panostaja

ANNUAL REPORT 2016

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"TO PANOSTAJA, GROWTH AND OWNERSHIP ARE MUCH MORE THAN BUSINESS."

PARTNER FOR GROWTH

Panostaja is an active partner for growth. The company identifies growth potential, supports the growth of the companies it owns and creates tools for business development. The growth is based on a strategic vision, understanding of customers, interactive coaching, co-operation and trust.

ACTIVE BUSINESS DEVELOPER

To Panostaja, ownership and growth are responsible and sustainable. The growth of a company to the next level requires long-term work from everyone. For each company, a partnership for reaching full business potential is a unique journey that does not depend on time. With Panostaja, this is done through active and corrective development work and guidance.

COMMUNITY OF GOOD LEADERSHIP

The companies owned and managers coached by Panostaja form a community that supports Panostaja's business model and the development of its investment targets. The members of the community benefit directly from sparring, measurement of operation, training and spreading of the best operation modes. The community grows organically with Panostaja.

Net sales

172.5 M€

Profit/loss for the financial period

9.2 M€

Personnel

1,337

Market value

48.3 M€

ASTONISHING ACCOMPLISHMENTS WITH A SIDE OF UNREALIZED EXPECTATIONS

Juha Sarsama

In terms of reaching our goals for 2016, we were moderately successful but could have done better. The year was a time of astonishing accomplishments but also of some unrealized expectations. The development of our investment targets is largely in line with the Finnish SME sector: stories of amazing growth, consistent performance and reductions in volume, especially in the export industry.

Among the successes, KotiSun and Grano are worth a special mention. KotiSun achieved excellent growth and still managed to maintain a good profit. During the year, Grano went through massive structural changes. We are very happy with how things turned out, although accelerated growth remained an unattained goal.

We could have improved our reaction speed to market changes. Developing response will be one of our focus areas for 2017, and we have already taken it into account particularly in sales training. The management of our investment companies must always have the best possible information about the situation and the capability to react to changes. Mere numbers are not enough to ensure success: sensitivity to changes and their successful implementation must be highlighted in the company agenda more than ever.

Our goal was to carry out one or two corporate acquisitions. We examined numerous possibilities but some were not for sale, went to another buyer or were priced too high. One of our strengths is that we can take a timeout from corporate acquisitions and focus on developing our existing investment targets. We will continue to keep a close eye on the companies that were eventually not put up for sale.

The key development for Panostaja's operations was the financing arrangement implemented early in the financial period, which provides a significant financing resource for future corporate acquisitions. For management, it was important to put the finishing touches on the commitment of Panostaja Oyj's executives and on the incentive system. Now the entire Senior Management Team owns the companies and bears the corporate risk. Also the additional purchase price for Flexim Security exceeded our expectations.

Over the course of the year, we focused on reworking our communications and increasing our visibility. We have no desire to mystify our activities or blend into the masses. Instead, we want to be accessible to the public and actively talk about our operations.

Significant challenges to our operations are created by digitalization, which is both tearing down and creating business areas. We take the effects of it into account in investment decisions and the development of investment targets. There is also always a need for skilled workers, and it is our goal to secure proficient and motivated people for our investment targets. According to our statistics, sick days in our investment companies have decreased during the year. When the management is working as intended, people feel better at work.

Our future strategy is to remain an active majority owner for the Finnish SME sector. In order to grow and develop, a company needs an active owner as well as the tools and support that Panostaja provides. The competition for suitable investment targets is stronger than ever, so besides money, companies need strategic investments in management and personnel development. In this sense, we are already doing excellent work, and our goal for 2017 is to highlight this area even more than before.

KEY EVENTS OF THE YEAR:

1 MEUR 30 FINANCING ARRANGEMENT

At the beginning of the financial period, Panostaja made a financing arrangement consisting of MEUR 20 in loans and a MEUR 10 acquisition limit. The arrangement strengthens Panostaja's financial position, reduces financial costs and provides fresh resources for the corporate acquisition market.

2 MANAGEMENT FORUM AND OTHER COACHING EVENTS

In the summer, Panostaja held a Management Forum event with the theme 'Development of digital business and management of the customer experience.' The number of attendees was 50. Over the course of the year, 3 similar network meetings were held. In addition to this, Panostaja Academy organized 6 coaching days, in which some 85 people participated.

3 ADDITIONAL PURCHASE PRICE FOR FLEXIM SECURITY

In the summer, the additional purchase price for Flexim Security, sold by Panostaja, was confirmed to be MEUR 4.7, of which Panostaja's share stood at MEUR 3.3. The investment in Flexim exceeded the IRR goal (22%).

4 SALE OF SHARES TO THE SENIOR MANAGEMENT TEAM

In the summer, Panostaja sold 700,000 shares to members of the Senior Management Team Juha Sarsama, Tapio Tommila, Miikka Laine and Minna Telanne. This was part of the Board's decision to continue the long-term incentive and commitment scheme for rewarding the members. The Senior Management Team's total direct holding on October 31, 2016 stood at 1,396,507 shares, which equates to approx. 2.66% of the entire share capital.

5 REVAMP OF THE PRO DEVELOPMENT PORTAL

The PRO development portal created by Panostaja was revamped early in the fall. It is intended as a shared platform and toolset for investment companies. The idea behind it is to promote and support growth, management and business in the investment companies.

6 UNIVERSITY COOPERATION

In the end of the fall, Panostaja collaborated with students of strategic management at the University of Tampere to organize a digital workshop for board members from Panostaja companies. The aim was to expand their expertise and thinking with regard to the possibilities by new technologies.

Miikka Laine

WHAT SORT OF COMPANIES IS PANOSTAJA LOOKING FOR?

As always with business, the purpose of investment activities is to yield sufficient profits and value increases. Alongside this, Panostaja has a grander social mission: to develop and support the growth of Finnish SMEs to the next level. This requires a good management system, toward which Panostaja has a wealth of expertise, tools and contact networks.

Panostaja's investment criteria include net sales of MEUR 5–50, profit and cash flow, committed management and an appealing field or a good position in the field. We are also interested in smaller companies if the business model is interesting and challenges old operating methods.

As an indicator, net sales is rather imprecise. Examining the profit and loss gives a more accurate impression. For this reason the net sales criterion is only regarded as a guideline. The company's EBIT should be over a million euros.

The investment criteria also include good growth opportunities. The company must have a strong desire to grow, which is not a given. According to the latest SME barometer by Enterprise Finland (2/2016), only half of Finnish SMEs wish to grow. Panostaja represents the companies with a strategy that leads toward growth. We expect the management to have a hungry, visionary and forward-thinking attitude. The hunger and focus should also be maintained after the entrepreneur gains wealth in the corporate restructuring.

We are very open-minded in terms of the field. All fields have both successful and less successful companies. Business acumen and a winning strategy are more important aspects. We only make investments in start-up or venture-phase companies in situations where we can accelerate the growth of an existing investment target.

In addition to expertise and tools connected to growth and management, Panostaja can provide SMEs and entrepreneurs with significant added value through corporate acquisitions, financing and related optimization.

Our goal is to generate more business for the company with less tied-up capital and more affordable financing. This is achieved through high-quality management and a clear strategy formulated with the entrepreneur and the rest of the management.

OUR CORE MESSAGE AND OPERATING POLICY

OUR OBJECTIVE:

TO BE THE MOST RESPECTED AND ACTIVE OWNER-PARTNER FOR GROWING FINNISH SMES

OUR STRATEGY:

ACTIVE OWNER

Constant readiness to invest and the active creation of project flows

Sustained and active development of shareholder value as the majority owner

Our portfolio features leading companies in their fields,
in which executive management also has a significant ownership interest

Constant development of management and business according to the company's stage of growth

OUR CORE MISSION:

WE FORGE SUCCESS STORIES IN THE SME SECTOR

OUR VALUES:

ENTREPRENEURSHIP IS AN ATTITUDE

RENEWAL AND EXPERTISE

TRUST AND OPENNESS

PANOSTAJA'S OPERATING MODEL

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

ACQUISITION

1

RECOGNIZING VALUE CREATION POTENTIAL

- Creating an investment strategy
- Purchasing a majority share and engaging minority shareholders
- Investments from the company's own balance enable long-term ownership
- The net sales of acquired companies is typically MEUR 5–50

DEVELOPMENT

2

INCREASING VALUE

- Implementation of investment strategy: growth, corporate acquisitions and operational efficiency
- Board and strategy work
- Development of business and management: active support, tools and systems
- Development of management and superior expertise

DIVESTMENT

3

REALIZATION OF VALUE INCREASES

- Continuous monitoring of the corporate acquisitions market and valuation levels
- The goal is to set the divestment to the next growth spurt of the investment target
- Realization of value increases in conjunction with the sale of holdings
- The goal is to secure the best possible return on investment

PANOSTAJA OWNS COMPANIES FROM NUMEROUS FIELDS

GRANO

Grano is the strongest operator in Finland in terms of the management of managing content and materials. The company implements digital and printing services related products, marketing and solutions to facilitate and improve its customers' business operations.

Panostaja's shareholding: 50.2%

2 Corporate acquisitions

Sale of digital services more than: MEUR 12

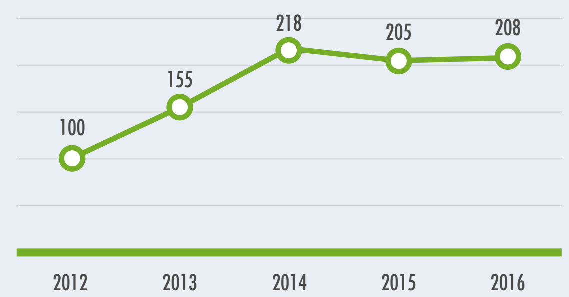
Helakeskus

Helakeskus is a company specializing in the import of and services related to fittings. The selection consists of fitting products for the fixtures industry.

97.4% Delivery reliability

Panostaja's shareholding: 95.3%

EBIT INDEX SINCE 2012



kotisun

Huolettomampaa asumista

KotiSun offers consumers conceptualized service water, heating network and sewer renovations as a turnkey service. The company is the largest and best known operator of its kind in Finland.

Work satisfaction on a scale of 4–10: 9.3

96% Customer recommendation rate

Panostaja's shareholding: 57.3%

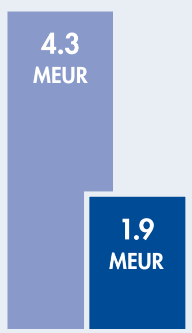
TAKOMA

power transmission solutions

Takoma supplies offshore and maritime industry operators with high-quality gear components, such as gear wheels, gear rims, pinions and gear couplings.

Supplied quantity of large gear wheels (diameter over 4 m): 29 pcs

Panostaja's shareholding: 63.1%



Release of working capital: 4.3 → 1.9

HEATMASTERS

40 years of heat treatment

the wizards of metal

Heatmasters is a leading heat treatment services and equipment provider in Europe with 40 years of experience.

2 New locations

Panostaja's shareholding: 80%

SELOG

Selog is a ceiling materials wholesaler that provides services to contractors, fitters, hardware stores and construction firms.

Sales growth index for wood strip elements (2015–2016): 270

Growth index for quotations (2015–2016): 117

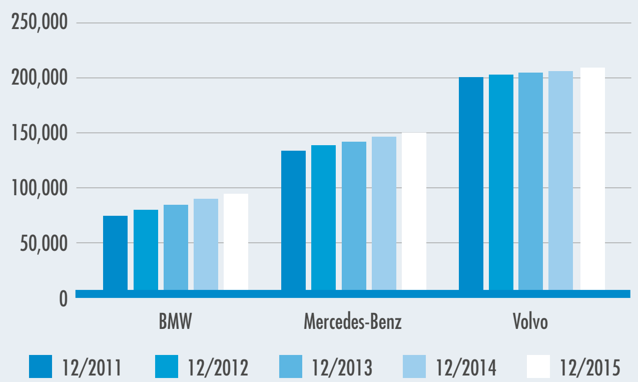
Panostaja's shareholding: 60%

KL-VARAOSAT

KL-Varaosat is a spare parts business engaged in the import, wholesale and retail of original spare parts and supplies for Mercedes-Benz, BMW and Volvo cars.

Panostaja's shareholding: 75%

DEVELOPMENT OF THE CAR POPULATION



megaklinikka

Megaklinikka is a dental clinic which utilizes an entirely new service concept and offers all dental care services in one go with a high level of quality, without the need to wait in line.

Personnel growth: 36

4/5 Work satisfaction

Panostaja's shareholding: 74.8%

FROM THE GRAPHIC INDUSTRY TO MULTICHANNEL COMMUNICATION

Grano Oy serves its customers by developing products, marketing and solutions related to digital and printing services.

In 2016 Grano's most important objective was to complete the integration of corporate acquisitions and implement the strategy prepared in the previous year. Grano is a comprehensive service provider offering electronic channels, print products as well as product data management and analysis services to a variety of customers. Instead of products, the company's sales efforts focus on solutions.

As a result of the corporate acquisitions, Grano's services have been harmonized and developed. Especially the digitality was strongly emphasized, and the strategy for digital business was completed during the year. In 2017, the company will implement concrete development projects related to productizing the digital offering, digitalizing ordering channels, sales and marketing, and automating manual work tasks.

POSITIVE GROWTH THANKS TO DIGITAL SERVICES

Printing and paper production continued to decrease in Finland during 2016, which resulted in Grano's earnings failing to develop according to the expectations of the previous year. Production was centralized over the course of the year. The growth of digital services has been promising, although it has not yet fully compensated for the decline in printing operations. Grano's large-format printing and CAD services also increased in 2016.

The overall economic situation in Finland and the fierce price competition in the field have affected Grano, as its operations have been largely bound to the domestic market. Grano's net sales did not increase during the financial period, but it strengthened its market position.

According to CEO **Jaakko Hirvonen**, the end result is satisfactory under the circumstances. Many smaller and less diverse companies have been forced to discontinue entirely in recent years. Hirvonen believes that the growing product portfolio and efficient strategy will maintain Grano as a forerunner in the traditional fields. In digital services, the company has plenty of potential for growth.

CLEAR SYNERGY BENEFITS FROM CORPORATE ACQUISITIONS

Grano's year of operations was still strongly affected by the merger with Multiprint, which took place in 2015. The efforts included increasing the efficiency of internal processes related to the merger, such as eliminating overlapping services.

In addition to this, some corporate acquisitions took place in 2016, with Grano first purchasing a majority shareholding in the start-up digital service provider Luotta Oy and later in the year the entire share capital. In the summer, Grano also purchased the marketing logistics operations of MicroMedia. According to Hirvonen, creating a unified corporate culture is a continuous process. Brand work and creating an appealing employer image are important, alongside engaging and motivating the personnel.

The transformation of the sector and the digital developments have created many challenges for Grano in defining its field. Instead of operating solely in the graphic industry, Grano is now more of a multichannel communications company. According to the extensive customer survey conducted in 2016, Grano's brand and selection are not yet all that well known among customers.

However, customer satisfaction is exceptionally high in the B2B sector and the customers relate positive expectations to the Grano brand. The net recommendation index was 50%, which provides an excellent opportunity to sell more new kinds of services to existing and new customers. Customer knowledge is an excellent guide for on-going brand work and service development. Grano's vision is to be the most sought-after partner and the most followed forerunner.

New customer benefits through digitalization

"We began creating our digital business strategy in the summer of 2016 and completed it at the end of the financial period.

We will change Grano's operating model to a more customer-oriented direction by means of digital solutions and determined efforts to achieve expertise in data-based business.

An essential part of our process of creating a digital business strategy is strengthening our expertise, which means that management training and efficient change management are in a key position.

In addition to this, our development teams require areas of expertise, such as service design and programming.

As a result of our digital strategy, we will launch several new services and service channels in 2017 to provide our customers with all-new business benefits."

Jaakko Hirvonen, CEO

Net sales
88.2 M€

Operating profit
7.8 M€

Personnel
789

KOTISUN

SUCCESSFUL CORPORATE ACQUISITION INCREASES EXPECTATIONS

KotiSun Oy provides service water, heating network and sewer renovations for detached houses.

For KotiSun, the year 2016 met all expectations and goals. The key events of the year were related to the expansion of business operations and a corporate acquisition. KotiSun's net sales increased according to plan, and the company's profitability remained good.

Over the course of the year, the company made significant equipment investments at the units in larger cities.

In 2016, KotiSun purchased more cars and tools than ever before. While the activities in larger cities were expanded, the operations in smaller towns were streamlined.

EXTENSIVE EXPERIENCE GUARANTEES COMPETITIVE EDGE

During the year, KotiSun expanded its business operations to cover sewer services through a company acquired in 2015, Pirkanmaan LVI-Tekniikka Oy. According to KotiSun's CEO Ville Niinikoski, the corporate acquisition was a successful move that has met expectations and opened up excellent prospects for the future.

In Niinikoski's opinion, the field is currently highly competitive, but KotiSun has managed to succeed thanks to its operating model, which includes a conceptualized pipe renovation package. In addition to the proven operating model, the experience from more than 10,000 renovations, as well as the extremely long material guarantee, strengthen the company's position as a reliable partner valued by customers.

According to Niinikoski, the future of the field looks very bright, and he expects the number of HPAC renovations to increase in Finland in the coming years. KotiSun is currently the market leader in the field – a position which Niinikoski assures it fully intends to keep.

STAFF SATISFACTION CARRIES OVER TO CUSTOMERS

As a result of growth and expanded business operations, it has been necessary to increase employee recruitment. In addition to this, new training methods have been created for efficiently transferring expertise from old employees to new ones.

The expansion in operations has also necessitated changes in KotiSun's corporate culture. According to Niinikoski, the hard-working and open culture that is characteristic of KotiSun creates an excellent environment for developing the operations further.

The management of the company favors an active approach and practices that motivate employees. The supervisors keep themselves up-to-date on events in the field and train their subordinates to perform their tasks as well as possible.

Well-being at work was also a focus of more attention in 2016, which was mirrored by the staff surveys conducted by Panostaja. The staff satisfaction seems to have carried over to customers, too, as the surveys have shown that the customer experience and satisfaction have improved from the previous years.

KotiSun will continue to focus on strengthening its staff and customer relationships, and maintain an active and positive approach to management. An additional goal for the company is to geographically expand its operations nationwide.

Continuous measurement of customer satisfaction

"In 2016, we implemented a tool for the continuous measurement of customer satisfaction. An unbiased third-party professional contacts each of our customer worksites and measures the customer experience and satisfaction based on the responses.

Before this, we measured the customer experience and satisfaction a few times a year, but we felt it important to obtain a more continuous stream of information to be able to react to customer needs at a faster rate.

The tool has shown that our customer recommendation rate has increased from 94% to 96%. Thanks to the feedback, we can train installation teams and employees to serve our customers even better than before.

In the future, we will also be able to view real-time customer satisfaction metrics and curves on the wall of each office. The most important value of our company is to create good customer experiences."

Ville Niinikoski, CEO

Net sales
31.9 M€

Operating profit
5.8 M€

Personnel
298

EXPECTATIONS REMAIN CAUTIOUS AFTER A DIFFICULT YEAR

Takoma Oyj is a specialist in power transmission components, with customers in the shipbuilding, offshore, mining and energy sectors.

The demand for Takoma's offering remained low in 2016, as was the case in the previous year. In 2015, there were some signs of possible increases in demand, but the expectations were not fully met over the course of the year.

The decline in the company's net sales is especially due to the poor state of the marine industry and offshore sector, which also affects related actors in Finland.

Despite the difficult situation, Takoma invested in acquiring new customers through direct contact and at various trade fairs over the course of the year. This resulted in some former customers rekindling their cooperation with Takoma.

SIGNS OF SLOW MARKET RECOVERY

Takoma's President and CEO **Jari Lilja**, who took up his post a little less than two years ago, says that orders for cruise ship components have increased somewhat at Finnish and foreign shipyards, which had some effect on Takoma's operations in 2016. However, this slight uptick has not been enough to compensate for the draught in other operations.

Takoma also operates in the industrial sector – the mining industry, in particular, has provided the company with plenty of work in previous years. Through his networks, Lilja has noticed some recovery in mining-related operations, which sparks some hope for an increase in Takoma's net sales in the coming years.

