

PANOSTAJA GROUP'S INTERIM REPORT

MAY 1, 2014–JULY 31, 2014 (Q3)

- Net sales increased by 15% and stood at MEUR 38.1 (MEUR 33.0). The impact of corporate acquisitions on the MEUR 5.1 increase of net sales stood at MEUR 4.1. Net sales increased in four of the eight segments.
- EBIT improved and was MEUR 2.8 (MEUR -0.6). The increase in EBIT of MEUR 3.3 is mainly attributable to the MEUR 2.3 goodwill amortization in the Takoma segment included in the reference period and to the good profit development achieved in the Safety and Building Technology Renovation segments. Three out of eight segments achieved better operating profit than in the reference period.
- Profit before taxes was MEUR 1.9 (MEUR -1.1)
- The result for the review period was MEUR 7.0 (MEUR -1.8).
- Earnings per share (undiluted) were 12.2 cents (-2.7 cents).
- Operating cash flow was MEUR 1.0 (MEUR 2.4).
- During the third quarter, Panostaja expanded its business into building technology renovation services for houses and sold the Value-Added Logistics segment. Panostaja recorded a sales profit of about MEUR 5.5 from the sales of Value-Added Logistics.

November 1, 2013–July 31, 2014 (9 months)

- Net sales for the three quarters increased by 13% to MEUR 110.7 (MEUR 98.3). The MEUR 12.3 growth in net sales was a result of organic growth and the impact of corporate acquisitions carried out in the previous and current financial period, the impact of which totaled MEUR 7.3. Net sales increased in five of the eight segments.
- EBIT improved and was MEUR 5.8 (MEUR -0.2). Growth of MEUR 6.0. EBIT particularly benefited from an improvement in profit in the Fittings and Heat Treatment segments. The reference period includes Takoma segment's goodwill amortization entry amounting to MEUR 2.3. Five segments exceeded the EBIT level of the review period.
- Profit before taxes was MEUR 3.3 (MEUR -2.2)
- The result was MEUR 5.8 (MEUR -4.6).
- Earnings per share (undiluted) were 8.7 cents (-8.3 cents).
- Operating cash flow improved and was MEUR 5.2 (MEUR 4.7).

Result management

Panostaja specifies its result management with regard to net sales and EBIT. The Group's comparable net sales in the 2014 financial period are expected to be 12–16% greater than in the 2013 financial period (MEUR 137.0). The Group's comparable EBIT (MEUR 1.6) is expected to be MEUR 7.5–10.5 in the 2014 financial period. Result management has taken into account the divested businesses of the Takoma segment and the removal of the Value-added Logistics and Supports segments from the Group.

The previous result management on May 21, 2014 and June 4, 2014: The Group's comparable net sales in the 2014 financial period are expected to be 12–17% greater than in the 2013 financial period (MEUR 137.0). The Group's comparable EBIT (MEUR 1.6) is expected to improve significantly in the 2014 financial period. Result management has taken into account the divested businesses of the Takoma segment and the removal of the Value-added Logistics and Supports segments from the Group.

CEO Juha Sarsama: In the third quarter, business development continued favorably. Net sales increased further and EBIT improved.

The active development of our ownerships continued. In the review period, we have carried out two significant corporate restructuring measures. We expanded our business into building technology renovation services for detached houses by purchasing a 60% shareholding in Kotisun Oy, and we established a new segment within the Group directed at consumers specializing in building technology renovation for houses. We sold Vindea, the expert in value-added logistics, which we had owned since 2003.

Takoma reorganization measures were evident during the financial period as an improvement in profitability. The impact of actions taken is already evident as a clear increase in the order book.

In spite of the good development, the general economic situation remains uncertain. The crisis in Ukraine has significantly increased the difficulty of forecasting. The general economic situation and atmosphere has remained challenging, especially in the construction and export industry-related segments. On the corporate acquisitions market, activity has increased and this will offer Panostaja opportunities both for new acquisitions and for divestments. 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	9 months	9 months	Q3	Q3	12
	11/13- 07/14	11/12- 07/13	5/14- 7/14	5/13- 7/13	12 months 11/12- 10/13
Net sales, MEUR	110.7	98.3	38.1	33.0	137.0
EBIT, MEUR	5.8	-0.2	2.8	-0.6	1.6
Profit before taxes, MEUR	3.3	-2.2	1.9	-1.1	-1.3
Earnings per share, undiluted (EUR)	0.09	-0.08	0.12	-0.03	-0.09
Equity per share (EUR)	0.60	0.60	0.60	0.60	0.60
Operating cash flow (MEUR)	5.2	4.7	1.0	2.4	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 continuing operations in the income statement, the consolidated net sales for the reference period were MEUR 136.0 and the EBIT was MEUR 0.3.

