Panostaja Oyj   Interim report, March 5, 2014   10:00 a.m.

PANOSTAJA GROUP INTERIM REPORT NOVEMBER 1, 2013–JANUARY 31, 2014 (3 months)

- Net sales for the first quarter increased by 12% to MEUR 42.4 (MEUR 38.0). The MEUR 4.4 growth in net sales was mainly a result of organic growth and the impact of corporate acquisitions carried out in the previous financial period, the effect of which totaled MEUR 1.3. Net sales increased in six segments.
- EBIT improved and was MEUR 0.9 (MEUR -0.2), growth of MEUR 1.1. EBIT was particularly improved by an improvement in profit in the Fittings, Safety, and Heat Treatment segments.
- Profit before taxes was MEUR -0.1 (MEUR -1.0).
- Earnings per share (undiluted) were nearly at the same level at -4.0 cents (-3.7 cents).
- Operating cash flow improved and was MEUR 1.6 (MEUR 1.3).
- On January 17, 2014, business restructuring proceedings began at Takoma Oyj and Takoma Gears Oy. In the period under review, Tampereen Laatukoneistus Oy, Hervannan Koneistus Oy and Takoma Systems Oy filed for bankruptcy. As a result of these bankruptcies, the companies in question have been treated as discontinued operations in the consolidated financial statements. They incurred a combined loss of MEUR 1.3 in the period under review.

Result management

Panostaja specifies its result management with regard to net sales and specifies the reference figures for net sales and EBIT. The Group's comparable net sales in the 2014 financial period are expected to be greater than in 2013 (MEUR 167.0). It is expected that the Group's comparable EBIT (MEUR 3.3) will improve in the 2014 financial period. The discontinued operations of the Takoma segment and the divestment of the Supports segment from the Group have been taken into account in result management.

The previous result management on December 13, 2013: The Group's comparable net sales in the 2014 financial period are expected to be at the same level or better than in 2013 (MEUR 176.2). It is expected that the Group's comparable EBIT (MEUR -0.6) will improve in the 2014 financial period.
The divestment of the Supports segment from the Group has been taken into account in result management.

CEO Juha Sarsama: In the first quarter, the profit development throughout the Group was good, considering the fact that historically the first quarter has usually been the weakest of the financial year. There was only one loss-making business segment – Takoma Oyj – where it is assumed that restructuring proceedings will yield results later in the financial year as an improvement in profitability. Noteworthy is the fact that Takoma Oyj's comparable order book of MEUR 3.9 is a clear improvement (MEUR 2.1) in the first quarter of the year. Five segments achieved better operating profit than in the reference period. The active development of the segments continued during the quarter: shareholder strategies were reviewed and, on that basis, operating targets were set. We also complemented the boards of the segments with new external members.

The overall economic situation seems to have improved, even though comparisons between EU countries show that Finland's industrial structural challenges are not yet over. The general economic situation and atmosphere remain challenging especially in segments related to construction and the export industry. On the corporate acquisition market, activity has clearly increased and this should offer Panostaja opportunities both for new acquisitions and for divestments. Finance is available for good projects, so we believe that the number of corporate acquisitions will clearly increase. Our aim is to be an active player on the market for target companies that are in accordance with our strategy.

Key figures Panostaja Group	3 months	3 months	12 months
	11/13-01/14	11/12-01/13	11/12-10/13
Net sales (MEUR)	42.4	38.0	167.0
EBIT (MEUR)	0.9	-0.2	3.3
Profit before taxes (MEUR)	-0.1	-1.0	0.4
Earnings per share, undiluted (EUR)	-0.04	-0.04	-0.09
Equity per share (EUR)	0.54	0.50	0.59
Operating cash flow (MEUR)	1.6	1.3	7.8

The income statement for operations discontinued during the reference period has been separated from the income statement for continuing operations and the result for them is presented in accordance with the IFRS standards on row ‘Earnings from discontinued operations’. Prior to separating discontinued and sold operations from retained operations in the income statement, the consolidated net sales for the reference period were MEUR 43.4 and the EBIT was MEUR -0.7.

Key figures by segment

	Net sales, MEUR			Operating profit, MEUR		
	3 months	3 months	12 months	3 months	3 months	12 months
	11/13-01/14	11/12-01/13	11/12-10/13	11/13-01/14	11/12-01/13	11/12-10/13
Digital Printing Services	13.6	10.9	50.8	1.0	1.0	6.4
Safety	8.3	7.6	31.8	0.1	-0.2	1.6
Value-added Logistics	7.3	7.1	29.9	0.2	0.1	1.7
Takoma	3.5	3.1	14.1	-0.3	-0.5	-4.1
Ceiling Materials	2.7	3.0	12.8	0.1	0.2	0.9
Fittings	2.5	3.0	11.9	0.1	-0.2	-0.2
Spare Parts for Motor Vehicles	2.6	2.5	10.3	0.2	0.2	0.8
Heat Treatment	2.0	1.1	5.7	0.2	-0.3	-1.5
Other	0.0	0.0	0.0	-0.7	-0.6	-2.3
Eliminations	-0.1	-0.2	-0.4			
Group in total	42.4	38.0	167.0	0.9	-0.2	3.3

PRESS CONFERENCE

Panostaja will hold a press conference for analysts, investors and the press on March 5, 2014 from 11:30 am to 12:30 pm at Hotel Scandic Simonkenttä, Bulsa-Freda 1-2, Simonkatu 9, Helsinki.

