Q2

Half-year Report

2 June, 2022

November 2021 – April 2022

PANOSTAJA OYJ'S Half-year Report November 1, 2021– April 30, 2022

Investment capacity bolstered by SokoPro trade

FEBRUARY 2022–APRIL 2022 (3 months) in brief:

- Net sales increased in two out of four segments. Net sales for the Group as a whole weakened by 1% to MEUR 33.0 (MEUR 33.3).
- EBIT improved in two of the four segments. The entire Group's EBIT improved from the reference period, standing at MEUR 7.9 (MEUR -0.4). The EBIT for the review period includes MEUR 9.4 in sales profit from the SokoPro deal.
- Panostaja's segment Grano sold its SokoPro business operations to the international iBinder company. The deal was carried out as a share transaction, and the purchase price of the shares was roughly MEUR 45.5.
- Grano's net sales for the review period dropped by 3% from the reference period. EBIT was MEUR 8.6 (MEUR 0.8), including the SokoPro sales profit of MEUR 9.4. Net sales for the review period increased by 2% from the reference period net sales that were adjusted based on the SokoPro sale.

- Earnings per share (undiluted) were 7.2 cents (-4.1 cents).

NOVEMBER 2021–APRIL 2022 (6 months) in brief:

- Net sales increased in three of the four segments. Net sales for the Group as a whole increased by 2.9% to MEUR 68.8 (MEUR 66.8).
- EBIT improved for three of the four segments. The entire Group's EBIT improved from the reference period, standing at MEUR 7.0 (MEUR -1.6).
- Grano's net sales for the review period increased by 1% from the reference period in the previous year. EBIT was MEUR 9.0 (MEUR 0.7), including the SokoPro sales profit of MEUR 9.4.
- Earnings per share (undiluted) were 5.9 cents (-7.5 cents).

CEO Tapio Tommila:

“The second quarter of the financial period was two-sided: there were notable successes and the implementation of the updated strategy progressed, but the performance of our segments was somewhat lacking. The SokoPro deal, which is important to our updated strategy, was completed successfully, which freed up a significant amount of investment capital for acquiring new segments. In accordance with our strategy, we intend to make several new investments in our strategy period extending to 2024.

The development of the financial markets early in the year has been generally challenging due to the inflation pressure as well as the resulting stricter monetary policy and probability of interest rate hikes. Russia’s invasion of Ukraine has caused significant uncertainty in terms of general economic development, particularly due to possible disruptions in the markets for energy, raw materials and food. The increased demand and inflation pressure also affect our segments, but the partial settling down of company valuation levels, as seen in the markets early in the year, gives cause to some cautious optimism in a situation where our strategy phase is focused on new investments. We find that the corporate acquisitions market has remained active and there are plenty of good investments available in the target sectors and our size category.

The sector-specific focus at the core of our strategy will be built around a new operating model in which our advisor network providing expertise on each sector will boost the competitiveness of Panostaja’s investment activities and bring added value to the development of our segments. In the second quarter, our team gained six top experts in the focus sectors, who have extensive value creation experience in our target sectors. Our core team works closely with our advisors in exploring and assessing new investment targets and drawing up a value creation strategy. We got a good start in the second quarter, and we now have an excellent and motivated team.

The second quarter as a whole was challenging for us and we fell substantially short of our target result; Grano’s net sales were low as the crisis in Ukraine caused demand to stall due to general caution and, at the same time, activity in the construction cluster declined significantly. The poor net sales weakened Grano’s profitability, but the reinvigoration of the demand at the end of the quarter and the fact that the availability of materials improved due to the end of the UPM strike give hope for an upward trend during the remainder of the financial period. Oscar Software has continued to increase its number of tenders, but our efforts to accelerate the realization of profits from deals continue. Hygga’s development was still burdened by the challenges related to the availability of clinical staff. CoreHW’s development continued on an expected positive trend as customer project activity improved. Gugguu’s financial period ended in March, and we reported a 2% increase in net sales. The company made progress in entering the international markets, albeit slightly slower than we intended.”

Segments 3 months

Grano

Grano is Finland's leading content and marketing services company

Grano's net sales for the review period were MEUR 26.1, which was 3% below the reference period level (MEUR 26.9). The Group's operating profit for the review period was MEUR 8.6 (MEUR 0.8). The reported EBIT includes MEUR 9.4 in sales profit from the SokoPro deal. As the SokoPro business operations were divested at the beginning of the review period, they are included in Grano's reported figures until January 31, 2022. The official reported figures for the review period have not been adjusted.

