AN ACTIVE DEVELOPER

panostaja

ANNUAL REPORT
2014

PANOSTAJA –

AN ACTIVE DEVELOPER

Panostaja is an active and responsible Finnish investment company. We invest with a long-term view, diversifying in different sectors. We acquire a majority shareholding in SMEs with potential, which we actively develop in cooperation with entrepreneurs. We bring to these companies business expertise and tools to boost their operations. That is how we create new Finnish success stories. 30 years of experience makes us a pioneer in the field. In 2014, Panostaja recorded net sales of MEUR 154,8 and employed about 1,100 staff. Our head office is located in Tampere, and our shares are quoted on the NASDAQ Helsinki Stock Exchange.

YEAR 2014

EVENT RICH YEAR

> Overall growth and profit development was very good.
> Net sales increased by 13%, and our EBIT improved by MEUR 8.6.
> Active development of our ownerships continued.
> The most remarkable changes to the portfolio was made by investing in KotiSun and selling Vindea.
> The economic situation continued to be more uncertain in Finland, Russia and also in Europe.
> Activity on the corporate acquisitions market increased.

EVENTS

VINDEA

In May 2014, we sold Vindea, which constituted the Value-added Logistics segment, to Transval Group. The transaction yielded a sales profit of MEUR 5.5.

TAKOMA

Takoma applied for business reorganization in December 2013. The application was approved and the reorganization program was confirmed in September 2014.

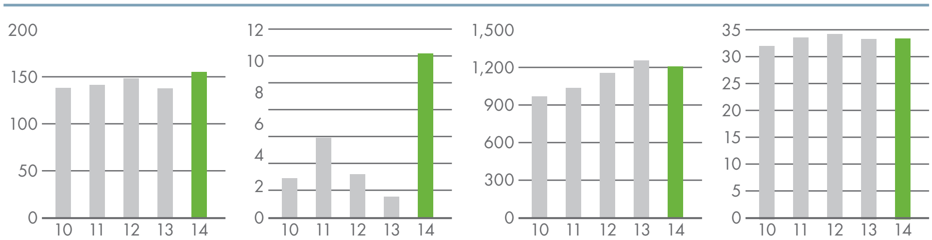
KOTISUN

We expanded our business by buying a 60 per cent shareholding in KotiSun Oy, a company offering building technology renovation services.

GRANO

In June 2014, Kopijyvä Oy and DMP-Digital Media Partners Oy merged and the company received a new name: Grano Oy.

NET SALES, MEUR | EBIT, MEUR | AVERAGE NUMBER OF EMPLOYEES | EQUITY RATIO, %



2014

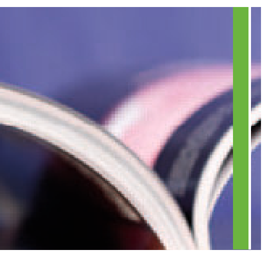
NET SALES
MEUR 154.8

EBIT
MEUR 8.2

PERSONNEL
1,112

SHARE CAPITAL MARKET VALUE
MEUR 42.4

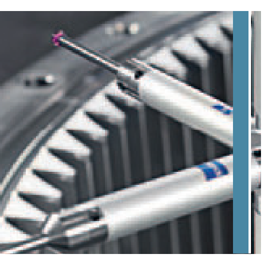
EXPERT IN A VARIETY OF FIELDS



GRANO
> digital printing services

Grano is a marketing communications, printing and publishing services company, which is a market leader in Finland.

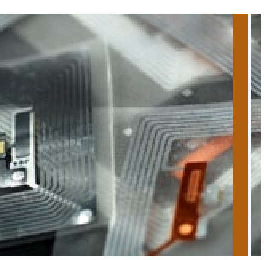
NET SALES	PERSONNEL
MEUR 57.8	497



TAKOMA OYJ
> engineering

Takoma is a an engineering company providing mechanical transmission services to the marine and offshore industry and to the mining industry.

NET SALES	PERSONNEL
MEUR 15.3	92



FLEXIM SECURITY
> safety

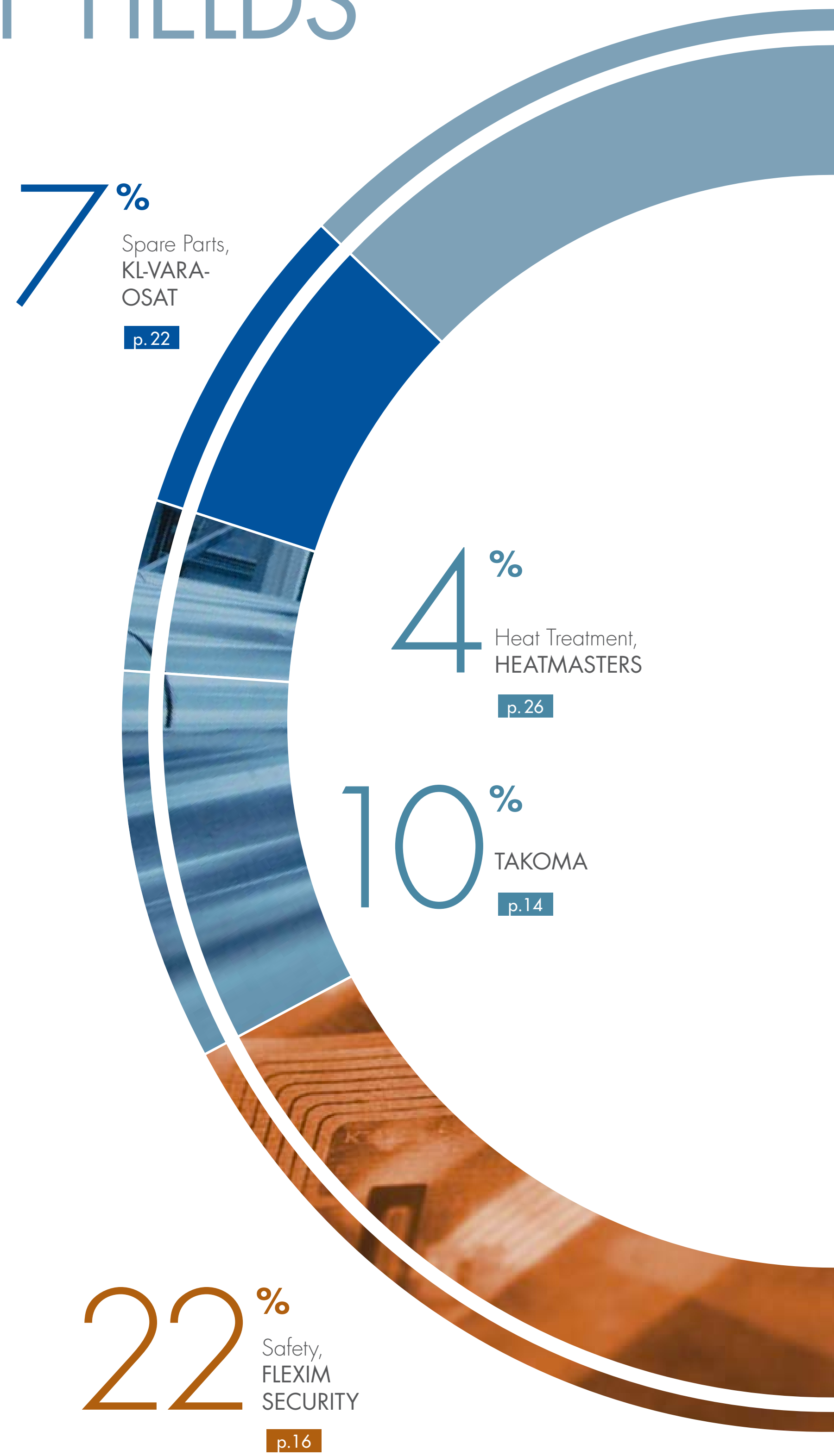
Flexim Security is one of Finland's leading specialists in developing hassle-free, secure access control.

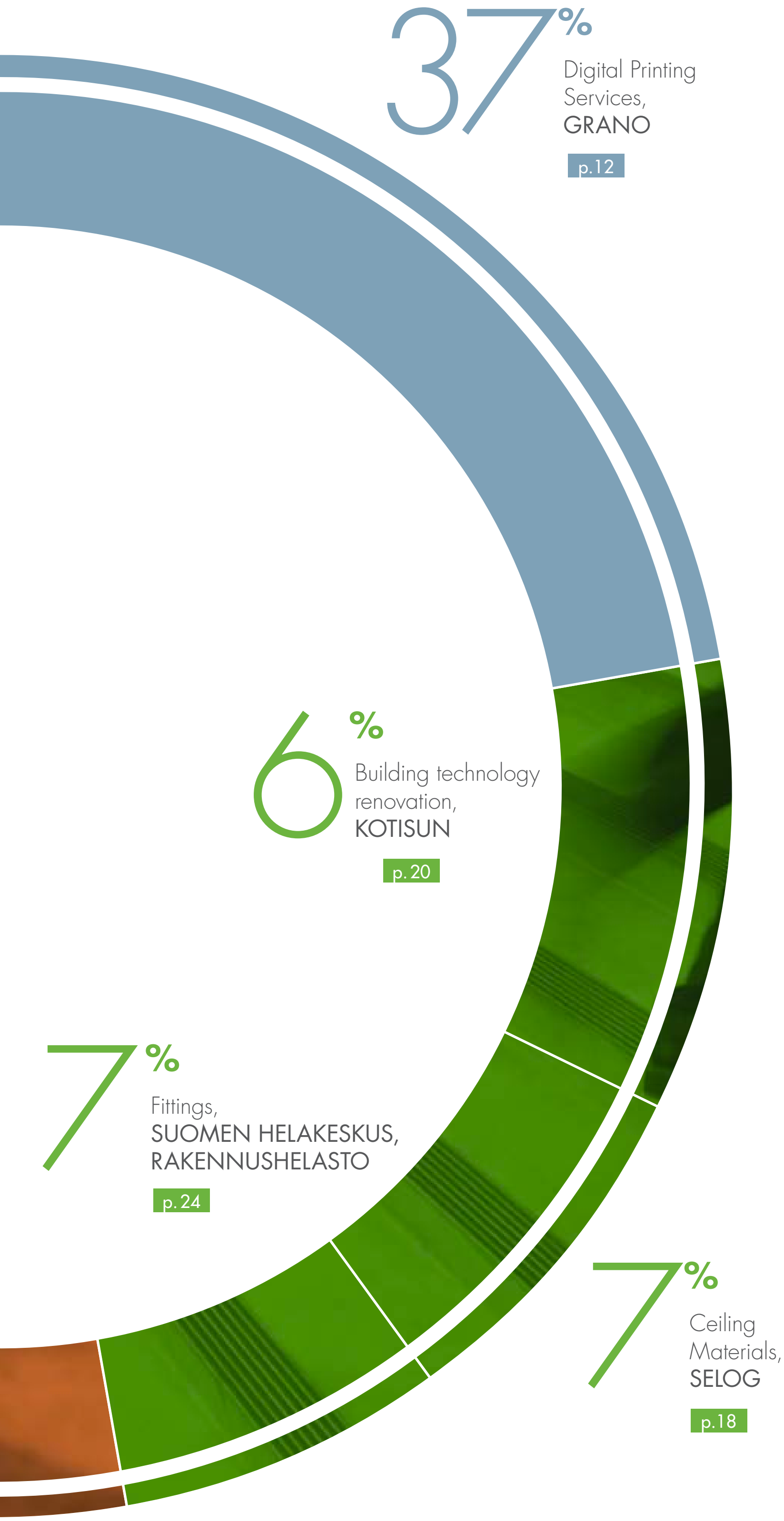
NET SALES	PERSONNEL
MEUR 33.7	249

SELOG
> ceiling materials

Selog is a ceiling materials wholesaler that provides services to contractors and fitters. Services include calculation, design and logistics.

NET SALES	PERSONNEL
MEUR 11.0	13





KOTISUN

> build. tech. renov.

KotiSun offers consumers conceptualized service water and heating network renovations as a turnkey service. The company has grown rapidly into the largest and best-known company in the sector in Finland.

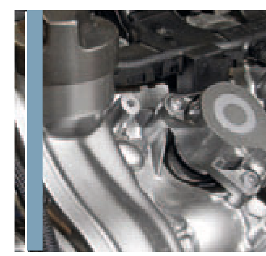
NET SALES	PERSONNEL
MEUR 8.8	113

KL-VARAOSAT

> spare parts for motor vehicles

KL-Varaosat is a spare parts business engaged in the import, wholesale and retail of original spare parts and supplies for Mercedes-Benz and BMW passenger cars. The company serves car repair shops, resellers, other corporate customers and retail customers.

NET SALES	PERSONNEL
MEUR 10.8	47



SUOMEN HELAKESKUS JA RAKENNUSHELASTO

> fittings

Suomen Helasto is divided into two wholesalers: Suomen Helakeskus, which imports and sells fittings supplies for the furniture industry and Rakennushelasto, which markets supplies for the door and window industries, and building board.

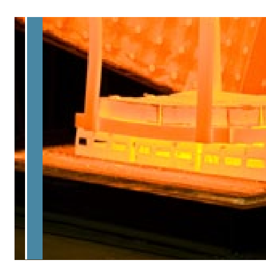
NET SALES	PERSONNEL
MEUR 10.9	33

HEATMASTERS GROUP

> heat treatment

Heatmasters offers heat treatment as a service and manufactures heat treatment equipment. The end customers of Heatmasters are in the energy, chemistry and engineering industries.

NET SALES	PERSONNEL
MEUR 6.8	59



OUR CORE MESSAGE

OUR OBJECTIVE:
To be the most respected and active owner-partner for growing Finnish SMEs

OUR STRATEGY:
AN ACTIVE OWNER

> Constant readiness to invest and the active creation of project flows
> The sustained and active development of shareholder value as the majority owner
> Our portfolio features leading companies in their fields, in which executive management also has a significant ownership interest
> The constant development of management and business according to the company's stage of growth

OUR CORE MISSION:
We make success stories in the SME field, which is important to Finland

OUR VALUES: Entrepreneurship is an attitude	Renewal and expertise	Trust and openness

A MAJORITY OWNER IN THE SME SECTOR

Panostaja offers a unique channel to invest in SMEs with high earnings expectations. We select leading companies in different sectors and acquire a majority shareholding in them. We develop and support their growth in close cooperation with the minority shareholder, executive management. Our aim is for the company's value to have clearly increased once we divest it. This is how we increase shareholder value.

FINANCIAL OBJECTIVES

> Panostaja's objective is the constant increase of shareholder and market value so that the overall yield of shares exceeds the average long-term yield of the NASDAQ Helsinki Small Cap Index.

> Return on equity of at least	> The objective of cumulative earnings per share (EPS) of	> Equity ratio is at least
20%	€0.80	40%
ith the objective for the internal rate of return (IRR) being more than 22% for each segment.	in the five-year period 2014–2018.	when subordinated loans are included in equity.

> Distribution of profits reflects the development of the Group's result in the long term, and the primary aim is to ensure the continuity of the Group's investment activity, after which it will be possible to distribute at least half of the annual consolidated profit targeted at the parent company shareholders, either as dividends, capital repayments or the repurchase of shares.

Find out more at
www.panostaja.fi

PANOSTAJA AS AN INVESTMENT TARGET

A target-oriented grower of shareholder value

A unique channel through which to invest in the Finnish SME sector

A diverse and balanced investment portfolio

In the portfolio, companies with high earnings expectations

OUR OPERATING PRACTICE

Acquisition

1

> Majority ownership in Finnish SMEs

> Investing capital from our own balance sheet

> Investment horizon 5–10 years

> Investments in diversely different sectors with significant growth potential

> Potential acquisition targets: net sales MEUR 10–30, healthy finances and the opportunity to achieve a significant market position in its field

Integration

2

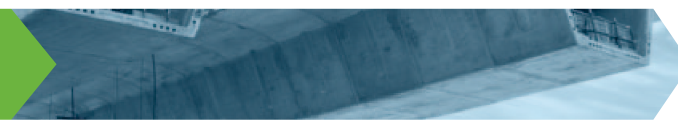
> Controlled change of ownership base and the generation of growth

> Acquired company integrated into the Group through established processes

> The tools and systems required by the CEO for company development and management

> The opportunity for commitment through ownership

Development



3

- Comprehensive financing arrangements
- Active board work
- The creation of strategies
- Knowledge of the sector
- Financial, market and management system development
- Growth through corporate acquisitions

Divestment

4

- To render the company operationally independent as quickly as possible
- To release the company to the new owner at the right time
- Growth of ownership value

A BIG STEP
FORWARD

A year has once again gone by in Panostaja's life. The busy and eventful financial period ended at the end of October, and immediately after this the company celebrated its 30th anniversary. Panostaja's CEO Juha Sarsama discusses in his interview how the company is currently doing and his plans for the future.

HOW WOULD YOU SUMMARIZE THE MOOD FOLLOWING THE END THE FINANCIAL PERIOD?

Overall, I am very satisfied with our achievements during the year. We took a major step forward and, in terms of school marks, I could give the year a grade between good and excellent. We completed the corporate acquisitions pursuant to our strategy and we actively developed the companies we own. Growth and profitability within the companies we own developed well vis-a-vis the market. Our net sales rose to MEUR 154.8 and profit to MEUR 10.2.

WHAT WERE THE HIGHLIGHTS IN 2014?

With respect to corporate acquisitions we succeeded both in purchases and in sales. In May, we divested Vindea, which had grown considerably, selling the company to Transval Group. Vindea's trajectory during the course of our ownership was remarkable, and I believe it will have a brilliant future in a new form too. The sale of Vindea brought us a profit of MEUR 5.5.

In May, we invested in Kotisun Oy, which proved to be just right for our portfolio with a great deal of potential for growth. The company operates in an interesting market: heating and service water pipework renovations for single-family houses.

WHAT WERE THE GREATEST ACHIEVEMENTS?

The biggest achievement in terms of our profitability was managing to halt Takoma's spiral of losses. In December 2013, Takoma filed for business restructuring proceedings and the restructuring program was confirmed in September 2014. In addition to the restructuring measures, Takoma carried out various changes to safeguard profitable operations. The painful solutions proved to be the right ones and net sales in Takoma's third quarter was already positive.

The merger of Kopijyvä and DMP and the adoption of a new name was an interesting project as well. The company's new name, Grano, was received well and, thanks to the change in name, the company obtained the visibility deserved by a market leader.

WHAT POSED THE GREATEST CHALLENGE?

The challenges came from the subdued state of the operating environment. The protraction of the recession and increased general uncertainty were clearly reflected in the SME sector. The general trend in many sectors was subdued and prediction of the future difficult, and the increase in taxation levels in no way made the situation easier.

For us, the uncertain mood was reflected in corporate acquisitions especially. The market in this area was quiet, although a slight recovery was visible towards the end of the year.

HOW DO THINGS LOOK IN THE SME SECTOR AT THE MOMENT?

In general, the importance of the SME sector is still not completely realized in Finland. In terms of employment, especially, SMEs are actually major players. The largest number of jobs are created specifically in SMEs with fewer than 250 employees on the payroll.

The economic outlook in Finland continues to be worrying. Consumers' and entrepreneurs' faith in the future is currently being put to the test. On the other hand, the availability of financing for companies has improved slightly during the year. Money is available for sound projects and investors are competing for the best companies.

HOW DOES PANOSTAJA COMPETE FOR THE BEST COMPANIES?

As an investment company, we stand out from our competitors in a variety of ways. Firstly, we have the advantage of being a pioneer in the sector – we have a proven track record and experience over a period of 30 years.

We are a genuinely active owner and developer. We cooperate closely with the companies we own, we support their development with our know-how, through various types of training and tools and we motivate the management by means of a minority holding in the company. We do not employ ready-made solutions; instead we support each company on the basis of its own starting points and needs.

SO WHAT IS THE WAY AHEAD?

We have diversified our investments over a number of different sectors, hence the companies we own constitute an excellent entity, but our aim is to continue to balance the cyclicality of our portfolio. Following the successful divestments, we are equipped to acquire a few new companies that are capable of expanding.

WHAT SORT OF COMPANIES IS PANOSTAJA LOOKING FOR?

In general, a potential company for us has already grown through its own resources to a certain size, but the next growth spurt requires a new kind of competence and greater risk-taking ability. Or the entrepreneur wishes to give up his or her life's work. In situations like this, we are a highly creditable partner.

HOW FAMILIAR IS PANOSTAJA TO ENTREPRENEURS?

Entrepreneurs have shown increasing interest in us, and those who are familiar with us appreciate our operating model. There are still many companies, however, that are not familiar with Panostaja. We aim to raise our profile by telling businesses about our operating methods and our success stories. We should occasionally commend ourselves, too.

WHAT ARE YOUR THOUGHTS AS YOU EMBARK ON A NEW FINANCIAL PERIOD?

The financial period ended has shown that we are on the right path, and so we are continuing in the role of an active developer and are ready to take major steps as well. We have an outstanding team, which I wish to thank for the past year. Our entire personnel has been involved in doing excellent work for the common good. I would also like to thank shareholders and our partners for the confidence shown towards us. I am sure that our successful cooperation will continue.

Juha Sarsama
CEO

IMPORTANCE OF THE SME SECTOR IN FINLAND

> Small and medium-sized enterprises (SMEs) are businesses with fewer than 250 employees on their payroll and net sales amounting to a maximum of MEUR 50.

> There are approximately 224,000 SMEs in Finland.

> Finland 's economy is based on SMEs, as up to 40% of the GDP comes from the SME sector.

> Small and medium-sized companies are major players in terms of providing employment. They currently employ more than 60% of the laborforce and the proportion is growing all the time.

> New jobs are created in most cases in the SME sector.

> Small and medium-sized companies frequently possess know-how accumulated over the course of several decades.

> The long-term security and development of SMEs is an important task socially as well.

> Twenty percent of SMEs expect a change of generation or ownership in the next five years.
(Source: The Federation of Finnish Enterprises)

BETTER GROWTH OPPORTUNITIES

FOR SMALL AND MEDIUM SIZE COMPANIES

The operating environment of SMEs has become more challenging than ever during recent years. The greatest challenges have arisen from general fiscal tightening both in Finland and in the export market globally. The general economic trend suggests considerable austerity and the outlook in trade and construction continues to be weak. Consumers' and entrepreneurs' confidence in the economy is currently very fragile.

Certainly, there are positive factors too. The expansion of the service sector, technological development, and new innovations create growth potential for many industries. The availability of financing has improved slightly, although credit policies are still tight. More stringent regulation by banks will affect the credit access of SMEs specifically. Attitudes towards entrepreneurs are gradually becoming more positive in Finland. Success by entrepreneurs is now perceived as more acceptable than before and as being good for the society as a whole. Young people, in particular, hold more positive views of entrepreneurship than was previously the case. Many of the publicized successes of recent years have contributed to this change. One example that can be mentioned is the development that led to the acquisition of Supecell and the appearance of entrepreneurs in the media.

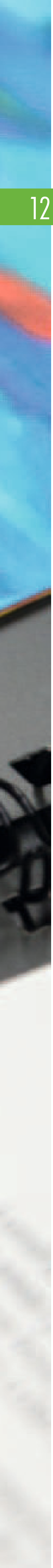
FROM COST-REDUCTION TO GROWTH-ORIENTATION

Poor economic trend, which has continued for a number of years, tougher-than-ever competition and the inflexibility of the labor market have decreased the desire of companies to expand. Companies have been accustomed to seeking a solution to the situation by reducing costs rather than increasing net sales. The combined net sales of listed companies has contracted for three years. On the other hand, Finland does have growth-oriented companies too. The products and services of these companies are fine, but more know-how is needed with respect to sales, marketing and internationalization.

Likewise, legislation and taxation, in particular, have a considerable impact on the operating prerequisites of the SME sector. Higher taxation, changing fiscal practices and especially changes in how laws are interpreted as well as increased regulation incur enterprises considerable costs and make long-range planning more difficult.

RISK-TAKING AND RESPONSIBILITY

It is quite a challenge for companies in the SME sector to undergo the process of generational transition or find a new entrepreneur to take over a business. This is reflected in a clear decrease in the number of corporate acquisitions in recent years. Some 2,500 to 3,000 corporate restructurings are carried out every year, but the need for new entrepreneurs is clearly higher than this figure. Taxation and the support of society are also important factors in a situation where a new entrepreneur is being sought to take over. The role of an entrepreneur entails the capacity to take risks and also the desire to bear responsibility.



COMPREHENSIVE SERVICES IN MARKETING COMMUNICATIONS, PRINTING AND PUBLISHING

FORWARD TOGETHER

The year 2014 was a turning point for Panostaja's digital printing services as Kopijyvä and Digital Media Partners (DMP), companies which had previously operated independently, merged. In February, before Grano came into being, DMP's portfolio had been strengthened through the purchase of Eriksen's printing business.

As a result of the merger between Kopijyvä and DMP realized at the beginning of June, a nationally significant marketing communications, printing and publishing service company emerged. It embarked on building a mutual history with a fresh image and a new name – Grano. The company's service network consisted of Kopijyvä's provincially-focused branches and DMP's operations in the Helsinki metropolitan area.

The process of integrating the business operations kept Grano busy. A new core message and strategy was created for the company. New operating methods and systems that improve the reliability of customer service were adopted in sales, management and production. The later part of Grano's year has shown that the operations generate a great deal of synergy but minimal overlap. The merger boosted growth in net sales and market share, but temporarily weakened productivity while still retaining a superior income level in its sector.

A DIVERSE CUSTOMER BASE

Both the staff and the customer base welcomed the formation of the new company. The customer base consists of very different types of companies and organizations, and customer relationships are based increasingly on long-term partnerships. For customers, the merger enables them to obtain a wider range of services from the same supplier. By centralizing their publishing and printing work, customers save in costs and also in their own use of time. Grano aims to further to strengthen its customer service and increase the number and scope of its annual contract customers.

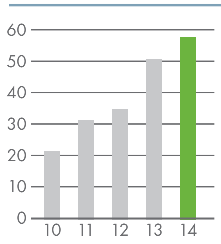
MOST SOUGHT-AFTER PARTNER, MOST CLOSELY FOLLOWED FORERUNNER

Grano's vision is to be the most sought-after partner and most closely followed forerunner. Within the sector there are numerous challenges, however, and market shrinkage especially has resulted in overcapacity. In order to succeed in the highly competitive industry, the company must strengthen its competitive ability and create innovative services. For customers, marketing is indeed more important than before and by centralizing and outsourcing they seek cost-effective solutions, which Grano is even better equipped to develop as a result of the merger.

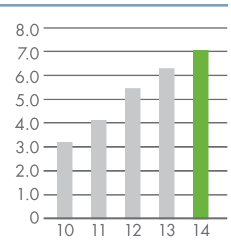
GRANO | Digital Printing Services

Grano is a marketing communications, printing and publishing services company, which is a market leader in Finland. Its services are available nationwide in 12 different locations, from Helsinki to Joensuu. Panostaja holds 65% of Grano's shares, the Managing Director Heimo Viinanen and The Executive Managers 35%.

NET SALES, MEUR



EBIT, MEUR



READ MORE

www.grano.fi

NET SALES
MEUR 57.8

EBIT
MEUR 7.1

PERSONNEL
497

CEO
Heimo Viinanen

TRANSMISSION TECHNOLOGY

A TURN FOR THE BETTER

For Takoma, the past financial year saw a turn towards profitable operations as an international engineering company. The spiral of losses that had deepened over the years had to be broken through determined measures. In December 2013, Takoma filed for business restructuring proceedings and disposed of unprofitable units. In February 2014, Ilkka Miettinen, who had previously held the post of CFO, took up the duties of the Managing Director. The restructuring program was confirmed in September 2014. Thanks to the adjustment measures, the company succeeded in lightening the cost structure. A small recovery was also detected in customer sectors and, as a result, the order book for transmission operations began to grow and profitability improved over the course of the financial year.

Takoma's product and service offering is based on management of the supply chain, an efficient manufacturing process and networking. Understanding customers' needs, high quality and delivery reliability are the company's most important competitiveness factors. Other advantages are a good reputation among the customer base and operating in strong shipbuilding market areas, including Finland, Norway and Russia.

OPERATIONAL DEVELOPMENT CONTINUES

The reforms implemented have taken Takoma to a new level and its cost efficiency has improved substantially. The development measures will be continued in order to strengthen competitiveness. Takoma will focus on developing its unit in Parkano where operations are based on knowledge of customers' needs and in-depth mastery of materials and processes. The aim is to improve the unit's productivity and capability through sufficient and timely investments and by developing the organization and network.

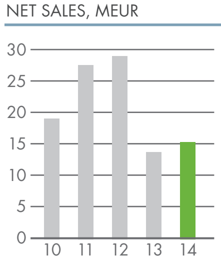
POSITIVE OUTLOOK

The trend in Takoma's customer sectors looks stable, although weak economic development in Europe and the situation in Ukraine have increased uncertainty factors. Takoma's reforms and the success of the restructuring proceedings have stabilized the company's operating environment and increased customers' and suppliers' confidence in the company. Takoma's high-quality products and services are well placed to succeed in new market areas too. Takoma thus has fairly strong expectations of profitable growth.

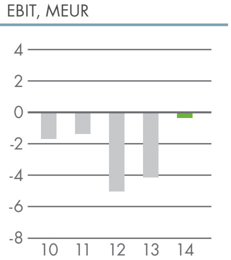
TAKOMA

Takoma is a an engineering company providing mechanical transmission services to the marine and offshore industry and to the mining industry. The products are manufactured mainly on the basis of customers' designs, but Takoma also actively offers design services to provide solutions for customers' challenges. The company operates internationally, but its strongest market is the Baltic Sea area. Takoma is quoted on the Nasdaq OMX Helsinki Stock Exchange. Takoma's shares are listed on NASDAQ Helsinki. Panostaja owns 63% of Takoma.

NET SALES, MEUR



EBIT, MEUR



TAKOMA
power transmission solutions

READ MORE
www.takoma.fi

NET SALES
MEUR 15.3

EBIT
MEUR -0.37

PERSONNEL
92

CEO
Ilkka Miettinen

PIONEER IN THE SECURITY SECTOR

DEVELOPER OF ACCESS CONTROL AND SECURITY SOLUTIONS

In recent years, Flexim Security Oy, a Finnish security technology company, has become a significant forerunner in its sector, even by international standards. Flexim has questioned the conventional methods and operating practices of the sector and introduced new solutions based on digitalization, mobile technologies and cloud services. The customer base has welcomed the innovations and, for example, Flexim Safea, launched on the market in 2013, was received extremely well by customers. Sales of other services, too, remained good, net sales continued to grow and profitability improved.

