panostaja

ANNUAL REPORT

2019

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NET SALES
190.2 M€

PERSONNEL
1 895

PROFIT FOR THE FINANCIAL PERIOD
2.5 M€

MARKET VALUE
40.8 M€

03 Our Core Message and Operating Policy

We are actively seeking financially healthy businesses that we see as having the potential to grow into forerunners in their fields with our support.

Acquisition

- Recognizing the value creation potential of a company and preparing an investment strategy
- Purchasing a majority share and engaging minority shareholders
- Investments from the company's own balance enable independently guided and flexible ownership

Development

- Supporting and enabling the implementation of the investment strategy
- Systematic operating model for value creation – development programs, tools and systems
- Developing management and competence, and ensuring permanent value creation

Divestment

- Selecting the correct divestment time with the owner partners
- Realization of value increases in conjunction with the sale of holdings

Panostaja's Cornerstones of Ownership

Active Owner

We create value as a responsible owner partner, support the implementation of changes and facilitate accelerated growth. In order to ensure persistent value creation, we develop the competencies of businesses in our ownership into capabilities that boost competitive edge.

Engaged Partner

We can succeed by joining our forces. Profitability is a basic precondition for our operations, and responsibility forms the foundation of our ownership arrangement. With us, companies can reach their full business potential through a partnership that is a unique journey for each of them and does not depend on time.

Management in development

The companies owned and managers coached by Panostaja form a community that supports Panostaja's business model and the development of its investment targets. Sparring, operational measurements, training and sharing of best practices are measures that benefit all parties concerned. Learning and reinvention are important elements in our operations and values.

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CEO TAPIO TOMMILA

Divestments and New Opportunities

PANOSTAJA'S financial period turned out fairly busy since we kicked off the year with some rapid developments. We revamped our portfolio through three corporate acquisitions.

During the first days of the period, we sold a minority sharehold in Ecosir to an international group of investors. Within the same month, we then acquired a significant minority holding in Gugguu Oy, which manufactures ecological, high-quality children's wear. Later in the spring the acquisitions continued with us selling our holding in KL-Varaosat Oy to Kaha Ab.

What piqued our interest in Gugguu was the company's strong brand and highly digitally oriented operating model. Upon familiarizing ourselves with the company, we were convinced of the team's passionate and uncompromising approach to its development. Gugguu has done extraordinarily well in Finland and taken its first successful steps on the path to internationalization. I am very pleased that we got the opportunity to become Gugguu's owner-partner and support the company's entry into the international markets.

Gugguu was also the first investment target with which we got involved as a minority shareholder from the start. Although I still see Panostaja mostly keeping to majority ownership going forward, I find select minority investments to be an appealing and interesting addition to our operating model. I believe they will continue to provide us with interesting investment opportunities long into the future.

KL-Varaosat was in our ownership since 2007. During this time, the company expanded its operations to cover new cities and brands and built the strategically important KL-Service Partner repair shop network.

Ecosir's determined and focused efforts, in turn, opened up a new path to internationalization and enabled the company to build an international owner base.

In my opinion, both of these business stories are wonderful examples of the profitability of long-term operational development. As we near the end of our journey together, I would like to thank the staff of the companies.

Even though the corporate acquisitions provided us with a flying start to the year, the beginning of the period was still difficult in light of financial development. At the time, there were concurrent challenges in the business operations of many of our segments, which had a significant impact on our profit development. During the financial period, significant headway was made in measures to rectify the problems, but despite the efforts, the net sales and profitability development for the period fell short of the targets. Our profitability for the financial year was also partially encumbered by the costs caused by the reorganizations within our segments at the end of the period.

With regard to Grano, which is by far our largest segment, the focus during the financial period was heavily on updating the operational structures. Grano's financial period was also characterized by CEO changes, which contributed to delaying the targeted reformations. That said, I am pleased that the necessary measures were successfully completed despite the changes in management. I expect them to have a positive impact on the company's profitability during the new financial period.

Our basic mission is to generate value as a responsible owner-partner, accelerating growth and the implementation of changes. Accordingly, we have continued investments in the development of our own active value creation model. During the financial period, we have placed special emphasis on ensuring the competence that is critical for value creation within our segments.

The trend forecasts indicate that economic development will slow down in the coming financial period. As a result, we have prepared by focusing on increasing our response capabilities significantly more than ever before.

However, I am confident that the development measures carried out during the financial period will help our segments forge onward in accordance with their respective strategies despite a possible decline in the general economic situation.

This is the first annual review I am writing as the CEO of Panostaja. I assumed the duties at the beginning of January, after 12 years at Panostaja. It has been extremely inspiring and motivating to take on a new role and continue with wonderful colleagues.

I would like to thank Panostaja's entire staff and our interest groups for the past financial year.

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Events During the Year

TAPIO TOMMILA BECOMES CEO

At the turn of the year, Panostaja gained a new CEO with M.Sc. (Econ.), eMBA **Tapio Tommila** stepping in to continue **Juha Sarsama**'s work. According to Sarsama, more than ten years with a single CEO is not beneficial to a company, and it was time to let someone else take the reins.

Tommila joined the Panostaja team in 2006. He has learned the ins and outs of the company in the roles of CFO/CIO and Executive Vice President. Before Panostaja, Tommila worked as an expert at Deloitte Corporate Finance Oy and PricewaterhouseCoopers Oy.

Juha Sarsama continued with the company as CIO and as a management team member. After the review period, he announced he would be leaving to work for another employer during the early part of 2020.

KATRI LAHTINEN BECOMES CFO

M.Sc. (Tech.), M.Sc. (Econ.) **Katri Lahtinen** joined Panostaja as CFO and board member in the spring. She made the transition from the position of CFO at Confidex Oy. Before that, she worked as CFO for DS Packaging Finland Oy and Steelpa Oy, among other companies. Her wealth of experience in corporate finances will bring a fresh perspective to Panostaja.

"I'm confident that I have a good grasp of the framework and idiosyncrasies of business operations. I believe I can help Panostaja's portfolio companies in considering options for practical solutions and challenges."

GUGGUU JOINS PANOSTAJA

Manufacturer of children's clothing Gugguu is Panostaja's first minority shareholding.

The company was established in 2012, and it has been increasing its net sales substantially ever since. In the financial period that concluded at the end of March 2018, the net sales stood at MEUR 4.5, which is a 38% increase from the previous period. The company's operating margin was 23% of the net sales.

Panostaja's holding in Gugguu is 43%. The founders and entrepreneurs **Miia Riekki** and **Anne Valli** are the largest shareholders in the company.

Gugguu primarily sells its products through its own online shop. In addition to this, Gugguu has a growing retailer network in Finland and abroad. Export accounts for some 12% of the company's net sales. Gugguu's products have been sold to more than 30 countries.

KL-VARAOSAT SOLD TO KAHA

In May, KL-Varaosat was sold to Oy Kaha Ab, which is part of the Nordic K.G. Knutsson Group. The debt-free total purchase price was MEUR 6.4. Panostaja Group's sales profit before taxes was about MEUR 2.7.

KL-Varaosat was in Panostaja's ownership since 2007, during which time the company expanded its operations significantly and nearly tripled its net sales. In 2018, the company's net sales stood at MEUR 14.4.

Panostaja finds that the strategic development projects have produced the desired persistent result, which ensures that KL-Varaosat is well-positioned to continue forging ahead with a new owner.

KL-Varaosat CEO **Juha Kivinen** is pleased with the cooperation with Panostaja. It has helped grow the company into a nationwide operator and develop its own unique service concept.

Panostaja as an Investment Target

Active Owner of Growth Companies

Panostaja provides a unique channel for investing in SME sector companies with high return expectations. We select leading companies in different sectors and usually acquire a majority shareholding in them. We develop and support their growth in close cooperation with the executive management of partnering shareholders. Our aim is for the company's value to have clearly increased once we divest it.

This is how we increase shareholder value.

Target-oriented developer of shareholder value

Unique channel for investing in the Finnish SME sector

Diverse and balanced investment portfolio

Financial Objectives

Panostaja's objective is the constant increase of shareholder and market value so that the overall yield of shares exceeds the average long-term yield of the Nasdaq OMX Helsinki Small Cap Index.

Distribution of profits reflects the development of the Group's result in the long term, and the primary aim is toensure the continuity of the Group's investment activity, after which it will be possible to distribute at least half of the annual consolidated profit targeted at the parent company shareholders, either as dividends, capital repayments or the repurchase of shares.

RETURN ON EQUITY IS AT LEAST 15 %

with the internal rate of return (IRR) being more than 22% for each investment target

GEARING RATIO IS AT LEAST 40 %

In a normal situation the financial structure of the parent company is debt-free. The parent company can take out temporary loans to finance corporate acquisitions between divestments.

Panostaja's Investments

oscar software

Oscar is a software company providing ERP systems, financial management and HR services in addition to eCommerce and online business solutions.

PANOSTAJA'S SHAREHOLDING **50.7 %**

YEAR OF INVESTMENT **2018**

NET SALES **10.1 M€**

carrot

Personnel service company Carrot offers quality staffing, recruitment and outsourcing services and functions as a strategic HR partner for its clients.

PANOSTAJA'S SHAREHOLDING **74.1 %**

YEAR OF INVESTMENT **2018**

NET SALES **20.8 M€**

CoreHW

CoreHW provides high added value design services in the RF IC sector, developing RF microchips and antenna technology and offering related consulting services.

PANOSTAJA'S SHAREHOLDING **61.1 %**

YEAR OF INVESTMENT **2017**

NET SALES **5.7 M€**

hygga.

Hygga is a dental clinic offering a new kind of service concept. The company also offers its ERP system as a licensed service to public and private dental care and health care providers.

PANOSTAJA'S SHAREHOLDING **79.8 %**

YEAR OF INVESTMENT **2015**

NET SALES **4.7 M€**

SELOG

Selog is Finland's largest wholesaler of ceiling materials, serving contractors and installation companies. Selog's range of services also includes calculation, design and logistics.

PANOSTAJA'S SHAREHOLDING **60 %**

YEAR OF INVESTMENT **2012**

NET SALES **7.3 M€**

GRANO

Grano is a content and marketing service company which serves its clients from creative planning to production, publication, measuring results and content management across print and digital channels.

PANOSTAJA'S SHAREHOLDING **54.8 %**

YEAR OF INVESTMENT **2008**

NET SALES **129.7 M€**

HEATMASTERS. 40 years of heat treatment – the wizards of metal

Heatmasters offers heat treatment services for metals in Finland and internationally. The company also produces, develops and markets heat treatment technology.

PANOSTAJA'S SHAREHOLDING **80 %**

YEAR OF INVESTMENT **2007**

NET SALES **4.2 M€**

Hela Keskus

Helakeskus is Finland's major wholesale dealer concentrating on furniture fittings. The company imports, markets and sells fittings for the fixture and furniture industries.

PANOSTAJA'S SHAREHOLDING **100 %**

YEAR OF INVESTMENT **2007**

NET SALES **8.0 M€**

PANOSTAJA AS A MINORITY OWNER

GUGGUU

Gugguu is a children's clothing company founded in 2012. Gugguu designs and produces high quality ecological clothing for children. The company invests in the sustainability and transparency of all of its products.

PANOSTAJA'S SHAREHOLDING **43 %**

YEAR OF INVESTMENT **2018**

NET SALES **4.3 M€**

SPECTRA

Spectra is a Finnish company founded in 1999. Spectra is responsible for the maintenance and back office operations of Finnish grocery stores and shopping malls, guaranteeing their ability to serve their customers in a well maintained, secure and pleasing environment.

PANOSTAJA'S SHAREHOLDING **39 %**

YEAR OF INVESTMENT **2018**

NET SALES **6.9 M€**

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Gugguu Grows Towards International Markets

Manufacturer of children's clothing Gugguu is in the process of change. The partnership with Panostaja has instilled the operations with the excitement and goal orientation that the company, which originally began as a passion project, will need to develop itself and grow as an international actor.

NET SALES

4.3 M€

PERSONNEL

13

A Pioneer as a Challenger

Gugguu's core objective is to ensure the quality and environmental friendliness of its clothes and their raw materials. The strong brand image originally stems from the collaboration and thinking of two women: CEO **Miia Riekki** created Gugguu's visual image, while the customer experience came from **Anne Valli**, the other majority owner.

In order to maintain its pioneering status, Gugguu has leveraged the Panostaja partnership for added strength. The growth company has now transitioned from operations based on passion and flow to a more systematic and forward-looking approach.

AT THE END of Panostaja's financial period, Gugguu's financial period is still under way. The company, established in 2012, accepted Panostaja as its partner in the spring of 2018, at the turn of its own financial year. For months, this decision bound Gugguu's original owners to an arduous mental process of defining a more in-depth vision for the company's future.

The change was by no means unwanted but it required some adjustment. The fear of the company losing its own identity and operating culture was unfounded. With the introduction of a professional Board of Directors, the confidence and courage to take risks increased. At first, the process of change manifested itself as a minor dip in net sales. In November 2019, the outlook for the end of March 2020 was bright, and the company has remained on course in terms of the estimated increase in net sales.

Gugguu's challenge now is to remain a pioneer of its field in Finland as a manufacturer of indoor and outdoor clothing and accessories for children. New operators have entered the children's clothing market, and many tools, such as traditional social media, no longer ensure a competitive edge in marketing in the same way as when the company's operations began.

The Gugguu brand has grown organically through influencer networks. Through them, information and views on Gugguu and its products spread rapidly, which is why the company must be able to respond to constant consumer questions regarding its operations.

At present, 80% of the company's net sales comes from online sales, while 20% is generated by retailers. Gugguu is planning to open an actual brick and mortar store to supplement its income from online sales. The sale of children's clothing is often based on feeling and experience, which means that physical experiences of the products themselves and their quality are important.

On the international markets, retailers have been introduced to Gugguu multiple times in Paris, Tokyo, Copenhagen and London. The company has been exporting children's clothing to China for more than three years. All in all, Gugguu's products have already been sold to more than 35 countries. Export accounts for 12% of the company's net sales.

The goal is to use global consumer networks alongside domestic ones, which requires systematic mobilization, initially in Europe.

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Oscar is Building New Solutions

For the first full financial year that software and service provider Oscar Software completed in Panostaja's roster, the focus was on refining the strategy. Efforts to streamline operations and complete large and challenging software deliveries have undermined profitability, but the company finds that this is necessary to invest in the future. The company is well on its way to building new solutions.

OSCAR Software has focused on providing companies with business platforms that cover operational and production management, online trade, financial administration and HR outsourcing services, as well as software development.

The company's goal-oriented growth strategy places an emphasis on updating and developing systems according to customer needs. Oscar is continuously working on its offering, sometimes based on the requirements of individual customers. The benefits of the evolution model include speed and currency. The goals set for software development have also been met during the financial period.

Overall, the market is in a good place and Oscar is ready to meet the demands of growth.

SMEs help to grow the ERP sector equally by outsourcing their services and investing in various ERP systems that facilitate and develop the companies' own operations digitally online, for example. The increased prevalence of digitalization and robotics has only served to accelerate this development.

The core idea of the strategy is the customer's role. As a supplier of a comprehensive ERP system as well as financial administration and HR outsourcing services, Oscar always lays the groundwork for customer relationships together with each respective customer, which takes significant effort from both parties, particularly in terms of learning new operating methods.

