Annual Report
2008

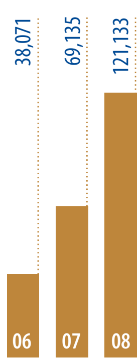
Contents

Key data 2008

EUR 1,000	2008	2007	Change
Net turnover	**121,133**	69,135	75.2%
Operating profit	**6,452**	3,267	96.1%
Profit before taxes	**4,394**	2,170	102.5%
Profit from continuing operations	**2,759**	1,661	66.1%
Profit from discontinued operations	**11,038**	4,273	158.3%
Profit for the financial year	**13,797**	5,934	132.5%
attributable to equity holders of the parent company	**12,694**	4,295	196.6%
minority interest	**1,103**	1,638	-32.7%
Earnings per share, EUR - diluted	**0.25**	0.10	150.0%
Earnings per share, EUR - basic	**0.28**	0.12	133.3%
Equity per share, EUR	**0.93**	0.78	19.2%
Dividend per share, EUR	[1)] **0.12**	0.09	33.3%
Equity ratio,%	**36.8**	34.9	5.4%
Gross capital expenditure, EUR Million	**24.2**	21.9	10.5%
Number of shares as at 31st October (1,000)	**46.076**	45.201	1.9%
Average number of employees	**646**	571	13.1%

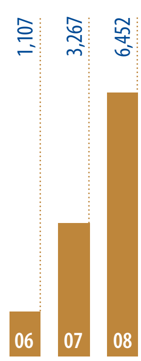
1) Board proposal to the Annual General Meeting

NET TURNOVER
EUR 1,000



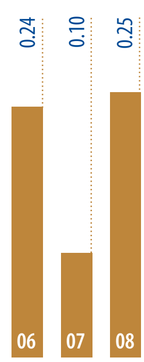
+75%

OPERATING PROFIT
EUR 1,000



+96%

EARNINGS PER SHARE (EPS) -
diluted, EUR



+150%

Highlights of the 2008 financial year

- Net turnover for the financial year was EUR 121.1 million (EUR 69.1 million).
- Operating profit was EUR 6.5 million (EUR 3.3 million).
- Profit for the financial year was EUR 13.8 million (EUR 5.9 million).
- Earnings per share stood at EUR 0.28 (EUR 0.12).
- Equity per share stood at EUR 0.93 (0.78) and equity ratio was 36.8% (34.9%).
- During the review period, Panostaja Oyj sold its shareholdings in Arme Oy and expanded into the fields of digital printing and environmental technology through acquisitions.
- Panostaja's share classes were consolidated on 14 November 2008.
- As return of capital, Panostaja distributed Takoma Oyj's shares. The value of the return of capital to Panostaja shareholders was EUR 0.083 per share at the time of distribution.
- The Board of Directors proposes a dividend of EUR 0.12 per share.

Associated companies

- 50.0% Tampereen Portti Oy

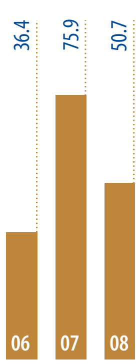
Real estate companies

- 100.0% Kiinteistö Oy Lakalaivan Teollisuustalo 1

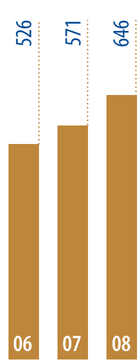
Former business areas

- Tilamarkkinat-Yhtiöt Oyj (1996)
- Lasi-Koiso Oy (2002)
- Pajakulma Oy (2006)
- Arme Oy (2008)

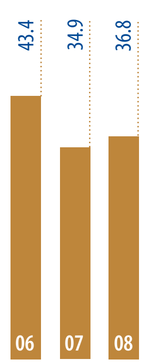
MARKET CAPITALISATION, EUR Million



AVERAGE NUMBER OF EMPLOYEES



EQUITY RATIO, %



Panostaja is
a financially secure
Finnish multi-field
corporation
that creates
healthy companies
and company entities.

Managing Director's review

2008 – the year of changes

The past financial year was Panostaja Oyj's 24th. This means that we have worked nearly a quarter of a century using the Panostaja entrepreneurial model. It is our responsibility to honour our strong history. Our inherited values are deeply engrained in our methods of operation. On the other hand, the world around us is changing – now perhaps faster than ever. Therefore, it is essential that we contemplate our own methods with proper criticism. One thing remains constant, however: our operations will always be based on entrepreneurship and respect for the entrepreneur.

During the previous financial year, we continued to bring to fruition our growth strategy. In spring 2008, we expanded into digital printing services and environmental technology. More acquisitions have already been made in both business areas to accelerate the growth strategy.

In July 2008, we ended our run with Arme Oy, which lasted for over two decades, and sold, together with the other owners, the entire share capital of the company. The timing of the separation was successful, as the impact of the financial crisis caused the acquisition market to quiet down after the summer holidays. In connection with the sale of Arme, we ensured that Panostaja had sufficient resources to follow its growth strategy through the financial crisis.

A significant change for shareholders was the decision to consolidate Panostaja's share classes, which was made after the end of the financial year on 10th November 2008. We are now a more genuine public company than before the consolidation.

Trying times

I am writing this review on the Monday morning following Independence Day. Stock prices are still in turmoil all over the world, and towards the end of the year, notifications of discharges and temporary dismissals continued to increase.

It is clear that, at the beginning of next year, our economy will be in the throes of a decline, which will impact our business areas as well. During the past financial year, we have, however, made considerable investments in our reporting and control systems. I am confident that real-time monitoring and the personal efforts of our companies' Managing Directors will enable us to react to the changing circumstances with sufficient agility. In our current situation, our focus is more on seeking opportunities than simply on reacting to perceived threats. The financial crisis has not reduced the companies' need for a generational change.

Hard work, hard results

The past financial year went by fast and we have achieved a great deal, but much remains to be done. Our entire personnel and particularly the Managing Directors of our business areas have played an essential role in our new, more responsive operational method, which grants us excellent opportunities to thrive even in a less than favourable economic climate.

I would like to express my heartfelt thanks for the past year to the entire staff of the Panostaja Group as well as to our partners and shareholders. Let us continue to work together for sustainable Finnish ownership.

Juha Sarsama
Managing Director

" In connection with the sale of Arme, we ensured that Panostaja had sufficient resources to follow its growth strategy through the financial crisis.

Our foundation, principles and holdings

Our foundation

Panostaja is a financially secure Finnish multi-field corporation that creates healthy companies and company entities. We achieve this through acquisitions and development work. We bring a new, committed leadership as well as business and strategic know-how to the companies that we buy. The goal is to elevate the company in which we invest into a strong actor in its field in 5-10 years, after which it will continue its operations independently. Our operations are guided by the values of Panostaja's parent company.

Our principles

Panostaja's operating method

- Investment in Finnish companies
- Focus on SMEs in traditional industries
- Majority ownership and 100% commitment
- Investments from the Group's own balance sheet guarantee flexibility

Our holdings as at 1st November 2008

Oy Alfa-Kem Ab
Manufactures, develops and markets technochemical products for professional purposes, such as industrial chemicals, cleaning agents and industrial kitchen agents.

EcoSir Oy ja Kospa Oy
The companies EcoSir, which was acquired in May 2008, and Kospa Oy, which was bought in July 2008, form a new and developing Panostaja business area focusing on environmental technology. The companies specialise in waste management and waste collection systems.

Fastenings companies
Panostaja's three fastenings companies serve retailers nationwide as well as their own direct customers in the Uusimaa, Satakunta and Pirkanmaa regions.

KL-Parts Oy
Specialises in import, wholesale and retail of OEM spare parts and accessories for Mercedes-Benz and BMW cars.

Kopijyvä Oy
One of the largest companies providing digital printing, storing and archiving solutions in Finland.

Heatmasters Group
Lahden Lämpökäsittely Group offers metal heat treatment services domestically and internationally. Heatmasters Oy manufactures, develops and markets heat treatment technology.

LukkoExpert Security Oy
A locks and security company operating in seven major cities, LukkoExpert Security Oy is an expert in locks, door automation and security technology and services.

Lämpö-Tukku Oy
Import and wholesale business in the heating, plumbing and ventilation sector, catering for professionals and installation firms as a cash-and-carry wholesaler with an extensive product range.

Suomen Helasto Oy
Suomen Helakeskus Oy and Seinäjoen Rakennustarvike ja Lukko Oy are wholesalers of construction and fixture fittings in Finland.

Suomen Puunjalostus Oy
Manufactures and markets solid-wood interior doors and staircases.

Takoma Oyj
The listed mechanical engineering group based on the entrepreneur-driven business model was created in 2007 by merging Tampereen Laatukoneistus Oy and Hervannan Koneistus Oy. Takoma will comprise three industries: hydraulics, subcontracting and manufacturing the company's own technology products.

Toimex Oy
Manufactures and imports pipe supports for the heating, plumbing and ventilation sector. The customer base comprises technical distributors and applications include residential, public and industrial construction projects.

Vallog Oy
Manufacturing, supply and assembly of mechanical components; logistics management and value added logistics processes.

Our five guiding stars

Mission

Panostaja actively supports growing entrepreneurs in developing jointly owned small and medium-sized companies to become the leading companies in their field.

Vision

Panostaja's goal is to be the most desired partner for growing entrepreneurs and relinquishing owners of small and medium-sized companies. Panostaja forges Finnish success stories and through them increases the value of ownership.

Values

Respecting entrepreneurship

We value and support the growth of companies. We support the development of entrepreneurs. Through all our activities, we strive to raise the value of entrepreneurship and the respect for it all over Finland.

Developing know-how

We benefit from the versatility of our business and from combining the different skills of different people.

Trust and openness

We always conduct ourselves and communicate our message with the proper conviction, authority, sincerity and openness.

Strategy

Panostaja Oyj pursues clear growth through acquisitions by establishing new business areas and complementing existing business areas.

Panostaja will focus in particular on industries experiencing a period of growth or reorganisation, which involve increased opportunities to achieve synergies through development of the industry or operations.

Goals

Operational objectives

Panostaja aims to focus its resources on 10 to 15 business areas that complement each other. The objective of developing selected business areas is for them to achieve a significant market position in their respective industries. The aim is to acquire 2 to 3 new business areas and complement existing areas through acquisitions, while also giving independence to one business area every year.

Future financial objectives

The Group's long-term objective is to achieve an annual return on equity averaging more than 22%. A further objective is to obtain more than 30% average growth in net turnover, including the impact of new business areas.

Panostaja pursues an equity ratio of more than 40%. The shareholders' equity includes subordinated loans. The aim is to distribute at least half of the Group's profit to shareholders, either as share repurchases and/or dividends.

The road to success

Operating method

Selection/acquisition

Panostaja primarily seeks out and acquires majority holdings in small and medium-sized enterprises operating in trade and manufacturing industries, with levels of turnover at EUR 2–10 million. The aim is to shape these into specific business areas for each industry. Panostaja is particularly interested in industries currently experiencing a period of growth or reorganisation.

Investment

Panostaja plays an active part in development of each business area by assuming overall responsibility for development of the area in question. In addition to capital investment, the added value offered by Panostaja is usually related to overall financial arrangements, strategic planning, Board operations, growth through acquisitions and development of financial, marketing and management systems as well as industry knowledge.

Independence

The aim is to, as quickly as possible, establish each business area as an independent part of the Group that can also be sold to a new owner.

Income generation

Annual return

- Profits annually accrued by Group companies.

Return on investment on exit

- The change in valuation of a business area is realised when disposing of the company (gains from the sale of shares).

Investment activities are characterised by quite significant annual fluctuations in income generation. Panostaja aims to focus its resources on 10 to 15 business areas that complement each other, in order to enable annual return when disposing of interests in different areas. Current market conditions have a bearing on the timing and success of the exit stage.

Entrepreneurship is Panostaja's cornerstone

Financial Director Veli Ollila

The year 2009, as the year before it, will be a time of growth for Panostaja. The goal of increasing the turnover by 30 per cent is achievable through entrepreneurship. It is the value, on which the 25-year-old multi-field corporation is built.

Entrepreneurship is an integral part of the Panostaja policy and operational culture all the way from the Chairman of the Board to individual Business Area Managers. Everyone is involved in this company as an owner, which means that the benefits of entrepreneurship are not something easily obtained but achieved through a joint effort that requires hard work and commitment. At the same time, the overall strategy of our company has the added nuances brought in by the operational culture of a family business and the administrative culture of a public company.

"The administrative method of a traditional Finnish family business is the best way to manage not only the company but the personnel as well. It's a dynamic, firm and responsible way of management, and it has a face," Financial Director Veli Ollila explains.

The administrative model, which is based on entrepreneurship, gains additional strength from the reassuring elements of a public company, such as the stable capital base and transparent reporting. Companies owned by Panostaja grow and become stronger.

"The aspect of development is deeply engrained in our vision of ownership. For a company this means that we will be there for them when times get tough and outside financing or help to stave off a crisis is needed. We do, however, give our experienced Business Area Managers the freedom to do what they see is best. Our role is mainly that of a general manager," Ollila describes.

When the aim is to take a company to the top of its field, ownership periods are naturally long. In Ollila's opinion, if everything goes exactly as planned, Panostaja could forge a company into a leading player in its field and provide it with the capabilities of independent operation as a part of the public company in five to ten years.

A company with the status and financial background of Panostaja has no need to rush things, however. There is time to take things slowly and see how acquired companies and their fields develop. Through this approach, Panostaja has been able to determine the best moments to let companies go. For example, when Arme was sold in July, the economic cycle was at its peak. Arme, which was a part of the Panostaja Group for two decades, was sold to a new owner, which further bolstered Panostaja's financial assets.

"Our policy now is to obtain sufficient financial resources during beneficial economic periods, which enables us to time our acquisitions and sales according to economic trends. Thanks to our assets, we are, even now, able to make multiple acquisitions independently.

Thus, the talks of a depression, which escalated in late 2008, opened up a world of opportunities for Panostaja.

"In this market situation, we have the opportunity to make bold additional acquisitions. This situation not only gives us the opportunity to make acquisitions but to grow organically, as our different business areas are backed up by the parent company."

For Panostaja, the success of a business is a given. "When a new entrepreneur is involved in corporate acquisitions, every acquisition must be successful by default."

Panostaja was established in 1984 as the shared company of three business partners. The model for the company, which was among the first of its kind in the country, was imported from the United States. Today, Panostaja is the oldest listed company in its field in Finland.

Expertise is as important as numbers

Development Director Heikki Nuutila

The development programme Panostetaan Porukalla, aims at strengthening the shared operational method of the Panostaja companies. Development Director Heikki Nuutila describes the goals of the programme as very ambitious. Investing in expertise can of course bring quick results, but the actual benefit only comes with time.

"Naturally, we want our companies to be top players in their respective fields. By providing them with the necessary and up-to-date tools, we can ensure that the entrepreneurs leading the companies will also grow as business managers.

"Expertise is an extremely important ingredient in a successful business," Nuutila says and adds that Panostaja's policy is not about holding the hands of developing companies, but the development programme aims to strengthen shared values and operational methods.

During increasing economic growth the focus on numbers and diagrams can easily overshadow the development of actual expertise. There never seems to be enough time for it after long work days. A stable market situation provides better opportunities for improving expertise, and companies should definitely take these opportunities.

This programme, which was designed in cooperation with universities and leading experts, is a significant step forward in the field of Finnish small and medium sized businesses. The programme, which was initiated in January, will last no longer than three years. During this time, the Managing Directors and, partly, the entire personnel will participate in the programme. The programme is divided into several sections focusing on various areas, such as improving work atmosphere (includes measures for determining motivation and skill) and increasing the expertise of the personnel. Each subsidiary also has its own development programme.

"The aim is to share the best experiences within the company. This creates shared expertise, which is an asset for the entire group," Nuutila says.

" Panostaja's policy is not about holding the hands of developing companies, but the development programme aims to strengthen shared values and operational methods

Oy Alfa-Kem Ab

Clean service all the way

The technochemical company Alfa-Kem is committed to building its future with a focus on the customer's interest. The company aims to grow from a manufacturer of technochemical products to a producer of various comprehensive solutions. The goal is to form even closer relationships with customers and provide them with the benefits of flexible processes, added value services and fast product customisation.

– We will be transitioning from selling products to selling solutions and services. At the same time, we will focus on building an entrepreneur-based cooperation network to meet the needs of professional kitchens and property maintenance. This is our way of competing with the volume of multinational companies," says Managing Director Jukkapekka Porali with regard to growth opportunities in this extremely competitive field.

The change in focus is significant. For this reason, the development of product-related services and the reorganisation of sales have required special attention. The increased material costs have also been a detriment to the company's profit.

The growth of the company's turnover over the past financial year was less than seven per cent. Of the product segments, the professional kitchen and industry segments increased their turnover. The turnover of property maintenance products and related added value products remained unchanged.

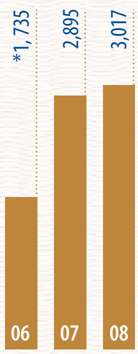
In the coming financial year, Alfa-Kem will develop its operations further by finding solutions to the bottle necks in production and customer service. To increase profitability, the company will also invest in acquisitions of alternative raw materials. Porali also promises that the company will grow organically during 2009.

The company was established in 1982. Its management, production and storage facilities are located in Lahti. The sales organisation spans the entire country.

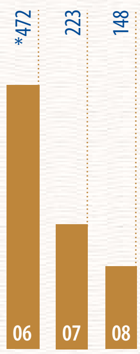
Managing Director
Jukkapekka Porali

"The company aims to grow from a manufacturer of technochemical products to a producer of various comprehensive solutions."

NET TURNOVER
EUR 1,000



OPERATING PROFIT
EUR 1,000



KEY DATA

EUR 1,000	2006*	2007	2008
Net turnover	1,735	2,895	3,017
Operating profit	472	223	148
Employees	38	41	24
Holding as at 31st Oct. 2008			80%

* 6 months

EcoSir Oy, Kospa Oy

Waste management is always a priority

Environmental technology is the latest addition to the Panostaja family of business areas. The company EcoSir, which specialises in environmental technology, was acquired by Panostaja in May 2008. The business area is also strengthened by Kospa, which manufactures waste management equipment. The prominent Finnish environmental management company L&T signed a five-year cooperation agreement with waste handling machinery manufacturer Kospa involving the design and marketing of environmental technology.

"The long-term agreement enables us to focus on developing or production processes and products," states Managing Director of both companies, Harri Salomaa.

Panostaja's goal is to build a strong and international business area around EcoSir and Kospa.

In the 2008 financial year, EcoSir increased its turnover by a quarter. The substantial growth was the result of an agreement with the City of Dubai to deliver underground waste compactors.
The sizeable initial agreement with the Arab Emirates naturally lowered the company's profitability.

"To the customer, the agreement is a pilot, and it includes an option to order more compactors. This industry is growing rapidly and the competition is fierce. We already export 70 per cent of our production and will continue for the foreseeable future," Salomaa says.

At present, the largest export countries are Russia, Sweden, Norway, Switzerland and the United Arab Emirates. Growth is expected particularly in Russia.

In the market, EcoSir is known for its innovative solutions, which are developed based on customers' needs. Product development takes up to three to five per cent of the turnover, and these investments are actively hedged.

"A new kind of logistical thinking can be seen in the field of environmental management. People want the waste somewhere where it can't be seen. EcoSir, with its underground solutions, might even be slightly ahead of its time," Salomaa says.

Managing Director
Harri Salomaa

> "A new kind of logistical thinking can be seen in the field of environmental management. People want the waste somewhere where it can't be seen.
> EcoSir, with its underground solutions, might even be slightly ahead of its time."

The field has developed from product trade towards delivery of comprehensive solutions. Salomaa estimates that EcoSir can increase its turnover significantly in the coming year as well.

EcoSir has received several technology awards for its innovations.

Kospa's turnover increased by roughly a third during the 2008 financial year. Half of the production output is exported.

The cornerstones of Kospa's operations are sustainability, experience and the right spirit of cooperation. Kospa is in the process of developing its efficiency and customer service to fight the unstable economy. The service network and new technology for managing environmental management solutions have been in development for a while now.

The Marttila-based Kospa was established in 1987. Kospa's subsidiary in Tampere, EcoSir, is its export distributor. In addition to the domestic market, waste compactors are exported to locations such as the Nordic Countries, Russia and the Middle East.

KEY DATA

EUR 1,000	2008*
Net turnover	2,446
Operating profit	-82
Employees	32
Holding as at 31st Oct. 2008	100%

* 6 months

Heatmasters Group

Energy means business

Heatmasters Group significantly increased its total turnover during its first full financial year with Panostaja. Managing Director Juha Saarikunnas is pleased with the overall outcome.

"The company has a considerable number of operations abroad. The development of the units is influenced by the economic and political conditions in each country, as the situation in Ukraine showed us last year," Saarikunnas states.

Saarikunnas is happy with the increase in sales in the group's largest subsidiary in Poland.

"The unit's equipment sales developed nicely during the financial year. As a result we will tighten our cooperation with the Sosnowiec unit.

The other associated companies of Heatmasters Group, which specialises in metal heat treatment services as well as related machinery and equipment, are located in Estonia and Saudi Arabia. The Swedish office was incorporated and the new subsidiary Heatmasters Sweden AB began its operations in late 2008.

An integral part of Heatmasters Group's strategy has been controlled globalisation. In late 2008, the influence of the unstable world economy was not yet evident in the company's orderbook. A large part of the company's customers are in the field of energy industry, however, where delivery projects are relatively long.

"Despite the grim economic forecasts, I believe that the heat treatment business will continue its development. The 2009 budget of the Heatmasters Group is based on this notion, but if the economic decline has an impact on our operations at some point, we will be able to respond extremely flexibly.

"There is no point in being too wary. The only thing we can do is press on," Saarikunnas says.

Managing Director
Juha Saarikunnas

> "There is no point in being too wary. The only thing we can do is press on."

To bolster the development of the domestic and foreign market, Heatmasters Group is making replacement and additional investments.

The Finnish offices of the company, which was established in 1974, are located in Lahti and Varkaus. It supplies machinery and equipment to over 20 different countries.

KEY DATA

EUR 1,000	2007*	2008
Net turnover	4,760	9,246
Operating profit	1,268	1,508
Employees	58	56
Holding as at 31st Oct. 2008		80%

* 6 months

Ruuvi-Pojat Oy, Porin Pultti Oy, Helsingin Laaturuuvi Oy

Tough year for fastener companies

The year for our fastener companies was challenging from the start. In the early part of the year, the price of steel remained high and the delivery times of products lengthened. Late in the year, the dwindling demand in the construction industry affected the market.

Among the fastener wholesalers, Ruuvi-Pojat Oy continued to grow in 2008. The turnovers of Helsingin Laaturuuvi and Porin Pultti remained at last year's level and the profits improved.

The future outlook of the business area began to take shape late in the year, when many large operators in the metal industry announced their intentions for temporary layoffs. The fastenings companies' response to this is to come together during 2009.

"The first six months of the 2009 financial year will set the pace. If the European Union decides to pass protective duties for foreign steel imports, the entire field could be set back several dozen per cent," the Managing Director of the new fastenings group, Ari Suomalainen, states.

The fastenings group will place even more focus on product package services. Through conceptualising, the group can further improve its customer service and seek more annual agreement customers.

Ari Suomalainen considers the size of the fastenings companies an added asset. The companies located in Helsinki, Tampere and Pori can react to changes in the economy quickly and flexibly.

"It will become increasingly important to keep a close eye on the market. We must invest in sales. In addition to having a wide assortment of products, product packages will be essential," Suomalainen explains.

Managing Director
Ari Suomalainen

> "Through conceptualising, the group can further improve its customer service and seek more annual agreement customers."

The fastener group companies Ruuvi-Pojat and Porin Pultti were established in 1978 and Helsingin Laaturuuvi in 1983. The fastener companies provide their customers with fastening supplies such as bolts and screws, related electrical and hand tools, special supplies, chemicals as well as protective equipment and clothing.

The customer base comprises mainly small and medium-sized companies in the metal industry, carpentry shops, construction companies, operators in the public sector, shops providing electrical and heating, plumbing and ventilation supplies, and retailers.

KEY DATA

EUR 1,000	2008
Net turnover	4,075
Operating profit	383
Employees	30
Holding as at 31st Oct. 2008	100%

KL-Parts Oy

There is always a demand for specialised services

KL-Parts has gained a good number of new customers due to the car tax reform. The most popular brands among cars purchased from abroad are Mercedes-Benz and BMW. A considerable number of the more exotic models from these manufacturers have now found their way to Finland. The special parts required in these cars, among other things, have increased KL-Parts' turnover.

"We have found new suppliers who have done their part to accelerate the delivery of original parts," Managing Director Jarkko Iso-Eskeli explains.

The extensive online parts service has also increased its turnover. The online shop is steadily expanding and developing into a more personalised service. The total turnover of KL-Parts also increased slightly.

"The future looks bright for specialised services such as ours. The chaining of national spare parts wholesalers leaves plenty of room for a customised service like this," Iso-Eskeli explains.

The internet provides a supplier of spare parts for two car brands an excellent opportunity to maintain an extensive parts catalogue, which would otherwise be extremely difficult. Iso-Eskeli sees this as a significant asset for this kind of small business whose range still boasts nearly 25,000 products.

The Managing Director is cautious about future predictions, however. Due to the economic outlook, which became less than promising towards the end of the year, it is difficult to tell what will happen.

Managing Director
Jarkko Iso-Eskeli

" The online shop is growing steadily and developing into a truly unique service platform."

