panostaja

Half-year Report

30 May, 2024

Q2

November 2023 – April 2024

Panostaja Oyj's half-yearly report November 1, 2023–April 30, 2024

Positive profitability development in the second quarter

FEBRUARY 2024–APRIL 2024 (3 months) in brief:

- Net sales increased in two out of four segments. Net sales for the Group as a whole weakened by 4% to MEUR 33.7 (MEUR 35.0).
- EBIT improved for three of the four segments. The entire Group's EBIT improved from the reference period, standing at MEUR 0.4 (MEUR 0.1).
- Grano's net sales for the review period dropped by 5% from the reference period. EBIT totaled MEUR 0.8 (MEUR 0.8).
- Earnings per share (undiluted) were -6.7 cents (-1.1 cents). The profit/loss includes a write-down of roughly MEUR 3.1 in loan receivables.

NOVEMBER 2023–APRIL 2024 (6 months) in brief:

- Net sales increased in two out of four segments. Net sales for the Group as a whole weakened by 5% to MEUR 67.0 (MEUR 70.5).
- EBIT improved in two of the four segments. The Group's EBIT decreased from the reference period to MEUR 0.0 (MEUR 0.2).
- Grano's net sales for the review period dropped by -6% from the reference period. EBIT totaled MEUR 1.0 (MEUR 1.6).
- Earnings per share (undiluted) were -8.4 cents (-2.5 cents).

CEO Tapio Tommila:

“The first half of the financial year was bifurcated as a whole. We have been able to further our development projects widely in our target companies, but there have still been delays in customers’ investment decisions, which manifested themselves as weaker than expected financial development in some of the companies. Overall, net sales for the second quarter dropped by a further 3.9%.

In the second quarter, we continued the measures to improve profitability. Grano’s change negotiations ended in March. The planned structural and organizational changes as well as other streamlining measures are expected to yield annual cost savings of about MEUR 4.5, of which the cost savings for the current financial period are estimated to stand out at roughly MEUR 1.5. The positive development of Hygga’s clinic business continued thanks to the slightly recovered demand and measures to improve profitability. At CoreHW, the continued delays of customers’ investment decisions have postponed the commencement of new design projects, which has had a negative impact on the development of net sales and profitability in the review period. In terms of product business, we are expecting the first significant orders toward the end of the financial period. However, substantial deliveries will most likely mainly take place in the 2025 financial period. We expect the first significant orders to come from the health care sector of the United States from operators that already have existing infrastructure for indoor positioning. At Oscar Software, the growth of the ARR software business continued as expected, but development in the sale of expert services was modest in the review period as challenges with the realization of new projects continued. Overall, net sales for the review period improved from the reference period despite a slight drop in net sales to MEUR 0.4 (MEUR 0.1).

In the corporate acquisition market, activity has increased slightly after the slower first quarter. In terms of the number of realized corporate acquisitions, however, the market remains below the long-term average. We have continued to actively explore new corporate acquisition opportunities in our target fields according to our goals.”

Segments 3 months

Grano

Grano is Finland's leading content and marketing services company

Grano's net sales for the review period were MEUR 26.5, which is a decline of 5% from the reference period (MEUR 27.8). EBIT for the review period was at the level of the reference period at MEUR 0.8 (MEUR 0.8).

The market demand remained fairly challenging in the review period. Demand for print communications remained fairly poor due to the uncertain economic situation. The political strikes in the review period resulted in lower demand among industrial customers. The development of net sales continued strong in relation to the reference period, especially with regard to marketing logistics, language services and the labels business. The demand for construction-related printing services remained poor in the review period.

On 18 March 2024, Panostaja announced the conclusion of Grano's change negotiations. The resulting restructurings will end a total of 56 positions. The company will terminate 45 employees, and 11 changed job descriptions involve a risk of termination. In addition to this, the company is planning temporary layoffs varying from two to a maximum of four weeks. The measures with regard to the terminations have been carried out by the end of the second quarter of the financial period, and the layoffs have been and will be carried out fully by the end of 2024, at the latest. Through the structural and organizational changes, Grano is aiming for permanent annual cost savings of about MEUR 4.5. The financial impact of the changes on the current financial period is estimated to be about MEUR 1.5.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/24-4/24	2/23-4/23	11/23-4/24	11/22-4/23	11/22-10/23
Net sales, MEUR	26.5	27.8	52.8	56.3	109.1
EBIT, MEUR	0.8	0.8	1.0	1.6	1.9
Interest-bearing net liabilities	33.7	39.9	33.7	39.9	39.4
Panostaja's holding	55.2%				

Oscar Software

Oscar Software provides ERP systems and financial management services

Oscar Software's net sales for the review period increased by 7% from the reference period and were MEUR 3.1 (MEUR 2.9). The review period's EBIT improved substantially from the reference period level, standing at MEUR 0.2 (MEUR -0.1).