Key figures by segment

Net sales, MEUR

	9 months	9 months	Q3	Q3	12 months
	11/13- 07/14	11/12- 07/13	5/14- 7/14	5/13- 7/13	11/12- 10/13
Digital Printing Services	42.0	36.6	13.2	12.3	50.8
Safety	24.4	22.3	7.7	7.0	31.8
Takoma	10.7	10.1	3.5	3.6	14.1
Ceiling Materials	8.4	9.5	2.9	3.5	12.8
Fittings	8.3	8.9	2.6	2.8	11.9
Spare Parts for Motor Vehicles	7.9	7.6	2.7	2.6	10.3
Building Technology Renovation	3.9		3.9		
Heat Treatment	5.2	3.6	1.6	1.3	5.7
Other	0.0	0.0	0.0	0.0	0.0
Eliminations	-0.2	-0.4	-0.1	-0.1	-0.4
Group in total	110.7	98.3	38.1	33.0	137.0

EBIT, MEUR

	9 months	9 months	Q3	Q3	12 months
	11/13- 07/14	11/12- 07/13	5/14- 7/14	5/13- 7/13	11/12- 10/13
Digital Printing Services	4.5	4.4	1.3	1.7	6.4
Safety	1.2	0.6	0.9	0.4	1.6
Takoma	-0.6	-3.8	0.0	-2.9	-4.1
Ceiling Materials	0.6	0.7	0.1	0.3	0.9
Fittings	0.6	-0.1	0.2	0.2	-0.2
Spare Parts for Motor Vehicles	0.5	0.6	0.2	0.3	0.8
Building Technology Renovation	0.5		0.5		
Heat Treatment	0.3	-0.8	0.1	-0.1	-1.5
Other	-1.7	-1.8	-0.4	-0.6	-2.3
Group in total	5.8	-0.2	2.8	-0.6	1.6

PRESS CONFERENCE

Panostaja will hold a press conference for analysts, investors and the press on September 3, 2014 from 11:30 am to 12:30 pm at Hotel Scandic Simonkenttä, Balsa-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–JULY 31, 2014 (9 months)

THE ECONOMIC DEVELOPMENT OF THE PANOSTAJA GROUP

	9 mont hs	9 month s	Change, %	3 mont hs	3 month s	Change, %	12 month s
Key figures Panostaja Group	11/13- 07/14	11/12- 07/13		5/14- 7/14	5/13- 7/13		11/12- 10/13
Net sales, MEUR	110.7	98.3	12.5%	38.1	33.0	15.4%	137.0
EBIT, MEUR	5.8	-0.2		2.8	-0.6		1.6
Profit before taxes, MEUR	3.3	-2.2		1.9	-1.1		-1.3
Earnings per share, undiluted (EUR)	0.09	-0.08		0.12	-0.03		-0.09
Equity per share (EUR)	0.60	0.60	0.0%	0.60	0.60	0.00%	0.59
Operating cash flow (MEUR)	5.2	4.7	9.5%	1.0	2.4	-56.9%	7.8

MAY 2014–JULY 2014

Net sales for the third quarter, May–July, increased by 15% to MEUR 38.1 (MEUR 33.0). Export amounted to MEUR 0.6, or 1.7%, (MEUR 2.3, or 4.9%) of net sales. The impact of corporate acquisitions on the MEUR 5.1 increase in net sales stood at MEUR 4.1. Of the Group's eight business segments, four exceeded the level of net sales in the reference period.

EBIT improved and was MEUR 2.8 (MEUR -0.6).

The increase in EBIT of MEUR 3.3 is mainly attributable to the MEUR 2.3 goodwill amortization in the Takoma segment included in the reference period and to the good profit development achieved in the Safety and Building Technology Renovation segments. Three segments achieved better operating profit than in the reference period.