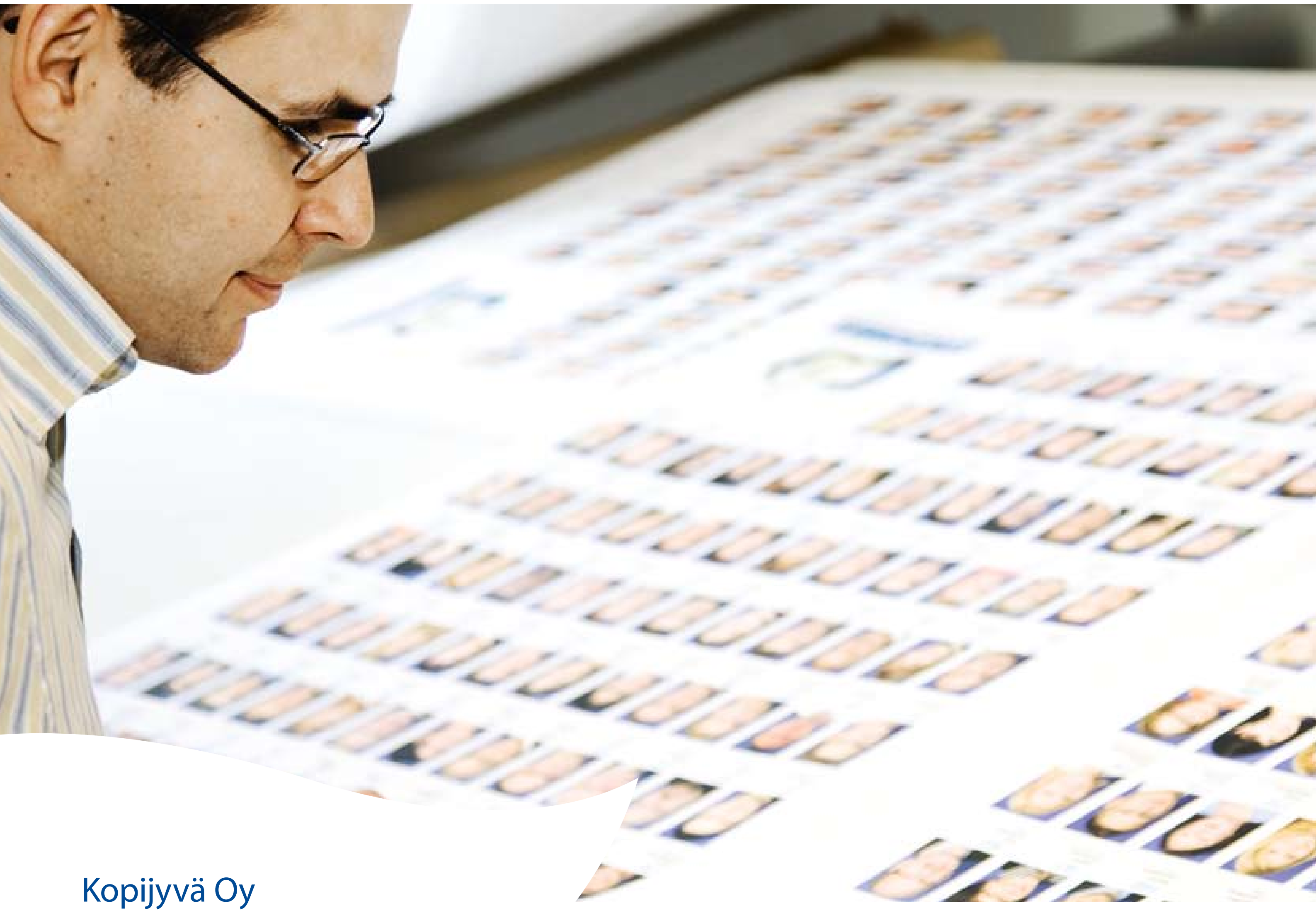
"The end of the year has been filled with anticipation. The sales of new cars had dropped, repair order queues had dwindled, and the escalated price of fuel kept consumers on their toes. This of course means that as many postpone buying a new car, they take even better care of their current one.

The company's customer base mainly comprises repair shops, retailers, private car owners as well as some municipalities, rescue departments, vocational institutes and insurance companies. The company also supplies special tools to repair shops.

KEY DATA

EUR 1,000	2007*	2008
Net turnover	3,580	6,795
Operating profit	289	726
Employees	26	28
Holding as at 31st Oct. 2008		80%

* 6 months



Kopijyvä Oy

Making our own future

The Jyväskylä-based digital printing company, Kopijyvä, joined the Panostaja team in spring 2008. The company, which was established in 1977, was already known as an open-minded pioneer in the field. After all, the company has a strong background in providing high-quality copies, construction plans, posters as well as four-colour and black and white digital print products.

Managing Director and part owner, Heimo Viinanen, is pleased with the fresh strength the change in ownership has brought with it.

"Our personnel took the change well, and I have received a good amount of support through the strong administrative system."

In addition to the organic growth, two acquisitions have further strengthened Kopijyvä's product range. Through the Mamaco printing company located in Jyväskylä, Kopijyvä gained special expertise in wide format image printing. The acquisitions made during the autumn also included the purchase of Oswald Interkopio, which operates from Mikkeli.

The turnover of the company is distributed evenly between CAD, black and white, four-colour and poster products. Each area has grown steadily from the turn of the millennium. The CAD segment is the most vulnerable to economic fluctuations. Its turnover is only a fourth of the total number, however.

In the future, the company will continue its efforts to grow both organically and through acquisitions.

Managing Director Viinanen sees the future of the printing industry as promising. Personalised printing, which is a growing market area in other countries, has not yet taken off in Finland. The change in printing culture is favourable to digital printing, which enables highly detailed orders.

Managing Director
Heimo Viinanen

> " Our personnel took the change well, and I have received a good amount of support through the strong administrative system"

"As the economy becomes tighter, many companies will be forced to reconsider the scope of products and services they provide. Soon we will be able to provide our customer companies with their own media banks, through which they can easily customise their offers to meet their needs even better."

Kopijyvä's turnover has increased to EUR 11 million. The company's offices are located in six different cities in Central and Eastern Finland. Through its associated companies, Kopijyvä also operates in Russia and the Baltic countries.

KEY DATA

EUR 1,000	2008*
Net turnover	5,938
Operating profit	683
Employees	131
Holding as at 31st Oct. 2008	67.9%

* 6 months

LukkoExpert Security Oy

The key to security technology

LukkoExpert Security is rapidly growing into a leading provider of locks, door automatics and security technology and services. The past financial year exceeded the expectations of Managing Director Jukka Laakso.

"I think we have perfected our product and service range, and since our organic growth has been good as well, I am very pleased with where we are.

During the 2008 financial year, the company's turnover climbed in excess of 20 per cent. Profitability also remained at a reasonable level, although it was slightly hampered by the company's large investments.

We have sought to increase our efficiency also by going through our internal processes in detail. This alone contributed to the increase in turnover by several percentage units.

"The most important thing, however, is that we have been able to customise our services to meet our customers' needs. Our target customer group is going through a significant structural change, and the fact that we understand it gives us an advantage. After all, we operate in an interesting market sector in between large security companies and small businesses, such as locksmiths," Laakso describes.

Finns are still investing a great deal in security although the dwindling of housing construction will limit the demand for locks and safety technology in the consumer segment. The expected decline of construction in large growth centres had not impacted LukkoExpert Security by the end of the year.

"I can't say I'm very worried about the future. All in all, the market is developing well as repair construction is compensating for the downswing of housing construction, and the focus will shift towards comprehensive security solutions.

For private consumer customers especially, door solutions must not only be safe but user-friendly as well. For example, electrical locks and other door automatics are becoming more and more commonplace as the general population ages."

Managing Director
Jukka Laakso

> "We have been able to customise our services to meet our customers' needs. Our target customer group is going through a significant structural change, and the fact that we understand it gives us an advantage."

X-akatemia, the academy established by LukkoExpert Security, will provide security for the company in the future. The first students to receive their vocational degrees in business and administration will graduate by Christmas.

"With the academy, we can ensure the professional expertise of our employees. In the autumn, 12 new apprenticeship students began the training. This is one of the paths we are taking to increase our organic growth.

At the beginning of November LukkoExpert Security gained ownership of the lock segment of the building supplies and lock company Seinäjoen Rakennustarvike and Lukko. The offices of LukkoExpert Security are located in the Helsinki area, Turku, Pori, Oulu, Tampere, Seinäjoki and Alajärvi.

LukkoExpert Security provides its services to all kinds of customers from companies and public corporations to private persons.

KEY DATA

EUR 1,000	2008
Net turnover	11,304
Operating profit	434
Employees	84
Holding as at 31st Oct. 2008	70%

Lämpö-Tukku Oy

New remedies to old problems

The importer and wholesaler of HPAC products, Lämpö-Tukku, increased its turnover during the financial year by 30 percentage units. The rate was astounding, as the company opened a new wholesale outlet in Seinäjoki and built commercial space in Espoo three times the size of the old premises.

"The investments made naturally increased the expenses, but our solid business model ensured the growth of our turnover. The partly self-service outlet in Espoo proved to be a successful solution and the outlet in Seinäjoki, too, got off to a good start. The budgeted turnover goal was reached in nine months," Managing Director Jouko Tyrkkö says.

The considerable amount of renovation building in the metropolitan area during the financial year did its part to ensure Lämpö-Tukku's growth. At the same time as the company's product range has expanded, its import has increased to nearly 75 per cent.

The investments made as well as the increases in personnel and rent expenses are holding down the company's total profit for this year.

The company believes in its growth strategy. It is based on the sales of the Seinäjoki unit and the new operational concept of the Espoo outlet, which has brought a good number of new customers to Lämpö-Tukku. Tyrkkö hopes that the trust in the general economy can be regained, which would open up new opportunities for renovation building.

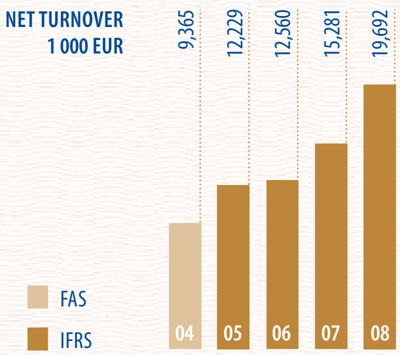
"Renovation is now cheaper than before, which is naturally an asset to us. With some flexible organisation and adapting we can surely overcome any adversities the future may hold. Our growth will of course be lower in 2009 than in 2008, however.

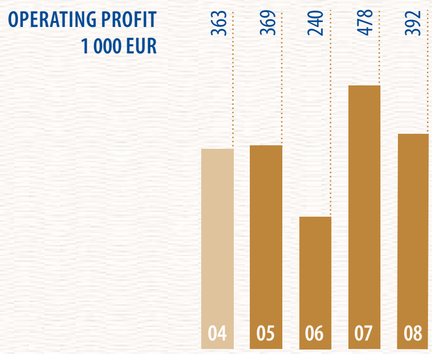
Logistical strength is Lämpö-Tukku's asset in the declining market. The company, which was established in 1956, has the transportation equipment needed to provide precise, swift and reliable services.

"We have developed our own comprehensive logistical service package while our competitors have outsourced their transportation services.

Managing Director
Jouko Tyrkkö

> "The right kind of purchases, optimal storing and efficient services are the things needed to make a profit in this field."





KEY DATA

EUR 1,000	FAS 2004	2005	2006	2007	2008
Net turnover	9,365	12,229	12,560	15,281	19,692
Operating profit	363	369	240	478	392
Employees	21	29	31	31	38
Holding as at 31st Oct. 2008					59.7%

Suomen Helasto Oy

Fittings companies grow stronger together

Two Seinäjoki-based businesses brought the old fitting company Suomen Helasto back to life late in the year. The aim of the new parent company is to become the leading supplier of fittings in the domestic market in the next five years. Suomen Helasto consolidates the management, purchasing and storing operations of the two companies, Suomen Helakeskus and Seinäjoen Rakennustarvike ja Lukko.

Seinäjoen Rakennustarvike ja Lukko strengthened its position as a supplier of construction fittings for the door and window industry in 2008 despite the less than favourable outlook of the construction industry.

"The future seems to hold no significant threats to our operations. We believe we can continue to be successful by being efficient in our efforts," Business Area Manager Juhani Lehtinen estimates.

New construction in Finland is expected to decrease during 2009 by 8 percentage units compared to 2008. The slight increase in renovation construction should, however, compensate the slump, which Lehtinen estimates will take the construction industry back to the level of late 2006.

The redistribution of the fittings market became evident in the later part of the year, as Inha Works, which is a part of the Fiskars Group, discontinued its production of hinges. The task will be taken up by Abloy. This arrangement also affected the operations of Seinäjoen Rakennustarvike ja Lukko. Both of the above-mentioned businesses are among its domestic partners.

"We have worked hard and successfully to replace the lost product group. In cooperation with our customers, we developed new products for our range. Naturally, our cooperation with Abloy will become closer than ever," Lehtinen says and adds that the results of persistent efforts are gradually beginning to show in the company's profit.

During the past year, Seinäjoen Rakennustarvike ja Lukko sold its lock segment to LukkoExpert Security, which is also a part of the Panostaja Group.

Managing Director
Pekka Koskenkorva

> "As the growth of business area slows down, the competition for the overall market will become fiercer. I am confident we can meet the coming challenges with our new products and by implementing operational improvements together with our personnel."

The slump in construction has not affected the development of Suomen Helakeskus during the past financial year. The demand for fixture fittings remained nearly at the level of the previous year and the company made a good profit. Suomen Helakeskus, which is a supplier for the kitchen fixture and furniture industries, prepared for the tightening competition of the field by focusing its product range and streamlining its operations.

"We made considerable changes to our product range aimed at the fixture industry, and thanks to this, the future looks very promising," Managing Director of Suomen Helasto, Pekka Koskenkorva, states.

Suomen Helakeskus is a company established in 1971, which specialises in the import and wholesale of fixture fittings. Its most significant customer groups are manufacturers of kitchen fixtures and the furniture industry.

Seinäjoen Rakennustarvike ja Lukko is the leading supplier of construction fittings for the door and window industries. In addition to the fittings needed in domestic construction, the company supplies fittings to companies that operate in the export market. The company was established in 1974.

KEY DATA

EUR 1,000	2008
Net turnover	14,874
Operating profit	1,342
Employees	49
Holding as at 31st Oct. 2008	100%

Suomen Puunjalostus Oy

Towards a new market area

Suomen Puunjalostus, which specialises in interior doors and staircases, anticipated the economic downturn of the autumn already in the spring. The operational reorganisation efforts, which focused on short-term results, proved to be successful late in the year. In addition to bolstering its sales network, the company concentrated its staircase production in Tampere and its door production in Laitila.

"Our five-year plan includes increasing our market share. We have already changed the design of our doors to meet the demand. We also introduced a new door colour, walnut. We have expanded our range of staircases to steel staircases. In this way, we have steered our service concept towards the needs of our customers. We also believe we can gain new customers not only domestically but in Central Europe as well," Managing Director Tapani Harjunen says.

Changes in production are also on-going. The central challenges of the coming financial year revolve around the fabrication and painting of the staircases. The company is seeking to improve its production efficiency through investments.

The company's total turnover decreased during the financial year due to the construction industry's downturn. Door production, however, remained profitable. The profit in the staircase segment was lower due to the investments made during the year.

Half of the company's production goes to the domestic market. The largest export country is Norway, where Harjunen believes the market will develop nicely during the coming financial year. The company also exports its products to Sweden, Denmark and the Baltic Countries. Harjunen expects changes in Russian exports as a result of the fluctuating world economy.

The efforts made to reach the Central European market do not threaten production in Finland.

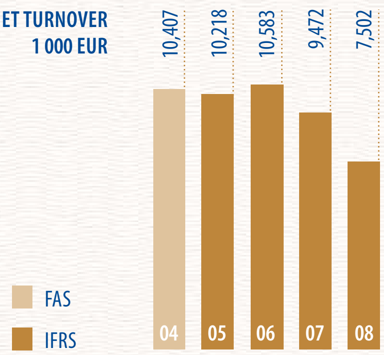
"We see no advantage in moving our production away from Finland. This way we can ensure its efficiency and quality," Harjunen explains.

Suomen Puunjalostus came into being in 2006 when Matti-Ovi, which began as a carpentry shop in 1911 and grew into a door factory in 1977, and Suomen Puuporras joined to form a new comprehensive business area. The company's customers include DIY shops, housing factories, wholesalers and do-it-yourself builders.

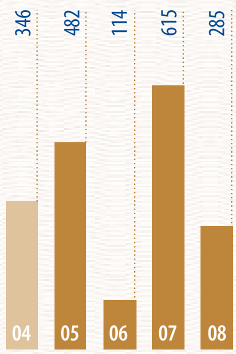
Managing Director
Tapani Harjunen

" We see no advantage in moving our production away from Finland. This way we can ensure its efficiency and quality."

NET TURNOVER
1 000 EUR

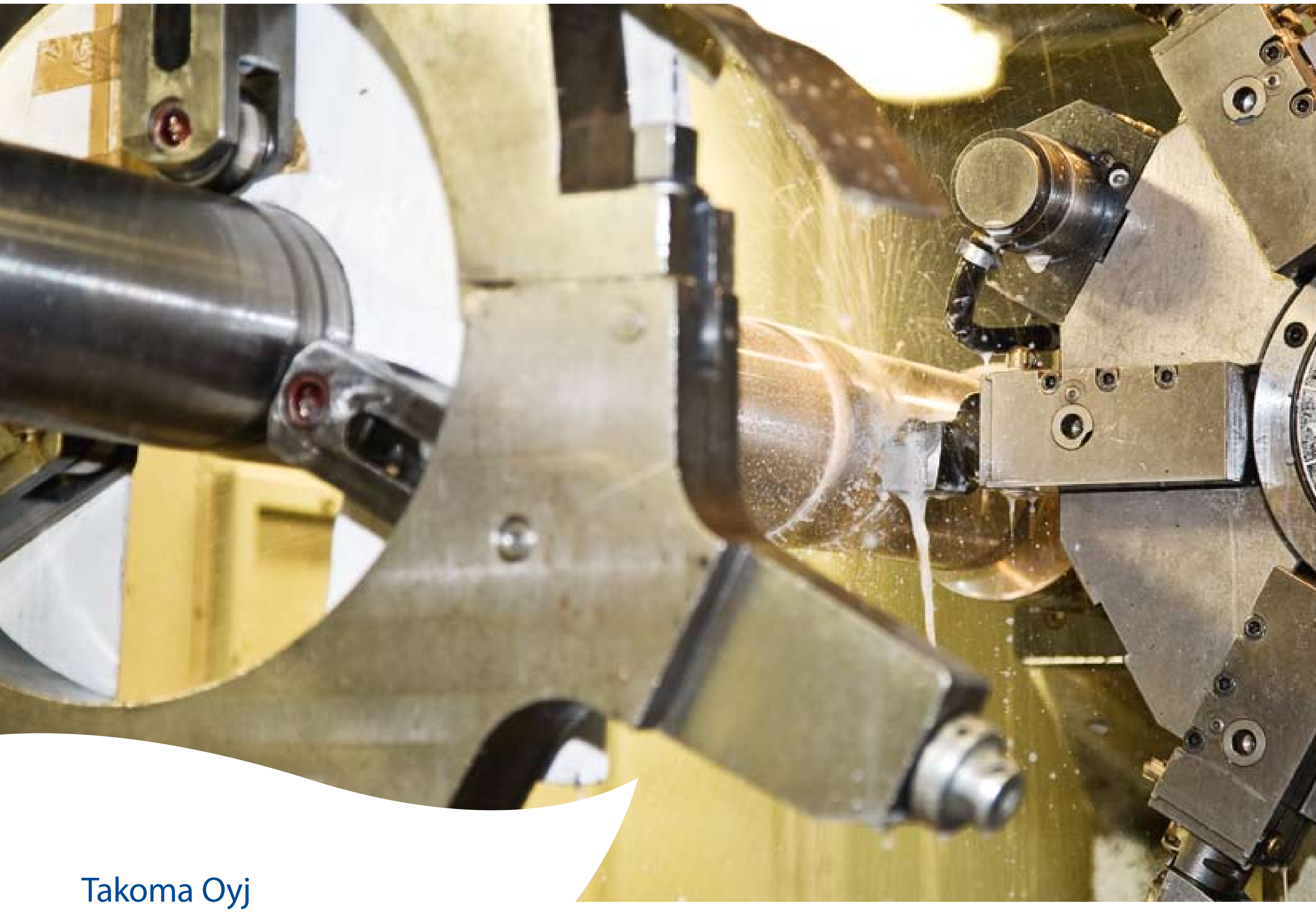


OPERATING PROFIT
1 000 EUR



KEY DATA

EUR 1,000	FAS 2004	2005	2006	2007	2008
Net turnover	10,407	10,218	10,583	9,472	7,502
Operating profit	346	482	114	615	285
Employees	82	82	92	82	59
Holding as at 31st Oct. 2008					70%



Takoma Oyj

Mechanical engineering with a strong foundation

The mechanical engineering group, Takoma, continued to increase its total turnover and the volumes developed according to plan. The group believes that the favourable development will continue, and, accordingly, the goals for the new year have not been changed.

“Our relative profitability dropped slightly as Takoma was being prepared for meeting the growth target, but it is still at a good level. We will be able to hold our own on the changing market,” Managing Director Kimmo Korhonen summarises.

The year-old mechanical engineering group did not waste time and aimed for growth during its first year of operation. Due to metal being in high demand, prices remained high, however.

“We saw the economic decline coming in the spring, so we decided to wait. As expected, the situation changed in the autumn and businesses that were up for sale began to contact us. At the same time, the number of potential buyers decreased dramatically, which gives Takoma the advantage. I see this as an excellent opportunity.

In a year, Takoma has grown into a fully-fledged public company. The parent company is intentionally light and an operational concept has been created for the group, which can easily be transferred to purchasable companies.

“Profit is made through actions. Acquisitions must be made in a way that makes the new company a true part of the whole. The company must also be suitable for the Takoma concept,” Korhonen says.

Takoma is still in the process of increasing the number of its skilful employees and machinery capacity. The group is also investing in expansion.

“During good times, everyone is a hero. When things take a turn for the worse, we need to put in more effort. The true economic slump is still ahead of us, as there is always a delay before the investment panic starts truly influencing business activities. The development, which became evident late in the year, will remedy the situation with regard to acquisition,” Korhonen states.

Managing Director
Kimmo Korhonen

" Profit is made through actions. Acquisitions must be made in a way that makes the new company a true part of the whole. The company must also be suitable for the Takoma concept."

Takoma's business activities can be divided into three areas: hydraulics, subcontracting and production of technology products. The aim of the group is to increase its turnover to EUR 100 million by 2012 and maintain a high level of self-sufficiency.

Takoma Oyj is the former Suomen Helasto Oyj. Panostaja listed Takoma in the autumn of 2007. The operations of the group are based on an entrepreneurial model. In addition to subcontracting, Takoma exports its expertise as a manufacturer of large hydraulic cylinders into the international market.

KEY DATA

EUR 1,000	2008
Net turnover	18,397
Operating profit	1,059
Employees	86
Holding as at 31st Oct. 2008	65.1%

Toimex Oy

A firm grip on growth

Toimex continued its growth through the past year. The eight per cent growth was enough to meet the targets set for the HPAC pipe clip market.

The company increased its export as well. Over a fifth of the company's production was exported to Scandinavia, the Baltic Countries and Russia, which pleased Managing Director Kalervo Pentti. He expects that export will compensate the fluctuations of the domestic market in the future. Our expectations are great especially for Russia.

The narrow pipe clip segment follows the trends of the housing, public and industrial construction, which significantly influence our operations in 2009. Pentti anticipates that the coming time will be challenging.

"I imagine that Toimex will maintain its volume in the construction industry as it has done before."

According to Pentti, the ability to be creative and flexible will be key in the near future. Proper stock and price management and partnerships will take centre stage as the economic indicators are poor.

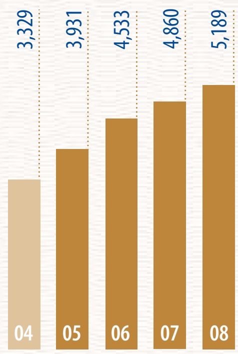
Toimex was established in 1974. Thanks to its subcontractor network, capable personnel and high-quality products it has been able to maintain a steady position for nearly four decades.

Toimex is a part of the Kannake Group. The company has a production facility in Tampere and a sales office in Helsinki. Its customers included HPAC and technical wholesalers. Pipe clips are used in housing, public and industrial construction.

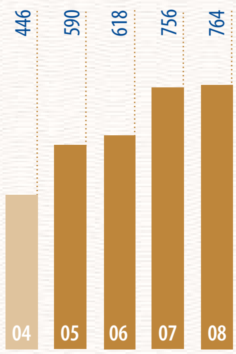
Managing Director
Kalervo Pentti

" Proper stock and price management and partnerships will take centre stage as the economic indicators are poor."

NET TURNOVER
1 000 EUR



OPERATING PROFIT
1 000 EUR



FAS
IFRS

KEY DATA

EUR 1,000	FAS 2004	2005	2006	2007	2008
Net turnover	3,329	3,931	4,533	4,860	5,189
Operating profit	446	590	618	756	764
Employees	17	17	17	17	17
Holding as at 31st Oct. 2008					70.4%

Vallog Oy

Where the customer is

The past year was bright for Vallog, which serves the technology industry. The turnover increased some twenty (20) per cent, which is a rate comparable with the previous year. Additionally, the company's profitability improved while new employees were learning the ropes and operations expanded to Kerava.

"The volumes of our most essential customers increased, and the cooperation agreement with Metso Paper, which was signed early in the year, further strengthened Vallog. As it stands, the coming year is getting more and more interesting, as the changes in the economic climate affect us through the decisions of our clients," says Managing Director Risto Rousku.

Vallog has consciously shifted the focus of its operations from manufacturing services to logistical services. The manufacturing of prototypes, spare parts and small series for the metal industry now makes up 40 per cent of the company's total turnover.