The core of Flexim's offering consists of technologies and services created for door environments that make access more straightforward and secure and building management much easier. Everything required, from identification to access management and security can be integrated in the door. A door environment equipped in the right way provides, for example, users as well as building and human resources management with valuable and comprehensive information to facilitate operations. The door identifies the user, which makes it possible to control other conditions in the building, such as heat and lighting, according to personal preferences. Flexim is continuously developing new solutions, which enables the company to offer its customers those that work best for them. Flexim's services are used in companies and organizations, shopping centers and stores and widely in public buildings ranging from schools to museums and from airports to ports. Flexim also has expertise in very high security sites.

BOLD IDEAS FROM OTHER SECTORS

Flexim is actively involved in international communities within the sector and holds open-minded discussions with innovative operators from various fields as part of its product and service development process. Development of the company's own operations, too, is always a focus of attention. In recent years, effort has been invested particularly in management and supervisory work and the company has indeed become one of the most attractive places to work in the sector. Cooperation with Panostaja is also active and in corporate acquisitions Panostaja's expertise has been of considerable help.

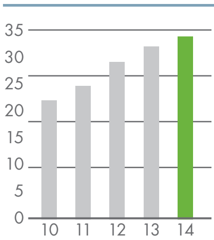
GROWTH THROUGH DEVELOPMENT

The rapidly developing and expanding sector continues to provide numerous growth opportunities. The sector is still somewhat fragmented, therefore corporate acquisitions create potential. Customers are increasingly interested in security and access control as well as in outsourcing working time management. The main growth channel, however, is through new and advanced solutions created though the company's own R&D. Applications include the world of business, care services and learning environments.

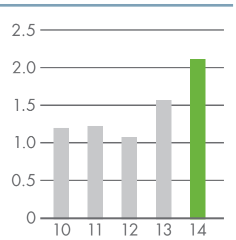
FLEXIM SECURITY | Safety

Flexim Security is one of Finland's leading specialists in developing hassle-free, secure access control. The company's product and service range covers mechanical, electronic and electromechanical locking systems, various door opening technologies and door automation as well as security technology ranging from access control to working time management, alarm and camera surveillance systems, and special security products supporting these. Flexim serves customers throughout Finland. Panostaja owns 70% of Flexim, The Managing Director Jukka Laakso 20% and Hannu Kankkunen 10%.

NET SALES, MEUR



EBIT, MEUR



Flexim Security

READ MORE

www.flexim.fi/en/

NET SALES
MEUR 33.7

EBIT
MEUR 2.1

PERSONNEL
249

CEO
Jukka Laakso

A LEADING CEILING MATERIALS WHOLESALER

WORKING WITH THE CUSTOMER

The operating environment of Selog, a company specializing in ceilings, was challenging during 2014. While the recession that scourged the construction sector lowered ceiling material prices, competition for market share became more intense. Despite the downturn in net sales during the financial year, Selog's profitability remained at a good level. Geographical expansion to Tampere and Lappeenranta during the previous year proved to have been the right course of action.

Selog's activities as a wholesaler are based on close cooperation with customers. The company provides its customers with a wide range of products and also a design service. Unlike its competitors, Selog does not provide an installation service, which means that it does not compete with its customers.

Selog offers its customers advice and its expertise and seeks the solutions and products best suited to the customer's need. Understanding the requirements for materials and construction as well as familiarity with the offering and competence of a wide range of suppliers constitutes a significant part of Selog's professional expertise. Ceiling materials must frequently meet architects' requirements for appearance and the degree of sound absorption sought by acoustics specialists. If the required properties cannot be achieved with ready-made products, Selog manufactures them to order.

EXPERTISE FOR DEMANDING SITES

Strong professional skills and good supplier relations are best exhibited in very extensive and demanding locations, among which were the new health center in Äänekoski, Kampin huippu (Kamppi's Peak), the renovations to the building for the Sibelius Academy and the Stockmann department store in Itäkeskus, Helsinki. Increasingly important factors in all deliveries are reliable schedules and a well-run logistics service.

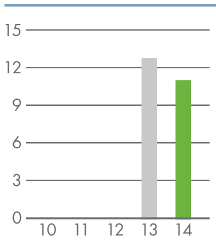
DEVELOPMENT CONTINUES

The construction market still appears to be challenging, but Selog intends to respond to the challenges by developing the efficiency of its operations and its ability to serve customers even better than before. Over the last two years, during which Selog has been owned by Panostaja, the company has modernized its information and management systems. The next investment targets include the acquisition of new customers and potential geographical expansion of operations.

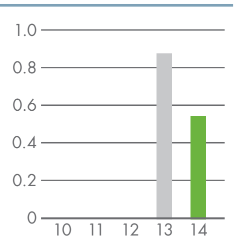
SELOG | Ceiling Materials

Selog is a ceiling materials wholesaler that provides services to contractors and fitters. Services include calculation, design and logistics. In addition to ceiling materials, Selog also supplies acoustic boards and panels for walls and corridors. Selog's know-how covers small locations as well as large and demanding spaces ranging from hospitals and hotels to department stores. Selog is located in Malmi. It also provides services in Tampere and Lappeenranta. Panostaja's shareholding in Selog is 60%. The Managing Director Simo Tuokko's owns 15% and Marko Seppä's 25% of the shares.

NET SALES, MEUR



EBIT, MEUR



SELOG

READ MORE

www.selog.fi

NET SALES

MEUR 11

EBIT

MEUR 0.5

PERSONNEL

13

CEO

Simo Tuokko

HEATING AND SERVICE WATER PIPELINE RENOVATOR

BUILDING TECHNOLOGY RENOVATION FOR CONSUMERS

The heating network and service water pipeline renovator KotiSun is Panostaja's most recent investment. The acquisition was completed in May, whereupon Panostaja acquired 60% of the company's shareholding. KotiSun, which has grown rapidly, obtained through the new owner increased credibility and expertise to support its development. KotiSun's services meet growing demand, as the number of one-family houses in need of pipework renovation is considerable and will continue to grow in the future. The company has rapidly grown to be the largest in its sector.

MOST RELIABLE OPTION

KotiSun aims to be the best option from the perspective of its customers offering the most competent design work, the highest quality installation and a guarantee for the end result. It is crucial to ensure the quality not only of planning and installation in renovations but also premium quality of the materials used. KotiSun's mode of operation is largely based on a conceptualized solution through which overall efficiency and quality criteria are achieved. It enables customers to be given a fixed price offer and a precise schedule for projects. This concept is exceptional in the market and will be further developed in line with experiences obtained from deliveries. All employees are trained in accordance with the concept.

The concept also covers the marketing of services, which is implemented by surveying one-family house areas with large numbers of homes requiring repair. More efficiency for material and resource flows can be obtained through homes located close to each other. KotiSun's marketing is frequently also based on recommendations given by satisfied customers.

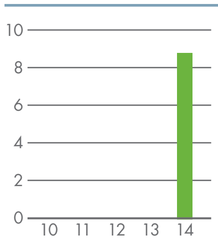
MANAGEMENT IMPROVED

Panostaja's involvement in KotiSun's management has already brought new operating practices in, among others, Board work and management systems. In future, the company will seek support for profitable growth. KotiSun's market has a great deal of potential, even though the general uncertainty of the economy is slowing down renovation decisions. Growth can be achieved by expanding the company's own network and through acquisitions. Panostaja's expertise in corporate acquisitions is a considerable source of support for KotiSun. In order to retain market leadership, recognition must be increased and profitability maintained by continuously improving the company's operating practices.

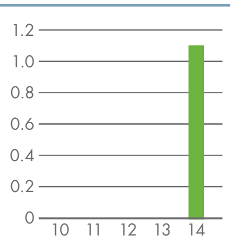
KOTISUN | Building technology renovation

KotiSun offers consumers conceptualized service water and heating network renovations as a turnkey service. The company has grown rapidly into the largest and best-known company in the sector in Finland. Panostaja holds 60% of KotiSun's share and the rest of shares are owned by The Executive Managers.

NET SALES, MEUR



EBIT, MEUR



kotisun
Huolettomampaa asumista

READ MORE

www.kotisun.fi

NET SALES
MEUR 8.8

EBIT
MEUR 1.1

PERSONNEL
113

CEO
Kalle Lahtinen

ORIGINAL SPARE PARTS FOR CARS

COMPETITIVE EDGE THROUGH HIGH STANDARD OF SERVICE

The financial period November 2013 to October 2014 brought slight growth for KL-Varaosat. The company succeeded in strengthening its position, the car brands it serves enjoyed success in races and the newest branch in Turku, Finland, took off according to plan.

The high-quality service of KL-Varaosat, which markets original spare parts, supplies, lubricants and chemicals for Mercedes-Benz and BMW passenger cars, consists of a variety of factors. The ability to support the customer's success through the best expertise, uncompromising quality, speed and competitive, clear pricing is of prime importance. Close cooperation with suppliers and strong know-how in purchases ensure the right type of selection, which also facilitates customers' operations and short maintenance throughput times. The electronic interfaces of customer systems, the online store and the personal service offered by the branches complement each other. Use of electronic and up-to-date catalogs ensures that exactly the right product is quickly found. In addition, the efficient logistics services guarantee reliable deliveries. Nearly 20,000 titles can be delivered directly from the warehouse.

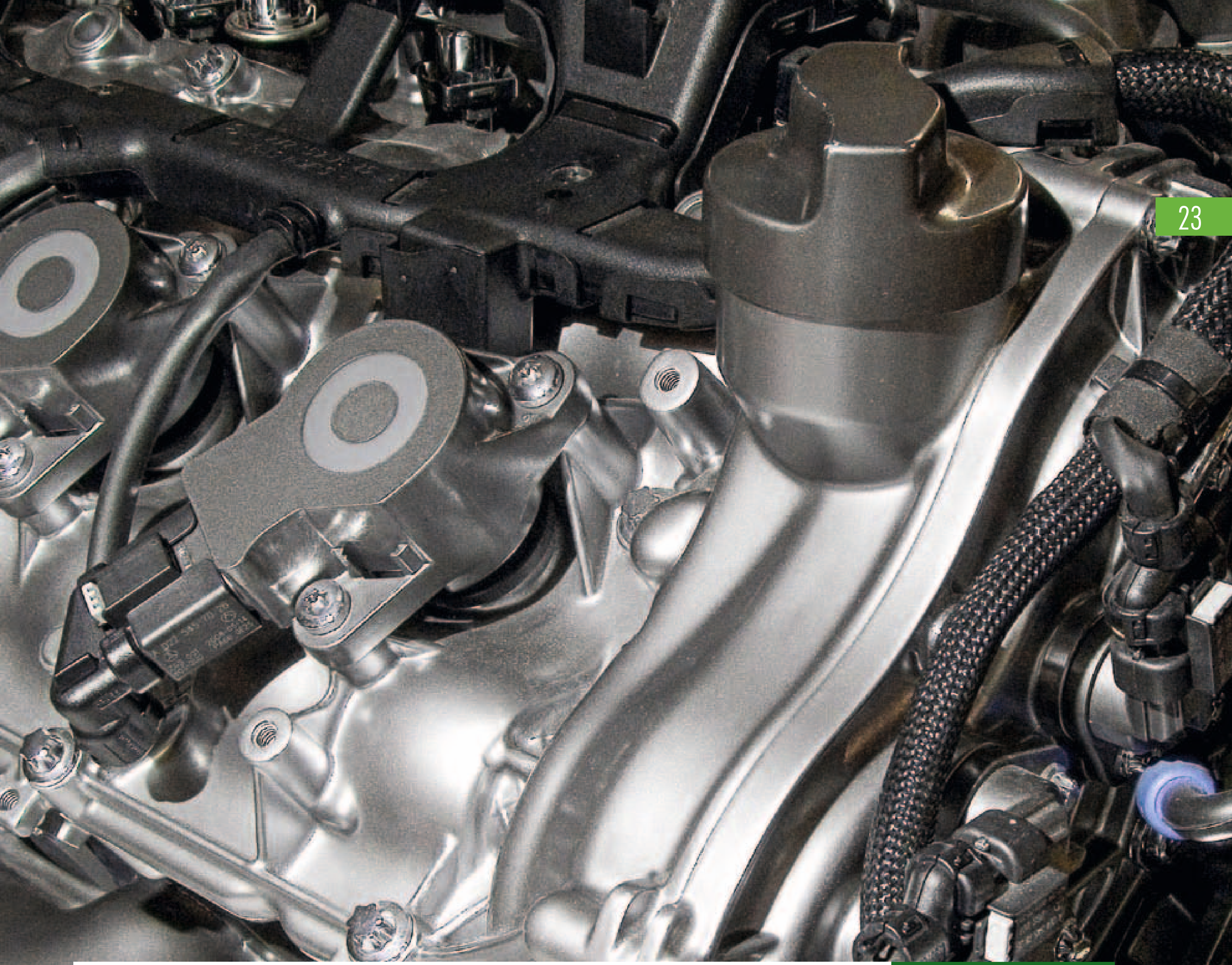
DEVELOPMENT TO SUPPORT GROWTH

The cornerstone of success in the spare parts business is the quality of service, hence KL-Varaosat has invested in strengthening its personnel's wide range of expertise and the activity of its customer service. The training provided by Panostaja has been utilized in developing supervisor work. The management system and reporting have been developed in collaboration with Panostaja. The new systems help ensure that work runs smoothly. This is further improved by strong staff involvement in development and by challenging established operating practices.

Vehicles are improving continuously and their technology is more demanding. In recent years, the durability of consumables has further improved and service life has lengthened, which means that quality is an even more important factor than previously. Clear overall affordability almost without exception favors the use of a high-quality component. An increasing trend in car maintenance is to change entire modules instead of individual parts. Continuous, solid investment in expertise is necessary in order to retain a competitive edge.

POTENTIAL IN THE MARKET

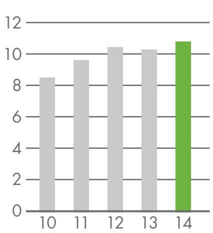
Even though Finland's economy is not expected to turn around yet, development of business at KL-Varaosat based on the existing, extremely strong concept will provide interesting opportunities for profitable growth. During the financial year which has just begun, the company will continue to decisively implement the strategy and also invest in further development of electronic commerce.



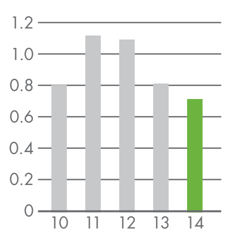
KL-VARAOSAT | Spare Parts for Motor Vehicles

KL-Varaosat is a spare parts business engaged in the import, wholesale and retail of original spare parts and supplies for Mercedes-Benz and BMW passenger cars. The company serves car repair shops, resellers, other corporate customers and retail customers. The company has branches in Tampere, Jyväskylä, Turku and Rovaniemi. Panostaja owns 75% and The Executive Managers 25% of KL-Varaosat.

NET SALES, MEUR



EBIT, MEUR



KL-VARAOSAT
Mercedes-Benz & BMW varaosien erikoisliike

READ MORE

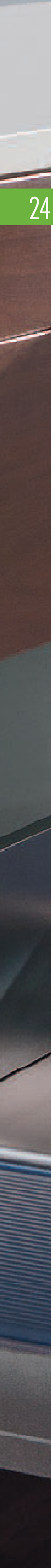
www.kl-varaosat.fi

NET SALES
MEUR 10.8

EBIT
MEUR 0.7

PERSONNEL
47

CEO
Juha Kivinen



FITTINGS WHOLESALE

PROFITABILITY THROUGH DEVELOPMENT

Depressed demand in the construction sector and increased competition showed as a decrease in the net sales of the Fittings segment. Thanks to successful cost-efficiency measures, profitability turned distinctly positive, despite the drop in net sales. Likewise positive in 2014 was the retention of customer relationships. The separation of furniture fittings and construction fittings businesses from each other in 2013 proved to be a successful solution which facilitated monitoring of profitability and rapid reaction to market changes.

DELIVERY RELIABILITY VITAL

During 2014, both companies continued active development in order to strengthen their competitive edges. Fittings wholesale entails, in addition to profound market and product knowledge, advanced operating practices and systems, systematic customer service and continuous renewal. Helakeskus is one of the largest companies in the sector, while Rakennushelasto focuses on the supply of specific products. Major reforms to improve the companies' service ability and efficiency have been carried in recent years. Modern systems for purchasing and sales as well as for management of the supply chain are in use. For customers, delivery reliability is important and, thanks to the measures implemented, the companies are now able to provide their diverse customer base, ranging from small carpentry businesses to major kitchen manufacturers and door factories, with even smoother service.

CHANGES IN SECTOR

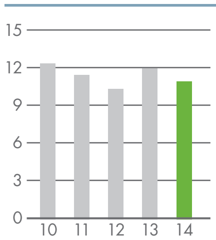
The sector in which Helasto operates has yet to see a turn for the better. The decline in construction has posed definite challenges for the customer base, which manifest as relocation of production to lower-cost countries. Helasto aims to react to the market situation and endeavors to improve its profitability instead of focusing on growth targets. On the other hand, the situation also enables considered corporate acquisitions as well as expansion of the product groups and range of services, for example, partial assembly of components, for which there is a growing need.

The customer base will require solid expertise from its wholesalers in the future too, which is why the company will continue to invest in developing a wide range of know-how. In addition, responsiveness, organizational dynamism and customer-specific analysis will be strengthened.

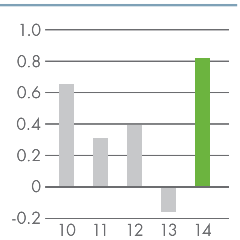
SUOMEN HELAKESKUS & RAKENNUSHELASTO | Fittings

Suomen Helasto is divided into two wholesalers: Suomen Helakeskus, which imports and sells fittings supplies for the furniture industry and Rakennushelasto, which markets supplies for the door and window industries, and building board. Suomen Helakeskus's range covers all components required for storage systems, from hinges to mirror sliding doors, excluding furniture frames. Panostaja owns 95% of the segment and Managing Director Hannu Rantanen 5%.

NET SALES, MEUR



EBIT, MEUR



READ MORE

www.helakeskus.fi

NET SALES

MEUR 10.9

EBIT

MEUR 0.8

PERSONNEL

33

CEO

Hannu Rantanen

SPECIALIST IN HEAT TREATMENT

BACK TO THE GROWTH PATH

The market for heat treatment services and equipment recovered during 2014, which helped make Heatmaster's operations profitable again. Sales of heat treatment furnaces were exceptionally brisk. The improvement in probability was not solely due to market change; rather it was also the result of numerous active development measures. One of the leading companies in its sector for 40 years, Headmaster has succeeded in strengthening its position as a long-term, reliable partner for its customers.

Heat treatment is a field requiring special know-how and where expertise and quality service are key factors. Heatmasters' extensive experience in the equipment range is apparent in the durability and technical properties of heat treatment furnaces, for example in precise temperature control. The furnaces are always tailored to customer specifications. Equipment sales are often project-like in nature, but with respect to services, orders come in and are frequently processed during the course of the same day. The large, temporary fluctuations in demand are indeed challenging in terms of resource management and productivity.

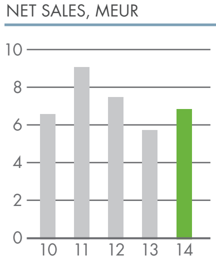
During 2014, Heatmasters has focused in particular on improving the flexibility and cost-effectiveness of its operations and also on boosting sales. Panostaja, too, has been actively involved in supporting Headmasters' development. In particular, the training courses offered by Panostaja and ensuring sector-specific expertise in the Board of Directors have furthered the positive development of Heatmasters.

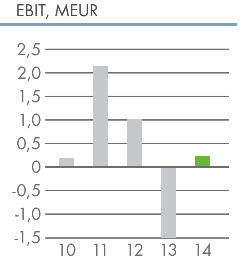
FROM PRODUCT AND SERVICE PROVISION TO SOLUTION PROVIDER

The prospects for heat treatment services and the equipment market are positive and offer a wide range of growth potential. In addition to the geographical expansion, the product and service offering can also be expanded towards providing solutions. The prerequisite for both growth paths is solid professional know-how and international expertise in particular, areas in which the company will continue to invest strongly.

HEATMASTERS | Heat Treatment

Heatmasters offers heat treatment as a service and manufactures heat treatment equipment. Heat treatment is required, among other things, to remove tension produced in welding from metals and return their original properties. The end customers of Heatmasters are in the energy, chemistry and engineering industries. In equipment deliveries its market area covers the world and in services Europe. The company's branches are located in Lahti and Varkaus, Finland; in Gothenburg, Sweden and in Będzin, Poland. Panostaja owns the entire share capital of Heatmasters.





READ MORE

www.heatmasters.net

NET SALES
MEUR 6.8

EBIT
MEUR 0.2

PERSONNEL
59

CEO
Ilkka Mujunen

A SUCCESS STORY

IN THE VALUE-ADDED LOGISTICS FIELD

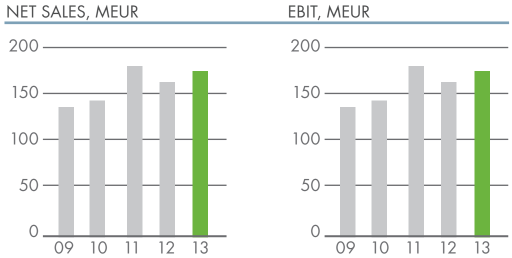
Vindea, a company providing value-added logistics for industry, has enjoyed a successful journey under Panostaja's ownership. Panostaja took its first step into the sector in 2003 by acquiring Vallog. Vindea came into being as a result of the merger between Vallog and CLO Packaging in 2009, and was further strengthened by the acquisition of HSC-Logistics. The company grew profitably with net sales trebling between 2009 and 2013. It grew to be a significant operator in turnkey deliveries of manufacturing and warehousing logistics and manufacturing services within its sector. In May 2014, the company's success story continued when Vindea became part of Finland's largest in-house logistics provider, Suomen Transval Group Oy. For Panostaja, Vindea offered the chance to be involved in a newly forming field. A sales profit of MEUR 5.5 was recorded from the transaction.

Acquisition

Integration

1 Panostaja acquired the entire shareholding in Vallog, which specializes in engineering logistics, in 2003. Vallog had started independent operations only a couple of years before when Kone outsourced its spare part maintenance and the manufacture of parts. In 2009, Panostaja acquired CLO Packaging, which had specialized in packaging production, sale and marketing, and in services for the packaging and logistics sector. In 2012, the merged entity was strengthened by the acquisition of HSG-Logistics, which focused on logistics services tailored to the technology industry.

2 During 2010, Vallog and CLO Packaging were merged and rebranded as Vindea Oy. Integration of the companies' operations and formation of a corporate culture required time, but the new company's net sales increased rapidly and profitability improved too. In 2012, HSG-Logistics came on board and integration was rapidly effected in line with Panostaja's guidelines. Nearly all of the measures, from management to services and from insurance to collective agreements, were completed over a period of 100 days. The systematic and decisive course of action bore fruit and the company was swiftly able to benefit from the synergies brought by the merger.



Development Divestment

3 Under the wings of Panostaja, Vindea's operations rose to an entirely new level. The company's active Board work and efforts to strengthen the management's know-how fostered the creation and implementation of goals and action plans. Know-how within the company was developed intensively, and training courses tailored by Panostaja were taken advantage of. Increased competence was reflected in high motivation and efficient operations. The experiences and best practices of other Panostaja companies were applied in Vindea's operations and Panostaja was helpful when the company was looking for financing solutions. Panostaja's strong know-how in corporate acquisitions was important for Vindea. Panostaja's specialists assessed and analyzed potential companies and assisted in finalizing the transactions. During the course of Panostaja's involvement, Vindea became a significant operator in turnkey deliveries of manufacturing and warehousing logistics and manufacturing services.

4 In 2014, Panostaja considered that it was the right time to sell the company, which was its oldest investment. Within Vindea, the whole organization was prepared for a change in ownership. Panostaja considered potential buyers in the sector. Transval, which concentrates on in-house logistics services, had expressed interest in Vindea several years before the acquisition of 21 May 2014. As Vindea complemented Transval's portfolio and there was no overlap in operations, a merger seemed a good solution in the view of both parties. When agreement had been reached on the purchase price, the companies embarked on the deal following a rigorous and precise process. In May 2014, Vindea continued its operations as part of Finland's largest in-house logistics provider, Suomen Transval Group Oy.

JUKKA ALA-MELLO, born 1963

Chairman of the Board since 2011, board member since 2006
M.Sc. (Econ.), APA

CURRENT POSITION:
Director and Secretary to the Board of Directors of Kone Oyj

Independent of the company and major shareholders.

EERO ERIKSSON, born 1963

Board member since 2011
Master of Social Sciences

CURRENT POSITION: Deputy Managing Director of Fennia.

Independent of the company and major shareholders.

JUKKA TERHONEN, born 1954

Board member since 2013
M.Sc.(Tech)

PREVIOUS POSITION:
Managing Director of Lemminkäinen Talo Oy 2009–2013.

Independent of the company and major shareholders.

HANNU TARKKONEN, born 1950

Board member since 2014
Vocational Qualification in Business and Administration

PREVIOUS POSITION:
Managing Director of Etera Mutual Pension Insurance Company 2010–2014.

Independent of the company and major shareholders.

ANTERO (ANTTI) VIRTANEN, born 1954

Board member since 2013
M.Sc.(Econ.

CURRENT POSITION:
Managing Director of Jesura Oy.

Independent of the company and major shareholders.

MIKKO KOSKENKORVA, born 1982

Board member since 2011
Graduate of upper secondary school

CURRENT POSITION:
IT Project Manager of Pajakulma Oy.

Independent of the company.

Detailed information about the Board, please see *www.panostaja.fi*

JUHA SARSAMA,
born 1965
CEO since 2007.
Master of Laws, M.S.M
(Boston University Brussels)

PREVIOUS WORK EXPERIENCE: Managing Director of OpusCapita Oy, Administrative Director of Saarioinen Oy, Financial Director of OpusCapita Oyj

OTHER POSITIONS OF TRUST: Vice Chairman of the Board of Tampere Chamber of Commerce, Board member of Etera Mutual Pension Insurance Company, Board member of Fennia Asset Management

SIMO MUSTILA,
born 1967
CFO since 2010.
M.Sc. (Econ.), MBA

PREVIOUS WORK EXPERIENCE: F&I Manager of Delta Motor Group Oy; Financial and Administrative Director of DNA Group

OTHER POSITIONS OF TRUST: Member of the Finance and Taxation Committee of the Confederation of Finnish Industries EK, member of the Industrial Policy Committee of Service Sector Employees PALTA, member of the Finance Committee of Tampere Chamber of Commerce

MINNA TELANNE,
born 1964
Development Director
since 2013
Licenciate of Administration

PREVIOUS WORK EXPERIENCE: Business Director of Leading Partners Oy, HR Director of OpusCapita Oy, Profit Center Manager of MPS Finland Consulting Oy, Development Manager of Suomen Posti Oy

OTHER POSITIONS OF TRUST: –

TAPIO TOMMILA,
born 1978
Investment Director
since 2008
M.Sc. (Econ.), eMBA

PREVIOUS WORK EXPERIENCE: Deloitte Corporate Finance Oy, PricewaterhouseCoopers Oy

OTHER POSITIONS OF TRUST: –

INFORMATION FOR SHAREHOLDERS

SHARE INFORMATION

Market	NASDAQ Helsinki Oy
ISIN	FI0009800379
Trading ID	PNA1V (OMX)
List	OMXH Small Cap
Number of shares	51,733,110

Panostaja's shares are registered in the book-entry system maintained by Euroclear Finland Oy.

ANNUAL GENERAL MEETING

Panostaja Oyj's Annual General Meeting will be held on Thursday February 5, 2015 at 1:00 pm in Studio-sali in Tampere Hall, Yliopistonkatu 55, Tampere. We published the invitation to the Annual General Meeting on December 12, 2014.

The right to participate in the Annual General Meeting rests with those shareholders who are entered as shareholders in the company's shareholder list maintained by Euroclear Finland Oy no later than January 26, 2015.

A shareholder whose shares are nominee-registered and who wishes to participate in the Annual General Meeting must register for temporary entry in the company's shareholder list no later than January 26, 2015 by 10:00 am. A requirement of registration is that, based on the same shares, the shareholder is entitled to be entered in the company's shareholder list on the record date of the Annual General Meeting, January 26, 2015. The registration of a nominee-registered shareholder for temporary entry in the company's shareholder list will be deemed to be equivalent to registering for the Annual General Meeting.

A shareholder who wishes to participate in the Annual General Meeting must register with the company in writing in advance no later than February 2, 2015 by 4:00 pm to the address Milla Store/Panostaja Oyj, Kalevantie 2, 33100 Tampere, Finland, by telephone to Milla Store, tel. +358 50 685 70, or by e-mail to yhtiokokous@panostaja.fi. The letter of registration must have arrived before the end of the registration period. Any powers of attorney should be sent along with the registration.

DIVIDEND PAYMENT AND CAPITAL REPAYMENT

Panostaja Oyj's distributable assets, including the profit for the financial period of EUR 6,946,487.62 and EUR 17,794,562.87 in the invested unrestricted equity fund, amount to EUR 6,867,393.73.

The Board of Directors proposes to the Annual General Meeting that EUR 0.04 per share in capital repayment be paid for the financial period that has ended.

The Board also proposes that the General Meeting authorize the Board of Directors to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividend or as capital repayment from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals no more than EUR 4,700,000.

It is proposed that the authorization include the right of the Board to decide on all other terms and conditions relating to the said asset distribution. It is also proposed that the authorization remain valid until the start of the next Annual General Meeting.

IMPORTANT DATES CONCERNING THE ANNUAL GENERAL MEETING

Annual General Meeting record date	January 26, 2015
Registration for Annual General Meeting ends	February 2, 2015
Annual General Meeting	February 5, 2015

INTERIM REPORTS

The Panostaja Group will publish three interim reports in the financial year November 1, 2014–October 31, 2015, as follows:

The interim report for the period November 1, 2014–January 31, 2015	March 4, 2015
The interim report for the period November 1, 2014–April 30, 2015	June 3, 2015
The interim report for the period November 1, 2014–July 31, 2015	September 2, 2015

The interim reports, annual report and bulletins are available after publishing on the company website *www.panostaja.fi*

Two weeks before the publishing of the annual report and interim reports, the company keeps a so-called quiet period, during which it does not comment on the financial situation or market outlook, nor does it meet with capital market representatives.