The company also wishes to distinguish itself from its competitors in terms of its internal operations. Oscar aims to provide the most appealing workplace in the field. The field is labor-oriented and growing faster than new graduates enter the workforce, which means that the competition for good employees is fierce. During the year, Oscar has hired many new people for all of its offices in Tampere, Helsinki and Turku.

Internationalization is a national continuation of Oscar Software's development as a software company. It already has customers in Sweden and the Baltic states, for example. It all boils down to finding the right timing, field and partners. Oscar's software offering is already extensive and its strengths are clear, so the only thing it needs now is to find the suitable path forward.

NET SALES
10.1 M€

PERSONNEL
131

Clarity Equals Profitability

Skilled staff is an extremely important resource to a software company, and Oscar Software has consequently placed a strong emphasis on this matter in its strategy. The company's management culture includes the development of HR management, which needs to aim for clear role assignment, task specification and goal setting.

Alongside management and working conditions, these factors have a significant impact on the end result. In the words of CEO **Simo Salminen**, they also help people work efficiently, which increases well-being at work.

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Carrot Fits Work and Life Together

Carrot, which operates in the staffing market, went through a comprehensive structural change during the financial period. At the same time, the focus of the entire operating model was shifted toward jobseekers.

THE EIGHT Carrot offices located throughout the country gained a harmonized visual image and operating model that changes the aim into serving jobseekers instead of the employer. The dramatic change is evident in both the company's net sales and result.

Carrot is now ready for growth based on the ongoing structural changes in society. In essence, the idea is that people should be able to work to live instead of living to work. As such, the company's operations are guided by its slogan "Kun työ sopii elämään" (When work fits life).

The change has also affected the staff. Over the course of the year, the turnover among the 36 employees has been 70%.

Established in 1998, Carrot is one of Finland's oldest companies in its field, which has seen significant growth and development, particularly in recent years. This is why maintaining the pioneering position requires a complete overhaul of old operating methods.

Through changing the staffing process toward serving jobseekers by e.g., contacting each person separately to collect their information for later use, Carrot has increased the number of job applicants and improved its capability to respond to employers' needs very quickly. The aim is to reach the top five largest companies listed by the Private Employment Agencies Association.

As an actor focusing on staffing, HR services and direct recruitment, Carrot has taken upon itself to support workers in their workplaces to improve occupational safety. Even during short gig work, employees must be able to bring up matters that may endanger their well-being or health without fear of termination.

Carrot, which provides labor to meet the needs of construction, industry and logistics, has strong confidence in its growth. Younger generations in particular find fixed-term employment a natural way of building a life with enough leeway for the lifestyle of your choice.

carrot®

NET SALES	PERSONNEL
20.8 M€	476

Toppling Traditional Thought Patterns

The change in social structures and lifestyles supports a notion that shifts the focus in the management of employment toward the jobseeker. The idea of meeting the jobseekers' needs instead of simply working to fill positions changes the entire atmosphere around the management of employment and unemployment.

From a business perspective, aiming marketing and operations more toward jobseekers does not take anything away from employers but instead helps to serve them better. According to CEO **Jouni Arolainen**, this approach is groundbreaking and therefore somewhat difficult for many with a more traditional mindset.

16

CoreHW's Growth Continues

CoreHW, a specialized designer of microchips, has grown into a technology company gearing up to strengthen its efforts to introduce more products to the market. The year 2020 looks promising in terms of demand and proprietary products.

CoreHW

NET SALES
5.7 M€

PERSONNEL
56

Leading Expertise in the World

The two years spent in Panostaja's roster have served to crystallize CoreHW's management models and strategy. With Panostaja's support, the company has had the courage to make long-term investments in its own products and create operating models that foster further growth.

According to CEO **Tomi-Pekka Takalo**, CoreHW ranks among the best in the world in terms of its expertise in microchip design. The results of customer and staff satisfaction surveys have been excellent, which indicates that the company's operating models are in order and it has what it takes to develop innovative technologies.

COREHW'S future looks bright and the demand for design services is at a record high. After the developmental stagnation early in the year, the company has made progress according to plan, leading to an excellent conclusion to the financial period. During the past financial year, the company initiated long-term partnerships with three international customers that are all leading companies in their respective fields. CoreHW is entering the next financial period from a strong position. The company has rapidly grown into an internationally recognized operator in the field of radio technology applications.

CoreHW has gotten its own product development efforts off to a good start. Product development has become a strong focus alongside customer projects, and significant investments have been made in it. The company's first product that utilizes positioning technology was presented at the international mobile industry trade fair in Barcelona in February 2019. The unique technology has also led to patents, and the application possibilities for proprietary products that leverage positioning technology are almost limitless.

CoreHW is exploring new market areas in Japan and China but also Europe, North America and Korea. Establishing a market position for its own products will be one of the company's most important tasks in the coming financial period. An essential element in this is setting up the requisite logistics chains and developing component production.

CoreHW has offices in four cities, Tampere, Helsinki, Oulu and Turku. At the end of the financial year, the company employs about 60 people. The staff members have 17 years of experience in the field on average, and the majority of them have a master's degree in technology and one in four have a doctorate. The company is in constant need of new competence workers, which is why it is planning to hire several specialists over the course of 2020. Some assistance for the recruitment is provided by collaborations with universities both in Finland and abroad.

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Hygga Lays Its Foundation

Hygga has now finalized its brand image and business model. It also continued its strong efforts in the development of digital health care innovations. Hygga's real-time ERP system was introduced to the international audience at the HIMSS Europe 2019 event held at the Messukeskus Helsinki expo and convention center in June. Hygga is placing an increasing focus on software development and already aims for international markets in oral and general health care.

THE MASSIVE reorganizations initiated at the beginning of the previous financial period fell into place in the spring of the past period, when Hygga's business model and its focuses were finally crystallized. Hygga has now completed its first uninterrupted year of operations and matured to the next phase of its development. The selected strategy has gained clear goals and checkpoints, whereas Hygga's operations have been stabilized. Hygga's business areas enable it to head into the future secured by a capability to react quickly to changes in the operating environment and offer customized solutions for the management of health care customer flows.

The product selection has been refined to meet the relevant goals, especially internationalization.

Hygga's own clinic operations in Kamppi, Helsinki, will continue to serve as a showcase and reference clinic representing the modern way to provide oral health care. The company is currently looking for operators in Switzerland, the Netherlands, Denmark and the UK to serve as similar reference clinics.

The cutbacks to Hygga's own clinic operations are bound to have a negative impact on the profit/loss for the financial period. Although the operating margin will not reach the level of the previous year, the foundation and the capabilities to expand and strengthen the domestic licensing business are sound. Special interest has been shown toward the development of service solutions for general health care, for example.

The licensing business, which is based on Hygga's own product development, is a significant growth factor. A new hybrid version has been developed of the company's real-time ERP system, Hygga Flow. It is perfect for smaller health care and dental clinics that want to retain their traditional doctor-specific appoint booking arrangements alongside the new operating model.

Hygga Flow is a means for controlling and managing customer flows and the use of the care staff in a meaningful manner.

The licensing business and software development are bolstered by the growth of the partner network and the creation of customized solutions. The latest pilot projects in basic health care are under way in Pori and Rauma. The Swedish pilot in Luleå will end in spring 2020, and negotiations are being conducted on expanding the operations to cover the entire Norrbotten County.

hygga.

NET SALES **4.7 M€**

PERSONNEL **58**

Efficiency Without a Hurry

Efficiency in health care can be increased without making everyone hustle for the added benefit. Efficiency is the product of appropriate time management instead of doing things as quickly as possible. Operational flexibility is ensured by allowing those seeking treatment to select the time and duration of their treatments.

There is no question as to the necessity of health care as a sector. As such, Hygga's CEO **Jussi Heiniö** emphasizes that cultural changes in the health care sector require persistence and extensive influencer marketing.

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Selog in the Middle of Market Reorganization

The exacerbated price competition in the ceiling market had a significant impact on Selog's business. The company has been forced to fight for its market share, but it has maintained its position as the largest operator in the field. Selog and Tilatukku merged at the end of the financial period.

SELOG

NET SALES

7.3 M€

PERSONNEL

18

Selog Becomes Tilatukku

The most important event in the financial period took place toward the end in the form of a corporate acquisition which led to the merger of Selog Group and Tilatukku, an interior structure wholesaler operating in the Helsinki Metropolitan Area. Tilatukku was transferred to Selog Group's ownership, and the former owners of Tilatukku gained a 40% holding in Selog Group. The company will continue under the name Tilatukku.

At the same time, Selog's CEO **Reijo Siekkinen** stepped down. The second founding shareholder of Tilatukku, CEO **Tomi Pirinen**, assumed his duties.

THE REORGANIZATION of the market early in the year made the competitive situation worse and hampered the development of net sales and, inevitably, profitability. However, the worst was over in April and old customers began to return to Selog gradually. Even so, the race for the market share took a chunk out of the net sales and profitability for the financial period.

The division of the market between more operators forced Selog to find ways to strengthen its position in the ceiling business. The new comprehensive online service helped customers find what they needed faster than ever. At the same time, Selog's search engine visibility improved substantially. In addition to this, the corporate restructuring, which took place early in the financial period, is believed to help correct the situation.

According to the customer satisfaction survey conducted, Selog's strengths include expertise, service, fast response and logistics. The result indicates that the company is positioned well in the battle for market share. The operations can be steered back toward growth by examining the product selection and customer streams.

Selog entered full Panostaja ownership during the previous financial period. During the same time, one third of the staff of the company's Malmi unit changed, including the CEO.

The transition is now over and Selog is returning to the status quo while updating its strategy to suit the current climate. The units in Helsinki, Tampere and Lappeenranta will remain as they are, and robust logistics will secure transport on a wider scale.

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Pumping the Brakes Before Accelerating Towards the Future

The expected development of Grano's net sales and profit ground to a halt during the financial period, forcing the Group to figure out ways to correct its course. The net sales were significantly below the budgeted level.

GRANO

NET SALES

129.7 M€

PERSONNEL

1 089

Year of Policies

This financial year, Grano was helmed by three captains, one after the other. When CEO **Jaakko Hirvonen** retired early in the year, his duties were assumed by **Mikko Moilanen**, who then took another position in the summer. Before **Pekka Mettälä** was able to leave his position as the CEO of MPY Palvelut to lead Grano, Panostaja's CIO **Juha Sarsama** served as the interim CEO.

Mettälä wasted no time rolling up his sleeves to clarify Grano's strategy. He sees a unified corporate culture as the foundation of the operations and views Grano's market from the perspective of the customer.

GRANO has grown considerably throughout its history. The company has facilities in 27 municipalities, and it has increased its customer base to 11,000. At the end of the financial year, Grano employed a total of 1,089 people.

Throughout the 2010s, the company has seen significant growth, specifically through corporate acquisitions. There have been plenty of businesses up for grabs, which has helped Grano secure new customers, product areas, production capacity and expertise.

At the same time, however, the company's ability to grow through its own operations has suffered. Grano kept apace with the market and maintained its leading position. That being said, it was unable to increase its market share. One factor in this is Grano's strong role as a market leader in physical market communication solutions. In terms of the digital market, the company is a challenger.

This setting requires changing the focus from selling individual Grano products to supporting customers' business operations comprehensively.

The efforts began in the spring with Grano establishing separate business units for its print products and content services and revamping its business model by clarifying the responsibilities with regard to commercial functions, print production and the Group's branding and development efforts.

The work to bring the business model up to date continues. The aim is to create a clear-cut umbrella that will help highlight and clarify Grano's versatility and ability to provide customers with the comprehensive communication and marketing services they need from traditional print products to modern digital solutions.

By strengthening its growth pockets and positioning itself firmly in the digital market, Grano is confident it will regain its position as a dynamic market leader. The sector remains fragmented and modern requirements, such as the need for 24/7 customer service, offer hitherto untapped potential.

At the end of the financial period, Grano held employer-employee negotiations in order to streamline its operations through restructuring and centralization. The goal is to achieve MEUR 4.5 in annual savings, the full effect of which is expected to be realized in the 2021 financial period.

The number of Group employees will be reduced by 100 and four locations will be shuttered.

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From Heat Treatment to Services

The 45-year-old heat treatment expert Heatmasters is now in a phase where its focus is on honing its core operations as a customer service company and strengthening itself with updates.

40 years of heat treatment HEATMASTERS the wizards of metal

NET SALES **4.2 M€**

PERSONNEL **38**

Neste's Large-scale Maintenance Outage to Yield Profits

Heatmasters' most extensive project in 2020 will be the spring maintenance outage at Neste's Kilpilahti oil refinery. During the period, a total of 6,000 professionals from all over the world will be working at the refinery to ensure its safety for the coming five years.

CEO **Ilkka Mujunen** will calculate the company and partner resources that will be required at the worksite. This will only attribute to a fraction of the whole but, for Heatmasters, the project will be very significant for the next financial period.

HEATMASTERS is not only the oldest Finnish operator in its field but also the largest. During the past financial period, the weakened markets took a toll on the domestic core business but, at the same time, the service combos set up to support the operations have demonstrated their effectiveness and led to improvements in the profitability of equipment production.

The significance of additional services is highlighted in the context of the Finnish heat treatment market. Alongside the heat treatment operations, Heatmasters has built a collection of services aimed at saving customers' time and money. Among other things, the additional services include surface treatment, painting and inspection services. In some cases, the additional services have begun to eclipse the actual heat treatment activities in terms of net sales.

The share of value-added services has also increased in Poland.

In addition to Finland, Heatmasters has facilities in Estonia and Poland. From the perspective of strengthening the international market, the Polish operations are significant, as Poland is far more favorably positioned than Finland in terms of reaching Central Europe, both in terms of geography and culture but also – perhaps most importantly – cost efficiency.

In addition to Central Europe, Heatmasters is also looking to gain a foothold in the Middle East and Asia. In addition to having industry-leading teams, processes and technologies, Heatmasters is capable of engaging in price competition on international markets. The only thing left to do is find the suitable customers.

As a an equipment manufacturer, Heatmasters operates on a global scale. In the past few years, the company has supplied equipment to 30 countries. At the turn of the financial period, negotiations are under way in South Korea, Ukraine, Canada and Poland, among other areas. Heatmasters has two decades of experience as a developer of temperature adjustment technology. Now that the operations are on a profitable foundation, equipment production is growing organically alongside all other areas.

Although Heatmasters' net sales declined during the past financial period, the outlook is promising. This is supported by the high quality of the company's operations, the exceptionally good customer experience, effective service models and the international market within and outside Europe. Heatmasters has worked tirelessly for many years to put all this together. Now, the efforts seem to be bearing fruit, which will also be mirrored by the figures of the next financial statement.

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A Wholesaler That Partners With Its Customers

Helakeskus serves professionals in the furniture and kitchen industry. To them, the cost-effective comprehensive solutions and services provided by the fittings supplier are extremely important.

NET SALES

8.0 M€

PERSONNEL

19

A Competitive Edge From Digitalization?

The popularity of online trade is increasing dramatically among professionals in the furniture and kitchen industry. A significant portion of Helakeskus' sales already take place through various digital solutions.

As such, CEO **Martti Niemi** expects digitalization to create new appealing opportunities for developing business activities and more efficient business models.

