panostaja

We create companies with the potential to grow

Panostaja Oyj Annual Report 2010

Our five guiding stars

Mission

Panostaja actively supports entrepreneurs of the business areas in its ownership in developing jointly owned business areas into leading companies in their field with the goal of creating shareholder value to the parent company and business area shareholders.

Vision

Panostaja's goal is to be the most desired partner for growing entrepreneurs and relinquishing owners of small and medium-sized companies. Together with its partners, Panostaja forges Finnish success stories and, through them, increases shareholder value throughout the Group.

Values

RESPECTING ENTREPRENEURSHIP

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

DEVELOPING KNOW-HOW

We benefit from the versatility of our business and from combining the different skills of different people. We constantly strive to better ourselves and our processes.

TRUST AND OPENNESS

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

Strategy

Panostaja seeks to continuously increase shareholder value of the business areas in its ownership by establishing new business areas and complementing existing ones through corporate acquisitions.

Panostaja will focus particularly on owning unlisted companies in fields that are experiencing a period of growth or reorganisation and that have increased opportunities to achieve synergies through the development of the field or operations.

When selecting a field, its growth and development opportunities are taken into account and, at the same time, the customer dependencies in the field are evaluated particularly from a risk management standpoint with consideration to existing fields.

Goals

OPERATIONAL OBJECTIVES

Panostaja aims to focus its resource on 10 to 15 business areas that complement each other. The objective of developing selected business areas is for them to achieve a significant market position in their respective fields. Increasing Panostaja Oyj's shareholder value is a primary criterion when making decisions concerning the further development of owned business areas as well as supplementary acquisitions of companies and new business areas.

FUTURE FINANCIAL OBJECTIVES

The Group's goal is to continuously increase shareholder value and, by extension, Panostaja Oyj's market value.

The Group's long-term objective is to achieve an annual return on equity averaging more than 22%.

In the next five-year period, the aim is to reach a cumulative earnings per share (EPS) of EUR 1.00.

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

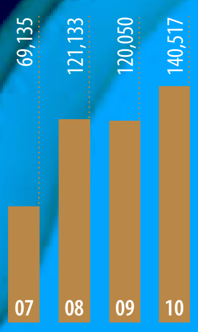
Financial year 2010

Key figures

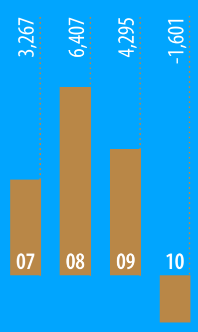
EUR 1,000	2010	2009
Turnover	**140,517**	120,050
Operating profit/loss	**-1,601**	4,295
Profit before taxes	**-3,969**	2,025
Profit from continuing operations	**-3,205**	1,345
Profit from discontinued operations	**0**	0
Profit for the financial year	**-3,205**	1,345
to shareholders in the parent company	**-2,275**	693
to minority	**-430**	652
Earnings per share, EUR, diluted	**-0.06**	0.02
Earnings per share, EUR, undiluted	**-0.06**	0.02
Equity per share, EUR	**0.61**	0.80
Dividend per share, EUR	[1] **0.05**	0.12
Equity ratio, %	**31.9**	37.9
Gross capital expenditure	**15.7**	23.0
Number of shares at end of financial year, 1,000	**47.403**	47.403
Average number of employees	**967**	790

[1] Board's proposal to the AGM

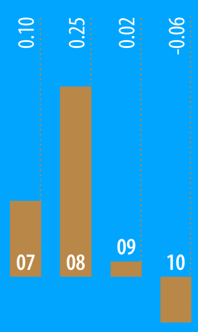
NET TURNOVER, EUR 1,000



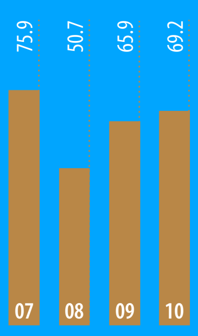
OPERATING PROFIT, EUR 1,000



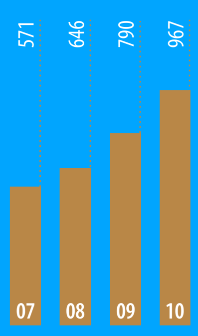
EARNINGS PER SHARE, EUR



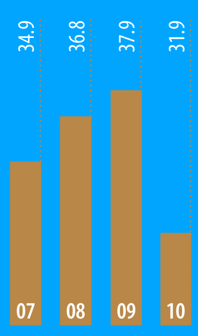
MARKET CAPITALISATION, MEUR



AVERAGE NUMBER OF EMPLOYEES



EQUITY RATIO, %



Major events

- Net turnover for the financial year was MEUR 140.5 (MEUR 120.0).
- Operating loss was MEUR -1.6 (operating profit MEUR 4.3)
- Loss for the financial year was MEUR -3.2 (profit MEUR 1.3).
- Earnings per share stood at -6 cents (2 cents).
- Equity per share stood at EUR 0.61 (EUR 0.80) and the equity ratio was 31.9% (37.9%).

- Panostaja Oyj expanded the Digital Printing Services and Takoma business areas through corporate acquisitions.
- Operating loss in the Environmental Technology segment (MEUR -4.5) and segments serving technology industries decreased Group profitability overall. Operating loss in the Environmental Technology segment included a MEUR -0.7 sales loss resulting from an asset deal as well as a consolidated goodwill write-down of MEUR 1.5.

- The Board of Directors proposes a dividend of 5 cents per share.
- The Board proposes that the Annual General Meeting authorise the Board to use its discretion to decide on a potential distribution of assets to shareholders – the financial situation permitting – either as a dividend of profits or asset distribution from the invested unrestricted equity fund. The maximum total value of the asset distribution is EUR 4,000,000.

Panostaja is a financially sound, enterprise-based Finnish conglomerate, which creates vibrant companies and corporate entities. We achieve this by acquisitions and development work.

To a company we have acquired, we bring new, committed leadership as well as business management and strategic skills. The main objective is to develop the company targeted for investment so that it becomes a major player in its field in 5 to 10 years, after which it will continue to operate independently. Our operations are governed by the values of Panostaja's parent company.

Content

An active owner supports growth

Kopijyvä's growth was invigorated at the beginning of May in 2008 when Panostaja became its majority shareholder. The development of the printing house focusing on digital printing had been positive for 15 years but, with the change in ownership, the company switched to overdrive. In two and a half years, the company's turnover has rocketed from MEUR 10.5 to MEUR 25. Kopijyvä's result has also developed nicely the entire time.

> Panostaja is an owner that does not get involved with operative activities at the expense of productivity. The starting point has always been to make the company larger, better and more productive.

ACCORDING TO Managing Director **Heimo Viinanen**, the shift in the company's business culture has been staggering.

Jyväskylän kopiolaitos (i.e. Kopijyvä), which was founded by **Kauko** and **Heikki Sorjonen** in 1997, was, to start with, a solid acquisition for Panostaja. The company was affluent even by national standards even though the operations were on a local scale. In addition to Jyväskylä, the company had facilities in Kuopio, Kouvola, Varkaus and Joensuu. The business was also run according to healthy principles, and it was financially profitable. The work done over the three decades had been systematic.

Panostaja was naturally able to determine all of this with the same indicators it has since used to support Kopijyvä's growth in conjunction with corporate acquisitions.

"At the time of acquisition, you only see a company's façade. One of Panostaja's skills is to crunch the key figures of a company into a format that clearly shows whether the company is healthy and whether it can be further refined," Viinanen states.

AT THE TIME KOPIJYVÄ was acquired, the printing market had been in decline for a number of years. Overcapacity had tightened price competition in Finland, and the profitability of the field was poor. The change in the printing market was anticipated to lead to a reorganisation through various corporate restructurings and company closures. Simultaneously with the slump of traditional printing, digitalisation began to gain ground.

Kopijyvä was clearly a market-altering force and a suitable development target for the Panostaja Group.

Kauko Sorjonen had been looking for a buyer for his 75 per cent share for several years. When Panostajan contacted him, the decision was made quickly. According to Heimo Viinanen, who continues as one of the company's owners and its managing director, the decisive factor was that Panostaja is a Finnish company and that both parties had matching visions for the future of Kopijyvä.

"We had a similar view of the development of the field, the market and Kopijyvä itself. Panostaja has listened to us well, which has made growth quite easy, truth be told."

"Not once have I regretted this arrangement, and I think other Kopijyvä owners and employees feel the same," Viinanen states in retrospect.

BEING A LISTED COMPANY, Panostaja as an owner has injected some spark into the managing director's own ownership. Since the field is going through such momentous changes, expansion requires special courage. He considers Kopijyvä's time before Panostaja's involvement: the capability to take risks increased in concert with professional expertise in financial management. Viinanen feels that equivalent growth would not have been possible without Panostaja's expertise in investment, financing and profit figures.

"A large listed company is also a financial resource, not as a larger wallet but as an owner that brings credibility, trust and courage into everyday activities. With this support, it is easier for the operative management to make its decisions."

Panostaja's ownership culture involves focusing on its own core expertise. For the Panostaja Group, this includes management of the company's key figures, administrative support and board activities. As a listed company, Panostaja requires the companies in its ownership to report the necessary information at predetermined times and in particular formats.

Detailed business plans make life easier for Kopijyvä, as well. Clearly defined goals increase work motivation.

"We systematically analyse our own operations. This has allowed us to improve our processes, develop our sales

> Kopijyvä is a testament to Panostaja's promise: We create companies with the potential to grow.

significantly and invest in production equipment… Kopijyvä can now focus on what it knows best. When we prepare a strategic plan for Kopijyvä together, the goal is always to push the field forward. Panostaja is an owner that does not get involved with operative activities at the expense of productivity. The starting point has always been to make the company larger, better and more productive," Viinanen says with regard to the cultural change.

IN TWO AND A HALF YEARS, the company has doubled not only its turnover but its number of employees, as well. The printing house with slightly over a hundred workers has quickly exploded into an expansive company employing 250 people in nine cities all over Finland. This has been enabled by increased production. Moreover, as new equipment acquisitions have constantly focused on the latest technology, large format production and demanding digital technology, all the more proficiency and dedication is required of the employees.

"Anyone can buy new machines, but the trick is to find the right people to use them. In general, the atmosphere at a workplace has a great impact on the end result. Naturally it makes a difference whether a sales representative has the genuine desire to win every bidding competition and whether the operator of a printing machine is excited by the quality produced by the machine."

Viinanen has seen what has been achieved with the Investing in the Team programme. As company managers have been trained to understand the significance of goal-orientedness, for example, it has been easier to boost motivation within the companies. According to Viinanen, Kopijyvä's expertise has increased exponentially in a short time.

For Kopijyvä, now a nation-wide company with modern digital technologies and capabilities, the added value of Panostaja ownership is still crystallised in customer accounts.

"It is much easier to get started with larger customers when you are backed by a listed company. That tells everyone that our operations are solid and reliable as required by law."

Kopijyvä is a testament to Panostaja's promise: We create companies with the potential to grow.

Board sows for management to reap

KOPIJYVÄ'S MANAGING DIRECTOR Heimo Viinanen has had to answer customers' questions on what it is like to operate in the ownership of a listed company. His response is clear.

"Panostaja is not your capital investor but a multi-field group and development company that generates profit from its own balance sheet. Panostaja does not have an external fund for investing into companies. Therefore, development is based on genuine growth. Growing is much more appealing than trimming and expense restrictions."

PANOSTAJA'S WAY of implementing its principles of active ownership, is giving as much support as possible to the company's management. This means, for example, that Panostaja appoints members to the Board of Directors. At Kopijyvä, the Panostaja-appointed member is Timo A. Rantanen, software company CCC's vice president in charge of accounts in the public sector.

"Kopijyvä's business model is growing towards a national service model. Many times, at these stages of development, companies close themselves off and focus on endlessly refining their own processes forgetting the customer entirely. My job is to bring the customer's perspective into the equation," Rantanen explains.

According to Rantanen, the description "leading digital printing house in Finland" is a narrow and technical view of the company and the field it represents.

"A better characterisation would be to describe Kopijyvä as the most reliable and best partner in digital printing solutions. In other words, the company is, first and foremost, a supplier of solutions. This gives a completely different impression to the customer. Highlighting and processing these differences in meaning is among the Board's most important tasks."

A BOARD, WHICH OPERATES according to the concept of active ownership, has a completely different perspective on things. Its essential goal is to further develop business operations. According to Rantanen, this mean that the Board pushes the company forward, explores opportunities, opens new paths and lays the foundation for success.

Rantanen sees the tasks as rewarding because he feels he is gaining a great deal for his own work, as well.

"When top experts get together, exchange views and really discuss things, the level of learning achieved cannot be duplicated anywhere else. That is the kind of intellectual capital that can be refined into a variety of things by each party involved."

To own or to invest – what is the difference?

Active ownership is clearly distinct from more traditional investment. The differences between ownership and investment intrigue Panostaja's Financial Analyst Tero Luoma to the extent that he is preparing a doctoral thesis on the subject. In the study, Luoma focuses on the role of owners in the creation of company values.

INVESTMENT IS profit-oriented and passive, and the investor has no part in creating the company's values. An investor buys, holds and sells. He has no attachment to the company.

Ownership, on the other hand, is strategic, active and it generates added value. Owners are involved in the company with a large monetary share, and they take responsibility for the management and development of the company. An owner gives the company a face.

The difference is most distinct in troubling times when the investors usually disappear but the owner remains.

"Panostaja is a wonderful living laboratory for studying ownership. The company is a genuinely active owner. Its culture of ownership has a long history."

In Luoma's view, there is a clear need in Finland for the development of ownership culture and competent ownership.

"Finland is faced with the largest redistribution of company assets in history. Thousands of entrepreneurs will abandon their business operations in the course of the next five years. Companies that are nearing a generational shift are larger and more financially stable than before. The question is, where can they find the will, expertise and capital required by suitable ownership," Luoma asks.

IN HIS STUDY, Luoma examines ownership through stories instead of the expected statistics. He describes various owner stories and attempts to differentiate between successful and poor ownership based on them.

"Ownership matters. It is not all the same who owns what, why, how and when. Ownership with a face and the functionality of our capital market are essential to the survival of our nation, as the domestic market in Finland is small and the amount of available capital low."

"Still, it cannot be said that one ownership model is better than the other. After all, ownership is always case-specific. I do believe, however, that by combining the best traits of family businesses and listed companies as well as of partner ownership and capital investment models we can create sustainable ownership. In this respect, too, Panostaja is an interesting and unique business."

ACTIVE OWNERSHIP that creates added value requires skill. At Panostaja, it stems from the business expertise of entrepreneurs and from Panostaja's own competence in ownership. According to Luoma, these two form a unique combination that creates Finnish success stories.

Panostaja's ownership skills include strategy and business area expertise, processes that create added value, financing and corporate restructuring expertise as well as the management, reporting and administrative systems of a listed company. Networks, such as employing external board members, can also be considered as part of this expertise.

The companies in the Panostaja Group have each received different tools and unique ownership strategies that define the goals of the owners in terms of the companies and form their business strategies. When the ownership and business strategies support each other, the owners and company management see eye to eye with regard to the company's development opportunities. This makes the collaboration natural.

"The interaction between owners and the management must be unreserved and open. Only then can the company follow the right course," Luoma emphasises.

A competent owner is an active owner

PANOSTAJA OYJ'S SECOND 25-year quarter is now underway and the company's 26th year of operation has come to a close. The fourth quarter of the 2009–2010 financial year was a reminder to all of us that, in an economic slump, the ability to react quickly must be maintained at all times. The operating loss of MEUR 2.6 million was a wake-up call that urged us all to work towards a better result for the Group. Thanks to our own decisions and the revitalisation of the economy, we were able to achieve a positive operating result during the final part of the year. The last quarter went nearly entirely according to plan.

However, our result for the past financial year is burdened by the consolidated goodwill write-down we were forced to make with regard to the environmental technology segment – the growth and result prospects of the business area did not match the estimates made at the time of its acquisition. Therefore, the write-down was justified. In this occurrence, a typical risk in our line of operations was realised: the forecasts and views on which the company's valuation was based did not correspond with reality.

The experience has proven valuable in many ways. When considering the relationship between risk and reward, even the unlikeliest worst case scenarios must be carefully examined, as changes can occur faster than we expect. The last two years have taught us that much.

During the financial year, we also implemented a new segment division. Each business area is now reported as a separate entity. This has been done to increase the transparency of our operations.

UPON WRITING THIS review, we are still living a period of economic uncertainties, even though various surveys and barometers have, for some time now, given indications of restored trust among companies and decision-makers. Ireland is applying for, and will receive, a joint support package from the EU and IMF, but the pressure of the financial market is already on new countries. Portugal and Spain are the next objects of speculation.

This atmosphere of guesswork and doubt is pulling down the value of the euro. For a national economy, such as Finland, that is dependent upon export, this is a benefit.

Despite the change in the euro's value, the prevalent lack of trust in the financial market is by no means conducive to economic growth. The uncertainty as to the direction of the global economy is delaying the investment decisions of companies and preventing the trust of consumers from being restored.

I myself do not believe that the future holds a new rapid economic decline or downturn, but recovery will most likely be slower than what we have been accustomed to. We must have the capacity to react quickly to evolving situations, as fast and somewhat unexpected changes seem to have become the status quo.

THE SLOW RATE of economic recovery requires the managers of our business areas to show innovation and flexibility in order to enable growth in this harsh climate. Growth and improved profitability are essential parts of developing Panostaja's shareholder value. These are the goals we will continue to strive towards together in the new financial year. In the course of the past financial year, we invested in a new management system, the purpose of which is to enable a fast and flexible strategy process along with quick reactions to changes in the economy and the operating environment.

The system and processes are now in working order, and the operational reorganisation is well on its way in the right direction.

In addition, we brought the Group-wide training programme, Investing in the Team, to its completion. The objective of the programme was to lend the managers of our business areas additional capabilities and best practices for both strategic and day-to-day management. Training and learning from others will continue to be among Panostaja's core means of development.

RECENT BUSINESS SURVEYS and studies have stated that Finnish managers see strategy work as a pointless and frustrating part of their duties. In my opinion, one of the most important tasks of an owner – a majority owner in particular – is to create a vision regarding the company's long-term goals and strategies. A responsible owner cannot and should not avoid this responsibility. Panostaja's operations are based on long-term development, whereby economic downturns must be viewed as a part of normal business operations. Opportunities for developing shareholder value must be sought even in tougher times.

Although the 2010 financial year was generally quite uneventful in terms of corporate acquisitions, we made some supplementary acquisitions in line with our strategy. At the end of March, Takoma purchased the operations of the Parkano factories from Moventas and, in June, we strengthened Kopijyvä's position in the Pirkanmaa region by acquiring the entire share capital of Domus Print Oy.

I believe that activity in the corporate acquisition market will increase during the coming year if the upward trend of the economy continues and the plans to tighten dividend taxation in conjunction with the tax reform are realised. Our own goal

> Panostaja's operations are based on long-term development, whereby economic downturns must be viewed as a part of normal business operations. Opportunities for developing shareholder value must be sought even in tougher times.

is to continue expanding selected business areas through corporate acquisitions. We are making continuous and systematic efforts to explore and realise these opportunities.

IN SEPTEMBER, we released a statement that our Financial Director **Veli Ollila** is taking up new duties outside the Group. I would like to take this opportunity to thank Veli, once again, for the excellent work he has done particularly with regard to the development of our Group's systems.

I would also like to welcome **Simo Mustila** as the new Financial Director of Panostaja. The transfer of tasks and responsibilities has been smooth.

WE HAVE DEFINED the goals for the new financial year in a situation where uncertainty regarding economic development is great. I know the managing directors of our companies, and I know that every one of them is doing everything they can to reach the targets set for them and the companies they lead. Naturally, they cannot do it alone, nor should they try to. The staff of Panostaja Oyj's parent company lends its support to our managing directors and the staff of our companies in achieving the goals.

I wish to thank our entire staff and all of our excellent partners for the past year. Let us work together to make 2011 a clear improvement over the last one!

In Tampere, 17 December 2010

Juha Sarsama
Managing director

Selection/Purchase

Panostaja searches for small and medium-sized commercial, industrial and service sector companies with a turnover level of €5 – 20 million, and then usually acquires majority ownership. The goal is to form our own business area in each of these industries. Panostaja is particularly interested in companies at the growth and restructuring phases, which is associated with a higher than normal possibility of achieving synergy benefits through industry/activity development.

Acquisitions and development – investing

Panostaja is involved in business area development, actively taking overall responsibility for the development of the area in question. In addition to investing capital, the added value brought by Panostaja is generally linked to overall funding arrangements, creative strategies, governmental activity, growth through company acquisitions as well as the development of financial, marketing, managerial and business area knowledge.

Becoming independent

Panostaja's aim is to bring the business area, as quickly as possible, to act as an independent part of the listed group, which can also be separated for the new owner.

Income generation

Panostaja's income generation consists of annual returns and the exit multiple from investment activities. The annual income is formed from the accumulated yearly income of the group's companies. Exit multiples are generated from the relinquishing by the group's companies of the sales income from shares. Significant annual variation in income generation is typical of investment activities. Panostaja's goal is to concentrate its resources on 10 – 15 business areas that balance each other so that the exit multiples from these sectors are possible each year. The state of the market affects the timing and success of disengagement.

Companies	Customers
ALFA-KEM Manufactures, develops and markets technochemical products, such as industrial chemicals and substances used in cleaning and catering, for professional use.	*Engineering industry and industrial maintenance, cleaning and property management companies, institutional kitchens, restaurants and consumer goods retailers.*
ECOSIR GROUP An international company in the field of environmental technology specialising in hardware solutions for waste and property management.	*Companies and public administration in Finland as well as the United Arab Emirates and Russia, for example.*
FLEXIM SECURITY Finland's leading expert company specialised in security technology and services as well as in advanced locking and door automation.	*Large companies and SMEs, shopping centres, property maintenance companies, real estate and housing companies, construction companies and private persons.*
HEATMASTERS GROUP Offers thermal treatment services for metals in Finland and internationally, and produces, develops and markets heat treatment technology.	*Engineering, energy and process industry in Finland and abroad. Machines and equipment, such as furnaces, mobile processing equipment and related accessories, are imported to over 20 countries.*
KL-VARAOSAT An importer, wholesale dealer and retailer of OEM spare parts and accessories for Mercedes-Benz and BMW cars.	*Car repair shops, retailers, private consumers, municipalities and rescue departments.*
KOPIJYVÄ Finland's leading company in digital copying and printing services as well as document management solutions.	*Public administration, educational institutions and business sector (for example, retail, production and construction companies).*

LÄMPÖ-TUKKU

HVAC import and wholesale. Serves professionals and installation companies in the field as a wholesale cash-and-carry retailer with an extensive product range.

HVAC installation companies and renovation builders.

MATTI-OVI

A company in the carpentry industry known in Finland and nearby countries for its high-quality interior doors.

DIY shops, construction companies, house factories, wholesalers and DIY builders.

SUOMEN HELAKESKUS

This Seinäjoki-based company is Finland's leading wholesaler of construction and Fasteners fittings.

Door and window manufacturers, construction companies as well as kitchen fixture and furniture manufacturers.

SUOMEN KIINNIKEKESKUS

A wholesaler of fasteners and tools which operates in the Uusimaa, Pirkanmaa and Satakunta regions, and serves dealers nationwide.

Companies in the engineering and electronics industries, construction, electrical and HVAC retailers as well as cities and municipalities.

TAKOMA OYJ

A Finnish publicly listed engineering group. The group's Takoma Components business area specialises in manufacturing transmission components, hydraulic cylinders and in demanding machining services. In line with its strategy, Takoma is also seeking additional support for its Takoma Products business area, which concentrates on its own products.

Ship and offshore industry as well as power plant motor, work machine and transmission equipment manufacturers.

TOIMEX

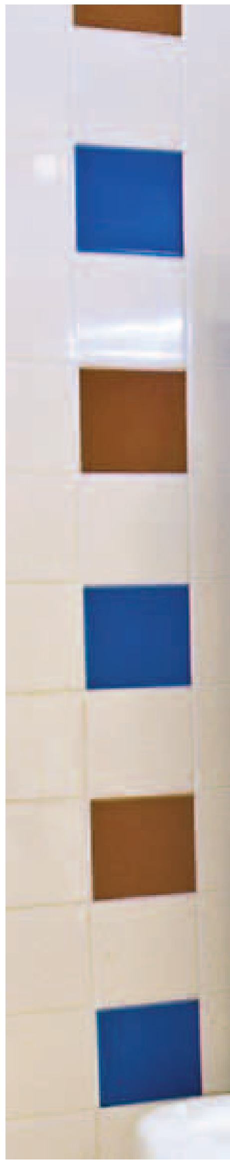
Manufactures and imports HVAC pipe supports. Its customers include technical wholesalers, and the products are used in residential, public and industrial construction.

Wholesalers in the HVAC and technology segment.

VINDEA

A company offering value-added logistics and packaging services as well as component manufacturing for the engineering industry.

Large engineering companies.



Alfa-Kem responded by getting stronger

Veli-Heikki Saari

DURING THE PAST YEAR, Alfa-Kem's attention was on fine-tuning its structure and operations. The decision made a year ago with regard to providing comprehensive solutions has proven correct. Strengthening the sales structure of Alfa-Kem has been a natural continuation of developing production and service business operations.

The goal of Managing Director **Hannu Poutiainen** has been to find a balance between the various operations of Alfa-Kem. By doubling the sales team of the company, this goal has been reached, which further strengthens the company's foundation.

"In the future, Alfa-Kem will be able to provide more controlled and targeted expertise solutions in the product groups developed for the industry, cleaning and institutional kitchens," Poutiainen explains.

THE DECISIONS MADE WITHIN the company, together with the existing network of independent sales contractors, bolster Alfa-Kem's status in its own sector. As a result, the start on the new financial year is promising.

The sales structures were still being refined in late 2010, and the work will continue into next year.

"After the changes, the personnel structure will be ideal."

The economic slump sliced 16 per cent off the turnover of all Alfa-Kem product areas. The engineering industry showed signs of recuperation, but clearly definable improvements are yet to occur.

"In a situation like this, the company's result naturally failed to meet our expectations."

ALFA-KEM ENTERS the new financial year helmed by a new managing director. **Veli-Heikki Saari** took the reins of the company in November. Hannu Puotiainen, who led the company through the second half of the past financial year, took up other tasks outside the company, as per the agreement.

The goals for 2011 have been defined based on the changes made within the company. They are in line with the developments of the past year. In Saari's opinion, Alfa-Kem's most important goals now are to finalise the sales network modifications and to increase sales.

CASE

Food and chemistry

HOK Elanto and Alfa-Kem have been partners since the turn of the millennium. Thanks not only to their combined expertise in chemistry but also mutual chemistry between the companies, the collaboration has spawned a strong new product.

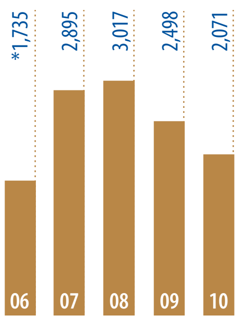
*"Problems in our co-operation would spell a disaster for our customers. We have been working on this for a long time and we are finally in a place where everything from washing agents to shipping works as intended," Cleaning Services Manager **Virpi Saulamo** rejoices.*

The largest S Group retailer co-operative, which operates in the metropolitan area, has 300 outlets. Of these, 70 shops contain a so-called food service market place whose dishes are washed by the staff of the 32 cleaning companies employed by HOK Elanto.

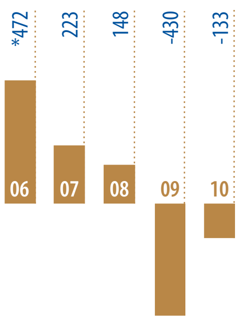
As anyone can see, the network is vast and all of the pieces need to fit together. Therefore, the co-operation also involves training, which has, in the best of times, been participated by health inspectors, in addition to the employees of HOK Elanto and the cleaning companies.

"The management of such an immense whole requires unrelenting collaboration We have continued our partnership with Alfa-Kem also because they have the right frame of mind. They are always ready for action, should the situation require it," Saulamo praises.

TURNOVER, €1,000



OPERATING PROFIT, €1,000

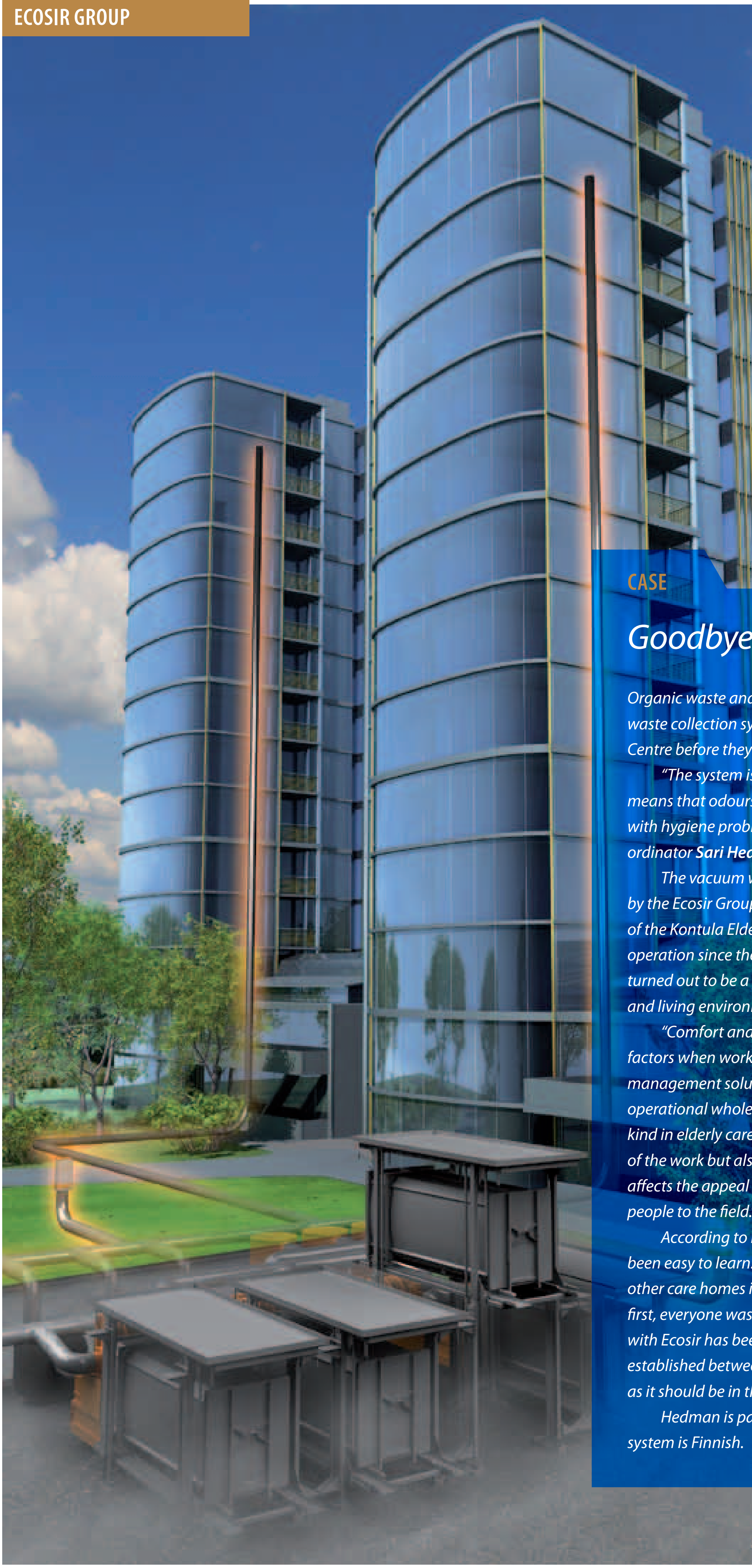


KEY FIGURES, €1,000

	*2006	2007	2008	**2009	2010
Turnover	1,735	2,895	3,017	2,498	2,071
Operating profit	472	223	148	-430	-133
Personnel	38	41	24	21	14
Holdings as at 31 October 2010					100%

* 6 months

** Includes a consolidated goodwill write-down of EUR 0.5 million



CASE

Goodbye to odours

Organic waste and nappies disappear into the waste collection system at the Kontula Elderly Centre before they have a chance to pile up.