SPECTRA YHTIÖT

Spectra provides Finnish stores and shopping centers with various support functions ranging from security services to maintenance and cleaning and from cleaning building facades to meeting temporary workforce needs. Spectra's wide range of services supports the customer's routine activities and enables a high-quality service and a pleasant shopping experience for consumers. Panostaja's holding in Spectra is 39%.

READ MORE

www.spectra.fi

ECOSIR GROUP

Ecosir Group is specialized in automated and energy-efficient waste and laundry transfer solutions. The company is a market leader in the sector in Finland, and its systems are widely used in hospitals, health centers and modern service centers for the elderly. Automated waste transfer and collection solutions are also excellent for shopping centers, large kitchens, and industry. In recent years, the Ecosir Group has expanded its operations in the international market, especially in Scandinavia, Asia, Russia and the Middle East. Panostaja's holding in the Ecosir Group is 49.78%.

READ MORE

www.ecosir.com

AN ACTIVE DEVELOPER

panostaja

FINANCIAL STATEMENTS 2014

2014

FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD NOVEMBER 1, 2013–OCTOBER 31, 2014

CONTENT

ANNUAL REPORT OF PANOSTAJA OYJ'S BOARD OF DIRECTORS

THE GROUP'S ECONOMIC DEVELOPMENT

Panostaja Group's net sales for the review period closed were MEUR 154.8 (MEUR 137.0). Export amounted to MEUR 8.4, or 5.4%, (MEUR 8.5, or 6.2%) of net sales. The corporate acquisitions made during the previous and current financial period affected the MEUR 17.8 increase in net sales by MEUR 12.9.

Of the Group's eight operational segments, five exceeded the cumulative net sales level of the reference period, and five segments exceeded the EBIT levels in the review period.

EBIT improved and was MEUR 10.2 (MEUR 1.6). Growth of MEUR 8.6. EBIT improved in the segments of Digital Printing Services, Safety, Takoma, Fittings and Heat Treatment. The reference period includes Takoma segment's goodwill write-down amounting to MEUR 2.3.

The result from discontinued operations was MEUR 6.1. Vindea Group Oy was sold on May 21, 2014 and Kannake Oy on December 3, 2013. The consolidated income statement does not include the income statement for operations discontinued in 2013. Instead, the result is entered separately in the consolidated income statement under 'Income from discontinued operations'.

Before separating discontinued operations from continuing operations in the income statement, consolidated net sales for the entire reference period were MEUR 179.6 and EBIT was MEUR -0.4.

The Group's net financial expenses for the review period were MEUR -3.3 (MEUR -2.7). The Group's liquidity remained good and operating cash flow was MEUR 11.4 positive.

During the financial year, the Group employed an average of 1,204 (1,251) people. At the end of the financial period, the Group employed 1,112 (1,295) persons.

The net sales of the parent company, Panostaja Oyj, amounted to MEUR 0.0 (MEUR 0.03). EBIT totaled MEUR 5.7 (MEUR -0.9). The parent company's profit in the financial period was MEUR 6.9 (MEUR -12.3).

GROUP STRUCTURE

In line with its strategy, Panostaja actively realized corporate acquisitions and sales.

Panostaja Oyj announced on December 3, 2013 that it had sold 80% of the share capital of Kannake Oy, a company manufacturing and selling supports. As a result of the transaction, Panostaja divested its Supports segment.

In the period under review, Tampereen Laatukoneistus Oy, Hervannan Koneistus Oy and Takoma Systems Oy filed for bankruptcy. On June 5, 2014, Takoma Oyj and Takoma Gears Oy submitted their proposals for corporate restructuring programs to Pirkanmaa District Court. The District Court confirmed the programs on September 30, 2014.

On April 10, 2014, Panostaja Oyj announced an arrangement, the end result of which was that Panostaja Group's shareholding in the parent company of the Digital Printing Services segment, Digiprint Finland Oy, increased to 64.6%. Previously, the shareholding was 56.4%.

On May 7, 2014, Panostaja Oyj announced that it had bought a 60% shareholding in KotiSun Oy, a company offering service water and heating network renovation services. As a result of the transaction, Panostaja expanded its business operations and established within the Group a new business area specializing in building technology renovation for houses.

On May 21, 2014, Panostaja Oyj announced that, together with the owners of Vindea Group Oy, it had signed a deed for the sale of its entire shareholding in Vindea Group Oy to Suomen Transval Group Oy. Vindea Group Oy was a subsidiary 54.22%-owned by Panostaja and, as a result of the transaction, the company's entire share capital in Vindea Group Oy was transferred to the buyer. As a result of the transaction, Panostaja divested the Value-added Logistics segment.

In October, Panostaja Oyj acquired the entire minority shareholding in Heatmasters Group Oy. Previously, the shareholding was 80%.

PANOSTAJA GROUP'S BUSINESS SEGMENTS

Panostaja Group's business operations for the period under review are reported in nine segments: Digital Printing Services, Safety, Takoma, Ceiling Materials, Fittings, Spare Parts for Motor Vehicles, Building Technology Renovation, Heat Treatment and Other (parent company and associated companies). The segments were formed because they produce products and services that differ from each other and because these segments are monitored as separate businesses.

The Group's segment reporting is based on its business segments.

Digital Printing Services

The corporate structure of the Digiprint Finland Group was simplified during the financial period when DMP Digital Media Partners Oy was merged with Kopijyvä Oy on June 1, 2014.

At the same time, the company's name was changed to Grano Oy. Panostaja's holding in the Group is 64.9%. The Group's Managing Director is Heimo Viinanen. Grano Oy is Finland's largest company in the graphical industry and provides services in marketing communications and printing. The company has offices at ten different locations in the regions of Central, Eastern and Western Finland and the Helsinki metropolitan area. It also operates in Tallinn and St Petersburg.

The net sales of the Digital Printing Services segment grew 14%, from MEUR 50.8 to MEUR 57.8. A significant proportion of growth is attributable to the acquisition of the DMP companies in December 2012 and the Eriksen printing business in February 2014. The segment's EBIT improved from MEUR 6.4 to MEUR 7.1. Consumption of print paper and CAD paper has continued to fall. Owing to the poor general economic situation, price competition has also intensified and is exerting pressure on profitability. On the other hand, in a weak market situation customers seek efficiency in their operations, which creates new opportunities In spite of tightening competition, however, the segment was able to maintain good development of net sales and EBIT. At the end of the financial period, the segment employed 497 (451) staff.

Safety

Flexim Security Oy is a specialist in security technology and services, locks, door automation and access control products and solutions. The company has offices in Helsinki, Tampere, Turku, Pori, Seinäjoki, Kuopio, Lappeenranta, Lahti, Jyväskylä and Oulu. Flexim Security Oy is part of Flexim Group, in which Panostaja's holding is 70%. The Group's Managing Director is Jukka Laakso.

The growth of the net sales of the Safety segment was 6%. Net sales grew from MEUR 31.8 to MEUR 33.7. EBIT improved from MEUR 1.6 to MEUR 2.1. The market situation in the sector is difficult, and customers are cautious in their investment decisions. In spite of all this, the development of net sales has been positive. In the review period, the new-generation Flexim Safea solution was launched, as well as solutions conceptualized around it, and it has been positively received by customers. Flexim Safea has also interested completely new target groups, which have not previously been Flexim users. At the end of the financial period, the segment employed 249 (205) staff.

Takoma

The structure of the Takoma segment changed significantly during the review period. The only unit continuing operations is Takoma Gears in Parkano, which offers mechanical power transmission products and services to the marine, offshore and mining industries. Takoma Oyj, which is 63.1% owned by Panostaja, is the parent company of Takoma Group. Ilkka Miettinen serves as Managing Director of Takoma Oyj.

The reorganization proceedings of Takoma Oyj and Takoma Gears Oy began on January 17, 2014, and the reorganization program was confirmed at Pirkanmaa District Court on September 30, 2014. The repayment schedule of the reorganization debts was prolonged and the debt structure was lightened in the reorganization program. The confirmation of the reorganization program provides an opportunity to develop the operations of Takoma Gears Oy. In the period under review, Tampereen Laatukoneistus Oy, Hervannan Koneistus Oy and Takoma Systems Oy filed for bankruptcy. As a result of the bankruptcy, the companies in question have been treated as discontinued operations in Panostaja's consolidated financial statements.

Net sales of Takoma's continuing operations improved from MEUR 14.1 to MEUR 15.3. The loss for the segment's continuing operations was reduced from MEUR -4.1 to MEUR -0.4. The loss for the reference period includes MEUR 2.3 in goodwill write-down. During the reorganization proceedings, the cost structure of Takoma has been adjusted to meet the demand situation. At the same time, the orders received and order book have developed favorably. The figures for discontinued operations are presented in 'discontinued operations', and they incurred a combined loss of MEUR 0.8 in the period under review. At the end of the financial period, the segment employed 92 (163) staff.

Ceiling Materials

Established in 2005, Selog Oy is Finland's largest wholesaler of ceiling materials, serving contractors and installation companies in the field. Services include calculation, design and logistics. Selog's services cover renovation and restoration projects and new construction sites. The company's offices are in Helsinki, Tampere and Lappeenranta. Selog Oy is part of Selog Group, in which Panostaja's holding is 60%. Selog Oy's Managing Director is Simo Tuokko.

In the financial period, net sales in the Ceiling Materials segment decreased from MEUR 12.8 to MEUR 11.0 owing to the difficult market situation in construction. EBIT weakened from MEUR 0.9 to MEUR 0.5. Economic conditions in construction are poor and competition for projects is fierce, which is also directly reflected in customer demand. The unfavorable development of net sales has been softened by cost adaptation. Despite the difficult situation in construction, the development of the segment has remained on a reasonable level. At the end of the financial period, the segment employed 13 (15) staff.

Fittings

The Suomen Helasto Group is a major wholesaler of construction and furniture fittings in Finland, and it includes Suomen Helakeskus Oy and Rakennushelasto Oy. Suomen Helakeskus imports, markets and sells fittings for the furniture industry, and Rakennushelasto accessories for the door and window industries as well as building board. Panostaja's share of ownership of the Suomen Helasto Group is 95.3%. The companies operate in Seinäjoki. The Group's Managing Director is Hannu Rantanen.

Net sales in the Fittings segment declined from MEUR 11.9 to MEUR 10.9. The segment's market situation is difficult, and bankruptcies, corporate reorganizations and liquidity problems among customer companies have increased. EBIT for the review period, however, improved from MEUR -0.2 to MEUR 0.8, which can be attributed to costs arising from restructuring in the reference period, as well as to companies adapting their operations and significant operational streamlining. At the end of the financial period, the segment employed 33 (37) staff.

Spare parts for Motor Vehicles

KL-Varaosat Oy is an importer, wholesale dealer and retailer of original spare parts and supplies for Mercedes Benz and BMW cars. It operates in Tampere, Jyväskylä, Rovaniemi and Turku (from January 2014). KL-Varaosat Oy is part of KL Parts Group, in which Panostaja's holding is 75%. KL-Varaosat Oy's Managing Director is Juha Kivinen.

Net sales in the Spare Parts for Motor Vehicles segment grew 5% from last year's MEUR 10.3 to MEUR 10.8. EBIT dropped slightly from last year's MEUR 0.8 to MEUR 0.7. Since the weakening that took place in late winter, however, the market situation has remained steady. Customer demand is on as low a level as in normal economic conditions, which has cut growth for KL-Varaosat. During the financial period, the company has actively implemented measures necessary to develop business in line with the company's strategy. At the end of the financial period, the segment employed 47 (39) staff.

Building Technology Renovation

The Building Technology Renovation segment was created when Panostaja acquired a 60% share in KotiSun Oy in May 2014. The company offers consumers conceptualized service water and heating network renovations as a turnkey service. KotiSun has grown rapidly into the largest and best-known company in the sector in Finland.

Building Technology Renovation is a new segment, so there is no comparative data on it. The segment's net sales totaled MEUR 8.8 and EBIT MEUR 1.1 (May 1, 2014–October 31, 2014). The figures of the segment have been consolidated into Panostaja Group as of May 1, 2014. At the end of the financial period, the segment employed 113 staff.

Heat Treatment

Heatmasters Group offers heat treatment services for metals in Finland and internationally, and produces, develops and markets heat treatment technology. Heatmasters Group includes two companies engaging in business operations in Finland – Heatmasters Lämpökäsittely Finland Oy and Heatmasters Technology Oy – operating in Lahti and Kouvola. The Group also has subsidiaries in Poland and Sweden. At the time of the closing of the books, Heatmasters Group is a wholly-owned subsidiary of Panostaja. Heatmasters Group Oy's Managing Director is Ilkka Mujunen.

In the review period, net sales in the Heat Treatment segment grew 19% from MEUR 5.7 to MEUR 6.8 and EBIT from MEUR -1.5 to MEUR 0.2. The result in the reference period was encumbered by an amortization entry of MEUR 0.9 in connection with product development projects. The improvement in net sales and EBIT was attributable to improved customer demand, both in the furnace business and at energy-sector sites. At the end of the financial period, the segment employed 59 (62) staff.

Other Business Operations

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

FINANCING

Operating cash flow improved and was MEUR 11.4 (MEUR 7.8). Liquidity remained good. The Group's liquid assets were MEUR 18.6 (MEUR 16.4) and interest-bearing net liabilities MEUR 35.0 (MEUR 40.1). Gearing ratio fell and was 73.7% (82.6%). The Group's net financial expenses for the review period were MEUR -3.3 (MEUR -2.7), or 2.1% (2.0%) of net sales.

Panostaja Oyj's convertible subordinated loan amounted to MEUR 15.0 of the net liabilities (MEUR 15.0). The Group's equity ratio at the end of the review period was 33.3% (33.2%). Return on equity improved significantly and was 17.1% (-11.7%). Return on investment improved significantly to 15.4% (3.7%).

In May 2013, Panostaja Oyj issued a domestic hybrid loan of MEUR 7.5 (equity debenture loan). The loan was issued on May 27, 2013. It will strengthen the company's solvency and financial position. The hybrid loan has been processed in accordance with the IFRS standards as an equity loan and is shown on the balance sheet in the equity group.

The Group's liquidity remained good, and operating cash flow was MEUR 11.4 (MEUR 7.8).

INVESTMENTS AND DEVELOPMENT EXPENSES

The Group's gross capital expenditure was MEUR 19.9 (MEUR 20.1) in the review period. Investments were mainly targeted at corporate acquisitions.

Development expenses were not activated during the financial period.

RELATED PARTY LOANS AND LIABILITIES

The company gave a loan to a company belonging to a related party. The loan is valued at EUR 200,000 and falls due for payment on December 31, 2016. At the time of the closing of the books, loans to the company belonging to a related party totaled EUR 409,500. Interest on the loans is 6%. The loans are equity convertible bond loans, to which the provisions of Chapter 12 of the Limited Liability Companies Act are applicable. If the company has failed to repay the loan by the end of the loan period, on the basis of special rights the issuer of the loan is entitled to exchange these convertible bond loans for shares in the company. The company has a subordinated loan receivable of appr. 1,5 MEUR from an associated company, which shall be payable in full on 30 April 2014.

The totals and the main loan conditions of the loans issued to management are presented in Note 36 to the financial statements.

RISKS

The Group takes controlled risks to utilize opportunities for business operations in an optimal manner. The Group's conventional business risks concern the market and competitive situations of the Group's different segments, customer and supplier risks, corporate acquisitions and the risks involved in related financing.

The Group's nine segments function in different branches of industry. The aim is to ensure that the Group's financial performance is not substantially dependent on the development and results of a single segment but, depending on the market conditions and as a business area grows, its significance for the Group is emphasized, which may mean that the risk is substantial. The Group's financial performance and development are not normally dependent on a single customer, but losing one or more important customers may have financial consequences for the results and development of a single segment.

The general trend development and especially the development of the Finnish economy may have a significant effect on the Group's financial performance and development. The Group's results and development are also affected by the seasonal nature of the business. The seasonal variations of the business operations have the effect that ordinarily the first half of the year is weaker than the second. The continuous changes in competition, such as price competition and new rivals within a segment, may affect the Group's financial performance and development, although the Group and its segments work continually to develop their activities to meet the competitive situation. The risks involved in the price and availability of the raw materials that the Group's different segments use in their operations may also significantly influence the financial performance and development of a single segment, but will normally not affect the whole Group's development and results in any substantial way.

Exchange rate, interest, financial and credit loss risks have normally no significant effect on the Group's financial performance and development, but they may have a substantial influence on the financial performance and development of a single segment. The Group and its various segments strive significantly to hedge against these risks in different ways, but it is not always possible.

The risks connected to the Group's staff may influence the Group's and its segments' development and financial performance if the Group is unsuccessful in the recruitment of key persons and other employees or in committing them to the Group.

If unsuccessfully managed, risks concerning the environment may affect the Group's and its segments' development and financial performance. The Group complies with the legislation concerning environmental issues and takes the responsibilities they bring into account especially carefully and in all its operations strives to observe the principles of sustainable development. The Group has no knowledge of any significant risks concerning environmental issues.

The Group has extensive insurance coverage that covers material damage in accordance with the insurance terms and conditions. The insurance level of property risks is monitored regularly. If unsuccessful in managing them, risks concerning guarantees, suspension, product liability and repair may affect the Group's and its segments' development and financial performance. All Group companies endeavor to minimize these risks by investing in the management of the supply chain, the quality of their own activities, product development and the regular assessment of risks. If possible, such risks are covered by insurance protection.

If unsuccessful in managing them, risks concerning corporate acquisitions may affect the Group's and its segments' development and financial performance. The Group also aims to grow through corporate acquisitions. The goodwill connected to corporate acquisitions which has been entered in the Group's balance sheet amounts to MEUR 49.7. Since adopting IFRS reporting, goodwill is no longer written off annually on a regular basis but, instead of depreciations, an impairment test is performed at least annually, or when there are indications of amortization. Values are normally checked during the second half of the year in connection with the budgeting process. If prolonged, uncertainty of economic situation may lead to changes to the forecasts that are the basis of some technology industry segments' goodwill testing. Such a change might make goodwill write-downs necessary.

Official regulations may affect the Group's and segments' development and financial performance. Amendments to regulations are followed carefully within the Group and the different segments, and efforts are made to react to them in advance if possible.

BOARD OF DIRECTORS, AND GENERAL MEETINGS

Panostaja Oyj's Annual General Meeting was held on January 29, 2014 in Tampere. Jukka Ala-Mello, Mikko Koskenkorva, Eero Eriksson, Antero Virtanen and Jukka Terhonen were re-elected to Panostaja Oyj's Board of Directors. Hannu Tarkkonen was elected as new member of the Board. In the Board's organizing meeting held immediately after the General Meeting, Jukka Ala-Mello was elected Chairman of the Board and Eero Eriksson as Vice Chairman. Authorized Public Accountant Markku Launis and Authorized Public Accountants PricewaterhouseCoopers Oy were selected as general chartered accountants, with Authorized Public Accountant Janne Rajalahti as the responsible public accountant.

The annual general meeting confirmed the financial statements presented and the consolidated financial statements for the financial period November 1, 2012–October 31, 2013 and decided that no dividend or capital repayment be distributed.

In addition, the Annual Meeting authorized the Board to decide, at its discretion, on the potential distribution of assets to shareholders, the company's financial status permitting, as distribution of assets from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals EUR 5,200,000. The authorization includes the right of the Board to decide on all other terms and conditions relating to the said asset distribution. The authorization will remain valid until the end of the next Annual General Meeting.

In addition, the Annual General Meeting granted exemption from liability to the members of the Board and to the CEO. It was decided at the General Meeting that the Chairman of the Board be paid EUR 40,000 as an annual fee for the term that begins at the end of the Meeting and ends at the end of the 2015 Annual General Meeting, and that the other members of the Board be paid an annual fee of EUR 20,000. It was further resolved at the General Meeting that approximately 40% of the compensation remitted to the members of the Board be paid on the basis of the share issue authorization given to the Board, by issuing company shares to each Board member if the Board member does not own more than one percent of the company's shares on the date of the General Meeting. If the holding of a Board member on the date of the General Meeting is over one percent of all company shares, the compensation will be paid in full in monetary form.

The Annual General Meeting also authorized the Board of Directors to decide on the acquisition of the company's own shares, so that the shares will be acquired in one or more installments and, based on this authorization, a maximum of 5,100,000 shares can be acquired, which corresponds to about 9.86% of all the company's shares. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only.

The company's own shares may be acquired at the date-of-acquisition price in public trade arranged by NASDAQ Helsinki Oy or otherwise at the prevailing market price. The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired not following the proportion of ownership of the shareholders (directed acquisition). The authorization remains valid until July 29, 2015.

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

SHARE CAPITAL

At the close of the review period, Panostaja Oyj's share capital was EUR 5,568,681.60. The total number of shares is 51,733,110.

The total number of shares held by the company at the end of the review period was 429,058 individual shares (at the beginning of financial period: 490,956). The number of the company's own shares corresponded to 0.8% of the number of shares and votes at the end of the entire review period.

In accordance with the decisions by the General Meeting on January 29, 2013 and by the Board, Panostaja Oyj relinquished a total of 16,439 individual shares as meeting compensation to the members of the Board on December 16, 2013, a total of 16,000 shares on March 11, 2014 and a total of 14,459 shares on June 5, 2014, and a total of 15,000 shares on September 4, 2014.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.69 (lowest quotation) and EUR 0.91 (highest quotation) during the financial period. During the period under review, a total of 7,908,686 shares were exchanged, which amounts to 15.4% of the share capital. The October 2014 share closing rate was EUR 0.82. The market value of the company's share capital at the end of October 2014 was MEUR 42.4 (MEUR 41.4). At the end of October 2014, the company had 3,493 shareholders (3,743).

EQUITY CONVERTIBLE SUBORDINATED LOAN AND HYBRID LOAN

At the end of the review period, EUR 15,000,000 of the 2011 convertible subordinated loan remained. The interest on the loan is 6.5% and the loan period February 7, 2011–April 1, 2016. The original share exchange rate is EUR 2.20, and the loan shares may be exchanged for no more than 6,818,181 company shares. The total number of loan shares is 300, and they are available for public trade on the Nasdaq OMX Helsinki stock exchange. The share exchange rate will be entered into the company's invested unrestricted equity fund.

On May 27, 2013, the Group issued an equity convertible subordinated loan to the value of MEUR 7.5. The equity convertible subordinated loan has not maturity date, but the Group is entitled, but not obliged, to redeem the loan within four years. Based on the contract, the annual interest is 9.75%. Interest is only paid if the company decides to distribute dividends. If dividends are not distributed, the Group will decide separately on the payment of interest. In the consolidated financial statements, the loan is classified as equity and interest is presented as dividend. The Board of Directors of Panostaja Oyj decided to pay the hybrid loan interest amounting to MEUR 0.7, which was paid on May 27, 2014.

BOARD'S PROPOSAL TO THE GENERAL MEETING

The Board of Directors proposes to the Annual General meeting that EUR 0.04 per share in capital repayment be paid from the invested unrestricted equity fund for the financial period that has ended.

The Board also proposes that the General Meeting authorize the Board of Directors to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividends or as repayment of capital from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals no more than EUR 4,700,000.

It is proposed that the authorization include the right of the Board to decide on all other terms and conditions relating to the said asset distribution. It is also proposed that the authorization remain valid until the start of the next Annual General Meeting.

Panostaja Oyj's Annual General Meeting will be held on February 5, 2015 in Tampere.

EVENTS AFTER THE REVIEW PERIOD

There are no major events to report after the review period.

PROSPECTS FOR THE NEXT FINANCIAL YEAR

In accordance with its business strategy, Panostaja Group focuses on increasing shareholder value in the segments owned by the Group. The development of shareholder value will be constantly monitored as part of a changing operating environment, and decisions on the development or divestment of business areas will be made in order to maximize the shareholder value. Active development of shareholder value, the effective allocation of capital and finance opportunities create a solid foundation for operational expansion. The need to exploit ownership arrangements and growth opportunities in SMEs enables both expansion into new segments and growth in existing ones.

Economic prospects in the fields of the existing segments are strongly tied to the prospects of customer enterprises. Expectations for the financial situation are still characterized by uncertainty and poor forecastability. In the various segments of Panostaja Group, the prospects still vary from cautiously positive to neutral. The challenges in forecastability or weakening prospects may create a need for consolidated goodwill write-downs. The prospects for new construction remain poor.

The market still provides sufficient opportunities for corporate acquisitions, and Panostaja Group aims to implement its growth strategy by means of controlled corporate acquisitions in current segments, but new potential segments are also being actively studied. Preparation for divestments is being continued as part of the ownership strategies of segments.

The confirmation of Takoma's reorganization program at Pirkanmaa District Court on September 30, 2014, the extension of the repayment schedule for reorganization debts related to the confirmation and the lightening of the debt structure give the opportunity to develop the operations of Takoma Gears Oy in the 2015 financial period. Takoma's failure to implement the reorganization program is not expected to cause changes to Panostaja Group's operating conditions.

The Group's net sales and EBIT in the 2015 financial period are expected to be at the same level as in the 2014 financial period (net sales MEUR 154.8 and EBIT MEUR 10.2).

CONSOLIDATED INCOME STATEMENT, IFRS

EUR 1,000	Note	Nov 1, 2013–Oct 31, 2014	Nov 1, 2012–Oct 31, 2013
Net sales		**154,802**	**137,044**
Other operating income	9	1,560	1,276
Materials and services		66,799	62,004
Staff expenses	11	49,377	43,803
Depreciations, amortizations and impairment	12	5,408	8,554
Other operating expenses	13	24,608	22,373
Operating profit		**10,169**	**1,586**
Financial income	14	580	322
Financial expenses	15	-3,835	-3,057
Share of associated company profits	10	-137	-110
Profit before taxes		**6,778**	**-1,259**
Income taxes	16	-3,763	-968
Profit/loss from continuing operations		**3,015**	**-2,226**
Profit/loss from sold and discontinued operations	7	5,218	-3,294
Profit/loss for the financial period		**8,234**	**-5,520**
Attributable to			
shareholders of the parent company		5,385	-4,628
minority shareholders		2,849	-892
Earnings per share calculated from the profit belonging to the shareholders of the parent company			
Earnings per share from continuing operations €	17		
Undiluted		-0,014	-0,069
Diluted		-0,014	-0,069
Earnings per share from discontinued operations	17		
Undiluted		0,108	-0,026
Diluted		0,095	-0,026
Earnings per share on retained, sold and discontinued			
operations	17		
Undiluted		0,094	-0,095
Diluted		0,094	-0,095
Extensive consolidated income statement			
Result for the period		8,234	-5,520
Items of the extensive income statement			
Translation differences		-79	-7
Extensive income for the period		**8,155**	**-5,527**
Attributable to			
shareholders of the parent company		5,306	-4,635
minority shareholders		2,849	-892

The notes constitute an integral part of the financial statements

CONSOLIDATED BALANCE SHEET, IFRS

EUR 1,000	Note	Oct 31, 2014	Oct 31, 2013
ASSETS			
Non-current assets			
Goodwill	18	49,692	41,929
Other intangible assets	18	8,707	8,079
Property, plant and equipment	19	9,129	15,153
Interests in associated companies	20	3,611	3,714
Other non-current assets	21	8,129	8,699
Deferred tax assets	23	2,514	4,070
Non-current assets total		81,781	81,644
Current assets			
Stocks	24	14,932	15,437
Trade and other receivables	25	27,311	30,730
Tax assets based on taxable income for the period	25	150	105
Financial assets at fair value through profit and loss	22	9,490	8,400
Cash and cash equivalents	26	9,146	7,970
Current assets total		61,029	62,642
Held-for-sale non-current asset items	27	0	4,348
Assets in total		142,810	148,633
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders			
Share capital	28	5,569	5,569
Share premium account	28	4,646	4,646
Other funds	28	7,390	7,390
Invested unrestricted equity fund	28	14,569	14,508
Translation difference		-152	-73
Retained earnings		95	-1,979
Total		32,116	30,061
Minority shareholders' interest		15,378	19,016
Equity total		47,494	49,077
Non-current liabilities			
Deferred tax liabilities	23	996	1,672
Convertible subordinated loan	29	14,691	14,556
Financial liabilities	29	34,247	28,046
Non-current liabilities total		49,934	44,275
Current liabilities			
Current financial liabilities	29	13,636	18,199
Tax liabilities based on taxable income for the period		509	
Trade payables and other liabilities	30	31,086	35,958
Provisions	31	151	808
Current liabilities total		45,383	54,965
Liabilities related to non-current asset items held for sale			316
Liabilities total		95,317	99,556
Equity and liabilities in total		142,810	148,633

The notes constitute an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	Note	2014	2013
Business operations			
Profit/loss for the financial period		8,234	-5,520
Adjustments:			
Depreciations	12	5,408	10,482
Financial income and costs	14,15	3,255	3,220
Share of associated company profits	10	137	110
Taxes	16	3,763	2,569
Sales profits and losses from property, plant and equipment	9,13	-6,381	0
Other earnings and expenses with no payment attached		1,665	1,765
Operating cash flow before change in working capital		**16,080**	**10,798**
Change in working capital			
Change in non-interest-bearing receivables		707	-1,781
Change in non-interest-bearing liabilities		909	2,919
Change in stocks		6	1,768
Change in working capital		**1,622**	**2,906**
Operating cash flow before financial items and taxes		**17,702**	**13,704**
Financial items and taxes:			
Interest paid		-3,941	-3,111
Interest received		262	325
Taxes paid		-2,630	-3,138
Financial items and taxes		**-6,309**	**-5,924**
Operating net cash flow		**11,393**	**7,780**
Investments			
Investments in intangible and tangible assets		-5,356	-5,766
Sales of intangible and tangible assets		2,195	2,060
Acquisition of subsidiaries with time-of-acquisition liquid assets deducted	6	-14,349	-15,482
Sale of subsidiaries with time-of-sale liquid assets deducted	7	9,881	2,258
Acquisition of associated companies		-235	0
Financial assets acquired and sold entered at fair value through profit and loss		-1,000	-8,400
Capital gains from sales of other shares		13	6
Loans receivable repaid		-409	-128
Investment net cash flow		**-9,260**	**-25,452**
Finance			
Share issue		1,224	5,102
Hybrid loan		0	7,500
Loans drawn		13,638	25,577
Loans repaid		-14,502	-21,543
Disposal of own shares		48	46
Dividends paid		-1,577	-3,156
Finance net cash flow		**-1,169**	**13,527**
Change in liquid assets		965	-4,146
Liquid assets at the beginning of the period		8,193	12,347
Effect of exchange rates		-12	-8
Liquid assets at the end of the period		**9,146**	**8,193**

The notes constitute an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS								
MEUR	Note	Share capital	Share premium account	Invested unrestricted equity fund	Other funds	Translation differences	Retained earnings	Total	Minority shareholders' interest	Equity total
Equity at November 1, 2012		5,569	4,686	16,523	0	-66	1,981	28,653	16,520	45,173
Adjusted equity at November 1, 2012		5,569	4,686	16,523	0	-66	1,981	28,653	16,520	45,173
Extensive income										
Profit/loss for the financial period							-4,628	-4,628	-892	-5,520
Translation differences						-7	7			
Extensive income for the financial period total						-7	-4,621	-4,628	-892	-5,520
Transactions with shareholders										
Dividend distribution	28								-1,116	-1,116
Repayment of capital	28			-2,040				-2,040		-2,040
Share issue										
Disposal of own shares	28,36			38				38		38
Reward scheme	36			13				13		13
Transactions with shareholders, total				-2,015				-2,015	-1,116	-3,131
Disbursement of equity convertible loan					7,390			7,390		7,390
Changes to subsidiary holdings										
Share of minority shareholders created from the merging of businesses									4,505	4,505
Changes in shares of subsidiaries owned not resulting in loss of controlling interest	8						661	661		661
Equity at October 31, 2013		5,569	4,686	14,508	7,390	-73	-1,979	30,061	19,017	49,077
Equity at November 1, 2013		5,569	4,686	14,508	7,390	-73	-1,979	30,061	19,017	49,077
Adjusted equity at November 1, 2013		5,569	4,686	14,508	7,390	-73	-1,979	30,061	19,017	49,077
Extensive income										
Profit/loss for the financial period							5,385	5,385	2,849	8,234
Translation differences						-79	14	-65		-65
Extensive income for the financial period total						-79	5,399	5,320	2,849	8,169
Transactions with shareholders										
Dividend distribution	28							0	-1,577	-1,577
Repayment of capital	28									
Share issue										
Interest on equity convertible loan							-731	-731		-731
Disposal of own shares	28			48				48		48
Reward scheme	36			13				13		13
Transactions with shareholders, total				61			-731	-670	-1,577	-2,247
Disbursement of equity convertible loan										
Changes to subsidiary holdings										
Share of minority shareholders created from the merging of businesses									1,224	1,224
Changes in shares of subsidiaries owned resulting in loss of controlling interest									-3,866	-3,866
Changes in shares of subsidiaries owned not resulting in loss of controlling interest	8						-2,594	-2,594	-2,269	-4,863
Equity at October 31, 2014		5,569	4,686	14,569	7,390	-152	95	32,117	15,378	47,494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIC INFORMATION ABOUT THE COMPANY

Panostaja Oyj, together with its subsidiaries, (hereinafter referred to as “Panostaja” or ”the Group”) form a conglomerate whose primary market is Finland. At the balance sheet date, the Group operates in 9 segments. The parent company, Panostaja Oyj, invests in Finnish SMEs primarily through corporate acquisitions.