Overall, the demand for print products has recovered with the loosening of the coronavirus restrictions. On the other hand, the crisis in Ukraine caused concern among customers, which had a negative impact on demand in the review period. During the review period, demand improved for digital printing and large-scale print operations and digital document management solutions continued to grow, whereas the demand for printing services in construction saw a clear decline. At the end of the review period, demand has begun to recover to the level before the coronavirus crisis, with the exception of the construction sector, where activity is expected to continue to dwindle.

Price increases and the unavailability of printing materials caused challenges, as was the case during the first quarter. This dragged down profitability in the review period, as it was not yet possible to fully compensate for the increased costs by hiking up customer prices. Overall, demand is expected to see positive development during the remainder of the year, with the exception of printing services for construction.

The ramp-up of the new Vantaa factory, which aims to substantially increase the efficiency of production activities, has proceeded as planned. Full production has commenced at the factory after the end of the review period. In addition to cost efficiency, the new factory will also improve the quality and environmental friendliness of products and further bolster Grano's position as a pioneer in the field.

In December 2021, Grano announced that it had signed an agreement on selling its SokoPro business operations to the international iBinder company. The sale price was roughly MEUR 45.5, which was paid in conjunction with the closing of the deal on February 8, 2022 as a one-time cash payment. The SokoPro deal will enable Grano to focus even more strongly on developing and commercializing value-added services for marketing communications, and the significantly strengthened financial position will make it possible to accelerate the implementation of the strategy. After the deal, Grano will continue as the exclusive SokoPro sales representative for Finland.

GRANO

MEUR	3 months	3 months	6 months	6 months	12 months
	2/22-4/22	2/21-4/21	11/21-4/22	11/20-4/21	11/20-10/21
Net sales, MEUR	26.1	26.9	55.0	54.2	107.9
EBIT, MEUR	8.6	0.8	9.0	0.7	5.6
Interest-bearing net liabilities	43.2	54.9	43.2	54.9	55.6
Panostaja's holding	55.2%				

The following table presents the unaudited illustrative figures of the Grano segment, which include an adjustment removing the SokoPro sales profit of MEUR 9.4 from the 2022 profit/loss. The review period figures have also been adjusted to remove the figures of the SokoPro business operations for the period following the deal (starting from the beginning of February).

MEUR / illustrative figures	3 months	3 months	6 months	6 months
	2/22-4/22	2/21-4/21	11/21-4/22	11/20-4/21
Net sales, MEUR	26.1	25.5	55.0	52.8
EBIT, MEUR	-0.7	-0.1	-0.4	-0.2

Hygga

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

Hygga's net sales for the review period were MEUR 2.0, which was a 6% decrease from the reference period (MEUR 2.1). EBIT was slightly in the negative and remained at the level of the reference period.

There have been no significant changes in the general market situation of the clinic business during the reporting period. The Omicron wave is still negatively impacting the market, and the situation is yet to normalize. The clinic's private business continued its positive development during the review period, but there were significant challenges with the availability of clinical staff in terms of the outsourcing services provided to the City of Helsinki. This also had a negative impact on profitability. The company is focusing on measures to secure resource availability and improve efficiency.

In terms of software business, there have been no significant changes in the market situation. In Finland, however, the measures being taken by the wellbeing services counties to prepare for the health and social services reform has resulted in general uncertainty in the timing of projects related to operational development. In Sweden, the pilot with Örebro County has ended. A detailed final report was prepared on the Örebro pilot, according to which the results of the pilot were highly positive in terms of both the clinic's customers and staff. Örebro has indicated that it wants to retain the model and expand the use of the solution to cover more units. The negotiations on the details of the expansions will be continued. The company hopes that the results of the pilot will open up the markets across the entire oral health care market.

MEUR	3 months	3 months	6 months	6 months	12 months
	2/22-4/22	2/21-4/21	11/21-4/22	11/20-4/21	11/20-10/21
Net sales, MEUR	2.0	2.1	4.0	4.0	8.1
EBIT, MEUR	-0.1	-0.1	-0.3	-0.4	-0.2
Interest-bearing net liabilities	9.1	8.8	9.1	8.8	9.0
Panostaja's holding	79.8%				

CoreHW

CoreHW provides high added value RF IC design and consulting services

CoreHW's net sales for the review period were MEUR 2.1, which was 49% above the reference period level (MEUR 1.4). EBIT, too, improved significantly from the reference period to MEUR 0.0 (MEUR -0.6) due to the strong growth in net sales.

During the review period, customer project activity increased to a good level, as was expected. The forward-looking demand for design services is also estimated to have continued to see positive development, and the outlook for the second half of the year is good. As before, however, there are still uncertainties related to the initiation of customer projects. In addition to the uniquely high proficiency of the development teams, the competitiveness of the company's design services is strongly based on the IP portfolio built by the company.

