panostaja
2012 Annual Report

**We are an investment company generating success by owning and developing Finnish SMEs.**

An active majority shareholder, which steers, develops and grows Panostaja companies, putting them among the top SMEs in Finland.

Our goal is to gain ownership of 10–15 Finnish SMEs.

Founded in 1984 and publicly listed in 1989.

Market value MEUR 39.3 (October 31, 2012).

The Panostaja Group employs approximately 1,300 people.

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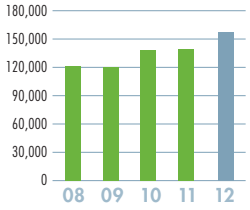
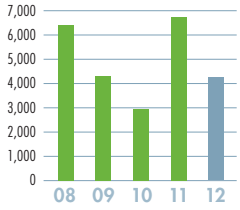
# Key figures

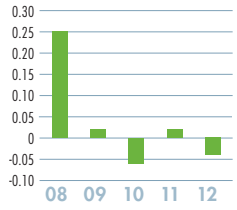
Net sales (EUR 1,000)



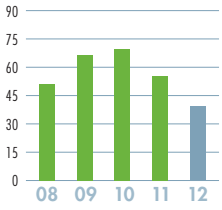

EBIT (EUR 1,000)



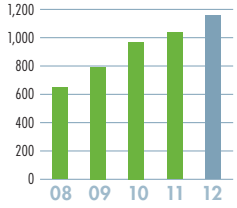

Earnings per share (€)



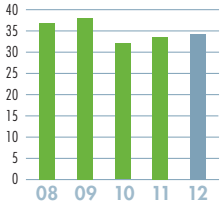

Share capital market value (MEUR)




Average number of employees




Equity ratio (%)




| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Net sales | 156,819 | 141,152 |
| EBIT | 4,236 | 6,735 |
| Profit before taxes | 927 | 4,128 |
| Profit from continuing operations | -1,254 | 3,604 |
| Profit from discontinued operations | -1,236 | -1,388 |
| Profit for the financial period | -2,490 | 2,216 |
| For shareholders of the parent company | -1,984 | 937 |
| For minority shareholders | -506 | 1,279 |
| Earnings per share (EPS) (€), diluted | -0.04 | 0.02 |
| Earnings per share (EPS) (€), undiluted | -0.04 | 0.02 |
| Equity per share (€) | 0.56 | 0.65 |
| Capital repayment per share (€) | [1] 0.04 | 0.05 |
| Dividend per share (€) | | |
| Equity ratio (%) | 34.1 | 33.4 |
| Gross capital expenditure (MEUR) | 6.2 | 9.1 |
| Number of shares at the end of the financial period (1,000) | 51,733 | 51,733 |
| Avg. no. of Group employees | 1,152 | 1,034 |

[1] Board's proposal to the AGM

## Key events

- **Net sales** MEUR 156.8 (MEUR 141.2), growth 11%
- **EBIT without one-time items** MEUR 7.2 (MEUR 6.7), growth 7%
- **EBIT** MEUR 4.2 (MEUR 6.7)
- **Loss for the financial year** MEUR -2.5 (Profit for the financial year MEUR 2.2)
- **Earnings per share** (undiluted) -3.9 cents (1.9 cents)
- **Equity per share** EUR 0.56 (EUR 0.65) and equity ratio 34.1% (33.4%)
- **Alfa-Kem and Spectra** merged, Spectra became a Panostaja associated company
- **Lämpö-Tukku sold** to Onninen Oy
- **Acquisition of** HSG Logistics Oy
- **Goodwill amortization loss** recorded for the Takoma segment
- **The Board of Directors** proposes that no dividends be paid for the financial year. The Board also proposes that the General Meeting decide on a EUR 0.04 capital repayment per share.
- **The Board furthermore** proposes that the General Meeting authorize the Board of Directors to decide, at its discretion, on the potential distribution of assets to shareholders, should the company's financial status permit this, either as dividends from profit funds or as distribution of assets from the invested unrestricted equity fund. The maximum distribution of assets shall total no more than EUR 5,200,000.