HELAKESKUS' profit/loss for the financial period reflects the weakening market situation, increased share of project sales and fierce price competition in the field. Development during the financial period was also impacted by some delays in the introduction of new products.

The company has responded to changes in its sphere of operations by honing its activities, with a special focus on the development of sales and the product selection.

In the spring, Helakeskus published an extensive product catalogue to demonstrate the scope of its range. Alongside the print catalogue, it also provided a fast and mobile-friendly online version. This makes it easier than ever for customers to find the products and services they need.

Helakeskus has also sought increased visibility through traditional print advertising and social media.

Professionals in the furniture and kitchen industry seek cost-effective solutions, which has been found to be an increased market focus. Customers want to buy what they need from a single supplier quickly and conveniently at a competitive price, with location-specific delivery if needed. This is the core of Helakeskus' operations, and the company has honed its logistics arrangements to meet customer needs.

Trends have a significant impact on the fittings business. To distinguish itself from its competitors, a company must keep a close eye on the trends in construction and interior decoration and identify promising new opportunities. In terms of updates to the product selection, important trends include energy efficiency, increased recycling and the ease of installation and usability. This is mirrored by the selections provided by Helakeskus.

Helakeskus has supplemented its offering with interesting new products that it believes will be successful in the Finnish interior decoration climate. These product groups include handles, sinks and storage solutions, for example.

As for more traditional products, Helakeskus' most significant acquisition was the internationally-awarded Grass Nova Pro Scala series of drawers, which was added to the product range toward the end of the financial period. The drawers are a natural fit in Helakeskus' offering, as the company represents the leading brands in the furniture and kitchen industry.

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Board of Directors

EERO ERIKSSON
born 1963

Board member since 2011

Master of Social Sciences
CEO of Fennia Asset Management Ltd and Chief Investment Officer of Fennia
Independent of the company and of major shareholders

MIKKO KOSKENKORVA
born 1982

Board member since 2011

Bachelor of Computer Science
IT Project Manager of Jyki Group Oy
Independent of the company

JUKKA ALA-MELLO
born 1963

Chairman of the Board since 2011, Board member since 2006

M.Sc. (Econ.)
Director and Secretary to the Board of Directors of Kone Oyj
Independent of the company and of major shareholders

TARJA PÄÄKKÖNEN
born 1962

Board member since 2016

D.Sc. (Tech.), M.Sc. (Tech.)
Partner at Boardman Oy, Brand Compass Group
Independent of the company and of major shareholders

KALLE REPONEN
born 1965

Board member since 2018

M.Sc. (Econ.), professional board member
Independent of the company and of major shareholders

Senior Management Team

MIIKKA LAINE
born 1972

Investment Director since 2015
M.Sc. (Econ.), LL.M.

Previous work experience:
Shareholder and CFO of Finnsweet Holding Oy Group, Investment Director and shareholder at investment company Profita Management Oy, Director of Nokia Oyj's corporate acquisitions unit, various positions in the investment banking sector (FIM, Pohjola)

MINNA TELANNE
born 1964

Development Director since 2013
Licentiate of Administrative Sciences

Previous work experience:
Business Director of Leading Partners Oy, HR Director of OpusCapita Oy, Profit Center Manager of MPS Finland Consulting Oy, Development Manager of Suomen Posti Oy

Other positions of trust:
Board Member of Hallituspartnerit Oy

TAPIO TOMMILA
born 1978

CEO since 2019
M.Sc. (Econ.), eMBA

Previous work experience:
Panostaja Oyj Financial and Investment Director and Executive Vice President, Deloitte Corporate Finance Oy, PricewaterhouseCoopers Oy

JUHA SARSAMA
born 1965

Investment Director 2019
LLM, M.S.M. (Boston University Brussels)

Previous work experience:
CEO of Panostaja Oyj, Managing Director of OpusCapita Oy, Administrative Director of Saarioinen Oy, CFO of OpusCapita Oyj

Other positions of trust:
Board member of Finland Chamber of Commerce, Chairman of the Board of Fondia Oyj

KATRI LAHTINEN
born 1978

CFO since 2019

M.Sc. (Econ.), M.Sc. (Tech.)

Previous work experience:
Financial Director of Confidex Oy, DS Smith Packaging Finland Oy, Steelpa Oy

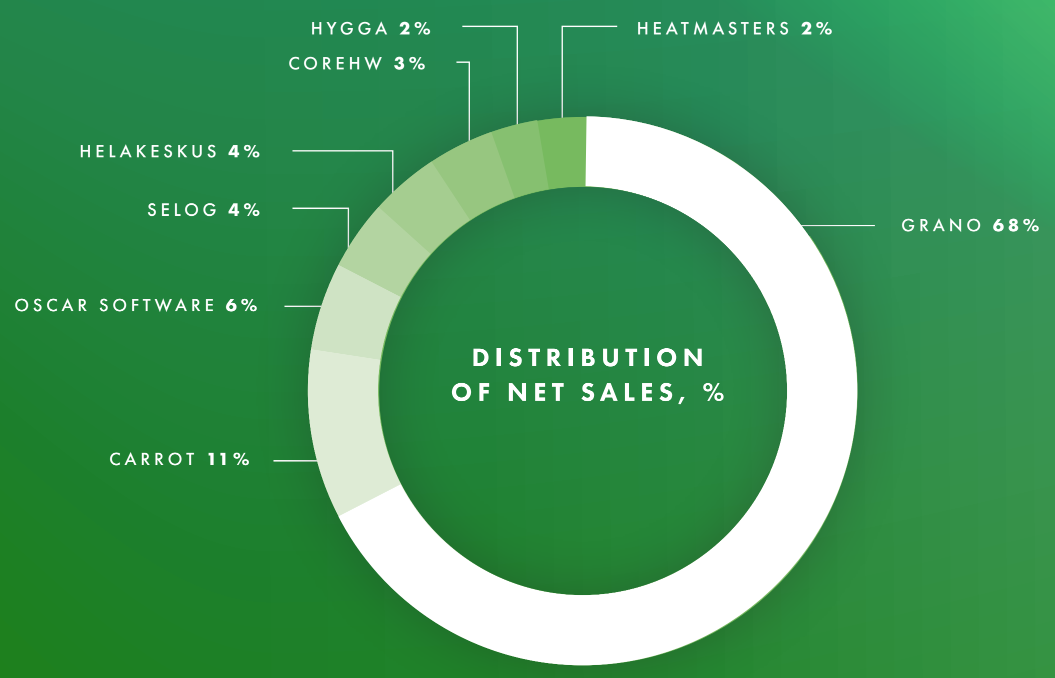
Notes

Notes

FINANCIAL STATEMENTS

2019

AND INVESTOR INFORMATION



DISTRIBUTION OF EBIT, MEUR

2019 FINANCIAL STATEMENTS AND INVESTOR INFORMATION

FOR THE FINANCIAL PERIOD
NOVEMBER 1, 2018–OCTOBER 31, 2019

CONTENTS

NET SALES
190.2 M€

PROFIT FOR THE FINANCIAL PERIOD
= 2.5 M€

PERSONNEL
1 895

Panostaja Group	November 1, 2018–October 31, 2019	November 1, 2017–October 31, 2018
Net sales, MEUR	190.2	185.2
EBIT, MEUR	3.6	4.1
Profit before taxes, MEUR	1.7	1.5
Profit/loss from continuing operations, MEUR	0.4	-0.3
Profit/loss from sold or discontinued operations, MEUR	2.1	27.5
Profit/loss for the financial period, MEUR	2.5	27.1
Earnings per share, undiluted (EUR)	0.03	0.46
Equity per share (EUR)	0.96	1.02

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 190.2 (MEUR 185.2). Exports amounted to MEUR 8.2, or 4.3% (MEUR 6.1, or 3.0%), of net sales. Corporate acquisitions made in the previous financial period and the current financial period increased net sales by MEUR 15.0. Of the eight investment targets, three exceeded the reference period's cumulative net sales level.

EBIT declined slightly and was MEUR 3.6 (MEUR 4.1). The profit/loss for the review period is encum-bered by Grano's MEUR 1.0 cost provision related to employer-employee negotiations and the MEUR 0.9 impairment related to restructuring measures related to ERP systems. The profit/loss for the reference period includes a MEUR 3.0 goodwill impairment loss for the Helakeskus segment, MEUR 0.9 in sales profit from fixed assets and the recognition of the Panostaja parent company's VAT receivable at MEUR 1.3. Four investment targets out of eight exceeded the EBIT for the reference period.

Profit from discontinued operations was MEUR 2.1. The consolidated income statement does not include the income statement for operations sold in 2018. 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 -2.1 (MEUR -2.9). The Group's liquidity improved, and operating cash flow was MEUR 10.8 (MEUR 8.2).

During the financial year, the Group employed an average of 1,969 (1,927) people. At the end of the financial period, the Group employed 1,895 (2,043) persons.

The net sales of the parent company, Panostaja Oyj, amounted to MEUR 0.0 (MEUR 0.0). EBIT totaled MEUR 2.9 (MEUR 37.3). The parent company's profit in the financial period was MEUR 4.4 (MEUR 31.5).

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).

GROUP STRUCTURE

KL-VARAOSAT

On May 29, 2019, together with other owners of KL-Parts Oy, Panostaja signed an agreement on seling 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%.

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, Selog, 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 digi-tal and print channels essential to the customer's target audience. Grano provides its services in more than 25 municipalities in Finland. The company's head office is located in Helsinki. It also operates in Tallinn. For the duration of the past financial period, the CEO of the group was Jaakko Hirvonen until December 10, 2018 and Mikko Moilanen between December 10, 2018 and August 5, 2019. The current CEO is Pekka Mettälä, who assumed the post on September 18, 2019. At the end of the review period, Panostaja's shareholding in the Group stood at 54.8%.

During the financial year 2019, demand for Grano's services varied significantly between quarters and product areas. The business operations that showed the strongest growth were the packaging and la-belling business, marketing logistics and electronic asset management services. The market demand for traditional print services continued its decline, but the development of the company's offset and digital printing business performed largely as expected. With regard to construction services, sales for the So-koPro media bank continued to grow, compensating for the decline in paper printing. As regards large-scale print products and illuminated advertisement, on the other hand, the targeted net sales were not reached since there were no large projects during the financial period, in contrast to previous years. Due to the decline of print services, Grano's net sales weakened by 5% to MEUR 129.7 (MEUR 136.6).

The drop in net sales, deteriorated Grano's EBIT from MEUR 8.4 in the reference period to MEUR 4.1. The EBIT for the review period is encumbered by the MEUR 1.0 cost provision related to employer-employee negotiations, which were completed toward the end of the financial period, and the MEUR 0.9 impairment related to restructuring measures related to the company's ERP systems. The declining net sales were compensated by streamlining the operations, which has clearly reduced the number of sub-contracting from third parties, among other things. Furthermore, the decrease in marketing expenses and other fixed business costs improved the profit/loss for the financial period. The profit/loss for the reference period includes MEUR 0.9 in sales profit from used machines.

Grano Group needs to continuously improve its competitiveness and develop its operations on the ever-changing markets. For the above reasons, Grano Group initiated employer-employee negotiations in the fourth quarter. According to a preliminary estimate, the reorganizations were estimated to lead to the full-time or part-time lay-off or dismissal of up to 140 people. The negotiations were completed in October, and as a result, employee numbers in the Group's various operating locations will be reduced by an estimated 100 people. The targeted savings will take full effect on an entire financial period's profitability level for the first time in the 2021 financial period. At the end of the financial period, the segment em-ployed 1,089 (1,128) staff.

SELOG

Established in 2005, Selog Oy is Finland's largest wholesaler of ceiling materials, serving contractors and installation companies in the field. The range of services also includes calculation, design and logis-tics. Selog's services cover renovation and restoration projects and new construction sites. The compa-ny's offices are in Helsinki, Tampere and Lappeenranta.

The most important event in the financial period took place toward the end in the form of a corporate acquisition which led to the merger of Selog Group and Tilatukku, an interior structure wholesaler operat-ing in the Helsinki Metropolitan Area. Tilatukku was transferred to Selog Group's ownership, and the former owners of Tilatukku gained a 40% holding in Selog Group. At the same time, Selog's CEO Reijo Siekkinen stepped down. The second founding shareholder of Tilatukku, CEO Tomi Pirinen, assumed his duties. At the end of the review period, Panostaja's shareholding in the Group stood at 60%.

For the duration of the financial period, market demand was good, but the escalated competition had a significant impact on Selog's operations. Competition on the market has been fierce but the company has maintained its position as the largest operator in the field. The tighter competition dragged down Selog's net sales by more than 20% from MEUR 9.4 to MEUR 7.3. The decrease in net sales also took a significant toll on the company's operational profitability. The reported EBIT was MEUR -0.2 (MEUR 0.8), which is encumbered by the MEUR 0.3 in one-time costs related to the acquisition of Tilatukku at the end of the review period. At the end of the financial period, the segment employed 18 (13) staff.

HELAKESKUS

Suomen Helakeskus Oy, based in Seinäjoki, is a major wholesale dealer concentrating on furniture fit-tings. 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' EBIT remained at the level of the previous year and was MEUR 8.0 (MEUR 8.2). However, the planned growth goals for net sales were not reached, due to the slower market, increased share of project trade and the fierce price competition in the field, particularly with regard to project trade. Despite all this, the company was able to edge its profitability up slightly thanks to strict financial discipline. The operational EBIT increased over the reference year, from MEUR 0.3 to MEUR 0.5. The reported EBIT of MEUR -2.7 for the reference period includes a group goodwill impairment loss of MEUR 3.0. At the end of the financial period, the segment employed 19 (20) 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 5.4 to MEUR 4.7. Its EBIT remained at the level of the reference period at MEUR -0.2. The decrease in net sales is primarily due to the lower net sales of the Kamppi clinic. For the clinic business, the market situation has been highly challenging for the entire year, and the targeted increase in net sales has not been achieved over the course of the review period. Furthermore, the adaptation measures implemented at the clinic to ensure the unit's prof-itability development had a negative effect on the net sales for the financial period. As regards the licensing business, on the other hand, the outlook is bright in Finland and especially abroad. However, domestic competition has increased significantly during the financial period. Domestically, the company's focus is especially on the development of service solutions for general health care, for example. In Sweden, the company is in the process of conducting a pilot project in Luleå and negotiating on expanding its operations to cover the entire Norrbotten County. During the financial period, the company has also explored opportunities for international business by initiating market surveys within Europe, for example. At the end of the financial period, the segment employed 58 (77) staff.

HEATMASTERS

Heatmasters Group offers heat treatment services for metals in Finland and internationally, as well as produces, develops and markets heat treatment technology. Heatmasters Group's Finnish businesses were merged at the beginning of the financial period under one company, Heatmasters Oy, which operates 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.

Heatmasters' net sales decreased during the review period from MEUR 4.8 to MEUR 4.2. The slow winter season during the early financial period and the weaker demand for heat treatment services in the summer dragged Heatmasters' net sales to a clear decline. Equipment business was also fairly slow for the majority of the year. That said, there was a clear positive turn late in the year as the company's equipment business segment began furnace deliveries to Saudi Arabia and South Korea. For the service business, too, demand perked up, as many customers got started with manufacturing prefabricated products for the large-scale maintenance outage to take place at the Neste refinery in Kilpilahti in spring 2020. Despite the decline in net sales, the company was able to maintain its profit/loss at the level of the reference period, MEUR 0.2, thanks to adaptation measures and strict discipline with regard to expenses. At the end of the financial period, the segment em-ployed 38 (39) 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%.