The interim report, presentations and other investor information are available at : www.panostaja.fi.

Panostaja Oyj

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PANOSTAJA GROUP INTERIM REPORT NOVEMBER 1, 2013–JANUARY 31, 2014 (3 months)

THE ECONOMIC DEVELOPMENT OF THE PANOSTAJA GROUP

NOVEMBER 2013–JANUARY 2014

	3 months	**3 months**	**12 months**
Key figures Panostaja Group	11/13-01/14	11/12-01/13	11/12-10/13
Net sales (MEUR)	42.4	38.0	167.0
EBIT (MEUR)	0.9	-0.2	3.3
Profit before taxes (MEUR)	-0.1	-1.0	0.4
Earnings per share, undiluted (EUR)	-0.04	-0.04	-0.09
Equity per share (EUR)	0.54	0.50	0.59
Operating cash flow (MEUR)	1.6	1.3	7.8

Panostaja Group's net sales grew by 12% and were in the first quarter MEUR 42.4 (MEUR 38.0). Export amounted to MEUR 1.0, or 2.4%, (MEUR 2.3, or 6.0%) of net sales. The corporate acquisitions made during the previous and current financial period affected the MEUR 4.4 increase in net sales by MEUR 1.3.

The MEUR 4.4 increase in net sales was primarily the result of organic growth. Of the Group's eight operational segments, six exceeded the net sales of the reference year.

EBIT improved and totaled MEUR 0.9 (MEUR -0.2). The MEUR 1.1 increase in EBIT was especially influenced by improved profit development in the Fittings, Safety, and Heat Treatment segments. Five segments in total achieved better operating profit than in the reference period.

Profit before taxes was MEUR -0.1 (MEUR -1.0) and earnings/share (undiluted) was -4.0 cents (-3.7 cents). Equity per share was EUR 0.54 (EUR 0.50).

Finnish corporation tax was lowered from 24.5% to 20%. The impact of the change in the tax rate on the taxes of the period under review will be approx. MEUR -0.3.

Operating cash flow was MEUR 1.6 (MEUR 1,3).

The Annual General Meeting on January 29, 2014 approved the Board's proposal and decided that no dividend or capital repayment be distributed of the finished financial period.

SEGMENT REVIEW

Key figures by segment

	Net sales, MEUR			Operating profit, MEUR		
	3 months	3 months	12 months	3 months	3 months	12 months
	11/13-01/14	11/12-01/13	11/12-10/13	11/13-01/14	11/12-01/13	11/12-10/13
Digital Printing Services	13.6	10.9	50.8	1.0	1.0	6.4
Safety	8.3	7.6	31.8	0.1	-0.2	1.6
Value-added Logistics	7.3	7.1	29.9	0.2	0.1	1.7
Takoma	3.5	3.1	14.1	-0.3	-0.5	-4.1
Ceiling Materials	2.7	3.0	12.8	0.1	0.2	0.9
Fittings	2.5	3.0	11.9	0.1	-0.2	-0.2
Spare Parts for Motor Vehicles	2.6	2.5	10.3	0.2	0.2	0.8
Heat Treatment	2.0	1.1	5.7	0.2	-0.3	-1.5
Other	0.0	0.0	0.0	-0.7	-0.6	-2.3
Eliminations	-0.1	-0.2	-0.4			
Group in total	42.4	38.0	167.0	0.9	-0.2	3.3

The income statement for operations discontinued during the reference period has been separated from the income statement for retained operations and the result for them is presented in accordance with the IFRS standards on row ‘Earnings from discontinued operations’.

Panostaja Group’s business operations for the period under review are reported in nine segments: Digital Printing Services, Safety, Value-added Logistics, Takoma, Ceiling Materials, Fittings, Spare Parts for Motor Vehicles, Heat Treatment and Other (parent company and associated companies).

Net sales of Digital Printing Services increased from MEUR 10.9 to MEUR 13.6. EBIT remained on the level of the previous year at MEUR 1.0 (MEUR 1.0).
The increase in net sales is attributable to the acquisition of DMP Group in December 2012.
In spite of the rapid fall in the market, the segment has been able to grow and to increase its market share. After the review period, DMP Group bought the printing business of Eriksen Oy.

