panostaja

Q2

Half-year Report
3 June, 2021

November 2020 – April 2021

PANOSTAJA OYJ HALF-YEAR REPORT

Easing of the pandemic reflected by outlook

February 1, 2021-April 30, 2021 (3 months)

- Net sales increased in two of the six segments. Net sales for the Group as a whole weakened by 7% to MEUR 36.3 (MEUR 39.1).
- EBIT improved in one of the six segments. The entire Group's EBIT declined from the reference period, standing at MEUR -0.5 (MEUR 0.9).
- Grano's net sales for the review period declined by 6% from the reference period in the previous year. EBIT totaled MEUR 0.8 (MEUR 1.2).
- Earnings per share (undiluted) were -4.1 cents (-1.3 cents).
- In the review period, Panostaja made an agreement on selling the share capital of Suomen Helakeskus Oy to HTF Group Oy. Panostaja Group recorded a sales loss of about MEUR 1.0 for the trade.

November 1, 2020-April 30, 2021 (6 months)

- Net sales increased in two of the six segments. Net sales for the Group as a whole weakened by 9% to MEUR 73.0 (MEUR 80.0).
- EBIT improved in two of the six segments. The entire Group's EBIT declined from the reference period, standing at MEUR -1.8 (MEUR 0.3).
- Grano's net sales for the review period declined by 6% from the reference period in the previous year. EBIT totaled MEUR 0.7 (MEUR 0.8).
- Earnings per share (undiluted) were -7.5 cents (-3.2 cents).

CEO Tapio Tommila:

"During the three-month review period, the total net sales of the segments dropped by 7% from the reference period. The impacts of the coronavirus pandemic remained clearly evident in each segment's operating environment and net sales continued to decline, especially for Carrot and CoreHW. Grano's net sales, too, were 6% lower than in the reference period. On the other hand, Hygga continued its strong increase in net sales as a result of the outsourcing services provided in Helsinki. Due to the decline in net sales, EBIT for the review period weakened from the reference period to MEUR -0.5 (MEUR 0.9).

Panostaja affiliate Gugguu's abnormal financial period for 2021 ended during the review period in March. Over the course of the past financial period, Gugguu increased its net sales to MEUR 4.6 and continued its active development efforts aiming for internationalization. Among other things, the company developed international online trade and opened local websites for target countries. During the year, Gugguu also conducted an international market survey and initiated active digital and influencer marketing efforts in the target countries and Finland. The product categories were also further expanded.

The corporate acquisitions market remained active in the period under review, and the availability of new opportunities has been high. During the period under review, we also sold the entire share capital of Suomen Helakeskus Oy to HTF Group Oy. Panostaja has been the owner of Suomen Helakeskus for a long time, and this divestment is in line with our strategy and supports the goal of actively developing our portfolio.

The impacts of the, so far, year-long coronavirus pandemic persisted through the past review period. The easing of the pandemic after the review period has resulted in increased activity and an improved outlook for Grano, for example."

Segments 3 months

Grano

Grano is Finland's leading content and marketing services company

Grano's net sales for the review period were MEUR 26.9, which was 6% below the reference period level (MEUR 28.5). Grano's EBIT for the review period stood at MEUR 0.8, which is a decrease of MEUR 0.4 from the reference period (MEUR 1.2).

Demand in the review period varied substantially between business areas. The impacts of the coronavirus pandemic were still evident in the product lines with the highest net sales, such as sheet printing and large-scale prints. On the other hand, the demand for asset management solutions, packaging business, printing services for construction and translation services remained good.

The decline in net sales during the review period weakened the profit/loss compared to the reference period. The result is improved by the sales profit of MEUR 0.3 from property, plant and equipment.

Toward the end of the review period, there was an increase in activity and demand. The demand has remained at the same level even after the review period.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/21-4/21	2/20-4/20	11/20-4/21	11/19-4/20	11/19-10/20
Net sales, MEUR	26.9	28.5	54.2	57.8	109.9
EBIT, MEUR	0.8	1.2	0.7	0.8	4.8
Interest-bearing net liabilities	54.9	67.2	54.9	67.2	60.6
Panostaja's holding	55.2%				

Hygga

Hygga provides dental care and health care ERP services with a new operating concept

Hygga's net sales of MEUR 2.1 for the review period were MEUR 1.1 higher than in the reference period (MEUR 1.0). The increase in net sales came from the clinic business, which began providing outsourced services to the City of Helsinki starting from November 1. EBIT stood at MEUR -0.1, which was at the level of the reference period.

As regards Hygga's own private clinic business, demand varied during the review period in accordance with the changing coronavirus situation. Operational development efforts were continued during the review period for outsourced services in Helsinki.

For the licensing business, the acquisition of new customers has slowed down significantly in the Finnish and international markets as a result of the coronavirus outbreak. However, one new oral health care customer relationship was established in the review period. There is interest for Hygga's solutions but customers are currently unable to take the necessary steps.

After the review period, demand has remained at the level of the end of the review period for both the clinic and licensing business.