Profit before taxes was MEUR 1.9 (MEUR -1.1) and earnings per share (undiluted) was 12.2 cents (-2.7 cents). Equity per share was EUR 0.60 (EUR 0.60).

Operating cash flow was MEUR 1.0 (MEUR 2.4).

During the third quarter, Panostaja expanded its business into building technology renovation services for houses and sold the Value-added Logistics segment. Panostaja recorded a sales profit of about MEUR 5.5 from the sales of Value-added Logistics.

NOVEMBER 2013–JULY 2014

Net sales for the review period increased by 12.5%. Panostaja Group's net sales during the period under review were MEUR 110.7 (MEUR 98.3). Export amounted to MEUR 5.9, or 5.3%, (MEUR 7.0, or 5.1%) of net sales. The impact of corporate acquisitions made in the previous financial period and the current one totaled MEUR 7.3.

Of the Group's eight operational segments, five exceeded the cumulative net sales level of the reference period.

EBIT was MEUR 5.8 (MEUR -0.2), growth of MEUR 6.0. EBIT was particularly improved by an improvement in profit in the Fittings and Heat Treatment segments. The reference period includes Takoma segment's goodwill amortization entry amounting to MEUR 2.3. Five segments exceeded the EBIT level of the review period.

The Group's net financial expenses for the review period were MEUR -2.1 (MEUR -2.1). The Group's liquidity remained good and operating cash flow was MEUR 5.2 positive.

SEGMENT REVIEW

Key figures by segment

Net sales, MEUR

	9 months	9 months	Change, %	Q3	Q3	Change, %	12 months
	11/13- 07/14	11/12- 07/13		5/14- 7/14	5/13- 7/13		11/12- 10/13
Digital Printing Services	42.0	36.6	14.8%	13.2	12.3	7.6%	50.8
Safety	24.4	22.3	9.0%	7.7	7.0	10.6%	31.8
Takoma	10.7	10.1	6.1%	3.5	3.6	-3.8%	14.1
Ceiling Materials	8.4	9.5	-11.3%	2.9	3.5	-18.6%	12.8
Fittings	8.3	8.9	-7.2%	2.6	2.8	-6.6%	11.9
Spare Parts for Motor Vehicles	7.9	7.6	3.3%	2.7	2.6	3.5%	10.3
Building Technology Renovation	3.9			3.9			
Heat Treatment	5.2	3.6	44.7%	1.6	1.3	24.0%	5.7
Other	0.0	0.0	-100.0%	0.0	0.0		0.0
Eliminations	-0.2	-0.4	-58.6%	-0.1	-0.1	-55.6%	-0.4
Group in total	110.7	98.3	12.5%	38.1	33.0	15.4%	137.0

EBIT, MEUR

	9 months	9 months	Change, %	Q3	Q3	Change, %	12 months
	11/13- 07/14	11/12- 07/13		5/14- 7/14	5/13- 7/13		11/12- 10/13
Digital Printing Services	4.5	4.4	3.1%	1.3	1.7	-25.3%	6.4
Safety	1.2	0.6	90.3%	0.9	0.4	117.3%	1.6
Takoma	-0.6	-3.8	84.5%	0.0	-2.9		-4.1

Ceiling Materials	0.6	0.7	-16.7%	0.1	0.3	-74.0%	0.9
Fittings	0.6	-0.1		0.2	0.2	-28.7%	-0.2
Spare Parts for Motor Vehicles	0.5	0.6	-20.2%	0.2	0.3	-32.3%	0.8
Building Technology Renovation	0.5			0.5			
Heat Treatment	0.3	-0.8		0.1	-0.1		-1.5
Other	-1.7	-1.8	-5.0%	-0.4	-0.6	27.7%	-2.3
Group in total	5.8	-0.2	2,694.6%	2.8	-0.6	563.7%	1.6

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'.

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

Segment comments, November 2013–July 2014

In the review period, net sales in the Digital Printing Services segment increased from MEUR 36.6 to MEUR 42.0. EBIT increased from MEUR 4.4 to MEUR 4.5. The increase in net sales is mainly attributable to the acquisition of DMP Group in December 2012 and the acquisition of Eriksen Oy in February 2014. The market has not grown and the price level has continued to drop, which is evident as a deterioration in relative profitability. The costs of the name change carried out in the Group also encumbered the result in the review period. In the review period, DMP Digital Media Partners Oy merged with Kopijyvä Oy. At the same time, the company decided on a new strategy and name. Since June 1, 2014, the company's new name has been Grano Oy.

