covenant, the creditor may demand the accelerated repayment of the loans. Management regularly checks the fulfilment of loan covenant terms and conditions. The Group's parent company has provided securities to financiers on behalf of its subsidiaries as security for creditors (Note 34 to the financial statements).

The loan covenant terms are related to the key figure of the Group's separate company or subgroup, the ratio between interest-bearing loans and operation margin (interest-bearing loans/ operating margin) and equity ratios or Panostaja Group's equity ratio and the ratio of interest-bearing net liabilities and operating margin.

Negligence related to liabilities, and breaches of contract: During the financial period, the loan covenant was broken in one of the subgroups.However, with regard to the loans of one subgroup, totaling MEUR 2.8, consent has been received from the financiers that they will not demand the accelerated repayment of the loans before the end of the financial period. Arrangements concerning liabilities and breaches of contract are presented in Note 28 to the financial statements.

The Group constantly assesses and monitors the amount of finance required for its operations, so that it will have sufficient liquidity to finance its business and repay its loans when they fall due. Efforts are made to guarantee the availability and flexibility of finance through adequate credit limits and by using different sources and forms of finance in the procurement of finance. At the time of the closing of the books, the Group's subsidiaries had MEUR 5.5 of unused credit limits at their disposal.

Panostaja also has a MEUR 15 corporate acquisition limit, which enables the withdrawal of three-year loans to fund Panostaja's corporate acquisitions and/or additional investments in the Group's companies. MEUR 15.0 of Panostaja's corporate acquisition limit remains to be withdrawn.

CAPITAL MANAGEMENT

The aim of the Group's capital management is to ensure that the business has the prerequisites for operating normally and to increase the share value over the long term. The capital structure is influenced through dividend distribution, the purchase of own shares, capital repayments, share issues and loan withdrawals and repayments. In Panostaja's operating model, decisions on acquiring and divesting investments are also an important part of capital management. Panostaja's goal is to persistently increase the value of its investments and, over the long term, implement divestments that lead to significant increases in value and strengthen the capital structure.

The trend in the Group's capital structure is monitored with equity ratio and gearing. The Group's equity ratio was 33.6% (41.3%) and its gearing ratio 90.1% (67.5%).

The increase in gearing ratio was impacted by the increase in the Group's leasing debt, as specified in the IFRS 16 standard.

(EUR 1,000)	2020	2019
Interest-bearing financial liabilities	103,355	75,171
Interest-bearing receivables	5,102	5,130
Cash and cash equivalents	34,255	16,381
Interest-bearing net liabilities	63,998	53,660
Equity total	71,012	79,552
Gearing ratio	**90.1%**	**67.5%**

4. THE ACCOUNTING PRINCIPLES REQUIRING MANAGEMENT DISCRETION AND THE KEY UNCERTAINTIES RELATING TO ESTIMATES

In preparing the consolidated financial statements and related notes, the management of the company must prepare estimates and make assumptions. Any estimates prepared and discretion exercised are founded on previous experience and other factors, such as presumptions about future events. The estimates prepared and discretion applied are examined on a regular basis. Below is a description of the most important areas in which estimates and discretion have been applied.

VALUATION OF ACQUIRED ASSETS AT FAIR VALUE

IFRS 3 requires the supplier to enter any intangible asset as separate from goodwill, if the entry criteria are met. Recognizing an intangible right at fair value requires the management's estimate of future cash flows. As far as possible, the management has applied the available market values as the basis for the allocation of an acquisition cost in determining fair value. Whenever this is not possible, which is typical with intangible assets especially, valuation is based on the asset item's historical revenue and its intended use in future business. Valuations are founded on discounted cash flows and estimated transfer and replacement prices, and require the management's estimates and assumptions on the future use of the asset items and their effects on the company's financial status. Shifts in the focus and orientation of the company's business activities may, in the future, bring about changes in the original valuation (Note 6 and 18 to the financial statements).

CONDITIONAL PURCHASE PRICES CONCERNING CORPORATE ACQUISITIONS

Management uses significant discretion when assessing the fair value of possible conditional additional purchase prices on the closing day of each reporting period. At the end of the financial period, there were no conditional additional purchase prices for the Group companies.

IMPAIRMENT TESTS

Intangible and tangible assets are tested for impairment whenever there are signs that their value may have decreased. Goodwill and other intangible assets with infinite useful life are tested for impairment at least once a year. For the purposes of the testing, goodwill and intangible assets with infinite useful life are allocated to cash-generating units. The amount recoverable by cash-generating units is based on calculations of service value. Formulating these calculations requires the use of estimates. Although the presumptions applied in accordance with the management's vision are appropriate, the estimated recoverable amounts may differ significantly from those materializing in the future (Note 18 to the financial statements).

VALUATION OF STOCKS

It is the management's principle to enter any impairment loss from slowly moving and outdated stocks on the basis of the management's best estimation of the potentially unusable stocks possessed at the balance sheet date. The management bases its estimation on a systematic and continuous monitoring and evaluation. The company also applies a valuation code founded on the stocks' turnover ratio.

RECOVERABILITY OF DEFERRED TAX ASSETS

It takes discretion to decide whether deferred tax assets should be entered on the balance sheet. Deferred tax assets are only recognized if it is more likely that they will be realized than not, which is determined by whether sufficient taxable income accumulates in the future. The assumptions for accrual of taxable income are based on the evaluations and assumptions of the management.

These evaluations and suppositions involve risk and uncertainty, and it is therefore possible that changes in circumstances bring about changes to assumptions, and this may in turn affect the deferred tax receivables recorded in the balance sheet as well as any other as yet unrecognized tax losses and temporary differences.

If the taxable income of Group companies turns out to be less than what management predicted when deferred tax receivables were being determined, the value of the receivables will fall or they will become completely worthless. In that case, the amounts entered on the balance sheet may have to be canceled through profit and loss.

There are MEUR 6.2 worth of deferred tax assets on the balance sheet of Panostaja Group.

OTHER MANAGEMENT ASSESSMENTS

In accordance with the applicable IFRS 16 standard, the Group will record the lease agreements in the balance sheet as lease liabilities and asset items. The nominal value of the lease liabilities is valued at the current value of rent payments. The lease period is the non-cancellable period of the lease agreement, with an extension or cancellation option if the lessee can be reasonably expected to use the extension option. The lease periods for lease agreements effective until further notice are determined based on the realistic estimates of the management. During the transition period, rent payments were discounted at the estimated interest of additional credit.

5. SEGMENT INFORMATION

The seven 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. Panostaja Group's business segments are Grano, Helakeskus, Heatmasters, Hygga, CoreHW, Carrot, Oscar Software and Others.

These reported segments have been formed because they produce products and services that differ from each other. The transactions between segments have taken place on normal commercial terms and conditions.

Reports on these business segments are prepared in a manner in line with the internal reporting submitted to the highest operational decision-maker. Senior operational decision-making is represented by the Senior Management Team of the Panostaja Group.

The Group has determined Grano Group as a subgroup involving a significant minority shareholding, as specified in IFRS 12. The Grano Group subgroup's financial information is presented in this segment note under the Grano business segment. To specify, the financial information of the subgroup in question corresponds with the segment-specific information in question.

BUSINESS SEGMENTS

Net sales and recognition principles

Net sales consist of income from the sale of products and services at fair value, adjusted according to indirect taxes and discounts.

- Grano's earnings primarily come from the sale of printing services as well as digital marketing and content services. Earnings from product sales are recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely. Earnings from services are recorded once the services have been rendered.
- Revenue in the Helakeskus segment comes from the wholesale trade of furniture fittings. Earnings from product sales are recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely.
- Revenue in the Hygga segment comes from the production of oral health care services and selling licenses to its own ERP system. Earnings from services are recorded once the services have been rendered. In the coming financial periods, the IFRS 15 standard is likely to affect the timing of the commissioning and establishment projects connected to the sale of certain software services, which will be delayed once the standards take effect. However, the identified revenue streams from commissioning and establishment projects are not significant in terms of their quantity.
- Revenue in the Heatmasters segment comes from metal heat treatment services, and from the development, manufacture and marketing of machinery and equipment needed in metal heat treatment. Earnings from product sales are recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely. Earnings from services are recorded once the services have been rendered. Long-term projects are recognized in part based on their degree of completion.
- Revenue in the CoreHW segment comes from the design service of microchips and antennas used in radiotechnology. Earnings from services are recorded once the services have been rendered. Long-term projects are recognized in part based on their degree of completion.
- Revenue in the Carrot segment comes from the sale of staffing, recruitment and outsourcing services. Earnings from services are recorded once the services have been rendered.
- Revenue in the Oscar Software segment mainly comes from the sale of licenses and services related to the proprietary ERP system as well as financial management, HR and other online trade services. Earnings from services are recorded once the services have been rendered. The IFRS 15 standard is likely to have a small impact on the timing of the recognition of single-charge licenses and the commissioning and establishment projects implemented in connection to their sale, which will occur over a longer period of time. In the reporting period, the recognition's impact on the company's profit/loss was EUR 52,000.
- The Others segment presents the figures of Panostaja's parent company. In addition to this, the row includes the figures of possible non-operative Group companies and other non-allocated items. The impact on profit/loss of associated companies not allocated to business segments are also presented on this row. In the reference year figures, the Others row also includes the assets, liabilities and employee numbers of sold business operations.
- The Eliminations row presents eliminations of internal items between segments as well as other group-level adjustments.

BUSINESS SEGMENTS 2020

2020	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	EBIT	Financial income and expenses	Share of associated company profits	Income tax	Profit/loss from continuing operations	Assets	Liabilities	Employees at the end of the period
Grano	109,919	21	109,898	-13,586	4,760					145,542	109,021	940
Helakeskus	7,582	0	7,582	-321	474					4,949	5,381	18
Hygga	4,146	0	4,146	-464	-262					5,097	9,484	79
Heatmasters	3,960	0	3,960	-334	266					2,797	1,417	35
CoreHW	8,059	0	8,059	-758	470					8,305	6,405	72
Carrot	14,540	16	14,524	-3,644	-4,009					6,782	7,980	277
Oscar Software	10,992	162	10,829	-1,145	1,141					12,059	7,267	127
Other	0	0	0	-87	-2,028		233			33,609	1,172	10
Eliminations		-199	0	0	0		,			-7,181	-7,181	
Group in total	**159,197**	**0**	**158,998**	**-20,340**	**812**	**-2,843**	**233**	**-1,230**	**-3,028**	**211,958**	**140,946**	**1,558**

BUSINESS SEGMENTS 2019

2019	Net sales total	Internal net sales	External net sales	Depre-ciations, amortiza-tions and impairment	EBIT	Financial income and expenses	Share of associated company profits	Income tax	Profit/loss from continuing operations	Assets	Liabilities	Employees at the end of the period
Grano	129,689	78	129,611	-9,697	4,086		0			118,813	82,215	1,089
Helakeskus	8,048	0	8,048	-16	457					5,502	5,921	19
Hygga	4,688	0	4,688	-309	-170					4,122	7,691	58
Heatmasters	4,166	0	4,166	-157	186					2,573	1,370	38
CoreHW	5,687	0	5,687	-266	432					7,385	5,725	56
Carrot	20,845	73	20,773	-290	-375					11,478	8,526	476
Oscar Software	10,084	107	9,977	-658	229					11,984	7,762	131
Other	0	0	0	-67	-1,074		150			40,308	3,405	28
Eliminations		-257	0	0	0					-8,806	-8,807	
Group in total	**183,207**	**0**	**182,949**	**-11,461**	**3,771**	**-2,069**	**150**	**-1,283**	**569**	**193,360**	**113,808**	**1,895**

6. ACQUIRED BUSINESSES

There were no subsidiary acquisitions during the financial year.