"In the early part of the millennium machine shops concentrated on outsourcing their manufacturing operations. Now the focus is more on logistics. People have noticed the significance of turnaround times and on-time deliveries. This opens up new opportunities for Vallog," Rousko says.

Manufacturing will remain a part of the company's business activities, and it will concentrate on prototypes and small series with fast delivery times.

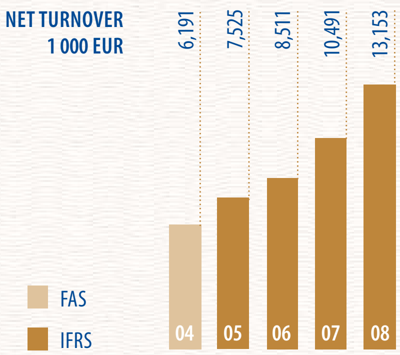
With the internationalisation of Vallog's operations, the customer's benefit will gain more emphasis. As clients move their operations abroad, domestic spare part suppliers will be forced to compete with large central warehouses.

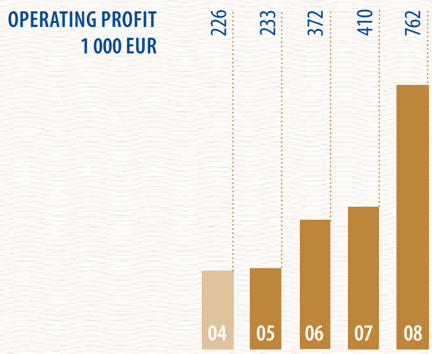
"We are watching the development of the situation closely, and we will invest in improving our own customer interface even further. Mentally, we already have what it takes to accompany our clients abroad. As an experienced company, we can provide logistical added value services and operate very flexibly thanks to our size. Our domestic customers trust our transparent operational method."

Vallog, which was established in 2001, now operates in Tampere, Hyvinkää, Hämeenlinna and Kerava.

Managing Director
Risto Rousku

" In the early part of the millennium machine shops concentrated on outsourcing their manufacturing operations. Now the focus is more on logistics. People have noticed the significance of turnaround times and on-time deliveries."





KEY DATA

EUR 1,000	FAS 2004	2005	2006	2007	2008
Net turnover	6,191	7,525	8,511	10,491	13,153
Operating profit	226	233	372	410	762
Employees	80	71	84	86	105
Holding as at 31st Oct. 2008					80%

A forged star:
Arme took the next step

" Panostaja, as a formidable owner company, brought us credibility in the market, where it was particularly needed. Arme was involved in large projects abroad. With Panostaja keeping an eye on the bigger picture with regard to the overall market, financial economy and trends, we were able to concentrate on our own expertise and market segment.


Managing Director
Jukka Pyykönen

In July, the ownership of the industrial insulation company Arme changed from Panostaja to Sentica Partners. The company was ready for its next growth phase.

"The compa ny was ready to face the challenges towards which its development had aimed. Our time with Panostaja certainly saw its number of economic highs and lows. All the while, however, we were laying the groundwork for the new market," Managing Director Jukka Pyykkönen explains.

Arme, which was established in 1974, was a Panostaja company for as long as two decades. Pyykkönen feels that the long-term ownership strengthened Arme not only business wise but also mentally. The stronger the confidence and belief in the company's know-how, the less effect changes in ownership have.

"Panostaja, as a formidable owner company, brought us credibility in the market, where it was particularly needed. Arme was involved in large projects abroad. With Panostaja keeping an eye on the bigger picture with regard to the overall market, financial economy and trends, we were able to concentrate on our own expertise and market segment."

Pyykkönen says that this division of tasks stabilised the company's operations and reassured the employees. This is also testament to Panostaja's business-oriented ownership policy.

"In addition to the long-term ownership, the company management's freedom to do their job and develop the company brought stability and continuity to our operations. Many have sought to buy our company over the years, but since our profitability was constantly increasing, the interests of the buyers and the seller never truly met.

Arme has grown over the years into a versatile service company specialised in insulation and scaffolding work for industry and building technology. We have found a new direction for growth in leasing personnel lift platforms and providing training. In addition to apprenticeship training, the company provides hot work and work safety card training in seven languages.

Because Arme experts work instead of technology, the challenges are particularly daunting. Arme is now expanding to Russia, Asia and the Middle East. In addition to broadening its service range, the company seeks to grow through company acquisitions.

"As we are exporting project management, one of the central challenges is the functioning of work management in different cultures. We have been practicing this skill since 2001, however, through an Estonian company we own.

The domestic market is still important to Arme, but the growth potential is in the international sector. With the tightening of global competition, customer demands have increased but, at the same time, they have given Arme the opportunity and incentive to develop its own safety expertise.

"The market is declining, and it began to show late in the year. The outlook for 2009 is still promising. Our turnover will continue to grow, but at the expense of profitability. The company does have some leeway, though."

Pyykkönen admits that it will be hard to maintain the earlier level of profitability, but refuses to be pessimistic about the future. The company's orderbook for 2009 looks very good indeed.

"For the large part, economic slumps are a mental thing. It is a matter of what people believe in."

"The possible depression brings even more challenges to the table. We should not become passive during the decline, however. This is a time when we need to show some courage and make decisions accordingly. The tighter our group is, the more the company will profit from the eventual economic recovery. Moreover, we won't take as much of a beating due to the depression," Pyykkönen adds.

Managing Director Pyykkönen believes that Arme will double its turnover in two years.

"The Managing Director's decisions always received full support from Panostaja. This will continue with the new owner, as our interests are the same."

Corporate governance at Panostaja Oyj

General Meeting

The highest decision-making body within Panostaja Oyj is the Annual General Meeting (AGM). The AGM approves the company's financial statements every year and decides on distribution of dividends and discharge of the Board of Directors and the Managing Director from liability, as well as on election of directors to the board and auditors and on their remuneration. The AGM is called by the company's Board of Directors. Pursuant to the Articles of Association, the AGM shall be held by the end of April each year. Invitations to the AGM shall be made available to shareholders no earlier than two months and no later than 17 days prior to the meeting via publication of the invitation in at least one national newspaper as determined by the AGM. The AGM shall be attended by the Managing Director, the Chairman of the Board of Directors and any person nominated for the first time as a candidate for the Board of Directors, unless they have exceptional grounds for non-attendance.

Board of Directors

According to Panostaja Oyj's Articles of Association, the Board of Directors consists of no less than three and no more than six permanent members. In the 2007/2008 financial year, the Board had five members. Board members are elected at the Annual General Meeting. The term of office of a Board member shall expire at the end of the first Annual General Meeting following their election. In 2007/2008 the Board convened 13 times. The average percentage of attendance in Board meetings during the year was 97%.

The Board of Directors shall appoint the Chairman and the Vice-Chairman from among its members. In addition to the duties mentioned in law and in the Articles of Association, the Board of Directors also deals with matters of importance and consequence in terms of the company and the Group, such as long-term strategic goals, the budgets of Group companies as part of the Group's overall budget, the Group's material investments, material expansion or curtailment of business activities, as well as significant acquisitions and disposals of companies and businesses.

The Board of Directors has a written charter that covers its work. The Board of Directors evaluates its performance and working methods on an annual basis. The Board does not have any separate committees.

Panostaja Oyj complies with the Corporate Governance Recommendation for Listed Companies as applicable, due to the company's size range, accepted procedures and control system. Three of the five members of the Board are independent of the company and its shareholders.

In the 2007 AGM Matti Koskenkorva, Jukka Ala-Mello, Hannu Tarkkonen, Hannu Ketola and Hannu Martikainen were elected as members of the Board. The organisational meeting of the Board appointed Matti Koskenkorva as the Chairman and Jukka Ala-Mello as the Vice-Chairman. At the organisational meeting, which was held after the AGM, Matti Koskenkorva relinquished his fulltime post as the Chairman of the Board.

The Annual General Meeting confirms the fees paid to the Board of Directors on an annual basis. The monthly fees paid to the Chairman, Vice-Chairman and other Board members were confirmed as follows EUR 3,000, EUR 1,500 and EUR 1,000 respectively.

Ca. 40% of the Board members' fee is paid based on the share issue authorisation granted to the Board by issuing Board members with Class B shares unless the member at the time of the AGM has ownership of over one per cent of the company's entire shares. If the Board member's shareholding exceeds one per cent of the company's share capital, the fee is paid entirely in money. In the past financial year the benefits paid to the Chairman of the Board amounted to EUR 77,927.87 some of which were from the Matti Koskenkorva's period as Chairman.

Managing Director

The company's Board of Directors appoints the Managing Director. The Managing Director is in charge of the day-to-day management of the company in accordance with instructions and orders given by the Board. The Managing Director's salary and other benefits are decided by the Board of Directors. The Managing Director has a written managing director's service contract. The term of notice under the contract is 6 months and severance pay is equivalent to 12 months' salary. During the 2007/2008 period, the Managing Director's annual income and other benefits amounted to EUR 150,012.74.

The Managing Director is not a member of the Board.

Organisation of business

Panostaja Group's operational business activities are conducted in business areas (subgroups) categorised by industry. The Board of Directors of each business area consists of the Managing Director of the business area as well as the Managing Director of Panostaja Oyj and a member of Panostaja Oyj's administration. The Board of Directors may also include one or more expert members from outside the Group. Any operational decisions concerning a business area are taken within the business area concerned.

Control system

The statutory audit of the annual accounts of Panostaja Group companies is the responsibility of auditors appointed at the Annual General Meeting. During the 2007/2008 financial year, auditors of the parent company and the Group were Mr. Hannu Pellinen, Authorised Public Accountant (APA), and PricewaterhouseCoopers Oy, Authorised Public Accountants.

The auditors will submit the statutory Auditors' Report to the company's shareholders in connection with financial statements. For its review of financial statements, Panostaja Oyj's Board of Directors is provided with the responsible auditor's account of performance and observations made during the audit. Where necessary, auditors attend Board meetings and also report to the Board in other respects. Remuneration paid to PricewaterhouseCoopers for statutory auditing and other services for the 2007/2008 financial year amounted to EUR 76,000 and EUR 126,000 respectively.

Panostaja Group complies with instructions on declarations of insider holdings and on maintenance of public and company-specific insider registers in accordance with the Finnish Securities Market Act (495/1989), as well as with the Guidelines for Insiders adopted by Helsinki Stock Exchange.

Panostaja Oyj's public insiders comprise members of the Board of Directors, the Managing Director, the administrative group and the auditors. The company's permanent insiders include the entire personnel of the parent company as well as the partners who have been deemed a part of the insider group based on their collaborative relationship, but their shareholdings are not in the public domain. A project-specific insider register is kept for each significant project. Panostaja Oyj's insider register is available for inspection on the Internet via the NetSire service made available by Finnish Central Securities Depository Ltd. and on Panostaja's own website under Investors > Public Insiders.

Internal control and risk management

The company's core business area involves various risks which may affect its business activities and financial performance. The company's Board of Directors has divided risk management into the following sectors:

- Acquisitions and disposals of companies
- Business risks involved in the business areas
- Risks related to key persons
- Insurable risks
- Financial risks
- Risks relating to capital adequacy
- Foreign exchange risks
- Legal, fiscal and regulatory risks.

Risk management aims to guarantee conditions for achievement of business objectives and continuity of operations. The Group does not have a separate internal audit system.

Board of Directors

(1) Matti Koskenkorva, b. 1947
Chairman of the Board since 2002, Board member since 1999.
Entrepreneurial Counsellor
Previous work experience: Panostaja Oyj's Managing Director, Tilamarkkinat Oy's Managing Director, Urepol Oy's Marketing Director
Other positions of trust: Board member of Fennia's Board of Directors, board member of Etera Mutual Pension Insurance Company

(2) Jukka Ala-Mello, b. 1963
Board member since 2006
Master of Science in Economics and Business Administration, APA
KONE Oyj's Director and Secretary of the Board
Previous work experience: PricewaterhouseCoopers Oy's shareholder 1995–2006, APA 1993–2006 and auditor 1987–1990 and Panostaja Oyj's Financial Manager 1990–1993
Other positions of trust: Board member and Managing Director at Security Trading Oy and Holding Manutas Oy and Chairman of the Board at OWH-Yhtiöt Oy
Independent member

(3) Hannu Ketola, b. 1947
Board member since 2007
Master of Social Sciences
Previous work experience: Managing Director of Fennia Mutual Insurance Company
Other positions of trust: –
Independent member

(4) Hannu Martikainen, b. 1943
Board member since 2007
Construction Counsellor
Previous work experience: Parma Oy's Managing Director
Other positions of trust: Muotolevy Oy's board member
Independent member

(5) Hannu Tarkkonen, b. 1950
Board member since 2006
Vocational Qualification in Business and Administration
Executive Vice President of Etera Mutual Pension Insurance Company
Previous work experience: Etera's Investment Director 1997–2005
Other positions of trust: Raisio Oyj's Board member, Hypoteekkiyhdistys' Board member, Leverator Oyj's Board member and Tornator Oyj's Board member

Management team

1 2 4 3

(1) Juha Sarsama, b. 1965
Managing Director since 2007
Master of Law, M.S.M (Boston University (Brussels)
Previous work experience: Managing Director OpusCapita Oy, Adiministrative Director Saarioinen Oy, Financial Director OpusCapital Oyj
Other positions of trust: –

(2) Veli Ollila, b. 1972
Financial Director since 2006
Master of Science (Economics and Business Administration), Master of Law
Previous work experience: Finance Director CRH Europe EPS Insulation, Northern Europe, Business Controller Machinium Oy, Financial Director Lännen Engineering Oy
Other positions of trust: –

(3) Heikki Nuutila, b. 1958
Development Director since 2008
Master of Social Sciences
Previous work experience: Managing Director Tutor Partners Oy, Director Hermia Yrityskehitys Oy, Director Andersen Corporate Finance
Other positions of trust: –

(4) Tapio Tommila, b. 1978
Investment Director since 2008
Master of Science (Economics and Business Administration)
Previous work experience: Deloitte Corporate Finance Oy, PricewaterhouseCoopers Oy
Other positions of trust: –

Directors' report

The Group's financial performance

Panostaja Group's net turnover was EUR 121.1 million (EUR 69.1 million). Growth was particularly the result of acquisitions completed during the previous financial year.

The Group's operating profit increased by 51.6% from the previous year's EUR 3.3 million to EUR 6.5 million, while profit before taxes grew by 103% from EUR 2.2 million to EUR 4.4 million.

Profit for the financial year was EUR 13.8 million (EUR 5.9 million) with EUR 2.8 million and EUR 11.0 million attributable to continuing and discontinued operations respectively. Profit from discontinued operations consisted of the disposal of Arme Oy.

The parent company's shareholders' share of the profit for the financial year was EUR 12.7 million (EUR 4.3 million).

Due to the divestment made on 3rd July, the Arme group in its entirety is not included in Panostaja Group's profit from continuing and discontinued operations for the financial period. Arme's total influence on Panostaja Group's profit for the period between 1st January 2007 and 31st October 2008 is EUR 11 million when the sales profit from the shares is considered as taxable income.

The Group's finance income was ca. EUR 1.9 million and finance expenses ca. EUR 3.9 million. The Group's average number of employees during the financial year was 646 (571). The payroll at year-end included 719 employees.

Panostaja Oyj

Parent company Panostaja Oyj's net turnover amounted to EUR 0.05 million (EUR 0.02 million). Due to the disposal of Arme Oy, other operating income amounted to EUR 17.8 million (EUR 0.49 million).

Operating profit was EUR 16.0 million (EUR -1.04 million). The parent company's profit before appropriations and taxes stood at EUR 25.1 million (EUR 0.61 million). The parent company's profit for the financial year amounted to EUR 21.5 million (EUR 0.62 million).

Panostaja Group's business segments

The Group has thirteen business areas, which are reported under five different segments.

Wholesale trade

The wholesale trade segment consists of Eurotermo Group, KL-Parts Group, Suomen Helasto Group and Ollinvara III Group.

Eurotermo Group is a wholesaler of heating, plumbing and ventilation equipment operating in Helsinki, Espoo, Vantaa and Tampere. Panostaja Group owns 59.7% of Eurotermo Oy. In all, Eurotermo Oy has more than 400 shareholders. The subgroup's operating company is Lämpö-Tukku Oy, which is 100% owned by Eurotermo Oy. The company's Managing Director is Jouko Tyrkkö.

KL-Parts Group is a subgroup specialising in the supply of OEM spare parts for Mercedes-Benz and BMW cars, with operations in Tampere, Jyväskylä and Rovaniemi. Panostaja Group owns 80% of KL-Parts Oy. The operating companies are KL-Varaosat Oy, Jyväskylän KL-Varaosat ja Rovaniemen KL-Varaosat, which are 100% owned by KL-Parts Oy. The Managing Director of the operating companies is Jarkko Iso-Eskeli.

Suomen Helasto Group Seinäjoki-based group specialising in the wholesale of fittings as well as related services. Panostaja Group owns 100% of Suomen Helasto Oy. The operating companies are Seinäjoen Rakennustarvike ja Lukko Oy and Suomen Helakeskus, which are 100% owned by Suomen Helasto Oy. The Managing Director of the operating companies is Pekka Koskenkorva.

Ollinvara III Group is a subgroup offering fastenings supplies and related services, with operations in Helsinki, Tampere and Pori. Panostaja Group owns 100% of Ollinvara III Oy. The operating companies are Helsingin Laaturuuvi Oy, Ruuvipojat Oy and Porin Pultti Oy, which are 100% owned by Ollinvara III Oy. The Managing Director of the operating companies is Ari Suomalainen.

During the last financial year, the wholesale trade segment's net turnover increased to EUR 45.4 million (EUR 29.7 million), while operating profit for the period stood at EUR 2.8 million (EUR 1.5 million). The average number of employees during the financial year was 145 (133). Acquisition carried out during the period significantly increased the segme§nt's net turnover and operating profit.

Joinery industry

The company operating as the parent for the entire joinery industry segment is Suomen Puunjalostus Oy, which is 100% owned by Panostaja Oyj. The Managing Director of all companies within the Suomen Puunjalostus Group is Tapani Harjunen.

Suomen Puuporras and Matti-Ovi are subsidiaries in which Suomen Puunjalostus Oy holds a 70% share. Suomen Puuporras Group is a subgroup manufacturing and marketing wooden staircases in Tampere and Imatra. The subgroup includes subsidiaries Keiteleen Porras Oy and Kausalan Porras Oy, which are 100% owned by Suomen Puuporras Oy, and Nikkaristo Oy, which is 100% owned by Kausalan Porras Oy. Matti-Ovi Group operates in Laitila and Polvijärvi, manufacturing and marketing solid-wood doors. The subgroup also includes Finnfutter Oy, which is 100% owned by Matti-Ovi Oy. The joinery industry segment has a joint sales office and showroom in Vantaa.

The joinery industry segment's net turnover was EUR 7.5 million (EUR 9.5 million), while operating profit amounted to EUR 0.3 million (EUR 0.6 million). The average number of employees was 59 (82). In September, Suomen Puuporras Group restructured its operations, closing down the Kausala plant and relocating its entire production to Tampere. Matti-Ovi Group centralised its production operations in Laitila, as the Finnfutter Oy factory in Polvijärvi was shut down.

Industrial services

The industrial services segment comprises Vallog Group and Heatmasters Group.

Vallog Group comprises two operating companies. Vallog Oy operates in Hyvinkää and Tampere, mainly focusing on spare parts production and logistics. Vallog Logistiikkapalvelut Oy provides logistics and distribution services in Hämeenlinna. In addition, the subgroups core competence covers supply of metal parts and components and distribution and storage services. Vallog Group Oy is a subsidiary in which Panostaja Oyj holds an 85% share. The Managing Director of all Vallog Group companies is Risto Rousku, who assumed his duties in September.

Heatmasters Group comprises two operating companies in Finland, Lahden Lämpökäsittely Oy and Heatmasters Oy, which operate in Lahti and Kouvola. The subgroup also has operations in Sweden, a subsidiary in Poland and associated companies in Estonia, Saudi Arabia and Ukraine. Heatmasters Group offers metal heat treatment services and manufactures machinery and equipment related to the heat treatment process and its control Heatmasters Group Oy is a subsidiary in which Panostaja Oyj holds an 80% share. The Managing Director of all Heatmasters Group companies is Juha Saarikunnas.

The segment's net turnover for the financial year was EUR 22.4 million (EUR 15.3 million). The segment's operating profit amounted to EUR 2.3 million (EUR 1.7 million). The segment's average payroll included 161 (144) employees.

Takoma

The Takoma group comprises two mechanical engineering companies, Tampereen Laatukoneistus Oy and Hervannan Koneistus Oy, both of which operate in Tampere. The parent company is Takoma Oyj, in which Panostaja has a 65% share. The Managing Director of the companies is Kimmo Korhonen.

The segment's net turnover for the financial year was EUR 18.4 million and the operating profit EUR 1.1 million. The segment's average payroll included 86 employees.

Other business operations

The other business operations segment consists of Kannake, Annektor, Novacausa I and Digiprint Finland Groups, environmental technology companies, parent company Panostaja Oyj and Panostaja Oyj's investment properties. In addition to business operations, other items reported under this segment include unallocated items. Intragroup eliminations are reported in the section Eliminations.

Kannake Group is a subgroup manufacturing and marketing heating, plumbing and ventilation supports and operating in Tampere and Helsinki, in which Panostaja holds a 70% share. In addition to Kannake Oy, the subgroup includes Toimex Oy, its operating company. The company's Managing Director is Kalervo Pentti.

Annektor group is a Lahti-based technochemical industry subgroup, in which Panostaja holds an 80% share. In addition to Annektor Oy, the subgroup includes Alfa-Kem Oy, its operating company. The company's Managing Director is Jukkapekka Porali.

Novacausa I Group is a subgroup 70% owned by Panostaja, offering locks and security products and services with operations in Helsinki, Tampere, Turku, Pori, Jyväskylä and Oulu. In addition to Novacausa I Oy, the subgroup includes LukkoExpert Security Oy, its operating company. The operating company's Managing Director is Jukka Laakso.

The operating company of Digiprint Finland Group is Kopijyvä Oy. Kopijyvä Oy is a digital printing company, which Panostaja acquired during the past financial year. The company's offices are located in five different cities in Central and Eastern Finland. In addition, the company has operations in the Baltic countries. Panostaja owns 67.9 per cent of the group. The company's Managing Director is Heimo Viinanen.

EcoSir Oy is an environmental technology company operating in Tampere, Turku and Helsinki, which specialises in equipment solutions for waste and property management. In addition to Finland, the company also operates in Tallinn. Kospa Oy is a company manufacturing waste management equipment. Panostaja used these companies to form a new business area specialising in environmental technology. EcoSir Oy and Kospa Oy are 100% owned by Panostaja. The companies' Managing Director is Harri Salomaa.

Tampereen Portti Oy is an associated company owned equally by Panostaja Oyj and YIT Corporation, which owns a land area in Lahdesjärvi in the Lakalaiva district of the City of Tampere. The permitted building volume confirmed for the area covers about 41,000 floor square metres. The area is being developed to create a high-quality office and industrial site. Panostaja Oyj still holds the share capital in the Kiinteistö Oy Lakalaivan Teollisuustalo I real estate company, which was set up during the first construction stage.

The net turnover of the other business operations segment increased to EUR 27.9 million (EUR 14.7 million). The segment's operating profit amounted to EUR 0.0 million (EUR -0.7 million). The average number of employees during the financial year was 215 (199).

Financing

In December 2007, the company distributed EUR 3.97 million in dividends to parent company shareholders for the 2006/2007 period. In addition, dividends paid to minority shareholders in subsidiaries during the period amounted to EUR 0.5 million. As return of capital, 14.0% of Takoma Oyj's share capital was distributed to shareholders. The value of the share was EUR 3.75 million at the time of distribution.

During the period under review, the Group obtained an interest ceiling agreement, which was used to hedge the credit withdrawn in the 2007 financial period (a total of EUR 24.82 million). The amount of the Group's interest-bearing liabilities at year-end was EUR 47.3 million (EUR 32.6 million), excluding the convertible subordinated loan.

Cash flow from operating activities remained at a good level throughout the period. The Group's equity ratio stood at 36.8% (34.9%), while its gearing ratio was 33.7% (23.7%). Return on equity was 29.6% (18.6%). Return on investment stood at 18.5% (14.8 %).

Investments and R&D activities

The Group's investments for the financial year amounted to EUR 21.9 million (EUR 4.8 million). The most important investments during the period were the acquisitions of Kopijyvä Oy and Hervannan Koneistus Oy (carried out by Takoma Oyj). The Group does not have any expenses classified as being research and development costs.

Risks

The Group takes controlled risks in order to make the most of available business opportunities. The Group's normal business risks are related to the market and competitive situations of the Group's different industries as well as to business acquisitions and disposals.

The Group's thirteen business areas operate in different industries. In general terms, the Group's financial performance is not materially dependent on the development and performance of any single business area, but as a business area grows larger, it becomes more significant in terms of the entire Group, in which case the risk may be material. The Group's financial performance and development are not normally dependent on a single customer, but loss of one or more significant customers may have financial effects on an individual business area.

General economic developments may have a significant impact on the Group's financial performance and development, which are also influenced by seasonal factors. The effect of seasonal business fluctuations is such that the first half of the year is generally weaker than the latter half. Continuing changes in the competitive situation, such as price competition and new competitors entering individual business areas, may also have a bearing on the Group's financial performance and development, although the Group and its business areas aim to develop their operations so as to reduce such effects. In addition, risks relating to the prices and availability of raw materials used by the Group's different industries in their operations may have considerable effects on the financial performance and development of an individual business area, but these do not normally affect the whole Group's performance and development to any significant extent.