*"The system is vacuum-operated, which means that odours have been eliminated along with hygiene problems," Head Operations Co-ordinator **Sari Hedman** states, clearly pleased.*

The vacuum waste collection system supplied by the Ecosir Group is one of the conveniences of the Kontula Elderly Centre, which has been in operation since the autumn of 2009. The centre has turned out to be a particularly appealing working and living environment.

"Comfort and convenience are significant factors when working with the elderly. Waste management solutions are a crucial element in the operational whole. Employing technology of this kind in elderly care improves not only the quality of the work but also the image of the entire field. It affects the appeal of elderly care and helps draw people to the field."

According to Hedman, Ecosir's system has been easy to learn. No prior experiences from other care homes in Helsinki were available so, at first, everyone was slightly nervous. Collaboration with Ecosir has been smooth: a dialogue has been established between the supplier and the customer, as it should be in the health care field.

Hedman is particularly pleased that the system is Finnish.

Ecosir Group
focused on its strengths

ENVIRONMENTAL TECHNOLOGY COMPANY Ecosir Group took a considerable step towards becoming a supplier of comprehensive solutions for municipal waste management. The company focused its operations on systems by selling its product operations and thereby strengthening its status as a supplier of shaft and vacuum conveying systems as well as underground and aboveground waste and transfer stations.

The environmental technology sector is experiencing rapid global growth. By focusing on large building complexes and built-up areas, the environments surrounding them as well as on solutions for public areas, Ecosir Group has become more involved than ever before in international developments. The municipal waste collection systems that were supplied for the Beijing city centre as the first of their kind in China are an indication that solutions implemented in Finland are suitable for the international market. A similar advanced system was provided to Denmark during the past financial year.

THE GLOBAL PROSPECTS for project operations on a global scale are significant.

"Our projects are sizeable and long-lasting, and they are integrally connected to public and commercial construction. Over the course of the year, many developers have postponed their projects. The slow pace of investment decisions has naturally had a strong impact on us, as well. A clear economic upturn took place late in the summer, which manifested itself as new offer requests," Managing Director Mauri Leponen describes.

In conclusion, Ecosir Group's result for 2010 is not only burdened by the diminished turnover and the dramatic operational change implemented in spring but also the considerable expenditures connected to operational restructurings.

Mauri Leponen

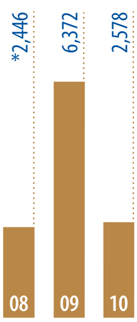
IN ADDITION to the new international prospects, Leponen sees the ongoing projects in Finland as extremely important in terms of the future. Vacuum and shaft waste conveying systems have been installed in high-profile locations, such as Stockmann department stores, Mäntymäen ravintokeskus (Mäntymäki Nutritional Centre), Parolanummi Garrison, as well as various schools and care homes.

"Domestically, Ecosir is a market leader in property solutions. This position is important also in terms of the international network of agents and retailers. The network has been and is constantly being developed and expanded. In fact, we have secured all the deals we have been after this year," Leponen states and names the EU area, Middle East and China as the key areas of the company, alongside Finland and Scandinavia.

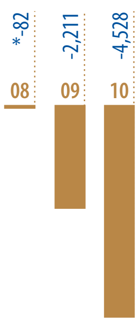
ECOSIR GROUP'S START for the 2011 financial year is promising. However, it all comes down to how soon various environmental technology projects are realised. Managing Director Leponen estimates that the strong increase in the volume of orders will reflect on the company's turnover according to the size and content of the supplied solutions.

"The foundation of our operations is strong. We believe in our field and our way of conducting business. Therefore, the decision made last year is still as valid as ever."

TURNOVER, €1,000



OPERATING PROFIT, €1,000



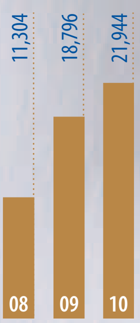
KEY FIGURES, €1,000

	*2008	2009	2010
Turnover	2,446	6,372	2,578
Operating profit	-82	-2,211	-4,528
Personnel	32	45	9
Holdings as at 31 October 2010			70.2%

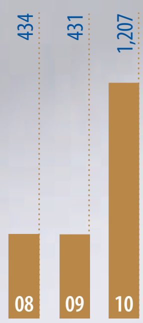
* 6 months

Flexim Security put together a comprehensive whole

TURNOVER, €1,000



OPERATING PROFIT, €1,000



KEY FIGURES, €1,000

	2008	2009	2010
Turnover	11,304	18,796	21,944
Operating profit	434	431	1,207
Personnel	84	146	151
Holdings as at 31 October 2010			70%

Jukka Laakso

DURING THE YEAR under review, security company Flexim Security renewed its structure and refined its business practices. The two different cultures that remained within the company as a result of the earlier corporate acquisition have now merged into one. Managing Director **Jukka Laakso** is extremely satisfied with the result.

"This is the beginning of a strong development period for Flexim. For a part of the year, the company's focus was directed inwards when our employees were simultaneously learning the new operation management system as well as the updated product and service packages. We shifted our emphasis from product sales to the sale of services and solutions. Creating a common culture for the company has been immensely interesting and rewarding."

AT THE SAME TIME, the versatile company providing locking mechanisms, door automation as well as security technology and services has gained new energy and fresh ideas, which has been noticed outside the company, too. Flexim Security has been able to grow with its locking and door environment solutions. In addition, the number of the so-called contract portfolio customers increased significantly.

"We have been able to breathe life into our product range and enrich it, which is directly mirrored by our growing number of customers," Laakso explains.

The company's personnel structure has also changed. Management has been streamlined. On the other hand, the number of sales, maintenance, installation and service experts has been increased.

THE ONE-TIME ITEMS that affect the company result have been considerable. Putting together the new whole has cost easily as much as a relatively large corporate acquisition. Fittingly, Managing Director Laakso describes the year as financially tough, as the stalling of construction in terms of new and commercial property reflected on the number of sales made.

However, the year also brought with it some good news that strengthen Laakso's view of the future of the security field. Various service models, such as agreements related to the management of maintenance, upkeep and safety solutions, are bound to develop further, and the need for basic security services will increase hand in hand with this trend.

"Our agreements are usually large national agreements and service products which involve us controlling the entire security environment of our customers from the smallest details to extensive network connections. However, we always follow the customer's wishes with regard to quality control and the nature of the security solutions we provide – as it should be. Our service range is expanding specifically to the area of network solutions where we have specialised in various server hotel solutions for several years. The latest trend in this area would seem to be various virtual and cloud solutions. IP addresses and server applications are becoming part of the on-site hardware."

ANOTHER DEVELOPMENT direction is the more efficient management of people and material flows combined with security solutions for passage ways. With this in mind, Flexim Security will launch the most intelligent locking solutions in the world in early 2011. These advanced solutions are actually data systems in themselves.

The appeal of the security sector is also an indication of its future growth. Flexim Security has proven to be a sought-after employer.

"People come to us! That definitely means we are doing things right. Still, it is no challenge to set a clear growth target for 2011 in terms of both turnover and our operations."

CASE

Keepers of knowledge

The European Chemicals Agency is the keeper of an immense wealth of data. The organisation based in central Helsinki is collecting the world's most extensive register of chemicals. Chemical companies are obligated to disclose top secret information to the agency so that it can perform its duties with regard to registrations, evaluations, permit procedures and restrictions relating to chemicals.

*"This information is absolutely essential for the agency to be able to carry out its designated tasks and ensure the safety of chemicals. Moreover, it is extremely important that we protect this data along with the top experts who work at the agency. An information leak would compromise the credibility of the agency itself and possibly the entire European Union," describes Security Manager **Arto Parviainen**.*

The safety of the agency and its employees equals the safety of the EU and its citizens. Therefore, a multilevel security classification as well as an intelligent access control and work hour monitoring system are in place in the building.

According to Parviainen, Flexim Security has proven to be a flexible and reliable supplier within the often complex and rigid framework of the EU procurement policies. Flexim's service speed and product range receive Parviainen's praise, and not only due to the company being domestic.

"The fact alone that the access control system is easy to use increases security. There is no need for users to cancel functions, which would jeopardise the reliability of the system," Parviainen says.

One of the particular advantages of Flexim solutions is the total control of the door environment.

"This concept is sure to make a breakthrough, since being able to obtain such a versatile system from one supplier makes the customer's life so much easier."

Heatmasters Group pulled through with spirit

Juha Saarikunnas

FOR HEATMASTERS GROUP, the 2010 financial year passed in constant standby mode. The company, which focuses on metal heat treatment services and supplying the necessary equipment, experienced a year that was undeniably difficult but still opened up some new opportunities.

"We were struggling over the winter as production in the engineering, energy and process industries restarted slower than expected after the near complete halt of the late summer 2009. Sales stalled also abroad, which for us means Sweden and Poland."

"However, we were able to use the quiet period to our advantage," Managing Director **Juha Saarikunnas** says.

WHEN THE ORDER VOLUME was at its lowest, Heatmasters Group concentrated on its extensive development programme. Saarikunnas points out that the general economic developments required the company to keep a particularly close eye on the larger scheme of things through the entire year. The company needed to be capable of reacting quickly to market shifts, which resulted in the production-related roles of the Group's various units being further specified during the past financial year.

The domestic order volume of the service business area began to improve in the spring and, by autumn, the outlook was clearly brighter. Even though the result of the business area was eventually lower than expected, at the end of the financial year, it was evident that the decisions had been right and the investment correctly timed.

"We quite simply refused to give up. We strived to improve ourselves through the entire period. In the end, we stayed true to our schedules and, when the new financial year began, we were ready for a new beginning."

AS REGARDS MACHINE and equipment sales, the year was difficult. This business area did not recover until the autumn, at the end of last quarter. However, the revitalisation was so strong that it provided a healthy confidence boost for the upcoming financial year.

"In 2011, we will focus particularly on developing sales in Finland and Sweden. In Poland, our focus will be on developing our organisation and processes in order to get the result that took a nose dive over the past financial year back on track," Saarikunnas explains.

"The future looks markedly brighter than the past. We are working towards significant growth, and economic indicators and signs look promising. Another economic downturn that would affect the market is unlikely. However, the rate of growth we can achieve is another thing altogether.

Heatmasters Group began its operations in 1974. In addition to the factories in Lahti and Varkaus, in Finland, it has subsidiaries in Sweden and Poland as well as associated companies in Estonia, Ukraine and Saudi Arabia.

CASE

Controlled combustion

Metso Foundries Jyväskylä decided upon a Heatmasters heat treatment furnace after careful consideration. Heatmasters is a new supplier for the foundry, but the range of the company's solution impressed the new customer.

The control system of the furnace, which is primarily intended for the heat treatment of large paper machine axles, has turned out to be easy to use. The heat treatment, which is conducted in order to discharge residual charges in cast iron pieces, must be controlled throughout the entire process that lasts for days.

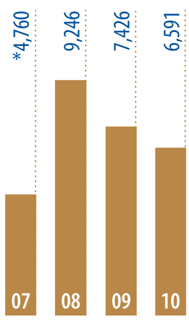
*"The opportunity to use the furnace remotely is a considerable advantage. When the staff of Heatmasters on the other side of Finland can access the furnace, diagnostics and repairs are considerably faster," Workshop Manager **Ilkka Mäkinen** says appreciatively.*

At a length of 15 metres, the supplied furnace is the largest of the four in the Metso foundry. These kinds of investments are valued in the millions. At times, the price competition between suppliers is fierce. Mäkinen lists the ability to listen to the customer as one of Heatmasters' strong points. Metso Foundries was naturally familiar with the company even before the purchase.

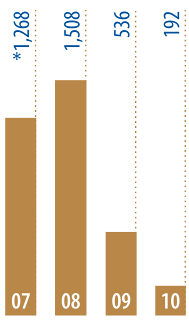
"We have contracted heat treatment work from Heatmasters. We were aware of their expertise. You do not make investments like this every year. Therefore, it is important that a connection is formed between us and the supplier right from the moment of negotiating the deal."

Mäkinen gives additional praise to Heatmasters for being domestic, which lends reliability to maintenance. Familiarity breeds security also in the sense that the supplier knows its customer's processes and their requirements.

TURNOVER, €1,000



OPERATING PROFIT, €1,000



KEY FIGURES, €1,000

	*2007	2008	2009	2010
Turnover	4,760	9,246	7,426	6,591
Operating profit	1,268	1,508	536	192
Personnel	58	56	66	64
Holdings as at 31 October 2010				80%

* 6 months

CASE

Any part any time

*Car repair shop Kalervo Koskinen repairs cars of only one make, Mercedes-Benz. A specialty shop like this requires specialty parts, which Managing Director **Kari Koskinen** purchases from KL-Varaosat. The co-operation dates back to the early 1990s.*

"In this case, the supply and demand meet perfectly. We buy expertise that others do not have. The deliveries are always timely and correct."

The Kalervo Koskinen repair shop was established in 1972. Kari Koskinen stepped up to continue the work of his father Kalervo in 1991. Developing the company's operations is equally important to him. The repair shop based in Seinäjoki had noticed that some kind of electronic ordering system was needed.

"The system turned out to be incredibly easy to use. You receive immediate confirmations for your orders, and you can see the sum totals without having to scratch your head. The ordering process is faster than ever when you no longer need to list the parts on paper and pick up the phone. This makes a world of difference in everyday work."

Koskinen adds that he has noticed a reduction in incorrect deliveries, since you can see the part numbers on the computer. Being able to plan the orders in advance and time them more accurately than before makes stock management easier than ever.

"In addition, KL-Varaosat has been able to further improve its own operations. The delivery times have shortened and international orders have become faster thanks to their new partners. All of this benefits our customers, too."

KL-Varaosat electrified its services

OVER THE COURSE of the year, KL-Varaosat further strengthened its position as a wholesale distributor of OEM spare parts for Mercedes-Benz and BMW cars. Focusing on only two manufacturers enables the company to stock also rarer parts. The selection includes over 20,000 items.

The new electronic ordering system has proven its efficiency.

"Some of our accounts were already transferred into the new system. Naturally, we will be developing the electronic service further. This year, we were able to fully implement it and make it available to our customers. Changing the conventions of the field will take time, as customers need time to take in the new methods of operation," Managing Director Jarkko Iso-Eskeli states with regard to the service reform, which has been in the works for a number of years.

TAKING THE ORDERING PROCESS online significantly accelerated the delivery of spare parts. In addition, it has been easy for customers to order the parts they need via the spare parts application. Developing the service to its full potential will require support from customers. That is why KL-Varaosat intends to consult its customers in person.

"By meeting with our customers we learn to understand their true needs and can improve our services based on them. After all, we are the experts when it comes to OEM parts, and it is our job to solve the problems of our customers. A competent spare parts service saves the customer's time," Iso-Eskeli explains.

Jarkko Iso-Eskeli

THE ECONOMIC SLUMP has hampered the sale of new cars but, in addition to the new ordering system, KL-Varaosat's year-end result was improved by the increased number of imported cars. In Finland, the year 2010 was record-breaking in this respect.

Among the company's own measures that affected the result were a number of supply chains adjustments. The new partners will enable the company to maintain competitive pricing in the future.

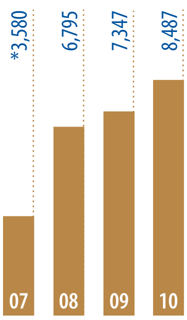
According to Iso-Eskeli, the turnover of KL-Varaosat developed "nicely" during the financial year, which indicates an increase in result as well. Investments into the online shop and the premises of the Rovaniemi unit burden the result slightly.

IN THE FUTURE Iso-Eskeli plans to develop KL-Varaosat's operations by expanding the in-shop selection. The development ideas are focused on covering customer needs as comprehensively as possible. This demand can be met by expanding the accessory selection.

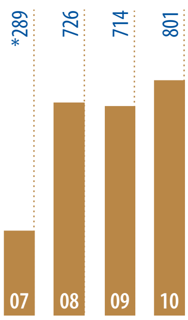
"Most likely, the service will be provided online. The selection and different accessory options can be viewed in the outlets via a separate customer terminal."

"I am extremely confident when it comes to next year – we are on the right track and we have the right tools."

TURNOVER, €1,000



OPERATING PROFIT, €1,000



KEY FIGURES, €1,000

	*2007	2008	2009	2010
Turnover	3,580	6,795	7,347	8,487
Operating profit	289	726	714	801
Personnel	26	28	30	31
Holdings as at 31 October 2010				75%

* 6 months

Kopijyvä presses on

Heimo Viinanen

KOPIJYVÄ, WHICH HAS grown into a national digital printing house, continued its expansion contrary to the general trends in the field.

"Kopijyvä has had a good year. This is thanks to successful business acquisitions as well as investments into new production equipment and facilities," Managing Director Heimo Viinanen says. In addition to the premises in Jyväskylä, facilities have been renovated in Mikkeli and Joensuu. The premises in Espoo were also expanded.

The company, which operates in nine Finnish cities in addition to Tallinn and St. Petersburg, has been in the process of constructing an all-encompassing service selection spanning printing services all the way to large format prints. Sokopro is Kopijyvä's solution for cost-effective construction project management, and KopiWeb, the new online shop system for print products, diversifies the more traditional range of printing house services. The company has also hired new competent personnel.

Kopijyvä's nation-wide presence was further strengthened by the acquisition of Domus Print and arrangements to establish a sales network to cover the entire country. As testament to the high regard in which customers hold the company, the state administration selected Kopijyvä as its comprehensive supplier of printing services for the period 2010–2014.

"In particular, the addition of large shape-cut flat prints to the Kopijyvä product range has diversified our opportunities and opened up new business areas. We also continued to develop our four-colour printing services. Construction-related copying has increased particularly in the metropolitan area, which bodes well for the rest of Finland in the upcoming year," Viinanen anticipates.

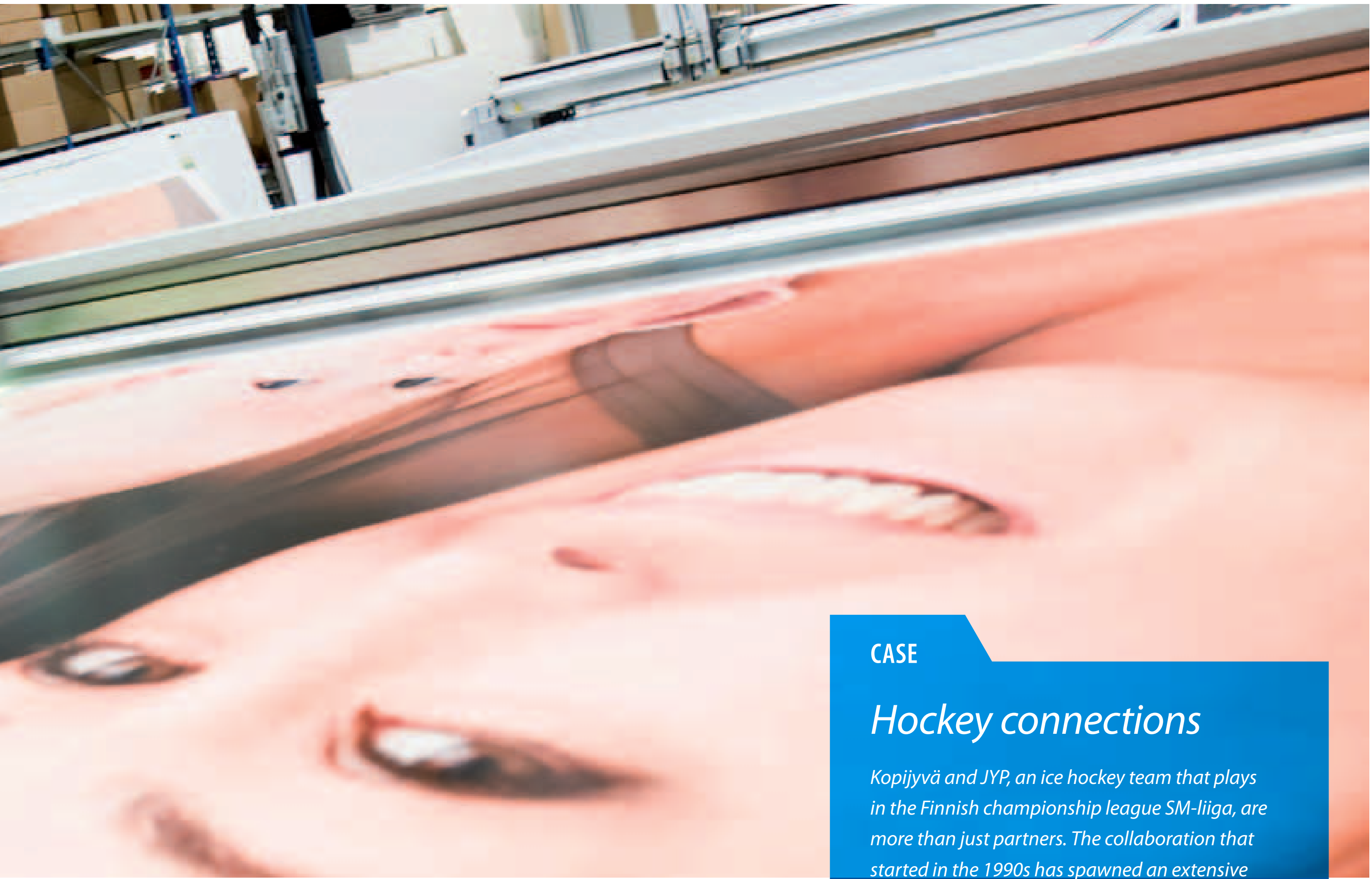
THE INCREASED TURNOVER in 2010 spurred the growth of Kopijyvä's overall result. As a result, the goal for 2011 is clear organic expansion, to which corporate acquisitions are expected to contribute.

Kopijyvä also increased its turnover in St. Petersburg. Although the early part of the year was rough, the positive turn in construction resulted in an increase exceeding the share of the domestic market during the second half of the year.

"Currently, the growth in the St. Petersburg area shows no signs of dwindling. In Tallinn, the upturn is yet to occur although the downward spiral of the construction business is over. I would venture to expect that the economy in Estonia will begin its recovery next year," Viinanen states with regard to Kopijyvä's operations outside Finland.

HOWEVER, THE PRIMARY FOUNDATION for the company's growth lies in Finland. Kopijyvä is constantly expanding to new cities, and the company's online service system is developing and making ordering and other service transactions easier than ever for customer companies. Technical solutions alone cannot guarantee future success. Among Kopijyvä's founding principles is professional expertise, which is ensured every step of the way.

"33 years of experience have taught us a thing or two. We have a strong desire to excel and be pioneers in our field," Viinanen explains.



CASE

Hockey connections

Kopijyvä and JYP, an ice hockey team that plays in the Finnish championship league SM-liiga, are more than just partners. The collaboration that started in the 1990s has spawned an extensive service network.

*"It should be easy for companies to get into sports marketing. Together with Kopijyvä, we make the service chain as simple as possible to grasp," Marketing Manager **Kari Tyni** describes.*

"We provide a variety of advertisement space for customers interested in sports marketing. Thanks to Kopiyvä, we can provide visibility by means of turn-key solutions including professionally handled deliveries and installations."

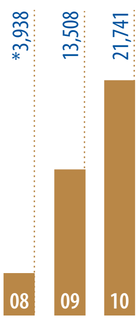
During a league season, JYP serves 140,000 customers. The volume of marketing materials is immense from programmes, tickets, season booklets and player cards to rink-side and in-ice advertisements. Their delivery is always a challenge due to the tight schedules.

Tyni commends Kopijyvä for its ability to be fast and reliable even in the most unexpected of situations.

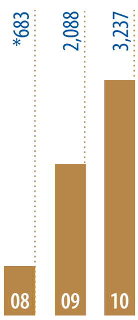
"JYP is a challenging customer and we need a player we can trust as our partner," Tyni says.

Thanks to its visibility in media, JYP is important to advertisers and suppliers of advertising materials alike. The 190 businesses that have purchased advertisement space from JYP receive plenty of visibility for their ads, but they also form an inter-connected network that enables a wide variety of co-operation.

TURNOVER, €1,000



OPERATING PROFIT, €1,000

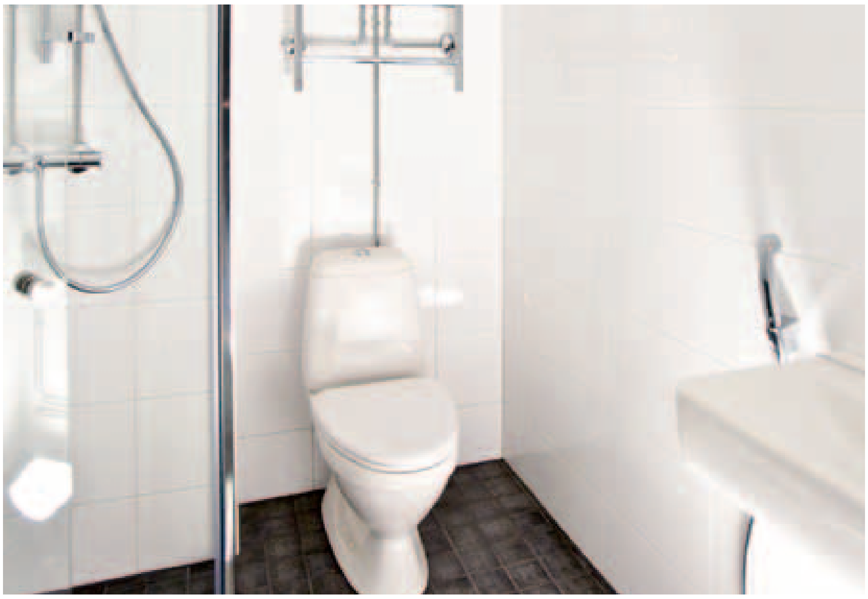


KEY FIGURES, €1,000

	*2008	2009	2010
Turnover	3,938	13,508	21,741
Operating profit	683	2,088	3,237
Personnel	131	192	256
Holdings as at 31 October 2010			65.8%

* 6 months

Lämpö-Tukku persevered to a good result



DURING THE YEAR under review, Lämpö-Tukku strengthened its position as an importer and wholesaler of HVAC products. The company's business model has worked out its kinks, and the decisions made during the past two years have begun to bear fruit.

Renovation building saw significant growth thanks to support measures implemented by the state. New construction was also revived after a year-long lull. Managing Director Jouko Tyrkkö is pleased at how Lämpö-Tukku managed to persevere to a good year-end result.

"The result is still somewhat burdened by the previous years. The competition for market shares has been fierce for the entire year. The closures of construction companies had an impact on us as well. Despite all that has happened, we have increased our market share. This means that the foundation of our business operations is strong."

THE COMPANY'S RESULT for the financial year exceeded the set targets in terms of both turnover and operating profit. The net turnover increased over ten per cent while the overall growth in the field was approximately five per cent.

"One of our cornerstones is our own transport system, which has enabled us to provide our customers with what they need without undue delays. This is one of the foremost reasons for our strengthened position particularly in the metropolitan area. In the future, we will work to expand our operations further in growth centres in addition to the metropolitan area."

The renovation of three- to four-decade old residential areas will keep the HVAC segment busy for the coming years, as piping and sewer renovations in old blocks of flats are becoming more common place. This gives Managing Director Tyrkkö reason to expect healthy growth for the field in the coming year.

Jouko Tyrkkö

FOR LÄMPÖ-TUKKU to expand further, it requires a central warehouse, the planning of which is set to begin during 2011. The operating models of the four existing outlets will also be brought in line with the Espoo cash-and-carry outlet.

"Customer numbers in Espoo have increased after we enabled the customers to gather their purchases themselves. By duplicating this model we can increase our turnover with our existing outlets. In time, the new central warehouse will enable us to open new outlets, as well," Tyrkkö notes.

TYRKKÖ HAS REFUSED to let go of any company employees even during the economic downturn. According to him, the company would be doing itself a disservice by resorting to short-term result remedies like temporary and permanent layoffs.

"In business, you need to be able to accept temporary result declines. There is no sense in punishing your employees for them. Even if the market disappears, our jobs will not. The loyalty of your staff comes through trust. The support you show in bad times will be returned in good times as a genuine common desire to develop the company. This has been seen in our company," Tyrkkö commends.

CASE

Heat for victory

*The flexibility and straightforward nature of Lämpö-Tukku's work atmosphere and company culture carry all the way to the customer. According to **Harri Lähdesmäki**, the Managing Director of HVAC construction and maintenance company Kauklahden Lämpöasennus, Lämpö-Tukku has understood the simple fact that in serving your own customers, you also serve their customers. The actual service chain is very long.*

Moreover, speed and willingness are not the only elements of good service. A common language is also important.

"The Lämpö-Tukku staff is extremely professional, and they understand our technicians and their needs. You never need to spell things out, even though most people have their own terminology when talking about a particular product, for example," Lähdesmäki describes.

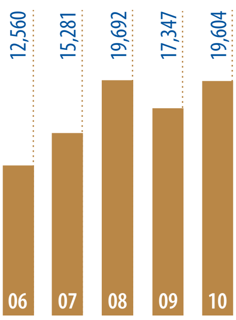
The customer relationship between Kauklahden Lämpöasennus and Lämpö-Tukku has already lasted a decade.

"Lämpö-Tukku may not always be the cheapest, but it is always reliable. We never need to concern ourselves with the little things and can, instead, focus on our own operations."

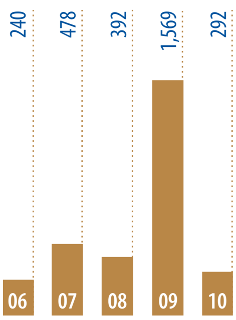
Lähdesmäki regards Lämpö-Tukku's location as an important factor. Proximity increases the feeling of being in the same family as the courier of Kauklahden Lämpöasennus can speedily pick up packaged products in the morning and deliver them to the worksites. The orders are often submitted on the previous day.

"In our line of work, you cannot always anticipate what you will need. Lämpö-Tukku simply has the mentality to serve its customers well at all times."

TURNOVER, €1,000



OPERATING PROFIT, €1,000



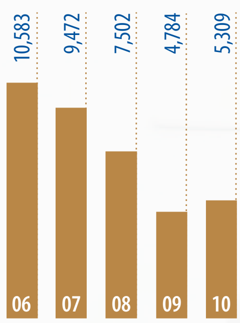
KEY FIGURES, €1,000

	2006	2007	2008	*2009	2010
Turnover	12,560	15,281	19,692	17,347	19,604
Operating profit	240	478	392	1,569	292
Personnel	31	31	38	38	37
Holdings as at 31 October 2010					63.3%

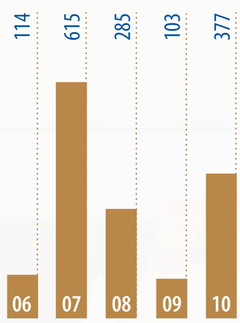
* Includes a sales profit from property sales of EUR 1.4 million

Matti-Ovi gains agility

TURNOVER, €1,000



OPERATING PROFIT, €1,000



KEY FIGURES, €1,000

	2006	2007	2008	*2009	2010
Turnover	10,583	9,472	7,502	4,784	5,309
Operating profit	114	615	285	103	377
Personnel	92	82	59	41	35
Holdings as at 31 October 2010					70%

* Includes a sales profit from property sales of EUR 0.1 million

Tapani Harjunen

THE SALE OF THE STAIR PRODUCTION segment at the very end of the 2010 financial year trimmed Suomen Puunjalostus into the more agile Matti-Ovi. The company that will, in the future, concentrate on the production of solid wood interior doors has also made bold investments by renewing its painting line and launching a new Spa door range.