According to Lilja, there are also some signs of recovery in other industrial sectors, which would spell new business opportunities for the offshore industry. However, he feels that the expectations continue to remain low.

STAFF STRONGLY COMMITTED TO THE COMPANY AND MUNICIPALITY

Despite poor demand, Takoma was able to increase the efficiency of its production in 2016. Lilja attributes this achievement to the company's skilled staff, who have managed to see the light at the end of the tunnel and work diligently despite the difficult situation.

Along with being long-time Takoma employees, the majority of the staff are long-term residents of the company's domicile, Parkano, which manifests itself as a strong commitment to both the company and the municipality.

According to Lilja, the company's employees are highly competent, which has been an excellent asset in difficult times. Over the course of the year, Takoma has completed extremely challenging projects, such as delivering large gear wheels and double helical shafts to a large Norwegian oil company.

In the future, Takoma wishes to further hone the special expertise of its staff by obtaining projects that promote development. The company has also conducted product development efforts, and the intention is to provide more information on the new products in 2017.

Lilja is confident that growth in the field will take off in the future, but it will take time. He estimates that the low demand will continue until the next financial period, but the expected recovery may take place as early as toward the end of 2017.

Power transmission solutions to Norway

"In addition to Finland, Norway is Takoma's other main market area, and we have years of experience on the Norwegian market. Our projects have covered power transmission solutions for the oil drilling industry and various special applications, for example. In 2016, we manufactured large gear wheels and double helical shafts for the lifting assembly of a Norwegian oil rig.

Currently, the Norwegian market is quite slow due to the low price of oil, but compared to Finland, there are more end customers, such as small shipyards and oil drilling operations, for our marine industry products.

Working with our Norwegian partners is a joy since they have a very businesslike yet friendly way of approaching things. Although the price of oil is currently low, I have faith that the Norwegian markets will grow in the future."

Jari Lilja, President and CEO

Net sales

10.2 M€

Operating profit

-1.2 M€

Personnel

83

SKILLED STAFF ENABLES SPECIALIZED OPERATIONS

KL-Varaosat Oy provides original spare parts for select car brands (BMW, MB and Volvo) to the majority of Finnish repair workshops as well as consumers.

In 2016, KL-Varaosat focused on the development of its two latest locations, Turku and Vantaa, and the new brand, Volvo, included in its range. Another important project was the strong development of electronic trade.

The company's net sales increased by 10% and the earnings improved significantly from the previous financial period. The resources of the new locations were increased slightly and will continue to be increased as the operations grow. Extending the selection to cover a new car brand has naturally expanded the customer base.

A common challenge in the field is posed by constantly increasing demands regarding car repairs in terms of equipment, expertise and availability of information. For this reason, KL-Varaosat has prepared its own range of training on the relevant car brands for its ServicePartner repair workshops.

Training events are available each month, and the selection in 2016 included a course on the electrical safety of hybrid and electric cars. The training provides strong support for the success of the repair workshop partners.

PANOSTAJA ACADEMY COURSES BOLSTER EXPERTISE

The skilled and experienced staff have enabled KL-Varaosat to base its operations on a specialized operating model. According to CEO **Juha Kivinen**, the company's employees have become more active in seeking professional development in recent years.

A good framework for developing expertise is provided by the Panostaja Academy courses, which have been attended by numerous KL-Varaosat employees. The staff and management also had the energy to complete a number of professional qualifications and continued education programs in management over the course of 2016.

In addition to staff interaction, the company has strived to develop its strategy by listening to its customers and the field in general, and making active efforts through the board and management team. The comprehensive efforts have enabled the company to expand its network of facilities and product range.

SUCCESSFUL OPERATIONS EVEN IN THE FACE OF CHANGING REQUIREMENTS

The spare parts field is currently experiencing the wake of a strong chain-oriented period, and the resulting changes are still under way with regard to the distribution channels for various brands, for example.

KL-Varaosat's business model is based on an efficient network of units with independent daily operations. The short value chain and excellent manageability enable profits and operational management despite changing requirements.

According to Kivinen, the increase in car population of the brands covered by KL-Varaosat has been 2–25 percentage points higher than that of the entire car population.

Updating the electronic spare parts list was seen as one of the most strategically important projects in the 2016 financial period. The new list will replace the old one in the early months of 2017. One of the most important themes for KL-Varaosat in 2017 is the further development of services that support the success of and cooperation with the partnering repair workshops. Similarly, the continuous development of the company's own services and expertise and securing a culture of competence and expertise remain at the top of the list. In addition to this, the possibilities for expanding the network of facilities are still being explored.

Net sales
13.0 M€

Operating profit
1.0 M€

Personnel
48

Integrated training attitude

"Our business is based on specialization, so we strongly encourage our staff to develop their expertise and seek further training. Learning new things is a constant focus in specialized operations, especially in the context of new vehicles, technical solutions and electronic tools.

In 2016, many of our employees attended various Panostaja Academy courses, and some even completed professional qualifications and attended management training programs. As our operations expand, it is great to see how well training opportunities and information sharing are integrated into our day-to-day operations. Each day, our more experienced workers share their expertise with others and recognize this as part of their job.

Active support and orientation are particularly important when a person is assigned with new tasks or areas of responsibility."

Juha Kivinen, CEO

CHANGES IN THE CONSTRUCTION INDUSTRY LEAD TO NEW SALES ARGUMENTS

Suomen Helakeskus Oy's operations include the wholesale and import of fixture fittings used in kitchens and bathrooms for furniture industry and carpenters.

The most important event for Suomen Helakeskus in 2016 was the divestment of the business operations of Rakennushelasto, which is a wholesaler and importer of structural fittings for doors and windows. The companies operated independently, which made the transition fairly effortless and freed up management resources for current operations.

In terms of other developments, the company took things fairly slow. The company's EBIT improved over the previous year and net sales increased a few percentage points. Suomen Helakeskus Oy has long had trouble securing an upward trend for its net sales, although the EBIT has been increasing.

During the year, the company's organizational culture went through a significant vertical change. The hierarchy was simplified and efforts were made to distribute responsibilities more evenly. With more people to take responsibility, processes run more smoothly and cooperation is intensified.

THE CHANGED CRITERIA OF COMPETITIVE BIDDING

According to Helakeskus' CEO **Hannu Rantanen**, construction activities have picked up significantly, but at the same time, the methods are going through substantial changes. Currently, the focus is on apartment buildings constructed in Southern Finland, whereas before, there were plenty of detached housing and renovation projects that were more evenly distributed throughout the country.

Due to this increased focus in construction operations, larger contracts are available, but in terms of overall quantity there is less work to be had. All things considered, Rantanen is fairly satisfied with the operations of Helakeskus and its customers in 2016.

Due to the changes in construction culture, an individual consumer no longer has as much power to decide. Instead, the decisions in competitive bidding for contracts are made by third-party actors, which means that different criteria apply. Helakeskus has learned how to develop sales arguments by keeping an eye on the changes in the field and considering the changing needs of various customers.

The company has impressed its customers with its delivery reliability, which is by far the best in the field. In Rantanen's opinion, this achievement is a result of creating shared rules and sticking to what is agreed.

A FOOTHOLD AMONG RETAIL CHAINS

A small minority of Helakeskus' customers went through a slow period in 2016, but others achieved increased growth and gained new customers. Helakeskus has a stable market position among the three largest operators in the field.

The company that has served the industry for over four decades has now managed to secure customers among large retail chains, such as Tokmanni, RTV and Minimani. Rantanen sees promising opportunities for growth in serving these chains.

According to Rantanen, there is a demand for companies like Helakeskus, although global competitors for the same customers cast some shadows on future prospects. The manufacture of kitchens and bathrooms has traditionally been an area dominated by local companies, but over the past few years, global operators have made their way to Finland. Instead of viewing this development as nothing more than a threat, Helakeskus has also explored the possibility of providing services to the foreign newcomers.

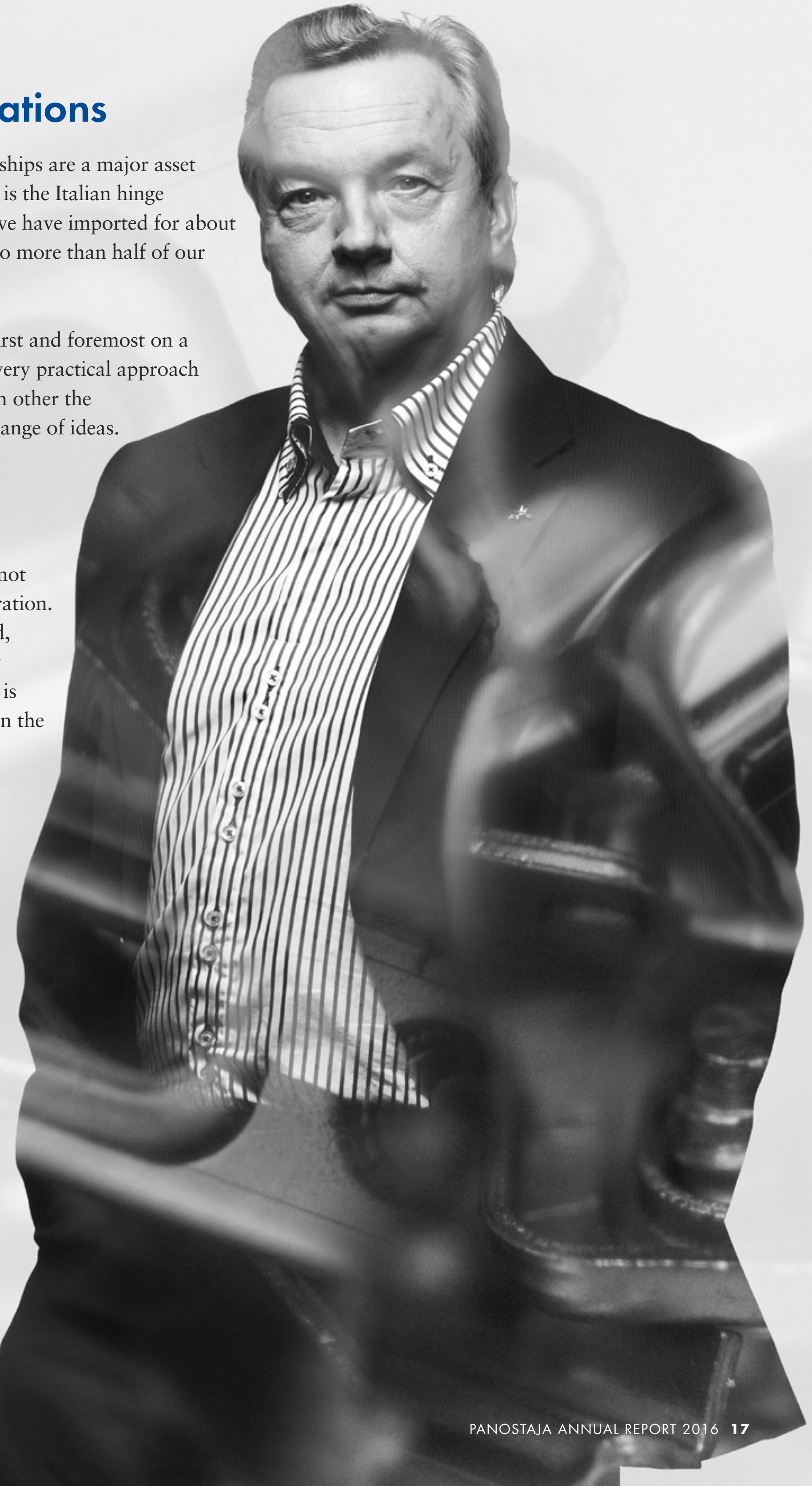
Solid cooperation carries over generations

"Long and stable cooperation relationships are a major asset for our operations. Our oldest partner is the Italian hinge manufacturer Salice, whose products we have imported for about a quarter of a century, which equates to more than half of our entire existence.

Our long-lasting cooperation is built first and foremost on a similar set of values. We both share a very practical approach to business. We have learned from each other the importance of open dialogue and exchange of ideas.

Although employees and generations change, the cooperation between our companies keeps going strong. It is extremely important to us that we do not need to constantly rebuild the collaboration. Any challenges we may face are shared, even though the areas of responsibility and work tasks vary. Our cooperation is founded on trust, and we always pull in the same direction."

Hannu Rantanen, CEO



Net sales

9.8 M€

Operating profit

0.3 M€

Personnel

24

A STRONG CUSTOMER-ORIENTED APPROACH AS A COMPETITIVE ASSET

Selog Oy locates, offers and delivers diverse surface and support structures for ceilings to its customers, such as professionals in interior construction, small building and painting companies, and hardware stores.

For Selog, the past year was filled with active operations and some exceptionally good contracts, such as the Otaniemi metro station and Maunula-talo projects. Overall, the construction market has been reinvigorated over the course of the year, leading to some recovery in the ceiling sector, as well.

In addition to active sales, the company has focused strongly on purchasing new materials. Marketing has been implemented both digitally and by increasing the quantity and quality of customer contact. Selog's online store, tuotteitakotiin.fi, was updated and reopened during the year.

In the future, more investments will be made in updating the online store and website, and entering the realm of social media is included in the company's marketing plans.

PRICE COMPETITION AND NEW COMPETITORS STIR UP THE MARKETS

In early 2016, the ceiling market was still fairly sparse, but by the summer, the situation improved in the wake of positive developments across the construction field. The company's business operations have been challenged by tightened competition.

According to Selog's CEO **Simo Tuokko**, the competition of materials has been fierce, particularly with regard to the pricing of acoustic mineral wool. In addition to this, foreign installation firms have increased their operation in Finland and stirred up the market even further. However, Selog has secured some new customers among the newcomers from abroad.

Tuokko says that Selog's competitive performance in the field has been more than decent. He believes that Selog's strong customer-oriented approach and the efforts to support customers in finding deals and contracts have kept the company apace with the competition.

Lately, Selog has also made significant investments in developing logistics and providing product training to employees. The majority of Selog's employees have been in the field for two decades, which ensures that the company's professional expertise and skills have a strong foundation.

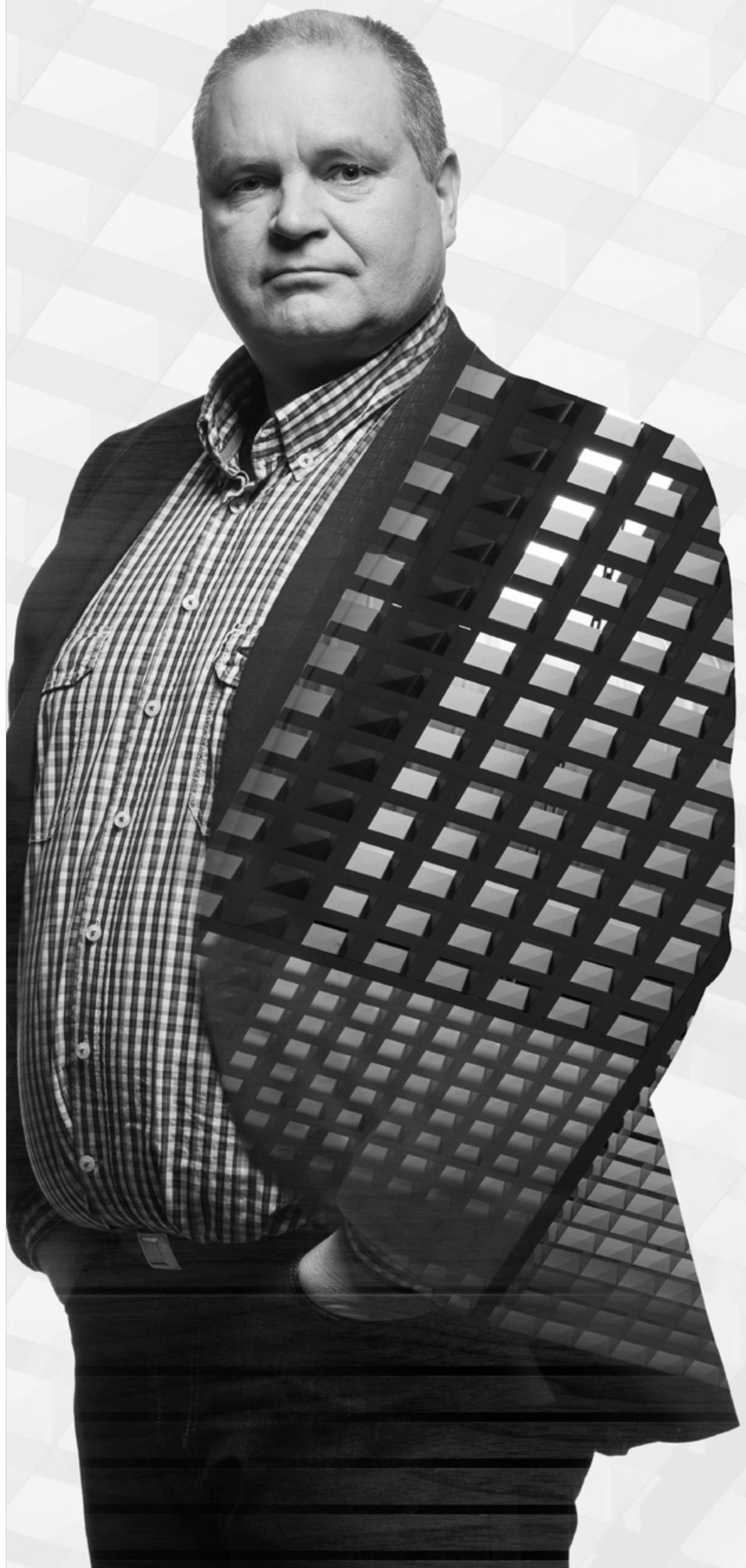
RECOVERY ACROSS THE CONSTRUCTION SECTOR AS A WHOLE

During 2016, Selog managed to slightly increase its net sales from the previous year, but the profit development was even better. Early in the year, less work was available, but as spring came along, customers began to find more work and make more orders with Selog.

Tuokko is confident that Selog's market position will remain strong in the future, as the construction field as a whole has recovered substantially in 2016. There has been a notable increase in the design of offices and public buildings, in particular, which bodes well for Selog in the coming years.

Still, it will take time for the revived markets to begin affecting Selog's operations in practice, as interior construction is always the final phase of a construction contract.

In the coming years, Selog's goals include growth and customer acquisition. In addition to this, the company is on a constant look-out for new products and solutions from Finland and abroad. Selog intends to increase the metal and wood trade as well as design services, in particular.



High-precision work for the Maunula-talo project

"One of our most important projects in 2016 was delivering wood strips for the new cultural center, the Maunula-talo, constructed in the Maunula district. Our tasks included the product development and design of special components, the production of the wood strip elements, contractor consultation and delivery management.

As a whole, the project was extremely demanding both in terms of design and installation. The diversely shaped elements had to be designed to fit each location exactly, and the contractor had to fit them in place with absolute precision.

The project demanded a great deal of time, engineering, special parts and material flow management. The contractor was extremely pleased with the success of our deliveries and the excellent end result. In our own opinion, we were very successful in managing the delivery schedule, and designing and implementing the products."

Simo Tuokko, CEO.

Net sales
10.3 M€

Operating profit
0.7 M€

Personnel
15

PROMISING PROSPECTS AND NEW LOCATIONS

Heatmasters Group Oy offers metal heat treatment services and related equipment to operators in the energy, chemistry and engineering industries.

For Heatmasters, the year 2016 had two sides. On the one hand, the company managed to gain new customers, but on the other hand, demand in all business sectors dropped dramatically. Heatmasters has been unable to adapt to the changes in demand quickly enough.

Due to the poor financial situation, many customers have had to tighten their budgets, and a few key clients have seen a significant drop in their own customer demand. Equipment trade was particularly poor in 2016, and larger furnace and transformer investments among customers have slowed down considerably.

However, new facilities, service development efforts and the recovery of the markets provide promising prospects after a challenging year.

RECOGNITION FOR OCCUPATIONAL HEALTH AND SAFETY

In addition to Finland, Heatmasters has facilities in Poland, Sweden and Estonia. Even though Heatmasters has reorganized its operations, it has also made new investments. The number of Heatmasters facilities increased in 2016 with the company opening a new equipment trade-focused unit in Houston, Texas, and a new service center in Turku, Finland.