Exchange rate, interest rate, financial and credit risks do not normally have any significant bearing on the whole Group's financial performance and development, but these may have a considerable impact on the financial performance and development of an individual business area. The Group and its different business areas have endeavoured to hedge such risks in different ways, but this is not always possible.

Risks relating to the availability of staff for the Group may affect the financial performance and development of the Group and its business areas in the event of failure to recruit key personnel and other staff.

Risks relating to the environment may affect the financial performance and development of the Group and its business areas in the event of failure to manage such risks. The Group aims to take special care to respect legislation governing environmental considerations and to operate in an ethically sustainable manner in other respects as well. The Group is not aware of any significant environmental risks at the present time.

The Group has extensive insurance cover against material damage as per policy conditions. The insurance level of property risks is monitored on a regular basis. Risks relating to warranties and repairs may affect the financial performance and development of the Group and its business areas in the event of failure to manage such risks. Group companies aim to take precautions against these risks by investing in operational quality and product development, while some risks are also covered by insurance, where possible.

Risks relating to acquisitions and disposals of companies may affect the financial performance and development of the Group and its business areas in the event of failure to manage such risks. The Group also aims to grow through company acquisitions. Goodwill on acquisitions recognised in the consolidated balance sheet amounts to about EUR 27.3 million. Since the company started IFRS reporting, goodwill is no longer amortised regularly on an annual basis. Instead, it is tested for impairment at least annually or whenever there is any indication of impairment. Values are usually reviewed during the latter half of the year as part of the budgeting process.

Official regulations may affect the financial performance and development of the Group and its business areas. The Group and its different business areas follow amendments to regulations and aim to react to these in advance, if possible.

The risks the Group faces in the near future are mainly tied to the success of company acquisitions. Additionally, the dramatic decline of the general economy may cause reduced customer demand and credit risks in certain segments.

Group structure

On 1st November 2007, the public listed subsidiary of Panostaja, Takoma Oyj (formerly Suomen Helasto Oyj), purchased the share capital of Hervannan Koneistus Oy from Kimmo Korhonen and the share capital of Tampereen Laatukoneistus Oy from Panostaja Oyj. The acquisitions were made according to the authorisations decided by the Annual General Meeting on 17th October 2007.

Takoma Oyj made a share exchange agreement with the owner of Hervannan Koneistus Oy, Kimmo Korhonen, whereby Korhonen gave Takoma ownership of the entire share capital of Hervannan Koneistus Oy. To implement the share exchange, Takoma Oyj's Board of Directors decided to raise the company's share capital by EUR 159,775.50 to 939,855.96 by giving out a share issue divergent from the shareholders' pre-emption right and issue, as collateral, to Kimmo Korhonen 2,662,925 new Takoma Oyj, the subscription price of which was EUR 1.84 per share. The value of the share exchange calculated according to the closing rate of Suomen Helasto Oyj's shares (31st October 2007) is 4.9 EUR million. The derogation from the shareholders' pre-emption right had the Annual General Meeting's approval. It was also economically justified from the perspective of the company. The new shares were issued in connection with an acquisition related to restructuring. The new shares issued to Kimmo Korhonen were entered in the Trade Register on 28th January 2007 and, as a result, the Panostaja Oyj's shareholding in Takoma Oyj decreased to 79.19%. This also discontinued the right and obligation imposed on a majority shareholder in Chapter 18, section 1 of the Limited Liability Companies Act to redeem Takoma Oyj shares.

On 1st November 2007, Takoma Oyj's subsidiary, Causatak Oy, purchased the business of Tampereen Laatukoneistus Oy, belonging to Panostaja Group, for a trade price of EUR 3.7 million. Assets outside the ordinary course of business, including the premises owned by the company, remained with the seller company as part of the business transaction.

By the agreement signed on 29th April 2008, Panostaja purchased the entire share capital of Kopijyvä Oy. The transaction became binding for both parties on 2nd May 2008. Kopijyvä Oy is one of Finland's leading providers of digital printing services. The company, which has operated in the field for three decades, has a strong background in providing high-quality copies, construction plans, posters as well as four-colour and black and white digital print products. Kopijyvä Group's yearly turnover is roughly EUR 11 million. Kopijyvä employs some 130 persons and its operations in Finland are located in Jyväskylä, Kuopio, Joensuu, Varkaus, Kouvola and, since September 2008, Mikkeli. Including affiliated companies and its partner network, the company is operative in a total of 16 municipalities. Outside of Finland, Kopijyvä is present in St. Petersburg, Russia, and Tallinn, Estonia. Kopijyvä Oy's Managing Director Heimo Viinanen will continue as the head of the company and a significant minority shareholder. The final sale price of Kopijyvä Oy's share capital was confirmed by the parties on 22nd May 2008 at EUR 16,983,490.60.

On 2nd May 2008, Panostaja Oyj signed an agreement to purchase the business operations of EcoSir Oy, a company established in 1996 specialising in equipment solutions for waste and property management. Through this acquisition, Panostaja expanded its business operations and established a new business area focusing on environmental technology. Additionally, on 1st July 2008, the company purchased the entire share capital of Kospa Oy, a company manufacturing waste management equipment. The total combined annual turnover of EcoSir and Kospa is approx. EUR 5.7 million and the companies employ 32 persons.

In October, Panostaja Group companies, Suomen Helakeskus Oy and Seinäjoen Rakennustarvike ja Lukko Oy, combined their operations. The new parent company was named Suomen Helasto Oy.

In the financial statement issued by Panostaja Oyj's Board of Directors on 11th December 2007, the Board stated that they were exploring the possibilities of distributing the Takoma Oyj's shares as dividends to Panostaja Oyj's shareholders. The work was completed on 22nd May 2008 and, instead of dividend distribution, Panostaja's Board decided to propose to the Extraordinary Annual General Meeting that either Takoma shares or money be returned to Panostaja shareholders from the invested unrestricted equity fund as return of capital ("Return of Capital"). Shares were also sold in connection with the Return of Capital ("Sale of Shares"). The summary and securities note concerning the Return of Capital and Sale of Shares were approved by Financial Supervision on 2nd June 2008.

The Board's proposal on the Return of Capital was approved in Panostaja Oyj's Extraordinary Annual General Meeting on 9th June 2008. The company returned Takoma shares to shareholders in possession of at least 3,000 Panostaja shares in proportion to their holdings in Panostaja. Correspondingly, those who owned less than 3,000 Panostaja shares received money as the Return of Capital.

A total of 89,127 Takoma Oyj shares were distributed to 798 Panostaja Oyj's shareholders on 2nd January, and EUR 112,321.59 was returned in currency. In the sale of shares, which was held in connection with the Return of Capital, a total of 1.166 Takoma Oyj shares were sold at a total sale price of EUR 1,935.56.

As a result of the Return of Capital Panostaja Oyj's ownership in Takoma Oyj decreased to 65.21% of the shares and votes. The shareholding of the company's Managing Director, Kimmo Korhonen, remained at 17%. After the Return of Capital the public ownership of Takoma Oyj shares was 17.79% of the shares and votes. Subsequent to the Return of Capital, OMX Nordic Exchange Helsinki deemed that the deficiencies regarding the price formation of the Takoma shares were no longer existent. The Takoma Oyj share was removed from the surveillance list on 4th July 2008.

By an agreement signed on 3rd July 2008 Panostaja, together with other owners, sold the Arme Oy shares in its ownership (69.9% of the share capital) to a fund managed by Sentica Partners. After expenses connected with the transaction as well as expert fees, Panostaja Oyj's share of the trade price amounted to EUR 20.0 million. In addition to covering the liabilities relating to the transaction, Panostaja financed the buyer with a temporary credit of EUR 3.5 million. Total influence of the Arme's disposal on Panostaja Group's profit for the period between 1st January 2007 and 31st October 2008 is EUR 10.5 million, where the sales profit from the shares is considered as taxable income.

In May 2008, based on its overall evaluation included in the preliminary ruling concerning the return of capital of Takoma Oyj's shares, the Tax Office for Major Corporations declared Panostaja to be a capital investor referred to in section 6 of the Act on Taxation of Business Income whereby the profit Panostaja gained from the sale of Arme Oy's shares was deemed taxable income. In the event that the ruled interpretation holds, the tax incurred by the profit would amount to EUR 4.6 million. In Panostaja Oyj's view, Panostaja is not a capital investor as referred to in the legislation.

Due to the trade, the Arme group in its entirety is not included in Panostaja Group's profit from continuing and discontinued operations for the financial period. Panostaja Oyj's Board of Directors, none the less, decided to maintain their profit projection, according to which operating profit from continued operation will increase compared to the previous financial year. Panostaja Oyj's comparable operating profit from continued operations for the 2007 financial year (excluding Arme Group) was EUR 3.3 million.

As part of the adopted growth strategy and aim to focus on core operations, Panostaja Oyj announced on 23rd October 2008 that it would look into liquidating properties owned by the Group although the current cash reserves were adequate to ensure sufficient growth.

Administration and Annual General Meetings

Panostaja Oyj's Annual General Meeting was held on Tuesday 18th December 2007 in Tampere. The AGM re-elected Mr. Matti Koskenkorva, Entrepreneurial Counsellor, Mr. Jukka Ala-Mello, Secretary of Kone Oyj's Board of Directors, and Mr. Hannu Tarkkonen, Executive Vice President of Etera Mutual Pension Insurance Company, to Panostaja Oyj's Board of Directors. New members elected to the Board were Mr. Hannu Martikainen, Construction Counsellor, and Mr. Hannu Ketola, Master of Political Science. At the organisational meeting, which was held immediately after the AGM, Matti Koskenkorva was appointed as the Chairman of the Board and Jukka Ala-Mello as the Vice Chairman. The AGM further elected Mr.. Hannu Pellinen, APA, and PricewaterhouseCoopers Oy, APA, as auditors.

The Annual General Meeting adopted the financial statements presented for the financial year 1st November 2006 – 31st October 2007 and the Board's proposal to transfer the profit for the period to retained earnings and to distribute EUR 0.09 per share in dividends was approved. The record date for dividend payment was 21st December 2007 and the payment date was as from 31st December 2007. In addition, the AGM discharged the Board of Directors and the Chief Executive Officer from liability.

The AGM revoked all authorisations granted by the AGM on 15th December 2006 and authorised the Board to decide on an issuance of no more than 2,725,659 Class A shares and no more than 62.794.408 Class B shares through one or more regular or bonus issues or by granting options and other rights referred to in Chapter 10, section 1 of the Limited Liability Companies Act. The share issue authorisations did not exclude the Board's right to decide on private placements or granting above-mentioned special rights. Furthermore, the authorisation grants the Board of Directors the right to decide on all conditions regarding share issues and aforementioned special rights including the recipients of the shares or special rights and the amount of collateral paid.

The AGM authorised the Board, within the boundaries of the above-mentioned authorisation, to decide on an increase in share capital through one or more issues or granting options and other rights referred to in Chapter 10, section 1 of the Limited Liability Companies Act, such that a maximum of 1,000,000 new Class A shares and a maximum of 60,000,000 new Class B shares may be offered for subscription in the issue(s) at a nominal price of EUR 0.12 per share. The share capital increase must not exceed EUR 7,320,000.

In addition, the AGM authorised the Board, within the above-mentioned authorisation, to decide on share issues and granting options and other rights referred to in Chapter 10, section 1 of the Limited Liability Companies Act, through which the company distributes no more than 1,725,659 Class A shares and no more than 2.794.408 Class B shares in its ownership.

The authorisation is effective for five years beginning from the decision of the Board of Directors.

During the financial year, the Board exercised its authorisation and sold a total of 335, 512 of its own Class B shares (trading code: PNABS) to members of the company's administration. The transaction was carried out on 12th March 2008 on the after-hours market of the Helsinki Stock Exchange. The trade price was the closing rate on 12th March 2008, i.e. EUR 1.07 per share, whereby the total price amounted to EUR 358,997.84. The transaction was carried out in order to implement an incentive scheme for Panostaja Oyj's administration.

The AGM authorised the Board to decide on the acquisition of company shares with own unrestricted equity within 18 months of the decision on the authorisation. The shares must be acquired in proportion to share class so that a maximum of 1,725,659 Class A shares with a nominal value of EUR 0.12 and a maximum of 2,794,408 Class B shares with a nominal value of EUR 0.12 purchased, in which case the total number of shares acquired does not exceed ten per cent of the company's entire share capital. The shares shall be bought for the company as decided by the Board to have them available to offer as part of possible business acquisitions or other restructuring measures or when purchasing assets as part of its business operations, to develop its capital structure, to cancel shares, or to implement an incentive scheme for key personnel. The shares are acquired through the public exchange organised by the Helsinki Stock Exchange at the current market price that has been established in public trade.

On 1st February 2008, Panostaja invited Oyj Heikki Nuutila, Master of Social Sciences, to take the post of Development Director and to become a member of the Board of Directors. Mr. Nuutila is in charge of the development of the parent company's business processes and the real estate development of the Group. His tasks also include actively supporting the management of the business areas. Nuutila's previously acted, for example, as the Managing Director of Tutor Partners Oy and as a Director in Andersen Global Corporate Finance.

On 1st April 2008, Jarkko Iso-Eskeli, who had acted as the Export Manager of FennoSteel Oy, was appointed Managing Director of the KL-Varaosat companies.

On 10th June 2008, Jukka Laakso was invited to become a shareholder of LukkoExpert Security Oy. Jukka Laakso has been the Managing Director of LukkoExpert Security since 2005.

Pekka Koskenkorva was appointed the Managing Director of Suomen Helasto Oy in October.

Share capital

At the end of the financial year, Panostaja Oyj's share amounted to EUR 5,529,081.60. The numbers of issued Class A and B shares amounted to 17,256,595 and 28,819,085 respectively.

According to a report that Panostaja Oyj received on 18th March 2008 Mr. Olli Halmevuo's ownership of Panostaja Oyj had fallen under the 5% limit, at which time Halmevuo owned 1,980,943 Class A shares and 272,634 Class B shares amounting to a total of 2,253,577 Panostaja Oyj shares. This amounts to 4.98% of Panostaja's shares and 10.69 of the votes.

On 18th December 2007 the Annual General Meeting decided that the meeting fees shall be paid such that ca. 40% of the Board members' fee is paid based on the share issue authorisation granted to the Board by issuing Board members with Class B shares unless the member at the time of the AGM has ownership of over one per cent of the company's entire shares. If the Board member's shareholding exceeds one per cent of the company's share capital, the fee is paid entirely in money. Furthermore, Panostaja Oyj's Board of Directors took a decision at the organisational meeting held after the AGM to implement the Board decision on fees for the part of shares so that the benefits are distributed four times a year always on the day following the publication of the interim report / financial statement.

As per the decisions of the AGM and the Board, Panostaja Oyj distributed to the Board members a total of 7,569 Class B shares on 13th March 2008, a total of 6,530 Class B shares on 12th June 2008 and 6,638 Class B shares on 11th September 2008 as payment.

On 30th October 2008, the Board of Directors initiated an acquisition programme for its own shares based on the authorisation granted by the 18th December 2007. The maximum amount to be acquired is 4,520,067 shares as this will not increase the total number of purchased shares to over ten per cent of the company's entire share capital. The acquisition programme will end no later than 30th April 2009.

At the end of the financial period, the company owned 739,751 of its own shares of which 476,000 were Class A shares and 263,751 Class B shares. The number of acquired Class A shares amounted to 1.03 per cent of the entire number of shares at the end of the financial period and 2.55% of the shares' total number of votes. The number of Class B shares amounted to 0.57% of the total number of shares and 0.07% of the number of votes.

Convertible subordinated loan

At the end of the financial year, the amount of convertible subordinated loan was EUR 17,212,500, which entitles the subscription of 125,000 new Class B shares in total.

Panostaja Oyj's convertible subordinated loan was used to subscribe for 875,000 new Panostaja Class B shares. The related increase in share capital was entered in the Trade Register on 8th May 2008.

The subscribed shares were put up for trade in the Helsinki Stock Exchange on 12th May 2008. The new Panostaja Class B shares were consolidated with Class B shares on 31st October 2008.

Board proposal to the Annual General Meeting

The Board of Directors proposes that profit for the financial year be transferred to the retained earnings account as an increase and that a dividend of EUR 0.12 per share shall be issued from the profit funds to the shareholder.

Events subsequent to the financial year

On 10th November 2008, the Extraordinary General Meeting accepted the consolidation of share classes A and B into one class of shares. In connection with the consolidation, Panostaja Oy organised a free share issue to the Class A shareholders. The free share issue was directed by giving, free of charge, one (1) new Panostaja share for thirteen (13) Class A shares. After the consolidation of the share classes and the private placement, a Class A shareholder will own, instead of the Class A shares, fourteen (14) new Panostaja shares for thirteen (13) Class A shares. After the consolidation, each share entitles to one vote and the same shareholder rights.

Trade with the consolidated shares began on 14th November 2008. The trading code of the share is PNA1V.

Panostaja Oyj's share capital and shareholdings changed, when the new shares to be issued in Panostaja Oyj's free share issue were registered in the trade register on 14th November 2008. The total number of the shares is 47,403,110.

Matti Koskenkorva's shareholding was less than 15 per cent of the voting rights of Panostaja Oyj's shares. Matti Koskenkorva's shareholding is 6,124,453 shares, which represents 12.9 % of Panostaja Oyj's share capital and voting rights. Maija Koskenkorva's shareholding exceeded 10 per cent of the voting rights of Panostaja Oyj's shares. Maija Koskenkorva's shareholding is 5,071,742 shares, which represents 10.7 % of Panostaja Oyj's share capital and voting rights. Olli Halmevuo's shareholding was less than 5 per cent of the voting rights of Panostaja Oyj's shares. Olli Halmevuo's shareholding is 2,013,715 shares, which represents 4.2 % of Panostaja Oyj's share capital and voting rights.

The share issue did not affect the share capital of the company.

The Extraordinary General Meeting also decided on changes to the Articles of Association on 10th November 2008. The new Articles of Association were entered into the trade register on 14th November 2008.

Additionally, the company submitted a claim for correction with regard to the tax authorities' interpretation on policies concerning capital investors. In spring 2008, in its preliminary ruling concerning the return of capital of Takoma Oyj's shares the Tax Office for Major Corporations declared, based on an overall evaluation, Panostaja to be a capital investor referred to in section 6 of the Act on Taxation of Business Income. In the regular assessment of 2007, the Tax Office for Major Corporations deemed Panostaja Oyj a capital investor and taxed some of Panostaja Oyj's share sales profits from fixed asset shares.

Panostaja Oyj disagrees with the tax authorities' interpretation and has left a claim for correction regarding the matter to the Tax Complaints Committee. The handling of the matter in the Tax Complaints Committee is expected to take 6 to 8 months.

The account regarding the liquidation of properties owned by the company was intended to be finished by the end of December 2008, but due to the situation of the finance market, the work is still on-going.

Outlook for the forthcoming financial year

Panostaja Group will continue to focus on the business idea in alignment with its core business strategy and on the development of existing business areas. The retirement of the baby-boomers, combined with constantly increasing changes in the business environment as well as internationalisation will result in a large number of businesses becoming available for purchase over the next few years. Panostaja's operating conditions, available capital resources and liquid assets form a good foundation for intense expansion of operations. Increasing supply of SMES operating in traditional industries will enable both further expansion into new business areas and growth in existing business areas.

The dramatic downturn of the international economic climate is sure to influence Finland as well. The economic outlook for the current business areas' industries is firmly tied to the outlooks of the customer companies. Accordingly, the future prospects of Panostaja Group's business areas vary between poor and mildly positive. The turn of the construction industry will influence some of Panostaja Group's business areas, but remedial action has been taken well beforehand. The investments made in reporting and monitoring systems during the past financial year will increase the company's ability to respond to changes. The current economic situation also offers opportunities for company acquisitions and the intention is to continue following Panostaja Group's growth strategy by carrying out controlled acquisitions especially in the existing business areas. The turnover and operating profit of the Group's coming financial year is expected to exceed the turnover of the past year.

Consolidated income statement

(EUR 1,000)	Note	1.11.2007 – 31.10.2008	1.11.2006 – 31.10.2007
Net turnover		121,133	69,135
Other operating income	9	757	683
Share of profit of associates	10	45	0
Raw materials and services		68,970	40,197
Staff expenses	11	27,289	16,076
Depreciations, amortisations and impairment	12	3,602	1,610
Other operating expenses	13	15,622	8,668
Operating profit		6,452	3,267
Operating profit	14	1,858	712
Financial expenses	15	-3,916	-1,809
Profit before taxes		4,394	2,170
Income taxes	16	1,635	509
Profit from continuing operations		2,759	1,661
Profit from discontinued operations	7	11,038	4,273
Profit for the financial year		13,797	5,934
Attributable to			
Equity holders of the parent company		12,694	4,295
Minority interest		1,103	1,638
Earnings per share calculated from the profit attributable to equity holders of the parent company			
Earnings per share on continuing operations, EUR	17		
Basic		0.037	0.034
Diluted		0.046	0.038
Earnings per share on discontinued operations, EUR	17		
Basic		0.247	0.086
Diluted		0.201	0.066
Earnings per share on continuing and discontinued operations, EUR	17		
Basic		0.284	0.120
Diluted		0.247	0.104

The notes are an integral part of the financial statement

Consolidated balance sheet

(EUR 1,000)	Note	31.10.2008	31.10.2007
ASSETS			
Non-current assets			
Goodwill	18	**27,329**	12,839
Other intangible assets	18	**2,190**	460
Property, plant and equipment	19, 20	**18,770**	17,826
Interests in associates	20, 21	**1,787**	975
Other non-current assets	22	**4,169**	230
Interest-bearing receivables		**65**	15
Deferred tax assets	23	**628**	1,252
Total non-current assets		**54,938**	33,597
Current assets			
Stocks	24	**22,991**	21,100
Trade and other receivables	25	**22,279**	18,974
Tax receivables based on taxable income for the financial year		**273**	0
Short-term investments	26	**0**	8,055
Cash and cash equivalents	27	**46,018**	33,219
Total current assets		**91,561**	81,348
Total assets		**146,499**	114,945
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	28	**5,529**	5,424
Share premium account	28	**4,646**	4,647
Currency translation differences		**-6**	35
Invested unrestricted equity fund	28	**12,403**	14,219
Retained earnings		**19,669**	10,945
Total		**42,241**	35,270
Minority interest		**11,562**	4,290
Total equity		**53,803**	39,560
Non-current liabilities			
Deferred tax liabilities	23	**1,729**	1,452
Financial liabilities	30	**57,997**	32,871
Total non-current liabilities		**59,726**	34,323
Current liabilities			
Interest-bearing liabilities	30	**6,470**	17,782
Tax liabilities based on taxable income for the financial year			
Trade payables and other non-interest-bearing liabilities	31	**26,500**	23,280
Total current liabilities		**32,970**	41,062
Total liabilities		**92,696**	75,385
Total equity and liabilities		**146,499**	114,945

The notes are an integral part of the financial statement

Consolidated cash flow statement

(EUR 1,000)	Note	2008	2007
Operating activities			
Operating profit		6,453	8,299
Adjustments to operating profit		3,602	2,188
Change in net working capital		-3,294	201
Interest paid		-3,624	-1,585
Interest received		1,870	1,002
Taxes		-1,256	-1,488
Net cash from operating activities		3,751	8,618
Investments			
Investments in tangible and intangible assets		-3,986	-2,883
Proceeds from disposal of tangible and intangible assets		417	442
Acquisition of subsidiaries, net of cash and cash equivalents	6	-13,729	-8,749
Disposal of subsidiaries, net of cash and cash equivalents	7	12,828	350
Net cast from (used in) investing activities		-4,470	-10,840
Financing			
Proceeds from issue of share capital		0	386
Loans drawn		30,400	45,410
Loans repaid		-20,574	-8,961
Acquisition of own shares		-458	-2,051
Disposal of own shares		359	656
Dividends paid		-4,263	-4,373
Net cash from (used in) financing activities		5,464	31,067
Change in cash and cash equivalents		4,745	28,845
Cash and cash equivalents at the beginning of the year		41,274	12,429
Cash and cash equivalents at the end of the year		46,019	41,274

The notes are an integral part of the financial statement

Consolidated statement of changes in equity

(EUR 1,000)	Note	Share capital	Share premium account	Invested unrestricted equity fund	Translation differences	Retained earnings	Minority interest	Total
Shareholders' equity as at 31/10/2006		3,568	2,683			11,909	2,154	20,314
Currency translation differences					35			35
Profit for the financial year						4,295	1,638	5,933
Total recognised profit and costs for the financial year		0	0	0	35	4,295	1,638	5,968
Increase of share capital relating to conversions of convertible subordinated bonds		587	1,964	2,265				4,816
Equity component of convertible subordinated loans				860				860
Costs of share-based payments	11			78				78
Dividends paid						-3,865	-508	-4,373
Share issue		1,269		11,016				12,285
Acquisition of own shares						-2050		-2,050
Disposal of own shares						656		656
Acquisitions of minority interests							1,006	1,006
Total other equity changes		1,856	1,964	14,219	0	-5,259	498	13,278
Equity as at 31/10/2007		5,424	4,647	14,219	35	10,945	4,290	39,560
Equity as at 1/11/2007		5,424	4,647	14,219	35	10,945	4,290	39,560
Currency translation differences					-41			-41
Profits for the financial period						12,694	1,103	13,797
Total recognised profit and costs for the financial year		0	0	0	-41	12,694	1,103	13,756
Increase of share capital relating to conversions of convertible subordinated bonds	28	105		1,383				1,488
Equity component of convertible subordinated loans				-132				-132
Costs of share-based payments	11			89				89
Dividends paid						-3,970	-469	-4,439
Share issue								0
Return of capital				-3,081			2,722	-359
Acquisition of own shares				-458				-458
Disposal of own shares				383				383
Disposal of business operations							-2,099	-2,099
Acquisition of minority interests							6,015	6,015
Total other equity changes		105	0	-1,816	0	-3,970	6,169	488
Equity as at 31/10/2008		5,529	4,647	12,403	-6	19,669	11,562	53,804

The notes are an integral part of the financial statement

Notes to the consolidated financial statements

1. Basic company information

Panostaja Oyj and its subsidiaries ("Panostaja" or "Group") form a multi-field corporation whose main market area is Finland. At present, the Group operates in thirteen business areas. The parent company Panostaja Oyj invests in Finnish small and medium-sized businesses in traditional fields primarily through company acquisitions.

