panostaja

Q2

HALF-YEAR REPORT

4 JUNE, 2020

November **2019** – April **2020**

PANOSTAJA OYJ HALF YEAR REPORT

Coronavirus pandemic challenges business

February 1, 2020–April 30, 2020 (3 months)

- Net sales increased in three of the seven segments. Net sales for the Group as a whole weakened by 13% to MEUR 41.2 (MEUR 47.2).
- EBIT improved in three of seven segments. The entire Group's EBIT declined from the reference period, standing at MEUR 1.0 (MEUR 1.9).
- Grano's net sales for the review period declined by 17% from the reference period in the previous year. EBIT totaled MEUR 1.2 (MEUR 2.5).
- Earnings per share (undiluted) were -1.4 cents (0.2 cents).
- In the review period, Panostaja made an agreement on selling the majority of Tilatukku Group Oy's share capital to the acting management. Panostaja Group recorded a sales loss of about MEUR 0.5 for the trade.

November 1, 2019–April 30, 2020 (6 months)

- Net sales increased in three of the seven segments. Net sales for the Group as a whole weakened by 9% to MEUR 83.8 (MEUR 92.2).
- EBIT improved in three of seven segments. The entire Group's EBIT declined from the reference period, standing at MEUR 0.5 (MEUR 2.1). The reference period's EBIT includes sales profit for Ecosir Group in the amount of MEUR 1.6.
- Grano's net sales for the review period declined by 13.5% from the reference period in the previous year. EBIT totaled MEUR 0.8 (MEUR 2.2).
- Earnings per share (undiluted) were -3.2 cents (0.1 cents).

CEO Tapio Tommila:

"In the six-month review period, the total net sales of the segments declined by 9% from the reference period. After six months, the operational EBIT of the investment targets was at the reference year level, not including the Ecosir Group sales profit of MEUR 1.6, which was included in the profit/loss of the reference period. In the second quarter, however, the development of the segments' net sales and profitability was severely impacted by the coronavirus outbreak in March and the related economic lockdown measures.

Net sales and EBIT in the second quarter improved from the reference period for CoreHW, Oscar Software and Heatmasters. At the same time, Grano's net sales and EBIT dropped significantly from the reference period. The lockdown and restriction measures initiated in Finland in March weakened Grano's demand and net sales significantly. Despite the new cutbacks implemented due to the circumstances, the clear decline in net sales also dragged EBIT down from the reference period. Carrot's net sales dropped by 26% from the reference period during the second quarter, and EBIT loss remained at the level of the reference period. In March, the company's CEO changed and the company kicked off a development project aimed at revitalizing the company's operations and steering them back toward growth. The coronavirus pandemic has also impacted Carrot's business activities due to the decreased economic activity resulting from the lockdown measures and general uncertainty.

The pandemic's impact on the corporate acquisition market was equally severe. The effects of the economic lockdown measures affected business operations and prospects, and the uncertain growth and deteriorated loan terms led to a clear decline in activity as well as the suspension of many on-going projects on the markets. Despite the challenging market situation, we carried out the sale of Tilatukku Group's share capital to the acting management in April. The divestment was in line with Panostaja's strategy and supported the objective of actively developing the portfolio.

At the end of the review period, the impacts of the coronavirus pandemic and the related economic lockdown measures would seem to have stabilized among our segments for the time being, and the measures required by each company to respond to the situation have been initiated. Overall, our segments have succeeded in responding to the extraordinary circumstances quite well. We are currently keeping a close eye on how the staggered measures to open up the economy begin to affect demand in various fields."

Investments 3 months

Grano

Grano is Finland's leading content and marketing services company

Grano's net sales for the second quarter were MEUR 28.5, which was 17% below the reference period level (MEUR 34.5). Grano's EBIT for the second quarter stood at MEUR 1.2, which is a decrease of MEUR 1.3 from the reference period (MEUR 2.5).

The second quarter started under much more auspicious terms than the beginning of the financial period, which was marred by strikes. The second quarter has been traditionally strong, and the expectations for the spring were positive. After the onset of the coronavirus pandemic and restrictions, however, order volumes dropped quickly and dramatically, landing at a level more than 30% lower than in the reference period. The most significant drop affected production lines with high net sales, such as sheet printing and large-scale prints. Alongside the coronavirus, sheet printing was impacted by the overall decline in demand for print products, which was reported in the first quarter. More positive developments were seen in construction sector services, packaging and illuminated advertisements, which all performed as expected during the second quarter of the financial period.

Due to the decline in net sales, the profit/loss for the review period dropped dramatically from the reference period. Significant new cutbacks, such as layoffs, were implemented during the review period to compensate for the drop in net sales. The measures agreed upon in the context of the employer-employee negotiations held in the previous financial period have also progressed as planned. The aforementioned actions reduced the company's costs in the review period, which partially compensated for the decline in net sales.