Managing Director **Tapani Harjunen** says that the decisions were carefully considered and that they have proven timely.

"This enabled us to reach an end result that was much more favourable in every way. The decisions were in line with our prior plans and policies."

MATTI-OVI'S FINANCIAL YEAR ended as planned. The anticipated increase in turnover and the better than expected result are encouraging.

The growth that continued through the year was largely based on strong domestic demand. The Norwegian and Swedish markets remained level, but in Germany sales were slightly revived. In Russia, the demand for Matti-Ovi products has increased since spring.

More than half of Matti-Ovi's production goes to satisfy the demand in the domestic market. The remainder is distributed between Norway, Sweden, Russian, the Baltic countries and Germany.

Matti-Ovi has worked tirelessly to increase people's awareness of the brand. The company's esteem was strengthened by the latest range of glass doors for homes, the Spa glass door collection.

"We want to show that we understand homes. The demand for the new product has been extremely good. No one on the market has a comparable product," Harjunen states.

VALUED IN THE MILLIONS, Matti-Ovis's investment in a painting line more than a hundred metres long is the largest single investment the company has ever made. The new painting line has improved production procedures in terms of drying technology and door stacking. In addition, the new line enables the use of more environmentally friendly paints.

"We have now strengthened our competitiveness, which will allow us to expand our market share," Harjunen says.

RESIDENTIAL CONSTRUCTION recovered quickly during the year, and the outlook of the field is good. Based on an abundance of positive customer feedback, Harjunen is expecting Matti-Ovi's growth in 2011 to surpass the anticipated growth of renovation and new construction.

"We are continuing to streamline our production and develop new products. We have also made our shipping operations more efficient in order to provide our customers with even faster services."

CASE

Solid package

*Matti-Ovi's reliability and innovative attitude are strengths thanks to which collaboration with house construction company Kannustalo has continued for as long as a decade. Managing Director **Mika Uusimäki** explains that he was attracted to Matti-Ovi's approach to quality from the start.*

"When our co-operation began, the market was mostly saturated with honeycomb doors. However, solid wood was a better solution for us," Uusimäki summarises.

Matti-Ovi is Kannustalo's door supplier with an annual agreement. Uusimäki chuckles that the continuation of the co-operation is, therefore, up for review every year, but the termination of the partnership has not even been considered.

"Reliability is of utmost importance to us. We delivered 430 houses in 2010. In addition, our needs have changed and Matti-Ovi has adapted to our wishes. Matti-Ovi's new products are also suitable for Kannustalo. The reciprocity between our companies is exceptional."

Next time, Kannustalo and Matti-Ovi will step into the spotlight together at the 2011 Housing Fair in Kokkola. Visitors to the event will be introduced to a new Kannustalo house with solid wood Matti-Ovi doors painted with a specialty paint.

Suomen Helakeskus came closer

Pekka Koskenkorva

THE FIRST WHOLE YEAR for Suomen Helakeskus, which merged together the fitting product segments for the joinery and fixture industry, was a year of growth. The operations were supported by a relocation to new premises, which helped to enhance customer service.

During the financial year, the market began a steady climb thanks to individual sales efforts and a renewed product selection. In addition, state support targeted at renovation building revived the construction market thus affecting the operations of Suomen Helakeskus, as well.

Overall, the company's turnover increased by five per cent in 2010.

THE COMPANY'S RESULT is still weighed down by the renewals and reforms implemented over the past year: early in the year, the focus was on the implementation of a new operation management system and, in June, the company concentrated on the move to the new premises. The new centre handles the logistics of the entire company all the way to product packaging. The staff, who have been forced to live through great changes, have adapted well to the new environment and tasks, for which Managing Director **Pekka Koskenkorva** is grateful.

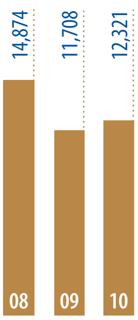
"Thanks to the new premises, we finally became a unified company, which enables us to develop our service operations and grow as a business. Since we have also hired a new Sales Manager and focused more staff on sales, our future is looking bright," Koskenkorva summarises.

"The fittings market requires more products that meet the individual needs of customers. Customers expect good service and reliable deliveries. We already have the most extensive product range in the field. In the future, we will tighten our co-operation with our customers. Customer-specific product projects are part of our operations."

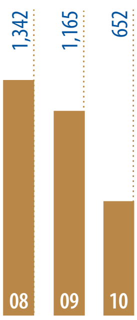
THE INVESTMENTS MADE in logistics management ensure that the operating culture of Suomen Helakeskus is fast and reliable. This is most evident to customers through the collection service, in particular.

According to Koskenkorva, the outlook for 2011 is promising. As the market continues to grow, Suomen Helakeskus will burgeon into something exceptional. The new financial year will not hold changes as prolific as those that occurred in the past year. However, the tightening competition will surely up the stakes, which the company is, thankfully, more than ready for. The Managing Director believes that the company's turnover will grow at least at the same rate as the market.

TURNOVER, €1,000



OPERATING PROFIT, €1,000



KEY FIGURES, €1,000

	2008	*2009	2010
Turnover	14,874	11,708	12,321
Operating profit	1,342	1,165	652
Personnel	49	34	32
Holdings as at 31 October 2010			100%

* Includes a sales profit from property sales of EUR 0.1 million

CASE

Hinged together

Door and window manufacturer Skaala and Suomen Helakeskus know each other very well. Skaala's Marketing Director ***Hannu Hautanen*** *recalls that the collaboration has gone through a variety of phases. However, the persistent aim for both parties has always been to create something new.*

Skaala has grown from a carpentry workshop with only a few staff members into a group that employs 350 people. At the same time, Seinäjoen Rakennustarvike ja Lukko transformed into the versatile Suomen Helakeskus. Supply and demand have waxed and waned with the changes.

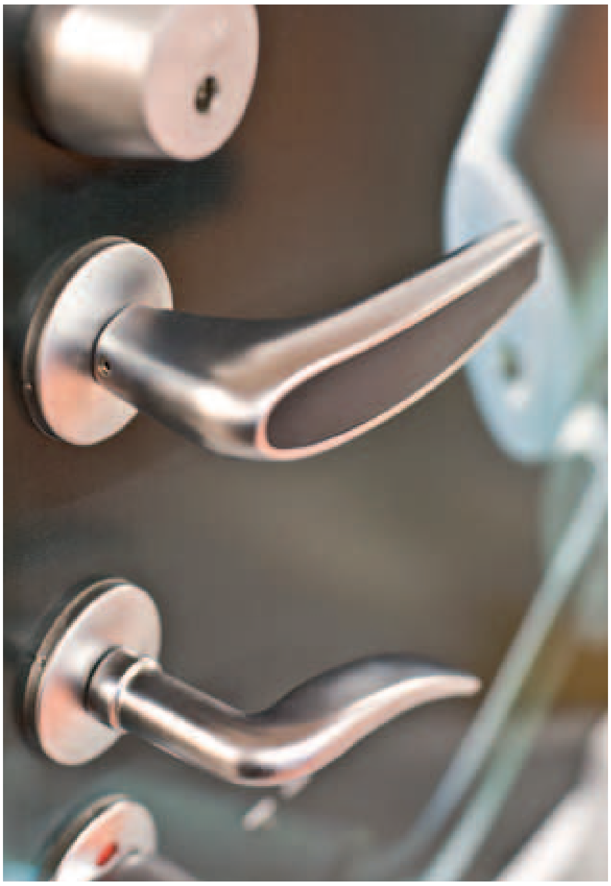
Originally, Seinäjoen Rakennustarvike ja Lukko provided Skaala with all the fitting equipment and accessories it needed to produce doors and windows. Growth and the introduction of new products has changed Skaala's fitting needs, but the supply and market situation also changed late in the 1990s. During these years, there were moments when the direction and volume of the co-operation had to be reassessed.

"The situation changed drastically at the turn of the millennium when Suomen Helakeskus began to develop its own product family for the domestic door and window industry. The new concept structure was a welcome change of direction. In this way, Suomen Helakeskus can be competitive in serving some of the larger companies in the field."

"It is important to us that the products meet the requirements placed on them in terms of quality and functionality. The reliability of deliveries and logistics must also be in order every week of the year and in different demand situations. Nothing less can be expected these days."

Suomen Helakeskus' service-mindedness, flexibility and customer knowledge are what separate it from its competitors. Hautanen attributes these qualities particularly to the company's management and the capable sales staff.

"They have always had a customer-oriented and proactive approach, which has made conducting business easier for both parties," Hautanen concludes.



CASE

Marginal yet significant

The portion of fastening equipment in the procurement volume of Polartherm, the largest manufacturer of air heating equipment in Northern Europe, is marginal. Yet, it holds great significance. In the worst case scenario, a lack of fastening equipment may bring the entire production to a halt.

"Availability is the number one criterion when selecting a supplier," states Purchasing Director **Markku Myllyharju.**

Polartherm is among Suomen Kiinnikekeskus' most long-time customers. Their shared history dates back to the establishment of Porin Pultti. In time, the partners have learned each other's methods of operation. Myllyharju is particularly thankful of the fact that Kiinnikekeskus listens to its customers and acts upon their wishes.

"There will always be surprises along the way. That is why you need to be able to trust your partner. For us, local presence is a particular advantage. In a tight spot, it may take no more than 15 minutes to remedy any possible shortcomings.

In addition to reliably delivering basic fastening equipment, the company has impeccably provided consumption estimates for specialty products along with related warehousing services."

Myllyharju says that, over the years, many other suppliers have tried to cut in. In the end, Suomen Kiinnikekeskus has always come out on top thanks to the quality of its operations and mutual respect between the companies.

"After all, the deals are made by people. The better you know each other, the stronger the trust. This, in turn, improves long-term predictability as well as the quality of operations and services."

Suomen Kiinnikekeskus

grew into a unified force

FOR KIINNIKEKESKUS, the general economic fluctuations manifested themselves as changes in customer behaviour. Managing Director **Ari Suomalainen** points out that the wholesale business in the field has never experienced anything like this.

"Customers made their purchases purely based on need. When no one invests in inventories, wholesalers must have the right products available when the demand arises. Managing your own inventory selection has become an increasingly important area of wholesale, as well."

This trend seems to span the entire Europe. This year, companies operating in the fastener segment were cautious, and overall trust in economic recovery was scarce. Late spring was the turning point as the new measures put in place around Europe to revitalise construction began to take effect. Towards the end of the year, the market had recovered enough to make the outlook for 2011 brighter.

However, the decline in demand lead to a shortage of raw material as steel mills cut down their production volumes. In wholesale, this resulted in longer delivery times.

IN TERMS OF TURNOVER, the financial year of Suomen Kiinnikekeskus mirrored the previous year. The second half of the year was a clear improvement over the early part of the year, which helped balance out the overall development.

"Since it may take time for trust in the market to be restored, we prepared for rapid changes. The situation does look better than a year ago, however."


Ari Suomalainen

The expansion from three regional companies to the unified Suomen Kiinnikekeskus has increased the company's flexibility. The warehousing of basic products will be centralised to Tampere. The reduced shipping within the company will allow for faster and more flexible delivery of products to customers.

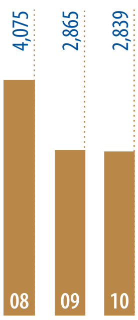
"When we decided to combine our facilities in Tampere, Pori and Helsinki, we put together a joint ordering system, which is by far the most significant new aspect of our operations. The system will be fully implemented during 2011."

CUSTOMERS HAVE REMAINED loyal to Kiinnikekeskus. According to Suomalainen, customer meetings play an important role: you need to know what your customers are doing and what you can do to help develop their operations. The meetings have also revealed that many are unaware of Kiinnikekeskus' versatile range of specialty products.

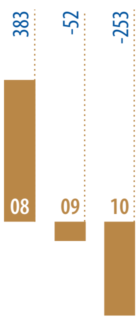
"We hold a wealth of special expertise in fastenings for demanding needs and in specialty products. This is what we will be focusing our attention on.

Improving the ways in which we serve our customers and increasing our customer base are the focal points for the new financial year."

TURNOVER, €1,000



OPERATING PROFIT, €1,000



KEY FIGURES, €1,000

	2008	*2009	2010
Turnover	4,075	2,865	2,839
Operating profit	383	-52	-253
Personnel	30	26	24
Holdings as at 31 October 2010			100%

* Includes a sales profit from property sales of EUR 0.1 million

Takoma hardened further

Kimmo Korhonen

ENGINEERING GROUP Takoma's year crystallised at the end when the company melded together its business areas for hydraulic cylinders, transmission components and demanding machining services to form the new Takoma Components group. The company's second business area is Takoma Products, which concentrates on the company's own products.

This structural change was necessitated by the acquisition of the transmission component manufacturer Moventas Parkano. The acquisition of the company strengthened the customer base of the now-defunct Takoma Subcon and Takoma Hydraulics.

"Takoma's operations have always been aimed at growth. The acquisition of the Parkano unit was one step toward our goals. The customer bases complement each other well, which enables us to provide even more comprehensive solutions than before. In addition, the acquired technology and expertise benefit Takoma's existing operations, which, in turn, reduces the production-related investment needs of the company," Managing Director Kimmo Korhonen explains.

THE HYDRAULIC CYLINDER segment weathered the difficult year exceptionally well thanks to direct export to Asia. Overall, Takoma's year followed the general economic trends.

"Although we could anticipate the decline in the ship segment, it was impossible to anticipate the big picture a year ago. The summer 2010 was exceptionally grave for the entire field."

Takoma stayed true to its plans and policies through the tough times. Production and personnel cuts were not carried out to the extent that the slump seemed to require. Korhonen can justify this decision.

"If we would have made as much cuts as the short-term required, we would have weakened our capabilities of benefiting from the eventual economic recovery. We constantly believed that this was a temporary lapse and, true enough, in August we began to see signs of an upturn. In the course of the autumn, our observations have proven correct."

ACCORDING TO KORHONEN, the outlook of the engineering industry for the new year is considerably brighter than what it was a year ago. However, the second half of the financial year is impossible to predict.

"A year ago, the world seemed to be stuck in a downward spiral. Now we can see clear indications that the worst is behind us. On the other hand, economic declines and recoveries have become steeper but shorter."

"We must be consistent in our own operations. In addition, we need to increase our flexibility. It can be attained by keeping your processes in order. This means that you also need to have enough capable professionals at your disposal at all times. The availability of competent labour will soon begin to impede the growth of the engineering industry."

CASE

New strength

Takoma is the embodiment of five decades worth of machine building experience from the industrial city of Tampere. The Parkano factory of Takoma Gears strengthens the Takoma whole with its expertise in induction hardening. The factory manufactures toothed components, such as large gearwheels, gear rims and gear clutches.

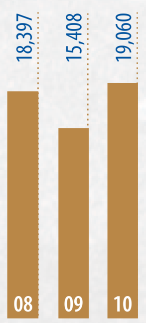
*"With induction hardening, we can make both very large and very small gearwheels stronger and more durable," Takoma's Managing Director **Kimmo Korhonen** states as an assessment of the benefit of the new factory to the company's product range.*

Induction hardening is a surface hardening method, which enables the formation of extremely thin surfaces. The hardening depth can range from half a millimetre to six millimetres.

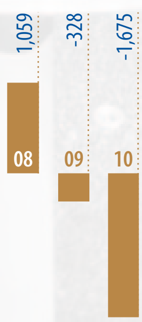
For Takoma Gears, induction hardening brings significant expertise in the manufacturing of transmission components.

In comparison to other hardening methods, the benefits of induction hardening include low energy consumption and fast hardening. The low occurrence of deformations reduce the need for post processing, thanks to which processing times are shorter and less energy is consumed.

TURNOVER, €1,000

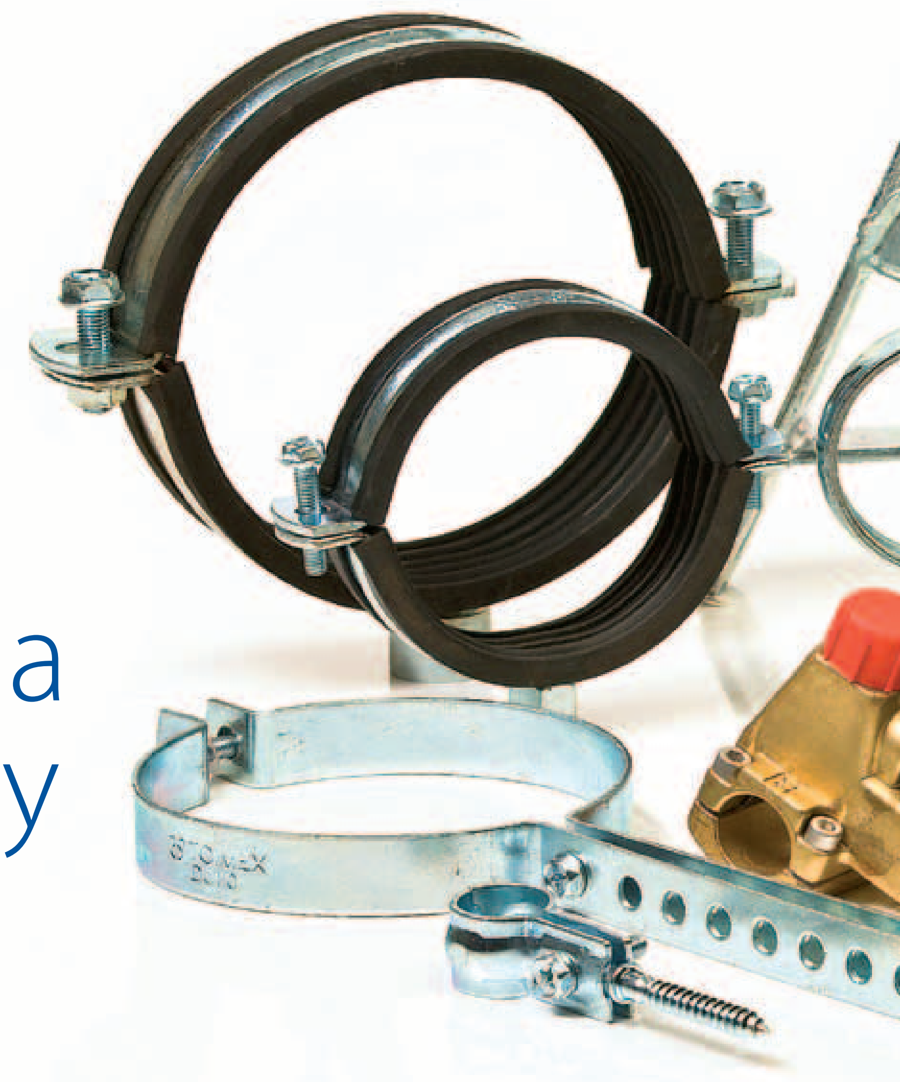


OPERATING PROFIT, €1,000

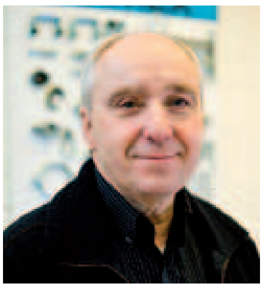


KEY FIGURES, €1,000

	2008	2009	2010
Turnover	18,397	15,408	19,060
Operating profit	1,059	-328	-1,675
Personnel	86	82	168
Holdings as at 31 October 2010			65.1%



Toimex wrestled its way to a satisfactory result


Kalervo Pentti

STRICT FINANCIAL management has enabled Toimex, which serves wholesale retailers in the HVAC and technical sector, to learn how to adapt to the changing trends in construction. Managing Director **Kalervo Pentti** describes the past financial year as satisfactory considering the prevailing market situation.

"The only way for a company of this size to survive is to be as good as possible at what it does. First and foremost, a small company needs to have credibility. The previous year was not easy, but neither was this one. We have struggled in earnest to make enough sales," Pentti explains.

TOIMEX'S TURNOVER IMPROVED in 2010, and the company's result was clearly positive. The recovery of the construction market, domestically in particular, was a big help. In terms of export, the market was not quite there.

"Export accounts for roughly a fifth of our turnover and, with the exception of Norway, the markets outside of Finland have not yet recuperated."

Demand is the most important factor in the operations of a small manufacturer of piping supports. Kalervo Pentti estimates that the coming year will still be tough throughout the field. It will take until 2012 before construction is restored to the level of 2006. The only area that may revitalise the market somewhat is renovation building. Pentti puts his faith in the construction of residential buildings, offices and public facilities.

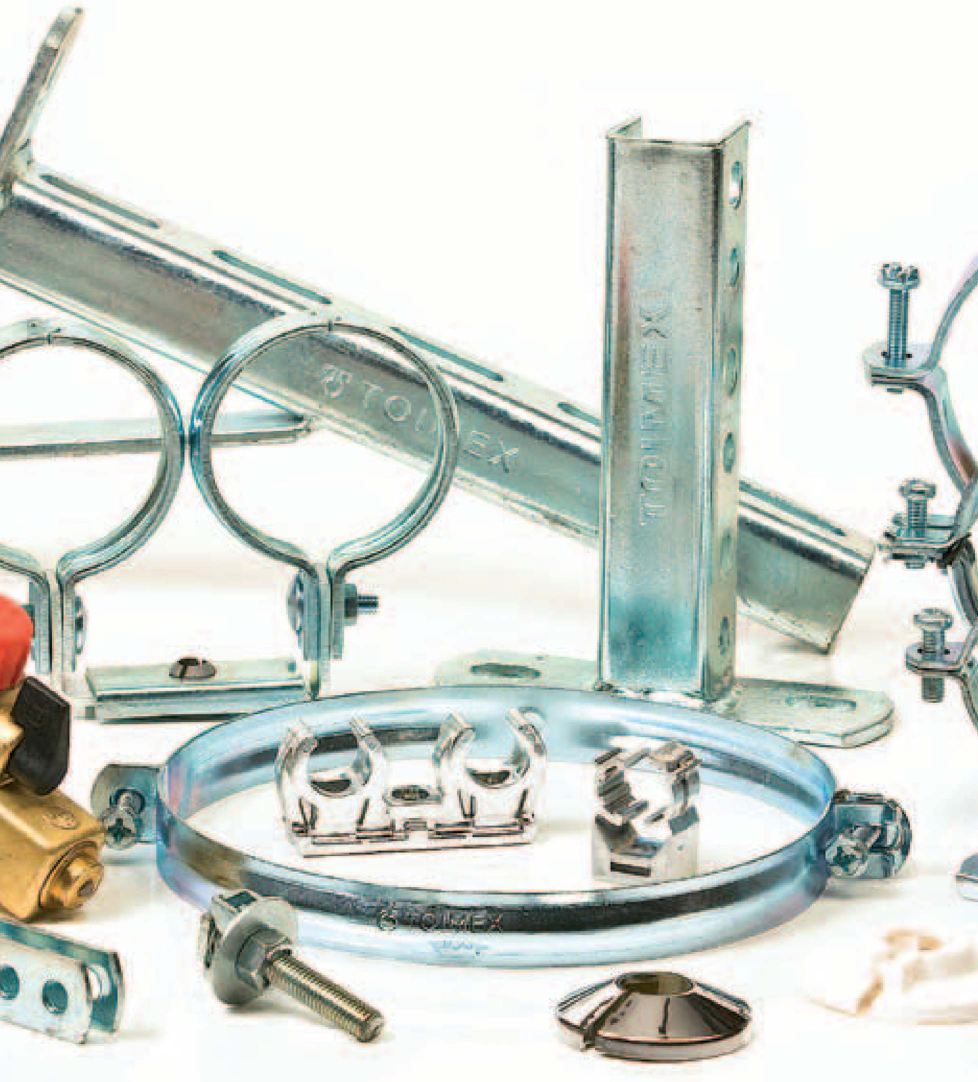
"The recovery of industrial construction is apparently no longer possible in Finland. Heavy industry has even moved away from Tampere. Moreover, several shopping centre projects have been put on hold during the past year. Public funding has been funnelled to repair construction and private financing has been neglected altogether. This is naturally reflected on construction in general."

"If Finland were to seize the market of St. Petersburg, we would all have jobs instantly. That is all we would need," Pentti estimates.

THE OPEN GLOBAL MARKET will inevitably affect companies such as Toimex eventually. Pentti points out that, for example, the trends of the American market are often underestimated in Finland.

"The waves are bound to hit our shores. That is why you need to keep your operations on a realistic level. This is most clearly evident in pricing. Someone is always selling things cheaper than someone else, but price competition is a dead end in the long run. When the economy takes a turn for the worse, no amount of price reductions will help."

"We operate in a field where product purchases are made on a need basis. The only things a business owner can rely on are appropriate pricing and reliable operations," Pentti states.



CASE

Trailblazer

Toimex, which supplies its products to wholesalers, is one middleman away from its actual customers, the HVAC technicians.

"It is important to us that these customers know whose products they are using even when the products have been unpackaged."

*The company began to raise general awareness of its products before brands had really become a topic in Finland. When **Kalervo Pentti** began his career with Toimex in 1984, Finland was still in the throes of an economic recession. Pentti, who moved to the fitting business from wholesale, found new ways for the company to operate.*

"We needed to find the means to increase our resistance to economic fluctuations and improve the visibility of our products. As a result, we began to label and pack our products distinctively, which proved a resounding success."

Toimex has also been a forerunner in developing the safety and environmental friendliness of workshop environments. Scrap metal and other waste generated by production is recycled. Over time, customers have begun to place more emphasis on the tidiness of the working environments.

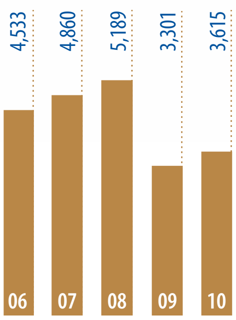
"When the environment is in good shape, maintaining it does not take energy away from the actual work. Guests can come by any time without there being a need to hide anything," Pentti comments and adds that the company, which was established in 1974, has been exceptionally long-lived in the field.

In addition to pioneering new packaging and environmentally-oriented trends, Toimex was the first in the field to utilise subcontractors.

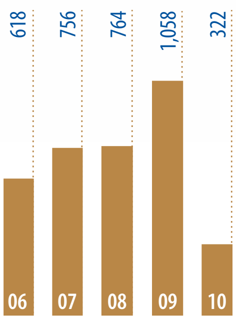
"Subcontracting suddenly became the hot topic in the 2000s. We have subcontracted assembly and packaging to other companies for a long time. This is how we learned to control economic shifts at an early stage."

"The decision we made in the 80s has proven its worth over time: Toimex is a manufacturer and a wholesaler handles the distribution. We never could have reached all HVAC technicians in the country by ourselves. Now, we are also their advisers. Knowing their needs helps us to develop products that are easier than ever to install."

TURNOVER, €1,000



OPERATING PROFIT, €1,000

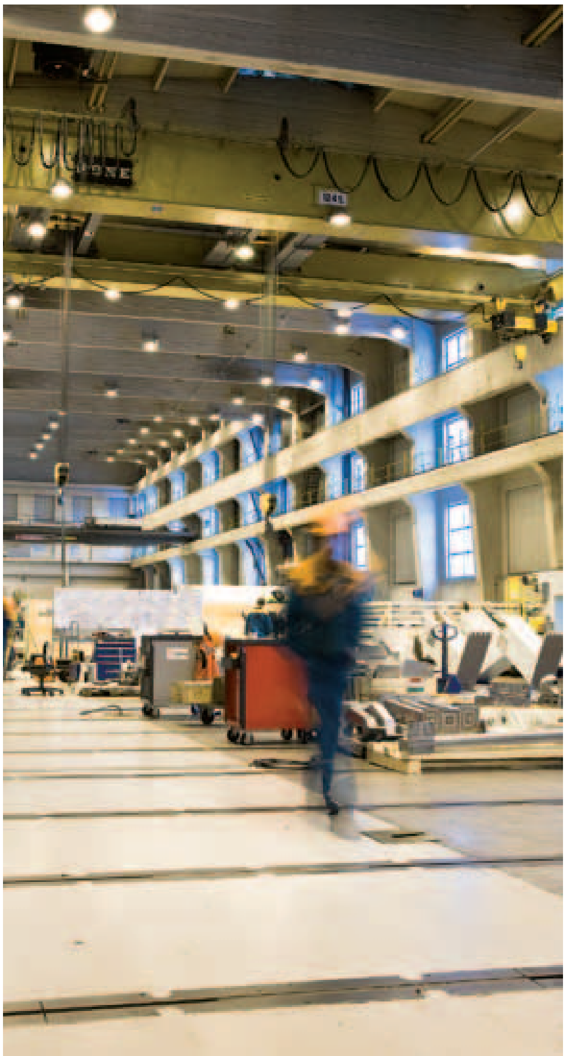


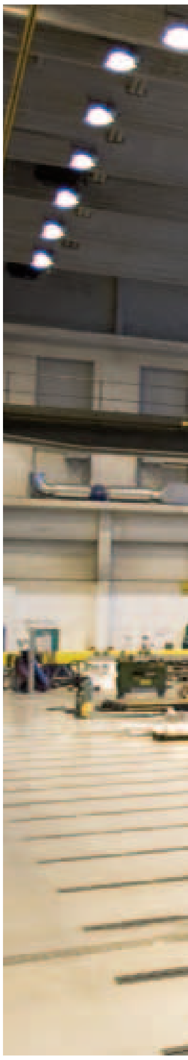
KEY FIGURES, €1,000

	2006	2007	2008	*2009	2010
Turnover	4,533	4,860	5,189	3,301	3,615
Operating profit	618	756	764	1,058	322
Personnel	17	17	17	16	16
Holdings as at 31 October 2010					70.4%

* Includes a sales profit from property sales of EUR 0.8 million

Vindea reached the peak of packaging





Risto Rousku

VINDEA, AN EXPERT in engineering workshop logistics and industrial packaging, was born in the spring of 2010 from the merger of Vallog and CLO Pakkaukset, which was acquired at the end of the previous financial year. It is no surprise that most of the year was spent in joining together the business operations and premises.

"The practical arrangements took longer than we expected but, in terms of business operations, the changes have added to our strength and service selection, as was intended. We even withstood the economic slump better as a single company. Size was definitely an advantage," Managing Director Risto Rousku describes.

VINDEA PARTICULARLY STRENGTHENED its expertise in packaging as well as package design and manufacturing, which supports the company's goal of perfecting its logistics services.

The production of small parts for the metal industry is still an important part of the company's service selection. As regards this area, Vindea is focusing its expertise on new solutions and small series along with assembly. This enables the entire chain to meet the needs of customers.

"Expertise in industrial packaging and, particularly, its design is important to us. After all, our customers include several international companies in the technology industry. The significance of our logistics services is growing by the day."

As proof, Vindea secured an important new customer during the past financial year: the Metso Fabrics factory in Tampere, which was formerly Tamfelt. As a result, Vindea, once again, has two facilities in Tampere.

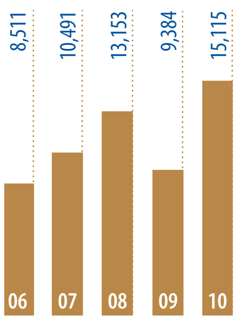
VINDEA'S TURNOVER DEVELOPED as planned over the financial year. However, the result was negative due to the general economic climate early in the year. Although the market began to recover in the spring, it was not quite enough to remedy the dip at the beginning of the financial year.