Panostaja Oyj is a Finnish public corporation operating under the legislation of the Finnish state. The company’s shares have been publicly quoted since 1989. They are quoted on the NASDAQ OMX in Helsinki. The company’s registered office is in Tampere and the address of its head office is Kalevantie 2, 33100 Tampere. A copy of its consolidated financial statements is available at this address. At its meeting of December 11, 2014, Panostaja Oyj’s Board of Directors approved these consolidated financial statements for publishing. Under the Finnish Companies Act, the shareholders may approve or reject the financial statements at the Annual General Meeting held after its publication on February 5, 2015. The AGM also has the opportunity to decide on implementing changes to the financial statements.

2. ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards, as well as the SIC and IFRIC interpretations, valid as at October 31, 2014 have been complied with. The International Financial Reporting Standards refer to the standards approved for application in the EU and the interpretations given on them in the Finnish Accounting Act and the provisions based on it in accordance with the procedure enacted in EU Regulation No 1606/2002. The notes to the consolidated financial statements also comply with the requirements of the Finnish legislation on accounting and corporations which complement the IFRSs.

The consolidated financial statements have been prepared based on the original acquisition costs, with the exception of the financial assets and liabilities recorded at fair value through profit and loss. Compiling financial statements in accordance with the IFRSs requires the Group’s management to prepare certain estimates and to use discretion in applying the accounting principles. The data about such discretion the management have used in applying the Group’s accounting principles for the preparation of the financial statements, and which most affect the consolidated financial statements, are presented in Accounting Principles under the section “Accounting principles requiring the management’s judgment and the principal uncertainties of estimates.”

SUBSIDIARIES

The consolidated financial statements include the parent company Panostaja Oyj and all its subsidiaries.

Subsidiaries are companies in which the Group has a controlling interest. This controlling interest arises when the Group owns more than half of the voting power, or it otherwise has a controlling interest. The existence of potential voting power has also been taken into consideration in estimating the conditions for the emergence of a controlling interest, when the instruments warranting potential voting power are realizable at the time of observation. Controlling interest refers to the right to dictate the principles of the company’s finances and business activities to gain benefits from its operations.

The Group’s inter-group shareholding has been eliminated by the acquisition method. The consideration given and the acquired company’s separately identifiable assets and equity and liabilities have been valued at fair value at the time of purchase. The expenses connected to the acquisition, apart from the costs incurred by the issuance of liability or equity securities, are recognized as expenditure. The consideration given does not include business operations which are processed as separate from the acquisition. The effect thereof has been observed in connection with the acquisition through profit and loss. Any conditional additional purchase price is valued at fair value at the time of purchase and is classified either as a liability or equity. An additional purchase price that is categorized as a liability is valued at fair value on the closing date of each reporting period, and the profit or loss arising from this is recognized through profit and loss or in other items of extensive income. An additional purchase price that has been classified as equity will not be revalued.

Subsidiaries acquired are integrated in the consolidated financial statements from the moment when the Group has gained a controlling interest, and disposed subsidiaries until such time when the controlling interest ends. All of the Group's intracompany transactions, receivables, liabilities and unrealized gains as well as its internal profit distribution are eliminated when preparing the consolidated financial statements. Unrealized losses are not eliminated if the loss results from amortization. The distribution of the financial-year profit or loss to the owners of the parent company and minority shareholders is presented in a separate income statement, and the distribution of extensive income to the owners of the parent company and minority shareholders is presented in connection with the extensive income statement. Any minority shareholders' interest in the procured item is valued either at fair value or to the amount that corresponds to the proportion of minority shareholders' interest in the separately identifiable net assets of the procured item. The valuation principle is determined separately for each corporate acquisition. Extensive income is allocated to the owners of the parent company and minority shareholders, even if this results in the minority shareholders' interest being negative. The proportion of equity belonging to minority shareholders is presented in the balance sheet as a separate item as part of equity. The changes to the parent company's holding in a subsidiary which do not result in the loss of the controlling interest are treated as business operations concerning equity.

When an acquisition takes place in stages, any previous holding is valued at fair value, and the profit or loss arising from this is recognized through profit and loss. When the Group loses its controlling interest in a subsidiary, the remaining investment is valued at the fair value on the date of the loss of the controlling interest, and the difference arising from this is recognized through profit and loss.

ASSOCIATED COMPANIES

Associated companies are enterprises in which the Group has substantial authority. Substantial authority is created when the Group owns more than 20% of the company's voting power, or when the Group has considerable influence in some other manner without having a controlling interest. Associated companies are integrated in the consolidated financial statements using the equity method. If the Group's share of the associated company's loss exceeds the book value of the investment, the investment is recognized in the balance sheet at zero value and losses exceeding the book value are not combined, unless the Group has committed itself to fulfilling the associated company's obligations.

Unrealized profits between the Group and an associate have been eliminated following the holding the Group has. An investment in an associated company includes the goodwill arising from the acquisition. In the Group's income statement, the result corresponding to the Group's holding is presented in row Share of associated company profits.

SEGMENT REPORTING

The Group's segment reporting is based on its business segments. Reports on these business segments are prepared in a manner in line with the internal reporting submitted to the highest operational decision-maker.

FOREIGN CURRENCY ITEMS

The consolidated financial statements are prepared in Euros, which is the functional and presentation currency of the Group's parent company. Foreign currency transactions are recorded in the functional currency using the rate of exchange prevailing on the date of transaction. At each balance sheet date, monetary receivables and liabilities are translated using the rate on the closing date. The exchange differences arising from such translations are recorded in the income statement. The foreign exchange gains and losses of operations are included in the comparable items above operating profit. Non-monetary items are translated using the rate of the transaction date.

Income statements of income statements of foreign Group companies have been translated into Euros at the average exchange rate for the period, while balance sheets have been translated using the closing rates of the balance sheet date. The translation of the profit for the financial year using different currencies in the income statement, the extensive income statement and equity causes a translation difference that is recognized in the other items of the extensive income statement, and it is included in equity in the item 'Translation differences'. The translation differences arising from the elimination of the acquisition costs of foreign subsidiaries and from the translation of equity items accrued after the acquisition are recorded in the items of the extensive income statement. When a foreign unit is sold in part or in full, the translation differences accumulated in equity are recognized through profit and loss as an adjustment of classification as part of sales profit or loss.

NET SALES AND RECOGNITION PRINCIPLES

In presenting net sales, indirect taxes and reductions have been subtracted from sales revenue.

Revenue is recorded on the basis of the fair value of a received consideration or one to be received. A sale of goods is recorded when a Group company sells a product to a customer. A sale of services is recorded for the period during which the service is performed.

EBIT

The IAS 1 standard on the presentation of financial statements does not define the concept of operating profit or loss. However, the Group has defined it as follows: operating profit is the net sum created when other operating income is added to net sales and the following expenses deducted from it: acquisition costs adjusted by the changes in the stocks of ready or incomplete goods, expenses caused by manufacture for the company's own use, employee benefit expenses, depreciation, amortization and any potential impairment losses and other operating expenses. All other income statement items besides those mentioned above are presented under operating profit. Exchange rate differences are included in EBIT if they arise from business-related items; in other cases, they are recognized in financial items.

INCOME TAXES

Tax expense consists of the taxes based on taxable income and deferred tax liabilities for the financial period. Taxes are recognized through profit and loss, except when they relate directly to the items recorded in equity or other items of the extensive income. In such cases, tax is also recorded in these items.

Deferred taxes are calculated on temporary differences between the book values of assets and liabilities and the tax value of assets and liabilities. Deferred taxes are recorded by the balance sheet date using statutory tax rates. However, deferred tax liabilities are not recorded when an asset item or a liability to be initially recognized in bookkeeping is in question, and when the integration of business operations is not in question, and when the recording of such an asset item or liability item does not affect the accounting result nor taxable income at the time the business transaction takes place.

The most important temporary differences arise from fixed assets, appropriations and unexploited tax losses. Deferred tax assets are recognized to the extent that it is probable that future taxable income will become available against which the temporary differences may be utilized. In this respect, the requirements for recognizing deferred tax assets are always estimated on the last trading day of the reporting period.

NON-CURRENT ASSET ITEMS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current asset items (or disposal groups) are classified as held for sale when their recoverable amount, equivalent to their book value, will be recovered mainly from their sale and when their sale is extremely probable. If their recoverable amount which corresponds to their book value will mainly be accrued from their sale instead of their continuous use, they are presented at their book value or fair value less costs to sell, depending on which is smaller. Depreciations from non-current asset items are cancelled on the date of classification.

A discontinued operation is a part of the Group that has been disposed of or that has been classified as held for sale and that represents an important separate business area or geographical area of operation, or is a part of one coordinated plan that concerns the renunciation of an important separate business area or geographical area of operation, or is a subsidiary that has been acquired with the sole purpose of reselling it. The result of sold operations is presented in a row of its own in the consolidated income statement.

GOODWILL AND OTHER INTANGIBLE ASSETS

The goodwill arising from the integration of operations taking place after November 1, 2009 is recorded in the amount that makes the combined amount of the consideration given, minority shareholders' interest in procured item, and the proportion owned previously exceed the acquired net assets.

Goodwill is tested at least once a year for amortization, and it is valued at its original acquisition cost less amortizations. For the purpose of impairment testing, goodwill is allocated to cash-generating units.

Research expenditure is recognized as an expense in the income statement for the period in which it incurs. Development costs are activated when they can reliably be expected to benefit the Group financially in the future and when their acquisition costs can be determined reliably, and when other IAS 38 criteria, such as the product's technical and financial execution criteria, are met. Other development expenditure is recognized as expenses. Development costs that have been previously recorded as expenses are not activated in later financial periods.

Other intangible assets that have limited financial useful lives are recorded in the balance sheet and recognized as expenses in the income statement, marked as depreciations on a straight-line basis, during their financial useful lives. All the company's intangible assets have a limited financial useful life.

Intangible rights include software licenses, joining fees and customer relationships. Other intangible assets include computer software.

The standard times for planned depreciations of intangible assets:

Development costs	5 years
Intangible rights	3–5 years
Other intangible assets	5–10 years

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are valued at original acquisition cost less depreciations, amortizations and impairment. Depreciations on a straight-line basis are made on property, plant and equipment within their estimated financial useful lives. No depreciations are made on land.

The estimated financial useful lives are as follows:

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

The depreciation values and financial useful lives of property, plant and equipment are estimated and adjusted at least at the end of each financial period, and if they differ significantly from previous estimates they will be altered accordingly.

The sales profits and losses of property, plant and equipment are determined by comparing their sales price to their book value, and they are presented in the income statement as other operating income or expenses.

RENTAL AGREEMENTS

Rental agreements where the Group carries a significant share of the risks and rewards integral to ownership are classified as finance leases. A finance lease is recorded in the balance sheet at the fair value of the leased item on the lease's commencement, or a lower present value of the minimum lease payments. Item acquired under finance leases are depreciated over the financial useful life of the asset or over a shorter lease term. The leasing rates payable are divided into the financing cost and the decrease in liabilities. Equivalent leasing rental responsibilities, less costs of funding, are included in non-current and current interest-bearing liabilities according to their expiration. The share of interest of financial expenses is recorded in the income statement during the rental agreement so that the remaining liability has an identical interest rate during each financial period.

Rental agreements where the lessor carries a significant share of the risks and rewards integral to ownership are classified as other rental agreements. Rents are recognized in the income statement as equal-sized items over the lease term.

AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

At each balance sheet closing date, the Group assesses whether there are indications that the carrying amount of an asset item may not be recoverable. If such indications exist, the recoverable amount of the asset item in question will be measured. In addition, the recoverable amount will be estimated annually from the following asset items whether there are indications of amortization or not: goodwill, intangible assets of indefinite financial useful lives, and in-process intangible assets. The impairment need is examined at the level of cash-generating units.

An impairment loss is recognized if the book value of the asset item or cash-generating unit exceeds the recoverable amount. Impairment losses are recorded in the income statement. An impairment loss of a cash-generating unit is first allocated to decrease the goodwill directed at the cash-generating unit, and thereafter to symmetrically decrease the other asset items of the unit. On the recognition of an impairment loss, the financial useful life of the asset item depreciated is reassessed.

The recoverable amount of tangible and intangible assets is determined either so that it is their fair value less costs to sell, or a higher service value. In determining service value, the estimated deferred cash flows are discounted to their current value based on discount rates which reflect the average capital cost before tax of the cash-generating unit in question. The discount rates used have been determined before taxes, and the special risk of the cash-generating unit in question is also taken into consideration in calculating them.

Impairment loss connected to property, plant and equipment and other intangible assets except goodwill is cancelled if a change has occurred in the estimates used in determining the amount recoverable from an asset item. Impairment loss is cancelled no higher than to the amount that would have been determined as the book value of an asset item (less depreciation) if impairment losses had not been recognized for it in previous years. Impairment loss recorded for goodwill will not be cancelled.

GOVERNMENT ALLOWANCES

Allowances for the acquisition of tangible or intangible assets are reduced from the book value of the asset item in question where there is reasonable reliability that the grant will be received and that the Group will meet all the conditions set for receiving the grant. Allowances are recognized in the form of smaller depreciations during the service life of the asset item.

STOCKS

Stocks are valued at the acquisition cost or a lower net realizable value. Net realizable value is the estimated sales price obtainable in conventional business, from which the estimated costs resulting from manufacturing the item for sale and the estimated costs necessary for carrying out the sale have been deducted.

The value of stocks has been determined using the FIFO method and it includes all the direct costs resulting from the acquisition, as well as other indirect focused costs. In addition to the purchase cost of materials, direct labor costs and other direct expenses, the acquisition cost of manufactured stocks includes a proportion of the general expenses of production, but not the outlay for sales or financing. The value of stocks has been reduced as far as obsolescent property is concerned.

FINANCIAL DERIVATIVES

The Group has no essential derivative agreements other than interest rate swaps.

Derivative agreements are initially recognized in accounting at fair value on the day that the Group becomes a party to a contract, and they are further valued at fair value at a later date. The Group does not apply hedge accounting to interest rate swaps, because they do not meet the conditions for hedge accounting defined in IAS 39. In such a case, a change in the fair value of hedging instruments is immediately recognized in financing income and costs through profit and loss.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

Financial assets are classified into the following groups: investments, loans and other receivables recognized at fair value through profit and loss, and saleable liquid assets. This classification takes place in connection with the original acquisition based on the purpose of use of the financial assets.

Purchases and sales of financial assets are recognized based on the trading day – the day when the Group undertakes to purchase or sell an asset item. Investments in financial assets, which are not recognized at fair value through profit and loss, are initially recorded at fair value, to which transaction costs are added. The financial assets recognized at fair value through profit and loss are initially recorded at fair value and transaction costs are recorded as costs in the income statement. Financial assets are not recognized in the balance sheet after the rights to the cash flows of the investment have ceased or been transferred to another party and the Group has transferred a substantial part of the risks and rewards involved in ownership to another party.

Financial assets recognized at fair value through profit and loss consist of financial assets held for the purpose of trading and of financial assets that the Group classifies in this category in connection with the original recording. Financial instruments held for the purpose of trading include the Group's derivatives only. The latter group included quoted interest fund shares, because the company administers it and its profitability is assessed based on fair value in accordance with a documented risk management strategy, and information concerning the group is produced internally on this basis for key persons belonging to the management of the organization.

Financial assets held at fair value through profit and loss belong to short-term assets, except when their period for falling due exceeds 12 months or management does not intend to divest them within 12 months of the reporting date. Changes in the fair value of financial assets recognized at fair value through profit and loss are recorded on the income statement in 'Financial Items' in the period during which they were created.

Loans and other receivables are investments not belonging to derivative assets. Any charges connected to them are fixed or specifiable. They are not quoted on functioning markets, and the Group does not hold them for the purpose of trade, nor have they been originally recorded as saleable. Loans and other receivables are valued in the allocated acquisition cost using the effective interest method, and those with no fixed maturity date are valued at purchase price. Loans and other receivables are included in the balance sheet based on their character as current or non-current assets: the latter if they mature over a period longer than 12 months after the closing date of the reporting period. Trade receivables are valued according to the original invoiced amount, less any amortization.

Saleable liquid assets are investments not belonging to the group of derivative assets. They are either specifically classified to be in this group or they have not been classified to belong to any group. They are current assets, unless the management intends to keep the investment in question for a period of longer than 12 months from the balance sheet date. Changes to the fair value of saleable liquid assets are recognized in other items of the extensive income and presented in the fair value fund contained in the equity item Retained earnings, with the tax effects taken into consideration. Unlisted shares whose fair value cannot be reliably determined are recognized in the acquisition value on the balance sheet. The changes accrued in fair value are transferred from equity through profit and loss and recognized as an adjustment resulting from classification changes when the investment is sold or its value has decreased to such an extent that an impairment loss must be recorded on the investment.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, short-term bank deposits and other current, extremely liquid investments whose initial maturity is no more than three months. Checking account credit is presented in other current liabilities.

Amortization of financial assets

On every balance sheet date, the Group estimates whether there is objective evidence of the depreciation of an item part of the financial assets, or of the depreciation of a group of financial assets. A debtor's significant economic difficulties, the likelihood of bankruptcy and a default on a payment are evidence of depreciation. If there is evidence, depreciation is performed on loans and other receivables (including trade receivables) if their balance sheet value is greater than the estimated recoverable amount.

The amount of an impairment loss recognized in the income statement is determined by the difference between the book value of a receivable and estimated deferred cash flows that have been discounted with the effective interest rate. If the amount of the impairment loss decreases during a later financial period and the deduction can objectively be considered to relate to an event taking place after the amortization was entered, the loss recorded will be cancelled through profit and loss.

If it is a question of share investments classified as held for sale, the significant or prolonged amortization of fair value under the acquisition cost is considered to be evidence of the amortization of the asset item. If such evidence exists in relation to financial assets held for sale, the accrued loss, which is defined as the difference between the acquisition cost and its present fair value minus the impairment loss previously recorded through profit and loss on the item in question belonging to financial assets, is removed from equity and recorded through profit and loss. Impairment losses from shares entered in the income statement are not canceled through the income statement.

Financial liabilities

Initially, loans are recognized in accounting at fair value, less transaction costs. After this, they are valued in allocated acquisition costs using the effective interest method; the difference between payment received (less transaction costs) and the amount repayable is recognized as interest costs during the loan period.

Convertible bond loans are divided into equity and liabilities. The loan's liability component is initially recognized in the amount that has been determined by discounting future cash flows using the market rate of interest of a corresponding loan without right of exchange on the date of issue. The equity component is initially recognized as the difference between the fair value of the entire loan and the fair value of the liability component. The equity component is recorded with the tax effect deducted. After the initial recognition, the liability component of the convertible bond loan is valued in the allocated acquisition cost using the effective interest method. The loan's equity component is not revalued after the original recognition, except in cases where it is exchanged for shares or its validity expires.

Loans are classified as current, unless the Group has an absolute right to postpone their payment to at least 12 months from the balance sheet date.

Liability costs are recognized as expenses once they materialize. The liability expenses resulting directly from the acquisition, construction or manufacture of an asset item that fulfills the conditions set are activated as part of the asset's acquisition costs when they are likely to produce deferred financial benefits and when the costs can be reliably determined.

EQUITY

The Group classifies the instruments it issues based on their nature either as equity or as a financial liability. An equity instrument is any agreement, which demonstrates the right to a share of an organization's assets after the deduction of all its liabilities. Costs that concern the issue or acquisition of the Group's own equity instruments are presented as an equity deductible item. If the Group buys back its own equity instruments, the acquisition cost for these instruments is deducted from equity.

An equity debenture loan (so-called hybrid loan) is recognized as company equity because it has no maturity date, but the Group is entitled, but not obliged, to redeem it. Interest is only paid if the General Meeting decides to distribute dividends. If dividends are not distributed, the Group may decide separately on the payment of interest. Interest is presented as the distribution of dividends according to their nature.

PENSION LIABILITIES

The Group's pension schemes have been classified as payment-based schemes. A payment-based pension scheme refers to an arrangement in which the company makes fixed payments to a separate corporation. The company is under no legal or actual obligation to pay additional charges if the separate corporation in question does not have enough funds to pay everyone the benefits relating to their work that they have made payments on during the present or earlier financial periods. The payments made to the payment-based scheme are recognized as the expenses of the financial period during which the payment is made.

SHARE-BASED PAYMENTS

The Group has incentive schemes in which payments are made as equity instruments. Expenses incurred by business operations that are paid as equity are determined based on the fair value of the grant date. The company determines fair value using an appropriate pricing method. An expense resulting from business operations paid as equity and a corresponding increase in equity is recognized during the period when the work is performed and/or when the conditions based on the performance of the work are met. This period ends on the date when the persons involved are fully entitled to remuneration ("Time of the origin of entitlement"). The expenses accrued that are recorded by each balance sheet date from business operations that are paid as equity reflect the extent to which the time of the origin of entitlement has elapsed, and the Group's best estimate on the number of the equity instruments to which this right will eventually be created. The profit/loss is presented in the Group's income statement under staff expenses.

PROVISIONS

Provisions are recognized when a company, as a result of past events, has a legal or actual obligation, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision corresponds to the best estimate of the costs that are required for the fulfillment of the existing obligation on the balance sheet date.

APPLIED NEW AND REVISED STANDARDS AND INTERPRETATIONS

As of 1 November 2013, the group has applied the following new and revised standards and interpretations that have affected the consolidated financial statements:

- IFRS 13 Fair value measurement (effective for financial years beginning on or after 1 January 2013). The purpose of the standard is to increase consistency and reduce complexity, as it provides a specific definition for fair value and combines the requirements for fair value measurement and the required notes. The use of fair value will not be expanded but instructions for

specifying and measuring it will be provided when its use is permitted, or it is required by another standard.
As of 1 November 2013, the group has applied the following new and revised standards and interpretations that have not affected the consolidated financial statements:

- Amendment to IAS 19 Employee benefits (effective for financial years beginning on or after 1 January 2013). The amendments mean that all actuarial profits and losses must, in future, be recorded immediately in other items of the extensive income statement. In other words, the "pipe method" will be abandoned and the financial expenses will be defined based on net funding.
- IFRIC 20 Stripping costs in the production phase of a surface mine (effective for financial years beginning on or after 1 January 2013).
- Amendment to IFRS 7 Financial instruments (effective for financial years beginning on or after 1 January 2013). The amendment specifies the note requirements concerning financial instruments presented in the balance sheet in net terms and general offset arrangements or similar agreements.
- Improvements to IFRS standards (Annual Improvements to IFRS 2009–2011, May 2012, effective for financial years beginning on or after 1 January 2013). The amendments included in the project apply to five standards in total.

NEW AND REVISED STANDARDS AND INTERPRETATIONS TO BE APPLIED LATER

IASB has released the following new or revised standards and interpretations that the group has not yet applied.

- IFRS 10 Consolidated financial statements (effective for financial years beginning on or after 1 January 2014).
- IFRS 11 Consolidated financial statements (effective for financial years beginning on or after 1 January 2014).
- IFRS 12 Disclosure of interests in other entities (effective for financial years beginning on or after 1 January 2014).
- IAS 27 (revised 2011) Separate financial statements (effective for financial years beginning on or after 1 January 2014).
- Investment entities – amendments to IFRS 10, IFRS 12 and IAS 28 (effective for financial years beginning on or after 1 January 2014).
- IAS 28 (revised 2011) Investments in associates and joint ventures (effective for financial years beginning on or after 1 January 2014).
- Amendment to IAS 32 Financial instruments: Presentation (effective for financial years beginning on or after 1 January 2014).
- Amendment to IAS 36 Impairment of assets – Recoverable amount disclosures for non-financial assets (effective for financial years beginning on or after 1 January 2014).
- Amendment to IAS 39 Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting (effective for financial years beginning on or after 1 January 2014).
- IFRS 21 Levies (effective for financial years beginning on or after 1 January 2014).
- The annual improvements made to the IFRS standards in 2012 cause changes to the following standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38, IAS 24
- The annual improvements made to the IFRS standards in 2013 cause changes to the following standards: IFRS 1, IFRS 3, IFRS 13, IAS 40
- The annual improvements made to the IFRS standards in 2014 cause changes to the following standards: IFRS 5, IFRS 7, IAS 19, IAS 34
- Amendment to IAS 19 "Employee benefits" with regard to the payments of employees or third parties (effective for financial years beginning on or after 1 July 2014)
- Amendment to IFRS 11 "Joint arrangements" with regard to accounting for shares to be obtained for joint operations (effective for financial years beginning on or after 1 January 2016)
- Amendment concerning depreciations to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" (effective for financial years beginning on or after 1 January 2016)
- Amendment concerning profitable plants to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" (effective for financial years beginning on or after 1 January 2016)
- Amendment to IFRS 10 and IAS 28 with regard to sales of assets between associates and joint ventures and their issue as contributions (effective for financial years beginning on or after 1 January 2016)
- Amendment concerning the equity method to IAS 27 "Separate financial statement" (effective for financial years beginning on or after 1 January 2016)
- IFRS 14 "Regulatory deferral accounts" (effective for financial years beginning on or after 1 January 2016)
- IFRS 15 "Revenue from contracts with customers" (effective for financial years beginning on or after 1 January 2017)
- IFRS 9 "Financial instruments" (effective for financial years beginning on or after 1 January 2018; earlier application is permitted)
- Amendments to the transition provisions of IFRS 10, 11 and 12. The transition provisions of IFRS 10, 11 and 12 will be facilitated in such a way that adjusted comparative information is only required on one financial year. It will not be necessary to present comparative information on unconsolidated structured entities in the consolidated financial statement for financial years preceding the implementation of IFRS 12.

3. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The Group's financial risks comprise credit and counterparty risk, exchange rate risk, interest rate risk and liquidity risk. Credit and counterparty risk comprises payments of trade receivables coming from customers, the centralization of the customer base and co-operative banks approved as counterparties. Subgroups are exposed to transaction risk stemming from exchange rate fluctuations, principally resulting from export activity. The Group has no significant investments in foreign companies, so it is not exposed to significant translation risk. The effects of changes in interest rates on the value of interest-bearing liabilities and receivables and on the amount of future interest payments cause interest risk.

The Group's financial functions are centralized in the parent company, which is responsible for banking relations, long-term financial arrangements, asset investment and the Group's internal financial allocation in accordance with the liquidity needs of the different Group companies together with the management of the subgroups. The general principles of the Group's risk management are approved by the Board of Directors and their practical implementation is the responsibility of the parent company together with the subsidiaries.

EXCHANGE RATE RISK

The Group mainly operates in the eurozone and so is only exposed to foreign exchange risks resulting from changes in exchange rates to a slight degree.

INTEREST RATE RISK

The Group's income and operating cash flow is largely independent of fluctuations in market interest rates. The interest risk of the Group mainly constitutes borrowing, which is spread over variable and fixed-interest loans. At the end of the financial period, variable-interest liabilities amounted to MEUR 33,423 (MEUR 35,292) and fixed-interest liabilities MEUR 27,818 (MEUR 27,066).

Some of the Group's subsidiaries use interest rate swaps, by which MEUR 3.3 (MEUR 11.5)'s worth of variable-interest loans are hedged. The effect of interest rate swaps is to make fluctuating interest payments fixed. The Group does not apply hedge accounting.