In addition to implementing cutbacks, the company has actively explored alternative business opportunities during the pandemic. The ones that have been introduced to the markets so far are plexiglass barriers for cashiers, safety distance decals, safety distance guards for the ends cash counters and coronavirus bulletins. The company continues to analyze new opportunities and develop products together with its customers.

After the review period, the company's incoming orders have settled at the mid-March level.

MEUR	3 months 2/20-4/20	3 months 2/19-4/19	6 months 11/19-4/20	6 months 11/18-4/19	12 months 11/18-10/19
Net sales, MEUR	28.5	34.5	57.8	66.7	129.7
EBIT, MEUR	1.2	2.5	0.8	2.2	4.1
Interest-bearing net liabilities	67.2*	54.9	67.2*	54.9	50.9
Panostaja's holding	54.8%				

*includes the impact of IFRS 16 and is therefore not comparable with prior figures

Helakeskus

Helakeskus is a major wholesaler of furniture fittings in Finland

Helakeskus' net sales for the second quarter were MEUR 2.0, which was a 3% drop from the reference period (MEUR 2.1). The market situation continued at a satisfactory level until March, after which the effects of the coronavirus crisis have been evident in sales numbers. EBIT was at the level of the reference period at MEUR 0.1 (MEUR 0.1).

In the second quarter, project trade has remained stable while consumer trade has demonstrated a more notable decline toward the end of the review period. The competition has remained fierce as market outlooks have continued to deteriorate. After mid-March, the market has been in the grip of general uncertainty, which has persisted even after the review period.

MEUR	3 months 2/20-4/20	3 months 2/19-4/19	6 months 11/19-4/20	6 months 11/18-4/19	12 months 11/18-10/19
Net sales, MEUR	2.0	2.1	3.8	4.0	8.0
EBIT, MEUR	0.1	0.1	0.2	0.2	0.5
Interest-bearing net liabilities	4.3*	4.6	4.3*	4.6	4.7
Panostaja's holding	100.0 %				

*includes the impact of IFRS 16 and is therefore not comparable with prior figures

Hygga

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

Hygga's net sales of MEUR 1.0 for the second quarter were MEUR 0.2 below the level of the reference period (MEUR 1.2). EBIT was MEUR -0.1, which was slightly lower than the reference period (MEUR -0.0).

As regards the clinic business, the market development remained satisfactory early on in the financial period, but the lockdown and isolation measures caused by the pandemic dragged demand down heavily since mid-March. The clinic's customer numbers dropped by over 35% due to increased customer caution and officials recommending a focus on urgent dental care and a restriction on high-risk work, such as dental hygienists' tasks, during the pandemic. Due to the decrease in net sales, costs have been cut through layoffs, for example. After the review period, the clinic's demand has remained at the level reached late in the period, but there have been some signs of rekindled customer interest in May.

Similarly, the growth of the licensing business slowed down in the second quarter with public health care services in Finland and Sweden focusing on urgent dental care only and closing some units temporarily. The situation has been mostly the same in the Central European markets in terms of private clinics. Toward the end of the review period in April, some countries, such as the Netherlands, have opened up clinics for non-urgent care, which enables the commercial negotiations with potential customers to be resumed.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/20-4/20	2/19-4/19	11/19-4/20	11/18-4/19	11/18-10/19
Net sales, MEUR	1.0	1.2	2.1	2.4	4.7
EBIT, MEUR	-0.1	-0.0	-0.1	-0.1	-0.2
Interest-bearing net liabilities	7.8*	6.1	7.8*	6.1	6.4
Panostaja's holding	79.8%				

*includes the impact of IFRS 16 and is therefore not comparable with prior figures

Heatmasters

Heatmasters offers metal heat treatment services and technology

Heatmasters' net sales of MEUR 1.1 for the second quarter were MEUR 0.3 higher than in the reference period (MEUR 0.8). Thanks to this, EBIT improved from MEUR -0.0 in the reference period to MEUR 0.1.

In the second quarter, demand in Finland was scattered. Engineering workshops continued their operations at a normal rate, which ensured that furnace treatment services continued at a good level. Field work, on the other hand, declined by almost 70% from the end of the first quarter to the end of the second quarter due to the coronavirus pandemic. Among other projects, the large-scale outage planned for Neste's Kilpilahti plant was postponed because of the crisis. As regards equipment business, one significant furnace modernization was completed, but the general uncertainty that started in March slowed down equipment trade towards the end of the review period. In Poland, sales were weaker than expected during the review period, but in terms of profitability, the shortfall was relatively minor.

