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panostaja

INTERIM REPORTS

November 2015 – January 2016

March 3, 2016



PANOSTAJA OYJ'S INTERIM REPORT November 1, 2015 - January 31, 2016

November 1, 2015 – January 31, 2016 (3 months)

- Grano's net sales for the review period increased more than 50% from the previous year. The main reason behind this is the acquisition of Multiprint Group in June 2015. Grano's EBIT improved correspondingly from MEUR 0.8 to MEUR 1.3. The Multiprint integration is making progress.
- KotiSun's growth continued in the review period with net sales increasing by 26%. The provision of sewer renovation services began in the metropolitan area.
- The market situation remained challenging in almost every investment target. Net sales increased in four of the eight targets. The Group's total net sales increased by 29% and stood at MEUR 40.7 (MEUR 31.6).
- EBIT improved in three of the eight investment targets, and the EBIT of the entire Group increased from MEUR 1.0 to MEUR 1.3.
- Earnings per share (undiluted) were 0.4 cents (-2.2 cents).
- Panostaja updated its estimate of the fair value of the additional purchase price receivable from the Flexim Security sale and recorded a MEUR 2.0 additional purchase price, in which Panostaja's share before taxes is MEUR 1.4. The amount of the additional purchase price will be determined based on the period ending on April 30, 2016.
- Panostaja Oyj signed agreements for a financing package worth a total of MEUR 30 on December 8, 2015. The package consists of MEUR 20 in loans and a MEUR 10 acquisition limit. Panostaja Oyj has good financial resources for making new investments.

Outlook for the 2016 financial period

Panostaja keeps its result management issued on December 11, 2015 unaltered. The Group's EBIT is expected to improve substantially over the course of the 2016 financial period.

Changes to business segment names

The names of Panostaja's business segments have changed, but their contents have remained as before. The investment targets in Panostaja's majority ownership form the company's business segments, in addition to which the Others segment has been set up to report on the Group's parent company, including associated companies and non-allocated items. The segment names are the names of the businesses serving as the investment targets.

CEO Juha Sarsama:

"There was significant variation in the profitability development of the investment targets during the review period. The market situation remains poor in many of our investment targets. Furthermore, the profit development of the investment targets was partially weaker than expected. Overall, the Group's net sales grew to MEUR 1.3 from the previous year's MEUR 1.0.

The development measures in the investment targets continued. The Grano integration process proceeded to the implementation of the new strategy, and joint systems were adopted for operational purposes. KotiSun began to provide sewer renovation services in the Helsinki Metropolitan Area, taking a

significant step towards building a nationwide range of such services in line with its growth strategy. Megaklinikka signed two agreements on licensing its oral health care ERP system to the cities of Jyväskylä and Joensuu, which is further proof of the operating model's excellent growth opportunities.

The economic situation in Finland remains uncertain. Various threat scenarios related to the development of the global economy, political risks, the collapse of raw material prices and the financial market cause widespread and prolonged uncertainty that affects economic development in Europe and Finland. The general economic situation and atmosphere are challenging, which is reflected in almost all of our investment targets.

In the review period, activity in the corporate acquisition market has been at a good level overall, even though the availability of new targets has been fairly sparse since the beginning of the year. The markets still provide opportunities for both new acquisitions and select divestments, and we will continue to actively explore new corporate acquisition opportunities.

Investment targets

Grano



Grano is the leading provider of digital printing services in Finland.

Grano's net sales for the review period increased more than 50% from the previous year. The main reason behind this is the acquisition of Multiprint Group in June 2015. Grano's EBIT improved correspondingly from MEUR 0.8 to MEUR 1.3.

The general market situation is challenging. January was a particularly weak period. The domestic sale of coated paper declined by 17% in 2015, and in January the drop stood at 20%.

The Multiprint integration is progressing. A new strategy has been created and its implementation has been initiated. The final moves following the merger are now complete, and operations are carried out using the same systems. Digital expertise was bolstered after the review period through the corporate

MEUR	3 months	3 months	12 months	
	11/15-1/16	11/14-1/15	change	11/14-10/15
Net sales, MEUR	21.2	13.7	54.4%	69.9
EBIT, MEUR	1.3	0.8	68.4%	5.9
Net liabilities	34.7	6.8	409.5%	37.2
Panostaja's shareholding	51.9%			

KotiSun

KotiSun provides heat and water system renovations for detached houses.



In the review period, the company's net sales increased by over 25% from the previous year. Despite strong growth, profitability has remained at a good level. EBIT in the review period was encumbered by the difference of MEUR -0.5 between the values of KotiSun Oy's additional purchase price and the estimated value on the balance sheet date.

The market situation remained normal in the review period. Net sales in January were hampered by the exceptionally low temperatures.

The sewer business of Pirkanmaan LVI-palvelu Oy, which was purchased in October 2015, is off to a good start and the provision of sewer renovation services was initiated in the Helsinki Metropolitan Area.