MEUR	3 months	3 months	6 months	6 months	12 months
	2/21-4/21	2/20-4/20	11/20-4/21	11/19-4/20	11/19-10/20
Net sales, MEUR	2.1	1.0	4.0	2.1	4.1
EBIT, MEUR	-0.1	-0.1	-0.4	-0.1	-0.3
Interest-bearing net liabilities	8.8	7.8	8.8	7.8	7.6
Panostaja's holding	79.8%				

Heatmasters

Heatmasters offers metal heat treatment services and technology

Heatmasters' net sales of MEUR 1.3 for the review period were MEUR 0.2 higher than in the reference period (MEUR 1.1). Due to the increase in net sales, EBIT improved from MEUR 0.1 in the reference period to MEUR 0.2.

In the review period, demand for service business in Finland remained satisfactory. Field operations remained slow as a result of the winter season, but improvement was seen toward the end of the review period with the beginning of the field work season. In terms of equipment business, demand was good in the review period, and the period included the commissioning of a significant furnace delivery in Saudi Arabia, furnace delivery to a Finnish foundry and an equipment delivery to a new customer in Greece, for example. In Poland, too, demand was better than before, thanks to an increase in gig work.

After the review period, demand for field operations is expected to increase due to seasonal variation. The outlook for equipment business involves more uncertainty, but the total value of tenders remained at a good level.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/21-4/21	2/20-4/20	11/20-4/21	11/19-4/20	11/19-10/20
Net sales, MEUR	1.3	1.1	2.2	2.2	4.0
EBIT, MEUR	0.2	0.1	0.2	0.2	0.3
Interest-bearing net liabilities	0.3	0.5	0.3	0.5	0.2
Panostaja's holding	80.0%				

CoreHW

CoreHW provides high added value RF IC design and consulting services

CoreHW's net sales for the review period was substantially lower than in the reference period, standing at MEUR 1.4 (MEUR 2.3), which led to EBIT dropping to MEUR -0.6 (MEUR 0.2).

In the review period, demand for the company's services remained good, but the coronavirus restrictions have significantly slowed down new sales, especially with regard to design and subcontracting projects. Customers have also slowed down or postponed their purchasing decisions, which had an impact on the review period's net sales.

Alongside the decreased net sales, the profitability for the review period was weakened by the increase in employees. The resources freed up from customer projects have been used to accelerate the development of proprietary products. As regards CoreHW's own product, the first customers continued to develop their own products based on CoreHW's solution, and the first customer product reached the type approval phase in the review period.

After the review period, the outlook has remained at the level of the end of the review period. The company is constantly engaged in contract negotiations with its customers. However, the negotiations are typically fairly long, which results in uncertainty with regard to upcoming projects and possible significant variation in net sales between quarters. The production capacity shortage in the semiconductor industry is affecting some customer companies and can impact demand in the coming quarters.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/21-4/21	2/20-4/20	11/20-4/21	11/19-4/20	11/19-10/20
Net sales, MEUR	1.4	2.3	3.1	4.7	8.1
EBIT, MEUR	-0.6	0.2	-1.0	0.6	0.5
Interest-bearing net liabilities	4.8	3.5	4.8	3.5	4.1
Panostaja's holding	61.1%				

Carrot

Carrot Palvelut Oy provides staffing, recruitment and outsourcing services

Carrot's net sales for the review period decreased to MEUR 1.8 from MEUR 3.4 in the reference period. With the decrease in net sales, EBIT dropped to MEUR -0.3, which was a a decline of MEUR 0.1 from the reference period (MEUR -0.2).

The demand and net sales for the review period were significantly below the level of the reference period. The coronavirus pandemic and related restrictions also manifested themselves in low demand among end customers. Through the review period, the company has maintained strict control, which has compensated significantly for the impact that the decrease in net sales has had on EBIT.

After the review period, demand has seen moderate growth. The seasonal variation brought on by summer employees traditionally supports Carrot's business in the summer but, on the other hand, the company's customers remain careful in their decisions due to the coronavirus pandemic.

MEUR	3 months	3 months	6 months	6 months	12 months
	2/21-4/21	2/20-4/20	11/20-4/21	11/19-4/20	11/19-10/20
Net sales, MEUR	1.8	3.4	3.9	7.8	14.5
EBIT, MEUR	-0.3	-0.2	-0.5	-0.6	-4.0*
Interest-bearing net liabilities	6.1	4.3	6.1	4.3	4.9
Panostaja's holding	74.1%				

* Includes a goodwill impairment of MEUR 3.3

Oscar Software

Oscar Software provides ERP systems and financial management services

Oscar Software's net sales for the review period were slightly lower compared to those of the reference period, standing at MEUR 2.8. EBIT for the review period decreased to MEUR 0.1 from MEUR 0.3 in the reference period.

Market demand in the review period was good. There were no significant changes in the demand or competitive situation. Over the course of the review period, the resource scarcity of the sales and project organization posed challenges for increasing net sales. For this reason, the company recruited many new experts during the review period to strengthen the software business to enable future growth in net sales.