The general market demand remained satisfactory in the review period. There is interest toward the company's products and services, but customer uncertainty in terms of larger investment projects persists as a result of the general economic situation. The competitive situation on the market remained fierce in places, which is reflected by the pricing, for example. The operations have continued to be active with regard to expansions and further development projects for existing customers.

The growth of the continuously invoiced software business, which is the company's strategic focus, continued as expected, but the development of selling expert services was modest in the review, as there were continued challenges in the realization of new projects. There are active efforts to acquire new customers. The company will continue significant investments in the development of a cloud-based business platform, which has progressed as planned.

On January 26, 2024, Panostaja announced that M.Sc. (Eng.), eMBA Jakke Vyyryläinen has been appointed as the new CEO of Oscar Software. Vyyryläinen took the position of CEO after the review period on 20 May 2024.

MEUR	3 months	3 months	6 months	6 months	12 months
	2/24-4/24	2/23-4/23	11/23-4/24	11/22-4/23	11/22-10/23
Net sales, MEUR	3.1	2.9	6.0	5.9	11.5
EBIT, MEUR	0.2	-0.1	0.3	0.1	0.4
Interest-bearing net liabilities	3.0	3.0	3.0	3.0	3.2
Panostaja's holding	58.4%				

CoreHW

CoreHW provides high added value RF IC design and consulting services

CoreHW's net sales for the review period were MEUR 1.8, which was lower than expected at 20% below the reference period level (MEUR 2.3). Correspondingly, EBIT for the review period declined from the reference period to MEUR -0.4 (MEUR -0.1). The profitability level of the review period was dragged down by delays in the realization of new design orders.

Customer project activity was lower than anticipated in the review period due to the postponement of customer design projects. As regards design services, the demand remained satisfactory, but customers have remained slow with their investment decisions. The active efforts to sell design services continued in the review period, as a result of which the order book for the period remained at a good level. In addition to the uniquely high proficiency of the development teams, the competitiveness of the company's design services is strongly based on the IP portfolio built by the company. The new focus area of design services is the automotive industry, in which CoreHW has special expertise that yields added value and its own technology for sensor technology applications, in particular. There are plenty of favorable drivers for growing semiconductor demand now and in the future.

CoreHW continued the active development and commercialization of its own products in the review period. During the review period, the product launch of indoor positioning solutions took place at the Embedded World 2024 conference. There are many potential customers, even though ramping up product sales will continue to require long-term efforts and depend upon the product development cycles and commercialization of customers' end products. As regards indoor positioning technology, the company is focusing on acquiring the first reference customers from the health care market of the United States, from which the company has already gained its first pilot orders. We are aiming for the first significant orders in the current financial period, but the deliveries are likely to mainly take place in the 2025 financial period.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/24-4/24	2/23-4/23	11/23-4/24	11/22-4/23	11/22-10/23
Net sales, MEUR	1.8	2.3	3.9	4.5	7.9
EBIT, MEUR	-0.4	-0.1	-0.5	-0.2	-1.2
Interest-bearing net liabilities	9.7	7.5	9.7	7.5	9.9
Panostaja's holding	55.8%				

Hygga

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

Hygga's net sales for the review period were MEUR 2.4, which was an 11% increase from the reference period (MEUR 2.1). The growth of the net sales was accelerated by the improved volumes of the clinic business in terms of both the private business and outsourcing services sold to the City of Helsinki. EBIT improved clearly from the reference period, standing at MEUR 0.2 (MEUR 0.0).

The demand for the clinic business improved in the review period, which was reflected especially in the positive development of the private business. Furthermore, the volume of the City of Helsinki outsourcing business remained at a good level in the review period. The company continued its measures to improve the productivity of the clinic business successfully, which also clearly impacted the positive profitability development in the review period.

As regards the software business, the market situation has tightened as a result of the cost savings and streamlining measures of the domestic wellbeing services counties. Competition in Finland has remained fierce, which causes significant pricing pressure. In Finland, the active dialogue with the wellbeing services counties will be continued on the possibilities of utilizing the Hygga Flow system in oral health care and basic health care. The production use of Hygga Flow, which was initiated in Sweden with the Västernorrland region, has progressed as planned in the review period.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
	2/24-4/24	2/23-4/23	11/23-4/24	11/22-4/23	11/22-10/23
Net sales, MEUR	2.4	2.1	4.4	3.9	7.8
EBIT, MEUR	0.2	0.0	0.3	-0.2	-0.1
Interest-bearing net liabilities	9.7	9.8	9.7	9.8	10.0
Panostaja's holding	79.8%				

Gugguu

Gugguu designs and manufactures first-rate children's clothing

Gugguu is Panostaja's associated company, which is why its figures are not incorporated into Panostaja Group in the same way as those of other segments. Instead, its result impact is presented on a separate row in the Group's income statement. The company does not report its figures according to IFRS standards, and the figures presented here are largely indicative. In contrast to Panostaja, Gugguu's financial period will conclude at the end of March, but the figures presented adhere to Panostaja's financial period.