Net sales in the Safety segment increased from MEUR 22.3 to MEUR 24.4, and EBIT improved from MEUR 0.6 to MEUR 1.2. The increase in net sales has continued despite the difficult market situation. In addition to organic growth, the acquisition of Lappeenrannan Lukko- ja Varustepalvelu in May 2013 has increased net sales. EBIT developed favorably, even though product development cost depreciations are encumbering EBIT. In the review period, the new-generation Flexim Safea solution was launched and has been positively received by customers.

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 10.1 to MEUR 10.7. The volume of orders has increased and the order book has strengthened significantly. The operating loss in the segment's continuing operations decreased from MEUR -3.8 to MEUR -0.6. EBIT for the reference period includes goodwill amortization of MEUR 2.3. 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 Panostaja's consolidated financial statements. They incurred a combined loss of MEUR 1.5 in the period under review. On June 5, 2014, Takoma Oyj and Takoma Gears Oy submitted their proposals for corporate restructuring programs to Pirkanmaa District Court. The District Court is expected to accept the proposals during the autumn.

Net sales in the Ceiling Materials segment declined from MEUR 9.5 to MEUR 8.4. The economic situation in construction has not brightened and competition for installation work is fierce, which is evident, for example, in the increased financing problems experienced by customers. EBIT declined from MEUR 0.7 to MEUR 0.6. In spite of the difficult economic situation, the segment's result has remained on a reasonable level.

Net sales in the Fittings segment declined from MEUR 8.9 to MEUR 8.3. The depressed state of the construction market is radiating to both the furniture fittings and building fittings businesses. EBIT, however, improved over the previous year's MEUR -0.1 to MEUR 0.6. The result for the reference period was encumbered by costs related to the acquisition of Eurohela. Measures implemented in operational companies to improve profitability and efficiency and successful procurement contracts have improved relative profitability despite the reduction in net sales.

Net sales in the Spare Parts for Motor Vehicles segment increased slightly from MEUR 7.6 to MEUR 7.9. Consumers remain cautious in their purchases, and the work situation in repair shops during the summer has been weaker than on average. EBIT on the other hand weakened from the level of the previous year and was MEUR 0.5 (MEUR 0.6). The company has actively implemented measures necessary to develop business in line with the company's strategy. The segment expanded in the review period when a new site was opened as planned in Turku in January.

The Building Technology Renovation segment was created when Panostaja acquired a 60% share in KotiSun Oy in May 2014. The company offers consumers conceptualized service water and heating network renovations as a turnkey service. KotiSun has grown rapidly into the largest and best-known company in the sector in Finland. During the review period, net sales in the segment were MEUR 3.9 and EBIT MEUR 0.5. No significant change occurred in the segment's market situation.

Net sales in the Heat Treatment segment increased from MEUR 3.6 to MEUR 5.2, and EBIT improved significantly from MEUR -0.8 to MEUR 0.3. Demand in the metal industry continued at a moderate level in all business areas. Heatmasters is actively continuing the development of its market position on both domestic and international markets.

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

	July 31, 2014	July 31, 2013	Change	October 31, 2013
Average number of employees	1,199	1,300	-8%	1,251
Employees at the end of the review period	1,102	1,394	-21%	1,295

Employees in each segment at the end of the review period	July 31, 2014	July 31, 2013	Change	October 31, 2013
Digital Printing Services	512	456	12%	451
Safety	228	206	11%	205
Takoma	101	195	-48%	163
Value-added Logistics	0	305	-100%	299
Ceilings	15	15	0%	15
Fittings	34	40	-15%	39
Spare Parts for Motor Vehicles	45	38	18%	37
Building Technology Renovation	100			
Heat Treatment	58	63	-8%	62
Carpentry Industry	0	32		0
Supports	0	16		16
Fasteners	0	20		0
Other	9	8	13%	8
Group in total	1,102	1,394	-21%	1,295