CoreHW continued the active development and commercialization of its own products, within the framework of its internal financing resources. Market interest toward the Rabbit indoor positioning products, which are currently in the commercialization phase, has continued to improve and there are many potential customers, even though ramping up product sales will continue to require long-term efforts and depend upon the product development cycles and commercialization of customers' end products.

MEUR	3 months	3 months	6 months	6 months	12 months
	2/22-4/22	2/21-4/21	11/21-4/22	11/20-4/21	11/20-10/21
Net sales, MEUR	2.1	1.4	4.1	3.1	6.1
EBIT, MEUR	0.0	-0.6	-0.2	-1.0	-1.4
Interest-bearing net liabilities	6.5	4.8	6.5	4.8	5.7
Panostaja's holding	61.1%				

Oscar Software

Oscar Software provides ERP systems and financial management services

Oscar Software's net sales for the review period increased slightly from the reference period and were MEUR 2.9 (MEUR 2.8). However, EBIT for the review period decreased to MEUR -0.2 from MEUR 0.1 in the reference period due to increased costs.

The demand remained good during the review period. The activity of new customer acquisition has remained high, but the general uncertainty of the global situation and the slow pace of customer decision-making slowed down the realization of profits from new deals. The net sales from continuously invoiced ERP solutions continued to increase. The increases in sales and marketing investments since the reference period contribute to weakening the result. Furthermore, the number of employees that has increased due to active recruiting has resulted in increased personnel costs compared to the reference year. The company is continuing its significant investments in the development of a cloud-based business platform.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/22-4/22	2/21-4/21	11/21-4/22	11/20-4/21	11/20-10/21
Net sales, MEUR	2.9	2.8	5.8	5.6	11.0
EBIT, MEUR	-0.2	0.1	-0.3	0.4	0.3
Interest-bearing net liabilities	3.7	3.3	3.7	3.3	3.9
Panostaja's holding	58.3%				

FINANCIAL DEVELOPMENT November 1, 2021–April 30, 2022

KEY FIGURES

MEUR

	Q2	Q2	6 months	6 months	12 months
	2/22- 4/22	2/21- 4/21	11/21- 4/22	11/20- 4/21	11/20- 10/21
Net sales, MEUR	33.0	33.3	68.8	66.8	133.0
EBIT, MEUR	7.9	-0.4	7.0	-1.6	2.0
Profit before taxes, MEUR	7.4	-0.9	6.0	-2.8	0.0
Profit/loss for the financial period, MEUR	7.4	-2.4	6.5	-4.9	-1.0
Distribution:					
Shareholders of the parent company	3.8	-2.2	3.1	-3.9	-1.7
Minority shareholders	3.6	-0.2	3.4	-1.0	0.7
Earnings per share, undiluted, EUR	0.07	-0.04	0.06	-0.08	-0.03
Interest-bearing net liabilities	35.9	61.7	35.9	61.7	56.3
Gearing ratio, %	56.9	95.9	56.9	95.9	83.1
Equity ratio, %	41.0	34.1	41.0	34.1	37.2
Equity per share, EUR	0.79	0.71	0.79	0.71	0.75

FEBRUARY 2022–APRIL 2022

Net sales for the review period dropped by 1% and were MEUR 33.0 (MEUR 33.3). Exports amounted to MEUR 2.2, or 6.3% (MEUR 1.4, or 4.0%), of net sales. Net sales increased in two out of four segments.

EBIT improved, standing at MEUR 7.9 (MEUR -0.4). EBIT improved in two of the four segments. The development of net sales and EBIT for each of our investments has been commented on separately. The impact of the divestment of SokoPro on the Group's net sales amounted to MEUR 9.4.

The profit for the review period was MEUR 7.4 (MEUR -2.4).

NOVEMBER 2021–APRIL 2022

Net sales for the review period increased by 3% and were MEUR 68.8 (MEUR 66.8). Exports amounted to MEUR 3.5, or 5.1% (MEUR 5.5, or 8.0%), of net sales. Net sales increased in three of the four segments.

EBIT improved from MEUR -1.6 to MEUR 7.0. EBIT improved for three of the four segments. The development of net sales and EBIT for each of our investments has been commented on separately.

The profit for the review period was MEUR 6.5 (MEUR -4.9).