INTEREST RATE RISK SENSITIVITY ANALYSIS

The following table illustrates how any moderate change in interest rates, other variables remaining constant, would affect the Group's results as a consequence of changes to the cost of interest on debts with floating interest rates.

EUR 1,000	1% higher Income statement	1% lower Income statement
Effect of change to interest rate		
2014	**-267**	**267**
2013	-266	266

CREDIT RISK

Credit risk is managed at Group level, with the exception of risk associated with trade receivables. The companies in the Group check the creditworthiness of customers at least when the customer relationship is being established. To minimize credit risk, the aim is to obtain effective collateral if a customer's creditworthiness so requires. The Group has long-established business relationships with its major customers. The Group has no significant risk concentration.

The risk associated with the Group's liquid assets and derivative agreements is low, since these financial agreements are only concluded with banks with a good credit rating in accordance with the Group's risk management principles.

LIQUIDITY RISK

The Group constantly assesses and monitors the amount of finance required for its operations, so that it will have sufficient liquidity to finance its business and repay its loans when they fall due. The maturity distribution of financial liabilities is presented in Note 29 to the financial statements.

Efforts are made to guarantee the availability and flexibility of finance through adequate credit limits and by using different sources and forms of finance in the procurement of finance. At the time of the closing of the books, the Group had MEUR 2 of unused credit limits at its disposal. Furthermore, at the time of the closing of the books, Panostaja had MEUR 9.1 of liquid assets. Fund shares are low-risk and investment in them can be withdrawn at the desired time.

In 2011, the company issued a convertible subordinated loan, which amounted to MEUR 15,000,000, all of which was subscribed. The loan paid out fixed annual interest of 6.5%. Loan period is February 7, 2011–April 1, 2016. The loan will be repaid in one installment, assuming that the repayment requirements are met.

The Group's most important loan covenants are reported to financiers half-yearly. If the Group breaches the terms and conditions of a loan covenant, the creditor may demand the accelerated repayment of the loans. Management regularly checks the fulfilment of loan covenant terms and conditions. The Group's parent company has provided securities to financiers on behalf of its subsidiaries as security for creditors. (Note 29 to the financial statements).

Negligence related to liabilities, and breaches of contract:

During the financial period, the loan covenant was broken in one of the subgroups. Consent was received from the financiers that they would not demand accelerated repayment. The broken covenants concerned the equity ratio of the subgroup.

The reorganization proceedings of Takoma Oyj and Takoma Gears Oy began on January 17, 2014, and the reorganization program was confirmed at Pirkanmaa District Court on September 30, 2014. The repayment schedule of the reorganization debts was prolonged and the debt structure was lightened in the reorganization program.

CAPITAL MANAGEMENT

The aim of the Group's capital management is to ensure that the business has the prerequisites for operating normally and to increase the share value over the long term. Dividend distribution, the purchase of own shares, capital repayments and share issues all impact on the capital structure. No external capital requirements apply to the Group.

In May 2013, Panostaja Oyj issued a domestic hybrid loan of MEUR 7.5 (equity debenture loan). The hybrid loan issued has strengthened the company's solvency and financial position. The hybrid loan has been processed in accordance with the IFRS standards as an equity loan and is shown on the balance sheet in the equity group. The hybrid loan is recognized as company equity because it has no maturity date, but the Group is entitled, but not obliged, to redeem it. Interest is only paid if the General Meeting decides to distribute dividends. If dividends are not distributed, the Group may decide separately on the payment of interest. Interest is presented as the distribution of dividends according to their nature.

The trend in the Group's capital structure is monitored with equity ratio and gearing. The Group's equity ratio was 33.3% (33.2%) and its gearing ratio 73.7% (82.6%).

EUR 1,000	2014	2013
Interest-bearing financial liabilities	58,131	60,867
Interest-bearing receivables	4,487	3,980
Cash and cash equivalents	18,636	16,370
Net liabilities	35,008	40,517
Equity total	47,494	49,077
Gearing ratio	73.7%	82.6%

4. THE ACCOUNTING PRINCIPLES REQUIRING MANAGEMENT DISCRETION AND THE KEY UNCERTAINTIES RELATING TO ESTIMATES

Any estimates prepared and discretion exercised are founded on previous experience and other factors, such as presumptions about future events. The estimates prepared and discretion applied are examined on a regular basis. Below is a description of the most important areas in which estimates and discretion have been applied.

VALUATION OF ACQUIRED ASSETS AT FAIR VALUE

IFRS 3 requires the supplier to enter any intangible asset as separate from goodwill, if the entry criteria are met. Recognizing an intangible right at fair value requires the management's estimate of future cash flows. As far as possible, the management has applied the available market values as the basis for the allocation of an acquisition cost in determining fair value. Whenever this is not possible, which is typical with intangible assets especially, valuation is based on the asset item's historical revenue and its intended use in future business. Valuations are founded on discounted cash flows and estimated transfer and replacement prices, and require the management's estimates and assumptions on the future use of the asset items and their effects on the company's financial status. Shifts in the focus and orientation of the company's business activities may, in the future, bring about changes in the original valuation (Note 6 and 18 to the financial statements).

Management uses significant discretion when assessing the fair value of possible conditional additional purchase prices on the closing day of each reporting period.

CONDITIONAL PURCHASE PRICES CONCERNING CORPORATE ACQUISITIONS

During the financial period, KotiSun Group Oy acquired the entire shareholding in KotiSun Oy, the conditional additional purchase price of which estimated in connection with the acquisition was MEUR 2.4. At the time of the closing of the books, management estimated the conditional additional purchase price to be MEUR 2.5. The difference of MEUR 0.1 between the original estimate of the conditional additional purchase price and that made at the time of the closing of the books has been recognized in the company's other business costs through profit and loss.

During the previous financial period, Flexim Security Oy acquired the business of Lappeenrannan Lukko- ja Varustepalvelu Oy, the conditional additional purchase price of which estimated in connection with the acquisition was MEUR 0.6. At the time of the closing of the books, management estimated the conditional additional purchase price to be MEUR 0.3. The difference of MEUR 0.3 between the original estimate of the conditional additional purchase price and that made at the time of the closing of the books has been recognized in the company's other business income through profit and loss.

IMPAIRMENT TESTS

Annually, the Group tests the potential amortization of goodwill and of the value of those intangible assets that have indefinite financial useful lives. The amount recoverable by cash-generating units is based on calculations of service value. Formulating these calculations requires the use of estimates. Although the presumptions applied in accordance with the management's vision are appropriate, the estimated recoverable amounts may differ significantly from those materializing in the future (Note 18 to the financial statements).

VALUATION OF STOCKS

It is the management's principle to enter any impairment loss from slowly moving and outdated stocks on the basis of the management's best estimation of the potentially unusable stocks possessed at the balance sheet date. The management bases its estimation on a systematic and continuous monitoring and evaluation. The company also applies a valuation code founded on the stocks' turnover ratio.

RECOVERABILITY OF DEFERRED TAX ASSETS

It takes discretion to decide whether deferred tax assets should be entered on the balance sheet. Deferred tax assets are only recognized if it is more likely that they will be realized than not, which is determined by whether sufficient taxable income accumulates in the future. The assumptions for accrual of taxable income are based on the evaluations and assumptions of the management.

These evaluations and suppositions involve risk and uncertainty, and it is therefore possible that changes in circumstances bring about changes to assumptions, and this may in turn affect the deferred tax receivables recorded on the balance sheet as well as any other as yet unrecognized tax losses and temporary differences.

If the taxable income of the companies in the Panostaja Group turns out to be less than what management predicted when deferred tax receivables were being determined, the value of the receivables will fall or they will become completely worthless. In that case, the amounts entered on the balance sheet may have to be canceled through profit and loss.

There are MEUR 2.6 worth of deferred tax assets on the balance sheet of Panostaja Group. The change in the rate of the corporation tax on the financial period's deferred tax assets was MEUR 0.8.

5. SEGMENT INFORMATION

Panostaja Group's business operations are reported in nine segments: Digital Printing Services, Safety, Takoma, Ceiling Materials, Fittings, Spare Parts for Motor Vehicles, Building Technology Renovation, Heat Treatment and Other. These reported segments have been formed because they produce products and services that differ from each other. The transactions between segments have taken place on normal commercial terms and conditions.

Reports on these business segments are prepared in a manner in line with the internal reporting submitted to the highest operational decision-maker. Senior operational decision-making is represented by the Senior Management Team of the Panostaja Group.

BUSINESS SEGMENTS

- The profit in the Digital Printing Services segment is mainly derived from the sales of digital printing services.
- The profit in the Safety segment is from safety-related technology and services.
- The profit in the Takoma segment is from the engineering business of Takoma Oyj.
- Ceiling materials – the segment's revenue comes form the wholesale trade in internal lining materials, suspended ceiling products and their support systems.
- The profit in the Fittings segment is from construction and furniture fittings wholesale.
- The profit in the Spare Parts for Motor Vehicles segment is from the import, wholesale and distribution of original spare parts and accessories for cars.
- The profit in the Building Technology Renovation segment is from the renovation of the plumbing and heating networks in buildings.
- The profit in the Heat Treatment segment is from metal heat treatment services, and from the development, manufacture and marketing of machinery and equipment needed in metal heat treatment.
- The Other segment reports the business of the Group's parent company, including its associated companies and non-allocated items.

BUSINESS SEGMENTS 2014

EUR 1,000	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	Operating profit	Financial income and expenses	Share of associated company profits	Income tax	Profit/loss from continuing operations	Assets	Liabilities	Employees at the end of the period
Digital Printing Services	57,795	81	57,714	-2,503	7,146		50			45,051	21,519	497
Safety	33,671	110	33,560	-875	2,113					20,551	17,377	249
Takoma	15,339	0	15,339	-947	-365					13,292	13,048	92
Ceilings	10,989	3	10,986	-202	544					4,879	2,735	13
Fittings	10,912	53	10,859	-177	818					10,538	8,000	33
Spare parts for Motor Vehicles	10,768	0	10,768	-110	714					4,423	3,173	47
Building Technology Renovation	8,758	0	8,758	-161	1,099					16,414	12,791	113
Heat Treatment	6,832	0	6,832	-358	239					4,269	1,854	59
Others	0	0	0	-44	5,672		-186			31,073	22,499	9
Eliminations		-247	-16	-30	-7,810					-7,681	-7,681	
Group in total	**155,064**	**0**	**154,802**	**-5,408**	**10,169**	**-3,255**	**-137**	**-3,763**	**3,015**	**142,810**	**95,316**	**1,112**

BUSINESS SEGMENTS 2013

EUR 1,000	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	Operating profit	Financial income and expenses	Share of associated company profits	Income tax	Profit/loss from continuing operations	Assets	Liabilities	Employees at the end of the period
Digital Printing Services	50,777	49	50,729	-2,204	6,351		40			42,782	18,810	451
Safety	31,831	103	31,728	-841	1,574					19,657	17,372	205
Takoma	14,149	0	14,149	-3,713	-4,106					20,058	18,033	163
Ceilings	12,760	9	12,752	-213	873					5,718	3,615	15
Fittings	11,909	45	11,864	-192	-152					10,772	8,584	37
Spare parts for Motor Vehicles	10,274	0	10,274	-107	813					4,462	3,566	39
Building Technology Renovation	0	0	0	0	0					0	0	0
Heat Treatment	5,744	0	5,744	-1,208	-1,469					4,906	2,817	62
Others	34	29	5	-76	-925		-150			46,955	33,437	323
Eliminations		-234	-200	0	-1,372					-6,677	-6,677	
Group in total	**137,478**	**0**	**137,044**	**-8,554**	**1,586**	**-2,734**	**-110**	**-968**	**-2,226**	**148,633**	**99,556**	**1,295**

* In the reference year, the Other row includes the assets and liabilities of discontinued operations and their staff.

6. ACQUIRED BUSINESSES

SUBSIDIARY ACQUISITIONS

On May 7, 2014, Panostaja Oyj's subsidiary KotiSun Group Oy acquired the entire shareholding of plumbing and heating network renovation services provider, KotiSun Oy. As a result of the transaction, Panostaja expanded its business operations and established within the Group a new business area specializing in building technology renovation for houses. As part of the arrangement, KotiSun Oy's owners continued as minority shareholders in the new business area. As a result of the reorganization, Panostaja owns 60% of the total share capital of KotiSun Group Oy.

The purchase price paid for the company's entire shareholding was MEUR 11.7. The sellers also have the chance of an additional purchase price of up to MEUR 3.0, which will be set based on the operating margin for the 2014 calendar year. At the time of the transaction, the company evaluated the overall purchase price to be MEUR 14.

At the time of the closing of the books, the overall purchase price was estimated to be MEUR 14.2.

The fair values of acquired assets and assumed liabilities at the time of acquisition were as follows:

	Note	MEUR
Tangible assets, and property, plant and equipment	19	1.0
Stocks	24	0.4
Trade and other receivables	25	1.1
Cash and cash equivalents	26	2.3
Assets in total		**4.8**
Deferred tax liabilities		
Financial liabilities	29	0.0
Other liabilities	30	-2.0
Liabilities total		**-2.0**
Net assets		**2.8**

CONSIDERATION GIVEN	MEUR
Cash	11.7
Conditional consideration	2.4
Report on previous transaction	
Total acquisition cost	14.1

FORMATION OF GOODWILL IN THE ACQUISITION	MEUR
Consideration given	14.1
Share of minority shareholders based on the relative share of identifiable net assets	
Previous holding valued at fair value	
Identifiable net assets of acquired item	2.8
Goodwill	11.3

CASH FLOW STATEMENT	MEUR
Purchase price paid as cash	11.7
Liquid assets acquired	-2.3
Direct costs of acquisition	0.1
Cash flow effect	9.5

ACQUISITIONS IN THE 2013 FINANCIAL YEAR

Subsidiary acquisitions

On November 7, 2012, Panostaja Oyj's subsidiary Selog Group Oy acquired the entire shareholding of ceiling materials wholesale services company Selog Oy. As part of the arrangement, Selog Oy's owners continued as minority shareholders in the new business area. Since this arrangement, Panostaja holding in Selog Group Oy is 60%.

The purchase price was MEUR 2.5 and it was paid entirely in cash.

The Group entered a total of EUR 0.01 million in fees related to advisory services, valuation services and other services. These fees are included under Other Business Costs in the income statement.

The fair values of acquired assets and assumed liabilities at the time of acquisition were as follows:

	Note	MEUR
Tangible assets, and property, plant and equipment	19	1.9
Stocks	24	0.8
Trade and other receivables	25	2.6
Cash and cash equivalents	26	0.1
Assets in total		**5.4**
Deferred tax liabilities	23	-0.3
Financial liabilities	29	-1.5
Other liabilities	30	-1.8
Liabilities total		**-3.6**
Net assets		**1.8**

FORMATION OF GOODWILL IN THE ACQUISITION	MEUR
Consideration given	2.5
Identifiable net assets of acquired item	1.8
Goodwill	**0.7**

The Group has allocated MEUR 0.9 of the trading price to customer relations. The company has significant long-term and stable customer relations that are expected to result in increased net sales now and in the future. In addition, MEUR 0.1 of the trading price was allocated to stocks acquired.

CASH FLOW STATEMENT	MEUR
Purchase price paid as cash	2.5
Cash and cash equivalents of the acquired subsidiary	-0.1
Direct costs of acquisition	0.1
Cash flow effect	2.5

On November 6, 2012, Panostaja Oyj's subsidiary Suomen Helasto Oy bought the entire shareholding of Oy Eurohela Trading Ltd, which provides furniture fittings wholesale services. As a result of the reorganization, Panostaja Oyj's shareholding in Suomen Helasto Oy is about 95% (for more information see Note 8; sale of 5% to Hannu Rantanen).

The purchase price was MEUR 1.9 and it was paid entirely in cash.

The Group entered a total of EUR 0.02 million in fees related to advisory services, valuation services and other services. These fees are included under Other Business Costs in the income statement.

The fair values of acquired assets and assumed liabilities at the time of acquisition were as follows:

	Note	MEUR
Tangible assets, and property, plant and equipment	19	0.2
Stocks	24	1.2
Trade and other receivables	25	0.3
Cash and cash equivalents	26	0.2
Assets in total		2.0
Deferred tax liabilities	23	-0.1
Financial liabilities	29	0
Other liabilities	30	-0.4
Liabilities total		-0.5
Net assets		1.5

FORMATION OF GOODWILL IN THE ACQUISITION	MEUR
Consideration given	1.9
Identifiable net assets of acquired item	1.5
Goodwill	0.4

CASH FLOW STATEMENT	MEUR
Purchase price paid as cash	1.9
Cash and cash equivalents acquired	-0.2
Direct costs of acquisition	0
Cash flow effect	1.7

On December 4, 2012, Panostaja Oyj's subsidiary Digiprint Finland Oy bought the entire shareholding of DMP-Digital Media Partners Oy. The purchase price was MEUR 13.7 and it was paid entirely in cash. The corporate acquisition extends Panostaja's business area specializing in digital printing services, which already includes the Kopijyvä Group.

As a result of the reorganization, Panostaja owns approximately 56% of the total share capital of Digiprint Finland Oy. As part of the reorganization, the shareholders of DMP-Digital Media Partners Oy became minority shareholders in Digiprint Finland Oy. Following the arrangement, Digiprint Finland Oy wholly owns Kopijyvä Oy and DMP-Digital Media Partners Oy and 51% of DMP Diesel Oy, a subsidiary of DMP-Digital Media Partners Oy.

The fair values of acquired assets and assumed liabilities at the time of acquisition were as follows:

	Note	MEUR
Tangible assets, and property, plant and equipment	19	4.1
Stocks	24	0.1
Trade and other receivables	25	2.6
Cash and cash equivalents	26	3.2
Assets in total		10
Deferred tax liabilities	23	-0.6
Financial liabilities	29	0
Other liabilities	30	-3
Liabilities total		-3.6
Net assets		6.4

CONSIDERATION GIVEN	MEUR
Cash	13.7
Conditional consideration	0.0
Report on previous transaction	0.0
Total acquisition cost	13.7

FORMATION OF GOODWILL IN THE ACQUISITION	MEUR
Consideration given	13.7
Identifiable net assets of acquired item	6.4
Goodwill	7.3

CASH FLOW STATEMENT	MEUR
Purchase price paid as cash	13.7
Cash and cash equivalents acquired	-3.2
Direct costs of acquisition	0.1
Cash flow effect	10.6

7. DISPOSAL OF SUBSIDIARIES AND BUSINESS OPERATIONS

On May 21, 2014, Panostaja Group together with the other owners of Vindea Group Oy sold the entire shareholding in Vindea Group Oy to Suomen Transval Group Oy for MEUR 16.7. Panostaja's share of the purchase price was MEUR 9.1. Panostaja Oyj owned 54.22% of the subsidiary. Panostaja Group recorded a sales profit of MEUR 5.5 from the transaction.

In the consolidated financial statements, the result of the Value-added Logistics segment is presented in the section 'Result from Discontinued Operations' in the financial periods ending on October 31, 2014 and October 31, 2013.

RESULT OF THE VALUE-ADDED LOGISTICS SEGMENT, MEUR	Nov 1, 2013– May 21, 2014	Nov 1, 2012– Oct 31, 2013
Earnings	16.8	29.9
Costs	-16.1	-28.3
Profit before taxes	0.7	1.6
Taxes	-0.1	-0.4
Profit after taxes	0.6	1.2
Sales profit	5.5	
Profit/loss from discontinued operations	6.1	1.2

CASH FLOW OF THE VALUE-ADDED LOGISTICS SEGMENT UP TO THE TIME OF SALE		
Operating cash flow	2.2	1.8
Investment cash flow	-0.8	-0.2
Funding cash flow	-1.5	-1.6
Total cash flows	0.0	0.0

THE EFFECT OF THE SALE OF THE VALUE-ADDED LOGISTICS SEGMENT ON THE FINANCIAL POSITION OF THE GROUP:	May 21, 2014
Property, plant and equipment	1.0
Intangible assets	5.0
Stocks	0.8
Deferred tax assets	0.1
Other assets	4.7
Cash and cash equivalents	0.5
Minority interest	-3.2
Sold liabilities	-5.3
Net assets	3.6
Consideration received as cash	9.1
Cash and cash equivalents from divested unit	0.5
Net cash flow from corporate divestments	8.6

On December 3, 2013, the Panostaja Group, together with the other shareholders of Toimex Oy, sold all Toimex Oy's shares. In the transaction, about 80% of the shares of Kannake Oy were transferred to the buyers. Kannake Oy is a subsidiary of which Panostaja owns 70.42%. With the transaction, Panostaja relinquished its entire shareholding. The sale did not result in any substantial sales profit.

The result of sold businesses, profit resulting from its divestment and the share of cash flows were as follows:

RESULT FOR THE SUPPORTS SEGMENT, MEUR	Nov 1, 2013– Dec 3, 2013	Nov 1, 2012– Oct 31, 2013
Earnings	0.3	3.4
Costs	-0.3	-3.2
Profit before taxes	0.0	0.2
Taxes	0.0	-0.0
Profit after taxes	0.0	0.1
Sales loss	0.0	0.0
Profit/loss from discontinued operations	0.0	0.1

CASH FLOWS FOR THE SUPPORTS SEGMENT UP TILL THE TIME OF SALE	Nov 1, 2013– Dec 3, 2014	Nov 1, 2012– Oct 31, 2013
Operating cash flow	-0.1	0.2
Investment cash flow	0.0	0.0
Funding cash flow	0.0	-0.2
Total cash flows	-0.1	0.1

THE EFFECT OF THE SALE OF THE SUPPORTS SEGMENT ON THE FINANCIAL POSITION OF THE GROUP:	Dec 3, 2013
Property, plant and equipment	0.1
Intangible assets	0.0
Stocks	1.5
Deferred tax assets	0.0
Other assets	0.7
Cash and cash equivalents	0.1
Minority interest	-0.6
Sold liabilities	-0.3
Net assets	1.5
Consideration received as cash	1.5
Cash and cash equivalents from divested unit	0.1
Net cash flow from corporate divestments	1.4

FINANCIAL PERIOD 2013

Sales of subsidiaries

The Panostaja Group divested the Carpentry Industry segment and, on October 9, 2013, together with the owners of Matti-Ovi Oy, sold approximately 85% of the shares of Matti-Ovi Oy to Taaleritehtaan Sijoitustehdas Oy. The company sold was a subsidiary of which Panostaja owned 71.25%.

The total sales price of the shares sold was MEUR 3.4, of which Panostaja's share after the deduction of costs related to the sale is MEUR 2.7. Panostaja recorded a sales profit of MEUR 1.3 from the transaction.

In the consolidated financial statements, the result of the Carpentry Industry segment is presented in the section 'Result from Discontinued Operations' for the financial periods ending on October 31, 2013 and October 31, 2012.

RESULT FOR THE CARPENTRY INDUSTRY SEGMENT, MEUR	Nov 1, 2012– Oct 9, 2013	Nov 1, 2011– Oct 31, 2012
Earnings	4.9	5.6
Costs	-4.2	-4.5
Profit before taxes	0.7	1.1
Taxes	-0.2	-0.3
Profit after taxes	0.5	0.8
Sales profit	1.3	
Profit/loss from discontinued operations	**1.8**	**0.8**

CASH FLOWS FOR THE CARPENTRY INDUSTRY SEGMENT UP TILL THE TIME OF SALE		
Operating cash flow	0.6	1.3
Investment cash flow	-0.5	0.1
Funding cash flow	-0.8	-0.7
Total cash flows	**-0.7**	**0.7**

THE EFFECT OF THE SALE OF THE CARPENTRY INDUSTRY SEGMENT ON THE FINANCIAL POSITION OF THE GROUP:	October 9, 2013
Property, plant and equipment	0.7
Intangible assets	0.1
Stocks	1.1
Other assets	0.6
Cash and cash equivalents	0.4
Minority shareholders' interest	-0.4
Sold liabilities	-1.1
Net assets	**1.4**
Consideration received as cash	2.7
Cash and cash equivalents from divested unit	0.4
Net cash flow from corporate divestments	**2.3**

An arrangement was made in the Fasteners segment of the Panostaja Group, whereby all the shares of Suomen Kiinnikekeskus, a subsidiary of which Panostaja owns 90%, were sold for MEUR 0.2 to Länsi-Suomen Sähkötukku Oy. Panostaja recorded a sales loss of MEUR 1.1 from the transaction.

In the consolidated financial statements, the result for Suomen Kiinnikekeskus Oy is presented in the section 'Result from Discontinued Operations' for the financial periods ending on October 31, 2013 and October 31, 2012.

The result of sold businesses, profit resulting from its divestment and the share of cash flows were as follows:

RESULT FOR SUOMEN KIINNIKEKESKUS OY, MEUR	Nov 1, 2012– Oct 17, 2013	Nov 1, 2011– Oct 31, 2012
Earnings	2.5	2.6
Costs	-2.6	-2.8
Profit before taxes	-0.1	-0.2
Taxes	0.0	0.0
Profit after taxes	-0.1	-0.2
Sales loss	-1.1	
Profit/loss from discontinued operations	**-1.2**	**-0.2**

CASH FLOWS FOR SUOMEN KIINNIKEKESKUS OY UP TILL THE TIME OF SALE	Nov 1, 2012– Oct 17, 2013	Nov 1, 2011– Oct 31, 2012
Operating cash flow	-0.0	-0.1
Investment cash flow	-0.4	-0.3
Funding cash flow	0.4	0.4
Total cash flows	**0.0**	**0.0**

THE EFFECT OF THE SALE OF SUOMEN KIINNIKEKESKUS OY ON THE FINANCIAL POSITION OF THE GROUP:	Oct 17, 2013
Property, plant and equipment	0.0
Intangible assets	0.7
Stocks	0.8
Deferred tax assets	0.2
Other assets	0.7
Cash and cash equivalents	0.0
Sold liabilities	-1.1
Net assets	**1.3**
Consideration received as cash	0.2
Cash and cash equivalents from divested unit	0.0
Net cash flow from corporate divestments	**0.2**

8. DISPOSAL OF SUBSIDIARY HOLDINGS AND ACQUISITIONS WITHOUT CHANGE IN CONTROLLING INTEREST

On February 19, 2014, Panostaja Oyj bought 0.9% of the shares in Digiprint Finland Oy for EUR 325,000. Prior to the sale, the Group owned 56.4% of the company. At the time of the purchase, the share of minority shareholders in the net assets of Digiprint Finland Oy was MEUR 10.0.

The following tables show the effect of the change in Digiprint Finland Oy's shareholding on Group earnings:

	2014
Acquired minority shareholders' interest	204,793
Consideration paid	(325,186)
Effect of the change in ownership on retained earnings	**(120,393)**

On February 20, 2014, Digiprint Finland Oy redeemed 9.8% of the shareholding in Digiprint Finland Oy from minority shareholders for MEUR 4.1. Prior to the acquisition, the Group owned 57.3% of the company. At the time of the purchase, the share of minority shareholders in the net assets of Digiprint Finland Oy was MEUR 9.9.

The following tables show the effect of the change in Digiprint Finland Oy's shareholding on Group earnings:

	2014
Acquired minority shareholders' interest	1,680,463
Consideration paid	(4,129,003)
Effect of the change holding on retained earnings	**(2,448,540)**

On May 7, 2014, the Group sold 40% of the shares in KotiSun Group Oy for MEUR 1.2. Prior to the sale, the Group owned 100% of the company. As a result of the sale, minority interest increased by MEUR 1.2. The transaction had no impact on the Group's retained earnings.

The following table shows the effect of the change in KotiSun Group Oy's shareholding on Group earnings:

	2014
Relinquished minority shareholders' interest	(1,224,000)
Consideration received	1,224,000
Effect of the reduced holding on retained earnings	**0**

On October 10, 2014, Panostaja Oyj bought 20% of the shares in Heatmasters Group Oy for EUR 387,000. Prior to the sale, the Group owned 80% of the company. At the time of the purchase, the share of minority shareholders in the net assets of Heatmasters Group Oy was TEUR 462.

The following table shows the effect of the change in Heatmasters Group Oy's shareholding on Group earnings:

	2014
Acquired minority shareholders' interest	455,272
Consideration paid	(387,288)
Effect of the change in ownership on retained earnings	**67,984**

FINANCIAL PERIOD 2013

On October 23, 2013, Panostaja Oyj bought 10% of the shares in Kiinnikekeskus Services Oy for EUR 65,000. Prior to the purchase, the Group owned 90% of the company. The minority shareholder's interest in the net assets of Kiinnikekeskus Services Oy was EUR -166,000 at the time of the purchase.

The following table shows the effect of the change in Kiinnikekeskus Services Oy's shareholding on Group earnings:

	2013
Acquired minority shareholders' interest	(166,209)
Consideration paid	(65,282)
Effect of the increased holding on retained earnings	**(231,491)**

On November 7, 2012, the Group sold 40% of the shares in Selog Group Oy for EUR 600,000. Prior to the sale, the Group owned 100% of the company. The minority shareholders' interest increased by EUR 600,000, as a result of the sale. The deal will have no effect on the Group's retained earnings.

The following table shows the effect of the change in Selog Group Oy's shareholding on Group earnings:

	2013
Relinquished minority shareholders' interest	(600,000)
Consideration received	600,000
Effect of the reduced holding on retained earnings	**0**

In November 2012, the Group sold 4.7% of the shares in Suomen Helasto Oy to Hannu Rantanen for EUR 250,000. Prior to the sale, the Group owned 100% of Suomen Helasto Oy. The minority shareholder's interest increased by EUR 256,000 and the Group's retained earnings fell by EUR 6,000, as a result of the sale.

The following table shows the effect of the change in Suomen Helasto Oy's shareholding on Group earnings:

	2013
Relinquished minority shareholders' interest	(255,899)
Consideration received	250,000
Effect of the reduced holding on retained earnings	**(5,899)**

In November 2012, Suomen Helasto Oy sold 35.5% of the shares in Rakennushelasto Oy to Heikki Savola for EUR 250,000. Prior to the sale, Suomen Helasto Oy owned 100% of the shares in Rakennushelasto Oy. As a result of the sale, the share of minority shareholders grew by EUR 250,000 and the Group's retained earnings rose by EUR 5,000.