Gugguu's demand situation remained challenging in the review period. Anticipating demand has remained difficult with decreased consumer purchasing power. The net sales for the review period were lower than in the reference period. Fixed costs have been adapted well to match the requirements of the lower net sales level. During the review period, Anne Valli was appointed as CEO of the company as of April 18, 2024.

Significant changes are not expected in the short-term market outlook. The company has launched a new loyal customer program, the purpose of which is to increase the average single purchases, annual purchases and life cycle value of customers. The after-sales market has also changed. Small and large operators have filed for bankruptcy or ceased their operations. This has choked the market for children's clothing – also on an international level. This provides the company with the opportunity to secure a larger market share through its own online shop and new retailers.

MEUR	**3 months**	**3 months**	**6 months**	**6 months**	**12 months**
FAS (illustrative figures)	2/24-4/24	2/23-4/23	11/23-4/24	11/22-4/23	11/22-10/23
Net sales, MEUR	0.7	0.8	1.6	1.7	3.4
EBIT, MEUR	-0.1	-0.1	-0.1	-0.1	-0.1
Panostaja's holding	43%				

FINANCIAL DEVELOPMENT November 1, 2023–April 30, 2024

KEY FIGURES

MEUR	Q2	Q2	6 months	6 months	12 months
	2/24-4/24	2/23-4/23	11/23-4/24	11/22 4/23	11/22-10/23
Net sales, MEUR	33.7	35.0	67.0	70.5	136.2
EBIT, MEUR	0.4	0.1	0.0	0.2	-1.1
Profit before taxes, MEUR	-3.4	-0.4	-4.5	-0.9	-4.3
Profit/loss for the financial period, MEUR	-3.5	-0.5	-4.6	-1.2	-3.6
Distribution:					
Shareholders of the parent company	-3.6	-0.6	-4.4	-1.3	-2.9
Minority shareholders	0.1	0.0	-0.2	0.2	-0.8
Earnings per share, undiluted, EUR	-0.07	-0.01	-0.08	-0.03	-0.05
Interest-bearing net liabilities	40.1	39.7	40.1	39.7	42.4
Gearing ratio, %	83.2	71.7	83.2	71.7	80.5
Equity ratio, %	35.4	37.4	35.4	37.4	37.5
Equity per share, EUR	0.54	0.65	0.54	0.65	0.62

FEBRUARY 2024–APRIL 2024

Net sales for the review period dropped by 4% and were MEUR 33.7 (MEUR 35.0). Exports amounted to MEUR 1.9, or 5.5% (MEUR 3.6, or 10.2%), of net sales. Net sales increased in two out of four segments.

The reported EBIT for the review period totaled MEUR 0.4 (MEUR 0.1). EBIT improved for three of the four segments. The development of net sales and EBIT for each of our investments has been commented on separately. The result for the review period was MEUR -3.5 (MEUR -0.5). The profit/loss includes a write-down of roughly MEUR 3.1 in loan receivables.

NOVEMBER 2023–APRIL 2024

Net sales for the review period dropped by 5% and were MEUR 67.0 (MEUR 70.5). Exports amounted to MEUR 3.8, or 5.6% (MEUR 4.2, or 6.0%), of net sales. Net sales increased in two out of four segments.

EBIT totaled MEUR 0.0 (MEUR 0.2). EBIT improved in two of the four segments. The development of net sales and EBIT for each of our investments has been commented on separately. The result for the review period was MEUR -4.6 (MEUR -1.2).

Distribution of net sales by segment
MEUR

Net sales	**Q2** 2/24- 4/24	**Q2** 2/23- 4/23	**6 months** 11/23- 4/24	**6 months** 11/22- 4/23	**12 months** 11/22- 10/23
Grano	26.5	27.8	52.8	56.3	109.1
Hygga	2.4	2.1	4.4	3.9	7.8
CoreHW	1.8	2.3	3.9	4.5	7.9
Oscar Software	3.1	2.9	6.0	5.9	11.5
Others	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	-0.1	-0.1	-0.1
Group in total	33.7	35.0	67.0	70.5	136.2

Distribution of EBIT by segment

MEUR

EBIT	**Q2** 2/24- 4/24	**Q2** 2/23- 4/23	**6 months** 11/23- 4/24	**6 months** 11/22- 4/23	**12 months** 11/22- 10/23
Grano	0.8	0.8	1.0	1.6	1.9
Hygga	0.2	0.0	0.3	-0.2	-0.1
CoreHW	-0.4	-0.1	-0.5	-0.2	-1.2
Oscar Software	0.2	-0.1	0.3	0.1	0.4
Others	-0.5	-0.5	-1.1	-1.1	-2.2
Group in total	0.4	0.1	0.0	0.2	-1.1

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

One associated company, Gugguu Group Oy, provided a report for the review period. The impact on profit/loss of the reported associated companies in the review period was MEUR -0.0 (MEUR -0.0), which is presented in a separate row in the consolidated income statement. The development of Gugguu’s net sales and EBIT has been commented on more specifically in the Segments section.