MEUR	3 months	3 months	12 months	
	11/15-1/16	11/14-1/15	change	11/14-10/15
Net sales, MEUR	6.5	5.2	26.1%	23.7
EBIT, MEUR	1.2	0.7	67.6%	4.2
Net liabilities	7.5	5.4	38.4%	8.2
Panostaja's shareholding	58.2%			

Megaklinikka

Megaklinikka provides dental care with an entirely new concept



Megaklinikka's net sales for the review period stood at MEUR 1.1 while its EBIT was MEUR -0.3. The company was purchased in March 2015, which means that comparative data is not yet available. The monthly program initiated in November has been well-received among customers, but in its initial phase it encumbers the result of the period.

During the review period, service access declined in the private sector in Helsinki by -6% from the year before. At the beginning of the year KELA reimbursements were significantly reduced, which has influenced customer numbers and will likely continue to do so in the future.

Megaklinikka won the competitive bidding held by the City of Jyväskylä for the procurement of an ERP system for oral health care. The agreement has been made and the operations are under way. The City of Joensuu has implemented the ERP system for a trial period.

The operations of the Swedish clinic are slated to begin in the fall, according to plan.

MEUR	3 months	3 months	12 months	
	11/15-1/16	11/14-1/15	change	11/14-10/15
Net sales, MEUR	1.1			3.4

EBIT, MEUR	-0.3	-0.5
Net liabilities	3.4	3.2
Panostaja's shareholding	60.0%	

Takoma



Takoma manufactures mechanical power transmission components

Takoma's net sales in the review period fell by 22% from the previous year due to the poor market situation. Despite the adaptation measures, the company's EBIT dropped to negative figures.

On January 31, 2016, Takoma's order book was MEUR 4.1 (5.3), which indicated a drop of 23%. The order book has declined significantly, forecasting the markets remains difficult and customers have refrained from initiating large investment projects. This is still due to the continuously low price of oil and the general market situation. However, demand has remained at a reasonable level in terms of cruise ships and other propeller equipment.

MEUR	3 months	3 months	12 months	
	11/15-1/16	11/14-1/15	change	11/14-10/15
Net sales, MEUR	3.2	4.0	-21.6%	13.2
EBIT, MEUR	-0.2	0.0	-740.5%	-0.7
Net liabilities	4.3	6.1	-30.1%	4.2
Panostaja's shareholding	63.1%			

Selog



Selog is the largest wholesaler of ceiling materials in Finland

In the review period, Selog's net sales and profitability remained at the level of the previous year.

Construction volumes are still low and competition for contracts is fierce, but there are signs of a slight recovery over the spring period.

MEUR	3 months	3 months	12 months	
	11/15-1/16	11/14-1/15	change	11/14-10/15
Net sales, MEUR	2.3	2.3	-0.2%	9.9
EBIT, MEUR	0.1	0.1	1.0%	0.5
Net liabilities	0.7	1.0	-29.6%	0.9
Panostaja's shareholding	60.0%			

Helakeskus



Helakeskus is a prominent wholesaler of fittings for furniture and construction in

In the review period, the company's net sales and profitability remained at the level of the previous year.

In terms of the market situation, there were no significant changes. The market outlook looks somewhat brighter than before. However, the liquidity problems of customers are still a growing risk in the markets.

MEUR	3 months	3 months	12 months	
	11/15-1/16	11/14-1/15	change	11/14-10/15
Net sales, MEUR	2.4	2.4	-1.1%	10.4
EBIT, MEUR	0.1	0.1	79.5%	0.7
Net liabilities	6.2	6.5	-4.4%	6.4
Panostaja's shareholding	95.3%			

KL-Varaosat



KL-Varaosat is a wholesaler and retailer of MB, BMW and Volvo parts

KL-Varaosat's net sales for the review period increased more than 20% from the previous year. The growth resulted from expansions in terms of both geographic coverage and the brand range. In addition to this, profitability improved substantially compared to the reference year.

The market situation has been normal for the period. The weather conditions in January increased the sales of spare parts that wear down in low temperatures.

The number of partner repair shops has been expanded to the target level.

MEUR	3 months	3 months	12 months	
	11/15-1/16	11/14-1/15	change	11/14-10/15
Net sales, MEUR	3.2	2.6	22.0%	11.8
EBIT, MEUR	0.2	0.0	692.8%	0.5
Net liabilities	2.0	2.4	-16.3%	2.2
Panostaja's shareholding	75.0%			

Heatmasters

Heatmasters provides metal heat treatment services and technology

Heatmasters' net sales for the review period were more than 30% lower than in the previous year. Due to the drop in service volume, profitability declined to a clear loss. Lay-offs were initiated in the Finnish companies to mitigate the effects of the early part of the year.

The market is in a slump in all geographical and operational areas. The Swedish unit has been reorganized. However, there are some significant project opportunities for this year and the next in Finland.

MEUR	3 months	3 months	12 months	
	11/15-1/16	11/14-1/15	change	11/14-10/15
Net sales, MEUR	0.9	1.4	-36.5%	6.3
EBIT, MEUR	-0.3	-0.1	-167.3%	0.1
Net liabilities	-0.7	-0.4	-88.0%	-0.9
Panostaja's shareholding	80.0%			

FINANCIAL DEVELOPMENT November 1, 2015–January 31, 2016**Key figures Panostaja Group**

MEUR	Q1	Q1	12 months
	11/15-1/16	11/14-1/15	11/14-10/15
Net sales, MEUR	40.7	31.6	148.2
EBIT, MEUR	1.3	1.0	7.3
Profit before taxes, MEUR	0.6	0.3	3.4
Earnings per share, undiluted (EUR)	0.00	-0.02	0.14
Profit/loss for the financial period, MEUR	1.6	-0.7	13.5
Equity per share (EUR)	0.75	0.60	0.74
Operating cash flow (MEUR)	4.2	2.6	8.0

The income statement for operations discontinued during the reference period has been separated from the income statement for continuing operations and the profit/loss for them is presented in accordance with the IFRS standards in the row 'Earnings from discontinued operations.' Prior to separating discontinued and sold operations from continuing operations in the income statement, the consolidated net sales for the reference period were MEUR 39.6 and EBIT was MEUR 1.4.