The returns from the new facilities were not yet included in the company's profit and loss for the past financial period. According to Heatmasters' CEO **Ilkka Mujunen**, the company's new units will need some time to come into their own and begin making a profit.

Mujunen says that the Turku unit is already hard at work on a number of projects. Thanks to the excellent location of the unit, Heatmasters is poised to support the existing and upcoming construction and modernization projects in the region. The first deals have also been made at the Texas office.

Significant investments in employee safety were made over the course of 2016. The comprehensive efforts have borne fruit as Heatmasters received the international OHSAS 18001 occupational health and safety certificate as the first company in its field in the Nordic countries.

The justifications for granting the certificate included that Heatmasters has developed a variety of practical solutions related to training employees, identifying and minimizing hazards and risks, management, and employee responsibilities.

PRODUCT DEVELOPMENT AND COMPREHENSIVE SERVICES

In 2016, Heatmasters also engaged in product development. As an example, customers have been able to test a new temperature controller featuring state-of-the-art technology, and more products will be introduced in 2017. Efforts will also be made to develop heat treatment services to an entirely new level.

Heatmasters also emphasizes the provision of comprehensive services. Where before a customer was forced to cherry-pick services from a variety of providers, Heatmasters can offer full packages including heating, blasting, painting and transport.

Moreover, the provision of comprehensive services is ecologically important, as eliminating unnecessary transport reduces the carbon footprint. Comprehensive services are currently provided in Lahti, Turku and Będzin in southern Poland.

Highest level of technology and safety in all of Texas

"In 2016, we expanded our international operations to the state of Texas in the United States. The branch focuses on equipment trade and provides heat treatment equipment customized to meet customer needs. The area features a wealth of oil refineries and chemical plants.

The first larger deals have already been made and significant quotations are pending. We continuously sell accessories and supplies to numerous customers and have managed to build a good reputation among local customers. Our competitive edge is that we can provide the highest level of technology and safety in the local markets.

Our goal is to make the Texas unit profitable in the 2017 financial period."

Ilkka Mujunen, CEO

Net sales

4.5 M€

Operating profit

-1.0 M€

Personnel

49

MEGAKLINIKKA

NEW INVESTMENTS PROMISE GROWTH

Megaklinikka Oy is a dental clinic that offers all dental care services in one go.

In 2016, the most anticipated achievement for Megaklinikka was the opening of the Stockholm clinic, which was the culmination of many years of work. New employees have shown great interest in the new clinic. As a result, the opening of the clinic increased the company's number of employees and its expertise.

Interest towards Megaklinikka's services in the public sector has also increased continuously. In 2015, a pilot was initiated in Jyväskylä, which involved a public sector dental clinic implementing Megaklinikka's ERP system. Many municipalities have since taken the same path, which led to agreements being made with five cities and municipalities in 2016.

In addition to this, a monthly program for customers was set up later in the year, which enables unlimited basic dental care services for a fixed price. The program has been received extremely well, and it has brought in new customers. There is a constant stream of customers joining the program.

UNCERTAINTY DUE TO CHANGES IN THE HEALTH CARE FIELD

Despite some successes, the earnings for 2016 did not meet the goals set in the previous year. Especially the opening of the Stockholm clinic fairly late in the financial period significantly weakened the earnings of the entire group. In addition to this, the increase in licensing business is not included in the 2016 profit and loss which was also hampered by the declining market.

The future of the entire health care field is currently in turmoil due to, among other things, the health and social services reform in Finland, which casts a shadow of uncertainty on Megaklinikka's prospects. Visitation numbers in the private sector have continued to drop across the board, making the market situation particularly challenging.

The field is highly competitive and new operators have entered the market over the course of 2016. According to CEO **Christoffer Nordström**, Megaklinikka's competitive advantages are excellent availability and a whole range of service during a single appointment.

In 2016, Megaklinikka continued to develop its service offering by including specialized dental care services, such as CAD/CAM crowns and implants. In Nordström's opinion, Megaklinikka's service concept is extremely well-suited to managing large customer flows within the company and at customer units. Megaklinikka's market position is relatively stable despite the tumultuous situation in the health care field.

THE STOCKHOLM CLINIC AS A CENTER FOR INTERNATIONALIZATION

According to Nordström, Megaklinikka expects significant growth in 2017, since at that point the Stockholm clinic, for example, has had time to operate normally for a longer period, enabling the new employees to better display their expertise. The Stockholm staff has attended training courses in Finland, which has instilled an international perspective in domestic day-to-day operations.

In 2017, Megaklinikka plans to stabilize the Stockholm clinic's operations, improve the customer experience and communications, and continue technological and innovative developments.

In addition to the Stockholm clinic, the following plans for internationalization are already being considered and have been incorporated as key parts into the corporate strategy.

The long-awaited opening of the Stockholm clinic

"The opening of the Stockholm clinic in the fall of 2016 was a considerable effort on our part. We spent over a year looking for the right location and another waiting for the renovation of the premises to be completed.

The premises are located in the center of Stockholm, and we are very pleased with how the renovation turned out. In the summer of 2016, we were finally able to install our equipment, and the clinic was opened early in the fall. The clinic is the same size as the one in Helsinki, and we are aiming for at least an equal number of customers.

We were able to pick the staff for the Stockholm clinic from a large group of applicants, and new applications are flooding in constantly. We are very proud of the fact that we have very nice and modern facilities and highly competent staff."

Christoffer Nordström, CEO.

Net sales
4.7M€

Operating profit
-1.5 M€

Personnel
119

BOARD OF DIRECTORS

1. Antero (Antti) Virtanen, born 1954

Board member since 2013
M.Sc. (Econ.)
Managing Director of Jesura Oy
Independent of the company and major shareholders

2. Tarja Pääkkönen, born 1962

Board member since 2016
Doctor of Technology, M.Sc. (Tech.)
Partner and Chair of the Board at Boardman Oy, Brand Compass Group
Independent of the company and major shareholders

3. Eero Eriksson born 1963

Board member since 2011
Master of Social Sciences
Deputy Managing Director of Fennia
Independent of the company and major shareholders

4. Mikko Koskenkorva, born 1982

Board member since 2011
Vocational Qualification in Business Information Technology
IT Project Manager of Pajakulma Oy
Independent of the company

5. Jukka Ala-Mello, born1963

Chairman of the Board since 2011, board member since 2006
M.Sc. (Econ.), APA
Director and Secretary to the Board of Directors of Kone Oyj
Independent of the company and major shareholders

6. Hannu Tarkkonen, born 1950

Board member since 2014
Vocational Qualification in Business and Administration
Retired since August 1, 2014 Previous position: Managing Director, Etera Mutual Pension Insurance Company (LEL Työeläkekassa) 2010–2014
Independent of the company and major shareholders

SENIOR MANAGEMENT TEAM

1. 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, CFO of OpusCapita Oyj
Other positions of trust: Board member of Finland Chamber of Commerce, Board member of Etera Mutual Pension Insurance Company, Board member of Fennia Asset Management

2. Miikka Laine, born 1972

Investment Director since 2015
M.Sc. (Econ.), LL.M.
Previous work experience: Shareholder and CFO at Finnsweet Holding Oy Group, Investment Director and shareholder at investment company Profita Management Oy, Director of Nokia Oyj's corporate acquisitions unit, various positions in the investment banking sector (FIM, Pohjola)

3. Tapio Tommila, born 1978

Financial and Investment Director and Executive Vice President since 2015
M.Sc. (Econ.), eMBA
Previous work experience: Panostaja Oyj Investment Director, Deloitte Corporate Finance Oy, PricewaterhouseCoopers Oy

4. Minna Telanne, born 1964

Development Director since 2013
Licentiate of Administrative Sciences
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

PANOSTAJA AS AN INVESTMENT TARGET

Majority shareholder in the SME sector

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

- Target-oriented developer of shareholder value
- Unique channel for investing in the Finnish SME sector
- Diverse and balanced investment portfolio

FINANCIAL OBJECTIVES

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

Return on equity is at least 20% with the internal rate of return (IRR) being more than 22% for each investment target

The cumulative earnings per share (EPS) was € 0.80 for the five-year period 2014–2018

Gearing ratio is at least 40% when subordinated loans are included in equity

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

ASSOCIATED COMPANIES

SPECTRA

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

39%
Panostaja's holding in Spectra

Managing Director
Olli Plaketti

ECOSIR GROUP

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

38.6%
Panostaja's holding in Ecosir

Managing Director
Mauri Leponen

JUURI PARTNERS

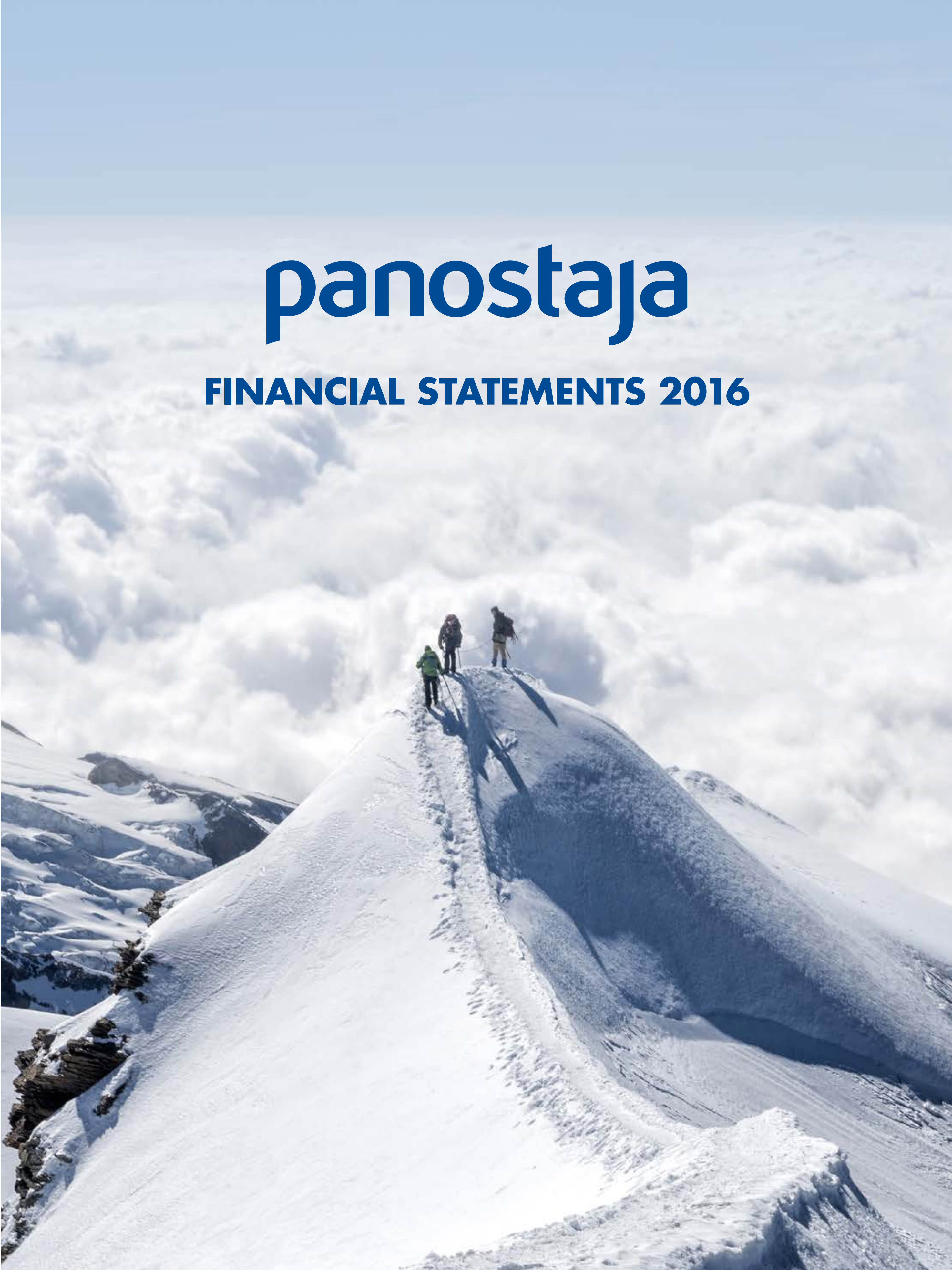
Juuri Partners is a Finnish private equity investor which funds stable and profitable small and medium-sized companies in Finland. Juuri provides support for the development and growth of companies as an investor and a strongly committed external sparring partner. In developing company strategies and businesses with company owners and management, Juuri offers comprehensive support from board work to operational improvements. Juuri Partners manages Juuri Fund, which receives its equity from stable Finnish institutional investors. www.juuripartners.fi

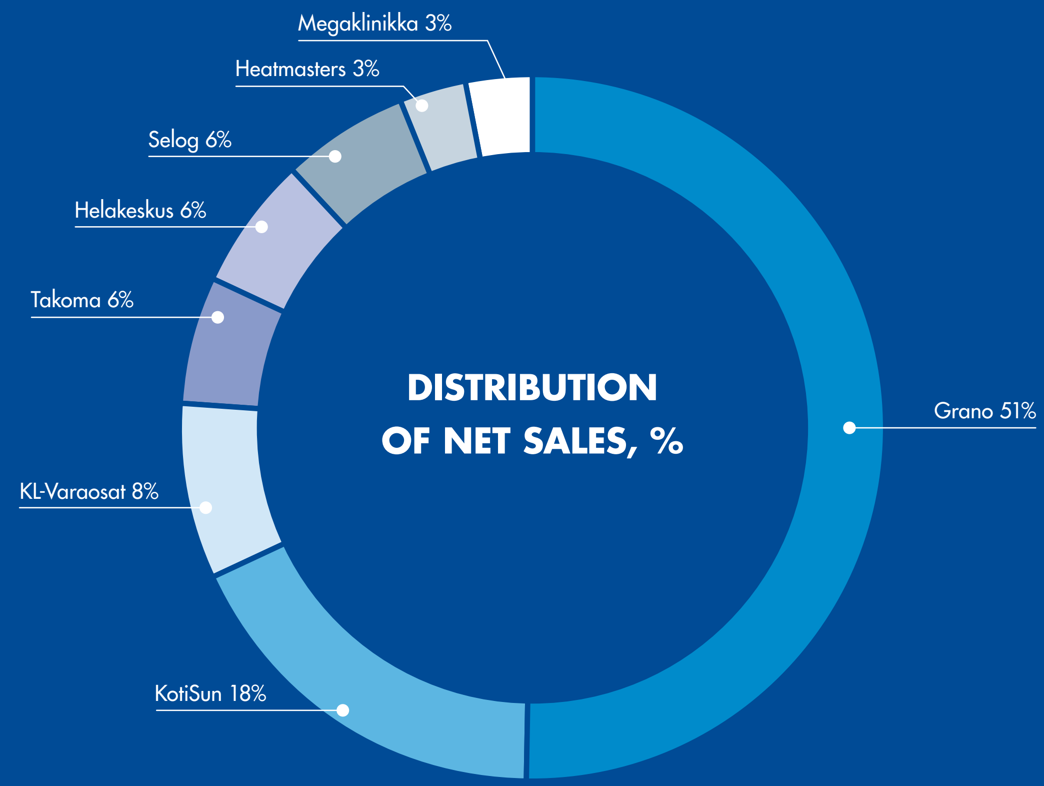
20%
Panostaja's holding in Juuri Partners

Managing Director
Samuli Sipilä

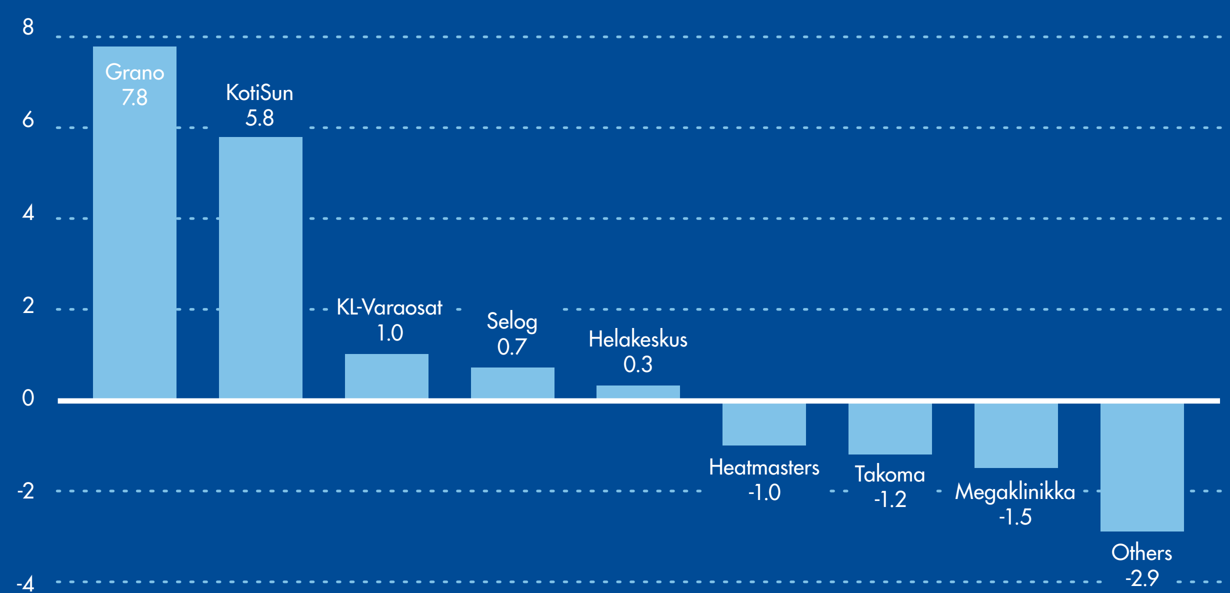
panostaja

FINANCIAL STATEMENTS 2016





DISTRIBUTION OF EBIT, MEUR



Net sales

172.5ME

Profit/loss for the financial period

9.2ME

Personnel

1,337

2016 FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD
NOVEMBER 1, 2015–OCTOBER 31, 2016

CONTENT

Panostaja Group	2016 November 1, 2015–October 31, 2016	2015 November 1, 2014–October 31, 2015
Net sales, MEUR	172.5	148.2
EBIT, MEUR	9.0	7.3
Profit before taxes, MEUR	7.0	3.4
Profit/loss from continuing operations, MEUR	5.5	3.7
Profit/loss from discontinued operations, MEUR	3.8	9.8
Profit/loss for the financial period, MEUR	9.2	13.5
Earnings per share, undiluted (EUR)	0.07	0.14
Equity per share (EUR)	0.77	0.74

Annual report of Panostaja Oyj's Board of Directors

THE GROUP'S ECONOMIC DEVELOPMENT

Panostaja Group's net sales for the finished review period were MEUR 172.5 (MEUR 148.2). Exports amounted to MEUR 6.7, or 3.9% (MEUR 6.5, or 4.4%), of net sales. The corporate acquisitions made during the previous and current financial period affected the MEUR 24.3 increase in net sales by MEUR 19.0. Of the eight investment targets, five exceeded the reference period's cumulative net sales level.

EBIT increased to MEUR 9.0 (MEUR 7.3). EBIT for the reference period was encumbered by the difference of MEUR -0.5 between the values of Kotisun Oy's additional purchase price and the value on the balance sheet date, which has been recognized in the company's other costs, as well as the MEUR 1.7 cost caused by the acquisition of Multiprint. Four investment targets out of eight exceeded the EBIT for the reference period.

Profit from discontinued operations was MEUR 3.8. Flexim Security Oy was sold in the 2015 financial period, and the additional purchases price related to the sale was recorded in the past financial period. The consolidated income statement does not include the income statement for operations discontinued in 2015. Instead, the result is entered separately in the consolidated income statement under 'Income from discontinued operations.'

The Group's net financial expenses for the review period were MEUR -2.1 (MEUR -3.8). The Group's liquidity remained good and operating cash flow was MEUR 9.6 positive.

During the financial year, the Group employed an average of 1,337 (1,176) people. At the end of the financial period, the Group employed 1,434 (1,239) persons.