Net sales for the review period increased by 50% and were MEUR 5.6 (MEUR 3.7). After the early part of the year, which was slower than expected, progress was made according to plan and the year ended on excellent terms. Demand for the company's services has been high, with change in sight. As regards design services, the order book for the coming financial period is strong and diverse. Over the course of the review period, heavy investments were also made on the company's first proprietary product, the CoreHW RABBIT antenna switch intended for indoor positioning. The product was introduced at an international trade fair for the mobile sector in February 2019, and the customer interest toward the product has been good. The company recruited several new professionals during the financial period. The company is in constant need of new competent workers, which is why it is planning to hire new several specialists over the course of 2020 as well. A number of successful customer project reversed the decline of CoreHW's EBIT and increased it to MEUR 0.4 (MEUR -0.6). The result for the review period is partially encumbered by the investments in the sales and marketing of the proprietary product. At the end of the financial period, the segment employed 56 (48) staff.

CARROT

The Carrot Palvelut Oy group, which was established in 1998 and specializes in human resources services, 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 eight municipalities in Finland. The Group's CEO is Jouni Arolainen. At the end of the review period, Panostaja's holding in the segment stands at 74.1%.

The segment has been consolidated into Panostaja Group's records starting from May 1, 2018, so reference information is only available for a period of six months. Carrot's net sales for the review period stood at MEUR 20.8 (MEUR 13.0) while its EBIT was MEUR -0.4 (MEUR -0.1). The market demand for the company remained good throughout the financial period. The development of net sales and profit/loss, which was significantly weaker than expected, primarily resulted from changes in the company's organization, operating models and operating processes during the financial period. The implementation of the changes has been more challenging than expected, which has resulted in staff turnover, among other things: more than half of the company's office staff changed during the financial period. At the end of the financial period, the segment employed 476 (539) staff.

OSCAR SOFTWARE

Oscar Software Group Oy, established in 2005, 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 is Simo Salminen. At the end of the review period, Panostaja's holding in the segment stands at 50.8%.

The segment has been consolidated into Panostaja Group's records starting from May 1, 2018, so reference information is only available for a period of six months. Oscar Software's net sales for the review period stood at MEUR 10.1 (MEUR 4.4) while its EBIT was MEUR 0.2 (MEUR 0.1). For the ERP software business and financial outsourcing services remained good for the financial period. The field is labor-oriented and the company is continuing active recruitment due to business growth. However, the competition for skilled professionals is fierce, which results in staff turnover and a partial encumbrance to the profit/loss for the financial period. The clarification of the operating models over the course of the financial year as well as the large and demanding deliveries also contributed to the weakening of the profit/loss. At the end of the financial period, the segment employed 131 (118) 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 0.3), which is presented on a separate row in the consolidated income statement. At the very beginning of the financial period, the company acquired a significant minority sharehol-ding in Gugguu Oy, which manufactures ecological, high-quality children's wear. During the review period, Panostaja divested its share in Ecosir Group Oy, as an international group of investors assumed majority ownership of the company's business operations. The sale of the company may involve a possible additional purchase price based on the actual operating margin for 2019 and 2020.

FINANCE

Operating cash flow improved and stood at MEUR 10.8 (MEUR 8.2). Liquidity remained good. The Group's liquid assets were MEUR 16.4 (MEUR 19.3) and interest-bearing net liabilities MEUR 53.7 (MEUR 58.1). The gearing ratio fell and was 67.5% (69.0%). The Group's net financial expenses for the review period were MEUR -2.1 (MEUR -2.9), or 1.1% (1.6%) 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 41.3% (40.4%). Return on equity was 3.1% (36.5%). Return on investment fell to 3.8% (18.6%). The key figures for the reference period were improved by the sale of KotiSun Group.

INVESTMENTS AND DEVELOPMENT EXPENSES

The Group's gross capital expenditure for the review period was MEUR 7.9 (MEUR 23.5), or 4.2% (12.7%) of net sales. Investments were mainly targeted at tangible and intangible assets and corporate acquisitions. During the financial period, MEUR 1.6 (MEUR 2.9) 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 nine 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 93.7. 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 January 31, 2019 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.

Auditing service network PricewaterhouseCoopers Oy and Authorized Public Accountant Markku Launis were elected as auditors for the period ending at the end of the next Annual General Meeting 2020. Auditing service network PricewaterhouseCoopers Oy has stated that Authorized Public Accountant Lauri Kallaskari will serve as the chief responsible public accountant.

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2017–October 31, 2018 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, 2018 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization remains valid until July 31, 2020.

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 193,594 (at the beginning of the financial period 390,756). The number of the company's own shares corresponded to 0.4% 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, 2018, Panostaja Oy relinquished a total of 152,371 individual shares as share bonuses to the company management on December 15, 2018. On December 15, 2018, the company relinquished to the Board members a total of 10,000 shares as meeting compensation. In accordance with the General Meeting's decision of January 31, 2019 and the Board's decision, Panostaja relinquished a total of 10,526 shares on March 8, 2018, a total of 11,765 shares on June 7, 2019 and a total of 12,500 shares on September 6, 2019 as meeting compensation.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.77 (lowest quotation) and EUR 1.16 (highest quotation) during the financial period. During the review period, a total of 9,489,880 shares were exchanged, which amounts to 18.1% of the share capital. The October 2019 share closing rate was EUR 0.78. The market value of the company's share capital at the end of October 2019 was MEUR 40.8 (MEUR 52.1). At the end of October 2019, the company had 4,464 shareholders (4,487).

BOARD'S PROPOSAL TO THE GENERAL MEETING

The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 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 6, 2020 in Tampere.

EVENTS AFTER THE REVIEW PERIOD

After the review period, Panostaja's CIO Juha Sarsama resigned to take a position with another employer.

PROSPECTS FOR THE NEXT FINANCIAL YEAR

As regards the corporate acquisition market, plenty of opportunities are available and the market is active. The high market liquidity and increased price expectations of sellers are making the operating environment more challenging, however.

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

- The demand for CoreHW, Oscar Software, Carrot and Heatmasters will remain good.
- Demand for Grano, Hygga, Selog and Helakeskus will remain satisfactory.

REPORT ON NON-FINANCIAL INFORMATION

This is Panostaja Oyj's 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, 2018 to October 31, 2019.

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 majority 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 in the process of 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 10,823 (11,683).

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 CO_2).

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 2,859 tnCO_2 (3,085)

The market-based value is calculated using the following formula:

Energy consumption (kWh) * emission factor (gCO_2/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 1,710 tnCO_2. (1,916)

The location-based emission value is calculated by multiplying the energy consumption with the average emission factor of Finnish energy production 158 g CO_2/kWh. In 2018, the emission factor was 164 g CO_2/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 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. In addition to this, supervisor and sales training is provided, along with arranging a variety of events related to business development. A Management Index survey is conducted annually to measure the development of management with regard to a number 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.

Work satisfaction has remained good for the entire five-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:

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

The change in the key figures from the reference year is primarily due to the expansion of the Group's business operations and the new business operations, which were included in the reference period figures for about 6 months from the time of acquisition. The number of training days is also high for the companies (Oscar Software and Carrot) acquired in the previous financial year. The number of work accidents increased due to a higher number of employees working in construction.

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 2019.

In its Code of Conduct, Panostaja prohibits all activities that may violate human rights. At the end of the financial period, 92% of the Group's entire staff (80% 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.

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Key Figures

KEY FIGURES OF PANOSTAJA-GROUP

		2019	2018	2017
Net sales, MEUR		190.2	185.2	150.7
EBIT, MEUR		3.6	4.1	2.9
% of net sales		1.9	2.2	1.9
Profit for the financial period, MEUR		2.5	27.1	6.9
Return on equity (ROE), %		3.1	36.5	10.1
Return on investment (ROI), %		3.8	18.4	4.9
Equity ratio, %		41.3	40.4	28.8
Gearing, %	1)	67.5	69.0	137.5
Current ratio		1.0	1.2	1.2
Gross capital expenditure, MEUR		7.9	23.5	39.0
% of net sales		4.2	12.7	25.9
Avg. no. of Group employees		1,969	1,927	1,622
Earnings per share (EPS), EUR, undiluted	*	0.03	0.46	0.04
Earnings per share (EPS), EUR, diluted	*	0.03	0.46	0.04
Equity per share, EUR		0.96	1.02	0.59
Dividend per share, EUR	2)	0.05	0.05	0.04
Dividend per share, EUR		0.03		
Dividend/Earnings % undiluted		159.2	10.8	114.3
Dividend/Earnings % diluted		159.2	10.8	114.3
Extra dividend/Earnings % diluted		95.5		
Extra dividend/Earnings % diluted		95.5		
Effective dividend income %		6.4	5.0	4.4
Average number of outstanding shares in the financial period (1,000)		148,450	148,450	52,082
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)		148,450	148,450	52,082
Closing rate for the financial period, EUR		0.78	1.0	0.91
Lowest share price, EUR		0.77	0.88	0.82
Highest share price, EUR		1.16	1.21	0.98
Average share price in the financial period, EUR		0.86	1.03	0.88
Market value of stock, MEUR		40.8	52.1	47.5
Shares exchanged, 1,000		9,499	9,375	7,864
Shares exchanged, %		18.1	18.0	15.1

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

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 2017 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) %	=	Profit/loss after financial items + financial costs + profit/loss on discontinued operations x 100 / Balance sheet total - non-interest bearing liabilities (average in the financial period)
Return on equity (ROE) %	=	Profit for the financial period x 100 / Equity (average in the financial period)
Equity ratio, %	=	Equity x 100 / Balance sheet total - advances received
Interest-bearing net liabilities	=	Interest-bearing liabilities - interest-bearing receivables - financial assets
Gearing, %	=	Interest-bearing net liabilities / Equity
Equity per share	=	Equity attributable to parent company shareholders / Adjusted number of shares on the balance sheet date
Earnings per share (EPS)	=	Result for the financial period attributable to parent company shareholders / Adjusted number of shares on average during the financial period
Current Ratio	=	Current assets / Current liabilities
Dividend per share	=	Dividend distributed in the financial period / Adjusted number of shares on the balance sheet date
Dividend / Earnings %	=	Dividend / share x 100 / Earnings per share (EPS)
Effective dividend income, %	=	Dividend per share / Share price on the balance sheet date

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

MEUR	October 31, 2019	October 31, 2018
Liabilities total	113.8	124.5
Non-interest-bearing liabilities	38.6	42.0
Interest-bearing liabilities	**75.2**	**82.5**
Trade and other receivables	29.8	34.8
Non-interest-bearing receivables	24.7	29.7
Interest-bearing receivables	**5.1**	**5.1**
Interest-bearing liabilities	75.2	82.5
Interest-bearing receivables	5.1	5.1
Cash and cash equivalents	16.4	19.3
Interest-bearing net liabilities	**53.7**	**58.1**

Financial Statements

For the financial period November 1, 2018 – October 31, 2019

CONSOLIDATED INCOME STATEMENT, IFRS

(EUR 1,000)	Note	November 1, 2018– October 31, 2019	November 1, 2017– October 31, 2018
Net sales		**190,231**	**185,227**
Other operating income	9	2,490	2,836
Materials and services		56,825	62,438
Staff expenses	11	90,983	78,614
Depreciations, amortizations and impairment	12	11,495	12,582
Other operating expenses	13	29,815	30,333
EBIT		**3,602**	**4,096**
Financial income	14	397	272
Financial expenses	15	-2,478	-3,212
Share of associated company profits	10	150	350
Profit before taxes		**1,671**	**1,507**
Income taxes		-1,283	-1,848
Profit/loss from continuing operations		**387**	**-342**
Profit/loss from sold and discontinued operations	7	2,146	27,457
Profit/loss for the financial period		**2,533**	**27,116**
Attributable to			
Shareholders of the parent company		1,640	24,069
Minority shareholders		893	3,046
Earnings per share calculated from the profit belonging to the shareholders of the parent company:			
Earnings per share from continuing operations, EUR	17		
Undiluted		-0.010	-0.065
Diluted		-0.010	-0.065
Earnings per share from discontinued operations, EUR	17		
Undiluted		0.041	0.527
Diluted		0.041	0.525
Earnings per share on continuing and discontinued EUR operations	17		
Undiluted		0.031	0.462
Diluted		0.031	0.460
Extensive consolidated income statement			
Result for the period		2,533	27,116
Items of the extensive income statement			
Translation differences		-132	-190
Extensive income for the period		**2,401**	**26,926**
Attributable to			
Shareholders of the parent company		1,508	23,879
Minority shareholders		893	3,046

The notes constitute an integral part of the financial statements

CONSOLIDATED BALANCE SHEET, IFRS

(EUR 1,000)	Note	October 31, 2019	October 31, 2018
ASSETS			
Non-current assets			
Goodwill	18	93,685	94,838
Other intangible assets	18	14,525	16,569
Property, plant and equipment	19	14,359	17,525
Interests in associated companies	20	3,342	1,140
Other non-current assets	21	8,057	8,525
Deferred tax assets	23	6,007	6,453
Non-current assets total		**139,975**	**145,049**
Current assets			
Stocks	24	7,158	9,474
Trade and other receivables	25	29,714	34,235
Tax assets based on taxable income for the period	25	130	547
Cash and cash equivalents	26	16,381	19,348
Current assets total		**53,383**	**63,605**
Assets in total		**193,360**	**208,656**
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	13,550	13,393
Translation difference		-353	-292
Retained earnings		26,928	29,500
Total		**50,340**	**52,816**
Minority shareholders' interest		**29,211**	**31,342**
Equity total		**79,552**	**84,158**
Non-current liabilities			
Deferred tax liabilities	23	6,204	5,655
Financial liabilities	28	54,361	63,831
Non-current liabilities total		**60,565**	**69,487**
Current liabilities			
Current financial liabilities	28	20,839	18,790
Tax liabilities based on taxable income for the period		123	3,331
Trade payables and other liabilities	29	32,279	32,890
Provisions	30	0	0
Current liabilities total		**53,243**	**55,011**
Liabilities total		**113,809**	**124,498**
Equity and liabilities in total		**193,360**	**208,656**

The notes constitute an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT, IFRS