After the review period, the outlook has remained at the level of the end of the review period. The demand for furnace treatment services remains high, but the uncertainty persists with regard to the equipment business. Field operations are expected to pick up during the summer season.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/20-4/20	2/19-4/19	11/19-4/20	11/18-4/19	11/18-10/19
Net sales, MEUR	1.1	0.8	2.2	1.6	4.2
EBIT, MEUR	0.1	-0.0	0.2	-0.1	0.2
Interest-bearing net liabilities	0.5*	0.5	0.5*	0.5	0.2
Panostaja's holding	80.0%				

*includes the impact of IFRS 16 and is therefore not comparable with prior figures

CoreHW

CoreHW provides high added value RF IC design and consulting services

CoreHW's net sales for the second quarter stood at MEUR 2.3, which was a MEUR 0.8 increase from the reference period (MEUR 1.5). EBIT for the second quarter stood at MEUR 0.2, which was at the level of the reference period. The EBIT is encumbered by MEUR 0.2 in write-downs for the discontinued R&D project.

Service demand remained good during the second quarter, and the company has still been able to recruit new employees. The coronavirus pandemic had fairly minor effects on the company's business during the review period, but generating new sales has been more challenging with the restrictions on mobility in place.

During the review period, the preparations for introducing the company's proprietary product to the market continued, and the first demo kits were delivered to customers after the review period.

After the review period, CoreHW's outlook has remained as described above, although the challenges facing the generation of new sales and the upcoming summer season cause uncertainties in terms of development during the subsequent quarters.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/20-4/20	2/19-4/19	11/19-4/20	11/18-4/19	11/18-10/19
Net sales, MEUR	2.3	1.5	4.7	2.5	5.7
EBIT, MEUR	0.2	0.2	0.6	-0.1	0.4
Interest-bearing net liabilities	3.5*	3.3	3.5*	3.3	3.6
Panostaja's holding	61.1%				

*includes the impact of IFRS 16 and is therefore not comparable with prior figures

Carrot

Carrot Palvelut Oy provides staffing, recruitment and outsourcing services

Carrot's net sales for the second quarter decreased to MEUR 3.4 from MEUR 4.6 in the reference period. Net sales for the review period were equal to those of the reference period, standing at MEUR -0.2.

The demand and net sales for the second quarter were below the level of the reference period. After mid-March, the coronavirus pandemic and the related restrictions had a negative impact on the economy and weakened the development of net sales. On the other hand, some areas such as logistics and trade have seen an increase in demand during the pandemic. Despite the lower net sales, the profit/loss remained at the level of the reference period thanks to streamlining measures and savings.

Panostaja announced on March 16 that Jouni Arolainen would be stepping down from his position as Carrot's CEO. Carrot's former development director Tessa Koivunen is acting as the interim CEO. Under her leadership, the company kicked off a development project aimed at revitalizing operations and steering them back toward growth.

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

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/20-4/20	2/19-4/19	11/19-4/20	11/18-4/19	11/18-10/19
Net sales, MEUR	3.4	4.6	7.8	9.9	20.8
EBIT, MEUR	-0.2	-0.2	-0.6	-0.6	-0.4
Interest-bearing net liabilities	4.3*	5.2	4.3*	5.2	5.0
Panostaja's holding	74.1%				

*includes the impact of IFRS 16 and is therefore not comparable with prior figures

Oscar Software

Oscar Software provides ERP systems and financial management services

Oscar Software's net sales for the second quarter stood at MEUR 2.9, which was 12% higher than in the reference period (MEUR 2.6). The increase in net sales also improved EBIT to MEUR 0.3 (MEUR 0.1).

In the second quarter, demand remained good, but the uncertainty caused by the coronavirus pandemic is substantially impacting the market situation.Delivery projects have continued at a fairly normal level despite the situation, and sales have remained at a good level under the circumstances. The restrictions on mobility are hindering sales, which is why the initiation of new projects is slower. However, customers have been active with regard to matters and projects related to online trade, in particular. After the review period, demand has remained as described above.

After the review period on May 25, 2020, Panostaja announced the appointment of Riikka Kivimäki (Bachelor of Computer Science, MBA) as the new CEO of Oscar Software Holdings Oy. The company's previous CEO Simo Salminen will be stepping down effective immediately.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/20-4/20	2/19-4/19	11/19-4/20	11/18-4/19	11/18-10/19
Net sales, MEUR	2.9	2.6	5.6	5.1	10.1
EBIT, MEUR	0.3	0.1	0.5	0.2	0.2
Interest-bearing net liabilities	3.3*	4.5	3.3*	4.5	4.2
Panostaja's holding	50.8%				

*includes the impact of IFRS 16 and is therefore not comparable with prior figures

FINANCIAL DEVELOPMENT November 1, 2019–April 30, 2020

MEUR

	Q2	Q2	6 months	6 months	12 months
	2/20- 4/20	2/19- 4/19	11/19- 4/20	11/18- 4/19	11/18- 10/19
Net sales, MEUR	41.2	47.2	83.8	92.2	182.9
EBIT, MEUR	1.0	1.9	0.5	2.1	3.8
Profit before taxes, MEUR	0.4	1.4	-0.6	1.2	1.9
Profit/loss for the financial period, MEUR	-0.4	1.1	-1.7	0.4	2.5
Earnings per share, undiluted (EUR)	-0.01	0.00	-0.03	0.00	0.03
Equity per share (EUR)	0.88	0.96	0.88	0.96	0.96
Operating cash flow (MEUR)	16.1	2.9	17.6	4.2	10.8

FEBRUARY–APRIL 2020

Net sales for the review period dropped by 13% and were MEUR 41.2 (MEUR 47.2). Exports amounted to MEUR 2.6, or 6.3% (MEUR 2.0, or 4.2%), of net sales. Net sales increased in three of the seven segments.