The net sales of the parent company, Panostaja Oyj, amounted to MEUR 0.0 (MEUR 0.0). EBIT totaled MEUR -2.9 (MEUR 23.0). The parent company's profit in the financial period was MEUR 7.3 (MEUR 21.6).

GROUP STRUCTURE

There were no changes to the Group structure during the review period.

PANOSTAJA GROUP'S BUSINESS SEGMENTS

Panostaja Group's segmentation is based on investment targets that provide a variety of products and services and that are in the Group's majority ownership. The investment targets are also monitored as separate business operations. The investment targets in which Panostaja has a majority holding form the company's business segments, in addition to which the Others segment has been defined to report on the Group's parent company, including associated companies and non-allocated items. Panostaja Group's business segments are Grano, Kotisun, Takoma, Selog, Helakeskus, KL-Varaosat, Heatmasters, Megaklinikka and Others.

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

Grano

Grano Oy is Finland's largest and strongest company in the graphical industry, which provides digital and printing services related products, marketing and solutions to facilitate and improve its customers' business operations. The company has facilities in more than 20 municipalities throughout Finland, from Oulu to Helsinki. It also operates in Tallinn and St. Petersburg. Jaakko Hirvonen serves as the Group's Managing Director. At the end of the review period, Panostaja's shareholding in the Group stood at 50.2%.

Grano's net sales increased by 26%, from MEUR 69.9 to MEUR 88.2. The growth is explained by the acquisition of the Multiprint companies in June 2015. The challenging market situation and a decline in paper sales influenced the development of the segment's net sales and profitability. The demand for construction and electronic services was good in the review period, but there was significant regional variation. Because of the acquisition of the Multiprint companies, the segment's EBIT increased from MEUR 5.9 to MEUR 7.8. The result for the reference period includes MEUR 1.7 in costs related to the acquisition of Multiprint. In the review period, the efforts toward efficiency following the Multiprint acquisition were continued and significant investments were made in the development of digital services. Luotta Oy and the marketing logistics operations of Micromedia were purchased over the course of the period. The entire share capital of Oy Fram Ab was acquired after the review period. At the end of the financial period, the segment employed 789 (775) staff.

KotiSun

KotiSun offers conceptualized service water and heating network renovations and sewer overhauls to consumers as a turnkey service. KotiSun has grown rapidly into the largest and best-known company in the sector in Finland. The Group's Managing Director is Kalle Lahtinen. At the end of the review period, Panostaja's shareholding in the Group stood at 57.3%.

The market situation of the KotiSun segment remained good throughout the review period. Net sales in the KotiSun segment increased by 34%, from MEUR 23.7 to MEUR 31.9. The strong development in net sales is primarily explained by the substantial growth in sewer-related business. Despite the significant growth, profitability remained good: EBIT grew from MEUR 4.2 to MEUR 5.8. EBIT in the reference period was encumbered by the difference of MEUR -0.5 between the values of KotiSun Oy's additional purchase price and the estimated value on the balance sheet date (Q1 2015). In the review period, significant equipment investments were made in the wake of increased sales. At the end of the financial period, the segment employed 298 (139) staff.

Takoma

The only unit continuing in the Takoma segment is Takoma Gears in Parkano, which offers mechanical power transmission products and services to the marine, offshore and mining industries. Takoma Oyj, which is 63.1% owned by Panostaja, is the parent company of Takoma Group. Jari Lilja has served as the Managing Director of Takoma Oyj since August 3, 2015.

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

Net sales for Takoma's continuing operations declined from MEUR 13.2 to MEUR 10.2. The drop is due to the dramatic decline of the market situation in the offshore and marine industry segments during the financial period. EBIT for the segment's continuing operations dropped from MEUR -0.7 to MEUR -1.2. Due to the clear losses in the operations, Takoma has implemented significant functional changes aimed at adapting the operations to the prevalent demand and making them profitable once more. Halting the drop in business volume, gaining new customers and further streamlining the operations are critical factors in terms of the company's continued operations. The figures for discontinued operations are presented under 'Discontinued Operations'. At the end of the financial period, the segment employed 83 (90) staff.

Selog

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

Net sales in the Selog segment increased by 4%, from MEUR 9.9 to MEUR 10.3. EBIT improved from MEUR 0.5 to MEUR 0.7. The economic trends in construction were slightly better than in the previous year, although competition for projects remained fierce. The market has picked up in the review period, but the effects on interior construction will take some time to materialize. At the end of the financial period, the segment employed 15 (14) staff.

Helakeskus

Suomen Helakeskus Oy, based in Seinäjoki, is a major wholesale dealer concentrating on furniture fittings. The company imports, markets and sells fittings for the furniture industry. The company is part of the Suomen Helasto Group, which also included Rakennushelasto Oy, whose shares were sold during the review period. Panostaja's share of ownership of the Suomen Helasto Group is 95.3%. The Group's Managing Director is Hannu Rantanen.

Net sales in the Helakeskus segment decreased during the review period from MEUR 10.4 to MEUR 9.8. The drop in net sales is due to the divestment of the construction fittings business, with the company selling the shares of Rakennushelasto Oy to the acting management. The market situation has improved, but at the same time many customers are having serious financial difficulties. EBIT weakened from MEUR 0.7 to MEUR 0.3 during the review period, which is essentially due to the MEUR 0.3 valuation loss caused by the divestment of Rakennushelasto. At the end of the financial period, the segment employed 24 (28) staff.

KL-Varaosat

KL-Varaosat Oy is an importer, wholesale dealer and retailer of original spare parts and supplies for Mercedes Benz, BMW and Volvo cars. It operates in Tampere, Jyväskylä, Rovaniemi, Turku and Vantaa. Over the course of the review period, the segment focused on bolstering the expansions implemented in previous periods and improving profitability. 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 KL-Varaosat segment increased by 10% from MEUR 11.8 to MEUR 13.0. The market situation in the field remained fairly stable. The strategic projects for developing customer relationships and cooperation, as well as electronic trade, have proceeded as planned. The company completed a service streamlining project to balance resources, increase operational efficiency and reduce the costs-to-net-sales ratio as the net sales grow. As a result, EBIT increased substantially from last year's MEUR 0.5 to MEUR 1.0. At the end of the financial period, the segment employed 48 (47) staff.

Heatmasters

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, Varkaus and Turku. The Group also has subsidiaries in Poland, Sweden and the United States. Panostaja's shareholding in the segment is 80.0%. Heatmasters Group Oy's Managing Director is Ilkka Mujunen.

Net sales in the Heatmasters segment decreased during the review period from MEUR 6.3 to MEUR 4.5. Demand for heat treatment services was very poor in Finland during the review period, as was the demand for investment products (furnaces, transformers) in all markets. Due to the drop in sales, EBIT decreased from MEUR 0.1 to MEUR -1.0. A key factor in the weakening of net sales and EBIT was the poor market situation in Scandinavia. In addition to this, the start-up costs of the new units (HM Scandinavia, HM Inc, Turku) and the inverter device's product development costs encumbered the EBIT. At the end of the financial period, the segment employed 49 (51) staff.

Megaklinikka

Megaklinikka is a dental clinic offering a completely new kind of service concept. Its operations are based on a customer-centered approach in which the customer is offered all dental care services in one visit, with top quality and without having to wait in line. The company also offers its ERP system as a licensed service to public health care providers. The Managing Director of the company is Christoffer Nordström. Panostaja's shareholding in the segment is 74.8%. The segment was consolidated into the Panostaja Group as of March 1, 2015.

Megaklinikka's net sales for the review period were MEUR 4.7 (MEUR 3.4). This growth is a result of the fact that the figures for the reference period only represent eight months. The situation on the Finnish basic dental care market has continued to be challenging: customer visits in general have dropped from the previous year and competition in Helsinki has tightened. During the review period, the company's licensing business expanded. The operations of the Stockholm clinic were initiated in September as planned. The segment's EBIT in the review period was MEUR -1.5 (MEUR -0.5). The profit/loss for the review period is encumbered by the costs of the initial phase of the dental care model with monthly payments, which was implemented at the beginning of the financial period. In addition to this, significant marketing efforts were made during the review period. The ramp-up of the Stockholm clinic also caused significant expenses. At the end of the review period, the segment employed 119 (86) staff.

Others

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

FINANCE

Operating cash flow improved and stood at MEUR 9.6 (MEUR 8.0). Liquidity remained good. The Group's liquid assets were MEUR 26.6 (MEUR 30.6) and interest-bearing net liabilities MEUR 50.1 (MEUR 45.7). The gearing ratio increased and stood at 70.4% (65.2%). The Group's net financial expenses for the review period were MEUR -2.1 (MEUR -3.8), or 1.2% (2.6%) of net sales. The financial expenses for the reference period include a MEUR 1.0 write-down of associated company Ecosir's subordinated loan.

Panostaja signed agreements for a financing package worth a total of MEUR 30.0 on December 8, 2015. The package consists of MEUR 20.0 in loans and a MEUR 10.0 corporate acquisition limit. The loans are secured debt loans. A share of MEUR 5.0 of the loans falls due three years from withdrawal and a share of MEUR 15.0 falls due on October 31, 2019. All loans were withdrawn by April 30, 2016. The corporate acquisition limit will be valid for three years and can be used to withdraw two-year loans to fund acquisitions made by Panostaja.

Panostaja Oyj paid the MEUR 15.0 convertible subordinated loan in April 2016. The Group's equity ratio at the end of the review period was 37.7% (37.5%). Return on equity was 12.1% (23.0%). Return on investment fell to 8.7% (12.4%).

INVESTMENTS AND DEVELOPMENT EXPENSES

The Group's gross capital expenditure for the review period was MEUR 10.9 (MEUR 54.9), or 6.3% (37.0%) of net sales. Investments were mainly targeted at tangible and intangible assets and corporate acquisitions.

During the financial period, MEUR 0.1 (MEUR 0.0) of development expenses were activated.

RELATED PARTY LOANS AND LIABILITIES

At the time of closing the books, loans to a company belonging to a related party stood at MEUR 0.3. Interest on the loans is 6%. The loans are equity convertible bond loans, to which the provisions of Chapter 12 of the Limited Liability Companies Act are applicable. If the company has failed to repay the loan by the end of the loan period, on the basis of special rights the issuer of the loan is entitled to exchange these convertible bond loans for shares in the company.

The company has a MEUR 0.5 (approximately) subordinated loan receivable from an associated company, the full amount of which will fall due during the 2017 financial period.

The totals and the main loan conditions of the loans issued to management are presented in Note 35 to the financial statements.

RISKS

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

The eight investment targets in which Panostaja has a majority shareholding operate in different fields. The aim is to ensure that the Group's financial performance is not substantially dependent on the development and results of a single investment target 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 investment target.

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

Exchange rate, interest, financial and credit loss risks have normally no significant effect on the Group's financial performance and development, but they may have a substantial influence on the financial performance and development of a single investment target. The Group and its various investment targets 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 investment targets' 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 development and financial performance of the Group and its investment targets. 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 development and financial performance of the Group and its investment targets. 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 unsuccessfully managed, risks concerning the corporate acquisitions may affect the development and financial performance of the Group and its investment targets. The Group also aims to grow through corporate acquisitions. The goodwill associated with corporate acquisitions entered in the consolidated balance sheet amounts to approximately MEUR 78.0. Goodwill is not written off annually on a regular basis but, instead of depreciations, an impairment test is performed at least annually, or when there are indications of amortization. Values are normally checked during the second half of the year in connection with the budgeting process. If prolonged, the uncertain economic situation may lead to changes to the forecasts that are the basis of the goodwill testing of investment targets in the technology industry and construction in particular. Such a change might make goodwill write-downs necessary.

Official regulations may affect the development and financial performance of the Group and its investment targets. Amendments to regulations are followed carefully within the Group and the different investment targets, and efforts are made to react to them in advance if possible.

ADMINISTRATION AND GENERAL MEETING

Panostaja Oyj's Annual General Meeting was held on February 2, 2016 in Tampere. The number of Board Members was confirmed at six and the following persons were elected to the Board for the term ending at the end of the next Annual General Meeting: Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Antero (Antti) Virtanen and Hannu Tarkkonen were re-elected and Tarja Pääkkönen was included as a new member.

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

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2014–October 31, 2015 and resolved that shareholders be paid a dividend of EUR 0.05 per share.

The Meeting also resolved that the Board be authorized to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividends or as repayment of capital from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals EUR 4,700,000. The authorization includes the right of the Board to decide on all other terms and conditions relating to said asset distribution. The authorization will remain valid until the beginning of the next Annual General Meeting. The General Meeting granted exemption from liability to the members of the Board and to the CEO.

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

In addition, the Board was authorized to decide on the acquisition of the company's own shares in one or more installments so that the number of the company's own shares to be acquired may not exceed 5,100,000 in total, which corresponds to about 9.86% of the company's total stock of shares. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The company's own shares may be acquired at the date-of-acquisition price in public trading arranged by NASDAQ Helsinki Oy or otherwise at the prevailing market price. The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting of February 5, 2015 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization will remain valid until August 2, 2017.

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

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

SHARE CAPITAL AND THE COMPANY'S OWN SHARES

At the close of the review period, Panostaja Oyj's share capital was EUR 5,568,681.60. The total number of shares is 52,533,110.

Under the authorization provided by the Annual General Meeting, Panostaja Oyj's Board of Directors decided on May 4, 2016 to carry out a free-of-charge share issue of 800,000 shares, pursuant to Chapter 9, Section 20 of the Limited Liability Companies Act, to the company itself. This was to ensure that the company holds a sufficient number of its own shares for securing the commitment of key personnel and for other purposes decided on by the Board of Directors. The new shares were recorded in the Trade Register on May 6, 2016.

During the review period, Panostaja sold 700,000 of its own shares to Management Team members as part of the long-term share-based incentive and commitment scheme.

The total number of shares held by the company at the end of the review period was 355,183 individual shares (at the beginning of the review period: 342,398). The number of the company's own shares corresponded to 0.7% of the number of shares and votes at the end of the entire review period.

In accordance with the decisions by the General Meetings on February 5, 2015 and on February 2, 2016 and by the Board, Panostaja Oyj relinquished a total of 32,800 individual shares as share bonuses to the company management on December 11, 2015. On December 11, 2015, the company relinquished to the Board members a total of 13,483 shares, on March 4, 2016, a total of 13,793 shares, on June 3, 2016, a total of 13,952 shares, and on September 2, 2016, a total of 13,187 shares, for a grand total of 54,415 shares as meeting compensation.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.81 (lowest quotation) and EUR 1.04 (highest quotation) during the financial period. In the period under review, a total of 5,959,387 shares were exchanged, which amounts to 11.5% of the share capital. The October 2016 share closing rate was EUR 0.92. The market value of the company's share capital at the end of October 2016 was MEUR 48.3 (MEUR 44.5). At the end of October 2016, the company had 3,708 shareholders (3,660).

EQUITY CONVERTIBLE SUBORDINATED LOAN AND HYBRID LOAN

The convertible subordinated loan of MEUR 15.0 from 2011 was repaid in full during the review period.

On May 27, 2013, the Group issued an equity convertible subordinated loan to the value of MEUR 7.5. The equity convertible subordinated loan has no maturity date, but the Group is entitled, but not obliged, to redeem the loan within four years. Based on the contract, the annual interest is 9.75%. Interest is only paid if the company decides to distribute dividends. If dividends are not distributed, the Group will decide separately on the payment of interest. In the consolidated financial statements, the loan is classified as equity and interest is presented as dividend. The Board of Directors of Panostaja Oyj decided to pay the hybrid loan interest amounting to MEUR 0.7, which was paid on May 27, 2016.

BOARD'S PROPOSAL TO THE GENERAL MEETING

The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.04 per share be paid for the past financial period.

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

Panostaja Oyj's Annual General Meeting will be held on January 31, 2017 in Tampere.

EVENTS AFTER THE REVIEW PERIOD

No notable events after the financial period.

PROSPECTS FOR THE NEXT FINANCIAL YEAR

The corporate acquisitions market has been active in the financial period, and the availability of new opportunities has been high. The need for SMEs to utilize ownership arrangements and growth opportunities persists and, with the companies' own active operations supplementing external procurement opportunities, there are still a sufficient number of corporate acquisition opportunities in the markets. Panostaja aims to implement its strategy by means of controlled acquisitions in current investment targets, and new potential targets are also being actively studied. Divestment possibilities will also be assessed actively, and slightly more widely than before, as part of the ownership strategies of the investment targets.

Economic prospects in the fields of the existing investment targets remain divided and marred by uncertainty and poor predictability. The prospects in Panostaja's investment targets vary from positive to weak.

Panostaja has changed its guideline practices and will discontinue the publication of financial guidelines as of the beginning of 2017. Instead of the result management of the Group's EBIT, Panostaja will provide its investors with more information on the growth and development opportunities of the investment targets as well as the company's goals for increasing value in them. Panostaja's future aim is to ensure that investors have the opportunity to ascertain the independent value of the investment targets and gain a clearer view of Panostaja's structure as an investment company.

CONSOLIDATED INCOME STATEMENT, IFRS

EUR 1,000	Note	November 1, 2015– October 31, 2016	November 1, 2014– October 31, 2015
Net sales		172,476	148,218
Other operating income	9	1,493	674
Materials and services		64,543	60,174
Staff expenses	11	64,360	48,541
Depreciations, amortizations and impairment	12	7,371	6,049
Other operating expenses	13	28,733	26,805
EBIT		8,962	7,323
Financial income	14	312	167
Financial expenses	15	-2,424	-4,000
Share of associated company profits	10	107	-53
Profit before taxes		6,957	3,437
Income taxes		-1,486	277
Profit/loss from continuing operations		5,471	3,714
Profit/loss from sold and discontinued operations	7	3,750	9,785
Profit/loss for the financial period		9,221	13,499
Attributable to			
shareholders of the parent company		4,154	7,834
minority shareholders		5,067	5,665
Earnings per share calculated from the profit belonging to the shareholders of the parent company:			
Earnings per share from continuing operations €	17		
Undiluted		0.018	0.008
Diluted		0.018	0.008
Earnings per share from sold and discontinued operations	17		
Undiluted		0.051	0.133
Diluted		0.051	0.117
Earnings per share on continuing and discontinued	17		
Undiluted		0.069	0.141
Diluted		0.069	0.138
Extensive consolidated income statement			
Result for the period		9,221	13,499
Items of the extensive income statement			
Translation differences		41	28
Extensive income for the period		9,262	13,527
Attributable to			
shareholders of the parent company		4,195	7,862
minority shareholders		5,067	5,665

The notes constitute an integral part of the financial statements

CONSOLIDATED BALANCE SHEET, IFRS

EUR 1,000	Note	October 31, 2016	October 31, 2015
ASSETS			
Non-current assets			
Goodwill	18	78,406	78,042
Other intangible assets	18	9,673	11,252
Property, plant and equipment	19	13,308	10,167
Interests in associated companies	20	3,759	3,666
Other non-current assets	21	7,538	6,861
Deferred tax assets	23	6,974	5,911
Non-current assets total		119,659	115,898
Current assets			
Stocks	24	11,043	12,596
Trade and other receivables	25	29,671	28,914
Tax assets based on taxable income for the period	25	333	128
Financial assets at fair value through profit and loss	22	0	6,606
Cash and cash equivalents	26	26,573	24,001
Current assets total		67,620	72,245
Assets in total		187,279	188,143
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders			
Share capital	27	5,569	5,569
Share premium account	27	4,646	4,646
Other funds	27	7,390	7,390
Invested unrestricted equity fund	27	13,260	12,602
Translation difference		-124	-124
Retained earnings		9,277	7,992
Total		40,017	38,075
Minority shareholders' interest		31,128	32,001
Equity total		71,145	70,076
Non-current liabilities			
Deferred tax liabilities	23	2,611	1,836
Financial liabilities	28	65,772	59,636
Non-current liabilities total		68,385	61,473
Current liabilities			
Convertible subordinated loan	28	0	15,000
Current financial liabilities	28	17,280	8,968
Tax liabilities based on taxable income for the period		367	3,887
Trade payables and other liabilities	29	29,906	28,552
Provisions	30	197	189
Current liabilities total		47,750	56,596
Liabilities total		116,135	118,068
Equity and liabilities in total		187,279	188,143