Net sales in the Safety segment grew from MEUR 7.6 to MEUR 8.3 and EBIT improved from MEUR -0.2 to MEUR 0.1.
The growth in net sales was attributable to organic growth in the segment and the acquisition of Lappeenrannan Lukko- ja Varustepalvelu in May 2013.
Flexim has launched the new-generation Flexim Safea solution, which has been well received by customers. EBIT developed favorably, even though depreciations from product development costs will encumber EBIT in the coming periods.

Net sales in the Value Added Logistics segment grew from MEUR 7.1 to MEUR 7.3. EBIT improved from MEUR 0.1 to MEUR 0.2.
Despite the poor situation in the export industry, net sales and EBIT developed favorably. The organic growth is attributable to the new agreements concluded in 2013.

The structure of the Takoma segment changed significantly during the review period. The only unit continuing to operate is Takoma Gears in Parkano. The figures for discontinued operations are presented under 'Discontinued Operations'. The net sales of continuing Takoma operations improved from MEUR 3.1 to MEUR 3.5. The segment's EBIT for continuing operations decreased from MEUR -0.5 to MEUR -0.3. Orders received by the Parkano factory and its order book are recovering as customer confidence returns.

Net sales in the Ceiling Materials segment decreased from MEUR 3.0 to MEUR 2.7. Correspondingly, EBIT weakened from MEUR 0.2 to MEUR 0.1. Economic conditions in construction are poor, customer companies have little work and what they do have is fiercely contested. In spite of the poor economic situation, the segment's result has remained positive.

Net sales in the Fittings segment decreased from MEUR 3.0 to MEUR 2.5. EBIT improved from the previous year's MEUR -0.2 to MEUR 0.1. The market situation in the segment is still poor, which is directly evident in weakened net sales. The profitability of both operating companies has, however, clearly improved over last year on a market that is still declining.

Net sales in the Spare Parts for Motor Vehicles segment grew slightly from MEUR 2.5 to MEUR 2.6. EBIT remained at the previous year's level at MEUR 0.2 (MEUR 0.2). The trade in winter products and repairs required because of sub-zero temperatures have been low because of the mild winter weather. The segment expanded in January when a new site was opened as planned in Turku.

Net sales in the Heat Treatment segment increased from MEUR 1.1 to MEUR 2.0. EBIT improved clearly from MEUR -0.3 to MEUR 0.2.
The market situation is better than in the corresponding period the previous year.
On the equipment side, the furnace business is clearly more active.

There were no significant changes in the net sales of the Other segment. In the review period, two associated companies, Ecosir Group Oy and Spectra Yhtiöt Oy, issued reports to the parent company. The profit/loss of the reported associated companies in the review period was MEUR -0.3 (MEUR -0.1), which is presented on a separate row in the consolidated income statement.

Personnel

	Jan 31, 2014	Jan 31, 2013	Change	Oct 31, 2013
Average number of employees	1,258	1,281	-2%	1,251
Employees at the end of the review period	1;220	1,355	-10%	1,295

Employees in each segment at the end of the review period	Jan 31, 2014	Jan 31, 2013	Change	Oct 31, 2013
Digital Printing Services	454	421	8%	451
Safety	214	215	0%	205
Takoma	95	191	-50%	163
Value-added Logistics	298	291	2%	299
Ceiling Materials	14	17	-18%	15
Spare Parts for Motor Vehicles	40	37	8%	39
Fittings	37	42	-12%	37
Heat Treatment	60	65	-8%	62
Carpentry Industry	0	30		0
Supports	0	16		16
Fasteners	0	21		0
Other	8	9	-11%	8
Group in total	1,220	1,355	-10%	1,295

Panostaja's personnel fell. At the end of the review period, Panostaja Group employed a total of 1,220 persons, while the average number of personnel during the period was 1,258. The number of personnel fell by 135 during the review period, mainly as a result of Takoma's discontinued operations. During the review period, Panostaja continued to develop its personnel in line with its strategy.

INVESTMENTS AND FINANCE

Operating cash flow improved and was MEUR 1.6 (MEUR 1.3). Liquidity remained good. The Group's liquid assets were MEUR 15.4 (MEUR 13.7) and interest-bearing net liabilities MEUR 36.2 (MEUR 52.4). Gearing ratio decreased and was 81.2% (115.2%). The Group's net financial expenses for the review period were MEUR -0.7 (MEUR -0.7), or 1.7% (1.9%) of net sales.

Panostaja Oyj's convertible subordinated loan amounted to MEUR 15 of the net liabilities (MEUR 15.0). The Group's equity ratio was 32.5% (30.0%). The return on equity was -19.3% (-18.6%) and the return on investment 3.8% (-2.1%).

The Group's gross capital expenditure for the period ended was approximately MEUR 0.8 (MEUR 17.1), or 1.9% (45.0%) of net sales. In the reference period, investments were mainly targeted at corporate acquisitions.
In May 2013, Panostaja Oyj issued a domestic hybrid loan of MEUR 7.5 (equity debenture loan). The loan was issued on May 27, 2013. It will strengthen the company's solvency and financial position. The hybrid loan has been processed in accordance with the IFRS standards as an equity loan and is shown on the balance sheet in the equity group.

