panostaja

We develop and grow Panostaja companies to be among the top SMEs in Finland

Annual Report 2013

Panostaja in brief

» We develop and grow Panostaja companies to be among the top SMEs in Finland

» We are an active majority shareholder

» Shareholder value increases through corporate acquisitions and correctly-timed divestments

Mission

Panostaja works as an active owner together with the entrepreneurs with the aim of developing the companies it owns into leading businesses in their respective sectors, thereby increasing the shareholder value for the owners of both the parent company and the business areas.

Vision

We are the most sought-after ownership partner in the SME sector, with which all stakeholders want to co-operate to develop investment targets because of excellent earnings and effective, open and forecastable operating practices.

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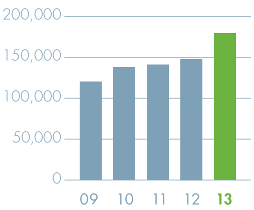
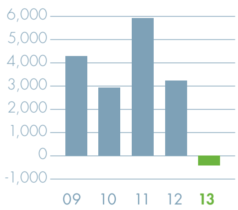
Key figures

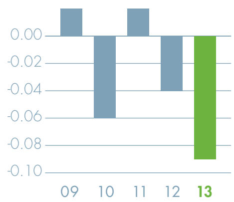
Net sales (EUR 1,000)



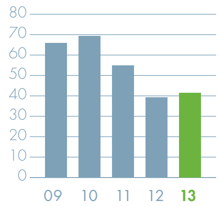
EBIT (EUR 1,000)



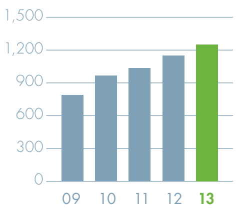
Earnings per share (€)



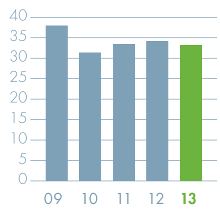
Share capital market value (MEUR)



Average number of employees



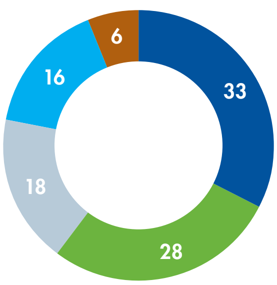
Equity ratio (%)



(EUR 1,000)	2013	2012
Net sales	179 618	147 897
EBIT	-416	3 229
Profit before taxes	-3 704	-29
Profit from continuing operations	-6 127	-1 910
Profit from discontinued operations	607	-580
Profit for the financial period	-5 520	-2 490
For shareholders of the parent company	-4 628	-1 984
For minority shareholders	-892	-506
Earnings per share (EPS) (€), diluted	-0,09	-0,04
Earnings per share (EPS) (€), undiluted	-0,09	-0,04
Equity per share (€)	0,59	0,56
Capital repayment per share (€)	*0,00	0,04
Dividend per share (€)		
Equity ratio (%)	33,2	34,1
Gross capital expenditure (MEUR)	21,2	6,2
Number of shares at the end of the financial period (1,000)	51 733	51 733
Avg. no. of Group employees	1 251	1 152

*Board of Directors proposal

Distribution of net sales, %
October 31, 2013



- Technology industry
  - Takoma
  - Heat treatment
  - Value-added logistics
- Digital printing services
- Security
- Building
  - Supports
  - Fittings
  - Ceiling Materials
- Spare parts for motor vehicles

Holdings were actively developed

- Net sales MEUR 179.6 (MEUR 147.9), growth 21%
- EBIT without one-time items MEUR 4.6 (MEUR 6.2), loss -26%
- EBIT MEUR -0.4 (MEUR 3.2)
- Loss for the financial year MEUR -5.5 (MEUR -2.5)
- Earnings per share (undiluted) -9.0 cents (-3.9 cents)
- Equity per share EUR 0.59 (EUR 0.56) and equity ratio 33.2% (34.1%)
- Holdings were actively developed in line with strategy
- Panostaja's corporate acquisitions: DMP, Selog, Eurohela Trading, Mainospiste Newex, Lappeenrannan Lukko- ja Varustepalvelu, Mainos-PainoDuo, KuvatKirjaksi
- Panostaja's corporate divestments: Suomen Kiinnikekeskus, Matti-Ovi, Toimex
- Takoma in business restructuring proceedings
- Issue of MEUR 7.5 hybrid loan
- DMP the best place to work in the graphic industry

We represent the Finnish SME sector

Company	Year of investment	Share of ownership	Sector
Kopijyvä, DMP-Digital Media Partners	2008, 2012	56%	Digital printing services
Flexim Security	2007	70%	Security
Takoma	2007	63%	Takoma
Vindea	2003	54%	Value-added logistics
Suomen Helakeskus	2007	95%	Fittings
Selog	2012	60%	Ceiling Materials
Heatmasters	2007	80%	Heat treatment
KL-Varaosat	2007	75%	Spare parts for motor vehicles

Associated companies: Ecosir Group Oy 49,78 %, Spectra Yhtiöt Oy 32,0 %.

Clearly-defined investment criteria

- Various fields in the Finnish SME sector in a decentralized manner
- Fields with significant growth potential either via organic growth or corporate acquisitions
- Primarily buy-out acquisitions, but growth financing may also be offered
- Majority shareholding
- Financing not given to projects requiring major product development investments
- SMEs with healthy finances: positive cash flow predicted. No companies needing reorganization
- Companies acquired have net sales of MEUR 10–30
- SMEs that have the potential to achieve a significant market position in their field.

Panostaja guarantees business continuity in the SME sector

- In the next 10 years, up to 50,000–60,000 businesses will face a generational transition
- 25 percent of SMEs expect a change of generation or ownership in the next five years The overall share has remained even with the previous year's level
- The most obvious challenge is to find a suitable successor or buyer
- A total of 2,500–3,000 corporate restructurings are carried out in Finland every year
- Panostaja is interested in approximately 1,000 businesses that meet the set investment criteria
- Panostaja assesses about 100–150 potential SMEs each year

Success through our strengths

Acquisition

- Majority shareholder status in Finnish SMEs
- Fields that are in the growth or reorganizational stage
- Investing capital from the company's own balance sheet

Integration

- Controlled generational transition
- Acquired business becomes part of the Group through established processes
- The tools and systems required for the development and management of the company are at the managing director's disposal
- Opportunity for commitment through ownership

Development

- Comprehensive financing arrangements
- Active Board work
- Creation of strategies
- Knowledge of the sector
- Development of financial, marketing and management systems
- Expansion through corporate acquisitions

Release

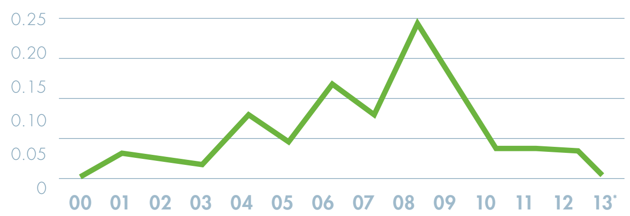
- To render the company operationally independent as quickly as possible
- To release the company to the new owner at the right time
- Increase of shareholder value

Our goal is to increase shareholder value

Financial objectives

- The Group's objective is the constant increase of shareholder and market value so that the overall yield of shares exceeds the average long-term yield of the NASDAQ OMX Helsinki Small Cap Index.
- Return on equity is at least 20%, with the objective for the internal rate of return (IRR) being more than 22% for each business area.
- The goal for the five-year period 2014–2018 is cumulative earnings per share (EPS) of 0.80 euro.
- Gearing ratio is at least 40% when subordinated loans are included in equity
- Distribution of profits reflects the development of the Group's result, and the aim is to distribute at least half of the annual consolidated profit targeted at the parent company shareholders, either as dividends, capital repayments or the repurchase of shares.

Dividend history and capital repayments during 2000–2013



*Board of Directors proposal

Financial indicators	Goal
Return on equity (ROE) %	20 %
Equity ratio, including subordinated loan	40 %
Cumulative five-year target (2014–2018) earnings per share (EPS) EUR	0.80 €

Values

Entrepreneurship is an attitude

- We respect entrepreneurship and an entrepreneurial attitude. We want this attitude to be prevalent at all levels.

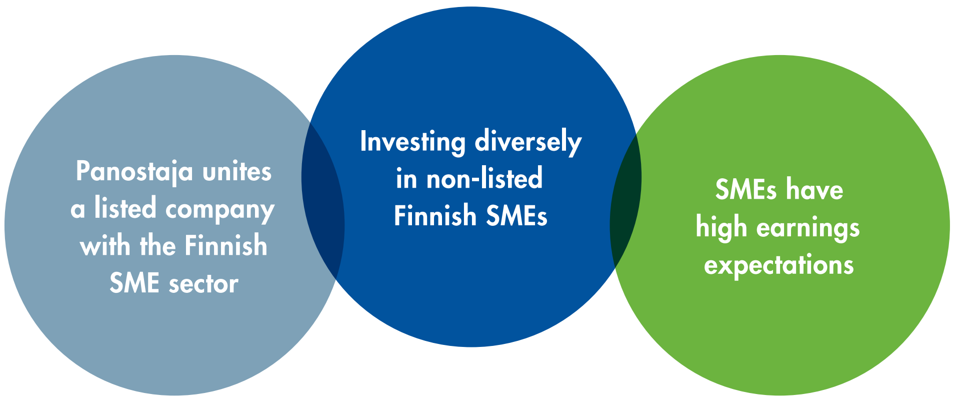
Renewal and expertise

- Renewal is indispensable to development. We encourage renewal and, in order to support it, seek to create the prerequisites for the development of expertise.

Trust and openness

- Trust is the very core of our activities. We work openly in relation to all our stakeholders.

Panostaja as an investment target



The 2013 financial period has been busy at Panostaja. We began the period actively with corporate acquisitions, and now, one year on from those acquisitions, we have reason to stop for a moment and assess whether the targets set for the acquisitions have been reached.

Immediately at the beginning of November, we bought the entire share capital of Oy Eurohela Trading Ltd and a majority of the share capital of Selog Oy. Less than one month after these transactions, we carried out a significant expansion in the market for digital printing services, when we bought DMP-Digital Media Partners Oy, and got its key personnel involved as owners in a company aiming to be a pioneer in the sector.

So what has happened during the year?

Selog Oy and its operations were integrated into the Panostaja Group very quickly and seamlessly, and the process did not cause any disturbances to the daily functions of the company. Together with other owners, we have drawn up a new growth strategy for the company, which we are already single-mindedly implementing.

After the acquisition of Oy Eurohela Trading Ltd, the strategic goal was to separate construction and furniture fittings from each other, and to make the loss-making construction fittings business profitable again. This goal has also been achieved during the financial period.

The purpose of the purchase of DMP-Digital Media Partners Oy was to bring to Kopijyvä Oy a new kind of expertise and insight into digital content production and marketing tools. The real test of this merger was how the customers receive this new broader range of services. The profits achieved in customer accounts during the first year together show that this corporate acquisition is also functioning according to the targets set for it.

In the spring, we issued a MEUR 7.5 hybrid loan for institutional investors. This was an interesting project and also achieved the targets set for it.

The change in bank financing underway throughout Europe and the tightened bond market mean that we must continue to evaluate and issue alternative financial instruments in order to satisfy the capital needs of the company. It is extremely important that a working bond market is also created for smaller companies. It is good that many operators have taken on board as a shared objective the creation of an efficient debenture loan market for the needs of the SME sector too. In my opinion, the interest of domestic institutions alone would be enough to create the necessary demand for such loans.

Change characterized our last financial period in many ways. Our Senior Management Team changed in January 2013, when Minna Telanne accepted the role of Development Director and the responsibility of developing our management system. Panostaja values include the development of expertise and our aim is that every year there will be an ongoing development program throughout the Group, which will give participants the chance to develop and learn together. Our richness in Panostaja Group is the diversity of segments, and operating practices considered good can also be duplicated for the use of others.

This time, excellent supervisor work was the theme of the development of expertise. Training was targeted at the middle management of our companies. The number of participants exceeded our target and the best thing was that the whole group managed to complete the year-long program right to the end. Bearing in mind how busy everyone is at work, I take my hat off to all those who completed the training. Thanks to all participants for their efforts.

During the program, we got ideas about how we can help our companies towards better management. We will be implementing these ideas during the coming financial period.

Change was present in practically all our business segments. Perhaps the best change is evident in the operations of Flexim Security. When, about six years ago, we considered the company's strategy together with executive management, we talked about physical objects: locks, door-closing devices, and their distribution agreements and strategies. Now the focus is on the company's own product development, software and the services built around them, which guide and monitor the door environment and its related physical products.

Digitization and moving closer to the customer from the product to the service and in the value chain are realities, which are truly on the agenda of absolutely all our companies.

The end of the financial period was characterized by several planned divestments. We sold Matti-Ovi, which the present management had got into excellent condition. The sales process was quite long and there were many alternatives.

I myself am particularly happy that a new owner was found in Finland and that the development of Matti-Ovi can continue, whilst continuing to respect traditions.

The sale of Suomen Kiinnikekeskus Oy was really a question of the fact that the technical wholesale market had become too concentrated from our point of view. No role was really found for the company in a market that had been divided into two. After restructuring, we found a buyer for the company, which can now develop it as part of its own operations.

After the financial period, we also brought to a conclusion the sales of Toimex Oy. Toimex is a highly successful company in the small HEPAC supports segment. The new ownership base guarantees Toimex sure and stable operating conditions and, from our own perspective, we were able to free up some capital for possible new and faster-growing segments.

Throughout the financial period, we worked as hard as we could with the change process at Takoma Oyj. The tough decisions to wind up unprofitable operations, the redirection of business and the acquisition of new customer accounts have characterized Takoma's year.

Unfortunately, the speed of change has been too slow. In order to preserve the remaining healthy operations, we decided to file for business restructuring for Takoma Oyj.

As I write this, the fate of our application is not yet known, but I myself am convinced that the company has parts in excellent health, whose business we will endeavor to preserve through the restructuring procedure, and then in future also to develop.

The decision is of course regrettable, but perhaps also typical of these times – change in the subcontractor chain of Finnish industry is fierce, maybe fiercer than we yet believe. It is not merely a question of labor costs; it is also because our expertise has begun to fall behind. Those who are successful in the industry, and fortunately there are such companies, base their success on excellent and unique expertise. This expertise, however, cannot be built by acting as a subcontractor to one or just a few customers. Change is nonetheless an opportunity. That's how I myself want to think of the matter.

During the year, much has been said in Finland about entrepreneurship and endeavor. Start-up software and games businesses have been the object of interest and for good reason. On the other hand, a guest article in the annual report states that in 2011, the Finnish SME sector employed about 870,000 people, which was about 62% of total employment and, what is more, most of them were employed in traditional SMEs.

I think that one of the key questions from a point of view of the Finnish economy is how these companies can confront the change that is ongoing and make it into an opportunity for themselves.

I believe that Finland will continue to be a good place to be an entrepreneur and to grow business. It is quite right to discuss about structures and costs that possibly prevent or hinder the start-up or growth of business in Finland. Something that we cannot change is our location, and the fact is that the main markets of many companies, including SMEs, have moved and are continuing to move further away than we are used to.

Long-term ownership plays a key role in the change process for companies. Because of that, I also believe that Panostaja has and will continue to have the opportunity to nurture successful companies in selected segments.

The year has again been full of interesting things, excellent people, fantastic partners and many new acquaintances. Behind all these things, however, lie a person and a human being. This then is the right place to thank you all, both together and separately – Thank you for the past year.

Juha Sarsama
CEO

2013 *New business and divestments*

During the financial period, Panostaja has actively carried out its role as an investment company. Some of the subsidiaries had matured to the point where their divestment was the best way to realize the objectives and functions of the owner. As a responsible owner, the company applies itself to the development of the companies it owns, which sometimes requires making tough decisions. The year, however, also featured some happy and inspiring things.

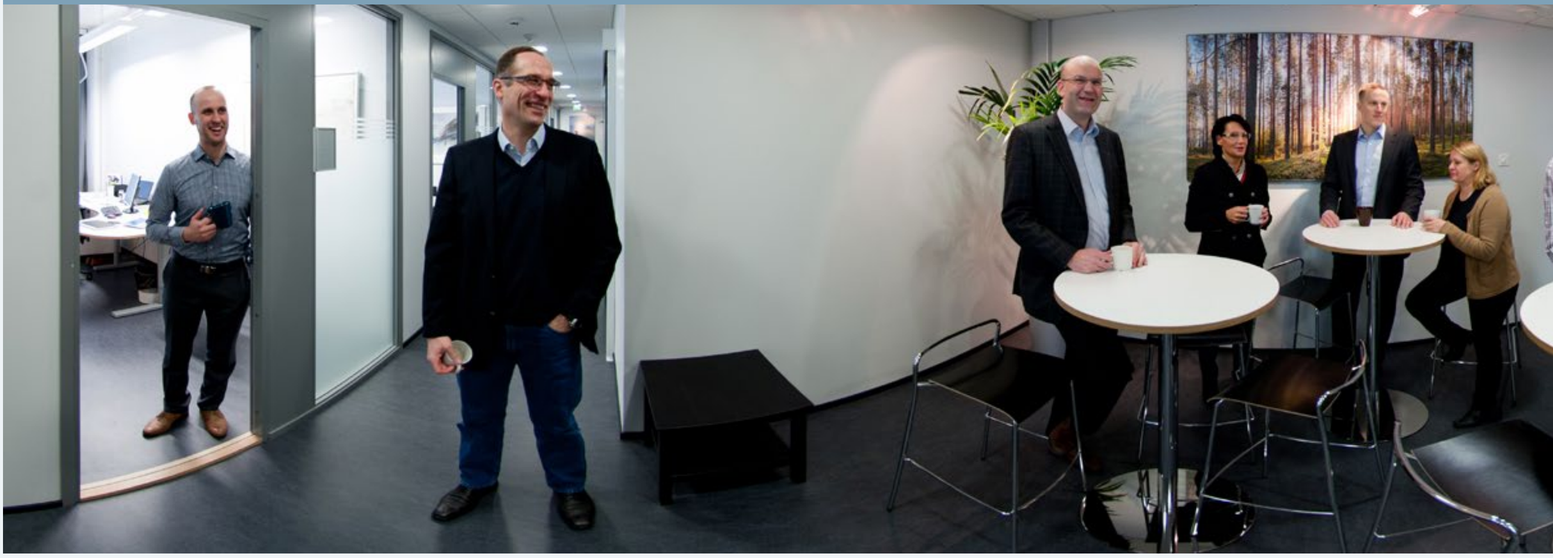
A dynamic start

The 2013 financial year began in November 2012 by strengthening the Fittings segment and establishing a completely new business segment. You can read about the development of Helakeskus and ceiling materials wholesaler Selog – along with all the other Panostaja companies – in their own separate business reviews elsewhere in this annual report.

During the year, many Panostaja companies took new directions.

The managing directors of KL-Varaosat and Heatmasters Group were changed in November 2012 and in late 2013, respectively.

"People here have worked purposefully and gone through difficult times, especially with their own strong concept, which is unique from the perspective of the whole Finnish wholesale market. That's why the offer I received to be Managing Director of KL was so interesting," said new Managing Director, Juha Kivinen, a year ago.



Making a difference

The brightest news of November 2012 included Vindea's capture of Metso Paper's material handling functions.

As a result of the agreement, Vindea established itself in Jyväskylä where it takes care of goods reception logistics, warehouse functions and packaging, loading and dispatch operations at Metso Paper's Rautpohja plant.

"The start of operations in the Jyväskylä region means that Vindea can focus strongly on acquiring other customer accounts too in the area of Jyväskylä. "The capture of two large outsourcing projects is bringing a nice spark to the autumn," enthused Vindea's Managing Director, **Jouni Arolainen**, at the time.

Vindea has widely excelled as a developer of factory logistics. In Vaasa, co-operation with industrial energy industry supplier, VEO, resulted in the complete renewal of its warehouse layout.

More about Vindea in its own review in the Business Segments section.

A maker of new things

The Senior Management Team of Panostaja also experienced change when **Minna Telanne** Lic. Sc. (Admin.) took over as new Development Director in January.

"The development of management practices has always interested me. I have also done everything that I have talked to others about with a hands-on approach. I have seen how improving and streamlining management practices, processes and activity can achieve results," said Telanne about hew new career as a management developer, having previously been a teacher, development manager, consultant, HR director and finally an entrepreneur.

She has previously served as Business Director at Leading Partners Oy, Human Resources Director at OpusCapita Oy and Consultant and Profit Centre Manager of MPS Finland Consulting Oy, amongst other positions.

More from being together

One of the strongest developers of the financial period was without doubt Kopijyvä, whose service business was expanded with the purchase of the entire share capital of DMP-Digital Media Partners. As a result of the transaction, a modern printing and direct marketing company was created.

"The acquisition will strengthen our strategy. Kopijyvä and DMP are growing and profitable enterprises, and the consortium will be a leading player and pioneer in the field. Our goal is to develop Kopijyvä and DMP into an even stronger national operator and to internationalize their business activities. Currently, the printing field is undergoing many changes. With this acquisition, we will bring new concepts, services and operating models into the sector," said Panostaja's CEO, **Juha Sarsama**, at the time.

The companies' first year together increased their net sales to more than MEUR 50.

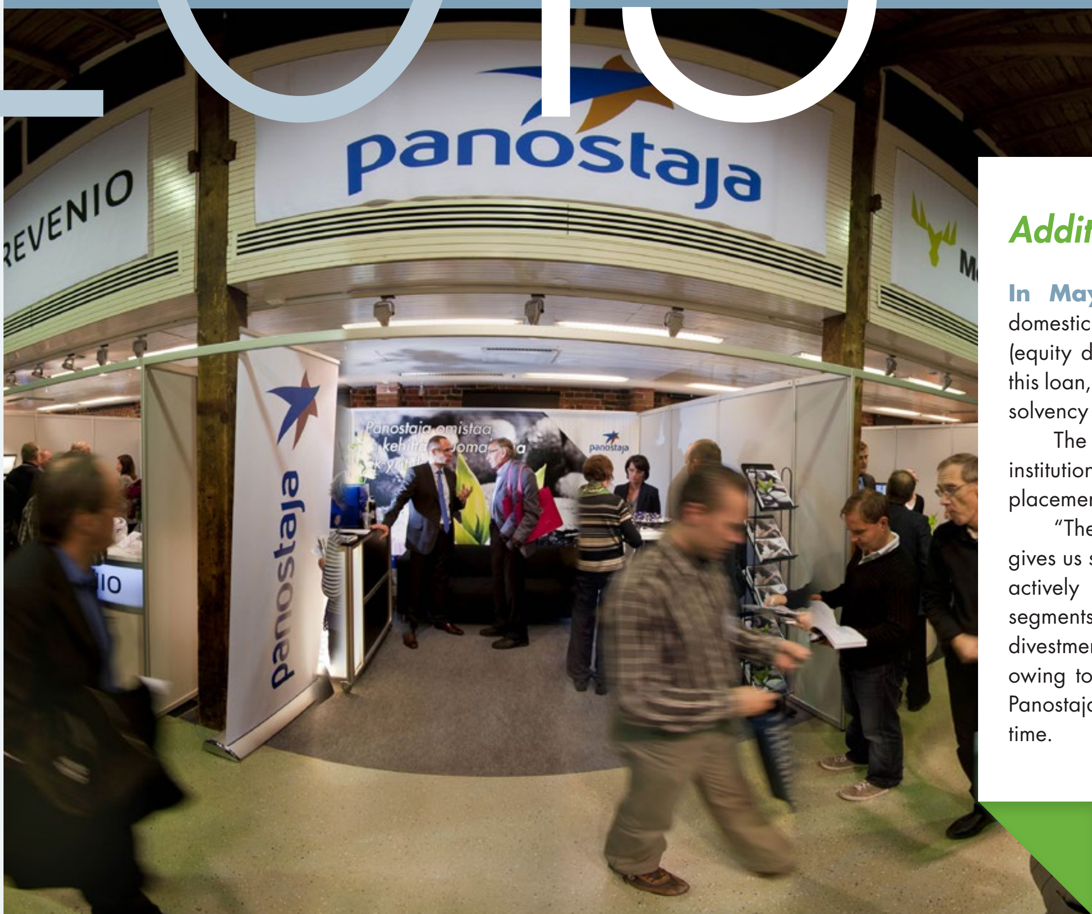
The occasional party

Sometimes it is good to break up everyday life with a little party so, at the beginning of March, Panostaja celebrated its new premises in Technopolis, on the hill at the University of Tampere.

Tampere-based representatives of the Group's external stakeholder groups were invited to the small-scale event, which attracted about 40 guests.

Pictured Panostaja Oyj's staff.

2013



Additional resources

In May, Panostaja Oyj issued a domestic hybrid loan of MEUR 7.5 (equity debenture loan). By means of this loan, the company strengthened its solvency and financial position.

The loan was offered to selected institutional investors as a private placement in Finland.

"The arrangement carried out gives us sufficient resources to operate actively on the market in selected segments, even if some planned divestments were brought forward owing to economic uncertainty," said Panostaja's CEO, **Juha Sarsama**, at the time.

New skills

In April, supervisor training covering all the subsidiaries in Panostaja Group was kick-started. It got a very enthusiastic reception. Of more than 100 Panostaja personnel engaged in supervisory jobs, 89 attended the course.

The 'Erinomaista esimiestyötä' (excellent supervisor work) course was the first ever in Panostaja on such a scale. The program continued until November.

Development Director **Minna Telanne** considers that the way the training was received was excellent, particularly because now it is possible to share expertise and best practices in the Group among almost all Panostaja companies.

"Management and supervisor work are key factors in the success of companies. Good supervisors can motivate their subordinates in order to achieve the set targets. They can also put strategies into practice and look after the well-being of their employees," says Telanne.

The training supports Panostaja's strategy very well.

Re-assessment

With regard to Takoma, it was a tough year for Panostaja. A willing attitude and hard work were unable to achieve the desired end-result. After the end of the financial period, the board of Takoma had to make a decision about filing for debt restructuring.

In order to rehabilitate Takoma, two units were closed during the financial period: Keminmaa-based Takoma Systems, which specialized in hydraulic and automation systems, and Tampere-based Hervannan Koneistus.

The business expected to make Takoma profitable was continued. Panostaja still has faith in Takoma.

Divestments

In the period between October and December 2013, Panostaja sold three of its subsidiaries: Matti-Ovi, Suomen Kiinnikekeskus and Toimex.

Matti-Ovi has been under Panostaja ownership for a long time, since 1985 to be precise. **Juha Sarsama** is happy that the door manufacturer will remain under Finnish ownership.

"Under Panostaja ownership, the company achieved a strong market position. It is in a very good situation with the new owner for a new stage of growth and a change in the sector. The divestment of our oldest investment is in line with our strategy and supports the objective of the active development of our own portfolio," said Sarsama in a Panostaja stock exchange bulletin in October.

Taaleritehtaan Sijoitustehdas Oy was finally selected as the buyer. Panostaja recorded a sales profit of MEUR 1.8 from the transaction. The final overall sales price for the shares sold was MEUR 3.4.

The share capital of Suomen Kiinnikekeskus was bought by Länsi-Suomen Sähkötukku Oy. Panostaja recorded a sales loss from the transaction.

A new owner for the supports business was found from a group of Tampere-based investors and the executive management of Toimex. Panostaja did not record a significant sales profit from this transaction.

Breakthroughs and openings

Life side-by-side for Kopijyvä and DMP is creating a new kind of business in copying and printing services and direct marketing. Kopijyvä also entered the consumer market.

Flexim Security received invitations to several expert groups in the security sector, both in Finland and in continental Europe. Managing Director **Jukka Laakso**, however, considers Flexim Safea, which was launched in November after the end of the financial period, to be a more significant achievement.

A source of pride is also Ecosir's breakthrough into the cleantech and healthcare business sectors. The company established itself in Malaysia and South Korea, and also captured significant hospital projects in Finland.

"Along with Malaysia, our agreement with the South Korean Samsung Group is proof of our strong expertise and ability to deliver our latest and proven technology to the growing and demanding Asian markets. This also opens up great opportunities in targets outside the Samsung Group," says Ecosir's Managing Director, **Mauri Leponen**.

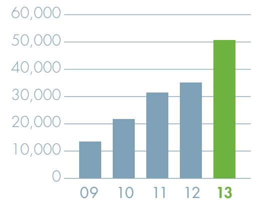
Spectra Yhtiöt in turn created for itself two new business areas, about which Managing Director **Veli-Heikki Saari** tells us in the company's annual report.