"It looks like we will get a more favourable start on the new year than we did a year ago, as Vindea's result improved towards the end of the year. Moreover, the expenses related to the merger will not burden the result of the new financial year," Rousku comments.

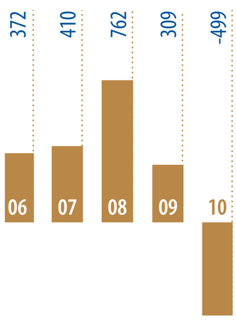
At the end of the past financial year, conflicting messages were thrown around on the coming economic developments. According to Rousku, it is too early to breathe a sigh of relief, although a cautious hope for a brighter future has undoubtedly been ignited.

VINDEA CURRENTLY SERVES its customers in seven municipalities. The head office is located in Jokela, where the company's sales and administration were relocated in October. The unit in Hyvinkää, which focused on part manufacturing and procurement services, moved to Riihimäki.

TURNOVER, €1,000



OPERATING PROFIT, €1,000



KEY FIGURES, €1,000

	2006	2007	2008	*2009	2010
Turnover	8,511	10,491	13,153	9,384	15,115
Operating profit	372	410	762	309	-499
Personnel	84	86	105	175	123
Holdings as at 31 October 2010					66.1%

* Includes a sales profit from property sales of EUR 0.7 million

CASE

Flexible savings

*Flexibility and cost efficiency are words that Department Manager **Aki Poranen** uses to describe the collaboration between Metso Paper Service Logistics and Vindea.*

In Poranen's words, Vindea provides much more than mere warehousing services, which is essential in terms of competitiveness in the field of service logistics. The three-year-old co-operation between Service Logistics and Vindea has made Metso's logistics services significantly smoother.

"We can react to changes in work volume much faster as Vindea can flexibly allocate its resources according to the actual load. This allows us to maintain a high service level for all our customers," Poranen describes and surmises that the arrangement has also resulted in cost savings.

Relocating the spare parts warehouse from Jyväskylä to Kerava has expanded the service window by three hours. Now, the spare part shipments required by Metso can be delivered to the airport much faster than before.

At the beginning, the collaboration was a learning experience for both parties. At this point, Vindea's prior experience in serving similar customers helped to identify the ideal methods of operation. As such, Poranen commends Vindea for its readiness to develop its operations with customer needs in mind.

"Operations of this kind must always be developed as a continuous process," Poranen points out.

Description of Panostaja Oyj's management and control system

COMPLIANCE WITH THE 2010 FINNISH CORPORATE GOVERNANCE CODE

In the organisation of its operations and management, Panostaja Oyj complies with the Finnish Corporate Governance Code (2010). The Code is available on 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 (AGM). The AGM confirms the company's annual accounts, decides on dividend distribution and the discharge of the members of the Board and managing directors from liability, as well as on the selection of board members and auditors and on their remuneration. The AGM is convened by the Board. Under the company's Articles of Association, the AGM is held annually by the end of April. An invitation to the AGM must be sent to shareholders at the earliest two months and no later than 21 days before the meeting by publishing a meeting notice in at least one national newspaper as determined by the AGM. The managing director and chairman of the board participate in the meeting as well as any person nominated for the first time as a member of the board, unless there are compelling reasons for his/her absence.

BOARD OF DIRECTORS

According to Panostaja Oyj's Articles of Association, the Board must have at least three and not more than six ordinary members. During the financial year 2010, the Board had six members. The AGM selects the members of the board. A board member's term of office expires with an election at the end of the following AGM.

During the 2010 financial year, the Board met 14 times. The average participation in Board meetings during the financial year was 95.2%.

The Board elects a chairman and vice chairman from its midst. The Board has prepared written Rules of Procedure for its activities. In addition to handling the tasks defined by law and in the Articles of Association, the Board deals with those issues that, from the point of view of the Company and the Group, are important and far-reaching, such as long-term strategic objectives, the individual budgets of the Group's companies as part of the Group's overall budget, the Group's essential investments, the essential enlargement or contraction of business activities, as well as major corporate and business acquisitions. Annually, the Board appraises its operations and working methods. The Board has no separate committees and the Board is responsible for the tasks of the Audit Committee as defined in the Finnish Corporate Governance Code.

Of the Company Board's six members, five are independent of the Company and the Company's major shareholders.

The following were chosen as board members by the AGM on 27 January 2010:

- Matti Koskenkorva b. 1947, Chairman of the Board since 2002, member of the board since 1999, Yritäjäneuvos (Finnish honorary title), member of the supervisory board of the insurance company Fennia, member of the board of the mutual pension insurance company Etera; previous work experience as managing director of Panostaja Oyj, managing director of Tilamarkkinat Oy, and marketing director of Urepol Oy
- Jukka Ala-Mello b. 1963, member of the board since 2006, M.Sc. (Bus. Admin. and Econ.) and member of the board of the Finnish Institute of Authorised Public Accountants (KHT), director and secretary to the Board of KONE Oyj; previous work experience as a shareholder of PricewaterhouseCoopers Oy, from 1995 to 2006, and KHT auditor (1993–2006), Financial Director of Panostaja Oyj (1990–1993), auditor (1987–1990); other positions of trust as a member of the board and managing director of Security Trading Oy and of Holding Manutas Oy as well as Chairman of the Board of OWH-Yhtiöt Oy. Independent of the Company and major shareholders.
- Satu Eskelinen b. 1961, member of the Board since 2010, M.Sc. (Eng.) Vice President of Technopolis Oyj in charge of the Group´s Tampere operations and Corporate Services, previous work experience as head of the consulting and technology unit of Solteq Plc, regional director of Elisa Corporation, marketing director and managing director of Soon Com Ltd, position of trust as a member of the board of Tampereen Lääkärikeskus Oy. Independent of the Company and major shareholders.
- Hannu Ketola b. 1947, a board member since 2007; M.Sc. (Soc. Sci.); previous work experience as managing director of the Fennia Mutual Pension Insurance Company. Independent of the Company and major shareholders.
- Hannu Martikainen b. 1943, member of the board since 2007, Rakennusneuvos (Finnish honorary title); previous work experience as managing director of Parma Oy; position of trust as a member of the board of Muotolevy Oy. Independent of the Company and major shareholders.
- Hannu Tarkkonen b. 1950, member of the Board since 2006, Commercial college graduate, managing director of Etera Mutual Pension Insurance Company; previous work experience as investment director of Etera from 1997 to 2005; other positions of trust as a member of the supervisory board of Raisio Oyj and Suomen Hypoteekkiyhdistys (The Mortgage Society of Finland), member of the supervisory board and member of the board of Tornator Oyj. Independent of the Company.

The organising meeting of the Board elected Matti Koskenkorva as Chairman and Jukka Ala-Mello as Vice-Chairman.

The AGM confirms the Board's salaries annually. The 2010 Annual General Meeting confirmed the following salaries for board members: the Chairman of the Board is paid EUR 3,000 per month, the Vice-Chairman, EUR 2,250 per month, and every other member of the Board, EUR 1,500 per month

Approximately 40% of the salary paid to a board member is paid as Company shares based on an authorisation for a share issue if the board member of the day of the AGM does not own more than one per cent of the company's total shares. If, on the day of the AGM, the board member has more than one per cent of the Company's total shares, the whole salary is paid in full as cash. The Chairman of the Board's salary for the financial year was a total of EUR 36,000. Pursuant to the decision made by the AGM on 27 January 2010, the Chairman was not remunerated with shares during the 2010 financial year. During the financial year, a total of 26,705 company shares were paid as salary to the Vice-Chairman and the other board members.

MANAGING DIRECTOR

The Company's Board appoints the managing director. The managing director is Master of Laws Juha Sarsama (b. 1965, managing director since 2007, Master of Laws, M.S.M. Boston University Brussels; previous work experience: managing director of OpusCapita Oy, administrative director of Saarioinen Oy, financial director of OpusCapita Oyj). The managing director controls the day-to-day running of the company in accordance with the Board's instructions and regulations. The managing director acts as the head for the managing directors of the business areas as well as the parent company's Senior Management Team, of which he is also a member. The managing director 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.

The managing director's salary and other benefits are determined by the Board. The managing director has a written Managing Director's Contract and the pay is fixed according to this. The managing director's retirement pension is determined in accordance with the Finnish Employee Pension Act (TyEL). In accordance with the Managing Director's Contract, the notice period is 6 months and the severance pay is equal to 12 months' salary. In the financial year 2010, the managing director's earnings and other benefits amounted to EUR 174,809.29. The managing director is not a member of the Board. The managing director's stock and option ownership is shown on the company's website at www.panostaja.fi.

ORGANISATION OF BUSINESS ACTIVITIES

Panostaja Oyj's Senior Management Team comprises managing director Juha Sarsama, financial director Veli Ollila, investment manager Tapio Tommila and development manager Heikki Nuutila. The Senior Management Team is chaired by the managing director and meets regularly. In addition to his statutory responsibilities, the managing director is accountable for the organisation of Panostaja Oyj's activities, the whole Group's management system and its development as well as preparation and presentation of matters to the company's Board of Directors. The financial director is responsible for both the financial reporting process and the risk management process as well as their development. The investment director is responsible for the acquisition process and the related analysis and valuation process. The development director is responsible for the Group's development projects as well as supporting business areas in their own development projects.

The Senior Management Team is led by the managing director and it is responsible for the development of Panostaja Oyj's activities. The Senior Management Team prepares measures related to the development of the shareholder value of business areas as well as Group-wide development projects and the Group's strategy.

Panostaja Group's operational business activity takes place in the business areas (subgroups or divisions) that are defined in accordance with their industry. The Senior Management Team's stock and option ownership is shown on the company's website at www.panostaja.fi. Each division's board of directors consists of the managing director of the business area as well as two members of Panostaja Oyj's Senior Management Team, one as chairman of the division's board, as well as, in most business areas, at least one external expert. Operational decisions concerning the business areas are made in each division.

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

The internal control that is linked to the financial reporting process has the aim of ensuring that Panostaja Oyj's operations are successful and that the decision-making is based on reliable information and adequate business risk identification. Each of the company's business areas prepares its own budget, which is accepted by the board of the business area in question. The parent company's budget and the business areas' budgets are combined to form a budget for Panostaja Oyj. Throughout the year, the business areas report monthly to the parent company according to a reporting timetable that is agreed upon beforehand. Monthly reporting and the connected analysis and comparisons made are an essential part of the guidance and supervision carried out with the help of financial reporting. After each quarter, the business areas update their end-of-year forecast as necessary. Panostaja Oyj does not have a separate internal audit organisation. The parent company's financial organisation regularly monitors reporting by the business areas 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 outside experts. Panostaja Oyj's financial organisation is responsible for uniform accounting and the definition of reporting principles and guidelines, and the continued development of the reporting system as well as the training of the business areas' financial management organisation – and the development and training should take into account the internal control requirements.

AUDIT

The auditors elected by the AGM are responsible for the statutory auditing of the companies belonging to the Panostaja Group. In the financial year 2010, APA Eero Suomela and Authorised Public Accountants PricewaterhouseCoopers Oy operate as auditors in the parent company and in the Group.

As required by law, the auditors issue the company's shareholders an audit report 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 auditor with the main responsibility. If necessary, the auditors participate in Board meetings and, otherwise, report to it. In the financial year 2010, the fees paid to PricewaterhouseCoopers for the statutory audit were EUR 70,000, and EUR 28,000 for other services.

INSIDER MANAGEMENT

Panostaja Group complies with the instructions in the Securities Market Act regarding insider announcements, the insider register and maintaining a company-specific insider register as well as the insiders guide approved by NASDAQ OMX Helsinki Oy.

Panostaja Oyj's public insiders include the members of the Board, managing director, 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 project-specific insider register. Panostaja Oyj's insider register can be seen on Euroclear Finland Oy's NetSire service and on the company's own website under "Investors" (then "Administration", and finally "Inner circle").

RISK MANAGEMENT

Panostaja Oyj's risk management objective is to ensure business continuity and to support Panostaja and the business areas owned by it and the defined objectives and strategies for achieving this objective.

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

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

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

Risk identification, assessment and reporting for each business area's own needs makes the creation of effective risk management measures possible. The goal is to create a uniform model for risk assessment to be integrated into the uniform management system.

Risks are identified and assessed based on their likelihood, seriousness, possible development trend and manageability.

Risk analyses and assessments are carried out in conjunction with self-assessments and in part with an insurance company's risk management services. Based on the analyses and assessments, decisions are made on risk management development projects, which can be implemented on a Group-wide scale or for an individual business area.

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 its realisation. The Board approves the company's risk-management policies.

Panostaja's managing director and the Senior Management Team are responsible for the determination of the principles of risk management and their adoption and that risk management is properly arranged. They also are responsible for ensuring that risks are taken into account in the company's planning processes and that they will be reported in an adequate and proper manner to the Board. In addition, they are responsible for the development of risk management and, through Board activities, they constantly evaluate the competence of the management of business areas also with regard to risk management.

The managing directors of the business companies 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.

Panostaja's financial director is responsible for the risk management strategy and reporting. Financial risks are reported regularly to Panostaja's board. The financial director is also responsible for ensuring that Panostaja's risk management is in agreement with the company's practices.

Each employee is responsible for the identification of those risks that are related to their own work or that are otherwise observable as well as for reporting these to a manager.

This report is available on the company's website at www.panostaja.fi. The report has been issued as a separate report in the annual report.

Panostaja Oyj's stock exchange bulletins

NOVEMBER

- 16 Nov. 2009 Invitation to Panostaja Oyj's press conference

DECEMBER

- 17 Dec. 2009 Panostaja Group's financial statement report 1/11/2008 – 31/10/2009
- 18 Dec. 2009 Paying Panostaja Oyj Board members' fees in the form of shares held by the Company
- 29 Dec. 2009 Call to a General Shareholders Meeting

JANUARY

- 5 Jan. 2010 Panostaja Group's complete financial statements 2009 published
- 8 Jan. 2010 Proposal concerning the Board members to the Panostaja Annual General Meeting to be held on 27 January 2010
- 22 Jan. 2010 Panostaja Group annual report 2009 published
- 27 Jan. 2010 Panostaja Oyj's Annual General Meeting, 27 January 2010

FEBRUARY

- 17 Feb. 2010 Invitation to Panostaja Oyj's press conference
- 26 Feb. 2010 Panostaja's segment reporting to be renewed

MARCH

- 8 Mar. 2010 Panostaja Oyj's profit outlook weaker
- 10 Mar. 2010 Panostaja Group interim report 1 Nov. 2009 – 31 Jan. 2010
- 11 Mar. 2010 Paying Panostaja Oyj Board members' fees in the form of shares held by the Company
- 17 Mar. 2010 Notification of change in holdings
- 24 Mar. 2010 Notification of change in holdings
- 31 Mar. 2010 Takoma expands into power transmission by acquiring Moventas' factory in Parkano

APRIL

- Panostaja rearranges its environmental technology business area

MAY

- 6 May 2010 Nomination in Panostaja – Hannu Poutiainen becomes managing director at Alfa-Kem
- 17 May 2010 Invitation to Panostaja Oyj's press conference

JUNE

- 3 Jun. 2010 Panostaja strengthens its digital printing business area with purchase of Domus Print Oy
- 9 Jun. 2010 Panostaja Group interim report 1 Nov. 2009 – 30 Apr. 2010
- 10 Jun. 2010 Paying Panostaja Oyj Board members' fees in the form of shares held by the Company

AUGUST

- 23 Aug. 2010 Invitation to Panostaja Oyj's press conference

SEPTEMBER

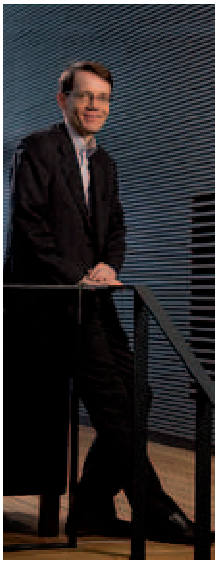
- 8 Sep. 2010 Panostaja Group interim report 1 Nov. 2009 – 31 Jul. 2010
- 9 Sep. 2010 Paying Panostaja Oyj Board members' fees in the form of shares held by the Company
- 14 Sep. 2010 Panostaja's financial director Veli Ollila moves to a new position

OCTOBER

- 6 Oct. 2010 Panostaja Oyj's financial information release dates and Annual General Meeting
- 13 Oct. 2010 Nomination in Panostaja – Veli-Heikki Saari becomes managing director at Alfa-Kem
- 20 Oct. 2010 Panostaja records impairment losses for environmental technology goodwill and restates the Group's forecast for the remainder of the year
- 29 Oct. 2010 Nomination in Panostaja –Simo Mustila appointed financial director at Panostaja Group

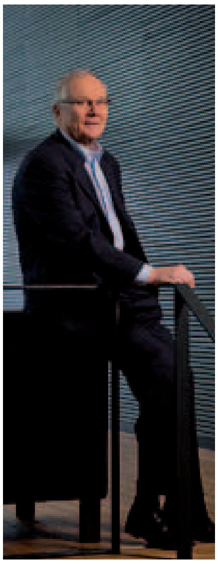
Board of Directors


Koskenkorva


Ala-Mello


Eskelinen


Ketola


Martikainen


Tarkkonen

MATTI KOSKENKORVA, b.1947
Chairman of the Board since 2002, member of the Board since 1999
Yrittäjäneuvos (Finnish honorary title)
Previous work experience: managing director of Panostaja Oyj, managing director of Tilamarkkinat Oy, and marketing director of Urepol Oy
Other positions of trust: member of the supervisory board of the Fennia Mutual Insurance Company and member of the board of the Etera Mutual Pension Insurance Company

JUKKA ALA-MELLO, b. 1963
Member of the Board since 2006
M.Sc. (Bus. Admin. and Econ.), APA
Director and secretary to the board of KONE Oyj
Previous work experience: shareholder (1995–2006), APA auditor (1993–2006) and auditor (1987–1990) of PricewaterhouseCoopers Oy, and financial director of Panostaja Oyj (1990–1993)
Other positions of trust: member of the board and managing director of Security Trading Oy and of Holding Manutas Oy as well as the chairman of the board of OWH-Yhtiöt Oy
Independent member

SATU ESKELINEN, b. 1961
Member of the Board since 2010
M.Sc. (Eng.)
Vice president of Technopolis Oyj in charge of the Group's operations in Tampere and corporate services
Previous work experience: head of the consulting and technology unit of Solteq Plc, regional director of Elisa Corporation, marketing director and managing director of Soon Com Ltd
Other positions of trust: member of the Board of Tampereen Lääkärikeskus Oy
Independent member

HANNU KETOLA, b. 1947
Member of the Board since 2007
M.Sc. (Soc. Sci.)
Previous work experience: managing director of the Fennia Mutual Insurance Company
Other positions of trust: -
Independent member

HANNU MARTIKAINEN, b. 1943
Member of the Board since 2007
Rakennusneuvos (Finnish honorary title)
Previous work experience: managing director of Parma Oy
Other positions of trust: member of the board of Muotolevy Oy
Independent member

HANNU TARKKONEN, b. 1950
Member of the Board since 2006
Commercial college graduate
Managing director of the Etera Mutual Pension Insurance Company
Previous work experience: deputy managing director (2005–2010) and investment director (1997–2005) of Mutual Pension Insurance Company Etera
Other positions of trust: member of the supervisory board of Raisio Oyj, member of the supervisory board of Hypoteekkiyhdistys, member of the board of Tornator Oyj
Independent member

Senior Management Team

JUHA SARSAMA, b. 1965
Managing director since 2007
Master of Laws M.S.M (Boston University Brussels)
Previous work experience: managing director of OpusCapita Oy, administrative director of Saarioinen Oy, financial director of OpusCapita Oyj
Other positions of trust: member of the board of Tampere Chamber of Commerce

VELI OLLILA, b. 1972
Financial director until 30 Nov. 2010
M.Sc. (Econ. and Bus. Adm.),
Master of Laws
Previous work experience:
financial director of CRH Europe EPS Insulation, Northern Europe, business controller at Machinium Oy, financial director of Lännen Engineering Oy
Other positions of trust: -

SIMO MUSTILA, b. 1967
Financial director as of 1 Dec. 2010
M.Sc. (Econ. and Bus. Adm.), MBA
Previous work experience: F&I manager of Delta Motor Group Oy, vice president of corporate finance and administration of the DNA Group
Other positions of trust: -

HEIKKI NUUTILA, b. 1958
Development director since 2008
M. Sc. (Soc. Sci.)
Previous work experience: managing director of Tutor Partners Oy, director at Hermia Yrityskehitys Oyj, director at Andersen Corporate Finance
Other positions of trust: -

TAPIO TOMMILA, b. 1978
Investment director since 2008
M.Sc. (Econ. and Bus. Adm.)
Previous work experience: Deloitte Corporate Finance Oy, PricewaterhouseCoopers Oy
Other positions of trust: -

Information for shareholders

INTERIM REPORTS

For the financial year 1 November 2010 to 31 October 2011, Panostaja Group will publish three interim reports as follows:

- Interim report for the period from 1 November 2010 to 31 January 2011 on 9 March 2011
- Interim report for the period from 1 November 2010 to 30 April 2011 on 8 June 2011
- Interim report for the period from 1 November 2010 to 31 July 2011 on 7 September 2011

The interim reports, annual report and press releases are available after publication on the company's website at www.panostaja.fi.

SHARE REGISTER

Panostaja Oyj's shares are attached to the book-entries security system. The company's shareholder register is maintained by Euroclear Finland Oy.

ANNUAL GENERAL MEETING

Panostaja Oyj's Annual General Meeting will be held on Thursday, 27 January 2011 at 1:00 pm in the Häggman Hall of the Technopolis in Yliopistonrinne at the address Kalevantie 2, Tampere.

Those shareholders who have been entered on the company's shareholder list maintained by Euroclear Finland Oy by 17 January 2011 are entitled to attend the AGM.

A shareholder whose shares are nominee registered and who wishes to participate in the AGM should ask to be marked temporarily on the company's shareholder list no later than 24 January 2011 at 10:00 am. A requirement for notification is that, based on the same shares, a shareholder would have the right to be entered on the list of shareholders on the AGM's record date of 17 January 2011. A notice concerning the temporary entry of nominee-registered shareholders on the company's shareholder list will also be considered as registration for the meeting.

Shareholders who wish to participate in the meeting must register in advance with the company no later than 24 January 2011 at 10:00 am by writing to Sari Tapiola / Panostaja Oyj, P.O. Box 783, 33101 Tampere, fax +358 (0)10 2173 232 or by phoning Sari Tapiola, tel. +358 (0)10 2173 211. The registration letter or fax must arrive before the end of the registration period. Any possible proxies should be submitted at the time of registration.

DIVIDEND

The Board will propose to the AGM the distribution of a dividend of EUR 0.05 per share for the financial year from 1 November 2009 to 31 October 2010. The Board proposes 1 February 2011 as the dividend record date and 8 February 2011 as the payment date. Those entitled to a dividend are those who are marked on the shareholder list maintained by Euroclear Finland Oy on the dividend record date.

Furthermore, the Board proposes that the Annual General Meeting authorise the Board to use its discretion to decide on a potential distribution of assets to shareholders – the financial situation permitting – either as a dividend of profits or asset distribution from the invested unrestricted equity fund. The maximum total value of the asset distribution is EUR 4,000,000.

The authorisation is proposed to include the right of the Board to decide on all other terms and conditions relating to the above-mentioned asset distribution.

The authorisation is proposed to remain valid until the next AGM.

PANOSTAJA OYJ

Postitorvenkatu 16, FI-33840 Tampere / P.O. Box 783, FI-33101 Tampere

Tel. +358 10 217 3211 / Fax +358 10 217 3232 / panostaja@panostaja.fi / www.panostaja.fi

panostaja

Panostaja Oyj
Financial statement 2010

Contents

Annual report of the Panostaja Oyj Board of Directors

FINANCIAL PERFORMANCE OF THE GROUP

Panostaja Group's net turnover for the past financial period was MEUR 140.5 (MEUR 120.0). The growth in net turnover resulted from the business acquisitions realised during the current and previous financial periods, the effect of which was MEUR 27.6 on net turnover for the year under review, and from the recovery of the construction market. Group net turnover was particularly affected by the continued slump in the technology sector as well as a decline in net turnover for the Environmental Technology segment resulting from a still unfavourable market situation.

Of the Group segments engaged in business, nine exceeded and four fell below the net turnover for the previous year. Net turnover rose in the following segments: Spare Parts for Motor Vehicles, Digital Printing Services, Fittings, Supports, Value Added Logistics, HEPAC Wholesale, Carpentry Industry, Takoma and Security. Net turnover declined in the following segments: Fasteners, Heat Treatment, Technochemical and Environmental Technology.

The Group's operating loss was MEUR -1.6 (MEUR 4.3 operating profit) and profit before taxes was MEUR -4.0 (MEUR 2.1). The operating profit margin was -1.1% (3.6%). The net financing costs of the Group were approximately MEUR -2.6 (MEUR -2.3). The average total number of personnel in the Group during the year under review was 967 (790) people. At year end, the total number of Group employees was 970 (921).

Of the thirteen Group segments engaged in business, five showed an increase and eight a decrease in operating profit from the previous year. Segments showing an improvement in profitability were Spare Parts for Motor Vehicles, Digital Printing Services, Technochemical, Security and Carpentry Industry. Other segments showed a decline. Profitability was weakened by the operating loss in the Environmental Technology segment and the reduced profitability of segments serving the technology industry: Takoma, Value Added Logistics and Heat Treatment. Operating loss in the Environmental Technology segment (MEUR -4.5) included a MEUR -0.7 sales loss resulting from an asset deal made on 9 April 2010 as well as a consolidated goodwill write-down of MEUR -1.5. Group real estate disposals realised in the previous financial period affected the MEUR 4.2 operating profit for the period under review.

The Board of Adjustment issued a decision in August 2008 regarding capital gains tax on Panostaja Oyj's fixed assets. In a preliminary ruling on the capital repayment on Takoma Oyj's shares, the Tax Office for Major Corporations decided, in spring 2008, on the basis of an overall valuation, that Panostaja Oyj was a venture capital investor as defined in section 6 of the Finnish Business Tax Act. For capital investors, capital gains from fixed asset shares are considered taxable income. In the regular assessment in 2007 and 2008, the Tax Office for Major Corporations considered Panostaja Oyj a venture capital investor, in the aforementioned sense, and taxed Panostaja Oyj on capital gains from shares in certain fixed assets. On its taxation for 2007, Panostaja Oyj submitted a claim for adjustment to the Board of Adjustment requesting tax exemption on capital gains from sold shares in fixed assets. The Board of Adjustment has issued a negative decision regarding Panostaja Oyj's claim for adjustment and considers Panostaja to be a venture capital investor. In mid-December 2009, Panostaja Oyj submitted a complaint about the Board of Adjustment's decision to the Helsinki Administrative Court. The processing of the complaint in the Administrative Court is still in progress.

PANOSTAJA OYJ

The turnover of the parent company, Panostaja Oyj, was MEUR 0.05 (MEUR 0.05).

The operating loss was MEUR -2.6 (MEUR -1.5). The parent company's profit before appropriations and taxes was MEUR -2.1 (MEUR 1.9). The parent company's profit for the financial year was MEUR -2.1 (operating profit, MEUR 1.7).

PANOSTAJA GROUP'S BUSINESS SEGMENTS

As of the beginning of the financial period 1 November 2009 – 31 October 2010, the business operations of Panostaja Group will be reported in fourteen segments: Safety, HEPAC Wholesale, Takoma, Digital Printing Services, Fittings, Value Added Logistics, Heat Treatment, Spare Parts for Motor Vehicles, Environmental Technology, Carpentry Industry, Supports, Fasteners, Technochemical and Others (parent company). The new reporting segments were formed because they produce various products and services amongst themselves.

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

SECURITY

Novacausa I is a nation-wide expert group specialising in security technology and services, locking, door automation and access control products and solutions with facilities in Helsinki, Tampere, Turku, Pori, Seinäjoki, Jyväskylä and Oulu. Panostaja's shareholding in the Group is 70%. In addition to Novacausa I Oy, the Group includes Flexim Security Oy as a company engaged in actual business. The Managing Director of the Group is Jukka Laakso.

Net turnover in the segment increased from MEUR 18.8 to MEUR 21.9 (+16.7%). Business profit grew from MEUR 0.4 to MEUR 1.2. The development of both net turnover and operating profit was greatly affected by the acquisition of Bewator Oy in the previous financial year and by the consolidation of its business operations into the operations of the Security segment. At year end, the total number of employees in the segment was 151 (146).

HEPAC WHOLESALE

The HEPAC Wholesale is formed by the Eurotermo Holding Group. Net turnover in the segment increased by MEUR 2.3 (+13%) from MEUR 17.3 to MEUR 19.6. The growth in net turnover was supported by positive trends in renovation construction and the recovery of the construction market. Operating profit increased to MEUR 0.3. The operating profit for the previous financial period included sales profit from real estate (MEUR 1.4). The number of employees remained as before. Eurotermo Holding is a group engaging in HEPAC wholesale with facilities in Helsinki, Espoo, Seinäjoki, Vantaa and Tampere. Panostaja Group shareholding in Eurotermo Holding Oy is 63.3%. As a company engaging in actual business, Eurotermo Holding Oy is 100% owned by Lämpö-Tukku Oy. The Managing Director of the company is Jouko Tyrkkö. At year end, the total number of employees in the segment was 37 (38).

TAKOMA

Takoma Group includes three companies in the engineering industry, Tampereen Laatukoneistus Oy, Hervannan Koneistus Oy and Takoma Gears Oy. The parent company is Takoma Oyj, 65% of which is owned by Panostaja. The Managing Director of all of the companies is Kimmo Korhonen.

Takoma's net turnover in the segment increased by MEUR 3.6 (+23.7%) from MEUR 15.4 to MEUR 19.0. Operating result for Takoma dropped from MEUR -0.3 to MEUR -1.7. Takoma's number of employees increased from 82 to 168 (+90 employees). On 31 March 2010, Takoma completed a business acquisition, in which the entire share capital of Moventas Parkano Oy was acquired. The company (Takoma Gears Oy) was integrated into the Group at the beginning of April, which affected the increase in net turnover. The slump among customers in the technology sector had a negative effect on both net sales and business profit. The result for the period under review was burdened by the valuation at fair value of the acquired assets and by direct acquisition costs in the amount of MEUR -0.5. The slump among customers in the technology industry had a negative impact on both the turnover and operating loss, and the later improvements in the customers' situation did not have time to affect the segment's fourth quarter result. At year end, the total number of employees in the segment was 168 (82).

DIGITAL PRINTING SERVICES

In the Digiprint Finland Group, the companies engaging in actual business are Kopijyvä Oy and Domus Print, which provide digital printing products and services. The companies' service selection includes copying, printing, CAD overlaying, digital printing, scanning, the SokoPro project bank and courier services. The companies' service points are located in southern, central and eastern Finland. In addition, the company has operations in Tallinn and St. Petersburg. Panostaja's shareholding in the Group is 65.8%. The Managing Director of the company is Heimo Viinanen.

Net turnover for the Digital Printing Services segment grew from MEUR 13.5 to MEUR 21.7 and operating profit from MEUR 2.0 to MEUR 3.2. This growth was the result of both the acquisition of Sokonet in the previous financial period and positive developments in operative functions. The Digital Printing Services segment grew with the business acquisition on 3 June 2010 in which Domus Print Oy changed from an associated company to a subsidiary. The acquisition had a positive effect on both the net turnover and operating profit of the segment. At year end, the total number of employees in the segment was 256 (192).