Net sales in the review period increased by 29% and were MEUR 40.7 (MEUR 31.6). The impact of the corporate acquisitions on the MEUR 9.2 growth in net sales stood at MEUR 8.3. Exports amounted to MEUR 1.8, or 4.5% (MEUR 2.3, or 5.8%) of net sales. Net sales increased in four of the eight investment targets.

EBIT improved from MEUR 1.0 to MEUR 1.3. EBIT in the review period was encumbered by the difference of MEUR -0.5 between the values of KotiSun Oy's additional purchase price and the value on the balance sheet date. EBIT improved in three of the eight investment targets. The development of the net sales and EBIT has been commented on for each respective investment target.

The profit/loss for the financial period was MEUR 1.6 (MEUR -0.7). The period's profit/loss includes the recording of a MEUR 1.6 additional purchase price related to the sale of Flexim Security. The final amount of the additional purchase price will be determined based on the period ending on April 30, 2016.

Distribution of net sales by segment

MEUR	Q1	Q1	12 months
	11/15-	11/14-	11/14-
Net sales	1/16	1/15	10/15
Grano	21.2	13.7	69.9
KotiSun	6.5	5.2	23.7
Takoma	3.2	4.0	13.2
Selog	2.3	2.3	9.9
Helakeskus	2.4	2.4	10.4
KL-Varaosat	3.2	2.6	11.8
Heatmasters	0.9	1.4	6.3
Megaklinikka	1.1	0.0	3.4
Others	0.0	0.0	0.0
Eliminations	0.0	-0.1	-0.3
Group in total	40.7	31.6	148.2

Distribution of EBIT by segment

MEUR	Q1	Q1	12 months
	11/15-	11/14-	11/14-
EBIT	1/16	1/15	10/15
Grano	1.3	0.8	5.9
KotiSun	1.2	0.7	4.2

Takoma	-0.2	0.0	-0.7
Selog	0.1	0.1	0.5
Helakeskus	0.1	0.1	0.7
KL-Varaosat	0.2	0.0	0.5
Heatmasters	-0.3	-0.1	0.1
Megaklinikka	-0.3	0.0	-0.5
Others	-0.8	-0.7	-3.3
Group in total	1.3	1.0	7.3

Panostaja Group's business operations for the period under review are reported in nine segments, which are Grano, Kotisun, Takoma, Selog, Helakeskus, KL-Varaosat, Heatmasters, Megaklinikka and Others (parent company and associated companies).

There were no significant changes in the net sales of the Others segment. In the review period, three associated companies, Juuri Partners Oy, Ecosir Group Oy and Spectra Yhtiöt Oy, issued reports to the parent company. The impact on profit/loss of the reported associated companies in the review period was MEUR -0.0 (MEUR -0.1), which is presented in a separate row in the consolidated income statement.

PERSONNEL

	January 31, 2016	January 31, 2015	Change
Average number of employees	1,238	1,112	11%
Employees at the end of the review period	1,236	1,111	11%

Employees in each segment at the end of the review period	January 31, 2016	January 31, 2015	Change
Grano	767	488	57%
Flexim	0	251	-100%
KotiSun	159	121	31%
Takoma	85	92	-8%
Selog	14	13	8%
Helakeskus	28	34	-18%
KL-Varaosat	45	50	-10%
Heatmasters	46	53	-13%
Megaklinikka	83		

Others	9	9	0%
Group in total	1,236	1,111	11%

The Group's number of employees was increased by the Multiprint arrangement and Megaklinikka, which was purchased in the previous financial period. Flexim, which was sold in the previous financial period, is still included in the Group's reference figures. At the end of the review period, Panostaja Group employed a total of 1,236 persons, while the average number of personnel during the period was 1,238. During the review period, Panostaja continued to develop its personnel in line with its strategy.

INVESTMENTS AND FINANCE

Panostaja signed agreements for a financing package worth a total of MEUR 30.0 on December 8, 2015. The package consists of MEUR 20 in loans and a MEUR 10.0 acquisition limit. The loans are secured debt loans. A share of MEUR 5.0 of the loans falls due three years from withdrawal and a share of MEUR 15.0 falls due on October 31, 2019. In accordance with binding loan agreements, the loans shall be withdrawn by April 30, 2016. MEUR 3.0 of the loans was withdrawn during the review period.

In the period under review, Panostaja purchased convertible subordinated loan shares valued at MEUR 3.75, which were then nullified. After the nullification, the remaining amount of the convertible subordinated loan that will fall due on April 1, 2016 is MEUR 11.25. The parent company can withdraw MEUR 17.0 in loans by April 30, 2016 in order to repay the convertible subordinated loan and strengthen its financial position.

