panostaja ANNUAL REPORT 2015

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PANOSTAJA

AN ACTIVE DEVELOPER

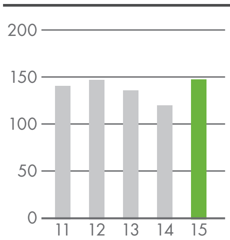
Panostaja is an active and responsible Finnish investment company. We invest with a long-term view, diversifying in different sectors. We acquire a majority shareholding in SMEs with potential, which we actively develop in cooperation with entrepreneurs. We bring to these companies business expertise 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 2015, Panostaja recorded net sales of MEUR 148.2 and employed about 1,176 staff. Our head office is located in Tampere, and our shares are quoted on the NASDAQ Helsinki Stock Exchange.

2015

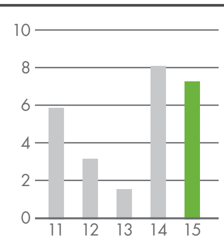
YEAR OF ACQUISITIONS

- Net sales increased by 22% to MEUR 148.2.
- The growth was largely the result of corporate acquisitions.
- EBIT stood at MEUR 7.3.
- Profit for the financial period climbed to MEUR 13.5.
- The result includes MEUR 8.6 from the divestment of Flexim Security.
- The merger of Grano and Multiprint strengthened the digital printing services.
- The acquisition of Megaklinikka led to the establishment of the new Oral Health Care segment.
- Management was the focus of segment development measures.
- The Board's dividend proposal is EUR 0.05 per share.

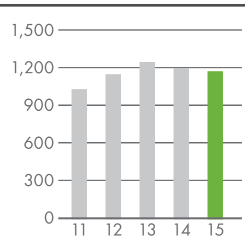
NET SALES, M€



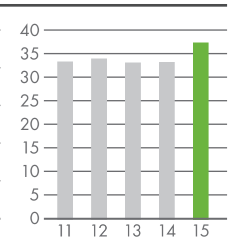
EBIT, M€



AVERAGE NUMBER OF EMPLOYEES



EQUITY RATIO %



2015

NET SALES
148.2 M€

EBIT
13.5 M€

PERSONNEL
1 176

SHARE CAPITAL MARKET VALUE
44.5 M€

2015

01

PANOSTAJA ENTERED into a MEUR 50 contract for a domestic commercial paper program, based on which the company can issue commercial papers of a tenor of less than one year.

02

DENTAL CLINIC MEGAKLINIKKA joined the Group when Panostaja purchased a 75% share of the company. The net sales of the company, which utilizes an entirely new concept, stand at approximately MEUR 5.5 and the number of staff is 90.

03

PANOSTAJA INITIATED COOPERATION with Juuri Fund and Juuri Partners, which manages the fund. Juuri Fund invests in the growth of SMEs through minority ownership and debt financing.

04

PANOSTAJA ADOPTED a tool for managing strategy and monitoring implementation. LATO, which comes from the words Leadership Automation Tool, is used by the boards and management teams of Panostaja and its subsidiaries for the purpose of promoting the implementation of strategic projects and corporate strategy.

LATO

05

THE DIGITAL PRINTING SERVICES SEGMENT was bolstered by Grano and Multiprint publishing news of their merger. The new company, which will continue under the name Grano, is the uncontested leader in the field with net sales of approximately MEUR 90.

"The merger of Grano and Multiprint strengthens our expertise. Now we have an even larger group of professionals to listen to and help our customers. The customers' needs also guide our investments."

Jaakko Hirvonen
CEO
Grano

06

PANOSTAJA SOLD FLEXIM SECURITY to Assa Abloy Oy. Panostaja Oyj's sales profit was approximately MEUR 8.6.

08

PANOSTAJA'S EXECUTIVE VICE PRESIDENT AND INVESTMENT DIRECTOR Tapio Tommila takes up the position of CFO, and Jari Lilja begins as the new CEO of Takoma. In September, Miikka Laine was appointed as Panostaja's new Investment Director.

10

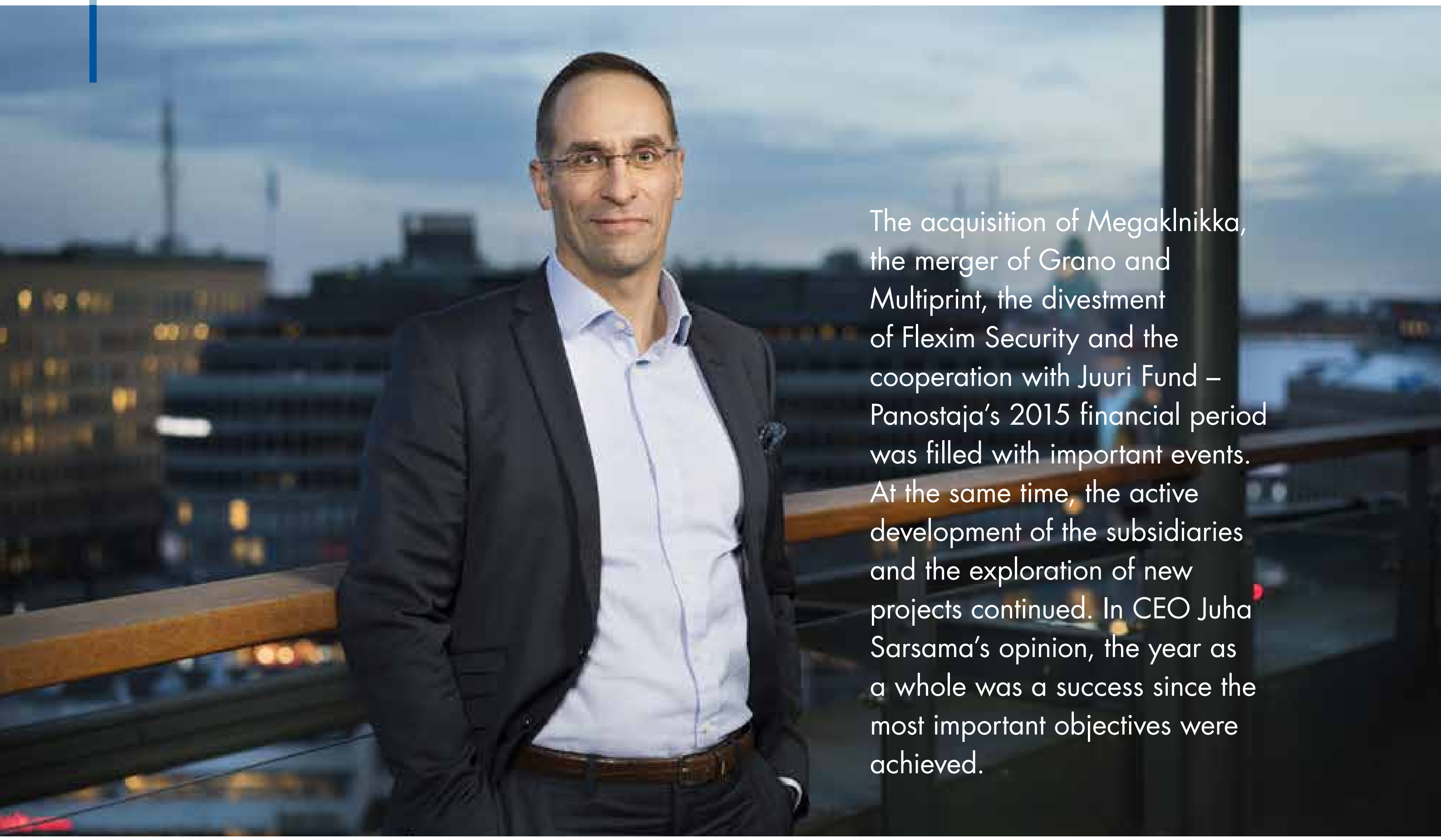
THE MANAGEMENT AND EXECUTIVE TRAINING PROGRAMS THAT CONTINUED throughout the year focused on the development of supervisory work and sales skills, in addition to management team work. Good management and supervisory work have significantly reduced sick leave throughout the entire Group during the past few years. A total of 70 Panostaja employees took part in training programs over the course of the year.

09 PRO

THE ELECTRONIC DEVELOPMENT PORTAL PRO, which was implemented in the previous year, was developed and expanded to support management team work in particular. The solution includes instructions – i.e. Panostaja's operating methods – as well as tools to develop and manage business operations. The easy-to-use portal also enables the sharing of ideas and good practices between subsidiaries.

11

KOTISUN PURCHASED A MAJORITY SHAREHOLDING in Pirkanmaan LVI-Tekniikka Oy. Pirkanmaan LVI-Tekniikka's current acting management will continue as minority shareholders and employees in the company. The corporate acquisition enables KotiSun to expand its current service offering with sewer renovations.



The acquisition of Megaklnikka, the merger of Grano and Multiprint, the divestment of Flexim Security and the cooperation with Juuri Fund – Panostaja's 2015 financial period was filled with important events. At the same time, the active development of the subsidiaries and the exploration of new projects continued. In CEO Juha Sarsama's opinion, the year as a whole was a success since the most important objectives were achieved.

BUSY YEAR FOR CORPORATE RESTRUCTURINGS

– THE OUTLOOK IS POSITIVE

HOW DID PANOSTAJA'S YEAR APPEAR IN LIGHT OF FIGURES?
Our net sales rocketed, increasing by 80% to MEUR 148. The increase in net sales was partially the result of corporate acquisitions but organic growth varied between companies. The profit stood at MEUR 7.3, which was a reasonable result considering it includes the one-time costs related to the Grano-Multiprint merger.

WHAT EVENTS CHARACTERIZED THE YEAR?
The ones that come to mind are the corporate restructurings that were published at short intervals over the course of the spring. In February we purchased Megaklinikka, Grano and Multiprint merged in May, and we sold Flexim Security at the beginning of June. From the perspective of an active owner, these are of course normal measures. At the same time, our companies were carrying out development projects prescribed by our ownership strategy.

WHAT PIQUED YOUR INTEREST IN MEGAKLINIKKA?
Megaklinikka is a different kind of dental clinic. The concept and information system it has developed take efficiency and customer-oriented services to a whole new level. We see vast potential for growth in Megaklinikka's operating method.

IT HAS BEEN SAID THAT THE MERGER OF GRANO AND MULTIPRINT WAS A UNION BETWEEN TWO STRONG OPERATORS. WERE THE NEGOTIATIONS BETWEEN COMPETITORS CHALLENGING?

From the start, both parties and the majority shareholders had a shared vision that the field needs a strong company that is willing to develop its range of products and services. The synergies were significant and there were very few overlaps. Moreover, the consolidation of the operations has proceeded according to plan and the company, which will continue under the name Grano, will place a strong focus on customer-oriented efforts. Grano has now increased its significance even more among Panostaja's holdings.

PANOSTAJA OWNED FLEXIM SECURITY FOR 8 YEARS. WHAT WAS THE DEVELOPMENT ARC LIKE?

Flexim developed from a barely profitable chain of lock companies into the most innovative service organization in the field with an internationally appealing software product, Flexim Safea. Correctly timed separation is part of the process of increasing shareholder value. We saw Flexim's next growth spurt through international distribution. In Assa Abloy we found a Finnish buyer with access to the sales network of an international group. Flexim is an excellent example of the effectiveness of our persistent efforts to increase the value of a business. We recorded a sales profit of about MEUR 9 for the sale.

WHAT IS THE OPERATING ENVIRONMENT LIKE FOR COMPANIES IN THE SME SECTOR?

The Finnish economy did not take the long-awaited turn for the better. Most have become used to the poor growth that has lasted for years and adapted accordingly. It appears that the current level may become the status quo in Finland, with high growth numbers out of reach in other nearby areas as well. Fortunately, SMEs operate so close to their customer bases that they acutely sense market developments.

HOW DID THE SITUATION AFFECT PANOSTAJA'S OPERATIONS?

Printing services, construction and the technology industry are the most important business areas for Panostaja. The printing markets are challenging and the competition is fierce. Construction has been in a slump, and there has been very little development in the technology industry. Despite the economic trends, many of Panostaja's subsidiaries managed profitable growth. The operating environment is the same for everyone, but with the right attitudes and measures, success in unfavorable markets is possible. We have encouraged the managements of our companies to invest in the future despite the challenging situation.

YOU MADE A COOPERATION AGREEMENT WITH JUURI FUND. WHAT DOES THE COLLABORATION ENTAIL?

Juuri Fund is a new kind of partner for SMEs with regard to financing and business development. The cooperation will supplement Panostaja's operating model as the fund will provide a potential partner for growth-oriented companies seeking minority ownership or debt financing. In addition to this, Juuri has implemented Panostaja's tools and management systems to support the development of its own target companies.

PANOSTAJA'S GOAL IS TO BE A GENUINELY ACTIVE OWNER AND DEVELOPER. HOW IS THIS APPARENT TO YOUR SUBSIDIARIES?

Day-to-day work consists largely of communication between people – the chairman and members of the board and the CEO. In addition to involving advanced management systems and related tools, the cooperation between Panostaja's experts and the subsidiary executives often consists of completely ordinary discussions and exchanges of ideas. In the management forum held in the summer, it was nice to see that discussion between subsidiaries has also become more active.

POLITICAL AND ECONOMIC UNCERTAINTY SEEMS TO REMAIN THE PREVALENT TREND FOR THE COMING YEAR. WHAT IS THE FUTURE OF THE FINNISH SME SECTOR?

In Finland, the operating environment of SMEs is challenging in many ways, but my greatest concern is the aversion to growth among companies. Finland boasts strong expertise, first-rate research and advanced technology which can be used to create new product and service concepts for the international markets. What we need now is courage and the ability to take risks. Panostaja will strive to support this by being a long-term partner for the companies.

SO WHAT IS THE WAY AHEAD?

We will continue forward with confidence. Our goal is to grow and develop the company. We are constantly seeking new investment targets actively and independently. All kinds of new operations are of interest to us. We have a great team and the support of our skilled and knowledgeable partners and owners. I would like to extend my thanks to all those who have been involved with developing Panostaja's story. We are in a good position to keep moving forward.

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 OPERATING PRACTICE

We are actively seeking financially healthy businesses that we see as having the potential to grow into frontrunners in their fields with our support. We bring business-related and strategic expertise to the company, along with tools that support management. We also assist the companies in securing financing and implementing corporate acquisitions.

RECOGNIZING VALUE CREATION POTENTIAL

Acquisition

1

- Recognizing the value creation potential of an SME and preparing an investment strategy
- Purchasing a majority share and engaging minority shareholders
- Investments from the company's own balance enable independently guided long-term ownership
- The net sales of acquired companies is MEUR 10–30

OUR CORE MISSION:

We make success stories in the SME field, which is important to Finland

OUR VALUES:

Entrepreneurship

Renewal and expertise is an attitude

Trust and openness

INCREASING VALUE

Development

2

Implementation of investment strategy; growth, corporate acquisitions and operational efficiency

Board and strategy work Development of business and management; active support, tools and systems

Development of management expertise

REALIZING VALUE INCREASES

Divestment

3

Continuous monitoring of the corporate acquisitions market and valuation levels

Realization of value increases in conjunction with the sale of holdings

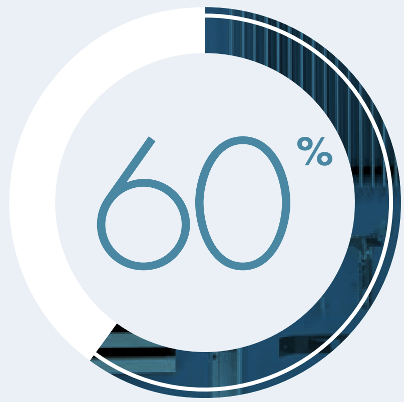
The goal is to secure the best possible return on investment

PERSISTENCE AND ACTIVE EFFORT

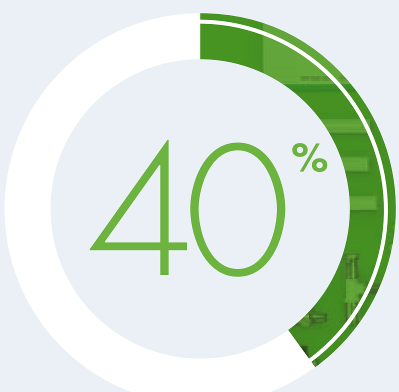
THE SME SECTOR IN FINLAND

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.

(Source: Federation of Finnish Enterprises)



SMEs currently employ more than 60% of the laborforce and the proportion is growing all the time since most new jobs are created in the SME sector.



SMEs form the foundation of the Finnish economy. 40% of the country's GDP comes from the SME sector.

The long-term security and development of SMEs is an important task socially as well. Twenty percent of SMEs expect a generational or ownership change in the next five years.

(Source: Federation of Finnish Enterprises)

Expectations regarding economic trends in the near future are currently more positive than before among SMEs. One in every three companies estimates that the trends will improve in the next 12 months, with less than one-fifth fearing further decline.

19%

SMEs mostly serve the domestic market as only 19% of them engage in export or business abroad.

(Source: SME Barometer 2/2015)

FINLAND'S COMPETITIVENESS PUT TO THE TEST

The competitiveness of the Finnish economy compared to its most important competitors has declined on a yearly basis since the onset of the financial crisis in 2008. The macroeconomy has been hampered by many factors, including the indebtedness of the public economy, increased unemployment and a negative current account. The challenges have also been mirrored in the microeconomy. Lack of trust in economic development among private individuals and tax increases have decreased consumption and companies have been reluctant to make investments. Efforts to revitalize demand through the financial economy have been unsuccessful. There is a fairly wide consensus on the necessity of structural changes to the economy, but corrective measures are still in the pipeline.

Discussions regarding the competitiveness of the Finnish economy have emphasized the stability of labor, other production costs and stability with regard to macroeconomy. Many large companies have moved their production to more affordable countries and closer their growing customer bases. In the SME sector, on the other hand, only about one-fifth of companies engage in export. For these companies, labor costs and the general cost level are important factors, but in the long term, sustainable competitiveness cannot be built on low costs alone. Finland's success must also stem from products and services that generate superior added value, and on the ability of companies to grow and develop themselves.

THE SME SECTOR IS KEY

The growth expectations for the Finnish economy are now largely carried by SME sector. The companies must be able to expand and internationalize their operations on a broader scale. The willingness to grow is an element of responsible business operations.

To achieve growth, companies must have persistence, resistance to risk and expertise. In addition to this, the companies need a stable operating environment, including functional legislation and efficient financial markets.

The world is far from complete. Needs for new services and products are created constantly. The digital revolution will vastly change the ways in which private individuals, companies and public bodies operate. It will unleash unprecedented potential for entirely new innovations. The strong education system and research expertise in Finland create an excellent foundation for the productization and international marketing of innovations. There are plenty of good examples of past successes. Courage will still be required to ensure that more Finnish companies than before set out to conquer the international markets.

THE COURAGE TO GROW

Some indications of a shift in attitudes and expectations can already be seen. Although economic problems are a mainstay of media discourse, SMEs have more positive expectations for the future. According to the SME barometer of spring 2015, the lowest point has already been reached and a gradual turn towards growth is now expected. However, the respondents were more cautious with regard to investments and increasing their staff numbers. The positive attitudes towards entrepreneurship are also an indication of a boost in courage. Success by entrepreneurs is now perceived as more acceptable than before and as being good for 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.

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
69.9 M€	775

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
23.7 M€	139

TAKOMA

ENGINEERING

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

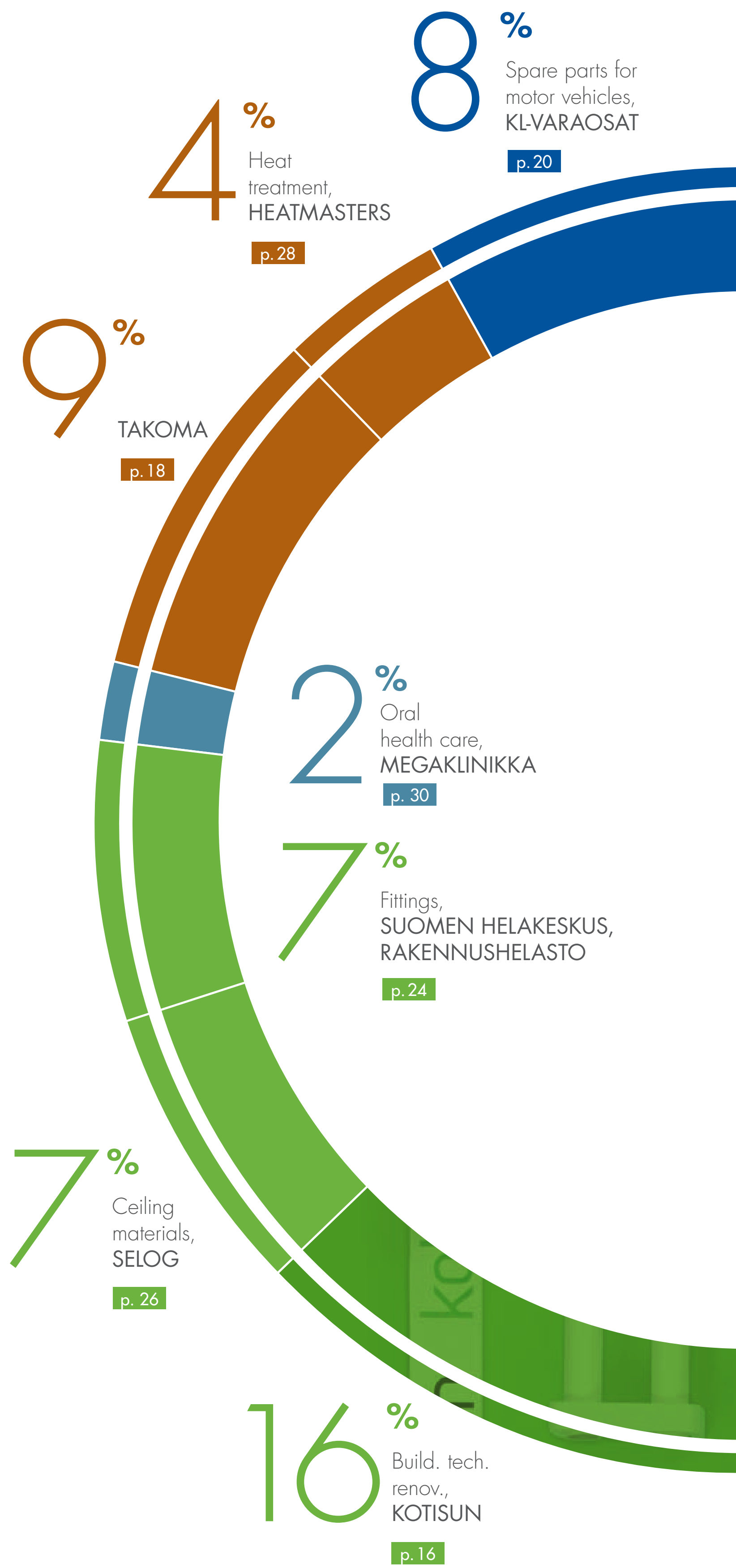
NET SALES	PERSONNEL
13.2 M€	90

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
11.8 M€	47



47 %
Digital printing services, GRANO

p.12

SUOMEN HELAKESKUS AND RAKENNUSHELASTO

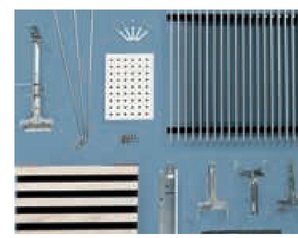
FITTINGS

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
10.4 M€	28

SELOG

CEILING MATERIALS

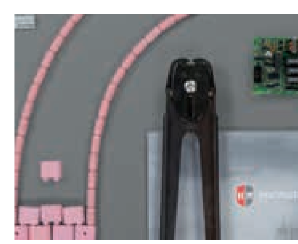


Selog is a ceiling materials wholesaler that provides services to contractors and fitters. Services include calculation, design and logistics.