FITTINGS

Suomen Helasto is a Seinäjoki-based Group specialising in the wholesale of fitting products and services. Panostaja Group's shareholding in Suomen Helasto Oy is 100%. As a company engaging in actual business, Suomen Helasto Oy is 100% owned by Suomen Helakeskus Oy. Net turnover in the Fittings segment increased from MEUR 11.7 to MEUR 12.3 (+5.2%). Operating profit dropped from MEUR 1.2 to MEUR 0.7. In both construction and fixture supports, customer demand is slowly recuperating, which improved net turnover. In June, the company moved to a new logistics centre located in Seinäjoki and centralised the operations of the segment to a single organisation and location. The operating profit for the previous financial period includes MEUR 0.1 of sales profit from real estate. The Managing Director of the company is Pekka Koskenkorva. At year end, the total number of employees in the segment was 32 (34).

VALUE ADDED LOGISTICS

The Value Added Logistics segment comprises the Vindea Group. The company engaging in actual business is Vindea Oy. Vindea Oy operates in Hyvinkää and focuses on spare part manufacturing and logistics. In addition, the company provides logistics and shipping services in Hämeenlinna as well as packaging and logistics services in Helsinki, Vantaa, Järvenpää, Jokela and Tampere. The Group's core expertise also includes procurement services of metal parts and components as well as shipping and warehousing services. Vindea Oy is a subsidiary in which Panostaja Oyj holds a 66.1% interest. Net turnover in the Value Added Logistics segment grew from MEUR 9.4 to MEUR 15.1 (+61.1), but operating income dropped from MEUR 0.3 to MEUR -0.5. The net turnover was increased by the corporate acquisition carried out in the previous financial year. The turnover was diminished by the low volume of customers in the technology industry as well as by the costs of merging together operations and organisations. The Managing Director of all of the companies in the Vindea Group is Risto Rousku. At year end, the total number of employees in the segment was 123 (175).

HEAT TREATMENT

Net turnover in the Heat Treatment segment decreased from MEUR 7.4 to MEUR 6.6 (-11.2%) as a result of a general decline in demand in the technology industry. Operating result dropped from MEUR 0.5 to MEUR 0.2. The Heatmasters Group includes two companies operating in Finland, Lahden Lämpökäsittely Oy and Heatmasters Oy, which are based in Lahti and Kouvola, respectively. The Group has subsidiaries in Poland and Sweden. The Heatmasters Group provides its customers with metal heat treatment services and manufactures machines and equipment related to the heat treatment process. Heatmasters Group Oy is a subsidiary in which Panostaja Oyj holds a 80% interest. The demand for Heat Treatment services and investments in new equipment stock are low due to the slump in the technology sector. The Managing Director of all of the companies in the Heatmasters Group is Juha Saarikunnas. At year end, the total number of employees in the segment was 64 (66).

SPARE PARTS FOR MOTOR VEHICLES

KL-Parts is a group that operates in Tampere, Jyväskylä and Rovaniemi and that specialises in the retail of OEM spare parts for Mercedes-Benz and BMW cars. Panostaja Group's shareholding in KL-Parts Oy is 75%. The company engaging in actual business is KL-Varaosat Oy, which is 100% owned by KL-Parts Oy. Net turnover in the Spare Parts for Motor Vehicles segment grew from MEUR 7.3 to MEUR 8.5 (+15.5%) and operating profit increased from MEUR 0.7 to MEUR 0.8. The age distribution of Mercedes-Benz and BMW passenger cars have resulted in an increased demand for original spare parts from the manufacturers in question. The Managing Director of the company is Jarkko Iso-Eskeli. At year end, the total number of employees in the segment was 31 (30).

ENVIRONMENTAL TECHNOLOGY

The Environmental Technology segment comprises the Ecosir Group. The company engaging in actual business is Ecosir Group Oy. The company specialises in equipment solutions for waste and property management. The Managing Director of the company is Mauri Leponen. Net turnover in the segment decreased from MEUR 6.4 to MEUR 2.6 (-59.5%). Operating loss grew from MEUR -2.2 to MEUR -4.5. Due to the recession, investments in environmental technology have plateaued since the end of 2008. Planned or tendered client projects have been postponed. The company sold its light and medium-duty product group via an asset deal. The asset deal resulted in a MEUR -0.7 sales loss. Furthermore, as a result of a devaluation test, a MEUR -1.5 goodwill write-down was made as regards the segment. Panostaja's shareholding in is 70.2%. At year end, the total number of employees in the segment was 9 (45).

CARPENTRY INDUSTRY

The parent company of the Carpentry Industry segment is Suomen Puunjalostus Oy, which is 100% owned by Panostaja Oyj. The Managing Director of all of the companies in the Suomen Puunjalostus Group is Tapani Harjunen. Net turnover in the segment grew by MEUR 0.5 (+11.0%) from MEUR 4.8 to MEUR 5.3 and operating profit increased from MEUR 0.1 to MEUR 0.4 (MEUR +0.3). The improvements in net turnover and profitability are due to expanded market share and improvements in operative functions.

Suomen Puunjalostus Oy's company engaging in business is Matti-Ovi, which is a Laitila-based Group manufacturing and marketing solid wood interior doors. The wooden stairs segment of the business operations was sold during the financial year via an asset deal. Panostaja's shareholding in the Matti-Ovi Group is 70%. At year end, the total number of employees in the segment was 35 (41).

SUPPORTS

The yields in the Supports segment are formed by import, manufacture and wholesale activities in the HEPAC field. The parent company of the segment is Kannake Oy, and the company engaged in actual business is Toimex Oy. The facilities of the company are located in Tampere and Helsinki. Panostaja's shareholding in the company is 70.4%. The Managing Director of the company is Kalervo Pentti. Net turnover in the segment increased from MEUR 3.3 to MEUR 3.6 (+9.5%). Business profit, in turn, dropped from MEUR 1.0 to MEUR 0.3. The recovery of new construction, which began in spring, increased the demand for supports. The operating profit for the previous financial period included MEUR 0.8 of sales profit from real estate. At year end, the total number of employees in the segment was 16 (16).

FASTENERS

Kiinnikekeskus Services is a group operating in Helsinki, Tampere and Pori which supplies fastening equipment and related services. Panostaja Group's shareholding in Kiinnikekeskus Services Oy is 100%. Within the Group, the company engaging in actual business is Suomen Kiinnikekeskus Oy, which is 100% owned by Kiinnikekeskus Services Oy. The net turnover of Suomen Kiinnikekeskus remained level with the previous financial period at MEUR 2.8. The operating loss increased by MEUR -0.2 and total operating loss was MEUR -0.2. The activity level of clients operating in the segment's technology sector is still low. The Managing Director of the company is Ari Suomalainen. At year end, the total number of employees in the segment was 24 (26).

TECHNOCHEMICAL

Annektor is a group based in Lahti, which operates in the field of Technochemical. Panostaja holds a 100% interest in the Group. In addition to Annektor Oy, the Group includes Oy Alfa-Kem Ab as a company engaged in actual business. The Managing Director of the company is Veli-Heikki Saari. Net turnover in the Technochemical segment declined from MEUR 2.5 to MEUR 2.0 (-17.1%). Operating loss decreased from MEUR -0.4 to MEUR -0.1. The economic recession has reduced the demand for technochemical products, particularly in the machine shop product group. The operating loss for the previous financial period includes a MEUR -0.5 goodwill write-down. At year end, the total number of employees in the segment was 14 (21).

OTHER BUSINESS ACTIVITIES

The Other Business Activities segment comprises the parent company Panostaja Oyj. In addition to the parent company, the Other Business Activities segment reports unallocated items. Group eliminations are reported in the section entitled Eliminations.

FINANCING

The Group's liquidity was good and the cash flow from business operations was positive (MEUR 1.3). The Group's liquid assets and securities for the period under review amounted to MEUR 11.4 (MEUR 28.3).

The Group's solvency ratio was 31.9% (37.9%) and net debts with interest totalled MEUR 51.8 (MEUR 30.2). Panostaja Oyj's convertible capital as net liabilities amounted to MEUR 17.2 (MEUR 17.2).

The Annual General Meeting (27 January 2010) approved the dividend distribution proposed by the Board. The dividend paid was EUR 0.12 per share. The record date for dividend distribution was 1 February 2010 with payment from 8 February 2010. The dividend paid to the parent company's shareholders totalled MEUR 5.5.

The gearing ratio was 123.1% (58.9%). The return on equity was -6,9% (2.6%). The return on investment was -1.1% (4.7%).

INVESTMENTS AND RESEARCH AND DEVELOPMENT ACTIVITIES

The Group's gross investments for the period under review amounted to MEUR 15.7 (MEUR 23.0). The largest single investments made by the Group were the acquisitions of Moventas Parkano Oy and Domus Print Oy.

Product development expenditure of MEUR 0.1 was activated during the financial year. Research and product development costs amounted to 0.1% of the Group's turnover.

RISKS

The Group takes managed risks to take optimal advantage of business opportunities. The Group's normal financial business risks are related to the market and competitive situation of the Group's different business sectors as well as to customer and supplier risks and to risks associated with acquisitions.

The Group's thirteen business areas operate in different industries. The aim is that, in essence, the Group's financial performance is not dependent on the development and performance of an individual business area, but with the growth of the business area its significance increases from the point of view of the whole Group, which is when the risk can be substantial. The Group's financial result and development are not normally dependent on a single client, but the loss of one or more significant customers may have financial implications for an individual business area's performance and development.

The Group's financial performance, the general development of the economic situation and, in particular, the development of the Finnish economy may have a significant effect. Seasonal variations also affect the Group's performance and development. In business activities this means that, normally, the first half of the year is weaker than the latter half. Continuous change in competition, such as price rivalry and new competitors entering an individual business area, may affect the Group's financial results and development, even though the Group and business areas evolve continuously in accordance with the competitive situation. In addition, the risks relating to price and availability or raw materials used by the Group's various business sectors may significantly affect an individual business area's financial performance and development, but this is not normally significant for the progress and performance of the whole Group.

The exchange rate, interest rate, credit and financial loss risks do not normally have any significant effect on the Group's financial performance and development. However, such risks may have a significant effect on the economic performance and development of individual business areas. The Group and its different business areas have aimed to protect themselves against such risks in different ways, but protection is not always possible.

If the key personnel and staff recruitment fail, the Group's personnel-related risks may affect the development and financial results of the Group's business areas.

Environmental risks may affect the development and financial results of the Group and business areas, if the management of the risks in question fails. The Group takes note, with particular care, of legislation related to environmental matters and the responsibilities that arise from it and, in its operations, strives to comply with the principles of sustainable development. The Group is not aware of any major risks related to environmental matters.

The Group has an extensive insurance coverage, which covers damage to property under the terms of the insurance. The risk level of the property insurance is monitored regularly. Risks associated with warranty, business interruption, product liability and repair may affect the development, and the financial result, of the Group and business areas, if the management of the risks in question fails. The Group's companies strive to prepare for these risks by investing in supply chain management, in the quality of its own operations and in product development. If possible, these risks are also covered by insurance.

Risks associated with acquisitions may also affect the development and financial results of the Group and business areas, if the management of the risks in question fails. The Group's objective is to grow through acquisitions. Acquisitions attached to the Group's balance sheet have a recorded goodwill of approximately MEUR 39.2. After the transfer to IFRS reporting, goodwill is no longer removed regularly every year, but, in place of depreciations, impairment testing is carried out at least annually or when there are indications of impairment. Values are normally reviewed during the last half of the year in conjunction with the budgeting process. The international recession in investment could, if prolonged, also lead to changes, in some business areas, in the predictions on which goodwill testing is based. This could result in a goodwill write-down requirement.

Government regulation may affect the development and financial performance of the Group and business areas. In the Group and in various business areas, changes to the provisions are monitored with the intention of reacting in advance if possible.

GROUP STRUCTURE

In March 2010, Panostaja Oyj's subsidiary Takoma Oyj acquired the entire share capital of transmission component manufacturer Moventas Parkano Oy. Moventas Parkano employs 103 people, and the company's net turnover for the financial year 1 January – 31 December 2009 was MEUR 22.6.

Panostaja Oyj restructured its Environmental Technology operations in April 2010 and sold the Ecosir Group's light and medium-duty product groups to companies owned by Harri Salomaa, a significant minority shareholder in Ecosir Group, in an asset deal. The restructuring significantly streamlined the cost structure of the Ecosir Group. 25 of the company's employees were transferred to the buyer's company as existing employees.

In June 2010, Panostaja Oyj's subsidiary Digiprint Finland Oy acquired a 37.5% shareholding in the digital printing service provider Domus Print Oy from Karhukopio Oy. As Digiprint Finland already owned a 37.5% shareholding in Domus Print, the acquisition increased the Panostaja Group shareholding in Domus Print to 75%, thus changing the company from an associated company to a subsidiary. In September Digiprint Finland Oy acquired a 25% shareholding in Domus Print Oy from the company's Managing Director Risto Jalo. In conjunction with the trade, Risto Jalo subscribed to Digiprint Finland Oy's shares.

Domus Print Oy's net turnover for 2009 was MEUR 4.3, and it employs approximately 40 persons. The company is also the main owner of the translation agency Lingoneer Oy.

During the financial year, the structure of the Panostaja Group was simplified by merging 10 companies with other Panostaja companies. Panostaja Real Estate Oy merged with Panostaja Oyj in the course of the financial year.

BOARD AND COMPANY MEETINGS

Panostaja Oyj's Annual General Meeting was held on 27 January 2010 in Tampere. Matti Koskenkorva, Jukka Ala-Mello, Hannu Tarkkonen, Hannu Martikainen and Hannu Ketola were re-elected to Panostaja Oyj's Board of Directors along with new member Satu Eskelinen. Immediately after the AGM, in the Board's organisational meeting, Matti Koskenkorva was appointed Chairman with Jukka Ala-Mello as Vice-Chairman. APA Eero Suomela and authorised body of public accountants PricewaterhouseCoopers Oy were selected as general chartered accountants with APA Janne Rajalahti as the accountant with main responsibility.

The AGM approved the financial statement for 1 November 2008–31 October 2009 and the proposal of the Board to transfer the profit for the financial period to retained earnings and issue a dividend of EUR 0.12 per share. The record date for dividend distribution was 1 February 2010 with payment from 8 February 2010. The AGM also discharged from liability the members of the Board and the managing director.

Moreover, the AGM cancelled the authorisation it had given on 26 January 2009 for acquisition of the company's own shares and authorised the Board of Directors to decide on the acquisition of these shares, so that personal shares would be acquired together or in several instalments so that, on the basis of the authorisation, it would be possible to acquire personal shares to a maximum of one-tenth of all the company's shares, together with the personal shares held by the company or as security by others in its subsidiaries.

Shares, other than holdings of the shareholders, are acquired in relation to the prevailing market price in public trading on NASDAQ OMX Helsinki Oy. The acquisition of shares is in compliance with the rules of NASDAQ OMX Helsinki Oy and Euroclear Finland Oy's rules.

The authorisation is valid for 18 months from the date of its issue.

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

In addition, the AGM approved the proposal of the Board to revise Section 8 of the Articles of Association as follows:

"Section 8 - Invitation to Annual Meeting and participation therein
The invitation to the Annual Meeting must be delivered to the shareholders at the earliest two (2) months and at the latest three (3) weeks prior to the meeting, and at least nine days prior to the Annual Meeting's record date by registered letters posted with the addresses marked in the company's list of shareholders, in another demonstrable manner or by publishing the invitation to the meeting in at least one national newspaper specified at the Annual Meeting.

In order to be able to participate in the Annual Meeting, the shareholder must register with the company no later than the day mentioned in the invitation to the meeting, which may be no earlier than ten (10) days prior to the Annual Meeting."

Panostaja Oyj's Financial Director Veli Ollila resigned from his post in September 2010 and took up duties as the manager of ThermiSol Oy's Element business unit as of December 2010.

Simo Mustila M.Sc. (Econ. and Bus. Adm.), MBA was appointed as the Financial Director of the Panostaja Group. Mustila will be in charge of the Group's financial and administrative matters. Mustila has previously worked as Vice President of Corporate Finance and Administration of the DNA Group, and his latest post was F&I Manager at Delta Motor Group Oy.

SHARE CAPITAL

At the close of the period under review, Panostaja Oyj's share capital was EUR 5,529,081.60. The total number of shares is 47,403,110.

In accordance with decisions made by the AGM on 26 January 2009 and the Board of Directors, Panostaja Oyj awarded Board members a total of 5,585 shares as meeting remuneration on 18 December 2009 as well as a total of 7,023 shares on 11 March 2010, 7,222 shares on 10 June 2010 and 6,875 shares on 9 September 2010 in accordance with the decisions made by the AGM on 27 January 2010 and the Board of Directors.

At the end of the review period, the company held 1,262,504 own shares. At the end of the reporting period, the number of own shares corresponded to 2.7 per cent of the total number of shares and voting rights.

CONVERTIBLE SUBORDINATED LOAN

At the end of the reporting period, the amount of convertible subordinated loan from 2006 was EUR 17,212,500 and this enables the subscription for a total of 10,125,000 shares. During the review period, capital loan was not used to subscribe for new shares.

PROPOSAL OF THE BOARD TO THE AGM

The Board of Directors proposes to the Annual General Meeting that the loss for the financial year be transferred to the retained earnings account, and that a dividend of EUR 0.05 per outstanding share be distributed from retained earnings.

EVENTS FOLLOWING THE FINANCIAL YEAR

On 22 November Panostaja Oyj's subsidiary Takoma Oyj issued a bulletin stating that it estimated the operating loss for the financial year to total approximately MEUR -1.7. Even though Takoma Oyj's operating profit for the period has a significant impact on Panostaja Group's operating profit, Panostaja Oyj's Board decided to maintain the Group's profit projection. Panostaja Group's operating loss for the period 11/2009–10/2010 was estimated at approximately MEUR -1.5.

PROSPECTS FOR THE NEXT FINANCIAL PERIOD

The Panostaja Group will continue to focus on its business idea following its fundamental business strategy and on the development of existing business segments. In the coming years, the retirement of the 'baby boom' generation, ever worsening changes in the business environment and globalisation will bring to the market a large number of companies that can be acquired. Active development of shareholder value and financial opportunities create a solid foundation for significant operational expansion. The increasing range of SMEs operating in traditional fields enables both expansion into new business areas and growth in existing ones.

Economic trend expectations in the fields of existing business areas are strongly tied to the prospects of client enterprises. Although the trend expectations have generally moved in a positive direction, a move toward permanent economic growth is still uncertain, particularly due to the credit crisis in the euro area. On the other hand, the weakening of the euro is gives competitive advantage to the Group's client companies that engage in export. In the various business areas of Panostaja Group, the prospects still vary from cautiously positive to positive. Even if the economic trends have already taken a permanent turn for the better, the market also offers sufficient opportunities for corporate acquisitions. Indeed, the objective of Panostaja's growth strategy is to achieve growth through controlled corporate acquisitions, especially in existing business areas. A more permanent turn in economic trends would also enable the divestment of some business areas.

Panostaja Group net turnover for the period under review is expected to exceed the turnover for the previous period. Operating profit of business areas is expected to improve significantly due to which the Group's operating profit will be clearly positive.

Consolidated income statement, IFRS

EUR 1,000	Note	1 Nov. 2009 – 31 Oct. 2010	1 Nov. 2008 – 31 Oct. 2009
Net turnover		**140 517**	120 050
Other operating income	9	**1 974**	5 040
Raw materials and services		**72 135**	64 826
Staff expenses	11	**41 110**	32 560
Depreciations, amortisations and impairment	12	**6 184**	4 087
Other operating expenses	13	**24 663**	19 322
Operating profit		**-1 601**	4 295
Financial income	14	**362**	1 096
Financial expenses	15	**-2 954**	-3 362
Share of profit of associates	10	**224**	23
Profit before taxes		**-3 969**	2 052
Income taxes	16	**764**	-707
Profit from continuing operations		**-3 205**	1 345
Profit from discontinued operations	7	**0**	0
Profit for the financial year		**-3 205**	1 345
Attributable to			
Equity holders of the parent company		**-2 775**	693
Minority interest		**-430**	652
Earnings per share calculated from profit attributable to equity holders of the parent company:			
Earnings per share on continuing operations, EUR	17		
Basic		**-0.060**	0.015
Diluted		**-0.060**	0.015
Earnings per share on discontinued operations, EUR	17		
Basic		**0.000**	0.000
Diluted		**0.000**	0.000
Earnings per share on continuing and discontinued operations, EUR	17		
Basic		**-0.060**	0.015
Diluted		**-0.060**	0.015
Extensive consolidated income statement			
Result for the period		**-3 205**	1 345
Extensive statement of earnings items			
Translation differences		**80**	-117
Extensive result for the period		**-3 125**	1 228
Attributable to			
Equity holders of the parent company		**-2 695**	576
Minority interest		**-430**	652
Earnings per share calculated from the extensive income statement's profit attributable to equity holders of the parent company:			
Earnings per share on continuing operations, EUR	17		
Basic		**-0.058**	0.017
Diluted		**-0.058**	0.017
Earnings per share on discontinued operations, EUR	17		
Basic		**0.000**	0.000
Diluted		**0.000**	0.000
Earnings per share on continuing and discontinued operations, EUR	17		
Basic		**-0.058**	0.017
Diluted		**-0.058**	0.017

The notes are an integral part of the financial statement

Consolidated balance sheet, IFRS

EUR 1,000	Note	31 Oct. 2010	31 Oct. 2009
ASSETS			
Non-current assets			
Goodwill	18	**39 256**	36 414
Other intangible assets	18	**5 641**	5 358
Property, plant and equipment	19	**16 406**	11 140
Shares in associated companies	21	**2 387**	2 835
Other non-current assets	22, 23	**4 397**	4 249
Deferred tax assets	23	**3 871**	2 102
Total non-current assets		**71 958**	62 098
Current assets			
Stocks	24	**24 049**	23 021
Trade and other receivables	25	**24 760**	21 344
Tax receivables based on taxable income		**224**	657
Short-term investments	26	**833**	1 979
Cash and cash equivalents	27	**10 438**	26 322
Total current assets		**60 304**	73 323
Assets in total		**132 262**	135 421
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	28	**5 529**	5 529
Share premium account	28	**4 646**	4 646
Translation differences		**-56**	-123
Invested unrestricted equity fund	28	**11 574**	11 876
Retained earnings		**6 497**	14 792
Total		**28 190**	36 720
Minority interest		**13 922**	14 560
Total equity		**42 112**	51 280
Non-current liabilities			
Deferred tax liabilities	23	**1 693**	1 730
Financial liabilities	30	**49 572**	50 290
Total non-current liabilities		**51 265**	52 020
Current liabilities			
Current financial liabilities	30	**14 416**	9 301
Trade payables and other liabilities	31, 32	**24 469**	22 820
Total current liabilities		**38 885**	32 121
Total liabilities		**90 150**	84 141
Total equity and liabilities		**132 262**	135 421

The notes are an integral part of the financial statement

Consolidated cash flow statement, IFRS

EUR 1,000	Note	2010	2009
Operating activities			
Profit for the financial year		**-3 205**	1 345
Adjustments:			
Depreciation	12	**4 725**	3 594
Amortisation	12	**1 459**	493
Financial income and expenses	14, 15	**2 592**	2 266
Share of profit of associates	10	**-224**	-23
Taxes	16	**-764**	707
Sales profit and loss from property, plant and equipment	9, 13	**721**	-4 218
Other income and expenses with no connected charges		**129**	461
Cash from operations before change in working capital		**5 433**	4 625
Change in working capital			
Change in non-interest-bearing receivables		**402**	5 512
Change in non-interest-bearing liabilities		**-1 512**	-774
Change in stocks		**1 666**	956
Change in working capital		**556**	5 694
Cash from operations before financial items and taxes		**5 989**	10 319
Financial items and taxes:			
Interest paid		**-2 875**	-3 815
Interest received		**370**	1 137
Taxes paid		**-2 220**	-5 601
Financial items and taxes		**-4 725**	-8 279
Net cash from operating activities		**1 264**	2 040
Investments			
Investments in tangible and intangible assets		**-3 737**	-4 730
Acquisition of associates		**0**	-3 281
Disposal of tangible and intangible assets		**1 147**	10 049
Acquisition of subsidiaries less cash and cash equivalents at the time of acquisition	6	**-11 967**	-15 002
Disposal of subsidiaries less cash and cash equivalents at the time of acquisition		**0**	450
Disposal of associates		**191**	
Gains on disposal of other shares		**159**	0
Change in loans receivable		**-126**	44
Net cash from (used in) investing activities		**-14 333**	-12 470
Financing			
Issue of shares of subsidiaries to minority shareholders		**0**	2 803
Loans drawn		**11 150**	6 520
Loans repaid		**-9 298**	-10 094
Acquisition of own shares		**0**	-675
Disposal of own shares		**38**	33
Dividends paid		**-5 868**	-5 875
Cash from (used in) financing activities		**-3 978**	-7 288
Change in cash and cash equivalents		**-17 047**	-17 718
Cash and cash equivalents at the beginning of the year		**28 300**	46 018
Effect of currency rates		**18**	0
Cash and cash equivalents at the end of the year		**11 271**	28 300

The notes are an integral part of the financial statement

Consolidated statement of changes in equity, IFRS

EUR 1,000	Note	Share capital	Share premium account	Invested unrestricted equity fund	Translation differences	Retained earnings	Minority interest	Total
Shareholders' equity as at 1 Nov. 2008		5 529	4 646	12 403	-6	19 669	11 562	53 803
Costs of share-based payments	29			95				95
Profit for the financial year						692	652	1 344
Total recognised profit and costs for the financial year		0	0	95	0	692	652	1 439
Equity component of convertible subordinated loans				20				20
Dividends paid						-5569	-320	-5 889
Acquisition of own shares				-675				-675
Disposal of own shares				33				33
Translation differences					-117			-117
Minority interest							2 666	2 666
Total other equity changes		0	0	-622	-117	-5 569	2 346	-3 962
Equity as at 31 Oct. 2009		5 529	4 646	11 876	-123	14 792	14 560	51 280
Equity as at 1 Nov. 2009		5 529	4 646	11 876	-123	14 792	14 560	51 280
Costs of share-based payments	29			17				17
Profit for the financial year						-2 775	-430	-3 205
Total recognised profit and costs for the financial year		0	0	17	0	-2 775	-430	-3 188
Dividends paid						-5 534	-367	-5 901
Disposal of own shares				38				38
Translation differences					66	14		80
Share issue				-425				-425
Minority interest							160	160
Other changes				68				68
Total other equity changes		0	0	-319	66	-5 520	-207	-5 980
Equity as at 31 Oct. 2010		5 529	4 646	11 574	-57	6 497	13 923	42 112

The notes are an integral part of the financial statement

Notes to the consolidated financial statements

1. BASIC CORPORATE INFORMATION

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

Panostaja Oyj is a Finnish public limited company operating under Finnish law. From 1989 to 1998, the company's stock was listed on the Brokers' List; since 1998 it has been quoted on the Helsinki Stock Exchange I List. Since the list was reformed on 2 October 2006, the shares of the company have been on the NASDAQ OMX Helsinki. The registered office of the company is in Tampere and the address of the main office is Postitorvenkatu 16, FI-33840 Tampere, Finland, where a reproduction of the consolidated financial statements can be acquired. The Board of Directors of Panostaja Oyj has, during their meeting on 15 December 2010, approved these consolidated financial statements for publication. By virtue of the Finnish Companies Act, shareholders are entitled to approve or decline the financial statements In the Annual General Meeting held after their publication on 27 January 2011. The AGM also has the opportunity to decide on the alteration of the financial statements.

2. ACCOUNTING POLICIES

BASICS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as well as the IAS and IFRS standards and SIC and IFRIC interpretations, valid on 31 October 2010. International Financial Reporting Standards refer to standards and their interpretations that are approved for application within the EU in the Finnish Accounting Act and the regulations issued based on it in accordance with the procedure in EU Regulation 1606/2002/EC. The notes to the consolidated financial statement also conform to the requirements of the Finnish accounting and corporate legislation, which complements IFRS regulations.

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

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

SUBSIDIARIES

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

Subsidiaries are companies in which the Group has a controlling interest. A controlling interest exists when the Group holds more than half of the voting power or has otherwise obtained control. The existence of potential voting power has also been taken into account in the assessment of the conditions under which control is formed when the instruments entitling to potential voting power are implementable at the time of review. Control in a company refers to the right to control the principles of the company's financial and business principles for the purpose of generating profit from its operations.

Intra-group share ownership has been eliminated by means of the purchase method. Transferred consideration and the identifiable assets and liabilities of the company are valued at fair value at the time of acquisition. Costs related to the acquisition, with the exception of costs caused by the issue of liabilities or equity-based securities, have been recognised as an expense. Transferred consideration does not include business operations processed separately from the acquisition. The effect of these items has been recognised through profit and loss at the time of acquisition. The possible additional purchase price is valued at fair value at the time of acquisition, and it has been categorised as either liability or equity. Additional purchase price categorised as a liability is valued at fair value at the end date of each review period, and the generated profit or loss is recognised through profit and loss or in other extensive income statement items. Additional purchase price categorised as equity is not revaluated.

Acquired subsidiaries are included in the consolidated financial statements from the time when the Group obtained control, and disposed subsidiaries up to the time when control ceases. Any intra-group transactions, receivables, liabilities and unrealised profits are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated where such losses are due to impairment. The distribution of profit or loss for the financial year attributable to equity holders of the parent company and to minority shareholders is presented in a separate income statement, and the distribution of the result to holders of the parent company and to minority shareholders is presented as part of the extensive income statement. The possible holding of minority shareholders in the object of acquisition is valued at fair value or at an amount corresponding to the relative portion of the minority shareholders' holding in the identifiable net assets of the object of acquisition. The valuation principle is separately defined for each corporate acquisition. The extensive result is allocated to parent company owners and minority shareholders even if this leads to the share of the minority shareholders becoming negative. The equity share due to minority shareholders is presented as a separate item in the balance sheet as part of equity. Such changes in the parent company's holding in a subsidiary that do not lead to loss of control are processed as equity-related business operations.

In conjunction to a phased acquisition, the prior shareholding is valued at fair value, and the generated profit or loss is recognised through profit and loss If the Group loses its control in a subsidiary, the remaining investment is valued at fair value on the date that the controlling interest was lost, and the difference is recognised through profit and loss.

Acquisitions before 1 November 2009 have been handled in accordance with the regulations effective at the time.

ASSOCIATED COMPANIES

Associated companies (associates) are companies over which the Group holds considerable influence. Considerable influence is established when the Group holds more than 20% of a company's voting rights or can otherwise exercise considerable influence, but not control, over the company. Associated companies have been included in the consolidated financial statements using the equity method. If the Group's share of an associate's loss exceeds the book value of the investment, the investment is recognised in the balance sheet at zero value, and the losses exceeding the book value will not be consolidated unless the Group has committed to fulfilling the obligations of the associate.

Unrealised profits between the Group and the associated company have been eliminated in accordance with the Group's shareholding. Associate investments include the goodwill generated through the acquisition. The Group's result corresponding to its shareholding is presented under the balance sheet item Share of the profit of associates and joint ventures.

SEGMENT REPORTING

The Group's primary segment reporting is based on business segments. Operation segments are reported in such a way that is consistent with the internal reporting submitted to the highest operative decision-maker.

FOREIGN CURRENCY ITEMS

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

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

NET TURNOVER AND RECOGNITION PRINCIPLES

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

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

OPERATING PROFIT

The IAS 1 Presentation of Financial Statements standard does not define the concept of operating profit or loss. The Group has defined it as follows: Operating profit is the net amount arising from adding other operating income to net turnover, deducting purchasing costs corrected for changes in inventories and cost of production for own use, deducting costs related to employee benefits, depreciation and possible impairments as well as other operating expenses. All other income statement items are presented under operating profit. Foreign exchange differences are included in operating profit in case they originate from operating business items; otherwise they are booked in financial items.