The notes constitute an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	Note	2016	2015
Business operations			
Profit/loss for the financial period before the minority share		9,221	13,499
Adjustments:			
Depreciations	12	7,371	6,049
Financial income and costs	14,15	2,112	3,832
Share of associated company profits	10	-107	53
Taxes	16	1,486	-277
Sales profits and losses from property, plant and equipment	9,13	-5,459	-10,424
Other earnings and expenses with no payment attached		671	3,383
Operating cash flow before change in working capital		15,295	16,116
Change in working capital			
Change in non-interest-bearing receivables		-1,024	3,003
Change in non-interest-bearing liabilities		3,297	-3,694
Change in stocks		986	-835
Change in working capital		3,259	-1,526
Operating cash flow before financial items and taxes		18,555	14,590
Financial items and taxes:			
Interest paid		-3,756	-4,141
Interest received		305	379
Taxes paid		-5,456	-2,847
Financial items and taxes		-8,908	-6,609
Operating net cash flow		9,647	7,981
Investments			
Investments in intangible and tangible assets		-9,606	-6,488
Sales of intangible and tangible assets		872	865
Acquisition of subsidiaries with time-of-acquisition liquid assets deducted	6	-1,285	-48,272
Sale of subsidiaries with time-of-sale liquid assets deducted	7	5,029	24,270
Acquisition of associated companies		0	-134
Financial assets acquired and sold entered at fair value through profit and loss		6,606	6,606
Capital gains from sales of other shares		11	70
Loans receivable and repayments granted		-331	-102
Investment net cash flow		1,296	-26,908
Finance			
Share issue		325	23,241
Hybrid loan		0	0
Loans drawn		31,550	46,936
Loans repaid		-31,323	-33,199
Disposal of own shares		658	73
Dividends paid		-9,580	-3,267
Finance net cash flow		-8,370	33,784
Change in liquid assets		2,572	14,857
Liquid assets at the beginning of the period		24,001	9,146
Effect of exchange rates		0	-2
Liquid assets at the end of the period		26,573	24,001

The notes constitute an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to parent company shareholders								
EUR 1,000	Note	Share capital	Share premium account	Invested unrestricted equity fund	Other funds	Translation differences	Retained earnings	Total	Minority shareholders' interest	Equity total
Equity as of November 1, 2014		5,569	4,646	14,569	7,390	-152	-29	31,993	15,378	47,370
Extensive income										
Profit/loss for the financial period							7,834	7,834	5,665	13,499
Translation differences				3		28		31		31
Extensive income for the financial period total		0	0	3	0	28	7,834	7,865	5,665	13,530
Transactions with shareholders										
Dividend distribution	27							0	-1,189	-1,189
Repayment of capital	27			-2,047				-2,047		-2,047
Share issue								0		0
Interest on equity convertible loan							-731	-731		-731
Acquisition of the company's own shares								0		0
Disposal of own shares	27,35			74				74		74
Options as shares and payments								0		0
Stock options issued								0		0
Reward scheme	35			3				3		3
Transactions with shareholders, total		0	0	-1,970	0	0	-731	-2,701	-1,189	-3,890
Disbursement of equity convertible loan								0		0
Changes to subsidiary holdings										
Share of minority shareholders created from subsidiary acquisition									11,721	11,721
Sales of shares in subsidiaries without change in controlling interest							1,393	1,393		1,393
Sales of shares in subsidiaries that have led to loss of controlling interest								0	-101	-101
Acquisitions of minority shares	8						-475	-475	527	52
Error correction							-176	-176		-176
Adjusted equity as of October 31, 2015		5,569	4,646	12,602	7,390	-124	7,816	37,899	32,001	69,900
Adjusted equity as of November 1, 2015		5,569	4,646	12,602	7,390	-124	7,816	37,899	32,001	69,900
Extensive income										
Profit/loss for the financial period							4,154	4,154	5,067	9,221
Translation differences							41	41		41
Extensive income for the financial period total		0	0	0	0	0	4,195	4,195	5,067	9,262
Transactions with shareholders										
Dividend distribution	27						-2,562	-2,562	-7,053	-9,615
Repayment of capital	27							0		0
Share issue				581				581		581
Interest on equity convertible loan							-731	-731		-731
Acquisition of the company's own shares								0		0
Disposal of own shares	27,35			77				77		77
Options as shares and payments								0		0
Stock options issued								0		0
Other changes							158	158	92	250
Reward scheme	35						15	15		15
Transactions with shareholders, total		0	0	658	0	0	-3,120	-2,462	-6,961	-9,423
Disbursement of equity convertible loan	28							0		0
Changes to subsidiary holdings										
Share of minority shareholders created from subsidiary acquisition	8									0
Sales of shares in subsidiaries without change in controlling interest							550	550	1,417	1,967
Sales of shares in subsidiaries that have led to loss of controlling interest								0	-65	-65
Acquisitions of minority shares	8						-164	-164	-332	-496
Equity as of October 31, 2016		5,569	4,646	13,260	7,390	-124	9,277	40,018	29,710	71,145

Notes to the consolidated financial statements

1. Basic information about the company

The parent company, Panostaja Oyj, invests in Finnish SMEs primarily by purchasing majority shareholdings in them. Panostaja Oyj, together with its subsidiaries, (hereinafter referred to as “Panostaja” or ”the Group”) form a group whose primary market area is Finland. At the time of closing the books, Panostaja has a majority holding in eight investment targets.

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 8, 2016, 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 31, 2017. The AGM also has the opportunity to decide on implementing changes to the financial statements.

2. Accounting principles for the financial statements

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 of October 31, 2016, have been complied with. The International Financial Reporting Standards refer to the standards approved for application in the EU and the interpretations given on them in the Finnish Accounting Act and the provisions based on it in accordance with the procedure enacted in EU Regulation No 1606/2002. The notes to the consolidated financial statements also comply with the requirements of the Finnish legislation on accounting and corporations which complement the IFRSs.

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

CONSOLIDATION PRINCIPLES

Subsidiaries

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

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

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

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

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

Associated companies

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

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

SEGMENT REPORTING

The Group’s segment reporting is based on its business segments. Reports on these business segments are prepared in a manner in line with the internal reporting submitted to the highest operational decision-maker. Panostaja’s Senior Management Team has been defined as the highest operational decision-making body, which is responsible for allocating resources to segments and assessing their results.

AMOUNTS IN FOREIGN CURRENCY

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

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

NET SALES AND RECOGNITION PRINCIPLES

Net sales consist of income from the sale of products and services at fair value, adjusted according to indirect taxes and discounts. Earnings from product sales are recorded once the essential risks and benefits related to ownership of the goods as well as their right of possession and actual control have been transferred to the buyer and payment is likely. Earnings from services are recorded once the services have been rendered.

EBIT

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

INCOME TAXES

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

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

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

NON-CURRENT ASSET ITEMS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

GOODWILL AND OTHER INTANGIBLE ASSETS

The goodwill arising from the integration of operations 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.

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

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

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

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

The standard times for planned depreciations of intangible assets:
Development costs 5 years
Intangible rights 3–5 years
Other intangible assets 5–10 years

PROPERTY, PLANT AND EQUIPMENT

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

The estimated financial useful lives are as follows:
Buildings 20–25 years
Plant and equipment 3–5 years
Other tangible assets 3–10 years

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

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

RENTAL AGREEMENTS

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

Rental agreements where the lessor carries a significant share of the risks and rewards integral to ownership are classified as other rental agreements. Rental liabilities related to other rental agreements are not recorded in the balance sheet, and the related rents are recognized in the income statement as equal-sized items over the lease term.

AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

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

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

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

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

GOVERNMENT ALLOWANCES

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

STOCKS

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

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

FINANCIAL DERIVATIVES

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

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

FINANCIAL ASSETS AND LIABILITIES

Financial assets

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

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

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

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

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

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

Cash and cash equivalents

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

Amortization of financial assets

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

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

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

Financial liabilities

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

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

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

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

EQUITY

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

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

PENSION LIABILITIES

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

SHARE-BASED PAYMENTS

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

PROVISIONS

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

NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLIED

In the financial period from November 1, 2015 to October 31, 2016, no standards were instituted that would have had significance on the Group's financial statements.

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 yet applied.

- The annual improvements to IFRSs in 2014 cause changes to the following standards: IFRS 5, IFRS 7, IAS 19, IAS 34 (effective for financial periods beginning on or after January 1, 2016)
- Presentation of Financial Statements – amendments to IAS 1 (effective for financial periods beginning on or after January 1, 2016). The amendment clarifies several matters, such as the consideration of materiality in the presentation of information and the presentation of notes, itemizations and intermediate sums.
- Investment entities - amendments to IFRS 10, IFRS 12 and IAS 28 (effective for financial periods beginning on or after January 1, 2016). If an entity is defined as an investment entity, according to the definition in the standard, and it values all its subsidiaries at fair value, it does not need to present consolidated financial statements.
- Amendment to IFRS 11 'Joint Arrangements' on accounting for acquisitions of interests in joint operations (effective for financial periods beginning on or after January 1, 2016)
- Amendment on depreciation and amortization to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets' (effective for financial periods beginning on or after January 1, 2016)
- Amendment on bearer plants to IAS 16 'Property, plant and equipment' and IAS 41 'Agriculture' (effective for financial periods beginning on or after January 1, 2016)
- Amendment on sales of asset items between investors and its associates or joint ventures or providing them as stakes to IFRS 10 and IAS 28 (effective for financial periods beginning on or after January 1, 2016)
- Amendment on equity method to IAS 27 'Separate Financial Statements' (effective for financial periods beginning on or after January 1, 2016)
- IFRS 15 'Revenue from Contracts with Customers' (effective for financial periods beginning on or after January 1, 2018)
- IFRS 9 'Financial Instruments' (effective for financial periods beginning on or after January 1, 2018; earlier application is permitted)
- IFRS 16 Leases (effective for financial periods beginning on or after January 1, 2019; earlier application is permitted only if IFRS 15 is implemented at the same time). IFRS 16 primarily affects the accounting of lessees, and as a result, nearly all leases are recorded in the balance sheet.
- Recognition of deferred tax assets for unrealized losses – amendments to IAS 12 (effective for financial periods beginning on or after January 1, 2017)

3. Financial risk management

FINANCIAL RISK MANAGEMENT

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

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

EXCHANGE RATE RISK

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

INTEREST RATE RISK

The Group's income and operating cash flow is largely independent of fluctuations in market interest rates. The interest risk of the Group mainly constitutes borrowing, which is spread over variable and fixed-interest loans. At the end of the financial period, variable-interest liabilities amounted to EUR 73,979,000 (EUR 59,690,000) and fixed-interest liabilities EUR 7,529,000 (EUR 27,818,000).

Some of the Group's subsidiaries use interest rate swaps, by which EUR 37,000 (MEUR 0.4) worth of variable-interest loans are hedged. The effect of interest rate swaps is to make fluctuating interest payments fixed. The Group does not apply hedge accounting.

INTEREST RATE RISK SENSITIVITY ANALYSIS

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

EUR 1,000	1% higher Income statement	1% lower Income statement
Effect of change to interest rate		
2016	-592	592
2015	-478	478

CREDIT RISK

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

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

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

LIQUIDITY RISK

The Group constantly assesses and monitors the amount of finance required for its operations, so that it will have sufficient liquidity to finance its business and repay its loans when they fall due. The maturity distribution of financial liabilities is presented in Note 29 to the financial statements Efforts are made to guarantee the availability and flexibility of finance through adequate credit limits and by using different sources and forms of finance in the procurement of finance. At the time of the closing of the books, the Group had MEUR 4.6 of unused credit limits at its disposal. Furthermore, at the time of the closing of the books, Panostaja had MEUR 24.0 of liquid assets. During the financial period, Panostaja had investments in Fennia Varainhoito Oy's funds, which is an important cash management tool for the Group. Fund shares are low-risk and investment in them can be withdrawn at the desired time. The fund contained no monetary assets at the time of closing the books.

During the financial period, the company entered into agreements on a MEUR 30.0 loan arrangement for the repayment of the convertible subordinated loan and on strengthening the company's position in terms of financing. The package consists of MEUR 20.0 in loans and a MEUR 10.0 corporate acquisition limit. The new loans are secured debt loans. MEUR 5.0 of the loans will fall due in March 2019, while an amount of MEUR 15.0 will fall due on October 31, 2019.

The company has a valid agreement on a domestic MEUR 50.0 commercial paper program. Within the framework of the contract, the company can issue commercial papers of a tenor of less than one year, which are used to finance Panostaja's working capital and other current financing needs.

The Group has managed the liquidity risk by agreeing upon factoring financing in the amount of MEUR 1.0, of which MEUR 0.1 is in use at the time of closing the books. In addition to the factoring financing, the Group has sold its trade receivable during the financial period, which has partially improved the Group's liquidity.

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

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

Negligence related to liabilities, and breaches of contract:

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

CAPITAL MANAGEMENT

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

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

The trend in the Group's capital structure is monitored with equity ratio and gearing. The Group's equity ratio was 38.1% (37.5%) and its gearing ratio 70.4% (65.2%).

EUR 1,000	2016	2015
Interest-bearing financial liabilities	80,935	79,803
Interest-bearing receivables	4,264	3,518
Cash and cash equivalents	26,573	30,607
Net liabilities	50,098	45,678
Equity total	71,145	70,076
Gearing ratio	70.4%	65.2%

4. The accounting principles requiring management discretion and the key uncertainties relating to estimates

In preparing the consolidated financial statements and related notes, the management of the company must prepare estimates and make assumptions. 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).

CONDITIONAL PURCHASE PRICES CONCERNING CORPORATE ACQUISITIONS

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

At the end of the reference period, KotiSun Group Oy acquired the majority of KotiSun Viemäripalvelut Oy's shares. The trade entails a conditional purchase price, which will be determined based on the profit/loss and operating margin of 2016. At the time of the closing of the books, management estimated the conditional additional purchase price to be MEUR 0.1.

During the review period, Grano Oy acquired the share capital of Luotta Oy, a start-up developing digital services. The acquisition entailed a conditional purchase price based on an obligation to remain in the employment of the company until the end of 2018. At the time of the closing of the books, management estimated the conditional additional purchase price to be MEUR 0.2.

IMPAIRMENT TESTS

Intangible and tangible assets are tested for impairment whenever there are signs that their value may have decreased. Goodwill and other intangible assets with infinite useful life are tested for impairment at least once a year. For the purposes of the testing, goodwill and intangible assets with infinite useful life are allocated to cash-generating units. The amount recoverable by cash-generating units is based on calculations of service value. Formulating these calculations requires the use of estimates. Although the presumptions applied in accordance with the management's vision are appropriate, the estimated recoverable amounts may differ significantly from those materializing in the future (Note 18 to the financial statements).

VALUATION OF STOCKS

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

RECOVERABILITY OF DEFERRED TAX ASSETS

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

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

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

There are MEUR 7.0 worth of deferred tax assets on the balance sheet of Panostaja Group.

5. Segment information

The eight investment targets in which Panostaja has a majority holding form the company's business segments, in addition to which the Others segment has been defined to report on the Group's parent company, including associated companies and non-allocated items. Panostaja Group's business segments are Grano, KotiSun, Takoma, KL-Varaosat, Selog, Helakeskus, Heatmasters, Megaklinikka and Others.

These reported segments have been formed because they produce products and services that differ from each other. The transactions between segments have taken place on normal commercial terms and conditions.

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

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

BUSINESS SEGMENTS

- Revenue in the Grano segment is mainly derived from the sales of digital printing services.
- Revenue in the Takoma segment comes from the engineering business.
- The Selog segment's revenue comes from wholesale trade in ceiling materials, suspended ceiling products and their support systems.
- Revenue in the Helakeskus segment comes from the wholesale trade of furniture fittings.

- Revenue in the KL-Varaosat segment comes from the import, wholesale and distribution of original spare parts and accessories for cars.
- Revenue in the KotiSun segment comes from the renovation of service water, heating and sewer network renovations.
- Revenue in the Heatmasters segment comes from metal heat treatment services, and from the development, manufacture and marketing of machinery and equipment needed in metal heat treatment.
- Revenue in the Megaklinikka segment comes from the production of oral health care services.
- The Others segment reports the business of the Group's parent company, including its associated companies and non-allocated items.

Business segments 2016

EUR 1,000	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	EBIT	Financial income and expenses	Share of associated company profits	Income tax	Profit/ loss from continuing operations	Assets	Liabilities	Employees at the end of the period
Grano	88,153	124	88,028	-4,078	7,838					85,677	54,048	789
KotiSun	31,869	0	31,869	-1,177	5,778					27,741	16,715	298
Takoma	10,199	0	10,199	-650	-1,173					7,623	9,151	83
Selog	10,271	2	10,269	-202	651					4,132	1,695	15
Helakeskus	9,822	1	9,822	-93	328					9,579	6,947	24
KL-Varaosat	13,043	0	13,043	-108	1,022					5,068	2,887	48
Heatmasters	4,498	0	4,498	-252	-1,033					2,877	1,785	49
Megaklinikka	4,746	0	4,746	-737	-1,528					5,533	6,545	119
Others	8	8	0	-74	-2,890		107			46,449	23,761	9
Eliminations		-134	2	0	-30					-7,400	-7,400	
Group in total	172,608	0	172,476	-7,371	8,962	-2,112	107	-1,486	5,471	187,279	116,135	1,434

Business segments 2015

EUR 1,000	Net sales total	Internal net sales	External net sales	Depreciations, amortizations and impairment	EBIT	Financial income and expenses	Share of associated company profits	Income tax	Profit/ loss from continuing operations	Assets	Liabilities	Employees at the end of the period
Grano	69,882	205	69,677	-3,404	5,931					89,001	58,993	775
KotiSun	23,712	0	23,712	-734	4,192					19,782	13,147	139
Takoma	13,182	0	13,182	-649	-680					10,381	10,818	90
Selog	9,867	6	9,861	-205	529					4,463	2,313	14
Helakeskus	10,365	23	10,342	-150	657					10,654	7,905	28
KL-Varaosat	11,804	0	11,804	-116	472					5,017	3,603	47
Heatmasters	6,300	0	6,300	-304	60					3,980	1,564	51
Megaklinikka	3,386	0	3,386	-400	-548					5,846	5,576	86
Others	13	13	0	-57	23,021		-53			47,803	22,934	9
Eliminations		-246	-47	-30	-26,312					-8,784	-8,784	,
Group in total	148,511	0	148,218	-6,049	7,323	-3,832	-53	277	3,714	188,143	118,068	1,239

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

6. Acquired businesses

SUBSIDIARY ACQUISITIONS

Panostaja did not acquire new business operations in the review period.

ACQUISITIONS IN THE 2015 FINANCIAL YEAR

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

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

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

Consideration given

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

Cash flow statement

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

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

Consideration given

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

Cash flow statement

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

7. Disposal of subsidiaries and business operations

Panostaja did not divest business operations during the review period.

MEUR 4.7 after expenses was confirmed as the final additional purchase price for the sale of Flexim Security, which took place in the previous financial period. Panostaja's share of the amount stood at MEUR 3.3 before taxes.

DIVESTMENTS IN THE 2015 FINANCIAL PERIOD

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

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

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

Result of the Safety segment

MEUR	November 1, 2014– August 28, 2015	November 1, 2013– October 31, 2014
Earnings	26.6	34.2
Costs	-27.1	-33.0
Profit before taxes	-0.5	1.2
Taxes	-3.0	-0.2
Profit after taxes	-3.5	1.0
Sales profit	13.0	
Profit/loss from discontinued operations	9.5	1.0

Cash flow of the Safety segment up to the time of sale

MEUR		
Operating cash flow	2.5	1.6
Investment cash flow	3.5	-2.3
Funding cash flow	-4.6	0.6
Total cash flows	1.4	-0.0

The effect of the sale of the Safety segment on the financial position of the Group:

MEUR	August 28, 2015
Property, plant and equipment	1.5
Intangible assets	8.4
Stocks	4.4
Deferred tax assets	0.0
Other assets	4.6
Cash and cash equivalents	1.5
Sold liabilities	-8.5
Net assets	11.9
Consideration received as cash	25.0
Cash and cash equivalents from divested unit	-1.5
Net cash flow from corporate divestments	23.5

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

Grano subgroup claims minority holdings and conducts a share issue

During the financial period Grano Oy and Grano Group Oy claimed the shares of minority shareholders in Luotta Oy, Leeviprint Oy, Oulun Kopiokeskus Oy and Kopiolahtinen Oy, increasing the Group's holding in the company to 100%. As part of the arrangement, Grano Group Oy carried out a share issue to the former minority shareholders of Oulun Kopiokeskus Oy and Kopiolahtinen Oy. After the arrangements, Panostaja's holding in Grano Group stood at 50.2%.