NET SALES	PERSONNEL
9.9 M€	14

HEATMASTERS GROUP

HEAT TREATMENT

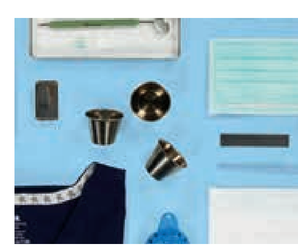


Heatmasters offers heat treatment as a service and manufactures heat treatment equipment. The end customers of Heatmasters are in the energy, chemistry and engineering industries.

NET SALES	PERSONNEL
6.3 M€	51

MEGAKLINIKKA

ORAL HEALTH CARE



Megaklinikka is dental clinic, which utilizes an entirely new service concept and offers all dental care services in one go with a high level of quality.

NET SALES	PERSONNEL
3.4 M€	86

DIGITAL PRINTING SERVICES

FORWARD TOGETHER

NET SALES
69.9 M€

EBIT
5.9 M€

PERSONNEL
775

Strong growth in the Digital Printing Services segment continued as Grano joined forces with another prominent actor in the field, Multiprint, in June. The profitability of the segment remained at the level of the previous year, but the one-time items resulting from the merger arrangements lowered EBIT. The merger made Grano the uncontested market leader in the field in terms of both net sales and number of staff. At the same time, Grano increased its significance among Panostaja's holdings.

The starting points for the negotiations regarding the consolidation of Grano and Multiprint were favorable, since the offering, expertise and customer coverage of the companies complemented each other and there was very little overlap. The focus of Grano's service network was in the Helsinki Metropolitan Area and Central and Eastern Finland, while Multiprint concentrated on Southern and Western Finland. Following the merger, the company now has facilities in 23 cities covering Finland from Oulu to Helsinki. Both companies were pioneers in the field with regard to digital printing and modern offset printing. Grano's special expertise covered electronic document management systems and marketing applications, whereas Multiprint excelled in large-format decals and 3D printing. Together, Grano and Multiprint formed a company boasting efficient production, excellent technological expertise and a customer-oriented and extensive service network.

PANOSTAJA BECOMES THE MAJORITY OWNER

The arrangement was carried out by merging Grano's parent company Digiprint Finland Oy and Multiprint Group Oy. Panostaja owns 52% of the new company, the majority owner of Multiprint, the Turun Metsänkävijät ry scout troop, owns 16%, the acting management owns 23% and other parties own 9%.

RAPID INTEGRATION

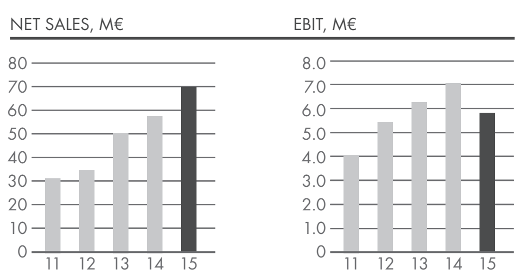
The corporate acquisition published in May proceeded to the implementation phase swiftly once the owners had given their final approval. Multiprint Group's CEO Jaakko Hirvonen assumed the position of CEO of the newly-formed Grano, and Grano's CEO Heimo Viinanen became a member of the Board of Directors. He will, however, continue to support the management during the integration process.

The general opinion of the merger among the staff of both Grano and Multiprint was very positive. After all, the companies had similar cultures to start with. Everyone decided to pull together to build a stronger corporate identity than ever before. As a result, brand efforts and the preparation of a strategy were quickly under way. Grano was decided as the name since, being relatively new, it was better suited to building something fresh. The reconstruction of the organisation was a herculean task, but it proceeded according to plan. Facilities and offices were consolidated in many cities and some overlaps were rooted out by means of reductions in personnel, which ultimately only applied to the annual work effort of 25 people.

GRANO |

Digital Printing Services

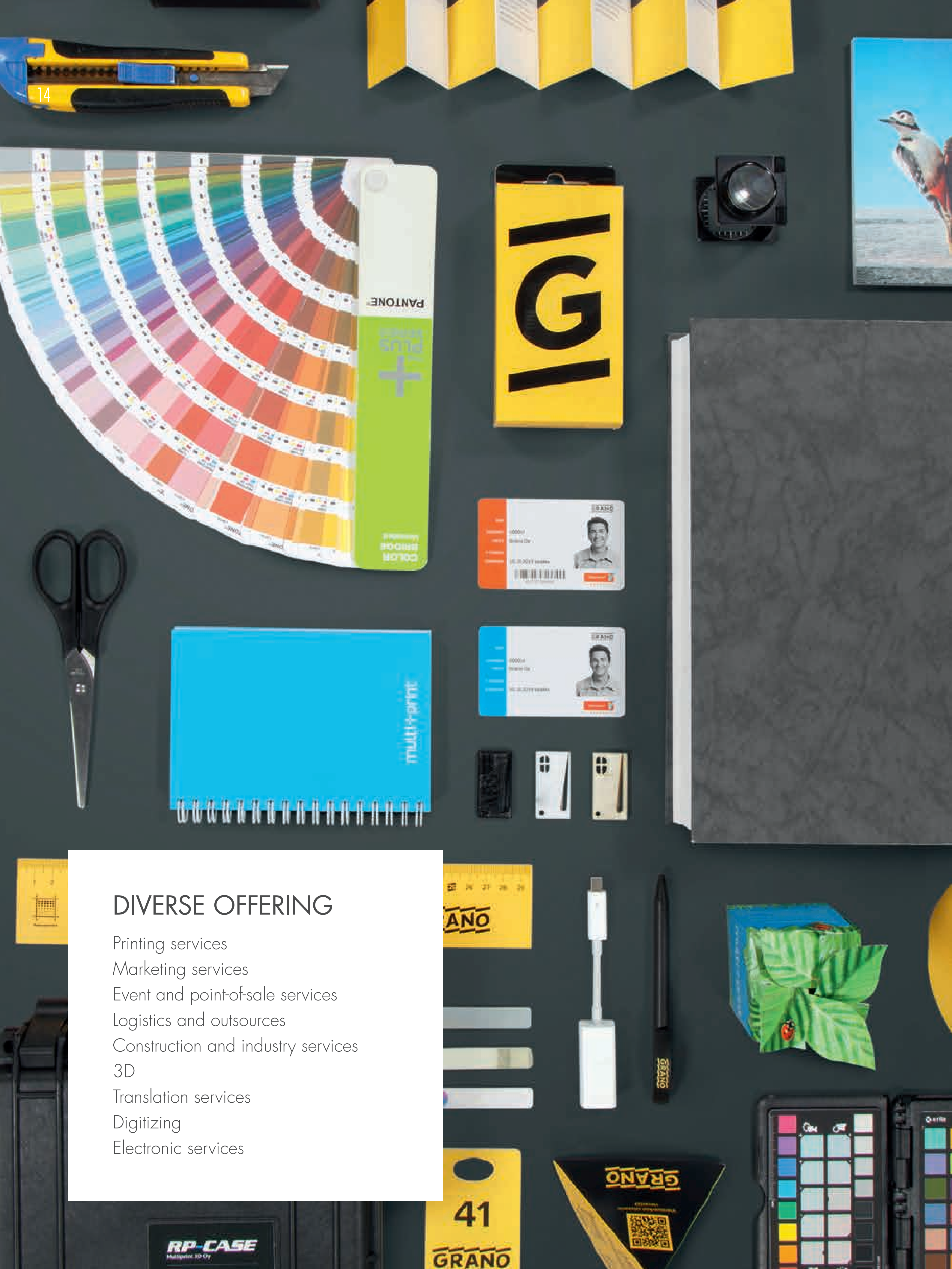
Grano is a marketing communications, printing and publishing services company, which is a market leader in Finland. In addition to this, the company operates in Tallinn and St. Petersburg. Its services are available nationwide in 25 different locations. Panostaja owns 52% of Grano, while the acting management owns 23%.



READ MORE

www.grano.fi

GRANO



DIVERSE OFFERING

Printing services
Marketing services
Event and point-of-sale services
Logistics and outsources
Construction and industry services
3D
Translation services
Digitizing
Electronic services

The starting point for unifying the operating methods and processes was to examine the various practices in a critical manner, select the most functional ones and create new alternatives where necessary. Harmonising the ICT environment turned out to be the most challenging task of all. The process of fitting together the variety of software did not proceed according to the intended schedule, and it is now scheduled for completion sometime in 2016. Otherwise, the integration was smooth and on time. Work at the new Grano has continued in the spirit of positive cooperation and enthusiasm. Since the internal changes, the focus has shifted to customers and the development of the service offering.

> "We are now focusing on developing our range of services. The need for electronic solutions is growing, and we have the capability to serve our customers in every step of their value chain before and after printing."
>
> CEO Jaakko Hirvonen

VAST CUSTOMER BASE

In addition to the staff, the customers of both companies largely found the merger to be a positive development that enables them to purchase a wider range of services from the same supplier. The customer base in the field is extremely varied, ranging from private individuals to international listed companies. By centralizing their publishing and printing work, customers save in costs and also in their own use of time.

NEW INNOVATIVE SOLUTIONS

The field of digital and conventional printing has gone through substantial changes as traditional printing has decreased with digital printing and electronic document management solutions gaining new ground. These changes require the development of new kinds of services and better customer solutions. As such, the merger ensures that Grano is better equipped to meet customer needs and develop the entire field far into the future. The company now has far more expertise and resources for developing innovative solutions and their sale. Services that combine digital and traditional printing and expand Grano's offering before and after the actual printing will play a pivotal role.

CONTINUED GROWTH

Grano's goal is to be the most sought-after partner and most closely followed forerunner. The general outlook for the field is poor as Finland's weak economic situation has accelerated the shrinking of the print market. There is clear overcapacity within the sector, which manifests itself as stiff price competition. On the other hand, the shift to digital solutions brings with it a wealth of new opportunities. The massive growth in available information, the transition from paper to digital, automated marketing and the possibility to utilize multiple channels provide opportunities to expand the offering and develop services that provide more added value than ever before. Supporting growth through corporate acquisitions is also an enticing alternative.

HEATING AND SERVICE WATER PIPELINE RENOVATOR

STRONGLY GROWING MARKETS

EBIT

4.2 M€

PERSONNEL

139

The demand for KotiSun's services remained strong although the general economic situation remained poor. There is an increasingly large number of Finnish single-family houses in need of heating and service pipe renovations. As such, the desire to get the necessary renovations out of the way before extensive damage is sustained trumps the economic outlook as the primary motivator for private customers to contact KotiSun.

KotiSun's year was busy and successful. The strong increase in net sales continued, and the profitability was excellent despite investments in growth. The company's EBIT is encumbered by the additional purchase price Panostaja paid for KotiSun. The geographical coverage of the business was supplemented by establishing new offices in Lappeenranta and Kajaani. The number of staff increased significantly. KotiSun hired experienced professionals in the field as well as young experts for sales, installation and management. All new employees were trained on their tasks and company procedure.

UNIQUE CONCEPT

KotiSun's position as the largest provider of conceptualized service water and heating network renovations strengthened over the course of the year. Companies in the field are traditionally small and local, but now some slightly larger competitors have entered the market. KotiSun's concept is unique among the competition. It covers everything from the marketing of services to pricing, design, acquisition of materials and supplies, installation and scheduling. The concept enables excellent overall efficiency and adherence to strict quality standards. Thanks to this, customers can be provided with a fixed price offer, accurate schedule and result guarantee, which amount to a unique competitive advantage. The operating methods used are developed continuously based on experiences gained from deliveries.

SATISFIED CUSTOMERS

According to KotiSun's own database, the pipe renovation needs of single-family houses are increasing, since the piping systems of buildings constructed between the 50s and 80s are reaching the end of their service life. This means that there is significant growth potential for years to come, even if the consumers' lack of trust in economic development is slowing down the decision-making process. KotiSun's goal is to strengthen its position by developing its service network and recognition. Even now, customer acquisition is partially based on a large number of successful projects and recommendations from satisfied customers. It is also possible to expand the offering by utilising the concept. On the other hand, the growing markets attract new competitors to the field, which will stiffen the competition.

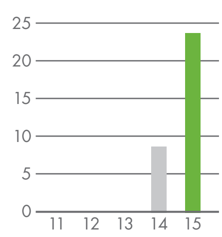
> "In order to maintain the position of market leader, we must question our operating methods and develop our operating methods.
>
> CEO Kalle Lahtinen

KOTISUN

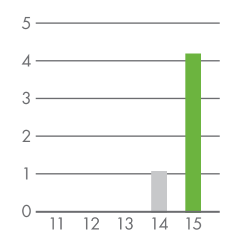
Building Technology Renovation

KotiSun offers consumers conceptualized service water and heating network renovations as a turnkey service. The company is the largest and best known operator of its kind in Finland. Its service network covers the entire country. Panostaja owns 58% of KotiSun, while the acting management owns the remaining 42%.

NET SALES, M€



EBIT, M€



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www.kotisun.fi

kotisun

TRANSMISSION TECHNOLOGY

FOCUS ON CUSTOMER WORK


NET SALES

13.2 M€

EBIT

-0.7 M€

PERSONNEL

90

Takoma's operating environment remained challenging for the duration of the financial period. The low global market price of oil came close to freezing investments in the offshore sector. Other areas of industry and marine industry in particular, on the other hand, balanced the situation to a degree. Due to the market situation, Takoma's net sales saw moderate development and the order book grew slightly towards the end of the year. Profitability improved although the company still incurred a loss due to one-time items. In addition to this, the invoicing of certain projects was moved to the following financial period due to changes in delivery schedules.

RATIONALIZED OPERATIONS

Over the past few years, Takoma has implemented significant changes, adaptation measures and restructurings, which have included relinquishing unprofitable operations and focusing production in Parkano. Strong investments have also been made in cutting unnecessary costs and increasing sales efficiency. After some trying times, the company was able to focus on business development under the leadership of the new CEO Jari Lilja, who assumed the post in August. The reorganization process, which was initiated in 2013, proceeded as planned, which reinforced the customers' and suppliers' trust in the company.

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 competitive factors. Other advantages are a good reputation among the customer base and operating in strong shipbuilding market areas, including Finland and Norway.

ACTIVE DEVELOPMENT CONTINUES

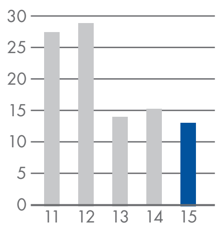
The direction that the markets will take in the coming financial period is still uncertain. The competition remains fierce as other operators suffer from the decline in demand. However, Takoma's special expertise, motivated staff and high-quality products and services secure faith in positive future developments. Active development will be continued by focusing on sales and productizing the offering. Even though it is difficult to predict market trends, an improved outlook in certain customer segments indicates growth potential.

> "Panostaja's support has been extremely important to Takoma in developing management and securing funding during the past years."
>
> CEO Jari Lilja

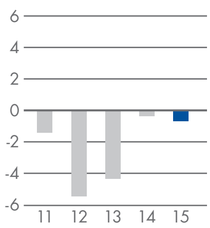
TAKOMA

Takoma is a an engineering company providing mechanical transmission products and services to the marine and offshore industries and to the mining industry. The products are manufactured mainly on the basis of customers' designs, but Takoma also actively offers product development 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. Panostaja owns 63% of Takoma.

NET SALES, M€



EBIT, M€



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www.takoma.fi

ORIGINAL SPARE PARTS FOR CARS

CALCULATED INVESTMENTS IN GROWTH

EBIT
0.5 M€

PERSONNEL
47

The weak development of domestic demand was clearly mirrored in the sale of spare parts for motor vehicles. Due to the poor economic situation, consumers considered the nature and timing of their car repairs very carefully. This manifested itself in fluctuating demand, increasing repair debt and shorter order books for repair shops.

The net sales of KL-Varaosat increased as expected thanks to the expansion of the service network and product range. At the same time, profitability dropped due to the investments made. Operations were expanded by opening a new facility in Vantaa, and the offering was expanded with spare parts for Volvo vehicles. The performance of the Vantaa outlet opened in January exceeded expectations from the start. The Volvo products brought a significant increase to the customer base. KL-Varaosat is a clear market leader in its own segment, and the car brands it serves – Mercedes-Benz, BMW and Volvo – represent about 18% of the Finnish car population.

COMPETITIVE ADVANTAGE FROM ONLINE TRADE

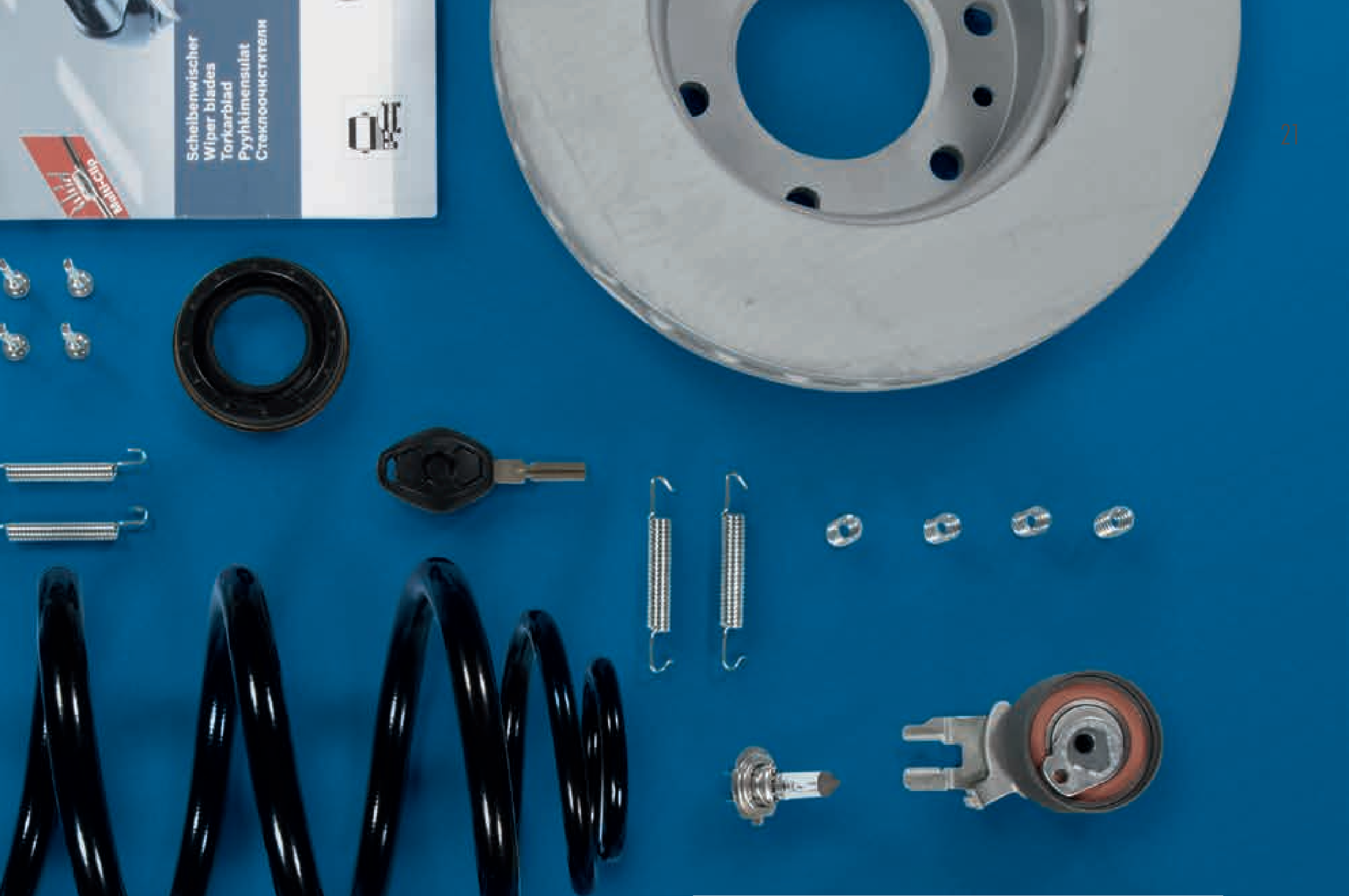
KL-Varaosat serves the owners and repair shops of select car brands with unparalleled brand expertise, fast deliveries and competitive pricing. The services are developed continuously. The past year saw the initiation of a significant project for the further development of an electronic product catalogue for the purposes of online retail. The new catalogue enables customers to select exactly the right part based on search data more efficiently than ever before. The new solution requires the consolidation of numerous software and database components. It will contain a vast pool of information, since KL-Varaosat delivers more than 20,000 items directly from inventory and more than 800,000 items by order. The development efforts will continue in 2016.

MANY PATHS TOWARDS GROWTH

Forecasts have shown signs of market recovery in 2016. The positive expectations are further bolstered by KL-Varaosat's long-term experience in spare parts retail and the vehicle brands, which have gained in popularity based on statistics regarding first-time registrations.

> "With Panostaja's support, we have implemented significant projects to increase and develop our operations."
>
> CEO Juha Kivinen

On the other hand, the poor outlook of the national economy continues increase the price comparison of spare parts and competition in the field. However, KL-Varaosat has expanded its operations rapidly in recent years, and the strong concept will continue to provide a competitive advantage and numerous paths for growth, as is evidenced by the efforts to develop online retail and enhance cooperation with repair shops. Opportunities for geographical expansion and the possibilities for representing a new brand are always considered on a case-by-case basis. The growth projects implemented in the 2015 financial period are on strong path towards success.