Financial position:

MEUR	Jan 31, 2014	Jan 31, 2013	Oct 31, 2013
Interest-bearing liabilities	56.4	69.8	60.1
Interest-bearing receivables	4.8	3.7	3.6
Cash and cash equivalents	15.4	13.7	16.4
Interest-bearing net liabilities	36.2	52.4	40.1
Equity (belonging to the parent company's shareholders as well as minority shareholders)	44.6	45.4	49.1
Gearing ratio,%	81.2	115.2	82.6
Equity ratio,%	32.5	30.0	33.2
Return on equity,%	-19.3	-18.6	-11.7
Return on investment,%	3.8	-2.1	0.5

GROUP STRUCTURE CHANGES

Panostaja Oyj announced on December 3, 2013 that it had sold 80% of the share capital of Kannake Oy, a company manufacturing and selling supports. As a result of the transaction, Panostaja divested its Supports segment. Takoma Oyj's subsidiary Tampereen Laatukoneistus Oy filed on December 9, 2013 a business restructuring proceedings application at the District Court of Pirkanmaa. In its meeting on January 14, 2014, the Board of Directors of Tampereen Laatukoneistus Oy stated that, with the current volume, the company cannot fulfil the obligations of the business restructuring proceedings and that it is probable that the business restructuring proceedings cannot improve the profitability of the company and decided to cancel Tampereen Laatukoneistus Oy's business restructuring proceedings application and filed for bankruptcy. On January 14, 2014, the Board of Directors of Hervannan Koneistus Oy, a subsidiary of Takoma Oyj, decided to file for bankruptcy. The Board of Directors of Takoma Systems Oy decided to file for bankruptcy on December 27, 2013.

Takoma Gears Oy, whose business operations have been profitable, remains in the Takoma Group as an operative company. The key creditors expressed their support for Takoma Oyj's and Takoma Gears Oy's business restructuring proceedings applications.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.72 (lowest figure recorded) and EUR 0.74 (highest figure recorded) during the first quarter. During the period under review, a total of 2,725,541 shares were exchanged, which amounts to 5.3% of the share capital. The January share closing rate was EUR 0.74. The market value of the company's share capital at the end of January 2014 was MEUR 38.3. The company had 3,606 shareholders (3,802) at the end of January 2014.

Development of share exchange	1Q/2014	1Q/2013
Shares exchanged, 1,000 pcs	2,726	1,651
% of share capital	5.3	3.2

Share	Jan 31, 2014	Jan 31, 2013	Oct 31, 2013
Shares in total, 1,000 pcs	51,733	51,733	51,733
Own shares, 1,000 pcs	474	540	491
Closing rate	0.74	0.8	0.76
Market value (MEUR)	38.3	41.4	41.4
Shareholders	3,606	3,743	3,780

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

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

ADMINISTRATION AND GENERAL MEETING

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

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

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

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

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

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

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

SHARE CAPITAL AND THE COMPANY'S OWN SHARES

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

The total number of shares held by the company at the end of the review period was 474,517 individual shares (at the beginning of financial period: 490,956). The number of the company's own shares corresponded to 0.9% of the number of shares and votes at the end of the entire review period.

In accordance with the decisions by the General Meeting on January 29, 2013 and by the Board, Panostaja Oyj relinquished a total of 16,439 individual shares as meeting compensation to the members of the Board on December 16, 2013.

EQUITY CONVERTIBLE SUBORDINATED LOAN AND HYBRID LOAN

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

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

EVENTS AFTER THE REVIEW PERIOD

Panostaja's subsidiary DMP-Digital Media Partners Oy (DMP) bought the printing business of Eriksen Oy on February 11, 2014. The object of sale was Eriksen's offset printing business, the effect of which on DMP's net sales is about MEUR 3.3.

Panostaja announced that Ari Virtanen, Managing Director of its subsidiary Takoma Oyj, was relieved of his duties as of February 14, 2014. Ilkka Miettinen, Takoma Oyj's CFO, was appointed the company's new Managing Director.

MARKET PROSPECTS

The general economic situation and atmosphere has remained challenging, especially in the construction and export industry-related segments. The demand for companies operating on the domestic market has evened out and remained at a satisfactory level at least. The segments' position in their fields of operation has improved and is expected to continue to do so. The situation on the financial markets for the SME sector is improving and finance is available for good projects. Caution in granting credit is, however, still a significant risk to overall economic development. In terms of volumes, the corporate acquisitions market remains at a lower level than normal, but activity has increased.