INCOME TAXES

The income tax expense consists of current tax, based on taxable profit for the period, and deferred tax. The taxes are recognised through profit and loss, except when they are directly related to items recorded in equity or to other extensive profit items. In these cases, the taxes are recognised in the items in question.

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

Principal temporary differences arise from fixed assets, appropriations and unused tax losses. A deferred tax asset is recognised to the extent that it is probable that taxable profit against which the asset can be utilised will be available in the future. In this respect, the eligibility for recognition of deferred tax assets are always assessed on the closing date of each reporting period.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as being for sale if the amount equivalent to their book value will be accrued primarily through disposal of the asset and the disposal is highly likely. If the amount equivalent to their book value will be accrued primarily through disposal of the assets as opposed to their continued use, they will be presented at their book value or fair value deducted by costs to sell, depending on which is lower. Depreciations of these assets are ceased at the time of classification.

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

GOODWILL AND OTHER INTANGIBLE ASSETS

Any goodwill arising on consolidations of business operations as of 1 November 2009 is recognised at the excess amount of the transferred consideration, the share of minority shareholders in the object of acquisition and the previous shareholding combined over the Group's interest in the fair value of the acquired net assets.

Corporate acquisitions between 1 January 2004 and 31 December 2009 have been recognised according to the IFRS standards (IFRS 3 (2004)). Goodwill on acquisitions made prior to 1 November 2004, is equivalent to the book value under previous GAAP on the transition date. This amount has been used as the deemed cost of goodwill on the date of transition to IFRS.

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

Research costs are recognised as an expense in the income statement for the period in which they are incurred. Development costs are capitalised when the company is capable of verifying the technical feasibility and commercial applications of the product being developed and when its cost can be reliably measured. Other development costs are recognised as an expense. Development costs recognised as expenses will not be activated in later financial periods.

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

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

Guidelines for planned depreciation periods for intangible assets:

Research and development costs	5 years
Intangible assets	3–5 years
Other intangible assets	5–10 years

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (tangible assets), are measured at historical cost less any depreciation and impairment losses. Assets are depreciated on a straight-line basis during their estimated useful lives. Land areas are not depreciated.

Estimated useful lives are as follows:

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

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

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

LEASES

Any leases where the Group receives substantially all the risks and rewards arising from ownership are classified as finance leases. Finance leases are included in the balance sheet at the fair value of the leased asset at the time of leasing or at the lower current value of minimum rents. Assets acquired via finance leases are depreciated over the course of the assets' useful life or the shorter leasing period. Payable leasing rents are distributed between financial expenses and debt payments. Corresponding leasing rent liabilities, less any financing costs, are included in non-current and current interest-bearing liabilities according to their maturity. The interest portion of the financing expenditure is recognised in the income statement during the lease agreement in such a way that the remaining liability will bear an equivalent interest percentage in each financial year.

Those leases where the lessor receives substantially all the risks and rewards arising from ownership are classified as operating leases. Rents are entered into the income statement as equal items over the course of the lease period.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

The Group assesses on each balance sheet date whether there are indications of the impairment of an asset's value. If such indications are identified, an estimate will be determined on the recoverable amount of the asset concerned. In addition, regardless of whether there are indications of impairment, the recoverable amount is estimated annually concerning the following assets: goodwill, intangible assets with indefinite useful lives and incomplete intangible assets. The impairment requirement is reviewed at the level of the cash-flow generating units.

An impairment loss is recorded if the asset or cash-flow generating unit's book value exceeds the recoverable amount. Impairment losses are recorded in the income statement. The cash-flow generating unit's impairment loss is first targeted to reduce goodwill applied to the cash-generating unit and then to symmetrically reduce the other assets of the unit. In connection with the recording of the impairment loss, the economically useful life of the depreciated asset is reassessed.

The recoverable amount of intangible and tangible assets is determined either as the fair value less costs of sale or as the higher value in use. In determining the value in use, the estimated future cash flows are discounted at their present value based on the discount rates, which reflect the average cost of capital before taxes of the cash-flow generating unit in question. The discount rates used are defined before taxes, and in these attention is paid to the particular risk of the cash-generating units in question.

An impairment loss related to tangible fixed assets and intangible assets excluding goodwill is cancelled if there has been a change to the recoverable amount used in determining estimates. At most, the impairment loss is cancelled up to the amount, which would have been determined as the asset's book value (less depreciation), if no impairment losses would have been recorded for the asset in previous years. The recorded impairment loss from goodwill is not cancelled.

PUBLIC ALLOWANCES

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

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

STOCKS

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

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

FINANCIAL DERIVATIVES

The Group uses derivative agreements to hedge against interest risks. The acquisition cost of financial derivatives is recorded on the balance sheet at the moment of agreement, after which they are valued at the balance sheet date at fair value. Derivative agreements are classified as financial assets held for trading and as liabilities because the Group does not apply hedge accounting under IAS 39 to them. Changes in the fair values of such derivative agreements are recorded in the income statement.

FINANCIAL ASSETS

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and other receivables and held-for-sale financial assets. Classification is carried out in connection with the initial acquisition of financial assets on the basis of their intended use.

Financial assets at fair value through profit or loss are financial assets held for trading. Derivatives that do not qualify for hedge accounting are classified to be held for trading. This group of assets belongs to current assets, except when they are due in more than 12 months. Financial assets recorded at fair value through profit or loss are initially entered at fair value. Gains and losses resulting from changes in fair value are shown in the income statement for the accounting period in which they have been incurred.

Loans and other receivables are non-derivative financial assets. Payments relating to them are fixed or can be determined and are not quoted in an active market. They are included in long-term financial assets, unless they expire more than 12 months after the balance sheet date. Loans and other receivables are valued at amortised cost using the effective interest method, and those who do not have a fixed maturity date, are valued at cost. Loan receivables are depreciated if their balance sheet value is greater than the recoverable monetary amount.

Held-for-sale financial assets are non-derivative financial assets which are either explicitly classified in this category or not classified in any other group. They include current assets, unless the administration intends to hold the asset for longer than 12 months from the balance sheet date. Changes in the value of held-for-sale financial assets are recognised in other extensive result items and presented in the fair value fund included in the equity item Earnings with the appropriate tax effect. Unlisted securities for which a fair value cannot be reliably measured are entered in the balance sheet at cost. When securities available for sale are sold or impaired, the accumulated changes in fair value of financial assets are recorded in the income statement as incurred net realised gains or losses.

The Group assesses on each balance sheet date whether there is objective evidence for the impairment of a financial asset or a group of financial assets. If such evidence is available concerning held-for-sale investments, the accumulated loss – which is determined as the difference between cost and current fair value, minus the previously recognised impairment loss of a financial assets item in question – is transferred from equity and recognised in the income statement.

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

TRADE AND OTHER RECEIVABLES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank demand deposits and other short-term, highly liquid investments with original maturities of three months at most. Cheque account credit is recognised under current liabilities.

FINANCIAL LIABILITIES

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

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

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

Borrowing costs are recognised as an expense when they are realised. Liabilities directly resulting from the acquisition, construction or manufacturing of an asset meeting the conditions is activated as part of the acquisition cost of the asset in question when it is likely that they will generate equivalent financial benefit and when the costs can be reliably determined.

PENSION OBLIGATIONS

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

SHARE-BASED PAYMENTS

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

PROVISIONS

Provisions are recorded when the company has a legal or constructive present obligation as a result of a past event, when it is probable that the obligation will have to be settled and when a reliable estimate can be made of the amount of the obligation. The amount to be recognised as a provision is equivalent to the best estimate of the expenditure required to settle the present obligation on the balance sheet date.

AS OF 1 NOVEMBER 2009, THE GROUP HAS ADOPTED THE FOLLOWING NEW AND AMENDED STANDARDS AND INTERPRETATIONS WHICH HAVE AFFECTED THE CONSOLIDATED FINANCIAL STATEMENT:

- Revised IAS 1 Presentation of Financial Statements. The changes mainly affect the income statement and the presentation of the statement calculation indicating changes in equity. In addition, the revised standard also contains extensive changes in the terminology, also used in other standards, and, further, some of the names used in the financial statements have changed.
- IFRS 8 Operating Segments. The segment information presented according to IFRS 8 is to be based on internal reporting that is delivered to management and on the compliance with the accounting principles therein. The Group's prior segment reporting has been altered to match the management reporting.
- Amendments to IFRS 7 Financial Instruments: Disclosures – relating to improvement of the notes about financial instruments. The changes were introduced in March 2009 because of the international financial crisis. Due to the changes, a three-level hierarchy of financial instruments will be introduced in the presentation of fair values. The amended standard also requires that additional notes be used to evaluate the relative reliability of fair values. In addition, the changes to the standard clarify and expand the previous requirements for the presentation of information concerning liquidity risk. The changes will increase the amount of notes on the above matters presented in the Group's annual financial statements.
- Revised IFRS 3, Business Combinations (issued in 2008) The revised standard is broader in scope than before. From the Group's perspective, the revised standard includes a number of significant changes. For acquisitions, the amendments to the standard will affect the amount of goodwill that is recorded and business sales results will also be affected. The changes to the standard also affect the recording of profit and loss items in the financial year of acquisition and in those financial years during which additional purchase price or additional acquisitions are carried out. In accordance with the transitional rules for the standard, business combinations in which the acquisition date is prior to the mandatory introduction of the standard are not corrected.
- Amended IAS 27, Consolidated and Separate Financial Statements (issued in 2008). The amended standard requires that the effects caused by changes in the ownership of a subsidiary be recorded directly to the Group's equity when the parent company retains control. If control of the subsidiary is lost, the remaining investment is valued at fair value through profit or loss. In future, a similar accounting treatment method will also apply to investments in an associate company (IAS 28) and to joint venture equity (IAS 31). As a consequence of the change in the standard, losses by a subsidiary may be directed to the minority interest even when the losses exceed the amount of the minority interest's investments.
- Revised IAS 23, Borrowing Costs. The revised standard requires that the borrowing costs resulting from the acquisition, construction or manufacturing of an asset that meets the appropriate conditions be immediately included in the acquisition cost of the asset in question. Before, the Group has recognised borrowing costs as an expense in the permitted manner over the course of the financial period during which they were accrued.

AS OF 1 NOVEMBER 2009, THE GROUP HAS ADOPTED THE FOLLOWING NEW AND AMENDED STANDARDS AND INTERPRETATIONS WHICH HAVE NOT AFFECTED THE CONSOLIDATED FINANCIAL STATEMENT:

- Amendments to IFRS 2, Share-based Payments – Vesting Conditions and Cancellations.
- Improvements made to the IFRS standards (Improvements to IFRSs – amendments, May 2008).
- IFRIC 15, Agreements on the Construction of Real Estate.
- Amendments to IAS 1, Presentation of Financial Statements, and IAS 32, Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising from Liquidation.
- Amendments to IFRIC 9, Reassessment of Embedded Derivatives, and IAS 39, Financial Instruments: Recognition and Measurement – embedded derivatives.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – items eligible for protection.
- IFRIC 17, Distributions of Non-cash Assets to Owners.
- IFRIC 18, Transfers of Assets from Customers.

3. FINANCIAL RISK MANAGEMENT

1) FINANCIAL RISKS

In its operation, the Group is exposed to many financial risks. The Group's risk management objective is to minimise the adverse effects of changes in financial markets on the Group's earnings. The general principles of the Group's risk management are accepted by the Board, and the parent company and the subsidiary companies are responsible for their implementation.

FOREIGN EXCHANGE RISK

The Group operates mainly in the euro area and is thus exposed only to a limited degree of exchange rate changes resulting from foreign exchange risk.

INTEREST RATE RISK

The Group's revenue and operational cash flows are essentially independent of fluctuations in market interest. The group's interest rate risk primarily consist of borrowings, which include floating and fixed-rate loans. At end of year, the floating-rate debt was at TEUR 46,926 (TEUR 42,215) and the fixed-debt rate was at TEUR 16,999 (TEUR 17,006).

Some of the Group's subsidiaries use interest rate swap agreements, which protect MEUR 25.7 in variable interest loans. The Group does not apply hedge accounting.

Interest rate risk sensitivity analysis

The following table illustrates how a reasonable possible change in interest rates, when other variables remain constant, affects the Group's performance as a consequence of the changes in floating-rate debt interest cost.

EUR 1,000	1 percentage unit higher Income statement	1 percentage unit lower Tuloslaskelma
Effect of change in interest		
2010	**-473**	**473**
2009	-438	438

CREDIT RISK

In establishing a customer relationship, the Group's companies review clients' creditworthiness. To minimise the credit risk, a collateral for security of the customer's credit standing is sought, if necessary. The Group has major customers with longstanding, well-established business relationships. The Group has no significant concentrations of credit risk.

LIQUIDITY RISK

The Group continuously assesses and monitors the amount of financing required for the business, so the Group has enough liquid assets to finance activities and to repay maturing loans. An effort is made to ensure the availability of resources through the use of sufficient lines of credit, funds from several donors and the procurement of various forms of funding.

CAPITAL MANAGEMENT

The Group's capital management objective is to ensure the requirements for normal business operations and to increase share value in the long term. The capital structure is affected by the distribution of dividends, the purchase of own shares, capital returns as well as through share issues. The Group does not apply external capital requirements.

The development of the Group's capital structure is followed by equity ratio and gearing. The Group's equity ratio was 31.9% (37.9%) and gearing was 123.1% (58.9%).

EUR 1,000	2010	2009
Interest-bearing liabilities	**63 918**	59 221
Interest-bearing receivables	**827**	709
Cash and cash equivalents	**11 271**	28 301
Net liabilities	**51 820**	30 211
Total equity	**42 112**	51 280
Gearing, %	**123,1**	58,9

4. ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

COST ALLOCATION

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

IMPAIRMENT TESTING

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

REVENUE RECOGNITION

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

MEASUREMENT OF STOCKS

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

5. SEGMENT INFORMATION

As of 1 November 2009, the business operations of Panostaja Group will be reported in fourteen segments, which are: Digital Printing Services, Security, HEPAC Wholesale, Takoma, Value Added Logistics, Spare Parts for Motor Vehicles, Heat Treatment, Fittings, Fasteners, Supports, Carpentry Industry, Environmental Technology, Technochemical and Others. The new reporting segments were formed because they produce various products and services amongst themselves. The transactions between the segments have taken place on normal commercial terms. The figures of the reference year 2009 have been changed to correspond with the new segments.

BUSINESS SEGMENTS

- Security: segment revenue is generated by security technology and related services.
- HEPAC Wholesale: segment revenue is generated by wholesale trade in the HEPAC field.
- Takoma: segment revenue is mostly generated by the engineering workshop operations of Takoma Oyj.
- Digital Printing Services: segment revenue is mainly generated by selling digital printing services.
- Fittings: segment revenue is generated by wholesale operations in construction and fitting mounts.
- Value Added Logistics: segment revenue is generated by providing manufacturing and logistics services for the metal industry.
- Heat Treatment: segment revenue is generated by metals-based heat treatment services and the development, manufacture and marketing of machines and equipment required in such heat treatment.
- Spare Parts for Motor Vehicles: segment revenue is generated by the import, wholesale and retail of original spare parts and accessories for motor vehicles.
- Environmental Technology: segment revenue is generated by the sale of waste and property maintenance equipment solutions.
- Carpentry Industry: segment revenue is generated by the manufacture of products for the carpentry industry.
- Supports: segment revenue is generated by import, manufacture and wholesale activities in the HEPAC field.
- Fasteners: segment revenue is generated by sales and services respective to fixture accessories and related products.
- Technochemical: segment revenue is generated by the development, manufacture and marketing of industrial chemicals intended for professional use.
- Others: the parent company and unspecified items are reported in this segment.

The Group does not have any geographical segment distributions, since business operations abroad are minimal.

BUSINESS SEGMENTS 2010

EUR 1,000	Total net turnover	Internal net turnover	External net turnover	Depreciation and amortisation	Operating profit/ loss	Financial returns and expenses	Share of profits of associates	Income taxes	Profit	Assets	Liabilities	Employees at year end
Security	**21 944**	**240**	**21 704**	**-611**	**1 207**					**17 387**	**15 901**	**151**
HEPAC Wholesale	**19 604**	**3**	**19 601**	**-139**	**292**					**9 716**	**8 009**	**37**
Takoma	**19 060**	**0**	**19 060**	**-1 578**	**-1 675**					**30 190**	**12 481**	**168**
Digital Printing Services	**21 742**	**36**	**21 706**	**-1 212**	**3 237**		**-60**			**22 778**	**11 867**	**256**
Fittings	**12 321**	**145**	**12 176**	**-86**	**652**					**11 273**	**8 933**	**32**
Value Added Logistics	**15 115**	**2**	**15 113**	**-169**	**-499**					**7 194**	**4 638**	**123**
Heat Treatment	**6 591**	**0**	**6 591**	**-333**	**192**					**6 146**	**3 530**	**64**
Spare Parts for Motor Vehicles	**8 487**	**0**	**8 487**	**-109**	**801**					**4 565**	**5 070**	**31**
Environmental Technology	**2 578**	**0**	**2 578**	**-1 609**	**-4 528**					**3 822**	**5 559**	**9**
Carpentry Industry	**5 309**	**0**	**5 309**	**-140**	**377**					**3 581**	**4 566**	**35**
Supports	**3 615**	**217**	**3 398**	**-44**	**322**					**3 164**	**571**	**16**
Fasteners	**2 839**	**107**	**2 732**	**-25**	**-253**					**2 359**	**2 157**	**24**
Technochemical	**2 071**	**9**	**2 062**	**-49**	**-133**					**1 921**	**5 999**	**14**
Others	**55**	**55**		**-80**	**-1 593**		**284**			**25 790**	**18 493**	**10**
Eliminations	**-814**	**-814**								**-17 624**	**-17 624**	
Group total	**140 517**	**0**	**140 517**	**-6 184**	**-1 601**	**-2 592**	**224**	**764**	**-3 205**	**132 262**	**90 150**	**970**

BUSINESS SEGMENTS 2009

EUR 1,000	Total net turnover	Internal net turnover	External net turnover	Depreciation and amortisation	Operating profit/ loss	Financial returns and expenses	Share of profits of associates	Income taxes	Profit	Assets	Liabilities	Employees at year end
Security	18 796	206	18 590	-584	431					17 576	16 710	146
HEPAC Wholesale	17 347	3	17 344	-179	1 569		-8			9 224	7 267	38
Takoma	15 408	0	15 408	-946	-328					23 056	4 094	82
Digital Printing Services	13 508	56	13 452	-618	2 088		31			19 227	10 026	192
Fittings	11 708	232	11 476	-78	1 165					11 610	9 425	34
Value Added Logistics	9 384	0	9 384	-144	309					7 163	4 162	175
Heat Treatment	7 426	0	7 426	-415	536					6 595	3 934	66
Spare Parts for Motor Vehicles	7 347	0	7 347	-103	714					4 618	5 551	30
Environmental Technology	6 372	1	6 371	-98	-2 211					7 064	4 428	45
Carpentry Industry	4 784	0	4 784	-336	103					3 610	5 105	41
Supports	3 301	159	3 142	-61	1 058					3 151	557	16
Fasteners	2 865	27	2 838	-54	-52					2 553	2 118	26
Technochemical	2 498	10	2 488	-515	-430					1 967	5 938	21
Others	53	53	0	44	-657					24 425	11 244	9
Eliminations	-747	-747	0							-6 418	-6 418	
Group total	120 050	0	120 050	-4 087	4 295	-2 266	23	-707	1 345	135 421	84 141	921

6. ACQUIRED BUSINESS OPERATIONS

ACQUISITIONS IN THE FINANCIAL YEAR 2010

SUBSIDIARY ACQUISITION

On 3 June 2010, Panostaja Oyj subsidiary Digiprint Finland Oy acquired a 37.5% shareholding in digital printing service provider Domus Print Oy from Karhukopio Oy. As Digiprint Finland already owned a 37.5% shareholding in Domus Print, the acquisition increased the Panostaja Group shareholding in Domus Print to 75%, thus changing the company from an associated company to a subsidiary. Domus Print's Managing Director Risto Jalo owns 25% of the company's shares. With this acquisition, Panostaja expanded its business area that specialises in digital printing services.

The sale price was MEUR 0.6, which was paid fully in cash.

The Group has recognised fees totalling MEUR 0.01 relating to consulting, valuation and other similar services. The fees are recorded under the income statement item Other operating expenses.

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

	Note	Recognised values
Property, plant and equipment	19	**0.25**
Intangible goods	18	**0.74**
Customer agreements and related customer relationships (incl. in Intangible rights)	18	**0.07**
Investments	22	**0.02**
Stocks	24	**0.18**
Trade and other receivables	25	**1.00**
Cash and cash equivalents	26, 27	**0.03**
Assets in total		**2.27**
Deferred tax liabilities	20	**-0.02**
Financial liabilities	30	**-1.54**
Other liabilities	31	**-0.93**
Total liabilities		**-2.49**
Net assets		**-0.22**

The Group has allocated the sale price to customer agreements and related customer relationships in the amount of MEUR 0.07.

Composition of goodwill in the acquisition:

	MEUR
Consideration transferred	**0.6**
Share of minority shareholders based on relative share of identifiable net assets	**0.4**
Prior shareholding valued at fair value	**0.6**
Identifiable net assets of the object of acquisition	**-0.2**
Goodwill	**1.4**

The valuation of the previously-owned 37.5% share at fair value at the time of acquisition lead to a profit of MEUR 0.3, which is recognised in the extensive income statement under other operating income.

The acquisition generated goodwill amounting to MEUR 1.4 million, which is based on the anticipated synergy benefits of the Domus Print acquisition. The Group management estimates that the goodwill is particularly connected to the utilisation of a common sales and marketing network, Group agreements and the enhanced efficiency of logistics operations. The recognised goodwill is not eligible for tax deduction.

Domus Print's five-month turnover of MEUR 2.5 and operating profit of MEUR 0.1 are included in the Group's extensive income statement for the year 2010. The turnover of the Digiprint Finland Group would have been MEUR 24.4, with an operating profit of MEUR 3.3, if the acquisition of business operations conducted during the financial year had been consolidated into the Group's financial statements from the beginning of the financial year 2010.

ACQUISITION OF THE SHARE OF MINORITY SHAREHOLDERS

On 28 September 2010, Panostaja Oyj's subsidiary Digiprint Finland Oy acquired a 25% additional share of Domus Print Oy's share capital from Risto Jalo. After the acquisition, Panostaja owned the entire share capital of the company. The trade was conducted by means of a share issue in which Risto Jalo subscribed for MEUR 0.4 worth of Digiprint Finland Oy shares. The fair value of the Domus Print Oy shares at the time of acquisition was EUR 7,272.72 per share, and it was based on the valuation carried out by the parties in the trade transaction.

Cash flow statement	MEUR
Sale price paid in cash	**0.6**
Cash and cash equivalents in acquired subsidiary	**-0.1**
Cash flow effect	**0.5**

SUBSIDIARY ACQUISITION

On 31 March 2010, Takoma acquired the entire share capital of Moventas Parkano Oy, which manufactures transmission components, from Moventas Oy. In conjunction with the acquisition, the name of the company was changed into Takoma Gears Oy.

Takoma Gears specialises in delivering large, high-precision, induction-hardened steel gears, gear clutches and ring gears. The acquisition strengthened Takoma's customer base and enabled a wider component selection for all customers. The company's primary customers are equipment manufacturers for the ship building industry, offshore industry, process industry and the energy sector.

The value of the transaction was MEUR 10.95. The price paid for the company's share capital was MEUR 4.71, in addition to which Takoma assumed the company's MEUR 6.24 liabilities.

Consideration transferred	MEUR
Cash	**4.7**
Total acquisition cost	**4.7**

The Group has recognised a total of MEUR 0.12 under the income statement item Other operating expenses in relation to the generated asset transfer obligation and to consultation and valuation fees relating to the corporate acquisition.

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

	Note	Recognised values	Book values before consolidation (IFRS)
Property, plant and equipment	19	**5.18**	**5.18**
Intangible goods	18	**0.02**	**0.02**
Customer agreements and related customer relationships (incl. in Other intangible assets)	18	**0.65**	
Stocks		**3.46**	**3.30**
Trade and other receivables		**1.65**	**1.65**
Cash and cash equivalents		**0.06**	**0.06**
Assets in total		**11.02**	**10.20**
Deferred tax liabilities	20	**-0.25**	**-0.03**
Financial liabilities		**-6.30**	**-6.30**
Conditional liabilities	31	**-0.08**	**-0.08**
Other liabilities		**-2.57**	**-2.57**
Total liabilities		**-9.21**	**-8.98**
Net assets		**1.81**	**1.18**

The Group allocated MEUR 0.20 of the trade price to stocks and order volume as well as MEUR 0.65 to customer agreements.

Composition of goodwill in the acquisition:

	milj. euroa
Consideration transferred	**4.7**
Identifiable net assets of the object of acquisition	**-1.8**
Goodwill	**2.9**

The acquisition generated goodwill amounting to MEUR 2.90, which consists of expected synergy benefits resulting from the acquisition of Takoma Gears Oy as well as of competent work force. The Group management estimates that approximately half of the goodwill is connected to the expanded customer base resulting from the acquisition, which enabled the entire Group to broaden the selection offered to customers. The other half of the goodwill is connected to the technological skill and expertise of the company, which is due to competent CNC machining, tooth cutting and heat treatment technicians. The result expectation for the business operations as well as other joint acquisitions and possible administrative synergies are also included in the remaining goodwill.

The allocation of Takoma Gears Oy's trade price is final on the balance sheet date. The recognised goodwill is not eligible for tax deduction.

Takoma Gears Oy's seven-month turnover of MEUR 7.43 and operating profit of MEUR 0.05 are included in the Group's extensive income statement for the financial year. The Group's turnover for 2010 would have been MEUR 24.79, with an operating loss of MEUR 1.38, if the acquisition of business operations conducted during the financial year had been consolidated into the financial statements from the beginning of the 2010 financial year.

Cash flow statement	MEUR
Sale price paid in cash	**4.7**
Cash and cash equivalents of the acquired subsidiary	**-0.1**
Direct acquisition costs	**0.1**
Cash flow effect	**4.7**

ACQUISITIONS IN THE FINANCIAL YEAR 2009

ACQUISITION OF PUZTEC OY

Breakdown of acquired net assets, EUR 1,000	Recognised fair values in consolidation	IFRS book values before consolidation
Intangible assets	0	0
Property, plant and equipment	27	27
Stocks	59	59
Receivables	583	583
Cash and cash equivalents	3	3
Liabilities	-461	-461
Net assets acquired	211	211

Composition of acquisition cost, EUR 1,000	
Paid in cash	1 730
Expenses directly attributable to acquisitions	92
Acquisition cost, total	1 822
Fair value of acquired net assets	-211
Goodwill	1 611
Cash considerations	1 822
Cash and cash equivalents in acquired subsidiaries	3
Cash flow effect	1 825

ACQUISITION OF BEWATOR OY (FLEXIM SECURITY OY)

Breakdown of acquired net assets, EUR 1,000	Recognised fair values in consolidation	IFRS book values before consolidation
Intangible assets	2 004	274
Property, plant and equipment	50	50
Stocks	838	610
Receivables	1 287	1 287
Cash and cash equivalents	1 888	1 888
Liabilities	-1 982	-1 473
Net assets acquired	4 085	2 636

Composition of acquisition cost, EUR 1,000	
Paid in cash	6 825
Conditional additional purchase price	1 200
Expenses directly attributable to acquisitions	313
Acquisition cost, total	8 338
Fair value of acquired net assets	-4 085
Goodwill	4 253
Cash considerations	-7 138
Cash and cash equivalents in acquired subsidiaries	1 888
Cash flow effect	-5 250

ACQUISITION OF SOKONET OY

Breakdown of acquired net assets, EUR 1,000	Recognised fair values in consolidation	IFRS book values before consolidation
Intangible assets	609	48
Property, plant and equipment	683	830
Stocks	34	34
Receivables	976	976
Cash and cash equivalents	907	907
Liabilities	-502	-394
Net assets acquired	2 707	2 401

Composition of acquisition cost, EUR 1,000	
Paid in cash	4 128
Expenses directly attributable to acquisitions	38
Acquisition cost, total	4 166
Fair value of acquired net assets	-2 707
Goodwill	1 459
Cash considerations	-4 166
Cash and cash equivalents in acquired subsidiaries	907
Cash flow effect	-3 259

ACQUISITION OF CLO PAKKAUKSET OY

Breakdown of acquired net assets, EUR 1,000	Recognised fair values in consolidation	IFRS book values before consolidation
Intangible assets	439	3
Property, plant and equipment	333	333
Stocks	193	193
Receivables	1 980	1 980
Cash and cash equivalents	146	146
Liabilities	-1 626	-1 513
Net assets acquired	1 465	1 142

Composition of acquisition cost, EUR 1,000	
Paid in cash	4 393
Expenses directly attributable to acquisitions	93
Acquisition cost, total	4 486
Fair value of acquired net assets	-1 465
Goodwill	3 021
Cash considerations	-4 486
Cash and cash equivalents in acquired subsidiaries	146
Cash flow effect	-4 340

7. DISPOSALS OF SUBSIDIARIES AND BUSINESSES

FINANCIAL YEAR 2010

In the 2010 financial year, Panostaja Oyj did not sell its subsidiaries or business operations.

FINANCIAL YEAR 2009

Disposals of real estate companies are treated as sales of property, plant and equipment, because the real estate owned by the companies has been used for the Group's business.

8. LONG-TERM PROJECTS

Ongoing business operations do not include any long-term projects in financial years 2009 and 2010.

9. OTHER OPERATING INCOME

EUR 1,000	2010	2009
Proceeds on disposal of tangible assets	**332**	4 242
Insurance indemnities	**4**	1
Other income	**1 638**	797
Total	**1 974**	5 040

A profit of MEUR 5.8 was gained from the sale of real estate belonging to the Group, MEUR 4.2 of which was recognised as revenue in other operating income in financial year 2009. The remainder of the profit (MEUR 1.6) is recorded in the consolidated balance sheet to reduce the value of an associate investment of MEUR 3.2 in Panostaja's real estate fund.

The remainder of the profit from sales will be recognised if the real estate fund holdings are no longer treated as an associated company of the Group.

10. SHARE OF PROFIT OF ASSOCIATES

Information on associated companies is given in Note No. 21 Investments in associates.

11. STAFF EXPENSES

EUR 1,000	2010	2009
Wages and salaries	**33 508**	26 419
Share-based payments	**17**	94
Pension expenses - defined contribution plans	**5 851**	4 578
Other social security expenses	**1 734**	1 469
Total	**41 110**	32 560

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

Information on employee benefits for key management personnel is given in Note No. 37, Related party transactions.

Information on share-based payments is given in Note No. 29, Share-based payments.

The Group's average number of employees during the financial year was 967 (790). The number of staff at year end was 970 (921).