PERSONNEL

	April 30, 2024	April 30, 2023	Change	October 31, 2023
Average number of employees	1,163	1,227	-5%	1,217
Employees at the end of the review period	1,137	1,207	-6%	1,188

Employees in each segment at the end of the review period	April 30, 2024	April 30, 2023	Change	October 31, 2023
Grano	824	894	-8%	869
Hygga	111	95	17%	103
CoreHW	75	75	0%	75
Oscar Software	118	134	-12%	132
Others	9	9	0%	9
Group in total	1,137	1,207	-6%	1,188

At the end of the review period, Panostaja Group employed a total of 1,137 persons, while the average number of personnel during the period was 1,163. 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 5.5. Additionally, the parent company has a MEUR 15.0 limit for corporate acquisitions in its use. MEUR 2.2 of the limit has been withdrawn. The parent company's interest-bearing loans were MEUR 2.2.

The Group's operating cash flow deteriorated and was MEUR 7.8 (MEUR 9.0). Liquidity remained good. The Group's liquid assets were MEUR 11.8 (October 31, 2023: MEUR 10.4) and interest-bearing net liabilities were MEUR 40.1 (October 31, 2023: MEUR 42.4). Net gearing increased and was 83.2% (October 31, 2023: 80.5%).

The Group's net financial expenses for the review period were MEUR -4.4 (MEUR -1.0), or 6.6% (1.5%) of net sales. The net financing costs include a roughly MEUR 3.1 write-down of the loan receivables from the loan granted in connection to the sale of KotiSun group.

The Group's gross capital expenditure for the review period was MEUR 1.9 (MEUR 1.9), or 2.9% (2.7%) of net sales. The investments focused on product and software development as well as device and equipment investments.

Financial position MEUR	April 30, 2024	April 30, 2023	October 31, 2023
Interest-bearing liabilities	53.2	58.6	57.1
Interest-bearing receivables	1.3	4.4	4.3
Cash and cash equivalents	11.8	14.5	10.4
Interest-bearing net liabilities	40.1	39.7	42.4
Equity (belonging to the parent company's shareholders as well as minority shareholders)	48.2	55.4	52.6
Gearing ratio, %	83.2	71.7	80.5
Equity ratio, %	35.4	37.4	37.5

GROUP STRUCTURE CHANGES

No changes in the Group structure.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.35 (lowest quotation) and EUR 0.46 (highest quotation) during the review period. During the review period, a total of 1,146,326 shares were exchanged, which amounts to 2.2% of the outstanding share capital. The share closing rate of April 2024 was EUR 0.41. The market value of the company's share capital at the end of April 2024 was MEUR 21.6 (MEUR 32.7). At the end of April 2024, the company had 4,712 shareholders (4,818).

Development of share exchange	2Q/2024	2Q/2023	1-2Q/2024	1-2Q/2023	2023
Shares exchanged, 1,000 pcs	1,146	936	2,874	1,672	2,724
% of share capital	2.2	1.4	5.4	3.2	5.2

Share	April 30,	April 30,	October 31,

Shares in total, 1,000 pcs	53,333	53,333	53,333
Own shares, 1,000 pcs	539	622	587
Closing rate	0.41	0.62	0.50
Market value (MEUR)	21.6	32.7	26.4
Shareholders	4,712	4,818	4,832

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on February 7, 2024 in Tampere. The number of Board members was confirmed at five (5), and Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen and Tommi Juusela were re-elected to the Board for the term ending at the end of the next Annual General Meeting.

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

The Annual General Meeting decided to select Authorized Public Accountants Deloitte Oy as the auditor for the term concluding upon the end of the Annual General Meeting of 2024. Deloitte Oy has stated that Authorized Public Accountant Hannu Mattila will serve as the chief responsible public accountant.

Discharge from liability for the financial period November 1, 2022–October 31, 2023 was granted to the following persons: Board members Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Tarja Pääkkönen and Tommi Juusela and CEO Tapio Tommila. The Annual General Meeting decided to grant a discharge from liability to the aforementioned members of the Board and CEO.