ACQUISITIONS IN THE 2019 FINANCIAL YEAR

On October 30, 2019, Panostaja Oyj announced that its subsidiary Selog Group Oy had signed an agreement with Tilatukku Oy to merge the companies. The merger took the form of an exchange of shares, which involved Selog Group Oy purchasing Tilatukku Oy's shares and the current owners of Tilatukku ending up with 40% of Selog Group Oy's shares. Tilatukku Oy will continue as a subsidiary fully owned by Selog Group Oy.

At the time of the closing of the books, the overall purchase price was estimated to be MEUR 0.8. Tilatukku's balance was consolidated into Panostaja Group's records on October 31, 2019.

Acquisition cost calculation

	Note	MEUR
Consideration given		**0.80**
Conditional consideration		0.00
Consideration in total		**0.80**
Acquired assets and liabilities		
Permanent assets	19	0.00
Machinery and equipment		0.04
Stocks	24	0.15
Current receivables	25	0.57
Cash and cash at bank	26	0.02
Total assets		**0.78**
Non-current liabilities	23	0.08
Current liabilities	29	0.70
Deferred tax liabilities		0.00
Total liabilities		**0.78**
Net assets		0.00
Goodwill		**0.80**

7. DISPOSAL OF SUBSIDIARIES AND BUSINESS OPERATIONS

TILATUKKU

On April 9, 2020, Panostaja signed an agreement on selling Tilatukku Group Oy's share capital to the company's acting management. Panostaja Oyj's shareholding in Tilatukku Group Oy was 60%. The trade involved Panostaja relinquishing its ownership in the company entirely. Panostaja Group recorded a sales loss of MEUR 0.5 from the transaction.

In the consolidated financial statements, the result of the Tilatukku segment is presented in the section 'Result from Discontinued Operations' in the financial periods that ended on October 31, 2020 and October 31, 2019.

The result of sold businesses, profit resulting from its divestment and the share of cash flows were as follows:

MEUR

Profit/loss of the Tilatukku segment	**November 1, 2019–April 9, 2020**	**November 1, 2018–October 31, 2019**
Earnings	4.2	7.3
Costs	-4.0	-7.5
Profit before taxes	0.2	-0.2
Taxes	0.0	0.0
Profit after taxes	**0.1**	**-0.2**
Disposal loss	-0.5	
Tax expenditure related to disposal	0.0	
Profit/loss from discontinued operations	**-0.4**	**-0.2**
Tilatukku segment's cash flows until the moment of sale		
Operating cash flow	0.5	0.8
Investment cash flow	-0.3	0
Funding cash flow	-0.4	-0.6
Total cash flows	**-0.2**	**0.2**

The effect of the sale of the Tilatukku segment on the financial position of the Group:	**April 9, 2020**
Property, plant and equipment	0.1
Intangible assets	2.3
Stocks	0.6
Deferred tax assets	0.0
Other assets	1.4
Cash and cash equivalents	0.4
Sold liabilities	-2.5
Net assets	**2.3**
Consideration received as cash	0.9
Cash and cash equivalents from divested unit	-0.4
Net cash flow from corporate divestments	**0.5**

DIVESTMENTS OF BUSINESS OPERATIONS IN THE 2019 FINANCIAL PERIOD

On May 29, 2019, together with other owners of KL-Parts Oy, Panostaja signed an agreement on selling KL-Parts Oy's share capital to Oy Kaha Ab. The trade made Kaha the primary owner of KL-Parts. The management of KL-Parts will continue with the company as a minority shareholder. KL-Parts owns 100% of KL-Varaosat Oy. Panostaja Oyj's ownership in KL-Parts was 75%. The trade involved Panostaja relinquishing its ownership in the company entirely. Panostaja Group's recorded sales profit for the trade was MEUR 2.7 before taxes.

MEUR	November 1, 2018– May 29, 2019	November 1, 2017– October 31, 2018
Profit/loss of the KL-Varaosat segment		
Earnings	7.2	14.4
Costs	-6.8	-13.2
Profit before taxes	0.4	1.2
Taxes	-0.1	-0.2
Profit after taxes	0.2	1.0
Gain on disposal	2.7	
Tax expenditure related to disposal	-0.8	
Profit/loss from discontinued operations	**2.1**	**1.0**

KL-Varaosat segment's cash flows until the moment of sale		
Operating cash flow	0.2	1.1
Investment cash flow	0.0	-0.1
Funding cash flow	-0.3	-0.7
Total cash flows	**-0.1**	**0.3**

The effect of the sale of the KL-Varaosat segment on the financial position of the Group:	May 29, 2019
Property, plant and equipment	0.1
Intangible assets	2.0
Stocks	2.3
Deferred tax assets	0.0
Other assets	0.8
Cash and cash equivalents	0.0
Sold liabilities	-1.7
Net assets	**3.5**

Consideration received as cash	4.8
Cash and cash equivalents from divested unit	0.0
Net cash flow from corporate divestments	**4.8**

8. DISPOSALS AND ACQUISITIONS OF SUBSIDIARY HOLDINGS WITHOUT CHANGE IN CONTROLLING INTEREST

FINANCIAL PERIOD 2020

Panostaja Oyj claimed the shares of a minority shareholder in Grano Group Oy, increasing its holding in Grano Group Oy to 55.2%.

Oscar Software Holdings Oy claimed the shares of a minority shareholder and recorded them as its own shares. After the acquisition, Panostaja's shareholding in the Oscar group is 54.5%.

	2020
Divested or acquired minority shareholders' interest	329
Consideration received or paid	-481
Effect of the change in ownership on retained earnings	**-152**

FINANCIAL PERIOD 2019

Panostaja Oyj claimed the shares of a minority shareholder in Grano Group Oy, increasing its holding in Grano Group Oy to 54.8%.

Carrot Palvelut Group Oy claimed the shares of a minority shareholder and recorded them as its own shares. After the acquisition, Panostaja's shareholding in the Carrot group is 74.1%.

Selog Group Oy purchased Tilatukku Oy's shares by means of an exchange of shares, after which the current owners of Tilatukku ended up with 40% of Selog Group Oy's shares. After the arrangement, Panostaja owns 60% of the Selog Group.

Oscar Software Holdings Oy carried out a targeted share issue. After the arrangement, Panostaja's shareholding dropped to 50.7%.

CoreHW Group Oy conducted a targeted share issue. After the arrangement, Panostaja's shareholding is 61.1%.

Grano Group Oy claimed the shares of minority shareholders in its subsidiary Grano Oü. This increased Grano's holding in the subsidiary to 100%.

Grano Group Oy divested shares in its subsidiary Grano 3D by means of an exchange of shares in such a way that it gained 32.6% of the new business entity Maker3D Oy.

The following table shows the total effect of the change in shareholding on Group earnings:

	2019
Divested or acquired minority shareholders' interest	283
Consideration received or paid	-91
Effect of the change in ownership on retained earnings	**192**

9. OTHER OPERATING INCOME

(EUR 1,000)	2020	2019 Adjusted *)
Associated company sales profits	0	1,815
Sales profits on tangible assets	110	67
Received allowances	304	104
Other income	595	499
Total	**1,009**	**2,485**

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2019 has been adjusted due to the Tilatukku subgroup being presented as a sold operation.

10. SHARE OF ASSOCIATED COMPANY PROFITS

Details of the company's associated companies are given in note 20. Investments in associated companies.

11. EMPLOYEE BENEFIT EXPENSES

The Group has payment-based pension schemes, the payments of which are recorded in the income statement in the relevant period.

Details of the employee benefits, including share-based payments, of management considered related parties are given in note 35. Related party disclosures

During the financial year, the Group employed an average of 1,726 (1,969) people. At the end of the financial period, it employed 1,557 (1,895) persons. The figures for the reference year include the personnel employed by the Tilatukku group (52).

(EUR 1,000)	2020	2019 Adjusted *)
Salaries and fees	63,394	74,540
Pension costs - payment-based arrangements	9,963	12,739
Other social security expenses	2,225	2,527
Total	**75,582**	**89,806**

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2019 has been adjusted due to the Tilatukku subgroup being presented as a sold operation.

12. DEPRECIATIONS, AMORTIZATIONS AND IMPAIRMENT

(EUR 1,000)	2020	2019 Adjusted *)
Depreciation by asset group:		
Property, plant and equipment		
Buildings and structures	6,267	0
Machinery and equipment	5,053	4,784
Other tangible assets	0	0
Intangible assets		
Goodwill	0	0
Development expenses	1,317	821
Intangible rights	2,400	3,048
Other capitalized long-term expenditure	1,744	1,930
Total	**16,781**	**10,583**

(EUR 1,000)	2020	2019 Adjusted *)
Impairments by asset group:		
Property, plant and equipment		
Buildings and structures		
Machinery and equipment	0	0
Other tangible assets		
Intangible assets		
Goodwill	3,300	0
Development expenses	225	0
Intangible rights	35	878
Other capitalized long-term expenditure		
Total	**3,560**	**878**

(EUR 1,000)	2020	2019 Adjusted *)
Total depreciations, amortizations and impairment by asset group:		
Property, plant and equipment		
Machinery and equipment	5,053	4,784
Other tangible assets	0	0
Intangible assets		
Goodwill	3,300	0
Development expenses	1,317	821
Intangible rights	2,659	3,926
Other capitalized long-term expenditure	1,744	1,930
Total	**20,340**	**11,461**

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2019 has been adjusted due to the Tilatukku subgroup being presented as a sold operation.

13. OTHER OPERATING EXPENSES

(EUR 1,000)	2020	2019 Adjusted *)
Sales losses and scrappings connected with tangible assets	70	6
Rental costs	713	8,615
External services	7,451	9,595
Other expense items	9,859	11,029
Total	**18,093**	**29,245**

Auditing fees	235	290
Other fees	80	57
Fees paid to auditors total, continuing operations	315	347

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2019 has been adjusted due to the Tilatukku subgroup being presented as a sold operation.

14. FINANCIAL INCOME

(EUR 1,000)	2020	2019 Adjusted *)
Dividend income from held-for-sale investments	0	0
Foreign exchange gains	4	2
Financial income from associated companies	0	0
Interest earned	365	380
Changes in fair value from financial assets recorded at fair value through profit and loss		
- interest derivatives, not in hedge accounting	0	0
- from financial assets that are managed based on fair value	0	0
Total	**369**	**382**

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2019 has been adjusted due to the Tilatukku subgroup being presented as a sold operation.

15. FINANCIAL EXPENSES

(EUR 1,000)	2020	2019 Adjusted *)
Foreign exchange losses	59	24
Impairment losses from loan receivables	23	0
Interest expenses for lease liabilities	830	390
Interest expenses for other financial liabilities	2,300	2,300
Total	**3,212**	**2,451**

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2019 has been adjusted due to the Tilatukku subgroup being presented as a sold operation

16. INCOME TAXES

(EUR 1,000)	2020	2019
Direct tax	-539	-328
Taxes in previous periods	2	-9
Deferred taxes		
Incurred and resolved temporary taxes	-694	-946
Income taxes total	**-1,230**	**-1,283**

Balancing statement between the tax expense in the income statement and the taxes calculated using the Finnish tax rate of 20.0%

Reconciliation:

Profit before taxes	-1,798	1,671
Income tax on Group income at the tax rate in Finland before taxes	360	-334
Non-taxable income		520
Non-deductible expenses	-954	-1,488
Goodwill impairments	-660	0
Unrecognized deferred tax assets from tax losses	-419	-180
Tax impact of previously non-deductible expenses		
Use of tax losses not recorded previously	91	97
Share of associated company profits	47	30
Temporary differences during the period	-94	-53
Taxes for previous periods		125
Taxes in the income statement	**-1,230**	**-1,283**

The figures for discontinued operations are not distinguishable in the information for the reference year.

17. EARNINGS PER SHARE

Undiluted earnings per share (EPS) are calculated by dividing the profit for the period attributable to the parent company shareholders by the weighted average of the number of shares outstanding during the period. The fair value of a share is based on the average price of a share for the financial year.