After the review period, demand has remained at the level of the review period.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/21-4/21	2/20-4/20	11/20-4/21	11/19-4/20	11/19-10/20
Net sales, MEUR	2.8	2.9	5.6	5.6	11.0
EBIT, MEUR	0.1	0.3	0.4	0.5	1.1
Interest-bearing net liabilities	3.3	3.3	3.3	3.3	2.8
Panostaja's holding	54.5%				

FINANCIAL DEVELOPMENT November 1, 2020–April 30, 2021

MEUR

	Q2	**Q2**	**6 months**	**6 months**	**12 months**
	2/21- 4/21	2/20- 4/20	11/20- 4/21	11/19- 4/20	11/19- 10/20
Net sales, MEUR	36.3	39.1	73.0	80.0	151.4
EBIT, MEUR	-0.5	0.9	-1.8	0.3	0.3
Profit before taxes, MEUR	-1.1	0.3	-3.1	-0.8	-2.2
Profit/loss for the financial period, MEUR	-2.4	-0.4	-4.9	-1.7	-3.4
Earnings per share, undiluted (EUR)	-0.04	-0.01	-0.08	-0.03	-0.08
Equity per share (EUR)	0.71	0.88	0.71	0.88	0.82
Operating cash flow (MEUR)	4.8	16.1	5.6	17.6	23.6

FEBRUARY 2021–APRIL 2021

Net sales for the review period dropped by 7% and were MEUR 36.3 (MEUR 39.1). Exports amounted to MEUR 1.4, or 3.9% (MEUR 2.6, or 7.0%), of net sales. Net sales increased in two of the six segments.

EBIT weakened to MEUR -0.5 (MEUR 0.9). EBIT improved in two of the six segments. The development of net sales and EBIT for each of our investments has been commented on separately.

The result for the review period was MEUR -2.4 (MEUR -0.4).

NOVEMBER 2020–APRIL 2021

Net sales for the review period dropped by 9% and were MEUR 73.0 (MEUR 80.0). Exports amounted to MEUR 5.5, or 7.5% (MEUR 5.6, or 7.0%), of net sales. Net sales increased in two of the six segments.

EBIT decreased to MEUR -1.8 from MEUR 0.3. EBIT improved in two of the six segments. The development of net sales and EBIT for each of our investments has been commented on separately.

In the reference period, Panostaja sold its holding in Tilatukku Group Oy. Panostaja recorded a sales loss of MEUR 0.5 before taxes for the sale.

The result for the review period was MEUR -4.9 (MEUR -1.7).

The income statement for operations sold during the reference period has been separated from the income statement for continuing operations and the profit/loss for them is presented on the row Earnings from discontinued operations in accordance with the IFRS standards. The profit/loss for sold and discontinued operations presents the profit/loss for the Helakeskus segment at MEUR 0.1 and for the Tilatukku segment at MEUR -0.4.

IMPACTS OF COVID-19

The impacts of the coronavirus pandemic on the business operations of Panostaja and its segments started in mid-March 2020 with the pandemic itself and the lockdown and restriction measures implemented to prevent its propagation began to eat into demand and cause general uncertainty. Global and domestic forecasts regarding economic growth declined significantly after the onset of the pandemic. Panostaja and its segments instituted a number of measures to safeguard their staff immediately after the outbreak.Remote work arrangements and restrictions on meetings were implemented where possible. In addition to this, the companies have responded to the decreased demand through cutbacks and layoffs. The companies have also implemented a wide range of measures to secure funding. In the review period, the coronavirus pandemic continued to impact the development of the Panostaja segments' net sales through low demand, slow negotiations and decisions, and caution brought on by the general uncertainty.

Panostaja tests intangible and tangible assets for impairment whenever there are signs that their value may have decreased. Goodwill and other intangible assets with infinite useful life are tested for impairment at least once a year. For the purposes of the testing, goodwill and intangible assets with infinite useful life are allocated to cash-generating units. The amount recoverable by cash-generating units is based on calculations of service value. Formulating these calculations requires the use of estimates. Panostaja has recognized the impairment risk with regard to certain segments and prepared estimates on their future prospects. According to the current estimate, there has not been a need for a write-down. However, the situation will be monitored closely and reassessed during the financial period.

Division of the net sales by segment

MEUR	Q2	Q2	6 months	6 months	12 months
Net sales	2/21-4/21	2/20-4/20	11/20-4/21	11/19-4/20	11/19-10/20
Grano	26.9	28.5	54.2	57.8	109.9
Hygga	2.1	1.0	4.0	2.1	4.1
Heatmasters	1.3	1.1	2.2	2.2	4.0
CoreHW	1.4	2.3	3.1	4.7	8.1
Carrot	1.8	3.4	3.9	7.8	14.5
Oscar Software	2.8	2.9	5.6	5.6	11.0
Others	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	-0.1	-0.1	-0.2
Group in total	36.3	39.1	73.0	80.0	151.4

Division of EBIT by segment

MEUR	Q2	Q2	6 months	6 months	12 months
EBIT	2/21-4/21	2/20-4/20	11/20-4/21	11/19-4/20	11/19-10/20
Grano	0.8	1.2	0.7	0.8	4.8
Hygga	-0.1	-0.1	-0.4	-0.1	-0.3
Heatmasters	0.2	0.1	0.2	0.2	0.3
CoreHW	-0.6	0.2	-1.0	0.6	0.5
Carrot	-0.3	-0.2	-0.5	-0.6	-4.0
Oscar Software	0.1	0.3	0.4	0.5	1.1
Others	-0.7	-0.5	-1.3	-1.1	-2.0
Group in total	-0.5	0.9	-1.8	0.3	0.3

Panostaja Group’s business operations for the current review period are reported in six segments: Grano, Heatmasters, Hygga, CoreHW, Carrot, Oscar Software and Others (parent company and associated companies).