EBIT weakened to MEUR 1.0 (MEUR 1.9). EBIT improved in three of the seven investment targets. The development of net sales and EBIT for each of our investments has been commented on separately.

The profit/loss for the review period was MEUR -0.4 (MEUR 1.1).

NOVEMBER 2019–APRIL 2020

Net sales for the review period dropped by 9% and were MEUR 83.8 (MEUR 92.2). Exports amounted to MEUR 5.6, or 6.7% (MEUR 3.4, or 3.7%), of net sales. Net sales increased in three of the seven segments.

EBIT decreased to MEUR 0.5 from MEUR 2.1. EBIT improved in three of the seven investment targets. The development of net sales and EBIT for each of our investments has been commented on separately.

Panostaja sold its shareholding in the Ecosir Group during the reference period. Panostaja recorded a profit of MEUR 1.6 before taxes for the sale.

The profit/loss for the review period was MEUR -1.7 (MEUR 0.4).

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

Panostaja tests intangible and tangible assets for impairment whenever there are signs that their value may have decreased. Goodwill and other intangible assets with infinite useful life are tested for impairment at least once a year. For the purposes of the testing, goodwill and intangible assets with infinite useful life are allocated to cash-generating units. The amount recoverable by cash-generating units is based on calculations of service value. Formulating these calculations requires the use of estimates. Panostaja has recognized the depreciation risk with regard to certain segments and prepared estimates on their future prospects. During the coronavirus pandemic, the estimates have entailed a significant degree of uncertainty and write-downs have been deemed unnecessary at this time. However, the situation will be monitored closely and reassessed during the financial period.

Division of the net sales by segment
MEUR

Net sales	**Q2** 2/20- 4/20	**Q2** 2/19- 4/20	**6 months** 11/19- 4/20	**6 months** 11/18- 4/19	**12 months** 11/18- 10/19
Grano	28.5	34.5	57.8	66.7	129.7
Helakeskus	2.0	2.1	3.8	4.0	8.0
Hygga	1.0	1.2	2.1	2.4	4.7
Heatmasters	1.1	0.8	2.2	1.6	4.2
CoreHW	2.3	1.5	4.7	2.5	5.7
Carrot	3.4	4.6	7.8	9.9	20.8
Oscar Software	2.9	2.6	5.6	5.1	10.1
Others	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	-0.1	-0.1	-0.1	-0.3
Group in total	41.2	47.2	83.8	92.2	182.9

Division of EBIT by segment

MEUR

EBIT	**Q2** 2/20- 4/20	**Q2** 2/19- 4/20	**6 months** 11/19- 4/20	**6 months** 11/18- 4/19	**12 months** 11/18- 10/19
Grano	1.2	2.5	0.8	2.2	4.1
Helakeskus	0.1	0.1	0.2	0.2	0.5
Hygga	-0.1	0.0	-0.1	-0.1	-0.2
Heatmasters	0.1	0.0	0.2	-0.1	0.2
CoreHW	0.2	0.2	0.6	-0.1	0.4
Carrot	-0.2	-0.2	-0.6	-0.6	-0.4
Oscar Software	0.3	0.1	0.5	0.2	0.2
Others	-0.5	-0.7	-1.1	0.3	-1.1
Group in total	1.0	1.9	0.5	2.1	3.8

Panostaja Group’s business operations for the current review period are reported in eight segments: Grano, Helakeskus, 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.

PERSONNEL

	April 30, 2020	April 30, 2019	Change	October 31, 2019
Average number of employees	1,742	2,005	-13%	1,969
Employees at the end of the review period	1,589	1,967	-19%	1,895

Employees in each segment at the end of the review period	April 30, 2020	April 30, 2019	Change	October 31, 2019
Grano	964	1,108	-13%	1,089
KL-Varaosat	0	59	-100%	0
Tilatukku	0	14	-100%	18
Helakeskus	19	18	6%	19
Hygga	57	62	-8%	58
Heatmasters	38	38	0%	38
CoreHW	66	50	32%	56
Carrot	307	478	-36%	476
Oscar Software	128	129	-1%	131
Others	10	11	-9%	10
Group in total	1,589	1,967	-19%	1,895

Carrot's number of employees converted into full-time employees. At the end of the review period, Panostaja Group employed a total of 1,589 persons, while the average number of personnel during the period was 1,742. 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 9.4. 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 improved and was MEUR 17.6 (MEUR 4.2). Liquidity remained good. The Group's liquid assets were MEUR 26.5 (October 31, 2019: MEUR 16.4) and interest-bearing net liabilities were MEUR 69.0 (October 31, 2019: MEUR 53.7). Gearing ratio increased and was 93.7% (October 31, 2019: 67.5%). The impact of the implementation of the IFRS 16 standard on net liabilities was about MEUR 23.