The financial position and investment resources of Panostaja's parent company are good, which enables new investments. The parent company's funds, financial securities and liquid fund shares stood at MEUR 12.0. In addition to this, the parent company has a MEUR 10.0 corporate acquisition limit for implementing corporate acquisitions.

The Group's operating cash flow improved and was MEUR 4.2 (MEUR 2.6). Liquidity remained good. The Group's liquid assets were MEUR 26.7 (October 31, 2015: MEUR 30.6) and interest-bearing net liabilities were MEUR 46.4 (October 31, 2015: MEUR 45.7). The gearing ratio increased and stood at 70.0% (October 31, 2015: 65.2%). The increase in the gearing ratio was mainly due to the distribution of dividends from the investment targets during the review period. The Group's net financial expenses for the review period were MEUR -0.7 (MEUR -0.6), or 1.7% (1.7%) of net sales.

The Group's gross capital expenditure for the review period was MEUR 2.3 (MEUR 2.1), or 5.7% (6.6%) of net sales. Investments were mainly targeted at corporate acquisitions as well as tangible and intangible assets.

Financial position MEUR	January 31, 2016	January 31, 2015	October 31, 2015
Interest-bearing liabilities	76.6	59.5	79.8
Interest-bearing receivables	3.5	4.4	3.5
Cash and cash equivalents	26.7	19.1	30.6
Interest-bearing net liabilities	46.4	36.0	45.7

Equity (belonging to the parent company's shareholders as well as minority shareholders)	66.2	45.5	79.8
Gearing ratio, %	70.0	79.3	65.2
Equity ratio, %	36.4	32.2	37.5
Return on equity, %	9.6	-6.5	23.0
Return on investment, %	8.2	1.9	12.4

GROUP STRUCTURE CHANGES

There were no changes to the Group structure during the review period.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.85 (lowest quotation) and EUR 1.04 (highest quotation) during the first quarter. In the period under review, a total of 2,176,108 shares were exchanged, which amounts to 4.2% of the share capital. The January 2016 share closing rate was EUR 0.97. The market value of the company's share capital at the end of January 2016 was MEUR 50.2 (MEUR 43.5). At the end of January 2016, the company had 3,631 shareholders (3,539).

Development of share exchange	1Q/2016	1Q/2015	2015
Shares exchanged, 1,000 pcs	2,176	2,230	6,508
% of share capital	4.2	4.4	12.7

Share	January 31,	January 31,	October 31,
Shares in total, 1,000 pcs	51,733	51,733	51,733
Own shares, 1,000 pcs	296	384	342
Closing rate	0.97	0.84	0.96
Market value (MEUR)	50.2	43.5	44.5
Shareholders	3,631	3,539	3,660

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on February 2, 2016 in Tampere. The number of Board Members was confirmed at six and the following persons were elected to the Board for the term ending at the end of the next Annual General Meeting: Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Antero (Antti) Virtanen and Hannu Tarkkonen were re-elected and Tarja Pääkkönen was included as a new member.

Authorized Public Accountants PricewaterhouseCoopers Oy and Authorized Public Accountant Markku Launis were elected as auditors for the period that ends at the end of the Annual General Meeting following the election. Authorized Public Accountants PricewaterhouseCoopers Oy has stated that Authorized Public Accountant Lauri Kallaskari will serve as the chief responsible public accountant.

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2014–October 31, 2015 and resolved that shareholders be paid a dividend of EUR 0.05 per share.

The Meeting also resolved that the Board 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 the 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 that ends at the end of the next Annual General Meeting, and that the other members of the Board each be paid a compensation of EUR 20,000 for the same period. 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 percent (1%) of the company's shares on the date of the General Meeting. If the holding of a Board member on the date of the Meeting is over one percent (1%) of all company shares, the compensation will be paid in full in monetary form. Furthermore, the General Meeting decided that the travel expenses of the Board members will also be paid based on the maximum amount specified in the valid grounds for payment of travel expenses ordained by the Finnish Tax Administration.

In addition, the Board was authorized to decide on the acquisition of the company's own shares in one or more installments so that the number of the company's own shares to be acquired may not exceed 5,100,000 in total, which corresponds to about 9,86% 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 OMX 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 not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting of February 5, 2015 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization will remain valid until August 2, 2017.

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.

The Board of Directors has not used the authorization granted by the Annual Meeting to acquire the company's own shares during the review period.

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 total number of shares is 51,733,110.

The total number of shares held by the company at the end of the review period was 296,115 individual shares (at the beginning of review period: 342,398). The number of the company's own shares corresponded to 0.7% of the number of shares and votes at the end of the entire review period.

In accordance with the decisions by the General Meeting on February 5, 2015 and by the Board, Panostaja Oyj relinquished a total of 32,800 individual shares as share bonuses to the company management on December 11, 2015. On December 11, 2015, the company relinquished to the Board members a total of 13,483 shares as meeting compensation.