12. DEPRECIATION AND AMORTISATION

EUR 1,000	2010	2009
Depreciation/amortisation by class of assets:		
Property, plant and equipment		
Land and water	**0**	2
Buildings and structures	**27**	367
Machinery and equipment	**3 280**	2 298
Other intangible assets	**30**	14
Intangible assets		
Research and development costs	**148**	56
Intangible rights	**906**	619
Other capitalised long-term expenditure	**334**	238
Amortisation		
Machinery and equipment		10
Goodwill	**1 459**	483
Total	**6 184**	4 087

13. OTHER OPERATING EXPENSES

EUR 1,000	2010	2009
Loss on sales of tangible and intangible assets	**1 093**	24
Rental expenses	**6 062**	4 383
Other changing business expenses	**3 874**	2 779
Other items of expense	**13 634**	12 136
Total	**24 663**	19 322

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

14. FINANCIAL INCOME

EUR 1,000	2010	2009
Dividend income	**16**	5
Foreign exchange gains	**4**	0
Interest and financial income	**342**	1 091
Total	**362**	1 096

15. FINANCIAL EXPENSES

EUR 1,000	2010	2009
Foreign exchange losses	**9**	7
Interest and financial expenses	**2 945**	3 355
Total	**2 954**	3 362

16. INCOME TAXES

EUR 1,000	2010	2009
Direct taxes	**-1 324**	-2 354
Taxes from previous financial years	**2**	-149
Deferred taxes	**2 086**	1 796
Income taxes, total	**764**	-707

Reconciliation between tax expenses in the income statement and taxes calculated at the domestic corporate tax rate (26% in 2009 and 2010):

Profit before taxes	**-3 969**	2 052
Income tax on consolidated pre-tax profit at Finnish tax rates	**1 032**	-534
Tax-exempt income	**239**	0
Effect of consolidated entries due to real estate disposals	**0**	320
Non-deductible expenses	**-525**	-310
Unrecognised deferred tax receivables from tax losses	**-43**	-57
Share of profit of associates	**58**	23
Taxes from previous financial years	**2**	-149
Taxes in the income statement	**764**	-707

17. EARNINGS PER SHARE

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

EUR 1,000	2010	2009
Profit for the financial year attributable to equity holders of the parent company		
Continuing operations	**-2 775**	693
Discontinued operations	**0**	0
Interest on convertible subordinated loan	**828**	828
Profit for financial year for calculation of EPS. Adjusted for dilutive effect	**-1 947**	1 521
Number of shares at year-end	**47 403**	47 403
of which held by the company	**1 263**	1 289
Weighted average number of shares outstanding, 1,000	**46 127**	46 324
Conversion of convertible subordinated loan into shares, 1,000	**10 125**	10 125
Weighted average number of shares outstanding, diluted	**56 252**	56 449

EUR 1,000	2010	2009
Earnings per share calculated from profit attributable to equity holders of the parent company:		
Earnings per share on continuing operations, EUR		
Basic	**-0.060**	0.015
Diluted	**-0.060**	0.015
Earnings per share on discontinued operations, EUR		
Basic	**0.000**	0.000
Diluted	**0.000**	0.000
Earnings per share on continuing and discontinued operations, EUR		
Basic	**-0.060**	0.015
Diluted	**-0.060**	0.015
Extensive consolidated income statement		
Result for the period	**-3 205**	1 345
Extensive statement of earnings items		
Translation differences	**80**	-117
Extensive result for the period	**-3 125**	1 228
Attributable to		
Equity holders of the parent company	**-2 695**	576
Minority interest	**-430**	652
Earnings per share calculated from the extensive income statement's profit attributable to equity holders of the parent company:		
Earnings per share on continuing operations, EUR		
Basic	**-0.058**	0.017
Diluted	**-0.058**	0.017
Earnings per share on discontinued operations, EUR		
Basic	**0.000**	0.000
Diluted	**0.000**	0.000
Earnings per share on continuing and discontinued operations, EUR		
Basic	**-0.058**	0.017
Diluted	**-0,058**	0,017

18. INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Research and development	Other intangible assets	Total
Acquisition 1 Nov. 2009	**36 685**	**3 808**	**1 882**	**2 152**	**44 527**
Additions		**48**	**82**	**540**	**670**
Effect of acquisitions	**5 062**	**773**	**0**	**28**	**5 863**
Effect of disposals		**-7**			**-7**
Deductions				**-4**	**-4**
Acquisitions and disposals	**-761**				**-761**
Foreign exchange differences				**2**	**2**
Transfers between balance sheet groups		**268**	**0**	**-43**	**225**
Acquisition cost 31 Oct. 2010	**40 986**	**4 890**	**1 964**	**2 675**	**50 515**
Accumulated depreciation, amortisation and impairment 1 Nov. 2009	**-271**	**-958**	**-56**	**-1 470**	**-2 755**
Depreciation for the period		**-906**	**-148**	**-335**	**-1 389**
Amortisation and impairment for the period	**-1 459**				**-1 459**
Transfers between balance sheet groups		**-38**		**36**	**-2**
Other changes		**-5**	**-4**	**-4**	**-13**
Accumulated depreciation, amortisation and impairment 31 Oct. 2010	**-1 730**	**-1 907**	**-208**	**-1 773**	**-5 618**
Book value 31 Oct. 2010	**39 256**	**2 983**	**1 756**	**902**	**44 897**

EUR 1,000	Goodwill	Intangible rights	Research and development	Other intangible assets	Total
Acquisition cost 1 Nov. 2008	28 334	2 168		1 704	32 206
Additions		151	691	458	1 300
Effect of acquisitions	9 850	1 546	1 311	33	12 740
Effect of disposals	-1 231				-1 231
Deductions		-39		-114	-153
Acquisitions and disposals	-197				-197
Other changes	-71	-18	-120	71	-138
Acquisition cost 31 Oct. 2009	36 685	3 808	1 882	2 152	44 527
Accumulated depreciation, amortisation and impairment 1 Nov. 2008	-1 005	-507		-1 174	-2 686
Depreciation for the period		-619	-56	-238	-913
Amortisation and impairment for the period	-483				-483
Other changes		5		-58	-53
Effect of acquisitions		163			163
Effect of disposals	1 217				1 217
Accumulated depreciation, amortisation and impairment 31 Oct. 2009	-271	-958	-56	-1 470	-2 755
Book value 31 Oct. 2009	36 414	2 850	1 826	682	41 772

IMPAIRMENT TESTING OF GOODWILL

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

MEUR	2010	2009
Alfa-Kem (Technochemical)	**1.1**	1.0
Flexim Security (Security)	**5.9**	5.9
Heatmasters Group (Heat Treatment)	**0.3**	0.3
Kopijyvä (Digital Printing Services)	**12.1**	9.9
KL-Varaosat (Spare Parts for Motor Vehicles)	**1.9**	1.9
Suomen Helasto (Fittings)	**5.6**	5.6
Suomen Kiinnikekeskus (Fasteners)	**0.6**	0.6
Takoma (Takoma)	**6.6**	3.7
Vindea (Value Added Logistics)	**3.1**	3.1
Ecosir Group (Environmental Technology)	**2.0**	4.3
Total	**39.2**	36.4

For the purposes of impairment testing, the recoverable amounts of business operations are determined by means of value in use. Cash flow projections are based on the Group management's views on the outlook for the next 3–4 years. Cash flows for years subsequent to the forecasting period have been extrapolated using a 2% growth assumption.

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

The pre-tax discount rates used in calculations are as follows (with discount rate [%] for the previous year):

Alfa-Kem 11.4% (12.4%), Flexim Security 9.1% (10.6%), Heatmasters Group 11.5% (13.0%), Kopijyvä 10.9% (10.4%), KL-Varaosat 10.5% (12.0%), Suomen Helasto 9.2% (10.7%), Suomen Kiinnikekeskus 9.2% (11.7%), Takoma 13.3% (12.5%), Vindea 11.5% (13.0%) and Ecosir Group 10.3% (11.9%).

The value in use for all units tested in the company's continuous testing exceeds their book values, with the exception of the Environmental Technology segment, where the carrying amount is MEUR 1.5 greater than the value in use. In October, the company made a goodwill write-down equivalent to this difference. The goodwill write-down of the Environmental Technology segment due to the fact that, as a result of the economic slump, investments in environmental technology have been on hold since late 2008. Planned and tendered client projects have been postponed. The company sold its light and medium-duty product group via an asset deal. The asset deal resulted in a MEUR -0.7 sales loss.

Goodwill impairment testing revealed some vulnerability as far as two income-producing units were concerned. An increase in the discount rate of 1% would result in the following values for goodwill write-downs: Takoma MEUR 0.9 and Environmental Technology MEUR 1.8. On the other hand, lowering the operating margin by 1% would not necessitate a goodwill write-down for Takoma but for the Environmental Technology segment, it would lead to a MEUR 1.9 write-down. In other units producing cash flow, any conceivable changes in key assumptions used in calculations would not result in a situation where the book values of the assets would exceed their recoverable amounts.

In the year of comparison, the value in use for tested units exceeded their book values, with the exception of Alfa-Kem, where the book value was MEUR 0.5 greater than the value in use. The company made a goodwill write-down equivalent to this difference. Alfa-Kem's write-down was due to the company's declining prospects in the industrial and cleaning product groups. The smaller volumes of machine shop clients in industrial products and services the usage of processing fluids and, therefore, diminished demand. The general market trend was downward in the real estate service/maintenance and cleaning product group. Sales in the industrial kitchen product group remained as before.

In the year of comparison, an increase in the discount rate of 1% would have resulted in the following values for goodwill write-downs: Alfa-Kem MEUR 0.6, Takoma MEUR 0.9 and Environmental Technology MEUR 0.6. On the other hand, lowering the operating margin by 1% would have resulted in the following values for goodwill write-downs: Alfa-Kem MEUR 0.7, Takoma MEUR 1.2 and Environmental Technology MEUR 0.9. For Takoma, the difference between the value in use and the book value, according to the calculations, was EUR 7,000. In other units producing cash flow, any conceivable changes in key assumptions used in calculations did not result in a situation where the book values of the assets would have exceeded their recoverable amounts.

19. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land	Buildings	Machinery and equipment	Other tangible assets	Prepayments, fixed assets	Total
Acquisition 1 Nov. 2009	**215**	**7 340**	**21 359**	**247**	**486**	**29 646**
Additions			**3 412**	**6**	**938**	**4 356**
Effect of acquisitions			**5 446**	**1**		**5 447**
Effect of disposals						**0**
Deductions	**-14**		**-557**		**-43**	**-614**
Acquisitions and disposals	**-8**		**-201**			**-209**
Transfers between balance sheet groups			**900**	**8**	**-693**	**215**
Foreign exchange differences	**1**	**4**	**73**			**78**
Other changes			**-449**	**3**	**-38**	
Acquisition cost 31 Oct. 2010	**194**	**7 344**	**29 983**	**265**	**650**	**38 436**
Accumulated depreciation, amortisation and impairment 1 Nov. 2009	**-179**	**-7 162**	**-11 034**	**-131**		**-18 506**
Depreciation for the period		**-27**	**-3 279**	**-30**		**-3 336**
Effect of disposals						**0**
Effect of acquisitions						**0**
Acquisitions and disposals			**-250**			
Foreign exchange differences		**-1**	**-19**			**-20**
Transfers between balance sheet groups			**94**	**-13**		**81**
Accumulated depreciation, amortisation and impairment 31 Oct. 2010	**-179**	**-7 190**	**-14 488**	**-174**		**-22 031**
Book value 31 Oct. 2010	**15**	**154**	**15 495**	**91**	**650**	**16 405**
Acquisition cost 1 Nov. 2008	761	13 257	19 342	220	118	33 276
Additions	460	483	1 706		511	3 160
Effect of acquisitions		-147	877	70		800
Effect of disposals	-303	-4 926	-97	-34		-5 360
Deductions	-700	-1 317	-332	-9	-140	-2 498
Foreign exchange differences	-3	-10	-138		-3	-154
Acquisition cost 31 Oct. 2009	215	7 340	21 358	247	486	29 646
Accumulated depreciation, amortisation and impairment 1 Nov. 2008	-6	-5 515	-9 298	-111		-14 930
Depreciation for the period	-2	-367	-2 298	-14		-2 681
Effect of disposals	-171	-1 373	57	-16		-1 503
Effect of acquisitions			487	10		497
Foreign exchange differences			23			23
Transfers between balance sheet groups			-5			-5
Other changes		93				93
Accumulated depreciation, amortisation and impairment 31 Oct. 2009	-179	-7 162	-11 034	-131		-18 506
Book value 31 Oct. 2009	36	178	10 324	116	486	11 140

20. INVESTMENT PROPERTIES

EUR 1,000	2010	2009
Acquisition cost 1 Nov.	**0**	3 401
Additions	**0**	0
Effect of disposals	**0**	-3 401
Acquisition cost 31 Oct.	**0**	0
Accumulated depreciation 1 Nov.	**0**	1 531
Depreciation	**0**	0
Effect of disposals	**0**	-1 531
Accumulated depreciation 31 Oct.	**0**	0
Book value 1 Nov.	**0**	1 870
Book value 31 Oct.	**0**	0

In the financial year 2009, Panostaja Oyj sold all of its investment properties. The investment properties of Panostaja Oyj were the associated company Tampereenportti Oy, owned in equal share by Panostaja Oyj and the YIT Group, and Kiinteistö Oy Lakalaivan Teollisuustalo I, a subsidiary owned entirely by Panostaja Oyj.

Items recognised in the income statement		
Rental income	**0**	0
Direct operating expenses	**0**	0

There are no contractual obligations relating to future repairs.

21. INVESTMENTS IN ASSOCIATES

EUR 1,000	2010	2009
Book value 1 Nov.	**2 835**	1 787
Share of profit/loss for the financial year	**224**	23
Additions	**0**	1 783
Deductions	**-672**	-758
Book value 31 Oct.	**2 387**	2 835

22. OTHER NON-CURRENT ASSETS

EUR 1,000	2010	2009
Loans receivable	**3500**	3500
Held-for-sale financial assets	**270**	251
Other receivables	**627**	498
Total	**4 397**	4 249
Held-for-sale financial assets		
Investments in unquoted shares:		
At the beginning of the year 1 Nov.	**251**	336
Additions caused by consolidation of operations	**118**	11
Additions	**5**	0
Deductions	**-104**	-96
At year end 31 Oct.	**270**	251

All held-for-sale investments are unquoted share investments. They are valued at cost, because reliable estimates of their fair values are not available.

Other receivables		
At the beginning of the year 1 Nov.	**498**	397
Additions caused by consolidation of operations	**51**	101
Additions	**187**	0
Deductions	**-109**	0
At year end 31 Oct.	**627**	498

Associated company 31 Oct. 2010

EUR 1,000	Registered office	Holding	Assets	Equity	Liabilities	Net turnover	Profit/loss
Keski-Suomen Painotuote Oy	Äänekoski	22.5%	647	119	528	1 184	26
As Koopia Kolm	Tallinn, Estonia	50.0%	1 297	126	1 316	824	-132
PE Kiinteistörahasto I Ky	Helsinki	27.1%	30 222	13 082	17 140	2 795	1 047

Keski-Suomen Painotuote Oy and As Koopia Kolm are associates of Kopijyvä Oy. The figures have been annualised based on the profit/loss reported by the companies 1 Jan.–30 Sep. 2010.

PE Kiinteistörahasto I Ky is an associate in which Panostaja Oyj has a 27.1% interest and which was founded in connection with a sale of Group properties on 23 October 2009. It is a fund investing in logistics and production properties. The fund's first financial year ends on 31 December 2010. The figures have been annualised based on the profit/loss reported by the company 1 Jan.–30 Sep. 2010.

23. DEFERRED TAX ASSETS AND LIABILITIES

CHANGES IN DEFERRED TAXES IN 2010:

EUR 1,000	1 Nov. 2009	Included in income statement	Acquired and sold businesses	31 Oct. 2010
Deferred tax assets:				
Losses verified in taxation	**1 695**	**1 855**	**-30**	**3 550**
Other temporary differences	**407**	**-86**	**0**	**321**
Total	**2 102**	**1 769**	**-30**	**3 871**
Deferred tax liabilities:				
Intangible and tangible fixed assets	**1 482**	**-277**	**280**	**1 485**
Other temporary differences	**248**	**-40**		**208**
Total	**1 730**	**-317**	**280**	**1 693**
Deferred tax, net	**372**	**2 086**	**-310**	**2 178**

CHANGES IN DEFERRED TAXES IN 2009:

EUR 1,000	1 Nov. 2008	Included in income statement	Acquired and sold businesses	31 Oct. 2009
Deferred tax assets:				
Intangible and tangible fixed assets	102	-102	0	0
Losses verified in taxation	0	0	0	0
Other temporary differences	0	1 695	0	1 695
Total	526	-119	0	407
Yhteensä	628	1 474	0	2 102
Deferred tax liabilities:				
Intangible and tangible fixed assets	1 368	-616	730	1 482
Other temporary differences	361	-113		248
Total	1 729	-729	730	1 730
Deferred tax, net	-1 101	2 203	-730	372

The Group has accumulated losses for which there are no entries for deferred tax assets.

24. STOCKS

EUR 1,000	2010	2009
Raw materials and consumables	**13 513**	5 409
Work in progress	**3 655**	2 265
Finished goods and goods for sale	**6 881**	15 347
Total	**24 049**	23 021

An expense totalling TEUR 143 was recognised for the financial year by which the book value of stocks was reduced to correspond to its net realisable value In 2009, an amortisation TEUR 308 was recorded.

25. TRADE AND OTHER RECEIVABLES

EUR 1,000	2010	2009
Trade receivables	**21 063**	18 243
Loans receivable	**297**	196
Accrued income	**2 813**	2 351
Other receivables	**587**	554
Total	**24 760**	21 344

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

DISTRIBUTION OF TRADE RECEIVABLES BY TIME OUTSTANDING

EUR 1,000	2010	2009
Not due	**16 405**	14 001
Overdue by 1–30 days	**3 004**	2 196
Overdue by 31–180 days	**1 042**	1 091
Overdue by 181–360 days	**361**	614
Overdue by more than one year	**251**	341
Balance sheet value of trade receivables	**21 063**	18 243

The Group has recognised an impairment loss of TEUR 189 in trade receivables (TEUR 202 in 2009).

MATERIAL ITEMS INCLUDED IN ACCRUED INCOME

EUR 1,000	2010	2009
Wages, salaries and social security	**113**	204
Annual discounts	**869**	838
Advances	**314**	409
Other	**1517**	900
Total	**2 813**	2 351

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

26. INVESTMENTS HELD AS CURRENT ASSETS

EUR 1,000	2010	2009
Investments held as current assets	**833**	1 979
Total	**833**	1 979

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

27. CASH AND CASH EQUIVALENT

EUR 1,000	2010	2009
Cash in hand and at bank	**10 438**	26 322
Total	**10 438**	26 322

28. INFORMATION ON SHARE CAPITAL

	Number of shares at year-end, 1 000	Share capital, EUR 1,000	Share premium account, EUR 1,000	Invested unrestricted equity fund, EUR 1,000	Total EUR 1,000
1 Nov. 2008	46 076	5 529	4 647	12 403	22 579
Share issues	1 327				
Equity component of convertible subordinated loan				20	20
Costs of share-based payments				95	95
Acquisition of own shares				-675	-675
Disposal of own shares				33	33
31 Oct. 2009	47 403	5 529	4 647	11 876	22 052
Share issues					
Costs of share-based payments				17	17
Disposal of own shares				38	38
Other changes				-357	-357
31 Oct. 2010	47 403	5 529	4 647	11 574	21 750

At the end of the financial year, the share capital of Panostaja Oyj was EUR 5,529,081.60 and the number of shares was 47,403,110.

SHARE PREMIUM ACCOUNT

The share premium account records the amount of money above the nominal value of shares that shareholders pay in a share issue. The sums recorded in the account relate to share issues conducted according to the Limited Liability Companies Act (29 September 1978/734), which was in force until 31 August 2006.

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

INVESTED UNRESTRICTED EQUITY FUND

The invested unrestricted equity fund contains investments having the nature of equity and the sum paid by shareholders in conjunction with share issues concluded after the entry into force of the new Limited Liability Companies Act (1 September 2006) where that sum is not recognised as share capital by an express decision.

OWN SHARES

The price paid to acquire the company's own shares, as well as the related transaction costs, are presented as a deduction from invested unrestricted equity. At the end of financial year 2009 the Group held 1,262,504 (1,289,209) of its own shares.

The dividends paid out to shareholders of the parent company in financial year 2009 totalled MEUR 5.53 (EUR 0.12 euro per share); dividends to minority shareholders of subsidiaries totalled MEUR 0.37. The total amount of dividends paid out in financial year 2008 amounted to MEUR 5.57 (0.12 cents per share).

29. SHARE-BASED PAYMENTS

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

The exercise periods are:

- from 1 January 2010 to 31 December 2011 for Class 2006A options;
- from 1 January 2011 to 31 December 2012 for Class 2006B options; and
- from 1 January 2012 to 31 December 2013 for Class 2006C options.

The exercise prices of share options are:

- the volume-weighted average share price on the Helsinki Stock Exchange over the period from 1 November 2006 to 30 November 2006 for Class 2006A options; however, no less than EUR 1.50;
- the volume-weighted average share price on the Helsinki Stock Exchange over the period from 1 November 2007 to 30 November 2007 for Class 2006B options; however, no less than EUR 2.45;
- the volume-weighted average share price on the Helsinki Stock Exchange over the period from 1 November 2008 to 30 November 2008 for Class 2006C options; however, no less than EUR 3.40.

In the event that the company distributes dividends or assets from unrestricted equity, the exercise price of share options will be reduced by the amount of the dividend decided or the amount of the unrestricted equity distributable after the beginning of the period for determination of the exercise price but before share subscription, as per the dividend record date or the record date of the repayment of capital. By 31 October 2010 the company has distributed dividends and repayment of capital affecting the option programme in an amount totalling 54.3 cents per share. The price of a share to be subscribed for under Class 2006A options was thus EUR 0.957 per share on the balance sheet date.

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

In the financial year 2010, the Board decided that 2006B and 2006C options will not be granted.

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

SHARE-BASED PAYMENTS
OPTIONS

Basic data	2006A
Maximum number of options	460 000
Number of shares per option	1
Original exercise price, EUR	1.50
Dividend adjustment	Yes
Exercise period starts, date (vesting)	1 Jan. 2010
Exercise period ends, date (expiry)	31 Dec. 2011

Numbers of options as at 31 October 2010	2006A	2006B	2006C	Yhteensä
Granted	460 000	0	0	460 000

	2010 Subscription price weighted average euro/share	2010 Number of options	2009 Subscription price weighted average euro/share	2009 Number of options
Beginning of financial year	**1.50**	**460 000**	1.50	460 000
New options granted	**0.00**	**0**	0.00	0
Lost options	**0.00**	**0**	0.00	0
Exercised options	**0.00**	**0**	0.00	0
Expired options	**0.00**	**0**	0.00	0
Close of financial year	**1.50**	**460 000**	1.50	460 000
Exercisable options at close of financial year	**1.50**	**460 000**	1.50	460 000

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

DETERMINING FAIR VALUE

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

The fair value of share options has been measured using the Black-Scholes pricing model and the key assumptions used to determine the fair value of 2006A options granted have been compiled in the following table.

The anticipated volatility has been determined based on the price of parent company shares with due account taken of the remaining validity of the options.

The total fair value of these options amounted to EUR 279,000 and their cost effect in 2010 was EUR 17,000.

Key assumptions used within the Black-Scholes model

Number of options granted	460 000
Average share price at grant date	1.52
Exercise price	1.50
Interest	4.1 %
Time to expiry, years	4.9
Volatility	42 %
Number of options returned	0
Estimated dividend yield*	
Weighted fair value per option, EUR	0.65
Total fair value, EUR	279 000

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

30. FINANCIAL LIABILITIES

EUR 1,000	2010	2009
Long-term financial liabilities measured at amortised acquisition cost		
Loans from financial institutions	**31 502**	32 494
Convertible loan	**16 999**	17 006
Financial leasing loans	**815**	420
Other loans	**256**	370
Total	**49 572**	50 290
Short-term financial liabilities measured at amortised acquisition cost		
Repayments of long-term loans	**13 098**	4 254
Loans from financial institutions	**949**	4 919
Financial leasing loans	**369**	128
Total	**14 416**	9 301

The fair values of liabilities are presented in Note 34 Fair value of financial assets and liabilities.

The Group's loans comprise both variable- and fixed-interest loans. The weighted average of interest rates as at 31 October 2010 was 4.62% (31 October 2009: 5.66%). Fixed-interest financial liabilities total TEUR 16,999; the remaining liabilities are variable-interest liabilities.

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

CONVERTIBLE SUBORDINATED LOAN

Based on a decision taken at the Annual General Meeting on 15 December 2006, the company offered a convertible subordinated loan to domestic institutional investors at a maximum total of EUR 21,250,000.00 which was subscribed in full.

Each of the EUR 106,250.00 bonds entitles the holder to convert the share of the loan into 62,500 Panostaja shares. During the financial year, the 2006 convertible subordinated loan was not used to subscribe for shares. The outstanding loan amounts to EUR 17,212,500.

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

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

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

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

The new shares will confer the right to receive dividends for the first time for the financial year during which they are converted. Other shareholder rights will commence from the date on which the new shares are entered in the Trade Register.

The shares converted on the basis of the convertible subordinated loan will account for no more than 17.6% of the company's shares and voting rights.

During the period under review, no shares were subscribed for using the convertible subordinated loan. The convertible loan has been divided into equity and liability components on the balance sheet. The liability component of the loan was recognised originally on the balance sheet at fair value, which is calculated using the market interest rate of a comparable liability on the date the loan was issued. The equity component has been calculated as the difference between the amount of money received when the loan was issued and the fair value of the liability. The equity component of the convertible loan, EUR 890,000, has been recognised in the invested unrestricted equity fund.

MATURITY DATES OF NON-CURRENT LIABILITIES

Repayments	Loans from financial institutions			Other loans
EUR 1,000	2010	2009	2010	2009
< 1 year	**13 098**	4254	**0**	0
1–2 years	**6 610**	5 692	**17 088**	0
2–3 years	**6 797**	6 788	**0**	17 006
3–4 years	**5 799**	4 437	**0**	0
4–5 years	**6 260**	6 140	**0**	0
> 5 years	**6 043**	9 436	**167**	370

31. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

EUR 1,000	2010	2009
Trade creditors	**11 580**	9 588
Accruals and deferred income	**8 333**	9 101
Other current liabilities	**4 556**	4 131
Total	**24 469**	22 820
Material items included in accrued expenses		
Holiday pay incl. social security expenses	**4 336**	3 975
Accrued wages and salaries	**1 052**	700
Accrued interest	**831**	810
Accrued taxes	**287**	1 609
Accrued employee pension benefits	**394**	241
Other items	**1 433**	1 766
Total	**8 333**	9 101

32. PROVISIONS

EUR 1,000	Provisions for provisions	Re-structuring guarantees given	Total
1 Nov. 2009	258	39	297
Additions	**121**		
Used provisions	**-18**	**-39**	**-57**
31 Oct. 2010	**361**	**0**	**361**

	2010	2009
Non-current provisions	**0**	0
Current provisions	**361**	297
Total	**361**	297

PROVISIONS FOR GUARANTEES GIVEN

Business areas grant some of their products a one-to-three-year product-specific guarantee. Product faults detected during the guarantee period are repaired at the company's expense or the customer is given an equivalent product.

Provisions for guarantees given are recognised based on the estimated probable guarantee expenses.

Provisions for guarantees given are expected to be used within the next year.

33. MATURITY OF MINIMUM LEASE LIABILITIES

EUR 1,000	2010	2009
Finance lease liabilities – minimum lease payments		
Within one year	**369**	128
Between one to five years and no more than five years	**815**	420
Total	**1 184**	548
Finance lease liabilities – present value of minimum lease payments		
Within one year	**412**	146
Between one to five years and no more than five years	**890**	442
More than five years	**0**	0
Total	**1 302**	588
Future finance charges	**-118**	-40
Finance lease liabilities total	**1 184**	548

Tangible fixed assets include machinery and equipment acquired with finance lease agreements.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

2010 BALANCE SHEET ITEM EUR 1,000	Note	Financial assets and liabilities at fair value through profit and loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at amortised acquisition cost	Book values of balance sheet items	Fair value
Non-current financial assets							
Loans receivable	22		**3 500**			**3 500**	**3 500**
Other non-current assets	22		**627**	**270**		**897**	**897**
Current financial assets							
Trade and other receivables	25		**22 171**			**22 171**	**22 171**
Financial assets at fair value through profit or loss		**833**				**833**	**833**
Total		**833**	**26 298**	**270**	**0**	**27 401**	**27 401**
Non-current liabilities							
Loans from financial institutions	30				**31 502**	**31 502**	**31 502**
Convertible subordinated loan	30				**16 999**	**16 999**	**17 876**
Other non-current liabilities					**1 071**	**1 071**	**1 071**
Current liabilities							
Interest-bearing liabilities	30				**14 416**	**14 416**	**14 416**
Trade payables	31				**11 580**	**11 580**	**11 580**
Other liabilities	31				**4 556**	**4 556**	**4 556**
Total		**0**	**0**	**0**	**80 124**	**80 124**	**81 001**

2009 BALANCE SHEET ITEM EUR 1,000	Note	Financial assets and liabilities at fair value through profit and loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at amortised acquisition cost	Book values of balance sheet items	Fair value
Non-current financial assets							
Loans receivable	22		3 500			3 500	3 500
Other non-current assets	22		498	251		749	749
Current financial assets							
Trade and other receivables	25		18 993			18 993	18 993
Financial assets at fair value through profit or loss		1 979				1 979	1 979
Total		1 979	22 991	251	0	25 221	25 221
Non-current liabilities							
Loans from financial institutions	30				32 494	32 494	32 494
Convertible subordinated loan	30				17 006	17 006	17 330
Other non-current liabilities					790	790	790
Current liabilities							
Interest-bearing liabilities	30				9 301	9 301	9 301
Trade payables	31				9 588	9 588	9 588
Other liabilities	31				4 131	4 131	4 131
Total		0	0	0	73 310	73 310	73 634

35. FAIR VALUE HIERARCHY FOR FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

31 Oct. 2010	Fair values at year end Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss			
Investments held as current assets	**833**		
Held-for-sale financial assets			
Investments in unquoted shares			**270**
Total	**833**		**270**

Hierarchy level 1 fair values are based on the quoted prices of corresponding asset items or liabilities in an active market. Hierarchy level 2 fair values are based on other data than quoted prices included in level 1. However, they are based on information that can be ascertained for the asset item or liability in question either directly or indirectly. Level 3 fair values are based on acquisition price as their fair value cannot be reliably determined.

HELD-FOR-SALE FINANCIAL ASSETS

All held-for-sale financial assets are unquoted share investments. They are valued at cost, because estimates of their fair values are not available.

LONG-TERM RECEIVABLES

The book values of non-current receivables are equivalent to the maximum credit risk on the balance sheet date.

TRADE AND OTHER RECEIVABLES

The original book values of sales and other receivables are equivalent to their fair value, because discounting does not have a material effect when maturity is taken into consideration.

LOANS FROM FINANCIAL INSTITUTIONS, CONVERTIBLE SUBORDINATED LOAN AND OTHER NON-CURRENT LIABILITIES

The fair values of liabilities are based on discounted cash flows. The discount rate used for convertible subordinated loans is 3.5%.

TRADE PAYABLES AND OTHER LIABILITIES

The original book values of trade payables and other liabilities are equivalent to their fair values, because discounting does not have a material effect when maturity is taken into consideration.

Reconciliation for financial assets valued at fair value according to level 3

	Held-for-sale financial assets
Opening balance	251
Acquisitions	123
Disposals	-207
Transfers to level 3	0
Transfers from level 3	0
Profit/loss recognised through profit and loss	103
Closing balance	270
Total profit/loss recognised through profit and loss from year-end assets	**103**

36. GUARANTEES AND CONTINGENCIES

EUR 1,000	2010	2009
Guarantees given on behalf of Group companies		
Enterprise mortgages	**41 257**	30 748
Pledges	**58 942**	52 162
Other liabilities	**912**	166

Pledges include pledged shares in the subsidiaries, MEUR 47.3, because the fair value effect would have been minimal.