The Group's net financial expenses for the review period were MEUR -1.2 (MEUR -0.9), or 1.4% (1.0%) of net sales.

The Group's gross capital expenditure for the review period was MEUR 2.4 (MEUR 3.7), or 2.9% (4.1%) of net sales. The majority of the investments went into equipment.

Financial position MEUR	**April 30, 2020**	**April 30, 2019**	**October 31, 2019**
Interest-bearing liabilities	100.8	79.5	75.2
Interest-bearing receivables	5.4	5.0	5.1
Cash and cash equivalents	26.5	15.7	16.4
Interest-bearing net liabilities	69.0	58.8	53.7
Equity (belonging to the parent company's shareholders as well as minority shareholders)	73.7	80.3	79.6
Gearing ratio, %	93.7	73.3	67.5
Equity ratio, %	34.8	41.1	41.3

GROUP STRUCTURE CHANGES

Tilatukku

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

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj’s share closing rate fluctuated between EUR 0.59 (lowest quotation) and EUR 1.0 (highest quotation) during the review period. During the review period, a total of 1,672,440 shares were exchanged, which amounts to 3.2% of the share capital. The share closing rate of April 2020 was EUR 0.63. The market value of the company's share capital at the end of April 2020 was MEUR 33.0 (MEUR 48.1). At the end of April 2020, the company had 4,581 shareholders (4,448).

Development of share exchange	**2Q/2020**	**2Q/2019**	**1-2Q/2020**	**1-2Q/2019**	**2019**
Shares exchanged, 1,000 pcs	1,672	1,103	3,270	3,090	9,490
% of share capital	3.2	2.1	6.2	5.9	18.1

Share	**April 30, 2020**	**April 30, 2019**	**October 31,**
Shares in total, 1,000 pcs	52,533	52,533	52,533
Own shares, 1,000 pcs	140	218	194
Closing rate	0.63	0.92	0.78
Market value (MEUR)	33.0	48.1	40.8
Shareholders	4,581	4,448	4,464

ADMINISTRATION AND GENERAL MEETING

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

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

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

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

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

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

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

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

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

The number of the company's own shares to be acquired may not exceed 5,100,000 in total, which corresponds to about 9.9% of the company's total stock of shares. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The company's own shares may be acquired at the date-of-acquisition price in public trading arranged by Nasdaq Helsinki Oy or otherwise at the prevailing market price.

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

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

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

SHARE CAPITAL AND THE COMPANY'S OWN SHARES

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

The total number of own shares held by the company at the end of the review period was 139,560 (at the beginning of the financial period 193,594). The number of the company's own shares corresponded to 0.3% of the number of shares and votes at the end of the entire review period.

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

EVENTS AFTER THE REVIEW PERIOD

On May 25, 2020, Panostaja announced that Riikka Kivimäki, B.Sc. (Comp.Sc.), MBA (born 1968), had been appointed the new CEO of Panostaja segment Oscar Software Holdings Oy. The company's previous CEO Simo Salminen will be stepping down effective immediately. Kivimäki will assume her duties as CEO no later than August 10, 2020. Board member and Panostaja CIO Miikka Laine will serve as Oscar Software Holdings Oy's temporary CEO until Riikka Kivimäki assumes her duties.

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 2019 annual report. Financial risks are discussed in greater detail in the Notes to the 2019 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 nine different investments whose cyclical nature varies. The Group's business structure partially evens out economic fluctuations. General and investment-specific market risks can, however, affect the Group's result and financial development. The expected market situation is taken into account by adapting operations and costs to market demand and by safeguarding the financial position. Regarding changes in the global economy, Panostaja also sees opportunities to improve its market position, for example through corporate acquisitions.

Financial risks: As a consequence of its operations, the Group is exposed to many financial risks. The aim of risk management is to limit the adverse effects of changes in financial markets on the result and financial development of the Group. The Group's revenue and operative cash flows are mainly independent of fluctuations in market interest rates. The 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 lockdown and 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 2020 FINANCIAL PERIOD

The onset of the coronavirus pandemic and the measures implemented to curb it are affecting the markets in which Panostaja Oyj's segments operate. This has a substantial impact on Panostaja's net sales and profit/loss for the 2020 financial period. At the moment, it is impossible to determine the full extent of the financial effects as they are dependent on the duration and scope of the measures to limit the propagation of the virus and the rate at which the markets eventually recover. Due to this, Panostaja withdrew the forecasts for the 2020 financial period on March 27, 2020 and has not released new forecasts.