Key figures for segments

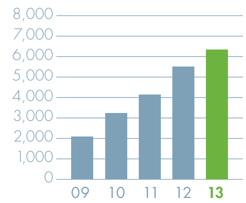
Digital Printing Services // KOPIJYVÄ OY & DMP-DIGITAL MEDIA PARTNERS OY

1 000 €	2009	2010	2011	2012	2013
Net sales	13 508	21 741	31 529	35 078	50 777
EBIT	2 088	3 237	4 148	5 503	6 351
Personnel	192	256	325	335	451
Shareholding					56,43 %

Net sales, €1,000



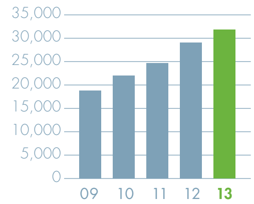
EBIT, €1,000



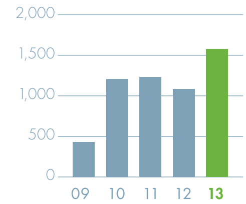
Safety // FLEXIM SECURITY OY

1 000 €	2009	2010	2011	2012	2013
Net sales	18 796	21 944	24 635	29 009	31 831
EBIT	431	1 207	1 231	1 083	1 574
Personnel	146	151	188	212	205
Shareholding					70,00 %

Net sales, €1,000



EBIT, €1,000

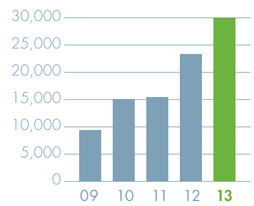


Value-added Logistics // VINDEA OY

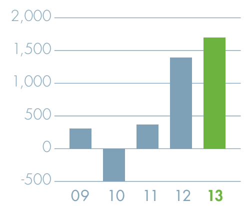
1 000 €	2009*	2010	2011	2012	2013
Net sales	9 384	15 115	15 442	23 307	29 907
EBIT	309	-499	371	1 395	1 699
Personnel	175	123	131	253	299
Shareholding					54,22 %

*Includes a sales profit of MEUR 0.7 from disposal of real estate

Net sales, €1,000



EBIT, €1,000

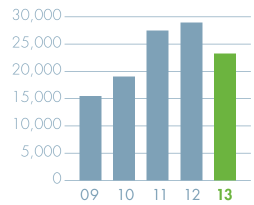


TAKOMA OYJ

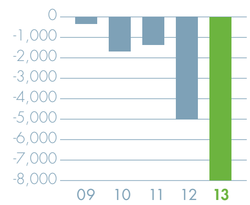
1 000 €	2009	2010	2011	2012*	2013*
Liikevaihto	15 408	19 060	27 451	28 877	23 233
Liikevoitto	-328	-1 675	-1 353	-4 991	-7 983
Henkilöstö	82	168	190	193	163
Omistusosuus					63,05 %

*Includes a goodwill write-down of MEUR 2.1 (2012) and MEUR 2.3 (2013)

Net sales, €1,000



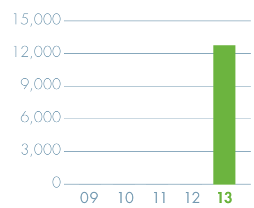
EBIT, €1,000



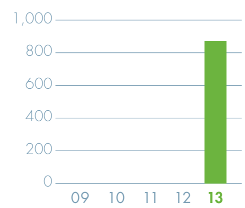
Ceiling Materials // SELOG OY

1 000 €	2009	2010	2011	2012	2013
Net sales					12 760
EBIT					873
Personnel					15
Shareholding					60,00 %

Net sales, €1,000



EBIT, €1,000

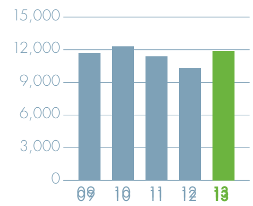


Fittings // SUOMEN HELAKESKUS OY & RAKENNUSHELASTO OY

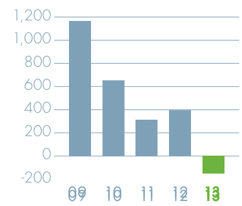
1 000 €	2009*	2010	2011	2012	2013
Net sales	11 708	12 321	11 401	10 316	11 909
EBIT	1 165	652	311	395	-152
Personnel	34	32	32	30	37
Shareholding					95,29 %

*Includes a sales profit of MEUR 0.1 from disposal of real estate

Net sales, €1,000



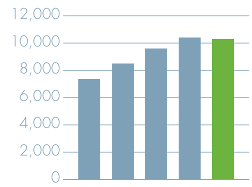
EBIT, €1,000



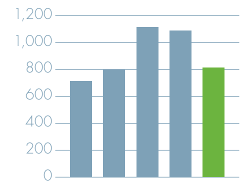
Spare Parts for Motor Vehicles // KL-VARAOSAT OY

1 000 €	2009	2010	2011	2012	2013
Net sales	7 347	8 487	9 598	10 410	10 274
EBIT	714	801	1 115	1 090	813
Personnel	30	31	32	38	39
Shareholding					75,00 %

Net sales, €1,000



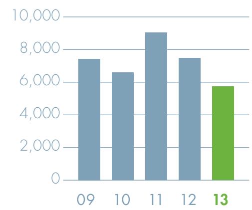
EBIT, €1,000



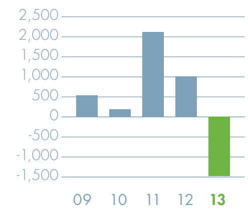
Heat Treatment // HEATMASTERS GROUP OY

1 000 €	2009	2010	2011	2012	2013
Net sales	7426	6591	9037	7480	5 744
EBIT	536	192	2 123	1 013	-1 469
Personnel	66	64	64	65	62
Shareholding					80,00 %

Net sales, €1,000



EBIT, €1,000

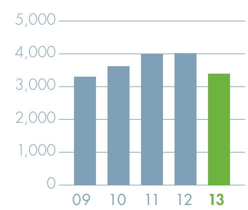


Supports // TOIMEX OY

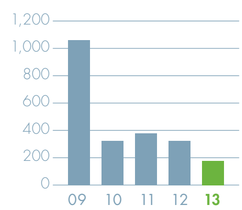
1 000 €	2009*	2010	2011	2012	2013
Net sales	3 301	3 615	4 005	4 015	3 396
EBIT	1 058	322	377	324	177
Personnel	16	16	16	16	16
Shareholding					70,42 %

*Includes a sales profit of MEUR 0.8 from disposal of real estate

Net sales, €1,000



EBIT, €1,000



Kimmo Viertola:

Investment companies as

For their fuel, small- and medium-sized companies, in addition to skilled personnel and the support of stakeholder groups, above all need money.
As an investment company, in its investment activities Panostaja targets similar results to other capital investors. The shared objective of investors is to develop the companies they own in a path of growth and to produce an increase in value for the owners. Without capital investors, the speed of growth of many companies would be significantly slower.

Capital investors get their target companies to increase export, when otherwise they would often just remain treading water. The boards of companies that receive capital investment contain experienced members who like to trade ideas with the management. In the early stage of companies in particular, capital investment increases innovation.

The availability and terms of finance for SMEs have deteriorated in many European countries and the approval percentages for bank loans have declined in all countries, including Finland. According to a report published last year by the European Commission, the operating environment for Finnish SMEs is, however, the best out of all the EU countries, also in terms of the availability of finance.

A prerequisite for receiving and using finance is the constant improvement of profitable business. Unfortunately however, some companies focus on exorcizing the specter of finance instead of strongly developing their business.

In finance, debt funding from banks enables long-term investments and balances out short-term fluctuations in working capital. Equity funding, on the other hand, creates a foundation for strong growth and is useful in corporate restructuring.

In evaluating the worthiness of SMEs for finance, it is more important than ever to take account of cash flow. The significance of fixed securities has decreased. In structural change, production halls left empty can in future be distribution points for online retailing or, in the longer term, supply points for 3D printed products. Breaking in new business models

drivers of growth for SMEs

for SMEs in transition, however, takes years, and the investor is often a catalyst accelerating change and someone to brainstorm with.

Domestic investment demand has decreased and is dependent on rare investments in expansion. The applications for finance by SMEs chiefly concern working capital and funding for export. Many companies are focusing on pruning costs rather than on growing. The cash flow then going to service and amortize financial expenses is no longer the product of a growing business, but more dependent on the results of a cost-cutting program in a stagnant or even retrogressing company.

Capital investments are one opportunity for SMEs to grow into global companies that can employ profitably. According to research, as a result of capital investors, growth in net sales is about 10% greater and growth in the number of employees twice as fast as they would be without capital investment. A capital investor always provides for offering companies resources for further finance. A capital investor also often gets other financiers to take a positive attitude to financing the company.

The EU has made efforts to mitigate the effects of the changes in banking regulation on SMEs. One proposed way of doing this is the use of risk-reducing coefficients, which would favor SMEs in receiving finance from banks.

Decisions made by the Finnish government in spring 2013 that increase the range of capital investments on offer are a good example of indirectly increasing the range of finance on offer to SMEs. We are receiving tax rebates from investments made by so-called 'angel investors'. Tekes is starting to invest in funds invested in start-up companies. Furthermore, one of the aims of Finnish Industry Investment is to establish the Kasvurahastojen Rahasto II fund of funds. This fund will significantly increase the range of capital investments funds investing in growth.

Another possibility is the wider opening of the Nordic debenture loan markets to Finnish SMEs. Currently operating debenture loan markets, however, require the assessment of creditworthiness of target companies in a manner satisfactory to investors, and continuous reporting of financial information for investors.

The above-mentioned measures are strengthening the operating conditions for SMEs and creating opportunities for growth.

SMEs play a very important and significant role in the Finnish economy. Their significance is particularly emphasized in the creation of new jobs. During the last decade, they have created 90% of the new jobs in Finland. In 2011, Finnish SMEs employed about 870,000 people, which was about 62% of all employment.

SMEs, on the other hand, are very dependent on local finance. A strong reduction in the availability of finance will also have a direct impact on the local economy through deterioration in employment and stagnation of the economy. Offering working capital and solutions to finance export are competitive factors by which manufacturing-based export can be funded for growth.

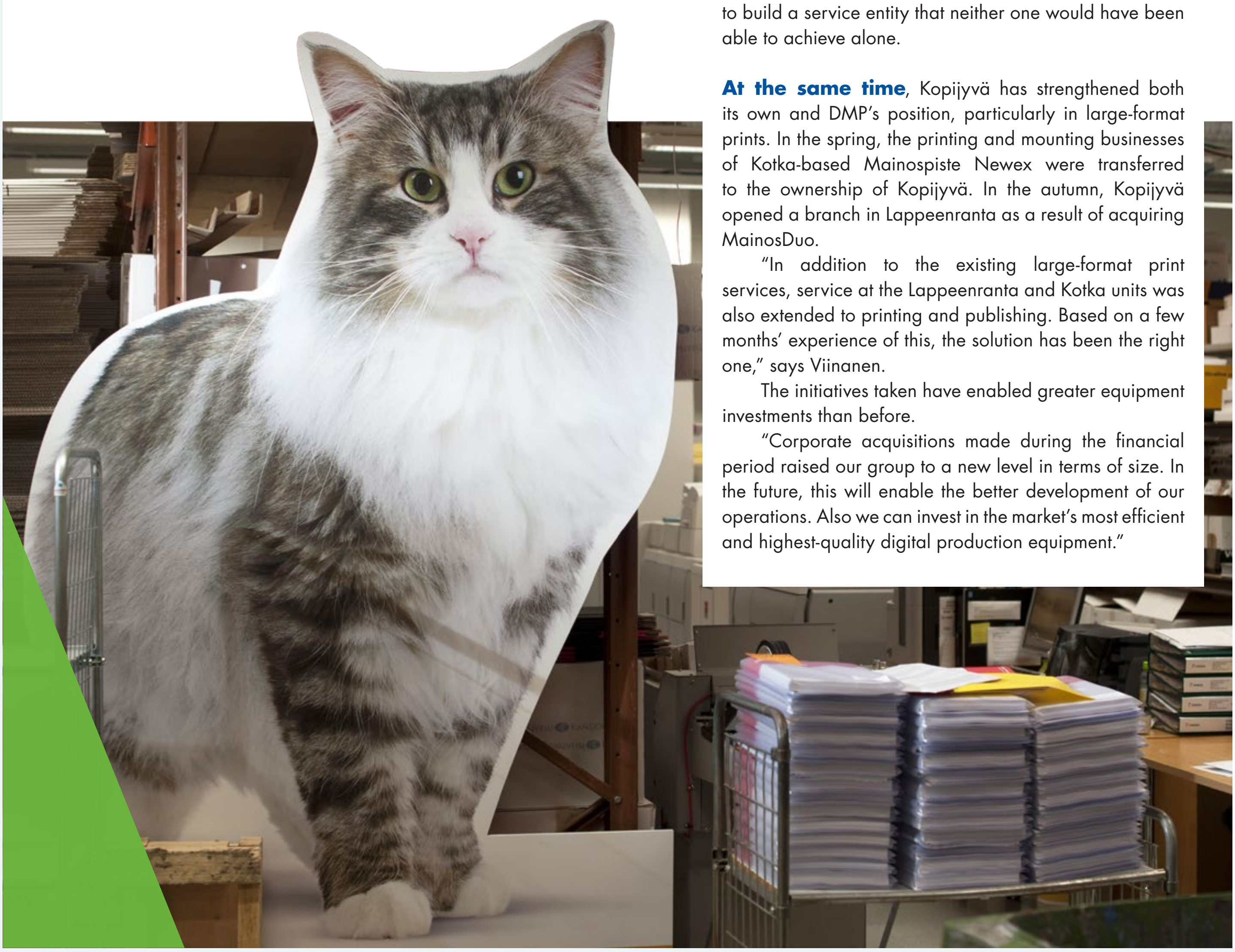
Panostaja's role as a listed investment company is very important. Panostaja actively informs investors of significant events in its portfolio companies. Panostaja itself is also susceptible to daily changes in its ownership base. This requires of Panostaja active management of investor relations, something in which the company has succeeded excellently. In my opinion, as a listed company and developer of companies Panostaja plays an important role in offering all investors the chance to invest in growing and developing companies. The traditional fixed-term capital investment funds, which make investments in unlisted companies, are only within reach of the managers of major investment portfolios, and are thereby accumulating returns for all our pension funds.

The common aim is for Finland to create for companies an operating environment that enables success, and many favorable measures and proposals have indeed been raised in different reports and studies commissioned by the Finnish government. They show that there is both the possibility and the desire to improve opportunities for companies to succeed and to develop the capital markets. The list of wishes is of course endless, but the measures taken already represent forward steps. In the current economic climate, walking speed should be accelerated to at least a leisurely running pace.

The author is Investment Director of Finnish Industry Investment.
www.teollisuussijoitus.fi

New growth in the consumer market

Kopijyvä began the 2013 financial period strongly when its parent company, Digiprint Finland, bought DMP-Digita Media Partners. During the year, these two strong pioneering companies of their field have gradually created a shared market, thus creating a strong operator in marketing communications and printing and publishing services, which has now also opened the way to the consumer market.



Managing Director **Heimo Viinanen** lists the benefits of co-operation between the companies:

"The operations of Kopijyvä and DMP have partially been combined according to how they have best suited each other. We have taken advantage of the strong sales organization and versatile production capacity of both companies. In that way, we've been able to get the expertise of the companies to serve the customers of both of them."

Kopijyvä has offered DMP national distribution and gained for itself the best expertise in digital services and direct marketing. Together the companies have been able to build a service entity that neither one would have been able to achieve alone.

At the same time, Kopijyvä has strengthened both its own and DMP's position, particularly in large-format prints. In the spring, the printing and mounting businesses of Kotka-based Mainospiste Newex were transferred to the ownership of Kopijyvä. In the autumn, Kopijyvä opened a branch in Lappeenranta as a result of acquiring MainosDuo.

"In addition to the existing large-format print services, service at the Lappeenranta and Kotka units was also extended to printing and publishing. Based on a few months' experience of this, the solution has been the right one," says Viinanen.

The initiatives taken have enabled greater equipment investments than before.

"Corporate acquisitions made during the financial period raised our group to a new level in terms of size. In the future, this will enable the better development of our operations. Also we can invest in the market's most efficient and highest-quality digital production equipment."

> *"In the sector, we are clearly number one on Finland."*
>
> Managing Director, Heimo Viinanen
> Kopijyvä Oy

Kopijyvä already operates in 12 towns all over Finland, so it now has a better possibility than before to focus its operations on different units and thus to strengthen its diverse range of services. A wide textile printer acquired for Kuopio and a flatbed printer, coating machine and new cutters located at Helsinki will benefit large-format print and packaging production customers all over the country.

In its printer purchasing, Kopijyvä has undeniably assumed the position of pioneer, as the textile printer is the first in the Nordic countries of that quality and the flatbed printer with its coating machine and cutters makes production really versatile and efficient.

In spite of the general economic downturn, the net sales of Kopijyvä and DMP have increased as expected. Kopijyvä is continuing in its own style; in its field, it swims against the tide and is increasing its market share in services for which there is the greatest demand, even though the market as a whole has shrunk. For example, during the year sales of printing and publishing paper have declined in Finland by about 15%, which can partly be explained by the digitization of printing and publishing services. Large-format print products, color printing and direct marketing have gained larger market shares.

The printing of black-and-white pages has been declining at Kopijyvä too at an annual rate of about 10% in recent years. This fall is being compensated for by the proliferation of color printing. The printing of construction drawings has fallen by a few percent – clearly less than construction itself, which has dipped by almost 30%. This then means that Kopijyvä's SokoPro project bank has increased its market share as a product for construction industry professionals.

Kopijyvä's and DMP's combined net sales in the financial period increased to more than MEUR 50.

"In euro terms, the result was also better than ever. In the sector, we are clearly number one on Finland," adds Viinanen.

When thinking about the future, a significant chapter in Kopijyvä's history began in September. The purchase of the Kuvatkirjaksi.fi business expanded Kopijyvä's services into the consumer market.

Thanks to camera phones, people are taking more photos than ever but the pictures remain in their devices or on memory cards, so Kopijyvä believes that a demand exists for a service that prints pictures as picture books or even interior decorating products. The purpose of this new conquest is to balance out the seasonal fluctuations of the B2B market. Based on experiences gained from Europe, Viinanen believes that the strongest growth in digital printing services will come from the consumer sector.

Individuality and distinguishing oneself from the crowd are also focal points for the packaging industry and retail products. A new approach and digital printing technology are enabling the reasonably priced creation of small and individual printed products.

Power to the traditional

Kopijyvä and DMP have not rushed into anything during their first year of operating together.Both companies have continued to use their own names and synergies have been sought based on when it has been sensible to adopt them. Kopijyvä Managing Director Heimo Viinanen and DMP Managing Director Jyrki Narinen both consider it important for co-operation to develop at a measured pace so that the corporate culture of neither company is spoiled.

"We adapt the customer's material according to different media from traditional print to suit the digital world."

Managing Director, Jyrki Narinen, DMP Oy

DMP is a creator of marketing. Its motto "good planning is half the job" aptly describes the company's attitude to its sector. Where traditional advertising and design companies stop their work, DMP begins. DMP is an example of how the content of the whole industry is expanding and the structure changing. Diverse and modern operations require mastery of the whole from marketing planning to its implementation and monitoring, and this is the core of DMP.

"Even a good plan will not make money for the customer if the implementation doesn't work. Our job is to ensure that the customer's campaign and its constituent elements function as a whole," explains Jyrki Narinen.

There is actually no marketing element produced by printing digitally or traditionally that is foreign to Jyrki Narinen's team. In practice, DMP helps its customers, for example from the internet to retail outlets in which, in addition to personalized store furnishings, there may be a game application connectable to a smart phone that brings marketing to a whole new level in the everyday life of the consumer.

The share of traditional printing and copying services in DMP customer bases is only about one-half. More than one-third of net sales comes from producing materials for customers. Logistics is also a large part of the whole.

DMP, however, distinguishes itself from its competitors by its total management of marketing communications. A traditional graphic company bases its operations on its publishing base; it is therefore dependent on the marketing channel.

"We, on the other hand, are independent of channels. We adapt the customer's material according to different media from traditional print to suit the digital world," says Narinen.

The form of campaign material can also easily be changed in DMP's studio, where a team of more than 35 people can practically limitlessly make different versions of the material from layout work to language versions and into the form required by the given publication channel.

"DMP sells its customers solutions. Sometimes they may be retail, event or direct marketing and sometimes marketing communication."

DMP has taken its marketing communications thinking all the way to the management and monitoring of the whole package. The Digtator marketing management system is just one more example of DMP's way of thinking about the graphic industry and what it has to offer. This service is a step towards the status of being an IT business for the sector.

"The revolutionary thing about the marketing management system is that it makes it easy to manage the whole marketing chain. The automation built into the system not only speeds up the creation of marketing but also makes its monitoring and brand management more effective."

Narinen takes an example from the world of vehicles, which DMP entered more than three years ago. Now it has half the market for the direct marketing services of the Finnish Transport Safety Agency Trafi.

"From us, customers get analytical and sales tools that they can use to monitor what is really happening, for example by target sampling and displacement current analysis. It is then clearly already a question of sales solutions. Print, on the other hand, is a tool to reach customers and get them to try something new," Narinen explains.

"The measurability of the effects of marketing interests all managing directors, and so is a significant part of DMP's range of services," adds Heimo Viinanen.

"Naturally, we also measure and monitor the quality of our own work, as good planning is also an art form and should be valued," continues Narinen.

DMP emerged in its present form just after the turn of the millennium. Narinen justifies joining the Panostaja Group with a desire to increase the size of the company. From the very beginning, it was clear that the company would target 15% annual growth, and this it has more or less always achieved.

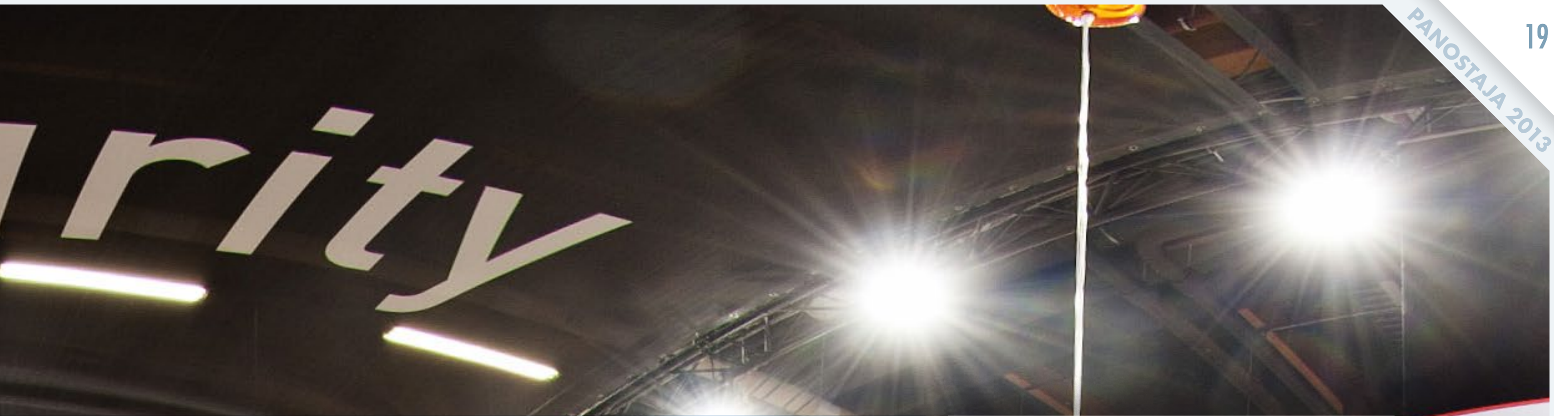
"Whenever we went outside the metropolitan region, again and again we bumped into a black and yellow truck," says Narinen, joking about Kopijyvä's visibility.

"Because of this, we started to think about the possibilities of joining forces and, when the opportunity finally arose for this, it became clear that together we could really achieve growth. DMP's and Kopijyvä's joint sales organization is now one of Finland's largest. We have a really good chance and the skills to blow up the bank throughout the sector," he continues.

Both managing directors attest to the fact that the digital revolution is shaking up the world of advertising and marketing. Recognizing this and having competence in it offer the chance to do well and stand out in the sector, but in future you will have to be even wilder in terms of thinking. A printed product may be a base for absolutely anything: a game played on or user instructions read on a smart phone or elements changing a shop into a virtual oasis of experiences.

"Digitization is the way to improve growth and profitability for our group. It's how we distinguish ourselves from our competitors," concludes Narinen.

Flexim on the pulse with Safea



In 2013, the doors of Flexim Security's development opened wide: Flexim Safea was completed, membership of the European Commission's High-Level Group increased the company's profile on the international stage, the company organically grew faster than the market average, and profitability also improved significantly during the year.

No wonder, therefore, that Managing Director Jukka Laakso described the year as suitably challenging and at the same time very interesting.

"From the company's point of view, it was a great year. We achieved much, in fact a fantastic amount," he sighs.

Flexim Security crowned its financial year by launching Flexim Safea, which totally revolutionizes the door environment and sums up the company's basic operating idea: moving about should be carefree. Enthusiastic groups consulting on technology and the service business have significantly helped in the development of products and services.

Through the service business consulting group, a door was also opened to international arenas, when the European Commission's High-Level Group developing business services invited Flexim to be a case company. The company has also been invited to other development organizations such as the management group of Tekes' Feelings project and different expert groups in the security sector.

"The security sector is now internationalizing fast. For example, the group's membership in the High-Level Group makes us visible outside the borders of Finland and gives us opportunities to influence service development, commercialization and innovation. From the perspective of networking, it's a really good forum that keeps us on the pulse of the times," adds Laakso.

At Flexim, internationalization is at an embryonic stage. Through Finnish companies and public bodies, the company's security solutions have already spread to continental Europe and North America. Opportunities are significant and a continuation of customer relationships formed at home. Laakso notes that, when arriving at Helsinki by train, the diverse security of the view visible through the windows of the carriage is taken care of by Flexim Security. In Finland, the company's systems are used by more than 2,000 organizations.

In expanding its activities, however, Flexim has succeeded in remaining close to its customers. The company now has a total of 14 branches all over Finland. From a mere locks business, a pioneer of the security sector has grown and a Finnish growth company that wants to challenge other players in the sector by developing its services while at the same time reforming the whole industry.

"Lately Lappeenrannan Lukko ja Varustepalvelu has joined the company. We quickly strengthened it so that we can better meet the needs of clients in that area. All our corporate acquisitions have been successful and the net sales of the acquired company have at least doubled or even trebled during the first year.

The creation of Safea and other conceptualized service products, such as clocking-in and security systems that use cloud services, and the takeover of new units following the corporate acquisitions made in recent years have required the adjustment and renewal of Flexim's structures. Continuing study and the learning of new things are also strong features of operations.

"Throughout the organization, we are in constant need of new and broader expertise. Since systems management is increasingly based on internet technology, above all we need new competence in ICT, software and data security. And because the expertise we need cannot be directly found anywhere, we train our new employees ourselves," says Laakso, expanding on what has happened alongside productization, the reform of the management system and major investments in technology services.

At the same time, Flexim Security has been able to grow profitably: EBIT increased significantly from MEUR 1.1 last year to almost MEUR 1.6 this year. Laakso notes that this increase is large, considering how much Flexim has invested, especially in technology services.

And what has happened within the company's walls has also been reflected outside, so that Flexim is now the most sought-after employer in its field. At the end of the year, the company employed more than 200 people and the need for new ICT experts is constant.

Traditions updated

Flexim Safea is expanding traditional access control and clocking-in systems, so that it is easy to incorporate into them everything that can be incorporated into a door environment. The product concept is also internationally advanced.

Safea was created *by simplifying the network architecture of the door environment, i.e. in practice by simplifying the technology around the door and the number of functional operators and by transferring management of the door environment to cloud services online. In practice, cloud services enable almost limitless development of new business functions and business models.*

"In terms of usability, its user interface and scalability, Safea is advanced even on an international scale. The solution is modular from a perspective of hardware, applications and services, and these days you can demand no more from any top-class solution. In door environments, we are already a pioneer of development, and in future we will be an even stronger one," says Managing Director ***Jukka Laakso****.*

In practice*, Safea can be put together piece-by-piece into a form that serves any purpose of access control or building management.*

For automatic IT solutions for the real estate sector, Safea already has many new kinds of solutions, guiding tools and interfaces, which can be used to create completely new applications for the use of space. At the same time, as a new feature Flexim Safea is introducing very strong data security to locks, which is something new in industry circles.

"Our technology enables a situation where data security applied to the lock is at the top level of the industry. Its encryptions are very strong. At the same time, the usability and user interface solutions of the door environment are highly developed. It's a question of different solutions utilizing recognition and mobile initiatives, which replace different access passes or other traditional recognition technologies."

"Our technology enables a situation where data security applied to the lock is at the top level of the industry."

Managing Director Jukka Laakso, Flexim Oy

An expert in security services for the world

Flexim Security has been invited to join the European Commission's High-Level Group (HLG) for business services as a case company. This group was established by the EU's Directorate General for Enterprise and Industry, and comprises experts from business life, research and different interest groups from a range of European countries.

The purpose of the group is to give advice and make concrete recommendations that the European Commission can use in its development plans. Its function is to examine how opportunities contained in business services can be further developed in the coming years and utilized more effectively to support growth and well-being in Europe.