Division of the net sales by segment

MEUR	Q2	Q2	6 months	6 months	12 months
Net sales	2/22-4/22	2/21-4/21	11/21-4/22	11/20-4/21	11/20-10/21
Grano	26.1	26.9	55.0	54.2	107.9
Hygga	2.0	2.1	4.0	4.0	8.1
CoreHW	2.1	1.4	4.1	3.1	6.1
Oscar Software	2.9	2.8	5.8	5.6	11.0
Others	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	-0.1	-0.1	-0.1
Group in total	33.0	33.3	68.8	66.8	133.0

Division of EBIT by segment

MEUR	Q2	Q2	6 months	6 months	12 months
EBIT	2/22-4/22	2/21-4/21	11/21-4/22	11/20-4/21	11/20-10/21
Grano	8.6	0.8	9.0	0.7	5.6
Hygga	-0.1	-0.1	-0.3	-0.4	-0.2
CoreHW	0.0	-0.6	-0.2	-1.0	-1.4
Oscar Software	-0.2	0.1	-0.3	0.4	0.3
Others	-0.5	-0.7	-1.1	-1.3	-2.2
Group in total	7.9	-0.4	7.0	-1.6	2.0

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

One associated company, Gugguu Group Oy, provided a report for the review period. The impact on profit/loss of the reported associated companies in the review period was MEUR -0.1 (MEUR 0.1), which is presented in 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 2% to MEUR 4.8 (MEUR 4.6) and EBIT was MEUR 0.1 (MEUR 0.4).

PERSONNEL

	April 30, 2022	April 30, 2021	Change	October 31, 2021
Average number of employees	1,326	1,504	-12%	1,480
Employees at the end of the review period	1,249	1,449	-14%	1,229

Employees in each segment at the end of the review period	April 30, 2022	April 30, 2021	Change	October 31, 2021
Grano	905	897	1%	901
Hygga	108	114	-5%	96
Heatmasters	0	35	-100%	0
CoreHW	74	73	1%	73
Carrot	0	181	-100%	0
Oscar Software	153	139	10%	149
Others	9	10	-10%	10
Group in total	1,249	1,449	-14%	1,229

At the end of the review period, Panostaja Group employed a total of 1,249 persons, while the average number of personnel during the period was 1,326. During the review period, Panostaja continued to develop its personnel in line with its strategy.

INVESTMENTS AND FINANCE

The parent company's assets, financial securities and liquid fund units were MEUR 14.6. 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 1.8 (MEUR 5.6). Liquidity remained good. The Group's liquid assets were MEUR 20.1 (October 31, 2021: MEUR 14.2) and interest-bearing net liabilities were MEUR 35.9 (October 31, 2021: MEUR 56.3). The net gearing ratio fell and was 56.9% (October 31, 2021: 83.1%). During the review period, Grano paid back its long-term liability by about MEUR 20. The impact of the IFRS 16 standard on net liabilities was about MEUR 33.3.

After the divestment of SokoPro, Grano distributed MEUR 20.0 in dividends to its owners (Panostaja's share of the dividends was MEUR 11.0).

The Group's net financial expenses for the review period were MEUR -0.9 (MEUR -1.3), or 1.4% (2.0%) of net sales.

The Group's gross capital expenditure for the review period was MEUR 2.7 (MEUR 2.6), or 4.0% (3.9%) of net sales. The majority of the investments went into equipment.

Financial position MEUR	April 30, 2022	April 30, 2021	October 31, 2021
Interest-bearing liabilities	60.5	89.9	75.3
Interest-bearing receivables	4.5	5.1	4.8
Cash and cash equivalents	20.1	23.1	14.2
Interest-bearing net liabilities	35.9	61.7	56.3
Equity (belonging to the parent company's shareholders as well as minority shareholders)	63.1	64.3	67.7
Gearing ratio, %	56.9	95.9	83.1
Equity ratio, %	41.0	34.1	37.2

GROUP STRUCTURE CHANGES

Carrot

In November, Panostaja signed an agreement to sell Carrot Palvelut Group Oy's shares to shareholders of the company who are actual persons. Carrot Palvelut Group Oy serves as the parent company of the Carrot HR services group. As a result of the deal, Panostaja's ownership in Carrot Palvelut Group Oy dropped to 19%.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.59 (lowest quotation) and EUR 0.76 (highest quotation) during the review period. During the review period, a total of 1,123,895 shares were exchanged, which amounts to 2.1% of the share capital. The share closing rate of April 2021 was EUR 0.61. The market value of the company's share capital at the end of April 2022 was MEUR 32.1 (MEUR 39.4). At the end of April 2022, the company had 4,572 shareholders (4,728).