The following table shows the effect of the change in Rakennushelasto Oy's shareholding on Group earnings:

	2013
Relinquished minority shareholders' interest	(244,586)
Consideration received	250,000
Effect of the reduced holding on retained earnings	5,414

On December 4, 2012, the Group sold 8.9% of the shares in Digiprint Finland Oy for MEUR 4.3. Prior to the sale, the Group owned 65.34% of the company. At the time of sale, the share of the net assets of Digiprint Finland Oy held by minority shareholders was the equivalent of MEUR 5.9. As a result of the sale, the share of minority shareholders grew by MEUR 3.4 and the Group's retained earnings rose by EUR 887,000.

The following table shows the effect of the change in Digiprint Finland Oy's shareholding on Group earnings:

	2013
Relinquished minority shareholders' interest	(3,365,328)
Consideration received	4,252,296
Effect of the reduced holding on retained earnings	886,968

9. OTHER OPERATING INCOME

EUR 1,000	2014	2013
Sales profits on tangible assets	198	480
Insurance indemnity	9	23
Other income	1,353	773
Total	1,560	1,276

10. SHARE OF ASSOCIATED COMPANY PROFITS

Information about the Group's associated companies is shown in Note 20 'Investments in Associated Companies'.

11. EMPLOYEE BENEFIT EXPENSES

The Group has payment-based pension schemes, the payments of which are recorded in the income statement in the relevant period.

Information about employment benefits of management listed as related parties is shown in Note 36 'Related Party Transactions'.

During the financial year, the Group employed an average of 1,204 (1,251) people. At the end of the financial period, it employed 1,112 (1,295) persons.

EUR 1,000	2014	2013
Salaries and fees	39,836	35,409
Pension costs – payment-based arrangements	7,302	6,451
Other social security expenses	2,239	1,943
Total	49,377	43,803

12. DEPRECIATIONS, AMORTIZATIONS AND IMPAIRMENT

EUR 1,000	2014	2013
Depreciation by asset group:		
Property, plant and equipment		
Buildings and structures	0	220
Plant and equipment	2,790	2,924
Other tangible assets	12	21
Intangible assets		
Goodwill	0	0
Development expenses	593	290
Intangible rights	1,538	1,629
Other capitalized long-term expenditure	398	328
Total	5,331	5,412
Impairments by asset group:		
Property, plant and equipment		
Buildings and structures		
Plant and equipment	77	0
Other tangible assets		
Intangible assets		
Goodwill	0	2,273
Development expenses	0	869
Intangible rights		
Other capitalized long-term expenditure		
Total	77	3,142
Total depreciations, amortizations and impairment by asset group:		
Property, plant and equipment		
Buildings and structures	0	220
Plant and equipment	2,867	2,924
Other tangible assets	12	21
Intangible assets		
Goodwill	0	2,273
Development expenses	593	1,159
Intangible rights	1,538	1,629
Other capitalized long-term expenditure	398	328
Total	5,408	8,554

13. OTHER OPERATING EXPENSES

EUR 1,000	2014	2013
Sales losses and scrappings connected with tangible assets	37	66
Rental costs	6,105	4,511
External services	8,992	8,839
Other expense items	9,474	8,957
Total	24,608	22,373

14. FINANCIAL INCOME

EUR 1,000	2014	2013
Dividend income from held-for-sale investments	11	6
Financial income from partner enterprises	135	111
Interest earnings from liquid assets/ loans and other receivables	434	205
Changes in fair value from financial assets recorded at fair value through profit and loss		
interest derivatives, not in hedge accounting	0	0
from financial assets that are managed based on fair value	90	0
Total	580	322

15. FINANCIAL EXPENSES

EUR 1,000	2014	2013
Foreign exchange losses	6	22
Interest expenses	3,646	3,035
Total	3,652	3,057

16. INCOME TAXES

EUR 1,000	2014	2013
Direct tax	-2,392	-2,927
Taxes in previous periods	-261	-37
Deferred taxes	-1,111	540
Income taxes total	-3,763	-2,423

Balancing statement between the tax expense in the income statement and the taxes calculated using the Finnish tax rate of 20.0%.

Profit before taxes	6,778	-3,704
Income tax on Group income at the tax rate in Finland before taxes	-1,356	907
Non-taxable income	1	181
Non-deductible expenses	-164	-726
Unrecognized deferred tax assets from tax losses	-1,279	-2,722
Use of tax losses not recorded previously	-123	0
Change in deferred taxes Change in the Finnish tax rate	-491	0
Share of associated company profits	-27	-27
Taxes for previous periods	-324	-37
Taxes in the income statement	-3,763	-2,423

The figures for discontinued operations are not distinguishable in the information for the reference year.

17. EARNINGS PER SHARE

Undiluted earnings per share (EPS) are calculated by dividing the profit for the period attributable to the parent company shareholders by the weighted average of the number of shares outstanding during the period. For the purpose of calculating earnings per share adjusted with the dilution effect, 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 is the number of shares which must 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 the 2014 financial year, unlike in the reference year 2013, options had no diluting effect, because none were subscribed to. In terms of the convertible loan, the shares have been deemed to be convertible as from the date of entry in the Trade Register. The result of the period has been adjusted as a result of convertible bond loan interest costs deducted less the impact of tax and interest from the equity convertible loan.

EUR 1,000	2014	2013
Continuing operations	-142	-3,285
Discontinued operations	5,526	-1,343
Profit for the financial period attributable to parent company shareholders (EUR 1,000)	5,384	-4,628
Interest on equity convertible loan (taking into account the impact of tax)	-583	-257
Profit used when calculating profit per share	4,801	-4,885
Interest on convertible bond loan (taking into account the impact of tax)	780	780
Profit used when calculating profit per share adjusted with the diluting effect	5,581	-4,105
Number of shares at the end of the financial period	51,733	51,733
of which held by company	429	491
Weighted average number of shares outstanding, 1,000	51,284	51,211
Conversion of convertible subordinated loan into shares, 1000	6,818	6,818
Weighted average number of shares outstanding, diluted	58,102	58,029

	2014	2013
Earnings per share calculated from the profit belonging to the shareholders of the parent company		
Earnings per share from continuing operations €		
Undiluted	-0,014	-0,069
Diluted	-0,014	-0,069
Earnings per share from discontinued operations		
Undiluted	0,108	-0,026
Diluted	0,095	-0,026
Earnings per share on retained, sold and discontinued operations		
Undiluted	0,094	-0,095
Diluted	0,094	-0,095

18. INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible	Development expenses	Other intangible	Total
Acquisition cost at November 1, 2013	**48,032**	**11,159**	**2,039**	**3,812**	**65,042**
Additions		521	547	1,272	2,873
Deduction		-64	-68		-132
Effect of company acquisition	11,801	187		5	11,460
Effect of the company sales or discontinuation	-4,038	-1,427		-627	-6,092
Asset deal					0
Exchange rate differences					0
Transfer between balance sheet groups		-170	1,945	141	1,916
Acquisition cost at October 31, 2014	**55,795**	**10,206**	**4,463**	**4,603**	**75,067**
Accumulated depreciations, amortizations and impairment as at November 1, 2013	**-6,103**	**-5,937**	**-838**	**-2,157**	**-15,035**
Depreciation in the financial period		-1,538	-593	-398	-2,529
Deductions		-12		0	-12
Effect of the company sales or discontinuation		647		312	959
Transfers between balance sheet groups					
Impairment		-51			-51
Accumulated depreciations, amortizations and impairment as at October 31, 2014	**-6,103**	**-6,891**	**-1,431**	**-2,243**	**-16,668**
Book value at October 31, 2014	**49,692**	**3,315**	**3,032**	**2,360**	**58,399**

EUR 1,000	Goodwill	Intangible	Development expenses	Other intangible	Total
Acquisition cost at November 1, 2012	**38,178**	**6,423**	**2,612**	**3,583**	**50,796**
Additions	933	397	110	652	2,092
Deduction			-850	-59	-909
Effect of company acquisition	9,561	4,339	167	43	14,110
Effect of company sale	-640			-407	-1,047
Asset deal					0
Exchange rate differences					0
Transfer between balance sheet groups					0
Acquisition cost at October 31, 2013	**48,032**	**11,159**	**2,039**	**3,812**	**65,042**
Accumulated depreciations, amortizations and impairment as at November 1, 2012	**-3,830**	**-3,921**	**-548**	**-2,068**	**-10,367**
Depreciation in the financial period		-1,909	-290	-463	-2,662
Deductions				44	44
Effect of company sale				330	330
Transfers between balance sheet groups					
Impairment	-2,273	-107			-2,380
Accumulated depreciations, amortizations and impairment as at October 31, 2013	**-6,103**	**-5,937**	**-838**	**-2,157**	**-15,035**
Book value at October 31, 2013	**41,929**	**5,222**	**1,201**	**1,655**	**50,007**

GOODWILL IMPAIRMENT TEST

Goodwill has been allocated to the following cash flow-producing units (or groups within units):

MEUR	2014	2013
Safety (Flexim Security)	5.9	5.9
Heat Treatment (Heatmasters Group)	0.3	0.3
Digital Printing Services (Grano)	20.5	20.0
Spare Parts for Motor Vehicles (KL-Varaosat)	1.9	1.9
Fittings (Suomen Helasto)	6.0	6.0
Takoma (Takoma)	2.2	2.2
Ceiling Materials (Selog)	1.6	1.6
Building Technology Renovation (KotiSun)	11.3	-
Value-added Logistics (Vindea)	-	4.0
Total	49.7	41.9

Impairment testing of goodwill in the financial period was undertaken for the situation on September 30.

The recoverable amount through business operations has been determined in an impairment test with the help of service value. The determined anticipated cash flows are based on the vision of the Group's management on the development of the next three years. The subsequent years after the forecast period have been extrapolated using a 2% growth estimate.

The key variables used in calculating service value are budgeted net sales and budgeted operating profit. In terms of operating profit, also the cost savings and other benefits produced by restructuring activities which have already been implemented, or to which a commitment has been made, were taken into account. Future outgoing cash flows taking place after the time of observation are not linked to these reorganization efforts to any significant extent.

The discount rates before tax used in the calculations are (discount rate % used in the reference year):

Safety 7.6% (9.0%), Heat Treatment 9.8% (11.4%), Digital Printing Services 7.6% (9.0%), Spare Parts for Motor Vehicles 8.4% (9.9%), Fittings 7.7% (9.0%), Takoma 11.4% (12.1%), Building Technology Renovation 9.7% (n/a) and Ceiling Materials 8.8% (10.4%).

The service value determined with the test of the company's units that have been analyzed through continuous testing has been greater than their book value in all units. In no units have reasonable alterations to the parameters used in the calculations resulted in the asset items' book value exceeding the recoverable amount accruable from them.

In the reference year, based on the impairment tests of the Takoma unit, the consolidated goodwill of the Takoma unit was amortized to the value of about MEUR 2.3.

KEY ASSUMPTIONS ABOUT THE IMPAIRMENT TESTS OF THE TAKOMA SEGMENT'S FINANCIAL PERIODS 2014 AND 2013	2014	2013
Growth of net sales p.a.3-year forecasts	10% - 13%	-12% - 25%
WACC (after taxes)	9.5%	9.8%
Discount rate (WACC before taxes)	11.4%	12.1%
Long-term growth	2.0%	2.0%
Operating profit margin, weighted average for the forecast period	5.2%	4.0%
Goodwill, EUR 1,000	2,224	4,497
Book value, EUR 1,000	6,944	14,708
Result of the impairment test, EUR 1,000	3,148	- 2,273
(recoverable amount vs. book value)	Exceeds	Falls below

19. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land areas	Buildings	Plant and equipment	Other tangible assets	Advance payments fixed assets	Total
Acquisition cost at November 1, 2013	194	11,024	30,808	304	1,943	44,273
Additions			2,325		540	2,865
Effect of company acquisition			806			806
Transfer to non-current asset items classified as held-for-sale						0
Effect of the company sale or discontinuation		-11,024	-5,798	-11		-16,833
Deductions			-30		-37	-67
Transfers between balance sheet groups					-2,094	-2,094
Exchange rate differences			-26			-26
Other changes						0
Acquisition cost at October 31, 2014	194	0	28,085	293	352	28,924
Accumulated depreciations, amortizations and impairment as at November 1, 2013	-179	-7,484	-21,193	-264	0	-29,665
Depreciation in the financial period			-2,790	-21		-2,811
Effect of the company sale or discontinuation		7,484	1,077	9		8,570
Deductions			3,550			
Transfers between balance sheet groups						0
Exchange rate differences			16			16
Other changes						0
Accumulated depreciations, amortizations and impairment as at October 31, 2013	-179	0	-19,340	-276	0	-23,890
Book value at October 31, 2014	15	0	8,745	17	352	9,129

Acquisition cost at November 1, 2012	194	11,041	33,738	304	929	46,206
Additions		5	2,282		1,970	4,257
Effect of company acquisition			789		41	830
Transfer to non-current asset items classified as held-for-sale						0
Effect of company sale			-2,890		-371	-3,261
Deductions		-21	-1,507		-230	-1,758
Transfers between balance sheet groups			-1,586		-396	-1,982
Exchange rate differences		-1	-18			-19
Other changes						0
Acquisition cost at October 31, 2013	194	11,024	30,808	304	1,943	44,273
Accumulated depreciations, amortizations and impairment as at November 1, 2012	-179	-7,264	-19,570	-197	0	-27,496
Depreciation in the financial period		-220	-3,850	-21		-4,091
Effect of company sale			2,555	-36		2,519
Deductions			259			
Transfers between balance sheet groups						0
Exchange rate differences			8			8
Other changes			-595	-10		-605
Accumulated depreciations, amortizations and impairment as at October 31, 2013	-179	-7,484	-21,193	-264	0	-29,665
Book value at October 31, 2013	15	3,540	9,615	40	1,943	15,153

20. INVESTMENTS IN ASSOCIATED COMPANIES

EUR 1,000	2014	2013
Book value at October Nov 1	3,714	3,824
Share of the profit of the financial period	-136	-110
Additions	234	0
Deductions	-201	0
Book value at October 31	**3,611**	**3,714**

Keski-Suomen Painotuote Oy and As Koopia Kolm are associated companies of Grano Oy. The Group's figures reported here have been annualized based on the result reporting January 1–October 31, 2014 of the companies.

Spectra Oy is an associated company in which Panostaja Group has a 39.0% holding. The profit/loss is based on the profit/loss for the financial period.

Ecosir Group Oy is an associated company, of which the Panostaja Group owns 49.78%. The result is based on the result for the financial period. The result for the associated company is adjusted based on the reinstatement of goodwill amortization based the IFRS regulations.

The co-owners of PE Kiinteistörahasto I Ky decided in the financial period 2012 to dissolve the fund. The dissolution of the fund is still in progress.

ASSOCIATE	Registered office	Share of ownership	Assets	Equity	Liabilities	Net sales	Tulos
Oct 31, 2014							
Keski-Suomen Painotuote Oy	Äänekoski	22.5%	483	95	388	1,132	23
As Koopia Kolm	Tallinn, Estonia	47.0%	1,410	463	947	1,146	95
Spectra Oy	Lohja	39.0%	652	55	597	4,078	-719
Ecosir Group Oy	Tampere	49.8%	1,838	-2,189	4,027	1,349	-145
PE Kiinteistörahasto I Ky	Helsinki	27.1%	–	–	–	–	–

21. OTHER NON-CURRENT ASSETS

EUR 1,000	2014	2013
Loan receivable	3,725	4,506
Held-for-sale investments	331	330
Other receivables	4,073	3,863
Total	**8,129**	**8,699**
Held-for-sale investments		
Investments in unquoted shares:		
At the start of the financial period, November 1	330	315
Additions caused by the merging of businesses	0	0
Additions	1	18
Deductions	0	-3
At the end of the financial period, October 31	**331**	**330**

Panostaja Oyj has a subordinated loan receivable from associated company Ecosir Group Oy totaling MEUR 1.5, MEUR 0.8 from the Group's Senior Management Team concerning the bonus scheme and an as yet undue receivable of MEUR 3.6 relating to the sale of a company in 2008. The bonus scheme is discussed in greater detail in Note 36 Related party transactions.

22. FINANCIAL ASSETS RECORDED AT FAIR VALUE THROUGH PROFIT AND LOSS

EUR 1,000	2014	2013
Financial assets at fair value through profit and loss		
At the start of the financial period, November 1	8,400	0
Net profits/losses transferred through profit and loss	90	0
Additions	9,000	8,400
Deductions	-8,000	0
At the end of the financial period, October 31	**9,490**	**8,400**

Quoted bond fund shares include an investment in the Fennian Varainhoito Oy Cash Asset Management Portfolio The portfolio mainly consists of short-term interest bond funds and investments in company loan funds. The fund is low-risk and the investment can be withdrawn at any time.

23. DEFERRED TAX ASSETS AND LIABILITIES

CHANGES TO DEFERRED TAXES IN THE FINANCIAL PERIOD 2014:

EUR 1,000	Nov 1, 2013	Recognized through profit and loss	Acquired business operations	Discontinued business operations	Adjustment from changes in the tax rate	Previous financial periods adjustment	Oct 31, 2014
Deferred tax assets							
Losses confirmed or to be confirmed in taxation	4,070	-731			-825		2,514
Other temporary differences	0		0				0
Total	**4,070**	**-731**	**0**	**0**	**-825**	**0**	**2,514**
Deferred tax liabilities:							
Tangible assets, and property, plant and equipment	1,672	-114		-228	-334	0	996
Other temporary differences	0					0	0
Total	**1,672**	**-114**	**0**	**-228**	**-334**	**0**	**996**
Deferred tax, net	2,398	-617	0	228	-491	0	1,518

CHANGES TO DEFERRED TAXES IN THE FINANCIAL PERIOD 2013:

EUR 1,000	Nov 1, 2012	Recognized through profit and loss	Acquired business operations	Discontinued business operations	Adjustment from changes in the tax rate	Previous financial periods adjustment	Oct 31, 2013
Deferred tax assets							
Losses confirmed or to be confirmed in taxation	4,510	-111		-207		-122	4,070
Other temporary differences	113		0	-113			0
Total	**4,623**	**-111**	**0**	**-320**	**0**	**-122**	**4,070**
Deferred tax liabilities:							
Tangible assets, and property, plant and equipment	1,418	-651	1,020	-115		0	1,672
Other temporary differences	87			-87		0	0
Total	**1,505**	**-651**	**1,020**	**-202**	**0**	**0**	**1,672**
Deferred tax, net	3,118	540	-1,020	-118	0	-122	2,398

The group has recorded a calculated tax receivable from the parent company's confirmed losses on 31 October 2014. No tax receivable has been entered for the total confirmed losses of the subsidiaries standing at €5.3 million. The unused tax losses will expire between 2017 and 2023.

24. STOCKS

EUR 1,000	2014	2013
Materials and supplies	5,442	6,479
Unfinished products	3,654	3,786
Finished products and goods	5,836	5,172
Total	14,932	15,437

In the Group, a total of EUR 263,000 has been recorded as costs for the financial year 2014 (968,000 in 2013), by which the book value of the stocks was reduced to correspond to its net realization value.

25. TRADE AND OTHER RECEIVABLES

The book value of trade receivables and other receivables corresponds to the maximum amount for the credit risk associated with them on the balance sheet date.

EUR 1,000	2014	2013
Trade receivables	22,100	26,594
Loans receivable	376	283
Accrued income	3,948	3,248
Receivables from associated companies	207	90
Tax assets based on taxable income for the period	150	150
Other receivables	680	515
Total	27,461	30,835

AGING OF TRADE RECEIVABLES

EUR 1,000	2014	2013
Not past due	16,525	19,954
Past due 1–30 days	3,689	4,830
Past due 31–180 days	1,260	1,306
Past due 181–360 days	157	250
Past due over a year's time	469	254
Balance sheet value of trade receivables	22,100	26,594

The Group recorded impairment losses of EUR 111,000 from trade receivables in the financial period. (EUR 131,000 in 2013).

EUR 1,000	2014	2013
Salaries and social charges	21	55
Annual rebates	856	918
Advances	1,043	971
Others	2,028	1,304
Total	3,948	3,248

The balance sheet value of receivables is essentially the equivalent of their fair value.

26. CASH AND CASH EQUIVALENTS

EUR 1,000	2014	2013
Cash in hand and bank accounts	9,146	7,970
Total	9,146	7,970

27. HELD-FOR-SALE NON-CURRENT ASSET ITEMS

EUR 1,000	2014	2013
a) Asset items classified as held-for-sale		
Property, plant and equipment	0	2,081
Intangible assets	0	0
Stocks	0	1,395
Other current assets	0	872
Total	0	4,348
b) Liabilities related to assets classified as held-for-sale		
Trade payables	0	112
Other liabilities	0	75
Accruals and deferred income	0	128
Total	0	315

28. NOTES ON EQUITY

	Number of shares at the end of the financial period 1,000 shares	Share capital EUR 1,000	Share premium account EUR 1,000	Other funds EUR 1,000	Invested unrestricted equity fund EUR 1,000	Total EUR 1,000
November 1, 2012	51,733	5,569	4,647	0	16,522	26,738
Share issue						
Share subscription						
Disposal of own shares					38	38
Capital repayment					-2,040	-2,040
Reward scheme					-13	-13
Hybrid loan				7,390		7,390
October 31, 2013	51,733	5,569	4,647	7,390	14,507	32,113
Share issue						
Share subscription						
Disposal of own shares					48	48
Capital repayment						0
Unrealized profit on sales of financial assets classified into fair values and recorded through profit and loss						
Reward scheme					13	13
Hybrid loan						0
October 31, 2014	51,733	5,569	4,647	7,390	14,568	32,174

At the end of the financial period, Panostaja Oyj's share capital was EUR 5,568,681.60 and the number of shares was 51,733,110.

SHARE PREMIUM ACCOUNT

The maximum amount paid by the shareholders in connection with share issues that exceeds the nominal value of the shares is recorded in the share premium account. The amounts recorded in the share premium account relate to the share issues under the former Finnish Limited Liability Companies Act (734/1978), which was in force on August 31, 2006.

In cases where option rights were decided when the old Companies Act was in force, the cash payments received from share subscriptions based on the options are recognized in accordance with the terms and conditions of the arrangement for share capital and the share premium account.

OTHER FUNDS

On May 27, 2013, the Group issued an equity convertible subordinated loan to the value of MEUR 7.5. The equity convertible subordinated loan has not maturity date, but the Group is entitled, but not obliged, to redeem the loan within four years. Based on the contract, the annual interest is 9.75%. Interest is only paid if the company decides to distribute dividends. If dividends are not distributed, the Group will decide separately on the payment of interest. In the consolidated financial statements, the loan is classified as equity and interest is presented as dividend.

INVESTED UNRESTRICTED EQUITY FUND

The invested unrestricted equity fund consists of investments of the nature of equity and the amount paid by shareholders in connection with share issues decided upon following the entry-into-force on September 1, 2006 of the new Limited Liability Companies Act (624/2006), where it is not recognized in the share capital in accordance with an express decision. The invested unrestricted equity fund also contains a convertible bond loan equity component.

SHARE ISSUE

Neither in financial period 2014 nor in 2013 were share issues carried out.

SHARE SUBSCRIPTION

Neither in financial period 2014 nor in 2013 were share subscriptions carried out.

OWN SHARES

The purchase price of bought shares and their transaction costs are given as a deduction under invested unrestricted capital. Panostaja did not acquire any own shares in the financial period 2014. At the end of financial period 2014, there were 429,058 of the company's own shares (490,956).

Panostaja divested a total of 61,898 of its own shares in the form of fees paid to the Board of Directors.

DIVIDENDS

In financial period 2013, neither dividends nor capital repayment were paid. MEUR 1.6 in dividends was paid to minority shareholders in subsidiaries.

29. FINANCIAL LIABILITIES

EUR 1,000	2014	2013
Non-current financial liabilities valued at acquisition cost		
Loans from financial institutions	28,461	24,591
Convertible subordinated loan	14,691	14,556
Finance lease liabilities	585	2,526
Other loans	5,201	929
Total	48,939	42,602
Current financial liabilities valued at acquisition cost		
Installments on non-current financial loans	10,932	14,598
Other loans from financial institutions	2,342	2,844
Finance lease liabilities	361	757
Total	13,636	18,199

The fair value of liabilities is presented in Note 33. The fair values of financial assets and liabilities.

The Group's loans are both floating and fixed-interest rate loans. The weighted average of interest rates on October 31, 2014 was 5.15% (October 31, 2013: 4.66%). Of the financial liabilities, TEUR 27,221 Is fixed-interest and other liabilities attract floating interest rates. Interest-bearing non-current and current liabilities are in euros.

ARRANGEMENTS CONCERNING LIABILITIES AND BREACHES OF CONTRACT

During the financial period, the loan covenant was broken in one of the subgroups. Consent was received from the financiers that they would not demand accelerated repayment. The broken covenants concerned the equity ratio of the subgroup.

Pirkanmaa District Court approved the reorganization programs of Takoma Oyj and Takoma Gears Oy on September 30, 2014. The Board of Directors of Takoma reviewed operational development and the financing needed for it in its meetings. The reorganization program is based on certain assumptions on profitability and financing, which are updated each month and if substantial changes take place in the circumstances. The repayment schedule of the reorganization debts was prolonged and the debt structure was lightened in the reorganization program. The repayment schedule of the reorganization debts of Takoma Gears Oy was prolonged from 0.5 years to some 6.5 years ending on March 31, 2021. Takoma Gears Oy's debts were not cut at all. The reorganization debts of Takoma Oyj were cut 35%, and the duration of the program is some 7.5 years ending on June 30, 2022. In addition, Takoma Oyj's biggest owner, Panostaja Oyj, converted its MEUR 1.3 receivables into a non-interest-bearing subordinated loan. The Takoma Group has agreed on MEUR 3.0 factoring financing, of which MEUR 2.1 is in use at the time of closing the books.

After the confirmation of the reorganization program, the Group has no financial liabilities with related covenants.

EQUITY CONVERTIBLE SUBORDINATED LOANS

Convertible subordinated loan

By virtue of the authorization given at the Annual General Meeting on December 18, 2007, deviating from the shareholders' pre-emptive right to subscription, the Board of Directors decided to offer domestic institutional investors the right to subscribe to a convertible subordinated loan in 2011.

This convertible subordinated loan amounted to MEUR 15,000,000, all of which was subscribed. The loan paid out fixed annual interest of 6.5%. Loan period is February 7, 2011–April 1, 2016. The loan will be repaid in one installment, assuming that the repayment requirements are met.

The original share exchange price is EUR 2.20. The exchange period for loan shares began on August 1, 2011 and will end on March 1, 2016.

The share exchange will be entered into the company's invested unrestricted equity fund.

Each part of the loan for an amount of EUR 50,000 entitles the holder of that part of the loan to exchange it for new shares in Panostaja.

The number of shares issued based on the right to exchange is determined by dividing the part of the loan by the share exchange rate, which is fixed. The company's number of shares may rise by 6,818,181 as a result of exchanges.

Shares exchanged based on the convertible subordinated loan account for 11.0% of the company's shares and votes.

The new shares give entitlement to a distribution of dividends and establish for their holder other shareholder's rights from the time when the new shares have been entered in the Trade Register and incorporated with the company's existing shares.

According to the terms set in the loan conditions, since January 1, 2012 Panostaja has had the right to prematurely repay the loan capital in full with 100% added to the interest accrued up to the payment date.

If the loan cannot be paid back on the date it is due, the interest payable on the unpaid principal will be 2 percentage points over the annual interest rate established for the loan.

Convertible subordinated loans are divided into equity and liabilities in the financial statements. The loan's liability component is initially recognized at fair value in the balance sheet, which is determined using the market rate of interest of a corresponding loan on the date of issue. The equity component is calculated by determining the difference between the monetary amount obtained through the loan issue and the fair value of the loan. The equity component of the convertible subordinated loan, EUR 598,000, has been entered in the invested unrestricted equity fund.

MATURITY ANALYSIS OF NON-CURRENT LIABILITIES

AMORTIZATIONS	LOANS FROM FINANCIAL INSTITUTIONS		OTHER LOANS	
EUR 1,000	2014	2013	2014	2013
< 1 year	12,719	13,128	187	537
1–2 years	12,535	10,517	15,405	755
2–3 years	18,810	8,019	94	15,684
3–4 years	5,805	4,617	0	462
4–5 years	1,305	2,284	0	452
> 5 years	580	452		

30. TRADE PAYABLES AND OTHER LIABILITIES

EUR 1,000	2014	2013
Advances received	115	577
Trade payables	8,961	13,650
Accruals and deferred income	14,797	13,272
Other current liabilities	7,724	8,459
Total	**31,597**	**35,958**
Material items contained in accruals and deferred income		
Annual holiday pay and social costs	5,138	6,396
Accrued wages and salaries	1,219	1,661
Accrued interest	1	969
Accrued taxes	267	586
Accrued employee pension	587	577
Other items	7,585	3,083
Total	**14,797**	**13,272**

31. PROVISIONS

EUR 1,000	Guarantee provisions	Loss-making contracts	Total
Nov 1, 2013	249	559	808
Increases in existing provisions	29	0	29
Effect of the company sale or discontinuation	-36	-559	-595
Used provisions	-91	0	-91
Oct 31, 2014	151	0	151

EUR 1,000	Guarantee provisions	Loss-making contracts	Total
Nov 1, 2012	292	0	292
Increases in existing provisions	59	559	618
Effect of company sale	0	0	0
Used provisions	-102	0	-102
Oct 31, 2013	249	559	808

EUR 1,000	2014	2013
Non-current provisions	0	0
Current provisions	151	0
Total	**151**	**0**

PROVISIONS FOR GUARANTEES GIVEN

The Group provides a guarantee of between one and three years for certain of its products. Faults in products noticed during the guarantee period are repaired at the cost of the Group or a similar new product is given to the customer. A provision for a guarantee given is recognized on the basis of an estimate of probable guarantee expenses. Guarantee provisions are expected to be used over the next three years, especially, however, during the first 12 months.

32. MATURITY ANALYSIS OF FINANCE LEASE LIABILITIES

EUR 1,000	2014	2013
Finance lease liabilities – total for minimum rents		
In one year	387	789
Between one and five years	615	2,040
In over five years	0	457
Total	**1,002**	**3,286**
Future financial expenses	-56	-135
Total for finance lease liabilities	**946**	**3,151**
Finance lease liabilities – current value of minimum rents		
In one year	362	757
Between one and five years	585	1,707
In over five years	0	819
Total	**947**	**3,283**

Property, plant and equipment includes machinery and equipment purchased on the basis of finance leases.