Business services are the fastest growing part of the European economy, and their significance as a support for the development of other areas is great. Development, however, also entails challenges particularly concerning sales of intellectual property and expertise in service procurement.

The group started its work in spring 2013, and will make its recommendations in spring 2014. It is working in five sub-groups, whose special topics are expertise, innovation activity, internationalization, internal markets and development methods.

Flexim is involved in the sub-group focusing on the development of expertise.

The innovation group has a Finnish chairperson, Research Professor **Marja Toivonen** from VTT Technical Research Centre of Finland. The Chairman of the whole HLG group is Professor **Carlo Secchi** from Bocconi University in Italy, and the Chief Reporter of the work is the well-known researcher of industrial services, Professor **Andy Neely** from Cambridge University.

Networked wisdom

Flexim Security *is now close to a turning point that it has purposefully been targeting. Net sales have already surpassed MEUR 30 and the company's position as a developer of access control and security solutions is strong. The significance of the technology and service business consulting groups established more than a year ago has been particularly proven. Flexim is redeeming its position as a pioneer of the security sector, and is a sought-after partner for R&D projects in the field.*

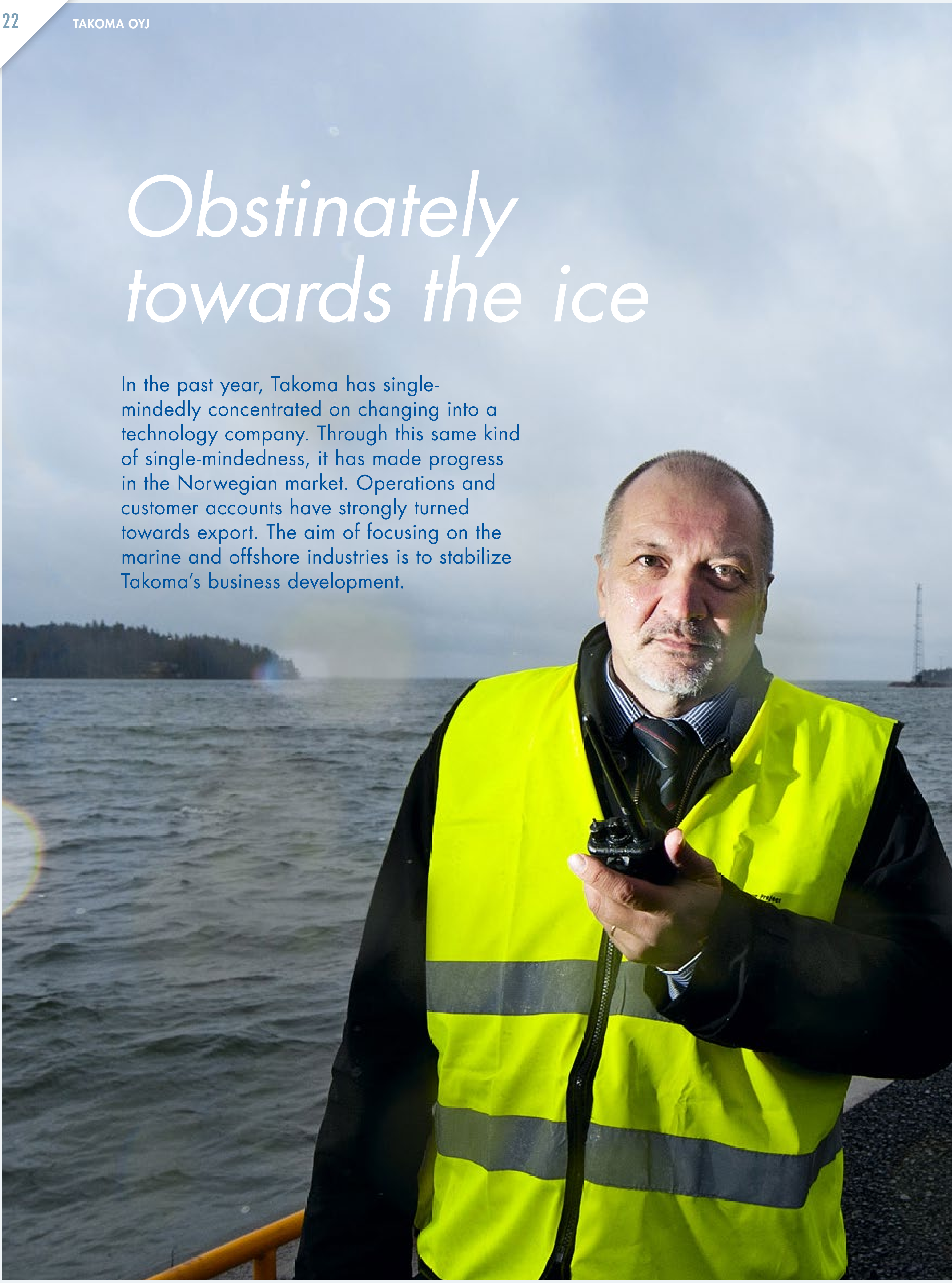
Jukka Laakso *is especially pleased that the development of concepts and services has inspired top-level experts in product development. The consulting groups have been visited by stars of their fields from leading companies and universities all over the world from as far afield as Tokyo. This interest and enthusiasm has spawned research co-operation with Aalto University, among others.*

"We are closely involved in studying how people will move in space in the future, how that space will be developed to better serve different user groups, and what the world's best interior environment will be like."

From a point of view o*f security and security solutions, the research co-operation is producing for Flexim a great deal of new information, ideas and views, based on which it will be possible in turn to create new operating methods and the products that serve them.*

Obstinately towards the ice

In the past year, Takoma has single-mindedly concentrated on changing into a technology company. Through this same kind of single-mindedness, it has made progress in the Norwegian market. Operations and customer accounts have strongly turned towards export. The aim of focusing on the marine and offshore industries is to stabilize Takoma's business development.



On the one hand, the transfer of Takoma's focus outside the eurozone and, on the other hand, the targeting of production at the offshore industry and the building of drilling equipment and ships are natural solutions, especially as economic development in the eurozone is uncertain.

"A year ago, Takoma had four production units and we were talking about an engineering company. Of those units, two have now been closed and Takoma's business has been redirected. We have also established subsidiaries in Norway and Estonia. Takoma's Senior Management Team and management structures have also been reformed," says CEO Ari Virtanen about the changes made.

Rapid change has put pressure on the company's financial situation and, at the end of the 2013 financial period, Takoma and its subsidiaries filed an application for business restructuring proceedings, in order to help the group recover in accordance with plans made.

Takoma closed its Hervannan Koneistus and Keminmaa-based Takoma Systems units. Takoma Gears at Parkano and the cylinder plant at Akaa were spared. Their purposeful development continues.

"Both plants are order-controlled, in other words no product is made unless it is specifically ordered. In manufacturing, it is of utmost importance for us to create added value for our service that is as great as possible, so we particularly focus on product testing and quality assurance. No longer do we carry out all work stages ourselves, and we don't necessarily make all components ourselves. We are creating our own procurement network and supply chain."

"Takoma's task is to use its own special expertise that does not exist elsewhere. We are moving from the sale of iron to the sale of best life-cycle yield, which means, for example, long-term reliability and sustainability in the offshore industry," says Virtanen, explaining Takoma's structural change.

Operations have been strongly targeted at Norway. There the offshore and marine industries, petrochemical refining using oil and natural gas as feedstock and the logistics sectors are strong. They offer Takoma a good foundation, as in future will mining activity in the Arctic region.

Although Takoma's attention is now focused on the offshore and marine industries, and its markets are now as much as 95% in Norway, Takoma is also alert to Russia and other countries that produce for the sector. In the same way, the company is also monitoring extractive industry markets, especially in the Arctic region, manufacturers of mobile equipment and industrial power transmission. In future, the company's Estonian subsidiary will be a bridge to the markets of Russia and the other CIS countries.

In the long term, Takoma's operations will become more international. However, development must be profitable, so for the time being it will continue to be Europe-centered.

"We must seek allies and partners from nearby areas including Eastern Europe, and must get involved in the international production chain. In terms of production, east Central Europe is growing more strongly than Finland. We will try to get involved in this growth in some way. We will go forward based on this theme," adds Virtanen, remarking that Takoma must create its own markets, if it wants to ensure that its products continue to exist.

In the next few years, Virtanen wants to make Takoma the most sought-after partner in its field. He is not, however, satisfied with the result for 2013.

"The financial result was very poor, and I cannot be happy with it. I would have liked things to have happened more quickly. The introduction of new people, the scales of the changes and market conquests in areas that I want all resulted in the fact that we were unable to achieve results as quickly as was needed or wanted. We are moving in the right direction but the pace is slow. It is not, however, a question of failure. We just need to improve! After all, we are right at the beginning of a transitional phase lasting three or four years."

"Design expertise and creating new things are key phrases at Takoma, and the imagination has no limits. I lead a fantastic group of people. The new Senior Management Team possesses great expertise and a desire to get things done," he adds.

"Takoma's task is to use its own special expertise that does not exist elsewhere."

Managing Director Ari Virtanen, Takoma Oyj

Speed and brakes

Throughout the year, Vindea has been pushing against the general development trend of the economy; strong sales have kept the company in shape. At the same time, Vindea has been polishing its practices in order to serve its customers even better and more productively. Managing Director Jouni Arolainen thinks that Vindea can create operating practices for industry that will keep domestic production in Finland.

It is a belief in what it does that carries Vindea forward. New customer relationships have made up for monetary losses stemming from the economic downturn. Even though the MEUR 30 million target for net sales was not quite reached, Arolainen is satisfied with the year.

"Above all, it was the severe spluttering of industry and the major structural change started in the sector that put the brakes on development. Bearing that in mind, we succeeded well," he says.

It has also been a question of how well Vindea has been able to look after its customers and thereby create the added value that it promises, which means in practice lower overall logistical costs, better reliability and shorter throughput times.

"We ourselves feel that we are one of the factors that can slow down or even prevent the flight of industrial work from Finland. This is quite a bold statement, but we genuinely do create new methods and models by which cost savings can be achieved."

Vindea keeps its promises, not only by measuring the effectiveness of its own work, but also by helping its customers to see the real costs of logistics. The customer thus pays for the reception, intermediate storage, factory deliveries, packaging and dispatch of the goods taken care of by Vindea, purely based on performance.

And additional savings can always be found by changing operating practices. Usually, even a small change in the way of operating triggers a chain reaction.

"Often by changing just one small thing, you can make considerable savings in logistics costs. These are costs that are usually difficult to itemize. The customer examines its own operations through its manufacturing, and cannot necessarily see the big picture from a logistical perspective. We, on the other hand, know the sector through and through, so it's easy for us to identify changes that can result in savings. Through our own activity, we make the costs of our customers' logistics functions visible, which helps in the final pricing of the product. We also make fixed cost items flexible, living and based on demand," says Arolainen.

One of Vindea's principles is that the benefit it brings should always be measureable. A measure may be not only direct financial benefit, but also, for example, an improvement in reliability, time spent on work or an increase in customer satisfaction to the next level.

"Often by changing just one small thing, you can make considerable savings in logistics costs."

Managing Director Jouni Arolainen, Vindea Oy

Naturally, taking care of the customer has affected Vindea's own way of working. Because the customer's benefit is Vindea's benefit, the company has appointed four development engineers to consider nothing but their development projects. At the same time, each service entity is closely monitored, recorded, measured and reported to the board.

Taking care of a large number of customer accounts requires Vindea to be agile. Once a co-operation agreement is concluded, the partner's logistics professionals are moved under the company's wing, in addition to which co-operation with temping agency, Carrot, has proved to be effective.

"This co-operation has spawned an operating model that can be used to quickly train staff for necessary work. In practice, we can offer our customers unlimited resources," says Arolainen, describing how he plans to keep control of the leading position in the value-added logistics market.

Vindea's expertise supports the business of its partners

Value-added logistics services produce a clear benefit for Vindea customers. This is felt, among others, by Vaasa-based supplier to the energy industry, VEO Oy, whose internal logistics functions are taken care of by Vindea.

The partnership *agreement and the development of material flows management that it has created directly affect the company's production by boosting the internal functions of the plant. Through this, VEO is able constantly to improve its competitiveness.*

"VEO changed the operating practice of its switchgear production and Vindea introduced logistics expertise to support this new model. We are part of the development of the customer," enthuses Vindea's Managing Director Jouni Arolainen about the successful start of co-operation.

"The improvement of logistics contributes to VEO's development work in purchasing, design and manufacturing functions," says ***Timo Orhanen****, Procurement Director at VEO.*

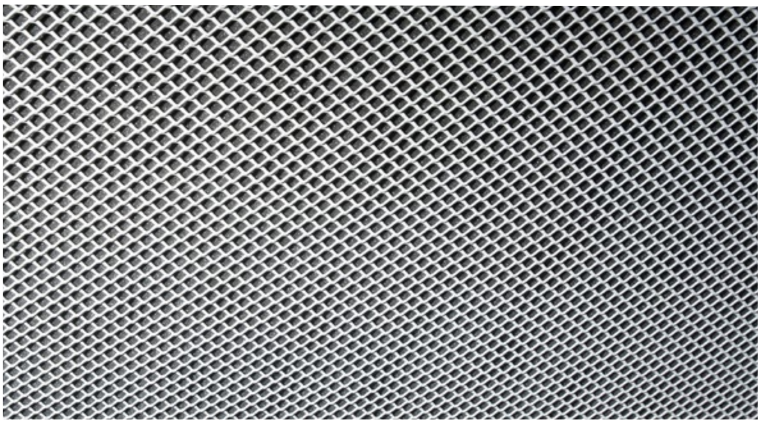
During the summer, VEO's logistics functions were transferred to Vindea and, at the same time, VEO's logistics professionals were taken on by Vindea in keeping with Vindea's operating practice.

VEO offers automation and electrification solutions for energy generating, transmission, distribution and use. More than half of the company's net sales come from renewable energy solutions.

Another significant *partnership was formed at the start of the financial period, when Metso Fabrics and Metso Paper transferred their material handling operations to Vindea.*

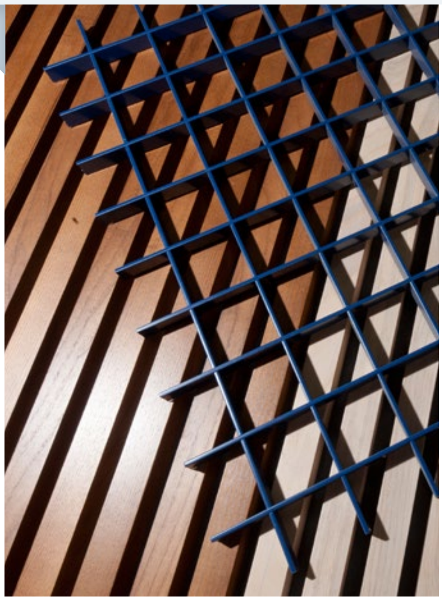
In Tampere, Vindea got to take care of Metso Fabrics' inspection, packaging and loading functions. In Jyväskylä, the agreement covers goods reception logistics, warehouse functions and packaging, loading and dispatch operations at Metso Paper's Rautpohja plant.

New on the block
– a ceiling supplier seeking growth

"We have been quite successful in growing. Now we are considering where to go next."

Managing Director Simo Tuokko, Selog Oy




Selog, a company that offers material, calculation and design services for ceiling construction, is a new subsidiary of Panostaja. The first year in the Group has been fast-paced; the concluding of the deal, ownership arrangements and the repositioning of operations have livened things up at Malmi in Helsinki.

The two main factors in the ceilings market are appearance and acoustics. Both are factors that are particularly important in repair and renovation construction. The significance of acoustics in interior design and implementation is growing strongly both in Finland and in continental Europe. The professional skills of acoustics experts and engineers are increasingly being used in the different areas of house construction.

"Acoustics are an essential factor when thinking about teachers, office workers or even patients in a hospital. Acoustics affect not only the comfort of a room but also the work that goes on there and how people feel in it. In a hospital, recuperation is quicker in a room with good acoustics than in one whose acoustic properties have been ignored," says Managing Director **Simo Tuokko**, referring to studies done on the subject.

The net sales of Selog, which was founded in 2005, have increased greatly particularly in recent years, even though construction has been spluttering during that time. Just before being transferred to the ownership of Panostaja, Selog bought the business of its competitor, Muotolevy Sisäkattotukku and, as a result of the deal, gained more professionals for its ranks.

Net sales have increased from MEUR 3.2 in 2006 to MEUR 12.8 this year. The increase in net sales has continued strongly since Panostaja Group took over, and Selog's desire to grow has been palpable.

A recipe for growth has also been prepared: In the beginning, Selog focused its operations on Malmi in the metropolitan region, then set up a two-man branch in Tampere to serve construction companies in that area and has now taken its place in Lappeenranta.

"We have been quite successful in growing. Now we are considering where to go next.

The sector is small and people know each other through and through," says Tuokko about the operating environment. The connection to installation businesses is therefore simple. Selog also acts as a partner to an installation business, as it does not do installation itself. The ability to respond without delay to the needs of the builder and to look after its customers is Selog's strength, which is evident by all the preliminary tenders for customers on the tables of the sales staff, which are ultimately turned into invitations to tender. As actual contracts, they can also change quickly, and then Selog has delivery schedules ready planned.

Ceiling materials vary from mineral wool to plaster boards, from metal cassettes to slats, grills, netting and panels, veneered fiber boards and wooden strips. The range of products also includes the necessary suspension and mounting accessories, as well as special products that Selog makes to order.

Selog purchases its products from both Finnish and European suppliers. Aluminum grills and metal cassettes are delivered by suppliers in Finland, the Netherlands, Germany and Italy, with special products coming from Estonia. The company does not have its own export, although the Lappeenranta branch, in addition to its daily operations, also monitors Russian interest in ceiling and acoustic products.

The largest ceiling contracts in Finland are in the 50,000 m² class. These include major hospitals, shopping malls or other types of building that are not built every year. Selog has experience of deliveries to major projects: it is supplying Äänekoski Health Station with 14,000 m² of ceiling and acoustic wall materials, and has supplied Nordea's Helsinki offices with 8,000 m² of ceiling structures and Stockmann at Itäkeskus with 5,000 m² of ceilings.

Although no gigantic construction wave is on the horizon, Selog has faith in the future.

"Renovation construction is increasing and, because of that, the efficiency and comfort of schools and old people's homes, for example, will be examined, which will open up the market for ceilings," says Tuokko.

Selog employs a total of 15 people.

New developments

KL-Varaosat built a new store at Raisio in the Turku economic area. While building its fourth branch, the company completely reformed its sales management.

The establishment of the Turku office is in line with the core of operations of KL-Varaosat, which specializes in spare parts for Mercedes-Benz and BMW, as the desire for service in the Turku region was largely expressed by the customers. Managing Director Juha Kivinen became convinced about the profitability of a new store when the area's stock of cars had been mapped and the future of a store carefully considered from all angles. And when, in late summer, a good trading location was found close to the Mylly shopping centre right next to the Turku Bypass, the store was completed quickly.

"The Turku economic area is significant, so we naturally want to be there. We are becoming more within reach of both our private and business customers," says Kivinen.

Kivinen's belief in his personnel has gone from strength to strength during his first year as Managing Director. The operations of the company, which has established its position in the spare parts market for the two makes of car, are based on the solid expertise of its personnel and on continuous learning.

"We have been seeing for a long time that, although the product and its quality are important, in the end the customer chooses us based on everything that we offer. Our package of services is above all based on the expertise of our personnel and the sensitivity to recognize the operating model that the customer needs. A competitive car repair sector also increases pressure on spare parts suppliers; the support of the customer in the efficient determining of the part and the fast and precise use of electronic directories must be excellently managed."

For Kivinen, the best competence in the sector is a guarantee of the profitable growth of business.

"I'm happy that its increasing significance has been viewed as important throughout the company. The wisdom of the company's operating model and expertise are better highlighted and more readily accessible when things are done more together. Based on this, changes have also been made during the year: the sales management system, among other things, has been developed to better support the whole network of sites from Jyväskylä to Rovaniemi. The putting into practice of these changes is already well advanced."

In September, KL-Varaosat welcomed a Sales Manager who is in charge of sales at all branches.

"Sales personnel now get clearer objectives, monitoring and better support in what they do. It is then nice to do fruitful work, and a strong concept gets even stronger."

In 2013, net sales equaled those of the previous year. Consumers felt financially squeezed and caution was also evident in the spare parts business. Car-related purchases were delayed a little, until other financial obligations allow them, so there was quite a monthly variation in net sales. Usually trade in spare parts for vehicles reacts to a downturn in the economy with a slight delay. It is also characterized by the fact that demand gets bottled up and then suddenly released with economic fluctuations in periods lasting several months.

The foundations for profitable growth are, however, strong, even though Kivinen is not completely satisfied with the current development.

"We clearly have strong development potential, and we shouldn't blame the economic situation too much. With an eye on the future, it is also very important that the development of registrations of Mercedes-Benz and BMW cars has been clearly better than the average development for the sector. We also believe that the driving performance of these makes will remain much higher than the average."

During the financial period, the fittings business was reorganized by separating into two companies Suomen Helakeskus, which specializes in furniture fittings, and Rakennushelasto, a specialist in construction fittings. This arrangement strengthens both, allowing each to focus on their own very different markets.

The diversity of simplicity

The entire fittings market was dormant, so Suomen Helakeskus focused on what it could. This financial period, it was improving profitability. Managing Director **Hannu Rantanen** is happy as his company's operations recovered considerably during the year, despite a drop in sales.

"When you focus on something, it's good to achieve the result. We did. It's pointless struggling against windmills. The market guides our activity and our sales live according to it."

The profitability of Rakennushelasto also clearly improved. It can now develop independently as its own unit.

"Everyone is satisfied. Both companies have their own customers, products and procurement channels. Sales techniques are also different. The tendency has been for construction fittings to be overshadowed by furniture fittings, but now factors affecting business are becoming more visible and it's easier to intervene in them."

Fittings wholesale is living off its partnerships in two directions.

Partnerships related to goods procurement require vision and a long-term view from wholesalers. Most furniture fittings come to Seinäjoki from traditional industrial European countries like Italy, Poland and Germany. Large batches of products at fiercely competitive prices are coming from the Far East.

Purchasing is inevitably import-based, as there is basically no domestic manufacture of traditional fittings products.

Helakeskus selects its suppliers based on what type of product is being sought for its range and what the fittings market and speed of turnaround are like. Rantanen adds that the selection of supplier is also naturally influenced by the range of products offered by the latter, which must be diverse.

The supply chain has already been being polished for about 18 months. At present, Suomen Helakeskus has Finland's widest selection of products, although the number of suppliers has been drastically reduced. For example, these days the number of suppliers in the chain providing different kinds of handles has practically dropped from six to one. Nonetheless, sales in this product group have increased by dozens of percentage points.

The wholesaling sector must be able to redeem the trust of its customers in each and every delivery. Businessman **Markku Jumpponen** of MRT-Kaluste has been ordering the furniture fittings he needs from Suomen Helakeskus since the early 1990s. Nowadays, most of the fittings, knobs and mechanisms come to his businesses in Tampere and Kuru from Seinäjoki.

"Everything works and is reasonably priced and easy for us. We know what we're getting and, if we need help, we get it at once," says Jumpponen summing up the prerequisites of partnership.

A nine-man furniture operation like MRT is an ideal customer for Helakeskus. Wholesale purchasers like this form about one-fifth of its customer base.

"Our customers range from one-man companies to the largest operators in the country. Of our one thousand or so customers, about 50 provide half our net sales. And the largest ones in particular are weighing us up all the time, so of course we want to look after our customers," says Hannu Rantanen.

Extensive structural change in the European metal industry also left its mark on the operations of Heatmasters Group. The bottom, on which we had been resting, dropped out of the market and replacement sales could not be found during the 2013 financial period. Heatmasters Group is rebuilding its operations. New Managing Director, Ilkka Mujunen, has strong faith in the ironclad expertise and experience of his company, which specialises in heat treatment.

Burning in the

"The technological expertise in our company is fantastic and the service business is well under control."

Managing Director Ilkka Mujunen, Heatmasters Group Oy

metal industry

No complete change of direction from before is necessary in Heatmasters Group because the foundations are built on the right things. That is Ilkka Mujunen's assessment of the company he has recently taken on. A skilled work force and 40 years of experience together with internationalization and precisely targeted sales work will suffice as a prescription.

"The company has developed well and, by continuing internationalization and brand-building, everything is possible," says **Ilkka Mujunen**, who knows the international metal industry like the back of his hand.

Mujunen outlines Heatmasters Group's objectives clearly: the company must be a leading player in the Baltic Sea region. He bases this policy on the professional expertise of the people employed by Heatmasters. In a knowledge-intensive business, the customer's experience will be decisive for the company's reliability and reputation, thereby creating mutual trust.

When the major Olkiluoto 3 contract came to an end in the previous financial period, insufficient replacement orders were gained. The fall in net sales concerns not only Heatmasters Group's Finnish service unit, but also other main areas of operation.

All in all in the metal industry, the customers' needs in heat treatment have decreased, and there has not been time for equipment sales to find the necessary strength to make up for the decline. Of the company's MEUR 5.7 net sales, the share of equipment sales is not yet an adequate support. "Its share will inevitably increase in the future," promises Mujunen.

"We have already sold equipment to about 20 countries, so it will be easy for us to boost equipment sales in particular. You don't need many transactions like the significant delivery of furnaces that is currently ongoing to double the company's net sales of equipment."

"The technological expertise in our company is fantastic and the service business is well under control. We have a strong reputation with regard to equipment; for example, in the UK, heat treatment professionals are buying our equipment and not even bothering to develop their own."

Nonetheless, Mujunen warns that you cannot create strong growth immediately after such as poor year. It takes time to return the foundations of growth to good health and to repair the leaks preventing profitability. Only after this is strong and sustainable growth possible. So belts will naturally have to be tightened, and Mujunen promises new strength and clarity for business strategies, which the changed business environment in Finland and all over the world now requires.

Pure security

During the past year, Spectra Yhtiöt, which specializes in support functions for stores and shopping centres, created for itself two completely new business areas. Support functions for store services now also covers security and, for real estate companies, Spectra offers a more reasonably priced alternative to the constant laborious repainting associated with the maintenance of facades. Spectra Yhtiöt is expecting much from these new businesses.

Spectra Yhtiöt was granted its license for the security business at the beginning of the year. This license is expanding the company's business and making its employees an important part of the customers' security structures, as security operations are based on being present and being useful.

"In shopping malls, we take care of everything from bottle returns to moving shopping trolleys and cleaning. Combining the role of the security guard with other useful work is something worthwhile. Therefore, we always have on site someone who keeps an eye on what's going around them, while making sure that everything is functioning well," says Managing Director **Veli-Heikki Saari** about Spectra's approach to its security business.

"As a matter of fact, the order came from the customer. We studied our possibilities. Applying for the license itself was a long process, and had to be done by the first security professional who was hired right at the beginning of the year. And when the license was granted to us in February, construction of the operating model began."

Saari says that operating in this direction is something that Spectra's customers want. At the same time, the company gets to revamp the structures of shopping mall and store support functions and the traditional security business. The strategy is opening up almost limitless new business opportunities.

The other significant business model-related initiative is the cleaning of building facades. Cleaning saves building companies a great deal of money in comparison to painting.

"You have to be able to clean facades correctly and with the right materials, in order to be sure of really removing lime deposits, moss and tarnishes. And we definitely have that ability," says Saari.

The chemical expertise of Spectra's subsidiary, Alfa-Kem, has been recognized with the Nordic Ecolabel and environmental certificates. Facade cleaning is naturally expanding the company's business in special cleaning, which already covered such things as biowaste room management.

In developing its concept, during the summer Spectra Yhtiöt cleaned three sites, which spawned plenty of new orders for next summer. The phenomenon is similar to cleaning just one window at home.

"Cleaning a building once every three years considerably extends the life of the paint on the walls, and is lighter to carry out than painting. In principle, natural material surfaces can last forever, but need regular servicing to look good."

Spectra's expectations for the future are high, and Saari believes strongly that the company can achieve almost 20% growth in 2014. He justifies this view by referring to the general economic downturn. In previous similar periods, Spectra Yhtiöt has grown in leaps and bounds.

The launch of new business areas carried out during the year burdened the parent company to the extent that the development of net sales was not quite in line with expectations. Its Alfa-Kem subsidiary, on the other hand, almost doubled its net sales. Its position was strengthened not only by excellent sales but also by the purchase at the beginning of the year of Medi+Kem, an importer and wholesaler of hygiene and cleaning products. Medi+Kem's functions are being transferred from Helsinki to Lahti.

New customer accounts, the divestment of the Spectra car wash in Hatanpää, Tampere, increased sales and the streamlining of operations affected the development of the whole company so that the result and profitability improved during the financial period.