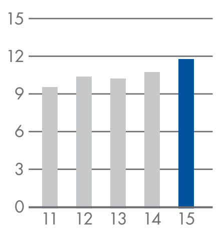


KL-VARAOSAT |

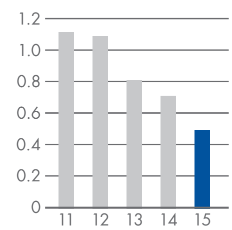
Spare Parts for Motor Vehicles

KL-Varaosat is a spare parts business engaged in the import and retail of original spare parts and supplies for Mercedes-Benz, BMW and Volvo cars and Mercedes-Benz vans. The company serves car repair shops, resellers, other corporate customers and retail customers. Its facilities are located in Tampere, Jyväskylä, Turku, Rovaniemi and Vantaa. Panostaja owns 75% of KL-Varaosat, while the acting management owns 25%.

NET SALES, M€



EBIT, M€



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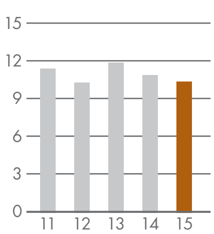
www.kl-varaosat.fi

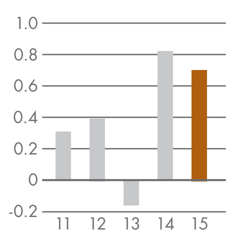
SUOMEN HELAKESKUS & RAKENNUSHELASTO | Fittings

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 drawers and pull handles to mirror doors, excluding furniture frames. Panostaja owns 95% of the Fittings segment while CEO Hannu Rantanen owns 5%.

NET SALES, M€



EBIT, M€



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www.helakeskus.fi

SUOMEN HELAKESKUS & RAKENNUSHELASTO

INCREASING ADDED VALUE THROUGH NEW SERVICES

The market situation in construction remained challenging as the entire field continued to shrink. The trend was also reflected by a slight decline in the net sales of the Fittings segment. Profitability increased slightly, as measures had been taken earlier to adapt the operations to meet the demand. EBIT, in turn, dropped due to investments in new service operations. Suomen Helakeskus maintained its position as one of the largest companies in the field. Rakennushelasto was also able to maintain its market share with regard to the deliveries of certain products. Although the economic challenges manifested themselves as bankruptcies and restructurings among the customer base, significant credit losses were avoided thanks to efficient monitoring.

Suomen Helasto expanded its service offering to include semi-finished products and assembly by establishing a unit that utilises modern methods to produce sawing, assembly and bagging services for customers. Helakeskus is the only wholesaler in the field that offers professional bagging services to the industry and retail outlets. In addition to this, the company developed a web-based custom order system for doors, desk tops and kitchen sinks.

EXPANDING CUSTOMER BASE

Suomen Helakeskus's range covers all components required for storage systems, from hinges to drawers and pull handles to mirror sliding doors, excluding furniture frames. The company's customer base consists of the kitchen and furniture industries and carpenters. Rakennushelasto Oy serves the construction industry, in other words, door and window factories and construction companies.

The investments of the past year in strengthening the sales and service organisations and acquiring new customers have already yielded results. Towards the end of the financial period Helasto forged new relationships with retail chains, gaining three notable customers. The deliveries were initiated at the end of the financial period, and the increased number of customers bolsters the outlook for the coming period.

TOWARDS MORE COMPREHENSIVE SOLUTIONS

The estimates of the Association of Finnish Technical Traders predict slight invigoration for the construction industry in 2016. However, the market change will not bring about significant growth opportunities. Instead, they must be created by expanding the offering and customer base. Current customers require increasingly complete solutions, products ready for direct installation and unique packaging services. Alongside the traditional fixture, door and window industry, the customer base can be expanded into other fields.

> "We use the management systems and tools developed by Panostaja actively."
>
> CEO Hannu Rantanen

NET SALES
10.4 M€

EBIT
0.7 M€

PERSONNEL
28

LEADING WHOLESALER OF CEILING MATERIALS

EXPERT SERVICE AND NEW CUSTOMERS

EBIT
0.5 M€

PERSONNEL
14

The persistent downturn in the construction field had a clear effect on the operations of ceiling wholesaler Selog in 2015. Demand remained low and price competition was fierce. Selog's net sales decreased slightly, but the company was able to maintain its market position. Thanks to strict financial monitoring and moderate adaptation measures, the company also kept its profitability at a reasonable level.

Selog's customer base consists primarily of contractors and fitters that construct ceilings. Over the course of 2015, efforts were made to broaden the base by offering services to construction firms and hardware stores in order to gain new customers. The investments have already yielded slight results, which means that the efforts to activate sales in new customer groups will be continued.

EXPERTISE AS A COMPETITIVE ADVANTAGE

Selog's activities as a wholesaler are based on close cooperation with customers and good relationships with suppliers. Understanding the requirements for materials and construction as well as familiarity with the offerings and competence of a wide range of suppliers constitutes a significant part of Selog's professional expertise.

Selog provides its customers with a wide range of products coupled with design services. Unlike its competitors, it does not provide installation services, which means that it does not compete with its customers. Selog offers its customers advice and expertise, along with seeking the solutions and products best suited to the customers' needs. 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.

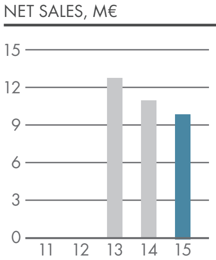
CLIMBING OUT OF THE SLUMP

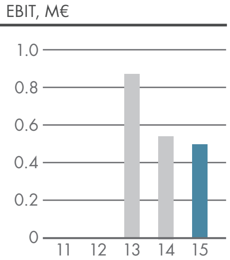
Currently, there are no clear signs to indicate that demand among Selog's customers will begin to increase significantly over the course of 2016. On the other hand, information about new and large commercial and office building projects, such as those planned for the Keski-Pasila and Kalasatama districts, is floating around in the markets. Individual projects are, of course, not all that significant for the field or Selog's operations, but based on the current forecasts, one can assume that the market trends have now reached the deepest pit and recovery is about to begin.

> "The year was constant battle against the markets but we still managed a positive result."
>
> CEO Simo Tuokko

SELOG | Ceiling Materials

Selog is a ceiling materials wholesaler that provides services to contractors, fitters, hardware stores and construction firms. 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 owns 60% of Selog, while CEO Simo Tuokko and Marko Seppä own 15% and 25%, respectively.





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www.selog.fi

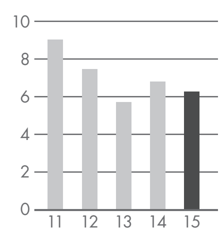
SELOG

HEATMASTERS |

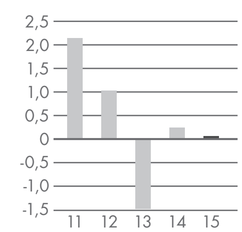
Heat Treatment

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 restore 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. In addition to this, the company has a joint venture in Estonia. Panostaja owns 80% of Heatmasters, while CEO Ilkka Mujunen owns 20%.

NET SALES, M€



EBIT, M€



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HEATMASTERS. the wizards of metal

www.heatmasters.fi

SPECIALIST IN HEAT TREATMENT

FOCUS ON SERVICES

Development in the demand for heat treatment services was primarily positive in Europe over the course of 2015. However, some variation could be seen between Heatmasters' key countries of operation. In Finland, Estonia and Poland, the markets were active, whereas in Sweden and Norway the demand was low. The market for heat treatment machines and equipment was slow in 2015, especially with regard to furnace products.

Overall, Heatmasters' net sales developed according to expectations, finishing at the level of the previous year. The sales consisted primarily of services, while equipment production returned to normal after the record levels in the previous year. In Finland, growth was exceptionally good thanks in part to the extensive project implemented at Neste's Kilpilahti oil refinery in the spring. In many other countries, too, development was favorable, but in Sweden net sales dropped dramatically. Measures initiated in 2014 to improve cost efficiency began to take effect, which improved the profitability of Heatmasters in all other areas except Sweden, where the company incurred a clear loss. This had a significant effect on the overall profitability of the business. Towards the end of the financial period, an operational restructuring was initiated in Sweden.

QUALITY AT A HIGH LEVEL

Heatmasters maintained its strong market position as a service and equipment supplier, but the competition for extensive service projects stiffened dramatically. New operators entered the market, the majority of which gained a competitive advantage by importing labour from low-cost countries. Heatmasters responded to the stiffening competition by developing the expertise of its staff and the quality of services. The impeccable quality of heat treatment is always high on the customers' wish list, which is why Heatmasters utilizes certified quality management systems that provide a clear competitive advantage over other operators.

In terms of equipment, Heatmasters' competitive edge is formed by the durability and technical features of the products. Technological development focused on temperature controllers and automatic heat treatment units. As a result, new products will be launched in 2016.

SETTING THE BAR HIGHER

The prospects in the markets for heat treatment services and equipment are mainly good. The optimism is maintained by the fact that power plans in Central Europe require maintenance, which means that new extensive projects can be expected. In addition to this, it can be anticipated that the demand for machines and equipment will increase based on past negotiations. The goal of Heatmasters is to increase net sales and profit by investing in large projects, international customers and the development of its offering, along with continuing to expand into new areas.

> "The events and training arranged by Panostaja provide excellent forums for many things, including networking."
>
> CEO Ilkka Mujunen

EBIT

0.1 M€

PERSONNEL

51

DENTAL CARE WITH AN EFFICIENT SERVICE CONCEPT

BUILDING A BASIS FOR GROWTH

EBIT
-0.5 M€

PERSONNEL
86

In February 2015, Panostaja became the majority shareholder in Megaklinikka, a company offering oral health care services. The dental clinic established in 2010 offers an entirely new kind of service concept. Megaklinikka has rapidly grown into an innovator and prominent actor in the Helsinki Metropolitan Area. Panostaja's aim is to build Megaklinikka into a company that revolutionizes practices in the sector, and to expand business beyond national boundaries.

Megaklinikka saw many significant changes in 2015. In addition to the change in ownership, the operations were developed and expanded. Specialist dental care services were bolstered at the Kamppi dental clinic in Helsinki. A pilot was initiated in Palokka, Jyväskylä, which involved a public sector dental clinic implementing Megaklinikka's ERP system. The pilot project got off to an excellent start and the waiting lists for treatment were shortened significantly. In addition to this, measures to promote geographical expansion were continued.

The markets in the sector were fairly challenging. The poor economic situation and cutbacks in Kela reimbursements were also mirrored in dental care. At the same time, new competitors entered the field and existing ones expanded their efforts. As a result, Megaklinikka's turnover decreased slightly from 2014, and the company's EBIT was negative partially due to the costs of the corporate restructuring but also the implementation of the expansion plan.

UNIQUE METHOD

Megaklinikka's customer-oriented service concept is unique in the field. Customers are provided with the full range of high-quality and cost-efficient dental care services on a single visit without the need to wait in line. The efficiency of the service is based on a proprietary ERP system, which enables the equalization of any fluctuation in demand and the improved management of capacity while taking into account the individual capabilities of the dentists themselves. Megaklinikka's concept has received plenty of praise from both customers and staff. According to continuous surveys, as many as 90% of the customers would recommend the service to their friends. The customer base is expanding constantly, even though the percentage of loyal customers is already high. The new method also brings variation to the day-to-day work of the employees and promotes the development of their expertise. Investments in motivation and well-being at work are made in a variety of ways.

> "By means of an efficient ERP system, public sector health care could achieve significant cost savings and improve services at the same time."
>
> CEO Christoffer Nordström

MANY PATHS TO GROWTH

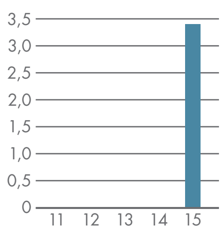
Although the outlook for the market development of private dental care in Finland is relatively poor for the coming year, Megaklinikka has clear plans for growth. Internationalisation, the development of licencing operations and the expansion of the concept will enable growth that trumps the market trends in the coming years.

MEGAKLINIKKA |

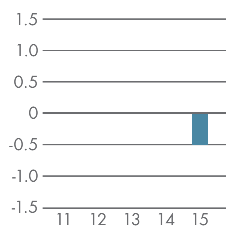
Oral health care

Megaklinikka is dental clinic which utilizes an entirely new service concept and offers all dental care services in one go with a high level of quality, without the need to wait in line. The customer-oriented approach is supported by the efficient ERP system developed by the company. Megaklinikka's head office is located in Helsinki. Panostaja owns 75% of Megaklinikka, while the acting management owns 25%.

NET SALES, M€



EBIT, M€



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megaklinikka

www.megaklinikka.fi

FROM A TRADITIONAL LOCK COMPANY TO THE PINNACLE OF SECURITY TECHNOLOGY

Procurement

Development

1 The field of locking solutions was in significant trouble in the mid-2000s, and lock companies were no exception. Suomen Helasto Oyj had seven independent lock businesses that were each specialized in their own product. Jukka Laakso, manager of the business area, understood how the companies should be developed. He merged the lock companies together to form LukkoExpert Security Oy, which offered services under the Lukkoliike chain of lock companies. However, a serious cash crisis prevented other necessary measures. In 2007, Panostaja acquired a majority holding in Helasto to which LukkoExpert Security belonged. At this point, the net sales of the lock business were approximately MEUR 8. Cooperation with Panostaja enabled the company to transform its vision and turn itself from a traditional lock company to one of the leaders in security technology. The change did not happen overnight and required persistence and an active strategic approach from all owners.

2 After Panostaja got involved, the company placed its full focus on door solutions and access control. At the same time, the service offering was develop to a whole new level. Before this, product development had relied on suppliers, but now the company began to collect in-house expertise. In 2009, the company purchased Siemens Bewator Oy's operations in Finland and changed its name to Flexim Security Oy. At the same time, it initiated product development efforts based on modern technological solutions and digitalization. Some 10% of the net sales was invested in product development each year, with software and service development taking center stage. While this was going on, the company also expanded through corporate acquisitions.

For almost a decade, Panostaja provided Flexim Security with expertise regarding overall financial arrangements, active board operations, creation of strategies and the development of finances, marketing and management systems.

Flexim Security

Owned by Panostaja since 2007, Flexim Security managed to grow into a leading expert in worry-free and safe access thanks to its clear vision, strong product development and numerous mergers. One of the foremost achievements of its product development is the pioneering Safea product, which has received global recognition in the field. In order to maximize shareholder value, Panostaja divested its ownership in the company and sold Flexim Security to Assa Abloy in the summer of 2015. Flexim Security's successful development path is an excellent indication of the efficiency of Panostaja's operating model.

Divestment

3

By the summer of 2015, Flexim Security was ready to set off on its own without the investment owner. Its net sales and staff strength had climbed to MEUR 34 and 249, respectively. The pioneering Safea safety solution developed by Flexim drew world-wide interest. It was now possible to focus the next growth spurt on international markets. Panostaja and the minority shareholders divested Flexim Security and sold the entire share capital to Assa Abloy Oy for MEUR 27. The sellers also have the opportunity for an additional purchase price of up to MEUR 8.0, which will be determined on the basis of the 12-month period that began on May 1, 2015. Assa Abloy is the Finnish market leader in mechanical and electromechanical locking and part of the world's largest group in the security field, Assa Abloy Group. Assa Abloy was particularly drawn to Flexim Security's digital solutions. Consolidating product development efforts brings new expertise to the development and productization of services. For Flexim Security, the new owner offers an international sales network for marketing Safea. The company now has every precondition for implementing the next growth spurt.

”This has been an amazing journey in every way. Panostaja is an investment company that truly strives to develop new ways of thinking. I cannot stress enough how important they have been in being a sparring partner for us and expanding our network.”

Jukka Laakso, CEO, Flexim Security


From left to right: Eero Eriksson, Jukka Terhonen, Antero (Antti) Virtanen, Hannu Tarkkonen, Mikko Koskenkorva and Jukka Ala-Mello

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

JUKKA ALA-MELLO, B. 1963

Chairman of the Board 2011, board member since 2006

M.Sc.(Econ.), APA

CURRENT POSITION: Director and Secretary of the Board of Directors of KONE Oyj.
INDEPENDENT OF THE COMPANY AND MAJOR SHAREHOLDERS.

EERO ERIKSSON, B. 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, B. 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.

ANTERO (ANTTI) VIRTANEN, B. 1954

Board member since 2013

M.Sc.(Econ.)

CURRENT POSITION: Managing Director of Jesura Oy.
INDEPENDENT OF THE COMPANY AND MAJOR SHAREHOLDERS.

HANNU TARKKONEN, B. 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

MIKKO KOSKENKORVA, B. 1982

Board member since 2011

Vocational Qualification in Business Information Technology

CURRENT POSITION: IT Project Manager of Pajakulma Oy.
INDEPENDENT OF THE COMPANY.

From left to right:
Tapio Tommila, Minna Telanne,
Juha Sarsama and Miikka Laine

JUHA SARSAMA, B. 1965

CEO since 2007

Master of Laws, M.S.M. (Boston University Brussels)

PREVIOUS WORK EXPERIENCE:
Managing Director of Opus-Capita Oy, Administrative Director of Saarioinen Oy, Financial Director of Opus-Capita Oyj

OTHER POSITIONS OF TRUST:
Board member of Finland Chamber of Commerce, Board member of Etera Mutual Pension Insurance Company, Board member of Fennia Asset Management

MINNA TELANNE, B. 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, B. 1978

Financial and Investment Director and Executive Vice President since 2015

M.Sc. (Econ.), eMBA

PREVIOUS WORK EXPERIENCE:
Panostaja Oyj Investment Director, Deloitte Corporate Finance Oy, PricewaterhouseCoopers Oy

OTHER POSITIONS OF TRUST: –

MIIKKA LAINE, B. 1972

Investment Director since 2015

M.Sc. (Econ.), Master of Laws

PREVIOUS WORK EXPERIENCE:
Partner and CFO of Finnsweet Holding Oy Group, Investment Director and Partner of private equity firm Profita Management Oy, Director in M&A unit of Nokia Oyj and various positions in investment bank business (FIM, Pohjola)

OTHER POSITIONS OF TRUST: –

SIMO MUSTILA HAS BEEN PART OF THE SENIOR MANAGEMENT TEAM UNTIL 19.8.2015.

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

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	Kumulatiivinen osakekohtainen tulos (EPS) on	Equity ratio is at least
20 %	0.80 €	40 %
The objective of cumulative earnings per share (EPS) of 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

INFORMATION FOR SHAREHOLDERS

SHARE INFORMATION

Market	NASDAQ OMX 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 Tuesday February 2, 2016 at 1:00 pm at Technopolis Yliopistonrinne, Häggman Auditorium, Kalevantie 2, Tampere. We published the invitation to the Annual General Meeting on December 11, 2015. The meeting documents are available at www.panostaja.fi/yhtiokokous (in Finnish).

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 21, 2016.

A shareholder who wishes to participate in the Annual General Meeting must register with the company in writing in advance no later than January 28, 2016 by 4:00 pm to Milla Store/Panostaja Oyj, Kalevantie 2, 33100 Tampere, or by telephone to Milla Store, tel. +358 (0)50 685 70 or by e-mail to yhtiokokous@panostaja.fi. The letter or e-mail of registration must have arrived before the end of the registration period. Any powers of attorney should be sent along with the registration.

A nominee-registered shareholder who wishes to participate in the Annual General Meeting must register for temporary entry in the company's shareholder list no later than January 28, 2016 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 21, 2016. 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.

DIVIDEND PAYMENT

Panostaja Oyj's distributable assets, including the profit for the financial period of EUR 21,633,647.12 and EUR 15,820,933.39 in the invested unrestricted equity fund, amount to EUR 26,347,399.44.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 per share be paid for the financial period November 1, 2014–October 31, 2015. According to the proposal, the dividend will be paid to those shareholders who on the record date of the payment, February 4, 2016, are recorded in the company's share list maintained by Euroclear Finland Oy.

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 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 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 21, 2016
Registration for Annual General Meeting ends	January 28, 2016
Annual General Meeting	February 2, 2016
Dividend release	February 3, 2016
Dividend payment record date	February 4, 2016
Dividend payment	February 11, 2016

INTERIM REPORTS

The Panostaja Group will publish three interim reports in the financial year November 1, 2015–October 31, 2016, as follows:

The interim report for the period November 1, 2015–January 31, 2016	March 3, 2016
The interim report for the period November 1, 2015–April 30, 2016	June 2, 2016
The interim report for the period November 1, 2015–July 31, 2016	September 1, 2016

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

READ MORE *www.spectra.fi*

Panostaja's holding in Spectra is

39 %

CEO
Olli Plaketti

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.

READ MORE *www.ecosir.com*

Panostaja's holding in the Ecosir Group is

38.6 %

CEO
Mauri Leponen

JUURI PARTNERS

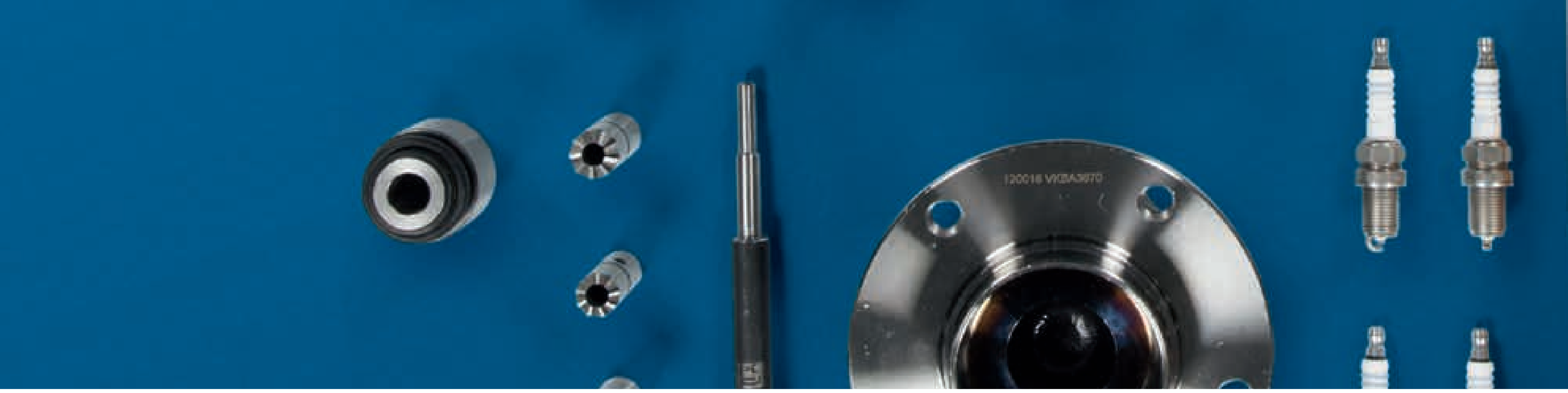
Juuri Partners is a Finnish private equity investor which funds stable and profitable small and midsize companies in Finland. Juuri supports in developing and growing companies as an investor and as a strongly committed external sparring partner. In developing company strategies and businesses with company owners and management Juuri supports comprehensively from board work to improving ongoing activities. Juuri Partners is a private equity fund of Juuri Fund with its equity from domestic financial solid institutional investors.