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 0.1 (MEUR 0.1), which is presented on a separate row in the consolidated income statement. Gugguu’s deviating financial period ended during the review period in March. In this review period, Gugguu's net sales increased by 18% to MEUR 4.6 (MEUR 3.9) and EBIT increased to MEUR 0.4 (MEUR 0.1).

PERSONNEL

	April 30, 2021	April 30, 2020	Change	October 31, 2020
Average number of employees	1,504	1,742	-14%	1,727
Employees at the end of the review period	1,449	1,589	-9%	1,558

Employees in each segment at the end of the review period	April 30, 2021	April 30, 2020	Change	October 31, 2020
Grano	897	964	-7%	940
Helakeskus	0	19	-100%	18
Hygga	114	57	100%	79
Heatmasters	35	38	-8%	35
CoreHW	73	66	11%	72
Carrot	181	307	-41%	277
Oscar Software	139	128	9%	127
Others	10	10	0%	10
Group in total	1,449	1,589	-9%	1,558

Carrot's number of employees converted into full-time employees. At the end of the review period, Panostaja Group employed a total of 1,449 persons, while the average number of personnel during the period was 1,504. During the review period, Panostaja continued to develop its personnel in line with its strategy.

INVESTMENTS AND FINANCE

The parent company's assets, financial securities and liquid fund units were MEUR 4.9. The parent company has the MEUR 15.0 limit for corporate acquisitions in its use. The parent company's interest-bearing loans were MEUR 0.0.

The Group's operating cash flow deteriorated and was MEUR 5.6 (MEUR 17.6). Liquidity remained good. The Group's liquid assets were MEUR 23.1 (October 31, 2020: MEUR 34.3) and interest-bearing net liabilities were MEUR 61.7 (October 31, 2020: MEUR 64.0). Gearing ratio increased and was 95.9% (October 31, 2020: 90.1%). The impact of the IFRS 16 standard on net liabilities was about MEUR 19.

The Group's net financial expenses for the review period were MEUR -1.4 (MEUR -1.2), or 2.0% (1.5%) of net sales.

The Group's gross capital expenditure for the review period was MEUR 2.6 (MEUR 2.4), or 3.7% (3.0%) of net sales. The majority of the investments went into equipment.

Financial position MEUR	**April 30, 2021**	**April 30, 2020**	**October 31, 2020**
Interest-bearing liabilities	89.9	100.8	103.4
Interest-bearing receivables	5.1	5.4	5.1
Cash and cash equivalents	23.1	26.5	34.3
Interest-bearing net liabilities	61.7	69.0	64.0
Equity (belonging to the parent company's shareholders as well as minority shareholders)	64.3	73.7	71.0
Gearing ratio, %	95.9	93.7	90.1
Equity ratio, %	34.1	34.8	33.6

GROUP STRUCTURE CHANGES

Helakeskus

On February 18, 2021, Panostaja announced that it had signed an agreement to sell the entire share capital of Suomen Helakeskus Oy to HTF Group Oy. This also entailed Panostaja divesting all of its business operations specializing in the import of fittings and the provision of related services.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj’s share closing rate fluctuated between EUR 0.69 (lowest quotation) and EUR 0.84 (highest quotation) during the review period. During the review period, a total of 3,245,104 shares were exchanged, which amounts to 6.2% of the share capital. The share closing rate of April 2021 was EUR 0.75. The market value of the company's share capital at the end of April 2021 was MEUR 39.4 (MEUR 33.0). At the end of April 2021, the company had 4,728 shareholders (4,581).

Development of share exchange	2Q/2021	2Q/2020	1-2Q/2021	1-2Q/2020	2020
Shares exchanged, 1,000 pcs	3,245	1,672	5,357	3,270	9,490
% of share capital	6.2	3.2	10.2	6.2	18.1

Share	April 30, 2021	April 30, 2020	October 31,
Shares in total, 1,000 pcs	53,333	52,533	52,533
Own shares, 1,000 pcs	798	140	111
Closing rate	0.75	0.63	0.71
Market value (MEUR)	39.4	33.0	37.2
Shareholders	4,728	4,581	4,697

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj’s Annual General Meeting was held on February 5, 2021 in Tampere. The number of Board members was confirmed at five (5), and Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva and Tarja Pääkkönen were re-elected to the Board for the term ending at the end of the next Annual General Meeting, and Tommi Juusela as a new member of the Board.

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

The Annual General Meeting decided to select Authorized Public Accountants Deloitte Oy as the auditor for the term concluding upon the end of the Annual General Meeting of 2022. Deloitte Oy has stated that Authorized Public Accountant Hannu Mattila will serve as the chief responsible public accountant.

Discharge from liability for the financial period November 1, 2019–October 31, 2020 was granted to the following persons: Board members Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen and Hannu-Kalle (Kalle) Reponen and CEO Tapio Tommila for the period January 1, 2019–October 31, 2020 and CEO Tapio Tommila for the period January 1, 2019–October 31, 2020. The Annual

General Meeting decided to grant a discharge from liability to the aforementioned members of the Board and CEO.

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2019–October 31, 2020 and resolved that the shareholders be paid EUR 0.03 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 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.