MOST SIGNIFICANT NEAR-FUTURE BUSINESS RISKS AND RISK MANAGEMENT

Risk management is part of the Panostaja Group's management and monitoring systems Panostaja aims to identify and monitor changes in the business environment and general market situation of its segments, to react to them and to utilize the business opportunities that they present. Risk is classified as factors that may endanger or impede Panostaja or the business segments owned by it from achieving strategic objectives, the development of profit or financial position, or business continuity, or that may otherwise cause significant consequences for Panostaja, its owners, segments, personnel or other stakeholder groups. A more detailed report on Panostaja's risk management policy and the most significant risks was published in the 2013 annual report. Financial risks are discussed in greater detail in the Notes to the 2013 financial statements.

Market risks, general: General market risks are mainly tied to the uncertainty resulting from Finland's economic situation, export industry competitiveness and the change it has caused, as well as their potential impact on achieving the goals set for the various segments. The weakening in financial market liquidity and the tightening on credit issue may hamper the realization of corporate acquisitions and the availability of finance for working capital.

Panostaja has prepared for a weak financial market situation in the SME sector and for a continued quiet period in the corporate acquisitions market by taking out a MEUR 7.5 hybrid loan in May 2013. This hybrid loan will enable Panostaja to make, in line with the company's strategy and investment criteria, new complementary acquisitions and to give more temporal room for maneuver for possible divestments.

Market risks, operating fields of the segments: The instability of the overall economic situation has led to a decline in customer demand as well as the postponement of investments, particularly in segments serving the technology sector, which may result in a need for consolidated goodwill write-downs. Economic prospects in the fields of the existing segments are strongly tied to the prospects of customer enterprises. Expectations for the financial situation are still characterized by uncertainty and poor forecastability. In the various segments of Panostaja Group, the prospects still vary from cautiously positive to neutral. Panostaja regularly assesses the risks for each segment and, based on the updated risk assessment, takes the necessary remedial action.

Strategic risks: Panostaja represents the Finnish SME sector extensively. Net sales are divided into five different sectors, the cyclical nature of which varies. The Group's business structure partially evens out economic fluctuations. In spite of this, general and sector-specific market risks can, however, affect the Group's result and financial development. In the business segments, the estimated market situation is taken into account by adapting production and costs to market demand and by safeguarding the financial position.

In changes in the global economy, Panostaja also sees opportunities to improve its market position, for example through corporate acquisitions. The crisis in Ukraine has no direct impact on Panostaja Group, as the Group companies have no receivables from/projects ongoing in Ukraine.

Financial risks: As a consequence of its operations, the Group is exposed to many financial risks. The aim of risk management is to limit the adverse effects of changes on financial markets on the result and financial development of the Group. The Group's revenue and operative cash flows are mainly 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. Some of the business segments use interest rate swaps and interest rate ceiling agreements. 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. In the current financial period, credit loss risks continue to represent a significant uncertainty factor in some of the segments. This risk is increased by the tightness of credit issue to SMEs.

Corporate acquisitions:
Panostaja actively seeks SMEs and endeavors to increase and create value, through organic growth, corporate acquisitions and correctly-timed divestments. The market still provides sufficient opportunities for corporate acquisitions, and Panostaja Group aims to implement its growth strategy by means of controlled acquisitions in current segments, but new potential segments are also being actively studied. Preparation for divestments is being continued as part of the ownership strategies of segments. Risks related to corporate acquisitions are managed by investing carefully according to specific investment criteria, as well as through efficient integration processes. Panostaja Group has specified harmonized guidelines and a corporate acquisitions process for the preparation and implementation of corporate acquisitions.

Non-life risks: Non-life risks are managed in Panostaja Group through insurance and Group guidelines, which set policy for the different areas.

Operative risks: During the quarter, the management of operative risks has particularly focused on business concerning Takoma. On January 17, 2014, business restructuring proceedings began at Takoma Oyj and Takoma Gears Oy. In the period under review, Tampereen Laatukoneistus Oy, Hervannan Koneistus Oy and Takoma Systems Oy filed for bankruptcy. As a result of the bankruptcy, the companies in question have been treated as discontinued operations in Panostaja's consolidated financial statements. The restructuring proceedings of Takoma Oyj and Takoma Gears Oy may have an impact on business, depending on the reactions of customers and suppliers. In order to reduce the negative impact and safeguard undisturbed operations, Takoma has been in contact with both customers and suppliers and has discussed the situation of each company and the reasons for it with different interest groups. According to customer and supplier feedback received, confidence in Takoma's ability to supply is returning. Takoma's interim report has been prepared on the assumption that business will continue.
This will require that admission to the business restructuring process is granted, additional finance is acquired, loan periods are extended, and the profitability of operations is improved. Changes concerning Takoma may cause needs for one-time write-downs. Takoma's failure to safeguard the continuity of operations is not expected to cause changes to Panostaja Groups operating conditions.

OUTLOOK FOR THE 2014 FINANCIAL PERIOD

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

Economic prospects in the fields of the existing segments are strongly tied to the prospects of customer enterprises. Expectations for the financial situation are still characterized by uncertainty and poor forecastability. In the various segments of Panostaja Group, the prospects still vary from cautiously positive to neutral. The challenges in the forecastability of the technology industry or weakening prospects may create a need for consolidated goodwill write-downs. The prospects for new construction have remained weak and, during the coming months in particular, demand may be weaker than expected.