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

INCOME STATEMENT

EUR 1,000	3 months	3 months	6 months	6 months	12 months
	2/20- 4/20	2/19- 4/19	11/19- 4/20	11/18- 4/19	11/18- 10/19
Net sales	41,160	47,210	83,807	92,156	182,949
Other operating income	81	246	192	2,173	2,485
Costs in total	40,195	45,536	83,548	92,250	181,663
Depreciations, amortizations and impairment	4,545	2,631	8,862	5,235	11,461
EBIT	1,046	1,920	451	2,078	3,771
Financial income and expenses	-628	-538	-1,210	-943	-2,069
Share of associated company profits	8	31	143	54	150
Profit before taxes	426	1,413	-616	1,189	1,853
Income taxes	-347	-418	-719	-1,014	-1,283
Profit/loss from continuing operations	79	995	-1,334	175	569
Profit/loss from sold operations	-468	139	-410	222	1,963
Profit/loss for the financial period	-389	1,134	-1,744	397	2,533
Attributable to					
Shareholders of the parent company	-715	107	-1,694	40	1,640
Minority shareholders	326	1,027	-50	357	893
Earnings per share from continuing operations EUR, undiluted	-0.005	-0.001	-0.0025	-0.006	-0.010
Earnings per share from continuing operations EUR, diluted	-0.005	-0.001	-0.025	-0.006	-0.010
Earnings per share from discontinued operations EUR, undiluted	-0.009	0.003	-0.008	0.004	0.041
Earnings per share from sold operations EUR, undiluted	-0.009	0.003	-0.008	0.004	0.041
Earnings per share from continuing and discontinued operations EUR, undiluted	-0.014	0.002	-0.032	0.003	0.031

Earnings per share from continuing and discontinued operations EUR, diluted	-0.014	0.002	-0.032	0.003	0.032
EXTENSIVE INCOME STATEMENT					
Items of the extensive income statement	-389	1,134	-1,744	397	2,533
Translation differences	20	-39	20	-39	-132
Extensive income statement for the period	-369	1,095	-1,724	358	2,401
Attributable to					
Shareholders of the parent company	-695	68	-1,674	1	1,508
Minority shareholders	326	1,027	-50	357	893

BALANCE SHEET

EUR 1,000	**April 30, 2020**	**April 30, 2019**	**October 31, 2019**
ASSETS			
Non-current assets			
Goodwill	91,310	92,935	93,685
Other intangible assets	13,453	15,829	14,525
Property, plant and equipment	36,967	15,442	14,359
Interests in associated companies	3,486	2,435	3,342
Deferred tax assets	6,226	6,142	6,007
Other non-current assets	6,291	8,149	8,057
Non-current assets total	**157,733**	**140,932**	**139,975**
Current assets			
Stocks	6,376	7,588	7,158
Trade and other receivables	21,804	26,877	29,844
Financial assets recorded at fair value through profit and loss	6,394	5,500	8,394
Cash and cash equivalents	20,069	10,223	7,988

Current assets total	**54,642**	**50,188**	**53,383**
Held-for-sale non-current financial assets		5,219	
ASSETS IN TOTAL	**212,377**	**196,342**	**193,360**
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	13,593	13,534	13,550
Translation difference	-338	-333	-353
Retained earnings	22,651	26,887	26,929
Total	46,121	50,302	50,341
Minority interest	27,533	29,965	29,211
Equity total	**73,653**	**80,267**	**79,552**
Liabilities			
Imputed tax liabilities	6,256	5,875	6,204
Non-current liabilities	75,596	63,689	54,361
Current liabilities	56,873	44,769	53,242
Liabilities total	138,725	114,334	113,808
Held-for-sale non-current financial assets		1,740	
EQUITY AND LIABILITIES IN TOTAL	**212,377**	**196,342**	**193,360**

*the April 30, 2020 balance includes the impact of IFRS 16 and is therefore not comparable with prior figures

CASH FLOW STATEMENT

EUR 1,000	6 months 11/19-4/20	6 months 11/18-4/19	12 months 11/18-10/19
Operating net cash flow	17,615	4,171	10,807
Investment net cash flow	-2,125	-1,418	-319
Loans drawn	661	44,634	47,225
Loans repaid	-2,894	-47,757	-55,964
Share issue	0	0	400
Disposal of own shares	43	-30	184
Dividends paid and capital repayments	-3,214	-3,242	-5,334
Finance net cash flow	-5,404	-6,394	-13,489
Change in cash flows	10,086	-3,641	-3,000

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

EQUITY

EUR 1,000	Share capital	Premium fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Minority shareholders' interest	Total
Equity November 1, 2018	5,569	4,646	13,393	-292	29,356	31,342	84,013
Profit and costs recorded during the financial period, total					40	357	397
Dividends paid					-2,615		-2,615