As proposed by the Board, the Annual General Meeting decided to authorize the Board to decide on the acquisition of the company’s own shares in one or more installments on the following conditions: The number of the company’s own shares to be acquired may not exceed 5,200,000 in total, which corresponds to about 9.9% of the company’s total stock of shares. By virtue of the authorization, the company’s own shares may be obtained using unrestricted equity only. The company’s own shares may be acquired at the date-of-acquisition price in public trading arranged by Nasdaq Helsinki Oy or otherwise at the prevailing market price. The Board of Directors will decide how the company’s own shares are to be acquired. The company’s own shares may be acquired while not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting on February 6, 2020 to decide on the acquisition of the company’s own shares is canceled by this authorization. The authorization will remain valid until August 4, 2022.

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

Under the authorization provided by the Annual General Meeting, Panostaja Oyj’s Board of Directors decided on February 2, 2021 to carry out a free-of-charge share issue of 800,000 shares, pursuant to Chapter 9, Section 20 of the Limited Liability Companies Act, to the company itself.

At the close of the review period, Panostaja Oyj’s share capital was EUR 5,568,681.60. The number of shares is 53,033,110 in total.

The total number of own shares held by the company at the end of the review period was 798,377 (at the beginning of the financial period 110,824). The number of the company's own shares corresponded to 1.5% 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 6, 2020, Panostaja Oy relinquished a total of 85,946 individual shares as share bonuses to the company management on December 14, 2020. On December 14, 2020, the company relinquished to the Board members a total of 12,987 shares as meeting compensation. In accordance with the Board decision of February 5, 2021, Panostaja relinquished a total of 13,514 shares as meeting compensation on March 17, 2021.

EVENTS AFTER THE REVIEW PERIOD

No significant events after the review period.

MOST SIGNIFICANT NEAR-TERM BUSINESS RISKS AND RISK MANAGEMENT

Risk management is part of Panostaja Group's management and monitoring systems. Panostaja aims to identify and monitor changes in the business environment and general market situation of its investments, to react to them and to utilize the business opportunities that they present. Risks are classified as factors that may endanger or impede Panostaja or its investments from achieving strategic objectives, improvement in profit and the financial position or business continuity, or that may otherwise cause significant consequences for Panostaja, its owners, investments, personnel or other stakeholder groups. A more detailed report on Panostaja's risk management policy and the most significant risks was published in the 2020 annual report. Financial risks are discussed in greater detail in the Notes to the 2020 Financial Statements.

Market risks, general: General market risks are mainly tied to the continuing uncertainty resulting from Finland's economic situation and the global economic situation, political risks, changes in the price of raw materials, and the financial market risks, as well as their potential impact on achieving the goals set for investments. The change in the financial markets and the tightening on credit issue may hamper the realization of corporate acquisitions and the availability of finance for working capital.

Market risks, industries of the investments: Economic trend expectations in the fields of existing business areas are strongly tied to the prospects of customer enterprises. Panostaja's prospects across the segments vary from good to poor. Panostaja regularly assesses the risks for each investment and, based on the updated risk assessment, takes the necessary remedial action.

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

Financial risks: As a consequence of its operations, the Group is exposed to many financial risks. The aim of risk management is to limit the adverse effects of changes in financial markets on the result and financial development of the Group. The Group's revenue and operative cash flows are mainly independent of fluctuations in market interest rates. The Group's loan portfolio currently consists almost fully of variable-interest loans. Some of our investments use interest rate swaps and interest rate ceiling agreements. In the long term, Panostaja Group's number of interest rate hedges or diversification into variable- and fixed-interest loans must be sufficient with regard to the market situation and outlook. The

Group mainly operates in the eurozone and so is only exposed to foreign exchange risks resulting from changes in exchange rates to a slight degree. Credit loss risks continue to represent a significant uncertainty factor for some of our investments.

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

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

Operative risks: Changes in the market situations of the investments can lead to situations where the net sales of the company temporarily decreases under the desired level. The risk is that the investments will not be able to adapt their operations to the changed situation quickly enough, which then leads to a significant decrease in profitability. Investments strive to prepare themselves for the changes in demand by maintaining an adjustment plan as part of their yearly planning. Panostaja has also specified an operating model for restoring the financial performance, which is applied if the deviation from performance is significant. The implementation of development projects that are part of the development of the operations of the investments also involves risks that can lead to not achieving the desired benefits on time. For these development projects, Panostaja has developed a process and tools that aim to ensure the realization of the desired changes.

Pandemic risk: Pandemics have direct and indirect effects on the segments' business operations, and the scope and severity of the impacts varies between segments. The coronavirus pandemic and the restriction measures related to it limit the business activities of Panostaja and its segments, and the restrictions impede the sale, use and delivery of products and services. The pandemic and related restrictions may impair the performance and financial standing of the customers and suppliers of Panostaja's segments, which may harm Panostaja's operations.

OUTLOOK FOR THE 2021 FINANCIAL PERIOD

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

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

- The demand for Oscar Software will remain good.
- The demand for Hygga and Heatmasters will remain satisfactory, and the demand for Grano will return to a satisfactory level (previously poor) as the general pandemic situation improves. CoreHW's short-term demand will decline to a satisfactory level due to slow trade returns, despite market demand remaining at a good level.
- The demand for Carrot will remain poor.