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

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2022–October 31, 2023 and resolved that no dividend be paid to the shareholders.

The Meeting also resolved, in accordance with the proposal of the Board of Directors, 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 shall total no more than EUR 4,700,000. The Meeting resolved that the authorization includes the right of the Board to decide on all other terms and conditions relating to the said asset distribution and that the authorization remain valid until the start of the next Annual General Meeting.

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

The number of the company's own shares to be acquired may not exceed 5,200,000 in total, which corresponds to about 9.8% of the company's total stock of shares. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The company's own shares may be acquired at the date-of-acquisition price in public trading arranged by Nasdaq Helsinki Oy or otherwise at the prevailing market price.

The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired while not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting on February 7, 2023 to decide on the acquisition of the company's own shares is canceled by this authorization. The authorization will remain valid until August 6, 2025.

The General Meeting authorized the proposal of the Board of Directors to decide on a share issue as well as on the granting of option rights and other special rights providing entitlement to shares under the following terms:

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

The authorization issued at the Annual General Meeting on February 7, 2023 to decide on share issues as well as the provision of special option rights and other rights to shares is canceled by this authorization. The authorization will remain valid until August 6, 2025.

SHARE CAPITAL AND THE COMPANY'S OWN SHARES

At the close of the review period, Panostaja Oyj's share capital was EUR 5,568,681.60. The number of shares is 53,333,110 in total.

The total number of own shares held by the company at the end of the review period was 539,069 (at the beginning of the financial period 587,191). The number of the company's own shares corresponded to 1.0% 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 7, 2023, Panostaja Oyj relinquished a total of 5,569 individual shares as share bonuses to the company management on December 18, 2023. On December 18, 2023, the company relinquished to the Board members a total of 42,553 shares as meeting compensation.

EVENTS AFTER THE REVIEW PERIOD

No significant events after the review period.

MOST SIGNIFICANT NEAR-TERM BUSINESS RISKS AND RISK MANAGEMENT

Risk management is part of Panostaja Group's management and monitoring systems. Panostaja aims to identify and monitor changes in the business environment and general market situation of its investments, to react to them and to utilize the business opportunities that they present. Risks are classified as factors that may endanger or impede Panostaja or its investments from achieving strategic objectives, improvement in profit and the financial position or business continuity, or that may otherwise cause significant consequences for Panostaja, its owners, investments, personnel or other stakeholder groups. A more detailed report on Panostaja's risk management policy and the most significant risks was published in the 2023 annual report. Financial risks are discussed in greater detail in the Notes to the 2023 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 various segments are currently estimated to be satisfactory. Panostaja regularly assesses the risks for each investment and, based on the updated risk assessment, takes the necessary remedial action. The current uncertainties caused by inflation pressure and increased risks of supply chain disruptions have increased the short-term risks impacting the demand and cost structure. Active efforts are being made to manage these risks through pre-emptive investigation of mitigating measures.

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

Financial risks: As a consequence of its operations, the Group is exposed to many financial risks. The aim of risk management is to limit the adverse effects of changes in financial markets on the result and financial development of the Group. The Group's revenue and operative cash flows are mainly independent of fluctuations in market interest rates. The Group's loan portfolio currently consists almost fully of variable-interest loans. Some of the segments have utilized interest rate swaps and interest rate ceiling agreements during the financial period. 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.

If unsuccessfully managed, risks concerning the corporate acquisitions may affect the development and financial performance of the Group and its investment targets. The Group also aims to grow through corporate acquisitions. The goodwill associated with corporate acquisitions entered in the consolidated balance sheet amounts to approximately MEUR 47.6. Goodwill is not written off annually on a regular basis but, instead of depreciations, an impairment test is performed at least annually, or when there are indications of amortization. Values are normally checked during the second half of the year in connection with the budgeting process. Such a change might make goodwill write-downs necessary.

Non-life risks: Non-life risks are managed in Panostaja Group through insurance and Group guidelines, which set policies 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 drop 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.

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

OUTLOOK FOR THE 2024 FINANCIAL PERIOD

In the corporate acquisition market, activity has increased after the slower first quarter. SMEs will still need to utilize ownership arrangements and growth opportunities, but the consistently high market liquidity and the high price expectations of sellers, which tend to follow changes in economic trends with some delay, make the operating environment challenging for corporate acquisitions.We will continue exploring new possible investment targets in accordance with our strategy and assess divestment possibilities as part of the ownership strategies of the investment targets.

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

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

The demand situation presented above involves uncertainties relating to any geopolitical and macroeconomic impacts that are difficult to anticipate. The effects of the war in Ukraine and the related economic sanctions and geopolitical tensions will increase economic uncertainty in Finland and abroad, which may negatively impact segment demand or the availability of materials, and thereby material prices and delivery capabilities. The uncertain outlook in terms of inflation and the general economic volatility may have a negative impact on the purchasing power of consumers and the willingness of companies to make investments, which may weaken the demand situation of our segments from the estimate provided above.