(EUR 1,000)	Notes	2019	2018
Business operations			
Profit/loss for the financial period before the minority share		2,533	27,116
Adjustments:			
Depreciations		11,495	12,650
Financial income and costs		2,082	2,957
Share of associated company profits		-150	-350
Taxes		1,283	2,086
Sales profits and losses from property, plant and equipment		-1,876	-718
Other earnings and expenses with no payment attached		-3,158	-27,606
Operating cash flow before change in working capital		**12,209**	**16,135**
Change in working capital			
Change in non-interest-bearing receivables		3,620	1,866
Change in non-interest-bearing liabilities		743	-6,877
Change in stocks		166	261
Change in working capital		**4,529**	**-4,750**
Operating cash flow before financial items and taxes		**16,738**	**11,384**
Financial items and taxes:			
Interest paid		-2,972	-2,882
Interest received		244	207
Taxes paid		-3,168	-495
Financial items and taxes		**-5,896**	**-3,170**
Operating net cash flow		**10,842**	**8,214**
Investments			
Investments in intangible and tangible assets		-5,129	-6,473
Sales of intangible and tangible assets		206	2,897
Acquisition of subsidiaries with time-of-acquisition liquid assets deducted		-1,283	-17,001
Sale of subsidiaries with time-of-sale liquid assets deducted		4,106	39,397
Acquisition and divestment of associated companies		701	0
Financial assets acquired and sold entered at fair value through profit and loss		0	0
Capital gains from sales of other shares		5	70
Loans receivable and repayments granted		1,076	-3,080
Investment net cash flow		**-319**	**15,808**
Finance			
Share issue		400	3,186
Hybrid loan			
Loans drawn		2,725	10,492
Loans repaid		-11,464	-34,023
Disposal of own shares		184	69
Dividends paid		-5,334	-3,854
Finance net cash flow		**-13,489**	**-24,130**
Change in liquid assets		-2,966	-108
Liquid assets at the beginning of the period		19,348	19,466
Effect of exchange rates		-1	-10
Liquid assets at the end of the period		**16,381**	**19,348**

The notes constitute an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to parent company shareholders								
(EUR 1,000)	Note	Share capital	Share premium account	Invested unrestricted equity fund	Other funds	Translation differences	Retained earnings	Total	Minority share-holders' interest	Equity total
Equity as of November 1, 2017		**5,569**	**4,646**	**13,325**	**0**	**-157**	**7,545**	**30,929**	**33,522**	**64,451**
Extensive income										
Profit/loss for the financial period							24,069	24,069	3,046	27,116
Translation differences						-135	-55	-190		-190
Extensive income for the financial period total		**0**	**0**	**0**	**0**	**-135**	**24,014**	**23,879**	**3,046**	**26,926**
Transactions with shareholders										
Dividend distribution	27						-2,084	-2,084	-1,785	-3,869
Repayment of capital	27									
Share issue										
Interest on equity convertible loan										
Acquisition of the company's own shares										
Disposal of own shares	27, 35			68				68		68
Options as shares and payments								0		0
Stock options issued										
Other changes							356	356		356
Reward scheme	35						11	11		11
Transactions with shareholders, total		**0**	**0**	**65**			**-1,717**	**-1,649**	**-1,785**	**-3,434**
Disbursement of equity convertible loan										
Changes to subsidiary holdings										
Share of minority shareholders result-ed from the acquisition of subsidiaries									3,179	3,179
Sales of shares in subsidiaries without change in controlling interest										
Changes in shares of subsidiaries owned resulting in loss of controlling interest									-5,829	-5,829
Acquisitions of minority share-holdings	8						-341	-341	-792	-1,133
Equity as of October 31, 2018		**5,569**	**4,646**	**13,393**	**0**	**-292**	**29,501**	**52,818**	**31,341**	**84,159**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Note	Share capital	Share premium account	Invested unrestricted equity fund	Other funds	Translation differences	Retained earnings	Total	Minority share-holders' interest	Equity total
		Equity attributable to parent company shareholders								
Equity as of October 31, 2018		**5,569**	**4,646**	**13,393**	**0**	**-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**	**0**	**-292**	**29,361**	**52,677**	**31,341**	**84,014**
Extensive income										
Profit/loss for the financial period							1,640	1,640	893	2,533
Other extensive income items (adjust-ed with tax effect)								0		0
Cash flow hedging										
Held-for-sale investments										
Net investment hedging								0		0
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
Share issue								0		0
Interest on equity convertible loan								0		0
Acquisition of the company's own shares								0		0
Disposal of own shares	27, 35			157				157		157
Options as shares and payments								0		0
Stock options issued								0		0
Other changes										
Reward scheme	35						-9	-9		-9
Transactions with shareholders, total		**0**	**0**	**157**	**0**	**0**	**-4,194**	**-4,037**	**-1,439**	**-5,476**
Disbursement of equity conver-tible loan								0		0
Changes to subsidiary holdings										
Share of minority shareholders creat-ed from subsidiary acquisition	8									
Sales of shares in subsidiaries without change in controlling interest							380	380	1,210	1,590
Changes in 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
Equity as of October 31, 2019		**5,569**	**4,646**	**13,550**	**0**	**-353**	**26,928**	**50,340**	**29,211**	**79,552**

DIVIDENDS PAID TO MINORITY SHAREHOLDERS

		2019	2018
KL-Varaosat	KL Parts Oy	100	50
Grano	Grano Group Oy	972	997
	Grano Diesel Oy	367	497
Selog	Selog Group Oy	0	240
		1,439	**1,785**

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 12, 2019, Panostaja Oyj's Board of Directors approved these consolidated financial statements for publishing. Under the Finnish Companies Act, the shareholders may approve or reject the financial statements at the Annual General Meeting held after its publication on February 6, 2020. 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, 2019, 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 Group has shouldered a significant share of the risks and rewards integral to ownership are classified as finance leases. A finance lease is recorded in the balance sheet at the fair value of the leased item on the lease's commencement, or a lower present value of the minimum lease payments. Item acquired under finance leases are depreciated over the financial useful life of the asset or over a shorter lease term. The leasing rates payable are divided into the financing cost and the decrease in liabilities. Equivalent leasing rental responsibilities, less costs of funding, are included in non-current and current interest-bearing liabilities according to their expiration. The share of interest of financial expenses is recorded in the income statement during the rental agreement so that the remaining liability has an identical interest rate during each financial period. The Group will apply the rental agreement processing specified in IFRS 16 as of November 1, 2019.

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.

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, 2018, the Group has applied the following new and amended standards and interpretations which have not been significant in terms of the consolidated financial statements:

IFRS 9 FINANCIAL INSTRUMENTS

The Group has been applying the IFRS 9 Financial Instruments standard as of November 1, 2019. The information for the reference period has been prepared in accordance with the IAS 39 Financial Instruments standard. Within the Group, the most significant effects of the implementation of IFRS 9 are related to the impairment of sales receivables and the classification of financial assets and liabilities.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has been applying the IFRS 15 Revenue from Contracts with Customers standard since November 1, 2018. The implementation of the standard has not had a significant impact on the Group's financial statement.

CHANGES TO IFRS 2 – CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTION

Panostaja has applied the standard as of November 1, 2018. The implementation of the standard has not affected the Group's financial statement.

The following standards and interpretations will be applied for the first time for financial periods beginning on or after January 1, 2019:

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.

Over the course of the financial period, the Group conducted an analysis of the standard's impact on reported figures. The new standard will have a significant impact on the consolidated income statement, balance sheet and key figures. Off-balance sheet rental liabilities as of October 31, 2019 stand at approx. MEUR 30 (Appendix 34), the majority of which, according to the Group's current assessment, will be recorded in the balance after the implementation of the standard.

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 May 31, 2019, but they were not effective in binding form during the financial period that ended on October 31, 2019.

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 61.840 (MEUR 67.338). MEUR

56.487 of the liabilities are variable-interest loans. MEUR 5.354 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			
2019	**-452**	**-904**	**452**
2018	-516	-1,031	516

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 statements.

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 violated in five subgroups and the Group's parent company. However, in regard to the loans of five subgroups, totaling MEUR 14.1, 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 had MEUR 9.1 in unused credit limits.

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 41.3% (40.4%) and its gearing ratio 67.5% (69.0%).

(EUR 1,000)	2019	2018
Interest-bearing financial liabilities	75,171	82,512
Interest-bearing receivables	5,130	5,111
Cash and cash equivalents	16,381	19,348
Interest-bearing net liabilities	53,660	58,053
Equity total	79,552	84,158
Gearing ratio	**67,5 %**	**69,0 %**

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 6.0 worth of deferred tax assets on the balance sheet of Panostaja Group.

5. SEGMENT INFORMATION

The eight 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, Selog, 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. The IFRS 15 standard introduced during the financial period will not cause changes in the reported figures, as the main net sales types are not significantly impacted by the changes.
- The Selog segment's revenue comes from wholesale trade in ceiling materials, suspended ceiling products and their support systems. 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. The IFRS 15 impact analysis conducted during the financial period indicated that the standard will not cause changes in the reported figures as the main net sales types are not significantly impacted by the changes.
- 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. The IFRS 15 standard introduced during the financial period will not cause changes in the reported figures, as the main net sales types are not significantly impacted by the changes.
- 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. The IFRS 15 standard will not cause changes in the reported figures, as the current main net sales types are not significantly impacted by the changes. In the coming financial periods, the 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. The IFRS 15 standard introduced during the financial period will not cause changes in the reported figures, as the main net sales types are not significantly impacted by the changes.
- 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. The IFRS 15 standard introduced during the financial period will not cause changes in the reported figures, as the main net sales types are not significantly impacted by the changes.
- 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. The IFRS 15 standard introduced during the financial period will not cause changes in the reported figures, as the main net sales types are not significantly impacted by the changes.
- 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 -89,000.
- 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 2019

2019	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	129,689	78	129,611	-9,697	4,086					118,813	82,215	1,089
Selog	7,281	0	7,281	-35	-170					5,029	2,896	18
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
Others	0	0	0	-67	-1,074		150			35,280	508	10
Eliminations		-258	0	0	0					-8,807	-8,807	
Group in total	**190,488**	**0**	**190,231**	**-11,495**	**3,602**	**-2,082**	**150**	**-1,283**	**387**	**193,360**	**113,808**	**1,895**

BUSINESS SEGMENTS 2018

2019	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	136,582	85	136,497	-8,156	8,412					125,351	87,998	1,128
Selog	9,435	0	9,435	-41	811					4,038	2,261	13
Helakeskus	8,153	0	8,153	-3,018	-2,742					5,365	5,965	20
Hygga	5,395	0	5,395	-421	-177					4,327	7,434	77
Heatmasters	4,832	0	4,832	-172	232					2,411	1,389	39
CoreHW	3,653	0	3,653	-269	-640					6,291	4,782	48
Carrot	12,956	76	12,881	-197	-115					12,392	8,779	539
Oscar Software	4,423	34	4,389	-239	69					11,845	7,975	118
Others	0	0	0	-69	-1,753		350			43,647	4,926	61
Eliminations		-195	-7	0	0					-7,012	-7,012	
Group in total	**185,429**	**0**	**185,227**	**-12,582**	**4,096**	**-2,940**	**350**	**-1,848**	**-342**	**208,656**	**124,497**	**2,043**

6. ACQUIRED BUSINESSES

SUBSIDIARY ACQUISITIONS

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**

ACQUISITIONS IN THE 2018 FINANCIAL YEAR

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

The value of the company's entire share capital (100%) is approx. MEUR 6.6. At the time of the closing of the books, the overall purchase price was estimated to be MEUR 6.6. Based on an acquisition cost calculation, the fair value of the net assets acquired is MEUR -1.3, resulting in a goodwill of MEUR 7.9. The fair values of MEUR 1.3 recorded for the consolidation are related to customer relationships. The remaining goodwill is formed by good profitability and prospects as well as skilled personnel. Carrot's balance sheet has been consolidated into Panostaja Group as of April 30, 2018 and the profit/loss as of May 1, 2018. The expenses connected to the acquisition, totaling MEUR 0.2, are included under other operating expenses in the consolidated income statement for the 2018 financial period.

Acquisition cost calculation

	Note	MEUR
Consideration paid		**6.6**
Conditional consideration		0.0
Consideration in total		**6.6**
Acquired assets and liabilities		
Permanent assets	19	0.0
Customer relationships		1.3
Machinery and equipment		0.1
Stocks	24	0.0
Current receivables	25	3.4
Cash and cash at bank	26	0.6
Total assets		**5.4**
Non-current liabilities	23	0.9
Current liabilities	29	5.5
Deferred tax liabilities		0.3
Total liabilities		**6.7**
Net assets		-1.3
Goodwill		7.9
Goodwill		**7,9**

Cash flow statement

	MEUR
Purchase price paid as cash	-6.6
Liquid assets acquired	0.6
Direct costs of acquisition	-0.2
Cash flow effect	**-6.2**

On May 8, 2018, Panostaja Oyj signed an agreement for the purchase of Oscar Software Group Oy, a company providing ERP systems and financial management services to SMEs. The purchase price was MEUR 9.1. After the trade, Panostaja owns 55% of the entity formed through the restructuring.

The value of the company's entire share capital (100%) is approx. MEUR 9.1. At the time of the closing of the books, the overall purchase price was estimated to be MEUR 9.1. Based on the acquisition cost calculation, the fair value of the net assets acquired is MEUR 2.0, resulting in a goodwill of MEUR 7.1. The fair values of MEUR 2.1 recorded for the consolidation are related to technology and customer relationships. The remaining goodwill is formed by the extensive utilization of the service concept, growth prospects and skilled personnel. Oscar Software's figures have been consolidated into the Panostaja Group as of May 1, 2018. The expenses connected to the acquisition, totaling MEUR 0.3, are included under other operating expenses in the consolidated income statement for the 2018 financial period.

Acquisition cost calculation

	Note	MEUR
Consideration paid		**9.1**
Conditional consideration		0.0
Consideration in total		**9.1**
Acquired assets and liabilities		
Permanent assets	19	0.6
Technology and customer relationships		2.1
Machinery and equipment		0.1
Stocks	24	0.0
Current receivables	25	1.5
Cash and cash at bank	26	0.9
Total assets		**5.2**
Non-current liabilities	23	0.3
Current liabilities	29	2.5
Deferred tax liabilities		0.4
Total liabilities		**3.2**
Net assets		2.0
Goodwill		7.1
Goodwill		**7.1**

Cash flow statement

	MEUR
Purchase price paid as cash	-9.1
Liquid assets acquired	0.9
Direct costs of acquisition	-0.3
Cash flow effect	**-8.5**

7. DISPOSAL OF SUBSIDIARIES AND BUSINESS OPERATIONS

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

Profit/loss of the KL-Varaosat segment	November 1, 2018–May 29, 2019	November 1, 2017-October 31, 2018
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**

DIVESTMENTS OF BUSINESS OPERATIONS IN THE 2018 FINANCIAL PERIOD

On December 19, 2017, Panostaja, together with the other owners of KotiSun Group Oy, signed an agreement to sell the company's share capital to the Buyout X fund managed by CapMan. The deal made Capman a majority shareholder in KotiSun Group, alongside Suomen Teollisuussijoitus Oy and Varma Mutual Pension Insurance Company. Panostaja Oyj owned 56.6% of the subsidiary. Once the competition authorities had given their approval, the trade was carried out on January 9, 2018. Panos-taja Group's recorded sales profit for the trade was MEUR 33.0 before taxes.

In the consolidated financial statements, the result of the KotiSun segment is presented in the section 'Result from Discontinued Operations' in the financial periods that ended on October 31, 2018 and October 31, 2017.