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

The continuation of operations of Takoma will require that the business restructuring process is carried out, the restructuring program is confirmed, loan periods are extended, and the profitability of operations is improved. Takoma's failure to safeguard the continuity of operations does not cause changes to Panostaja Group's operating conditions.

Panostaja specifies its result management with regard to net sales and specifies the reference figure for net sales and EBIT: The Group's comparable net sales in the 2014 financial period are expected to be greater than in 2013 (MEUR 167.0). It is expected that the Group's comparable EBIT (MEUR 3.3) will improve in the 2014 financial period. The discontinued operations of the Takoma segment and the divestment of the Supports segment from the Group have been taken into account in result management.

The previous result management on December 13, 2013: The Group's comparable net sales in the 2014 financial period are expected to be at the same level or better than in 2013 (MEUR 176.2). It is expected that the Group's comparable EBIT (MEUR -0.6) will improve in the 2014 financial period.
The divestment of the Supports segment from the Group has been taken into account in result management.

Panostaja Oyj

Board of Directors

For further information, contact CEO Juha Sarsama: tel. +358 40 774 2099.

Panostaja Oyj

Juha Sarsama
CEO

All forecasts and assessments presented in this interim report bulletin are based on the current outlook of the Group and the views of the management of the various business areas with regard to the state of the economy and its development. The results attained may be substantially different.

The information in the interim report has not been audited.

INCOME STATEMENT

(EUR 1,000)	11/12-01/14 3 months	11/11-01/13 3 months	2013 12 months
Net sales	42,405	38,008	166,951
Other operating income	230	180	1,281
Costs in total	40,257	37,078	155,757
Depreciations, amortizations and impairment	1,476	1,343	9,191
Operating profit	902	-233	3,284

Financial income and expenses	-717	-714	-2,787
Share of associated company profits	-300	-101	-110
Profit before taxes	-115	-1,048	387
Income taxes	-917	-499	-1,376
Profit/loss from continuing operations	-1,031	-1,547	-989
Profit/loss from discontinued operations	37	64	740
Profit/loss from discontinued operations	-1,267	-620	-5,271
Profit/loss for the financial period	-2,261	-2,103	-5,520
Attributable to			
shareholders of the parent company	-2,043	-1,893	-4,628
minority shareholders	-218	-210	-892
Earnings per share from continuing operations EUR, undiluted	-0.025	-0.031	-0.040
Earnings per share from continuing operations EUR, diluted	-0.025	-0.031	-0.040
Earnings per share from discontinued operations EUR, undiluted	-0.015	-0.006	-0.050
Earnings per share from discontinued operations EUR, diluted	-0.015	-0.006	-0.050
Earnings per share on continuing and discontinued operations EUR, undiluted	-0.040	-0.037	-0.090
Earnings per share on continuing and discontinued operations EUR, diluted	-0.040	-0.037	-0.090

EXTENSIVE INCOME STATEMENT

Items of the extensive income statement	-2,261	-2,103	-5,520
Translation differences	-51	-9	103
Extensive income statement for the period	-2,312	-2,112	-5,417
Attributable to			
shareholders of the parent company	-2,094	-1,902	-4,525
minority shareholders	-218	-210	-892

BALANCE SHEET	Jan 31, 2014	Jan 31, 2013	Oct 31, 2013
(EUR 1,000)			
ASSETS			
Non-current assets			
Goodwill	41,951	46,877	41,929
Other intangible assets	8,970	6,755	8,079
Property, plant and equipment	12,620	19,913	15,153
Interests in associated companies	3,413	3,722	3,714

Other non-current assets	12,310	13,153	12,769
Non-current assets total	79,264	90,420	81,644
Current assets			
Stocks	14,580	20,398	15,437
Trade receivables and other non-interest-bearing receivables	28,112	28,113	30,834
Short-term investments	8,400		8,400
Cash and cash equivalents	7,029	13,722	7,970
Current assets total	58,121	62,233	62,641
Held-for-sale non-current asset items	64		4,348
Assets in total	137,449	152,653	148,633
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders			
Share capital	5,569	5,569	5,569
Share premium account	4,646	4,646	4,646
Invested unrestricted equity fund	14,524	14,470	14,508
Equity convertible loan	7,390		7,390
Translation difference	-124	-75	-73
Retained earnings	-3,992	948	-1,979
Total	28,013	25,558	30,061
Minority interest	16,551	19,893	19,016
Equity total	44,564	45,451	49,077
Liabilities			
Deferred tax liabilities	1,244	1,479	1,672
Equity convertible subordinated loan	14,590	14,456	14,556
Non-current liabilities	27,857	40,429	28,046
Current liabilities	49,194	50,838	55,282
Liabilities total	92,885	107,202	99,556
Equity and liabilities in total	137,449	152,653	148,633