Development of share exchange	2Q/2022	2Q/2021	1-2Q/2022	1-2Q/2021	2021
Shares exchanged, 1,000 pcs	1,124	3,245	3,035	5,357	8,255
% of share capital	2.1	6.2	5.8	10.2	15.7

Share	April 30,	April 30,	October 31,
Shares in total, 1,000 pcs	53,333	53,333	53,333
Own shares, 1,000 pcs	720	798	771
Closing rate	0.61	0.75	0.69
Market value (MEUR)	32.1	39.4	36.3
Shareholders	4,572	4,728	4,605

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on February 7, 2022 in Tampere. The number of Board members was confirmed at five (5), and Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen and Tommi Juusela were re-elected to the Board for the term ending at the end of the next Annual General Meeting.

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

The Annual General Meeting decided to select Authorized Public Accountants Deloitte Oy as the auditor for the term concluding upon the end of the Annual General Meeting of 2023. 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, 2020–October 31, 2021 was granted to the following persons: Board members Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen and Tommi Juusela and CEO Tapio Tommila. The Annual General Meeting decided to grant a discharge from liability to the aforementioned members of the Board and CEO.

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

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2020–October 31, 2021 and resolved that the shareholders be paid EUR 0.03 per share as dividends.

The General Meeting approved the Board’s proposal for authorizing the Board to decide on the acquisition of the company’s own shares in one or more batches as follows:

The number of the company’s own shares to be acquired may not exceed 5,200,000 in total, which corresponds to about 9.8% 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 on February 5, 2021 to decide on the acquisition of the company’s own shares is canceled by this authorization. The authorization will remain valid until August 6, 2023.
The General Meeting authorized the proposal of the Board of Directors to decide on a share issue as well as on the granting of option rights and other special rights providing entitlement to shares under the following terms:

The total number of shares issued on the basis of the authorization may not exceed 5,200,000.
The Board of Directors decides on all terms and conditions for share issues and options as well as on the terms and conditions for the granting of special rights providing entitlement to shares. This authorization concerns both the issue of new shares and the selling of the company’s own shares. Share issues and the provision of option rights as well as that of other rights providing entitlement to shares as specified in Section 1 of Chapter 10 of the Limited Liability Companies Act may take place deviating from the shareholders’ pre-emptive right to subscription (directed issue).

The authorization issued at the Annual General Meeting on February 5, 2021 to decide on share issues as well as the provision of special option rights and other rights to shares is canceled by this authorization. The authorization will remain valid until August 6, 2023.

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 53,333,110 in total.

The total number of own shares held by the company at the end of the review period was 720,056 (at the beginning of the financial period 771,155). The number of the company's own shares corresponded to 1.4% 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 5, 2021, Panostaja Oy relinquished a total of 36,813 individual shares as share bonuses to the company management on December 15, 2021. On December 15, 2021, the company relinquished to the Board members a total of 14,286 shares as meeting compensation.

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 2021 annual report. Financial risks are discussed in greater detail in the Notes to the 2021 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 satisfactory. Panostaja regularly assesses the risks for each investment and, based on the updated risk assessment, takes the necessary remedial action.The current uncertainties caused by inflation pressure and increased risks of supply chain disruptions have increased the short-term risks impacting the demand and cost structure. Active efforts are being made to manage these risks through pre-emptive investigation of mitigating measures.

Strategic risks: Panostaja represents the Finnish SME sector extensively. Net sales are divided into four 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 can 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.

War in Ukraine: Russia’s invasion of Ukraine increases economic uncertainty in Finland and across the globe. The war may have negative impacts on the macroeconomic environment in which Panostaja’s companies operate, and it may weaken Panostaja Group’s ability to predict the development of its business operations. Panostaja Group’s companies do not have operations in Russia or Ukraine.

OUTLOOK FOR THE 2022 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:

- Oscar Software’s demand will remain good.
- The demand for Grano, Hygga and CoreHW will remain satisfactory.

The demand information presented above involves uncertainties relating to the possible escalation of the COVID-19 pandemic and any economic impacts of the war in Ukraine, which are difficult to anticipate. The escalation of the pandemic may impact the future development of Grano and Hygga, in particular, and rapidly and dramatically change the estimate provided above. The effects of the war in Ukraine and the related economic sanctions will increase economic uncertainty in Finland and abroad, which may negatively impact segment demand or the availability of materials, and thereby material prices and delivery capabilities.