Panostaja Oyj

Board of Directors

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Panostaja Oyj

Tapio Tommila

CEO

ACCOUNTING PRINCIPLES

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

The six-month review does not include all notes to the October 31, 2023 consolidated financial statements, due to which it must be read together with the annual financial statements. The six-month review adheres to the same preparation principles as the previous annual financial statements.

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

INCOME STATEMENT

EUR 1,000	Q2	Q2	6 MONTHS	6 MONTHS	12 months
	2/24-4/24	2/23-4/23	11/23-4/24	11/22-4/23	11/22-10/23
Net sales	33,683	35,033	66,966	70,490	136,184
Other operating income	519	319	995	555	879
Costs in total	30,807	31,945	61,893	64,473	125,458
Depreciations, amortizations and impairment	3,041	3,296	6,069	6,401	12,713
EBIT	**354**	**111**	**0**	**171**	-1,109
Financial income and expenses	-3,744	-477	-4,434	-1,033	-2,214
Share of associated company profits	-56	-64	-88	-80	-953
Profit/loss before taxes	**-3,446**	**-430**	**-4,523**	**-942**	**-4,276**
Income taxes	-64	-93	-86	-231	633
Profit/loss from continuing operations	-3,510	-522	-4,609	-1,173	-3,642
Profit/loss from sold operations	0	0	0	0	0
Profit/loss for the financial period	**-3,510**	**-522**	**-4,609**	**-1,173**	**-3,642**
Distribution					
Parent company shareholders	-3,562	-569	-4,419	-1,339	-2,875
Minority shareholders	53	46	-190	166	-767
Earnings per share from continuing operations EUR, undiluted	-0.068	-0.011	-0.084	-0.025	-0.055
Earnings per share from continuing operations EUR, diluted	-0.068	-0.011	-0.084	-0.025	-0.055
Earnings per share from sold and discontinued operations EUR, undiluted	0.000	0.000	0.000	0.000	0.000
Earnings per share from sold operations EUR, diluted	0.000	0.000	0.000	0.000	0.000
Earnings per share from continuing and sold and discontinued operations EUR, undiluted	-0.068	-0.011	-0.084	-0.025	-0.055
Earnings per share from continuing and sold and discontinued operations EUR, diluted	-0.068	-0.011	-0.084	-0.025	-0.055
EXTENSIVE INCOME STATEMENT					
Result for the period	-3,510	-522	-4,609	-1,173	-3,642

Translation differences	12	-114	12	-114	-150
Extensive income statement for the period	-3,498	-636	-4,597	-1,287	-3,792
Distribution					
Parent company shareholders	-3,550	-683	-4,407	-1,453	-3,025
Minority shareholders	53	46	-190	166	-767

BALANCE SHEET

EUR 1,000

	April 30, 2024	April 30, 2023	October 31, 2023
ASSETS			
Non-current assets			
Goodwill	47,569	47,319	47,319
Other intangible assets	8,012	6,989	7,611
Property, plant and equipment	29,971	35,692	33,364
Interest in associated companies	1,703	2,597	1,791
Deferred tax assets	9,219	8,565	9,192
Other non-current assets	1,539	4,824	4,606
Non-current assets total	98,011	105,986	103,883
Current assets			
Stocks	5,647	6,168	5,309
Trade and other receivables	21,433	22,249	21,762
Cash and cash equivalents	11,823	14,495	10,419

Current assets total	38,904	42,912	37,490
ASSETS IN TOTAL	**136,916**	**148,900**	**141,374**
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	13,850	13,811	13,829
Translation difference	-376	-319	-384
Retained earnings	4,563	10,538	8,875
Total	28,252	34,246	32,535
Minority shareholders' interest	19,934	21,111	20,101
Equity total	**48,187**	**55,357**	**52,637**
Liabilities			
Deferred tax liabilities	6,058	6,131	6,054
Non-current liabilities	42,053	45,976	42,775
Current liabilities	40,620	41,435	39,908
Liabilities total	88,730	93,542	88,738
EQUITY AND LIABILITIES IN TOTAL	**136,916**	**148,900**	**141,374**

CASH FLOW STATEMENT	**6 months**	**6 months**	**12 months**
EUR 1,000	**11/23-4/24**	**11/22-4/23**	**11/22-10/23**
Operating net cash flow	7,785	9,019	11,983
Investment net cash flow	-1,168	-1,796	-4,072
Loans drawn	1,085	1,159	5,401
Loans repaid	-6,189	-6,617	-15,309
Share issue	0	0	0