33. FAIR VALUES FOR FINANCIAL ASSETS AND LIABILITIES

2014 BALANCE SHEET ITEM

EUR 1,000	Note	Financial assets and liabilities recognized at fair value through profit and loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at amortized cost	Book values of balance sheet items	Fair value
Non-current financial assets							
Other non-current assets	21		7,795			7,795	7,795
Current financial assets							
Trade and other receivables	25		23,363			23,363	23,363
Short-term investments	26	9,490				9,490	9,490
Financial assets total		**9,490**	**31,158**	**0**	**0**	**40,648**	**40,648**
Non-current liabilities							
Loans from financial institutions	29				29,047	29,047	30,544
Convertible subordinated loan	29				14,691	14,691	16,530
Other non-current liabilities	29				5,716	5,716	5,716
Current liabilities							
Interest-bearing liabilities	29				13,636	13,636	13,636
Trade payables	30				8,961	8,961	8,961
Other liabilities	30	61			7,480	7,541	7,541
Financial liabilities total		**61**	**0**	**0**	**79,531**	**79,592**	**82,928**

2013 BALANCE SHEET ITEM

EUR 1,000	Note	Financial assets and liabilities recognized at fair value through profit and loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at amortized cost	Book values of balance sheet items	Fair value
Non-current financial assets							
Other non-current assets	21		8,369	330		8,699	8,699
Current financial assets							
Trade and other receivables	25	45	27,481			27,526	27,526
Short-term investments	22	8,400				8,400	8,400
Financial assets total		**8,445**	**35,850**	**330**	**0**	**44,625**	**44,625**
Non-current liabilities							
Loans from financial institutions	29				24,591	24,591	24,591
Convertible subordinated loan	29				14,556	14,556	14,556
Other non-current liabilities	29				3,385	3,385	3,385
Current liabilities							
Subordinated loan	29				0	0	0
Interest-bearing liabilities	29				18,199	18,199	18,199
Trade payables	30				13,650	13,650	13,650
Other liabilities	30	156			7,480	7,636	7,636
Financial liabilities total		**156**	**0**	**0**	**81,861**	**82,017**	**82,017**

The fair values of trade receivables, other current receivables, trade payables and other current liabilities correspond to their book value, because the effect of discounting is not essential, taking into account the maturity of the receivables. There fair value is therefore not specified in the Notes.

The fair values of other receivables and liabilities valued at allocated acquisition cost are set by discounting their future cash flows on the balance sheet day using market interest rates, at which the company would get a similar loan on the date of the closing of the books or, with regard to receivables, market interest rates at which the company could grant a loan to a counterparty on the date of the closing of the books. Interest rates include the company's own assessment of credit risk, for which reason the assessments are classified at level 3 in the fair value hierarchy (see Note 34).

Note 34 contains information on determining the fair value of items valued at fair value in the balance sheet.

34. THE FAIR VALUE HIERARCHY FOR FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE

	FAIR VALUES AT THE END OF THE PERIOD UNDER REVIEW		
October 31, 2014	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss			
Interests rate swaps		46	
Bond fund shares	0	90	
Held-for-sale investments			
Short-term investments		9,400	
Investments in unquoted shares			
Total	0	9,536	0
Financial assets at fair value through profit and loss			
Interests rate swaps		61	
Total	0	61	0

October 31, 2013			
Financial assets at fair value through profit and loss			
Interest rate swaps		42	
Currency forward contracts	0	3	
Held-for-sale investments			
Short-term investments			
Investments in unquoted shares	0	8,400	330
Total	0	8,445	330
Financial liabilities recorded at fair value through profit and loss			
Interest rate swaps		156	
Total	0	156	0

The fair values under Level 1 in the hierarchy are based completely on the quoted prices for the same asset items or liabilities on existing markets.

Level 2 fair values are based on input data other than the quoted prices contained in Level 1, yet on information that is verifiable either directly or indirectly for the asset item or liability concerned. Fund investments are valued based on the valuation reports of fund management companies. Derivatives are valued using the discounted cash flow method.

Level 3 fair values are based on a price other than that available on the market, and they might contain assessments made by management.

HELD-FOR-SALE NON-CURRENT FINANCIAL ASSETS

Held-for-sale non-current financial assets are all investments in unquoted shares. They are valued at acquisition price, because their fair values are not reliably available. Therefore they are not included in the fair value hierarchy.

35. COLLATERAL AND CONTINGENCIES

EUR 1,000	2014	2013
Guarantees given on behalf of Group companies		
Enterprise mortgages	44,277	41,449
Pledges given	67,947	72,939
Other liabilities	4,562	2,950

The pledges given include pledged shares in subsidiaries worth MEUR 72.9. The nominal or book value of a collateral has been used as the value of liabilities.

Other rental agreements		
In one year	6,238	9,227
In over one year but within five years maximum	13,320	16,854
In over five years	2,006	2,438
Total	**21,564**	**28,519**
Total for loans from institutions	**42,683**	**45,316**

36. RELATED PARTY DISCLOSURES

The Group's related parties include the members of the Board of Directors, the CEO and the Senior Management Team.

REWARD SCHEME

The CEO and the members of the Senior Management Team are involved in a share bonus system. The company's management owns shares directly and through influential organizations. The Board of Directors of Panostaja Oy decides on the principles underlying the reward scheme for the CEO and members of the Senior Management Team. The salary of a member of the Senior Management Team is fixed and his or her pension is determined under the Finnish Employees Pensions Act. On December 16, 2010, the Board decided on a new long-term incentive and commitment scheme for the members of the Senior Management Team. At the time of closing the books, the members of the Senior Management Team held 880,500 Panostaja shares in their personal ownership or in the ownership of a company where they have a controlling interest.

Pravia Oy/Juha Sarsama	440,500 shares
Artaksan Oy/Simo Mustila	240,000 shares
Comito Oy/Tapio Tommila	200,000 shares
Total	880,500 shares

At the time of making the arrangement, the members of the Senior Management Team have financed their investments themselves, in part, and through company loans, in part, and they bear the genuine corporate risk with respect to the investment they have made in the scheme. The members of the Senior Management Team participating in the scheme during 2011–2015 may be granted a maximum of 237,500 Panostaja shares as a bonus, based on the achievement of set targets. A potential bonus may also be paid in cash to cover the taxes and tax-like payments arising from the bonus. Members of the Senior Management Team are obliged not to sell shares received as a bonus during a period of 27 months after receiving them.

On 5 May 2014, the Board of Directors modified the management reward system such that the earnings per share (EPS) objective for 1 November 2013–31 December 2018 is cumulative at €0.80 per share. At the end of the 2014 financial period, it is possible to earn a maximum of 172,249 shares in total if the objectives set are reached.

LOANS TO RELATED PARTIES

EUR 1,000	2014	2013
At the start of the financial period	2,817	1,125
Loans granted during the financial period	210	1,696
Loans repaid	0	-5
Depreciations pertaining to former related parties	-288	
Debited interest	5	18
Interest payments received during the financial period	-5	-18
At the end of the financial year	**2,739**	**2,817**

The loan conditions for key management personnel are as follows:

Name	Amount of loan	Conditions of repayment	Interest
Pravia Oy (Juha Sarsama)	230	Repayment in full at the end of the loan period	0,549
Pravia Oy (Juha Sarsama)	113	Repayment in full at the end of the loan period	0,559
Artaksan Oy (Simo Mustila)	213	Repayment in full at the end of the loan period	0,559
Comito Oy (Tapio Tommila)	209	Repayment in full at the end of the loan period	0,559
Comito Oy (Tapio Tommila)	79	Repayment in full at the end of the loan period	0,567
Total	**844**		

On October 31, 2014, company shares with a fair value of MEUR 0.6 represented the collateral on loans granted.

The loan conditions of other related party loans are as follows:

An equity convertible bond loan, to which the provisions of Chapter 12 of the Limited Liability Companies Act are applicable. If the company has failed to repay the loan by the end of the loan period, on the basis of special rights the issuer of the loan is entitled to exchange these convertible bond loans for shares in the company.

	Amount of loan
Rollock Oy	410

Subordinated loan which will be repaid in full on April 30, 2016. Ecosir Group Oy is liable to repay the principal and interest accrued on it only for the part of the sum of the company's unrestricted equity and all subordinated loans at the time of payment exceeding the loss on the balance sheet of the last financial period ended or of financial statements newer than this. If principal or interest remains unpaid on the annulment, liquidation or bankruptcy of the company, it will be repaid using a privilege worse than all other liabilities of the company. The company has not given collaterial for the payment of the loan capital or its interest.

	Amount of loan
Ecosir Group Oy	1,496

MANAGEMENT EMPLOYEE BENEFITS

EUR 1,000	2014	2013
Salaries and other current employee benefits	686	788
Share-based benefits	0	0
Total	686	788
Salaries and fees		
CEO	190	186
CEO's performance-based employer's statutory pension expenditure	35	34
Members of the Board of Directors		
Ala-Mello Jukka	40	40
Martikainen Hannu	0	5
Tarkkonen Hannu	15	0
Satu Eskelinen	5	20
Eero Eriksson	20	20
Koskenkorva Mikko	20	20
Terhonen Jukka	20	15
Virtanen Antero (Antti)	20	0

It was further resolved at the General Meeting on January 29, 2014 regarding payment of meeting compensation, that approximately 40% of the compensation remitted to the members of the Board be paid on the basis of the share issue authorization given to the Board, by issuing company shares to each Board member if the Board member does not own more than 1% of the company's shares on the date of the General Meeting. If the holding of a Board member on the date of the General Meeting is over one percent of all company shares, the compensation will be paid in full in monetary form. In addition, the Board of Directors of Panostaja Oyj decided at an organizing meeting held immediately after the General Meeting to implement the decision taken at the General Meeting regarding the compensation of the Board members as regards shares, so that the compensation is always sent four times a year on the day following publication of an interim report/financial statements for the year.

37. SUBSIDIARIES AT OCTOBER 31, 2014

RELATIONS BETWEEN THE GROUP PARENT COMPANY AND SUBSIDIARIES	Registered office	Share of voting power	Parent company's share-holding %
Parent company			
Panostaja Oyj	Tampere		
Subsidiaries			
Copynet Finland Oy	Vilnius	68.0	68.0
Digiprint Finland Oy	Jyväskylä	64.6	64.6
Grano Diesel Oy	Helsinki	51.0	51.0
Eurotermo Holding Oy	Helsinki	81.4	81.4
Flexim Group Oy	Helsinki	70.0	70.0
Flexim Security Oy	Helsinki	70.0	70.0
Grano Oy	Jyväskylä	64.6	64.6
Heatmasters Group Oy	Lahti	100.0	100.0
Heatmasters Lämpökäsittely Finland Oy	Lahti	100.0	100.0
Heatmasters Technology Oy	Lahti	100.0	100.0
Heatmasters Sp.zoo	Poland	100.0	100.0
Heatmasters Sweden Ab	Sweden	100.0	100.0
Kannake Holding Oy	Tampere	100.0	100.0
KL-Parts Oy	Tampere	75.0	75.0
KL-Varaosat Oy	Tampere	75.0	75.0
KfZ Nord Oy	Tampere	75.0	75.0
KotiSun Group Oy	Jyväskylä	60.0	60.0
KotiSun Oy	Jyväskylä	60.0	60.0
Lingoneer Oy	Tampere	51.0	51.0
Rakennushelasto Oy	Seinäjoki	64.5	64.5
Selog Group Oy	Helsinki	60.0	60.0
Selog Oy	Helsinki	60.0	60.0
Suomen Helakeskus Oy	Seinäjoki	95.3	95.3
Suomen Helasto Oy	Seinäjoki	95.3	95.3
Takoma Eesti AS	Tallinn	63.1	63.1
Takoma Gears Oy	Parkano	63.1	63.1
Takoma Norge AS	Drammen	63.1	63.1
Takoma Oyj	Tampere	63.1	63.1

38. JUDICIAL EVENTS

At the time of the closing of the books, the Group had no legal cases or disputes regarding which significant claims could be targeted at the Group.

A lawsuit has been filed against one of the company's subsidiaries. The claim for compensation is MEUR 0.1, which the management of the company categorically denies. No costs have been entered in connection with the lawsuit.

A representative of Takoma products has presented a claim for lost commission and costs, when Takoma Group filed for reorganization proceedings, which hindered the company's access to its sales targets. The claim is for about EUR 240,000. In Takoma's view, the claim is groundless and, based on the agreement, Takoma has no obligation to pay no more than a few actual costs, so the company has not made any provision for costs.

39. EVENTS AFTER THE BALANCE SHEET DATE

There are no major events to report after the review period.

40. KEY FIGURES

MEUR		2014	2013	2012
Net sales, MEUR		154.8	137.0	147.9
EBIT, MEUR		10.2	1.6	3.2
% of net sales		6.6	1.2	2.2
Profit for the financial period		8.2	-5.5	-2.5
Return on equity (ROE) %		17.1	-11.7	-5.4
Return on investment (ROI) %		15.4	3.7	1.8
Equity ratio (%)		33.3	33.2	34.1
Gearing, %	1)	73.7	82.6	89.6
Current ratio		1.3	1.1	1.3
Gross capital expenditure (MEUR)		19.9	20.1	6.2
% of net sales		12.9	14.7	4.2
Avg. no. of Group employees		1,204	1,251	1,152
Earnings per share (EPS) (€), undiluted		0.09	-0.09	-0.04
Earnings per share (EPS) (€), diluted		0.09	-0.09	-0.04
Equity per share (€)		0.62	0.59	0.56
Capital repayment per share,	2)	0.04	0	0.04
Dividend per share (€)				
Dividend/Earnings % diluted				
Capital repayment/Earnings % undiluted	2)	42.7	0	-262.2
Dividend/Earnings % undiluted				
Capital repayment/Earnings % diluted	2)	41.6	0	-103.1
Effective dividend income				
Price/Earnings ratio				
Average number of shares in the financial period, 1,000		51,284	51,210	51,157
Number of shares at the end of the financial period (1,000)		51,733	51,733	51,733
Weighted average of the number of issue-adjusted shares during the financial period, 1,000		58,102	58,029	57,957
Closing price for the share in the financial period, €		0.82	0.80	0.76
Lowest share price, €		0.69	0.66	0.73
Highest share price, €		0.91	0.86	1.05
Average share price in the financial period, €		0.78	0.75	0.89
Market value of stock, MEUR		42.4	41.4	39.3
Shares exchanged, 1,000		7,909	3,815	5,726
Shares exchanged, %		15.4	7.4	11.2

1) Liabilities include the equity convertible subordinated loan
2) Board of Directors' proposal

FORMULAE FOR CALCULATING KEY FIGURES

Return on investment (ROI) %	=	Profit before extraordinary items + financial expenses + profit/loss on discontinued operations x 100 / Balance sheet total – non-interest bearing liabilities (average in the financial period)
Return on equity (ROE) %	=	Profit for the financial period x 100 / Equity (average in the financial period)
Equity ratio (%)	=	Equity x 100 / Balance sheet total – advances received
Interest-bearing net liabilities	=	Interest-bearing liabilities – financial assets
Gearing, %	=	Interest-bearing net liabilities / Equity
Equity per share	=	Equity attributable to parent company shareholders / Adjusted number of shares on the balance sheet date
Earnings per share (EPS)	=	Result for the financial period attributable to parent company shareholders / Adjusted number of shares on average during the financial period
Current ratio	=	Current assets / Current liabilities
Dividend per share	=	Dividend distributed in the financial period / Adjusted number of shares on the balance sheet date
Dividend/Earnings %	=	Dividend/share x 100 / Earnings per share (EPS)
Effective dividend income, %	=	Dividend per share / Share price on the balance sheet date
Price/Earnings (P/E)	=	Share price on the balance sheet date / Earnings per share

PARENT COMPANY INCOME STATEMENT

EUR 1,000	Note	Nov 1, 2013– Oct 31, 2014	Nov 1, 2012– Oct 31, 2013
NET SALES	1.1.	0	34
Other operating income	1.2.	8,329	1,565
Staff expenses	1.3.	-1,272	-1,292
Depreciations, amortizations and impairment	1.4.	-44	-51
Other operating expenses	1.5.	-1,342	-1,168
OPERATING PROFIT/LOSS		5,672	-913
Financial income and costs	1.6.	1,216	-11,458
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		6,888	-12,371
Extraordinary items	1.7.	59	59
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		6,946	-12,312
Income taxes	1.9.	0	0
PROFIT/LOSS FOR THE FINANCIAL PERIOD		6,946	-12,312

PARENT COMPANY BALANCE SHEET

ASSETS EUR 1,000	Note	October 31, 2014	October 31, 2013
PERMANENT ASSETS			
Intangible assets	2.1.	165	95
Tangible assets	2.2.	77	100
Investments	2.3.	22,421	22,129
PERMANENT ASSETS TOTAL		23,664	22,325
CURRENT ASSETS			
Non-current receivables	2.4.	12,324	9,949
Current receivables	2.5.	2,829	2,854
Short-term investments	2.6.	9,400	8,400
Cash and cash at bank		268	736
CURRENT ASSETS TOTAL		24,821	21,940
ASSETS IN TOTAL		48,485	44,265

LIABILITIES EUR 1,000		31.10.14	31.10.13
EQUITY	2.7		
Share capital		5,569	5,569
Share premium account		4,691	4,691
Invested unrestricted equity fund		17,795	17,747
Profit/loss for the previous financial periods		-17,874	-5,561
Profit/loss for the financial period		6,946	-12,312
SHAREHOLDERS' EQUITY TOTAL		17,127	10,133
ACCRUAL OF APPROPRIATIONS	2.8.	0	0
LIABILITIES	2.9.		
Non-current liabilities		24,165	25,740
Current liabilities		7,192	8,391
LIABILITIES TOTAL		31,357	34,132
LIABILITIES TOTAL		48,485	44,265

FINANCIAL STATEMENT OF PARENT COMPANY

EUR 1,000	Nov 1, 2013– Oct 31, 2014	Nov 1, 2012– Oct 31, 2013
OPERATING CASH FLOW		
Profit/loss for the financial period	6,946	-12,312
Adjustments:	-9,307	10,076
Planned depreciations	44	51
Write-downs	0	0
Sales profits	-8,154	-1,375
Sales losses	77	0
Financial income and costs	-1,216	11,458
Appropriations total	0	0
Taxes	0	0
Minority share	0	0
Profit/loss of associated company	0	0
Extraordinary income and expenses	-59	-59
CHANGES		
Change in trade receivables	869	120
Change in inventories	0	0
Change in trade payables	99	-258
Change in provisions	0	0
Interest and other financial costs	-1,941	-1,333
Interest and other financial income	805	791
Other financial income	0	0
Taxes paid	0	0
Cash flow before extraordinary items	-2,529	-2,915
OPERATING CASH FLOW	-2,529	-2,915
INVESTMENT CASH FLOW		
Investments in tangible and intangible assets	-91	-141
Investments in business	0	0
Investments in subsidiaries	-2,608	-964
Investments in associated companies	-235	0
Other investments	0	0
Capital gains from the disposal of tangible and intangible assets	0	79
Divestments business transactions	0	0
Capital gains from the disposal of subsidiaries	10,426	2,668
Capital gains from the disposal of associated companies	0	0
Capital gains from the disposal of other shares	0	0
Net change in internal receivables	-2,914	2,486
Loans granted	-496	-160
Loans receivable repaid	195	120
Paid dividends	1,655	1,841
Change other investments	0	0
INVESTMENT CASH FLOW	5,933	5,929

EUR 1,000	Nov 1, 2013– Oct 31, 2014	Nov 1, 2012– Oct 31, 2013
FINANCIAL CASH FLOW		
Share issue	0	0
Acquisition and disposal of own shares	48	46
Extraordinary income and expenses	59	0
Change in current interest-bearing receivables	-124	-767
Change in current interest-bearing liabilities	-1,670	0
Loans drawn	1,419	7,500
Loans repaid	-2,604	-2,175
Change in non-current internal loans	0	0
Dividends paid	0	-2,040
Other financial cash flow	0	0
FINANCIAL CASH FLOW	-2,872	2,564
CHANGE IN CASH AND CASH EQUIVALENTS	531	5,578
Cash and cash equivalents at the beginning of the financial period	9,136	3,558
CHANGE IN CASH AND CASH EQUIVALENTS	531	5,578
Cash and cash equivalents at the end of the financial period	9,668	9,136

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014

COMPARABILITY OF FIGURES

The figures for the financial period and the previous financial period are comparable.

VALUATION PRINCIPLES

Current fixed assets are entered in acquisition costs in the balance sheet with planned depreciations deducted. Fixed asset shares are valued at their acquisition price.

PENSIONS

Statutory pension insurance for staff is managed by an external pension insurance company.

Pension costs are entered as a cost in the year of accrual.

DEPRECIATIONS

Planned depreciations from permanent assets are calculated based on probable operating life from the original purchase price.

Planned depreciation periods are:

Intangible right	3y
Goodwill	5–10y
Other capitalized long-term expenditure	5–10y
Buildings	20–40y
Machinery and equipment	3–10y
Other tangible assets	3–10y

NOTES TO THE INCOME STATEMENT 1.1.–1.8.

EUR 1,000

1.1. NET SALES	2014	2013
Administrative cost charges from Group companies	0	29
Other sales	0	5
	0	34

1.2. OTHER OPERATING INCOME	2014	2013
Profits from sale of fixed assets	8,154	1,375
Support received	20	24
Others	156	166
	8,329	1,565

1.3. STAFF EXPENSES	2014	2013
Salaries and fees	1,038	1,059
Pension costs	173	164
Other social security expenses	60	69
	1,272	1,292
During the financial period, the company employed on average		
Clerical staff	9	9

1.4. DEPRECIATIONS, AMORTIZATIONS AND IMPAIRMENT	2014	2013
Planned depreciations		
Intangible rights	7	7
Other capitalized long-term expenditure	14	21
Machinery and equipment	23	24
Amortizations	0	0
	44	51

1.5. OTHER OPERATING EXPENSES	2014	2013
Other operating expenses internal	21	24
Other operating expenses	418	403
Marketing costs	173	160
Data management costs	117	128
Costs for expert services	405	318
Loss from the sale of fixed asset shares	77	0
Rental costs	131	135
Other operating expenditure total	1,342	1,168
Auditor's fees		
auditing fees	49	35
auxiliary services	7	12
	56	47

1.6. FINANCIAL INCOME AND COSTS

	2014	2013
Dividend yields		
From companies in the same Group	1,655	1,841
From others	0	0
Dividend yields total	**1,655**	**1,841**
Other interest and financial yields		
From companies in the same Group	526	479
From others	159	192
Other interest and financial yields total	**685**	**671**
Interest yields from long-term investments and other interest yields total	685	671
Short-term investment amortizations	0	0
Interest costs and other financial costs		
For companies in the same Group	59	59
For others	1,864	1,579
Interest costs and other financial costs total	1,923	1,637
Group shares	-799	12,334
Amortizations of receivables of companies in the same Group	0	0
Financial income and costs total	**1,216**	**-11,458**

1.7. EXTRAORDINARY ITEMS

	2014	2013
Extraordinary income/Group contribution	59	59
Extraordinary costs/accords	0	0
Extraordinary costs/loss from mergers	0	0
	59	**59**

1.8. INCOME TAXES

	2014	2013
Income taxes from financial period	0	0
Income taxes from previous financial period	0	0
	0	**0**

NOTES TO THE BALANCE SHEET 2.1.–2.9.

EUR 1,000

2.1. INTANGIBLE ASSETS

	2014	2013
Intangible rights		
Acquisition cost Nov 1	59	46
Additions Nov 1–Oct 31	0	14
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	59	59
Accrued planned depreciations Nov 1	-30	-23
Planned depreciations Nov 1–Oct 31	-7	-7
Book value at October 31	**22**	**30**
Other capitalized long-term expenditure		
Acquisition cost Nov 1	292	280
Additions Nov 1–Oct 31	91	13
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	383	292
Accrued planned depreciations Nov 1	-227	-206
Planned depreciations Nov 1–Oct 31	-14	-21
Book value at October 31	**143**	**65**
Intangible assets total		
Acquisition cost Nov 1	352	325
Additions Nov 1–Oct 31	91	26
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	443	352
Accrued planned depreciations Nov 1	-256	-229
Planned depreciations Nov 1–Oct 31	-21	-27
Book value at October 31	**165**	**95**

2.2. TANGIBLE ASSETS

	2014	2013
Tangible assets		
Machinery and equipment		
Acquisition cost Nov 1	629	574
Additions Nov 1–Oct 31	0	115
Deductions Nov 1–Oct 31	0	-60
Acquisition cost Oct 31	629	629
Accrued planned depreciations Nov 1	-528	-504
Planned depreciations Nov 1–Oct 31	-23	-24
Book value at October 31	**77**	**100**
Tangible assets total		
Acquisition cost Nov 1	629	574
Additions Nov 1–Oct 31	0	115
Deductions Nov 1–Oct 31	0	-60
Acquisition cost Oct 31	629	629
Accrued planned depreciations Nov 1	-528	-504
Planned depreciations Nov 1–Oct 31	-23	-24
Book value at October 31	**77**	**100**

2.3. INVESTMENTS

	2014	2013
Interests in companies in the same Group		
Acquisition cost Nov 1	18,158	28,353
Additions Nov 1–Oct 31	3,608	2,634
Deductions Nov 1–Oct 31	-2,349	-12,828
Acquisition cost Oct 31	**19,417**	**18,158**
Interests in associated companies		
Acquisition cost Nov 1	3,964	3,964
Additions Nov 1–Oct 31	235	0
Deductions Nov 1–Oct 31	-201	0
Acquisition cost Oct 31	**3,997**	**3,964**
Other shares and interests		
Acquisition cost Nov 1	8	8
Additions Nov 1–Oct 31	0	0
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	**8**	**8**
Investments total		
Acquisition cost Nov 1	22,129	33,193
Additions Nov 1–Oct 31	3,842	2,634
Deductions Nov 1–Oct 31	-2,550	-13,698
Acquisition cost Oct 31	**23,421**	**22,129**

2.4. NON-CURRENT RECEIVABLES

	2014	2013
Subordinated loans receivable from companies in the same Group	2,551	1,289
Subordinated loans receivable from associated companies	1,496	1,560
Loans receivable from companies in the same Group	3,034	1,308
Loans receivable	1,743	1,442
Other receivables	3,500	4,350
	12,324	**9,949**

2.5. CURRENT RECEIVABLES

	2014	2013
Trade receivables from companies in the same Group	204	382
Trade receivables	637	14
Loans receivable from companies in the same Group	1,330	1,881
Group contributions	59	59
Other receivables	95	90
Dividend receivables from companies in the same Group	105	105
Loans receivable from associated companies	207	90
Other loans receivable	74	0
Interest receivables from companies in the same Group	78	197
Accrued income	39	37
	2,829	**2,854**
Accrued income essential items		
Interest receivables from insider loans	4	4
Interest receivables from Danske Bank deposit	0	2
Ecosir Group Oy	13	14
Rollock Oy	4	0
Advances	0	2
Cost scheduling	18	12
Others	1	3
	39	**37**

2.6. SHORT-TERM INVESTMENTS

	2014	2013
Other shares and interests		
Investment fund shares	9,400	8,400
	9,400	**8,400**

2.7. EQUITY

	2014	2013
Share capital Nov 1	5,569	5,569
Share capital increase and share issue	0	0
Share capital Oct 31	**5,569**	**5,569**
Share premium account Nov 1 = Oct 31	4,691	4,691
Invested unrestricted equity fund Nov 1	17,747	19,748
Share capital increase and share issue	0	0
Acquisition/disposal of own shares	0	0
Board bonuses as own shares	48	46
Capital repayment	0	-2,047
Invested unrestricted equity fund Oct 31	17,795	17,747
Retained earnings/loss Nov 1	-17,874	-5,561
Dividend distribution	0	0
Retained earnings/loss Oct 31	**-17,874**	**-5,561**
Profit/loss for the financial period	6,946	-12,312
Equity total	17,127	10,133
Distributable unrestricted equity Oct 31	6,867	-127

2.8. ACCRUAL OF APPROPRIATIONS

	2014	2013
Accrual of appropriations comprises the accrued depreciation difference.	0	0

2.9 LIABILITIES

	2014	2013
2.9.1. Non-current liabilities		
Hybrid loan 2013	7,500	7,500
Convertible subordinated loan 2011	15,000	15,000
Loans from financial institutions	788	2,363
Other non-current liabilities	3	3
	23,291	**24,866**
Liabilities owed to companies in the same Group		
Other liabilities	875	875
	875	**875**
Non-current liabilities total	**24,165**	**25,740**
2.9.2. Current liabilities		
Loans from financial institutions	2,565	2,175
Trade payables	109	115
Other liabilities	207	205
Accruals and deferred income	4,174	4,101
	7,055	**6,595**
Liabilities owed to companies in the same Group		
Trade payables	137	126
Other liabilities	0	1,670
	137	**1,796**
Material items contained in accruals and deferred income		
Annual holiday salaries and social costs	103	89
Annual holiday pay TyEL allocation	19	16
Bonus allocation 2014	61	0
Property fund dissolution advance	3,038	3,038
Accrued interest	896	915
Other items	57	43
	4,174	**4,101**
Current liabilities total	**7,192**	**8,391**

OTHER NOTES

EUR 1,000	2014	2013
Guarantees and contingencies		
On behalf of Group companies		
Guarantees given	9,041	11,751
On behalf of associated companies		
Guarantees given	1,342	575
On behalf of others		
Guarantees given	1,700	129
Rental liabilities		
In one year	154	148
More than one and within 5 years	616	593
In over five years	526	741
Leasing liabilities		
In one year	42	35
More than one and within 5 years	12	37
In over five years	0	0
Pledged associated company shares		
As security for own liabilities	0	600
Other pledges given		
As security for own liabilities	4	4

HYBRID LOAN 2013

The loan is an equity debenture loan and its amount on October 31, 2013 was EUR 7,500,000. The loan period is May 27, 2013–May 27, 2017.

CONVERTIBLE SUBORDINATED LOAN 2011

Loan amount remaining €15,000,000. Loan period is February 7, 2011-April 1, 2016. The loan will be repaid in one installment on April 1, 2016 assuming that the repayment requirements based on the loan conditions are met.

PROPOSAL BY THE BOARD OF THE PARENT COMPANY ON THE PROCESSING OF THE RESULT AND DISTRIBUTION OF PROFITS OF THE FINANCIAL PERIOD

Panostaja Oyj's distributable assets, with the profit for the financial period of EUR 6,946,487.62 and the invested unrestricted equity fund of EUR 17,794,562.87 added, are EUR 6,867,393.73.