Panostaja Oyj

Board of Directors

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

Panostaja Oyj

Tapio Tommila

CEO

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, 2021 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

	Q2	**Q2**	**6 months**	**6 months**	**12 months**
	2/22-4/22	2/21-4/21	11/21-4/22	11/20-4/21	11/20-10/21
Net sales	32,975	33,252	68,753	66,845	132,984
Other operating income	11,199	394	11,565	705	2,073
Costs in total	32,950	30,587	66,531	62,126	118,469
Depreciations, amortizations and impairment	3,339	3,482	6,795	6,987	14,568
EBIT	7,885	-423	6,993	-1,564	2,020
Financial income and expenses	-469	-576	-938	-1,335	-2,205
Share of associated company profits	-30	77	-76	145	206
Profit/loss before taxes	7,386	-922	5,979	-2,754	21
Income taxes	32	-277	146	-779	-62
Profit/loss from continuing operations	7,417	-1,199	6,126	-3,533	-42
Profit/loss from discontinued operations	0	-1,171	366	-1,357	-918
Profit/loss for the financial period	7,417	-2,370	6,492	-4,890	-959
Distribution					
Parent company shareholders	3,796	-2,161	3,111	-3,937	-1,700
Minority shareholders	3,621	-209	3,381	-953	741
Earnings per share from continuing operations EUR, undiluted	0.072	-0.019	0.052	-0.052	-0.015
Earnings per share from continuing operations EUR, diluted	0.072	-0.019	0.052	-0.052	-0.015
Earnings per share from sold and discontinued operations EUR, undiluted	0.000	-0.022	0.007	-0.023	-0.018
Earnings per share from sold operations EUR, diluted	0.000	-0.022	0.007	-0.023	-0.018
Earnings per share from continuing and discontinued operations EUR, undiluted	0.072	-0.041	0.059	-0.075	-0.032
Earnings per share from continuing and discontinued operations EUR, diluted	0.072	-0.041	0.059	-0.075	-0.032
EXTENSIVE INCOME STATEMENT					
Result for the period	7,417	-2,370	6,492	-4,890	-959

Items of the extensive income statement that may later be changed to entries at fair value through profit and loss					
Translation differences	-32	-27	-32	-27	-165
Extensive income statement for the period	7,385	-2,397	6,460	-4,917	-1,124
Distribution					
Parent company shareholders	3,764	-2,188	3,079	-3,964	-1,865
Minority shareholders	3,621	-209	3,381	-953	741

BALANCE SHEET

EUR 1,000

	April 30, 2022	**April 30, 2021**	**October 31, 2021**
ASSETS			
Non-current assets			
Goodwill	47,502	85,015	80,140
Other intangible assets	7,279	11,732	10,284
Property, plant and equipment	36,312	28,771	26,402
Interest in associated companies	2,566	3,693	2,642
Deferred tax assets	8,118	7,359	8,062
Other non-current assets	4,282	5,743	4,097
Non-current assets total	**106,059**	**142,313**	**131,628**
Current assets			
Stocks	5,624	4,290	5,157
Trade and other receivables	23,205	19,728	25,163
Financial assets at fair value through profit and loss	12,260	4,266	5,968
Cash and cash equivalents	7,821	18,859	8,255
Current assets total	48,910	47,143	44,544
Held-for-sale non-current asset items	0	0	6,668
ASSETS IN TOTAL	**154,971**	**189,458**	**182,842**
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	13,753	13,698	13,719
Translation differences	-148	-251	-82
Retained earnings	17,640	13,743	15,623
Total	41,460	37,405	39,474
Minority shareholders' interest	21,671	26,939	28,270
Equity total	**63,131**	**64,344**	**67,744**
Liabilities			
Deferred tax liabilities	5,980	7,121	6,318
Non-current liabilities	46,658	69,662	55,153
Current liabilities	39,204	48,329	46,056
Liabilities total	91,841	125,115	107,527
Held-for-sale non-current financial assets	0	0	7,571
EQUITY AND LIABILITIES IN TOTAL	**154,971**	**189,458**	**182,842**

CASH FLOW STATEMENT	6 months	6 months	12 months
EUR 1,000	**11/21-4/22**	**11/20-4/21**	**11/20-10/21**
Operating net cash flow	1,881	5,605	3,242
Investment net cash flow	43,642	42	897
Loans drawn	753	5,787	2,148
Loans repaid	-29,181	-20,329	-23,411
Share issue	0	0	61
Disposal of own shares	-2	85	-532
Dividends paid and capital repayments	-11,231	-2,323	-2,443
Finance net cash flow	-39,662	-16,781	-24,176
Change in cash flows	5,861	-11,133	-20,037