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

:

MEUR

Profit/loss of the KotiSun segment	October 31, 2017–January 31, 2018	November 1, 2016–October 31, 2017
Earnings	7.8	42.4
Costs	-6.5	-36.1
Profit before taxes	1.3	6.3
Taxes	-0.3	-1.3
Profit after taxes	**1.0**	**5.0**
Gain on disposal	25.5	
Profit/loss from discontinued operations	**26.5**	**5.0**

KotiSun segment's cash flows until the moment of sale		
Operating cash flow	-0.4	7.1
Investment cash flow	-0.4	-5.7
Funding cash flow	0.1	1.0
Total cash flows	**-0.7**	**2.4**

The effect of the sale of the KotiSun segment on the financial position of the Group:	January 31, 2018
Property, plant and equipment	8.5
Intangible assets	12.9
Stocks	3.0
Deferred tax assets	0.0
Other assets	6.8
Cash and cash equivalents	3.6
Sold liabilities	-21.2
Net assets	**13.6**
Consideration received as cash	40.9
Cash and cash equivalents from divested unit	-3.7
Net cash flow from corporate divestments	**37.2**

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

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**

FINANCIAL PERIOD 2018

Panostaja Oyj redeemed the shares of minority shareholders, increasing Panostaja's shareholding in Flexim Group Oy to 100%.

Selog Group Oy redeemed the entire minority share and recorded them as its own shares. After the arrangement, Panostaja owns 100% of the Selog Group.

Before the sale of the companies, KotiSun Group redeemed the minority shares of its subsidiary Kotivo Oy.

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

	2018
Divested or acquired minority shareholders' interest	782
Consideration received or paid	-1,123
Effect of the change in ownership on retained earnings	**-341**

9. OTHER OPERATING INCOME

(EUR 1,000)	2019	2018 Adjusted *)
Associated company sales profits	1,815	0
Sales profits on tangible assets	67	945
Received allowances	104	40
Other income	504	1,851
Total	**2,490**	**2,836**

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2018 has been adjusted due to the KL-Varaosat 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 1,969 (1,927) people. At the end of the financial period, it employed 1,895 (2,043) persons. The figures for the reference year include the personnel employed by the KL-Varaosat group (52).

(EUR 1,000)	2019	2018 Adjusted *)
Salaries and fees	75,570	64,278
Pension costs - payment-based arrangements	12,872	11,869
Other social security expenses	2,541	2,467
Total	**90,983**	**78,614**

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2018 has been adjusted due to the KL-Varaosat subgroup being presented as a sold operation.

12. DEPRECIATIONS, AMORTIZATIONS AND IMPAIRMENT

(EUR 1,000)	2019	2018 Adjusted *)
Depreciation by asset group:		
Property, plant and equipment		
Buildings and structures	0	0
Machinery and equipment	4,818	4,615
Other tangible assets	0	0
Intangible assets		
Goodwill	0	0
Development expenses	821	270
Intangible rights	3,048	2,821
Other capitalized long-term expenditure	1,930	1,747
Total	**10,617**	**9,453**

(EUR 1,000)	2019	2018 Adjusted *)
Impairments by asset group:		
Property, plant and equipment		
Buildings and structures		
Machinery and equipment	0	129
Other tangible assets		
Intangible assets		
Goodwill	0	3,000
Development expenses	0	0
Intangible rights	878	
Other capitalized long-term expenditure		
Total	**878**	**3,129**

(EUR 1,000)	2019	2018 Adjusted *)
Total depreciations, amortizations and impairment by asset group:		
Property, plant and equipment		
Machinery and equipment	4,818	4,744
Other tangible assets	0	0
Intangible assets		
Goodwill	0	3,000
Development expenses	821	270
Intangible rights	3,926	2,821
Other capitalized long-term expenditure	1,930	1,747
Total	**11,495**	**12,582**

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2018 has been adjusted due to the KL-Varaosat subgroup being presented as a sold operation.

13. OTHER OPERATING EXPENSES

(EUR 1,000)	2019	2018 Adjusted *)
Sales losses and scrappings connected with tangible assets	6	236
Rental costs	8,794	8,320
External services	9,680	11,332
Other expense items	11,335	10,445
Total	**29,815**	**30,333**
Auditing fees	290	205
Other fees	57	358
Fees paid to auditors total, continuing operations	347	563

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2018 has been adjusted due to the KL-Varaosat subgroup being presented as a sold operation.

14. FINANCIAL INCOME

1000 euroa	2019	2018 Adjusted *)
Dividend income from held-for-sale investments	0	8
Foreign exchange gains	2	3
Financial income from associated companies	0	38
Interest earned	395	223
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	**397**	**272**

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2018 has been adjusted due to the KL-Varaosat subgroup being presented as a sold operation.

15. FINANCIAL EXPENSES

(EUR 1,000)	2019	2018 Adjusted *)
Foreign exchange losses	24	5
Impairment losses from loan receivables	0	285
Interest expenses for finance lease liabilities	390	543
Interest expenses for other financial liabilities	1,857	2,064
Total	**2,478**	**3,211**

*) The comparative data presented in the financial statements regarding the income statement and cash flow for 2018 has been adjusted due to the KL-Varaosat subgroup being presented as a sold operation.

16. INCOME TAXES

(EUR 1,000)	2019	2018
Direct tax	-328	-1,764
Taxes in previous periods	-9	106
Deferred taxes	-946	-428
Income taxes total	**-1,283**	**-2,086**

Balancing statement between the tax expense in the income statement and the taxes calculated using the Finnish tax rate of 20.0% (20% in 2018):

Profit before taxes	1,671	2,691
Income tax on Group income at the tax rate in Finland before taxes	-334	-538
Non-taxable income	520	754
Non-deductible expenses	-1,488	-1,332
Goodwill impairments	0	-600
Unrecognized deferred tax assets from tax losses	-180	-219
Tax impact of previously non-deductible expenses		
Use of tax losses not recorded previously	97	-51
Change in deferred taxes Change in the Finnish tax rate	0	0
Share of associated company profits	30	70
Temporary differences during the period	-53	-170
Taxes for previous periods	125	
Taxes in the income statement	**-1,283**	**-2,086**

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.

	2019	2018
Continuing operations	-506	-3,388
Discontinued operations	2,146	27,457
Profit for the financial period attributable to parent company shareholders (EUR 1,000),	1,640	24,069
Interest on equity convertible loan (taking into account the impact of tax)	0	0
Profit used when calculating profit per share	**1,640**	**24,069**
Profit used when calculating profit per share adjusted with the diluting effect	1,640	24,069
Number of shares at the end of the financial period	52,533	52,533
of which held by company	194	391
Weighted average number of shares outstanding, 1,000	148,450	148,450
Share-based payments, 1,000	28	168
Diluted weighted average number of shares outstanding, 1,000 pcs	52,326	52,293
Earnings per share calculated from the profit belonging to the shareholders of the parent company:		
Earnings per share from continuing operations €		
Undiluted	-0.010	-0.065
Diluted	-0.010	-0.065
Earnings per share from sold and discontinued operations, EUR		
Undiluted	0.041	0.527
Diluted	0.041	0.525
Earnings per share on continuing and discontinued EUR		
operations		
Undiluted	0.031	0.462
Diluted	0.031	0.460

18. INTANGIBLE ASSETS

(EUR 1,000)	Goodwill	Intangible rights	Develop-ment expenses	Other intangible assets	Total
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
Depreciation 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**
Acquisition cost as of November 1, 2017	**100,881**	**21,854**	**1,705**	**8,577**	**133,016**
Additions	34	157	777	968	1,936
Deduction	-10			-118	-128
Effect of company acquisition	15,077	3,492	353	133	19,055
Effect of the company sale or discontinuation	-11,977	-1,133		-45	-13,155
Asset deal					0
Transfer merger		-127		-2	-129
Transfer between balance sheet groups		-2	2,050	1,045	3,093
Exchange rate differences					0
Acquisition cost as of October 31, 2018	**104,005**	**24,241**	**4,885**	**10,558**	**143,688**
Accumulated depreciations, amortizations and impairment as of November 1, 2017	**-6,167**	**-13,570**	**-1,417**	**-3,663**	**-24,817**
Depreciation in the financial period	-3,000				-3,000
Deductions		-2,823	-270	-1,768	-4,861
Effect of company acquisition					0
Effect of the company sale or discontinuation					0
Asset deal		376		25	401
Transfer merger					0
Transfers between balance sheet groups				-5	-5
Impairment				1	1
Accumulated depreciations, amortizations and impairment as of October 31, 2018	**-9,167**	**-16,017**	**-1,687**	**-5,410**	**-32,281**
Book value as of October 31, 2018	**94,838**	**8,223**	**3,198**	**5,148**	**111,407**

GOODWILL IMPAIRMENT TEST

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

(EUR 1,000)	10/2019	10/2018
Grano	67.0	67.0
Carrot	7.9	7.9
Oscar Software	7.1	7.1
CoreHW	3.4	3.4
Helakeskus	3.0	3.0
Hygga	2.6	2.6
Selog	2.4	1.6
Heatmasters	0.3	0.3
KL-Varaosat	-	1.9
Total	**93.7**	**94.8**

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 Selog and Helakeskus are expected to grow moderately during the forecast period. Hygga's net sales and EBIT are expected to increase primarily due to the continued growth of the licensing business. The net sales and EBIT of Heatmasters are expected to improve thanks to the increase in domestic activities and international projects. CoreHW's net sales are expected to continue its significant growth and the company's profitability is expected to improve. Carrot's net sales are expected to grow fairly substantially, and relative profitability is expected to improve significantly compared to 2019. 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% (7.6%), Carrot 8.9% (9.7%), Oscar Software 10.1% (11.0%), Hygga 9.4% (10.3%), Helakeskus 7.0% (7.8%), Selog 8.2% (9.1%), Heatmasters 9.5% (10.4%) and CoreHW 7.5% (8.3%).

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.

Moderate changes to the key parameters used in the test calculations 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, 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**
Depreciation in the financial period		0	-4,818			-4,818
Effect of company acquisition			0			0
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**
Acquisition cost as of November 1, 2017	**1,170**	**147**	**46,534**	**280**	**2,182**	**50,313**
Additions			9,034		3,027	12,061
Effect of company acquisition			259			259
Effect of the company sale or discontinuation			-12,584			-12,584
Deductions	-976	-147	-440	-1	-33	-1,597
Transfer merger			-192		2	-190
Transfers between balance sheet groups			349	3	-3,419	-3,067
Exchange rate differences			-48			-48
Other changes			103			103
Acquisition cost as of October 31, 2018	**194**	**0**	**43,015**	**282**	**1,759**	**45,250**
Accumulated depreciations, amortizations and impairment as of November 1, 2017	**-179**	**0**	**-25,743**	**-209**	**-947**	**-27,078**
Depreciation in the financial period		0	-4,660			-4,660
Effect of the company sale or discontinuation			4,350			4,350
Deductions		0	-531	1		-530
Transfer merger			186			186
Transfers between balance sheet groups						0
Exchange rate differences			12			12
Other changes						0
Accumulated depreciations, amortizations and impairment as of October 31, 2018	**-179**	**0**	**-26,391**	**-208**	**-947**	**-27,725**
Book value as of October 31, 2018	**15**	**0**	**16,624**	**74**	**812**	**17,525**

20. INVESTMENTS IN ASSOCIATED COMPANIES

(EUR 1,000)	2019	2018
Book value as of November 1	1,140	4,037
Share of the profit of the financial period	150	350
Additions	2,314	1
Deductions	-262	-3,248
Book value as of October 31	**3,342**	**1,140**

Associated Company

October 31, 2019	Registered office	Shareholding	Assets	Equity	Liabilities	Net sales	Profit/loss
Gugguu Oy	Oulu	43.0%	7,128	3,588	3,540	4,045	94
Spectra Oy	Lohja	39.0%	1,851	573	1,278	6,868	282
Maker3D	Helsinki	32.6%	-	-	-	-	-

Panostaja relinquished its ownership in Ecosir Group Oy during the 2019 financial period. Panostaja's shareholding in Ecosir Group Oy was 38.6%. The sale of the company may involve a possible additional purchase price based on the actual operating margin for 2019 and 2020.

The co-owners of PE Kiinteistörahasto I Ky decided in the financial period 2012 to dissolve the fund. The dismantling process ended during the 2019 financial period.

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. No financial information on the new business entity is available at this time.

21. OTHER NON-CURRENT ASSETS

(EUR 1,000)	2019	2018
Loan receivable	4,971	4,644
Held-for-sale investments	224	226
Other receivables	2,862	3,655
Total	**8,057**	**8,525**

Under other receivables, Panostaja Oyj has a receivable of MEUR 1.1 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 financial assets	2019	2018
Investments in unquoted shares:		
At the start of the financial period, November 1	226	534
Additions caused by the merging of businesses	0	0
Additions	0	0
Deductions	-2	-308
At the end of the financial period, October 31	**224**	**226**

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

Financial assets recorded at fair value through profit and loss	2019	2018
At the start of the financial period, November 1	11,000	0
Changes in fair value		
- realized	-106	
- unrealized		
Additions	4,500	11,000
Deductions	-7,000	0
At the end of the financial period, October 31	**8,394**	**11,000**

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 8.4 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, 2017	**5,416**	**0**	**5,912**	**11,328**
Recorded in the income statement	219		-128	90
Items of the extensive income statement				
Acquired business operations				
Discontinued operations	-4,965			-4,965
Adjustment from changes in the tax rate				
Losses confirmed or to be confirmed in taxation				
Exchange rate differences				
Recognized directly in equity				
October 31, 2018	**670**	**0**	**5,784**	**6,454**
Recorded in the income statement	-98		-349	-447
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, 2019	**572**	**0**	**5,435**	**6,007**

Deferred tax liabilities:

	Fair value allocations	Varying tax depreciations	Discontinued business operations	Acquired business operations	Other items	Total
November 1, 2017	**3,364**	**1,236**	**21**	**0**	**0**	**4,621**
Recorded in the income statement	-489	1,052	-21			542
Items of the extensive income statement						
Acquired business operations	635					635
Discontinued operations		-143				-143
Adjustment from changes in the tax rate						
Losses confirmed or to be confirmed in taxation						
Transfer between items	-1,176	1,176				0
Exchange rate differences						
Recognized directly in equity						
October 31, 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						
Discontinued operations						
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, 2019	**1,789**	**4,415**	**0**	**0**	**0**	**6,204**

A tax receivable in the amount of MEUR 0.6 has been recognized for the confirmed losses of the subsidiaries. Deferred tax receivables have not been recognized for the MEUR 4.1 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 2020 and 2028.

24. STOCKS

(EUR 1,000)	2019	2018
Materials and supplies	3,080	3,339
Unfinished products	963	937
Finished products and goods	3,104	5,164
Other stocks	11	34
Total	**7,158**	**9,474**

The Group did not record costs from the impairment of stocks in the 2019 financial period. In the reference period, a total cost of EUR 89,000 was recorded, which was used to reduce the book value of the stocks to meet the net realization value.

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)	2019	2018
Trade receivables	25,700	29,667
Loans receivable	46	422
Accrued income	3,538	3,824
Receivables from associated companies	0	0
Tax assets based on taxable income for the period	130	547
Other receivables	430	322
Total	**29,844**	**34,783**

Aging of trade receivables

(EUR 1,000)	2019	2018
Not past due	21,614	26,308
Past due 1–30 days	2,936	2,137
Past due 31–180 days	978	899
Past due 181–360 days	142	242
Past due over a year	30	81
Balance sheet value of trade receivables	**25,700**	**29,667**

The companies have recorded impairment losses of EUR 163,000 from trade receivables in the financial period (EUR 139,000 in 2018). 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 85,000 in accordance with IFRS 9.