READ MORE *www.juuripartners.fi*

Panostaja's holding in Juuri is

20 %

CEO
Samuli Sipilä



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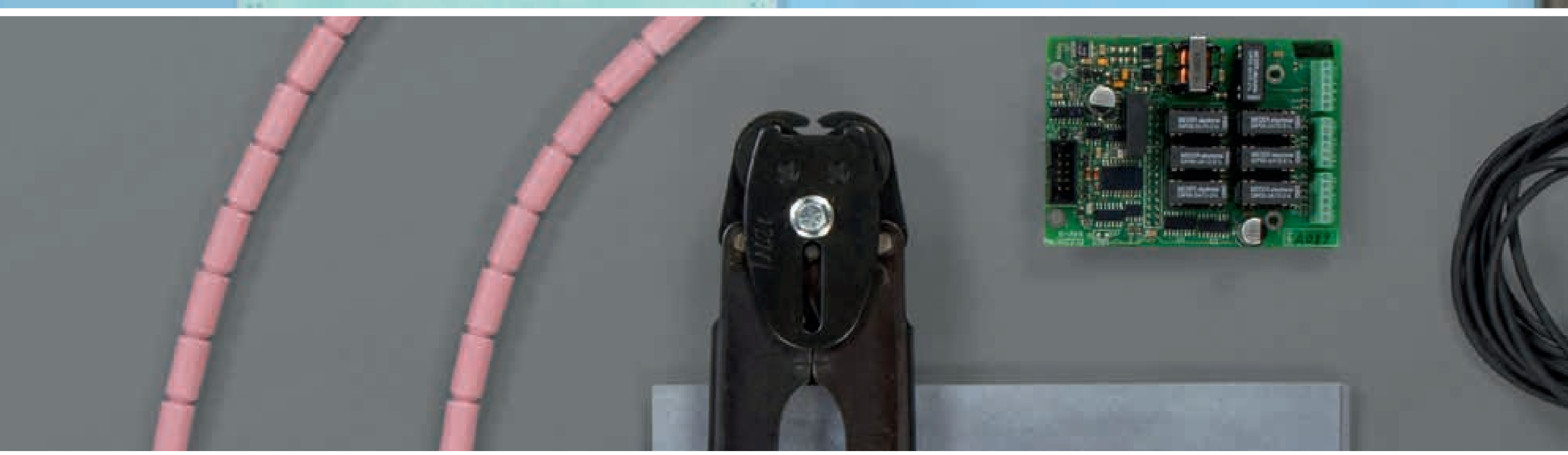
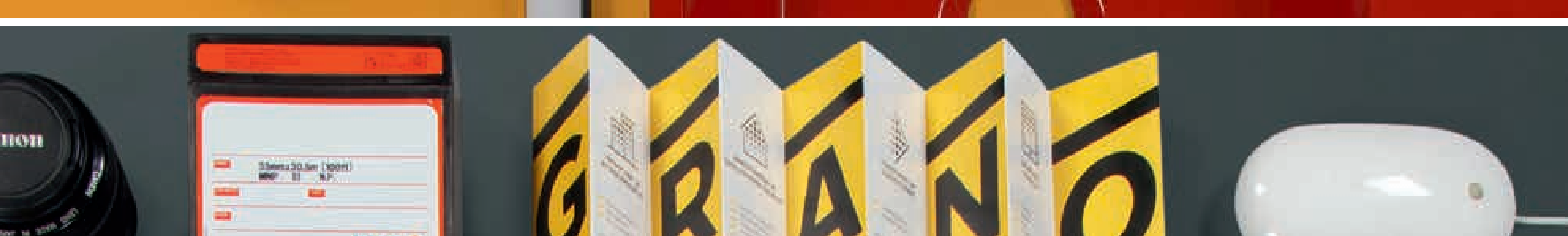
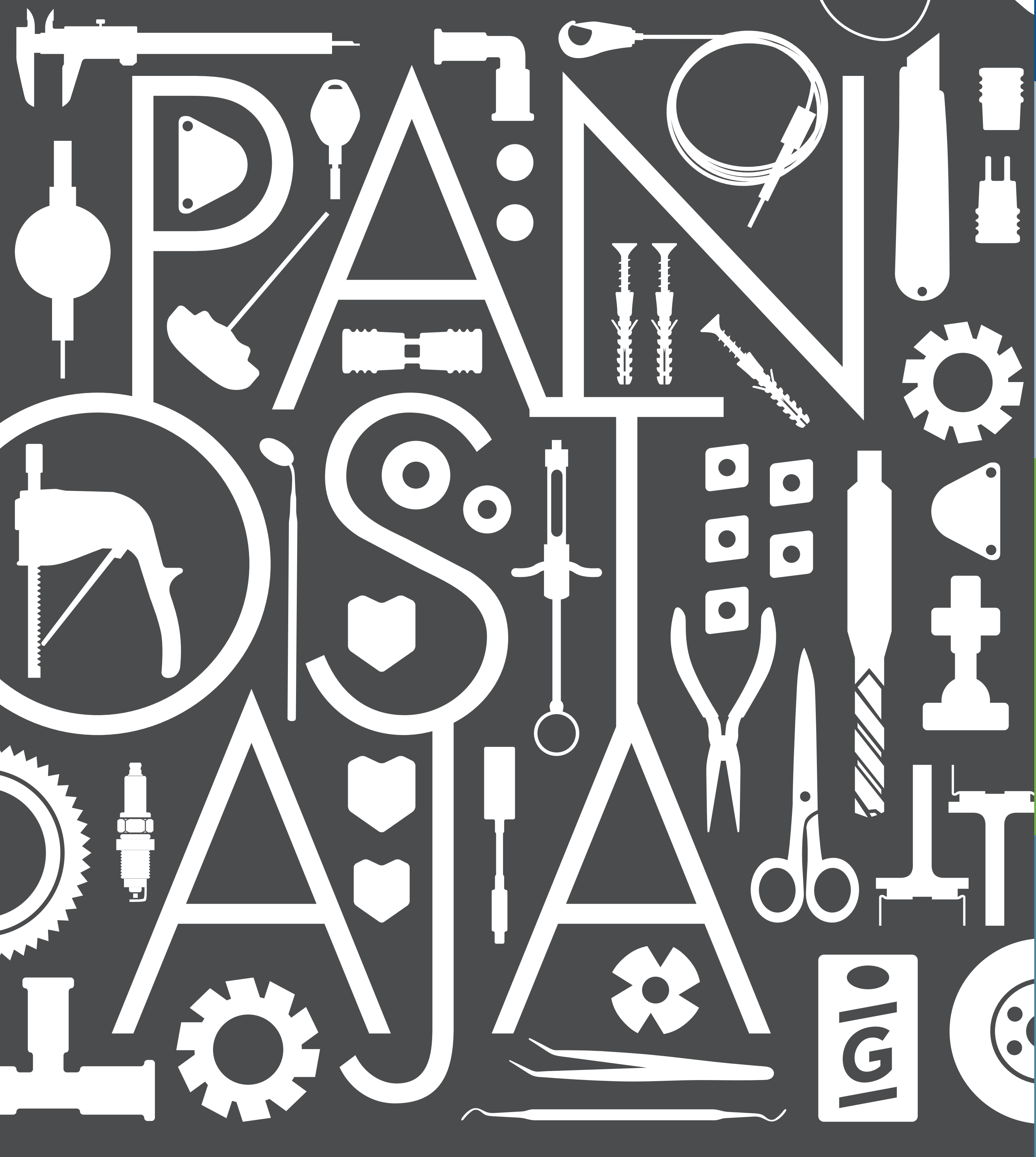



GRANO

panostaja Kalevantie 2, FI-33100 | Tampere, Finland panostaja@panostaja.fi | www.panostaja.fi

panostaja

FINANCIAL STATEMENTS 2015



2015

FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD NOVEMBER 1, 2014–OCTOBER 31, 2015

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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 148.2 (MEUR 121.1). Export amounted to MEUR 6.5, or 4.4%, (MEUR 5.9, or 5.3%) of net sales. The corporate acquisitions made during the previous and current financial period affected the MEUR 27.0 increase in net sales by MEUR 28.4. Of the Group's eight operational segments, three exceeded the cumulative net sales level of the reference period.

EBIT declined and was MEUR 7.3 (MEUR 8.1). EBIT for the financial period was encumbered by the difference of MEUR -0.5 between the values of Kotisun Oy's additional purchase price and the value on the balance sheet date, which has been recognized in the company's other costs, as well as the MEUR 1.7 cost caused by the acquisition of Multiprint. One segment out of eight exceeded the EBIT for the reference period.

Profit from discontinued operations was MEUR 9.5. Flexim Security Oy was sold on June 4, 2015, and the deal was concluded on August 28, 2015. The consolidated income statement does not include the income statement for operations discontinued in 2014. Instead, the result is entered separately in the consolidated income statement under 'Income from discontinued operations'.

Before separating the discontinued operations from continuing operations in the income statement, consolidated net sales for the entire reference period were MEUR 154.8 and EBIT was MEUR 10.2.

The Group's net financial expenses for the review period were MEUR -3.8 (MEUR -2.2). The financial expenses include a MEUR 1.0 write-down of associated company Ecosir's subordinated loan. The Group's liquidity remained good and operating cash flow was MEUR 8.0 positive.

During the financial year, the Group employed an average of 1,176 (1,204) people. At the end of the financial period, the Group employed 1,239 (1,112) persons.

The net sales of the parent company, Panostaja Oyj, amounted to MEUR 0.0 (MEUR 0.0). EBIT totaled MEUR 23.0 (MEUR 5.7). The parent company's profit in the financial period was MEUR 21.6 (MEUR 6.9).

GROUP STRUCTURE

On February 27, 2015, Panostaja Oyj announced that it had signed an agreement for the purchase of shares in Megaklinikka Oy, which offers oral health care services. In the transaction, Panostaja bought a 75% share of the company formed. As a result of the transaction, Panostaja expanded its business operations and established within the Group a new business area specializing in oral health care. Megaklinikka's key personnel continue as minority shareholders with a 25% stake in the company. Panostaja's aim is to build Megaklinikka into a company that revolutionizes practices in the sector, and to expand business both in Finland and internationally.

The purchase price paid for Megaklinikka Oy's entire shareholding was approximately MEUR 2.9. The sellers also have the opportunity for an additional purchase price of up to MEUR 1.0, which will be set based on the operating margin for the 2015 and 2016 calendar years. At the time of the closing of the books, the overall purchase price was estimated to be MEUR 2.9.

Based on an acquisition cost calculation, the fair value of the net assets acquired is MEUR 0.3, resulting in goodwill of MEUR 2.6.

On March 19, 2015, Panostaja announced that Ilkka Mujunen, Managing Director of Heatmasters Group Oy, which belongs to the Panostaja Group, had been invited to become a shareholder in the company. After the arrangement, his stake in Heatmasters Group Oy is 20%.

On June 4, 2015, Panostaja Oyj announced that together with the other owners of Flexim Group Oy it had signed a contract for the sale of the entire shareholding in Flexim Security Oy to ASSA ABLOY Oy. At the same time, Panostaja divested its Safety segment. The deal was finalized on August 28, 2015. The Group has not recorded a conditional additional purchase price related to the sale of Flexim.

On June 11, 2015, Panostaja Oyj announced the merger of Digiprint Finland Oy and Multiprint Group Oy. The merger was carried out through an arrangement whereby the share capitals of both Digiprint Finland Oy and Multiprint Group Oy were sold to the newly founded Digiprint Finland Group Oy. Panostaja Oyj received as a purchase price around MEUR 32 in Digiprint Finland Oy shares and reinvested around MEUR 24.6 in Digiprint Finland Group Oy. Within the Panostaja Group, the arrangement has no impact on profit/loss, because Panostaja Oyj maintains a controlling interest in Digiprint Finland Group Oy, with a share of ownership in Digiprint Finland Group Oy of 51.9%. The other owners are the Turun Metsänkävijät ry scout troop with a share of ownership of approximately 16% and mainly the company's executive management.

At the time of the transaction, the Group evaluated Multiprint Group Oy's overall purchase price to be MEUR 36.0. Based on an acquisition cost calculation, the fair value of the net assets acquired is MEUR 4.8, resulting in goodwill of MEUR 31.2. MEUR 3.9 of the purchase price is allocated to customer accounts and MEUR 0.9 to technology.

PANOSTAJA GROUP'S BUSINESS SEGMENTS

Panostaja Group's business operations for the period under review are reported in nine segments: Digital Printing Services, Takoma, Ceiling Materials, Fittings, Spare Parts for Motor Vehicles, Building Technology Renovation, Heat Treatment, Oral Health Care and Others (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 Digital Printing Services segment expanded significantly over the course of the financial period under review through the acquisition of Multiprint Group. After the merger, Panostaja's holding in the Group is 51.9%. Jaakko Hirvonen serves as the Group's Managing Director. Grano Oy is Finland's largest and strongest company in the graphical industry, providing services in marketing communications and printing. The company has facilities in more than 20 municipalities throughout Finland, from Oulu to Helsinki. It also operates in Tallinn and St. Petersburg.

Net sales in the Digital Printing Services segment increased by 21% from MEUR 57.8 to MEUR 69.9. The growth is explained by the acquisition of the Multiprint companies in June. Paper sales in Finland have declined more than 10% from the previous year, and the price competition remains fierce. Considering the market situation, however, the segment has fared well. The segment's EBIT dropped from MEUR 7.1 to MEUR 5.9, which was primarily due to the included one-time costs related to the Multiprint arrangement amounting to an estimated MEUR 1.7. The acquisition of Multiprint and the resulting measures to consolidate operations put a stamp on the entire review period. The Group's corporate structure was simplified after the review period when Multiprint Oy was merged with Grano Oy on November 1, 2015. At the end of the financial period, the segment employed 775 (497) staff.

Building Technology Renovation

The Building Technology Renovation 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. The company's Managing Director is Kalle Lahtinen. At the end of the review period, Panostaja's shareholding in the Group stood at 58.2%. The figures of the Building Technology Renovation segment have been consolidated into Panostaja Group's figures as of May 1, 2014. The market situation remained good throughout the review period. Net sales in the Safety segment grew from MEUR 8.8 to MEUR 23.7 and EBIT from MEUR 1.1 to MEUR 4.2 (comparison data for 6 months). EBIT in the segment was encumbered by the difference of MEUR -0.5 between the values of Kotisun Oy's additional purchase price and the value on the balance sheet date (October 31, 2014), which has been recognized in the company's other costs. At the end of the review period, the company acquired a majority shareholding in Pirkanmaan LVI-palvelu Oy. The segment employed 139 (113) staff at the end of the financial period.

Takoma

The only unit continuing in the Takoma segment 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. Jari Lilja has served as the Managing Director of Takoma Oyj since August 3, 2015.

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 in 2014. As a result of the bankruptcies, the companies in question have been treated as discontinued operations in Panostaja's consolidated financial statements.

Net sales for Takoma's continuing operations declined from MEUR 15.3 to MEUR 13.2. EBIT for the segments continuing operations dropped from MEUR -0.4 to MEUR -0.7. The order book was MEUR 5.1 (MEUR 6.5), indicating a decrease of 21.5%. Order book development in the Offshore segment has been weaker than anticipated, and the difficult market situation places pressure on pricing. Production adaptation measures have been under way since spring. The figures for discontinued operations are presented under 'discontinued operations', and they yielded a combined profit of MEUR 0.3 (MEUR -0.8) in the period under review. At the end of the financial period, the segment employed 90 (92) staff.

Ceiling Materials

Established in 2005, Selog Oy is Finland's largest wholesaler of ceiling materials, serving contractors and installation companies in the field. The range of services also includes 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. Due to the difficult market situation in construction, net sales in the Ceiling Materials segment decreased during the financial period from MEUR 11.0 to MEUR 9.9. Despite the lower net sales, EBIT remained at the level of the previous year at MEUR 0.5. The economic prospects for construction are poor and competition for projects is fierce. 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 at a reasonable level thanks to adapted costs and efficient acquisitions. At the end of the financial period, the segment employed 14 (13) 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 decreased during the review period from MEUR 10.9 to MEUR 10.4. The lower volume of constructions caused the decline from the reference year. The market situation has remained difficult, and liquidity problems have increased among customer companies. In the review period, Helakeskus opened up new opportunities in a few notable retail chains and Rakennushelasto entered into a retail agreement for the distribution of the accessibility products it imports. The company staff have been adapted to the current level of demand. The company has also expanded its operations to generating added value through the assembly of semi-finished products. EBIT for the review period weakened slightly from MEUR 0.8 to MEUR 0.7. At the end of the financial period, the segment employed 28 (33) 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, BMW and Volvo cars. It operates in Tampere, Jyväskylä, Rovaniemi, Turku and Vantaa. During the review period, the segment expanded both geographically and in terms of range of models, when KL-Varaosat Oy opened a new branch in Vantaa and started selling Volvo parts nationally. 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 increased by 10% from MEUR 10.8 to MEUR 11.8. Sales have seen positive development since the relatively weak summer. Numerous successes were achieved in the sale of Volvo parts among repair workshop customers, and the sales development in the Vantaa facility has been faster than estimated. EBIT weakened slightly from the previous year's MEUR 0.7 to MEUR 0.5. This is partially attributable to the strong investments in expanding the business operations. At the end of the financial period, the segment employed 47 (47) 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 end of the financial year, Panostaja owned 80.0% of the segment. Heatmasters Group Oy's Managing Director is Ilkka Mujunen. Net sales in the Heat Treatment segment decreased during the review period from MEUR 6.8 to MEUR 6.3. The heat treatment markets of Finland and Central Europe remain at a normal and high level, respectively, but in Scandinavia demand has been poor. EBIT weakened from MEUR 0.2 to MEUR 0.1. A key factor in the weakening of net sales and EBIT was the poor market situation in Scandinavia, which was mirrored by the Swedish unit's operations incurring a loss. Net sales and EBIT in the Finnish market were particularly improved by the large projects carried out at Neste Oyj's worksite. At the end of the financial period, the segment employed 51 (59) staff.

Oral Health Care

The Oral Health Care segment was created when Panostaja acquired a 75% share in Megaklinikka Oy in March 2015. The company is a dental clinic offering a completely new kind of service concept. Its operations are based on a customer-centered approach in which the customer is offered all dental care services in one visit, with top quality and without having to wait in line. The company also offers its ERP system as a licensed service to public health care providers. Oral Health Care is a new segment, so there is not yet any comparative data on it. The Managing Director of the company is Christoffer Nordström. The segment was integrated into the Panostaja Group on March 1, 2015 and, during the review period, its net sales were MEUR 3.4 and EBIT MEUR -0.5. The segment's profit/loss was encumbered by the costs of reorganization of MEUR -0.2 entered as other operating expenses. The situation in the field continues to be challenging. Overall, customer visits in the Helsinki market area have dropped from the previous year. The licensing operations served the first pilot customer during the financial period, and the results were good. International business is expected to begin in the current financial period. After the financial period under review, a rental agreement was made for the premises of the Stockholm clinic, which is expected to be opened at the end of the current financial period. At the end of the review period, the segment employed 86 persons. Panostaja's share of ownership in the segment was 74.8% at the end of the review period.

Other Business Operations

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

In a tax inspection of Panostaja Oyj in 2014, the Tax Administration deemed that while serving as the parent company of the Panostaja Group, the company is not engaging in VAT-liable operations, whereby it is not entitled to VAT deductions related to such operations. The Tax Administration denied the company's VAT deductions as regards the portion that exceeded the VAT paid for sales – MEUR 0.6 in total. Panostaja Oyj is appealing the decisions with the Administrative Court of Helsinki.

By demand of Panostaja Oyj, the Tax Administration granted protection of legitimate expectations for the inspected financial periods that had concluded between 2011 and 2013. This was due to the fact that the Tax Administration had previously deemed the company entitled to full VAT deductions for corresponding operations. Therefore, the company was not back taxed for these years. The result of the Group's parent company is encumbered by the recording of the previously deducted value added taxes of purchases as expenses in accordance with the Tax Administration's decision. The impact on profit/loss in the review period was MEUR -0.2. Furthermore, a loss of MEUR -0.2 was recorded in the balance for previous financial periods.

FINANCE

Operating cash flow deteriorated and was MEUR 8.0 (MEUR 11.4). Liquidity remained good. The Group's liquid assets were MEUR 30.6 (MEUR 18.6) and interest-bearing net liabilities MEUR 45.7 (MEUR 35.0). The gearing ratio fell and was 65.2% (73.7%). The drop in the gearing ratio is a result of the Multiprint arrangement. The Group's net financial expenses for the review period were MEUR -3.8 (MEUR -2.2), or 2.6% (1.8%) of net sales. The financial expenses include a MEUR 1.0 write-down of associated company Ecosir's subordinated loan.

Panostaja Oyj's convertible subordinated loan amounted to MEUR 15 of the net liabilities (MEUR 15.0). The Group's equity ratio at the end of the review period was 37.5% (33.3%). Return on equity was 23.0% (17.5%). Return on investment fell to 12.4% (14.4%).

The Group's gross capital expenditure for the review period was MEUR 54.9 (MEUR 19.9), or 37.0% (16.5%) of net sales. Investments were mainly targeted at corporate acquisitions as well as tangible and intangible assets.

On January 13, 2015, Panostaja Oyj announced that it had made an agreement valued at MEUR 50 for a domestic commercial paper program. Within the framework of the contract, the company can issue commercial papers of a tenor of less than one year, which are used to finance Panostaja's working capital and other current financing needs.

INVESTMENTS AND DEVELOPMENT EXPENSES

The Group's gross capital expenditure in the review period was MEUR 54.9 (MEUR 19.9). Investments were mainly targeted at corporate acquisitions.

Development expenses were not activated during the financial period.

RELATED PARTY LOANS AND LIABILITIES

At the time of closing the books, loans to the company belonging to a related party totaled EUR 309,500. 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 MEUR 0.5 (approximately) subordinated loan receivable from an associated company, the full amount of which will fall due in the 2016 financial period.

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 eight 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 associated with corporate acquisitions entered in the consolidated balance sheet amounts to approximately MEUR 78.0. Goodwill is not written off annually on a regular basis but, instead of depreciations, an impairment test is performed at least annually, or when there are indications of amortization. Values are normally checked during the second half of the year in connection with the budgeting process. If prolonged, the uncertain economic situation may lead to changes to the forecasts that are the basis of goodwill testing in segments of the technology industry and construction in particular. 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.

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on February 5, 2015 in Tampere. The number of Board Members was confirmed at six and Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Jukka Terhonen, Antero (Antti) Virtanen and Hannu Tarkkonen were re-elected to the Board for the term that ends at the end of the Annual General Meeting in 2016.