EQUITY CONVERTIBLE SUBORDINATED LOAN AND HYBRID LOAN

At the end of the review period, MEUR 11.25 of the 2011 convertible subordinated loan remained. The interest rate for the loan is 6.5%, and the loan period is February 7, 2011–April 1, 2016. The original share exchange rate is EUR 2.20, and the loan shares can be exchanged for no more than 5,113,636 company shares. The total number of loan shares is 225, and they are available for public trade on the Nasdaq OMX Helsinki stock exchange. The share exchange rate will be entered into the company's invested unrestricted equity fund.

On May 27, 2013, the Group issued an equity convertible subordinated loan to the value of MEUR 7.5. The equity convertible subordinated loan has no maturity date, but the Group is entitled, but not obliged, to redeem the loan within four years. Based on the contract, the annual interest is 9.75%. Interest is only paid if the company decides to distribute dividends. If dividends are not distributed, the Group will decide separately on the payment of interest. In the consolidated financial statements, the loan is classified as equity and interest is presented as dividend.

EVENTS AFTER THE REVIEW PERIOD

There are no major events to report.

MARKET PROSPECTS

The financial situation and atmosphere in Finland as well as the threats related to the development of the global economy, political risks, the collapse of raw material prices and the financial market have kept the markets in a poor state. The demand for companies operating on the domestic market is low and domestic consumer demand is still not expected to recover in the near future. The drop in the price of oil has slowed down investments significantly in the off-shore sector. The impact of the poor market situation has been particularly strong on investment targets serving the construction industry, trade and the technology industry. Although the financial situation of companies in the SME sector has worsened due to increasing regulation, financing is available for good projects. In the review period, activity in the corporate acquisition market has been at a good level overall, even though the availability of new targets has been fairly sparse since the beginning of the year.

THE MOST SIGNIFICANT NEAR-FUTURE BUSINESS RISKS AND RISK MANAGEMENT

Risk management is part of the Panostaja Group's management and monitoring systems. Panostaja aims to identify and monitor changes in the business environment and general market situation of its investment targets, to react to them and to utilize the business opportunities that they present. Risk is classified as factors that may endanger or impede Panostaja or the investment targets owned by it 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, investment targets, personnel or other stakeholder groups. A more detailed report on Panostaja's risk management policy and the most significant risks was published in the 2014 annual report. Financial risks are discussed in greater detail in the Notes to the 2015 Financial Statements.

Market risks, general: General market risks are mainly tied to the uncertainty resulting from Finland's economic situation and the development of the global economy, political risks, the collapse of raw material prices, the prolonged instability of the financial market and the possible effects these factors may have on achieving the goals set for the investment targets. 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, operating fields of the investment targets: The instability of the overall economic situation has led to a decline in customer demand as well as the postponement of investments, which may result in a need for consolidated goodwill write-downs. Economic prospects in the fields of the existing investment targets are strongly tied to the prospects of customer enterprises. Expectations for the financial situation are still characterized by uncertainty and poor forecastability. The prospects in Panostaja's investment targets vary from positive to weak. Panostaja regularly assesses the risks for each investment target and, based on the updated risk assessment, takes the necessary remedial action.

Strategic risks: Panostaja represents the Finnish SME sector extensively. The net sales are divided among eight investment targets with a varying cyclical nature. The Group's business structure partially evens out economic fluctuations. In spite of this, general and target-specific market risks can, however, affect the Group's result and financial development. In the investment targets, the expected market situation is taken into account by adapting production and costs to market demand and by safeguarding the financial position. In changes in the global economy, Panostaja also sees opportunities to improve its market position, for example through corporate acquisitions. The crises in Russia, Ukraine and Syria do not have direct effects on Panostaja Group, but their protraction is negatively affecting demand on the domestic Finnish market and thereby the development of Panostaja's profit and financial position.

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 interest risk of the Group mainly constitutes borrowing, which is spread over variable and fixed-interest loans. Some of the investment targets use interest rate swaps and interest rate ceiling agreements. 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 in some of the investment targets. This risk is increased by the tightness of credit issued to SMEs.

Corporate acquisitions:

Panostaja actively seeks SMEs and endeavors 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 aims to implement its strategy by means of controlled acquisitions in current investment targets, and new potential targets are also being actively studied.

Preparation for divestments is being continued as part of the ownership strategies of investment targets. Risks related to corporate acquisitions are managed by investing carefully according to specific investment criteria, conducting in-depth analyses of the target companies and target markets, and ensuring the efficiency of 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: On September 30, 2014, Pirkanmaa District Court confirmed the reorganization programs of Takoma Oyj and Takoma Gears Oy. The confirmation of the reorganization program provides an opportunity to develop the operations of Takoma Gears Oy. Changes concerning Takoma may, however, continue to cause needs for one-time write-downs. Takoma's failure to implement the reorganization program is not expected to cause changes to Panostaja Group's operating conditions.

OUTLOOK FOR THE 2016 FINANCIAL PERIOD

In accordance with its strategy, Panostaja is actively focusing on increasing shareholder value in the investment targets it owns. The development of shareholder value will be constantly monitored as part of a changing operating environment, and decisions on the development or divestment of investment targets will be made in order to maximize shareholder value. Active development of shareholder value, the effective allocation of capital and good financing opportunities for corporate acquisitions create a solid foundation for operational expansion.