Panostaja Oyj is a Finnish Public limited company operating under Finnish law. The company's shares were quoted on the Brokers' List from 1989 to 1998 and on the Helsinki Stock Exchange I List from 1998. Since the list was reformed on 2nd October 2006, the company's shares have been quoted on the OMX Nordic Exchange in Helsinki. The company's registered office is in Tampere and the headquarters address is Postitorvenkatu 16, FI-33480 Tampere, Finland.

Panostaja Oyj's Board of Directors approved publication of these consolidated financial statements on 17th December 2008.

2. Accounting policies

Basis of preparation

Panostaja's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards as well as SIC and IFRIC interpretations, valid on 31st October 2008, have been applied. International Financial Reporting Standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of the Act, refer to the standards and to their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation IFRS requirements.

The consolidated financial statements are prepared on the historical cost basis of accounting, with the exception of financial assets and liabilities, which are recognised at fair value through profit or loss. In terms of business combinations carried out prior to 1st November 2004, goodwill is equivalent to its carrying amount under previous GAAP, which has been used as its deemed cost under IFRS. The classification or treatment of these acquisitions has not been adjusted in the financial statements when preparing the opening IFRS balance sheet.

Preparation of financial statements in accordance with IFRS requires the Group's management to make certain estimates and to use their discretion when applying accounting policies. For information on discretion used by management when applying the accounting policies adopted by the Group for preparing financial statements, with major impact on amounts presented in the financial statements, please refer to the Note entitled "Accounting policies requiring management discretion and key sources of estimation uncertainty".

Subsidiaries

The consolidated financial statement includes parent company Panojstaja Oyj and all of its subsidiaries.

Subsidiaries are companies in which the Group has controlling interest. A controlling interest exists when the Group holds more than half of the voting rights or has otherwise obtained control. Intra-group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group obtained control, and disposed subsidiaries up to the time when control ceases. Any intra-group transactions, receivables, liabilities and unrealised profits are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated where such losses are due to impairment. The distribution of profit or loss for the financial year attributable to equity holders of the parent company and to minority interest is presented as part of the income statement and minority interest in equity is included in the balance sheet as a separate item under equity.

Trade transactions with the minority owners are handled in the same way as transactions with parent company owners. In the case of acquisitions from the minority, the difference between the consideration paid and the acquired share in the subsidiary's net assets is deducted from the equity. Moreover, profits or losses from sales to the minority are recognised in the equity. In the case of sales to the minority, the difference between gains from sales and the corresponding minority share are also recognised in the equity.

Associated companies

Associated companies (associates) are companies over which the Group holds considerable influence. Considerable influence is established when the Group holds more than 20% of a company's voting rights or can otherwise exercise considerable influence, but not control, over the company. Associated companies have been included in the consolidated financial statements using the equity method.

Unrealised profits between the Group and the associated company have been eliminated according to the Group's shareholding. Associate investments include the goodwill generated through the acquisition. The Group's share of the associates' earnings for the financial year, which is calculated according to its shareholding, is recognised as a separate item after the operating profit.

Segment reporting

The Group's primary segment reporting segments are business segments. The Group does not have a secondary reporting segment.

Foreign currency items

The consolidated financial statements are presented in Euros, which is the functional and presentation currency of the Group's parent company. Any transactions in foreign currencies are translated into the functional currency using the exchange rate valid on the date of the transaction. Monetary assets and liabilities are translated using the closing rate on the balance sheet date. Any exchange differences arising from the translation are reflected in the income statement. Foreign exchange gains and losses on operating activities are included in equivalent items above operating profit. Non-monetary items are measured at the closing rate on the date of the transaction.

Profit and cost items of foreign Group companies are translated into Euros using the closing rate on the date of the transaction. For the balance sheet, the closing rate on the balance sheet date is used. Translating the profit/loss for the financial period using different rates in the income statement and balance sheet causes a currency translation difference, which is recognised in equity. Any translation differences arising from investment in a foreign operation are recognised in equity. On disposal of all or part of a foreign operation, the cumulative translation differences are transferred from equity to the income statement as part of the gain or loss on disposal.

Net turnover and recognition principles

Revenue is recognised at the fair value of consideration received or receivable, usually on the date of delivery. In terms of long-term projects, the company complies with the recognition rules for construction contracts. Revenue and expenses associated with a construction contract are recognised according to the stage of completion of the contract. The stage of completion is determined on the basis of the proportion of contract costs incurred by the balance sheet date to the estimated total contract costs.

Items such as indirect taxes and discounts are deducted from sales when calculating net turnover.

Income taxes

Items recognised in the consolidated income statement include current taxes based on Group companies' profit or loss for the financial year, as well as adjustments to taxes for previous periods and changes in deferred taxes. Tax effects associated with items recognised directly in equity are correspondingly recognised in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts using the liability method. Deferred tax is recorded using the tax rates effective on the balance sheet date. Deferred tax liability is not recognised, however, in the case of originally recorded assets or liabilities if they do not involve the consolidation of business operations and the recognition of such asset or liability does not affect the accounting records or the taxable income at the time when the business operation is carried out.

Principal temporary differences arise from fixed assets, appropriations and unused tax losses. A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilised. Deferred taxes are not recognised for goodwill, which is not deductible for tax purposes.

Non-current assets held for sale and discontinued operationst

Non-current assets held for sale (or disposal group) are classified as being for sale and measured at the book value or at the lower fair value, from which costs to sell are deducted, if the amount equivalent to their book value will be accrued primarily through disposal of the asset as opposed to continued use. Depreciations of these assets are ceased at the time of classification.

A discontinued operation is a part of the Group that has been sold or classified as being held for sale and that represents a significant separate business area or geographical area of operation, is included in a coordinated plan involving the disposal of a significant separate business area or geographical area of operation, or has been acquired with the sole purpose of selling it to another owner. Gains or losses on disposal of discontinued operations are presented as a separate item in the income statement.

Intangible assets

Goodwill

Goodwill arising on acquisitions made on or after 1st November 2004 is equivalent to any excess of the acquisition cost over the Group's interest in the fair value of the net assets of the acquired company at the time of acquisition. Goodwill on acquisitions made prior to 1st November 2004 is equivalent to its carrying amount under previous GAAP on the transition date. This amount has been used as the deemed cost of goodwill on the date of transition to IFRS.

Goodwill is tested for impairment annually and measured at cost less any impairment losses. For the purposes of impairment testing, goodwill has been allocated to cash-generating units.

Research and development costs

Research costs are recognised as an expense in the income statement for the period in which they are incurred. Development costs are capitalised when the company is capable of verifying the technical feasibility and commercial applications of the product being developed and when its cost can be measured reliably. Other development costs are recognised as an expense. The nature of the company's current development work has been such that it has not satisfied the capitalisation criteria and, consequently, development costs are recognised as an expense when incurred. Development costs recognised as expenses will not be activated in later financial periods.

Other intangible assets

Any intangible assets with finite useful lives are included in the balance sheet and recognised in the income statement as an expense on a straight-line basis over the course of their useful lives.

Amortisation periods for intangible assets:

Intangible rights	3 years
Other capitalised long-term expenditure	5 – 10 years

Property, plant and equipment

Property, plant and equipment (tangible assets), are measured at historical cost less any depreciation and impairment losses. Assets are depreciated on a straight-line basis during their estimated useful lives.

Estimated useful lives are as follows:

Buildings	20 – 25 years
Machinery and equipment	3 – 5 years
Other tangible assets	3 – 10 years

The estimated depreciation value and useful life are reviewed at least at the end of each financial year, and if they significantly deviate from the previous estimates, they are changed accordingly.

Gains or losses on disposal of tangible assets are determined by comparing the sale price with the carrying amount. They are recognised in the income statement as other revenue and expenses from business operations.

Investment properties

Investment properties include investments in properties held to earn rent or for capital appreciation or both. Investment properties are treated as long-term investments and measured at historical cost. Depreciation is calculated on a straight-line basis and carrying amounts are adjusted for any impairment losses. Useful lives are the same as those determined for property, plant and equipment.

Leases

Any leases where the lessor receives substantially all the risks and rewards arising from ownership are classified as operating leases. Those leases where the lessee receives substantially all the risks and rewards arising from ownership are classified as finance leases. The Group has several leases classified as operating leases and the rents payable on the basis of these are recognised as an expense in the income statement on a straight-line basis over the lease term.

Impairment of tangible and intangible assets

The carrying amounts of assets are tested on the balance sheet for indications of any possible impairment. If such indications are identified, an estimate will be determined on the recoverable amount of the asset concerned. In addition, the recoverable amount of the following assets is estimated annually irrespective of whether said indications are found: goodwill, intangible assets with infinite useful lives and incomplete intangible assets. Need for depreciation is considered based on cash-generating units.

An impairment loss is recognised if the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement. Impairment losses for a cash-generating unit are first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit on a pro-rata basis. The useful life of the depreciated asset is re-evaluated in connection with the recognition of the impairment loss.

The recoverable amounts of intangible and tangible assets are determined at the higher of fair value less costs to sell and value in use. When determining value in use, estimated future cash flows are discounted to their present value based on discount rates that reflect the average pre-tax cost of capital of the cash-generating unit concerned. The discount rates applied are determined before taxes and also account for special risks associated with the cash-generating units concerned.

Impairment losses relating to property, plant and equipment and to intangible, other than goodwill, are reversed if there has been a change in the estimates used to determine the recoverable amount of an asset. An impairment loss is reversed no more than up to the carrying amount that would have been determined for the asset (net of amortisation or depreciation), had no impairment loss been recognised in previous years. An impairment loss recognised for goodwill is not reversed.

Public allowances

Allowances relating to the acquisition of intangible and tangible assets are deducted from the carrying amount of the corresponding assets where it is reasonably certain that the allowances will be received and that the Group meets the conditions for receiving them. Those allowances that have been granted as compensation for incurred expenses are recognised during the period in which the expenses related to the item for which allowance was received is recognised as an expense. Such allowances are entered in other profits from business operations.

Interest-free and low-interest loans granted by the State are recognised at the amount of loan received.

Stocks

Stocks are measured at the acquisition cost or at the net realisable value, which is lower than the acquisition cost. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

The value of stocks is determined using the FIFO formula and includes all direct costs incurred in acquisition of the stocks and any other indirectly attributable costs. The cost of produced items of stock includes a proportion of production overheads as well as the costs of materials, direct labour and other direct costs, but excludes selling and financing costs. An allowance has been made for obsolescent items of stock.

Financial derivatives

The Group uses derivative instruments to hedge interest rate risks. Financial derivatives are entered in the balance sheet at the time of the agreement at cost, after which they are measured at fair value on the balance sheet date. Derivative instruments have been classified as financial assets held for trade transactions and as such the Group does not apply hedge accounting under IAS 39 to them. The changes in fair value of such derivative instruments are recognised in the income statement.

Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-for-sale investments. Financial assets are classified on the basis of their purpose upon acquisition.

Financial assets recognised at fair value through profit or loss are financial assets held for trading. Derivatives that do not meet the requirements of hedge accounting have been classified as being held for trading purposes. Assets included in this group are included in current assets except when they will not mature in more than 12 months. Financial assets recognised at fair value through profit or loss are initially entered at fair value. Gains and losses from changes in fair value are recognised in profit or loss in the period in which they arise.

Loans and other receivables are non-derivative financial assets that have fixed or determinable payments and that are not quoted in an active market. They are included in the balance sheet under financial assets unless they mature in over 12 months from the balance sheet date. Loans and other receivables are valued at amortised cost using the effective interest method. Those with no fixed maturity date are valued at cost. Loan receivables are depreciated if their balance sheet value is greater than the recoverable monetary amount.

Held-for-sale investments are non-derivative assets that have either been expressly designated for inclusion in this group or not classified into any other group. They are included in current assets unless the administration does not intend to hold the investment in question for longer than 12 months from the balance sheet date. Held-for-sale investments are measured at fair value, and the changes in fair value are recognised under equity. Unlisted investments whose fair value cannot be reliably determined are entered in the balance sheet at cost. When held-for-sale investments are sold or their value has decreased, the accrued changes to fair value are recognised in the income statement under realised net profit or loss from financial assets.

On each balance sheet date, the Group estimates whether there is any objective evidence that a financial asset or group of financial assets is impaired. If such indications are found in relation to held-for-sale investments, the accumulated loss - which is determined as the difference between cost and current fair value - is transferred from equity and recognised in the income statement.

Financial assets are derecognised when the contractual rights to the cash flows of the investment expire or have been transferred to another party and the Group has transferred substantially all the risks and benefits of ownership to another party.

Trade and other receivables

Trade receivables are recognised at the original invoice amount and stated at their cost less impairment. When there is sound evidence that the Group will not receive individual gains at the original terms, an impairment is recorded for the trade receivables. The amounts of the recognised impairment losses that are later recovered are entered in the income statement at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank demand deposits and other short-term, highly liquid investments (shares in bond funds). Cheque account credit is recognised under current liabilities.

Loans

Long-term loans are initially recognised at fair value less transaction costs. After this, they are valued at amortised cost using the effective interest method; the difference between amount received (less transaction costs) and amount payable is recognised as an interest expense for the loan period.

The fair value of the loan component of convertible loan and convertible bond loan is determined using the market interest of the corresponding non-convertible loan. This amount is recognised as debt for the amount based on amortised cost until its effective period ends when the conversion is made or the loan matures. The remaining portion is allocated to conversion right. It is recognised in equity less tax effects.

Loans are classified as short-term if the Group does not have an absolute right to postpone their payment to no less than 12 months from the balance sheet date.

Borrowing costs are recognised as an expense when they are realised.

Pension obligations

The Group's pension schemes are classified as defined contribution plans. The defined contribution pension scheme refers to an arrangement in which the company makes fixed payments to a separate entity. The company does not have a judicial or actual obligation to make the additional payments if the separate entity does not have sufficient funds to grant all persons the benefits for the work they have performed in the current or previous financial period. Payments made for the defined contribution arrangement are recognised as an expense for the financial period for which the payment is made.

Share-based payments

The Group has incentive arrangements in which payments are made as equity-based instruments. Costs incurred by business operations paid as equity are defined based on fair value on the date of granting. The company determines the fair value using the appropriate pricing method. Costs incurred by business operations paid as equity as well as the corresponding increase in equity are recognised during the period in which the work is performed and/or the conditions based on the performance of the work are met. The period in question ends on the day on which the persons concerned are fully entitled to be rewarded ("period of entitlement"). The accrued expenses for business operations paid in equity that have been recognised by each balance sheet date show whether the period of entitlement has expired. They also reflect the Groups best estimate on the amount of those equity-based instruments to which the entitlement applies. The revenue effect is recognised in the Group's income statement under staff expenses.

Provisions

Provisions are recorded when the company has a legal or constructive present obligation as a result of a past event, when it is probable that the obligation will have to be settled and when a reliable estimate can be made of the amount of the obligation. The amount to be recognised as a provision is equivalent to the best estimate of the expenditure required to settle the present obligation on the balance sheet date. The Group does not have any provisions.

Application of new and amended IFRS standards and IFRIC interpretations

The Group has adopted the following new and amended standards and interpretation starting from 1st November 2007.

- *IFRS 7 Financial instruments: Disclosures.* IFRS 7 requires disclosing information both on the significance of financial instruments for an entity's financial position and performance and for the nature and extent of risks arising from financial instruments. The standard has increased the amount of notes to the consolidated annual financial statements, new notes mainly relate to sensitivity analyses.
- Amendment to IAS 1 *Presentation of Financial Statements - Capital Disclosures.* The amended IAS 1 requires disclosing information about an entity's level of capital and its capital management during the financial year. The adoption of the amended standard has expanded the notes to the consolidated financial statements.

IASB has issued the following new or revised standards and interpretations not yet effective and which the Group has not yet applied. The Group will adopt them as from their effective dates if the effective date is the same as the beginning of the financial year, or if the effective date is different, they will be adopted as from the beginning of the following financial year.

- IFRIC 11, *Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1st March 2008). The interpretation clarifies the treatment of transactions involving treasury shares or the Group in the final accounts of the parent company and the companies in the Group. It provides guidance on how these transactions are to be classified into equity- or cash-settled transactions. This interpretation will have no effect on the Group's financial statements.

- IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after 1st January 2008). The Group has no contracts with the public sector of the type mentioned in the interpretation, whereby the interpretation will have no impact on the Group's upcoming financial statements. The interpretation has not yet been approved for application in the EU.

- IFRIC 14 IAS 19 - IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1st January 2008). The interpretation will be applied to benefit-based plans and other long-term benefit-based employee benefits following termination of employment that conform to the IAS 19 standard where the plan entails a minimum funding requirement. The interpretation also clarifies the conditions for recognising the asset entered into the balance sheet through refunds of or reductions in future contributions. The Group does not have benefit-based pension plans such as those covered by the interpretation, whereby the interpretation will have no effect on the Group's upcoming financial statements. The interpretation has not yet been approved for application in the EU.

- IFRS 8 *Operating segments* (effective for annual periods beginning on or after 1st January 2009). According to IFRS 8, segment information must be based on the entity's internal reporting that is submitted to management and the accounting principles adhered to in that practice. The Group's management is determining what effect the standard will have on the Group's segment reporting.

- IAS 23 *Borrowing costs* (revised in 2007) (effective for annual periods beginning on or after 1st January 2009). The revised standard requires that the costs of a qualifying asset, such as a production facility, are to include directly the costs attributable to the acquisition, construction or production of the asset. Under the previously allowed practice, the Group recorded borrowing costs as expenses for the annual period during which the expenses were incurred. The change in procedure will not, in the Group's estimation, have a significant impact on the Group's upcoming financial statements. The revised standard has not yet been approved for application in the EU.

- IFRIC 13 Customer *Loyalty Programmes* (effective for annual periods beginning on or after 1st July 2008.). The Group does not have any agreements that meet the description in the interpretation, whereby the interpretation will have no impact on the upcoming financial statements. The interpretation has not yet been approved for application in the EU.

- IAS 1 *Presentation of Financial Statements* (revised in 2007) (effective for annual periods beginning on or after 1st January 2009). The amendments primarily affect how the income statement and changes in equity are presented. In addition, the revised standard introduces extensive changes in the terminology used in other standards as well as in the names of the figures in certain financial statements. The principle by which the key figure Earnings per share is calculated will not change. The revised standard has not yet been approved for application in the EU.

- IFRS 3 *Business Combinations* (revised in 2008) (effective for annual periods beginning on or after 1st July 2009). The scope of the revised standard is broader than that of the earlier one. The revised standard contains a number of significant changes where the Group is concerned. The changes affect the goodwill recognised for acquisitions and the income from the disposal of business operations. The standard also affects the items recognised in the income statement both during the period in which an acquisition is made and in annual periods when an additional purchase price is paid or additional acquisitions are made. According to the transitional provisions of the standard business combinations whose date of acquisition is before application of the standard becomes mandatory need not be adjusted. The revised standard has not yet been approved for application in the EU.

- IAS 27 *Consolidated and Separate Financial Statements* (amended in 2008) (effective for annual periods beginning on or after 1st July 2009). The amended standard requires the effects of changes in ownership of subsidiaries to be recognised directly in the Group's equity when the parent company retains control. If control over the subsidiary is lost, the remaining investment is measured at fair value through profit or loss. The corresponding accounting practice will also be applied in the future to investments in associates (IAS 28) and interests in joint ventures (IAS 31). As a consequence of the amendment to the standard, the losses of a subsidiary can be charged to a minority even when they exceed the minority's investment. The revised standard has not yet been approved for application in the EU.

- IFRS 2 *Share-based payments* (amendments to the standard) – *Vesting Conditions and Cancellations* (effective for annual periods beginning on or after 1st January 2009). The amendment requires that all non-vesting conditions be taken into consideration in determining the fair value of equity instruments granted. In addition, the amendment clarifies the guidelines concerning the treatment of cancellations. The group is currently determining the impact of these changes in the standard on its upcoming financial statements. The amendments to the standard have not yet been approved for application in the EU.

- IAS 1 *Presentation of Financial Statements and IAS 32 Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for annual periods beginning on or after 1st January 2009). The amendments to the standard require that puttable financial instruments be classified as equity; to date they have been treated as liabilities. The application of the changed standards will not have any impact on the upcoming financial statements of the Group. The amendments to the standards have not yet been approved for application in the EU.

- *Improvements to IFRSs (Annual Improvements 2007)* (to become effective primarily on or after 1 January 2009). Through the annual improvements procedure, minor and less urgent amendments are brought together and implemented once a year. The changes affect a total of 34 standards. The impacts of the amendments vary from standard to standard but in the estimation of the Group, they will not be significant for its financial statements. The amendments to the standards have not yet been approved for application in the EU.

- Amendments to the standards IFRS 1 *First-Time Adoption of International Financial Reporting Standards* and IAS 27 - *Consolidated and Separate Financial Statements, Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective for annual periods beginning on or after 1 January 2009). The amendments apply to those adopting IFRS for the first time and thus will have no impact on the Group's upcoming financial statements.

- IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2009). The interpretation provides guidance on how the standard is to be applied in recognising the profits arising from the construction of real estate as well as on when the profits from a construction project may be recognised as income. The interpretation will not affect the Group's upcoming financial statements, as the Group does not operate in the construction sector. The interpretation has not yet been approved for application in the EU.

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after 1 October 2008). The interpretation clarifies the accounting for a hedged net investment in a foreign operation in a group's financial statements. In the Group's estimation, the interpretation will not affect the upcoming financial statements. The interpretation has not yet been approved for application in the EU.

- IAS 39 *Financial Instruments: Recognitions and Measurement (amendment, Eligible Hedged Items)* (effective for annual periods beginning on or after 1 July 2009). The amendments apply to the accounting of hedged items. They clarify the guidance in IAS 39 on inflation in a financial hedged item and a one-sided risk in a hedged item where items pertaining to financial assets or financial liabilities are concerned. In the Group's estimation, the interpretation will not affect the Group's upcoming financial statements. The interpretation has not yet been approved for application in the EU.

3. Management of financial risks

1) Financial risks

The Group is exposed to numerous financial risks in the course of its operations. The objective of the Group's risk management is to minimise any adverse effects of fluctuations in the financial market on the Group's results. The general principles of risk management in the Group are approved by the Board of Directors and are implemented by the parent company in collaboration with its subsidiaries.

Exchange rate risks

The Group mainly operates within the euro area and therefore only has limited exposure to exchange rate risks arising from variations in exchange rates.

Interest rate risks

The Group's income and operating cash flows are mostly independent of variations in market interest rates. The Group's interest rate risks mainly consist of loans, which have been diversified into variable and fixed-rate loans. At the end of the financial year, liabilities from variable-interest loans amounted to EUR 47,589,000 euros (EUR 32,574,000) and fixed-interest loans EUR 16,878,000 (EUR 18,074,000).

Some of the Group's subsidiaries use interest rate swap and interest cap agreements to protect themselves against interest risks. The Group does not use hedge accounting.

In the period under review, the Group entered into an interest rate cap agreement which protected the credit withdrawn by companies in the Group in the annual period 2007, a total of EUR 24.82 million. The agreement compensates the borrower for interest exceeding the reference rate, the six-month Euribor, or 4.85 %. The interest compensation received in the financial year 2007/2008 has not been recognised in the Group's financial statements because the amount was insignificant.

Sensitivity analysis for interest rate risk

The following table demonstrates how a reasonably possible change in interest rates on variable-interest liabilities, other variables remaining constant, would affect the Group's profit before taxes and equity:

	1% higher		1% lower	
(EUR 1,000)	Income statement	Equity	Income statement	Equity
Effect of change in interest rate				
2 008	**-476**	**-476**	**476**	**476**
2 007	-326	-326	326	326

Credit risk

Group companies verify their customers' creditworthiness when establishing customer relationships. In order to minimise credit risks, they aim to obtain sufficient security where a customer's credit rating so requires. The Group has long-standing and established business relations with its key customers and there have been no significant credit losses on trade receivable accounts. The Group does not have any significant concentrations of credit risk.

The Group has recognised an impairment loss of EUR 7,000 euros (EUR 22,000 in 2007) on trade receivables.

Distribution of trade receivables by time outstanding

(EUR 1,000)	2008
1–3 months overdue	**1,772**
3–6 months overdue	**198**
Over 6 months overdue	**118**
Balance sheet value of trade receivables	**18,496**

Liquidity risk

The Group estimates and monitors the amount of financing required for business operations on a continuous basis, in order to ensure sufficient liquid assets to finance operations and make loan repayments. The Group strives to safeguard the availability and flexibility of its financial resources through adequate credit lines and by using several sources and forms of financing.

Management of equity

The aim of equity management in the Group is to ensure the normal conditions that its business operations require and to increase the values of its shares in the long term. The structure of equity is affected by the distribution of dividends, acquisition of the Group's own shares, equity rebates and share issues. External equity requirements are not applied to the Group.

The development of the Group's equity structure is monitored using the equity ratio and net gearing. The Group's equity ratio was 36.8 per cent (34.9 %) and net gearing 33.7 per cent (23.7%).