The number of personnel employed by Panostaja fell compared with one year earlier, mainly as a result of the sale of the Value-added Logistics segment. The discontinued operations of Takoma also contributed to the reduction in personnel. At the end of the review period, Panostaja Group employed a total of 1,102 persons, while the average number of personnel during the period was 1,199. 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 5.2 positive (MEUR 4.7). Liquidity remained good. The Group's liquid assets were MEUR 17.1 (MEUR 15.9) and interest-bearing net liabilities MEUR 38.2 (MEUR 46.0). Gearing ratio fell and was 84.0% (91.3%). The Group's net financial expenses for the review period were MEUR -2.1 (MEUR -2.1), or 1.9% (2.0%) 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 at the end of the review period was 32.8% (33.0%). The return on equity improved and was 16.5% (-12.7%) and the return on investment improved to 14.9% (-0.1%).

The Group's gross capital expenditure for the review period were MEUR 15.9 (MEUR 21.0), or 18.2% (24.0%) 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	July 31, 2014	July 31, 2013	October 31, 2013
Interest-bearing liabilities	60.4	65.9	60.1
Interest-bearing receivables	5.1	4.0	5.1
Cash and cash equivalents	17.1	15.9	16.4
Interest-bearing net liabilities	38.2	46.0	38.2
Equity (belonging to the parent company's shareholders as well as minority shareholders)	45.4	50.4	49.1
Gearing ratio, %	84.0	91.3	82.6
Equity ratio, %	32.8	33.0	33.2
Return on equity, %	16.5	-12.7	-11.7
Return on investment, %	14.9	-0.1	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.

In the period under review, Tampereen LaatuKoneistus Oy, Hervannan Koneistus Oy and Takoma Systems Oy filed for bankruptcy. On June 5, 2014, Takoma Oyj and Takoma Gears Oy submitted their proposals for corporate restructuring programs to Pirkanmaa District Court. The District Court is expected to accept the proposals during the autumn.

On April 10, 2014, Panostaja Oyj announced an arrangement, the end result of which was that Panostaja Group's shareholding in the parent company of the Digital Printing Services segment, Digiprint Finland Oy, increased to 64.6%. Previously, the shareholding was 56.4%.

On May 7, 2014, Panostaja Oyj announced that it had bought a 60% shareholding in KotiSun Oy, a company offering service water and heating network renovation services. As a result of the transaction, Panostaja expanded its business operations and established within the Group a new business area specializing in building technology renovation for houses.

On May 21, 2014, Panostaja Oyj announced that, together with the owners of Vindea Group Oy, it had signed a deed for the sale of its entire shareholding in Vindea Group Oy to Suomen Transval Group Oy. Vindea Group Oy was a subsidiary 54.22%-owned by Panostaja and, as a result of the transaction, the company's entire share capital in Vindea Group Oy was transferred to the buyer. As a result of the transaction, Panostaja divested the Value-added Logistics segment.

SHARE PRICE DEVELOPMENT AND SHARE OWNERSHIP

Panostaja Oyj's share closing rate fluctuated between EUR 0.77 (lowest quotation) and EUR 0.79 (highest quotation) during the third quarter. During the period under review, a total of 1,891,342 shares were exchanged, which amounts to 3.7% of the share capital. The July 2014 share closing rate was EUR 0.78. The market value of the company's share capital at the end of July 2014 was MEUR 40.4 (MEUR 35.7). At the end of July 2014, the company had 3,530 shareholders (3,743).

Development of share exchange	3Q/2014	3Q/2013	1-3Q/2014	1-3Q/2013
Shares exchanged, 1,000 pcs	1,891	475	5,678	2,539
% of share capital	3.7	0.9	11.1	4.9

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

The company's own shares may be acquired at the price in public trade arranged by NASDAQ OMX Helsinki Oy on the date of acquisition or otherwise at the prevailing market price. The Board of Directors will decide how the company's own shares are to be acquired. The company's own shares may be acquired not following the proportion of ownership of the shareholders (directed acquisition). The authorization remains valid until July 29, 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 444,058 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, a total of 16,000 shares on March 11, 2014 and a total of 14,459 shares on June 5, 2014.

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. The Board of Directors of Panostaja Oyj decided to pay the hybrid loan interest amounting to MEUR 0.7, which was paid on May 27, 2014.

EVENTS AFTER THE REVIEW PERIOD

There are no major events to report.