	2020	2019
Continuing operations	-3,941	-324
Discontinued operations	-410	1,963
Profit for the financial period attributable to parent company shareholders (EUR 1,000),	-4,351	1,639
Interest on equity convertible loan (taking into account the impact of tax)	0	0
Profit used when calculating profit per share	**-4,351**	**1,639**
Profit used when calculating profit per share adjusted with the diluting effect	**-4,351**	**1,639**
Number of shares at the end of the financial period	52,533	52,533
of which held by company	111	194
Weighted average number of shares outstanding, 1,000	52,392	52,298
Share-based payments, 1,000		28
Weighted average number of shares outstanding, 1,000 pcs	52,457	52,326
Earnings per share calculated from the profit belonging to the shareholders of the parent company:		
Earnings per share from continuing operations, EUR		
Undiluted	-0.075	-0.006
Diluted	-0.075	-0.006
Earnings per share from sold and discontinued operations, EUR		
Undiluted	-0.008	0.038
Diluted	-0.008	0.038
Earnings per share on continuing and discontinued EUR		
operations		
Undiluted	-0.083	0.031
Diluted	-0.083	0.031

18. INTANGIBLE ASSETS

(EUR 1,000)	Goodwill	Intangible rights	Deve-lopment expenses	Other intangible assets	Total
Acquisition cost as of November 1, 2019	**102,852**	**24,314**	**7,315**	**11,516**	**145,996**
Additions		42	2,802	782	3,626
Deduction					0
Effect of company acquisition					0
Effect of the company sale or discontinuation	-2,368	-29		-18	-2,415
Asset deal					0
Transfer merger					0
Transfer between balance sheet groups			13	204	217
Exchange rate differences					0
Acquisition cost October 31, 2020	**100,484**	**24,327**	**10,130**	**12,484**	**147,424**
Accumulated depreciations, amortizations and impairment November 1, 2019	**-9,167**	**-19,054**	**-2,508**	**-7,056**	**-37,785**
Depreciations, amortizations and impairment for the period					0
Depreciations in the financial period		-2,400	-1,317	-1,744	-5,461
Deductions					
Effect of company acquisition					
Effect of the company sale or discontinuation		29		4	33
Asset deal					0
Transfer merger					0
Transfers between balance sheet groups					0
Impairment	-3,300		-225	-35	-3,560
Accumulated depreciations, amortizations and impairment October 31, 2020	**-12,467**	**-21,425**	**-4,050**	**-8,835**	**-46,777**
Book value as of October 31, 2020	**88,017**	**2,901**	**6,080**	**3,649**	**100,645**
Acquisition cost as of November 1, 2018	**104,005**	**24,241**	**4,885**	**10,558**	**143,688**
Additions		88	1,480	798	2,366
Deduction	-52			-732	-784
Effect of company acquisition	800				800
Effect of the company sale or discontinuation	-1,901	-15		-299	-2,215
Asset deal					0
Transfer merger				-63	-63
Transfer between balance sheet groups			950	1,254	2,204
Exchange rate differences					0
Acquisition cost as of October 31, 2019	**102,852**	**24,314**	**7,315**	**11,516**	**145,996**
Accumulated depreciations, amortizations and impairment as of November 1, 2018	**-9,167**	**-16,017**	**-1,687**	**-5,410**	**-32,281**
Depreciations, amortizations and impairment for the period					0
Depreciations in the financial period		-3,048	-821	-1,930	-5,799
Deductions					
Effect of company acquisition					
Effect of the company sale or discontinuation		11		223	234
Asset deal					0
Transfer merger				61	61
Transfers between balance sheet groups					0
Impairment					0
Accumulated depreciations, amortizations and impairment as of October 31, 2019	**-9,167**	**-19,054**	**-2,508**	**-7,056**	**-37,785**
Book value as of October 31, 2019	**93,685**	**5,259**	**4,807**	**4,460**	**108,210**

GOODWILL IMPAIRMENT TEST

Goodwill has been allocated to the following cash flow-producing units (or groups within units):

MEUR	10/2020	10/2019
Grano	67.0	67.0
Oscar Software	7.1	7.1
Carrot	4.6	7.9
CoreHW	3.4	3.4
Helakeskus	3.0	3.0
Hygga	2.6	2.6
Heatmasters	0.3	0.3
Tilatukku	-	2.4
Total	**88.0**	**93.7**

Impairment testing of goodwill in the financial period was undertaken for the situation on September 30. The recoverable amount through business operations has been determined in an impairment test with the help of service value. The determined anticipated cash flows are based on the vision of the Group's management on the development of the next three years. The subsequent years after the forecast period have been extrapolated using a 2% growth estimate.

The key variables used in calculating service value are budgeted net sales and budgeted operating profit. In terms of operating profit, the cost savings and other benefits produced by restructuring activities which have already been implemented, or to which a commitment has been made, were also taken into account. Future outgoing cash flows taking place after the time of observation are not linked to these reorganization efforts to any significant extent.

In calculating service value, Grano's net sales are expected to grow moderately. Grano's EBIT is expected to improve during the forecast period as a result of operational streamlining measures. The net sales and EBIT of Helakeskus are expected to grow moderately during the forecast period. Hygga's net sales are expected to grow significantly, especially in terms of the clinic business. EBIT is also expected to increase for the clinic and licensing business. The net sales and EBIT of Heatmasters are expected to grow moderately. CoreHW's net sales are expected to continue their significant growth due to an increase in the sale of proprietary products, among other factors, and the company's profitability is expected to improve. Carrot's net sales are expected to grow moderately, and relative profitability is expected to improve significantly compared to 2020. Oscar Software's net sales are expected to grow, and its profitability is expected to remain at a good level.

The discount rates before tax used in the calculations are (discount rate % used in the reference year):
Grano 6.8% (6.8%), Carrot 8.5% (8.9%), Oscar Software 10.1% (10.1%), Hygga 9.5% (9.4%), Helakeskus 7.0% (7.0%), Heatmasters 9.5% (9.5%) and CoreHW 7.6% (7.5%).

The service value determined with the test of the company's units that have been analyzed through continuous testing has been greater than their book value in all units, except Carrot.

Despite the moderate development of the staffing sector, the development of the Carrot segment's net sales and EBIT has been weaker than anticipated during the financial period. As part of impairment testing of goodwill, Panostaja has reviewed the prospects of the Carrot segment and other presumptions related to the business environment. With reference to the Carrot segment's impairment tests, the Carrot segment's consolidated goodwill has been written down by MEUR 3.3. The Carrot segment's remaining amount of goodwill is MEUR 4.6.

Moderate changes to the key parameters used in the test calculations of segments other than Carrot do not result in the asset items' book value exceeding the recoverable amount accruable from them. Due to the current low interest level, however, it is clear that the sensitivity of the impairment tests will increase as the interest rates climb.

19. PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	Land areas	Buildings and premises	Machinery and equipment	Other tangible assets	Advance payments fixed assets	Total
Acquisition cost as of November 1, 2019	**194**	**0**	**44,026**	**282**	1,090	**45,592**
Additions			2,909		383	3,292
Additions to asset items		27,366	432			
Effect of company acquisition			0			0
Effect of the company sale or discontinuation		-530	-317			-847
Deductions		-722	-227		-63	-1,012
Transfer merger						0
Transfers between balance sheet groups			179		-396	-217
Exchange rate differences		-3	-145			-148
Other changes						0
Acquisition cost October 31, 2020	**194**	**26,111**	**46,857**	**282**	**1,014**	**74,458**
Accumulated depreciations, amortizations and impairment November 1, 2019	**-179**	**0**	**-29,898**	**-208**	**-947**	**-31,232**
Depreciations in the financial period			-4,944			-4,944
Depreciations of asset items		-6,267	-109			-6,376
Effect of company acquisition			0			0
Effect of the company sale or discontinuation			225			225
Deductions		0	-79			-79
Transfer merger						0
Transfers between balance sheet groups						0
Exchange rate differences	-1	4	123			126
Other changes						0
Accumulated depreciations, amortizations and impairment October 31, 2020	**-180**	**-6,263**	**-34,682**	**-208**	**-947**	**-42,280**
Book value as of October 31, 2020	**14**	**19,848**	**12,175**	**74**	**67**	**32,177**
Acquisition cost as of November 1, 2018	**194**	**0**	**43,015**	**282**	1,759	**45,250**
Additions			2,216		1,824	4,040
Effect of company acquisition			40			40
Effect of the company sale or discontinuation			-504			-504
Deductions			-105		-197	-302
Transfer merger			-976			-976
Transfers between balance sheet groups			93		-2,296	-2,203
Exchange rate differences			33			33
Other changes			214			214
Acquisition cost as of October 31, 2019	**194**	**0**	**44,026**	**282**	**1,090**	**45,592**
Accumulated depreciations, amortizations and impairment as of November 1, 2018	**-179**	**0**	**-26,391**	**-208**	**-947**	**-27,725**
Depreciations in the financial period		0	-4,818			-4,818
Effect of the company sale or discontinuation			384			384
Deductions		0	0			0
Transfer merger			976			976
Transfers between balance sheet groups						0
Exchange rate differences						0
Other changes			-49			-49
Accumulated depreciations, amortizations and impairment as of October 31, 2019	**-179**	**0**	**-29,898**	**-208**	**-947**	**-31,232**
Book value as of October 31, 2019	**15**	**0**	**14,128**	**74**	**143**	**14,359**

In accordance with the applicable financial statement principles, the Group will record the lease agreements in the balance sheet as lease liabilities and asset items. The rent payments are presented as loan repayments and related interest costs. The lease period is the non-cancellable period of the lease agreement, with an extension or cancellation option if the lessee can be reasonably expected to use the extension option. The lease periods for lease agreements effective until further notice are determined based on the realistic estimates of the management. During the transition period, rent payments were discounted at the estimated interest of additional credit.

20. INVESTMENTS IN ASSOCIATED COMPANIES

(EUR 1,000)	2020	2019
Book value as of November 1	3,342	1,140
Share of the profit of the financial period	233	150
Additions	0	2,314
Deductions	0	-262
Book value as of October 31	**3,575**	**3,342**

Associated company

October 31, 2020	Registered office	Shareholding	Assets	Equity	Liabilities	Net sales	Total
Gugguu Oy							235
Spectra Oy	Lohja	39.0%	2,199	903	1,296	6,285	339
Maker3D	Helsinki	32.6%	-	-	-	-	-

Spectra Oy is an associated company in which Panostaja Group has a 39.0% holding. The profit/loss is based on the profit/loss for the financial period.

Panostaja invested in Gugguu Oy's shares. Gugguu is a company established in 2012 that designs and manufactures first-rate children's clothing from ecological high-quality materials. The company's products include indoor and outdoor clothing for children as well as children's accesories. After the restructuring, Panostaja's holding in the company is 43%.

Grano's subsidiary Grano 3D merged with Maker3D on September 30, 2019. Through the exchange of shares, the company became one of Grano's associated companies (shareholding 32.6%). Maker3D designs and manufactures high-quality 3D-printable products. The company has notified the Finnish Patent and Registration Office of its decision to extend the financial year by four months. No financial information on the new business entity is available at this time.

21. OTHER NON-CURRENT ASSETS

(EUR 1,000)	2020	2019
Loan receivable	4,816	4,971
Held-for-sale investments	216	224
Other receivables	786	2,862
Total	**5,818**	**8,057**

Under other receivables, Panostaja Oyj has a receivable of MEUR 0.6 from the Group's Senior Management Team in relation to the reward scheme. There are more details concerning the reward scheme in note 35. Related party disclosures.