Authorized Public Accountants PricewaterhouseCoopers Oy and Authorized Public Accountant Markku Launis were elected as auditors for the period that ends at the end of the Annual General Meeting in 2016. Authorized Public Accountants PricewaterhouseCoopers Oy has stated that Authorized Public Accountant Lauri Kallaskari will serve as the chief responsible public accountant.

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2013–October 31, 2014 and resolved that shareholders be paid EUR 0.04 per share as capital repayment from the invested unrestricted equity fund.

The Meeting also resolved, in accordance with the proposal of the Board of Directors, that the Board be authorized to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividends or as repayment of capital from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization shall total no more than EUR 4,700,000. The Meeting resolved that the authorization includes the right of the Board to decide on all other terms and conditions relating to the said asset distribution and that the authorization remain valid until the start of the next Annual General Meeting.

The General Meeting granted exemption from liability to the members of the Board and to the CEO. The General Meeting resolved that the remuneration of the Board of Directors remain unchanged and that Chairman of the Board be paid EUR 40,000 as compensation for the term that ends at the end of the 2016 Annual General Meeting, and that the other members of the Board each be paid compensation of EUR 20,000. It was also resolved that the travel expenses of the Chairman of the Board and the Board members will be paid based on the maximum amount specified in the valid grounds for payment of travel expenses ordained by the Finnish Tax Administration. It was further resolved at the General Meeting that approximately 40% of the compensation remitted to the members of the Board be paid on the basis of the share issue authorization given to the Board, by issuing company shares to each Board member if the Board member does not own more than one percent (1%) of the company's shares on the date of the General Meeting. If the holding of a Board member on the date of the Meeting is over one percent (1%) of all company shares, the compensation will be paid in full in monetary form.

In addition, the Board was authorized to decide on the acquisition of the company's own shares in one or more installments so that the number of the company's own shares to be acquired may not exceed 5,100,000 in total, which corresponds to about 9.86% of the company's total stock of shares. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The company's own shares may be acquired at the date-of-acquisition price in public trading arranged by NASDAQ OMX Helsinki Oy or otherwise at the prevailing market price. The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting on January 29, 2014 to decide on the acquisition of the company's own shares is canceled by this authorization. The authorization remains valid until August 5, 2016.

The previous Meeting authorized the Board of Directors to decide in one or more stages on the issuance of shares and options rights and other special rights entitling to shares as defined in Section 1 of Chapter 10 of the Limited Liability Companies Act in such a way that the number of shares given by virtue of the authorization may not exceed 30,000,000 shares. The Board of Directors decides on all terms and conditions for share issues and options as well as on the terms and conditions for the granting of special rights providing entitlement to shares. This authorization concerns both the issue of new shares and the selling of the company's own shares. Share issues and the provision of option rights as well as that of other rights providing entitlement to shares as specified in Section 1 of Chapter 10 of the Limited Liability Companies Act may take place deviating from the shareholders' pre-emptive right to subscription (directed issue). The authorization issued at the Annual General Meeting on January 27, 2011 to decide on share issues and the provision of special rights providing entitlement to shares is canceled by this authorization. The authorization remains valid until February 5, 2020.

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

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

SHARE CAPITAL AND THE COMPANY'S OWN SHARES

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

The total number of shares held by the company at the end of the review period was 342,398 individual shares (at the beginning of review period: 429,058). The number of the company's own shares corresponded to 0.7% of the number of shares and votes at the end of the entire review period.

In accordance with the decisions by the General Meeting on January 29, 2014 and by the Board, Panostaja Oyj relinquished a total of 30,000 individual shares as share bonuses to the company management on December 11, 2014. On December 15, 2014, the company issued to the Board members a total of 14,634 shares, on March 5, 2015, a total of 14,118 shares, on June 4, 2015, a total of 13,954, and on September 3, 2015, a total of 13,954 shares as Board bonuses.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.77 (lowest quotation) and EUR 0.94 (highest quotation) during the financial period. In the period under review, a total of 6,508,111 shares were exchanged, which amounts to 10.7% of the share capital. The October 2015 share closing rate was EUR 0.86. The market value of the company's share capital at the end of October 2015 was MEUR 44.5 (MEUR 42.4). At the end of October 2015, the company had 3,660 shareholders (3,493).

EQUITY CONVERTIBLE SUBORDINATED LOAN AND HYBRID LOAN

At the end of the review period, MEUR 15.0 of the 2011 convertible subordinated loan remained. The interest rate for the loan is 6.5%, and the loan period is February 7, 2011–April 1, 2016. The original share exchange rate is EUR 2.20, and the loan shares can be exchanged for no more than 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 no maturity date, but the Group is entitled, but not obliged, to redeem the loan within four years. Based on the contract, the annual interest is 9.75%. Interest is only paid if the company decides to distribute dividends. If dividends are not distributed, the Group will decide separately on the payment of interest. In the consolidated financial statements, the loan is classified as equity and interest is presented as dividend. 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 company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 per share be paid for the past financial period.

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 shall total 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 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 2, 2016 in Tampere.

EVENTS AFTER THE REVIEW PERIOD

Panostaja signed agreements for a financing package worth a total of MEUR 30 on December 8, 2015. The package consists of MEUR 20 in loans and a MEUR 10 acquisition limit. The loans are secured debt loans. A share of MEUR 5 of the loans falls due three years from withdrawal and a share of MEUR 15 falls due on October 31, 2019. In accordance with binding loan agreements, the loans shall be withdrawn by April 30, 2016. The limit shall be valid for three years and can be used to withdraw two-year loans to fund acquisitions made by Panostaja.

PROSPECTS FOR THE NEXT FINANCIAL YEAR

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

In the corporate acquisitions market, Panostaja's activity in the target size category has remained as before. The need for SMEs to utilize ownership arrangements and growth opportunities persists, and there are still a sufficient number of corporate acquisition opportunities in the markets for those who take an active approach. Panostaja's intention is to implement its strategy during the financial period by investing in 1–2 new segments and making corporate acquisitions in the current segments of choice. Divestment possibilities will also be assessed actively as part of the segments' owner strategies.

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

The Group's EBIT is expected to improve substantially over the course of the 2016 financial period.

CONSOLIDATED INCOME STATEMENT, IFRS

EUR 1,000	Note	Nov 1, 2014–Oct 31, 2015	Nov 1, 2013–Oct 31, 2014
Net sales		**148,218**	**121,131**
Other operating income	9	674	1,056
Materials and services		60,174	52,114
Staff expenses	11	48,541	37,605
Depreciations, amortizations and impairment	12	6,049	4,539
Other operating expenses	13	26,805	19,872
EBIT		**7,323**	**8,057**
Financial income	14	167	559
Financial expenses	15	-4,000	-2,900
Share of associated company profits	10	-53	-137
Profit before taxes		**3,437**	**5,580**
Income taxes	16	277	-3,603
Profit/loss from continuing operations		**3,714**	**1,977**
Profit/loss from sold and discontinued operations	7	9,785	6,257
Profit/loss for the financial period		**13,499**	**8,234**
Attributable to			
shareholders of the parent company		7,834	5,385
minority shareholders		5,665	2,849
Earnings per share calculated from the profit belonging to the shareholders of the parent company:			
Earnings per share from continuing operations €	17		
Undiluted		0.008	-0.034
Diluted		0.008	-0.034
Earnings per share from sold and discontinued operations	17		
Undiluted		0.133	0.128
Diluted		0.117	0.113
Earnings per share on continuing and discontinued			
operations	17		
Undiluted		0.141	0.094
Diluted		0.138	0.094
Extensive consolidated income statement			
Result for the period		13,499	8,234
Items of the extensive income statement			
Translation differences		28	-79
Extensive income for the period		**13,527**	**8,155**
Attributable to			
shareholders of the parent company		7,862	5,306
minority shareholders		5,665	2,849

The notes constitute an integral part of the financial statements

CONSOLIDATED BALANCE SHEET, IFRS

EUR 1,000	Note	Oct 31, 2015	Oct 31, 2014
ASSETS			
Non-current assets			
Goodwill	18	78,042	49,692
Other intangible assets	18	11,252	8,707
Property, plant and equipment	19	10,167	9,129
Interests in associated companies	20	3,666	3,611
Other non-current assets	21	6,861	8,129
Deferred tax assets	23	5,911	2,514
Non-current assets total		115,898	81,781
Current assets			
Stocks	24	12,596	14,932
Trade and other receivables	25	28,914	27,311
Tax assets based on taxable income for the period	25	128	150
Financial assets at fair value through profit and loss	22	6,606	9,490
Cash and cash equivalents	26	24,001	9,146
Current assets total		72,245	61,029
Held-for-sale non-current asset items		0	0
Held-for-sale non-current asset items	7		
Assets in total		**188,143**	**142,810**
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders			
Share capital	27	5,569	5,569
Share premium account	27	4,646	4,646
Other funds	27	7,390	7,390
Invested unrestricted equity fund	27	12,602	14,569
Translation difference		-124	-152
Retained earnings		7,992	-29
Total		38,075	31,993
Minority shareholders' interest		**32,001**	**15,378**
Equity total		**70,076**	**47,371**
Non-current liabilities			
Deferred tax liabilities	23	1,836	996
Convertible subordinated loan	28	0	14,691
Financial liabilities	28	59,636	34,247
Non-current liabilities total		61,473	49,934
Current liabilities			
Convertible subordinated loan	27	15,000	0
Current financial liabilities	28	8,968	13,636
Tax liabilities based on taxable income for the period	29	3,887	509
Trade payables and other liabilities	29	28,552	31,209*
Provisions	30	189	151
Current liabilities total		56,596	45,506
Liabilities related to non-current asset items held for sale			
Liabilities total		**118,068**	**95,440**
Equity and liabilities in total		**188,143**	**142,810**

The notes constitute an integral part of the financial statements
* Taxes for the previous financial period have been adjusted in the notes for 2014

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	Note	2015	2014
Business operations			
Profit/loss for the financial period before the minority share		13,499	8,234
Adjustments:			
Depreciations	12	6,049	5,408
Financial income and costs	14.15	3,832	3,255
Share of associated company profits	10	53	137
Taxes	16	-277	3,763
Sales profits and losses from property, plant and equipment	9.13	-10,424	-6,381
Other earnings and expenses with no payment attached		3,383	1,665
Operating cash flow before change in working capital		**16,116**	**16,080**
Change in working capital			
Change in non-interest-bearing receivables		3,003	707
Change in non-interest-bearing liabilities		-3,694	909
Change in stocks		-835	6
Change in working capital		**-1,526**	**1,622**
Operating cash flow before financial items and taxes		**14,590**	**17,702**
Financial items and taxes:			
Interest paid		-4,141	-3,941
Interest received		379	262
Taxes paid		-2,847	-2,630
Financial items and taxes		**-6,609**	**-6,309**
Operating net cash flow		**7,981**	**11,393**
Investments			
Investments in intangible and tangible assets		-6,488	-5,356
Sales of intangible and tangible assets		865	2,195
Acquisition of subsidiaries with time-of-acquisition liquid assets deducted	6	-48,272	-14,349
Sale of subsidiaries with time-of-sale liquid assets deducted	7	24,270	9,881
Acquisition of associated companies		-134	-235
Financial assets acquired and sold entered at fair value through profit and loss		2,884	-1,000
Capital gains from sales of other shares		70	13
Loans receivable and repayments granted		-102	-409
Investment net cash flow		**-26,908**	**-9,260**
Finance			
Share issue		23,241	1,224
Hybrid loan		0	0
Loans drawn		46,936	13,638
Loans repaid		-33,199	-14,502
Disposal of own shares		73	48
Dividends paid		-3,267	-1,577
Finance net cash flow		**33,784**	**-1,169**
Change in liquid assets		14,857	965
Liquid assets at the beginning of the period		9,146	8,193
Effect of exchange rates		-2	-12
Liquid assets at the end of the period		**24,001**	**9,146**

The notes constitute an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

		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, 2013		5,569	4,646	14,508	7,390	-73	-1,979	30,061	19,017	49,079
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		0	0	0	0	-79	5,399	5,320	2,849	8,169
Transactions with shareholders										
Dividend distribution	27							0	-1,577	-1,577
Repayment of capital	27							0		0
Interest on equity convertible loan							-731	-731		-731
Stock options issued	27, 35			48				48		48
Reward scheme	35			13				13		13
Transactions with shareholders, total		0	0	61	0	0	-731	-670	-1,577	-2,247
Disbursement of equity convertible loan								0		0
Changes to subsidiary holdings										
Share of minority shareholders created from subsidiary acquisition									1,224	1,224
Sales of shares in subsidiaries that have led to loss of controlling interest								0	-3,866	-3,866
Acquisitions of minority shares	8						-2,594	-2,594	-2,269	-4,863
Error correction							-124	-124		-124
Adjusted equity at October 31, 2014		5,569	4,646	14,569	7,390	-152	-29	31,993	15,378	47,370
Adjusted equity at November 1, 2014		5,569	4,646	14,569	7,390	-152	-29	31,993	15,378	47,370
Extensive income										
Profit/loss for the financial period							7,834	7,834	5,665	13,499
Translation differences				3		28		31		31
Extensive income for the financial period total		0	0	3	0	28	7,834	7,865	5,665	13,530
Transactions with shareholders										
Dividend distribution	27							0	-1,189	-1,189
Repayment of capital	27			-2,047				-2,047		-2,047
Interest on equity convertible loan							-731	-731		-731
Disposal of own shares	27, 35			74				74		74
Reward scheme	35			3				3		3
Transactions with shareholders, total		0	0	-1,970	0	0	-731	-2,701	-1,189	-3,890
Disbursement of equity convertible loan	28							0		0
Changes to subsidiary holdings										
Share of minority shareholders created from subsidiary acquisition	8							0	11,721	11,721
Sales of shares in subsidiaries without change in controlling interest							1,393	1,393		1,393
Sales of shares in subsidiaries that have led to loss of controlling interest								0	-101	-101
Acquisitions of minority shares	8						-475	-475	527	52
Equity at October 31, 2015		5,569	4,646	12,602	7,390	-124	7,992	38,075	32,001	70,076

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 group whose primary market area is Finland. At the time of closing the books, the Group operates in eight segments. The parent company, Panostaja Oyj, invests in Finnish SMEs primarily by purchasing majority shareholdings in them.

Panostaja Oyj is a Finnish public corporation operating under the legislation of the Finnish state. The company’s shares have been quoted publicly since 1989. Its shares are quoted on the Nasdaq OMX Helsinki stock exchange. 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 10, 2015, 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 2, 2016. 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, 2015 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 judgement 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. The Group has defined it as follows: EBIT is the net sum arrived at 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 finished or incomplete goods, expenses incurred in manufacture for the company's own use, employee benefit expenses, depreciation and any amortization or impairment losses or 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 profit from discontinued 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 has shouldered 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. The recoverable amount is also assessed yearly with reference to the following asset items, regardless of whether there are indications of impairment: goodwill, intangible assets with indefinite useful lives and incomplete 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 as follows: financial assets at fair value through profit and loss, 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 includes quoted interest fund shares, because the company administers them and their 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 current or non-current assets, whichever is applicable, in the balance sheet: as the latter, if they fall due more than 12 months after the date on which the reporting period ends. 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.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLIED

Since November 1, 2014, the Group has applied the following new and amended standards and interpretations, relevant to the consolidated financial statements:

- IFRS 12 Disclosure of Interests in Other Entities (effective for financial periods beginning on or after January 1, 2014). The standard covers note requirements of the disclosure of information regarding interests in other entities, including associates, joint arrangements, special purpose entities and off-balance sheet entities.

Since November 1, 2014, the Group has applied the following new and amended standards and interpretations which have not been significant in terms of the consolidated financial statements:

- IFRS 10 Consolidated Financial Statements (effective for financial periods beginning on or after January 1, 2014). The standard builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess.
- IAS 27 (revised 2011) Separate Financial Statements (effective for financial periods beginning on or after January 1, 2014). The revised standard includes the provisions on separate financial statements that remain after the control provisions have been included in the new IFRS 10.
- Amendment to IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (to be applied in financial years beginning on or after January 1, 2014). The amendment clarifies note requirements relating to cash flow-generating units for which amortization entries have been recorded.
- Amendment to the transition rules of IFRS 10, 11 and 12. The transition rules of IFRS 10, 11 and 12 will be made less stringent by requiring adjusted comparison data for one financial period only. Comparison data

concerning structured corporations which have not been consolidated in the consolidated financial statement does not need to be presented for financial periods preceding the implementation of IFRS 12.
- IFRS 11 Joint Arrangements (effective for financial periods beginning on or after January 1, 2014). The standard emphasizes the importance of the rights and obligations arising from joint arrangements in accounting rather than the legal form of such arrangements. There are two types of joint arrangements: joint operations and joint ventures. The standard also requires one method, the equity method, to be used in reporting on joint ventures in place of the previously allowed proportionate consolidation method.
- IAS 28 (revised 2011) Investments in Associates and Joint Ventures (effective for financial periods beginning on or after January 1, 2014). The revised standard sets out requirements for using the equity method of accounting for associates and joint ventures as a result of the publication of IFRS 11.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting (to be applied in financial periods beginning on or after January 1, 2014). The amendment relates to the requirements for the application of hedge accounting in circumstances when a derivative agreement is novated to a so-called central counterparty With the amendment to the standard, hedge accounting can be extended to the relevant novation circumstances if certain conditions are met.
- IFRS 21 Levies (to be applied in financial periods beginning on or after January 1, 2014). The interpretation covers the accounting for outflows imposed on entities by governments. It will have no effect on the consolidated financial statements.
- Amendment to IAS 19 'Employee Benefits' concerning contributions of employees or third parties (effective for financial periods beginning on or after July 1, 2014).
- Amendment to IAS 32 Financial Instruments: Presentation (effective for financial periods beginning on or after January 1, 2014). The amendment further defines the rules pertaining to the presentation of net financial assets and liabilities and sets forth additional guidelines relating to the topic. The standard has not yet been approved for application within the EU.
- Annual Improvements to IFRSs 2012–2013 (effective for financial periods beginning on or after January 1, 2014) that cause changes to the following standards: IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38, IAS 24, IAS 40
- Annual Improvements to IFRSs 2010–2012 and 2011–2013, December 2013, effective as of July 1, 2014. The changes part of the project apply to a total of eight standards.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS TO BE APPLIED AT A LATER DATE

The IASB has published the following new and amended standards and interpretations, which the Group has not as yet applied.
- The annual improvements to IFRSs in 2014 cause changes to the following standards: IFRS 5, IFRS 7, IAS 19, IAS 34 (effective for financial periods beginning on or after January 1, 2016)
- Presentation of Financial Statements – amendments to IAS 1 (effective for financial periods beginning on or after January 1, 2016). The amendment clarifies several matters, such as the consideration of materiality in the presentation of information and the presentation of notes, itemizations and intermediate sums.
- Investment entities – amendments to IFRS 10, IFRS 12 and IAS 28 (effective for financial periods beginning on or after January 1, 2016). If an entity is defined as an investment entity, according to the definition in the standard, and it values all its subsidiaries at fair value, it does not need to present consolidated financial statements.
- Amendment to IFRS 11 'Joint Arrangements' on accounting for acquisitions of interests in joint operations (effective for financial periods beginning on or after January 1, 2016)
- Amendment on depreciation and amortization to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets' (effective for financial periods beginning on or after January 1, 2016)
- Amendment on bearer plants to IAS 16 'Property, plant and equipment' and IAS 41 'Agriculture' (effective for financial periods beginning on or after January 1, 2016)
- Amendment on sales of asset items between investors and its associates or joint ventures or providing them as stakes to IFRS 10 and IAS 28 (effective for financial periods beginning on or after January 1, 2016; it has been suggested that the entry into force be postponed)
- Amendment on equity method to IAS 27 'Separate Financial Statements' (effective for financial periods beginning on or after January 1, 2016)
- IFRS 15 'Revenue from Contracts with Customers' (effective for financial periods beginning on or after January 1, 2018)
- IFRS 9 'Financial Instruments' (effective for financial periods beginning on or after January 1, 2018; earlier application is permitted)
- Annual Improvements to IFRSs 2012–2014, September 2014, effective as of January 1, 2016.

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 EUR 59,690,000 (EUR 33,423,000) and fixed-interest liabilities EUR 22,588,000 (EUR 27,818,000). Some of the Group's subsidiaries use interest rate swaps, by which MEUR 0.4 (MEUR 3.3)'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. Interest rate risk sensitivity is presented after taxes.

EUR 1,000	1% higher Income statement	1% lower Income statement
Effect of change to interest rate		
2015	-478	478
2014	-267	267

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.

The Group's credit risk is also reduced by an arrangement where trade receivables are sold to a finance company, transferring all essential risks and benefits, such as the credit loss risk, to the finance company in question. (see Note 25).

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 4.6 of unused credit limits at its disposal. Furthermore, at the time of the closing of the books, Panostaja had MEUR 24.0 of liquid assets. Panostaja has investments in Fennia Varainhoito Oy's funds, which is an important cash management tool for the Group. Fund shares are low-risk and investment in them can be withdrawn at the desired time. At the time of closing the books, the value of the investments stands at MEUR 6.6.

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

After the end of the financial period, the company has made an agreement on a loan arrangement to repay the MEUR 20 convertible subordinated loan and strengthen the company's financial position. The new loans are secured debt loans. A share of MEUR 5 of the loans falls due three years from withdrawal and a share of MEUR 15 falls due on October 31, 2019. In accordance with binding loan agreements, the loans shall be withdrawn by April 30, 2016.

The Group has managed the liquidity risk by agreeing upon factoring financing in the amount of MEUR 3.0, of which MEUR 0.1 is in use at the time of closing the books. In addition to the factoring financing, the Group has sold its trade receivable during the financial period, which has partially improved the Group's liquidity.

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).

The loan covenant terms are related to the key figure of the Group's separate company or subgroup, the ratio between interest-bearing loans and operation margin (interest-bearing loans/operating margin) and equity ratios or Panostaja Group's equity ratio.

Negligence related to liabilities, and breaches of contract:

During the financial period, the loan covenant was violated in two subgroups. Consent was received from the financiers that they would not demand accelerated repayment (Note 28).

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.

On January 13, 2015, Panostaja Oyj announced that it had made an agreement valued at MEUR 50 for a domestic commercial paper program. Within the framework of the contract, the company can issue commercial papers of a tenor of less than one year, which are used to finance Panostaja's working capital and other current financing needs.

The trend in the Group's capital structure is monitored with equity ratio and gearing. The Group's equity ratio was 37.5% (33.3%) and its gearing ratio 65.2% (73.7%).