KotiSun Group Oy: share issue

KotiSun Group Oy conducted a rights issue to the company's key persons. After the share issue, Panostaja's holding in Kotisun Group Oy was diluted to 57.3%.

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

EUR 1,000	2016
Relinquished minority shareholders' interest	-1,068
Consideration received or paid	-116
Effect of the change in ownership on retained earnings	-1,184

FINANCIAL PERIOD 2015

Acquisition of Digiprint Finland Oy's shares

On January 31, 2015, Digiprint Finland Oy redeemed 0.7% of the shareholding in Digiprint Finland Oy from minority shareholders for EUR 423,000. After the acquisition, the Group owned 65.3% of the company.

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

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

Sale of Megaklinikka Group Oy shares

On February 27, 2015, the Group sold 25.0% of Megaklinikka Group Oy's share capital for EUR 252,000. The Group owned 100% of the company before the trade. The deal had no effect on the Group's retained earnings.

Sale of Heatmasters Group Oy shares

On March 19, 2015, Panostaja Oyj sold 20% of the shares in Heatmasters Group Oy for EUR 429,000. Prior to the sale, the Group owned 100% of the company.

Kotisun Group Oy: share issue

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

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

EUR 1,000	2016
Divested or acquired minority shareholders' interest	11,018
Consideration received or paid	-10,197
Effect of the change in ownership on retained earnings	822

9. Other operating income

EUR 1,000	2016	2015
Sales profits on tangible assets	435	154
Insurance indemnity	0	21
Other income	1 058	499
Total	1 493	674

10. Share of associated company profits

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

11. Employee benefit expenses

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

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

During the financial year, the Group employed an average of 1,337 (1,175) people. At the end of the financial period, it employed 1,434 (1,239) persons.

EUR 1,000	2016	2015
Salaries and fees	52,068	39,124
Pension costs - payment-based arrangements	9,463	7,454
Other social security expenses	2,829	1,963
Total	64,360	48,541

12. Depreciations, amortizations and impairment

EUR 1,000	2016	2015
Depreciation by asset group:		
Property, plant and equipment		
Machinery and equipment	3,562	2,676
Other tangible assets	0	3
Intangible assets		
Goodwill	0	0
Development expenses	250	739
Intangible rights	2,330	2,292
Other capitalized long-term expenditure	1,229	339
Total	7,371	6,049
Impairments by asset group:		
Total	0	0
Total depreciations, amortizations and impairment by asset group:		
Property, plant and equipment		
Machinery and equipment	3,562	2,676
Other tangible assets	0	3
Intangible assets		
Goodwill	0	0
Development expenses	250	739
Intangible rights	2,330	2,292
Other capitalized long-term expenditure	1,229	339
Total	7,371	6,049

13. Other operating expenses

EUR 1,000	2016	2015
Sales losses and scrappings connected with tangible assets	0	24
Rental costs	8,498	7,064
External services	7,753	5,971
Other expense items	12,482	13,746
Total	28,733	26,805

14. Financial income

EUR 1,000	2016	2015
Dividend income from held-for-sale investments	2	11
Foreign exchange gains	0	0
Financial income from associated companies	39	29
Interest earned	271	111
Changes in fair value from financial assets recorded at fair value through profit and loss		
interest derivatives, not in hedge accounting	0	0
from financial assets that are managed based on fair value	0	16
Total	312	167

15. Financial expenses

EUR 1,000	2016	2015
Foreign exchange losses	8	9
Impairment losses from loan receivables	0	1,143
Interest expenses for finance lease liabilities	34	40
Interest expenses for other financial liabilities	2,382	2,808
Total	2,424	4,000

16. Income taxes

EUR 1,000	2016	2015
Direct tax	-1,696	-3,292
Taxes in previous periods	-3	-43
Deferred taxes	213	3,612
Income taxes total	-1,486	277

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

Profit before taxes	6,957	3,437
Income tax on Group income at the tax rate in Finland before taxes	-1,391	-687
Non-taxable income	2,413	1,550
Non-deductible expenses	-949	-665
Unrecognized deferred tax assets from tax losses	-1,577	-1,006
Use of tax losses not recorded previously		1,097
Change in deferred taxes Change in the Finnish tax rate	0	0
Share of associated company profits	21	-11
Taxes for previous periods	-3	
Taxes in the income statement	-1,486	277

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

EUR 1,000	2016	2015
Continuing operations	1,529	1,002
Discontinued operations	2,625	6,832
Profit for the financial period attributable to parent company shareholders (EUR 1,000),	4,154	7,834
Interest on equity convertible loan (taking into account the impact of tax)	-585	-585
Profit used when calculating profit per share	3,569	7,249
Interest on the subordinated loan		780
Profit used when calculating profit per share adjusted with the diluting effect	3,569	8,029
Number of shares at the end of the financial period	52,533	51,733
of which held by company	355	342
Weighted average number of shares outstanding, 1,000	51,736	51,373
Conversion of convertible subordinated loan into shares, 1000	0	6,818
Weighted average number of shares outstanding, diluted	51,736	58,191

EUR	2016	2015
Earnings per share calculated from the profit belonging to the shareholders of the parent company:		
Earnings per share from continuing operations		
Undiluted	0.018	0.008
Diluted	0.018	0.008
Earnings per share from discontinued operations		
Undiluted	0.051	0.133
Diluted	0.051	0.117
Earnings per share on continuing and discontinued operations		
Undiluted	0.069	0.141
Diluted	0.069	0.138

18. Intangible assets

EUR 1 000	Goodwill	Intangible rights	Development expenses	Other intangible assets	Total
Acquisition cost as of November 1, 2015	84,145	16,118	1,492	5,666	107,421
Additions		267	135	1,512	1,914
Deduction					0
Effect of company acquisition	614	265			879
Effect of the company sale or discontinuation	-250				-250
Asset deal					0
Exchange rate differences				-15	-15
Transfer between balance sheet groups		-11		-68	-79
Acquisition cost as of October 31, 2016	84,509	16,639	1,627	7,095	109,870
Accumulated depreciations, amortizations and impairment as of November 1, 2015	-6,103	-8,484	-969	-2,571	-18,127
Depreciation in the financial period		-2,330	-250	-1,228	-3,808
Deductions				84	84
Effect of company acquisition					
Effect of the company sale or discontinuation					0
Transfers between balance sheet groups		-9		70	
Impairment					0
Accumulated depreciations, amortizations and impairment as of October 31, 2016	-6,103	-10,823	-1,219	-3,645	-21,790
Book value as of October 31, 2016	78,406	5,816	408	3,450	88,079
Acquisition cost as of November 1, 2014	55,795	10,206	4,463	4,603	75,067
Additions		831	303	554	1,688
Deduction		-41	-55	-26	-122
Effect of company acquisition	34,269	6,043	501	535	41,348
Effect of company sale	-5,919	-919	-3,720		-10,558
Asset deal					0
Exchange rate differences					0
Transfer between balance sheet groups		-2			-2
Acquisition cost as of October 31, 2015	84,145	16,118	1,492	5,666	107,421
Accumulated depreciations, amortizations and impairment as of November 1, 2014	-6,103	-6,891	-1,431	-2,243	-16,668
Depreciation in the financial period		-2,292	-739	-339	-3,370
Deductions		39			39
Effect of company sale		4			4
Effect of the company sale or discontinuation		656	1,201	11	1,868
Transfers between balance sheet groups					0
Impairment					0
Accumulated depreciations, amortizations and impairment as of October 31, 2015	-6,103	-8,484	-969	-2,571	-18,127
Book value as of October 31, 2015	78,042	7,634	523	3,095	89,294

GOODWILL IMPAIRMENT TEST

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

MEUR	2016	2015
Grano	51.9	51.8
KotiSun	12.0	11.7
Helakeskus	6.0	6.0
Megaklinikka	2.6	2.6
Takoma	2.2	2.2
KL-Varaosat	1.9	1.9
Selog	1.6	1.6
Heatmasters	0.3	0.3
Total	78.4	78.0

Impairment testing of goodwill in the financial period was undertaken for the situation on September 30. The goodwill impairment testing for Takoma was performed based on the situation on October 31, 2016.

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. Due to the significant uncertainties related to the continuation of Takoma's operations, the market-based fair value, less divestment costs, was considered as the recoverable amount for Takoma.

The key variables used in calculating service value are budgeted net sales and budgeted operating profit. In terms of operating profit, the cost savings and other benefits produced by restructuring activities which have already been implemented, or to which a commitment has been made, were also 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):

Grano 6.8% (7.8%), KotiSun 9.2% (10.2%), Helakeskus 7.0% (8.0%), Megaklinikka 9.5% (10.4%), KL-Varaosat 7.9% (8.8%), Selog 8.2% (9.1%) and Heatmasters 9.6% (10.6%).

The service value determined with the test of the company's units that have been analyzed through continuous testing has been greater than their book value in all units. Takoma's market-based fair value less divestment costs was higher than the book value.

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.

Takoma's fair value less divestment costs, MEUR:

MEUR	
Market value of Takoma's share capital	2.8
Takoma's net liabilities including non-interest bearing reorganization debts	6.1
Enterprise value	8.9
Divestment costs	0.2
Enterprise value less divestment costs	8.7
Book value of tested funds allocated to cash-generating units	4.5
Difference of fair value and book value of tested funds	4.2

19. Property, plant and equipment

EUR 1,000	Land areas	Premises	Machinery and equipment	Other tangible assets	Advance payments fixed assets	Total
Acquisition cost as of November 1, 2015	194	0	29,346	294	651	30,485
Additions			7,256		482	7,738
Effect of company acquisition			15			15
Effect of the company sale or discontinuation		0	35			35
Deductions			-282		-1,014	-1,296
Transfers between balance sheet groups		417				417
Exchange rate differences			-38			-38
Other changes						0
Acquisition cost as of October 31, 2016	194	417	36,332	294	119	37,356
Accumulated depreciations, amortizations and impairment as of November 1, 2015	-179	0	-19,870	-269	0	-20,318
Depreciation in the financial period			-3,562			-3,562
Effect of company acquisition						
Effect of the company sale or discontinuation						0
Deductions			-191			
Transfers between balance sheet groups						0
Exchange rate differences			25	-1		24
Other changes						0
Accumulated depreciations, amortizations and impairment as of October 31, 2016	-179	0	-23,598	-270	0	-24,047
Book value as of October 31, 2016	15	417	12,734	24	119	13,308
Acquisition cost as of November 1, 2014	194	0	28,085	293	352	28,924
Additions			2,899		1,771	4,670
Effect of company acquisition			1,822	1		1,823
Effect of company sale		0	-2,990		-1,223	-4,213
Deductions			-492		-217	-709
Transfers between balance sheet groups			33		-32	1
Exchange rate differences			-21			-21
Other changes			10			10
Acquisition cost as of October 31, 2015	194	0	29,346	294	651	30,485
Accumulated depreciations, amortizations and impairment as of November 1, 2014	-179	0	-19,340	-276	0	-19,795
Depreciation in the financial period			-2,676	-3		-2,679
Effect of company sale			2,029			2,029
Deductions			-5			-5
Transfers between balance sheet groups						0
Exchange rate differences			16			16
Other changes						
Accumulated depreciations, amortizations and impairment as of October 31, 2015	-179	0	-19,870	-269	0	-20,318
Book value as of October 31, 2015	15	0	9,476	25	651	10,167

20. Investments in associated companies

EUR 1,000	2016	2015
Book value as of November 1	3,666	3,611
Share of the profit of the financial period	107	-53
Additions	0	134
Deductions	-14	-26
Book value as of October 31	3,759	3,666

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

Ecosir Group Oy is an associated company, of which the Panostaja Group owns 38.6%. Profit/loss is based on the profit/loss for the financial period, and profits for the associated company are adjusted by amortization of goodwill under IFRS regulations.

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

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

Associated company

October 31, 2016	Registered office	Shareholding	Assets	Equity	Liabilities	Net sales	Profit/loss
Spectra Oy	Lohja	39.0%	1,118	95	1,023	4,920	56
Ecosir Group Oy	Espoo	38.6%	1,317	0	1,317	2,833	-99
PE Kiinteistörahasto I Ky	Helsinki	27.1%	-	-	-	-	
Juuri Partners Oy	Helsinki	20.0%	819	400	419	1593	372

21. Other non-current assets

EUR 1,000	2016	2015
Loans receivable	2,454	2,157
Held-for-sale investments	713	554
Other receivables	4,371	4,150
Total	7,538	6,861
Held-for-sale financial assets		
Investments in unquoted shares:		
At the start of the financial period, November 1	554	331
Additions caused by the merging of businesses	0	0
Additions	159	223
Deductions	0	0
At the end of the financial period, October 31	713	554

Panostaja Oyj has a subordinated loan receivable from associated company Ecosir Group Oy totaling MEUR 0.5, MEUR 1.2 from the Group's Senior Management Team concerning the bonus scheme and an as yet undue receivable of MEUR 3.6 relating to the sale of business operations in 2008. There are more details concerning the reward scheme in note 35. Related party disclosures.

22. Financial assets recorded at fair value through profit and loss

EUR 1,000	2016	2015
Financial assets recorded at fair value through profit and loss		
At the start of the financial period, November 1	6,606	9,490
Changes in fair value		
realized	28	106
unrealized		-90
Additions		7,600
Deductions	-6,634	-10,500
At the end of the financial period, October 31	0	6,606

The financial assets recorded at fair value through profit and loss included 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. There were no investments in the fund at the end of the financial period.

23. Deferred tax assets and liabilities

Deferred tax assets

EUR 1,000	Losses confirmed or to be confirmed in taxation	Impairment losses	Other items	Total
November 1, 2014	2,514		0	2,514
Recorded in the income statement	-2,514		5,697	3,183
Items of the extensive income statement				
Acquired business operations				
Discontinued operations				
Adjustment from changes in the tax rate	155		59	214
Losses confirmed or to be confirmed in taxation				
Exchange rate differences				
Recognized directly in equity				
October 31, 2015	155	0	5,756	5,911
Recorded in the income statement	1,063			
Items of the extensive income statement				
Acquired business operations				
Discontinued operations				
Adjustment from changes in the tax rate				
Losses confirmed or to be confirmed in taxation				
Exchange rate differences				
Recognized directly in equity				
October 31, 2016	1,218	0	5,756	6,974

Deferred tax liabilities:

EUR 1,000	Fair value allocations	Discontinued business operations	Acquired business operations	Other items	Total
November 1, 2014	996		0		996
Recorded in the income statement	-213				
Items of the extensive income statement					
Acquired business operations	1,072				
Discontinued operations	-127			108	
Adjustment from changes in the tax rate					
Losses confirmed or to be confirmed in taxation					
Exchange rate differences					
Recognized directly in equity					
October 31, 2015	1,728	0	0	108	1,836
Recorded in the income statement	776				
Items of the extensive income statement					
Acquired business operations	26				
Discontinued operations	81			-108	
Adjustment from changes in the tax rate					
Losses confirmed or to be confirmed in taxation					
Exchange rate differences					
Recognized directly in equity					
October 31, 2016	2,611	0	0	0	2,611

The Group parent company does not have access to confirmed losses as of October 31, 2016. Tax assets have not been recognized for a total of MEUR 5.3 (MEUR 5.0) of the confirmed losses of subsidiaries. Unused tax losses expire in the period 2017–2025.

24. Stocks

EUR 1,000	2016	2015
Materials and supplies	2,574	3,533
Unfinished products	1,422	2,920
Finished products and goods	7,048	6,142
Total	11,043	12,596

In the Group, a total of EUR 136,000 has been recorded as costs for the financial year 2016 (104,000 in 2015), by which the book value of the stocks was reduced to correspond to its net realization value.

25. Trade and other receivables

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

EUR 1,000	2016	2015
Trade receivables	20,711	20,836
Loans receivable	879	779
Accrued income	6,827	6,204
Receivables from associated companies	651	300
Tax assets based on taxable income for the period	333	128
Other receivables	603	795
Total	30,004	29,042

AGING OF TRADE RECEIVABLES

EUR 1,000	2016	2015
Not past due	17,723	17,337
Past due 1–30 days	1,860	2,337
Past due 31–180 days	469	703
Past due 181–360 days	276	263
Past due over a year	385	196
Balance sheet value of trade receivables	20,711	20,836

The Group recorded impairment losses of EUR 239,000 from trade receivables in the financial period (EUR 151,000 in 2015). The amortizations have affected invoices over a year past due as well as receivables from companies with a bankruptcy or corporate restructuring decision.

The Group subsidiary has sold its trade receivables to finance companies over the course of the financial period. The taxable book value of the sold receivables stood at EUR 9,350,000. As a result of the sale, the Group accrued a financial expense item of EUR 19,000 during the financial year. The Group has not presented the sold receivable in question in the balance sheet as all the essential risks and benefits, such as the credit loss risk, have been transferred to the finance company.

MATERIAL ITEMS CONTAINED IN ACCRUED INCOME

EUR 1,000	2016	2015
Salaries and social charges	324	96
Annual rebates	1,375	1,088
Advances	1,882	1,878
Others	3,246	3,142
Total	6,827	6,204

26. Cash and cash equivalents

EUR 1,000	2016	2015
Cash in hand and bank accounts	26,573	24,001
Total	26,573	24,001

27. Notes on equity

At the end of the financial period, Panostaja Oyj's share capital was EUR 5,568,681.60 and the total number of shares was 52,533,110. Under the authorization provided by the Annual General Meeting, Panostaja Oyj's Board of Directors decided on May 4, 2016 to carry out a free-of-charge share issue of 800,000 shares, pursuant to Chapter 9, Section 20 of the Limited Liability Companies Act, to the company itself. This was to ensure that the company holds a sufficient number of its own shares for securing the commitment of key personnel and for other purposes decided on by the Board of Directors. The new shares were recorded in the Trade Register on May 6, 2016.

SHARE PREMIUM ACCOUNT

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

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

OTHER FUNDS

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

INVESTED UNRESTRICTED EQUITY FUND

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

SHARE ISSUE

In the 2016 financial period, a targeted issue of MEUR 0.6 in total was carried out to key persons as part of the share-based incentive system. A share issue was not conducted in the 2015 reference period.

SHARE SUBSCRIPTION

Share subscriptions were not carried out in the 2016 financial period or the 2015 reference period.

OWN SHARES

The purchase price of bought shares and their transaction costs are given as a deduction under invested unrestricted capital. During the review period, Panostaja sold 700,000 of its own shares to Management Team members as part of the long-term share-based incentive and commitment scheme. At the end of the 2016 financial period, there were 355,183 of the company's own shares (342,398).

On December 11, 2015, the company relinquished to the Board members a total of 13,483 shares, on March 4, 2016, a total of 13,793 shares, on June 3, 2016, a total of 13,952 shares, and on September 2, 2016, a total of 13,187 shares, for a grand total of 54,415 shares as meeting compensation. Panostaja Oyj relinquished a total of 32,800 individual shares as share bonuses to the company management on December 11, 2015.

DIVIDENDS

The dividend paid for the 2015 financial period stood at MEUR 2.6 in total (EUR 0.05 per share). MEUR 7.0 in dividends was paid to minority shareholders in subsidiaries.

A total of MEUR 2.0 (EUR 0.04 per share) was paid for the 2014 financial period in the form of capital repayment. MEUR 1.2 in dividends was paid to minority shareholders in subsidiaries.