HELD-FOR-SALE INVESTMENTS

Investments in unquoted shares:	2020	2019
At the start of the financial period, November 1	224	226
Additions caused by the merging of businesses	0	0
Additions	0	0
Deductions	-8	-2
At the end of the financial period, October 31	**216**	**224**

22. FINANCIAL ASSETS RECORDED AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets recorded at fair value through profit and loss	2020	2019
At the start of the financial period, November 1	8,394	11,000
Changes in fair value		
- realized	-14	-106
- unrealized	-14	
Additions	2,000	4,500
Deductions	-4,000	-7,000
At the end of the financial period, October 31	**6,366**	**8,394**

The financial assets recorded at fair value through profit and loss include an investment in the Fennian Varainhoito Oy Cash Asset Management Portfolio. The portfolio mainly consists of short-term interest bond funds and investments in company loan funds. The fund is low-risk and the investment can be withdrawn at any time. At the end of the financial year, the fund held MEUR 6.4 in investments.

23. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets:

	Losses confirmed or to be confirmed in taxation	Impairment losses	Other items	Total
November 1, 2018	**670**	**0**	**5,784**	**6,454**
Recorded in the income statement	-88		-349	-437
Items of the extensive income statement				
Acquired business operations				
Discontinued operations				0
Adjustment from changes in the tax rate				
Losses confirmed or to be confirmed in taxation				
Exchange rate differences				
Recognized directly in equity				
October 31, 2019	**582**	**0**	**5,435**	**6,017**
Recorded in the income statement	-3		234	231
Items of the extensive income statement				
Acquired business operations				
Discontinued operations				
Adjustment from changes in the tax rate				
Losses confirmed or to be confirmed in taxation				
Exchange rate differences				
Recognized directly in equity				
October 31, 2020	**579**	**0**	**5,669**	**6,248**

Deferred tax liabilities:

	Fair value allocations	Varying tax depreciations	Discontinued business operations	Acquired business operations	Other items	Total
November 1, 2018	**2,334**	**3,321**	**0**	**0**	**0**	**5,655**
Recorded in the income statement	-545	1,094				549
Items of the extensive income statement						
Acquired business operations						0
Discontinued operations						0
Adjustment from changes in the tax rate						
Losses confirmed or to be confirmed in taxation						
Transfer between items						0
Exchange rate differences						
Recognized directly in equity						
October 31, 2019	**1,789**	**4,415**	**0**	**0**	**0**	**6,204**
Recorded in the income statement	-458	1,194				736
Items of the extensive income statement						
Acquired business operations						
Discontinued operations			-213			-213
Adjustment from changes in the tax rate						
Losses confirmed or to be confirmed in taxation						
Transfers between items						
Exchange rate differences						
Recognized directly in equity						
October 31, 2020	**1,331**	**5,609**	**-213**	**0**	**0**	**6,727**

A tax receivable in the amount of MEUR 0.5 has been recognized for the confirmed losses of the subsidiaries. Deferred tax receivables have not been recognized for the MEUR 0.3 in total confirmed losses of subsidiaries. In the management's estimation, the deferred tax receivables from the subsidiaries' confirmed losses can be utilized based on estimated taxable income derived from the subsidiaries' approved business plans and budgets. The unused tax losses will expire between 2021 and 2029.

24. STOCKS

(EUR 1,000)	2020	2019
Materials and supplies	3,089	3,080
Unfinished products	648	963
Finished products and goods	2,586	3,104
Other stocks	7	11
Total	**6,330**	**7,158**

The Group did not record stock impairments for the 2020 financial year or the reference period.

25. TRADE AND OTHER RECEIVABLES

The book value of trade receivables and other receivables corresponds to the maximum amount for the credit risk associated with them on the balance sheet date.

(EUR 1,000)	2020	2019
Trade receivables	19,008	25,700
Loans receivable	188	46
Accrued income	3,140	3,538
Receivables from associated companies	0	0
Tax assets based on taxable income for the period	40	130
Other receivables	533	430
Total	**22,908**	**29,844**

Aging of trade receivables

(EUR 1,000)	2020	2019
Not past due	17,042	21,699
Past due 1–30 days	1,659	2,936
Past due 31–180 days	243	978
Past due 181–360 days	87	142
Past due over a year	65	30
Credit loss provision and ECL in total	-88	-85
Balance sheet value of trade receivables	**19,008**	**25,700**

The companies have recorded impairment losses of EUR 160,000 from trade receivables in the financial period (EUR 163,000 in 2019). The amortizations have affected invoices over a year past due as well as receivables from companies with a bankruptcy or corporate restructuring decision.

Due to the implementation of IFRS 9, the Group has recorded the credit loss provision according to a separate calculation model. The model for assumed credit losses is based on the amount of historical losses and the payment behavior of customers. The Group has recorded a credit loss appropriation of EUR 88,000 in accordance with IFRS 9.

October 31, 2020 (EUR 1,000)	Gross book value	Deductible item regarding the loss
Not matured	17,176	9
1-30	1,659	2
31-90	180	0
91–180	60	3
181–360	87	9
Over 360	65	65
Total	**19,096**	**88**

Material items contained in accrued income

(EUR 1,000)	2020	2019
Salaries and social charges	5	15
Annual rebates	117	366
Advances	1,209	1,099
Others	1,809	2,058
Total	**3,140**	**3,538**

The balance sheet value of receivables is essentially the equivalent of their fair value.

26. CASH AND CASH EQUIVALENTS

(EUR 1,000)	2020	2019
Financial assets Fennia	6,366	8,394
Cash in hand and bank accounts	27,889	7,988
Total	**34,255**	**16,381**

27. NOTES ON EQUITY

At the end of the financial period, Panostaja Oyj's share capital was EUR 5,568,681.60 and the total number of shares was 52,533,110.

SHARE PREMIUM ACCOUNT

The maximum amount paid by the shareholders in connection with share issues that exceeds the nominal value of the shares is recorded in the share premium account. The amounts recorded in the share premium account relate to the share issues under the former Finnish Limited Liability Companies Act (734/1978), which was in force on August 31, 2006.

In cases where option rights were decided when the old Companies Act was in force, the cash payments received from share subscriptions based on the options are recognized in accordance with the terms and conditions of the arrangement for share capital and the share premium account.

INVESTED UNRESTRICTED EQUITY FUND

The invested unrestricted equity fund consists of investments of the nature of equity and the amount paid by shareholders in connection with share issues decided upon following the entry-into-force on September 1, 2006 of the new Limited Liability Companies Act (624/2006), where it is not recognized in the share capital in accordance with an express decision. The invested unrestricted equity fund also contains a convertible bond loan equity component.

SHARE ISSUE

Share issues were not carried out in the 2020 financial period nor in the 2019 reference period.

SHARE SUBSCRIPTION

Share subscriptions were not carried out in the 2020 financial period or the 2019 reference period.

OWN SHARES

The purchase price of bought shares and their transaction costs are given as a deduction under invested unrestricted capital.

At the end of the 2020 financial period, there were 110,824 of the company's own shares (193,594).

In accordance with the decisions by the General Meeting and the Board on February 1, 2019, Panostaja Oy relinquished a total of 28,325 individual shares as share bonuses to the company management on December 16, 2019. On December 16, 2019, the company relinquished to the Board members a total of 12,195 shares as meeting compensation. In accordance with the Board decision of February 6, 2020, Panostaja relinquished a total of 13,514 shares on March 13, 2020, a total of 14,368 shares on June 5, 2020 and a total of 14,368 shares on September 4, 2020, as meeting compensation.

DIVIDENDS

The dividend paid for the 2019 financial period stood at MEUR 2.6 in total (EUR 0.05 per share). MEUR 0.8 in dividends was paid to minority shareholders in subsidiaries.

The dividend paid for the 2018 financial period stood at MEUR 2.6 in total (EUR 0.05 per share). In September, Panostaja's Board of Directors decided to distribute an extra dividend in the amount of MEUR 1.6 (EUR 0.03 per share). MEUR 1.4 in dividends was paid to minority shareholders in subsidiaries.

EQUITY

The Group's equity has been adjusted by a total amount of MEUR 0.5 according to value-added taxes levied on the company for previous financial periods 2018–2019 based on tax auditing.

28. FINANCIAL LIABILITIES

(EUR 1,000)	2020	2019
Non-current financial liabilities valued at acquisition cost		
Loans from financial institutions	49,741	47,383
Lease liabilities	20,905	6,502
Other loans	474	491
Total	**71,120**	**54,377**

Current financial liabilities valued at acquisition cost		
Installments on non-current financial loans	8,988	11,391
Other loans from financial institutions	15,298	6,878
Lease liabilities	7,977	2,571
Total	**32,264**	**20,839**

Maturity analysis of non-current liabilities

	Loans from financial institutions		Finance lease liabilities		Other loans	
Amortizations (EUR 1,000)	2020	2019	2020	2019	2020	2019
< 1 year	9,255	11,637	7,977	2,571	23,483	6,877
1–2 years	14,853	8,114	4,938	1,549	6,768	446
2–3 years	7,421	9,008	4,938	1,549	0	0
3–4 years	25,999	6,775	4,938	1,549	0	0
4–5 years	1,210	22,893	4,938	1,549	0	0
> 5 years	554	1,244	1,153	306		
	59,292	**59,671**	**28,882**	**9,073**	**30,251**	**7,323**

The fair value of liabilities is presented in Note 32. The fair values of financial assets and liabilities.

The weighted average of interest rates on October 31, 2020 was 2.5% (October 31, 2019: 2.5%). At the time of closing the books, the Group's financial liabilities stood at EUR 60,352,000. Of this, EUR 55,891,000 were variable-interest loans and EUR 4,461,000 were fixed-interest loans. Interest-bearing non-current and current liabilities are in euros.

ARRANGEMENTS CONCERNING LIABILITIES AND BREACHES OF CONTRACT

Carrot Group Oy's MEUR 2.8 loans involve a covenant term on equity ratio and key figure on interest-bearing net liabilities / operating margin. At the time of closing the books, the company did not meet the required covenant term. However, the financier has, before the end of the financial period, consented to not maturing the liabilities in question due to a breach of covenant.

29. TRADE PAYABLES AND OTHER LIABILITIES

(EUR 1,000)	2020	2019
Advances received	679	745
Trade payables	9,305	11,065
Accruals and deferred income	13,751	14,463
Other current liabilities	7,142	6,130
Total	**30,876**	**32,403**

Material items contained in accruals and deferred income

(EUR 1,000)	2020	2019
Annual holiday pay and social costs	10,026	8,986
Accrued wages and salaries	1,323	1,273
Accrued interest	83	116
Accrued taxes	68	298
Accrued employee pension	1,362	1,626
Other items	889	2,164
Total	**13,751**	**14,463**

The other liabilities include a MEUR 0.5 value-added tax adjustment deducted from the parent company's other expenses for the 2018-2019 financial periods based on tax auditing.

30. PROVISIONS

The Group did not have loss-making contracts or guarantee provisions in the financial period or reference period.

GUARANTEE PROVISIONS

The Group provides a guarantee of between one and three years for certain of its products. Faults in products noticed during the guarantee period are repaired at the cost of the Group or a similar new product is given to the customer. A provision for a guarantee given is recognized on the basis of an estimate of probable guarantee expenses. Guarantee provisions are expected to be used over the next three years, especially, however, during the first 12 months. The Group did not have recorded guarantee provisions in the financial period or reference period.

31. MATURITIES OF LEASE LIABILITIES

(EUR 1,000)	2020	2019
Gross amount of lease liabilities – minimum rents by maturity date:		
In one year	8,777	2,870
Between one and five years	20,361	6,659
In over five years	1,165	356
Total	**30,303**	**9,885**
Future financial costs of lease liabilities	-1,421	-812
Current value of lease liabilities	**28,882**	**9,073**
The current value of the lease liabilities will mature as follows		
In one year	7,977	2,571
Between one and five years	19,751	6,196
In over five years	1,154	306
Total	**28,882**	**9,073**

The property, plant and equipment listing includes asset items acquired using lease liabilities.