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	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, 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
Other changes						0		0
Reward scheme					32	32		32
Transactions with shareholders, total	0	0	86	0	-1,544	-1,458	-293	-1,751
Equity as of April 30, 2021	**5,569**	**4,646**	**13,698**	**-251**	**13,743**	**37,405**	**26,939**	**64,344**
Equity as of November 1, 2021	**5,569**	**4,646**	**13,719**	**-82**	**15,623**	**39,474**	**28,270**	**67,744**
VAT adjustments for the 2018–2019 financial periods					449	449	42	491
Adjusted equity at November 1, 2021					16,072	39,923	28,312	68,235
Extensive income								
Profit/loss for the financial period					3,111	3,111	3,381	6,492
Translation differences				-66	34	-32		-32
Extensive income for the financial period total	0	0	0	-66	3,145	3,079	3,381	6,460
Transactions with shareholders								
Dividend distribution					-1,577	-1,577	-8,636	-10,213
Repayment of capital						0	-1,012	-1,012
Disposal of own shares			34			34		34
Reward scheme						0		0
Transactions with shareholders, total	0	0	34	0	-1,577	-1,543	-9,648	-11,191
Disbursement of equity convertible loan						0		0
Changes to subsidiary holdings								
Changes in shares of subsidiaries owned resulting in loss of controlling interest						0	-373	-373
Equity as of April 30, 2022	**5,569**	**4,646**	**13,753**	**-148**	**17,640**	**41,459**	**21,672**	**63,131**

KEY FIGURES

	April 30, 2022	April 30, 2021	October 31, 2021
EBIT, MEUR	7.0	-1.6	2.0
Equity per share, EUR	0.79	0.71	0.75
Earnings per share, undiluted, EUR	0.06	-0.08	-0.03
Earnings per share, diluted, EUR	0.06	-0.08	-0.03
Average number of outstanding shares during financial period, 1,000 pcs.	52,601	52,499	52,525
Number of shares at the end of the financial period, 1,000 pcs.	53,333	53,333	53,333
Number of outstanding shares, 1,000 pcs, on average, diluted	52,601	52,499	52,525
Return on equity, %	19.8%	-14.5%	-1.4%
Return on investment, %	10.9%	-3.6%	0.8%
Gross investments in permanent assets, MEUR	2.7	2.6	5.0
% of net sales	4.0%	3.9%	3.7%
Interest-bearing liabilities, MEUR	60.5	89.9	75.3
Interest-bearing net liabilities, MEUR	35.9	61.7	56.3
Equity ratio, %	41.0	34.1	37.2
Average number of employees	1,326	1,504	1,480

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 2021. 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	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20
Net sales	33.0	35.8	35.4	30.7	33.3	33.6	34.8	28.1
Other operating income	11.2	0.4	0.5	0.8	0.4	0.3	0.2	0.4
Costs in total	33.0	33.6	28.7	27.6	30.6	31.5	28.6	23.8
Depreciations, amortizations and impairment	3.3	3.5	4.2	3.3	3.5	3.5	3.7	4.0
EBIT	7.9	-0.9	3.0	0.6	-0.4	-1.1	2.7	0.7
Finance items	-0.5	-0.5	-0.4	-0.5	-0.6	-0.8	-0.8	-0.7
Share of associated company profits	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.1
Profit before taxes	7.4	-1.4	2.7	0.1	-0.9	-1.8	2.0	0.1
Taxes	0.0	0.1	1.1	-0.3	-0.3	-0.5	-0.1	-0.5
Profit from continuing operations	7.4	-1.3	3.7	-0.3	-1.2	-2.3	1.9	-0.4
Profit/loss from sold operations	0.0	0.4	-0.2	0.6	-1.2	-0.2	-3.4	0.2
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	7.4	-0.9	3.6	0.4	-2.4	-2.5	-1.5	-0.2
Minority interest	3.6	-0.2	1.6	0.1	-0.2	-0.7	1.0	0.0
Parent company shareholder interest	3.8	-0.7	1.9	0.3	-2.2	-1.8	-2.4	-0.2

GUARANTEES AND CONTINGENCIES ISSUED

EUR 1,000	April 30, 2022	April 30, 2021	October 31, 2021
Guarantees given on behalf of Group companies			
Enterprise mortgages	159,780	84,774	176,534
Pledges given	99,593	107,424	102,640
Other liabilities	131	2,912	730

DIVESTMENTS OF BUSINESS OPERATIONS

Impacts of the divestment of the SokoPro business operations

In December 2021, Grano announced that it had signed an agreement on selling its SokoPro business operations to the international iBinder company. The sale price was roughly MEUR 45.5, which was paid in conjunction with the closing of the deal on February 8, 2022 as a one-time cash payment. The SokoPro deal will enable Grano to focus even more strongly on developing and commercializing value-added services for marketing communications, and the significantly strengthened financial position will make it possible to accelerate the implementation of the strategy. After the deal, Grano will continue as the exclusive SokoPro sales representative for Finland.