MARKET PROSPECTS

The general economic situation and atmosphere has become more uncertain due to the increasing tension in Ukraine. The demand for companies operating on the domestic market has evened out and domestic consumer demand is not expected to recover in the near future. The position of Panostaja's business segments 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 has improved and finance is available for good projects. The protractedness of the crisis in Ukraine and the structural challenges of the Finnish economy are significant risks to overall economic development. On the corporate acquisition market, activity has increased and this will continue to offer opportunities both for new acquisitions and for divestments.

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, improvement in profit and the 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. Liikevaihto jakautuu viiteen eri toimialaan, joiden syklisyys vaihtelee. 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. Arvioitu markkinatilanne otetaan liiketoimintasegmenteissä huomioon sopeuttamalla tuotantoa ja kustannuksia markkinakysyntään sekä turvaamalla rahoitusasema. 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 or projects ongoing in Ukraine. The protraction of the crisis in Ukraine is negatively affecting demand on the domestic Finnish market and thereby the development of Panostaja's profit and financial position.

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 in 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: Operatiivisten riskien hallinta on katsauskauden aikana keskittynyt erityisesti Takomaan liittyviin liiketoimintoihin. 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. 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. On June 5, 2014, Takoma Oyj and Takoma Gears Oy submitted their proposals for corporate restructuring programs to Pirkanmaa District Court. The District Court is expected to accept the proposals during the autumn.

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 remain poor.

The market still provides sufficient opportunities for corporate acquisitions, and Panostaja Group aims to implement its growth strategy by means of controlled corporate 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 EBIT. The Group's comparable net sales in the 2014 financial period are expected to be 12–16% greater than in the 2013 financial period (MEUR 137.0). The Group's comparable EBIT (MEUR 1.6) is expected to be MEUR 7.5–10.5 in the 2014 financial period. Result management has taken into account the divested businesses of the Takoma segment and the removal of the Value-added Logistics and Supports segments from the Group.

The previous result management on May 21, 2014 and June 4, 2014: The Group's comparable net sales in the 2014 financial period are expected to be 12–17% greater than in the 2013 financial period (MEUR 137.0). The Group's comparable EBIT (MEUR 1.6) is expected to improve significantly in the 2014 financial period. Result management has taken into account the divested businesses of the Takoma segment and the removal of the Value-added Logistics and Supports segments from the Group.

INCOME STATEMENT

	05/14- 07/14 3 months	05/13- 07/13 3 months	11/13- 07/14 9 months	11/12- 07/13 9 months	2013 12 months
(EUR 1,000)					
Net sales	38,070	32,991	110,658	98,348	137,044
Other operating income	588	206	1,265	635	1,276
Costs in total	35,903	33,791	106,166	99,205	136,735
Depreciations, amortizations and impairment	1,299	3,934	3,943	6,705	8,554
Operating profit	2,755	-594	5,757	-222	1,586
Financial income and expenses	-807	-663	-2,122	-2,083	-2,734
Share of associated company profits	-16	189	-312	76	-110
Profit before taxes	1,932	-1,069	3,323	-2,229	-1,259
Income taxes	-509	-632	-2,163	-1,549	-968
Profit/loss from continuing operations	1,423	-1,701	1,161	-3,778	-2,226
Profit/loss from discontinued operations	5,575	573	6,137	1,054	1,977
Profit/loss from discontinued operations	0	-655	-1,460	-1,838	-5,271
Profit/loss for the financial period	6,998	-1,783	5,837	-4,562	-5,520
Attributable to					
shareholders of the parent company	6,260	-1,363	4,432	-4,252	-4,628
minority shareholders	738	-420	1,405	-310	-892
Earnings per share from continuing operations EUR, undiluted	0.122	-0.030	-0.015	-0.065	-0.040
Earnings per share from continuing operations					

EUR, diluted	0.111	-0.030	-0.015	-0.065	-0.040
Earnings per share from discontinued operations					
EUR, undiluted	0.000	0.003	0.102	-0.018	-0.050
Earnings per share from discontinued operations EUR, diluted	0.000	0.003	0.090	-0.018	-0.050
Earnings per share on continuing and discontinued operations EUR, undiluted	0.122	-0.027	0.087	-0.083	-0.090
Earnings per share on continuing and discontinued operations EUR, diluted	0.111	-0.027	0.087	-0.083	-0.090