Acquisition and disposal of own shares	-45	115	-200
Dividends paid and capital repayments	-64	-1,728	-1,728
Finance net cash flow	-5,213	-7,072	-11,836
Change in cash flows	1,404	151	-3,925

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	**Equity attributable to parent company shareholders**							
	Share capital	**Share premium account**	**Invested unrestricted equity fund**	**Translation differences**	**Retained earnings**	**Total**	**Minority shareholders' interest**	**Equity total**
Equity as of November 1, 2022	**5,569**	**4,646**	**13,773**	**-249**	**13,407**	**37,146**	**20,980**	**58,126**
Extensive income								
Profit/loss for the financial period					-1,339	-1,339	166	-1,173
Translation differences				-70	-44	-114		-114
Extensive income for the financial period total	0	0	0	-70	- 1,383	-1,453	166	-1,287
Transactions with shareholders								
Dividend distribution					-1,581	-1,581	-147	-1,728
Other changes							-26	-26
Disposal of own shares			20			20		20
Reward scheme			18			18		18
Transactions with shareholders, total	0	0	38		-1,581	-1,543	-173	-1,716
Changes to subsidiary holdings								
Sales of shares in subsidiaries without change in controlling interest					93	93	170	263
Changes in shares of subsidiaries owned resulting in loss of controlling interest						0	-373	-373
Acquisitions of minority shareholdings					2	2	-32	30
Equity as of April 30, 2023	**5,569**	**4,646**	**13,811**	**-319**	**10,538**	**34,245**	**21,111**	**55,357**
Equity as of November 1, 2023	**5,569**	**4,646**	**13,829**	**-384**	**8,876**	**32,536**	**20,101**	**52,637**

Extensive income								
Profit/loss for the financial period					-4,419	-4,419	-190	-4,609
Translation differences				8	4	12		12
Extensive income for the financial period total	0	0	0	8	-4,415	-4,407	-190	-4,597
Transactions with shareholders								
Dividend distribution							-64	-64
Repayment of capital								
Other changes					139	139	111	250
Disposal of own shares			21			21		21
Reward scheme								
Transactions with shareholders, total	0	0	21		139	160	47	207
Changes to subsidiary holdings								
Sales of shares in subsidiaries without change in controlling interest								
Changes in shares of subsidiaries owned resulting in loss of controlling interest								
Acquisitions of minority shareholdings					-36	-36	-24	-60
Equity as of April 30, 2024	**5,569**	**4,646**	**13,850**	**-376**	**4,564**	**28,253**	**19,934**	**48,187**

KEY FIGURES	**April 30, 2024**	**April 30, 2023**	**October 31, 2023**
EBIT, MEUR	0.0	0.2	-1.1
Equity per share, EUR	0.54	0.65	0.62
Earnings per share, undiluted, EUR	-0.08	-0.03	-0.06
Earnings per share, diluted, EUR	-0.08	0.03	-0.06
Average number of outstanding shares during financial period, 1,000 pcs.	52,781	52,694	52,717
Number of shares at the end of the financial period, 1,000 pcs.	53,333	53,333	53,333
Number of outstanding shares, 1,000 pcs., on average, diluted	52,781	52,694	52,717
Return on equity, %	-18.3%	-4.1%	-6.6%
Return on investment, %	-5.7%	0.5%	-0.7%
Gross investments in permanent assets, MEUR	1.9	1.9	4.3
% of net sales	2.9%	2.7%	3.2%
Interest-bearing liabilities, MEUR	53.2	58.6	57.1
Interest-bearing net liabilities, MEUR	40.1	39.7	42.4
Equity ratio, %	35.4	37.4	37.5
Average number of employees	1,163	1,227	1,217

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 2023. 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

	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22
Net sales	33.7	33.3	34.2	31.5	35.0	35.5	36.8	32.4
Other operating income	0.5	0.5	0.2	0.1	0.3	0.2	0.4	0.4
Costs in total	30.8	31.1	32.1	28.9	31.9	32.5	33.2	30.8
Depreciations, amortizations and impairment	3.0	3.0	3.1	3.2	3.3	3.1	4.6	3.3
EBIT	0.4	-0.4	-0.8	-0.5	0.1	0.1	-0.6	-1.2
Finance items	-3.7	-0.7	-0.6	-0.6	-0.5	-0.6	-0.6	-0.5
Share of associated company profits	-0.1	0.0	-0.9	0.0	-0.1	0.0	0.0	0.1
Profit before taxes	-3.4	-1.1	-2.3	-1.1	-0.4	-0.5	-1.2	-1.6
Taxes	-0.1	0.0	0.9	0.0	-0.1	-0.1	0.2	0.0
Profit from continuing operations	-3.5	-1.1	-1.4	-1.1	-0.5	-0.7	-1.0	-1.6
Profit/loss from sold operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	-3.5	-1.1	-1.4	-1.1	-0.5	-0.7	-1.0	-1.6
Minority interest	0.1	-0.2	-0.7	-0.3	0.0	0.1	-0.4	-0.4
Parent company shareholder interest	-3.6	-0.9	-0.8	-0.8	-0.6	-0.8	-0.6	-1.2