The core matures into a market

Ecosir Group's sustained and purposeful work yielded results in the financial period. According to Managing Director Mauri Leponen, a significant partnership and licensing agreement concluded in Malaysia with local company, Automated Waste Systems, was a clear turning point in Ecosir's history.

The Malaysian agreement has opened up a route to the Far East for Finnish environmental technology. Ecosir is currently delivering to the Malaysian region of Johor Bahru automatic waste transfer system technology for skyscrapers more than 300 metres tall, in other words more than four times the height of the tower at Helsinki's Olympic Stadium.

Ecosir's position in the Asian market was further strengthened through a co-operation agreement with the Samsung Group of South Korea. This agreement is a gateway to the country's construction market, which is already of considerable size within the Samsung Group alone.

In Finland, Ecosir has tightened its grip on the nursing sector. The company is building waste and laundry transport systems for new hospitals under construction and design, as well as biowaste removal systems for nutrition centers at Kuopio University Hospital (KUH) and Espoo Hospital (ESA).

"Our message about releasing nursing staff for actual nursing work instead of transporting waste and laundry has been heard and received. They understand that in this way they can not only make hospitals and nursing homes more pleasant but also, and most importantly, improve hygiene and patient safety," says Leponen.

In addition to projects in the Far East and Finland, Ecosir is also focusing its products and services on Russia and the Middle East, where it has new clients.

In Europe in the next couple of years, an enormous market will open up in real estate and environmental management, once the EU directive on the treatment of biowaste comes into force.

"Some European countries are now being forced to build biowaste systems for their whole societies all at once. So far, the issue has not been treated as very urgent in all countries. It's clear that, as a result of the directive, our European market will grow to an entirely new scale. We have now started in Denmark, which is in a very similar situation to Finland in terms of care for the elderly.

And once the machine room-free building developed by Ecosir becomes part of new construction, the market for the renovation construction of buildings will also be made easier.

Lack of space is a common problem in old buildings. It has been possible to fit necessary pipes into empty corners and under the roof, but it has been more difficult to find locations for the machine rooms that they need. Ecosir has developed and patented a separate machine room for its collection systems, which can be placed outside the building.

The events of Ecosir's 2013 have strengthened belief in the sector. The improvement in the financial result gives a good boost to the new financial period into which Ecosir goes with an order book almost four times the size of that of the good financial period that has just ended.

Panostaja Oyj Report on the Management and Control System

Compliance with the Finnish Corporate Governance Code 2013

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

Annual General Meeting

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

Board of Directors

According to the Articles of Association of Panostaja Oyj, the Board of Directors must comprise at least three and no more than six ordinary members. In the period November 1, 2012 – January 28, 2013, the Board comprised five members and, after January 29, 2013, six. The Board members are elected by the Annual General Meeting. A Board member's term of office expires at the end of the Annual General Meeting following the election.

In the 2013 financial period, the Board convened 16 times. The average rate of participation at Board meetings over the period was 97%.

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

Of the six members of the company's Board, all six are independent of the company (five independent members out of five up to January 28, 2013) and five are independent of major shareholders (five also up to January 28, 2013).

At the Annual General Meeting held on January 29, 2013, the following were elected to the Board:

- **Jukka Ala-Mello**, born 1963, Chairman of the Board since 2011, Board member since 2006, M.Sc. (Econ.) and member of the Finnish Institute of Authorised Public Accountants, Director of Kone Corporation and Secretary to the Board, previous work experience: Shareholder in PricewaterhouseCoopers Oy 19952006, Finnish Institute of Authorised Public Accountants-approved auditor 1993–2006, and auditor 1987–1990, and Financial Manager at Panostaja Oyj 1990–1993, other positions of trust: Board member and Managing Director at Security Trading Oy and Holding Manutas Oy, Chairman of the Board at OWH-Yhtiöt Oy and Board member at Oy Hacklin Ltd. Independent of the company and major shareholders.
- **Eero Eriksson**, born 1963, Board member since 2011, Master of Political Science, Deputy Managing Director of Fennia, previous work experience: Investment Director of Fennia Group since 2002, Investment Director of Eläke-Fennia 1998–2001, Investment Director of Merita Henkivakuutus Oy, Bank Manager of Suomen Yhdyspankki, other positions of trust: Board member of Fennia Asset Management Ltd, Board member of Fennia Life, Member of the Investment Committee of the Diabetes Research Foundation, member of the Asset Management Committee of Oulun Diakonissalaitoksen säätiö foundation. Board member of the Kyllikki and Uolevi Lehikoinen Foundation. Independent of the company and major shareholders.
- **Satu Eskelinen**, born 1961, Board member since 2010, M.Sc. (Tech.), Director of the Tampere business unit of Technopolis Oyj, previous work experience: Director of the Consulting and Technology Unit at Solteq Oyj, Regional Director at Elisa Oyj, Marketing and Sales Director and Managing Director of Soon Com Oy, other positions of trust: Board member of Tampereen Lääkärikeskus Oy until December 31, 2013. Board member of Tampereen Sähkölaitos Oy since April 2013. Independent of the company and major shareholders.
- **Jukka Terhonen**, born 1954, Board member since 2013. M.Sc.(Tech.), Managing Director of Lemminkäinen Talo Oy 2009–2013, Managing Director of Palmberg Oy Construction Company 2001–2009, YIT Oyj, Director of House Construction, Tampere-Vaasa Regional Director, Director of Helsinki Metropolitan Area Housing Production, Managing Director (Otto Wuorio Oy), Production Director (Otto Wuorio Oy), Turnkey Contracts Manager (Otto Wuorio Oy), 1985–2001, other positions of trust: Tampere Chamber of Commerce, Chairman 2010–2013, Board member 2007–2009, Talonrakennusteollisuus TRT ry, Board member 2007–2012, Confederation of Finnish Construction Industries RT, Housing Group, Chairman 2004–2012, SFHP

(housing and town-planning association) Board member 1994–, Design-Talot Oy Board member 2013, Paavo Nurmi Foundation Board member 2013–, Pohjola Oy Construction Company, Chairman of the Board 2013–. Board member of Tampere Adult Education Centre 2013–. Independent of the company and major shareholders.

- **Antero Virtanen**, born 1954. Board member since 2013. M.Sc.(Econ.), Managing Director of Jesura Oy 2010–, Board Member of Wavin Nordic 2004–2009, Managing Director and Board member of Wavin-Labko Oy 2003–2009, Managing Director Labko Oy 1988–2003, Board Member 1976–2003, Chairman 1996–2003, Managing Director Elarne Ky 1986–1988, other positions of trust: Board member of the Tampere Chamber of Commerce 1991–1998. Several board memberships and chairmanships since 1976, member of Hallituspartnerit since 2008. Chairman of Hallituspartnerit 2010–2013. Independent of the company and major shareholders.
- **Mikko Koskenkorva**, born 1982, Board member since 2011, graduate of upper secondary school, IT Project Manager for Pajakulma Oy; other positions of trust: Board member of Johtopanostus Oy and Rollock Oy, Board Member and Managing Director of Treindex Oy. Independent of the company and major shareholders.

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

CEO

The Board appoints the CEO. The CEO is Juha Sarsama LLM (born 1965, CEO since 2007, LLM, M.S.M. Boston University in Brussels; previous work experience: Managing Director of OpusCapita Oy, Administrative Director of Saarioinen Oy, Financial Director of OpusCapita Oyj). The CEO controls the day-to-day running of the company in accordance with the Board's instructions and regulations. The CEO acts as the Head of the members of the Senior Management Team of the parent company. A member of the Senior Management Team of the parent company acting as Chairman of the Board of a segment will act as head of the managing director of that segment from December 2013. The CEO of the parent company prepares and presents to the Board for decision long-term strategic objectives, the budgets of the companies owned by the Group as part of the Group's budget, the Group's essential investments, essential expansions or contractions of business operations as well as major corporate and business acquisitions.

Organization of Business Activities

In the financial year 2013, Panostaja Oyj's Senior Management Team comprised CEO Juha Sarsama, CFO Simo Mustila, Investment Director Tapio Tommila and Development Director Minna Telanne, who began on January 14, 2013. The previous Development Director, Heikki Nuutila, left the Group on January 1, 2013. The Senior Management Team is chaired by the CEO and meets regularly. In addition to his statutory responsibilities, the CEO is accountable for the organization of Panostaja Oyj's activities, the management system and development thereof of the entire Group, as well as preparation and presentation of matters to the company's Board of Directors. The CFO is responsible for the financial reporting process and the risk management process as well as their development. The Investment Director is responsible for the corporate acquisition process and the related analysis and valuation process. The Development Director is responsible for the Group's management system, its development, for the Group's development projects as well as supporting segments in their own development projects.

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

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

Main Features of the Internal Control and Risk Management Linked to the Financial Reporting Process

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

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

Auditing

The auditors elected by the AGM are responsible for the statutory auditing of the companies belonging to the Panostaja Group. In 2013, Markku Launis APA and Authorised Public Accountants PricewaterhouseCoopers Oy operated as auditors in the parent company and the Group.

As required by law, the auditors issue an audit report for the company's shareholders together with the financial statement. In dealing with the financial statement, Panostaja Oyj's Board receives an explanation of the implementation of the audit and its findings from the responsible public accountant. If necessary, the auditors participate in Board meetings and otherwise report to the Board. In 2013, the fees paid to PricewaterhouseCoopers for the statutory audit were €116,000, and €109,000 for other services.

Insider Management

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

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

Communication

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

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

Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration

The AGM confirms the Board's salaries annually. The 2013 Annual General Meeting confirmed the following salaries for Board members: The Chairman of the Board is paid €40,000 per year, and every other Board member €20,000 per year.

Approximately 40% of the salary paid to a Board member is paid as company shares based on an authorization to the

Board for a share issue, if the Board member on the day of the AGM does not own more than one per cent of the company's total shares. If the holding of a Board member on the date of the General Meeting is over one percent of all company shares, the compensation will be paid in full in monetary form. During the financial year 2013, a total of 61,610 company shares were paid as salary to the Board members.

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

The CEO's salary and other benefits are determined by the Board. The CEO has a written CEO's contract and the pay is fixed according to this. The CEO's retirement pension is determined in accordance with the Employees Pensions Act (TyEL). In accordance with the CEO's contract, the period of notice is six (6) months and the severance pay is equal to twelve (12) months' salary. In the 2013 financial period, the CEO's earnings and other benefits amounted to €186,083. The CEO is not a Board member. The share and option ownership of the CEO is explained on the Company's website www.panostaja.fi.

The CEO and the members of the Senior Management Team are involved in a share bonus system. The company's management owns shares directly and through influential organizations. The Board of Panostaja Oyj decides on the principles of the remuneration system for the CEO and members of the Senior Management Team. The salaries of the Senior Management Team are fixed and the pension is determined according to the Employees Pensions Act. On December 16, 2010, the Board decided on a new long-term incentive and commitment scheme for the members of the Senior Management Team. At the time of closing the books, the members of the Senior Management Team held 750,000 Panostaja shares for their personal ownership or for the ownership of a company where they have a controlling interest (previous year 950,000 shares). Heikki Nuutila is no longer employed by the company as of January 1, 2013. He owns 200,000 Panostaja shares.

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

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

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

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

Panostaja Oyj Stock exchange bulletins 2013

November

- November 6, 2012 Panostaja strengthens its fittings business area through a company acquisition and by separating businesses
- November 7, 2012 Panostaja buys 60 % shareholding of Selog Oy and expands its operations to ceiling material wholesale business
- November 12, 2012 New appointment at Panostaja Oyj Juha Kivinen becomes managing director at KL-Varaosat Oy
- November 28, 2012 Invitation to Panostaja Oyj's press conference
- November 28, 2012 Changes in Panostaja Oyj's senior management team

December

- December 4, 2012 Panostaja acquires DMP-Digital Media Partners Oy and strengthens its market position in the digital printing services business area
- December 14, 2012 Panostaja Group report financial statement bulletin November 1, 2011 – October 31, 2012
- December 14, 2012 Invitation to annual general meeting
- December 17, 2012 Paying Panostaja Oyj board members' fees in the form of shares held by the company
- December 28, 2012 Notification on a change in holdings
- December 31, 2012 Liquidity providing in the share of Panostaja Plc ends

January

- January 8, 2013 Panostaja Group annual report 2012 published
- January 29, 2013 Panostaja Oyj's annual general meeting

February

- February 27, 2013 Invitation to Panostaja Oyj's press conference

March

- March 6, 2013 Panostaja Group interim report November 1, 2012 – January 31, 2013 (3 months)
- March 7, 2013 Paying Panostaja Oyj board members' fees in the form of shares held by the company

May

- May 16, 2013 Panostaja issues 7,5 million euro hybrid bond
- May 22, 2013 Invitation to Panostaja Oyj's press conference

June

- June 5, 2013 Panostaja Group interim report November 1, 2012 – April 30, 2013 (6 months)
- June 6, 2013 Paying Panostaja Oyj board members' fees in the form of shares held by the company

August

- August 19, 2013 Invitation to Panostaja Oyj's press conference'

September

- September 4, 2013 Panostaja Group interim report November 1, 2012 – July 31, 2013 (9 months)
- September 5, 2013 Paying Panostaja Oyj board members' fees in the form of shares held by the company
- September 20, 2013 Panostaja Oyj's financial information release dates and annual general meeting

October

- October 9, 2013 Panostaja divests the carpentry industry segment and sells Matti-Ovi Oy to Taaleritehtaan Sijoitustehdas
- October 17, 2013 Panostaja divests the fasteners segment and sells Suomen Kiinnikekeskus Oy to Länsi-Suomen Sähkötukku
- October 29, 2013 Final purchase price for Matti-Ovi Oy
- October 31, 2013 New appointment at Panostaja Oyj Ilkka Mujunen becomes managing director at Heatmasters Group Oy

Information for shareholders

Share information

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

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

Annual General Meeting

Panostaja Oyj's Annual General Meeting will be held on Wednesday January 29, 2014 at 1:00 pm at Technopolis Yliopistonrinne, Häggman Auditorium, Kalevantie 2, Tampere. We published the invitation to the Annual General Meeting on December 13, 2013.

The right to participate in the Annual General Meeting rests with those shareholders who are entered as shareholders in the company's shareholder list maintained by Euroclear Finland Oy no later than January 17, 2014.

A shareholder whose shares are nominee-registered and who wishes to participate in the Annual General Meeting must register for temporary entry in the company's shareholder list no later than January 24, 2014 by 10:00 am. A requirement of registration is that, based on the same shares, the shareholder is entitled to be entered in the company's shareholder list on the record date of the Annual General Meeting, January 17, 2014. The registration of a nominee-registered shareholder for temporary entry in the company's shareholder list will be deemed to be equivalent to registering for the Annual General Meeting.

A shareholder who wishes to participate in the Annual General Meeting must register with the company in writing in advance no later than January 24, 2014 by 4:00 pm to the address Milla Store/Panostaja Oyj, Kalevantie 2, 33100 Tampere, by telephone to Milla Store, tel. +358 (0)50 685 70, or by e-mail to yhtiokokous@panostaja.fi. The letter of registration must have arrived before the end of the registration period. Any powers of attorney should be sent along with the registration.

Proposal by the Board of the parent company on the processing of the result and distribution of profits of the financial period

Panostaja Oyj's distributable assets, with the loss for the financial period of EUR 12,312,404.14 and the invested unrestricted equity fund of EUR 17,746,562.87 added, are EUR -127,093.89.

The Board proposes to the Annual General Meeting that the loss for the financial period be transferred to the accrued earnings account and that no dividend be paid or capital repaid.

The Board also proposes that the General Meeting authorize the Board of Directors to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividend or as capital repayment from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals no more than EUR 5,200,000.

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

Important dates concerning the Annual General Meeting

Annual General Meeting record date
January 17, 2014
Registration for Annual General Meeting ends
January 24, 2014
Annual General Meeting
January 29, 2014

Interim reports

The Panostaja Group will publish three interim reports in the financial year November 1, 2013–October 31, 2014, as follows:

The interim report for the period November 1, 2013–January 31, 2014 will be published on March 5, 2014.

The interim report for the period November 1, 2013–April 30, 2014 will be published on June 4, 2014.

The interim report for the period November 1, 2013–July 31, 2014 will be published on September 3, 2014.

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

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

Juha Sarsama, born 1965
- CEO since 2007
- Master of Laws, M.S.M. (Boston University Brussels)
- Previous work experience: Managing Director of OpusCapita Oy, Administrative Director of Saarioinen Oy, Financial Director of OpusCapita Oyj
- Other positions of trust: Vice Chairman of the Board of Tampere Chamber of Commerce, Board member of Etera Mutual Pension Insurance Company, Board member of Fennia Asset Management

Simo Mustila, born 1967
- CFO since 2010
- APA, MBA
- Previous work experience:
  F&I Manager of Delta Motor Group Oy;
  Financial and Administrative Director of DNA Group
- Other positions of trust: Member of the Finance Committee of Tampere Chamber of Commerce

Minna Telanne, born 1964
- Development Director since 2013
- Education - Licenciate of Administration
- Previous work experience: Business Director of Leading Partners Oy, HR Director of OpusCapita Oy, Profit Center Manager of MPS Finland Consulting Oy, Development Manager of Suomen Posti Oy
- Other positions of trust: -

Tapio Tommila, born 1978
- Investment Director since 2008
- M.Sc. (Econ.)
- Previous work experience: Deloitte Corporate Finance Oy, PricewaterhouseCoopers Oy
- Other positions of trust: -

Jukka Ala-Mello, born 1963

- Chairman of the Board 2011–, Board member since 2006
- M.Sc.(Econ.), APA, Director and Secretary of the Board of Directors of Kone Oyj
- Previous work experience: Shareholder in PricewaterhouseCoopers Oy 1995–2006, Finnish Institute of Authorised Public Accountants-approved auditor 1993–2006 and auditor 1987–1990, and Financial Manager at Panostaja Oyj 1990–1993
- Other positions of trust: Board member and Managing Director at Security Trading Oy and Holding Manutas Oy, Chairman of the Board at OWH-Yhtiöt Oy, and Board member of Oy Hacklin Ltd
- Independent of the company and major shareholders

Satu Eskelinen, born 1961

- Board member since 2010
- M.Sc.(Tech.), Director of Technopolis Oyj's Tampere Business Unit and Business Services
- Previous work experience: Director of the Consulting and Technology Unit at Solteq Oyj, Regional Director at Elisa Oyj, Marketing and Sales Director and Managing Director of Soon Com Oy
- Other positions of trust: Board member of Tampereen Lääkärikeskus Oy until December 31, 2013. Board member of Tampereen Sähkölaitos Oy since April 2013
- Independent of the company and major shareholders

Antero Virtanen, born 1954

- Board member since 2013
- M.Sc.(Econ.), Managing Director of Jesura Oy 2010–, Board member of Wavin Nordic 2004–2009, Managing Director and Board member of Wavin-Labko Oy 2003–2009, Managing Director of Labko Oy 1988–2003, Board Member 1976–2003, Chairman 1996–2003, Managing Director of Elarne Ky 1986–1988
- Other positions of trust: Board member of the Tampere Chamber of Commerce 1991–1998
- Several board memberships and chairmanships since 1976, member of Hallituspartnerit since 2008. Chairman of Hallituspartnerit 2010–2013
- Independent of the company and major shareholders

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

Eero Eriksson, born 1963

- Board member since 2011
- Master of Social Sciences, Deputy Managing Director of Fennia
- Previous work experience: Investment Director of Fennia Group since 2002, Investment Director of Eläke-Fennia 1998–2001, Investment Director of Merita Henkivakuutus Oy, Bank Manager of Suomen Yhdyspankki
- Other positions of trust: Board member of Fennia Asset Management Ltd, Board member of Fennia Life, Member of the Investment Committee of the Diabetes Research Foundation, member of the Asset Management Committee of Oulun Diakonissalaitoksen säätiö foundation. Board member of the Kyllikki and Uolevi Lehikoinen Foundation
- Independent of the company and major shareholders

Jukka Terhonen, born 1954

- Board member since 2013
- M.Sc.(Tech), Managing Director of Lemminkäinen Talo Oy 2009–2013
- Managing Director of Palmberg Oy Construction Company 2001–2009, YIT Oyj, Director of House Construction, Tampere-Vaasa Regional Director, Director of Helsinki Metropolitan Area Housing Production
- Managing Director (Otto Wuorio Oy), Production Director (Otto Wuorio Oy), Turnkey Contracts Manager (Otto Wuorio Oy), 1985–2001
- Other positions of trust: Tampere Chamber of Commerce, Chairman 2010–2013, Board member 2007–2009, Talonrakennusteollisuus TRT ry, Board member 2007–2012, Confederation of Finnish Construction Industries RT, Housing Group, Chairman 2004–2012, SFHP (housing and town-planning association) Board member 1994–, Design-Talo Oy Board member 2013–, Paavo Nurmi Foundation Board member 2013–, Pohjola Rakennus Oy Sisä-Suomi, Chairman of the Board 2013–. Board member of Tampere Adult Education Centre 2013–. Independent of the company and major shareholders.

Mikko Koskenkorva, born 1982

- Board member since 2011
- Graduate of upper secondary school,
- IT Project Manager of Pajakulma Oy, other positions of trust: Board member of Johtopanostus Oy and Rollock Oy, Board Member and Managing Director of Treindex Oy
- Independent of the company and major shareholders

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The group's economic development

Panostaja Group's net sales were MEUR 179.6 (MEUR 147.9) in the review period that has ended. Exports amounted to MEUR 8.5, or 4.7%, (MEUR 12.5, or 7.9%) of net sales. Corporate acquisitions realized during the previous financial period accounted for MEUR 32.6 of the MEUR 31.7 increase in net sales.

Of the Group's nine operational segments, four exceeded the cumulative net sales level for the reference period, and three segments exceeded EBIT levels in the review period. EBIT improved in the segments of Digital Printing Services, Safety, and Value-added Logistics.

EBIT totaled MEUR -0.4 (MEUR 3.2). The MEUR -3.6 decrease in EBIT was especially due to weak demand in the technology industry segments, write-downs linked to restructuring in the Takoma segment, the MEUR 0.9 in costs incurred in goodwill amortization related to product development projects in the Heat Treatment segment, and costs of MEUR 1.1 arising from goodwill allocations from corporate acquisitions carried out at the beginning of the financial period. The EBIT also includes a MEUR 2.3 goodwill amortization entry for Takoma.

Profit from discontinued operations was MEUR 0.6. Matti-Ovi Oy was sold on October 9, 2013 and Suomen Kiinnikekeskus Oy on October 17, 2013. The consolidated income statement does not include the income statement for operations discontinued in 2012. Instead, the result is entered separately in the consolidated income statement under 'Income from discontinued operations'.

Before separating discontinued operations from continuing operations in the income statement, consolidated net sales for the entire reference period were MEUR 156.8 and EBIT was MEUR 4.2.

The Group's net financial expenses for the review period were approximately MEUR -3.2 (MEUR -3.6). The Group's liquidity remained good and operating cash flow was MEUR 7.8 positive.

During the financial year, the Group employed an average of 1,251 (1,152) staff. At the end of the financial period, the Group employed 1,295 (1,206) staff.

The net sales of the parent company, Panostaja Oyj, amounted to MEUR 0.03 (MEUR 0.06).

EBIT totaled MEUR -0.4 (MEUR 3.2). The parent company's loss in the financial period was MEUR -12.3 (MEUR -8.9).

Group structure

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

On November 6, 2012, Panostaja Oyj's subsidiary Suomen Helasto Oy bought the entire shareholding of Oy Eurohela Trading Ltd, which provides furniture fittings wholesale services. In the same connection, the segment was also reorganized, so that the furniture fittings and construction fittings operations were divided into individual companies. Suomen Helasto Oy's subsidiaries Oy Eurohela Trading Ltd and Suomen Helakeskus Oy merged to form Suomen Helakeskus Oy, focusing on the furniture fittings business. Suomen Helasto Oy's new subsidiary Rakennushelasto Oy, which was established as part of the reorganization, specializes in the construction fittings business. As a result of the reorganization, Panostaja Oyj's shareholding in Suomen Helasto Oy is about 95%.

Panostaja Oyj announced on November 7, 2012 that it had bought 60% of the share capital of Selog Oy, a company supplying materials, accounting and design services for ceiling construction. As a result of the transaction, Panostaja expanded its business operations and established within the Group a new business area specializing in wholesale services of ceiling materials. As part of the arrangement, Selog Oy's owners continued as minority shareholders in the new segment.

Panostaja expanded its Digital Printing Services segment on December 4, 2012, which already includes the Kopijyvä Group. Panostaja's subsidiary Digiprint Finland Oy acquired the entire share capital of DMP-Digital Media Partners Oy. The DMP Group provides printing, publication and production services for marketing communications. Since the reorganization, Panostaja owns approximately 56% of the total share capital of Digiprint Finland Oy. As part of the reorganization, the shareholders of DMP-Digital Media Partners Oy became minority shareholders in Digiprint Finland Oy. Since the reorganization, Digiprint Finland Oy owns all of Kopijyvä Oy and DMP-Digital Media Partners Oy.

Panostaja announced on September 18, 2013 that Kopijyvä Oy, which belongs to the Digital Printing Services segment, had acquired the entire share capital of Lappeenranta-based Mainos-PainoDuo Oy. The transaction strengthened Kopijyvä's position in Southeast Finland.

On October 9, 2013, Panostaja announced that it was divesting its Carpentry Industry segment and selling its entire shareholding in Matti-Ovi Oy to Taaleritehtaan Sijoitustehdas Oy.

On October 17, 2013, Panostaja announced that it was divesting its Fasteners segment and selling its entire shareholding in Suomen Kiinnikekeskus Oy to Länsi-Suomen Sähkötukku Oy.

Panostaja Group's business segments

Panostaja Group's business operations for the period under review are reported in 10 segments: Digital Printing Services, Safety, Takoma, Value-added Logistics, Ceiling Materials, Spare Parts for Motor Vehicles, Fittings, Heat Treatment, Supports and Other (parent company and associated companies). The segments were formed because they produce products and services that differ from each other and because these segments are monitored as separate businesses.

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

Digital Printing Services

The Digiprint Finland Group includes Kopijyvä Oy and DMP Oy, which was acquired in December 2012. Panostaja's holding in the Group is 56.4%. The Group's Managing Director is Heimo Viinanen. Kopijyvä Oy is one of Finland's largest companies providing digital printing services. The company's services include copying, printing, CAD drawing, digital printing, scanning, SokoPro project bank and delivery services. The company has offices in the regions of Central, East and West Finland and the Helsinki metropolitan area. It also operates in Tallinn and St Petersburg. DMP OY is a producer of innovative marketing communications solutions in both digital and print mode. The company's office is located in Helsinki.

The growth in the net sales of the Digital Printing Services segment was MEUR 15.7, of which a significant share is explained by the acquisition of the DMP companies in December 2012. Net sales in the Digital Printing Services segment grew from MEUR 35.1 to MEUR 50.8, and EBIT from MEUR 5.5 to MEUR 6.4. Consumption of printing and CAD paper is falling and, owing to the poor market situation, customers are relatively inactive, giving rise to fierce price competition on the market. In spite of the fiercer competition, however, the segment was able to maintain good net sales and EBIT trends. During the financial period, smaller business transactions were accomplished in the segment in addition to the DMP acquisition, and with Digicolor Oy merging with DMP-DigitalMediaPartners Oy. At the end of the financial period, the segment employed 451 (335) staff.

Safety

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

Net sales in the Safety segment were up by MEUR 2.8 Net sales rose from MEUR 29.0 to MEUR 31.8, and EBIT increased from MEUR 1.1 to MEUR 1.6. The dramatic increase in the range of products and sales offered that continued in the financial period and investment in growth weakened the profit for the financial period. A corporate acquisition took place in the segment during the period under review: the Group purchased the business operations of the Lappeenranta-based Lappeenranta Lukko- ja Varustepalvelu Oy. At the end of the financial period, the segment employed 205 (212) staff.

Takoma

The Takoma Group includes two engineering companies: Takoma Gears in Parkano and Takoma Hydraulics in Akaa, with Takoma Oyj as the parent company, in which Panostaja has a 63.1% holding. Ari Virtanen is Managing Director of all the companies in the Group.

Net sales in the Takoma segment deteriorated strongly from MEUR 28.9 to MEUR 23.2. EBIT also decreased from MEUR -5.0 to MEUR -8.0. The segment's EBIT was burdened by a goodwill amortization of MEUR 2.3 and significant costs arising from operational restructuring. During the financial period, major operational restructuring was carried out as Takoma Systems and Hervannan Koneistus were wound down. Uncertainty in the segment's market environment continued throughout the financial period. New customers for the Offshore industry were gained on the Norwegian market, but their impact will only be seen later. The filing for business restructuring proceedings made by the Takoma companies may have an impact on old customers, the acquisition of new customers, and goods suppliers. Efforts are being made to reduce negative effects through active dialog. At the end of the financial period, the segment employed 163 (193) staff.