(EUR 1,000)	2008	2007
Interest-bearing financial liabilities	**64,189**	50,653
Interest-bearing receivables		
Cash	**46,081**	41,274
Net liabilities	**18,108**	9,379
Equity, total	**53,686**	39,560
Net gearing	**33.7**	23.7

4. Accounting policies requiring management judgements and key sources of estimation uncertainty

The estimates and judgments made are based on prior experience and other factors, such as assumptions about future events. Such estimates and judgements are revised on a regular basis. The following sections describe key areas where estimates and the judgement of management have applied.

Cost allocation

IFRS 3 requires an acquirer to recognise an intangible asset separately from goodwill if the asset satisfies the recognition criteria. Recognising an intangible right at fair value requires the company's management to make estimates on future cash flows. As far as possible, the management has used available market values as the basis for cost allocation when determining fair values. Where this is not possible, which is typical of intangible assets in particular, measurement is based on the asset's historical returns and intended use in future operations. Measurements are based on discounted cash flows and estimated net realisable values or replacement costs and require the management to make estimates and assumptions on the future use of assets and their effects on the company's financial position. Changes of focus and alignment in the company's business operations may result in changes to initial measurements in the future (Note to financial statements No. 18).

Impairment testing

The Group tests goodwill and assets with infinite useful lives annually for impairment. The recoverable amounts determined for cash-generating units are based on value in use calculations. Preparation of such calculations requires estimates to be made. Even though the management considers the assumptions used to be appropriate, the estimated recoverable amounts may differ materially from actual future amounts (Note No. 18).

Revenue recognition

The Group uses the percentage of the completion method to recognise revenue and expenses associated with construction contracts. The percentage of the completion method is based on estimates of a contract's expected revenue and costs as well as on determining its stage of completion. The amounts of revenue and profit originally recognised may be subject to change upon subsequent revision of estimates of total contract costs and revenue. The cumulative effects of revised estimates are recognised in the period when a change becomes likely and can be estimated reliably.

Measurement of stocks

One management principle is to recognise an impairment loss for slow-moving and obsolescent items of stock, based on the management's best estimate of the quantity of any possible unusable stocks held on the balance-sheet date. The management bases its estimates on systematic and continuous monitoring and assessment.

5. Segment information

The Group's primary reporting segments are business segments. A business segment provides products and services which are subject to risks and returns that are different from those of other business segments. For the last financial year, the Group is reporting on five business segments. The transactions between segments have taken place on normal commercial terms. The Group does not have a secondary division into segments, as it has no significant operations abroad.

Business segments

Industrial services: Segment revenue is mostly generated by selling various metal industry services and products to corporate clients. In addition, the segment provides logistics and repair services.

Joinery industry: Segment revenue is mostly generated by manufacturing joinery industry products.

Industrial construction: Segment revenue is mostly generated by providing various services for the construction and processing industries.

Wholesale trade: Segment revenue is mostly generated by selling and importing products.

Takoma: The income in the segment is mostly generated from the machine workshop operations of Takoma Plc.

Other business operations: Items reported under this segment include the Group's other business operations and unallocated items.

Business segments 2008 (EUR 1,000)	Industrial services	Joinery industry	Takoma	Wholesale trade	Other	Eliminations	Group total
Total net turnover	22,399	7,502	18,397	45,398	27,916	-479	121,133
Internal net turnover	3			192	284	-479	0
External net turnover	22,396	7,502	18,397	45,206	27,632		121,133
Share of profit of associates	0	0	0	0	45	0	45
Operating profit/loss	2,270	285	1,059	2,843	-5	0	6,452
Financial returns and expenses							-2,058
Income taxes							1,635
Profit attributable to continuing operations							2,759
Profit attributable to discontinued							11,038
Assets	12,286	5,322	32,616	25,758	76,817	-6,300	146,499
Liabilities	8,260	6,773	6,031	30,647	47,285	-6,300	92,696
Investments	760	47	2,008	366	388		3,569
Depreciation and amortisation	-682	-451	-922	-434	-1,113	0	-3,602
Employees	161	59	86	145	296		747

Business segments 2007 (EUR 1,000)	Industrial services	Joinery industry	Industrial construction	Wholesale trade	Other	Eliminations	Group total
Total net turnover	15,336	9,471		29,696	14,876		69,379
Internal net turnover	-85				-159	-244	-244
External net turnover	15,251	9,471		29,696	14,717		69,135
Share of profit of associates	0	0		0	0		0
Operating profit/loss	1,678	615		1,497	-523		3,267
Financial returns and expenses							-1,097
Income taxes							509
Profit attributable to continuing operations							1,661
Profit attributable to discontinued							4,273
Assets	10,596	6,407	12,399	36,476	85,559	-36,492	114,945
Liabilities	7,044	3,278	5,403	12,395	83,107	-37,294	73,933
Investments	3,490	136	1,457	7,913	8,932		21,928
Depreciation and amortisation	349	504		224	533		1,610
Employees	144	82	161	133	199		719

6. Acquired business operations

The publicly listed subsidiary of Panostaja Takoma Oyj acquired the share capital of Hervannan Koneistus Oy from Kimmo Korhonen in transactions concluded on 1st November 2007. The acquisition was carried out pursuant to the authorisation granted at the Annual General Meeting of Takoma Oyj held on 17th October 2007.

Takoma Oyj agreed to an exchange of stock with the owner of Hervannan Koneistus Oy, Kimmo Korhonen, whereby Mr. Korhonen transferred the entire share capital of Hervannan Koniestus Oy to Takoma. In order to implement the exchange of shares, the Board of Directors of Takoma decided to raise the company's share capital by EUR 159,775.50 to EUR 939,855.96 by arranging for an issue of shares disapplying the shareholders' pre-emption and giving Kimmo Korhonen 2,662,925 new Takoma Oyj shares. The subscription price of the shares was EUR 1.84 per share and the value of the exchange of shares at the closing price for Takoma shares on 30th October 2007 was EUR 4.9 million.

In a deed signed on 29 April 2008, Panostaja Oyj bought the entire share capital of Kopijyvä Oy and the sale became binding on both parties on 2nd May 2008. The final purchase price for the share capital of Kopijyvä Oy was established between the parties on 22nd May as being EUR 17 million.

On 2 May 2008, Panostaja Oy signed a contract to acquire the business operations of EcoSir Oy, a company established in 1996 and specialised in equipment solutions for waste and real estate management. In addition, on 1 July 2008, Panostaja bought the entire share capital of Kospa Oy, a manufacturer of waste treatment equipment. The value of the EcoSir sale was EUR1.4 million. The seller has the possibility to receive an additional purchase price of at most EUR 1.1 million. The purchase price in the Kospa acquisition was EUR 0.5 million.

Hervannan Koneistus Oy has been consolidated into the Group's financial statements as of 1 November 2007. Kopijyvä Oy and EcoSir were consolidated into the financial statements as of 1 May 2008 and Kospa as of 1 July 2008.

Had the acquired companies been consolidated into the financial statements from the beginning of the period 2006/2007, the Group's turnover for the period would have been an estimated EUR 134.0 million and its operating profit EUR 7.5 million.

The additional purchase price associated with the acquisition of the business operations of EcoSir Oy has been estimated in keeping with the most likely scenario.

The IFRS 3-compliant purchase price allocations for the acquisition of Hervannan Koneistus Oy are preliminary. Hervannan Koneistus Oy according to IFRS 3 is final. The purchase price allocations of other acquisitions made in the financial year are tentative.

The business acquisitions made during the financial year were allocated to the following business segments:

- Hervannan Koneistus Oy was incorporated into the Takoma segment.
- Kopijyvä Oy, the business operations of EcoSir Oy and Kospa Oy were incorporated into the segment "Other".

Acquisition of Hervannan Koneistus Oy Breakdown of acquired net assets (EUR 1,000)	Recognised fair values in consolidation	IFRS carrying amounts before consolidation
Intangible assets	3,492	3,492
Property, plant and equipment	464	290
Stocks	2,021	1,963
Receivables	1,503	1,503
Cash and cash equivalents	17	17
Liabilities	-6,422	-6,289
Net assets acquired	1,075	976

Composition of acquisition cost (EUR 1,000)	
Paid in shares in Takoma Oyj	4,900
Expenses directly attributable to acquisitions	83
Acquisition cost, total	4,983
Fair values of acquired net assets	1,075
Change in minority share Panostaja Group	1,280
Goodwill	2,628
Cash considerations	-83
Cash and cash equivalents in acquired subsidiaries	17
Cash flow effect	-66

Acquisition of Kopijyvä Group Breakdown of acquired net assets (EUR 1,000)	Recognised fair values in consolidation	IFRS carrying amounts before consolidation
Intangible assets	2,559	2,456
Property, plant and equipment	1,415	165
Stocks	350	350
Receivables	1,687	1,687
Cash and cash equivalents	5,480	5,480
Liabilities	-2,121	-1,566
Net assets acquired	9,370	8,572

Hankintamenon muodostuminen (1 000 euroa)	
Paid in cash	16,983
Expenses directly attributable to acquisitions	185
Acquisition cost, total	17,168
Fair values of acquired net assets	9,370
Goodwill	7,798
Cash considerations	-17,168
Cash and cash equivalents in acquired subsidiaries	5,480
Cash flow effect	-11,688

Acquisition of business operations of EcoSir Breakdown of acquired net assets (EUR 1,000)	Recognised fair values in consolidation	IFRS carrying amounts before consolidation
Intangible assets		
Property plant and equipment	39	39
Stocks	260	260
Net assets acquired	299	299

Composition of acquisition cost (EUR 1,000)	
Paid in cash	1,350
Conditional additional purchase price	1,150
Expenses directly attributable to acquisitions	134
Acquisition cost, total	2,634
Fair values of acquired net assets	299
Goodwill	2,335
Cash considerations	-1,484
Cash and cash equivalents in acquired subsidiaries	0
Cash flow effect	-1,484

Acquisition of Kospa Oy Breakdown of acquired net assets (EUR 1,000)	Recognised fair values in consolidation	IFRS carrying amounts before consolidation
Intangible assets	29	151
Property, plant and equipment	98	98
Stocks	326	326
Receivalbles	520	520
Liabilities	-1,223	-1,223
Net assets acquired	**-250**	**-128**

Composition of acquisition cost (EUR 1,000)	
Paid in cash	450
Expenses directly attributable to acquisitions	41
Acquisition cost, total	491
Fair values of acquired net assets	-250
Goodwill	**741**
Cash considerations	-491
Cash and cash equivalents in acquired subsidiaries	0
Cash flow effect	**-491**

Business operations acquired in financial year 2006/2007

The allocation of the prices of the business acquisitions carried out in the financial year 2006/2007 was finalised in the financial year 2007/2008. In the process the allocations made in calculating the acquisition costs of KL Varaosat companies and Tampereen Laatukoneistus Oy were changed. In the case of KL Varaosat companies, the acquisition price has been charged to the client contracts and in the case of Tampereen Laatukoneistus Oy, to the order book. The final allocation of the acquisitions is reflected in the following figures:

Acquisition of KL-Varaosat companies Breakdown of acquired net assets (EUR 1,000)	Recognised fair values in consolidation	IFRS carrying amounts before consolidation
Intangible assets	409	0
Property, plant and equipment	46	46
Stocks	1,686	1,366
Receivalbles	608	510
Cash and cash equivalents	3,358	3,358
Liabilities	-1,055	-839
Net assets acquired	**5,052**	**4,441**

Composition of acquisition cost (EUR 1,000)	
Paid in cash	6,450
Paid in shares	386
Expenses directly attributable to acquisitions	117
Acquisition cost, total	6,953
Fair values of acquired net assets	5,052
Goodwill	**1,901**
Cash considerations	-6,953
Cash and cash equivalents in acquired subsidiaries	3,358
Cash flow effect	**-3,595**

Acquisitions of Lahden Lämpökäsittely Oy:n and Heatmasters Oy Breakdown of acquired net assets (EUR 1,000)	Recognised fair values in consolidation	IFRS carrying amounts before consolidation
Intangible assets	191	191
Property, plant and equipment	2,758	2,082
Stocks	378	344
Receivalbles	2,251	2,251
Cash and cash equivalents	588	588
Liabilities	-1,959	-1,774
Net assets acquired	**4,207**	**3,682**

Composition of acquisition cost (EUR 1,000)	
Paid in cash	4,397
Expenses directly attributable to acquisitions	95
Acquisition cost, total	4,492
Fair values of acquired net assets	4,207
Goodwill	**285**
Cash considerations	-4,492
Cash and cash equivalents in acquired subsidiaries	588
Cash flow effect	**-3,904**

Acquisition of Tampereen Laatukoneistus Oy Breakdown of acquired net assets (EUR 1,000)	Recognised fair values in consolidation	IFRS carrying amounts before consolidation
Intangible assets	111	8
Property, plant and equipment	2,074	626
Stocks	1,751	1,436
Receivalbles	1,134	1,134
Cash and cash equivalents	64	64
Liabilities	-2,003	-1,518
Net assets acquired	**3,131**	**1,750**

Composition of acquisition cost (EUR 1,000)	
Paid in cash	4,200
Expenses directly attributable to acquisitions	75
Acquisition cost, total	4,275
Fair values of acquired net assets	3,131
Goodwill	**1,144**
Cash considerations	-4,275
Cash and cash equivalents in acquired subsidiaries	64
Cash flow effect	**-4,211**

Acquisitions of Suomen Helasto Oyj Breakdown of acquired net assets (EUR 1,000)	Recognised fair values in consolidation	IFRS carrying amounts before consolidation
Intangible assets	20	20
Property, plant and equipment	2,212	1,413
Stocks	8,035	7,384
Receivalbles	4,034	4,034
Cash and cash equivalents	197	197
Liabilities	-10,216	-9,839
Net assets acquired	**4,282**	**3,209**

Composition of acquisition cost (EUR 1,000)	
Paid in cash	86
Paid in shares	16,135
Expenses directly attributable to acquisitions	159
Acquisition cost, total	16,380
Fair values of acquired net assets	4,282
Recognition of cost from invested unrestricted equity fund	-4,235
Goodwill	**7,863**

Cash considerations	-245
Cash and cash equivalents in acquired subsidiaries	197
Cash flow effect	**-48**
Cash flow effect of business acquisitions, total	**-11,758**

7. Disposals of subsidiaries and businesses

On 3 July 2008, Panostaja Oy sold the shares in Arme Oy (69.9% of the share capital) to a fund managed by Sentica Partners Oy.

The effect of the sale on the Group's balance sheet appears in the table below:

Book values of sold items	
Intangible assets	
Property, plant and equipment	3,934
Investments	257
Stocks	1,402
Receivables	4,778
Cash and cash equivalents	3,694
Liabilities	-5,333
Net assets sold	**8,732**
Purchase price received in cash	20,022
Credit to buyer	-3,500
Cash and cash equivalents of business operations sold	-3,694
Cash flow effect	**12,828**

The effect of the sale of Arme Oy is presented on the Group's income statement in the line item "Profit from discontinued operations". The effect of Arme Oy on the income figures for the reference year (EUR 4.3 million) is presented on the same line.

8. Long-term projects

Ongoing business operations do not include any long-term projects.

9. Other operating income

(EUR 1,000)	2008	2007
Proceeds on disposal of tangible assets	**110**	442
Rental income	**303**	37
Insurance indemnities	**2**	19
Other income	**342**	185
Total	**757**	683

10. Share of profit of associates

Information on associated companies is presented in Note No. 21 Investments in Associates.

11. Staff expenses

(EUR 1,000)	2008	2007
Wages and salaries	21,904	12,727
Share-based payments	89	78
Pension expenses – defined contribution plans	3,776	2,311
Other social security expenses	1,520	960
Total	27,289	16,076

The Group has pension schemes classified as being defined contribution plans, where contributions are recognised in the income statement for the period to which they relate.

Information on employee benefits for key management personnel is presented in Note No. 34, Related party transactions. Information on share-based payments is provided in Note No. 29, Share-based Payments.

The Group's average number of employees during the financial year was 646 (571). The payroll at year-end included 747.

12. Depreciation and amortisation

(EUR 1,000)	2008	2007
Depreciation/amortisation by class of assets:		
Property, plant and equipment		
Buildings and structures	533	339
Machinery and equipment	2,301	1,083
Other tangible assets	11	7
Intangible assets		
Intangible rights	546	72
Other capitalised long-term expenditure	211	109
Total	3,602	1,610

13. Other operating expenses

(EUR 1,000)	2008	2007
Loss on sales of tangible and intangible asset	89	52
Rental expenses	2,948	1,643
Other items of expense	12,585	6,973
Total	15,622	8,668

Other expense items include marketing and sales promotion expenses and fees paid to experts.

14. Financial income

(EUR 1,000)	2008	2007
Dividend income	9	5
Foreign exchange gains	72	15
Interest and financial income	1,777	692
Total	1,858	712

15. Financial expenses

(EUR 1,000)	2008	2007
Foreign exchange losses	0	14
Interest and financial expenses	3,916	1,795
Total	3,916	1,809

Foreign exchange gains and losses included in the financial statements

Net turnover	-1	15
Expenses	4	-4
Financial items	72	-10
	75	1

16. Income taxes

(EUR 1,000)	2008	2007
Direct taxes	1,304	1,448
Deferred taxes	331	-939
Income taxes, total	1,635	509

Reconciliation between tax expense in the income statement and taxes calculated at the domestic corporate tax rate (26% in 2006 and 2007):

Profit before taxes	4,394	2,170
Income tax on consolidated pre-tax profit at Finnish tax rates	1,142	564
Tax-exempt income		-55
Non-deductible expenses	298	
Unrecognised deferred tax receivables from tax losses	92	
Share of profit of associates	-12	
Taxes from previous financial years	115	
Net effect of tax-exempt income and non-deductible expenses	493	-55
Taxes in the income statement	1,635	509

17. Earnings per share

Basic earnings per share (EPS) are calculated by dividing the profit for the period attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period. For the purpose of calculating diluted earnings per share, the parent company's convertible loan and stock options have been taken into account as dilutive effects. Stock options have a diluting effect when the subscription price of the options is lower than the fair value of the shares. The dilutive effect becomes the number of shares which have to be issued gratuitously, because the Group could not issue the same number of shares at fair value with the funds received from exercising the options. The fair value of a share is based on the average price of a share for the financial year. In terms of the convertible loan, bonds have been deemed to be convertible as from the date of entry in the Trade Register. Profit for the period has been adjusted for interest expenses of the convertible loan less tax effects.

(EUR 1,000)	2008	2007
Profit for the financial year attributable to equity holders of the parent company		
Continuing operations	1,656	1,207
Discontinued operations	11,038	3,088
Interest on convertible subordinated loan	852	564
Profit for financial year for calculation of EPS. Adjusted for dilutive effect	13,546	4,860

(EUR 1,000)	2008	2007
Number of shares at year-end	46,076	45,201
of which held by the company	740	817
Weighted average number of shares outstanding, 1,000	44,760	35,782
Conversion of convertible subordinated loan into shares, 1,000	10,125	11,000
Weighted average number of shares outstanding, diluted	54,885	46,782
EPS on continuing operations		
Basic	0.037	0.034
Diluted	0.046	0.038
EPS on discontinued operations		
Basic	0.247	0.086
Diluted	0.201	0.066
EPS on continuing and discontinued operations		
Basic	0.284	0.120
Diluted	0.247	0.104

18. Intangible assets

(EUR 1,000)	Goodwill	Intangible rights	Other capitalised long-term expenditure	Total
Acquisition cost 1/11/2007	13,316	213	1,355	14,884
Additions		98	346	444
Business combinations	14,490	1,994	49	16,533
Acquisition cost 31/10/2008	27,806	2,305	1,750	31,861
Accumulated amortisation and impairment 01/11/2007	-477	-99	-1,009	-1,585
Amortisation and impairment for the period		-546	-211	-757
Accumulated amortisation and impairment 31/10/2008	-477	-645	-1,220	-2,342
Book value 31/10/2008	27,329	1,660	530	29,519

(EUR 1,000)	Goodwill	Intangible rights	Other capitalised long-term expenditure	Total
Acquisition cost 01/11/2006	2,453	48	1,099	3,600
Additions		139	82	221
Business combinations	10,863	46	174	11,083
Deductions		-14	0	-14
Acquisition cost 31/10/2007	13,316	219	1,355	14,890
Accumulated amortisation and impairment 01/11/2006	-477	-33	-880	-1,390
Amortisation and impairment for the period		-72	-129	-201
Accumulated amortisation and impairment 31/10/2007	-477	-105	-1,009	-1,591
Book value 31/10/2007	12,839	114	346	13,299

Impairment testing of goodwill

Goodwill has been allocated to the following cash-generating units (or groups of such units):

EUR million	**2008**	2007
Alfa-Kem (business segment Other)	**1.4**	1.4
Heatmasters Group (Industrial Services)	**0.3**	0.3
Kiinnitin-yhtiöt (Wholesale Trade)	**0.6**	0.6
KL-Varaosat (Wholesale Trade)	**1.9**	2.2
Kopijyvä (Other)	**8.4**	
LukkoexpertSecurity (Other)	**1.7**	1.7
Suomen Helasto (Wholesale Trade)	**5.6**	5.6
Takoma	**3.7**	0.5
Vallog (Industrial Services)	**0.6**	0.6
Ympäristöteknologia (Other)	**3.1**	
Total	**27.3**	12.8

For the purposes of impairment testing, the recoverable amounts of business operations are determined by means of value in use. Cash flow projections are based on the Group management's views on the outlook for the next three years. Cash flows for years subsequent to the forecasting period have been extrapolated using a 2% growth assumption..

The key variables used when calculating value in use are budgeted net turnover and budgeted operating profit. Operating profit also encompasses any cost savings and other benefits from restructuring measures already implemented or committed to. These restructuring measures do not involve any significant future cash outflows subsequent to the period.

The pre-tax discount rates used in calculations are as follows: Alfa-Kem 10.2%, Heatmasters Group 10.2%, Kiinnitin companies 10.4%, KL-Varaosat 10.1%, Kopijyvä 10.3%, LukkoexpertSecurity 10.2%, Suomen Helasto 10.4%, Takoma 10.2%, Vallog 10.2% and Ympäristöteknologia 10.1%.

According to the test, the value in use for all tested units exceeds their carrying amounts. Moreover, any conceivable changes in key assumptions used in calculations would not result in a situation where the carrying amounts of the assets would exceed their recoverable amounts.

19. Property, Plant and Equipment

(EUR 1,000)	Land	Buildings	Machinery and equipment	Other tangible assets	Pre-payments, fixed assets	Total
Acquisition cost 01/11/2007	928	13,622	17,742	344	92	32,728
Additions	0	142	2,934	23	26	3,125
Business combinations	0	148	3,941	21		4,110
Effect of disposals	-170	-652	-5,406	-168		-6,396
Disposals	0		-417			-417
Acquisition cost 31/10/2008	758	13,260	18,794	220	118	33,150
Accumulated depreciation and impairment 01/11/2007		-5,312	-9,366	-224	0	-14,902
Depreciation for the period	-3	-533	-2,301	-8	0	-2,845
Effect of disposals	0	327	2,917	122		3,366
Accumulated depreciation and impairment 31/10/2008	-3	-5,518	-8,750	-110	0	-14,381
Book value 31/10/2008	755	7,742	10,044	110	118	18,770
Acquisition cost 01/11/2006	633	9,475	12,204	334	0	22,646
Business combinations	5	4	2,476	7	92	2,584
Effect of disposals	469	4,143	3,431	3		8,046
Disposals	-179		-369			-548
Acquisition cost 31/10/2007	928	13,622	17,742	344	92	32,728
Accumulated depreciation and impairment 01/11/2006		-4,943	-7,833	-217	0	-12,993
Depreciation for the period		-369	-1,533	-7	0	-1,909
Accumulated depreciation and impairment 31/10/2007		-5,312	-9,366	-224	0	-14,902
Book value 31/10/2007	928	8,310	8,376	120	92	17,826

20. Investment properties

(EUR 1,000)	2008	2007
Acquisition cost 01/11	3,401	3,401
Additions/Disposals	0	0
Acquisition cost 31/10	3,401	3,401
Accumulated depreciation 01/11	1,481	1,342
Depreciation	50	139
Accumulated depreciation 31/10	1,531	1,481
Book value 01/11	1,920	2,059
Book value 31/10	1,870	1,920

The investment properties of the Panostaja Group are the associated company Tampereenportti Oy, owned in equal share by Panostaja Oyj and the YIT Group, and Kiinteistö Oy Lakalaivan Teollisuustalo I, a subsidiary owned entirely by Panostaja Oyj.

The value of the investment properties is measured using the cost model. The fair values of the properties are based on estimates provided by external parties. The fair value of the properties on 31st October 2008 was EUR 4.01 million. Investment properties are not presented in the consolidated balance sheet separately, because the associated company Tampereen Portti Oy and Kiinteistö Oy Lakalaivan Teollisuustalo I are included under share of profit of associates and under property, plant and equipment respectively.

(EUR 1,000)	2008	2007
Items recognised in the income statement		
Rental income	**303**	276
Direct operating expenses	**-101**	-112

There are no contractual obligations relating to future repairs.

21. Investments in associates

(EUR 1,000)	2008	2007
Book value 01/11	**975**	894
Share of profit/loss of the financial year	**45**	0
Additions	**775**	90
Disposals	**-8**	-9
Book value 31/10	**1,787**	975

Associated company as at 31/10/2008	Register office	Holding	Assets	Liabilities	Net turnover	Profit/Loss
Tampereen Portti Oy	Tampere	50.0%	1624	66	1	-5
Ki Oy Levin Lumipilvi	Kittilä	33.3%	410	1	7	0
Keski-Suomen Painotuote	Äänekoski	22.0%	518	318	461	41
Domus Print Oy	Tampere	37.5%	2,443	1947	1967	31
As Koopia Kolm	Tallinna, Viro	45.0%	1,733	1295	671	73

The figures are presented according to Tampereen Portti Oy's figures on the balance-sheet date, 31 December 2007. Tampereen Portti Oy is classified both as an associate and as an investment property in Panostaja's consolidated financial statements.