The Board of Directors proposes to the Annual General meeting that EUR 0.04 per share in capital repayment be paid from the invested unrestricted equity fund for the financial period that has ended.

The Board also proposes that the General Meeting authorize the Board of Directors to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividends or as repayment of capital from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals no more than EUR 4,700,000.

It is proposed that the authorization include the right of the Board to decide on all other terms and conditions relating to the said asset distribution. It is also proposed that the authorization remain valid until the start of the next Annual General Meeting.

Tampere, December 11, 2014

Jukka Ala-Mello Chairman of the Board	Mikko Koskenkorva
Eero Eriksson	Hannu Tarkkonen
Antero Virtanen	Jukka Terhonen
Juha Sarsama CEO	

AUDIT REPORT

TO PANOSTAJA OYJ'S ANNUAL MEETING

We have audited Panostaja Oyj's accounting, financial statements, annual report and management for the financial period November 1, 2013–October 31, 2014. The financial statements include the Group's balance sheet, extensive income statement, statement concerning changes in equity, cash flow statement and notes as well as the parent company's balance sheet, income statement, financial statement and notes.

LIABILITY OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO are responsible for the preparation of the financial statements and annual report and for ensuring that the consolidated financial statements provide correct and sufficient information in accordance with the International Financial Reporting Standards (IFRS) approved for use in the European Union, and that the financial statements and annual report provide correct and sufficient information in accordance with the regulations that are valid in Finland with regard to the preparation of the financial statements and annual report. The Board of Directors is responsible for the appropriate organization of accounting and the management of assets, and the CEO for ensuring that accounting is compliant with the law and that the management of assets is arranged in a reliable manner.

DUTIES OF THE AUDITOR

It is our duty to provide, on the basis of the audit we have performed, a report on the financial statements, consolidated financial statements and annual report. The Auditing Act requires that we observe the principles of professional ethics. We have performed this audit in accordance with the good auditing practice enforced in Finland. Good auditing practice requires that, in planning and carrying out the audit, we acquire reasonable certainty as to whether or not there is any fundamental inaccuracy in the financial statements or annual report as well as whether or not the members of the parent company's Board of Directors or CEO are guilty of an act of intent or negligence from which either liability for damages could follow towards the company or a violation of the Companies Act or the articles of association.

The audit comprises measures for the acquisition of auditing evidence on the figures included in the financial statements and annual report as well as other information presented therein. The choice of procedures is based on the discretion of the auditor, to whom the assessment of misuse or the risks of fundamental inaccuracy due to error belongs. In assessing these risks, the auditor takes into consideration internal supervision important within the company from the perspective of the financial statements and annual report that provide accurate and sufficient information. The auditor evaluates internal supervision in order to design the appropriate auditing measures with regard to the circumstances, but not for the purpose that he would issue a declaration on the effectiveness of the company's internal supervision. The evaluation of the appropriateness of the applied formulation principles behind the financial statements is also part of the audit, as well as the temperance of the evaluations of accounting assessments performed by the acting management, and evaluation of the method of general presentation employed in the financial statements and annual report.

It is our view that we have obtained the required amount of auditing evidence appropriate for the purpose of establishing the foundation of our report.

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

As our report, we submit that the consolidated financial statements provide accurate and sufficient information in accordance with the International Financial Reporting Standards (IFRS) approved for use in the European Union, with regard to the Group's financial position as well as the results of its operations and its cash flows.

REPORT ON THE FINANCIAL STATEMENTS AND ANNUAL REPORT

As our report, we submit that the financial statements and annual report provide accurate and sufficient information in accordance with the regulations concerning the preparation of financial statements and annual reports in effect in Finland on the operational result and financial position of both the Group and the parent company. The information in the annual report and financial statements is consistent and non-contradictory.

Tampere, December 19, 2014

PricewaterhouseCoopers Oy
Authorized Public Accountants

Markku Launis Authorized Public Accountant	Janne Rajalahti Authorized Public Accountant

PANOSTAJA OYJ REPORT ON THE MANAGEMENT AND CONTROL SYSTEM

COMPLIANCE WITH THE FINNISH CORPORATE GOVERNANCE CODE 2014

In its operations and the organization of its administration, Panostaja Oyj complies with the Finnish Corporate Governance Code (2010). The Code is available at the website maintained by the Securities Market Association at www.cgfinland.fi.

ANNUAL GENERAL MEETING

Panostaja Oyj's highest decision-making body is the Annual General Meeting. Every year, the Annual General Meeting confirms the Company's financial statement, decides on the dividends to be paid and on the granting of discharge from liability of the Board members and the CEO, and on the election of the Board members and auditors and the fees to be paid to them. The Annual General Meeting is convened by the Board of Directors. In accordance with the Articles of Association, the Annual General Meeting must be held every year by the end of April. The invitation to the Annual General Meeting must be published on the company's website at the earliest two (2) months and no later than three (3) weeks prior to the Meeting, but at least nine days before the record date of the Annual General Meeting. The Board of Directors may also, at its discretion, announce the Annual General Meeting in one or more newspapers. The Annual General Meeting must be attended by the CEO, the Chairman of the Board and any person being nominated as a Board member for the first time, unless there are compelling reasons for his/her absence.

BOARD OF DIRECTORS

According to the Articles of Association of Panostaja Oyj, the Board of Directors must comprise at least three and no more than six ordinary members. In the financial year 2014, the Board comprised six members. The Board members are elected by the Annual General Meeting. A Board member's term of office expires at the end of the Annual General Meeting following the election.

In the 2014 financial period, the Board convened 13 times. The average rate of participation at Board meetings over the period was 97%.

The Board elects a Chairman and possible Deputy Chairman from amongst its members. The Board has prepared written rules of procedure for its activities. The Board deals not only with tasks referred to in law and in the Articles of Association, but also matters important and far-reaching from the point of view of the company and Group, such as long-term strategic objectives, the budgets of companies belonging to the Group as part of the Group budget, essential Group investments, essential operational expansions or contractions and significant corporate and business transactions. Every year, the Board evaluates its activities and working methods. The Board does not have separate committees, and so is responsible for the functions of the Audit Committee as defined in the Finnish Corporate Governance Code.

Of the six members of the company's Board, six are independent of the company and five of the significant shareholders in the company.

At the Annual General Meeting held on January 29, 2014, the following were elected to the Board:

- Jukka Ala-Mello, born 1963, Chairman of the Board since 2011, Board member since 2006, M.Sc. (Econ.) and member of the Finnish Institute of Authorised Public Accountants, Director of Kone Corporation and Secretary to the Board, previous work experience: Shareholder in PricewaterhouseCoopers Oy 1995–2006, Finnish Institute of Authorised Public Accountants-approved auditor 1993–2006 and auditor 1987–1990, and Financial Manager at Panostaja Oyj 1990–1993, other positions of trust: Board member and Managing Director at Security Trading Oy and Holding Manutas Oy, Chairman of the Board at OWH-Yhtiöt Oy, and Board member of Oy Hacklin Ltd. Independent of the company and major shareholders.
- Eero Eriksson, born 1963, Board member since 2011, Master of Political Science, Deputy Managing Director of Fennia, previous work experience: Investment Director of Fennia Group since 2002, Investment Director of Eläke-Fennia 1998–2001, Investment Director of Merita Henkivakuutus Oy, Bank Manager of Suomen Yhdyspankki, other positions of trust: Board member of Fennia Asset Management Ltd, Board member of Fennia Life, Member of the Investment Committee of the Diabetes Research Foundation, member of the Asset Management Committee of Oulun Diakonissalaitoksen säätiö foundation. Board member of the Kyllikki and Uolevi Lehikoinen Foundation Independent of the company and major shareholders.
- Hannu Tarkkonen, born 1950, Board member since 2014, Board member also between 2007 and 2012, Vocational Qualification in Business and Administration, previous work experience: Managing Director at Etera Mutual Pension Insurance Company 2010–2014, Deputy Managing Director at Etera 2005–

2009, Investment Director at Etera 1997–2004, other positions of trust: Board member of Icecapital Pankkiiriliike Oy, Board member of Pohjola Rakennus Oy Sisä-Suomi, Member of Supervisory Board at Raisio Oyj, Member of appointment committee 2007–2014, Board member at the Finnish Pension Alliance TELA 2010–2014, and Member of Supervisory Board at Hypo 2007–2013. Independent of the company and major shareholders.

- Jukka Terhonen, born 1954, Board member since 2013, M.Sc. (Tech.), previous work experience: Managing Director of Lemminkäinen Talo Oy 2009–2013, Managing Director of Palmberg Oy Construction Company 2001–2009, YIT Oyj, Director of House Construction, Tampere-Vaasa Regional Director, Director of Helsinki Metropolitan Area Housing Production, Managing Director (Otto Wuorio Oy), Production Director (Otto Wuorio Oy), Turnkey Contracts Manager (Otto Wuorio Oy), 1985–2001, other positions of trust: Tampere Chamber of Commerce, Chairman 2010–2013, Board member 2007–2009, Talonrakennusteollisuus TRT ry, Board member 2007–2012, Confederation of Finnish Construction Industries RT, Housing Group, Chairman 2004–2012, SFHP (housing and town-planning association) Board member 1994–, Design-Talo Oy Board member 2013–, Paavo Nurmi Foundation Board member 2013–, Pohjola Rakennus Oy Sisä-Suomi, Chairman of the Board 2013–. Board member of Tampere Adult Education Centre 2013–. Independent of the company and major shareholders.
- Antero Virtanen born 1954, Board member since 2013, M.Sc. (Econ.), ABM (Chairman), previous work experience: Managing Director of Jesura Oy 2010–, Board member of Wavin Nordic 2004–2009, Managing Director and Board member of Wavin-Labko Oy 2003–2009, Managing Director of Labko Oy 1988–2003, Board member 1976–2003, Chairman 1996–2003, Managing Director of Elarne Ky 1986–1988, other positions of trust: Board member of the Tampere Chamber of Commerce 1991–1998. Several board memberships and chairmanships since 1976, member of Hallituspartnerit since 2008. Chairman of Hallituspartnerit 2010–2013. Independent of the company and major shareholders.
- Mikko Koskenkorva, born 1982, Board member since 2011, graduate of upper secondary school, IT Project Manager for Pajakulma Oy; other positions of trust: Board member of Johtopanostus Oy and Rollock Oy, Board member and Managing Director of Treindex Oy. Independent of the company.

The organizing meeting of the Board elected Jukka Ala-Mello as Chairman and Eero Eriksson as Vice Chairman.

CEO

The Board appoints the CEO. The CEO is Juha Sarsama LLM (born 1965, CEO since 2007, LLM, M.S.M. Boston University in Brussels; previous work experience: Managing Director of OpusCapita Oy, Administrative Director of Saarioinen Oy, Financial Director of OpusCapita Oyj). The CEO controls the day-to-day running of the company in accordance with the Board's instructions and regulations. The CEO acts as the Head of the members of the Senior Management Team of the parent company. A member of the Senior Management Team of the parent company acting as Chairman of the Board of a business segment serves as head of the managing director of that segment. The CEO of the parent company prepares and presents to the Board for decision long-term strategic objectives, the budgets of the companies owned by the Group as part of the Group's budget, the Group's essential investments, essential expansions or contractions of business operations as well as major corporate and business acquisitions.

ORGANIZATION OF BUSINESS ACTIVITIES

In the financial year 2014, Panostaja Oyj's Senior Management Team comprised CEO Juha Sarsama, CFO Simo Mustila, Investment Director Tapio Tommila and Development Director Minna Telanne. The Senior Management Team is chaired by the CEO and meets regularly. In addition to his statutory responsibilities, the CEO is accountable for the organization of Panostaja Oyj's activities, the management system and development thereof of the entire Group, as well as preparation and presentation of matters to the company's Board of Directors. The CFO is responsible for the financial reporting process and the risk management process as well as their development. The Investment Director is responsible for the corporate acquisition process and the related analysis and valuation process. The Development Director is responsible for the Group's management system, its development, for the Group's development projects as well as supporting segments in their own development projects.

The Senior Management Team operates under the auspices of the CEO and is responsible for the development of Panostaja Oyj's processes. The Senior Management Team prepares the measures related to the development of the shareholder value of the business segments as well as Group-wide development projects and the Group's strategy.

Panostaja Group's operational business activities take place in business segments (subgroups or divisions) defined by field of industry. The share and option ownership of the Senior Management Team is explained on the Company's website www.panostaja.fi. Each business segment's Board of directors consists of the managing director of the segment as well as two members from Panostaja Oyj's Senior Management Team, one as chairman of the segment's Board, and, in most segments, at least one external expert. Operational decisions concerning the business segment are made in each segment.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT LINKED TO THE FINANCIAL REPORTING PROCESS

The 'financial reporting process' means functions which produce financial information for use in company management, as well as financial information to be published in accordance with laws, standards and other regulations applicable to the company. The internal control that is linked to the financial reporting process aims to ensure that Panostaja Group's operations are successful and that decision-making is based on reliable information and adequate business risk identification. At the time of closing the books, the eight segments engaging in business have their own financial management body, and the parent company also has a separate financial administration organization operating under the auspices of the Group CFO. The business segments use several different accounting and financial reporting information systems. The Group's financial reporting is handled by one centrally administered information system. The business segments are responsible for producing information for the Group's reporting system.

All the company's business segments prepare their own budgets, which are accepted by the Board of the segment in question. The parent company's budget and the business segments' budgets are combined to form a consolidated budget for Panostaja Oyj. Throughout the financial year, the segments report monthly to the parent company according to a reporting timetable that is agreed upon beforehand. Monthly reporting and the related analyses and comparisons are an essential part of the guidance and supervision carried out with the help of financial reporting. After each quarter, the segments update their end-of-year forecast as necessary. Panostaja Oyj does not have a separate internal audit organization. The parent company's financial management organization regularly monitors and controls reporting by the business segments as well as deficiencies observed in the reporting and, where necessary, will either carry out its own internal audit or have a separate one carried out by external experts. The parent company's financial management organization is responsible for the definition of uniform accounting and reporting principles and guidelines, for the constant development of the reporting system as well as the training of the segments' financial management organization. Development and training take into account the internal control needs.

AUDITING

The auditors elected by the AGM are responsible for the statutory auditing of the companies belonging to the Panostaja Group. In 2014, Markku Launis APA and Authorised Public Accountants PricewaterhouseCoopers Oy operated as auditors in the parent company and the Group.

As required by law, the auditors issue an audit report for the company's shareholders together with the financial statement. In dealing with the financial statement, Panostaja Oyj's Board receives an explanation of the implementation of the audit and its findings from the responsible public accountant. If necessary, the auditors participate in Board meetings and otherwise report to the Board. In the 2014 financial period, the fees paid to PricewaterhouseCoopers for the statutory audit were €77,000, and €136,000 for other services.

INSIDER MANAGEMENT

Panostaja Group complies with the provisions of the Securities Markets Act regarding insider announcements, the maintaining of an insider register and a company-specific insider register, as well as the Insiders' Guide approved by NASDAQ Helsinki Oy.

Panostaja Oyj's public insiders include the Board members, CEO, Senior Management Team and auditors. The Company's permanent insiders are the parent company's entire staff and their partners who, based on co-operation, are considered to be part of the permanent inner circle, but their holdings are not public. Significant projects are marked on the insider register for each project. Panostaja Oyj's public insider register is available in Euroclear Finland Oy's NetSire service and on the company's own website under "Company" (then "Administration", and finally "Inner circle").

COMMUNICATION

Panostaja's objective is for all market-related parties to have correct, up-to-date and adequate information about the company. Panostaja's website publishes information concerning the company's management and control system, and stock exchange bulletins, as soon as the information has been made public, and other key investor information.

Panostaja applies the so-called "quiet period" principle of two weeks before the publishing of results. During this period, company representatives do not comment on market prospects.

RISK MANAGEMENT

Panostaja Oyj's risk management objective is to ensure business continuity and to support Panostaja and the business segments owned by it to achieve the defined objectives and strategies.

Risk is classified as factors that may endanger or impede Panostaja or the business segments owned by it from achieving strategic objectives or business continuity, or that may otherwise cause significant consequences for Panostaja, its owners, segments, personnel or other stakeholder groups. The more significant risks and factors of uncertainty that have come to the attention of the company's Board have been described in the Annual Report.

Risk management is an integral part of the general authority and good governance of the Board and the CEO, in accordance with the Limited Liability Companies Act, as well as the planning and management of Panostaja's business operations.

At Panostaja, risk management is based on risk identification, assessment and reporting. Risk identification, assessment and reporting at Group level are the responsibility of the parent company's CEO, and the responsibility for the business segments rests on the managing director of the segment in question. All material risks are reported to the Board of Directors of the Group's parent company.

Panostaja uses a uniform model to identify Group and business segment risks. Risk identification, assessment and reporting for each segment enable the creation and maintenance of effective risk management measures.

Risks are identified and assessed based on their likelihood, significance and potential influence. In actions, monitoring of development trends and risk management measures are emphasized.

Risk analyses and assessments are carried out as self-assessments and a summary of them is processed and approved by the Board of each business segment. Risks are also charted and processed together with the risk management services of an accident insurance company. Based on these analyses and assessments, decisions are made on risk management development projects, which can be implemented on a Group-wide scale or for an individual segment.

Panostaja classifies the key risks into four main categories: strategic, operational, financial and non-life risks.

Panostaja's Board is responsible for the company's risk management and monitors its implementation. The Board approves the company's risk-management policies.

Panostaja's CEO and the Senior Management Team are responsible for determining the principles of risk management and their adoption and for ensuring that risk management is properly organized. They are also responsible for ensuring that risks are taken into account in the company's planning processes and that they are reported to the Board in an adequate and proper manner. They are also responsible for the development of risk management and the constant evaluation of the abilities of segment management in the risk management area, through their work with the Boards.

The managing directors of the business segments and the Board are responsible for risk identification, assessment and management, and for implementing and reporting measures for the development of risk management in their respective areas of responsibility, in accordance with Panostaja guidelines.

Panostaja's CFO is responsible for the operating models and reporting of risk management at Group level, and for the practical execution and control in the business segments based on the Group business model and risk management policy. Financial risks are reported regularly to Panostaja's Board.

Each employee is responsible for the identification of risks either related to his/her own work or that he/she otherwise observes, as well as for reporting these to a superior.

REMUNERATION

The AGM confirms the Board's salaries annually. The 2014 Annual General Meeting confirmed the following salaries for Board members: The Chairman of the Board is paid €40,000 per year, and every other Board member €20,000 per year.

Approximately 40% of the salary paid to a Board member is paid as company shares based on an authorization to the Board for a share issue, if the Board member on the day of the AGM does not own more than one per cent of the company's total shares. If the holding of a Board member on the date of the General Meeting is over one percent of all company shares, the compensation will be paid in full in monetary form. During the financial year 2014, a total of 61,898 company shares were paid as salary to the Board members.

The Board members do not belong to Panostaja's remuneration system, neither are they employed by the company.

The CEO's salary and other benefits are determined by the Board. The CEO has a written CEO's contract and the pay is fixed according to this. The CEO's retirement pension is determined in accordance with the Employees Pensions Act (TyEL). In accordance with the CEO's contract, the period of notice is six (6) months and the severance pay is equal to twelve (12) months' salary. In the 2014 financial period, the CEO's earnings and other benefits amounted to €189,974. The CEO is not a Board member. The share and option ownership of the CEO is explained on the Company's website www.panostaja.fi.

The CEO and the members of the Senior Management Team are involved in a share bonus system. The company's management owns shares directly and through influential organizations. The Board of Panostaja Oyj decides on the principles of the remuneration system for the CEO and members of the Senior Management Team. The salaries of the Senior Management Team are fixed and the pension is determined according to the Employees Pensions Act. On December 16, 2010, the Board decided on a new long-term incentive and commitment scheme for the members of the Senior Management Team. At the time of closing the books, the members of the Senior Management Team held 750,000 Panostaja shares related to the remuneration system in their personal ownership or in the ownership of a company where they have a controlling interest.

The Management's share ownership within the incentive and commitment scheme is distributed as follows:

Pravia Oy (Juha Sarsama)	350,000 shares
Artaksan Oy (Simo Mustila)	200,000 shares
Comito Oy (Tapio Tommila)	200,000 shares
Total	750,000 shares

At the time of making the arrangement, the members of the Senior Management Team have financed their investments themselves, in part, and through company loans, in part, and they bear the genuine corporate risk with respect to the investment they have made in the scheme. Panostaja uses a five-year share remuneration scheme where Panostaja's shares may be awarded to members of the Senior Management Team as a reward for reaching the set goals. At the end of the 2014 financial period, a total of 172,249 shares are available if the set goals are met. A potential bonus may also be paid in cash to cover the taxes and tax-like payments arising from the bonus. Members of the Senior Management Team are obliged not to sell shares received as a bonus during a period of 27 months after receiving them.

This report is available on the company's website at www.panostaja.fi. The report is issued separately from the Annual Report.

INFORMATION ON SHARES

SHARE CAPITAL AND SHARES

At the close of the period under review, Panostaja Oyj's share capital was EUR 5,568,681.60. The number of shares issued at the end of the period was 51,733,110. According to the shareholder list of October 31, 2014, the company has 3,493 (3,743) shareholders.

The company's shares have been publicly quoted since 1989. At present, they are quoted on the NASDAQ OMX in Helsinki.

The total number of shares held by the company at the end of the review period was 429,058 individual shares (at the beginning of financial period: 490,956). The company's own shares corresponded to 0.83% of the number of shares and votes at the end of the entire review period. The company shares owned by the company's Board of Directors and the CEO total 8,710,812. This represents 17% of the total number of shares.

In accordance with the decisions by the General Meeting on January 29, 2013 and by the Board, Panostaja Oyj relinquished a total of 16,439 individual shares as meeting compensation to the members of the Board on December 16, 2013, a total of 16,000 shares on March 11, 2014 and a total of 14,459 shares on June 5, 2014, and a total of 15,000 shares on September 4, 2014.

The Annual General Meeting of 29.1.2014 authorized the Board of Directors to decide on the acquisition of the company's own shares to the extent that the company's own shares are acquired in one or several installments and, on the basis of the authorization, not exceeding the total number of 5,100,000. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The Board of Directors has not used the authorization granted by the Annual Meeting to acquire the company's own shares during the review period.

At the end of the review period, EUR 15,000,000 of the 2011 convertible subordinated loan remained. The interest on the loan is 6.5% and the loan period February 7, 2011–April 1, 2016. The original share exchange rate is EUR 2.20, and the loan shares may be exchanged for no more than 6,818,181 company shares. The total number of loan shares is 300, and they are available for public trade on the Nasdaq OMX Helsinki stock exchange. The share exchange rate will be entered into the company's invested unrestricted equity fund.

On December 16, 2013, Panostaja Oyj received a notification of change in holding in the company pursuant to Section 2(9) of the Securities Markets Act. Matti Koskenkorva's share of Panostaja Oyj's total number of voting shares was below 10%. Matti Koskenkorva's share on the record date was 4,300,000 shares, 8.31% of Panostaja Oyj's share capital and voting shares.

On December 16, 2013, Panostaja Oyj received a notification of change in holding in the company pursuant to Section 2(9) of the Securities Markets Act. Treindex Oy's share of Panostaja Oyj's total number of voting shares exceeded 10%. On the reporting date, Treindex's share was 5,192,200 shares, 10.04% of Panostaja Oyj's share capital and voting shares.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share price fluctuated between EUR 0.69 and EUR 0.91 during the financial period. In the period under review, the exchange of shares totaled 7,908,686 individual shares, which represents 15.4% of the share capital. The share closing rate at the end of the period was EUR 0.82. The market value of the company's share capital at the end of the period was MEUR 42.4.

On December 16, 2010, the Board decided on a new long-term incentive and commitment scheme for the members of the Senior Management Team. At the time of closing the books, the members of the Senior Management Team held 880,500 Panostaja shares for their personal ownership or for the ownership of a company where they have a controlling interest (previous year 950,000 shares). Heikki Nuutila is no longer employed by the company as of January 1, 2013. He owns 200,000 Panostaja shares.

Pravia Oy/Juha Sarsama	440,500 shares
Artaksan Oy/Simo Mustila	240,000 shares
Comito Oy/Tapio Tommila	200,000 shares
Total	880,500 shares

At the time of making the arrangement, the members of the Senior Management Team have financed their investments themselves, in part, and through company loans, in part, and they bear the genuine corporate risk with respect to the investment they have made in the scheme. The members of the Senior Management Team participating in the scheme during 2011–2015 may be granted a maximum of 237,500 Panostaja shares as a bonus, based on the achievement of set targets. A potential bonus may also be paid in cash to cover the taxes and tax-like payments arising from the bonus. Members of the Senior Management Team are obliged not to sell shares received as a bonus during a period of 27 months after receiving them.

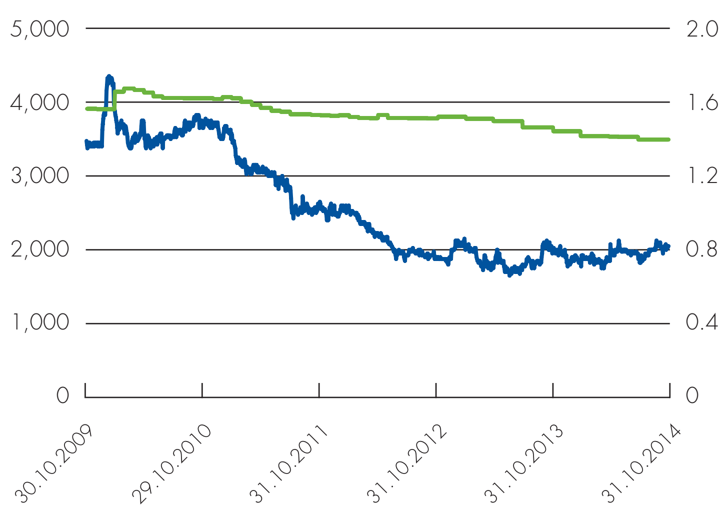
On 5 May 2014, the Board of Directors modified the management reward system such that the earnings per share (EPS) objective for 1 November 2013–31 December 2018 is cumulative at €0.80 per share. At the end of the 2014 financial period, it is possible to earn a maximum of 172,249 shares in total if the objectives set are reached.

SHARE TRADE AND RATES

	Lowest, €	Highest, €	SHARE ISSUE ADJUSTED trading (no. of shares)	% of shares
2014	0.69	0.91	7,908,686	15.4
2013	0.66	0.86	3,814,701	7.4
2012	0.73	1.05	5,725,530	11.1
2011	0.97	1.51	3,841,477	7.7
2010	1.32	1.75	5,301,507	11.2
2009	0.89	1.4	8,108,040	17.5

	A SHARE		SHARE ISSUE ADJUSTED		B SHARE		SHARE ISSUE ADJUSTED	
	Lowest, €	Highest, €	trading (no. of shares)	% of shares	Lowest, €	Highest, €	trading (no. of shares)	% of shares
2008	1.02	1.75	1,230,729	2.7	1.00	1.73	4,185,846	9.4
2007	1.21	1.83	1,646,454	9.5	1.20	1.79	4,317,106	23.3
2006	0.94	1.24	507,956	2.9	0.92	1.2	999,167	8.7
2005	0.59	1.06	1,353,791	7.8	0.65	1.09	94,059	9.3
2004	0.35	0.85	2,410,488	13.4	0.37	0.76	2,213,432	23.7

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP



Panostaja (B share combined 14 November 2008)
Number of shareholders

LARGEST SHAREHOLDERS

20 LARGEST SHAREHOLDERS OCTOBER 31, 2014

		Shares pcs	% of shares
1	Treindex Oy	5,679,200	10.98%
2	Koskenkorva Matti	4,300,000	8.31%
3	Etera Mutual Pension Insurance Company	4,259,000	8.23%
4	Koskenkorva Maija	3,729,542	7.21%
5	Fennia Mutual Insurance Company	3,468,576	6.70%
6	Koskenkorva Mauno	1,640,769	3.17%
7	Koskenkorva Mikko	1,245,139	2.41%
8	Johtopanostus Oy	1,030,000	1.99%
9	Malo Hanna	982,207	1.90%
10	Kumpu Minna	982,170	1.90%

		Shares pcs	% of shares
11	Porkka Harri	945,000	1.83%
12	Leino Satu	831,653	1.61%
13	Koskenkorva Karri	774,905	1.50%
14	Koskenkorva Helena	741,101	1.43%
15	Keskinäinen Vakuutusyhtiö Tapiola	674,000	1.30%
16	Haajanen Taru	610,917	1.18%
17	Koskenkorva Pekka	433,502	0.84%
18	Pravia Oy	432,500	0.84%
19	Pentti Kalervo	430,000	0.83%
20	Panostaja Oyj	429,058	0.83%
		33,619,239	**64.99%**
	Other shareholders	18,113,871	35.01%
	Total	**51,733,110**	**100.00%**

DISTRIBUTION OF SHARE OWNERSHIP BY SIZE OCTOBER 31, 2014

Number of shares	Shareholders pcs	%	Shares/votes pcs	%
1–1000	1,732	49.58%	871,012	1.69%
1001–10000	1,443	41.31%	4,883,041	9.47%
10001–100000	271	7.76%	6,798,223	13.19%
100001–1000000	31	0.89%	7,093,846	13.71%
1000001–	16	0.46%	31,894,339	61.65%
Total	3,493	100.00%	51,540,461	99.71%
of which nominee-registered	6		20,098	0.04%
In joint accounts			192,949	0.37%
Number of shares issued			51,733,110	100.00%

DISTRIBUTION OF SHARE OWNERSHIP BY SECTOR OCTOBER 31, 2014

Sector class	Shareholders pcs	%	Shares/votes pcs	%
Companies	137	3.92%	9,350,529	18.07%
Financial and insurance institutions	11	0.31%	4,916,305	9.50%
Public bodies	2	0.06%	4,259,000	8.23%
Households	3,323	95.13%	32,932,128	63.66%
Non-profit organizations				
organizations	10	0.29%	63,282	0.12%
Foreign	10	0.29%	18,917	0.04%
Total	3,493	100.00%	51,540,161	99.63%
of which nominee-registered	6		20,098	0.04%
In joint accounts			192,949	0.37%
Number of shares issued			51,733,110	100.00%

panostaja

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