EXTENSIVE INCOME STATEMENT

Items of the extensive income statement	6,998	-1,783	5,837	-4,562	-5,520
Translation differences	-49	2	-49	-68	103
Extensive income statement for the period	6,949	-1,781	5,788	-4,630	-5,417
Attributable to					
shareholders of the parent company	6,211	-1,361	4,383	-4,320	-4,525
minority shareholders	738	-420	1,405	-310	-892

BALANCE SHEET

July 31, 2014 July 31, 2013 October 31, 2013

(EUR 1,000)

ASSETS

Non-current assets

Goodwill	49,700	42,145	41,929
Other intangible assets	7,361	9,357	8,079
Property, plant and equipment	10,342	16,816	15,153
Interests in associated companies	3,637	3,899	3,714
Other non-current assets	11,465	13,394	12,769
Non-current assets total	82,504	85,612	81,644

Current assets

Stocks	15,342	21,161	15,437
Trade receivables and other non-interest-bearing receivables	23,685	28,253	30,834
Short-term investments	10,700	5,504	8,400
Cash and cash equivalents	6,387	12,909	7,970
Current assets total	56,114	67,827	62,641

Held-for-sale non-current asset items			4,348
Assets in total	138,618	153,439	148,633

EQUITY AND LIABILITIES

Equity attributable to parent company shareholders

Share capital	5,568	5,569	5,569
Share premium account	4,646	4,646	4,646
Invested unrestricted equity fund	14,551	14,501	14,508
Equity convertible loan	7,390	7,390	7,390
Translation difference	-122	-68	-73
Retained earnings	-943	-1,436	-1,979
Total	31,090	30,602	30,061

Minority interest	14,359	19,789	19,016
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Equity total	45,448	50,390	49,077
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Liabilities

Deferred tax liabilities	1,037	2,239	1,672
Equity convertible subordinated loan	14,623	14,523	14,556
Non-current liabilities	35,116	39,768	28,046
Current liabilities	42,394	46,519	55,282

Liabilities total	93,170	103,049	99,556
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Equity and liabilities in total	138,618	153,439	148,633
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CASH FLOW STATEMENT (EUR 1,000)

	07/2014	07/2013	2013
Operating net cash flow	5,157	4,711	7,780
Investment net cash flow	-5,417	-14,090	-25,452
Loans drawn	13,657	25,425	33,077
Loans repaid	-11,354	-9,358	-21,543
Share issue			5,102
Disposal of own shares	36	35	46

Dividends paid and capital repayments	-1,577	-3,156	-3,156
Finance net cash flow	762	12,946	13,526
Change in cash flows	502	3,567	-4,146

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share premium account	Invested unrestrictede equity fund	Transl ation differe nces	Profit funds	Equity convertib le loan	Minority sharehol ders' interest	Total
Equity	5,569	4,646	16,523	-66	1,981		1,652	45,173
November 1, 2012	<hr/>							
Profit for the financial period					-4,252		-310	-4,562
Profit and costs recorded during the financial period, total					-4,252		-310	-4,562
Dividends paid							-1,116	-1,116
Equity convertible loan						7,390		7,390
Repayment of capital			-2,040					-2,040
Share subscription								
Share issue								
Disposal of own shares			18					18
Reward scheme								
Translation differences				-2	-30			-32
Other changes					-28			-28
Changes in minority interest					895		4,696	5,588
Other changes in equity, total			-2,022	-2	834	7,390	3,579	9,779
Equity	<hr/>							
July 31, 2013	5,569	4,646	14,501	-68	-1,437	7,390	19,789	50,390

Equity								
November 1, 2013	5,569	4,646	14,508	-73	-1,979	7,390	19,016	49,077
Profit for the financial period					4,432		1,405	5,837
Profit and costs recorded during the financial period, total					4,432		1,405	5,837
Dividends paid							-1,537	-1,537
Repayment of capital								
Equity convertible loan					-731			-731
Disposal of own shares			36					24
Reward scheme			6					6
Translation differences				-49				-49
Changes in minority interest					-2,665		-4,526	-7,191
Adjustment of errors in previous financial period								
Other changes in equity, total			42	-49	-3,396		-6,063	-9,466
Equity	5,569	4,646	14,550	-122	-943	7,390	14,358	45,448
July 31, 2014								