In the review period, activity in the corporate acquisition market has been at a good level overall, even though the availability of new targets has been fairly sparse since the beginning of the year. The need for SMEs to utilize ownership arrangements and growth opportunities persists, and there are still a sufficient number of corporate acquisition opportunities in the markets for those who take an active approach. Panostaja's intention is to implement its strategy during the financial period by investing in 1–2 new targets and making corporate acquisitions in the current investment targets of choice. Divestment possibilities will also be assessed actively as part of the ownership strategies of the investment targets.

Economic prospects in the business areas of the current investment targets continue to be marred by the uncertainty and poor predictability of the general economic development. The prospects in Panostaja's investment targets vary from positive to weak. Despite the uncertain market situation, the growth and development measures implemented support the development of the investment targets.

Panostaja keeps its result management issued on December 11, 2015 unaltered. The Group's EBIT is expected to improve substantially over the course of the 2016 financial period.

Panostaja Oyj

Board of Directors

For further information, contact CEO Juha Sarsama: tel. +358 (0)40 774 2099.

Panostaja Oyj

Juha Sarsama

CEO

All forecasts and assessments presented in this interim report bulletin are based on the current outlook of the Group and the views of the management of the various business areas 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 principles based on the IAS 34 standard.

The information in the interim report has not been audited.

INCOME STATEMENT

EUR 1,000	3 months	3 months	12 months
	11/15- 1/16	11/14- 1/15	11/14- 10/15
Net sales	40,742	31,570	148,218
Other operating income	478	137	674
Costs in total	39,884	30,745	141,569
Depreciations, amortizations and impairment	1,712	1,119	6,049
Operating profit	1,336	962	7,323
Financial income and expenses	-694	-550	-3,832
Share of associated company profits	-4	-137	-53
Profit before taxes	638	275	3,437
Income taxes	-601	-501	277
Profit/loss from continuing operations	36	-226	3,714
Profit/loss from discontinued operations	1,600	-523	9,535
Profit/loss from discontinued operations	0	0	250
Profit/loss for the financial period	1,636	-749	13,499
Attributable to			
shareholders of the parent company	365	-964	7,834
minority shareholders	1,272	215	5,665

Earnings per share from continuing operations EUR, undiluted	-0.018	-0.015	0.008
Earnings per share from continuing operations € , diluted	-0.018	-0.015	0.008
Earnings per share from discontinued operations EUR, undiluted	0.022	-0.007	0.133
Earnings per share from discontinued operations EUR, undiluted	0.019	-0.007	0.118
Earnings per share from continuing and discontinued operations EUR, undiluted	0.004	-0.022	0.141
Earnings per share from continuing and discontinued operations EUR, diluted	0.004	-0.022	0.138
EXTENSIVE INCOME STATEMENT			
Items of the extensive income statement	1,636	-749	8,234
Translation differences	-17	-4	-79
Extensive income statement for the period	1,619	-753	8,155
Attributable to			
shareholders of the parent company	348	-968	2,490
minority shareholders	1,272	215	5,665

BALANCE SHEETJanuary 31,
2016January 31,
2015

October 31,

EUR 1,000**ASSETS****Non-current assets**

Goodwill	78,343	49,696	78,042
Other intangible assets	10,565	8,471	11,252
Property, plant and equipment	10,726	9,157	10,167
Interests in associated companies	5,923	2,517	5,911
Deferred tax assets	3,663	3,474	3,666
Other non-current assets	7,069	8,341	6,861
Non-current assets total	116,288	81,656	115,898

Current assets			
Stocks	12,015	14,898	12,596
Trade receivables and other non-interest-bearing receivables	27,687	25,702	29,042
Financial assets at fair value through profit and loss	6,606	8,490	6,606
Cash and cash equivalents	20,114	10,592	24,001
Current assets total	66,422	59,682	72,245
ASSETS IN TOTAL	182,711	141,339	188,143
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	12,643	14,612	12,602
Equity convertible loan	7,390	7,390	7,390
Translation difference	-125	-156	-124
Retained earnings	8,341	-979	7,992
Total	38,464	31,082	38,075
Minority interest	27,777	14,324	32,001
Equity total	66,241	45,406	70,076
Liabilities			
Deferred tax liabilities	1,748	968	1,836
Equity convertible subordinated loan	0	14,724	0
Non-current liabilities	63,368	34,197	59,825
Current liabilities	40,104	46,044	41,407
Equity convertible subordinated loan	11,250	15,000	15,000
Liabilities total	116,470	95,933	118,067
EQUITY AND LIABILITIES IN TOTAL	182,711	141,339	188,143

CASH FLOW STATEMENT

	January 31, 2016	January 31, 2015	October 31, 2015
EUR 1,000			
Operating net cash flow	4,224	2,588	7,981
Investment net cash flow	-2,012	-1,819	-26,908
Loans drawn	3,758	3,233	46,936
Loans repaid	-6,830	-3,262	-33,199
Share issue			23,241
Disposal of own shares	41	37	73
Dividends paid and capital repayments	-3,068	-330	-3,267
Finance net cash flow	-6,099	-322	33,784
Change in cash flows	-3,887	447	14,857