SIn accordance with the applicable financial statement principles, the Group will record the lease agreements in the balance sheet as lease liabilities and asset items. The rent payments are presented as loan repayments and related interest costs.

The nominal value of the lease liabilities is valued at the current value of rent payments. Rent payments do not include variable rents. Variable rents that are not included in the original lease liability value are recorded directly in the income statement. The lease period is the non-cancellable period of the lease agreement, with an extension or cancellation option if the lessee can be reasonably expected to use the extension option. The lease periods for lease agreements effective until further notice are determined based on the realistic estimates of the management. During the transition period, rent payments were discounted at the estimated interest of additional credit.

The Group's net current value of the capitalized lease debt in the balance sheet stood at MEUR 25.6 at the beginning of the review period and at MEUR 28.9 at its end. During the review period, the rental costs arising from the lease agreements dropped by MEUR 6.6 and the interest costs increased by MEUR 0.5. The write-downs for the review period increased by MEUR 6.3 due to the asset item write-downs.

32. FAIR VALUES FOR FINANCIAL ASSETS AND LIABILITIES

2020 Balance sheet item

(EUR 1,000)	Note	At fair value through profit and loss	At fair value through other extensive profit/loss items	At allocated acquisition cost	Book values of balance sheet items	Fair value
Non-current financial assets						
Other non-current assets	21			5,602	5,602	8,525
Held-for-sale investments	21		216		216	216
Current financial assets						
Trade and other receivables	25				0	0
Short-term investments	22	6,366			6,366	6,366
Financial assets total		**6,366**	**216**	**5,602**	**12,184**	**12,195**
Non-current financial liabilities						
Loans from financial institutions	28			70,646	70,646	70,794
Other non-current liabilities	28			473	473	473
Current liabilities						
Interest-bearing liabilities	28			32,264	32,264	32,264
Derivative agreements	29	88			88	88
Financial liabilities total		**88**	**0**	**103,383**	**103,471**	**103,619**

* The non-current financial liabilities include MEUR 20.5 in lease liabilities.
* The current financial liabilities include MEUR 7.9 in lease liabilities.

2019 Balance sheet item

(EUR 1,000)	Note	At fair value through profit and loss	At fair value through other extensive profit/loss items	At allocated acquisition cost	Book values of balance sheet items	Fair value
Non-current financial assets						
Other non-current assets	21			7,833	7,833	7,772
Held-for-sale investments	21		224		224	224
Current financial assets						
Trade and other receivables	25				0	0
Short-term investments	22	8,394			8,394	8,394
Financial assets total		**8,394**	**224**	**7,833**	**16,451**	**16,390**
Non-current financial liabilities						
Loans from financial institutions	28			53,886	53,886	54,033
Other non-current liabilities	28			476	476	476
Current liabilities						
Interest-bearing liabilities				20,839	20,839	20,839
Derivative agreements	29	101			101	101
Financial liabilities total		**101**	**0**	**75,201**	**75,302**	**75,449**

The fair values of trade receivables, other current receivables, trade payables and other current liabilities correspond to their book value, because the effect of discounting is not essential, taking into account the maturity of the receivables. Their fair value is therefore not specified in the Notes.

The fair values of other receivables and liabilities valued at allocated acquisition cost are set by discounting their future cash flows on the balance sheet day using market interest rates, at which the company would get a similar loan on the date of the closing of the books or, with regard to receivables, market interest rates at which the company could grant a loan to a counterparty on the date of the closing of the books.

The process of determining the fair value of items valued at fair value on the balance sheet is explained in Note 33.

33. THE FAIR VALUE HIERARCHY FOR FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE

	Fair values at the end of the period under review **October 31, 2020**		
(EUR 1,000)	Level 1	Level 2	Level 3
Financial assets recorded at fair value through profit and loss			
Interest rate swaps			
Interest rate fund shares			
Held-for-sale investments			
Short-term investments	6,366	0	
Investments in unquoted shares			216
Total	**6,366**	**0**	**216**
Financial liabilities recorded at fair value through profit and loss			
Interest rate swaps		88	
Total	**0**	**88**	**0**

	Fair values at the end of the period under review **October 31, 2019**		
(EUR 1,000)	Level 1	Level 2	Level 3
Financial assets recorded at fair value through profit and loss			
Interest rate swaps			
Interest rate fund shares			
Held-for-sale investments			
Short-term investments	8,394		
Investments in unquoted shares			224
Total	**8,394**	**0**	**224**
Financial liabilities recorded at fair value through profit and loss			
Interest rate swaps		101	
Total	**0**	**101**	**0**

The fair values under Level 1 in the hierarchy are based completely on the quoted prices for the same asset items or liabilities on existing markets.

Level 2 fair values are based on input data other than the quoted prices contained in Level 1, yet on information that is verifiable either directly or indirectly for the asset item or liability concerned. Fund investments are valued based on the valuation reports of fund management companies. Derivatives are valued using the discounted cash flow method.

Level 3 fair values are based on a price other than that available on the market, and they might contain assessments made by management.

HELD-FOR-SALE NON-CURRENT FINANCIAL ASSETS

Held-for-sale non-current financial assets are all investments in unquoted shares. They are valued at acquisition price, because their fair values are not reliably available.

34. GUARANTEES AND CONTINGENCIES

(EUR 1,000)	2020	2019
Guarantees given on behalf of Group companies		
Enterprise mortgages	94,255	95,258
Pledges given	112,920	116,268
Other liabilities	4,944	5,730

The pledges given include pledged shares in subsidiaries worth MEUR 136.8. The nominal or book value of a collateral has been used as the value of liabilities.

(EUR 1,000)	2020	2019
Other rental agreements		
In one year	10,357	11,276
In over one year but within five years maximum	16,873	17,551
In over five years	275	1,368
Total	27,505	30,195
Total for loans from institutions	**102,909**	**74,725**

35. RELATED PARTY DISCLOSURES

The Group's related parties include the parent company as well as the subsidiaries, associated companies and joint ventures. Alongside companies with control and significant influence, corresponding power is exercised by natural persons. In addition to any persons exercising control and significant influence, the company's related parties include key persons in the management of the company and its parent company.

Individuals with rights and responsibilities relating to the planning, management and control of the activities of the corporation in question are regarded as key persons. Examples of key persons are members of the Board and Senior Management Team as well as the chief executive officer and senior vice president.

Close family members of key persons (and persons exercising control/influence) are also considered to be related parties. Marital or common law spouses and the children or other dependents of the person or their spouse, for example, are regarded as family members. In addition to family members (and persons exercising control/influence) the company's circle of related parties includes companies in which a key person or their spouse, individually or together, exercises control or significant influence.

REMUNERATION

The Board of Directors of Panostaja Oy decides on the principles underlying the reward scheme for the CEO and members of the Senior Management Team. The management's reward and commitment schemes consist of salary, employee benefits and share rewards. The retirement pension is determined in accordance with the Employees Pensions Act (TyEL).

Panostaja Oyj's Annual General Meeting decides on rewards to members of the Board on an annual basis. Rewards to Board members are based on an annual proposal submitted by the largest shareholders (at least 10%) to the General Meeting, which then decides the annual reward level.

According to the share remuneration scheme, a total of 65,085 Panostaja shares will be issued to members of the Senior Management Team in December 2020. A potential bonus may also be paid in cash to cover the taxes and tax-like payments arising from the bonus.

At the time of closing the books on October 31, 2020, the members of the Senior Management Team held in their personal ownership, or in the ownership of a company where they have a controlling interest, 700,000 Panostaja shares related to the remuneration system that they have undertaken to retain in their ownership for the duration of the system's period of validity. The Management's share ownership within the incentive and commitment scheme is distributed as follows:

Comito Oy (Tapio Tommila)	300,000 pcs
Miikka Laine	200,000 pcs
Minna Telanne	200,000 pcs
Total	**700,000 pcs**

The members of the Senior Management Team have financed their investments themselves, in part, and through company loans, in part, and they bear the genuine corporate risk with respect to the investment they have made in the scheme.

LOANS TO RELATED PARTIES

(EUR 1,000)	2020	2019
At the start of the financial period	1,107	1,181
Loans granted during the financial period	0	0
Loans repaid and amortizations	-499	-74
Debited interest	5	6
Interest payments received during the financial period	-5	-6
At the end of the financial year	**608**	**1,107**

The loan conditions for key management personnel are as follows:

Name	Amount of loan	Conditions of repayment	Interest
Comito Oy (Tapio Tommila)	313	Repayment in full at the end of the loan period	0.250
Minna Telanne	148	Repayment in full at the end of the loan period	0.250
Miikka Laine	148	Repayment in full at the end of the loan period	0.250
Total	**608**		

On October 31, 2020, company shares with a fair value of MEUR 0.4 represented the collateral on loans granted.

It was resolved at Panostaja Oyj's General Meeting on February 6, 2020, regarding payment of meeting compensation, 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 1% of the company's shares on the date of the General Meeting. If the holding of a Board member on the date of the General Meeting is over one percent of all company shares, the compensation will be paid in full in monetary form. In addition, the Board of Directors of Panostaja Oyj decided at an organizing meeting held immediately after the General Meeting to implement the decision taken at the General Meeting regarding the compensation of the Board members as regards shares, so that the compensation is always sent four times a year on the day following publication of an interim report/financial statements for the year.

On March 18, 2020, the shareholders of Panostaja subsidiary CoreHW Group authorized the Board of Directors to decide on the granting of an option right to subscribe to no more than 100,000 new company shares, as referred to in Chapter 10, Section 1 of the Limited Liability Companies Act. Each option right will entitle the recipient to subscribe one new company share at a unit price of EUR 19.79. The granting date is August 12, 2020. The option rights have been granted for a weighty financial reason, as referred to in Chapter 10.1, Section 1 of the Limited Liability Companies Act. The aim of the measures is to engage the company's key personnel in the long-term development of the company's operations and the efforts combine the goals of the management and shareholders. The option rights do not provide any rights regarding later share issues, options or rights, when company assets are distributed as specified in Chapter 13, Section 1.1 of the Limited Liability Companies Act, in the event of a merger or division of the company, or in the context of minority shareholder redemption, as described in Chapter 18 of the Limited Liability Companies Act.

36. SUBSIDIARIES AS OF OCTOBER 31, 2020

	Registered office	Share of voting power	Parent company's shareholding %
Parent company			
Panostaja Oyj	**Tampere**		
Subsidiaries			
Carrot Akatemia	Helsinki	74.1	74.1
Carrot Itä-Suomi Oy	Kuopio	74.1	74.1
Carrot Joensuu Oy	Joensuu	74.1	74.1
Carrot Jyväskylä Oy	Jyväskylä	74.1	74.1
Carrot Keski-Uusimaa Oy	Hyvinkää	74.1	74.1
Carrot Logistiikka Oy	Helsinki	74.1	74.1
Carrot Länsi-Suomi Oy	Pori	74.1	74.1
Carrot Oulu Oy	Oulu	74.1	74.1
Carrot Palvelut Group Oy	Tampere	74.1	74.1
Carrot Palvelut Oy	Helsinki	74.1	74.1
Carrot Pirkanmaa Oy	Tampere	74.1	74.1
Carrot Pohjanmaa Oy	Vaasa	74.1	74.1
Carrot Pohjois-Suomi Oy	Oulu	74.1	74.1
Carrot Rakennus Oy	Helsinki	74.1	74.1
Carrot Satakunta Oy	Turku	74.1	74.1
Carrot Tampere Oy	Tampere	74.1	74.1
Carrot Teollisuus Oy	Helsinki	74.1	74.1
Carrot Uusimaa Oy	Helsinki	74.1	74.1
Carrot Varsinais-Suomi Oy	Turku	74.1	74.1
Copynet Finland Oy	Helsinki	55.2	55.2
CoreHW Group Oy	Tampere	61.1	61.1
CoreHW Oy	Tampere	61.1	61.1
CoreHW Semiconductor Oy	Tampere	61.1	61.1
Grano Oy	Helsinki	55.2	55.2
Grano Group Oy	Helsinki	55.2	55.2
Grano Diesel Oy	Helsinki	55.2	55.2
Heatmasters Group Oy	Tampere	80.0	80.0
Heatmasters Sp.zoo	Puola	80.0	80.0
Grano Digital Oü	Tallinna, Viro	55.2	55.2
Hygga Group Oy	Helsinki	79.8	79.8
Hygga Oy	Helsinki	79.8	79.8
Hygga AB	Tukholma, Ruotsi	79.8	79.8
Suomen Arkistovoima Oy	Turku	55.2	55.2
Suomen Helakeskus Oy	Seinäjoki	100.0	100.0
Suomen Helasto Oy	Seinäjoki	100.0	100.0
Oscar Software Holdings Oy	Tampere	54.5	54.5
Oscar Software Oy	Tampere	54.5	54.5

The subgroup subsidiary holdings are presented in the table in accordance with the holding of the Panostaja subgroup's parent company. More specific information on relationships of ownership of subgroup subsidiaries can be found in the financial statements of each respective subgroup.