28. Financial liabilities

EUR 1,000	2016	2015
Non-current financial liabilities valued at acquisition cost		
Loans from financial institutions	62,729	55,119
Convertible subordinated loan	0	0
Finance lease liabilities	767	578
Other loans	2,276	3,910
Total	65,772	59,608
Current financial liabilities valued at acquisition cost		
Installments on non-current financial loans	15,507	7,869
Other loans from financial institutions	1,394	15,746
Finance lease liabilities	380	352
Total	17,280	23,968

The Group's loans are both floating and fixed-interest rate loans. The weighted average of interest rates on October 31, 2016 was 2.95% (October 31, 2015: 3.72%). Of the financial liabilities, EUR 7,529,000 is fixed-interest and other liabilities attract floating interest rates. Interest-bearing non-current and current liabilities are in euros.

ARRANGEMENTS CONCERNING LIABILITIES AND BREACHES OF CONTRACT

A covenant term is related to the Heatmasters Group Oy loans – equity ratio and key figure on interest-bearing net liabilities / operating margin. At the time of closing the books, the company did not meet the required covenant term. Before the end of the financial period, the financier granted consent for violating the covenant term until April 30, 2017.

Covenant terms are tied to the financial liabilities of the Suomen Helasto group, which also examine the Panostaja Group key figure 'interest-bearing net liabilities / operating margin'. The covenant terms have not been realized at the time of closing the books. However, the financier has, before the end of the financial period, consented to not maturing the liabilities in question.

The Group's parent company has a loan that examines the Group's key figure 'interest- bearing net liabilities / operating margin'. The covenant terms have not been realized at the time of closing the books. However, the financier has, before the end of the financial period, consented to not maturing the liabilities in question.

EQUITY CONVERTIBLE SUBORDINATED LOANS

By virtue of the authorization given at the Annual General Meeting on December 18, 2007, deviating from the shareholders' pre-emptive right to subscription, the Board of Directors decided to offer domestic institutional investors the right to subscribe to a convertible subordinated loan in 2011. This convertible subordinated loan amounted to EUR 15,000,000, all of which was subscribed. A fixed annual interest of 6.5% was paid for the loan capital. The loan period was February 7, 2011–April 1, 2016. The loan was repaid during the financial period.

Maturity analysis of non-current liabilities

Amortizations	LOANS FROM FINANCIAL INSTITUTIONS		CONVERTIBLE SUBORDINATED LOAN		FINANCE LEASE LIABILITIES		OTHER LOANS	
EUR 1,000	2016	2015	2016	2015	2016	2015	2016	2015
< 1 year	17,020	10,056	0	15,975	380	352	341	58
1–2 years	12,913	13,053	0	0	168	145	0	29
2–3 years	28,293	10,035	0	0	168	145	0	94
3–4 years	20,972	7,342	0	0	168	145	0	0
4–5 years	2,321	26,629	0	0	168	143	0	0
> 5 years	45	1,247			95			

29. Trade payables and other liabilities

EUR 1,000	2016	2015
Advances received	495	1,143
Trade payables	8,994	8,212
Accruals and deferred income	13,215	12,255
Other current liabilities	7,597	10,829
Total	30,302	32,439
Material items contained in accruals and deferred income		
Annual holiday pay and social costs	6,391	5,764
Accrued wages and salaries	1,588	1,216
Accrued interest	2	2
Accrued taxes	40	79
Accrued employee pension	776	840
Other items	4,418	4,354
Total	13,215	12,255

30. Provisions

EUR 1,000	Guarantee provisions	Loss-making contracts	Total
November 1, 2015	189	0	189
Increases in existing provisions	56	0	56
Effect of the company sale or discontinuation		0	0
Used provisions	-48	0	-48
October 31, 2016	197	0	197

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

EUR 1,000	2016	2015
Non-current provisions	0	0
Current provisions	197	189
Total	197	189

GUARANTEE PROVISIONS

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

31. Maturity analysis of finance lease liabilities

EUR 1,000	2016	2015
Gross amount of finance lease liabilities – minimum rents by maturity date:		
In one year	429	377
Between one and five years	833	601
In over five years	0	0
Total	1,262	978
Future financial costs of finance lease liabilities	-115	-48
Current value of finance lease liabilities	1,147	930
The current value of finance lease liabilities will mature as follows		
In one year	380	352
Between one and five years	672	578
In over five years	95	0
Total	1,147	930

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

32. Fair values for financial assets and liabilities

2016 Balance sheet item

EUR 1,000	Note	Financial assets and liabilities recognized at fair value through profit and loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at amortized cost	Book values of balance sheet items	Fair value
Non-current financial assets							
Other non-current assets	21		6,825			6,825	6,825
Held-for-sale investments				701		701	701
Current financial assets							
Trade and other receivables	25		22,844			22,844	22,844
Short-term investments	22					0	0
Financial assets total		0	29,669	701	0	30,370	30,370
Non-current financial liabilities							
Loans from financial institutions	28				63,496	63,496	63,379
Convertible subordinated loan	28					0	0
Other non-current liabilities	28				2,276	2,276	2,276
Current liabilities							
Convertible subordinated loan	28				0	0	0
Interest-bearing liabilities	28				17,280	17,280	17,280
Trade payables	29				8,994	8,994	8,994
Other liabilities	29	12			7,152	7,164	7,164
Financial liabilities total		12	0	0	99,198	99,210	99,093

2015 Balance sheet item

EUR 1,000	Note	Financial assets and liabilities recognized at fair value through profit and loss	Loans and other receivables	Held-for-sale financial assets	Financial liabilities measured at amortized cost	Book values of balance sheet items	Fair value
Non-current financial assets							
Other non-current assets	21		6,307			6,307	6,307
Held-for-sale investments				554			
Current financial assets							
Trade and other receivables	25		22,710			22,710	22,710
Short-term investments	22	6,606				6,606	6,606
Financial assets total		6,606	29,017	554	0	35,623	35,623
Non-current financial liabilities							
Loans from financial institutions	28				55,698	55,698	55,712
Convertible subordinated loan	28					0	0
Other non-current liabilities	28				3,910	3,910	3,910
Current liabilities							0
Convertible subordinated loan	28				15,000	15,000	15,000
Interest-bearing liabilities	28				8,968	8,968	8,968
Trade payables	29				8,212	8,212	8,212
Other liabilities	29	61			6,900	6,900	6,900
Financial liabilities total		61	0	0	98,688	98,688	98,702

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

The fair values of other receivables and liabilities valued at allocated acquisition cost are set by discounting their future cash flows on the balance sheet day using market interest rates, at which the company would get a similar loan on the date of the closing of the books or, with regard to receivables, market interest rates at which the company could grant a loan to a counterparty on the date of the closing of the books. Interest rates include the company's own assessment of credit risk, for which reason the assessments are classified at level 3 in the fair value hierarchy (see Note 33).

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

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

	FAIR VALUES AT THE END OF THE PERIOD UNDER REVIEW		
October 31, 2016	Level 1	Level 2	Level 3
Financial assets recorded at fair value through profit and loss			
Interest rate swaps		0	
Interest rate fund shares	0		
Held-for-sale investments			
Short-term investments		0	
Investments in unquoted shares			0
Total	0	0	0
Financial liabilities recorded at fair value through profit and loss			
Interest rate swaps			
Total	0	0	0

October 31, 2015	Level 1	Level 2	Level 3
Financial assets recorded at fair value through profit and loss			
Interest rate swaps		12	
Interest rate fund shares	0		
Held-for-sale investments			
Short-term investments			
Investments in unquoted shares			701
Total	0	12	701
Financial liabilities recorded at fair value through profit and loss			
Interest rate swaps			
Total	0	0	0

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

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

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

HELD-FOR-SALE NON-CURRENT FINANCIAL ASSETS

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

34. Guarantees and contingencies

EUR 1,000	2016	2015
Guarantees given on behalf of Group companies		
Enterprise mortgages	87,180	97,544
Pledges given	131,117	123,064
Other liabilities	12,715	11,101

The pledges given include pledged shares in subsidiaries worth MEUR 131.1. The nominal or book value of a collateral has been used as the value of liabilities.

	2016	2015
Other rental agreements		
In one year	7,096	7,911
In over one year but within five years maximum	16,202	13,526
In over five years	2,126	1,112
Total	25,424	22,549
Total for loans from institutions	80,776	79,665

35. Related party disclosures

The Group's related parties include the parent company as well as the subsidiaries, associated companies and joint ventures. The CEO, Members of the Board and Senior Management Team of Panostaja's parent company are also considered related parties.

REWARD SCHEME

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 management's reward and commitment schemes consist of salary, employee benefits and a share reward scheme. The retirement pension is determined in accordance with the Employees Pensions Act (TyEL).

Until the end of 2018, Panostaja has in place a share remuneration scheme where the company's shares may be awarded to members of the Senior Management Team as a reward for reaching the set goals. The goals are set for earnings periods that equal financial periods in length based on the Panostaja Group's EBIT and/or other operational goals, and for a five-year (5) earnings period (years 2014–2018) based on the cumulative earnings per share (EPS) key figure.

At the end of the 2016 financial period, a total of 330,700 shares are available if the set goals are met. A potential bonus may also be paid in cash to cover the taxes and tax-like payments arising from the bonus. Members of the Senior Management Team are obliged not to sell shares received as a bonus during a period of 27 months after receiving them.

At the time of closing the books on October 31, 2016, the members of the Senior Management Team held in their personal ownership or in the ownership of a company where they have a controlling interest 1,250,000 (550,000) Panostaja shares related to the remuneration system that they have undertaken to retain in their ownership for the duration of the system's period of validity. The Management's share ownership within the incentive and commitment scheme is distributed as follows:

Pravia Oy / Juha Sarsama	550,000 pcs
Comito Oy / Tapio Tommila	300,000 pcs
Miikka Laine	200,000 pcs
Minna Telanne	200,000 pcs
Total	1,250,000 pcs

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.

LOANS TO RELATED PARTIES

EUR 1,000	2016	2015
At the start of the financial period	1,464	2,739
Loans granted during the financial period	689	535
Deductions related to parties that have ceased to be related parties	0	-267
Loans repaid and amortizations	-105	-1,543
Debited interest	57	18
Interest payments received during the financial period	-57	-18
At the end of the financial year	2,048	1,464

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	0.250
Pravia Oy (Juha Sarsama)	113	Repayment in full at the end of the loan period	0.250
Pravia Oy (Juha Sarsama)	166	Repayment in full at the end of the loan period	0.250
Comito Oy (Tapio Tommila)	178	Repayment in full at the end of the loan period	0.250
Comito Oy (Tapio Tommila)	79	Repayment in full at the end of the loan period	0.250
Comito Oy (Tapio Tommila)	83	Repayment in full at the end of the loan period	0.250
Minna Telanne	166	Repayment in full at the end of the loan period	0.250
Miikka Laine	166	Repayment in full at the end of the loan period	0.250
Total	1,181		

On October 31, 2016, company shares with a fair value of MEUR 1.1 represented the collateral on loans granted. The loan conditions of other related party loans are as follows:

Name	2016	2015	
Rollock Oy	309	309	An equity convertible bond loan, to which the provisions of Chapter 12 of the Limited Liability Companies Act are applicable. If the company has failed to repay the loan by the end of the loan period, on the basis of special rights the issuer of the loan is entitled to exchange these convertible bond loans for shares in the company.
Ecosir Group Oy	558	535	Subordinated loans that will mature in full in 2017. Ecosir Group Oy is liable to repay the principal and interest accrued on it only for the part of the sum of the company's unrestricted equity and all subordinated loans at the time of payment exceeding the loss on the balance sheet of the last financial period ended or of financial statements newer than this. If principal or interest remains unpaid on the annulment, liquidation or bankruptcy of the company, it will be repaid using a privilege worse than all other liabilities of the company. The company has not given collateral for the payment of the loan capital or its interest.

MANAGEMENT EMPLOYEE BENEFITS

EUR 1,000	2016	2015
Salaries and other current employee benefits	664	729
Share-based benefits	29	63
Total	693	792
Salaries and bonuses		
CEO	247	225
CEO's performance-based employer's statutory pension expenditure	44	43
Members of the Board of Directors		
Ala-Mello Jukka	40	40
Eriksson Eero	20	20
Koskenkorva Mikko	20	20
Pääkkönen Tarja	15	
Tarkkonen Hannu	20	20
Terhonen Jukka	5	20
Virtanen Antti	20	20

It was resolved at Panostaja Oyj's General Meeting on February 2, 2016, regarding payment of meeting compensation, that approximately 40% of the compensation remitted to the members of the Board be paid on the basis of the share issue authorization given to the Board, by issuing company shares to each Board member if the Board member does not own more than 1% of the company's shares on the date of the General Meeting. If the holding of a Board member on the date of the General Meeting is over one percent of all company shares, the compensation will be paid in full in monetary form. In addition, the Board of Directors of Panostaja Oyj decided at an organizing meeting held immediately after the General Meeting to implement the decision taken at the General Meeting regarding the compensation of the Board members as regards shares, so that the compensation is always sent four times a year on the day following publication of an interim report/financial statements for the year.

36. Subsidiaries as of October 31, 2016

RELATIONS BETWEEN THE GROUP PARENT COMPANY AND SUBSIDIARIES

	Registered office	Share of voting powe, %r	Parent company's shareholding %
Parent company			
Panostaja Oyj	Tampere		
Subsidiaries			
Copynet Finland Oy	Helsinki	50.2	50.2
Grano Oy	Helsinki	50.2	50.2
Grano Group Oy	Helsinki	50.2	50.2
Grano Diesel Oy	Helsinki	50.2	50.2
Flexim Group Oy	Tampere	70.0	70.0
Onarg Oy	Helsinki	50.2	50.2
Heatmasters Group Oy	Tampere	80.0	80.0
Heatmasters Lämpökäsittely Finland Oy	Lahti	80.0	80.0
Heatmasters Technology Oy	Lahti	80.0	80.0
Heatmasters Sp.zoo	Poland	80.0	80.0
Heatmasters Scandinavia AB	Sweden	80.0	80.0
Heatmasters Inc	Texas, USA	80.0	80.0
KL-Parts Oy	Tampere	75.0	75.0
KL-Varaosat Oy	Tampere	75.0	75.0
KfZ Nord Oy	Tampere	75.0	75.0
As Grano Digital	Tallinn, Estonia	50.2	50.2
Kopiolahtinen Oy	Vaasa	50.2	50.2
KotiSun Group Oy	Tampere	57.3	57.3
KotiSun Oy	Jyväskylä	57.3	57.3
KotiSun Viemäripalvelut Oy	Tampere	57.3	57.3
Leeviprint Oy	Lahti	50.2	50.2
Luotta Oy	Helsinki	50.2	50.2
Megaklinikka Group Oy	Helsinki	74.8	74.8
Megaklinikka Oy	Helsinki	74.8	74.8
Megakliniken AB	Stockholm, Sweden	74.8	74.8
Grano 3D Oy	Turku	50.2	50.2
Oulun Kopiokeskus Oy	Oulu	50.2	50.2
Selog Group Oy	Tampere	60.0	60.0
Selog Oy	Helsinki	60.0	60.0
Suomen Arkistovoima Oy	Turku	50.2	50.2
Suomen Helakeskus Oy	Seinäjoki	95.3	95.3
Suomen Helasto Oy	Seinäjoki	95.3	95.3
Takoma Gears Oy	Tampere	63.1	63.1
Takoma Oyj	Tampere	63.1	63.1

The subgroup subsidiary holdings are presented in the table in accordance with the holding of the Panostaja subgroup's parent company. More specific information on relationships of ownership of subgroup subsidiaries can be found in the financial statements of each respective subgroup.

37. Judicial events

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

38. Events after the balance sheet date

There were no significant events related to the company after the balance sheet date.

39. Key figures

		2016	2015	2014
Net sales, MEUR		172.5	148.2	121.1
EBIT, MEUR		9.0	7.3	8.1
% of net sales		5.2	4.9	6.7
Profit for the financial period, MEUR		9.2	13.5	8.2
Return on equity (ROE), %		13.1	23.0	17.1
Return on investment (ROI), %		8.6	12.4	14.4
Equity ratio, %		38.1	37.5	33.3
Gearing, %	1)	70.4	65.2	73.7
Current ratio		1.4	1.3	1.3
Gross capital expenditure, MEUR		10.9	54.9	19.9
% of net sales		6.3	37.0	16.5
Avg. no. of Group employees		1,337	1,176	1,204
Earnings per share (EPS) (€), undiluted		0.07	0.14	0.09
Earnings per share (EPS) (€), diluted		0.07	0.14	0.09
Equity per share (€)		0.77	0.74	0.62
Capital repayment per share,				0.04
Dividend per share (€)	2)	0.04	0.05	
Dividend/Earnings % undiluted		58.0	35.4	
Dividend/Earnings % diluted		58.0	36.2	
Capital repayment/Earnings % undiluted				42.7
Dividend/Earnings % undiluted				
Capital repayment/Earnings % diluted				41.6
Effective dividend income %		4.3	5.8	
Average number of shares in the financial period, 1,000		51,736	51,373	51,284
Number of shares at the end of the financial period (1,000)		52,533	51,733	51,733
Weighted average of the number of issue-adjusted shares during the financial period, 1,000		51,736	58,191	58,102
Closing price for the share in the financial period, €		0.92	0.86	0.82
Lowest share price, €		0.81	0.77	0.69
Highest share price, €		1.04	0.94	0.91
Average share price in the financial period, €		0.89	0.85	0.78
Market value of stock, MEUR		48.3	44.5	42.4
Shares exchanged, 1,000		5,959	6,508	7,909
Shares exchanged, %		11.5	12.7	15.4

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

FORMULAE FOR CALCULATING KEY FIGURES

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

PARENT COMPANY INCOME STATEMENT

EUR 1,000	Note	November 1, 2015–October 31, 2016	November 1, 2014–October 31, 2015
NET SALES	1.1.	8	13
Other operating income	1.2.	119	27,695
Staff expenses	1.3.	-1,366	-1,406
Depreciations, amortizations and impairment	1.4.	-74	-57
Other operating expenses	1.5.	-1,576	-3,223
OPERATING PROFIT/LOSS		-2,890	23,021
Financial income and costs	1.6.	10,196	-1,029
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		7,306	21,992
Extraordinary items	1.7.	0	0
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		7,306	21,992
Income taxes	1.8.		-359
PROFIT/LOSS FOR THE FINANCIAL PERIOD		7,341	21,634

PARENT COMPANY BALANCE SHEET

Assets EUR 1,000	Note	October 31, 2016	October 31, 2015
PERMANENT ASSETS			
Intangible assets	2.1.	118	149
Tangible assets	2.2.	134	94
Investments	2.3.	40,504	41,243
PERMANENT ASSETS TOTAL		40,757	41,485
CURRENT ASSETS			
Non-current receivables	2.4.	12,419	13,330
Current receivables	2.5.	2,471	2,409
Short-term investments	2.6.	0	6,606
Cash and cash at bank		18,011	1,018
CURRENT ASSETS TOTAL		32,901	23,363
TOTAL ASSETS		73,657	64,849

Liabilities EUR 1,000	Note	October 31, 2016	October 31, 2015
EQUITY	2.7.		
Share capital		5,569	5,569
Share premium account		4,691	4,691
Invested unrestricted equity fund		16,479	15,821
Profit/loss for the previous financial periods		7,944	-11,107
Profit/loss for the financial period		7,341	21,634
SHAREHOLDERS' EQUITY TOTAL		42,025	36,607
ACCRUAL OF APPROPRIATIONS	2.8.	0	0
LIABILITIES	2.9.		
Non-current liabilities		20,042	7,542
Current liabilities		11,591	20,699
LIABILITIES TOTAL		31,633	28,241
TOTAL LIABILITIES		73,657	64,849

FINANCIAL STATEMENT OF PARENT COMPANY

EUR 1,000	November 1, 2015– October 31, 2016	November 1, 2014– October 31, 2015
OPERATING CASH FLOW		
Profit/loss for the financial period	7,341	21,634
Adjustments:	-10,158	-24,517
Planned depreciations	74	57
Write-downs	0	0
Sales profits	0	-27,355
Sales losses	0	1,573
Financial income and costs	-10,196	1,029
Appropriations total	0	0
Taxes	-36	359
Minority share	0	0
Profit/loss of associated company	0	0
Extraordinary income and expenses	0	0
CHANGES		
Change in trade receivables	-91	-98
Change in inventories	0	0
Change in trade payables	88	-65
Change in provisions	0	0
Interest and other financial costs	-2,158	-1,847
Interest and other financial income	560	759
Other financial income	0	0
Taxes paid	-323	0
Cash flow before extraordinary items	-4,739	-4,135
OPERATING CASH FLOW	-4,739	-4,135
INVESTMENT CASH FLOW		
Investments in tangible and intangible assets	-84	-83
Investments in business	0	0
Investments in subsidiaries	0	-25,348
Investments in associated companies	0	-120
Other investments	-150	-331
Capital gains from the disposal of tangible and intangible assets	0	36
Divestments business transactions	0	0
Capital gains from the disposal of subsidiaries	0	32,723
Capital gains from the disposal of associated companies	0	0
Capital gains from the disposal of other shares	0	0
Net change in internal receivables	1,209	-1,928
Loans granted	-581	-985
Loans receivable repaid	30	572
Paid dividends	12,065	1,760
Change other investments	0	0
INVESTMENT CASH FLOW	12,488	6,296

EUR 1,000	November 1, 2015– October 31, 2016	November 1, 2014– October 31, 2015
FINANCIAL CASH FLOW		
Share issue	0	0
Acquisition and disposal of own shares	658	73
Extraordinary income and expenses	0	59
Change in current interest-bearing receivables	330	276
Change in current interest-bearing liabilities	-15,000	0
Loans drawn	20,000	0
Loans repaid	-788	-2,565
Change in non-current internal loans	0	0
Dividends paid	-2,562	-2,046
Other financial cash flow	0	0
FINANCIAL CASH FLOW	2,638	-4,204
CHANGE IN CASH AND CASH EQUIVALENTS	10,387	-2,043
Cash and cash equivalents at the beginning of the financial period	7,624	9,668
CHANGE IN CASH AND CASH EQUIVALENTS	10,387	-2,043
Cash and cash equivalents at the end of the financial period	18,011	7,624

NOTES TO THE FINANCIAL STATEMENTS, OCTOBER 31, 2016

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

COMPARABILITY OF FIGURES

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

VALUATION PRINCIPLES

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

PENSIONS

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

DEPRECIATIONS

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

Planned depreciation periods are:	years
Intangible rights	3
Goodwill	5–10
Other capitalized long-term expenditure	5–10
Buildings	20–40
Machinery and equipment	3–10
Other tangible assets	3–10

Notes to the income statement 1.1.–1.8.