Value-added Logistics

Vindea Oy is a leading operator in machine shop logistics and industrial packaging, serving leading machine shop businesses in the sector by providing solutions for material acquisition services, warehousing, control, production logistics as well as comprehensive packaging systems. Vindea Oy is part of Vindea Group, in which Panostaja's holding is 54.2%. The Group's Managing Director is Jouni Arolainen.

Net sales in the Value-added Logistics segment increased from MEUR 23.3 to MEUR 29.9. A significant proportion of this growth is attributed to the acquisition of HSG-Logistics Oy in May 2012. The segment's EBIT improved from MEUR 1.4 to MEUR 1.7. The segment's business continued strongly despite the poor prospects for the technology industry. During the financial period, several significant outsourcings from the customer base to Vindea were carried out. The positive development of operating profit has been affected by the constant improvement of operations. At the end of the financial period, the segment employed 299 (253) staff.

Ceiling Materials

In November 2012, Panostaja Oyj bought 60% of the shares of Selog Oy, a company supplying material, accounting and design services for ceiling construction. As a result of the transaction, Panostaja expanded its business operations and established within the Group a new business area specializing in wholesale services in ceiling materials. The continued, steady growth in renovation construction and the increased importance of acoustics support Panostaja's objective to build a new, growing business area around Selog.

Selog Oy, established in 2005, is Finland's biggest ceiling materials wholesaler. The company distributes acoustic internal lining materials of manufacturers and importers within Finland. Selog's services cover renovation and restoration projects and new construction sites. The company's offices are in Helsinki, Tampere and Lappeenranta. The company's Managing Director is Simo Tuokko.

Ceiling materials is a new segment, so there is no reference data for it. During the financial period, net sales in the segment were MEUR 12.8 and EBIT MEUR 0.9. The segment's result in the reference period is burdened by cost- and depreciation write-downs arising from sales price allocations. A generally weak market situation in construction is also reflected in the demand from the segment's customers.

Spare Parts for Motor Vehicles

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

Net sales in the Spare Parts for Motor Vehicles segment declined slightly from MEUR 10.4 to MEUR 10.3, with EBIT deteriorating from MEUR 1.1 to MEUR 0.8. The general poor economic situation has cut growth in the business of KL-Varaosat. At the end of the financial period, the segment employed 39 (38) staff.

Fittings

The Suomen Helasto Group is a major wholesaler of construction and furniture fittings in Finland, and it includes Suomen Helakeskus Oy and Rakennushelasto Oy. In November 2012, the Group acquired the business of Oy Eurohela Trading Ltd, and the furniture and construction fittings business operations were reorganized as separate companies. Panostaja's share of ownership of the Suomen Helasto Group is 95.3%. The company operates in Seinäjoki. The Group's Managing Director is Hannu Rantanen.

Net sales in the Fittings segment increased during the review period from MEUR 10.3 to MEUR 11.9. This growth can be explained by the acquisition of the business of Oy Eurohela Trading Ltd in November 2012. EBIT for the review period, however, declined from MEUR 0.4 to MEUR -0.2, which can be attributed to costs arising from restructuring and cost- and depreciations write-downs arising from sales price allocations. Uncertainty still prevails on the market and both units are suffering from the market downturn in the construction industry. At the end of the financial period, the segment employed 37 (30) staff.

Heat Treatment

Heatmasters Group offers heat treatment services for metals in Finland and internationally, and produces, develops and markets heat treatment technology. Heatmasters Group includes two companies engaging in business operations in Finland – Heatmasters Lämpökäsittely Finland Oy and Heatmasters Technology Oy – operating in Lahti and Kouvola. The Group also has subsidiaries in Poland and Sweden. Heatmasters Group is a subsidiary in which Panostaja has an 80% holding. Ilkka Mujunen began as Managing Director of Heatmasters Group Oy in November 2013.

During the period under review, net sales in the Heat Treatment segment declined by MEUR 1.7, with EBIT was down by MEUR 2.5.

Net sales fell from MEUR 7.5 to MEUR 5.7, with EBIT down from MEUR 1.0 to MEUR -1.5. The result is burdened by a MEUR 0.9 amortization entry related to product development projects. The deterioration of net sales and EBIT was affected by weak customer demand on all markets, for which reason production adaptation measures have been ongoing throughout the financial period. At the end of the financial period, the segment employed 62 (65) staff.

Supports

Toimex Oy works in the HVAC field, manufacturing and selling supports. Kannake Group's parent company is Kannake Oy, and the company engaging in actual business operations is Toimex Oy. The company's offices are located in Tampere and Helsinki. Panostaja's holding is 70.4%. The company's Managing Director is Kalervo Pentti.

Net sales in the Supports segment declined from MEUR 4.0 to MEUR 3.4, owing to the poor economic situation in construction. EBIT weakened slightly from MEUR 0.3 to MEUR 0.2. At the end of the financial period, the segment employed 16 (16) staff.

On December 3, 2013, Panostaja Oyj announced that it was divesting its Supports segment and selling its shares in the segment's parent company, Kannake Oy, to a group of Tampere-based investors and existing managers. This divestment is in keeping with Panostaja's strategy and supports its active portfolio development objective. Panostaja does not record a major sales profit from the transaction.

Other Business Operations

There were no significant changes in the net sales of the Other segment. In the review period, two associated companies, Ecosir Group Oy and Spectra Yhtiöt Oy, issued reports to the parent company. The profit/loss of the reported associated companies in the review period was MEUR -0.1 (MEUR 0.4), which is presented on a separate row in the consolidated income statement.

Financing

The Group's liquidity remained good, and operating cash flow was MEUR 7.8 (MEUR 10.6). The Group's liquid assets were MEUR 16.4 (MEUR 12.3).

The Group's equity ratio was 33.2% (34.1%) and interest-bearing net liabilities totaled MEUR 40.1 (MEUR 40.5). Interest-bearing net liabilities remained at the level of the previous year. Panostaja Oyj's convertible subordinated loan amounted to MEUR 15 of the net liabilities (MEUR 15.0).

The return on equity was -11.7% (-5.4%) and the return on investment 0.5% (1.8%). Gearing ratio was 82.6% (89.6%).

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

Investments and development expenses

The Group's gross capital expenditure increased and was MEUR 21.2 (MEUR 6.2) in the review period. Investments were mainly targeted at corporate acquisitions.

During the financial period, development expenses were not activated (MEUR 0.1). The share of activated development expenses of the Group's net sales was 0.0% (0.0%).

Risks

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

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

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

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

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

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

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

If unsuccessful in managing them, risks concerning corporate acquisitions may affect the Group's and its segments' development and financial performance. The Group also aims to grow through corporate acquisitions. The goodwill associated with corporate acquisitions entered in the consolidated balance sheet amounts to MEUR 41.9. Since adopting IFRS reporting, goodwill is no longer written off annually on a regular basis but, instead of depreciations, an impairment test is performed at least annually, or when there are indications of amortization. Values are normally checked during the second half of the year in connection with the budgeting process. If prolonged, an international investment recession may lead to changes to the forecasts that are the basis of some technology industry segments' goodwill testing. Such a change might make goodwill write-downs necessary.

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

Board of directors, and general meetings

Panostaja Oyj's Annual General Meeting was held on January 29, 2013 in Tampere. Jukka Ala-Mello, Satu Eskelinen, Mikko Koskenkorva and Eero Eriksson were re-elected to Panostaja Oyj's Board of Directors. Antero Virtanen and Jukka Terhonen were elected as new members. In the Board's organizing meeting held immediately after the General Meeting, Jukka Ala-Mello was elected Chairman of the Board and Eero Eriksson as Vice Chairman. Authorized Public Accountant Markku Launis and Authorized Public Accountants PricewaterhouseCoopers Oy were selected as general chartered accountants, with Authorized Public Accountant Janne Rajalahti as the responsible public accountant.

The General Meeting approved the closing of the November 1, 2011–October 31, 2012 accounts as well as the proposal by the Board to transfer the loss for the financial period to the profit funds and that capital repayment be paid at a rate of EUR 0.04 per share. The record date for the repayment is February 1, 2013 and the payment date is February 8, 2013. In addition, the Annual Meeting authorized the Board to decide, at its discretion, on the potential distribution of assets to shareholders, the company's financial status permitting, as distribution of assets from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals EUR 5,200,000. The authorization includes the right of the Board to decide on all other terms and conditions relating to the said asset distribution. The authorization will remain valid until the end of the next Annual General Meeting.

In addition, the General Meeting granted exemption from liability to the members of the Board and to the CEO. It was decided at the General Meeting that the Chairman of the Board be paid EUR 40,000 as an annual fee for the term that begins at the end of the Meeting and ends at the end of the 2014 Annual General Meeting, and that the other members of the Board be paid an annual fee of EUR 20,000. It was further resolved at the General Meeting that approximately 40% of the compensation remitted to the members of the Board be paid on the basis of the share issue authorization given to the Board, by issuing company shares to each Board member if the Board member does not own more than one percent of the company's shares on the date of the General Meeting. If the holding of a Board member on the date of the General Meeting is over one percent of all company shares, the compensation will be paid in full in monetary form.

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

The company's own shares may be acquired at the price in public trade arranged by NASDAQ OMX Helsinki Oy on the date of acquisition or otherwise at the prevailing market price. The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired not following the proportion of ownership of the shareholders (directed acquisition). The authorization remains valid until July 29, 2014.

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

Share capital

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

The total number of the company's own shares held by the company at the end of the review period was 490,956 individual shares (at the beginning of the financial period: 552,566). The number of the company's own shares totaled 0.95% of the number of shares and votes at the end of the financial period.

In accordance with the decisions of the General Meeting on January 31, 2012 and the Board, Panostaja Oyj relinquished a total of 12,656 individual shares in the form of meeting compensation to the members of the Board on December 14, 2012. In line with the decisions of the General Meeting on January 29, 2013 and the Board, a total of 15,384 shares were relinquished on March 7, 2013, followed by a total of 16,902 shares on June 6, 2013, and a total of 16,668 shares on September 5, 2013.

Share price development and share ownership

Panostaja Oyj's share price fluctuated between EUR 0.66 and EUR 0.86 during the financialperiod. In the period under review, the exchange of shares totaled 3,814,701 individual shares, which represents 7.4% of the share capital. The October share closing rate was EUR 0.80. The market value of the company's share capital at the end of October was MEUR 41.4 and the company had 3,658 shareholders (3,780).

Equity convertible subordinated loan and hybrid loan

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

On May 27, 2013, the Group issued an equity convertible bond to the value of MEUR 7.5. The equity convertible subordinated loan has no maturity date, but the Group is entitled, but not obliged, to redeem the loan within four years. Based on the contract, the annual interest is 9.75%. Interest is only paid if the company decides to distribute dividends. If dividends are not distributed, the Group will decide separately on the payment of interest. In the consolidated financial statements, the loan is classified as equity and interest is presented as dividend payment.

Board's proposal to the general meeting

The Board of Directors proposes that no dividends be paid for the financial period.

The Board also proposes that the General Meeting authorize the Board of Directors to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividend or as capital repayment from the invested unrestricted equity fund. The maximum asset distribution performed on the basis of this authorization totals no more than EUR 5,200,000.

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

Panostaja Oyj's Annual General Meeting will be held on January 29, 2014 in Tampere.

Events after the review period

On December 3, 2013, Panostaja Oyj announced that it was divesting its Supports segment and selling its shares in the segment's parent company, Kannake Oy, to a group of Tampere-based investors and existing managers. This divestment is in keeping with Panostaja's strategy and supports its active portfolio development objective. Panostaja does not record a major sales profit from the transaction.

On December 9, 2013, Panostaja announced that Takoma Oyj and its subsidiaries Takoma Gears Oy and Tampereen Laatukoneistus Oy on December 9, 2013 filed business restructuring proceedings applications under the Restructuring of Enterprises Act at the District Court of Pirkanmaa in order to complete the reorganization measures of the Group on which decisions have been made.

The Takoma Group has implemented significant structural and operational changes aiming to restore the Group's profitability. Furthermore, as previously reported, the Group has negotiated to reorganize its financial structure and change its loan repayment periods.

Takoma has negotiated with its main investors on the need to acquire financing for the shutdown costs and development of operations. The negotiations with investors have not reached mutual consensus on such matters as extending loan periods or the costs arising from the reorganization measures of the operating companies. With the protraction of negotiations, Takoma's financial standing has become difficult.

Panostaja Oyj owns 63.05% of Takoma Oyj. The value of Takoma Oyj's shares on the balance sheet of Panostaja Oyj's parent company on October 31, 2013 was MEUR 3.1. Furthermore, Panostaja Oyj's parent company has loan receivables of MEUR 1.2 and other receivables totaling MEUR 0.2. Goodwill concerning the Takoma segment on Panostaja Oyj's consolidated balance sheet is MEUR 2.2.

On October 31, 2013, Panostaja announced that Ilkka Mujunen M.Sc. (Tech.) had been invited to become Managing Director of Heatmasters Group Oy. Mujunen assumed his duties as Managing Director on November 27, 2013.

Prospects for the next financial year

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

Economic prospects in the fields of the existing segments are strongly tied to the prospects of customer enterprises. Current economic prospects remain uncertain and difficult to predict, and growth forecasts have generally had to be revised downwards, particularly due to slow growth in the export industry. In the various segments of Panostaja Group, prospects vary from cautiously positive to pessimistic. The challenges in the forecastability of the technology industry or weakening prospects may create a need for consolidated goodwill write-downs. The prospects for new construction have also declined during the current year and, during the winter months in particular, demand may be weak.

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

The Group's comparable net sales in the 2014 financial year are expected to be at the same level or better than in 2013 (MEUR 176.2). It is expected that the Group's comparable EBIT (MEUR -0.6) will improve in the 2014 financial period. The divestment of the Supports segment from the Group has been taken into account in result management.

Consolidated income statement, IFRS

(EUR 1,000)	Note	November 1, 2012-October 31, 2013	November 1, 2011-October 31, 2012
Net sales		179,618	147,897
Other operating income	9	1,470	1,170
Materials and services		78,697	63,275
Staff expenses	11	60,349	49,890
Depreciations, amortizations and impairment	12	10,362	7,413
Other operating expenses	13	32,096	25,260
Operating profit		-416	3,229
Financial income	14	375	336
Financial expenses	15	-3,553	-3,981
Share of associated company profits	10	-110	387
Profit before taxes		-3,704	-29
Income taxes	16	-2,423	-1,881
Profit/loss from continuing operations		-6,127	-1,910
Profit/loss from discontinued operations	7	607	-580
Profit/loss for the financial period		-5,520	-2,490
Attributable to			
Shareholders of the parent company		-4,628	-1,984
Minority shareholders		-892	-506
Earnings per share calculated from the profit belonging to the shareholders of the parent company			
Earnings per share from continuing operations €	17		
Undiluted		-0.102	-0.027
Diluted		-0.102	-0.027
Earnings per share from discontinued operations	17		
Undiluted		0.012	-0.011
Diluted		0.010	-0.011
Earnings per share on continuing and discontinued operations	17		
Undiluted		-0.090	-0.039
Diluted		-0.090	-0.039
Extensive consolidated income statement			
Result for the period		-5,520	-2,490
Items of the extensive income statement			
Translation differences		-7	103
Extensive income for the period		-5,527	-2,387
Attributable to			
Shareholders of the parent company		-4,635	-1,881
minority shareholders		-892	-506

The notes constitute an integral part of the financial statements.

Consolidated balance sheet, IFRS

(EUR 1,000)	Note	October 31, 2013	October 31, 2012
ASSETS			
Non-current assets			
Goodwill	18	41,929	34,348
Other intangible assets	18	8,079	6,081
Property, plant and equipment	19	15,153	18,996
Interests in associates	20	3,714	3,824
Other non-current assets	21	8,699	8,452
Deferred tax assets	22	4,070	4,623
Non-current assets total		81,644	76,324
Current assets			
Stocks	23	15,437	18,639
Trade and other receivables	24	30,730	25,111
Tax assets based on taxable income for the period		105	182
Held-for-sale investments	21	8,400	
Cash and cash equivalents	25	7,970	12,347
Current assets total		62,642	56,278
Held-for-sale non-current asset items	26	4,348	
Assets in total		148,633	132,601
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders			
Share capital	27	5,569	5,569
Share premium account	27	4,646	4,646
Equity convertible loan		7,390	
Invested unrestricted equity fund	27	14,508	16,523
Translation difference		-73	-66
Retained earnings		-1,979	1,981
Total		30,061	28,653
Minority shareholders' interest		19,016	16,520
Equity total		49,077	45,173
Non-current liabilities			
Deferred tax liabilities	22	1,672	1,505
Equity convertible subordinated loan	28	14,556	14,414
Financial liabilities	28	28,046	27,752
Non-current liabilities total		44,275	43,672
Current liabilities			
Current financial liabilities	28	18,199	14,555
Trade payables and other liabilities	29	35,958	28,909
Provisions	30	808	292
Current liabilities total		54,965	43,756
Liabilities related to non-current asset items held for sale		316	
Liabilities total		99,556	87,428
Equity and liabilities in total		148,633	132,601

The notes constitute an integral part of the financial statements.

Consolidated cash flow statement, IFRS

(EUR 1,000)	Note	2013	2012
Business operations			
Profit/loss for the financial period		-5,520	-2,490
Adjustments:			
Depreciations	12	10,482	7,607
Sales profit and losses	7, 9,13	-1,828	
Financial income and costs	14,15	3,220	3,840
Share of associated company profits	10	110	-400
Taxes	16	2,569	2,207
Sales profits and losses from property, plant and equipment	9,13	0	34
Other earnings and expenses with no payment attached		1,765	704
Operating cash flow before change in working capital		10,798	11,502
Change in working capital			
Change in non-interest-bearing receivables		-1,781	-77
Change in non-interest-bearing liabilities		2,919	3,247
Change in stocks		1,768	2,210
Change in working capital		2,906	5,380
Operating cash flow before financial items and taxes		13,704	16,882
Financial items and taxes:			
Interest paid		-3,111	-3,509
Interest received		325	384
Taxes paid		-3,138	-3,170
Financial items and taxes		-5,924	-6,295
Operating net cash flow		7,780	10,586
Investments			
Investments in intangible and tangible assets		-5,766	-4,417
Sales of intangible and tangible assets		2,060	273
Acquisition of subsidiaries with time-of-acquisition liquid assets deducted	6	-15,482	-1,806
Sale of subsidiaries with time-of-sale liquid assets deducted	7	2,258	125
Acquisition of held-for-sale investments		-8,400	0
Sale of associated companies		0	8
Capital gains from sales of other shares		6	3
Loans receivable repaid		-128	-128
Investment net cash flow		-25,452	-5,942
Financing			
Share issue		5,102	1,521
Hybrid loan		7,500	
Loans drawn		25,577	12,594
Loans repaid		-21,543	-17,916
Disposal of own shares		46	44
Dividends paid		-3,156	-3,216
Finance net cash flow		13,527	-6,972
Change in liquid assets		-4,146	-2,328
Liquid assets at the beginning of the period		12,347	14,643
Effect of exchange rates		-8	32
Liquid assets at the end of the period		8,193	12,347

Liquid assets at the end of the period include liquid assets from the Supports segment classified as assets held for sale.

The notes constitute an integral part of the financial statements.

Consolidated statement of changes in equity

MEUR	Note	Share capital	Share premium account	Invested unrestricted equity fund	Equity convertible loan	Translation differences	Retained earnings	Total	Minority share-holders' interest	Equity total
		Equity attributable to parent company shareholders								
Equity at November 1, 2011		5,529	4,686	19,023	0	-169	4,047	33,116	14,270	47,386
Adjusted equity at November 1, 2011		5,529	4,686	19,023	0	-169	4,047	33,116	14,270	47,386
Extensive income										
Profit/loss for the financial period							-1,984	-1,984	-506	-2,490
Translation differences						103		103		103
Extensive income for the financial period total		0	0	0	0	103	-1,984	-1,881	-506	-2,387
Transactions with shareholders										
Dividend distribution	27							0	-660	-660
Repayment of capital	27			-2,557				-2,557		-2,557
Share issue								0		0
Disposal of own shares	27,35			44				44		44
Reward scheme	35			13				13		13
Transactions with shareholders, total		0	0	-2,500	0	0	0	-2,500	-660	-3,160
Changes to subsidiary holdings										
Acquisitions of shares by minority shareholders without change in controlling interest									3,416	3,416
Disposal of subsidiary holdings without change in controlling interest	8						-82	-82		-82
Equity at October 31, 2012		5,529	4,686	16,523	0	-66	1,981	28,653	16,520	45,173
Equity at November 1, 2012		5,529	4,686	16,523	0	-66	1,981	28,653	16,520	45,173
Adjusted equity at November 1, 2012		5,529	4,686	16,523	0	-66	1,981	28,653	16,520	45,173
Extensive income										
Profit/loss for the financial period							-4,628	-4,628	-892	-5,520
Translation differences						-7	7	0		0
Extensive income for the financial period total		0	0	0	0	-7	-4,621	-4,628	-892	-5,520
Transactions with shareholders										
Dividend distribution	27							0	-1,116	-1,116
Repayment of capital	27			-2,040				-2,040		-2,040
Share issue								0		0
Disposal of own shares	27,35			38				38		38
Reward scheme	35			-13				-13		-13
Transactions with shareholders, total		0	0	-2,015	0	0	0	-2,015	-1,116	-3,131
Disbursement of equity convertible loan					7,390			7,390		7,390
Changes to subsidiary holdings										
Acquisitions of shares by minority shareholders without change in controlling interest									4,505	4,505
Disposal of subsidiary holdings without change in controlling interest	8						661	661		661
Equity at October 31, 2013		5,529	4,686	14,508	7,390	-73	-1,979	30,061	19,017	49,077

Notes to the consolidated financial statements

1. Basic information about the company

Panostaja Oyj, together with its subsidiaries (hereinafter referred to as "Panostaja" or "the Group") form a conglomerate whose primary market is Finland. At the balance sheet date, the Group operates in 10 segments. The parent company, Panostaja Oyj, invests in Finnish SMEs primarily through corporate acquisitions.

Panostaja Oyj is a Finnish public corporation operating under the legislation of the Finnish state. The company's shares have been quoted publicly since 1989. Its shares are quoted on the Nasdaq OMX Helsinki stock exchange. The company's registered office is in Tampere and the address of its head office is Kalevantie 2, 33100 Tampere. A copy of its consolidated financial statements is available at this address. At its meeting of December 13, 2013, Panostaja Oyj's Board of Directors approved these consolidated financial statements for publishing. Under the Finnish Companies Act, the shareholders may approve or reject the financial statements at the Annual General Meeting held after its publication on January 29, 2014. The AGM may also decide on changes to the financial statements.

2. Accounting principles for the financial statements

Accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards, as well as the SIC and IFRIC interpretations, valid as at October 31, 2013 have been complied with. The International Financial Reporting Standards refer to the standards approved for application in the EU and the interpretations given on them in the Finnish Accounting Act and the provisions based on it in accordance with the procedure enacted in EU Regulation No 1606/2002. The notes to the consolidated financial statements also comply with the requirements of the Finnish legislation on accounting and corporations which complement the IFRSs.

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

Subsidiaries

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

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

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

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

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

Associated companies

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

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

Segment reporting

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

Foreign currency items

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

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

Net sales and recognition principles

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

Revenue is recorded on the basis of the fair value of a received consideration or one to be received. Recognition takes place when the goods or service produced is transferred.

EBIT

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

Income taxes

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

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

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

Non-current asset items held for sale and discontinued operations

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

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

Goodwill and other intangible assets

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

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

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

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

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

The standard times for planned depreciations of intangible assets:

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

Property, plant and equipment

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

The estimated financial useful lives are as follows:

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

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

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

Rental agreements

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

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

Amortization of tangible and intangible assets

At each balance sheet closing date, the Group assesses whether there are indications that the carrying amount of an asset item may not be recoverable. If such indications exist, the recoverable amount of the asset item in question will be measured. The recoverable amount is also assessed yearly with reference to the following asset items, regardless of whether there are indications of impairment: goodwill, intangible assets with indefinite useful lives and incomplete intangible assets. The impairment need is examined at the level of cash-generating units.

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

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

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

Government allowances

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

Stocks

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

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

Financial derivatives

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

Financial assets and liabilities

Financial assets

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

Financial assets are not recognized in the balance sheet after the rights to the cash flows of the investment have ceased or been transferred to another party and the Group has transferred a substantial part of the risks and rewards involved in ownership to another party.

All financial assets recognized at fair value through profit and loss are financial assets held for the purpose of trade. The asset items in this group are current assets, except when they mature over a period longer than 12 months. The financial assets recognized at fair value through profit and loss are initially recorded at fair value. Profit and loss resulting from changes in fair value are presented in the income statement in the financial period during which they have arisen.

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

Saleable liquid assets are investments not belonging to the group of derivative assets. They are either specifically classified to be in this group or they have not been classified to belong to any group. They are current assets, unless the management intends to keep the investment in question for a period of longer than 12 months from the balance sheet date. Changes to the fair value of saleable liquid assets are recognized in other items of extensive income and presented in the fair value fund contained in the equity item Retained Earnings, with the tax effects in the fund taken into consideration. Unquoted securities whose fair value cannot be reliably determined are recognized at the acquisition value in the balance sheet.

The changes accrued in fair value are transferred from equity through profit and loss and recognized as an adjustment resulting from classification changes when the investment is sold or its value has decreased to such an extent that an impairment loss must be recorded on the investment.

Cash and cash equivalents

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

Amortization of financial assets

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

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

Financial liabilities

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

The fair value of a convertible bond loan's debt component is determined using the market rate of interest of a corresponding loan without right of exchange. This amount is presented as a liability up to the amount based on the allocated acquisition cost until its validity expires when an exchange is performed or when the loan matures. The remainder is allocated to the right of exchange. It is recognized in equity less tax affects.

Convertible bond loans are divided into equity and liabilities. The loan's liability component is initially recognized in the amount that has been determined using the market rate of interest of a corresponding loan on the date of issue. The equity component is initially recognized as the difference between the fair value of the entire loan and the fair value of the liability component. After the initial recognition, the liability component of the convertible loan is valued in the allocated acquisition cost using the effective interest method. The loan's equity component is not revalued after the original recognition, except in cases where it is exchanged for shares or its validity expires.

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

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

Pension liabilities

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

Share-based payments

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

Provisions

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

New and amended standards and interpretations applied Since November 1, 2012, the Group has applied the following new and amended standards and interpretations, relevant to the consolidated financial statements:

- IFRS 13 Fair Value Measurement (in force in financial periods beginning on or after January 1, 2013). The purpose of the standard is to increase consistency and reduce complexity by providing an exact definition of fair value and setting out in a single standard the requirements for measuring fair value and the notes required. The standard does not extend the use of fair value, but provides a framework for situations where another standard requires or permits fair value use.

Since November 1, 2012, the Group has applied the following new and amended standards and interpretations which have not been significant in terms of the consolidated financial statements:

- Amendment to IAS 19 Employee Benefits (effective for financial periods beginning on or after January 1, 2013). The changes require immediate recognition of actuarial gains and losses in other comprehensive income statement items, discontinuing the use of the corridor method and defining financial expenses based on net funding.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for financial periods beginning on or after January 1, 2013).
- Amendment to IFRS 7 Financial Instruments: Disclosures (effective for financial periods beginning on or after January 1, 2013). The amendment specifies note requirements, concerning the presentation of net financial instruments and general netting arrangements or similar agreements.
- Improvements to IFRSs (Annual Improvements to IFRSs 2009-2011, May 2012), (effective for financial periods beginning on or after January 1, 2013). The changes part of the project apply to a total of five standards.

New and amended standards and interpretations to be applied at a later date

The IASB has published the following new and amended standards and interpretations, which the Group has not as yet applied.

- IFRS 10 Consolidated Financial Statements(effective for financial periods beginning on or after January 1, 2014). The standard builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11 Joint Arrangements(effective for financial periods beginning on or after January 1, 2014). The standard emphasizes the importance of the rights and obligations arising from joint arrangements in accounting rather than the legal form of such arrangements. There are two types of joint arrangements: joint operations and joint ventures. The standard also requires one method, the equity method, to be used in reporting on joint ventures in place of the previously allowed proportionate consolidation method.
- IFRS 12 Disclosure of Interests in Other Entities(effective for financial periods beginning on or after January 1, 2014). The standard covers note requirements of the disclosure of information regarding interests in other entities, including associates, joint arrangements, special purpose entities and off-balance sheet entities.
- IAS 27 (revised 2011) Separate Financial Statements (effective for financial periods beginning on or after January 1, 2014). The revised standard includes the provisions on separate financial statements that remain after the control provisions have been included in the new IFRS 10.
- Investment entities - amendments to IFRS 10, IFRS 12 and IAS 28 (effective for financial periods beginning on or after January 1, 2014). If an entity is defined as an investment entity, according to the definition in the standard, and it values all its subsidiaries at fair value, it does not need to present consolidated financial statements.
- IAS 28 (revised 2011) Investments in Associates and Joint Ventures (effective for financial periods beginning on or after January 1, 2014). The revised standard sets out requirements for using the equity method of accounting for associates and joint ventures as a result of the publication of IFRS 11.
- Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities (effective for financial periods beginning on or after January 1, 2014). The amendment further defines the rules pertaining to the presentation of net financial assets and liabilities and sets forth additional guidelines relating to the topic. The standard has not yet been approved for application within the EU.
- Amendment to IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (to be applied in financial years beginning on or after January 1, 2014). The amendment clarifies note requirements relating to cash flow-generating units for which amortization entires have been recorded. The standard has not yet been approved for application within the EU.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting (to be applied in financial periods beginning on or after January 1, 2014). The amendment relates to the requirements for the application of hedge accounting in circumstances when a derivative agreement is novated to a so-called central counterparty With the amendment to the standard, hedge accounting can be extended to the relevant novation circumstances if certain conditions are met. The amendment to the standard has not yet been approved for application within the EU.