EUR 1,000	Share capital	Share premium account	Invested unrestrict ed equity fund	Transl ation differe nces	Profit funds	Other funds	Minority shareholders' interest	Total
Equity	5,569	4,646	14,569	-152	95	7,390	15,378	47,495
November 1, 2014								
Profit for the financial period					-964		215	-749
Profit and costs recorded during the financial period, total					-964		215	-749
Dividends paid							-1,028	-1,028
Interest on equity convertible loan								

Disposal of own shares	37							37
Reward scheme	6							6
Translation differences		--4	12					8
Other changes								
Changes in minority interest				- 122			-240	-362
Other changes in equity, total	43	-4	-110				-1,269	-1,340

Equity

January 31, 2015	5,569	4,646	14,612	-156	-979	7,390	14,324	45,406
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Equity

November 1, 2015	5,569	4,646	12,602	-124	7,992	7,390	32,001	70,076
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Profit for the financial period					365		1,272	1,636
Profit and costs recorded during the financial period, total					365		1,272	1,636
Dividends paid							-5,502	-5,502
Interest on equity convertible loan								
Disposal of own shares	41							41
Translation differences				-1	-16			-17
Share of minority shareholders created from subsidiary acquisition							6	6
Sales of shares in subsidiaries that have not led to loss of controlling interest								
Sales of shares in subsidiaries that have led to loss of controlling interest								

Acquisitions of minority shares

Other changes in equity, total 41 -1 -16 -5,496 -5,472

Equity

January 31, 2016 5,569 4,646 12,643 -125 8,341 7,390 27,777 66,241

KEY FIGURES

EUR 1,000

	January 31, 2016	January 31, 2015	October 31, 2015
Equity per share (EUR)	0.75	0.60	0.74
Earnings per share, undiluted (EUR)	0.00	-0.02	0.14
Earnings per share, diluted (EUR)	0.00	-0.02	0.14
Average number of shares during financial period, 1,000 pcs.	51,306	51,284	51,373
Number of shares at end of financial period, 1,000 pcs.	51,733	51,733	51,733
Share issues/CL exchanges during financial period, 1,000 pcs.	0	0	0
Number of shares, 1,000, diluted	58,124	58,102	58,191
Return on equity, %	9.6	-6.5	23.0
Return on investment, %	8.2	2.9	12.4
Gross capital expenditure To permanent assets, MEUR	2.3	2.1	54.9
% of net sales	5.7%	6.6%	37.0%
Interest-bearing liabilities	76.6	59.5	79.8
Equity ratio (%)	36.4	32.2	37.5
Average number of employees	1,238	1,112	1,176

The formulae for calculating key figures are presented in the financial statements for the 2015 financial period.

ACQUIRED BUSINESSES

No new business operations were acquired in the review period.

**GROUP DEVELOPMENT BY
QUARTER
MEUR**

	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14
Net sales	40.7	44.1	37.9	34.6	31.6	34.8	30.3	29.2
Other operating income	0.5	0.4	0.0	0.2	0.1	0.2	0.3	0.2
Costs in total	39.9	41.3	37.0	32.5	30.7	31.6	28.8	27.2
Depreciations, amortizations and impairment	1.7	2.0	1.7	1.2	1.1	1.2	1.1	1.1
EBIT	1.3	3.1	1.0	2.3	1.0	3.5	1.9	2.2
Finance items	-0.7	-1.9	-0.9	-0.5	-0.5	-0.8	-0.6	-0.4
Share of associated company profits	0.0	0.2	0.0	-0.1	-0.1	0.2	0.0	0.0
Profit before taxes	0.6	1.4	0.1	1.7	0.3	2.8	1.2	1.7
Taxes	-0.6	2.3	-0.7	-0.8	-0.5	-1.5	-0.5	-0.7
Profit from continuing operations	0.0	3.7	-0.7	0.9	-0.2	1.3	0.7	1.1
Profit/loss from discontinued operations	1.6	9.8	0.8	-0.6	-0.5	0.5	6.3	0.2
Profit/loss from discontinued operations	0.0	0.0	0.0	0.3	0.0	0.6	0.0	-0.2
Profit for the period	1.6	13.5	0.2	0.6	-0.7	2.4	7.0	1.1
Minority interest	1.3	4.3	0.5	0.6	0.2	1.4	0.7	0.9
Parent company shareholder interest	0.4	9.2	-0.4	0.0	-1.0	1.0	6.3	0.2

GUARANTEES GIVEN

	January 31, 2016	January 31, 2015	October 31, 2015
Guarantees given on behalf of Group companies			
Enterprise mortgages	83,912	44,819	97,544
Pledges given	113,825	67,486	123,064
Other liabilities	6,681	3,637	11,101
Other rental agreements			

In one year	5,484	5,982	7,911
In over one year but within five years maximum	9,138	12,330	13,526
In over five years	926	1,613	1,112
Total	15,548	19,926	22,549

SEGMENT INFORMATION

The names of Panostaja Group's business segments have changed. The segment names are based on the names of the businesses serving as the investment targets. The contents of the segments have remained as before.

Panostaja Group's segmentation is based on investment targets that provide a variety of products and services and that are in the Group's majority ownership. The investment targets in which Panostaja has a majority holding form the company's business segments, in addition to which the Others segment has been defined to report on the Group's parent company, including associated companies and non-allocated items.