37. JUDICIAL EVENTS

At the time of the closing of the books, the Group had no legal cases or disputes regarding which significant claims could be targeted at the Group.

A value-added tax inspection was conducted within the Panostaja parent company concerning the financial periods 2018-2019. The tax authority has decided on the partial limitation of the right to deduct value-added taxes and demanded the payment of an approximate amount of MEUR 0.6 in value-added taxes deducted during the years under review, including interest. The decision will be appealed.

A corresponding tax inspection was conducted in 2014. At the time, the tax authority deemed that Panostaja Oyj was not entitled to VAT deductions. Panostaja Oyj appealed the Tax Administration's decision to the Administrative Court, where the Tax Administration's decision was overturned. The Supreme Administrative Court did not grant the Tax Administration a right of appeal in the decision issued in November 2017. The Tax Administration refunded the non-deducted value-added taxes to Panostaja with interest.

38. EVENTS AFTER THE FINANCIAL PERIOD

There are no major events to report after the review period.

PARENT COMPANY INCOME STATEMENT

INCOME STATEMENT

(EUR 1,000)	Note	Nov 1, 2019- Oct 31, 2020	Nov 1, 2018– Oct 31, 2019
Other operating income	1.1.	**245**	**6,318**
Staff expenses		-1,340	-1,801
Depreciations, amortizations and impairment	1.3.	-38	-67
Other operating expenses	1.4.	-889	-1,508
OPERATING PROFIT/LOSS		**-2,021**	**2,942**
Financial income and costs	1.5.	-2,563	2,172
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		**-4,584**	**5,113**
Appropriations	1.6.	200	
Income taxes	1.7.	9	-667
PROFIT/LOSS FOR THE FINANCIAL PERIOD		**-4,375**	**4,446**

BALANCE SHEET

ASSETS

(EUR 1,000)	Note	October 31, 2020	October 31, 2019
PERMANENT ASSETS			
Intangible assets	2.1.	28	34
Tangible assets	2.2.	116	146
Investments	2.3.	36,979	39,453
PERMANENT ASSETS TOTAL		**37,123**	**39,633**
CURRENT ASSETS			
Non-current receivables	2.4.	10,966	14,395
Current receivables	2.5.	2,598	2,779
Short-term investments	2.6.	6,366	8,394
Cash and cash at bank		2,395	1,285
CURRENT ASSETS TOTAL		**22,125**	**26,853**
TOTAL ASSETS		**59,447**	**66,487**

LIABILITIES

(EUR 1,000)	Note	October 31, 2020	October 31, 2019
EQUITY	2.7.		
Share capital		5,569	5,569
Share premium account		4,691	4,691
Invested unrestricted equity fund		16,865	16,803
Profit/loss for the previous financial periods		35,726	34,411
Profit/loss for the financial period		-4,375	4,446
EQUITY TOTAL		**58,476**	**65,920**
LIABILITIES	2.8.		
Non-current		42	42
Current		929	525
LIABILITIES TOTAL		**971**	**567**
TOTAL LIABILITIES		**59,447**	**66,487**

FINANCIAL STATEMENT OF PARENT COMPANY

OPERATING CASH FLOW

(EUR 1,000)	Nov 1, 2019-Oct 31, 2020	Nov 1, 2018-Oct 31, 2019
Profit/loss for the financial period	**-4,375**	**4,446**
Adjustments:	**2,362**	**-7,597**
Planned depreciations	38	67
Sales profits	-87	-6,160
Sales losses	58	0
Financial income and costs	2,563	-2,172
Appropriations total	-200	667
Taxes	-9	0
CHANGES		
Change in current non-interest-bearing operating receivables	-71	47
Change in current non-interest-bearing liabilities	-47	45
Interest and other financial costs	-108	-143
Interest and other financial income	144	172
Taxes paid		-3,286
Cash flow before appropriations	-2,147	-6,316
OPERATING CASH FLOW	**-2,147**	**-6,316**
INVESTMENT CASH FLOW		
Investments in tangible and intangible assets	-46	-34
Investments in subsidiaries	-226	-1,092
Investments in associated companies	0	-1,505
Other investments	0	-3
Capital gains from the disposal of tangible and intangible assets	51	33
Capital gains from the disposal of subsidiaries	924	4,812
Capital gains from the disposal of associated companies	0	2,206
Capital gains from the disposal of other shares	0	3
Net change in internal receivables	-80	-100
Loans granted		0
Loans receivable repaid	2,507	1,074
Paid dividends		550
INVESTMENT CASH FLOW	**3,785**	**5,943**
FINANCIAL CASH FLOW		
Share issue		
Acquisition and disposal of own shares	62	189
Change in current interest-bearing receivables	0	-93
Change in non-current internal loans		
Dividends paid		-4,185
Other financial cash flow		
FINANCIAL CASH FLOW	**-2,557**	**-4,089**
CHANGE IN CASH AND CASH EQUIVALENTS	**-918**	**-4,462**
Cash and cash equivalents at the beginning of the financial period	**9,679**	**14,141**
CHANGE IN CASH AND CASH EQUIVALENTS	**-918**	**-4,462**
Cash and cash equivalents at the end of the financial period	**8,761**	**9,679**

NOTES TO THE FINANCIAL STATEMENTS, OCTOBER 31, 2020

Panostaja Group's parent company is Panostaja Oyj, registered office in Tampere, Finland.

The Group's consolidated financial statements can be obtained at Kalevantie 2, 33100 Tampere, Finland.

COMPARABILITY OF FIGURES

As a result of the tax inspection conducted during the financial period November 1, 2019–October 31, 2020, the company was ordered to pay a total of EUR 511,000 in value-added taxes for previous financial periods. The taxes have been recorded as an encumbrance to the account 'Profit/loss for previous financial periods.'

VALUATION PRINCIPLES

Current fixed assets are entered in acquisition costs in the balance sheet with planned depreciations deducted. Fixed asset shares are valued at their acquisition price.

PENSIONS

Statutory pension insurance for staff is managed by an external pension insurance company. Pension costs are entered as a cost in the year of accrual.

DEPRECIATIONS

Planned depreciations from permanent assets are calculated based on probable operating life from the original purchase price.

Planned depreciation periods are:

Intangible rights	3 y
Goodwill	5–10 y
Other capitalized long-term expenditure	5–10 y
Buildings	20–40 y
Machinery and equipment	3–10 y
Other tangible assets	3–10 y

EQUITY

As a result of the tax inspection conducted during the financial period November 1, 2019–October 31, 2020, the company was ordered to pay a total of EUR 511,000 in value-added taxes for previous financial periods. The taxes have been recorded as an encumbrance to the account 'Profit/loss for previous financial periods.'

NOTES TO THE INCOME STATEMENT 1.1.–1.7.

1.1. Other operating income

(EUR 1,000)	2020	2019
Profits from sale of fixed assets	87	6,160
Support received	7	17
Others	151	140
	245	**6,318**

1.2. Staff expenses

(EUR 1,000)	2020	2019
Salaries and fees	1,117	1,510
Pension costs	148	200
Other social security expenses	75	91
	1,340	**1,801**
During the financial period, the company employed on average		
Clerical staff	10	10

1.3. Depreciations, amortizations and impairment

(EUR 1,000)	2020	2019
Planned depreciations		
Other capitalized long-term expenditure	9	25
Machinery and equipment	28	43
	38	**67**

1.4. Other operating expenses

(EUR 1,000)	2020	2019
Other operating expenses internal	90	100
Other operating expenses	300	382
Marketing costs	62	163
Data management costs	76	93
Costs for expert services	175	641
Loss on disposal of fixed asset shares	58	
Rental costs	129	129
Other operating expenditure total	**889**	**1,508**
Auditor's fees		
auditing fees	43	70
auxiliary services	17	24
	60	**94**

1.5. Financial income and costs

(EUR 1,000)	2020	2019
Dividend yields		
From companies in the same Group	548	1,578
From others	4	11
Dividend yields total	**552**	**1,589**
Other interest yields		
From companies in the same Group	465	418
From others	251	257
Other interest yields total	**716**	**675**
Other financial income		
From companies in the same Group	49	51
Other financial income total	**49**	**51**
Other interest and financial yields total	**764**	**725**
Other financial expenses		
For others	108	143
Other financial expenses	**108**	**143**
Interest costs and other financial costs total	**108**	**143**
Impairments of Group shares	3,771	
Impairment of stocks and shares	0	0
Financial income and costs total	**-2,563**	**2,172**

1.6. Appropriations

(EUR 1,000)	2020	2019
Group contribution	200	0

1.7. Income taxes

(EUR 1,000)	2020	2019
Income taxes from financial period	0	791
Income taxes from previous financial period	9	-124
	9	**667**

NOTES TO THE BALANCE SHEET 2.1–2.8.

2.1 Intangible assets

(EUR 1,000)	2020	2019
Intangible rights		
Acquisition cost Nov 1	59	59
Acquisition cost Oct 31	59	59
Accrued planned depreciations Nov 1	-54	-54
Book value as of October 31	**5**	**5**
Other capitalized long-term expenditure		
Acquisition cost Nov 1	405	405
Additions Nov 1–Oct 31	4	0
Acquisition cost Oct 31	408	405
Accrued planned depreciations Nov 1	-376	-351
Planned depreciations Nov 1–Oct 31	-9	-25
Book value as of October 31	**23**	**29**
Intangible assets total		
Acquisition cost Nov 1	464	464
Additions Nov 1–Oct 31	4	0
Acquisition cost Oct 31	468	464
Accrued planned depreciations Nov 1	-430	-406
Planned depreciations Nov 1–Oct 31	-9	-25
Book value as of October 31	28	34

2.2 Tangible assets

(EUR 1,000)	2020	2019
Machinery and equipment		
Acquisition cost Nov 1	851	836
Additions Nov 1–Oct 31	43	34
Deductions Nov 1–Oct 31	-45	-20
Acquisition cost Oct 31	848	851
Accrued planned depreciations Nov 1	-738	-695
Planned depreciations Nov 1–Oct 31	-28	-43
Book value as of October 31	**82**	**112**
Other tangible assets		
Acquisition cost Nov 1	34	34
Acquisition cost Oct 31	34	34
Book value as of October 31	**34**	**34**
Tangible assets total		
Acquisition cost Nov 1	885	870
Additions Nov 1–Oct 31	43	34
Deductions Nov 1–Oct 31	-45	-20
Acquisition cost Oct 31	882	885
Accrued planned depreciations Nov 1	-738	-695
Planned depreciations Nov 1–Oct 31	-28	-43
Book value as of October 31	**116**	**146**