EUR 1,000	2015	2014
Interest-bearing financial liabilities	79,803	58,131
Interest-bearing receivables	3,518	4,487
Cash and cash equivalents	30,607	18,636
Net liabilities	45,678	35,008
Equity total	70,076	47,371
Gearing ratio	65.2%	73.7%

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

Panostaja's subsidiary Megaklinikka Group Oy acquired the share capital of Megaklinikka Oy, which provides oral health care services. The purchase price paid for Megaklinikka Oy's entire shareholding was approximately MEUR 2.9. The sellers also have the opportunity for a conditional additional purchase price of up to MEUR 1.0, which will be set based on the operating margin for the 2015 and 2016 calendar years. At the time of the closing of the books, the overall purchase price was estimated to be MEUR 2.9.

On June 4, 2015, Panostaja Group's subsidiary Flexim Group Oy and its other owners sold the entire share capital of Flexim Security Oy to Assa Abloy Oy for MEUR 25.0. Panostaja's share of the purchase price was MEUR 17.5. The sellers also have the opportunity for a conditional purchase price of up to MEUR 8.0, which will be determined on the basis of the 12-month period that began on May 1, 2015. Panostaja did not record the conditional purchase price during the past financial period as it estimated that the requirements for the conditional purchase price will not be met.

At the end of the review period, KotiSun Group Oy acquired a majority shareholding in Pirkanmaan LVI-palvelu Oy. The trade entails a conditional purchase price, which will be determined based on the profit/loss and operating margin of 2016. At the time of the closing of the books, management estimated the conditional additional purchase price to be MEUR 0.1.

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 5.9 worth of deferred tax assets on the balance sheet of Panostaja Group.

5. SEGMENT INFORMATION

Panostaja Group's business operations are reported in nine segments: Digital Printing Services, Takoma, Ceiling Materials, Fittings, Spare Parts for Motor Vehicles, Building Technology Renovation, Oral Health Care, 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.

The Group has determined the subgroups Digiprint Finland Group and KotiSun Group as subgroups involving a significant minority shareholding, as specified in IFRS 12. Digiprint Finland Group subgroup's financial information is presented in this segment note under the Printing Services business segment, while KotiSun Group subgroup's financial information is presented under the Building Technology Renovation business segment. To specify, the financial information of the subgroups in question corresponds with the segment-specific information in question.

BUSINESS SEGMENTS

- The profit in the Digital Printing Services segment is mainly derived from the sales of digital printing services.
- The profit in the Takoma segment is from the engineering business of Takoma Oyj.
- The Ceiling Materials segment's revenue comes from wholesale trade in ceiling 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 profit in the Oral Health Care segment comes from the production of oral health care services.
- The Others segment reports the business of the Group's parent company, including its associated companies and non-allocated items.

BUSINESS SEGMENTS 2015

EUR 1,000	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	EBIT	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	69,882	205	69,677	-3,404	5,931					89,001	58,993	775
Building Technology Renovation	23,712	0	23,712	-734	4,192					19,782	13,147	139
Takoma	13,182	0	13,182	-649	-680					10,381	10,818	90
Ceilings	9,867	6	9,861	-205	529					4,463	2,313	14
Fittings	10,365	23	10,342	-150	657					10,654	7,905	28
Spare Parts for Motor Vehicles	11,804	0	11,804	-116	472					5,017	3,603	47
Heat Treatment	6,300	0	6,300	-304	60					3,980	1,564	51
Oral Health Care	3,386	0	3,386	-400	-548					5,846	5,576	86
Others	13	13	0	-57	23,021		-53			47,803	22,934	9
Eliminations		-246	-47	-30	-26,312					-8,784	-8,784	
Group in total	148,511	0	148,218	-6,049	7,323	-3,832	-53	277	3,714	188,143	118,068	1,239

BUSINESS SEGMENTS 2014

EUR 1,000	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	EBIT	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
Building Technology Renovation	8,758	0	8,758	-161	1,099					16,414	12,791	113
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
Heat Treatment	6,832	0	6,832	-358	239					4,269	1,854	59
Oral Health Care	0	0	0	0	0					0	0	0
Others	0	0	0	-44	5,672		-186			51,624	39,876	258
Eliminations		-136	-126	-37	-7,809					-7,681	-7,681	
Group in total	121,394	0	121,131	-4,539	8,057	-2,359	-137	-3,603	1,977	142,810	95,316	1,112

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

6. ACQUIRED BUSINESSES

SUBSIDIARY ACQUISITIONS

On February 27, 2015, Panostaja Oyj announced that it had signed an agreement for the purchase of shares in Megaklinikka Oy, which offers oral health care services. In the transaction, Panostaja bought a 75% share of the company formed.

The purchase price paid for Megaklinikka Oy's entire shareholding was approximately MEUR 2.9. The sellers also have the opportunity for an additional purchase price of up to MEUR 1.0, which will be set based on the operating margin for the 2015 and 2016 calendar years. At the time of the closing of the books, the overall purchase price was estimated to be MEUR 2.9.

At the time of the transaction, the Group has evaluated the overall purchase price to be MEUR 3.9. Based on an acquisition cost calculation, the fair value of the net assets acquired is MEUR 0.3, resulting in goodwill of MEUR 2.6. Megaklinikka has been integrated into the Panostaja Group as of March 1, 2015.

CONSIDERATION GIVEN	Note	MEUR
Consideration paid		2.9
Conditional consideration		0.0
Consideration in total		**2.9**
Acquired assets and liabilities		
Permanent assets	19	1.9
Stocks	24	0.1
Current receivables	25	0.4
Cash and cash at bank	26	0.2
Total assets		**2.6**
Non-current liabilities	23	0.7
Current liabilities	29	1.6
Total liabilities		**2.3**
Net assets		0.3
Goodwill		**2.6**

CASH FLOW STATEMENT	MEUR
Purchase price paid as cash	-2.9
Liquid assets acquired	0.2
Direct costs of acquisition	-0.2
Cash flow effect	**-2.9**

On June 11, 2015, Panostaja Oyj announced the merger of Digiprint Finland Oy and Multiprint Group Oy. The merger was carried out through an arrangement whereby the share capitals of both Digiprint Finland Oy and Multiprint Group Oy were sold to the newly founded Digiprint Finland Group Oy. Panostaja Oyj received as a purchase price around MEUR 32 in Digiprint Finland Oy shares and reinvested around MEUR 24.6 in Digiprint Finland Group Oy. Panostaja's ownership of Digiprint Finland Group Oy is 51.9%. Multiprint has been integrated into the Panostaja Group as of June 1, 2015.

CONSIDERATION GIVEN	Note	MEUR
Consideration paid		36.0
Conditional consideration		0.0
Consideration in total		**36.0**
Acquired assets and liabilities		
Permanent assets	19	6.8
Stocks	24	1.1
Trade receivables	25	5.7
Other and accrued income	25	0.9
Cash and cash at bank	26	2.5
Total assets		**17.0**
Interest-bearing liabilities	23	**5.9**
Deferred tax liabilities	29	**1.0**
Trade payables	29	**1.3**
Advances received	30	0.0
Other and accrued liabilities		4.0
Total liabilities		**12.2**
Net assets		4.8
Goodwill		**31.2**

CASH FLOW STATEMENT	MEUR
Purchase price paid as cash	-25.9
Liquid assets acquired	3.0
Direct costs of acquisition	-1.7
Cash flow effect	**-24.6**

ACQUISITIONS IN THE 2014 FINANCIAL YEAR

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 share capital was approximately 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 acquisition, the company estimated the total acquisition 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**

7. DISPOSAL OF SUBSIDIARIES AND BUSINESS OPERATIONS

On June 4, 2015, Panostaja Group's subsidiary Flexim Group Oy and its other owners sold the entire share capital of Flexim Security Oy to Assa Abloy Oy for MEUR 25.0. Panostaja's share of the purchase price was MEUR 17.5. The sellers also have the opportunity for an additional purchase price of up to MEUR 8.0, which will be determined on the basis of the 12-month period that began on May 1, 2015. Panostaja did not record the additional purchase price during the past financial period. Panostaja Oyj owned 70% of the subsidiary. Once the competition authorities had given their approval, the trade was carried out on August 28, 2015. Panostaja Group recorded a sales profit of MEUR 13.0 from the transaction, of which the share of the parent company shareholders was MEUR 9.2.

In the consolidated financial statements, the result of the Safety segment is presented in the section 'Result from Discontinued Operations' in the financial periods that ended on October 31, 2015 and October 31, 2014.

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

RESULT OF THE SAFETY SEGMENT, MEUR	Nov 1, 2014–Aug 28, 2015	Nov 1, 2013–Oct 31, 2014
Earnings	26.6	34.2
Costs	-27.1	-33.0
Profit before taxes	-0.5	1.2
Taxes	-3.0	-0.2
Profit after taxes	-3.5	1.0
Sales profit	13.0	
Profit/loss from discontinued operations	**9.5**	**1.0**

CASH FLOW OF THE SAFETY SEGMENT UP TO THE TIME OF SALE		
Operating cash flow	2.5	1.6
Investment cash flow	3.5	-2.3
Funding cash flow	-4.6	0.6
Total cash flows	**1.4**	**-0.0**

THE EFFECT OF THE SALE OF THE SAFETY SEGMENT ON THE FINANCIAL POSITION OF THE GROUP:	Aug 28, 2015
Property, plant and equipment	1.5
Intangible assets	8.4
Stocks	4.4
Deferred tax assets	0.0
Other assets	4.6
Cash and cash equivalents	1.5
Sold liabilities	-8.5
Net assets	**11.9**
Consideration received as cash	25.0
Cash and cash equivalents from divested unit	-1.5
Net cash flow from corporate divestments	**23.5**

DIVESTMENTS IN 2014 FINANCIAL PERIOD

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 was a subsidiary of which Panostaja owned 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, 2013	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**

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

Acquisition of Digiprint Finland Oy's shares

On January 31, 2015, Digiprint Finland Oy redeemed 0.7% of the shareholding in Digiprint Finland Oy from minority shareholders for EUR 423,000. The Group owned 65.3% of the company before the acquisition. At the time of the purchase, the share of minority shareholders in the net assets of Digiprint Finland Oy was MEUR 10.2.

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

	2015
Acquired minority shareholders' interest	184,866
Consideration paid	(423,286)
Effect of the change in ownership on retained earnings	**(238,420)**

As part of the arrangement whereby the share capitals of both Digiprint Finland Oy and Multiprint Group Oy were sold to the newly founded Digiprint Finland Group Oy in June 2015, Panostaja purchased Digiprint group shares from the minority shareholders. As a result of the acquisition, Panostaja's shareholding increased by 11.4% and stood at 76.7% of the Digiprint group.

The following tables show the effect of the change in shareholding on Group earnings:

	2015
Acquired minority shareholders' interest	3,244,177
Consideration paid	(3,527,910)
Effect of the change in ownership on retained earnings	**(283,733)**

As part of the acquisition of Multiprint Group Oy, Panostaja issued 24.8% of the Digiprint Finland Oy shares to Multiprint Group Oy as consideration. After the arrangement, Panostaja's shareholding stood at 51.9% of the Digiprint group.

	2015
Relinquished minority shareholders' interest	8,469,302
Consideration received	(7,076,130)
Effect of the change in ownership on retained earnings	**1,393,172**

Sale of Megaklinikka Group Oy shares

On February 27, 2015, the Group sold 25% of Megaklinikka Group Oy's share capital for EUR 252,000. The Group owned 100% of the company before the acquisition. The minority shareholders' interest increased by EUR 252,000, as a result of the sale. The deal will have no effect on the Group's retained earnings.

The following tables show the effect of the change in Megaklinikka Group Oy shareholding on Group earnings:

	2015
Relinquished minority shareholders' interest	(-251,598)
Consideration received	251,598
Effect of the reduced holding on retained earnings	**-**

Sale of Heatmaster Group Oy shares

On March 19, 2015, Panostaja Oyj sold 20% of the shares in Heatmasters Group Oy for EUR 429,000. Prior to the sale, the Group owned 100% of the company. Following the arrangement, the minority shareholders' interest in Heatmasters Group Oy stands at 20%.

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

	2015
Relinquished minority shareholders' interest	(-468,219)
Consideration received	429,164
Effect of the reduced holding on retained earnings	**(39,055)**

Kotisun Group Oy's share issue

In June 2015, KotiSun Group Oy conducted a rights issue to the company's key persons. After the share issue, Panostaja's holding in Kotisun Group Oy was diluted to 58.2%.

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

	2015
Relinquished minority shareholders' interest	(-160,109)
Consideration received	149,902
Effect of the reduced holding on retained earnings	**(10,207)**

FINANCIAL PERIOD 2014

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 the Digiprint Finland Oy 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 the Digiprint Finland Oy shareholding on Group earnings:

	2014
Acquired minority shareholders' interest	1,680,463
Consideration paid	(4,129,003)
Effect of the change in ownership 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 the KotiSun Group Oy 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 EUR 462,000.

The following table shows the effect of the change in the Heatmasters Group Oy 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

9. OTHER OPERATING INCOME

EUR 1,000	2015	2014
Sales profits on tangible assets	154	143
Insurance indemnity	21	5
Other income	499	908
Total	674	1,056

10. SHARE OF ASSOCIATED COMPANY PROFITS

Details of the company's associated companies are given 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.

Details of the employee benefits of management considered related parties are given in note 35. Related party disclosures.

During the financial year, the Group employed an average of 1,175 (1,204) people. At the end of the financial period, it employed 1,239 (1,112) persons.

EUR 1,000	2015	2014
Salaries and fees	39,124	30,399
Pension costs – payment-based arrangements	7,454	5,526
Other social security expenses	1,963	1,680
Total	48,541	37,605

12. DEPRECIATIONS, AMORTIZATIONS AND IMPAIRMENT

EUR 1,000	2015	2014
Depreciation by asset group:		
Property, plant and equipment		
Machinery and equipment	2,676	2,194
Other tangible assets	3	21
Intangible assets		
Goodwill	0	0
Development expenses	739	290
Intangible rights	2,292	1,629
Other capitalized long-term expenditure	339	328
Total	6,049	4,462
Impairments by asset group:		
Property, plant and equipment		
Buildings and structures		
Machinery and equipment	0	77
Other tangible assets		
Intangible assets		
Goodwill	0	0
Development expenses	0	0
Intangible rights		
Other capitalized long-term expenditure		
Total	0	77
Total depreciations, amortizations and impairment by asset group:		
Property, plant and equipment		
Machinery and equipment	2,676	2,271
Other tangible assets	3	21
Intangible assets		
Goodwill	0	0
Development expenses	739	290
Intangible rights	2,292	1,629
Other capitalized long-term expenditure	339	328
Total	6,049	4,539

13. OTHER OPERATING EXPENSES

EUR 1,000	2015	2014
Sales losses and scrappings connected with tangible assets	24	35
Rental costs	7,064	5,393
External services	5,971	4,583
Other expense items	13,746	9,861
Total	26,805	19,872

14. FINANCIAL INCOME

EUR 1,000	2015	2014
Dividend income from held-for-sale investments	11	10
Financial income from associated companies	29	137
Interest earned	111	412
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	16	90
Yhteensä	167	559

15. FINANCIAL EXPENSES

EUR 1,000	2015	2014
Foreign exchange losses	9	4
Impairment losses from loan receivables	1,143	201
Interest expenses for finance lease liabilities	40	35
Interest expenses for other financial liabilities	2,808	2,660
Total	4,000	2,900

16. INCOME TAXES

EUR 1,000	2015	2014
Direct tax	-3,292	-2,392
Taxes in previous periods	-43	-261
Deferred taxes	3,612	-1,111
Income taxes total	277	-3,763

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	3,437	6,778
Income tax on Group income at the tax rate in Finland before taxes	-687	-1,356
Non-taxable income	1,550	1
Non-deductible expenses	-665	-164
Unrecognized deferred tax assets from tax losses	-1,006	-1,279
Use of tax losses not recorded previously	1,097	-123
Change in deferred taxes Change in the Finnish tax rate	0	-491
Share of associated company profits	-11	-27
Taxes for previous periods		-324
Taxes in the income statement	277	-3,763

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 have been taken into account as dilutive effects. The profit used when calculating earnings per share has been adjusted with the interest amount of the equity convertible hybrid loan. The fair value of a share is based on the average price of a share for the financial year. In terms of the convertible loan, the shares have been deemed to be convertible as from the date of entry in the Trade Register. Profit for the period has been adjusted with interest expenses of the convertible subordinated loan less tax effects.

EUR 1,000	2015	2014
Continuing operations	1,002	-1,180
Discontinued operations	6,832	6,565
Profit for the financial period attributable to parent company shareholders (EUR 1,000)	7,834	5,384
Interest on equity convertible loan (taking into account the impact of tax)	-585	-583
Profit used when calculating profit per share	7,249	4,801
Interest on the subordinated loan	780	780
Profit for the financial year for calculation of EPS		
Profit used when calculating profit per share adjusted with the diluting effect	8,029	5,581
Number of shares at the end of the financial period	51,733	51,733
of which held by company	342	429
Weighted average number of shares outstanding, 1,000	51,373	51,284
Conversion of convertible subordinated loan into shares, 1000	6,818	6,818
Weighted average number of shares outstanding, diluted	58,191	58,102

	2015	2014
Earnings per share calculated from the profit belonging to the shareholders of the parent company:		
Earnings per share from continuing operations €		
Undiluted	0.008	-0.034
Diluted	0.008	-0.034
Earnings per share from discontinued operations		
Undiluted	0.133	0.128
Diluted	0.117	0.113
Earnings per share on continuing and discontinued operations		
Undiluted	0.141	0.094
Diluted	0.138	0.094

18. INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Development expenses	Other intangible assets	Total
Acquisition cost at November 1, 2014	**55,795**	**10,206**	**4,463**	**4,603**	**75,067**
Additions		831	303	554	1,688
Deduction		-41	-55	-26	-122
Effect of company acquisition	34,269	6,043	501	535	41,348
Effect of the company sale or discontinuation	-5,919	-919	-3,720		-10,558
Asset deal					0
Exchange rate differences					0
Transfer between balance sheet groups		-2			-2
Acquisition cost at October 31, 2015	**84,145**	**16,118**	**1,492**	**5,666**	**107,421**
Accumulated depreciations, amortizations and impairment as at November 1, 2014	**-6,103**	**-6,891**	**-1,431**	**-2,243**	**-16,668**
Depreciation in the financial period		-2,292	-739	-339	-3,370
Deductions		39			39
Effect of company acquisition		4			
Effect of the company sale or discontinuation		656	1,201	11	1,868
Transfers between balance sheet groups					
Impairment					0
Accumulated depreciations, amortizations and impairment as at October 31, 2015	**-6,103**	**-8,484**	**-969**	**-2,571**	**-18,127**
Book value at October 31, 2015	**78,042**	**7,634**	**523**	**3,095**	**89,294**

Acquisition cost at November 1, 2013	**48,032**	**11,159**	**2,039**	**3,812**	**65,042**
Additions		521	547	1,272	2,340
Deduction		-64	-68		-132
Effect of company acquisition	11,801	187		5	11,993
Effect of company sale	-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 company sale		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**

GOODWILL IMPAIRMENT TEST

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

MEUR	2015	2014
Digital Printing Services (Grano)	51.8	20.5
Building Technology Renovation (KotiSun)	11.7	11.3
Fittings (Suomen Helasto)	6.0	6.0
Oral Health Care (Megaklinikka)	2.6	-
Takoma (Takoma)	2.2	2.2
Spare Parts for Motor Vehicles (KL-Varaosat)	1.9	1.9
Ceiling Materials (Selog)	1.6	1.6
Heat Treatment (Heatmasters Group)	0.3	0.3
Safety (Flexim Security)	-	5.9
Total	78.0	49.7

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):

Heat Treatment 10.6% (9.8%), Digital Printing Services 7.8% (7.6%), Spare Parts for Motor Vehicles 8.8% (8.4%), Fittings 8.0% (7.7%), Takoma 12.0% (11.4%), Building Technology Renovation 10.2% (9.7%), Ceiling Materials 9.1% (8.8%), Oral Health Care 10.4% (n/a) and Safety n/a (7.6%).

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.

19. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments fixed assets	Total
Acquisition cost at November 1, 2014	**194**	**0**	**28,085**	**293**	**352**	**28,924**
Additions			2,899		1,771	4,670
Effect of company acquisition			1,822	1		1,823
Effect of the company sale or discontinuation		0	-2,990		-1,223	-4,213
Deductions			-492		-217	-709
Transfers between balance sheet groups			33		-32	1
Exchange rate differences			-21			-21
Other changes			10			10
Acquisition cost at October 31, 2015	**194**	**0**	**29,346**	**294**	**651**	**30,485**
Accumulated depreciations, amortizations and impairment as at November 1, 2014	**-179**	**0**	**-19,340**	**-276**	**0**	**-19,795**
Depreciation in the financial period			-2,676	-3		-2,679
Effect of company acquisition			106	10		
Effect of the company sale or discontinuation			2,029			2,029
Deductions			-5			
Transfers between balance sheet groups						0
Exchange rate differences			16			16
Other changes						0
Accumulated depreciations, amortizations and impairment as at October 31, 2015	**-179**	**0**	**-19,870**	**-269**	**0**	**-20,318**
Book value at October 31, 2015	**15**	**0**	**9,476**	**25**	**651**	**10,167**
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
Effect of company sale		-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**	**-29,120**
Depreciation in the financial period			-2,790	-21		-2,811
Effect of company sale		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, 2014	**-179**	**0**	**-19,340**	**-276**	**0**	**-19,795**
Book value at October 31, 2014	**15**	**0**	**8,745**	**17**	**352**	**9,129**

20. INVESTMENTS IN ASSOCIATED COMPANIES

EUR 1,000	2015	2014
Book value at November 1	3,611	3,714
Share of the profit of the financial period	-53	-136
Additions	134	234
Deductions	-26	-201
Book value at October 31	**3,666**	**3,611**

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 38.6%. Profit/loss is based on the profit/loss for the financial period, and profits for the associated company are adjusted by amortization of goodwill under 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.

Juuri Partners Oy is the management company of Juuri Rahasto I Ky, established in the spring on March 12, 2015. Juuri Rahasto I Ky is a new capital fund that finances Finnish SMEs. The strategy of the fund is to finance and support companies with regard to growth, investments and exceptional situations, such as generational transitions. Panostaja's holding in Juuri Partners Oy is 20%.