1.1. Net sales

EUR 1,000	2016	2015
Administrative cost charges from Group companies	8	13
	8	13

1.2. Other operating income

EUR 1,000	2016	2015
Profits from sale of fixed assets	0	27,355
Support received	15	0
Others	104	339
	119	27,695

1.3. Staff expenses

EUR 1,000	2016	2015
Salaries and fees	1,098	1,143
Pension costs	191	210
Other social security expenses	77	53
	1,366	1,406
During the financial period, the company employed on average		
Clerical staff	9	9

1.4. Depreciations, amortizations and impairment

EUR 1,000	2016	2015
Planned depreciations		
Intangible rights	6	7
Other capitalized long-term expenditure	29	26
Machinery and equipment	39	23
	74	57

1.5. Other operating expenses

EUR 1,000	2016	2015
Other operating expenses internal	27	36
Other operating expenses	565	511
Marketing costs	261	222
Data management costs	146	167
Costs for expert services	411	554
Loss from the sale of fixed asset shares	0	1,573
Rental costs	166	160
Other operating expenditure total	1,576	3,223
Auditor's fees		
auditing fees	42	60
auxiliary services	43	18
	86	78

1.6 Other operating expenses

EUR 1,000	2016	2015
Dividend yields		
From companies in the same Group	12,065	1,655
From others	75	0
Dividend yields total	12,140	1,655
Other interest yields		
From companies in the same Group	380	568
From others	70	57
Other interest yields total	450	625
Other financial income		
From companies in the same Group	74	115
From others	28	106
Other financial income total	103	221
Other interest and financial yields total	553	846
Interest expenses		
For companies in the same Group	0	0
For others	1,410	1,789
Interest expenses total	1,410	1,789
Other financial expenses		
For others	198	49
Other financial expenses	198	49
Interest costs and other financial costs total	1,608	1,838
Group shares	889	1,692
Financial income and costs total	10,196	-1,029

1.7. Extraordinary items

EUR 1,000	2016	2015
Extraordinary income/Group contribution	0	0
	0	0

1.8. Income taxes

EUR 1,000	2016	2015
Income taxes from the financial period and previous periods	-36	359
	-36	359

Notes to the balance sheet 2.1–2.9.

2.1. Intangible assets

EUR 1,000	2016	2015
Intangible rights		
Acquisition cost Nov 1	59	59
Additions Nov 1–Oct 31	0	0
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	59	59
Accrued planned depreciations Nov 1	-44	-37
Planned depreciations Nov 1–Oct 31	-6	-7
Book value at October 31	9	15
Other capitalized long-term expenditure		
Acquisition cost Nov 1	401	383
Additions Nov 1–Oct 31	5	17
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	405	401
Accrued planned depreciations Nov 1	-267	-240
Planned depreciations Nov 1–Oct 31	-29	-26
Book value as of October 31	109	134
Intangible assets total		
Acquisition cost Nov 1	460	443
Additions Nov 1–Oct 31	5	17
Deductions Nov 1–Oct 31	0	0
Acquisition cost Oct 31	465	460
Accrued planned depreciations Nov 1	-311	-277
Planned depreciations Nov 1–Oct 31	-35	-34
Book value as of October 31	118	149

2.2. Tangible assets

EUR 1,000	2016	2015
Machinery and equipment		
Acquisition cost Nov 1	668	629
Additions Nov 1–Oct 31	80	66
Deductions Nov 1–Oct 31	0	-27
Acquisition cost Oct 31	748	668
Accrued planned depreciations Nov 1	-575	-551
Planned depreciations Nov 1–Oct 31	-39	-23
Book value as of October 31	134	94
Tangible assets total		
Acquisition cost Nov 1	668	629
Additions Nov 1–Oct 31	80	66
Deductions Nov 1–Oct 31	0	-27
Acquisition cost Oct 31	748	668
Accrued planned depreciations Nov 1	-575	-551
Planned depreciations Nov 1–Oct 31	-39	-23
Book value as of October 31	134	94

2.3. Investments

EUR 1,000	2016	2015
Interests in companies in the same Group		
Acquisition cost Nov 1	37,046	19,417
Additions Nov 1–Oct 31	0	25,348
Deductions Nov 1–Oct 31	-889	-7,718
Acquisition cost Oct 31	36,157	37,046
Interests in associated companies		
Acquisition cost Nov 1	3,858	3,997
Additions Nov 1–Oct 31	0	120
Deductions Nov 1–Oct 31	0	-259
Acquisition cost Oct 31	3,858	3,858
Other shares and interests		
Acquisition cost Nov 1	339	8
Additions Nov 1–Oct 31	150	1,911
Deductions Nov 1–Oct 31	0	-1,580
Acquisition cost Oct 31	489	339
Investments total		
Acquisition cost Nov 1	41,243	23,421
Additions Nov 1–Oct 31	150	27,378
Deductions Nov 1–Oct 31	-889	-9,556
Acquisition cost Oct 31	40,504	41,243

2.4. Non-current receivables

EUR 1,000	2016	2015
Subordinated loans receivable from companies in the same Group	2,973	2,759
Subordinated loans receivable from associated companies	235	235
Loans receivable from companies in the same Group	3,258	4,681
Loans receivable	2,454	2,156
Other receivables	3,500	3,500
	12,419	13,330

2.5. Current receivables

EUR 1,000	2016	2015
Trade receivables from companies in the same Group	51	66
Trade receivables	10	83
Loans receivable from companies in the same Group	1,091	1,310
Group contributions	0	0
Other receivables	5	4
Dividend receivables from companies in the same Group	0	0
Subordinated loans receivable from associated companies	130	0
Loans receivable from associated companies	323	300
Other loans receivable	542	419
Interest receivables from companies in the same Group	212	145
Accrued income	108	82
	2,471	2,409

The current and non-current receivables from Group companies include MEUR 3.0 in loan receivables from Takoma Oyj and Takoma Gears Oy. The companies are undergoing corporate restructuring, and Takoma's profitability in the financial period has been poor. For this reason, more uncertainties than usual are related to the repayment.

Accrued income essential items		
Interest receivables from insider loans	4	3
Interest receivables from other loans receivable	0	0
Ecosir Group Oy	2	21
Rollock Oy	36	17
Advances		1
Cost scheduling	65	40
	108	82

2.6. Short-term investments

EUR 1,000	2016	2015
Other shares and interests		
Investment fund shares	0	6,606
	0	6,606

2.7. Equity

EUR 1,000	2016	2015
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	15,821	17,795
Share capital increase and share issue	0	0
Acquisition/disposal of own shares	0	0
Rewards to Senior Management Team as own shares	581	0
Board bonuses as own shares	77	73
Capital repayment	0	-2,046
Invested unrestricted equity fund Oct 31	16,479	15,821
Retained earnings/loss Nov 1	10,526	-10,927
Non-deductible VAT portions 02–10/14	0	-180
Returned old dividends 2010	0	0
Management reward scheme	-20	0
Dividend distribution	-2,562	0
Retained earnings/loss Oct 31	7,944	-11,107
Profit/loss for the financial period	7,341	21,634
Equity total	42,025	36,607
Distributable unrestricted equity Oct 31	31,765	26,347

2.8. Accrual of appropriations

EUR 1,000	2016	2015
Accrual of appropriations comprises the accrued depreciation difference.	0	0

2.9. Liabilities

EUR 1,000	2016	2015
2.9.1. Non-current liabilities		
Hybrid loan 2013	0	7,500
Loans from financial institutions	20,000	0
Other non-current liabilities	3	3
	20,003	7,503
Liabilities owed to companies in the same Group		
Other liabilities	39	39
	39	39
Non-current liabilities total	20,042	7,542
2.9.2. Current liabilities		
Hybrid loan 2013	7,500	0
Convertible subordinated loan 2011	0	15,000
Loans from financial institutions	0	788
Trade payables	123	77
Other liabilities	211	245
Accruals and deferred income	3,626	4,586
	11,461	20,695
Liabilities owed to companies in the same Group		
Trade payables	0	4
	0	4
Liabilities to associated companies	130	0
	130	0
Material items contained in accruals and deferred income		
Annual holiday salaries and social costs	151	120
Annual holiday pay TyEL allocation	28	22
Management's accrued salaries incl. social costs	0	105
Bonus allocation	39	55
Management reward scheme	34	0
Property fund dissolution advance	3,038	3,038
Accrued interest	336	887
Accrued taxes	0	359
Other items	0	0
	3,626	4,586
Current liabilities total	11,591	20,699

Other notes

EUR 1,000	2016	2015
Guarantees and contingencies		
On behalf of Group companies		
Guarantees given	4,842	5,754
On behalf of associated companies		
Guarantees given	1,145	950
On behalf of others		
Guarantees given	0	1,700
Rental liabilities		
In one year	154	156
More than one and within 5 years	618	624
In over five years	219	377
Leasing liabilities		
In one year	1	1
More than one and within 5 years	0	1
In over five years	0	0
Pledged associated company shares		
As security for own liabilities	0	0
Other pledges given		
As security for own liabilities	5	4

HYBRID LOAN 2013

The loan is an equity debenture loan and its amount on October 31, 2016 was MEUR 7.5.
The loan period is May 27, 2013–May 27, 2017.

CONVERTIBLE SUBORDINATED LOAN 2011

The remaining loan amount of EUR 15,000,000 was repaid on the due date April 1, 2016.

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

Panostaja Oyj's distributable assets, including the profit for the current and past financial periods of EUR 15,285,594.38 and EUR 16,479,125.39 in the invested unrestricted equity fund, amount to EUR 31,764,719.77.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.04 per share be paid to the shareholders for the past financial period.

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

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

In Tampere December 8, 2016

Jukka Ala-Mello
Chairman of the Board

Mikko Koskenkorva

Eero Eriksson

Hannu Tarkkonen

Antero Virtanen

Jukka Terhonen

Juha Sarsama
CEO

Audit report

TO PANOSTAJA OYJ'S ANNUAL MEETING

We have audited Panostaja Oyj's accounting, financial statements, annual report and management for the financial period November 1, 2015–October 31, 2016. 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 9, 2016

PricewaterhouseCoopers Oy
Authorized Public Accountants

Lauri Kallaskari	Markku Launis
Authorized Public Accountant	Authorized Public Accountant

Information on shares

SHARE CAPITAL AND SHARES

At the close of the review period, Panostaja Oyj's share capital was EUR 5,568,681.60. The total number of shares is 52,533,110.

Under the authorization provided by the Annual General Meeting, Panostaja Oyj's Board of Directors decided on May 4, 2016 to carry out a free-of-charge share issue of 800,000 shares, pursuant to Chapter 9, Section 20 of the Limited Liability Companies Act, to the company itself. This was to ensure that the company holds a sufficient number of its own shares for securing the commitment of key personnel and for other purposes decided on by the Board of Directors. The new shares were recorded in the Trade Register on May 6, 2016.

During the review period, Panostaja sold 700,000 of its own shares to Management Team members as part of the long-term share-based incentive and commitment scheme.

The total number of shares held by the company at the end of the review period was 355,183 individual shares (at the beginning of the review period: 342,398). The number of the company's own shares corresponded to 0.7% of the number of shares and votes at the end of the entire review period. The company shares owned by the company's Board of Directors and the CEO total 8,100,322. This represents 15% of the total number of shares.

In accordance with the decisions by the General Meeting on February 5, 2015 and by the Board, Panostaja Oyj relinquished a total of 32,800 individual shares as share bonuses to the company management on December 11, 2015. On December 11, 2015, the company relinquished to the Board members a total of 13,483 shares, on March 4, 2016, a total of 13,793 shares, on June 3, 2016, a total of 13,952 shares, and on September 2, 2016, a total of 13,187 shares, for a grand total of 54,415 shares as meeting compensation.

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

Administration and general meeting

Panostaja Oyj's Annual General Meeting was held on February 2, 2016 in Tampere. The number of Board Members was confirmed at six and the following persons were elected to the Board for the term ending at the end of the next Annual General Meeting: Jukka Ala-Mello, Eero Eriksson, Mikko Koskenkorva, Antero (Antti) Virtanen and Hannu Tarkkonen were re-elected and Tarja Pääkkönen was included as a new member.

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

The General Meeting confirmed the financial statements and consolidated financial statements presented for the financial year November 1, 2014–October 31, 2015 and resolved that shareholders be paid a dividend of EUR 0.05 per share.

The Meeting also resolved that the Board be authorized to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividends or as repayment of capital from the invested unrestricted equity fund. The maximum distribution of assets performed on the basis of this authorization totals EUR 4,700,000. The authorization includes the right of the Board to decide on all other terms and conditions relating to said asset distribution. The authorization will remain valid until the beginning of the next Annual General Meeting. The General Meeting granted exemption from liability to the members of the Board and to the CEO.

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

In addition, the Board was authorized to decide on the acquisition of the company's own shares in one or more installments so that the number of the company's own shares to be acquired may not exceed 5,100,000 in total, which corresponds to about 9.86% of the company's total stock of shares. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The company's own shares may be acquired at the date-of-acquisition price in public trading arranged by NASDAQ Helsinki Oy or otherwise at the prevailing market price. The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired not following the proportion of ownership of the shareholders (directed acquisition). The authorization issued at the Annual General Meeting of February 5, 2015 to decide on the acquisition of the company's own shares is cancelled by this authorization. The authorization will remain valid until August 2, 2017.

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

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

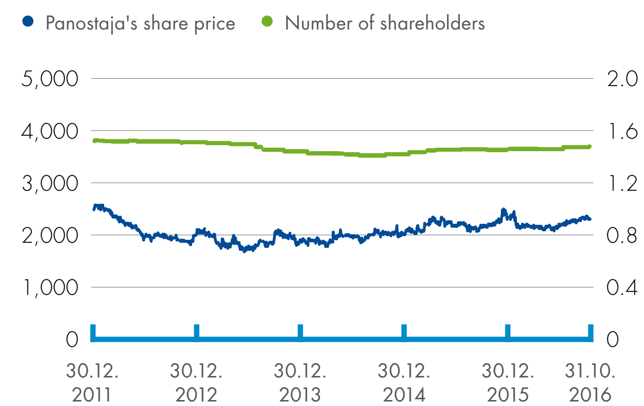
SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.81 (lowest quotation) and EUR 1.04 (highest quotation) during the fourth financial period. In the period under review, a total of 5,959,387 shares were exchanged, which amounts to 11.5% of the share capital. The October 2016 share closing rate was EUR 0.92. The market value of the company's share capital at the end of October 2016 was MEUR 48.3 (MEUR 44.5). At the end of October 2016, the company had 3,708 shareholders (3,660).

SHARE TRADE AND RATES

	Lowest, €	Highest, €	Share issue adjusted trading (no. of shares)	% of shares
2016	0.81	1.04	5,959,389	11.5
2015	0.77	0.94	6,508,111	12.7
2014	0.69	0.91	7,908,686	15.4
2013	0.66	0.86	3,814,701	7.4
2012	0.73	1.05	5,725,530	11.1
2011	0.97	1.51	3,841,477	7.7
2010	1.32	1.75	5,301,507	11.2
2009	0.89	1.4	8,108,040	17.5

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP



Largest shareholders

20 LARGEST SHAREHOLDERS OCTOBER 31, 2016

		pcs	%
1	Treindex Oy	5,679,200	10.81%
2	Keskinäinen eläkevakuutusyhtiö Etera	4,259,000	8.11%
3	Koskenkorva Matti	4,048,903	7.71%
4	Keskinäinen vakuutusyhtiö Fennia	3,468,576	6.60%
5	Koskenkorva Maija	3,387,542	6.45%
6	Koskenkorva Mikko	1,455,055	2.77%
7	Koskenkorva Mauno	1,340,769	2.55%
8	Malo Hanna	1,151,207	2.19%
9	Kumpu Minna	1,151,170	2.19%
10	Johtopanostus Oy	1,030,000	1.96%
11	Op-Henkivakuutus Oy	1,023,888	1.95%
12	Porkka Harri	935,000	1.78%
13	Leino Satu	831,653	1.58%
14	Lähitapiola Keskinäinen Vakuutusyhtiö	674,000	1.28%
15	Koskenkorva Helena	641,101	1.22%
16	Pravia Oy	632,500	1.20%
17	Koskenkorva Pekka	583,502	1.11%
18	Haajanen Taru	525,917	1.00%
19	Koskenkorva Karri	520,305	0.99%
20	Koskenkorva Johanna	437,746	0.83%
		33,777,034	64.30%
	Other shareholders	18,374,027	
	Total	52,533,110	

DISTRIBUTION OF SHARE OWNERSHIP BY SIZE OCTOBER 31, 2016

Number of shares	Shareholders pcs	%	Shares/votes pcs	%
1–1000	1,860	50.16%	869,613	1.66%
1001–10000	1,517	40.91%	5,081,328	10.42%
10001–100000	285	7.69%	7,094,500	13.50%
100001–1000000	27	0.73%	5,955,792	11.34%
1000001–	19	0.51%	33,339,288	63.46%
Total	3,708	100.00%	52,340,521	100.38%
of which nominee-registered	7		316,852	0.04%
In joint accounts			192,589	0.37%
Number of shares issued			52,533,110	100.00%

DISTRIBUTION OF SHARE OWNERSHIP BY SECTOR OCTOBER 31, 2016

Sector class	Shareholders pcs	%	Shares/votes pcs	%
Companies	135	3.64%	9,442,924	18.08%
Financial and insurance institutions	13	0.35%	5,617,030	10.76%
Public bodies	2	0.05%	4,274,000	8.19%
Households	3,539	95.44%	32,610,338	62.45%
Non-profit organizations	8	0.22%	60,782	0.12%
Foreign	11	0.30%	18,595	0.04%
Total	3,708	100.00%	52,023,669	99.63%
of which nominee-registered	7		0	0.00%
In joint accounts			192,589	0.37%
Number of shares issued			52,216,258	100.00%

panostaja

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