2.3 Investments

(EUR 1,000)	2020	2019
Interests in companies in the same Group		
Acquisition cost Nov 1	37,127	36,785
Additions Nov 1–Oct 31	2,196	1,092
Deductions Nov 1–Oct 31	-4,671	-750
Acquisition cost Oct 31	**34,653**	**37,127**
Interests in associated companies		
Acquisition cost Nov 1	2,205	820
Additions Nov 1–Oct 31	0	1,505
Deductions Nov 1–Oct 31	0	-120
Acquisition cost Oct 31	**2,205**	**2,205**
Other shares and interests		
Acquisition cost Nov 1	121	121
Additions Nov 1–Oct 31	0	3
Deductions Nov 1–Oct 31	0	-3
Acquisition cost Oct 31	**121**	**121**
Investments total		
Acquisition cost Nov 1	39,453	37,726
Additions Nov 1–Oct 31	2,196	2,600
Deductions Nov 1–Oct 31	-4,671	-872
Acquisition cost Oct 31	**36,979**	**39,453**

2.4. Non-current receivable

(EUR 1,000)	2020	2019
Subordinated loans receivable from companies in the same Group	4,842	5,451
Loans receivable from companies in the same Group	1,309	1,974
Loans receivable	4,816	4,970
Other receivables	0	2,000
	10,966	**14,395**

2.5. Current receivables

(EUR 1,000)	2020	2019
Trade receivables from companies in the same Group	365	270
Trade receivables	21	16
Loans receivable from companies in the same Group	0	200
Group contributions	200	0
Other receivables	12	55
Dividend receivables from companies in the same Group	548	1,028
Other loans receivable	170	0
Interest receivables from companies in the same Group	107	62
Accrued income	1,174	1,148
	2,598	**2,779**

(EUR 1,000)	2020	2019
Accrued income essential items		
Interest receivables from insider loans	7	6
Interest receivables from other loans receivable	99	86
Passed-on costs	989	989
Other insurance premium advances	2	0
Cost scheduling	78	67
	1,174	**1,148**

2.6. Short-term investments

(EUR 1,000)	2020	2019
Other shares and interests		
Investment fund shares	6,366	8,394

2.7. Equity

(EUR 1,000)	2020	2019
Share capital Nov 1	5,569	5,569
Share capital Oct 31	**5,569**	**5,569**
Share premium account Nov 1 – Oct 31	4,691	4,691
Invested unrestricted equity fund Nov 1	16,803	16,614
Rewards to Senior Management Team as own shares	23	150
Board bonuses as own shares	39	39
Invested unrestricted equity fund Oct 31	**16,865**	**16,803**
Retained earnings/loss Nov 1	38,857	38,597
Tax audit on value-added taxes 2018-2019	-511	0
Dividend distribution	-2,619	-4,185
Retained earnings/loss Oct 31	**35,726**	**34,411**
Profit/loss for the financial period	-4,375	4,446
Equity total	**58,476**	**65,920**
Distributable unrestricted equity Oct 31	**48,216**	**55,660**

2.8. Liabilities

(EUR 1,000)	2020	2019
2.8.1. Non-current liabilities		
Other non-current liabilities	3	3
		3
Liabilities owed to companies in the same Group		
Other liabilities	39	39
	39	**39**
Non-current liabilities total	**42**	**42**
2.8.2 Current liabilities		
Trade payables	63	89
Other liabilities	541	33
Accruals and deferred income	323	402
	928	**524**
Liabilities owed to companies in the same Group		
Trade payables	1	1
	1	**1**
Material items contained in accruals and deferred income		
Annual holiday salaries and social costs	152	180
Scheduling of non-wage labor costs	43	34
Bonus allocation	122	121
Accrued interest	6	6
Accrued taxes	0	60
	323	**402**
Current liabilities total	**929**	**525**

OTHER NOTES

(EUR 1,000)	2020	2019
Guarantees and contingencies		
On behalf of Group companies		
Guarantees given	3,266	3,313
Rental liabilities		
In one year	166	163
More than one and within 5 years	235	393
Other pledges given		
As security for own liabilities	1	1

Proposal by the Board of the parent company on the processing of the result and distribution of profits of the financial period

Panostaja Oyj's distributable assets, including the profit for the current and past financial periods of EUR 31,351,140.72 and EUR 16,865,107.77 in the invested unrestricted equity fund, amount to EUR 48,216,248.49.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.03 per share be paid to the shareholders for the past financial period.

The Board also proposes that the General Meeting authorize the Board of Directors 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 shall total no more than EUR 4,700,000.

It is proposed that the authorization include the right of the Board to decide on all other terms and conditions relating to said asset distribution. It is also proposed that the authorization remain valid until the start of the next Annual General Meeting.

Tampere, December 10, 2020

Jukka Ala-Mello
Chairman of the Board

Mikko Koskenkorva

Eero Eriksson

Tarja Pääkkönen

Kalle Reponen

Tapio Tommila
CEO

FINANCIAL STATEMENT ENTRY

A report has today been issued about the audit performed.
Tampere, December 10, 2020

PricewaterhouseCoopers Oy
Audit firm

Lauri Kallaskari
AUTHORIZED PUBLIC ACCOUNTANT

Audit report

For Panostaja Oyj's Annual General Meeting

AUDIT OF FINANCIAL STATEMENTS

Report

As our report, we submit that

- the consolidated financial statements provide accurate and sufficient information on the Group's financial position as well as the results of its operations and its cash flows in conformity with the International Financial Reporting Standards (IFRS) approved for use in the European Union; and
- the financial statements provide accurate and sufficient information on the parent company's financial position and the results of its operations in conformity with the regulations currently in effect in Finland regarding the preparation of financial statements, and they meet the statutory requirements.

Our report is consistent with the additional report submitted to the Board.

Subject of the audit

We have audited Panostaja Oyj's (business ID 0585148-8) financial statements for the financial period November 1, 2019–October 31, 2020. The financial statements contain:

- the Group's balance sheet, income statement, extensive income statement, statement of changes in equity, cash flow statement and notes, including a summary of the significant accounting principles used in the preparation of the financial statements;
- the parent company's balance sheet, income statement, cash flow statement and notes.

GROUNDS FOR THE REPORT

We performed the audit in conformity with the good auditing practice enforced in Finland. Our obligations under this good auditing practice are described in more detail in the section 'Duties of the auditor in auditing financial statements.'

It is our view that we have obtained the required amount of appropriate auditing evidence for establishing a foun-dation for our report.

Independence

We are independent of the parent company and the companies in the Group in accordance with the ethical requirements observed in Finland which pertain to the audit we have performed, and we have fulfilled our other ethical obligations under these requirements.

To the best of our knowledge and understanding, all non-audit services which we have provided to the parent company and the Group's companies are in compliance with the regulations enforced in Finland regarding such services, and we have not provided any prohibited non-audit services within the meaning of paragraph 1 of Article 5 of Regulation (EU) No 537/2014. The non-audit services we have provided are presented in Note 13 to the financial statements, titled 'Other operating expenses.'

GENERAL AUDIT APPROACH

Summary

- The materiality determined in the consolidated financial statements was EUR 1.8 million.

- The scope of the audit of the consolidated financial statements included the parent company as well as its subsidiaries in Finland, covering the majority of the Group's net sales, assets and liabilities.

- Valuation of goodwill
- Valuation of shares in subsidiaries (parent company)

As part of the audit's planning process, we determined the materiality and assessed the risk of the financial statements containing a material inaccuracy. In particular, we assessed areas in which the management made subjective estimates. Examples of such areas include significant accounting estimates which involve assumptions and evaluation of future events.

Materiality

The materiality which we applied affected the planning and implementation of our audit. The goal of the audit is to obtain reasonable assurance of whether the financial statements as a whole contain material inaccuracies. Inaccuracies may be caused by misconduct or errors. They are considered to be material when they, alone or in combination, can be reasonably expected to impact financial decisions that are made by users based on the financial statements.

Based on our professional discretion, we determined certain quantitative thresholds related to materiality, such as the materiality determined for the consolidated financial statements, described in the table below. These thresholds, in combination with qualitative factors, helped us determine the full scope of the audit and the nature, timing and scope of individual auditing measures and assess the impact of inaccuracies on the financial statements as a whole.

Materiality determined for the consolidated financial statements	MEUR 1.8 (MEUR 1.9)
Benchmark used in determining materiality	1% of net sales (three-year average)
Grounds for choosing the benchmark	We chose net sales as the benchmark for determining materiality as, to our understanding, net sales are a benchmark generally used by readers of financial statements when assessing the Group's performance. Net sales are also a generally accepted benchmark.

DETERMINING THE SCOPE OF THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

When determining the scope of our audit, we took the Panostaja Group's structure and industry as well as the processes and controls related to financial reporting into account.

In addition to the parent company, our audit also covered all of the Group's subsidiaries in Finland. The Group's net sales are formed, to a significant extent, by these subsidiaries. The other subsidiaries are not considered to be at risk of material inaccuracy with regard to the consolidated financial statements.

Key factors for the audit

Key factors for the audit are factors which, according to our professional discretion, were the most significant in the audit of the financial period in question. These factors were taken into account in our audit of the financial statements as a whole and in the preparation of our report on this audit. We will not provide a separate report on these factors.

We take the risk of the management ignoring controls into account in all our auditing. This includes an assessment of whether there are any indications of the management having a tendentious attitude which poses a risk of material inaccuracy as a result of misconduct.

Key factor in the audit of the consolidated financial statements	How the factor was handled in the audit
Valuation of goodwill	
See the accounting principles for the preparation of the consolidated financial statements and Note 18 Intangible assets	In our audit measures, we focused on confirming the adequacy of the estimates which require discretion by the management by using the following measures:
The Panostaja Group's balance sheet, dated October 31, 2020, lists MEUR 88.0 as goodwill, which accounts for 42% of the Group's total assets. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units.	We audited the accuracy of the service value calculation model used by the company by comparing the model to the requirements of IAS 36: Impairment of Assets and by confirming the mathematical accuracy of the calculations;
The company always tests goodwill for impairment when there are indications that goodwill may be impaired, but at least once a year. In impairment testing, the amount of goodwill is compared to the recoverable amount. The recoverable amount is based on calculations of service value. These calculations require significant discretion from the management in relation to estimates of future cash flows, such as the development of net sales and expenditures, and the determination of the discount rate.	We assessed the process related to the determination of cash flow forecasts that are used in service value calculations, and we compared the forecasts to government-approved budgets and forecasts;
Due to the management's assessments related to predictions used in goodwill testing and the significance of the balance sheet value, the valuation of goodwill is essential to the audit.	We assessed the reliability of the forecasts used by the management with regard to net sales growth and EBIT trends, among other things, by comparing forecasts from previous years to actual figures;
	We assessed the adequacy of the assumptions used in the sensitivity calculation prepared by the management;
	The calculation assumptions used in determining the discount rates were compared, as applicable, to external, generally accepted information sources; and
	We assessed the sufficiency and adequacy of the information provided in Note 18 to the consolidated financial statements.

Key factor in the audit of the parent company's financial statements	How the factor was handled in the audit
Valuation of shares in subsidiaries	
See Note 2.3 Investments to the parent company's financial statements	Our audit measures included the following measures:
In Panostaja Oyj's financial statements, dated October 31, 2020, the value of shares in subsidiaries, which are included in investments on the balance sheet, is MEUR 37.0.	We assessed the process, calculation principles and key assumptions related to the determination of cash flow forecasts used in the service value calculations;
The value of the shares in subsidiaries was determined with the help of service value calculations.	We assessed the reliability of the forecasts used by the management with regard to net sales growth and EBIT trends, among other things, by comparing forecasts from previous years to actual figures;
The number of shares in subsidiaries on the parent company's balance sheet was significant, and their valuation includes significant discretion by the management.	The calculation assumptions used in determining the discount rates were compared, as applicable, to external, generally accepted information sources; and
	We tested the mathematical accuracy of the valuation calculations.