Keski-Suomen Painotuote Oy, Domus Print Oy and As Koopia Kolm are associates of Kopijyvä Oy. Their profit has been taken into account for the period that Kopijyvä has been part of the Group, from 1st May to 31st October 2008.

Kiinteistö Oy Levi Lumipilvi is an associate of which Eurotermo Oy owns a 33.3 per cent share. The figures reflect the situation on the balance-sheet date, 31st December 2007.

22. Other non-current assets

(EUR 1,000)	2008	2007
Loans receivable	**3,500**	0
Other non-current assets	**669**	231
Total	**4,169**	231

Other non-current assets are presented at cost, because reliable estimates of their fair values are not available.

23. Deferred tax assets and liabilities

Changes in deferred taxes during the 2007/2008 period (EUR 1,000)	1/11/2007	Included in income	Acquired and disposed businesses	31/10/2008
Deferred tax assets:				
Intangible and tangible fixed assets	102	0	0	102
Losses verified in taxation	527	-527	0	0
Other temporary differences	623	-97	0	526
Total	1,252	-624	0	628
Deferred tax liabilities:				
Intangible and tangible fixed assets	1,091	293	-16	1,384
Other temporary differences	361			361
Total	1,452	293	-16	1,729

Changes in deferred taxes during the 2006/2007 period (EUR 1,000)	1/11/2006	Included in income	Acquired and disposed businesses	31/10/2007
Deferred tax assets:				
Intangible and tangible fixed assets	102	0	0	102
Losses verified in taxation	527	0	0	527
Other temporary differences	0	623	0	623
Total	628	623	0	1,252
Deferred tax liabilities:				
Intangible and tangible fixed assets	40	0	1,051	1,091
Other temporary differences	269	92		361
Total	309	92	1,051	1,452

24. Stocks

(EUR 1,000)	2008	2007
Raw materials and consumables	**3,811**	10,161
Work in progress	**1,704**	2,146
Finished goods and goods for resale	**17,194**	8,613
Other stocks	**5**	5
Prepayments	**277**	175
Total	**22,991**	21,100

An expense totalling EUR 22,000 was recognised for the financial year by which the book value of stocks was reduced to correspond to their net realisable value (no write-offs were made in the financial year 2006/2007).

25. Trade and other receivables

(EUR 1,000)	2008	2007
Trade receivables	**18,496**	14,919
Loans receivable	**110**	116
Accrued income	**2,399**	1,801
Other receivables	**1,274**	2,138
Total	**22,279**	18,974

The carrying value of trade and other receivables includes the maximum credit risk associated with them on the balance-sheet.

Material items included in accrued income

(EUR 1,000)	2008	2007
Wages, salaries and social security	**173**	65
Annual discounts	**858**	836
Advances received	**386**	116
Others	**982**	784
Total	**2,399**	1,801

The balance sheet values of receivables correspond to their fair values in all material respects.

26. Investments held as current assets

(EUR 1,000)	2008	2007
Investments held as current assets	**0**	8,055
Total	**0**	8,055

Investments held as current assets consist of holdings in bond funds.

27. Cash and cash equivalents

(EUR 1,000)	2008	2007
Cash in hand and at bank	**46,018**	33,219
Total	**46,018**	33,219

28. Information on share capital

	Number of shares at year-end, 1,000	Share capital, EUR 1000	Share premium account, EUR 1000	Invested unrestricted equity account EUR 1,000	Total
1/11/2006	29,735	3,568	2,683	0	6,251
Osakeannit	10,608	1,269		11,016	12,285
Conversion of subordinated convertible loans to shares	4,858	587	1,964	2,265	4,816
Equity component of convertible subordinated loan				860	860
Cost of share-based payments				78	78
31/10/2007	45,201	5,424	4,647	14,219	24,290
Share issues					
Conversion of subordinated convertible loans to shares	875	105		1,383	1,488
Equity component of convertible subordinated loan				-132	-132
Cost of share-based payments				89	89
Acquisition of own shares				-458	-458
Sale of own shares				383	383
Other changes				-3,081	
31/10/2008	46,076	5,529	4,647	12,403	22,579

At the end of the financial year, the share capital of Panostaja Oyj was EUR 5,529,081.60 and the number of shares 46,075,680. The number of Class A series shares issued was 17,256,595 and Class B shares 28,819,085. All shares issued have been paid in full.

Share premium account

The share premium account records the amount of money above the nominal value of shares that shareholders pay in a share issue. The sums recorded in the account relate to share issues conducted according to the Limited Liability Companies Act (29.9 1978/734), which was in force until 31 August 2006.

In cases where option rights have been decided on the basis of the old Limited Liability Companies Act, cash payments received from share issues based on options have been recognised in the share capital and in the share premium account in keeping with the terms of the arrangement.

The invested unrestricted equity

The invested unrestricted equity fund contains investments having the nature of equity and the sum paid by shareholders in conjunction with share issues concluded after the entry into force of the new Limited Liability Companies Act (1st September 2009) where that sum is not recognised as share capital by an express decision.

Own shares

The price paid to acquire the company's own shares, as well as the related transaction costs, are presented as a deduction from equity: in the financial year 2006/2007 this was presented as a deduction from profits and in the financial year 2007/2008 as a deduction from invested unrestricted equity. At the end of the financial year 2007/2008 the Group held 739,751 of its own shares (817,400).

The dividends paid out to shareholders of the parent company in the financial year 2006/2007 totalled EUR 3.97 million (EUR 0.09 euro per share); dividends to minority shareholders of subsidiaries totalled EUR 0.47 million. The total amount of dividends paid out in the financial year 2005/2006 EUR amounted to EUR 3.87 million.

29. Share-based payments

The Annual General Meeting held on 15th December 2006 authorised the Board of Directors to decide on granting options to key personnel within the company as part of their incentive scheme. The total number of share options is no more than 1,380,000, which entitle holders to subscribe to a maximum of 1,380,000 of the company's new Class B shares. The share options are divided into 460,000 Class 2006A options, 460,000 Class 2006B options and 460,000 Class 2006C options.

The exercise periods are:- optio-oikeudella 2006A 1.1.2010 – 31.12.2011,
- from 1st January 2010 to 31st December 2011 for Class 2006A options;
- from 1st January 2011 to 31st December 2012 for Class 2006B options; and
- from 1st January 2012 to 31st December 2013 for Class 2006C options.

The exercise prices of share options are:
- the volume-weighted average share price on the Helsinki Stock Exchange over the period from 1 November 2006 to 30 November 2006 for Class 2006A options, however, no less than EUR 1.50;
- the volume-weighted average share price on the Helsinki Stock Exchange over the period from 1 November 2007 to 30 November 2007 for Class 2006B options, however, no less than EUR 2.45;
- the volume-weighted average share price on the Helsinki Stock Exchange over the period from 1 November 2008 to 30 November 2008 for Class 2006B options, however, no less than EUR 3.45.

In the event that the company distributes dividends or assets from unrestricted equity, the exercise price of share options will be reduced by the amount of the dividend decided or the amount of the unrestricted equity distributable after the beginning of the period for determination of the exercise price but before share subscription, as per the dividend record date or the record date of the equity rebate. As of 31st October 2008 the company had distributed dividends and equity rebates affecting the option programme in an amount totalling 30.3 cents per share. The price of a share to be subscribed for under Class 2006A options was thus on the balance-sheet date EUR 1.197 per share.

During the 2006/2007 financial year, the Board of Directors exercised its authorisation and granted 460,000 Class 2006A options to key personnel within the company and to a subsidiary wholly owned by the company. In the financial year 2007/2008, 80,000 of the Class 2006A shares were conveyed to key personnel in the company.

According to the terms of the option, the Board of Directors of Panostaja may decide that a person loses his or her right to an option when he or she leaves the company before realising the right to exercise the option.

The following table provides basic data on Panostaja's share options and events during the financial year.

Share-based payments

Share options Basic data	2006A	2006B	2006C
Maximum number of options	460,000	460,000	460,000
Number of shares per option	1	1	1
Original exercise price, EUR	1.50	2.45	3.40
Dividend adjustment	Yes	Yes	Yes
Exercise period starts, date (vesting)	01/01/2010	01/01/2011	01/01/2012
Exercise period ends, date (expiry)	31/12/2011	31/12/2012	31/12/2013
Remaining time to expiry as at 31/10/2008, years	3.2	4.2	5.2
Personnel as at 31/10/2007	6	Not granted	Not granted

Numbers of options as at 31/10/2008	2006A	2006B	2006C	Yhteensä
Granted	460,000			460,000
In reserve		460,000	460,000	920,000
Number of unvested options granted as at 31/10/2008	460,000			460,000

	Subscription price weighted average Euro/share	Number of options	Subscription price weighted average Euro/share	Number of options
Beginning of financial year	1.50	380,000	0.00	380,000
New options granted		80,000	1.50	80,000
Lost options			0.00	0
Exercised options			0.00	0
Expired options			0.00	0
Close of financial year			1.50	460,000
Exercisable options at close of financial year			0.00	0

The above table does not reflect dividends and equity returns affecting the option plan.

Determining fair value

The fair value of share options is determined at their grant date and recorded under staff expenses over the period until vesting occurs. The grant date is the date on which the Board of Directors decided to grant options.

The fair value of share options has been measured using the Black-Scholes pricing model and the key assumptions used to determine the fair value of 2006A options granted during the 2006/2007 and 2007/2008 periods have been compiled into the following table. The anticipated volatility has been determined based on the price of parent company shares with due account taken of the remaining validity of the options.

The total fair value of these options amounted to EUR 299,000 and their cost effect over the 2006/2007 period was EUR 89,000. The cost effect for the 2008/2009 and 2009/2010 periods is estimated at EUR 95,000.

Key assumptions used within the Black-Scholes model	2007/2008 financial year
Number of options granted	460,000
Average share price at grant date	1.52
Exercise price	1.50
Interest	4.1%
Time to expiry, years	4.9
Volatility	42%
Number of options returned	0
Estimated dividend yield (*	
Weighted fair value per option, EUR	0.65
Total fair value, EUR	299,000

*) Any dividends distributed are deducted from the exercise price, whereby dividends need not be taken into account separately when calculating fair value.

30. Financial liabilities

(EUR 1,000)	2 008	2 007
Long-term financial liabilities measured at amortised acquisition cost		
Loans from financial institutions	**40,841**	14,142
Convertible loan	**16,878**	18,074
Pension loans	**0**	5
Other loans	**278**	650
Total	**57,997**	32,871
Short-term financial liabilities measured at amortised acquisition cost		
Repayments of long-term loans	**3,943**	2,082
Loans from financial institutions	**2,527**	15,700
Total	**6,470**	17,782

The fair values of liabilities are presented in Note 32 Fair value of Financial Assets and Liabilities

The Group's loans comprise both variable- and fixed-interest loans. The weighted average of interest rates as at 31/10/2007 was 6.10% (31/10/2007: 5.71%). Fixed-interest financial liabilities total EUR 16,878,000; the remaining liabilities are variable-interest liabilities.

The interest-bearing long- and short-term liabilities are denominated in Euros.

Convertible loan

Based on a decision taken at the Annual General Meeting on 15 December 2006, the company offered a convertible subordinated loan to domestic institutional investors at a maximum total of EUR 21,250,000, which was subscribed in full.

Each of the EUR 106,250.00 bonds entitles the holder to convert the share of the loan into 62,500 Panostaja Class B shares. During the financial year, the 2006 convertible subordinated loan was used to subscribe for 875,000 new Panostaja shares. The outstanding loan amounts to EUR 17,212,500.

The interest rate is 6.5% and the loan period runs from 15th January 2007 to 1st March 2012. The loan will be repaid in one instalment on 1st March 2012, provided that the conditions of repayment according to Chapter 5 of the Limited Liability Companies Act and those mentioned in the terms of the loan are fulfilled.

Under the conditions set out in the terms of the loan, as from 1st January 2008, Panostaja is entitled to repay the entire loan principal early at a rate of one hundred (100) per cent, plusinterest accrued up until the date of payment.

In the event that the loan cannot be repaid on the date of maturity, the amount of interest payable on the outstanding loan principal will be two (2) percentage points over and above the confirmed annual interest.

The share conversion rate is EUR 1.70. The conversion period of loan bonds began on 1st July 2007 and is due to end on 31st January 2012. As a result of conversions, the company's share capital and the number of Class B shares may increase by EUR 1,500,000.00 and 12,500,000 new shares respectively.

A total of 1,500,000 shares were converted during the financial year. The new shares will confer the right to receive dividends for the first time for the financial year during which they are converted. Other shareholder rights will commence from the date on which the new shares areentered in the Trade Register.

The shares converted on the basis of the convertible subordinated loan will account for no more than 17.6% of the company's shares and voting rights carried by the shares following a consolidation of the Panostaja share classes.

The convertible loan has been divided into equity and liability components on the balance sheet. The liability component of the loan was recognised originally on the balance sheet at fair value, which is calculated using the market interest rate of a comparable liability on the date the loan was issued. The equity component has been calculated as the difference between the amount of money received when the loan was issued and the fair value of the liability. The equity component of the convertible loan, EUR 860,000, has been recognised in the invested unrestricted equity fund.

Maturity dates of non-current liabilities

(EUR 1,000)	Loans from financial institutions		Other loans	
Repayments	2008	2007	2008	2007
2008/2009 period	3,943	2,082	0	412
2009/2010 period	5,305	1,366	0	331
2010/2011 period	5,019	1,271	0	161
2011/2012 period	4,726	1,311	0	60
01/11/2012 –	21,848	8,112	17,156	17,765

31. Trade payables and other current liabilities

(EUR 1,000)	2 008	2 007
Trade liabilities	**10,194**	10,143
Accrued liabilities	**10,450**	9,034
Other current liabilities	**5,856**	4,103
Total	**26,500**	23,280

Material items included in accrued expenses		
Holiday pay incl. social security expenses	**2,637**	2,976
Accrued wages and salaries	**1,032**	483
Accrued interest	**1,413**	908
Accrued taxes	**4,326**	1,028
Accrued employee pension benefits under Employees' Pensions Act TEL 818	**332**	818
Other items	**710**	2,821
Total	**10,450**	9,034

32. Fair values of financial assets and liabilities

2008 Balance sheet item (EUR 1,000)	Note	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at amortised acquisition cost	Carrying value of balance sheet items	Fair value
Long-term financial assets							
Long-term receivables			65			65	65
Loan receivable	22		3,500			3,500	3,500
Short-term financial assets							
Trade receivables and other receivables	25		22,279			22,279	22,279
Total		0	25,844	0	0	25,844	25,844
Long-term liabilities							
Loans from financial institutions	30				40,841	40,841	40,841
Convertible loan	30				16,878	16,878	16,878
Other long-term liabilities					278	278	278
Short-term liabilities							
Interest-bearing liabilities	30				6,470	6,470	6,470
Trade payables	31				10,194	10,194	10,194
Other liabilities	31				5,856	5,856	5,856
Accrued expenses and deferred income	31				6,124	6,124	6,124
Total		0	0	0	86,641	86,641	86,641

2007 Balance sheet item (EUR 1,000)	Note	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at amortised acquisition cost	Carrying value of balance sheet items	Fair value
Long-term financial assets							
Long-term receivables			15			15	15
Short-term financial assets							
Trade receivables and other receivables	25		18,974			18,974	18,974
Short-term investments		8,055				8,055	8,055
Total		8,055	18,989	0	0	27,044	27,044
Long-term liabilities							
Loans from financial institutions	30				14,142	14,142	14,142
Convertible loan	30				18,074	18,074	18,074
Other long-term liabilities					655	655	655
Short-term liabilities							
Interest-bearing liabilities	30				17,782	17,782	17,782
Trade payables	31				10,143	10,143	10,143
Other liabilities	31				4,103	4,103	4,103
Accrued expenses and deferred income	31				8,006	8,006	8,006
Total		0	0	0	72,905	72,905	72,905

33. Collateral and contingent liabilities

(EUR 1,000)	2008	2007
Collateral given on behalf of Group companies		
Mortgages	8,621	7,938
Floating charges	30,905	4,117
Pledges given	48,734	14,610
Other liabilities	93	1,868

The pledges given include pledged shares in subsidiaries in the amount of EUR 45.7 million.

The interest rate swaps are presented at nominal value on the balance sheet date, because the effect of fair value would be insignificant.

Liabilities have been measured at the nominal or book value of collateral.

	2008	2007
Other leases		
Payables within one year	1,716	564
Payable after one year but within five years	4,505	852
Total	6,221	1,416
Loans from financial institutions	47,311	31,924

34. Related party transactions

The Group's related parties comprise the parent company as well as its subsidiaries, associates and joint ventures. The parties also include the members of the Board of Directors, the Chief Executive Officer and the Executive Board.

There have been no other significant related party transactions within Panostaja during the period, nor have related parties been granted any loans or guarantees or other collateral.

Employee benefits for key management personnel

(EUR 1,000)	2008	2007
Salaries and other-short term employee benefits	536	438
Share-based benefits	71	59
Total	607	497
Salaries and fees		
Managing Director	227	186
Members of the Board of Directors		
Koskenkorva Matti	78	172
Ala-Mello Jukka	22	11
Ketola Hannu	13	0
Martikainen Hannu	13	0
Tarkkonen Hannu	15	11
Halmevuo Olli	77	173
Koskinen Mikko	0	2
Lehti Eero	0	4

For the financial year 2007/2008, the Chief Executive Officer's earnings and benefits include the notice pay of former CEO Halmevuo for the period 1st January 2007 to 31st March 2008. In addition, the earnings and benefits for 2006/2007 include Mr. Halmevuo's notice pay for the period 11 September to 31st October 2007. The remuneration approved by the General Meeting for the Chairman of the Board is EUR 3,000 per month, for the Vice-Chairman EUR 2,250 per month and for each of the other members of the Board EUR 1,500 per month. Some 40 per cent of the remuneration paid to members of the Board is paid in the form of shares of stock in the company. If a member owned more than one percent of all of the shares in the company as at 18th December 2007, his or her remuneration is paid exclusively in cash.

An agreement on the age of retirement is in place with some managing directors of companies operating in the Panostaja Group allowing them, should they so wish, to retire between the ages of 55 and 60 years. Liability relating to entitlement to an early retirement pension is accrued, recognised and paid for during each financial period.

35. Subsidiaries 31/10/2008

Group's parent-subsidiary relationships	Register office	Group's holding, %	Share of votes	Parent company's holding, %
Parent company				
Panostaja Oyj	Tampere			
Subsidiaries				
Eurotermo Oy	Helsinki	59.7	59.7	59.7
Digiprint Finland Oy	Tampere	67.9	100.0	100.0
Kannake Oy	Tampere	70.4	70.4	70.4
Solikko Oy	Tampere	100.0	100.0	100.0
Annektor Oy	Tampere	80.0	80.0	80.0
Suomen Puunjalostus Oy	Tampere	100.0	100.0	100.0
Ki Oy Lakalaivan Teollisuustalo 1	Tampere	100.0	100.0	100.0
Panostaja Real Estate Oy	Tampere	100.0	100.0	100.0
Heatmasters Group Oy	Tampere	80.0	80.0	80.0
Ollinvara III Oy	Tampere	100.0	100.0	100.0
KL-Parts Oy	Tampere	80.0	80.0	80.0
Novacausa I Oy	Tampere	70.0	70.0	70.0
Suomen Helasto Oy	Tampere	100.0	100.0	100.0
Takoma Oyj	Tampere	65.1	65.1	65.1

Other operating companies owned by the Group	Group's holding, %
Lämpötukku Oy, Helsinki	59.7
Kiint Oy Viikintien Teollisuustalo, Helsinki	59.7
Finnfutter Oy, Polvijärvi	70.0
Suomen Puuporras Oy, Tampere	70.0
Matti-Ovi Oy, Laitila	70.0
Kausalan Porras Oy, Keitele	70.0
Nikkaristo Oy, Imatra	70.0
Keiteleen Porras Oy, Tampere	70.0
Toimex Oy, Tampere	70.4
Kiint Oy Hepolamminkatu 15, Tampere	70.4
Ki Oy Tampereen Teivaalantie 1	100.0
Helakiinteistöt Oy, Seinäjoki	100.0
Vallog Group Oy, Tampere	80.0
Vallog Oy, Hyvinkää	80.0
Lahdesjärven Kiinteistöjalostus Oy, Tampere	80.0
Vallog Logistiikkapalvelut Oy, Hyvinkää	80.0
Multivator Oy, Laitila	70.0
Oy Alfa-Kem Ab, Lahti	80.0
Tampereen Laatukoneistus Oy, Tampere	65.1
Hervannan Koneistus Oy, Tampere	65.1
KL-Varaosat Oy, Tampere	80.0
Jyväskylän KL-Varaosat Oy, Jyväskylä	80.0
Rovaniemen KL-Varaosat Oy, Rovaniemi	80.0
LukkoExpert Security Oy, Helsinki	70.0
Seinäjoen Rakennustarvike ja Lukko Oy, Seinäjoki	100.0
Suomen Helakeskus Oy, Seinäjoki	100.0
Porin Pultti Oy, Pori	100.0
Helsingin Laaturuuvi Oy, Helsinki	100.0
Ruuvipojat Oy, Tampere	100.0
Lahden Lämpökäsittely Oy	80.0
Heatmasters Oy, Lahti	80.0
Heatmasters Sp.zoo, Puola	80.0
Ki Oy Lahden Rataskatu 5, Lahti	100.0
EcoSir Oy, Tampere	100.0
Kospa Oy, Marttila	100.0
Kopijyvä Oy, Jyväskylä	67.9

36. Events subsequent to the financial year

At an extraordinary shareholder's meeting on 10 November 2008, a decision was taken to consolidate the A and B class shares into a single class. In conjunction with the consolidation, Panostaja Oyj arranged a gratuitous share issue to owners of Class A shares whereby they received without charge, one (1) Panostaja share for every thirteen (13) Class A shares they held. After consolidation of the share classes and the directed share issue, an owner of Class A shares would thus own (14) Panostaja shares for every thirteen (13) Class A shares he or she owned previously. Following consolidation of the classes every share has one vote and the same shareholder rights.

Trade in the consolidated shares began on 14 November 2008. The trading code for shares is PNA1V.

The share capital of Panostaja Oyj and holdings changed when the new shares issued in the company's gratuitous share issue were recorded in the Trade Register on 14 November 2008. The total number of shares is 47,403,110.

Matti Koskenkorva's holding fell below 15 per cent of the total votes for Panostaja Oyj's shares. Matti Koskenkorva's holding is 6,124,453 shares, representing 12.9% of Panostaja Oyj's share capital and votes. Maija Koskenkorva's holding is 5,071,742 shares, representing 10.7 % of Panostaja Oyj's share capital and votes. Olli Halmevuo's holding is 2,013,715 shares, representing 4.2% of Panostaja Oyj's share capital and votes.

The share issue did not affect the company's share capital.

The Extraordinary General Meeting on 10 November 2008 decided on an amendment to the company's Articles of Association. The new Articles of Association were recorded in the Trade Register on 14 November 2008.

In addition, after the financial period the company submitted a request for rectification of the tax authorities' interpretation concerning capital investors.

In a decision taken in the spring of 2008 on an equity rebate in the case of shares of Takoma Oyj, the Large Taxpayers' Office, in light of an overall assessment, deemed Panostaja to be a capital investor in the sense of section 6 of the Business Income Tax Act. In ordinary taxation in 2007, the Large Taxpayers' Office considered Panostaja Oyj to be a capital investor in the above-mentioned sense and taxed Panostaja Oyj for certain profits accruing from the sale of property, plant and equipment.

Panostaja Oyj disputes the interpretation of the tax authorities and has submitted a request for rectification to the Board of Adjustment. Consideration of the request is estimated to take some 6 to 8 months.

A report on the realisation of real estate owned by the Group was to be completed during December 2008. However, due to the situation on the financial markets, the work will continue in 2009.

Group financial indicators

(EUR million)	2008	[1] 2007	[1] 2006
Net turnover, MEUR	**121.1**	69.1	38.1
Operating profit, MEUR	**6.5**	3.3	1.1
% of net turnover	**5.3**	1.7	2.9
Profit before taxes, MEUR	**13.8**	5.9	8.6
Return on equity (ROE) ,%	**29.6**	18.6	22.7
Return on investment (ROI), %	**18.5**	14.8	16.1
Equity ratio, %	**36.8**	34.9	43.4
Gearing, %	[4] **33.7**	[4] 23.7	[4] 3.05
Current ratio	**2.78**	2.0	2.27
Gross capital expenditure, MEUR	**24.2**	21.9	4.8
% of net turnover	**19.9**	31.7	8.3
Average number of Group employees	**646**	571	526
Earnings per share (EPS), EUR, diluted	**0.25**	0.10	0.24
Earnings per share (EPS), EUR, undiluted	**0.28**	0.12	0.27
Equity per share, EUR	**0.93**	0.78	0.68
Dividend per share, EUR	[2,3] **0.12**	0.09	0.13
Dividend payout ratio, % diluted	**48.6**	86.5	53.7
Dividend payout ratio, % undiluted	**42.3**	75.0	48.5
Effective dividend yield for Class A share, %	**10.4**	5.3	10.5
Effective dividend yield for Class B share, %	**11.2**	5.4	10.8
Price per earnings, P/E, (Class A share)	**4.7**	16.3	5.1
Price per earnings, P/E, (Class B share)	**4.3**	16.2	5.0
Average no. of shares during the year, 1,000	**44,760**	35,782	27,839
Number of shares at year-end, 1,000	**46,076**	45,201	29,735
Price of Class A share at year-end, EUR	**1.15**	1.69	1.24
Price of Class B share at year-end, EUR	**1.07**	1.68	1.20
Average price of Class A share during the year, EUR	**1.29**	1.57	1.08
Average price of Class B share during the year, EUR	**1.23**	1.56	1.05
Market capitalisation, MEUR	**50.7**	75.9	36.4

1) The effect of the Arme Group on the figure for the reference periods is presented under Profit before taxes
2) Board proposal
3) In addition Panostaja effected a return of capital ("equity rebate") in the financial period 2008 in the form of shares of Takoma Oyj stock. The value of the return of capital when the Takoma shares were conveyed was 8.3 cents per share.
4) Liabilities include the convertible subordinated loan.