(EUR 1,000)	Gross book value	Deductible item regarding the loss
Not matured	21,699	16
1-30 days matured	2,936	5
31-90 days matured	617	1
91–180 days matured	361	19
181–360 days matured	142	14
Over 360 days matured	30	30
Total	**25,785**	**85**

Material items contained in accrued income

(EUR 1,000)	2019	2018
Salaries and social charges	15	143
Annual rebates	366	600
Advances	1,099	877
Others	2,058	2,203
Total	**3,538**	**3,824**

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

26. CASH AND CASH EQUIVALENTS

(EUR 1,000)	2019	2018
Financial assets Fennia	8,394	11,000
Cash in hand and bank accounts	7,988	8,348
Total	**16,381**	**19,348**

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 2019 financial period nor in the 2018 reference period.

SHARE SUBSCRIPTION

Share subscriptions were not carried out in the 2019 financial period or the 2018 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 2019 financial period, there were 193,594 of the company's own shares (390,756).

In accordance with the decisions by the General Meeting and the Board on February 1, 2018, Panostaja Oy relinquished a total of 152,371 individual shares as share bonuses to the company management on December 15, 2018. On December 15, 2018, the company relinquished to the Board members a total of 10,000 shares as meeting compensation. In accordance with the General Meeting's decision of January 31, 2019 and the Board's decision, Panostaja relinquished a total of 10,526 shares on March 8, 2018, a total of 11,765 shares on June 7, 2019 and a total of 12,500 shares on September 6, 2019 as meeting compensation.

DIVIDENDS

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.

The dividend paid for the 2017 financial period stood at MEUR 2.1 in total (EUR 0.04 per share). MEUR 1.8 in dividends was paid to minority shareholders in subsidiaries.

28. FINANCIAL LIABILITIES

(EUR 1,000)	2019	2018
Non-current financial liabilities valued at acquisition cost		
Loans from financial institutions	47,383	55,411
Finance lease liabilities	6,502	7,842
Other loans	491	607
Total	**54,377**	**63,860**

(EUR 1,000)	2019	2018
Current financial liabilities valued at acquisition cost		
Installments on non-current financial loans	11,391	11,927
Other loans from financial institutions	6,878	4,477
Finance lease liabilities	2,571	2,387
Total	**20,839**	**18,790**

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, 2019 was 2.5% (October 31, 2018: 2.1%). At the time of closing the books, the Group's financial liabilities stood at EUR 61,840,000. Of this, EUR 56,487,000 were variable-interest loans and EUR 5,354,000 were fixed-interest loans. Interest-bearing non-current and current liabilities are in euros.

ARRANGEMENTS CONCERNING LIABILITIES AND BREACHES OF CONTRACT

Hygga Group's MEUR 1.1 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.

CoreHW Group's MEUR 2.1 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.

Helasto Group's MEUR 2.3 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. This loan also involves a covenant term that examines the Group's key figures 'interest-bearing net liabilities / operating margin' and 'equity ratio'. The covenant term on interest-bearing net liabilities / operating margin was not realized at the time of closing the books. 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.

Carrot Group Oy's MEUR 3.2 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.

Oscar Software Holdings Oy's liabilities in the amount of MEUR 5.4 involve a covenant term, key figures, interest-bearing net liabilities/operating margin and loan maintenance 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.

Maturity analysis of non-current liabilities

	Loans from financial institutions		Finance lease liabilities		Other loans	
Amortizations (EUR 1,000)	2019	2018	2019	2018	2019	2018
< 1 year	11,637	12,293	2,571	2,387	6,877	4,477
1–2 years	8,114	45,988	1,549	1,827	446	446
2–3 years	9,008	3,041	1,549	1,827	0	0
3–4 years	6,775	3,984	1,549	1,826	0	0
4–5 years	22,893	1,411	1,549	1,826	0	0
> 5 years	1,244	1,944	306	535		24

29. TRADE PAYABLES AND OTHER LIABILITIES

(EUR 1,000)	2019	2018
Advances received	745	404
Trade payables	11,065	11,988
Accruals and deferred income	14,463	13,384
Other current liabilities	6,130	10,445
Total	**32,403**	**36,221**

Material items contained in accruals and deferred income

(EUR 1,000)	2019	2018
Annual holiday pay and social costs	8,986	8,831
Accrued wages and salaries	1,273	1,495
Accrued interest	116	286
Accrued taxes	298	14
Accrued employee pension	1,626	1,637
Other items	2,164	1,121
Total	**14,463**	**13,384**

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. MATURITY ANALYSIS OF FINANCE LEASE LIABILITIES

(EUR 1,000)	2019	2018
Gross amount of finance lease liabilities – minimum rents by maturity date:		
In one year	2,870	2,741
Between one and five years	6,659	7,943
In over five years	356	632
Total	**9,885**	**11,316**
Future financial costs of finance lease liabilities	-812	-1,088
Current value of finance lease liabilities	**9,073**	**10,228**
The current value of finance lease liabilities will mature as follows		
In one year	2,571	2,386
Between one and five years	6,196	7,307
In over five years	306	535
Total	**9,073**	**10,228**

Property, plant and equipment includes machinery and equipment purchased on the basis of finance leases.

32. FAIR VALUES FOR FINANCIAL ASSETS AND 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**

2018 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			8,525	8,525	8,525
Held-for-sale investments			226		226	226
Current financial assets						
Short-term investments	22	11,000			11,000	11,000
Financial assets total		**11,000**	**226**	**0**	**19,751**	**19,751**
Non-current financial liabilities						
Loans from financial institutions	28			63,253	63,253	63,538
Other non-current liabilities	28			607	607	607
Current liabilities						
Interest-bearing liabilities				18,790	18,790	18,790
Derivative agreements	29	18		0	18	18
Financial liabilities total		**18**	**0**	**82,650**	**82,668**	**82,954**

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 **31.10.2019**		
(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	8,394		
Financial assets to be recorded at fair value through other extensive profit/loss items			
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**

	Fair values at the end of the period under review **31.10.2018**		
(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	11,000		
Held-for-sale financial assets			
Investments in unquoted shares			226
Total	**11,000**	**0**	**226**
Financial liabilities recorded at fair value through profit and loss			
Interest rate swaps		18	
Total	**0**	**18**	**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)	2019	2018
Guarantees given on behalf of Group companies		
Enterprise mortgages	95,258	93,455
Pledges given	116,268	130,373
Other liabilities	5,730	7,307

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)	2019	2018
Other rental agreements		
In one year	11,276	11,685
In over one year but within five years maximum	17,551	17,551
In over five years	1,368	1,748
Total	30,195	36,574
Total for loans from institutions	**74,725**	**82,043**

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 28,325 Panostaja shares will be issued to members of the Senior Management Team in December 2019. 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, 2019, 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, 1,250,000 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:

Pravia Oy (Juha Sarsama)	550,000 pcs
Comito Oy (Tapio Tommila)	300,000 pcs
Miikka Laine	200,000 pcs
Minna Telanne	200,000 pcs
Total	**1,250,000 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)	2019	2018
At the start of the financial period	1,181	1,678
Loans granted during the financial period	0	0
Loans repaid and amortizations	-74	-497
Debited interest	6	9
Interest payments received during the financial period	-6	-9
At the end of the financial year	**1,107**	**1,181**

The loan conditions for key management personnel are as follows:

Name	Amount of loan	Conditions of repayment	Interest
Pravia Oy (Juha Sarsama)	474	Repayment in full at the end of the loan period	0,250
Comito Oy (Tapio Tommila)	323	Repayment in full at the end of the loan period	0,250
Minna Telanne	155	Repayment in full at the end of the loan period	0,250
Miikka Laine	155	Repayment in full at the end of the loan period	0,250
Total	**1,107**		

On October 31, 2019, company shares with a fair value of MEUR 0.9 represented the collateral on loans granted.

MANAGEMENT EMPLOYEE BENEFITS

(EUR 1,000)	**2019**	**2018**
Salaries and other current employee benefits	907	733
Share-based benefits	152	32
Total	1,059	765
Salaries and bonuses		
CEO Juha Sarsama November 1–December 31, 2018	101	236
Deputy CEO Tapio Tommila November 1–December 31, 2018	68	195
CEO Tapio Tommila November 1–October 31, 2019	176	
CEO's performance-based employer's statutory pension expenditure, Juha Sarsama November 1–December 31, 2018	17	41
Deputy CEO's performance-based employer's statutory pension expenditure, Tapio Tommila November 1–December 31, 2018	13	37
CEO's performance-based employer's statutory pension expenditure, Tapio Tommila January 1–October 31, 2019	33	
Members of the Board of Directors		
Ala-Mello Jukka	40	40
Eriksson Eero	20	20
Tarkkonen Hannu	0	5
Pääkkönen Tarja	20	20
Virtanen Antti	0	5
Reponen Hannu-Kalle	20	15
Koskenkorva Mikko	20	20

It was further resolved at the General Meeting on January 31, 2019 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.

36. SUBSIDIARIES AS OF OCTOBER 31, 2019

	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	54.8	54.8
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	54.8	54.8
Grano Group Oy	Helsinki	54.8	54.8
Grano Diesel Oy	Helsinki	54.8	54.8
Heatmasters Oy	Lahti	80.0	80.0
Heatmasters Group Oy	Tampere	80.0	80.0
Heatmasters Sp.zoo	Poland	80.0	80.0
Grano Digital Oü	Tallinn, Estonia	54.8	54.8
Hygga Group Oy	Helsinki	79.8	79.8
Hygga Oy	Helsinki	79.8	79.8
Megakliniken AB	Stockholm, Sweden	79.8	79.8
Tilatukku Oy	Helsinki	60.0	60.0
Tilatukku Group Oy (ent. Selog Group Oy)	Tampere	60.0	60.0
Tilatukku Finland Oy (ent. Selog Oy)	Helsinki	60.0	60.0
Suomen Arkistovoima Oy	Turku	54.8	54.8
Suomen Helakeskus Oy	Seinäjoki	100.0	100.0
Suomen Helasto Oy	Seinäjoki	100.0	100.0
Oscar Software Holdings Oy	Tampere	50.7	50.7
Oscar Software Oy	Tampere	50.7	50.7

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 2017–2019. At the time of preparing the financial statement, the tax inspection is still under way, but the tax authority has addressed the partial limitation of the right to VAT deductions.

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 Administation'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. The total sum was approx. MEUR 1.3.

38. EVENTS AFTER THE FINANCIAL PERIOD

After the review period, Panostaja's CIO Juha Sarsama resigned to take a position with another employer.

PARENT COMPANY INCOME STATEMENT

INCOME STATEMENT

(EUR 1,000)	Note	November 1, 2018–October 31, 2019	November 1, 2017–October 31, 2018
Other operating income	1.1	**6,318**	**42,680**
Staff expenses		-1,801	-2,859
Depreciations, amortizations and impairment	1.3	-67	-69
Other operating expenses	1.4	-1,508	-2,406
OPERATING PROFIT/LOSS		**2,942**	**37,345**
Financial income and costs	1.5	2,172	-3,153
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		**5,113**	**34,192**
Income taxes	1.6	-667	-2,679
PROFIT/LOSS FOR THE FINANCIAL PERIOD		**4,446**	**31,513**

PARENT COMPANY BALANCE SHEET

BALANCE SHEET

(EUR 1,000)	Note	October 31, 2019	October 31, 2018
PERMANENT ASSETS			
Intangible assets	2.1.	34	58
Tangible assets	2.2.	146	175
Investments	2.3.	39,453	37,726
PERMANENT ASSETS TOTAL		**39,633**	**37,959**
CURRENT ASSETS			
Non-current receivables		14,395	14,563
Current receivables		2,779	1,947
Short-term invest-ments		8,394	11,000
Cash and cash at bank		1,285	3,141
CURRENT ASSETS TOTAL		**26,853**	**30,652**
TOTAL ASSETS		**66,487**	**68,611**

LIABILITIES

(EUR 1,000)	Note	October 31, 2019	October 31, 2018
EQUITY			
Share capital		5,569	5,569
Share premium account		4,691	4,691
Invested unrestricted equity fund		16,803	16,614
Profit/loss for the previous financial periods		34,411	7,083
Profit/loss for the financial period		4,446	31,513
SHAREHOLDERS' EQUITY TOTAL		**65,920**	**65,470**
LIABILITIES			
Non-current liabilities		42	42
Current liabilities		525	3,099
LIABILITIES TOTAL		**567**	**3,141**
TOTAL LIABILITIES		**66,487**	**68,611**

FINANCIAL STATEMENT OF PARENT COMPANY

FINANCIAL STATEMENT

(EUR 1,000)	November 1, 2018–October 31, 2019	November 1, 2017–October 31, 2018
OPERATING CASH FLOW		
Profit/loss for the financial period	**4,446**	**31,513**
Adjustments:		**-35,295**
Planned depreciations	67	69
Sales profits		-41,262
Sales losses		79
Financial income and costs	-2,172	3,153
Taxes		
Credit loss adjustments of receivables	0	-13
CHANGES		
Change in current non-interest-bearing operating receivables	47	1,585
Change in current non-interest-bearing liabilities	45	-759
Interest and other financial costs	-143	-542
Interest and other financial in-come	172	175
Taxes paid		0
Cash flow before extraordinary items	-6,316	-3,323
OPERATING CASH FLOW	**-6,316**	**-3,323**
INVESTMENT CASH FLOW		
Investments in tangible and intangible assets	-34	-128
Investments in subsidiaries	-1,092	-4,582
Investments in associated com-panies	-1,505	0
Other investments	-3	-3
Capital gains from the disposal of tangible and intangible assets	33	27
Capital gains from the disposal of subsidiaries	4,812	43,066
Capital gains from the disposal of associated companies	2,206	0
Capital gains from the disposal of other shares	3	3
Net change in internal receivables	-100	-420
Loans granted		-2,891
Loans receivable repaid	1,074	28
Paid dividends		1,521
INVESTMENT CASH FLOW	**5,943**	**36,621**
FINANCIAL CASH FLOW		
Acquisition and disposal of own shares	189	69
Change in current interest-bearing recei-vables	-93	272
Change in current interest-bearing liabilities		
Loans drawn		
Loans repaid		-22,316
Dividends paid		
FINANCIAL CASH FLOW		**-24,060**
CHANGE IN CASH AND CASH EQUIVALENTS		**9,238**
Cash and cash equivalents at the begin-ning of the financial period		**4,903**
CHANGE IN CASH AND CASH EQUIVALENTS		**9,238**
Cash and cash equivalents at the end of the financial period	**9,680**	**14 142**

NOTES TO THE FINANCIAL STATEMENTS, OCTOBER 31, 2019

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

The figures for the financial period and the previous financial period are comparable.