KEY FIGURES

	07/2014	07/2013	10/2013
Equity per share (EUR)	0.60	0.60	0.59
Earnings per share, diluted (EUR)	0.09	-0.08	-0.09
Earnings per share, undiluted (EUR)	0.09	-0.08	-0.09
Earnings per share, diluted, with hybrid loan considered, EUR	0.08		
Average number of shares during financial period, 1,000 pcs.	51,205	51,203	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	58,024	58,021	58,029
Return on equity,%	16.5	-12.7	-11.7
Return on investment,%	14.9	-0.1	0.5
Gross capital expenditure			
To permanent assets (MEUR)	15.9	20.1	21.2
% of net sales	18.2	20.4	15.5
Interest-bearing liabilities	60.4	65.9	60.1

Equity ratio (%)	32.8	33.0	33.2
Average number of employees	1,199	1,300	1,251

GROUP DEVELOPMENT BY QUARTER

(MEUR)	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13
Net sales	38.1	37.5	35.1	38.7	33.0	34.4	30.9
Other operating income	0.6	0.2	0.5	0.6	0.2	0.2	0.2
Costs in total	35.9	35.4	34.8	37.5	33.8	34.0	31.4
Depreciations, amortizations and impairment	1.3	1.3	1.3	1.8	3.9	1.6	1.2
EBIT	2.8	2.3	0.7	1.8	-0.6	0.7	-0.3
Finance items	-0.8	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7
Share of associated company profits	0.0	0.0	-0.3	-0.2	0.2	0.0	-0.1
Profit before taxes	1.9	1.7	-0.3	1.0	-1.1	0.0	-1.1
Taxes	-0.5	-0.7	-0.9	0.6	-0.6	-0.4	-0.5
Profit from continuing operations	1.4	1.0	-1.2	1.6	-1.7	-0.5	-1.6
Profit/loss from discontinued operations	5.6	0.3	0.2	0.9	0.6	0.4	0.1
Profit/loss from discontinued operations	0.0	-0.2	-1.3	-3.4	-0.7	-0.6	-0.6
Profit for the financial period	7.0	1.1	-2.3	-1.0	-1.8	-0.7	-2.1
Minority interest	0.7	0.9	-0.2	-0.6	-0.4	0.3	-0.2
Parent company shareholder interest	6.3	0.2	-2.0	-0.4	-1.4	-1.0	-1.9

GUARANTEES GIVEN

(EUR 1,000)	07/2014	07/2013	2013
Guarantees given on behalf of Group companies			
Enterprise mortgages	43,777	44,421	41,449
Pledges given	65,676	79,236	72,939
Other liabilities	2,699	778	2,950
Other rental agreements			
In one year	5,643	9,350	9,227
In over one year but within five years maximum	12,185	20,088	16,854
In over five years	2,241	3,792	2,438
Total	20,069	33,230	28,519

SEGMENT INFORMATION

Eliminations	-0.1	0.0	-0.1	0.0	-0.1	-0.1	-0.2
Group in total	38.1	37.5	35.1	38.7	33.0	34.4	30.9
Operating profit (MEUR)	3Q/14	2Q/14	1Q/14	4Q/13	3Q/13	2Q/13	1Q/13
Digital Printing Services	1.3	2.2	1.0	1.9	1.7	1.7	1.0
Safety	0.9	0.1	0.1	1.0	0.4	0.4	-0.2
Takoma	0.0	-0.3	-0.3	-0.3	-2.9	-0.5	-0.5
Ceiling Materials	0.1	0.4	0.1	0.2	0.3	0.1	0.2
Fittings	0.2	0.3	0.1	0.0	0.2	-0.2	-0.2
Spare Parts for Motor Vehicles	0.2	0.1	0.2	0.2	0.3	0.1	0.2
Building Technology Renovation	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Heat Treatment	0.1	0.0	0.2	-0.7	-0.1	-0.3	-0.3
Other	-0.4	-0.6	-0.7	-0.5	-0.6	-0.6	-0.6
Group in total	2.8	2.3	0.7	1.8	-0.6	0.7	-0.3

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. Grano Oy (Digital Printing Services) forms 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. KotiSun Oy (Building Technology Renovation) is Finland's leading company in service water and heating network building technology renovations for detached houses.