GUARANTEES AND CONTINGENCIES ISSUED

EUR 1,000	April 30, 2024	April 30, 2023	October 31, 2023
Guarantees given on behalf of Group companies			
Enterprise mortgages	156,514	160,380	161,067
Pledges given	76,070	54,151	80,124
Other liabilities	620	607	1,154

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	11/23-4/24	11/22-4/23	11/22-10/23
Grano	52,797	56,287	109,091
Hygga	4,398	3,858	7,772
CoreHW	3,860	4,457	7,909
Oscar Software	5,962	5,938	11,501
Others	0	0	0
Eliminations	-51	-50	-90
Group in total	66,966	70,490	136,184

EBIT EUR 1,000	11/23-4/24	11/22-4/23	11/22-10/23
Grano	1,009	1,601	1,928
Hygga	259	-188	-77
CoreHW	-530	-228	-1,174
Oscar Software	320	112	381
Others	-1,059	-1,126	-2,166
Group in total	0	171	-1,109

Interest-bearing net liabilities by segment

EUR 1,000	April 30, 2024	April 30, 2023	October 31, 2023
Grano	33,732	39,923	39,365
Hygga	9,727	9,783	10,002
CoreHW	9,749	7,540	9,914
Oscar Software	2,964	3,018	3,223
Parent company	-16,089	-20,968	-20,124
Others	0	414	0
Group in total	40,082	39,710	42,381

The interest-bearing net liabilities for operations sold and discontinued in the reference period are presented in the row Others. The introduction of the IFRS 16 standard on the Group's net liabilities is MEUR 28.9 (MEUR 34.2).

Write-downs per segment

EUR 1,000	April 30, 2024	April 30, 2023	October 31, 2023
Grano	-4,959	-5,129	-10,210
Hygga	-325	-300	-620
CoreHW	-283	-289	-592
Oscar Software	-469	-647	-1,217
Others	-33	-36	-74
Group in total	-6,069	-6,401	-12,713

The impact of the IFRS 16 standard on the Group's depreciations is MEUR 4.4 (MEUR 4.6).

SEGMENT INFORMATION BY QUARTER
NET SALES, MEUR

	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22
Grano	26.5	26.3	27.9	24.9	27.8	28.5	29.8	26.8
Hygga	2.4	2.0	2.0	1.9	2.1	1.7	1.7	1.7
CoreHW	1.8	2.0	1.5	2.0	2.3	2.2	2.6	1.3
Oscar Software	3.1	2.9	2.8	2.7	2.9	3.1	2.8	2.6
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group in total	33.7	33.3	34.2	31.5	35.0	35.5	36.8	32.4

SEGMENT INFORMATION BY QUARTER
EBIT, MEUR

	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22
Grano	0.8	0.2	0.2	0.2	0.8	0.8	-0.5	0.3
Hygga	0.2	0.1	0.0	0.1	0.0	-0.2	0.1	-0.2
CoreHW	-0.4	-0.2	-0.6	-0.3	-0.1	-0.1	0.5	-0.8
Oscar Software	0.2	0.1	0.2	0.1	-0.1	0.2	-0.1	-0.1
Others	-0.5	-0.6	-0.5	-0.5	-0.5	-0.6	-0.6	-0.5
Group in total	0.4	-0.4	-0.8	-0.5	0.1	0.1	-0.6	-1.2

Reconciliation of key figures – interest-bearing liabilities and interest-bearing net liabilities
MEUR

	April 30, 2024	April 30, 2023	October 31, 2023
Liabilities total	88.7	93.6	88.7
Non-interest-bearing liabilities	35.6	34.9	31.6
Interest-bearing liabilities	53.2	58.6	57.1
Trade and other receivables	21.4	22.2	21.8
Non-interest-bearing receivables	20.2	17.8	17.4
Interest-bearing receivables	1.3	4.4	4.3
Interest-bearing liabilities	53.2	58.6	57.1
Interest-bearing receivables	1.3	4.4	4.3
Cash and cash equivalents	11.8	14.5	10.4
Interest-bearing net liabilities	40.1	39.7	42.4

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

Panostaja has a majority holding in four investment targets. Grano Oy is the most versatile expert of content services in Finland. Hygga Oy is a company providing health care services and the ERP system for health care providers. CoreHW provides high added value RF IC design services. Oscar Software provides ERP systems and financial management services.