- IFRS 21 Levies (to be applied in financial periods beginning on or after January 1, 2014). The interpretation covers the accounting for outflows imposed on entities by governments. It will have no effect on the consolidated financial statements. The interpretation has not yet been approved for application within the EU.
- IFRS 9 Financial Instruments and subsequent amendments (mandatory date for becoming effective still open): IASB's originally three-phase project to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The standard has not been approved for application within the EU.

3. Financial risk management

Financial risk management

The Group's financial risks are credit and counterparty risk, exchange risk, interest risk and liquidity risk. The credit and counterparty risk covers the trade receivables payments from customers, the concentration of the clientele, and partner banks accepted as counterparties. Sub-Groups are exposed to the transaction risk caused by fluctuations in exchange rates mainly due to their export activities. The Group has no significant investments in foreign companies, which is why it is not exposed to significant translation risks. The impact of changes in the interest level on the value of interest-bearing liabilities and receivables expose to the interest risk.

The Group's financing activities have been centralised to the parent company, which is responsible for business relationships with banks, the arrangement of long-term financing, investment of funds, and, together with sub-Group management, the allocation of the Group's internal financing as necessitated by the liquidity needs of the various Group companies. The general principles of the Group's risk management are approved by the Board, and their practical implementation is the responsibility of the parent company together with the subsidiaries.

Exchange rate risk

The Group operates chiefly in the euro area and is therefore only slightly exposed to currency risks due to changes in exchange rates.

Interest rate risk

The Group's income and operating cash flow is largely independent of fluctuations in market interest rates. The Group's interest rate risk is mainly based on borrowing, which is spread between floating and fixed interest rate loans. At the end of the financial period, the floating-interest debts totaled EUR 35,292 (EUR 42,349) and the fixed-interest debts EUR 27,066 (14,414).

Interest rate risk sensitivity analysis

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

EUR 1,000	1% higher Income statement	1% lower Income statement
Effect of change to interest rate		
2013	-266	266
2012	-320	320

Credit risk

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

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

Liquidity risk

The Group constantly assesses and monitors the amount of finance required for its operations, so that it will have sufficient liquidity to finance its business and repay its loans when they fall due. Efforts are made to guarantee the availability and flexibility of finance through adequate credit limits and by using different sources and forms of finance in the procurement of finance. At the time of the closing of the books, the Group had EUR 1,723,000 of unused credit limits at its disposal.

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

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

The Group's most important loan covenants are reported to financiers half-yearly. If the Group breaches the terms and conditions of a loan covenant, the creditor may demand the accelerated repayment of the loans. Management regularly checks the fulfilment of loan covenant terms and conditions. The Group's parent company has provided securities to financiers on behalf of its subsidiaries as security for creditors. (Note 33 to the Financial Statements).

Negligence related to liabilities, and breaches of contract:

During the financial period, loan covenants were breached in four divisions, in three of which consent has been acquired from the banks on financiers not demanding accelerated repayment. In the divisions in which the covenants have been breached and in which the financiers are not demanding accelerated repayment, the covenants have concerned gearing ratios in the divisions.

According to the covenant terms and conditions of the Takoma division, the Group's gearing ratio should be at least 35% and the ratio of the interest-bearing net financial liabilities and the operating margin no more than 100. At the end of the 2013 financial period, the Takoma division failed to meet the loan covenant gearing ratio, the net financial liabilities and the rolling 12-month operating margin. The lender's consent was not received to the effect that the lender would not use its right of collection. Because of this, the loans from the financiers of the Takoma Group have been presented under current liabilities.

The Takoma division has negotiated with Panostaja Oyj and its main investor on the need to acquire financing for the shutdown costs and development of operations. These negotiations have not reached a mutual understanding on such matters as extending the loan periods and how to finance the costs arising from the reorganization measures of the operating companies. With the protraction of negotiations, the Takoma division's financial standing has become difficult.

In order to complete the reorganization measures of the Group on which decisions have been made, Takoma Oyj and its subsidiaries Takoma Gears Oy and Tampereen Laatukoneistus Oy have on

December 9, 2013 filed business restructuring proceedings applications at the District Court of Pirkanmaa. The continuation of operations of the Takoma division will require that admission into the business restructuring process is granted, additional finance is acquired, loan periods are extended, and the profitability of operations is improved.

Capital management

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

The trend in the Group's capital structure is monitored with equity ratio and gearing. The Group's equity ratio was 33.2% (34.1%) and gearing was 82.6% (89.6%).

(EUR 1,000)	2013	2012
Interest-bearing financial liabilities	60,867	56,577
Interest-bearing receivables	3,980	3,736
Cash and cash equivalents	16,370	12,347
Net liabilities	40,517	40,494
Equity total	49,077	45,173
Gearing ratio	82.6%	89.6%

4. The accounting principles requiring management discretion and the key factors of uncertainty relating to estimates

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

Valuation of acquired assets at fair value

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

Impairment tests

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

Valuation of stocks

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

Recoverability of deferred tax assets

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

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

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

Panostaja Group's consolidated balance sheet shows deferred tax assets of MEUR 4.1. During the financial period, the Panostaja Group recognized as an expense all deferred tax assets from confirmed losses for the Takoma Group, amounting to MEUR 1.7. The expense has been recorded because there is uncertainty attached to the exploitation of losses, on account of Takoma's prolonged loss-making record.

5. Segment information

Panostaja Group's business operations are reported in 10 segments: Digital Printing Services, Safety, Takoma, Value-added Logistics, Ceiling Materials, Spare Parts for Motor Vehicles, Fittings, Heat Treatment, Supports and Other. These reported segments have been formed because they produce products and services that differ from each other. The transactions between segments have taken place on normal commercial terms and conditions.

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

Business segments

- The profit in the Digital Printing Services segment is mainly derived from the sales of digital printing services.
- The profit in the Safety segment is from safety-related technology and services.
- The profit in the Takoma segment is from the engineering business of Takoma Oyj.
- The profit in the Value-added Logistics segment is from manufacturing and logistics services for the metal industry.

- Ceiling materials - the segment's revenue comes form the wholesale trade in internal lining materials, suspended ceiling products and their support systems.
- The profit in the Spare Parts for Motor Vehicles segment is from the import, wholesale and distribution of original spare parts and accessories for cars.
- The profit in the Fittings segment is from construction and furniture fittings wholesale.
- The profit in the Heat Treatment segment is from metal heat treatment services, and from the development, manufacture and marketing of machinery and equipment needed in metal heat treatment.
- The profit in the Supports segment is from the import, manufacture and wholesale of supports needed in the HEPAC sector.
- The Other segment reports the business of the Group's parent company, including its associated companies and non-allocated items.

Business segments 2013

(EUR 1,000)	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	Operating profit	Financial income and expenses	Share of associated company profits	Income tax	Profit/ loss from continuing operations	Assets	Liabilities	Employees at the end of the period
Digital Printing Services	50,777	49	50,729	-2,204	6,351		40			42,782	18,810	451
Safety	31,831	103	31,728	-841	1,574					19,657	17,372	205
Takoma	23,233	0	23,233	-4,848	-7,983					20,058	18,033	163
Value-added Logistics	29,907	0	29,907	-636	1,699					13,114	6,093	299
Ceiling	12,760	9	12,752	-213	873					5,718	3,615	15
Spare Parts for Motor Vehicles	10,274	0	10,274	-107	813					4,462	3,566	39
Fittings	11,909	45	11,864	-192	-152					10,772	8,584	37
Heat Treatment	5,744	0	5,744	-1,208	-1,469					4,906	2,817	62
Supports	3,396	4	3,392	-36	177					2,019	316	16
Other	34	29	5	-76	-925		-150			31,823	27,028	8
Eliminations		-238	-10	0	-1,372					-6,677	-6,677	
Group in total	179,866	0	179,618	-10,362	-416	-3,178	-110	-2,424	-6,127	148,633	99,556	1,295

Business segments 2012

(EUR 1,000)	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	Operating profit	Financial income and expenses	Share of associated company profits	Income tax	Profit/ loss from continuing operations	Assets	Liabilities	Employees at the end of the period
Digital Printing Services	35,078	65	35,013	-1,255	5,503		31			27,161	10,899	335
Safety	29,009	208	28,801	-753	1,083					18,333	16,592	212
Takoma	28,877	0	28,877	-4,370	-4,991					27,854	16,205	193
Value-added Logistics	23,307	8	23,299	-405	1,395					11,501	6,117	253
Ceiling	0	0	0	0	0					0	0	0
Spare Parts for Motor Vehicles	10,410	2	10,408	-96	1,090					4,869	4,241	38
Fittings	10,316	161	10,154	-136	395					9,682	7,475	30
Heat Treatment	7,480	0	7,480	-286	1,013					6,769	2,706	65
Supports	4,015	98	3,917	-29	324					1,952	297	16
Other	65	65	0	-78	-2,828		369			31,884	30,300	64
Eliminations		-608	-51	-5	244					-7,404	-7,404	
Group in total	148,555	0	147,897	-7,413	3,229	-3,645	400	-1,881	-1,910	132,601	87,428	1,206

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

6. Acquired businesses

Subsidiary acquisitions

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

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

The Group recorded a total of MEUR 0.01 in fees related to advisory services, valuation services and other services. These fees are included under Other Operating Costs in the income statement.

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

	MEUR
Tangible assets, and property, plant and equipment	1
Stocks	0.7
Trade and other receivables	2.6
Cash and cash equivalents	0.1
Assets in total	4.4
Financial liabilities	-1.5
Other liabilities	-1.8
Liabilities total	-3.3
Net assets	1.1

Consideration given	MEUR
Consideration given	2.5
Identifiable net assets of acquired item	1.1
Difference	1.4

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

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

On November 6, 2012, Panostaja Oyj's subsidiary Suomen Helasto Oy bought the entire shareholding of Oy Eurohela Trading Ltd, which provides furniture fittings wholesale services. As a result of the reorganization, Panostaja Oyj's shareholding in Suomen Helasto Oy is about 95%.

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

The Group recorded a total of MEUR 0.02 in fees related to advisory services, valuation services and other services. These fees are included under Other Operating Costs in the income statement.

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

	MEUR
Tangible assets, and property, plant and equipment	0.02
Stocks	0.9
Trade and other receivables	0.3
Cash and cash equivalents	0.2
Assets in total	1.5
Financial liabilities	0
Other liabilities	-0.4
Liabilities total	-0.4
Net assets	1.1

Consideration given	MEUR
Consideration given	1.9
Identifiable net assets of acquired item	1.1
Difference	0.8

The Group has allocated MEUR 0.3 of the trading price to customer relations. The company has significant long-term and stable customer relations that are expected to result in increased net sales now and in the future. In addition, MEUR 0.3 of the trading price was allocated to stocks.

Cash flow statement	MEUR
Purchase price paid as cash	1.9
Cash and cash equivalents of the acquired subsidiary	-0.2
Direct costs of acquisition	0
Cash flow effect	1.7

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

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

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

	MEUR
Tangible assets, and property, plant and equipment	1.4
Stocks	0.1
Trade and other receivables	2.6
Cash and cash equivalents	3.2
Assets in total	7.3
Financial liabilities	0
Other liabilities	-3
Liabilities total	-3
Net assets	4.3

Consideration given	MEUR
Consideration given	13.7
Identifiable net assets of acquired item	4.3
Difference	9.4

The Group has allocated MEUR 1.7 of the trading price to customer relations. The company has long-term and stable customer relations that are expected to add to the existing customer base of the Digital Printing Services segment. In addition, MEUR 1.0 of the trading price was allocated to intangible rights. The company has significant software development relating to sales and customer management, which is expected to generate additional sales among both current and new customer accounts.

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

Acquisitions in the 2012 financial year

Subsidiary acquisitions

On May 2, 2012, Panostaja Oyj's subsidiary Vindea Group Oy acquired the entire shareholding of packaging and logistics services company HSG Logistics Oy. Following the purchase, there was a share issue for the sellers corresponding to approximately 22.5% of all the shares. Since the reorganization, Panostaja Oyj's shareholding in Vindea Group is about 54%.

The purchase price was MEUR 1.6 in cash.

The Group recorded a total of MEUR 0.02 in fees related to advisory services, valuation services and other services. These fees are included under Other Operating Costs in the income statement.

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

	Note	MEUR
Property, plant and equipment	18	0.8
Stocks	22	0.3
Trade and other receivables	23	2.4
Cash and cash equivalents	24,25	0.1
Assets in total		3.6
Financial liabilities	28	-0.1
Other liabilities	29	-3.4
Liabilities total		-3.5
Net assets		0.1

Consideration given	MEUR
Consideration given	1.6
Identifiable net assets of acquired item	0.1
Difference	1.5

The Group has allocated MEUR 0.8 of the trading price to customer relations. The company has significant long-term and stable customer relations that are expected to add to the existing customer base of the Value-added Logistics segment.

The net sales of MEUR 6.0 and EBIT of MEUR 0.8 of HSG Logistics Oy in the six-month period are included in the consolidated income statement for the financial period. The company was merged with Vindea Oy on October 31, 2012.

The net sales of the Vindea Group in 2012 would have been MEUR 29.1 and its EBIT MEUR 1.4, if the acquisition of business operations during the financial period had been incorporated within the consolidated financial statement from the beginning of the 2012 financial year.

The total cash flow effect of the Vindea Group:

Cash flow statement	MEUR
Purchase price paid as cash	1,6
Cash and cash equivalents of the subsidiary acquired	-0,1
Direct costs of acquisition	0,0
Cash flow effect	1,5

7. Sales of subsidiaries and business operations

Financial period 2013

Sales of subsidiaries

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

The total price for the shares sold was MEUR 3.4. Following the deduction of costs in connection with the sale, Panostaja's holding is worth MEUR 2.7. Panostaja recorded a sales profit of MEUR 1.3 from the transaction.

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

Result for the Carpentry Industry segment MEUR	Nov 1, 2012-Oct 9, 2013	Nov 1, 2011-Oct 31, 2012
Earnings	4.9	5.6
Costs	-4.2	-4.5
Profit before taxes	0.7	1.1
Taxes	-0.2	-0.3
Profit after taxes	0.5	0.8
Sales profit	1.3	
Profit/loss from discontinued operations	1.8	0.8

Cash flows for the Carpentry Industry segment up till the time of sale		
Business cash flow	0.6	1.3
Investment cash flow	-0.5	0.1
Financial cash flow	-0.8	-0.7
Total cash flows	-0.7	0.7

The effect of the sale of the Carpentry Industry segment on the financial position of the Group:	October 9, 2013
Property, plant and equipment	0.7
Intangible assets	0.1
Stocks	1.1
Other assets	0.6
Cash and cash equivalents	0.4
Minority shareholders' interest	-0.4
Sold liabilities	-1.1
Net assets	1.4
Consideration received as cash	2.7
Cash and cash equivalents from divested unit	0.4
Net cash flow from corporate divestments	2.3

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

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

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

Result for Suomen Kiinnikekeskus Oy	Nov 1, 2012-Oct 17, 2013	Nov 1, 2011-Oct 31, 2012
Earnings	2.5	2.6
Costs	-2.6	-2.8
Profit before taxes	-0.1	-0.2
Taxes	0.0	0.0
Profit after taxes	-0.1	-0.2
Sales loss	-1.1	
Profit/loss from discontinued operations	-1.2	-0.2

Cash flows for Suomen Kiinnikekeskus Oy up till the time of sale	Nov 1, 2012-Oct 17, 2013	Nov 1, 2011-Oct 31, 2012
Business cash flow	-0.0	-0.1
Investment cash flow	-0.4	-0.3
Financial cash flow	0.4	0.4
Total cash flows	0.0	0.0

The effect of the sale of Suomen Kiinnikekeskus Oy on the financial position of the Group:	October 17, 2013
Property, plant and equipment	0.0
Intangible assets	0.7
Stocks	0.8
Deferred tax assets	0.2
Other assets	0.7
Cash and cash equivalents	0.0
Sold liabilities	-1.1
Net assets	1.3
Consideration received as cash	0.2
Cash and cash equivalents from divested unit	0.0
Net cash flow from corporate divestments	0.2

Sales of subsidiaries and business operations after the financial period

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

The results for the Supports segment are contained in the consolidated financial statements for the financial periods ending October 31, 2013 and October 31, 2012.

The preliminary profit from discontinued operations, profit resulting from divestment and the share of cash flows were as follows:

Result for the Supports segment, MEUR	Nov 1, 2012 Oct 31, 2013	Nov 1, 2011- Oct 31, 2012
Earnings	3.4	4.0
Costs	-3.2	-3.7
Profit before taxes	0.2	0.3
Taxes	-0.0	-0.1
Profit after taxes	0.1	0.2
Sales loss	0.0	
Profit/loss from discontinued operations	0.0	0.2
Cash flows for the Supports segment up till the time of sale		
Business cash flow	0.2	0.3
Investment cash flow	0.0	-0.0
Financial cash flow	-0.2	-0.1
Total cash flows	0.1	0.2

The effect of the sale of the Supports segment on the financial position of the Group:	Dec 3, 2013
Property, plant and equipment	0.1
Intangible assets	0.0
Stocks	1.4
Deferred tax assets	0.0
Other assets	0.7
Cash and cash equivalents	0.2
Sold liabilities	-0.3
Net assets	2.1
Consideration received as cash	1.5
Cash and cash equivalents from divested unit	0.2
Net cash flow from corporate divestments	1.3

Financial period 2012

Sales of subsidiaries

Panostaja Group's Technochemical business area concluded an arrangement whereby Oy Alfa-Kem Ab, wholly owned by Panostaja Oyj, and Spectra Yhtiöt Oy of Lohja, merge. With the arrangement, Spectra Yhtiöt Oy acquired a 100 per cent holding in Oy Alfa-Kem Ab by means of exchange of shares. Before the exchange of shares was concluded, Panostaja Oyj bought 16% of Spectra Yhtiöt Oy's shares and sold 25% of Oy Alfa-Kem Ab's shares to the acting management of Oy Alfa-Kem Ab. Following the arrangement, Panostaja Oyj's holding in Spectra Yhtiöt Oy is 32%.

As a result of the arrangement, Panostaja Group recorded a sales loss of MEUR 0.5. In future, Panostaja Oyj will report Spectra Yhtiöt Oy as an associated company and the acquisition cost of associated company shares in Panostaja Oyj's balance sheet is approximately MEUR 0.7, following the arrangement.

In the Group's consolidated financial statements, the result for the Technochemical segment is presented in the section 'Result from Discontinued Operations' for the financial periods ending on October 31, 2012 and October 31, 2011.

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

Result for the Technochemical segment, MEUR	Nov 1, 2011- Dec 22, 2011	Nov 1, 2010- Oct 31, 2011
Earnings	0.2	1.6
Costs	-0.2	-1.9
Profit before taxes	-0.0	-0.3
Taxes	0.0	0.0
Profit after taxes	0.0	-0.3
Sales loss	-0.5	
Profit/loss from discontinued operations	-0.5	-0.3
Cash flows for the Technochemical segment up till the time of sale		
Business cash flow	0.0	-0.3
Investment cash flow	-0.0	-0.0
Financial cash flow	-0.1	0.1
Total cash flows	-0.0	-0.2

The effect of the sale of the Technochemical segment on the financial position of the Group:	Dec 22, 2011
Property, plant and equipment	0.0
Intangible assets	0.0
Other assets	0.3
Cash and cash equivalents	0.0
Sold liabilities	-0.2
Net assets	0.1
Consideration received as cash	0.2
Cash and cash equivalents from divested unit	-0.0
Net cash flow from corporate divestments	0.2

On March 12, 2012, Panostaja Oyj sold Lämpö-Tukku Oy to Onninen Oy.

With the transaction, Lämpö-Tukku Oy's share capital and the business operations owned by its parent company, Eurotermo Holding Oy, which are related to the business operations engaged in by Lämpö-Tukku Oy, were transferred to the buyer. Eurotermo Holding Oy is a subsidiary of which Panostaja owns 63.3%. The consideration paid to Panostaja comprised the purchase price and repayment of internal loans, and totaled some MEUR 2.4. Panostaja did not record any sales profit or loss from the transaction.

Result for Lämpö-Tukku Oy, MEUR	Nov 1, 2011-Mar. 12, 2012	Nov 1, 2010-Oct 31, 2011
Earnings	7.3	20.6
Costs	-7.9	-21.3
Profit before taxes	-0.6	-0.7
Taxes	-0.0	0.0
Profit after taxes	-0.7	-0.7
Sales loss	0.0	
Profit/loss from discontinued operations	-0.7	-0.7
Cash flows for Lämpö-Tukku Oy up till the time of sale		
Business cash flow	2.6	-0.1
Investment cash flow	-0.2	-0.1
Financial cash flow	-2.5	0.2
Total cash flows	-0.1	-0.0

The effect of the sale of Lämpö-Tukku Oy on the financial position of the Group:	March 12, 2012
Property, plant and equipment	0.3
Intangible assets	0.0
Other assets	6.2
Cash and cash equivalents	
Sold liabilities	8.3
Net assets	-1.7
Consideration received as cash	0.0
Cash and cash equivalents from divested unit	-0.0
Net cash flow from corporate divestments	-0.1

8. Disposal of subsidiary holdings and acquisitions without change in controlling interest

Financial period 2013

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

The following table gives the effect of the change to Digiprint Finland Oy's holding on the Group's retained earnings

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

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

The following table gives the effect of the change to Selog Group Oy's holding on the Group's retained earnings

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

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

The following table gives the effect of the change to Suomen Helasto Oy's holding on the Group's retained earnings:

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

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

The following table gives the effect of the change to Rakennushelasto Oy's holding on the Group's retained earnings:

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

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

The following table gives the effect of the change to Kiinnikekeskus Services Oy's holding on the Group's retained earnings:

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

Financial period 2012

The Group sold 2% of the shares of Takoma Oyj for EUR 150,000 on September 13, 2012. Prior to the sale, the Group owned 65.05% of Takoma Oyj. At the time of sale, the share of the net assets of Takoma Oyj held by minority shareholders was the equivalent of MEUR 4.2. As a result of the sale, the share of minority shareholders grew by EUR 319,000 and the Group's retained earnings by EUR -169,000.

The following table gives the effect of the change to Takoma Oy's holding on the Group's retained earnings:

	2012
Relinquished minority shareholders' interest	-318,701
Consideration received	150,000
Effect of the reduced holding on retained earnings	-168,701

On September 27, 2012, the Group sold 0.5% of its shares in Digiprint Finland Oy for EUR 71,000. Prior to the sale, the Group owned 65.34% of Digiprint Finland Oy. At the time of sale, the share of the net assets of Digiprint Finland Oy held by minority shareholders was the equivalent of MEUR 2.6. As a result of the sale, the share of minority shareholders grew by EUR 38,000 and the Group's retained earnings rose by EUR 33,000.

The following table gives the effect of the change to Digiprint Finland Oy's holding on the Group's retained earnings

	2012
Relinquished minority shareholders' interest	-37,860
Consideration received	71,000
Effect of the reduced holding on retained earnings	33,140

On May 2, 2012, the Group sold 15.78 of the shares of Vindea Group Oy for EUR 795,000. Prior to the sale, the Group owned 70% of Vindea Group Oy. At the time of sale, the share of the net assets of Vindea Group Oy held by minority shareholders was the equivalent of MEUR 4.7. As a result of the sale, the share of minority shareholders grew by EUR 741,000 and the Group's retained earnings rose by EUR 54,000.

The following table gives the effect of the change to Vindea Group Oy's holding on the Group's retained earnings

	2012
Relinquished minority shareholders' interest	-740,692
Consideration received	794,605
Effect of the reduced holding on retained earnings	53,913

9. Other operating income

(EUR 1,000)	2013	2012
Sales profits on tangible assets	574	0
Insurance indemnity	25	101
Other income	871	1,069
Total	1,470	1,170

10. Share of associated company profits

Details of the company's associated companies is given in note 20. Investments in associated companies.

11. Employee benefit expenses

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

Details of the employee benefits of management considered related parties are given in note 34. Related party disclosures.

During the financial period the Group employed an average of 1,251 (1,152) staff. At the end of the financial period, there were 1,295 (1,206) staff.

(EUR 1,000)	2013	2012
Salaries and fees	48,860	40,304
Pension costs - payment-based arrangements	8,854	7,343
Other social security expenses	2,635	2,243
Total	60,349	49,890

12. Depreciations, amortizations and impairment

(EUR 1,000)	2013	2012
Depreciation by asset group:		
Property, plant and equipment		
Buildings and structures	220	134
Plant and equipment	3,714	3,531
Other tangible assets	21	24
Intangible assets		
Goodwill	0	0
Development expenses	290	233
Intangible rights	1,909	1,027
Other capitalized long-term expenditure	463	364
Total	6,617	5,313
Impairments by asset group:		
Property, plant and equipment		
Buildings and structures		
Plant and equipment	603	
Other tangible assets		
Intangible assets		
Goodwill	2,273	2,100
Development expenses	869	
Intangible rights		
Other capitalized long-term expenditure		
Total	3,745	2,100
Total depreciations, amortizations and impairment by asset group:		
Property, plant and equipment		
Buildings and structures	220	134
Plant and equipment	4,317	3,531
Other tangible assets	21	24
Intangible assets		
Goodwill	2,273	2,100
Development expenses	1,159	233
Intangible rights	1,909	1,027
Other capitalized long-term expenditure	463	364
Total	10,362	7,413

13. Other operating expenses

(EUR 1,000)	2013	2012
Sales losses and scrappings connected with tangible assets	83	34
Rental costs	9,875	7,069
External services	10,924	9,666
Other expense items	11,214	8,491
Total	32,096	25,260

14. Financial income

(EUR 1,000)	2013	2012
Dividend income from held-for-sale investments	6	8
Foreign exchange gains	16	9
Financial income from partner enterprises	127	147
Interest earned	226	172
Total	375	336

15. Financial expenses

(EUR 1,000)	2013	2012
Foreign exchange losses	10	129
Impairment losses from loan receivables		1,000
Interest expenses	3,543	2,852
Total	3,553	3,981

The financial expenses include the changes to fair value from interest rate derivative contracts recognized through profit and loss. Hedge accounting does not apply to interest rate swap arrangements.

16. Income taxes

(EUR 1,000)	2013	2012
Direct tax	-2,927	-2,715
Taxes in previous periods	-37	38
Deferred taxes	540	496
Income taxes total	-2,423	-2,181

Balancing statement between the tax expense in the income statement and the taxes calculated using the Finnish tax rate of 24.5%:

Profit before taxes	-3,704	927
Income tax on Group income at the tax rate in Finland before taxes	907	-227
Non-taxable income	181	575
Non-deductible expenses	-726	-2,483
Unrecognized deferred tax assets from tax losses	-2,722	-181
Share of associated company profits	-27	97
Taxes for previous periods	-37	38
Taxes in the income statement	-2,423	-2,181

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

17. Earnings per share

Undiluted earnings per share (EPS) are calculated by dividing the profit for the period attributable to the parent company shareholders by the weighted average of the number of shares outstanding during the period. For the purpose of calculating earnings per share adjusted with the dilution effect, the parent company's convertible loan and stock options have been taken into account as dilutive effects. Stock options have a diluting effect when the subscription price of the options is lower than the fair value of the shares. The dilutive effect is the number of shares which must be issued gratuitously, because the Group could not issue the same number of shares at fair value with the funds received from exercising the options. The fair value of a share is based on the average price of a share for the financial year. The options did not have a diluting effect in the financial period 2013 or in the reference financial period 2012, because no options were sub-scribed for. In terms of the convertible loan, the shares have been deemed to be convertible as from the date of entry in the Trade Register. Profit for the period has been adjusted with interest expenses of the convertible subordinated loan less tax effects.