Panostaja Oyj

Board of Directors

For further information, contact CEO Tapio Tommila, +358 (0)40 527 6311

Panostaja Oyj

Tapio Tommila

CEO

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

ACCOUNTING PRINCIPLES

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

The six-month review does not include all notes to the October 31, 2020 consolidated financial statements, due to which it must be read together with the annual financial statements. The six-month review adheres to the same preparation principles as the previous annual financial statements.

The financial information presented in this six-month report has not been audited.

INCOME STATEMENT

EUR 1,000	3 months	3 months	6 months	6 months	12 months
	2/21-4/21	2/20-4/20	11/20-4/21	11/19-4/20	11/19-10/20
Net sales	36,332	39,144	73,021	79,997	151,416
Other operating income	394	81	765	192	1,009
Costs in total	33,606	33,863	68,306	71,226	132,069
Depreciations, amortizations and impairment	3,661	4,455	7,325	8,683	20,019
EBIT	-540	906	-1,845	280	338
Financial income and expenses	-641	-616	-1,444	-1,186	-2,793
Share of associated company profits	77	8	145	143	233
Profit before taxes	-1,105	299	-3,144	-762	-2,222
Income taxes	-272	-320	-772	-687	-1,221
Profit/loss from continuing operations	-1,377	-21	-3,916	-1,449	-3,443
Profit/loss from sold operations	-992	-366	-974	-294	5
Profit/loss for the financial period	-2,369	-387	-4,890	-1,743	-3,438
Attributable to					
Shareholders of the parent company	-2,161	-702	-3,937	-1,682	-4,351
Minority shareholders	-209	315	-953	-61	913
Earnings per share from continuing operations EUR, undiluted	-0.022	-0.006	-0.056	-0.027	-0.083
Earnings per share from continuing operations EUR, diluted	-0.022	-0.006	-0.056	-0.027	-0.083
Earnings per share from discontinued operations EUR, undiluted	-0.019	-0.007	-0.019	-0.006	0.000
Earnings per share from sold operations EUR, diluted	-0.019	-0.007	-0.019	-0.006	0.000

Earnings per share from continuing and discontinued operations EUR, undiluted	-0.041	-0.013	-0.075	-0.032	-0.083
Earnings per share from continuing and discontinued operations EUR, diluted	-0.041	-0.013	-0.075	-0.032	-0.083
EXTENSIVE INCOME STATEMENT					
Items of the extensive income statement	-2,369	-387	-4,890	-1,743	-3,438
Translation differences	-27	20	-27	20	-5
Extensive income statement for the period	-2,396	-367	-4,917	-1,723	-3,443
Attributable to					
Shareholders of the parent company	-2,188	-682	-3,963	-1,662	-4,356
Minority shareholders	-209	315	-953	-61	913

BALANCE SHEET

EUR 1,000	**April 30, 2021**	**April 30, 2020**	**October 31, 2020**
ASSETS			
Non-current assets			
Goodwill	85,015	91,310	88,010
Other intangible assets	11,732	13,453	12,633
Property, plant and equipment	28,771	36,967	32,177
Interests in associated companies	3,693	3,486	3,575
Deferred tax assets	7,359	6,226	6,248
Other non-current assets	5,743	6,291	5,818
Non-current assets total	142,313	157,733	148,462
Current assets			
Stocks	4,290	6,376	6,330
Trade and other receivables	19,728	21,804	22,908
Financial assets recorded at fair value through profit and	4,266	6,394	6,366

loss			
Cash and cash equivalents	18,859	20,069	27,889
Current assets total	47,143	54,642	63,494
ASSETS IN TOTAL	**189,458**	**212,377**	**211,958**
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders			
Share capital	5,569	5,569	5,569
Share premium account	4,646	4,646	4,646
Invested unrestricted equity fund	13,698	13,593	13,612
Translation difference	-251	-338	-282
Retained earnings	13,743	22,651	19,282
Total	37,405	46,121	42,827
Minority interest	26,939	27,533	28,185
Equity total	**64,344**	**73,654**	**71,012**
Liabilities			
Imputed tax liabilities	7,121	6,256	6,727
Non-current liabilities	69,662	75,596	71,119
Current liabilities	48,331	56,873	63,100
Liabilities total	**125,115**	**138,725**	**140,946**
EQUITY AND LIABILITIES IN TOTAL	**189,458**	**212,377**	**211,958**

CASH FLOW STATEMENT

EUR 1,000	6 months 11/20-4/21	6 months 11/19-4/20	12 months 11/19-10/20
Operating net cash flow	5,605	17,615	23,556
Investment net cash flow	42	-2,125	-1,865
Loans drawn	5,787	661	15,202
Loans repaid	-20,329	-2,894	-15,601
Disposal of own shares	85	43	-202
Dividends paid and capital repayments	-2,323	-3,214	-3,214
Finance net cash flow	-16,779	-5,404	-3,815
Change in cash flows	-11,133	10,086	17,876

*the lease agreement liabilities pursuant to IFRS 16 are presented in the financial cash flow.

EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Equity attributable to parent company shareholders							
	Share capital	Share premium account	Invested unrestricted equity fund	Translation differences	Retained earnings	Total	Minority shareholders' interest	Equity total
Equity as of November 1, 2019	**5,569**	**4,646**	**13,550**	**-353**	**26,928**	**50,341**	**29,211**	**79,552**
Extensive income								
Profit/loss for the financial period					-1,694	-1,694	-50	-1,744
Translation differences				15	5	20		20
Extensive income for the financial period total	0	0	0	15	-1,689	-1,674	-50	-1,724
Transactions with shareholders								
Dividend distribution					-2,619	-2,619	-751	-3,370
Disposal of own shares			43			43		43
Other changes						0	58	58

Reward scheme					31	31		31
Transactions with shareholders, total	0	0	43	0	-2,588	-2,545	-693	-3,238
Changes to subsidiary holdings								
Selling of shares of subsidiaries owned resulting in loss of controlling interest						0	-935	-935
Equity as of April 30, 2020	**5,569**	**4,646**	**13,593**	**-338**	**22,651**	**46,117**	**27,533**	**73,653**
Equity as of November 1, 2020	**5,569**	**4,646**	**13,612**	**-282**	**19,282**	**42,827**	**28,185**	**71,013**
Extensive income								
Profit/loss for the financial period					-3,937	-3,937	-953	-4,890
Translation differences				31	-58	-27		-27
Extensive income for the financial period total	0	0	0	31	-3,995	-3,964	-953	-4,917
Transactions with shareholders								
Dividend distribution					-1,576	-1,576	-293	-1,869
Disposal of own shares			86			86		86
Reward scheme					32	32		32
Transactions with shareholders, total	0	0	86	0	-1,544	-1,458	-293	-1,751
Acquisitions of minority shareholdings						0		0
Equity as of April 30, 2021	**5,569**	**4,646**	**13,698**	**-251**	**13,743**	**37,405**	**26,939**	**64,344**

KEY FIGURES

	April 30, 2021	April 30, 2020	October 31, 2020
EBIT, MEUR	-1.8	0.3	0.3
Equity per share (EUR)	0.71	0.88	0.82
Earnings per share, undiluted (EUR)	-0.08	-0.03	-0.08
Earnings per share, diluted (EUR)	-0.08	0.03	-0.08
Average number of outstanding shares during financial period, 1,000 pcs.	52,499	52,298	52,392
Number of shares at end of financial period, 1,000 pcs.	53,333	52,533	52,533
Number of shares, 1,000 pcs, on average, diluted	52,499	52,374	52,392
Return on equity, %	-14.5%	-4.6%	-4.6%
Return on investment, %	-3.5%	0.2%	0.5%
Gross capital expenditure In permanent assets, MEUR	2.6	2.4	4.7
% of net sales	3.6%	3.0%	3.1%
Interest-bearing liabilities, MEUR	89.9	100.8	103.4

Interest-bearing net liabilities, MEUR	61.7	69.0	64.0
Equity ratio, %	34.1	34.8	33.6
Average number of employees	1,504	1,742	1,727

Key figures provide a brief overview of the business development and financial position of a company. Formulae for calculating key figures have been presented in the financial statement of the financial period 2020. The terms ‘operating profit’ and ‘EBIT’ are used to refer to the same thing. Reconciliation of interest-bearing liabilities and interest-bearing net liabilities is presented at the end of this bulletin.

GROUP DEVELOPMENT BY QUARTER
MEUR

MEUR	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Net sales	36.3	36.7	38.7	32.7	39.1	40.9	47.8	43.0
Other operating income	0.4	0.4	0.4	0.4	0.1	0.1	0.2	0.1
Costs in total	37.3	38.4	39.9	32.2	38.3	41.6	46.3	43.2
Depreciations, amortizations and impairment	3.7	3.7	7.2	4.2	4.5	4.2	2.7	3.5
EBIT	-0.5	-1.3	-0.8	0.9	0.9	-0.6	1.7	0.0
Finance items	-0.6	-0.8	-0.9	-0.7	-0.6	-0.6	-0.6	-0.5
Share of associated company profits	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1
Profit before taxes	-1.1	-2.0	-1.6	0.2	0.3	-1.1	1.1	-0.5
Taxes	-0.3	-0.5	0.0	-0.5	-0.3	-0.4	0.3	-0.5
Profit from continuing operations	-1.4	-2.5	-1.7	-0.3	0.0	-1.4	1.4	-1.0
Profit/loss from sold operations	-1.0	0.0	0.2	0.1	-0.4	0.1	-1.0	2.7
Profit/loss from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the financial period	-2.4	-2.5	-1.5	-0.2	-0.4	-1.4	0.4	1.7
Minority interest	-0.2	-0.7	1.0	0.0	0.3	-0.4	0.7	-0.2
Parent company shareholder interest	-2.2	-1.8	-2.4	-0.2	-0.7	-1.0	-0.3	1.9

GUARANTEES AND CONTINGENCIES ISSUED

EUR 1,000	April 30, 2021	April 30, 2020	October 31, 2020
Guarantees given on behalf of Group companies			
Enterprise mortgages	84,774	94,255	94,255
Pledges given	107,424	113,382	112,920
Other liabilities	2,912	5,137	4,944

SEGMENT INFORMATION

The segmentation of Panostaja Group is based on investments with majority holdings that produce products and services that differ from each other. The investments in which Panostaja has majority holdings compose the company's operation segments. In addition to that there is the segment Others, in which associated companies and non-allocated items are reported, including the parent company.