Assets and liabilities related to divested business operations MEUR	**January 31, 2022**
Intangible assets	3.0
Goodwill	32.6
Current assets	1.0
Cash and cash equivalents	0.2
Current liabilities	-1.0
Net assets, total	35.9

Impact of the divestment on the Group's cash flow MEUR	**January 31, 2022**
Consideration received as cash	45.6
Direct costs of the deal	-0.4
Cash and cash equivalents of the divested business	-0.2
Impact on the Group's cash flow	45.0

Impact of the divestment on the Group's profit/loss	**January 31, 2022**
Consideration received (net)	45.3
Net assets	-35.9
Sales profit	9.4

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	11/21-4/22	11/20-4/21	11/20-10/21
Grano	54,956	54,243	107,853
Hygga	3,987	3,987	8,122
CoreHW	4,069	3,060	6,111
Oscar Software	5,794	5,622	11,009
Others	0	0	0
Eliminations	-53	-67	-111
Group in total	68,753	66,845	132,984

EBIT EUR 1,000	11/21-4/22	11/20-4/21	11/20-10/21
Grano	8,967	679	5,579
Hygga	-324	-388	-210
CoreHW	-214	-952	-1,432
Oscar Software	-311	391	287
Others	-1,126	-1,294	-2,204
Group in total	6,993	-1,564	2,020

Interest-bearing net liabilities by segment

EUR 1,000	**April 30, 2022**	**April 30, 2021**	**October 31, 2021**
Grano	43,232	54,881	55,567
Hygga	9,126	8,771	8,952
CoreHW	6,479	4,842	5,738
Oscar Software	3,707	3,323	3,949
Parent company	-26,992	-10,463	-18,249
Others	369	341	328
Group in total	**35,921**	**61,697**	**56,285**

The interest-bearing net liabilities for operations sold and discontinued in the reference period are presented in the row Others. The introduction of the IFRS 16 standard on the Group's net liabilities is MEUR 33.3 (MEUR 25.8).

Write-downs per segment

EUR 1,000	April 30, 2022	April 30, 2021	October 31, 2021
Grano	-5,607	-5,986	-12,484
Hygga	-280	-236	-576
CoreHW	-214	-247	-429
Oscar Software	-623	-490	-1,086
Others	-70	-28	6
Group in total	**-6,795**	**-6,987**	**-14,568**

The impact of the IFRS 16 standard on the Group's depreciations is MEUR 4.3 (MEUR 4.1).

SEGMENT INFORMATION BY QUARTER
NET SALES, MEUR

	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20
Grano	26.1	28.9	28.6	25.1	26.9	27.3	29.0	23.1
Hygga	2.0	2.0	2.2	2.0	2.1	1.9	1.1	1.0
CoreHW	2.1	2.0	1.8	1.2	1.4	1.6	1.9	1.5
Oscar Software	2.9	2.9	2.9	2.5	2.8	2.8	2.8	2.6
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	0.0	0.0	0.0
Group in total	33.0	35.8	35.4	30.7	33.3	33.6	34.8	28.1

SEGMENT INFORMATION BY QUARTER
EBIT, MEUR

	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20
Grano	8.6	0.3	3.8	1.1	0.8	-0.1	3.2	0.7
Hygga	-0.1	-0.2	0.2	0.0	-0.1	-0.3	-0.2	0.1
CoreHW	0.0	-0.2	-0.2	-0.3	-0.6	-0.4	0.1	-0.2
Oscar Software	-0.2	-0.1	0.0	-0.1	0.1	0.2	0.2	0.5
Others	-0.5	-0.6	-0.8	-0.1	-0.7	-0.6	-0.6	-0.4
Group in total	7.9	-0.9	3.0	0.6	-0.4	-1.1	2.7	0.7

Reconciliation of key figures – interest-bearing liabilities and interest-bearing net liabilities	April 30, 2022	April 30, 2021	October 31, 2021
Liabilities total	91.8	125.1	107.5
Non-interest-bearing liabilities	31.3	35.2	32.2
Interest-bearing liabilities	60.5	89.9	75.3
Trade and other receivables	23.2	19.7	25.2
Non-interest-bearing receivables	18.7	14.7	20.4
Interest-bearing receivables	4.5	5.1	4.8
Interest-bearing liabilities	60.5	89.9	75.3
Interest-bearing receivables	4.5	5.1	4.8
Cash and cash equivalents	20.1	23.1	14.2
Interest-bearing net liabilities	35.9	61.7	56.3

Panostaja is an investment company developing Finnish companies in the growing service and software sectors as 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 four investment targets. Grano Oy is the most versatile expert of content services in Finland. 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. Oscar Software provides ERP systems and financial management services.