ASSOCIATED COMPANY	Registered office	Shareholding	Assets	Equity	Liabilities	Net sales	Profit/loss
October 31, 2015							
Spectra Oy	Lohja	39.0%	606	-91	697	4,040	-149
Ecosir Group Oy	Espoo	38.6%	1,725	-137	-1,843	578	-238
PE Kiinteistörahasto I Ky	Helsinki	27.1%	-	-	-	-	
Juuri Partners Oy	Helsinki	20.0%	871	406	465	999	393

21. OTHER NON-CURRENT ASSETS

EUR 1,000	2015	2014
Loan receivable	2,157	3,725
Held-for-sale investments	554	331
Other receivables	4,150	4,073
Total	**6,861**	**8,129**
Held-for-sale financial assets		
Investments in unquoted shares:		
At the start of the financial period, November 1	331	330
Additions caused by the merging of businesses	0	0
Additions	223	1
Deductions	0	0
At the end of the financial period, October 31	**554**	**331**

Panostaja Oyj has a subordinated loan receivable from associated company Ecosir Group Oy totaling MEUR 0.5, MEUR 0.6 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. There are more details concerning the reward scheme in note 35. Related party disclosures.

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

EUR 1,000	2015	2014
Financial assets recorded at fair value through profit and loss		
At the start of the financial period, November 1	9,490	8,400
Changes in fair value		
realized	106	
unrealized	-90	90
Additions	7,600	9,000
Deductions	-10,500	-8,000
At the end of the financial period, October 31	**6,606**	**9,490**

The financial assets recorded at fair value through profit and loss 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 2015:

Deferred tax assets:

EUR 1,000	Losses confirmed or to be confirmed in taxation	Impairment losses	Other items	Total
November 1, 2013				4,070
Recorded in the income statement	-731			
Items of the extensive income statement				
Acquired business operations				
Discontinued operations				
Adjustment from changes in the tax rate	-825			
Losses confirmed or to be confirmed in taxation				
Exchange rate differences				
Recognized directly in equity				
October 31, 2014	2,514	0	0	2,514
Recorded in the income statement	-2,514		5,697	
Items of the extensive income statement				
Acquired business operations				
Discontinued operations				
Adjustment from changes in the tax rate				
Losses confirmed or to be confirmed in taxation	155		59	
Exchange rate differences				
Recognized directly in equity				
October 31, 2015	155	0	5,756	5,911

Deferred tax liabilities:

EUR 1,000	Fair value allocations	Discontinued business operations	Acquired business operations	Other items	Total
November 1, 2013	1,672		0		1,672
Recorded in the income statement	-114				
Items of the extensive income statement					
Acquired business operations					
Discontinued operations	-228				
Adjustment from changes in the tax rate	-334				
Losses confirmed or to be confirmed in taxation					
Exchange rate differences					
Recognized directly in equity					
October 31, 2014	996	0	0	0	996
Recorded in the income statement	-213				
Items of the extensive income statement					
Acquired business operations	1,072				
Discontinued operations	-127		108		
Adjustment from changes in the tax rate					
Losses confirmed or to be confirmed in taxation					
Exchange rate differences					
Recognized directly in equity					
October 31, 2015	1,728	0	108	0	1,836

The Group parent company does not have access to confirmed losses as at October 31, 2015. Tax assets have not been recognized for a total of MEUR 5.0 (MEUR 5.3) of the confirmed losses of subsidiaries. Unused tax losses expire in the period 2017–2024.

24. STOCKS

EUR 1,000	2015	2014
Materials and supplies	3,533	5,442
Unfinished products	2,920	3,654
Finished products and goods	6,143	5,836
Total	12,596	14,932

In the Group, a total of EUR 104,000 has been recorded as costs for the financial year 2015 (263,000 in 2014), 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	2015	2014
Trade receivables	20,836	22,100
Loans receivable	779	376
Accrued income	6,204	3,948
Receivables from associated companies	300	207
Tax assets based on taxable income for the period	128	150
Other receivables	795	680
Total	29,042	27,461

AGING OF TRADE RECEIVABLES

EUR 1,000	2015	2014
Not past due	17,337	16,525
Past due 1–30 days	2,337	3,689
Past due 31–180 days	703	1,260
Past due 181–360 days	263	157
Past due over a year	196	469
Balance sheet value of trade receivables	20,836	22,100

The Group recorded impairment losses of EUR 151,000 from trade receivables in the financial period (EUR 111,000 in 2014). The amortizations have affected invoices over a year past due as well as receivables from companies with a bankruptcy or corporate restructuring decision.

The Group subsidiary has sold its trade receivables to finance companies over the course of the financial period. The taxable book value of the sold receivables stood at EUR 7,580,000. As a result of the sale, the Group accrued a financial expense item of EUR 13,000 during the financial year. The Group has not presented the sold receivable in question in the balance sheet as all the essential risks and benefits, such as the credit loss risk, have been transferred to the finance company.

In addition to this, a factoring arrangement is in place in a Group subsidiary, according to which the Group has transferred the agreed trade receivables to the factoring company in exchange for cash funds. However, the Group has retained the risk and credit related to delayed payments. For this reason, funds transferred to external parties are still fully recorded in the Group's balance sheet. The sum paid in accordance with the factoring agreement is presented as a secured loan.

MATERIAL ITEMS CONTAINED IN ACCRUED INCOME

EUR 1,000	2015	2014
Salaries and social charges	96	21
Annual rebates	1,088	856
Advances	1,878	1,043
Others	3,142	2,028
Total	6,204	3,948

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

26. CASH AND CASH EQUIVALENTS

EUR 1,000	2015	2014
Cash in hand and bank accounts	24,001	9,146
Total	24,001	9,146

27. NOTES ON EQUITY

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. The number of company shares has not changed during the financial period.

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 no maturity date, but the Group is entitled, but not obliged, to redeem the loan within four years. Based on the contract, the annual interest is 9.75%. Interest is only paid if the company decides to distribute dividends. If dividends are not distributed, the Group will decide separately on the payment of interest. In the consolidated financial statements, the loan is classified as equity and interest is presented as dividend.

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

In neither the 2015 financial period nor the 2014 reference period were share issues carried out.

SHARE SUBSCRIPTION

In neither the 2015 financial period nor the 2014 reference period 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 2015. At the end of financial period 2015, there were 342,398 of the company's own shares (429,058).

Panostaja provided a total of 56,660 of the company's own shares as Board remunerations and 30,000 shares to company management as share bonuses.

DIVIDENDS

Capital repayment to the amount of MEUR 2.0 million was paid for the 2014 financial period (EUR 0,04 per share). MEUR 1.2 in dividends was paid to minority shareholders in subsidiaries.

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

28. FINANCIAL LIABILITIES

EUR 1,000	2015	2014
Non-current financial liabilities valued at acquisition cost		
Loans from financial institutions	55,119	28,461
Convertible subordinated loan	0	14,691
Finance lease liabilities	578	585
Other loans	3,910	5,201
Total	59,608	48,939
Current financial liabilities valued at acquisition cost		
Installments on non-current financial loans	7,869	10,932
Other loans from financial institutions	15,746	2,342
Finance lease liabilities	352	361
Total	23,968	13,636

The fair value of liabilities is presented in Note 32. 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, 2015 was 3.72% (October 31, 2014: 5.15%). Of the financial liabilities, EUR 22,588,000 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

A covenant term is tied to KL Parts Oy's liabilities, equity ratio 25%. At the time of closing the books, the company did not meet the required covenant term. The financier has given consent for violating the covenant term until October 31, 2016.

Covenant terms are tied to the financial liabilities of the Suomen Helasto group. The covenant terms have not been realized at the time of closing the books. However, the financier has, before the end of the financial period, consented to not maturing the liabilities in question.

EQUITY CONVERTIBLE SUBORDINATED LOANS

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 EUR 15,000,000, all of which was subscribed. The loan paid out fixed annual interest of 6.5%. The loan period is February 7, 2011–April 1, 2016. The loan is to be paid back in one installment, provided that the conditions for repayment 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.

In the financial statements, convertible subordinated loans are divided into equity and liabilities and presented in current liabilities. 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		CONVERTIBLE SUBORDINATED LOAN		FINANCE LEASE LIABILITIES		OTHER LOANS	
EUR 1,000	2015	2014	2015	2014	2015	2014	2015	2014
< 1 year	10,056	12,719	15,975	0	352	361	58	187
1–2 years	13,053	12,535	0	15,666	145	146	29	406
2–3 years	10,035	18,810	0	0	145	146	94	94
3–4 years	7,342	5,805	0	0	145	146	0	0
4–5 years	26,629	1,305	0	0	143	148	0	0
> 5 years	1,247	580						

29. TRADE PAYABLES AND OTHER LIABILITIES

EUR 1,000	2015	2014
Advances received	1,143	115
Trade payables	8,212	8,961
Accruals and deferred income	12,255	14,797
Other current liabilities	10,829	7,724
Total	**32,439**	**31,597**
Material items contained in accruals and deferred income		
Annual holiday pay and social costs	5,764	5,138
Accrued wages and salaries	1,216	1,219
Accrued interest	2	1
Accrued taxes	79	267
Accrued employee pension	840	587
Other items	4,354	7,585
Total	**12,255**	**14,797**

30. PROVISIONS

EUR 1,000	Guarantee provisions	Loss-making contracts	Total
November 1, 2014	**151**	**0**	**151**
Increases in existing provisions	80	0	80
Effect of the company sale or discontinuation	0	0	0
Used provisions	-42	0	-42
October 31, 2015	**189**	**0**	**189**

EUR 1,000	Guarantee provisions	Loss-making contracts	Total
November 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
October 31, 2014	**151**	**0**	**151**

EUR 1,000	2015	2014
Non-current provisions	0	0
Current provisions	189	151
Total	**189**	**151**

GUARANTEE PROVISIONS

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.

31. MATURITY ANALYSIS OF FINANCE LEASE LIABILITIES

EUR 1,000	2015	2014
Gross amount of finance lease liabilities – minimum rents by maturity date:		
In one year	377	387
Between one and five years	601	615
In over five years	0	0
Total	**978**	**1,002**
Future financial costs of finance lease liabilities	-48	-56
Current value of finance lease liabilities	**930**	**946**
The current value of finance lease liabilities will mature as follows		
In one year	352	361
Between one and five years	578	585
In over five years	0	0
Total	**930**	**947**

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

32. FAIR VALUES FOR FINANCIAL ASSETS AND LIABILITIES

2015 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		6,307			6,307	6,307
Held-for-sale investments				554			
Current financial assets							
Trade and other receivables	25		22,710			22,710	22,710
Short-term investments	22	6,606				6,606	6,606
Financial assets total		**6,606**	**29,017**	**554**	**0**	**35,623**	**35,623**
Non-current financial liabilities							
Loans from financial institutions	28				55,698	55,698	55,712
Convertible subordinated loan	28					0	0
Other non-current liabilities	28				3,910	3,910	3,910
Current liabilities							
Convertible subordinated loan	28				15,000	15,000	15,000
Interest-bearing liabilities	28				8,968	8,968	8,968
Trade payables	29				8,212	8,212	8,212
Other liabilities	29				6,900	6,900	6,900
Financial liabilities total		**0**	**0**	**0**	**98,688**	**98,688**	**98,702**

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
Held-for-sale investments				330		330	330
Current financial assets							
Trade and other receivables	25		23,363			23,363	23,363
Short-term investments	22	9,400				9,400	9,400
Financial assets total		**9,400**	**31,158**	**330**	**0**	**40,888**	**40,888**
Non-current financial liabilities							
Loans from financial institutions	28				29,047	29,047	30,544
Convertible subordinated loan	28				14,691	14,691	16,530
Other non-current liabilities	28				5,716	5,716	5,716
Current liabilities							
Convertible subordinated loan	28				0	0	0
Interest-bearing liabilities	28				13,636	13,636	13,636
Trade payables	29				8,961	8,961	8,961
Other liabilities	29	61			7,480	7,541	7,541
Financial liabilities total		**61**	**0**	**0**	**79,531**	**79,592**	**82,928**

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 33).

The process of determining the fair value of items valued at fair value on the balance sheet is explained in Note 33.

33. 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, 2015	Level 1	Level 2	Level 3
Financial assets recorded at fair value through profit and loss			
Interest rate swaps		28	
Interest rate fund shares	0		
Held-for-sale financial assets			
Short-term investments		6,606	
Investments in unquoted shares			554
Total	0	6,634	554
Financial liabilities recorded at fair value through profit and loss			
Interest rate swaps			
Total	0	0	0

October 31, 2014			
Financial assets recorded at fair value through profit and loss			
Interest rate swaps		46	
Interest rate fund shares	0	90	
Held-for-sale financial assets			
Short-term investments		9,400	
Investments in unquoted shares			331
Total	0	9,536	331
Financial liabilities recorded at fair value through profit and loss			
Interest rate swaps		61	
Total	0	61	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.

34. GUARANTEES AND CONTINGENCIES

EUR 1,000	2015	2014
Guarantees given on behalf of Group companies		
Enterprise mortgages	97,544	44,277
Pledges given	123,064	67,947
Other liabilities	11,101	4,562

The pledges given include pledged shares in subsidiaries worth MEUR 123.0.

The nominal or book value of a collateral has been used as the value of liabilities.

Other rental agreements		
In one year	7,911	6,238
In over one year but within five years maximum	13,526	13,320
In over five years	1,112	2,006
Total	22,549	21,564
Total for loans from institutions	79,665	42,683

35. 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 664,247 Panostaja shares for their personal ownership or for the ownership of a company where they have a controlling interest (previously 880,500 shares). Simo Mustila has no been longer employed by the company since August 19, 2015. He owns 246,793 Panostaja shares.

Pravia Oy/Juha Sarsama	452,386 pcs
Comito Oy (Tapio Tommila)	206,793 pcs
Minna Telanne	4,528 pcs
Total	663,707 pcs

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 363,500 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.

LOANS TO RELATED PARTIES

EUR 1,000	2015	2014
At the start of the financial period	2,739	2,817
Loans granted during the financial period	535	210
Deductions related to parties that have ceased to be related parties	-267	-288
Loans repaid and amortizations	-1,543	0
Debited interest	18	5
Interest payments received during the financial period	-18	-5
At the end of the financial year	**1,464**	**2,739**

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	0.233
Pravia Oy (Juha Sarsama)	113	Repayment in full at the end of the loan period	0.270
Comito Oy (Tapio Tommila)	198	Repayment in full at the end of the loan period	0.270
Comito Oy (Tapio Tommila)	79	Repayment in full at the end of the loan period	0.275
Total	**620**		

On October 31, 2015, 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.

	2015	2014
Rollock Oy	309	410

Subordinated loan which will be repaid in full during 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 collateral for the payment of the loan capital or its interest.

	2015	2014
Ecosir Group Oy	535	0

Subordinated loan which will be repaid in full during 2016. Beanit 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 collateral for the payment of the loan capital or its interest.

	2015	2014
Beanit Oy	0	1,496

MANAGEMENT EMPLOYEE BENEFITS

EUR 1,000	2015	2014
Salaries and other current employee benefits	729	686
Share-based benefits	63	0
Total	**792**	**686**
Salaries and bonuses		
CEO	225	190
CEO's performance-based employer's statutory pension expenditure	43	35
Members of the Board of Directors		
Ala-Mello Jukka	40	40
Eriksson Eero	20	20
Eskelinen Satu	0	5
Koskenkorva Mikko	20	20
Tarkkonen Hannu	20	20
Terhonen Jukka	20	20
Virtanen Antti	20	20

It was resolved at Panostaja Oyj's General Meeting on February 5, 2015 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.

36. SUBSIDIARIES AT OCTOBER 31, 2015

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	Helsinki	51.9	51.9
Digiprint Finland Oy	Jyväskylä	51.9	51.9
Digiprint Finland Group Oy	Helsinki	51.9	51.9
Grano Diesel Oy	Helsinki	51.0	51.0
Flexim Group Oy	Tampere	70.0	70.0
Grano Oy	Jyväskylä	51.9	51.9
Heatmasters Group Oy	Tampere	80.0	80.0
Heatmasters Lämpökäsittely Finland Oy	Lahti	80.0	80.0
Heatmasters Technology Oy	Lahti	80.0	80.0
Heatmasters Sp.zoo	Poland	80.0	80.0
Heatmasters Sweden Ab	Sweden	80.0	80.0
KL-Parts Oy	Tampere	75.0	75.0
KL-Varaosat Oy	Tampere	75.0	75.0
KfZ Nord Oy	Tampere	75.0	75.0
As Koopia Kolm	Tallinn, Estonia	93.0	93.0
Kopiolahtinen Oy	Vaasa	93.0	93.0
KotiSun Group Oy	Tampere	58.2	58.2
KotiSun Oy	Jyväskylä	58.2	58.2
Leeviprint Oy	Lahti	76.0	76.0
Megaklinikka Group Oy	Helsinki	74.8	74.8
Megaklinikka Oy	Helsinki	74.8	74.8
Multiprint 3D Oy	Turku	67.0	67.0
Multiprint As	Tallinn, Estonia	51.9	51.9
Oulun Kopiokeskus Oy	Oulu	60.3	60.3
Pirkanmaan LVI-Tekniikka Oy	Tampere	94.0	94.0
Rakennushelasto Oy	Seinäjoki	64.5	64.5
Selog Group Oy	Tampere	60.0	60.0
Selog Oy	Helsinki	60.0	60.0
Suomen Arkistovoima Oy	Turku	51.9	51.9
Suomen Helakeskus Oy	Seinäjoki	95.3	95.3
Suomen Helasto Oy	Seinäjoki	95.3	95.3
Takoma Gears Oy	Tampere	63.1	63.1
Takoma Norge AS	Drammen	63.1	63.1
Takoma Oyj	Tampere	63.1	63.1

37. 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.

After the end of the financial period, Takoma Oyj received a request for clarification from the Tax Administration with regard to a possible collection of value-added tax. The request for clarification relates to expenses recorded in 2012 and 2013. However, the Tax Administration's request for clarification did not state the euro amount to be collected. The company finds the Tax Administration's statement unjustified and will submit a response on the matter.

Takoma Oyj will have one trial. Deca Set Oy, which served as the company's representative in central Europe, has presented a claim for lost commission and costs, when Takoma Group filed for reorganization proceedings, which hindered Deca Set's access to its sales targets. The claim is for approximately EUR 240,000. In Takoma's view, the claim is groundless and, based on the agreement, Takoma has no obligation to pay more than a few actual costs, so the company has made provisions for compensation for an amount of EUR 17,000.

38. EVENTS AFTER THE BALANCE SHEET DATE

Panostaja signed agreements for a financing package worth a total of MEUR 30 on December 8, 2015. The package consists of MEUR 20 in loans and a MEUR 10 acquisition limit. The loans are secured debt loans. A share of MEUR 5 of the loans falls due three years from withdrawal and a share of MEUR 15 falls due on October 31, 2019. In accordance with binding loan agreements, the loans shall be withdrawn by April 30, 2016. The corporate acquisition limit will be valid for three years and can be used to withdraw two-year loans to fund acquisitions made by Panostaja.

39. KEY FIGURES

MEUR		2015	2014	2013
Net sales, MEUR		148.2	121.1	137.0
EBIT, MEUR		7.3	8.1	1.6
% of net sales		4.9	6.7	1.2
Profit for the financial period		13.5	8.2	-5.5
Return on equity (ROE), %		23	17.1	-11.7
Return on investment (ROI), %		12.4	14.4	3.7
Equity ratio, %		37.5	33.3	33.2
Gearing, %	1)	65.2	73.7	82.6
Current ratio		1.3	1.3	1.1
Gross capital expenditure, MEUR		54.9	19.9	20.1
% of net sales		37.0	16.5	14.7
Avg. no. of Group employees		1,176	1,204	1,251
Earnings per share (EPS) (€), undiluted		0.14	0.09	-0.09
Earnings per share (EPS) (€), diluted		0.14	0.09	-0.09
Equity per share (€)		0.74	0.62	0.59
Capital repayment per share (€)			0.04	0
Dividend per share (€)	2)	0.05		
Dividend/Earnings % undiluted		35.4		
Dividend/Earnings % diluted		36.2		
Capital repayment/Earnings % undiluted			42.7	0
Dividend/Earnings % undiluted				
Capital repayment/Earnings % diluted			41.6	0
Effective dividend income %		5.8		
Price/Earnings ratio				
Average number of shares in the financial period, 1,000		51,373	51,284	51,210
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		58,191	58,102	58,029
Closing price for the share in the financial period, €		0.86	0.82	0.80
Lowest share price, €		0.77	0.69	0.66
Highest share price, €		0.94	0.91	0.86
Average share price in the financial period, €		0.85	0.78	0.75
Market value of stock, MEUR		44.5	42.4	41.4
Shares exchanged, 1,000		6,508	7,909	3815
Shares exchanged, %		12.7	15.4	7.4

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, 2014– Oct 31, 2015	Nov 1, 2013– Oct 31, 2014
TURNOVER	1.1.	13	0
Other operating income	1.2.	27,695	8,329
Staff expenses	1.3.	-1,406	-1,272
Depreciations, amortizations and impairment	1.4.	-57	-44
Other operating expenses	1.5.	-3,223	-1,342
OPERATING PROFIT/LOSS		23,021	5,672
Financial income and costs	1.6.	-1,029	1,216
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		21,992	6,888
Extraordinary items	1.7.	0	59
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		21,992	6,946
Income taxes	1.8.	-359	0
PROFIT/LOSS FOR THE FINANCIAL PERIOD		21,634	6,946

PARENT COMPANY BALANCE SHEET

ASSETS EUR 1,000	Note	Oct 31, 2015	Oct 31, 2014
PERMANENT ASSETS			
Intangible assets	2.1.	149	165
Tangible assets	2.2.	94	77
Investments	2.3.	41,243	23,421
PERMANENT ASSETS TOTAL		41,485	23,664
CURRENT ASSETS			
Non-current receivables	2.4.	13,330	12,324
Current receivables	2.5.	2,409	2,829
Short-term investments	2.6.	6,606	9,400
Cash and cash at bank		1,018	268
CURRENT ASSETS TOTAL		23,363	24,821
TOTAL ASSETS		64,849	48,485

LIABILITIES EUR 1,000		31.10.15	31.10.14
EQUITY	2.7.		
Share capital		5,569	5,569
Share premium account		4,691	4,691
Invested unrestricted equity fund		15,821	17,795
Profit/loss for the previous financial periods		-11,107	-18,054*
Profit/loss for the financial period		21,634	6,946
SHAREHOLDERS' EQUITY TOTAL		36,607	16,947
ACCRUAL OF APPROPRIATIONS		0	0
LIABILITIES	2.8.		
Non-current liabilities		7,542	24,165
Current liabilities		20,699	7,373*
LIABILITIES TOTAL		28,241	31,538
TOTAL LIABILITIES		64,849	48,485

* Taxes for the previous financial period have been adjusted in the notes for 2014

FINANCIAL STATEMENT OF PARENT COMPANY

EUR 1,000	Nov 1, 2014– Oct 31, 2015	Nov 1, 2013– Oct 31, 2014
OPERATING CASH FLOW		
Profit/loss for the financial period	**21,634**	**6,946**
Adjustments:	**-24,517**	**-9,307**
Planned depreciations	57	44
Write-downs	0	0
Sales profits	-27,355	-8,154
Sales losses	1,573	77
Financial income and costs	1,029	-1,216
Appropriations total	0	0
Taxes	359	0
Minority share	0	0
Profit/loss of associated company	0	0
Extraordinary income and expenses	0	-59
CHANGES		
Change in trade receivables	-98	869
Change in inventories	0	0
Change in trade payables	-65	99
Change in provisions	0	0
Interest and other financial costs	-1,847	-1,941
Interest and other financial income	759	805
Other financial income	0	0
Taxes paid	0	0
Cash flow before extraordinary items	**-4,135**	**-2,529**
OPERATING CASH FLOW	**-4,135**	**-2,529**
INVESTMENT CASH FLOW		
Investments in tangible and intangible assets	-83	-91
Investments in business	0	0
Investments in subsidiaries	-25,348	-2,608
Investments in associated companies	-120	-235
Other investments	-331	0
Capital gains from the disposal of tangible and intangible assets	36	0
Divestments business transactions	0	0
Capital gains from the disposal of subsidiaries	32,723	10,426
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	-1,928	-2,914
Loans granted	-985	-496
Loans receivable repaid	572	195
Paid dividends	1,760	1,655
Change other investments	0	0
INVESTMENT CASH FLOW	**6,296**	**5,933**

EUR 1,000	Nov 1, 2014– Oct 31, 2015	Nov 1, 2013– Oct 31, 2014
FINANCIAL CASH FLOW		
Share issue	0	0
Acquisition and disposal of own shares	73	48
Extraordinary income and expenses	59	59
Change in current interest-bearing receivables	276	-124
Change in current interest-bearing liabilities	0	-1,670
Loans drawn	0	1,419
Loans repaid	-2,565	-2,604
Change in non-current internal loans	0	0
Dividends paid	-2,046	0
Other financial cash flow	0	0
FINANCIAL CASH FLOW	**-4,204**	**-2,872**
CHANGE IN CASH AND CASH EQUIVALENTS	**-2,043**	**531**
Cash and cash equivalents at the beginning of the financial period	**9,668**	**9,136**
CHANGE IN CASH AND CASH EQUIVALENTS	**-2,043**	**531**
Cash and cash equivalents at the end of the financial period	**7,624**	**9,668**

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015

Panostaja Group's parent company is Panostaja Oyj, registered office in Tampere, Finland. The Group's consolidated financial statements can be obtained at Kalevantie 2, 33100 Tampere, Finland.