NET SALES EUR 1,000	11/20-4/21	11/19-4/20	11/19-10/20
Grano	54,243	57,758	109,919
Hygga	3,987	2,086	4,146
Heatmasters	2,243	2,173	3,960
CoreHW	3,060	4,675	8,059
Carrot	3,933	7,768	14,540
Oscar Software	5,622	5,649	10,992
Others	0	0	0
Eliminations	-67	-112	-199
Group in total	73,021	79,997	151,416

EBIT EUR 1,000	11/20-4/21	11/19-4/20	11/19-10/20
Grano	679	797	4,760
Hygga	-388	-120	-262
Heatmasters	192	162	266

CoreHW	-952	616	470
Carrot	-473	-584	-4,009
Oscar Software	391	497	1,141
Others	-1,294	-1,088	-2,028
Group in total	-1,845	280	338

Interest-bearing net liabilities by segment EUR 1,000	**April 30, 2021**	**April 30, 2020**	**October 31, 2020**
Grano	54,881	67,237	60,637
Hygga	8,771	7,786	7,603
Heatmasters	325	544	192
CoreHW	4,842	3,499	4,130
Carrot	6,108	4,305	4,946
Oscar Software	3,323	3,342	2,841
Parent company	-16,896	-22,704	-20,312
Others	341	4,971	3,962
Group in total	**61,697**	**68,979**	**63,998**

The interest-bearing net liabilities for operations sold and discontinued in the reference period are presented in the row Others. The impact of the lease liabilities on the Group's net liabilities is MEUR 25.8. MEUR 18.9 of the lease liabilities for the reporting period results from the deployment of the IFRS16 standard, while MEUR 6.9 is attributable to finance lease liabilities compliant with prior standards.

Write-downs per segment EUR 1,000	**April 30, 2021**	**April 30, 2020**	**October 31, 2020**
Grano	-5,986	-7,084	-13,586
Hygga	-236	-282	-464
Heatmasters	-154	-167	-334
CoreHW	-247	-417	-758
Carrot	-184	-176	-3,644
Oscar Software	-490	-550	-1,145
Others	-28	-6	-87
Group in total	**-7,325**	**-8,683**	**-20,019**

Depreciations related to asset items stand at about MEUR 4.1.

SEGMENT INFORMATION BY QUARTER NET SALES, MEUR	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Grano	26.9	27.3	29.0	23.1	28.5	29.2	33.3	29.6
Hygga	2.1	1.9	1.1	1.0	1.0	1.1	1.1	1.2
Heatmasters	1.3	1.0	0.8	1.0	1.1	1.1	1.5	1.0
CoreHW	1.4	1.6	1.9	1.5	2.3	2.4	1.9	1.2
Carrot	1.8	2.1	3.1	3.6	3.4	4.3	5.4	5.6
Oscar Software	2.8	2.8	2.8	2.6	2.9	2.8	2.5	2.5
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	0.0	0.0	0.0	-0.1	2.1	1.9
Group in total	36.3	36.7	38.7	32.7	39.1	40.9	47.8	43.0

SEGMENT INFORMATION BY QUARTER EBIT, MEUR	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Grano	0.8	-0.1	3.2	0.7	1.2	-0.4	1.8	0.0
Hygga	-0.1	-0.3	-0.2	0.1	-0.1	0.0	-0.1	0.0
Heatmasters	0.2	0.0	0.0	0.1	0.1	0.1	0.3	0.0
CoreHW	-0.6	-0.4	0.1	-0.2	0.2	0.5	0.3	0.1
Carrot	-0.3	-0.2	-3.5	0.0	-0.2	-0.4	0.1	0.1
Oscar Software	0.1	0.2	0.2	0.5	0.3	0.2	-0.1	0.1
Others	-0.7	-0.6	-0.6	-0.4	-0.5	-0.6	-0.6	-0.4
Group in total	-0.5	-1.3	-0.8	0.9	0.9	-0.6	1.7	0.0

Reconciliation of key figures – interest-bearing liabilities and interest-bearing net liabilities	April 30, 2021	April 30, 2020	October 31, 2020
Liabilities total	125.1	138.7	140.9
Non-interest-bearing liabilities	35.2	37.9	37.6
Interest-bearing liabilities	89.9	100.8	103.4
Trade and other receivables	19.7	21.8	22.9
Non-interest-bearing receivables	14.7	16.5	17.8
Interest-bearing receivables	5.1	5.4	5.1
Interest-bearing liabilities	89.9	100.8	103.4
Interest-bearing receivables	5.1	5.4	5.1
Cash and cash equivalents	23.1	26.5	34.3
Interest-bearing net liabilities	61.7	69.0	64.0

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

Panostaja has a majority holding in six investment targets. Grano Oy is the most versatile expert of content services in Finland. Heatmasters Group offers heat treatment services for metals in Finland and internationally, as well as produces, develops and markets heat treatment technology. Hygga Oy is a company providing health care services and the ERP system for health care providers. CoreHW provides high added value RF IC design services. Carrot provides staffing, recruitment and outsourcing services. Oscar Software provides ERP systems and financial management services.