CASH FLOW STATEMENT (EUR 1,000)	01/2014	01/2013	2013

Operating net cash flow	1,573	1,315	7,780
Investment net cash flow	2,142	-11,301	-25,452
Loans drawn	1,713	16,494	33,077
Loans repaid	-5,135	-4,026	-21,543
Share issue			5,102
Disposal of own shares	12	10	46
Dividends paid and capital repayments	-1,467	-1,116	-3,156
Finance net cash flow	-4,877	11,362	13,526
Change in cash flows	-1,162	1,376	-4,146

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share premium account	Invested unrestricted equity fund	Translation differences	Profit funds	Equity convertible loan	Minority shareholders' interest	Total
Equity Nov 1, 2012	**5,569**	**4,646**	**16,523**	**-66**	**1,981**		**1,652**	**45,173**
Profit for the financial period					-1,893		-210	-2,103
Profit and costs recorded during the financial period, total					-1,893		-210	-2,103
Dividends paid							-659	-659
Repayment of capital			-2,040					-2,040
Share subscription								
Share issue								
Disposal of own shares			13					13
Reward scheme								
Translation differences				-9				-9
Changes in minority interest					860		4,700	5,560
Other changes in equity, total			-2,053	-9	860		3,583	2,381
Equity								
Jan 31, 2013	**5,569**	**4,646**	**14,470**	**-75**	**948**		**19,893**	**45,451**

Equity Nov 1, 2013	**5,569**	**4,646**	**14,508**	**-73**	**-1,979**	**7,390**	**19,016**	**49,077**
Profit for the financial period					-2,043		-218	-2,261
Profit and costs recorded during the financial period, total					-2,043		-218	-2,261
Dividends paid							-1,638	-1,638
Repayment of capital								
Equity convertible loan								
Disposal of own shares			12					12
Reward scheme			4					4
Translation differences				-51	30			-21
Changes in minority interest					-609			-609
Correction of errors in previous financial period								
Other changes in equity, total			16	-51	30		-2,247	-2,252
Equity Jan 31, 2014	**5;569**	**4,646**	**14,524**	**-124**	**-3,992**	**7,390**	**16,551**	**44;564**

KEY FIGURES

	01/2014	01/2013	10/2013
Equity per share (EUR)	0.54	0.50	0.59
Earnings per share, diluted (EUR)	-0.04	-0.04	-0.09
Earnings per share, undiluted (EUR)	-0.04	-0.04	-0.09
Average number of shares during financial period, 1,000 pcs.	51,195	51,187	51,211
Number of shares at end of financial period, 1,000 pcs.	51,733	51,733	51,733
Share issues/CL exchanges during financial period, 1,000 pcs.	0	0	0
Number of shares, 1,000, diluted	58,014	58,005	58,029
Return on equity,%	-19.3	-18.6	-11.7
Return on investment,%	3.8	-2.1	0.5
Gross capital expenditure			
To permanent assets (MEUR)	0.8	17.1	21.2
% of net sales	1.9%	45.0	12.7
Interest-bearing liabilities	56.4	69.8	60.1

Equity ratio (%)	32.5	30.0	33.2
Average number of employees	1,258	1,281	1,251

GROUP DEVELOPMENT BY QUARTER

(MEUR)	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12
Net sales	42.4	46.8	40.6	41.6	38.0	39.8	36.7
Other operating income	0.2	0.6	0.2	0.2	0.2	0.5	0.2
Costs in total	-40.1	-42.7	-36.7	-39.1	-37.1	-36.7	-34.4
Depreciations, amortizations and impairment	-1.5	-2.0	-4.1	-1.7	-1.3	-3.6	-1.3
EBIT	0.9	2.6	-0.1	1.0	-0.2	0.0	1.3
Finance items	-0.7	-0.7	-0.6	-0.8	-0.7	-1.5	-0.8
Share of associated company profits	-0.3	-0.2	0.2	0.0	-0.1	-0.1	0.1
Profit before taxes	0.1	1.8	-0.5	0.2	-1.0	-1.6	0.6
Taxes	-0.9	0.4	-0.8	-0.5	-0.5	-1.5	-0.3
Profit from continuing operations	-1.0	2.1	-1.3	-0.3	-1.5	-3.2	0.3
Profit/loss from discontinued operations	0.0	0.3	0.1	0.2	0.1	0.1	0.4
Profit/loss from discontinued operations	-1.3	-3.4	-0.7	-0.6	-0.6		
Profit for the financial period	-2.3	-1.0	-1.8	-0.7	-2.1	-3.1	0.7
Minority interest	-0.2	-0.6	-0.4	0.3	-0.2	-0.3	-0.2
Parent company shareholder interest	-2.1	-0.4	-1.4	-1.0	-1.9	-2.8	1.0