With regard to the consolidated financial statements and the parent company's financial statements, there are no risks of material misstatements, as referred to in Article 10, paragraph 2(c) of Regulation EU No 537/2014.

Obligations of the board of directors and CEO regarding the financial statements

The board of directors and CEO are in charge of preparing the financial statements so that the consolidated financial statements provide an accurate and sufficient picture in accordance with the International Financial Reporting Standards (IFRS) approved for use in the European Union and so that the financial statements provide an accurate and sufficient picture in accordance with the regulations currently in effect in Finland regarding the preparation of financial statements and meet the statutory requirements. The board of directors and CEO are also in charge of the type of internal control which they consider to be necessary in order to prepare the financial statements without any material inaccuracies resulting from misconduct or errors.

When preparing the financial statements, the board of directors and CEO are obligated to assess the ability of the parent company and Group to continue their operation and, as applicable, present the factors that are related to the continuity of the operations and the fact that the financial statements are prepared based on this continuity. The financial statements are prepared based on the continuity of operations except if the parent company or Group is planned to be dissolved or the operations discontinued or there are no other realistic alternatives available.

Duties of the auditor in auditing financial statements

Our goal is to obtain reasonable assurance of whether the financial statements as a whole contain any material inaccuracies resulting from misconduct or errors and submit an audit report containing our statement. Reasonable assurance is a high level of assurance, but it is no guarantee that a material inaccuracy will always be recognized in audits in accordance with good auditing practice. Inaccuracies may be caused by misconduct or error, and they are considered to be material when they, alone or in combination, can be reasonably expected to impact financial decisions that are made by users based on the financial statements.

Audits that follow good auditing practice involve the use of professional discretion and retention of professional skepticism throughout the audit process. Additionally:

- We recognize and assess the risks of material inaccuracy arising from misconduct or errors, plan and carry out audit measures that respond to these risks and obtain the necessary amount of appropriate auditing evidence to base our report on. The risk of a material inaccuracy arising from misconduct being left unnoticed is greater than the risk of a material inaccuracy arising from an error being left unnoticed, as misconduct may involve joint action, falsification, deliberate omission of information or provision of incorrect information or ignorance of internal controls.
- We form an understanding of the internal controls that are relevant to the audit process in order to be able to plan audit measures that are appropriate for the situation but not with the intention of being able to provide a statement on the efficiency of the internal controls of the parent company or Group.
- We assess the adequacy of the accounting principles applied in the preparation of the financial statements and the reasonableness of the accounting estimates made by the management and the information presented on these estimates.
- We draw a conclusion of whether it was appropriate for the board of directors and CEO to prepare the financial statements based on an assumption of the continuity of operations, and, based on the auditing evidence we obtain, a conclusion of whether there is any material uncertainty related to events or conditions present which may provide significant reason to doubt the ability of the parent company or Group to continue its operations. If we conclude that material uncertainty does occur, we must draw the reader's attention to the information pertaining to the uncertainty that is presented in the financial statements in our report or, if the information pertaining to the uncertainty is insufficient, adapt our report. Our conclusions are based on auditing evidence obtained before the audit report's submission date. However, future events or conditions may lead to the parent company or Group being unable to continue its operations.
- We assess the financial statements, including all information presented therein, as well as the general presentation, structure and content of the financial statements and whether they reflect the business operations and events they are based on so as to provide an accurate and sufficient picture.
- We obtain a sufficient amount of appropriate auditing evidence from financial information pertaining to the companies or business operations belonging to the Group in order to be able to provide a report on the consolidated financial statements. We are responsible for controlling, monitoring and performing an audit of the Group. We alone are responsible for the audit report.

We communicate with administrative bodies regarding many matters, including the planned scope and timing of the audit and significant observations made during the audit, including possible considerable deficiencies in internal controls which we recognize during the audit.

We also confirm to the administrative bodies that we have complied with the relevant ethical requirements pertaining to independence and communicate with them regarding all relationships and other factors that may reasonably be considered to impact our independence and, as applicable, regarding relevant precautions.

We decide which of the factors communicated to the administrative bodies were the most significant in the audit of the financial period in question and therefore essential to the audit. We describe the factors in question in our audit report, unless a regulation or provision prevents the factor in question from being publicized or when, in extremely rare cases, we find that the factor in question will not be communicated in the audit report because its adverse impacts could be reasonably expected to be greater than the general benefits arising from such communication.

Other reporting obligations

Information concerning the audit assignment

We have acted as the auditor chosen by the Annual General Meeting for 20 years without interruption, since March 7, 2000.

Other information

The board of directors and CEO are responsible for other information. Other information covers the operations review and the information contained in the annual report, but it does not contain the financial statements or our audit report thereof. We were provided with the operations review before this audit report's submission date and expect to be provided with the annual report after the date in question.

Our report concerning the audit does not cover other information.

We are obligated to read the other information specified above in connection with the audit of the financial statements and simultaneously assess whether the other information is materially inconsistent with the financial statements or the knowledge we obtain while conducting the audit or whether it otherwise appears to be materially inaccurate. With regard to the operations review, we are also obligated to assess whether the review was prepared in accordance with the regulations applicable to its preparation.

As our report, we submit that

- the information in the operations review and financial statements is consistent
- the operations review was prepared in accordance with the regulations applicable to its preparation.

If, based on work focused on other information that we obtain before the audit report's submission date, we conclude that the other information in question contains a material inaccuracy, we must report this fact. Regarding this matter, we have nothing to report.

Tampere, December 10, 2020

PricewaterhouseCoopers Oy
Audit firm

Lauri Kallaskari
AUTHORIZED PUBLIC ACCOUNTANT

Information of Shares

SHARE CAPITAL AND THE COMPANY'S OWN SHARES

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

The total number of own shares held by the company at the end of the review period was 110,824 (at the beginning of the financial period 193,594). The number of the company's own shares corresponded to 0.2% 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 February 1, 2019, Panostaja Oy relinquished a total of 28,325 individual shares as share bonuses to the company management on December 16, 2019. On December 16, 2019, the company relinquished to the Board members a total of 12,195 shares as meeting compensation. In accordance with the Board decision of February 6, 2020, Panostaja relinquished a total of 13,514 shares on March 13, 2020, a total of 14,368 shares on June 5, 2020 and a total of 14,368 shares on September 4, 2020, as meeting compensation.

The company's shares have been publicly listed since 1989. Currently, its shares are quoted on the Nasdaq Helsinki stock exchange.

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on February 6, 2020 in Tampere. The number of Board members was confirmed at five (5), and Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen and Kalle Reponen were re-elected to the Board for the term ending at the end of the next Annual General Meeting.

As proposed by the Board, the Annual General Meeting decided to confirm the number of auditors to be one (1).

The Annual General Meeting decided to select Authorized Public Accountants PricewaterhouseCoopers Oy as the auditor for the term concluding upon the end of the Annual General Meeting of 2021. Auditing service network PricewaterhouseCoopers Oy has stated that Authorized Public Accountant Lauri Kallaskari will serve as the chief responsible public accountant.

Discharge from liability for the financial period November 1, 2018–October 31, 2019 was granted to the following persons: Board members Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen and Hannu-Kalle (Kalle) Reponen and CEO Juha Sarsama for the period November 1, 2018–December 31, 2018 and CEO Tapio Tommila for the period January 1, 2019–October 31, 2019. The Annual General Meeting decided to grant a discharge from liability to the aforementioned members of the Board and CEOs.

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2018–October 31, 2019 and resolved that the shareholders be paid EUR 0.05 per share as dividends.

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

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

In addition, the Board was authorized to decide on the acquisition of the company's own shares in one or more installments so that the number of the company's own shares to be acquired may not exceed 5,200,000 in total, which corresponds to about 9.9% of the company's total share capital. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The company's own shares may be acquired at the date-of-acquisition price in public trading arranged by NASDAQ Helsinki Oy or otherwise at the prevailing market price. The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired while not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting of January 31, 2019 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization will remain valid until August 5, 2021.

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 PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.51 (lowest quotation) and EUR 1.00 (highest quotation) during the financial period. During the review period, a total of 5,807,553 shares were exchanged, which amounts to 11.1% of the share capital. The October 2020 share closing rate was EUR 0.71. The market value of the company's share capital at the end of October 2020 was MEUR 37.2 (MEUR 40.8). At the end of October 2020, the company had 4,697 shareholders (4,464).

Share trade and rates

	Lowest, EUR	Highest, EUR	Share issue adjusted trading (no. of shares)	% of shares
2020	0.51	1.00	5,807,553	11.1
2019	0.77	1.16	9,489,880	18.1
2018	0.88	1.21	9,374,954	18.0
2017	0.82	0.98	7,863,788	15.1
2016	0.81	1.04	5,959,389	11.5
2015	0.77	0.94	6,508,111	12.7
2014	0.69	0.91	7,908,686	15.4
2013	0.66	0.86	3,814,701	7.4
2012	0.73	1.05	5,725,530	11.1
2011	0.97	1.51	3,841,477	7.7
2010	1.32	1.75	5,301,507	11.2
2009	0.89	1.4	8,108,040	17.5

Largest Shareholders

20 largest shareholders, October 31, 2020

		pcs	%
1	Treindex Oy	5,886,200	11.20 %
2	Oy Koskenkorva Ab	5,469,798	10.41 %
3	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	4,259,000	8.11 %
4	Keskinäinen Vakuutusyhtiö Fennia	3,468,576	6.60 %
5	Koskenkorva Mikko Matias	1,986,055	3.78 %
6	Malo Hanna Maria	1,682,207	3.20 %
7	Kumpu Minna Kristiina	1,682,170	3.20 %
8	Koskenkorva Maija Kristiina	1,347,542	2.57 %
9	Koskenkorva Matti Olavi	1,158,903	2.21 %
10	Koskenkorva Mauno Juhani	1,040,769	1.98 %
11	Johtopanostus Oy	1,030,000	1.96 %

		pcs	%
12	Porkka Harri	822,000	1.56 %
13	Pravia Oy	751,665	1.43 %
14	Koskenkorva Pekka Juhani	733,502	1.40 %
15	LähiTapiola Keskinäinen Vakuutusyhtiö	674,000	1.28 %
16	Malkavaara Kari	408,203	0.78 %
17	Hietanen Reijo Tapio	378,330	0.72 %
18	Maxstar Oy	369,991	0.70 %
19	Comito Oy	300,000	0.57 %
20	Telanne Minna Liisa	259,659	0.49 %
		33,708,570	**64.17 %**
Other shareholders		18,824,540	
Total		**52,533,110**	

Distribution of share ownership by size October 31, 2020

Number of shares	Shareholders pcs	%	Shares/votes pcs	%
1–1,000	2,750	58.55%	1,063,352	2.02%
1,001–10,000	1,615	34.38%	5,320,412	10.13%
10,001–100,000	285	6.07%	7,586,467	14.44%
100,001–500,000	32	0.68%	6,570,492	12.51%
500,001–	15	0.32%	31,992,387	60.90%
Total	**4,697**	**100.00%**	**52,533,110**	**100.00%**
of which nominee-registered	9		205,249	0.04%
Number of shares issued			**52,533,110**	**100.00 %**

Distribution of share ownership by sector October 31, 2020

Sector class	Shareholders pcs	%	Shares/votes pcs	%
Companies		2.96 %	15,378,784	29.27 %
Financial and insurance institutions	12	0.26 %	4,327,241	8.24 %
Public bodies	1	0.02 %	4,259,000	8.11 %
Households	4,518	96.19 %	28,219,147	53.72 %
Non-profit organizations organizations	11	0.23 %	131,764	0.25 %
Foreign	16	0.34 %	11,925	0.02 %
Total	**4,697**	**100.00 %**	**52,327,861**	**99.61 %**
of which nominee-registered	9		205,249	0.39 %
Number of shares issued			**52,533,110**	**100.00 %**

Notes

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Annual Report 2020

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