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

Other rental agreements		
Within one year	**5 927**	4 537
Over one year but within no more than five years	**13 597**	9 007
More than five years	**3 957**	4 443
Total	**23 481**	17 987
Total amount of financing institution loans	**45 549**	41 667

37. INNER CIRCLE EVENTS

The Group's inner circle comprises the parent company as well as subsidiaries and joint venture partners. The inner circle also includes members of the Board, the managing director and the senior management team.

During the financial year, Panostaja has had no inner circle transactions apart from the management work relationship benefits specified below.

The members of the inner circle have not been granted loans or guarantees or other collateral.

Management work-related benefits

EUR 1,000	2010	2009
Salaries and other short term employee benefits	**621**	572
Share-based benefits	**17**	95
Total	**638**	667
Wages and salaries		
Managing director	**175**	173
Board members		
Koskenkorva Matti	**36**	36
Ala-Mello Jukka	**27**	27
Ketola Hannu	**18**	18
Martikainen Hannu	**18**	18
Tarkkonen Hannu	**18**	18
Satu Eskelinen	**14**	0

The 2010 Annual General Meeting confirmed the following remunerations for Board members: the Chairman of the Board is paid EUR 3,000 per month, the Vice-Chairman, EUR 2,250 per month, and every other member of the Board, EUR 1,500 per month. Approx. 40% of the salary paid to a board members' fees are paid in company shares. If, on the day of the AGM, 27 January 2010, a board member owned more than one per cent of the company's total shares, the whole salary was paid in full as cash.

Agreements have been made with some of the managing directors of Panostaja Group companies that they may choose to retire at the age of 55–60.

For the right to early retirement, responsibility accrues, and is recorded and paid for each accounting period. The managing director's retirement age is determined in accordance with the Finnish Employee Pension Act (TyEL).

38. SUBSIDIARIES 31 OCTOBER 2010

GROUP'S PARENT-SUBSIDIARY RELATIONSHIPS	Registered office	Group's holdings, %	Proportion of voting power	Parent holdings, %
Parent company				
Panostaja Oyj	Tampere			
Subsidiaries				
Annektor Oy	Tampere	100.0	100.0	100.0
Digiprint Finland Oy	Jyväskylä	65.8	65.8	65.8
Ecosir Group Oy	Tampere	70.2	70.2	70.2
Eurotermo Holding Oy	Helsinki	63.3	63.3	63.3
Heatmasters Group Oy	Lahti	80.0	80.0	80.0
Kannake Oy	Tampere	70.4	70.4	70.4
Kannake Holding Oy	Tampere	70.4	70.4	70.4
Kiinnikekeskus Services Oy	Tampere	100.0	100.0	100.0
KL-Parts Oy	Tampere	75.0	75.0	75.0
Novacausa I Oy	Tampere	70.0	70.0	70.0
Suomen Helasto Oy	Seinäjoki	100.0	100.0	100.0
Suomen Puunjalostus Oy	Tampere	100.0	100.0	100.0
Takoma Oyj	Tampere	65.1	65.1	65.1
Vindea Group Oy	Tampere	66.1	66.1	66.1

OTHER GROUP OWNED COMPANIES ENGAGED IN BUSINESS	Group's holdings, %
Heatmasters Oy, Lahti	80.0
Heatmasters Sp.zoo, Poland	80.0
Hervannan Koneistus Oy, Tampere	65.1
Kausalan Porras Oy, Keitele	70.0
Keiteleen Porras Oy, Tampere	70.0
KL-Varaosat Oy, Tampere	75.0
Kopijyvä Oy, Jyväskylä	65.8
Ecosir Group Oy, Marttila	70.2
Lahden Lämpökäsittely Oy	80.0
Flexim Security Oy, Helsinki	70.0
Lämpö-Tukku Oy, Helsinki	63.3
Matti-Ovi Oy, Laitila	70.0
Nikkaristo Oy, Imatra	70.0
Oy Alfa-Kem Ab, Lahti	100.0
Suomen Kiinnikekeskus Oy, Tampere	100.0
Suomen Helakeskus Oy, Seinäjoki	100.0
Suomen Puuporras Oy, Tampere	70.0
Tampereen Laatukoneistus Oy, Tampere	65.1
Toimex Oy, Tampere	70.4
Vindea Oy, Hyvinkää	80.0
Domus Print Oy, Tampere	100.0
Lingoneer Oy, Tampere	51.0
Copynet Finland Oy, Vilna	68.0
Takoma Gears Oy, Parkano	65.1

39. JUDICIAL EVENTS

The Board of Adjustment issued a decision in August 2008 regarding capital gains tax on Panostaja Oyj's fixed assets.

In a preliminary ruling on the capital repayment on Takoma Oyj's shares, the Tax Office for Major Corporations decided, in spring 2008, on the basis of an overall valuation, that Panostaja Oyj was a venture capital investor as defined in section 6 of the Finnish Business Tax Act. For capital investors, capital gains from fixed asset shares are considered taxable income.

In the regular assessment in 2007 and 2008, the Tax Office for Major Corporations considered Panostaja Oyj a venture capital investor, in the aforementioned sense, and taxed Panostaja Oyj on capital gains from shares in certain fixed assets. On its taxation for 2007, Panostaja Oyj submitted a claim for adjustment to the Board of Adjustment requesting tax exemption on capital gains from sold shares in fixed assets.

The Board of Adjustment has issued a negative decision regarding Panostaja Oyj's claim for adjustment and considers Panostaja to be a venture capital investor. In mid-December 2009, Panostaja Oyj submitted a complaint about the Board of Adjustment's decision to the Helsinki Administrative Court. The processing of the complaint in the Administrative Court is still in progress.

40. EVENTS FOLLOWING THE BALANCE SHEET DATE

On 22 November Panostaja Oyj's subsidiary Takoma Oyj issued a bulletin stating that it estimated the operating loss for the financial period to total approximately MEUR -1.7. Even though Takoma Oyj's operating profit for the period has a significant impact on Panostaja Group's operating profit, Panostaja Oyj's Board decided to maintain the Group's profit projection. Panostaja Group's operating loss for the period 11/2009–10/2010 was estimated at approximately MEUR -1.5.

Group financial indicators

MEUR	2010	2009	2008
Net turnover, MEUR	**140.5**	120.1	121.1
Operating profit, MEUR	**-1.6**	4.3	6.5
% of net turnover	**-1.1**	3.6	5.3
Profit for the financial year	**-3.2**	1.3	13.8
Return on equity (ROE), %	**-6.9**	2.6	29.6
Return on investment (ROI), %	**-1.1**	4.7	18.5
Equity ratio, %	**31.9**	37.9	36.8
Gearing, %	[3] **123.1**	[3] 58.9	[3] 33.7
Current ratio	**1.55**	2.26	2.78
Gross capital expenditure, MEUR	**15.7**	23.0	24.2
% of net turnover	**11.2**	19.2	19.9
Average number of Group employees	**967**	790	646
Earnings per share (EPS), EUR, diluted	**-0.06**	0.02	0.25
Earnings per share (EPS), EUR, undiluted	**-0.06**	0.02	0.28
Equity per share, EUR	**0.61**	0.80	0.93
Dividend per share, EUR	[1] **0.05**	0.12	[2] 0.12
Dividend payout ratio %, diluted	**-142.9**	444.4	48.6
Dividend payout ratio %, undiluted	**-83.3**	800	42.3
Effective dividend yield, %	**3.4**	8.6	
Effective dividend yield (old Class A share), %			10.4
Effective dividend yield (old Class B share), %			11.2
Price per earnings, P/E	**-24.3**	69.5	
Price per earnings, P/E, (old Class A share)			4.7
Price per earnings, P/E, (old Class B share)			4.3
Average no. of shares during the year, 1,000	**46.127**	46.324	44.760
Number of shares at end of financial year, 1,000	**47.403**	47.403	46.076
Price of shares at year-end, EUR	**1.46**	1.39	
Price of old Class A shares at year-end, EUR			1.15
Price of old Class B shares at year-end, EUR			1.07
Average price of share during the year, EUR	**1.45**	1.19	
Average price of Class A share during the year, EUR			1.29
Average price of Class B share during the year, EUR			1.23
Market capitalisation, MEUR	**69.2**	65.9	50.7

1) Board proposal

2) In addition, Panostaja effected a return of capital (“equity rebate”) in the financial period 2008 in the form of shares of Takoma Oyj stock

3) Liabilities included the convertible subordinated loan

Calculation of financial indicators

Return on investment (ROI), %	=	Profit/loss before taxes + financial expanses x 100 / Balance sheet total – non-interest bearing liabilities (average for financial year)
Return on equity (ROE), %	=	Profit/loss for the period x 100 / Equity (average for the financial year)
Equity ratio, %	=	Equity x 100 / Balance sheet total - advances received
Interest-bearing net liabilities	=	Interest-bearing liabilities - cash
Gearing ratio, %	=	Interest-bearing net liabilities / Equity
Equity per share	=	Equity attributable to equity holders of the parent company / Adjusted number of shares on the balance sheet date
Earnings per share (EPS)	=	Equity attributable to equity holders of the parent company / Adjusted number of shares on average during the period
Current Ratio	=	Current assets / Current liabilities
Dividend per share	=	Dividends paid for the period / Adjusted number of shares on the balance sheet date
Dividend payout ratio, %	=	Dividend per share x 100 / Earnings per share (EPS)
Effective dividend yield, %	=	Dividend per share / Share price on the balance sheet date
Price per earnings, P/E	=	Share price on the balance sheet date / Earnings per share (EPS)

Parent company income statement

EUR 1,000	1 Nov. 09 - 31 Oct. 10	1 Nov. 08 - 31 Oct. 09
NET TURNOVER	**55**	53
Other operating income	**291**	1 301
Staff expenses	**875**	949
Depreciation, amortisation and impairment	**1 080**	62
Other operating expenses	**980**	1 880
OPERATING PROFIT/LOSS	**-2 589**	-1 537
Financial income and expenses	**968**	1 306
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	**-1 621**	-231
Extraordinary items	**-487**	2 127
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**-2 108**	1 896
Appropriations	**-7**	1
Income taxes	**-0**	-188
PROFIT/LOSS FOR THE FINANCIAL YEAR	**-2 115**	1 708

Parent company balance sheet

ASSETS

EUR 1,000	31 Oct. 2010	31 Oct. 2009
NON-CURRENT ASSETS		
Intangible assets	**139**	157
Tangible assets	**162**	83
Investments	**33 858**	34 774
Total non-current assets	**34 160**	35 014
CURRENT ASSETS		
Long-term receivables	**19 357**	21 250
Short-term receivables	**1 755**	1 621
Investments	**0**	1 006
Cash in hand and at bank	**1 368**	8 507
Total current assets	**22 479**	32 385
TOTAL ASSETS	**56 639**	67 399

EQUITY AND LIABILITIES

EUR 1,000	31 Oct. 2010	31 Oct. 2009
CAPITAL AND RESERVES		
Subscribed capital	**5 529**	5 529
Share premium account	**4 691**	4 691
Invested unrestricted equity fund	**15 243**	15 205
Retained earnings/loss	**14 929**	18 755
Profit/loss for the financial year	**-2 115**	1 708
Total equity	**38 277**	45 889
APPROPRIATIONS	**19**	12
CREDITORS		
Long-term liabilities	**17 255**	17 255
Short-term liabilities	**1 089**	4 244
Creditors, total	**18 344**	21 499
TOTAL EQUITY AND LIABILITIES	**56 639**	67 399

Parent company cash flow statement

EUR 1,000	1 Nov. 09 - 31 Oct. 10	1 Nov. 08 - 31 Oct. 09
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/loss for the financial year	**-2 115**	1 708
Adjustments:	**505**	-3 436
Planned depreciation and amortisation	**80**	62
Write-downs	**1 000**	0
Sales profit	**-103**	-970
Sales loss	**2**	717
Financial income and expenses	**-968**	-1 306
Total appropriations	**7**	-1
Taxes	**0**	188
Extraordinary income and expenses	**487**	-2 127
CHANGES		
Change in trade receivables	**517**	-162
Change in trade creditors	**-129**	73
Interest and other financial expenses	**-1 139**	-1 283
Interest and other financial income	**1 167**	1 939
Taxes paid	**-5**	-3 588
Cash flow before extraordinary items	**-1 200**	-4 748
Cash flow from operating activities	**-1 200**	-4 748
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	**-180**	-61
Investments in subsidiaries	**-92**	-5 621
Investments in associates	**0**	-3 250
Investments in other investments	**-5**	-2
Gains on disposal of tangible and intangible assets	**41**	375
Gains on disposal of subsidiaries	**0**	450
Gains on disposal of other shares	**108**	0
Net change in internal receivables	**1 394**	-3 073
Dividends received	**1 089**	543
Cash flow from investments	**2 356**	-10 639
CASH FLOW FROM FINANCING		
Acquisition and disposal of own shares	**38**	-642
Extraordinary income and expenses	**16**	2 242
Change in short-term interest-bearing receivables	**-800**	700
Change in short-term interest-bearing liabilities	**-3 083**	2 044
Change in long-term internal liabilities	**39**	-14
Dividends paid	**-5 512**	-5 545
Cash flow from financing	**-9 302**	-1 215
CHANGE IN CASH AND CASH EQUIVALENTS	**-8 146**	-16 601
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**9 514**	26 115
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1 368**	9 514

Notes to the income statement

31 Oct. 10

VALUATION PRINCIPLES

Tangible fixed assets are included in the balance sheet at cost less planned depreciation. Fixed asset shares are measured at cost.

DEPRECIATION AND AMORTISATION

Planned depreciation and amortisation on non-current assets is calculated at original cost based on expected useful life.

Periods of planned depreciation/amortisation are:

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

NOTES TO THE INCOME STATEMENT EUR 1,000

NET TURNOVER	2010	2009
Administrative expenses charged to Group companies	**55**	53

OTHER OPERATING INCOME	2010	2009
Gains on sale of fixed assets	**103**	970
Other	**188**	331
	291	1 301

STAFF EXPENSES	2010	2009
Wages and salaries	**746**	797
Pension expenses	**97**	124
Other social security expenses	**32**	28
	875	949
Average number of employees during financial year	**10**	10

Pensions for company staff have been arranged through insurance in an external pension insurance company. Pension expenditure is recorded at cost in the year of accrual.

DEPRECIATION AND AMORTISATION	2010	2009
Planned depreciation and amortisation		
Intangible rights	**3**	4
Other capitalised long-term expenditure	**38**	34
Machinery and equipment	**38**	24
Amortisation	**1 000**	0
	1 080	62

OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES	2010	2009
Other operating expenses, internal	**7**	30
Other operating expenses	**894**	1 066
Losses on sale of fixed assets	**2**	0
Loss on sale of fixed asset shares	**0**	717
Rental expenses	**77**	66
Total other operating expenses	**980**	1 880
Auditor's fees		
Auditing fees	**9**	18
Supplementary services	**20**	8
	29	26

FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME AND EXPENSES	2010	2009
Dividend income		
From Group companies	**969**	655
Other	**8**	0
Total dividend income	**977**	655
Other interest and financial income		
From Group companies	**1 031**	1 340
Other	**99**	597
Total interest earned	**907**	1 635
Other interest and financial income, total	**1 130**	1 937
Interest earned on long-term investments and other interest earned, total	**1 130**	1 937
Amortisation of securities	**0**	0
Interest expenses and other financial expenses		
To Group companies	**0**	1
To others	**1 139**	1 286
Total interest expenses	**1 119**	1 141
Total interest expenses and other financial expenses	**1 139**	1 286
Total financial income and expenses	**968**	1 306

EXTRAORDINARY ITEMS

EXTRAORDINARY ITEMS	2010	2009
Extraordinary income/profits from merger	**0**	2 127
Extraordinary expenses/loss from merger	**487**	0
	487	2 127

APPROPRIATIONS

APPROPRIATIONS	2010	2009
Difference between planned depreciation and depreciation for taxation purposes	**-7**	1

INCOME TAXES

INCOME TAXES	2010	2009
Income taxes for the financial year	**0**	0
Income taxes for the previous financial year	**0**	-188
	0	-188

NOTES TO THE BALANCE SHEET
EUR 1,000

INTANGIBLE ASSETS

INTANGIBLE ASSETS	2010	2009
Intangible rights		
Acquisition cost 1 Nov.	**18**	16
Additions 1 Nov.-31 Oct.	**5**	2
Deductions 1 Nov.-31 Oct.	**0**	0
Acquisition cost 31 Oct.	**23**	18
Planned accumulated amortisation 1 Nov.	**-10**	-6
Planned amortisation 1 Nov.-31 Oct.	**-3**	-4
Book value 31 Oct.	**10**	8
Other capitalised long-term expenditure		
Acquisition cost 1 Nov.	**241**	181
Additions 1 Nov.-31 Oct.	**18**	59
Deductions 1 Nov.-31 Oct.	**0**	0
Acquisition cost 31 Oct.	**259**	241
Planned accumulated amortisation 1 Nov.	**-91**	-57
Planned amortisation 1 Nov.-31 Oct.	**-38**	-34
Book value 31 Oct.	**130**	149
Total intangible assets		
Acquisition cost 1 Nov.	**258**	197
Additions 1 Nov.-31 Oct.	**23**	61
Deductions 1 Nov.-31 Oct.	**0**	0
Acquisition cost 31 Oct.	**282**	258
Planned accumulated amortisation 1 Nov.	**-101**	-63
Planned amortisation 1 Nov.-31 Oct.	**-41**	-38
Book value 31 Oct.	**139**	157

TANGIBLE ASSETS

TANGIBLE ASSETS	2010	2009
Machinery and equipment		
Acquisition cost 1 Nov.	**481**	481
Additions 1 Nov.-31 Oct.	**161**	0
Deductions 1 Nov.-31 Oct.	**-69**	0
Acquisition cost 31 Oct.	**574**	481
Planned accumulated amortisation 1 Nov.	**-398**	-374
Accumulated deduction depreciation	**26**	0
Planned amortisation 1 Nov.-31 Oct.	**-38**	-24
Book value 31 Oct.	**162**	83
Accumulated difference between total and planned depreciation 1 Nov.	**12**	13
Increase in accelerated depreciation 1 Nov.-31 Oct.	**7**	0
Decrease in accelerated depreciation 1 Nov.-31 Oct.	**0**	-1
Accumulated difference between total and planned depreciation 31 Oct.	**19**	12
Total tangible assets		
Acquisition cost 1 Nov.	**481**	481
Additions 1 Nov.-31 Oct.	**161**	0
Deductions 1 Nov.-31 Oct.	**-69**	0
Acquisition cost 31 Oct.	**574**	481
Planned accumulated amortisation 1 Nov.	**-398**	-374
Accumulated deduction depreciation	**26**	0
Planned amortisation 1 Nov.-31 Oct.	**-38**	-24
Book value 31 Oct.	**162**	83

INVESTMENTS	2010	2009
Holdings in Group companies		
Acquisition cost 1 Nov.	**31 500**	26 043
Additions 1 Nov.-31 Oct.	**103**	7 458
Deductions 1 Nov.-31 Oct.	**-1 003**	-2 001
Acquisition cost 31 Oct.	**30 601**	31 500
Participating interests		
Acquisition cost 1 Nov.	**3 250**	717
Additions 1 Nov.-31 Oct.	**0**	3 250
Deductions 1 Nov.-31 Oct.	**0**	-717
Acquisition cost 31 Oct.	**3 250**	3 250
Other shares and holdings		
Acquisition cost 1 Nov.	**24**	16
Additions 1 Nov.-31 Oct.	**5**	8
Deductions 1 Nov.-31 Oct.	**-21**	-0
Acquisition cost 31 Oct.	**8**	24
Investments, total		
Acquisition cost 1 Nov.	**34 774**	26 776
Additions 1 Nov.-31 Oct.	**108**	10 716
Deductions 1 Nov.-31 Oct.	**-1 023**	-2 718
Acquisition cost 31 Oct.	**33 859**	34 774

LONG-TERM RECEIVABLES	2010	2009
Subordinated loans from Group companies	**7 113**	3 128
Loans receivable from Group companies	**8 744**	14 622
Other receivables	**3 500**	3 500
	19 357	21 250

SHORT-TERM RECEIVABLES	2010	2009
Trade receivables from Group companies	**925**	1 264
Loans receivable from Group companies	**800**	113
Other receivables	**4**	185
Interest receivable from Group companies	**17**	27
Interest receivable, external	**0**	26
Accrued liabilities and deferred income	**9**	7
	1 755	1 621

Material items included in accrued income		
Advances	**9**	7
Others	**0**	0
	9	7

Investments held as current assets

Investments held as current assets recorded/ measured at balance sheet date rates.	**0**	1 006

CAPITAL AND RESERVES	2010	2009
Share capital 1 Nov.	**5 529**	5 529
Increase in share capital and share issue	**0**	0
Share capital 31 Oct.	**5 529**	5 529
Share premium account 1 Nov.-31 Oct.	**4 691**	4 691
Invested unrestricted equity fund 1 Nov.	**15 205**	15 848
Increase in share capital and share issue	**0**	0
Purchase/disposal of own shares	**0**	-675
Board of Directors remuneration in form the of own shares	**38**	32
Repayment of equity	**0**	0
Invested unrestricted equity fund 31 Oct.	**15 243**	15 205
Retained earnings/loss 1 Nov.	**20 463**	24 324
Dividends paid	**-5 534**	-5 569
Retained earnings/loss 31 Oct.	**14 929**	18 755
Profit/loss for the financial year	**-2 115**	1 708
Total capital and reserves	**38 277**	45 889
Distributable unrestricted equity 31 Oct.	**28 056**	35 668

Appropriations

Appropriations consist of cumulative accelerated depreciation.	**19**	12

CREDITORS	2010	2009
Long-term liabilities		
Convertible subordinated loan 2006	**17 213**	17 213
Deferred tax liability	**0**	0
Other long-term liabilities	**3**	42
	17 216	17 255
Amounts owed to Group companies		
Other creditors	**39**	0
	39	0
Total long-term liabilities	**17 255**	17 255
Short-term liabilities		
Loans from credit institutions	**0**	3 039
Trade creditors	**51**	118
Other creditors	**169**	173
Accruals and deferred income	**844**	846
	1 064	4 175
Amounts owed to Group companies		
Trade creditors	**0**	0
Other creditors	**25**	69
	25	69
Material items included in accruals and deferred income		
Holiday pay incl. social security expenses	**77**	79
Salaries and social security expenses	**5**	0
Accrued employee pension benefits under Employees' Pensions Act TEL 35 18	**13**	13
Accrued interest	**748**	748
Accrued taxes	**0**	5
Other items	**1**	1
	844	846
Total short-term liabilities	**1 089**	4 244

OTHER NOTES
EUR 1,000

COLLATERAL AND CONTINENT LIABILITIES	2010	2009
On behalf of Group companies		
Guarantees given	**17 486**	17 768
Rent liabilities		
Within one year	**2**	2
Between one and five years	**1**	3
More than five years	**0**	0

Information on shares

SHARES AND SHARE CAPITAL

At the end of the financial year, the company's share capital amounted to EUR 5,529,081.60. The number of shares in circulation at year-end was 47,403,110.

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

During the 2009 financial year, Class A and Class B shares were consolidated into a single class. Following consolidation, each share has one vote and the same shareholder's rights.

According to the Shareholder Register as at 31 October 2009, the company has 4,050 (3,910) shareholders. The company shares owned by the company's Board of Directors and Managing Director total 6,551,554, representing 13.2% of the shares.

In accordance with decisions made by the AGM on 26 January 2009 and the Board of Directors, Panostaja Oyj awarded board members a total of 5,585 shares as meeting remuneration on 18 December 2009 as well as a total of 7,023 shares on 11 March 2010, 7,222 shares on 10 June 2010 and 6,875 shares on 9 September 2010 in accordance with the decisions made by the AGM on 27 January 2010 and the Board of Directors.

On 27 January 2010, the AGM authorised the Board of Directors to decide on the acquisition of own shares in such a way that own shares would be acquired together or in several instalments so that, on the basis of the authorisation, it would be possible to acquire own shares to a maximum of one-tenth of all the company's shares, together with the own shares held by the company or as security by others in its subsidiaries. The Board of Directors has not used the authorisation granted by the AGM to acquire the company's own shares during the review period.

At the end of the review period, the company held 1,262,504 own shares. At the end of the reporting period, the number of own shares corresponded to 2.7 per cent of the total number of shares and voting rights.

During the period under review, Panostaja Oyj received two notifications pursuant to Chapter 2, Section 9 of the Securities Markets Act concerning changes to ownership in a company.

Due to a convertible subordinate loan issue on 15 January 2007, the Etera Mutual Pension Insurance Company's potential future shareholding in Panostaja Oyj is a total of 6,250,000 shares and votes, provided that Etera makes full use of its 2006 exchange rights for Panostaja's convertible capital loan. The shareholding is equivalent to 11.98% of the number of Panostaja Oyj's post-exchange shares and votes, taking into consideration the shares issued by the date of the bulletin.

The Fennia Mutual Pension Insurance Company's potential future shareholding in Panostaja Oyj is a total of 4,324,576 shares and votes, provided that Fennia makes full use of its 2006 exchange rights for Panostaja's convertible capital loan. The shareholding is equivalent to 8.74% of the number of Panostaja Oyj's post-exchange shares and votes, taking into consideration the shares issued by the date of the bulletin.

SHARE TRADING

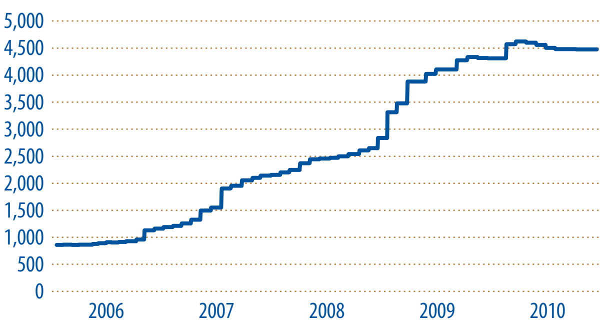
Panostaja Oyj's share price fluctuated between EUR 1.32 and EUR 1.75 during the year under review. The exchange of shares totalled 5,301,507 individual shares, which represents 11.2% of share capital. The October share closing rate was EUR 1.46. At the end of the period, the company's market capitalisation stood at MEUR 69.2.

SHARE TRADE AND RATES

	Lowest, (EUR)	Highest, (EUR)	Adjusted trading no. of shares	% of shares
2010	**1.32**	**1.75**	**5.301.507**	**11.2**
2009	0.89	1.40	8.108.040	17.5

	A SHARE				B SHARE			
	Lowest, (EUR)	Highest, (EUR)	Adjusted trading no. of shares	% of shares	Lowest, (EUR)	Highest, (EUR)	Adjusted 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	1.20	999.167	8.7
2005	0.59	1.06	1.353.791	7.8	0.65	1.09	949.059	9.3
2004	0.35	0.85	2.410.488	13.4	0.37	0.76	2.213.432	23.7

NUMBER OF SHAREHOLDERS



SHARE PRICE HISTORY (B SHARE COMBINED ON 14 NOV. 2008)

Major shareholders

TEN LARGEST SHAREHOLDERS 31 OCTOBER 2010

		No. of shares held	% of shares
1	Koskenkorva Matti Olavi	6 381 873	13.46
2	Koskenkorva Maija Kristiina	5 071 742	10.70
3	Koskenkorva Mauno	2 375 173	5.01
4	Keskinäinen vakuutusyhtiö Fennia	2 262 076	4.77
5	Keskinäinen eläkevakuutusyhtiö Etera	1 500 000	3.16
6	Panostaja Oyj	1 262 504	2.66
7	Koskenkorva Mikko Matias	1 245 139	2.63
8	Johtopanostus Oy	1 030 000	2.17
9	Tampereen Seudun Osuuspankki	985 334	2.08
10	Malo Hanna Maria	982 207	2.07
		23 096 048	48.72
Other shareholders		24 307 062	51.28
Total		47 403 110	100.00

BREAKDOWN OF SHAREHOLDING BY AMOUNT CATEGORY AS AT 31 OCTOBER 2010

	No. of shareholders		No. of shares/ voting rights	
No. of shares	No.	%	No.	%
1 – 1000	2 148	53.04	1 095 801	2.31
1001 – 10000	1 631	40.27	5 349 529	11.28
10001 – 100000	233	5.75	6 092 659	12.86
100001 – 1000000	30	0.74	13 536 054	28.55
1000001 –	8	0.2	21 128 507	44.57
Total	4 050	100.00	47 202 550	99.57
of which nominee-registered	5		13 237	0.02
In joint accounts			200 560	0.43
Number of shares issued			47 403 110	100.00

BREAKDOWN OF SHAREHOLDING BY SECTOR AS AT 31 OCTOBER 2010

	No. of shareholders		No. of shares/ voting rights	
Sector	No.	%	No.	%
Enterprises	167	4.12	4 164 944	8.79
Finance and insurance	13	0.32	4 644 945	9.80
Public corporations	1	0.03	1 500 000	3.16
Private households	3847	94.99	36 559 235	77.12
Non-profit making organisations	13	0.32	307 253	0.65
Foreign	9	0.22	12 936	0.03
Total	4050	100.00	47 189 313	99.55
of which nominee-registered	5		13 237	0.02
In joint accounts			200 560	0.43
Number of shares issued			47 403 110	100.00

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

Panostaja Oyj's distributable funds, including loss for the financial year EUR 2,115,423.40 and the invested unrestricted equity fund at EUR 15,242,992.79, amount to EUR 28,056,077.23.

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

- the profit for the financial year be transferred to the retained earnings account
- a dividend of EUR 0.05 be paid.

According to the proposal, the dividend will be paid to those shareholders who, on the recording date 1 February 2011, are on the Euroclear Finland Oy's list of shareholders. The proposal states that the dividend will be distributed on 8 February 2011 and that dividend will not be paid on own shares held by the company.

Furthermore, the Board proposes that the Annual General Meeting authorise the Board to use its discretion to decide on a potential distribution of assets to shareholders – the financial situation permitting – either as a dividend of profits or asset distribution from the invested unrestricted equity fund. The maximum total value of the asset distribution is EUR 4,000,000.

The authorisation is proposed to include the right of the Board to decide on all other terms and conditions relating to the above-mentioned asset distribution.

The authorisation is proposed to remain valid until the next AGM.

The Board of Directors has decided that the payment of a dividend does not jeopardise the company's solvency.

Tampere, 15 December 2010

Matti Koskenkorva Chairman	Jukka Ala-Mello Vice-Chairman
Hannu Ketola	Hannu Tarkkonen
Hannu Martikainen	Satu Eskelinen
Juha Sarsama Managing Director	

Auditor's report

TO THE ANNUAL GENERAL MEETING OF PANOSTAJA OYJ

We have audited the accounting records, the financial statements and the administration of Panostaja Oyj for the period from 1 November 2009 to 31 October 2010. The consolidated financial statements include the Group's balance sheet, income statement, cash flow statement, statement of changes in equity and the related, as well as the parent company's balance sheet, income statement cash flow statement and related notes.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

REPONSIBILITIES OF THE AUDITOR

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

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

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

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

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

STATEMENT ON THE PARENT COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

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

Tampere, 15 December 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela	Janne Rajalahti
APA	APA

PANOSTAJA OYJ
Postitorvenkatu 16, FI-33840 Tampere / P.O. Box 783, FI-33101 Tampere
Tel. +358 10 217 3211 / Fax +358 10 217 3232 / panostaja@panostaja.fi / www.panostaja.fi