SEGMENT NAMES

Previous name	Current name
Digital Printing Services	Grano
Building Technology Renovation	KotiSun
Takoma	Takoma
Ceiling Materials	Selog
Fittings	Helakeskus
Spare Parts for Motor Vehicles	KL-Varaosat
Heat Treatment	Heatmasters
Oral Health Care	Megaklinikka
Others	Others

TURNOVER

11/15-1/16 11/14-1/15 11/14-10/15

EUR 1,000

Grano	21,221	13,744	69,882
KotiSun	6,523	5,172	23,712
Takoma	3,160	4,031	13,182

Selog	2,317	2,322	9,867
Helakeskus	2,382	2,409	10,365
KL-Varaosat	3,159	2,589	11,804
Heatmasters	873	1,374	6,300
Megaklinikka	1,134	0	3,386
Others	0	0	13
Eliminations	-29	-71	-293
Group in total	40,742	31,570	148,218

EBIT 11/15-1/16 11/14-1/15 11/14-10/15

EUR 1,000

Grano	1,349	801	5,931
KotiSun	1,171	699	4,192
Takoma	-201	31	-680
Selog	125	124	529
Helakeskus	113	63	657
KL-Varaosat	203	26	472
Heatmasters	-338	-127	60
Megaklinikka	-274	0	-548
Others	-812	-655	-3,290
Group in total	1,336	962	7,323

DEPRECIATIONS 11/15-1/16 11/14-1/15 11/14-10/15

EUR 1,000

Grano	-1,003	-636	-3,404
KotiSun	-186	-88	-734
Takoma	-160	-174	-649
Selog	-50	-51	-205
Helakeskus	-21	-42	-150
KL-Varaosat	-27	-26	-116

Heatmasters	-63	-77	-304
Megaklinikka	-186	0	-400
Others	-18	-23	-87
Group in total	-1,712	-1,119	-6,049

NET LIABILITIES

11/15-1/16

11/14-1/15

11/14-10/15

EUR 1,000

Grano	34,699	6,810	37,242
KotiSun	7,498	5,419	8,179
Takoma	4,279	6,125	4,248
Selog	709	1,007	907
Helakeskus	6,202	6,490	6,374
KL-Varaosat	1,974	2,359	2,163
Heatmasters	-708	-377	-857
Megaklinikka	3,410	0	3,159
Parent company	-8,790	-741	-3,827
Eliminations	-2,901	8,899	-11,910
Group in total	46,372	35,991	45,678

**SEGMENT INFORMATION BY
QUARTER
NET SALES, MEUR**

Q1/16

Q4/15

Q3/15

Q2/15

Q1/15

Q4/14

Q3/14

Q2/14

Grano	21.2	23.4	17.9	14.9	13.7	15.8	13.2	15.2
KotiSun	6.5	6.8	6.0	5.8	5.2	4.9	3.9	0.0
Takoma	3.2	3.1	2.8	3.2	4.0	4.6	3.5	3.8
Selog	2.3	2.4	2.7	2.4	2.3	2.6	2.9	2.9
Helakeskus	2.4	2.6	2.5	2.8	2.4	2.6	2.6	3.2
KL-Varaosat	3.2	3.3	3.0	2.9	2.6	2.9	2.7	2.6

Heatmasters	0.9	1.3	1.8	1.8	1.4	1.6	1.6	1.6
Megaklinikka	1.1	1.2	1.3	0.9	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	0.0
Group in total	40.7	44.1	37.9	34.6	31.6	34.8	30.3	29.2

SEGMENT INFORMATION BY QUARTER EBIT, MEUR

	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14
Grano	1.3	3.1	0.2	1.8	0.8	2.6	1.3	2.2
KotiSun	1.2	1.4	1.0	1.1	0.7	0.6	0.5	0.0
Takoma	-0.2	-0.3	-0.1	-0.3	0.0	0.2	0.0	-0.3
Selog	0.1	0.1	0.2	0.1	0.1	0.0	0.1	0.4
Helakeskus	0.1	0.2	0.2	0.1	0.1	0.3	0.2	0.3
KL-Varaosat	0.2	0.3	0.2	0.0	0.0	0.2	0.2	0.1
Heatmasters	-0.3	-0.2	0.1	0.2	-0.1	-0.1	0.1	0.0
Megaklinikka	-0.3	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0
Others	-0.8	-1.2	-0.8	-0.7	-0.7	-0.4	-0.4	-0.6
Group in total	1.3	3.1	1.0	2.3	1.0	3.5	1.9	2.2

Panostaja is an investment company developing Finnish SMEs in the role of an active majority 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 eight investment targets. Grano Oy forms Finland's largest company offering digital printing services and publication and production services. Heatmasters Group offers heat treatment services for metals in Finland and internationally, and produces, develops and markets heat treatment technology. KL-Varaosat Oy is an importer, wholesale dealer and retailer of original spare parts and supplies for Mercedes Benz, BMW and Volvo cars. KotiSun Oy is Finland's leading company in service water and heating network building technology renovations for houses. Megaklinikka Oy is a company providing oral health care services. The company is a dental clinic offering a completely new kind of service concept. Suomen Helakeskus Oy is a major wholesale dealer concentrating on construction and furniture fittings. Selog Oy is a specialty supplier and wholesaler of ceiling materials. Takoma Oyj is a listed engineering workshop.