(EUR 1,000)	2013	2012
Profit for the financial period attributable to parent company shareholders (EUR 1,000),	-4,628	-1,984
continuing operations	-6,127	-1,910
discontinued operations	607	-580
Interest on the subordinated loan	972	1,100
Profit for the financial year for calculation of EPS adjusted with the dilutive effect	-4,548	-1,390
Number of shares at the end of the financial period	51,733	51,733
of which held by company	491	553
Weighted average number of shares outstanding, 1,000	51,211	51,157
Conversion of convertible subordinated loan into shares, 1000	6,818	6,818
Weighted average number of shares outstanding, diluted	58,029	57,975

	2013	2012
Earnings per share calculated from the profit belonging to the shareholders of the parent company		
Earnings per share from continuing operations €		
Undiluted	-0.102	-0.027
Diluted	-0.102	-0.027
Earnings per share from discontinued operations		
Undiluted	0.012	-0.011
Diluted	0.010	-0.011
Earnings per share from continuing and discontinued operations		
Undiluted	-0.090	-0.039
Diluted	-0.090	-0.039

18. Intangible assets

(EUR 1,000)	Goodwill	Intangible rights	Development expenses	Other intangible assets	Total
Acquisition cost at November 1, 2012	38,178	6,423	2,612	3,583	50,796
Additions	933	397	110	652	2,092
Deduction			-850	-59	-909
Effect of company acquisition	9,561	4,339	167	43	14,110
Effect of company sale	-640			-407	-1,047
Asset deal					0
Exchange rate differences					0
Transfer between balance sheet groups					0
Acquisition cost at October 31, 2013	48,032	11,159	2,039	3,812	65,042
Accumulated depreciations, amortizations and impairment as at November 1, 2012	-3,830	-3,921	-548	-2,068	-10,367
Depreciation in the financial period		-1,909	-290	-463	-2,662
Deductions				44	44
Effect of company sale				330	330
Transfers between balance sheet groups					
Impairment	-2,273	-107			-2,380
Accumulated depreciations, amortizations and impairment as at October 31, 2013	-6,103	-5,937	-838	-2,157	-15,035
Book value at October 31, 2013	41,929	5,222	1,201	1,655	50,007
Acquisition cost at November 1, 2011	38,259	5,197	1,991	2,938	48,385
Additions	50	367	621	821	1,859
Effect of company acquisition	919	913		239	2,071
Effect of company sale	-1,050	-54		-101	-1,205
Asset deal					0
Exchange rate differences				1	1
Transfer between balance sheet groups				-315	-315
Acquisition cost at October 31, 2012	38,178	6,423	2,612	3,583	50,796
Accumulated depreciations, amortizations and impairment as at November 1, 2011	-1,730	-2,932	-315	-1,830	-6,807
Depreciation in the financial period		-1,027	-233	-364	-1,624
Deductions				73	73
Effect of company sale		38		53	91
Transfers between balance sheet groups					
Impairment	-2,100				-2,100
Accumulated depreciations, amortizations and impairment as at October 31, 2012	-3,830	-3,921	-548	-2,068	-10,367
Book value at October 31, 2012	34,348	2,502	2,064	1,515	40,429

Goodwill impairment test

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

MEUR	2013	2012
Safety (Flexim Security)	5.9	5.3
Heat Treatment (Heatmasters Group)	0.3	0.3
Digital Printing Services (Kopijyvä, DMP)	20.0	12.1
Spare Parts for Motor Vehicles (KL-Varaosat)	1.9	1.9
Fittings (Suomen Helasto)	6.0	5.6
Fasteners (Suomen Kiinnikekeskus)	–	0.6
Takoma (Takoma)	2.2	4.5
Value-added Logistics (Vindea)	4.0	4.0
Ceiling materials (Selog)	1.6	-
Total	41.9	34.3

Impairment testing of goodwill in the financial period was undertaken for the situation on September 30. The exception was the Takoma segment, the testing of which was undertaken based on the situation back on July 31, 2013 as part of the decisions relating to the segment's business restructuring.

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

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

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

Safety 9.0% (8.0%), Heat Treatment 11.4% (10.4%), Digital Printing Services 9.0% (9.8%), Spare Parts for Motor Vehicles9.9% (9.3%), Fittings 9.0% (8.1%), Fasteners n/a (8.2%), Takoma 12.1% (11.6), Value-added Logistics 11.4% (10.5%) and Ceiling Materials 10.4% (n/a).

The service value that is in accordance with the test of the company's units that have been analyzed through continuous testing has been greater than their book value in all units other than Takoma.

The Board of Directors of Takoma Oyj, Panostaja's subsidiary, as part of their decisions relating to the segment's business restructuring, reviewed and updated assumptions concerning the current operating environment of the Takoma Group during August-September 2013. Accordingly, the Board of Takoma Oyj has set new numerical targets for Takoma Group's current business operations following the restructuring. With reference to Takoma segment's impairment tests, at its meeting on September 4, 2013, the Board of Panostaja Oyj decided that the Takoma segment's consolidated goodwill should be written down by about MEUR 2.3.

Only the Takoma units were found to be sensitive in goodwill impairment tests. In other units, moderate changes to the key parameters used in the calculations do not result in the asset items' book value exceeding the recoverable amount accruable from them. Increasing the discount rate by one percentage point would have led to an additional MEUR 1.1 write-down of goodwill in Takoma. Cutting the operating margin by one percentage point would have resulted in an additional write-down of MEUR 2.2 in Takoma.

Key assumptions with regard to the Takoma segment impairment tests in financial periods 2013 and 2012.

Growth of net sales p.a. forecasts for 3 years	2013 -12 % - 25 %	2012 -5 % - 17 %
WACC (after taxes)	9.79%	9.79%
Discount rate (WACC before taxes)	12.09%	11.60%
Long-term growth	2.0%	1.7%
Operating profit margin, weighted average for the forecast period	4.0%	2.7%
Goodwill, EUR 1,000	4,497	6,597
Book value, EUR 1,000	14,708	22,319
Result of the impairment test, EUR 1,000	-2,273	-2,100
(recoverable amount vs. book value)	Falls below	Falls below

In the reference year, increasing the discount rate by one percentage point would have led to an additional MEUR 1.9 write-down of goodwill in Takoma. Likewise, a decline of one percentage point in the operating margin ratio would have meant an additional MEUR 3.2 write-down of goodwill. In other units yielding a cash flow, reasonable alterations to the key presumptions used in the calculations did not result in the asset items' book value exceeding the recoverable amount accruable from them.

19. Property, plant and equipment

(EUR 1,000)	Land areas	Buildings	Plant and equipment	Other tangible assets	Advance payments fixed assets	Total
Acquisition cost at November 1, 2012	194	11,041	33,738	304	929	46,206
Additions		5	2,282		1,970	4,257
Effect of company acquisition			789		41	830
Transfer to non-current asset items classified as held-for-sale						0
Effect of company sale			-2,890		-371	-3,261
Deductions		-21	-1,507		-230	-1,758
Transfers between balance sheet groups			-1,586		-396	-1,982
Exchange rate differences		-1	-18			-19
Other changes						0
Acquisition cost at October 31, 2013	194	11,024	30,808	304	1,943	44,273
Accumulated depreciations, amortizations and impairment as at November 1, 2012	-179	-7,264	-19,570	-197	0	-27,496
Depreciation in the financial period		-220	-3,850	-21		-4,091
Effect of company sale			2,555	-36		2,519
Deductions			259			
Transfers between balance sheet groups						0
Exchange rate differences			8			8
Other changes			-595	-10		-605
Accumulated depreciations, amortizations and impairment as at October 31, 2013	-179	-7,484	-21,193	-264	0	-29,665
Book value at October 31, 2013	15	3,540	9,615	40	1,943	15,153

(EUR 1,000)	Land areas	Buildings	Plant and equipment	Other tangible assets	Advance payments fixed assets	Total
Acquisition cost at November 1, 2011	193	10,604	33,414	338	878	45,427
Additions		152	2,099		1,081	3,332
Effect of company acquisition			389	1		390
Transfer to non-current asset items classified as held-for-sale						0
Effect of company sale		-22	-1,915	-5		-1,942
Deductions			-557	-30		-587
Transfers between balance sheet groups		303	211		-1,030	-516
Exchange rate differences	1	4	93			98
Other changes			4			4
Acquisition cost at October 31, 2012	194	11,041	33,738	304	929	46,206
Accumulated depreciations, amortizations and impairment as at November 1, 2011	-179	-7,307	-17,678	-202	0	-25,652
Depreciation in the financial period		-224	-3,700	-24		-3,948
Effect of company sale		7	1,559			1,566
Deductions		262	289	29		580
Transfers between balance sheet groups						0
Exchange rate differences		-2	-40			-42
Other changes						
Accumulated depreciations, amortizations and impairment as at October 31, 2012	-179	-7,264	-19,570	-197	0	-27,496
Book value at October 31, 2012	15	3,777	14,168	107	929	18,996

20. Investments in associated companies

(EUR 1,000)	2013	2012
Book value at November 1	3,824	2,740
Share of the profit of the financial period	-110	400
Additions	0	724
Deductions	0	-40
Book value at October 31	3,714	3,824

Keski-Suomen Painotuote Oy and As Koopia Kolm are associated companies of Kopijyvä Oy. The figures for the companies reported here have been annualized based on reports on company profits January 1-October 31, 2013.

Spectra Oy is an associated company, of which the Panostaja Group owns 32.0%. The profit/loss is based on the profit/loss for the financial period.

Ecosir Group Oy is an associated company, of which the Panostaja Group owns 49.78%. Profit/loss is based on the profit/loss for the financial period, and profit/loss for the associated company is adjusted by the return of the amortization of goodwill under the IFRS regulations.

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

Associate	Registered office	Shareholding	Assets	Equity	Liabilities	Net sales
October 31, 2013						
Keski-Suomen Painotuote Oy	Äänekoski	22.5%	528	119	409	1,084
As Koopia Kolm	Tallinn, Estonia	47.0%	1,373	415	958	1,056
Spectra Oy	Lohja	32.0%	2,798	690	2,108	6,817
Ecosir Group Oy	Tampere	49.8%	2019	-1734	3,753	1349
PE Kiinteistörahasto I Ky	Helsinki	27.1%				

21. Other non-current assets and held-for-sale investments

(EUR 1,000)	2013	2012
Other non-current assets		
Loan receivable	8112	8136
Held-for-sale investments	330	315
Accrued income	256	0
Total	8,699	8,452
Non-current held-for-sale investments		
Investments in unquoted shares:		
At the start of the financial period, November 1	315	280
Additions	18	41
Deductions	-3	-6
At the end of the financial period, October 31	330	315

Non-current held-for-sale investments are all investments in unquoted shares. They are valued at acquisition price, because their fair values are not reliably available.

Current held-for-sale investments		
Quoted bond fund shares		
At the start of the financial period, November 1	0	0
Additions	8 400	0
Deductions	0	0
At the end of the financial period, October 31	8 400	0

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

Panostaja Oyj has a loan receivable from its associated company Ecosir Group Oy totaling MEUR 1.6, and one from the Group's Senior Management Team worth MEUR 1.2 in connection with the reward scheme. An impairment of MEUR 1.0 was recognized with respect to Ecosir Group Oy's loan receivable in the 2012 financial period. There are more details concerning the reward scheme in note 35. Related party disclosures.

22. Deferred tax assets and liabilities

Changes to deferred taxes in the financial period 2013:

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

Changes to deferred taxes in the financial period 2012:

(EUR 1,000)	Nov 1, 2011	Recognized in the income statement	Acquired business operations	Discontinued business operations	Previous financial periods adjustment	Oct 31, 2012
Deferred tax assets						
Tangible assets, and property, plant and equipment	0	0	0	0	0	0
HEPAC Wholesale inventory adjustment	473	0	0	-473	0	0
Losses confirmed or to be confirmed in taxation	4,169	341	0	0	0	4,510
Other temporary differences	184	0	0	0	-71	113
Total	4,826	341	0	-473	-71	4,623
Deferred tax liabilities:						
Tangible assets, and property, plant and equipment	1,417	156	0	0	-155	1,418
Other temporary differences	103	0	0	0	-16	87
Total	1,520	156	0	0	-171	1,505
Deferred tax, net	3,306	497	0	-473	100	3,118

The Group has recorded a deferred tax receivable from a loss confirmed in its taxation for the financial period ending October 31, 2013 and for a confirmed loss by the parent company in 2007-2012. Unused tax losses expire in the period 2017-2022.

23. Stocks

(EUR 1,000)	2013	2012
Materials and supplies	6,479	7,446
Unfinished products	3,786	4,612
Finished products and goods	5,172	6,582
Total	15,437	18,639

Altogether, the Group recorded an expense of EUR 968,000 for the 2013 financial period (334,000 in 2012), where the book value of stocks was reduced to reflect its net realizable value.

24. Trade and other receivables

(EUR 1,000)	2013	2012
Trade receivables	26,594	21,884
Loans receivable	283	313
Accrued income	3,248	2,257
Other receivables	605	658
Total	30,730	25,111

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

Aging of trade receivables

(EUR 1,000)	2013	2012
Not past due	19,954	17,562
Past due 1-30 days	4,830	3,269
Past due 31-180 days	1,306	604
Past due 181-360 days	250	202
Past due over a year's time	254	247
Balance sheet value of trade receivables	26,594	21,884

The Group has recorded impairment losses of EUR 131,000 on trade receivables in the financial period (EUR 96,000 in 2012).

Material items contained in accrued income

(EUR 1,000)	2013	2012
Salaries and social charges	55	145
Annual rebates	918	485
Advances	971	579
Other	1,304	1048
Total	3,248	2,257

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

25. Cash and cash equivalents

(EUR 1,000)	2013	2012
Cash in hand and bank accounts	7,970	12,347
Total	7,970	12,347

26. Held-for-sale non-current asset items

(EUR 1,000)	2013	2012
a) Asset items classified as held-for-sale		
Property, plant and equipment	2,081	
Intangible assets	0	
Stocks	1,395	
Other current assets	872	
Total	4,348	0
b) Liabilities related to assets classified as held-for-sale		
Trade payables	112	
Other liabilities	75	
Accruals and deferred income	128	
Total	315	0

27. Notes on equity

	Number of shares at the end of the financial period 1000s	Share capital EUR 1,000	Share premium account EUR 1,000	Equity convertible loan EUR 1,000	Invested unrestricted equity fund EUR 1,000	Total EUR 1,000
November 1, 2011	51,733	5,569	4,647	0	19,023	29,239
Share issue						
Share subscription						
Disposal of own shares					44	44
Capital repayment					-2,557	-2,557
Equity component of convertible subordinated loan						
Reward scheme					13	13
October 31, 2012	51,733	5,569	4,647	0	16,522	26,738
Share issue						
Share subscription						
Disposal of own shares					38	38
Capital repayment					-2,040	-2,040
Equity component of convertible subordinated loan						0
Reward scheme					-13	-13
Hybrid loan				7,390		7,390
October 31, 2013	51,733	5,569	4,647	7,390	14,507	32,113

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

Share premium account

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

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

Other funds

On May 27, 2013, the Group issued an equity convertible subordinated loan to the value of MEUR 7.5. The equity convertible subordinated loan has no maturity date, but the Group is entitled, but not obliged, to redeem the loan within four years. Based on the contract, the annual interest is 9.75%. Interest is only paid if the company decides to distribute dividends. If dividends are not distributed, the Group will decide separately on the payment of interest. In the consolidated financial statements, the loan is classified as equity and interest is presented as dividend.

Invested unrestricted equity fund

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

Share issue

There was no share issue in the financial period 2013 or in the reference period 2012.

Share subscription

There were no share subscriptions in the financial period 2013 or in the reference period 2012.

Own shares

The purchase price of bought shares and their transaction costs are given as a deduction under invested unrestricted capital. Panostaja did not acquire any own shares in the financial period 2013. At the end of the financial period 2013, there were 490,956 own shares (552,556).

Panostaja divested a total of 61,610 of its own shares in the form of fees paid to the Board of Directors.

Dividends

A total of MEUR 2.0 (EUR 0.04 per share) was paid for the financial period 2012 in the form of capital re-payment to the shareholders of the parent company (MEUR 1.1 in dividends paid to minority shareholders in subsidiaries).

28. Financial liabilities

(EUR 1,000)	2013	2012
Non-current financial liabilities valued at acquisition cost		
Loans from financial institutions	24,591	24,468
Convertible subordinated loan	14,556	14,414
Finance lease liabilities	2,526	2,727
Other loans	929	557
Total	42,602	42,166
Current financial liabilities valued at acquisition cost		
Installments on non-current financial loans	14,598	10,896
Other loans from financial institutions	2,844	2.959
Finance lease liabilities	757	700
Yhteensä	18,199	14,555

The fair values for liabilities are given in note 31. Fair values for financial assets and liabilities.

The Group's loans are both floating and fixed interest rate loans. The weighted average value for interest rates on October 31, 2013 was 4.66% (October 31, 2012: 3.68%). Fixed interest on financial liabilities is EUR 27,066 and other liabilities attract floating interest rates.

Interest-bearing non-current and current liabilities are in euros.

Arrangements concerning liabilities, and breaches of contract

New covenant levels connected with a Takoma Group's financial agreement were agreed with the bank during the second quarter, but the company was not able to meet the terms and conditions of the covenant and the main party providing financing may call in the loan. Because Takoma had not obtained a consent clause from the main investor on the balance sheet date, all loans from this investor are presented under Current Loans.

Within the Takoma Group, a loan amortization payment of MEUR 0.66 of the original amortization plan fell due on October 31, 2013. This payment relates to a bank loan of MEUR 3.30. It was agreed with the lender that the installment would be due on the later date of December 31, 2013, and its payment would be negotiated in conjunction with another financial arrangement.

Equity convertible subordinated loans

Subordinated loan 2011

The Annual General Meeting on December 18, 2007 authorized the Board of Directors, deviating from the shareholders' pre-emptive right to subscription, to allow Finnish institutional investors to subscribe for a convertible subordinated loan in 2011. The amount of the convertible subordinated loan offered was MEUR 15, the entire sum of which was subscribed for. The loan capital attracts an annual fixed interest rate of 6.5%. The loan period is February 7, 2011-April 1, 2016. The loan is to be paid back in one installment, provided that the conditions for repayment are met.

The original share exchange price is EUR 2.20. The exchange period for the parts of the loan commenced on August 1, 2011 and expires on Match 1, 2016. The share exchange rate will be entered into the company's invested unrestricted equity fund.

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

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

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

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

Under the terms and conditions of the loan, Panostaja has the right, as from January 1, 2012, to pay off the principal on the loan early with interest accruing until the date of payment at the going rate plus 100%.

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

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

Maturity analysis of non-current liabilities

Amortizations	Loans form financial institutions		Other loans	
(EUR 1,000)	2013	2012	2013	2012
< 1 year	13,128	10,896	537	75
1-2 years	10,517	9,803	755	248
2-3 years	8,019	8,665	15.684	116
3-4 years	4,617	4,835	462	118
4-5 years	2,284	939	452	14,414
> 5 years	452			

29. Trade payables and other liabilities

(EUR 1,000)	2013	2012
Advances received	577	
Trade payables	13,650	9,233
Accruals and deferred income	13,272	13,299
Other current liabilities	8,459	6,377
Total	35,958	28,909
Material items contained in accruals and deferred income		
Annual holiday pay and social costs	6,396	5,519
Accrued wages and salaries	1,661	2,061
Accrued interest	969	708
Accrued taxes	586	706
Accrued employee pension	577	485
Other items	3,083	3,820
Total	13,272	13,299

30. Provisions

(EUR 1,000)	Provisions for guarantees given	Loss-making contracts	Total
November 1, 2012	292	0	292
Increases in existing provisions	59	559	618
Effect of company sale	0	0	0
Used provisions	-102	0	-102
October 31, 2013	249	559	808

(EUR 1,000)	for guarantees given Provisions	Total
November 1, 2011	270	270
Increases in existing provisions	81	81
Effect of company sale	0	0
Used provisions	-59	-59
October 31, 2012	292	292

(EUR 1,000)	2013	2012
Non-current provisions	0	0
Current provisions	249	292
Total	249	292

Provisions for guarantees given

The Group provides a guarantee of between one and three years for certain of its products. While the guarantee is valid, any faults or defects discovered in products are repaired at the Group's expense or an equivalent new product is given to the customer. A provision for a guarantee given is recognized on the basis of an estimate of probable guarantee expenses. The provisions for guarantees given are expected to be used over the subsequent three years, with the main focus on the first 12 months.

31. Maturity analysis of finance lease liabilities

(EUR 1,000)	2013	2012
Finance lease liabilities - total for minimum rents		
In one year	789	791
Between one and five years	2,040	2,068
In over five years	457	815
Total	3,286	3,674
Future financial expenses	-135	-246
Total for finance lease liabilities	3,151	3,428
Finance lease liabilities - current value of minimum rents		
In one year	757	701
Between one and five years	1,707	1,600
In over five years	819	1,127
Total	3,283	3,428

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

32. Fair values for financial assets and liabilities

2013 Balance sheet item (EUR 1,000)	Note	Financial assets and liabilities recognized at fair value through profit and loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities valued at accrued acquisition cost	Book values of balance sheet items	Fair value
Non-current financial assets							
Other non-current assets	21		8,369	330		8,699	8,699
Current financial assets							
Trade and other receivables	24	45	27,481			27,526	27,526
Short-term investments	25	0		8,400		8,400	8,400
Financial assets total		45	35,850	8,730	0	44,625	44,625
Non-current liabilities							
Loans from financial institutions	27				24,591	24,591	24,591
Convertible subordinated loan	27				14,556	14,556	14,556
Other non-current liabilities	27				3,385	3,385	3,385
Current liabilities							
Convertible subordinated loan	27				0	0	0
Interest-bearing liabilities	27				18,199	18,199	18,199
Trade payables	28				13,650	13,650	13,650
Other liabilities	28	156			7,480	7,636	7,636
Financial liabilities total		156	0	0	81,861	82,017	82,017

2012 Balance sheet item (EUR 1,000)	Note	Financial assets and liabilities recognized at fair value through profit and loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at accrued acquisition cost	Book values of balance sheet items	Fair value
Non-current financial assets							
Other non-current assets	21		3,327	315		3,642	3,642
Current financial assets							
Trade and other receivables	24		22,853			22,853	22,853
Short-term investments	25	0				0	0
Financial assets total		0	26,180	315	0	26,495	26,495
Non-current liabilities							
Loans from financial institutions	27				24,468	24,468	24,468
Convertible subordinated loan	27				14,414	14,414	14,414
Other non-current liabilities	27				3,284	3,284	3,284
Current liabilities							
Convertible subordinated loan	27				0	0	0
Interest-bearing liabilities	27				14,555	14,555	14,555
Trade payables	28				9,233	9,233	9,233
Other liabilities	28	30			4,958	4,988	4,988
Financial liabilities total		30	0	0	70,912	70,942	70,942

33. The fair value hierarchy for financial assets and liabilities valued at fair value

October 31, 2013	Fair values at the end of the period under review Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss			
Interest rate swaps		42	
Forward exchanges	0	3	
Held-for-sale investments			
Short-term investments		8,400	
Investments in unquoted shares			330
Total	0	8,445	330
Financial liabilities at fair value through profit and loss			
Interest rate swaps		156	
Total	0	156	0

October 31, 2012	Level 1	Level 2	Level 3
Financial assets recognized at fair value through profit and loss			
Short-term investments	0		
Held-for-sale investments			
Investments in unquoted shares			315
Total	0		315
Financial liabilities at fair value through profit and loss			
Interest rate swaps		30	
Total	0	30	0

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

Level 2 fair values are based on input data other than the quoted prices contained in Level 1, yet on information that is verifiable either directly or indirectly for the asset item or liability concerned.

The fair values for Level 3 are based on the acquisition price, as their fair value cannot be determined reliably.

Held-for-sale non-current financial assets

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

Held-for-sale current investments may consist of shares and interest-bearing investments. They are valued at fair value, or where fair value cannot be determined reliably, at the acquisition cost. Changes to the fair value of held-for-sale investments are recognized in other items of comprehensive income and presented in the fair value fund contained in the equity item Other Funds, with the tax effects in the fund taken into consideration. The changes accrued in fair value are transferred to the income statement when the investment is sold or its value has decreased to such an extent that an impairment loss must be recorded on the investment.

Non-current receivables

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

Trade and other receivables

The original book value of trade and other receivables corresponds to their fair value, because the effect of discounting is not substantial when the maturity of the receivables is taken into account.

Loans from financial institutions, convertible subordinated loan, and other non-current liabilities

The fair values of liabilities are based on discounted cash flows. The discounted interest rate used for the convertible subordinated loan is 7.5%.

Trade payables and other liabilities

The original book value of trade payables and other liabilities corresponds to their fair value, because the effect of discounting is not substantial when the maturity of the liabilities is taken into account.

Reconciliation of financial assets valued at fair value under Level 3

	Held-for-sale investments
Opening balance at November 1, 2012	315
Purchases	8,415
Sales	
Transfers to level 3	0
Transfers from level 3	0
Profits/losses recognized through profit and loss.	0
Closing balance at October 31, 2013	8,730

Total profits and losses recognized through profit and loss for assets at the end of the reporting period

34. Collateral and contingencies

(EUR 1,000)	2013	2012
Guarantees given on behalf of Group companies		
Enterprise mortgages	41,449	40,861
Pledges given	72,939	58,321
Other liabilities	2,950	1,888

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

Other rental agreements		
In one year	9,227	7,779
In over one year but within five years maximum	16,854	17,466
In over five years	2,438	2,833
Total	28,519	28,078
Total for loans from institutions	45,316	41,751

35. Related party disclosures

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

Reward scheme

The CEO and the members of the Senior Management Team are involved in a share bonus system. The company's management owns shares directly and through influential organizations. The Board of Directors of Panostaja Oy decides on the principles underlying the reward scheme for the CEO and members of the Senior Management Team. The salary of a member of the Senior Management Team is fixed and his or her pension is determined under the Finnish Employees Pensions Act. On December 16, 2010, the Board decided on a new long-term incentive and commitment scheme for the members of the Senior Management Team. At the time the financial statements were produced, the members of the Senior Management Team had a total of 750,000 shares in Panostaja (baseline 950,000 shares) in personal holdings or holdings of a company in which they had a controlling interest. Heikki Nuutila left the company on January 1, 2013. He holds 200,000 shares in Panostaja.

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

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

Loans to related parties

(EUR 1,000)	2013	2012
At the start of the financial period	1,125	1,165
Loans granted during the financial period	0	0
Loans repaid	-5	-40
Debited interest	18	23
Interest payments received during the financial period	-18	-23
At the end of the financial year	1,121	1,125

The loan conditions for key management personnel are as follows:

Name	Amount of loan	Conditions of repayment	Interest
Pravia Oy (Juha Sarsama)	230	Repayment in full at the end of the loan period	0.549
Pravia Oy (Juha Sarsama)	113	Repayment in full at the end of the loan period	0.620
Artaksan Oy (Simo Mustila)	288	Repayment in full at the end of the loan period	0.620
Comito Oy (Tapio Tommila)	209	Repayment in full at the end of the loan period	0.620
Comito Oy (Tapio Tommila)	79	Repayment in full at the end of the loan period	0.590
Total	919		

On October 31, 2013, company shares with a fair value of MEUR 0.8 represented the collateral on loans granted.

Management employee benefits

(EUR 1,000)	2013	2012
Salaries and other current employee benefits	788	667
Share-based benefits	0	0
Total	788	667
Salaries and fees		
CEO	186	181
CEO's performance-based employer's statutory pension expense	34	33
Members of the Board of Directors		
Ala-Mello Jukka	40	40
Martikainen Hannu	5	20
Tarkkonen Hannu	0	10
Satu Eskelinen	20	20
Eero Eriksson	20	20
Koskenkorva Mikko	20	20
Terhonen Jukka	15	0

It was further resolved at the General Meeting on January 29, 2013 regarding payment of meeting compensation, that approximately 40% of the compensation remitted to the members of the Board be paid on the basis of the share issue authorization given to the Board, by issuing company shares to each Board member if the Board member does not own more than 1% of the company's shares on the date of the General Meeting. If the holding of a Board member on the date of the General Meeting is over one percent of all company shares, the compensation will be paid in full in monetary form. In addition, the Board of Directors of Panostaja Oyj decided at an organizing meeting held immediately after the General Meeting to implement the decision taken at the General Meeting regarding the compensation of the Board members as regards shares, so that the compensation is always sent four times a year on the day following publication of an interim report/ financial statements for the year.

It has been agreed with some of the managing directors of the companies in the Panostaja Group that they can retire between the ages of 55 and 60, if they so wish. The liability in connection with the right to retire early accrues, is recorded and is paid each financial period. The retirement of the CEO of Panostaja Oyj is determined under the Employees Pensions Act.