GUARANTEES GIVEN

(EUR 1,000)	01/2014	01/2013	2013
Guarantees given on behalf of Group companies			
Enterprise mortgages	39,677	44,421	41,449
Pledges given	72,392	79,236	72,939
Other liabilities	2,753	778	2,950
Other rental agreements			
In one year	7,876	9,350	9,227
In over one year but within five years maximum	13,940	20,088	16,854
In over five years	2,132	3,792	2,438
Total	23,948	33,230	28,519

SEGMENT INFORMATION

NET SALES	11/13-01/14	11/12-01/13	Change
(EUR 1,000)			
Digital Printing Services	13,570	10,931	2,639
Safety	8,274	7,587	687
Value-added Logistics	7,340	7,077	263
Takoma	3,518	3,051	467
Ceiling Materials	2,667	2,975	-308
Fittings	2,532	2,996	-464
Spare Parts for Motor Vehicles	2,563	2,492	71
Heat Treatment	2,016	1,067	949
Other	0	25	-25
Eliminations	-75	-193	118
Group in total	42,405	38,008	4,397

OPERATING PROFIT (EUR 1,000)			
Digital Printing Services	1,030	1,033	-2
Safety	144	-158	303
Value-added Logistics	207	87	120
Takoma	-346	-472	126
Ceiling Materials	102	247	-145
Fittings	66	-216	282
Spare Parts for Motor Vehicles	155	158	-3
Heat Treatment	202	-293	494
Other	-658	-618	-40
Group in total	902	-233	1,135

SEGMENT INFORMATION BY QUARTER

	1Q/14	4Q/13	3Q/13	2Q/13	1Q/13	4Q/12	3Q/12
Digital Printing Services	13.6	14.2	12.3	13.4	10.9	9.5	8.3
Safety	8.3	9.5	7.0	7.8	7.6	8.0	6.4
Value-added Logistics	7.3	8.1	7.6	7.2	7.1	7.2	7.5
Takoma	3.5	4.0	3.6	3.5	3.1	7.0	6.7
Ceiling Materials	2.7	3.2	3.5	3.0	3.0	0.0	0.0
Fittings	2.5	3.0	2.8	3.1	3.0	2.5	2.3
Spare Parts for Motor Vehicles	2.6	2.7	2.6	2.5	2.5	2.9	2.6
Heat Treatment	2.0	2.1	1.3	1.2	1.1	1.8	1.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	-0.1	0.0	-0.1	-0.1	-0.2	0.9	1.0

Group in total	42.4	46.8	40.6	41.6	38.0	39.8	36.7

Operating profit (MEUR)	1Q/14	4Q/13	3Q/13	2Q/13	1Q/13	4Q/12	3Q/12
Digital Printing Services	1.0	1.9	1.7	1.7	1.0	1.9	1.0
Safety	0.1	1.0	0.4	0.4	-0.2	0.5	0.0
Value-added Logistics	0.2	0.8	0.5	0.3	0.1	0.6	0.5
Takoma	-0.3	-0.3	-2.9	-0.5	-0.5	-2.9	-0.5
Ceiling Materials	0.1	0.2	0.3	0.1	0.2	0.0	0.0
Fittings	0.1	0.0	0.2	-0.2	-0.2	0.1	0.1
Spare Parts for Motor Vehicles	0.2	0.2	0.3	0.1	0.2	0.5	0.3
Heat Treatment	0.2	-0.7	-0.1	-0.3	-0.3	0.2	0.2
Other	-0.7	-0.5	-0.6	-0.6	-0.6	-0.8	-0.2
Group in total	0.9	2.6	-0.1	1.0	-0.2	0.0	1.3

Panostaja is an investment company developing Finnish SMEs in the role of an active majority shareholder. The company aims to be the most sought-after partner for business owners selling their companies as well as for the best managers and investors. Together with its partners, Panostaja increases the Group's shareholder value and creates Finnish success stories.

Panostaja has eight segments engaging in business operations. Flexim Security Oy (Safety) is a specialist in security technology and services, locking, door automation and access control products and solutions. Heatmasters Group (Heat Treatment) offers thermal treatment services of metals in Finland and internationally, and produces, develops and markets heat treatment technology. KL-Varaosat (Spare Parts for Motor Vehicles) is an importer, wholesale dealer and retailer of original spare parts and supplies for Mercedes Benz and BMW cars. Kopijyvä Oy & DMP-Digital Media Partners Oy (Digital Printing Services) form Finland’s largest company offering digital printing services and publication and production services. Suomen Helakeskus Oy (Fittings) is a major wholesaler of construction and furniture fittings in Finland. Selog Oy (Ceiling Materials) is a specialty supplier and wholesaler of ceiling materials. Takoma Oyj (Takoma) is a listed machine shop group with an entrepreneur-driven business model. Vindea Oy (Value-added Logistics) is an enterprise specialized in value-added logistics services for the Finnish metal industry.