Calculation of financial indicators

The financial indicators used in the Annual Report have been calculated using the following formulae:

Return on equity (ROE), % =	profit/loss before extraordinary items – taxes / equity + minority interest + untaxed reserves and accelerated depreciation less deferred tax liability (average) × 100
Return on investment (ROI), % =	profit/loss before extraordinary items + interest and other financial expenses / balance sheet total – non-interest-bearing liabilities (average) × 100
Equity ratio, % =	equity + minority interest + untaxed reserves and accelerated depreciation less deferred tax liability / balance sheet total – advances received × 100
Gearing ratio, % =	interest-bearing liabilities – cash and bank and marketable securities / equity + minority interest × 100
Earnings per share (EPS) =	profit/loss before extraordinary items +/- minority interest – taxes / adjusted average number of shares for the financial year
Equity per share =	equity / adjusted number of shares on the balance sheet date
Dividend per share =	dividends paid for the period / adjusted number of shares on the balance sheet date
Dividend payout ratio,% =	dividend per share / earnings per share (EPS) × 100
Effective dividend yield, % =	dividend per share / share price at year-end × 100
Price per earnings, P/E =	share price at year-end / earnings per share (EPS)
Average share price =	total trading in shares in euros over the period / number of shares traded over the period
Market capitalisation =	closing price at year-end × number of shares
Current ratio =	current assets / current liabilities

Parent company income statement

(EUR 1,000)	01/11/2007–31/10/2008	01/11/2006–31/10/2007
Net turnover	48	20
Other operating income	17,832	485
Staff expenses		
Wages and salaries	-777	-737
Pension expenses	-75	-168
Other social security expenses	-30	-44
	-882	-949
Depreciation, amortisation and impairment		
Planned depreciation and amortisation	-55	-48
Other operating expenses	-941	-543
OPERATING PROFIT/LOSS	16,003	-1,035
Financial income and expenses		
Dividend income from Group companies	2,758	1,144
Interest and financial income from Group companies	1,115	796
Other interest and financial income	1,148	428
Interest expenses to Group companies	-0	-1
Other interest and financial expenses	-1,347	-721
	3,674	1,645
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	19,677	610
Extraordinary items		
Extraordinary income	5,432	0
Extraordinary expenses	0	0
	5,432	0
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	25,109	610
Appropriations	-13	9
Income taxes	-3,556	0
PROFIT FOR THE FINANCIAL YEAR	21,539	619

Parent company cash flow statement

(EUR 1,000)	01/11/2007–31/10/2008	01/11/2006–31/10/2007
Cash flow from operating activities		
Operating profit/loss	16,003	-1,035
Adjustments to operating profit/loss	-17,718	-425
Change in net working capital	11,868	-8,114
Financial items, total	3,674	1,645
Extraordinary items	5,432	0
Taxes	-3,556	0
Net cash used in operating activities	15,703	-7,929
Cash flow from investing activities		
Purchase of/increase in shares	-10,256	-17,195
Purchase of other fixed assets	-233	-13
Disposal of/decrease in shares	23,169	473
Disposal of/decrease in other fixed assets	86	54
Net cash from (used in) investing activities	12,766	-16,680
Cash flow before financing	28,469	-24,609
Cash flow from financing activities		
Long-term loans paid	-2	-2
Change in long-term receivables	-5,197	-5,023
Change in subordinated loan	-1,488	16,330
Dividends paid	-3,970	-3,865
Return of capital	-3,081	0
Share issue	1,488	21,441
Acquisition of own shares	-458	-2,051
Disposal of own shares	383	656
Net cash from (used in) financing activities	-12,325	27,485
Change in cash and cash equivalents	16,144	2,877
Cash and cash equivalents at the beginning of the year	9,971	7,095
Cash and cash equivalents at the end of the year	26,115	9,971

Parent company balance sheet

Assets

(EUR 1,000)	31/10/2008	31/10/2007
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	10	6
Other capitalised long-term expenditure	124	34
	134	41
Tangible assets		
Machinery and equipment	107	165
Investments		
Subordinated loans receivable from Group companies	1,483	939
Holdings in Group companies	26,043	21,186
Participating interests	717	717
Other shares and holdings	16	16
	28,259	22,858
CURRENT ASSETS		
Debtors		
Long-term		
Receivables from Group companies	12,492	11,348
Receivables from participating interest companies	43	33
Other receivables	3,500	0
	16,034	11,381
Short-term		
Trade receivables from Group companies	1,019	1,037
Loans receivable from Group companies	700	22,713
Other receivables	176	1,827
Prepayments and accrued income	67	212
	1,962	25,789
Investments		
Other investments	22,557	7,102
Cash in hand and at bank	3,558	2,869
	72,611	70,205

Parent company balance sheet

Equity and liabilities

(EUR 1,000)	31/10/2008	31/10/2007
CAPITAL AND RESERVES		
Subscribed capital	5,529	5,424
Share premium account	4,691	4,691
Invested unrestricted equity fund	15,848	17,621
Retained earnings	2,785	6,136
Profit/loss for the financial year	21,539	619
	50,392	34,491
APPROPRIATIONS		
Cumulative accelerated depreciation	13	60
CREDITORS		
Long-term		
Convertible subordinated loan	17,213	18,700
Amounts owed to Group companies	14	16
Other creditors	42	42
	17,268	18,758
Short-term		
Loans from credit institutions	0	15,700
Trade payables to Group companies	1	10
Trade creditors	32	44
Payables to Group companies	508	0
Other creditors	143	256
Accruals and deferred income	4,254	886
	4,937	16,896
Creditors, total	22,206	35,654
	72,611	70,205

Notes to the parent company's financial statements as at 31st October 2008

Measurement principles

Tangible fixed assets are included in the balance sheet at cost less planned depreciation.

Depreciation and amortisation

Planned depreciation and amortisation on non-current assets is calculated at original cost based on expected useful life. Periods of planned depreciation/amortisation are:

Intangible rights	5 yrs.
Other capitalised long-term expenditure	5 yrs.
Machinery and equipment	5 yrs.

Notes to the income statement

1. Net turnover	2008	2007
Administrative expenses charged to Group companies		
	48	20

2. Other operating income	2008	2007
Gains on sale of fixed assets	17,794	473
Other items	38	12
	17,832	485

3. Notes about staff	2008	2007
Wages and salaries	777	737
Pension expenses	75	168
Other social security expenses	30	44
	882	949
Average number of employees during financial year	8	7

Pensions for company staff have been arranged through insurance in an external pension insurance company.

Liability relating to entitlement to early retirement pensions is accrued, recognised and paid for during each financial period.

4. Depreciation and amortisation	2008	2007
Planned depreciation and amortisation		
Intangible rights	3	2
Other capitalised long-term expenditure	23	1
Machinery and equipment	28	45
	55	48

Depreciation and amortisation do not include impairment of fixed or financial assets and other long-term investments.

5. Appropriations	2008	2007
Change in accelerated depreciation:		
Machinery and equipment	-13	9
Increase (-)/decrease (+) in accelerated depreciation	-13	9

6. Taxes	2008	2007
Taxes for the financial year	3,556	0

Notes to the balance sheet

1. Intangible and tangible assets	2008	2007
Intangible assets		
Intangible rights		
Acquisition cost 01/11	9	4
Additions 01/11–31/10	7	5
Disposals 01/11–31/10	0	0
Acquisition cost 31/10	16	9
Planned accumulated amortisation 01/11	-3	-1
Planned amortisation 01/11–31/10	-3	-2
Book value 31/10	10	6
Other capitalised long-term expenditure		
Acquisition cost 01/11	68	122
Additions 01/11–31/10	113	0
Disposals 01/11–31/10	0	-54
Acquisition cost 31/10	181	68
Planned accumulated amortisation 01/11	-34	-33
Planned amortisation 01/11–31/10	-23	-1
Book value 31/10	124	34

	2008	2007
Intangible assets, total		
Acquisition cost 01/11	77	127
Additions 01/11–31/10	120	5
Disposals 01/11–31/10	0	-54
Acquisition cost 31/10	197	77
Planned accumulated amortisation 01/11	-37	-34
Planned amortisation 01/11–31/10	-26	-3
Book value 31/10	134	41
Tangible assets		
Machinery and equipment		
Acquisition cost 01/11	510	503
Additions 01/11–31/10	114	8
Disposals 01/11–31/10	-143	-1
Acquisition cost 31/10	481	510
Planned accumulated amortisation 01/11	-346	-301
Planned amortisation 01/11–31/10	-28	-45
Book value 31/10	107	165
Accumulated difference between total and planned depreciation 01/11	60	69
Increase in accelerated depreciation 01/11–31/10	13	0
Decrease in accelerated depreciation 01/11–31/10	-60	-9
Accumulated difference between total and planned depreciation 31/10	13	60
Tangible assets, total		
Acquisition cost 01/11	510	503
Additions 01/11–31/10	114	8
Disposals 01/11–31/10	-143	-1
Acquisition cost 31/10	481	510
Planned accumulated amortisation 01/11	-346	-301
Planned amortisation 01/11–31/10	-28	-45
Book value 31/10	107	165

2. Investments	2008	2007
Holdings in Group companies		
Book value 01/11	21,186	4,002
Additions 01/11–31/10	10,246	17,185
Disposals 01/11–31/10	-5,389	-0
Book value 31/10	26,043	21,186
Participating interests		
Book value 01/11	717	717
Additions 01/11–31/10	0	0
Disposals 01/11–31/10	0	0
Book value 31/10	717	717
Other shares and holdings		
Book value 01/11	16	6
Additions 01/11–31/10	10	10
Disposals 01/11–31/10	-10	-0
Book value 31/10	16	16
Convertible subordinated loan receivable from Group companies		
Book value 01/11	939	342
Additions 01/11–31/10	836	597
Disposals 01/11–31/10	-292	0
Book value 31/10	1,483	939
Investments, total		
Book value 01/11	22,858	5,067
Additions 01/11–31/10	11,092	17,792
Disposals 01/11–31/10	-5,692	-0
Book value 31/10	28,259	22,858

3. Capital and reserves	2008	2007
Movements in capital and reserves		
Share capital 01/11	5,424	3,568
- increase in share capital	105	1,856
Share capital 31/10	5,529	5,424
Share premium account 01/11	4,691	2,728
- increase in share capital	0	1,964
Share premium account 31/10	4,691	4,691
Invested unrestricted equity fund 01/11	17,621	0
- increase in share capital	1,383	17,621
- repayment of equity	-3,081	0
- acquired own shares	-458	0
- disposal of own shares	359	0
- Board of Director remuneration in form of shares	24	0
Invested unrestricted equity fund 31/10	15,848	17,621
Retained earnings 01/11	6,755	11,396
Dividends paid	-3,970	-3,865
Acquisition of own shares	0	-1,395
Retained earnings 31/10	2,785	6,136
Profit/loss for the financial year	21,539	619
Distributable funds		
Retained earnings 31/10	2,785	6,136
Invested unrestricted equity fund	15,848	17,620 903
Profit/loss for the financial year	21,539	619
	40,172	17,627 658

Division of shares	no	%	nominal value
Class A shares	17,256,595	37.50	2,070,791
Class B shares	28,819,085	62.50	3,458,290
Total	46,075,680	100.00	5,529,082

Class A and B shares carry 20 and 1 votes respectively at General Meetings. There is no difference in dividend rights conferred by the shares.

Panostaja Oyj's Board of Directors has a valid authorisation to increase share capital by EUR 7,320,000.00 disapplying the shareholders' pre-emption Subordinated loans receivable from Group companies.

4. Creditors	2008	2007
Non-interest-bearing liabilities	4,979	1,238
Material items included in accruals and deferred income		
Holiday pay incl. social security expenses	70	83
Accrued interest	745	763
Accrued employee pension benefits under Employees' Pensions Act TEL 35 18	12	35
Accrued taxes	3,404	0
Other items	24	5
	4,254	886

5. Creditors and debtors	2008	2007
Amounts owed by Group companies		
Long-term		
Subordinated loans receivable	1,483	939
Loans receivable	12,492	11,348
Short-term		
Trade debtors	1,019	1,037
Loans receivable	700	22,713
Accrued liabilities and deferred income	55	0
Amounts owed to Group companies		
Long-term		
Amounts owed to Group companies	14	16
Short-term		
Trade creditors	1	10

Investments consist of shares in bond funds.

6. Collateral, contingent liabilities and other commitments	2008	2007
For own and Group companies		
Guarantees given	13,602	5,575
To Group on behalf of Group companies		
Guarantees given	673	0

Information on shares

Shares and share capital

At the end of the financial year, Panostaja Oyj's share capital amounted to EUR 5,529,081.60. The number of shares in circulation was 46,075,680.

At the Extraordinary General Meeting on 10 November 2008, a decision was taken to consolidate Class A and Class B shares into a single class. Following consolidation each share has one vote and the same shareholder's rights.

From 1989 to 1998, the company's stock was listed on the brokers' list; since 1998 it has been quoted on the Helsinki Stock Exchange I List. At present, the company's shares are quoted on NASDAQ OMX in Helsinki.

According to the Shareholder Register as at 31st October 2008, the company has 2,396 (1,870) shareholders. Company shares owned by the Company's Board of Directors and CEO total 6,153,812 shares, representing 13.4% of shares and 16.1% of voting rights.

Based on a decision taken at the Annual General Meeting on 15 December 2006, the company offered a convertible subordinated loan to the public at a maximum total of EUR 21,250,000,000. Each of the EUR 106,250.00 bonds entitles the holder to convert the share of the loan into 62,500 Panostaja shares. During the financial year, the 2006 convertible subordinated loan was used to subscribe for 1,500,000 new Panostaja shares.

In keeping with a decision of the Annual General Meeting and the Board of Directors, Panostaja Oyj conveyed to members of the Board a total of 7,569 shares on 13 March 2008, 6,530 shares on 12 June 2008, and 6,638 shares on 11 September 2008 as remuneration for meetings attended.

In addition, during the financial year a total of 335,512 shares in the company were sold to members of the Board of Directors as part of the executive incentive plan.

On 30 October 2008, the Board of Directors initiated a plan for purchasing the company's own shares by authorisation received from the Annual General Meeting on 18 December 2007. The maximum number of shares to be so acquired is 4,520,067, whereby the total number of shares being acquired will not exceed ten per cent of the company's total shares. The purchase plan will end on or before 30 April 2009.

The number of company shares owned by the company at the end of the financial year was 739,751. This number of shares acquired through the plan represented 1.6 % of the total number of company shares at the end of the financial year and 2.6 % of the total votes of all of the company shares.

Share trading

The numbers of Panostaja shares traded over the 2007/2008 period amounted to 5,416,575. The trading volume equated to 12.1 % of the share capital. The company's total market capitalisation stood at EUR 50.7 million. Over the period, prices of Class A and B shares varied between EUR 1.02 and EUR 1.75 and between EUR 1.00 and EUR 1.73 respectively. The year-end closing prices for A and B shares were EUR 1.15 and EUR 1.07 respectively.

Share trade and rates

A share	Lowest, EUR	Highest, EUR	Adjusted trading, no. of shares	% of shares
2004	0.35	0.85	2,410,488	13.4
2005	0.59	1.06	1,353,791	7.8
2006	0.94	1.24	507,956	2.9
2007	1.21	1.83	1,646,454	9.5
2008	1.02	1.75	1,230,729	2.7

B share	Lowest, EUR	Highest, EUR	Adjusted trading, no. of shares	% of shares
2004	0.37	0.76	2,213,432	23.7
2005	0.65	1.09	949,059	9.3
2006	0.92	1.20	999,167	8.7
2007	1.20	1.79	4,317,106	23.3
2008	1.00	1.73	4,185,846	9.4

Major shareholders

Ten largest shareholders by number of shares as at 31st October 2008

		A shares no.	B shares no.	Total no.	% of shares
1	Matti Koskenkorva, Tampere	3,312,624	2,557,012	5,869,636	12.74
2	Maija Koskenkorva, Tampere	1,122,788	3,862,586	4,985,374	10.82
3	Mauno Koskenkorva, Seinäjoki	1,536,480	789,204	2,325,684	5.05
4	Fennia Mutual Insurance Co., Helsinki	625,000	1,589,000	2,214,000	4.81
5	Olli Halmevuo, Tampere	1,869,878	0	1,869,878	4.06
6	Etera Mutual Insurance Company, Helsinki	0	1,500,000	1,500,000	3.26
7	Mikko Koskenkorva, Tampere	690,708	501,300	1,192,008	2.59
8	Tampere Cooperative Bank	0	985,334	985,334	2.14
9	Harri Porkka	0	982,999	982,999	2.13
10	Minna Kumpu, Tampere	240,000	723,709	963,709	2.09
		9,397,478	13,491,144	22,888,622	49.68
	Other shareholders	7,859,117	15,327,941	23,187,058	50.32
	Total	17,256,595	28,819,085	46,075,680	100.00

Ten largest shareholders by number of votes as at 31st October 2008

		A shares no.	B shares no.	Total no.	% of votes
1	Matti Koskenkorva, Tampere	3,312,624	2,557,012	5,869,636	18.40
2	Olli Halmevuo, Tampere	1,869,878	0	1,869,878	10.00
3	Mauno Koskenkorva, Seinäjoki	1,536,480	789,204	2,325,684	8.43
4	Maija Koskenkorva, Tampere	1,122,788	3,862,586	4,985,374	7.04
5	Mikko Koskenkorva, Tampere	690,708	501,300	1,192,008	3.83
6	Fennia Mutual Insurance Co., Helsinki	625,000	1,589,000	2,214,000	3.77
7	Mikko Koskinen, Tampere	667,631	0	667,631	3.57
8	Karri Koskenkorva, Helsinki	564,012	357,409	921,421	3.11
9	Hanna Malo, Tampere	549,072	390,899	939,971	3.04
10	Taru Koskenkorva, Helsinki	542,526	356,659	899,185	3.00
		11,480,719	10,404,069	21,884,788	64.19
	Other shareholders	5,775,876	18,415,016	24,190,892	35.81
	Total	17,256,595	28,819,085	46,075,680	100.00

Breakdown of shareholding by amount category as at 31st October 2008

Number of shares	Shareholders no.	%	Shares no.	%	Voting rights no.	%
1 – 1000	1,078	35.75	586,477	1.27	3,750,946	1
1001 – 10000	1,030	46.81	3,710,061	8.05	17,603,260	4.71
10001 – 100000	217	13.64	5,947,731	12.90	27,500,894	7.35
100001 – 1000000	37	3.19	15,673,159	34.01	130,295,751	34.84
1000001 –	7	0.61	19,956,580	43.31	193,948,662	51.87
Total	2,369	100.00	45,874,008	99.54	373,099,513	99.77
of which nominee-registered	5		33,953	0.07	39,653	0
In joint accounts			201,672	0.43	851,472	0.23
Number of shares issued			46,075,680	100.00	373,950,985	100.00

Breakdown of shareholding by sector as at 31st October 2008

Category of sector	Shareholders no.	%	Shares no.	%	Voting rights no.	%
Enterprises	111	4.68	2,717,843	5.9	21,993,381	5.88
Finance and insurance	13	0.55	4,409,242	9.57	16,622,074	4.44
Public corporations	1	0.04	1,500,000	3.26	1,500,000	0.4
Private households	2,225	93.92	36,895,996	80.07	331,974,584	88.77
Non-profit making organisations						
yhteisöt	10	0.42	301,529	0.65	841,129	0.22
Foreign	9	0.38	15,445	0.03	168,345	0.05
Total	2,369	100.00	45,840,055	99.48	373,099,513	99.77
of which nominee-registered	5		33,953	0.07	39,653	0.01
In joint accounts			201,672	0.44	851,472	0.23
Number of shares issued			46,041,727	100.00	373,950,985	100.00

AVERAGE SHARE PRICES 11/2003 – 10/2008, EUR

Proposal by the parent company's Board of Directors regarding results for the financial year and distribution of profits

Panostaja Oyj's distributable funds, including profit for the financial year at EUR 21,539,412.66 and the invested unrestricted equity fund at EUR 15,847,638.38, amount to EUR 40,171,925.

The Board of Directors proposes to the Annual General Meeting that:

- the profit for the financial year be transferred to the retained earnings account;
- a dividend of EUR 0.12 per share be paid.

Tampere, 17th December 2008

Matti Koskenkorva
Chairman

Jukka Ala-Mello
Vice-Chairman

Hannu Ketola

Hannu Tarkkonen

Hannu Martikainen

Juha Sarsama
Managing Director

Auditor's report

To the Annual General Meeting of Panostaja Oyj

We have audited the accounting records, the financial statements and the administration of Panostaja Oyj for the period from 1 November 2007 to 31st October 2008. The consolidated financial statements include the Group's balance sheet, income statement, cash flow statement, statement of changes in equity and the related, as well as the parent company's balance sheet, income statement cash flow statement and related notes.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and Managing Director are responsible for preparing the financial statements and the report of the Board of Directors and for seeing to it that the Group's financial statements provide accurate and sufficient information in keeping with the International Financial Reporting Standards (IFRS) as adopted by the EU. Moreover, they are to ensure that the financial statements and report of the Board of Directors provide accurate and sufficient information conforming to the provisions in force in Finland regarding the preparation of financial statements and reports of the board of directors. The Board of Directors is responsible for providing proper supervision of accounting and management of funds and the Managing Director is to ensure that the accounting practices comply with the law and that funds have been managed in a reliable manner.

Obligations of auditors

An auditor is to carry out the audit in keeping with the auditing standards observed in Finland and on that basis issue a statement regarding the financial statements, consolidated Group financial statements and report of the Board of Directors. Good auditing practice requires that an auditor adhere to the ethical standard of his or her profession and plan and execute the audit so as to obtain reasonable assurance about whether the report from the Board of Directors and the financial statements are free of material misstatement and that the members of the Board of Directors and the Chief Executive Officer of the parent company have complied with the Limited Liability Companies Act.

The purpose of an audit is to ascertain the accuracy of the figures and other information in the financial statements and report of the Board of Directors. The measures adopted to this end are based on the consideration of the auditor and on assessments of the risk that the financial statements have material errors owing to deception or error. In planning the relevant auditing measures an assessment is also made of the company's internal supervision of the preparation and presentation of the report of the Board of Directors. Also scrutinised are the general presentation of the financial statements and report of the Board, the principles by which the financial statements have been prepared and the estimates applied by the company management in drawing up the financial statements.

The audit has been conducted in keeping with accepted Finnish auditing practices. In our opinion we have carried out an adequate number of appropriate measures for the purposes of drawing up our statement.

Statement on the consolidated financial statements of the Group

In our opinion, the consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, give a true and fair view, as defined in those standards, of the financial position of the Group, its operations and its cash flows.

Parent company's financial statements, report of the Board of Directors

In our opinion, the parent company's financial statements and the report of the Board of Directors give a true and fair view, in keeping with the Finnish standards for preparing financial statements and reports of the Board, of the outcome of the operation of the Group and the parent company and of their financial position. The information in the report of the Board is consistent with that in the consolidated financial statements.

Tampere, 17th December 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti	Hannu Pellinen
APA	APA

Shareholder information

Interim reports

Panostaja Group will publish three interim reports during the period from 1 November 2008 to 31 October 2009. Interim reports for the periods from 1 November 2008 to 31 January 2009, from 1 November 2008 to 30 April 2009, and from 1 November 2008 to 31 July 2009 will be published on 12 March 2009, 11 June 2009 and 10 September 2009, respectively. The annual report, interim reports and releases are also made available on the company's website at www.panostaja.fi.

Share register

Panostaja Oyj shares are included in the book-entry system. The company's Shareholder Register is kept by Finnish Central Securities Depository Ltd.

Annual General Meeting

Panostaja Oyj's Annual General Meeting will be held on Monday, 26 January 2009, starting at 10 am EET at the restaurant Famica, located at Tuotekatu 4 in Tampere. Participation in the Annual General Meeting is open to shareholders whose names appear on the Shareholder Register kept by Finnish Central Securities Depository Ltd. no later than 16 January 2009.

Holders of nominee-registered shares may be entered temporarily into the Shareholder Register for the purpose of participating in the Annual General Meeting no later than ten days prior to the meeting. Entries into the Shareholder Register must be made no later than 16 January 2009.

Shareholders wishing to attend the Annual General Meeting are required to notify the company of their registration in advance, no later than 12 noon EET on Monday, 23 January 2009, in writing to Ms. Sari Tapiola/ Panostaja Oyj, P.O. Box 783, FI-33101 Tampere, Finland, by fax to +358 (10) 2173 232, or by phoning Ms. Sari Tapiola on +358 (10)2173 211 or by sending her e-mail (sari.tapiola@panostaja.fi). Notification letters or faxes must arrive prior to expiration of the registration period. It is requested that any proxies be delivered at the same time as registration.

Dividends paid

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.12 per share be paid for Panostaja shares for the period from 1 November 2007 to 31 October 2008. The Board proposes that the record date for dividend payment be 29 January 2009 and that dividends be paid out as from 5 February 2009. Those who are included in the Shareholder Register kept by Finnish Central Securities Depository Ltd. on the dividend record date are entitled to receive dividends.

PANOSTAJA OYJ
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