36. Subsidiaries at October 31, 2013

Relations between the Group parent company and subsidiaries	Registered office	Share of voting power	Parent company's share holding %
Parent company			
Panostaja Oyj	Tampere		
Subsidiaries			
Copynet Finland Oy	Vilnius	68.0	68.0
Digiprint Finland Oy	Jyväskylä	56.4	56.4
DMP-Digital Media Partners Oy	Helsinki	56.4	56.4
DMP Diesel Oy	Helsinki	51.0	51.0
Eurotermo Holding Oy	Helsinki	63.3	63.3
Flexim Group Oy	Helsinki	70.0	70.0
Flexim Security Oy	Helsinki	70.0	70.0
Heatmasters Group Oy	Lahti	80.0	80.0
Heatmasters Technology Oy	Lahti	80.0	80.0
Heatmasters Sp.zoo	Poland	80.0	80.0
Heatmasters Sweden Ab	Sweden	80.0	80.0
Hervannan Koneistus Oy	Tampere	63.1	63.1
Kannake Holding Oy	Tampere	100.0	100.0
Kannake Oy	Tampere	70.4	70.4
Kiinnikekeskus Services Oy	Tampere	100.0	100.0
KL-Parts Oy	Tampere	75.0	75.0
KL-Varaosat Oy	Tampere	75.0	75.0
KfZ Nord Oy	Tampere	75.0	75.0
Kopijyvä Oy	Jyväskylä	56.4	56.4
Heatmasters Lämpökäsittely Finland Oy	Lahti	80.0	80.0
Lingoneer Oy	Tampere	51.0	51.0
Mainos-PainoDuo Oy	Lappeenranta	56.4	56.4
Rakennushelasto Oy	Seinäjoki	65.0	65.0
Selog Group Oy	Helsinki	60.0	60.0
Selog Oy	Helsinki	60.0	60.0
Suomen Helakeskus Oy	Seinäjoki	95.3	95.3
Suomen Helasto Oy	Seinäjoki	95.3	95.3
Takoma Eesti AS	Tallinn	63.1	63.1
Takoma Gears Oy	Parkano	63.1	63.1
Takoma Norge AS	Drammen	63.1	63.1
Takoma Oyj	Tampere	63.1	63.1
Takoma Systems Oy	Tampere	63.1	63.1
Tampereen Laatukoneistus Oy	Tampere	63.1	63.1
Toimex Oy	Tampere	70.4	70.4
Vindea Group Oy	Hyvinkää	54.2	54.2
Vindea Oy	Hyvinkää	54.2	54.2

37. Judicial events

There were no judicial events in the review period.

38. Events after the balance sheet date

On December 3, 2013, Panostaja Oyj announced that it was divesting its Supports segment and selling its shares in the segment's parent company, Kannake Oy, to a group of Tampere-based investors and existing managers. This divestment is in keeping with Panostaja's strategy and supports its active portfolio development objective. Panostaja does not record a major sales profit from the transaction.

On December 9, 2013, Panostaja announced that Takoma Oyj and its subsidiaries Takoma Gears Oy and Tampereen Laatukoneistus Oy have on December 9, 2013 filed business restructuring proceedings applications under the Restructuring of Enterprises Act at the District Court of Pirkanmaa in order to complete the reorganization measures of the Group on which decisions have been made.

The Takoma Group has implemented significant structural and operational changes aiming to restore the Group's profitability. Furthermore, as previously reported, the Group has negotiated to reorganize its financial structure and change its loan repayment periods.

Takoma has negotiated with its main investors on the need to acquire financing for the shutdown costs and development of operations. The negotiations with investors have not reached mutual consensus on such matters as extending loan periods or the costs arising

from the reorganization measures of the operating companies. With the protraction of negotiations, Takoma's financial standing has become difficult.

Panostaja Oyj owns 63.05% of Takoma Oyj. The value of Takoma Oyj's shares on the balance sheet of Panostaja Oyj's parent company on October 31, 2013 was MEUR 3.1. Furthermore, Panostaja Oyj's parent company has loan receivables of MEUR 1.2 and other receivables totaling MEUR 0.2. Goodwill concerning the Takoma segment on Panostaja Oyj's consolidated balance sheet is MEUR 2.2.

On October 31, 2013, Panostaja announced that Ilkka Mujunen M.Sc. (Tech.) had been invited to become Managing Director of Heatmasters Group Oy. Mujunen assumed his duties as Managing Director on November 27, 2013.

Group key figures

(MEUR)		2013	2012	2011
Net sales, MEUR		179.6	147.9	141.2
EBIT, MEUR		-0.4	3.2	6.7
% of net sales		-0.2	2.2	4.7
Profit for the financial period		-5.5	-2.5	2.2
Return on equity (ROE) %		-11.7	-5.4	5.0
Return on investment (ROI) %		0.5	1.8	5.6
Equity ratio, %		33.2	34.1	33.4
Gearing, %	1)	82.6	89.6	99.6
Current ratio		1.1	1.3	1.39
Gross capital expenditure (MEUR)		21.2	6.2	9.1
% of net sales		11.8	4.2	6.4
Avg. no. of Group employees		1,251	1,152	1,034
Earnings per share (EPS) (€), diluted		-0.09	-0.04	0.02
Earnings per share (EPS) (€), undiluted		-0.09	-0.04	0.02
Equity per share (€)		0.59	0.56	0.65
Capital repayment per share,		0.00	0.04	0.05
Dividend per share (€)				
Dividend/Earnings % diluted				
Capital repayment/Earnings % diluted		0.0	-262.2	159.8
Dividend/Earnings % undiluted				
Capital repayment/Earnings % undiluted		0.0	-103.1	267.4
Effective dividend income				
Price/Earnings ratio				
Average number of shares in the financial period, 1,000		51.211	51.157	50.128
Number of shares at the end of the financial period (1,000)		51.733	51.733	51.733
Weighted average of the number of issue-adjusted shares during the financial period, 1,000		58.029	57.957	60.258
Closing price for the share in the financial period, €		0.8	0.76	1.06
Lowest share price, €		0.66	0.73	0.97
Highest share price, €		0.86	1.05	1.51
Average share price in the financial period, €		0.75	0.89	1.23
Market value of stock, MEUR		41.4	39.3	54.8
Shares exchanged, 1,000		3,815	5,726	3,841
Shares exchanged, %		7.4	11.2	7.7

1) Liabilities include the equity convertible subordinated loan

Formulae for calculating key figures

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

Consolidated income statement

(EUR 1,000)	Note	Nov 1, 2012- Oct 31, 2013	Nov 1, 2011- Oct 31, 2012
NET SALES		34	65
Other operating income	1.2.	1,565	440
Staff expenses		-1,292	-1,169
Depreciations, amortizations and impairment	1.4.	-51	-78
Other operating income	1.5.	-1,168	-2,072
OPERATING PROFIT/LOSS		-913	-2,815
Financial income and costs	1.6.	-11,458	-517
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		-12,371	-3,332
Extraordinary items	1.7.	59	-5,589
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		-12,312	-8,921
Appropriations	1.8.	0	16
Income taxes	1.9.	0	1
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-12,312	-8,905

Consolidated balance sheet

Assets (EUR 1,000)	Note	Oct 31, 2013	Oct 31, 2012
NON-CURRENT ASSETS			
Intangible assets	2.1.	95	96
Tangible assets	2.2.	100	69
Investments	2.3.	22,129	33,193
NON-CURRENT ASSETS, TOTAL		22,325	33,358
CURRENT ASSETS			
Long-term receivables	2.4.	9,949	12,285
Short-term receivables	2.5.	2,854	2,327
Short-term investments	2.6.	8,400	0
Cash and bank receivables		736	3,558
CURRENT ASSETS, TOTAL		21,940	18,171
ASSETS, TOTAL		44,265	51,529

Liabilities (EUR 1,000)		Oct 31, 2013	Oct 31, 2012
EQUITY	2.7		
Share capital		5,569	5,569
Share premium account		4,691	4,691
Invested unrestricted equity fund		17,747	19,748
Retained earnings/loss		-5,561	3,343
Profit/loss for the financial period		-12,312	-8,905
EQUITY,TOTAL		10,133	24,447
APPROPRIATIONS	2.8.	0	0
LIABILITIES			
Non-current liabilities		25,740	22,590
Current liabilities		8,391	4,492
LIABILITIES,TOTAL		34,132	27,082
LIABILITIES, TOTAL		44,265	51,529

Source and application of funds for the parent company

(EUR 1,000)	Nov 1, 2012- Oct 31, 2013	Nov 1, 2011- Oct 31, 2012
BUSINESS CASH FLOW		
Profit/loss for the financial period	-12 312	-8,905
Adjustments:	10 076	6,611
Depreciation according to plan	51	78
Write-downs	0	0
Sales profits	-1 375	-34
Sales losses	0	477
Financial income and costs	11 458	-517
Appropriations, total	0	-16
Taxes	0	
Minority interest	0	0
Profit/loss of associated company	0	0
Extraordinary income and expenses	-59	5,589
OTHER CHANGES		
Change in sales receivables	120	-1,345
Change in inventories	0	
Change in trade payables	-258	273
Change in provisions	0	
Interest and other financial costs	-1 333	-1,708
Interest and other financial income	791	698
Other financial income	0	
Taxes paid	0	
Cash flow before extraordinary items	-2 915	-4,375
BUSINESS CASH FLOW	-2 915	-4,375
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-141	-20
Investments in business operations	0	0
Investments in subsidiaries	-964	-896
Investments in associated companies	0	0
Investments in other investments	0	0
Disposal of tangible and intangible assets	79	0
Divestments business transactions	0	0
Capital gains from disposal of subsidiaries	2 668	223
Capital gains from disposal of associated companies	0	0
Capital gains from disposal of other shares	0	0
Net change in internal receivables	2 486	1,106
Loans granted	-160	-100
Loans receivable repaid	120	39
Dividends received	1 841	1,514
Change in other investments	0	0
INVESTMENT CASH FLOW	5 929	1,867

(EUR 1,000)	Nov 1, 2012- Oct 31, 2013	Nov 1, 2011- Oct 31, 2012
FINANCING CASH FLOW		
Share issue	0	0
Acquisition and disposal of own shares	46	44
Extraordinary income and expenses	0	0
Change in current interest-bearing receivables	-767	669
Change in current interest-bearing liabilities	0	3 038
Loans drawn	7 500	6 300
Loans repaid	-2 175	-8 619
Change in non-current internal loans	0	0
Dividends paid	-2 040	-2 547
Other financing cash flow	0	0
FINANCING CASH FLOW	2 564	-1 115
CHANGE IN CASH AND CASH EQUIVALENTS	5 578	-3 623
Cash and cash equivalents at the beginning of the financial year	3 558	7 181
CHANGE IN CASH AND CASH EQUIVALENTS	5 578	-3 623
Cash and cash equivalents at the end of the financial year	9 136	3 558

Notes to the consolidated financial statements

October 31, 2013

Comparability of figures

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

Valuation principles

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

Pensions

Statutory pension insurance for staff is provided by an external pension insurance company. Pension costs are entered as a cost in the year of accrual.

Depreciations

Planned amortizations from non-current assets are calculated from their original acquisition price on the basis of the estimated operating life.

Planned amortization periods are:

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

Notes to the income statement January 1 – September 1

(EUR 1,000)

1.1. Net sales	2013	2012
Administrative charges from Group companies	29	65
Other sales	5	0
	34	65

1.2. Other operating income	2013	2012
Proceeds from sale of fixed assets	1,375	34
Subsidies received	24	0
Other	166	406
	1,565	440

1.3. Staff expenses	2013	2012
Salaries and bonuses	1,059	978
Pension costs	164	160
Other staff expenses	69	32
	1,292	1,169
During the financial period, the company employed on average		
Clerical staff	9	10

1.4. Depreciations, amortizations and impairment	2013	2012
Planned amortizations		
Intangible rights	7	6
Other capitalized long-term expenditure	21	39
Machinery and equipment	24	33
Amortizations	0	0
	51	78

1.5. Other operating expenses	2013	2012
Other operating expenses, internal	24	43
Other operating expenses	403	401
Marketing costs	160	222
Data administration costs	128	74
Costs for expert services	318	451
Loss from disposal of shares in associated companies	0	520
Loss from disposal of fixed asset shares	0	266
Rental costs	135	96
Other operating expenses, total	1,168	2,072
Auditor's fees		
Auditing fees	35	15
Auxiliary services	12	15
	47	30

1.6. Financial income and costs	2013	2012
Dividend yields		
From Group companies	1,841	1,619
From others	0	32
Dividend yields, total	1,841	1,651
Other interest and financial yields		
From Group companies	479	771
From others	192	190
Interest yields, total	482	821
Other interest and financial yields, total	671	961
Interest yields from long-term investments and other interest yields, total	671	961
Short-term investment amortizations	0	0
Interest costs and other financial costs		
For Group companies	59	59
For others	1,579	1,279
Interest costs, total	1,508	1,323
Interest costs and other financial costs, total	1,637	1,338
Amortization of Group shares	12,334	792
Amortization of receivables from associated companies	0	1,000
Financial income and costs, total	-11,458	-517

1.7. Extraordinary items

	2013	2012
Extraordinary items / Group contribution	59	0
Extraordinary costs/accords	0	83
Extraordinary costs/loss from mergers	0	5,506
	59	5,589

1.8. Appropriations

	2013	2012
Difference between planned amortizations and taxed depreciations	0	16

1.9. Income taxes

	2013	2012
Income taxes from the financial period	0	0
Income taxes from the previous financial period	0	-1
	0	-1

Notes to the balance sheet 2 January – September 2

(EUR 1,000)

2.1. Intangible assets

	2013	2012
Intangible rights		
Acquisition cost Nov 1	46	46
Additions Nov 1 – Oct 31	14	0
Deductions Nov 1 – Oct 31	0	0
Acquisition cost Oct 31	59	46
Accrued planned amortizations Nov 1	-23	-17
Planned amortizations Nov 1 – Oct 31	-7	-6
Book value Oct 31	30	23
Other capitalized long-term expenditure		
Acquisition cost Nov 1	280	259
Additions Nov 1 – Oct 31	13	20
Deductions Nov 1 – Oct 31	0	0
Acquisition cost Oct 31	292	280
Accrued planned amortizations Nov 1	-206	-168
Planned amortizations Nov 1–Oct 31	-21	-39
Book value Oct 31	65	73
Intangible assets, total		
Acquisition cost Nov 1	325	305
Additions Nov 1 – Oct 31	26	20
Deductions Nov 1 – Oct 31	0	0
Acquisition cost Oct 31	352	325
Accrued planned amortizations Nov 1	-229	-184
Planned amortizations Nov 1 – Oct 31	-27	-45
Book value Oct 31	95	96

2.2. Tangible assets

	2013	2012
Machinery and equipment		
Acquisition cost Nov 1	574	574
Additions Nov 1 – Oct 31	115	0
Deductions Nov 1 – Oct 31	-60	0
Acquisition cost Oct 31	629	574
Accrued planned amortizations Nov 1	-504	-471
Planned amortizations Nov 1 – Oct 31	-24	-33
Book value Oct 31	100	69
Accrued difference between total and planned amortizations Nov 1	0	16
Increase of depreciation difference Nov 1 – Oct 31	0	0
Decrease of depreciation difference Nov 1 – Oct 31	0	-16
Accrued difference between total and planned amortizations Oct 31	0	0
Tangible assets, total		
Acquisition cost Nov 1	574	574
Additions Nov 1 – Oct 31	115	0
Deductions Nov 1 – Oct 31	-60	0
Acquisition cost Oct 31	629	574
Accrued planned amortizations Nov 1	-504	-471
Planned amortizations Nov 1 – Oct 31	-24	-33
Book value Oct 31	100	69

2.3. Investments

	2013	2012
Stakes in companies in the same Group		
Acquisition cost Nov 1	28,353	28,792
Additions Nov 1 – Oct 31	2,634	900
Deductions Nov 1 – Oct 31	-12,828	-1,340
Acquisition cost Oct 31	18,158	28,353
Stakes in associated companies		
Acquisition cost Nov 1	3,964	3,451
Additions Nov 1 – Oct 31	0	724
Deductions Nov 1 – Oct 31	0	-212
Acquisition cost Oct 31	3,964	3,964
Other shares and stakes		
Acquisition cost Nov 1	8	8
Additions Nov 1 – Oct 31	0	0
Deductions Nov 1 – Oct 31	0	0
Acquisition cost Oct 31	8	8
Other investments		
Acquisition cost Nov 1	869	0
Additions Nov 1 – Oct 31	0	869
Deductions Nov 1 – Oct 31	-869	0
Acquisition cost Oct 31	0	869
Investments, total		
Acquisition cost Nov 1	33,193	32,251
Additions Nov 1 – Oct 31	2,634	2,494
Deductions Nov 1 – Oct 31	-13,698	-1,551
Acquisition cost Oct 31	22,129	33,193

2.4. Long-term receivables

	2013	2012
Subordinated loans receivable from companies in the same Group	1,289	3,063
Subordinated loans receivable from associated companies	1,560	2,450
Loans receivable from companies in the same Group	1,308	2,020
Loans receivable	1,442	1,402
Other receivables	4,350	4,351
	9,949	13,285

2.5. Short-term receivables

	2013	2012
Trade receivables from Group companies	382	446
Trade receivables	14	7
Loans receivables from Group companies	1,881	1,114
Group contribution receivables	59	0
Other receivables	90	224
Dividend receivables from Group companies	105	105
Loans receivable from associated companies	90	90
Interest receivables from Group companies	197	321
Accrued income	37	20
	2,854	2,327
Accrued income, essential items		
Interest receivables from insider loans	4	11
Interest receivables from Sampo deposit	2	5
Ecosir Group Oy	14	0
Advance payments	2	0
Cost scheduling	12	0
Other	3	3
	37	20

2.6. Short-term investments

	2013	2012
Other shares and stakes		
Shares in investment funds	8,400	0
		10
	8,400	10

2.7. Equity

	2013	2012
Share capital Nov 1	5,569	5,569
Share capital increase and share issue	0	0
Share capital Oct 31	5,569	5,569
Share premium account Nov 1 – Oct 31	4,691	4,691
Invested unrestricted equity fund Nov 1	19,748	22,261
Share capital increase and share issue	0	0
Acquisition/disposal of own shares	0	0
Board bonuses as company shares	46	44
Capital repayment	-2,047	-2,557
Invested unrestricted equity fund Oct 31	17,747	19,748
Retained earnings/loss Nov 1	-5,561	3,343
Dividend distribution	0	0
Retained earnings/loss Oct 31	**-5,561**	**3,343**
Profit/loss for the financial period	-12,312	-8,905
Equity, total	10,133	24,447
Distributable unrestricted equity Oct 31	-127	14,187

2.8. Accrual of appropriations

	2013	2012
Accrual of appropriations comprises the accrued depreciation difference.	0	0

2.9. Liabilities

	2013	2012
2.9.1 Non-current liabilities		
Hybrid loan 2013	7,500	0
Convertible subordinated loan 2011	15,000	15,000
Loans from financial institutions	2,363	4,538
Other non-current liabilities	3	3
	24,866	19,541
Liabilities to Group companies		
Other liabilities	875	875
	875	875
Non-current liabilities, total	25,740	20,415

	2013	2012
2.9.2 Current liabilities		
Loans from financial institutions	2,175	2,175
Trade payables	115	92
Other liabilities	205	235
Accruals and deferred income	4,101	4,083
	6,595	6,585
Liabilities owed to Group companies		
Trade payables	126	82
Other liabilities	1,670	0
	1,796	82
Essential items included in accruals and deferred income		
Annual holiday salaries and social security costs	89	84
Pension insurance payment installments for annual holiday salaries	16	15
Advance income from dissolution of Kiinteistörahasto	3,038	3,038
Interest installments	915	610
Other items	43	337
	4,101	4,083
Current liabilities, total	8,391	6,667

Other notes

(EUR 1,000)	2013	2012
Guarantees and contingencies		
On behalf of Group companies		
Guarantees given	11,881	13,056
On behalf of associated companies		
Guarantees given	575	575
For others		
Guarantees given	0	0
Rental liabilities		
Within 1 year	148	0
Within more than 1 but less than 5 years	593	0
Within more than 5 years	741	0
Leasing liabilities		
Within 1 year	35	1
Within more than 1 but less than 5 years	37	5
Within more than 5 years	0	0
Pledged shares in associated companies		
Pledged for own liabilities	600	1,200
Other pledges given		
Pledged for own liabilities	4	4

Hybrid loan 2013

The loan is a hybrid capital issue of 7,500,000 euros on October 31, 2013. The loan period is from May 27, 2013 to May 27, 2017.

Convertible subordinated loan 2011

The outstanding loan amount is 15,000,000 euros. The loan period is from February 7, 2011 to April 1, 2016. The loan shall be paid in a single installment on April 1, 2016 provided that the conditions for repayment under the loan terms are met.

Proposal by the Board of the Parent Company for the processing of the result and distribution of profits of the financial period

Proposal by the Board of the parent company on the processing of the result and distribution of profits of the financial period

Panostaja Oyj's distributable assets, with the loss for the financial period of EUR 12,312,404.14 and the invested unrestricted equity fund of EUR 17,746,562.87 added, are EUR -127,093.89.

The Board proposes to the Annual General Meeting that the loss for the financial period be transferred to the accrued earnings account and that no dividend be paid or capital repaid.

The Board also proposes that the General Meeting authorize the Board of Directors to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividend or as capital repayment from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals no more than EUR 5,200,000.

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

Tampere, December 13, 2013

Jukka Ala-Mello
Chairman of the Board

Mikko Koskenkorva

Eero Eriksson

Satu Eskelinen

Antero Virtanen

Jukka Terhonen

Juha Sarsama
CEO

Audit report

To Panostaja Oyj's Annual Meeting

We have audited Panostaja Oyj's accounting, financial statements, annual report and management for the financial period November 1, 2012–October 31, 2013. The financial statements include the Group's balance sheet, extensive income statement, statement concerning changes in equity, cash flow statement and notes as well as the parent company's balance sheet, income statement, financial statement and notes.

Liability of the Board of Directors and the CEO

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

Duties of the auditor

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

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

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

Report on consolidated financial statements

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

Report on the financial statements and annual report

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

Tampere, December 23, 2013

PricewaterhouseCoopers Oy
Authorized Public Accountants

Markku Launis
Authorized Public Accountant

Janne Rajalahti
Authorized Public Accountant

Information on shares

Share capital and shares

At the close of the period under review, Panostaja Oyj's share capital was EUR 5,568,681.60. The number of shares issued at the end of the period was 51,733,110. According to the shareholder list of October 31, 2013, the company has 3,658 (3,780) shareholders.

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

The total number of the company's own shares held by the company at the end of the review period was 490,956 individual shares (at the beginning of the financial period: 552,566). The company's own shares accounted for 0.95% of the number of shares and votes at the end of the entire review period. The company shares owned by the company's Board of Directors and the CEO total 6,736,469. This represents 13% of the total number of shares.

In accordance with the decisions by the General Meeting on January 31, 2012 and by the Board, Panostaja Oyj relinquished a total of 12,656 individual shares as meeting compensation to the members of the Board on December 14, 2012; in accordance with the decisions by the General Meeting on January 29, 2013 and by the Board, a total of 15,384 shares were relinquished on March 7, 2011, followed by a total of 16,902 shares on June 6, 2013, and a total of 16,668 shares on September 5, 2013.

The Annual General Meeting of January 29, 2013 authorized the Board of Directors to decide on the acquisition of the company's own shares, which would be done in one or several instalments and, on the basis of the authorization, would not exceed the total number of 5,100,000. By virtue of the authorization, only unrestricted equity may be used for obtaining the company's own shares. The Board of Directors has not used the authorization granted by the Annual Meeting to acquire the company's own shares during the review period.

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

On December 28, 2012, Panostaja Oyj received a notification of change in holding in the company pursuant to Section 2(9) of the Securities Markets Act. Matti Koskenkorva's share of Panostaja Oyj's total number of voting shares exceeded 10%.

Share price development and share ownership

Panostaja Oyj's share price fluctuated between EUR 0.66 and EUR 0.86 during the financial period. In the period under review, the exchange of shares totaled 3,814,701 individual shares, which represents 7.4% of the share capital. The share closing rate at the end of the period was EUR 0.80. The market value of the company's share capital at the end of the period was MEUR 41.4.

On December 16, 2010, the Board decided on a new long-term incentive and commitment scheme for the members of the Senior Management Team. At the time of closing the books, the Board members held, either personally or through companies controlled by them, a total of 750,000 Panostaja shares (originally 950,000 shares). Heikki Nuutila has not been in the Company's service since January 1, 2013. He owns 200,000 Panostaja shares.

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

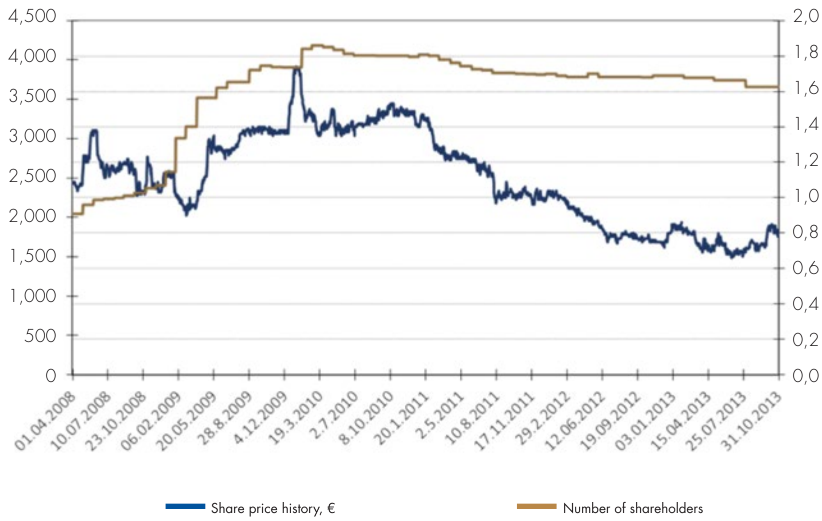
At the time of the arrangement, the then members of the Senior Management Team financed their investments partly themselves and partly through company loans, and they bear the genuine corporate risk with respect to the investment they have made in the scheme. The members of the Senior Management Team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

Share trade and rates

	Lowest (€)	Highest (€)	Share issue adjusted Trading (no. of shares)	% of shares
2013	0.66	0.86	3 814 701	7.4
2012	0.73	1.05	5 725 530	11.1
2011	0.97	1.51	3 841 477	7.7
2010	1.32	1.75	5 301 507	11.2
2009	0.89	1.4	8 108 040	17.5

	A share				B share			
	Lowest (€)	Highest (€)	Share issue adjusted Trading (no. of shares)	% of shares	Lowest (€)	Highest (€)	Share issue 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

Share price history and number of shareholders



Largest shareholders

20 largest shareholders Oct 31, 2013

		Shares	% of shares
1	Koskenkorva Matti	6,000,000	11.60
2	Etera Mutual Pension Insurance Company	4,259,000	8.23
3	Koskenkorva Maija	3,821,742	7.39
4	Fennia Mutual Insurance Company	3,468,576	6.70
5	Treindex Oy	3,400,000	6.57
6	Koskenkorva Mauno	1,640,769	3.17
7	Koskenkorva Mikko	1,245,139	2.41
8	Johtopanostus Oy	1,030,000	1.99
9	Tampere District Co-operative Bank	985,334	1.90
10	Malo Hanna	982,207	1.90
11	Kumpu Minna	982,170	1.90
12	Koskenkorva Karri	964,805	1.86
13	Porkka Harri	951,000	1.84
14	Koskenkorva Helena	918,101	1.77
15	Leino Satu	831,653	1.61
16	Haajanen Taru	790,917	1.53
17	Localtapiola General Mutual Insurance Company	674,000	1.30
18	Panostaja Oyj	490,956	0.95
19	Koskenkorva Pekka	433,502	0.84
20	Pravia Oy	432,500	0.84
		34,302,371	66.31
	Other shareholders	17,430,739	33.69
	Total	51,733,110	100.00

Shareholders by number of shares on October 31, 2013

No. of shares	Owners	%	Shares/votes	%
1–1000	1,820	49.75	940,053	1.82
1001–10000	1,545	42.24	5,124,517	9.91
10001–100000	253	6.92	6,451,126	12.47
100001–1000000	32	0.87	14,159,239	27.37
1000001–	8	0.22	24,865,226	48.06
Total		100.00	51,540,161	99.63
of which nominee-registered	6		21,098	0.04
In joint accounts			192,949	0.37
Total amount issued			51,733,110	100.00

Shareholders by sector on October 31, 2013

Sector	Owners	%	Shares/votes	%
Companies	146	3.99	7,082,162	13.69
Financial institutions and insurance companies	10	0.27	5,545,551	10.72
Public-sector institutions	1	0.03	4,259,000	8.23
Households	3480	95.13	34,363,499	66.42
Non-profit organizations	10	0.27	263,282	0.51
Foreign owners	11	0.3	26,667	0.05
Total	3658	99.99	51,540,161	99.59
Nominee-registered	6		21,098	0.04
In joint accounts			192,949	0.37
Total amount issued			51,733,110	100.00

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PANOSTAJA OYJ

Kalevantie 2, FI-33100 Tampere
Tel. +358 50 68 570
panostaja@panostaja.fi
www.panostaja.fi