Dividends paid for minority shareholders						- 1,419	-1,419
Disposal of own shares			141				141
Reward scheme					-68		-68
Translation differences				-41	2		-39
Other changes							
Acquisitions of minority shareholdings					171	-314	-143
Other changes in equity, total			141	-41	-2,510	-1,733	-4,143
April 30, 2019	5,569	4,646	13,534	-333	26,886	29,966	80,267
Equity **November 1, 2019**	5,569	4,646	13,550	-353	26,928	29,211	79,552
Profit and costs recorded during the financial period, total					-1,694	-50	-1,744
Share issue							
Dividends paid					-2,619		-2,619
Dividends paid for minority shareholders						-751	-751
Disposal of own shares			43				43
Reward scheme					31		31
Translation differences				15	5		20
Other changes						58	58
Selling of shares of subsidiaries owned resulting in loss of controlling interest						-935	-935
Acquisitions of minority shareholdings							
Other changes in equity, total			43	15	-2,583	-1,628	-4,153

Equity							
April 30, 2020	5,569	4,646	13,593	-338	22,651	27,533	73,653

KEY FIGURES

	April 30, 2020	April 30, 2019	October 31, 2019
EBIT, MEUR	451	2,078	3,771
Equity per share (EUR)	0.88	0.96	0.96
Earnings per share, undiluted (EUR)	-0.03	0.00	0.03
Earnings per share, diluted (EUR)	-0.03	0.00	0.03
Average number of outstanding shares during financial period, 1,000 pcs.	52,374	52,270	52,298
Number of shares at end of financial period, 1,000 pcs.	52,533	52,533	52,533
Number of shares, 1,000 pcs, on average, diluted	52,374	52,270	52,298
Return on equity, %	-4.6%	1.0%	3.1%
Return on investment, %	0.3%	3.1%	3.8%
Gross capital expenditure In permanent assets, MEUR	2.4	3.7	7.9
% of net sales	2.9%	4.1%	4.3%
Interest-bearing liabilities, MEUR	100.8	79.5	75.2
Interest-bearing net liabilities, MEUR	69.0	58.8	53.7
Equity ratio, %	34.8	41.1	41.3
Average number of employees	1,742	2,005	1,969

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 2019. 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	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18
Net sales	41.2	42.6	47.8	43.0	47.2	44.9	52.8	48.5
Other operating income	0.1	0.1	0.2	0.1	0.2	1.9	0.1	0.6
Costs in total	40.2	43.4	46.3	43.2	45.5	46.7	53.0	48.1
Depreciations, amortizations and impairment	4.5	4.3	2.7	3.5	2.6	2.6	5.6	2.5
EBIT	1.0	-0.6	1.7	0.0	1.9	0.2	-0.1	1.0
Finance items	-0.6	-0.6	-0.6	-0.5	-0.5	-0.4	-1.1	-0.7
Share of associated company profits	0.0	0.1	0.0	0.1	0.0	0.0	0.1	0.1
Profit before taxes	0.4	-1.0	1.1	-0.5	1.4	-0.2	-1.1	0.4
Taxes	-0.3	-0.4	0.3	-0.5	-0.4	-0.6	-0.7	-0.3
Profit from continuing operations	0.1	-1.4	1.4	-1.0	1.0	-0.8	-1.8	0.2
Profit/loss from sold operations	-0.5	0.1	-1.0	2.7	0.1	0.1	0.2	0.3
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	-0.4	-1.4	0.4	1.7	1.1	-0.7	-1.6	0.5
Minority interest	0.3	-0.4	0.7	-0.2	1.0	-0.7	1.0	0.5
Parent company shareholder interest	-0.7	-1.0	-0.3	1.9	0.1	-0.1	-2.7	0.0

GUARANTEES GIVEN

EUR 1,000	April 30, 2020	April 30, 2019	October 31, 2019
Guarantees given on behalf of Group companies			
Enterprise mortgages	94,255	93,258	95,258
Pledges given	113,382	130,127	116,268
Other liabilities	5,137	6,140	5,730
Other rental agreements			
In one year	9,997	11,566	11,276
In over one year but within five years maximum	15,987	19,443	17,551
In over five years	549	1,309	1,368
Total	**26,532**	**32,317**	**30,195**

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	11/19-4/20	11/18-4/19	11/18-10/19
Grano	57,758	66,745	129,689
Helakeskus	3,810	3,956	8,048
Hygga	2,086	2,428	4,688
Heatmasters	2,173	1,590	4,166
CoreHW	4,675	2,522	5,687
Carrot	7,768	9,927	20,845
Oscar Software	5,649	5,132	10,084
Others	0	0	0
Eliminations	-112	-144	-258
Group in total	83,807	92,156	182,949