VALUATION PRINCIPLES

Current fixed assets are entered in acquisition costs in the bal-ance 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 lifefrom 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

NOTES TO THE INCOME STATEMENT Jan 1– Sep 1

1.1. Other operating income

(EUR 1,000)	2019	2018
Profits from sale of fixed assets	6,160	41,262
Support received	17	0
Others	140	1,418
	6,318	**42,680**

1.2. Staff expenses

(EUR 1,000)	2019	2018
Salaries and fees	1,510	2,370
Pension costs	200	402
Other social security expenses	91	87
	1,801	**2,859**
During the financial period, the company employed on average		
Clerical staff	10	9

1.3. Depreciations, amortizations and impairment

(EUR 1,000)	2019	2018
Planned depreciations		
Intangible rights	0	1
Other capitalized long-term expenditure	25	27
Machinery and equipment	43	41
	67	**69**

1.4. Other operating expenses

(EUR 1,000)	2019	2018
Other operating expenses internal	100	58
Other operating expenses	382	406
Marketing costs	163	133
Data management costs	93	105
Costs for expert services	641	1,484
Loss on disposal of fixed asset shares	0	79
Rental costs	129	142
Other operating expenditure total	**1,508**	**2,406**
Auditor's fees		
auditing fees	70	57
auxiliary services	24	0
	94	**57**

1.5. Financial income and costs

(EUR 1,000)	2019	2018
Dividend yields	**1,578**	**1,521**
From companies in the same Group	11	25
From others	1,589	1,546
Dividend yields total	**93**	**105**
Other interest yields		
From companies in the same Group	418	424
From others		
Other interest yields total	**675**	**565**
Other financial income		
From companies in the same Group	51	63
Other financial income total	**51**	**63**
Other interest and financial yields total	**725**	**627**
Interest expenses		
For others		413
Interest expenses total	**0**	**413**
Other financial expenses		
For companies in the same Group	0	13
For others		
Other financial expenses	**143**	**120**
Interest costs and other financial costs total	**143**	**533**
Impairments of Group shares	0	4,600
Impairment of stocks and shares	0	193
Financial income and costs total	**2,172**	**-3,153**

1.6. Income taxes

(EUR 1,000)	2019	2018
Income taxes from the financial period and previous periods	791	2,679
Income taxes from previous financial period	-124	0
	667	**2,679**

NOTES TO THE BALANCE SHEET 2.1–2.9.

2.1. Intangible assets

(EUR 1,000)	2019	2018
Intangible rights		
Acquisition cost Nov 1	59	59
Additions Nov 1–Oct 31	0	0
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	59	59
Accrued planned depreciations Nov 1	-54	-53
Planned depreciations Nov 1–Oct 31	0	-1
Book value as of October 31	**5**	**5**
Other capitalized long-term expenditure		
Acquisition cost Nov 1	405	372
Additions Nov 1–Oct 31	0	38
Deductions Nov 1–Oct 31	0	-5
Acquisition cost Oct 31	405	405
Accrued planned depreciations Nov 1	-351	-325
Planned depreciations Nov 1–Oct 31	-25	-27
Book value as of October 31	**29**	**53**
Intangible assets total		
Acquisition cost Nov 1	464	431
Additions Nov 1–Oct 31	0	38
Deductions Nov 1–Oct 31	0	-5
Acquisition cost Oct 31	464	464
Accrued planned depreciations Nov 1	-406	-378
Planned depreciations Nov 1–Oct 31	-25	-28
Book value as of October 31	**34**	**58**

2.2 Tangible assets

(EUR 1,000)	2019	2018
Machinery and equipment		
Acquisition cost Nov 1	836	748
Additions Nov 1–Oct 31	34	90
Deductions Nov 1–Oct 31	-20	-2
Acquisition cost Oct 31	851	836
Accrued planned depreciations Nov 1	-695	-654
Planned depreciations Nov 1–Oct 31	-43	-41
Book value as of October 31	**112**	**141**
Other tangible assets		
Acquisition cost Nov 1	34	34
Additions Nov 1–Oct 31	0	0
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	34	34
Accrued planned depreciations Nov 1		
Planned depreciations Nov 1–Oct 31		
Book value as of October 31	**34**	**34**
Tangible assets total		
Acquisition cost Nov 1	870	782
Additions Nov 1–Oct 31	34	90
Deductions Nov 1–Oct 31	-20	-2
Acquisition cost Oct 31	885	870
Accrued planned depreciations Nov 1	-695	-654
Planned depreciations Nov 1–Oct 31	-43	-41
Book value as of October 31	**146**	**175**

2.3 Investments

(EUR 1,000)	2019	2018
Interests in companies in the same Group		
Acquisition cost Nov 1	36,785	38,106
Additions Nov 1–Oct 31	1,092	5,182
Deductions Nov 1–Oct 31	-750	-6,503
Acquisition cost Oct 31	**37,127**	**36,785**
Interests in associated companies		
Acquisition cost Nov 1	820	3,858
Additions Nov 1–Oct 31	1,505	0
Deductions Nov 1–Oct 31	-120	-3,038
Acquisition cost Oct 31	**2,205**	**820**
Other shares and interests		
Acquisition cost Nov 1	121	314
Additions Nov 1–Oct 31	3	0
Deductions Nov 1–Oct 31	-3	-193
Acquisition cost Oct 31	**121**	**121**
Investments total		
Acquisition cost Nov 1	37,726	42,278
Additions Nov 1–Oct 31	2,600	5,183
Deductions Nov 1–Oct 31	-872	-9,734
Acquisition cost Oct 31	**39,453**	**37,726**

2.4. Non-current receivables

(EUR 1,000)	2019	2018
Subordinated loans receivable from companies in the same Group	5,451	3,393
Loans receivable from companies in the same Group	1,974	3,529
Loans receivable	4,970	4,641
Other receivables	2,000	3,000
	14,395	**14,563**

2.5. Current receivables

(EUR 1,000)	2019	2018
Trade receivables from companies in the same Group	270	221
Trade receivables	16	24
Loans receivable from companies in the same Group	200	
Other receivables	55	68
Dividend receivables from companies in the same Group	1,028	
Other loans receivable		367
Interest receivables from companies in the same Group	62	51
Accrued income	1,148	1,216
	2,779	**1,947**

(EUR 1,000)	2019	2018
Accrued income essential items		
Interest receivables from insider loans	6	6
Interest receivables from other loans receivable	86	80
Passed-on costs	989	1,051
Unemployment insurance scheduling	0	8
Cost scheduling	67	72
	1,148	**1,216**

2.6. Short-term investments

(EUR 1,000)	2019	2018
Other shares and interests		
Investment fund shares	8,394	11,000

2.7 Equity

(EUR 1,000)	2019	2018
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	16,614	16,545
Rewards to Senior Management Team as own shares	150	27
Board bonuses as own shares	39	42
Invested unrestricted equity fund Oct 31	**16,803**	**16,614**
Retained earnings/loss Nov 1	38,597	9,168
Dividend distribution	-4,185	-2,084
Retained earnings/loss Oct 31	**34,411**	**7,083**
Profit/loss for the financial period	4,446	31,513
Equity total	**65,920**	**65,470**
Distributable unrestricted equity Oct 31	**55,660**	**55,210**

2.8 Liabilities

(EUR 1,000)	2019	2018
2.8.1. Non-current liabilities		
Other non-current liabilities	3	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		117
Other liabilities	33	29
Accruals and deferred income	402	2 951
	524	**3 096**
Liabilities owed to companies in the same Group		
Trade payables		
	1	**2**
Material items contained in accruals and deferred income		
Annual holiday salaries and social costs	180	154
Scheduling of non-wage labor costs	34	9
Bonus allocation	121	47
Management reward scheme	0	56
Accrued interest	6	6
Accrued taxes	60	2,679
	402	**2,951**
Current liabilities total	**525**	**3,099**

Other notes

(EUR 1,000)	2019	2018
Guarantees and contingencies		
On behalf of Group companies		
Guarantees given	3,313	3,730
On behalf of associated companies		
Guarantees given	0	1,145
Rental liabilities		
In one year	163	156
More than one and within 5 years	393	537
In over five years		
Other pledges given		
As security for own liabilities	1	6

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 38,856,628.76 and EUR 16,802,883.31, in the invested unrestricted equity fund, amount to EUR 55,659,512.07.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 per share be paid to the sharehold-ers 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 poten-tial distribution of assets to shareholders, should the compa-ny's financial status permit this, either as dividends or as repay-ment 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 12, 2019

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.

PricewaterhouseCoopers Oy
Audit firm

Markku Launis
AUTHORIZED PUBLIC ACCOUNTANT

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 posi-tion as well as the results of its operations and its cash flows in con-formity with the International Financial Re-porting 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 regula-tions currently in effect in Finland regarding the preparation of financial statements, and they meet the statutory require-ments.

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, 2018–October 31, 2019. 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'.

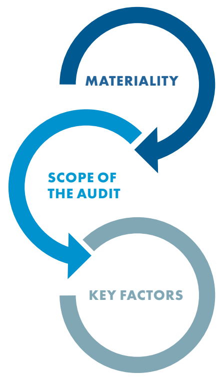
It is our view that we have obtained the required amount of appropriate auditing evidence for establishing a foundation for our report.

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 require-ments.

To the best of our knowledge and understanding, all non-au-dit 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 con-solidated financial statements was EUR 1.9 million.

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

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

As part of the audit's planning process, we determined the mate-riality and assessed the risk of the financial statements contain-ing 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 rea-sonable 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 mate-riality 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	EUR 1.9 million
Benchmark used in determining materiality	1% of the net sales for the 2019 financial period
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 of 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, 2019, lists MEUR 93.7 as goodwill, which accounts for 48% 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 consolidated financial statements	How the factor was handled in the audit
Divestments	
See the accounting principles for the consolidated financial statements and Note 7 Divestments and discontinuations of subsidiaries and business operations	Our audit included the following measures:
There were some changes to the group structure during the financial period due to divestments. Over the course of the period, Panostaja sold its shareholding in the KL-Varaosat group.	In the context of divestments, we have examined the deeds and assessed the technical accuracy and presentation of the sales profit.
The divestment of the KL-Varaosat group is presented in the consolidated income statement under 'Profit/loss from sold or discontinued operations.' Presenting the sales profit/loss has required significant consideration from the management with regard to taxation on divested business operations.	Furthermore, we have assessed the sufficiency and appropriateness of the information provided in Note 7 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, 2019, the value of shares in subsidiaries, which are included in investments on the balance sheet, is MEUR 37.1.	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 12, 2019

PricewaterhouseCoopers Oy
Audit firm

Markku Launis
AUTHORIZED PUBLIC ACCOUNTANT

Lauri Kallaskari
AUTHORIZED PUBLIC ACCOUNTANT

Information on 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 193,594 (at the beginning of the financial period 390,756). The number of the company's own shares corresponded to 0.4% 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, 2018, Panostaja Oy relinquished a total of 152,371 individual shares as share bonuses to the company management on December 15, 2018. On December 15, 2018, the company relinquished to the Board members a total of 10,000 shares as meeting compensation. In accordance with the General Meeting's decision of January 31, 2019 and the Board's decision, Panostaja relinquished a total of 10,526 shares on March 8, 2018, a total of 11,765 shares on June 7, 2019 and a total of 12,500 shares on September 6, 2019 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 January 31, 2019 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.

Auditing service network PricewaterhouseCoopers Oy and Authorized Public Accountant Markku Launis were elected as auditors for the period ending at the end of the next Annual General Meeting 2019. Auditing service network PricewaterhouseCoopers Oy has stated that Authorized Public Accountant Lauri Kallaskari will serve as the chief responsible public accountant.

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2017–October 31, 2018 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, 2018 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization remains valid until July 31, 2020.

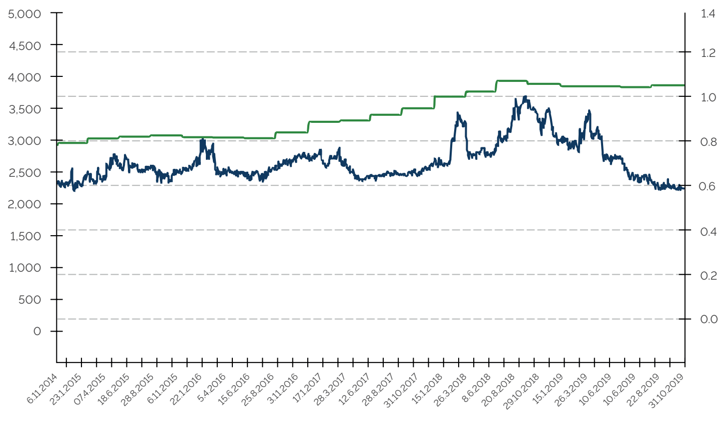
Immediately upon the conclusion of the General Meeting, the company's Board held an organizing meeting in which Jukka Ala-Mello was elected Chairman and Eero Eriksson Vice Chairman.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.77 (lowest quotation) and EUR 1.16 (highest quotation) during the financial period. During the review period, a total of 9,489,880 shares were exchanged, which amounts to 18.1% of the share capital. The October 2019 share closing rate was EUR 0.78. The market value of the company's share capital at the end of October 2019 was MEUR 40.8 (MEUR 52.1). At the end of October 2019, the company had 4,464 shareholders (4,487).

Share trade and rates

	Lowest, EUR	Highest, EUR	Issue-adjusted trading (no. of shares)	% of shares
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, 2019

		pcs	%
1	TREINDEX OY	5,886,200	11.20%
2	OY KOSKENKORVA AB	5,261,718	10.02%
3	KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	4,259,000	8.11%
4	KESKINÄINEN VAKUUTUSYHTIÖ FENNIA	3,468,576	6.60%
5	KOSKENKORVA MIKKO	1,986,055	3.78%
6	MALO HANNA	1,682,207	3.20%
7	KUMPU MINNA	1,682,170	3.20%
8	KOSKENKORVA MAIJA	1,347,542	2.57%
9	KOSKENKORVA MAUNO	1,340,769	2.55%
10	KOSKENKORVA MATTI	1,158,903	2.21%
11	JOHTOPANOSTUS OY	1,030,000	1.96%
12	PORKKA HARRI	822,000	1.56%
13	LÄHITAPIOLA KESKINÄINEN VAKUUTUSYHTIÖ	674,000	1.28%
14	PRAVIA Oy	632,500	1.20%
15	KOSKENKORVA PEKKA	583,502	1.11%
16	HYVÄT LEHDET RSM OY	446,855	0.85%
17	MALKAVAARA KARI	408,203	0.78%
18	HIETAJEN REIJO	378,330	0.72%
19	MAXSTAR OY	369,991	0.70%
20	COMITO OY	300,000	0.57%
		33,718,521	**64.19 %**
	Other shareholders	18,814,589	
	Total	**52,533,110**	

Distribution of share ownership by size October 31, 2019

Number of shares	Shareholders pcs	%	Shares/votes pcs	%
1–1,000	2,565	57.46%	1,040,088	1.98%
1,001–10,000	1,559	34.92%	5,170,790	9.84%
10,001–100,000	292	6.54%	7,488,226	14.25%
100,001–500,000	33	0.74%	7,018,864	13.36%
500,001-	15	0.34%	31,815,142	60.56%
Total	**4,464**	**100.00%**	**52,533,110**	**100.00%**
of which nominee-registered	7		172,253	0.04%
Number of shares issued			**52,533,110**	**100.00 %**

Distribution of share ownership by sector October 31, 2019

Sector class	Shareholders pcs	%	Shares/votes pcs	%
Companies	137	3.07%	15,276,862	29.08%
Financial and insurance institutions	12	0.27%	4,447,711	8.47%
Public bodies	1	0.02%	4,259,000	8.11%
Households	4,287	96.03%	28,247,689	53.77%
Non-profit organizations				
organizations	10	0.22%	114,342	0.22%
Foreign	17	0.38%	15,253	0.03%
Total	**4,464**	**100.00%**	**52,360,857**	**99.67%**
nominee-registered	7		172,253	0.33%
Number of shares issued			**52,533,110**	**100.00%**

Notes

Notes

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