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

NOTES TO THE INCOME STATEMENT 1.1.–1.9.

EUR 1,000

1.1. NET SALES	2015	2014
Administrative cost charges from Group companies	13	0
	13	0

1.2. OTHER OPERATING INCOME	2015	2014
Profits from sale of fixed assets	27,355	8,154
Support received	0	20
Others	339	156
	27,695	8,329

1.3. STAFF EXPENSES	2015	2014
Salaries and fees	1,143	1,038
Pension costs	210	173
Other social security expenses	53	60
	1,406	1,272
During the financial period, the company employed on average		
Clerical staff	9	9

1.4. DEPRECIATIONS, AMORTIZATIONS AND IMPAIRMENT	2015	2014
Planned depreciations		
Intangible rights	7	7
Other capitalized long-term expenditure	26	14
Machinery and equipment	23	23
	57	44

1.5. OTHER OPERATING EXPENSES	2015	2014
Other operating expenses internal	36	21
Other operating expenses	511	418
Marketing costs	222	173
Data management costs	167	117
Costs for expert services	554	405
Loss from the sale of fixed asset shares	1,573	77
Rental costs	160	131
Other operating expenditure total	3,223	1,342
Auditor's fees		
auditing fees	60	49
auxiliary services	18	7
	78	56

1.6. OTHER OPERATING EXPENSES

	2015	2014
Dividend yields		
From companies in the same Group	1,655	1,655
Dividend yields total	1,655	1,655
Other interest yields		
From companies in the same Group	568	376
From others	57	159
Other interest yields total	625	535
Other financial income		
From companies in the same Group	115	150
From others	106	0
Other financial income total	221	150
Other interest and financial yields total	846	685
Interest expenses		
For companies in the same Group	0	59
For others	1,789	1,815
Interest expenses total	1,789	1,873
Other financial expenses		
For others	49	50
Other financial expenses	49	50
Interest costs and other financial costs total	1,838	1,923
Group shares	1,692	-799
Financial income and costs total	-1,029	1,216

1.7. EXTRAORDINARY ITEMS

	2015	2014
Extraordinary income/Group contribution	0	59
	0	59

1.8. INCOME TAXES

	2015	2014
Income taxes from financial period	359	0
	359	0

NOTES TO THE BALANCE SHEET 2.1.–2.9.

EUR 1,000

2.1. INTANGIBLE ASSETS

	2015	2014
Intangible rights		
Acquisition cost Nov 1	59	59
Additions Nov 1–Oct 31	0	0
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	59	59
Accrued planned depreciations Nov 1	-37	-30
Planned depreciations Nov 1–Oct 31	-7	-7
Book value at October 31	15	22
Other capitalized long-term expenditure		
Acquisition cost Nov 1	383	292
Additions Nov 1–Oct 31	17	91
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	401	383
Accrued planned depreciations Nov 1	-240	-227
Planned depreciations Nov 1–Oct 31	-26	-14
Book value at October 31	134	143
Intangible assets total		
Acquisition cost Nov 1	443	352
Additions Nov 1–Oct 31	17	91
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	460	443
Accrued planned depreciations Nov 1	-277	-256
Planned depreciations Nov 1–Oct 31	-34	-21
Book value at October 31	149	165

2.2. INTANGIBLE ASSETS

	2015	2014
Machinery and equipment		
Acquisition cost Nov 1	629	629
Additions Nov 1–Oct 31	66	0
Deductions Nov 1–Oct 31	-27	0
Acquisition cost Oct 31	668	629
Accrued planned depreciations Nov 1	-551	-528
Planned depreciations Nov 1–Oct 31	-23	-23
Book value at October 31	94	77
Tangible assets total		
Acquisition cost Nov 1	629	629
Additions Nov 1–Oct 31	66	0
Deductions Nov 1–Oct 31	-27	0
Acquisition cost Oct 31	668	629
Accrued planned depreciations Nov 1	-551	-528
Planned depreciations Nov 1–Oct 31	-23	-23
Book value at October 31	94	77

2.3. INVESTMENTS

	2015	2014
Interests in companies in the same Group		
Acquisition cost Nov 1	19,417	18,158
Additions Nov 1–Oct 31	25,348	3,608
Deductions Nov 1–Oct 31	-7,718	-2,349
Acquisition cost Oct 31	**37,046**	**19,417**
Interests in associated companies		
Acquisition cost Nov 1	3,997	3,964
Additions Nov 1–Oct 31	120	235
Deductions Nov 1–Oct 31	-259	-201
Acquisition cost Oct 31	**3,858**	**3,997**
Other shares and interests		
Acquisition cost Nov 1	8	8
Additions Nov 1–Oct 31	1,911	0
Deductions Nov 1–Oct 31	-1,580	0
Acquisition cost Oct 31	**339**	**8**
Investments total		
Acquisition cost Nov 1	23,421	22,129
Additions Nov 1–Oct 31	27,378	3,842
Deductions Nov 1–Oct 31	-9,556	-2,550
Acquisition cost Oct 31	**41,243**	**23,421**

2.4. NON-CURRENT RECEIVABLES

	2015	2014
Subordinated loans receivable from companies in the same Group	2,759	2,551
Subordinated loans receivable from associated companies	235	1,496
Loans receivable from companies in the same Group	4,681	3,034
Loans receivable	2,156	1,743
Other receivables	3,500	3,500
	13,330	12,324

2.5. CURRENT RECEIVABLES

	2015	2014
Trade receivables from companies in the same Group	66	204
Trade receivables	83	637
Loans receivable from companies in the same Group	1,310	1,330
Group contributions	0	59
Other receivables	4	95
Dividend receivables from companies in the same Group	0	105
Loans receivable from associated companies	300	207
Other loans receivable	419	74
Interest receivables from companies in the same Group	145	78
Accrued income	82	39
	2,409	**2,829**
Accrued income essential items		
Interest receivables from insider loans	3	4
Interest receivables from other loans receivable	0	0
Ecosir Group Oy	21	13
Rollock Oy	17	4
Advances	1	0
Cost scheduling	40	18
	82	**39**

2.6. SHORT-TERM INVESTMENTS

	2015	2014
Other shares and interests		
Investment fund shares	6,606	9,400
	6,606	**9,400**

2.7. EQUITY

	2015	2014
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	17,795	17,747
Share capital increase and share issue	0	0
Acquisition/disposal of own shares	0	0
Board and management bonuses as company shares	73	48
Capital repayment	-2,046	0
Invested unrestricted equity fund Oct 31	15,821	17,795
Retained earnings/loss Nov 1	-10,927	-17,874
Non-deductible VAT portions 02–10/14	-180	0
Returned old dividends 2010	0	0
Dividend distribution	0	0
Retained earnings/loss Oct 31	**-11,107**	**-17,874**
Profit/loss for the financial period	21,634	6,946
Equity total	36,607	17,127
Distributable unrestricted equity Oct 31	26,347	6,867

2.8. LIABILITIES

	2015	2014
2.8.1. Non-current liabilities		
Hybrid loan 2013	7,500	7,500
Convertible subordinated loan 2011	0	15,000
Loans from financial institutions	0	788
Other non-current liabilities	3	3
	7,503	**23,291**
Liabilities owed to companies in the same Group		
Other liabilities	39	875
	39	**875**
Non-current liabilities total	**7,542**	**24,165**
2.8.2. Current liabilities		
Convertible subordinated loan 2011	15,000	0
Loans from financial institutions	786	2,565
Trade payables	77	109
Other liabilities	245	207
Accruals and deferred income	4,586	4,174
	20,695	**7,055**
Liabilities owed to companies in the same Group		
Trade payables	4	137
	4	**137**
Material items contained in accruals and deferred income		
Annual holiday salaries and social costs	120	103
Annual holiday pay TyEL allocation	22	19
Management's accrued salaries incl. social costs	105	0
Bonus allocation	55	61
Property fund dissolution advance	3,038	3,038
Accrued interest	887	896
Accrued taxes	359	0
Other items	0	57
	4,586	**4,174**
Current liabilities total	**20,699**	**7,192**

OTHER NOTES

EUR 1,000	2015	2014
Guarantees and contingencies		
On behalf of Group companies		
Guarantees given	5,754	9,041
On behalf of associated companies		
Guarantees given	950	1,342
On behalf of others		
Guarantees given	1,700	1,700
Rental liabilities		
In one year	156	154
More than one and within 5 years	624	616
In over five years	377	526
Leasing liabilities		
In one year	1	42
More than one and within 5 years	1	12
In over five years	0	0
Pledged associated company shares		
As security for own liabilities	0	0
Other pledges		
As security for own liabilities	4	4

HYBRID LOAN 2013

The loan is an equity debenture loan which stands at EUR 7,500,000 on October 31, 2015. The loan period is May 27, 2013–May 27, 2017.

CONVERTIBLE SUBORDINATED LOAN 2011

The remaining loan amount is EUR 15,000,000. The 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, including the profit for the financial period of EUR 21,633,647.12 and EUR 15,820,933.39 in the invested unrestricted equity fund, amount to EUR 26,347,399.44.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 per share be paid to the shareholders for the past financial period.

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 shall total 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 said asset distribution. It is also proposed that the authorization remain valid until the start of the next Annual General Meeting.

Tampere, December 10, 2015

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, 2014–October 31, 2015. 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 11, 2015

PricewaterhouseCoopers Oy
Authorized Public Accountants

Markku Launis	Janne Rajalahti
Authorized	Authorized
Public Accountant	Public Accountant

PANOSTAJA OYJ REPORT ON THE MANAGEMENT AND CONTROL SYSTEM

COMPLIANCE WITH THE FINNISH CORPORATE GOVERNANCE CODE DURING THE FINANCIAL PERIOD 2015

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 2015 financial period, 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 next Annual General Meeting.

In the 2015 financial period, the Board convened 16 times. The average rate of participation at Board meetings over the period was 96%.

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.

The Annual General Meeting on February 5, 2015, elected the following people 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, and Chairman of the Board at OWH-Yhtiöt Oy. 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: Taiten Consulting, Board member 2015, 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: Chairman of the Tampere Adult Education Centre 2015–, 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 1979–2003, 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 1979, member of Hallituspartnerit since 2009. Chairman of Hallituspartnerit 2010–2013. Independent of the company and major shareholders.
- Mikko Koskenkorva, born 1982, Board member since 2011, Bachelor of Computer Science, 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.

Panostaja deviates from Recommendation 9 of the Finnish Corporate Governance Code in that the Board does not include representatives of both genders, based on the decision of the Annual General Meeting on February 5, 2015 and during the time following the meeting. The Board strives for a composition that is as diverse and suitable as possible and can recognize the needs of Panostaja's business model and the company's ownership structure.

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, CFO 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 Group's Senior Management Team comprised CEO Juha Sarsama, CFO and Executive Vice President Tapio Tommila (CFO since August 19, 2015, Executive Vice President since June 18, 2015, Investment Director until June 18, 2015), CFO Simo Mustila until August 19, 2015 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 at 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 2015, 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 2015, the fees paid to PricewaterhouseCoopers for the statutory audit were EUR 149,000, and EUR 193,000 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 OMX 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 2015 Annual General Meeting confirmed the following salaries for Board members: The Chairman of the Board is paid EUR 40,000 per year, and every other Board member EUR 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 2015, a total of 86,660 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 2015 financial period, the CEO's earnings and other benefits amounted to EUR 224,614.69. The CEO is not a Board member. The share and option ownership of the CEO is explained on the Company's website at 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 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 550,000 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 pcs
Comito Oy (Tapio Tommila)	200,000 pcs
Total	550,000 pcs

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. Until the end of 2018, Panostaja has in place a share remuneration scheme where the company'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 2015 financial period, a total of 363,500 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.

On December 11, 2014, Panostaja Oyj's Board of Directors decided to distribute a total of 30,000 shares, valued at EUR 24,600 at the time of issue, to the management as share remunerations. CEO Juha Sarsama was granted 11,886 shares. Board member Simo Mustiala received 6,793 shares, Board member Tapio Tommila received 6,793 shares and Board member Minna Telanne received 4,528 shares. In addition to this, EUR 31,188 was remitted in cash to cover the taxes levied on the remuneration.

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 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 342,398 individual shares (at the beginning of review period: 429,058). The number of the company's own shares corresponded to 0.7% of the number of shares and votes at the end of the entire review period. The company shares owned by the company's Board of Directors and the CEO total 8,888,338. This represents 17% of the total number of shares.

In accordance with the decisions by the General Meeting on February 5, 2015 and by the Board, Panostaja Oyj relinquished a total of 30,000 individual shares as share bonuses to the company management on December 11, 2014. On December 15, 2014, the company issued to the Board members a total of 14,634 shares, on March 5, 2015, a total of 14,118 shares, on June 4, 2015, a total of 13,954, and on September 3, 2015, a total of 13,954 shares as meeting compensation.

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, 2015, the company has 3,660 (3,493) shareholders.

The company's shares have been publicly listed since 1989. Currently, its shares are quoted on the Nasdaq OMX Helsinki stock exchange.

ADMINISTRATION AND GENERAL MEETING

The General Meeting on February 5, 2015 decided, in accordance with the proposal of the Board of Directors, that the Board be authorized to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividends or as repayment of capital from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization shall total no more than EUR 4,700,000. The Meeting resolved that the authorization includes the right of the Board to decide on all other terms and conditions relating to the said asset distribution and that the authorization remain valid until the start of the next Annual General Meeting.

In addition, The General Meeting authorized the Board to decide on the acquisition of the company's own shares in one or more installments so that the number of the company's own shares to be acquired may not exceed 5,100,000 in total, which corresponds to about 9.86% of the company's total stock of shares. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The company's own shares may be acquired at the date-of-acquisition price in public trading arranged by NASDAQ OMX Helsinki Oy or otherwise at the prevailing market price. The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting on January 29, 2014 to decide on the acquisition of the company's own shares is canceled by this authorization. The authorization remains valid until August 5, 2016.

The previous Meeting authorized the Board of Directors to decide in one or more stages on the issuance of shares and options rights and other special rights entitling to shares as defined in Section 1 of Chapter 10 of the Limited Liability Companies Act in such a way that the number of shares given by virtue of the authorization may not exceed 30,000,000 shares. The Board of Directors decides on all terms and conditions for share issues and options as well as on the terms and conditions for the granting of special rights providing entitlement to shares. This authorization concerns both the issue of new shares and the selling of the company's own shares. Share issues and the provision of option rights as well as that of other rights providing entitlement to shares as specified in Section 1 of Chapter 10 of the Limited Liability Companies Act may take place deviating from the shareholders' pre-emptive right to subscription (directed issue). The authorization issued at the Annual General Meeting on January 27, 2011 to decide on share issues and the provision of special rights providing entitlement to shares is canceled by this authorization. The authorization remains valid until February 5, 2020.

At the end of the review period, EUR 15,000,000 of the 2011 convertible subordinated loan remained. The interest rate for the loan is 6.5%, and the loan period is February 7, 2011–April 1, 2016. The original share exchange rate is EUR 2.20, and the loan shares can be exchanged for no more than 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.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.77 (lowest quotation) and EUR 0.94 (highest quotation) during the financial period. In the period under review, a total of 6,508,111 shares were exchanged, which amounts to 12.7% of the share capital. The October 2015 share closing rate was EUR 0.86. The market value of the company's share capital at the end of October 2015 was MEUR 44.5 (MEUR 42.4). At the end of October 2015, the company had 3,660 shareholders (3,493).

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 663,707 Panostaja shares for their personal ownership or for the ownership of a company where they have a controlling interest (previously 880,500 shares).

Pravia Oy (Juha Sarsama)	452,386 pcs
Comito Oy (Tapio Tommila)	206,793 pcs
Minna Telanne	4,528 pcs
Total	663,707 pcs

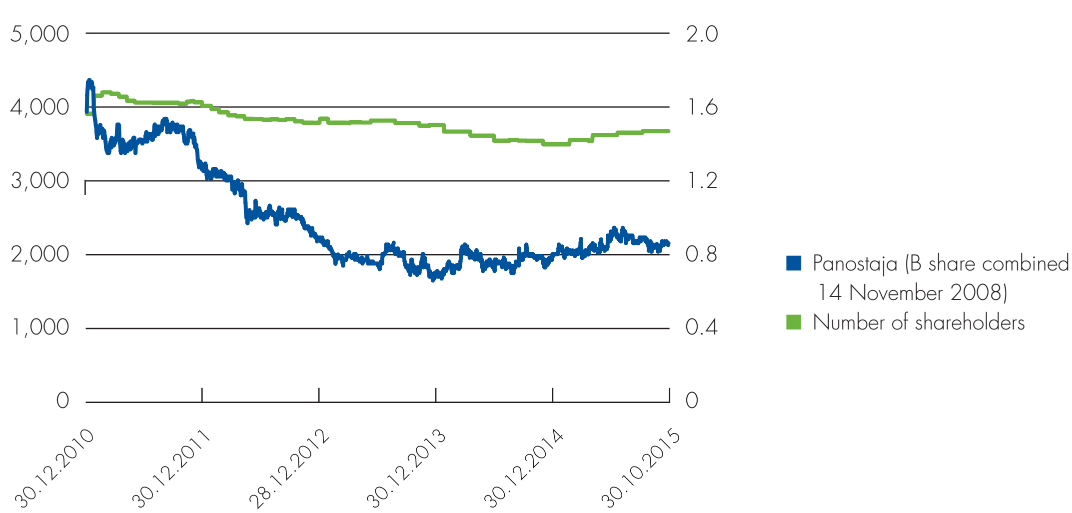
At the time of making the arrangement, the members of the Senior Management Team have financed their investments themselves, in part, and through company loans, in part, and they bear the genuine corporate risk with respect to the investment they have made in the scheme. Until the end of 2018, Panostaja has in place a share remuneration scheme where the company'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 2015 financial period, a total of 363,500 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.

SHARE TRADE AND RATES

	Lowest, €	Highest, €	SHARE ISSUE ADJUSTED trading (no. of shares)	% of shares
2015	0.77	0.94	6,508,111	12.7
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



LARGEST SHAREHOLDERS

20 LARGEST SHAREHOLDERS OCTOBER 31, 2015

		Osakkeita kpl	% osakkeista
1	Treindex OY	5,679,200	10.98%
2	Koskenkorva Matti	4,308,756	8.33%
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	1,340,769	2.59%
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%
11	Porkka Harri	943,000	1.82%
12	Leino Satu	831,653	1.61%
13	Koskenkorva Karri	749,305	1.45%
14	Lähitapiola Keskinäinen Vakuutusyhtiö	674,000	1.30%
15	Koskenkorva Helena	641,101	1.24%
16	Haajanen Taru	610,917	1.18%
17	Koskenkorva Pekka	583,502	1.13%
18	Koskenkorva Johanna	437,746	0.85%
19	Pravia Oy	432,500	0.84%
20	Pentti Kalervo	430,000	0.83%
		33,359,083	64.48%
	Other shareholders	18,374,027	35.52%
	Total	51,733,110	100.00%

DISTRIBUTION OF SHARE OWNERSHIP BY SIZE OCTOBER 31, 2015

Number of shares	Shareholders pcs	Shares/votes %	pcs	%
1–1,000	1,774	48.47%	856,389	1.66%
1,001–10,000	1,557	42.54%	5,198,656	10.42%
10,001–100,000	286	7.81%	7,446,965	14.39%
100,001–1,000,000	26	0.71%	5,979,674	11.56%
1,000,001–	17	0.46%	32,058,837	61.97%
Total	3,660	100.00%	51,540,521	100.00%
of which nominee-registered	7		20,098	0.04%
In joint accounts			192,589	0.37%
Number of shares issued			51,733,110	100.00%

DISTRIBUTION OF SHARE OWNERSHIP BY SECTOR OCTOBER 31, 2015

Sector class	Shareholders pcs	%	Shares/votes pcs	%
Companies	129	3.52%	9,181,416	17.75%
Financial and insurance institutions	16	0.44%	4,673,107	9.03%
Public bodies	2	0.05%	4,269,000	8.25%
Households	3,493	95.44%	33,063,802	63.91%
Non-profit organizations organizations	9	0.25%	63,282	0.12%
Foreign	11	0.30%	18,687	0.04%
Total	3,660	100.00%	51,269,294	99.10%
of which nominee-registered	7		271,227	0.04%
In joint accounts			192,589	0.37%
Number of shares issued			51,733,110	100.00%

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