EBIT EUR 1,000	11/19-4/20	11/18-4/19	11/18-10/19
Grano	797	2,246	4,086
Helakeskus	171	178	457
Hygga	-120	-91	-170
Heatmasters	162	-141	186
CoreHW	616	-51	432
Carrot	-584	-557	-375
Oscar Software	497	237	229
Others	-1,088	256	-1,074
Group in total	451	2,078	3,771

Interest-bearing net liabilities by segment **EUR 1,000**	**April 30, 2020**	**April 30, 2020** Impact of IFRS 16	**April 30, 2019**	**October 31, 2019**
Grano	67,237	20,159	54,869	50,939
Helakeskus	4,283	62	4,601	4,747
Hygga	7,786	1,301	6,104	6,358
Heatmasters	544	504	491	165
CoreHW	3,499	416	3,273	3,554
Carrot	4,305	45	5,152	5,043
Oscar Software	3,342	173	4,492	4,181
Parent company	-22,016	322	-20,854	-22,139
Others	0	0	688	811
Group in total	**68,979**	**22,982**	**58,815**	**53,660**

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 has increased the Group's net liabilities by MEUR 23 during the review period.

Write-downs per segment

EUR 1,000	April 30, 2020	April 30, 2020 Impact of IFRS 16	April 30, 2019	October 31, 2019
Grano	-7,084	-2,567	-4,372	-9,697
Helakeskus	-179	-171	-8	-16
Hygga	-282	-150	-159	-309
Heatmasters	-167	-84	-74	-157
CoreHW	-417	-61	-130	-266
Carrot	-176	-33	-144	-290
Oscar Software	-550	-197	-311	-658
Others	-6	-63	-37	-67
Group in total	**-8,862**	**-3,326**	**-5,235**	**-11,461**

The introduction of the IFRS 16 standard has increased the Group's depreciations by MEUR 3.3.

SEGMENT INFORMATION BY QUARTER NET SALES, MEUR	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18
Grano	28.5	29.2	33.3	29.6	34.5	32.3	35.7	32.1
Helakeskus	2.0	1.8	2.1	2.0	2.1	1.9	2.1	1.9
Hygga	1.0	1.1	1.1	1.2	1.2	1.2	1.3	1.3
Heatmasters	1.1	1.1	1.5	1.0	0.8	0.8	1.3	1.3
CoreHW	2.3	2.4	1.9	1.2	1.5	1.0	1.1	0.7
Carrot	3.4	4.3	5.4	5.6	4.6	5.3	6.3	6.7
Oscar Software	2.9	2.8	2.5	2.5	2.6	2.6	2.3	2.1
Others	0.0	0.0	0.0	0.0	0.0	0.0	2.6	2.5
Eliminations	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1
Group in total	41.2	42.6	47.8	43.0	47.2	44.9	52.8	48.5

SEGMENT INFORMATION BY QUARTER EBIT, MEUR

	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18
Grano	1.2	-0.4	1.8	0.0	2.5	-0.3	2.6	1.8
Helakeskus	0.1	0.0	0.2	0.1	0.1	0.1	-2.9	0.1
Hygga	-0.1	0.0	-0.1	0.0	0.0	-0.1	0.0	0.1
Heatmasters	0.1	0.1	0.3	0.0	0.0	-0.1	0.2	0.2
CoreHW	0.2	0.5	0.3	0.1	0.2	-0.3	0.0	-0.1
Carrot	-0.2	-0.4	0.1	0.1	-0.2	-0.4	0.1	-0.2
Oscar Software	0.3	0.2	-0.1	0.1	0.1	0.2	0.1	0.0
Others	-0.5	-0.6	-0.8	-0.5	-0.7	1.0	-0.1	-0.8
Group in total	1.0	-0.6	1.7	0.0	1.9	0.2	-0.1	1.0

Reconciliation of key figures – interest-bearing liabilities and interest-bearing net liabilities	**April 30, 2020**	**April 30, 2019**	**October 31, 2019**
Liabilities total	138.7	114.3	113.8
Non-interest-bearing liabilities	37.9	34.8	38.6
Interest-bearing liabilities	100.8	79.5	75.2
Trade and other receivables	21.8	26.9	29.8
Non-interest-bearing receivables	16.4	21.9	24.7
Interest-bearing receivables	5.4	5.0	5.1
Interest-bearing liabilities	100.8	79.5	75.2
Interest-bearing receivables	5.4	5.0	5.1
Cash and cash equivalents	26.5	15.7	16.4
Interest-bearing net liabilities	69.0	58.8	53.7

IFRS 16 Leases

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

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

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

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

According to the Group's calculations, the net current value of the capitalized lease debt in the balance sheet stands at MEUR 25.6. During the review period, the rental costs arising from the lease agreements dropped by MEUR 3.5 and the interest costs increased by MEUR 0.2. The write-downs for the review period increased by MEUR 3.3 due to the asset item write-downs.

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

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 seven 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. Suomen Helakeskus Oy is a major wholesaler of furniture fittings in Finland. 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.