# This is how we work

## ACQUISITION

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

## INTEGRATION

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

## DEVELOPMENT

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

## RELEASE

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

# Clearly-defined investment criteria

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

# The total number of potential enterprises suitable for acquisition is growing

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

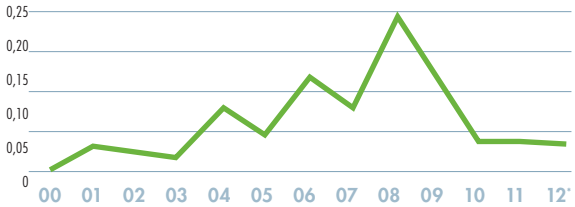
## How our income is generated

Annual profit from the annual financial result of the Group companies, distributed in accordance with the proprietary rights. Yields from the realization of change in value in connection with divestment.

| FORMATION OF PROFIT (MEUR) | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Group companies' annually accruing profit for the financial period | 9.5 | 1.3 | -3.2 | 2.3 | -2.0 |
| Exit income | 4.3 | 0 | 0 | -0.1 | -0.5 |
| Distribution | | | | | |
| To shareholders of the parent company | 12.7 | 0.7 | -2.8 | 0.9 | -2.0 |
| To minority shareholders | 1.1 | 0.6 | -0.4 | 1.3 | -0.5 |

## Our goal is to increase shareholder value

DIVIDEND HISTORY AND CAPITAL REPAYMENTS DURING 2000–2012




*) Board of Directors proposal

| FINANCIAL INDICATORS | GOAL |
|---|---|
| Return on equity (ROE) % | 22 % |
| Equity ratio, including subordinated loan | 40 % |
| Cumulative five-year target (2012–2016) earnings per share (EPS) EUR | 1,00 € |

## Our policy on profit distribution

The goal is to distribute at least half of the Group's annual profit either as a repurchase of shares and/or as dividends, thus preserving a steadily increasing dividend flow while taking investments required for Group growth into consideration.

| 1 000 € | 2008* | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Dividends to shareholders of the parent company, total | 5,569 | 5,534 | 2,560 | 0 | 0 |
| Acquisition of the company's own shares | 458 | 675 | 0 | 0 | 0 |
| Capital repayment to shareholders of the parent company, total | 3,081 | 0 | 0 | 2,557 | 2,047 ** |
| Total | 9,108 | 6,209 | 2,560 | 2,557 | 2,047 |
| Result for the financial period (parent company share + minority interest) | 13,797 | 1,345 | -3,205 | 2,216 | -2,490 |
| Distribution of profits (%) | 66 % | 462 % | N/A | 115 % | N/A |

*) During the 2008 financial year, the capital repayment made by Panostaja in the form of Takoma Oyj shares, with a total value of MEUR 3.1, is taken into account in the calculation.
**) Board of Directors proposal

Initially, the last financial period felt like any other—a steady effort toward achieving set targets, nothing out of the ordinary. Or so we thought. In the fast-paced exchange of information in social media, it is undeniably a challenge to summarize events from even over a year ago.

Overall financial development during the entire financial period was uncertain. We had not set impossible requirements for our budget or other financial period targets, but we expected an improvement after the spring of 2012, particularly in the technology sector. No improvement came. After the summer holidays, the outlook was even worse, which is why we recorded amortization losses for the Takoma segment at the end of October.

The current situation is perhaps even more worrisome than a year ago. Challenges to our competitiveness are increasing, and we cannot find common ground on the necessary changes to be made. We are facing an interesting spring on the labor market.

The Finnish technology sector subcontractor chain must be restructured: company size, the range of services offered and expertise must be increased in order for the service of numerous different sectors and clients to succeed here in Finland and abroad. The first major restructuring efforts carried out last autumn say much about this structural change. I believe this will go on for some time. As shareholders in Takoma, we want to be active and involved in any restructuring that might be needed.

Personally speaking, I am reasonably satisfied with last year's performance. We were able to make the desired changes and development programs in several business areas. We will surely see the results of our efforts in the years to come.

**One high point** is, without a doubt, *Kopijyvä*'s outstanding profit performance, which was not eaten up by strong growth. The company is being managed with great skill. When visiting Kopijyvä, I could clearly feel how the customer is the absolute focus of all operations, something which is simple but challenging to do across the organization.

Kopijyvä has done it. In addition, the acquisition of DMP at the beginning of the 2013 financial period will make this business segment a leader in its field in one fell swoop.

The profit performance of *Matti-Ovi* remained strong throughout the financial period. Decisions on new investment have already been made. This is easy, when the prospects are good and production is running like clockwork. The chosen strategy will be kept, with product quality being key. Small, incremental changes lead to a superb end result.

During the previous year, *Flexim Security* required product development investments in new equipment and software. In terms of the result, Flexim had a challenging year, with new products promising a great deal for the coming year, however. I participated in an internal working group for a Flexim development project, and I have to say that I was impressed how dynamic and inspired it was to work there—it was a truly rejuvenating experience.

At the onset of the 2013 financial period, *Helakeskus* has just completed a corporate restructuring, which I had long wanted to happen. The management's commitment to the new chosen strategy and unparalleled industry expertise convinced me that Helakeskus will meet the expectations set for it.

**During the last** financial period, our largest corporate restructuring was done in May, when *Vindea Oy* acquired all shares in *HSG Logistics Oy*. Following the restructuring, HSG Logistics' shareholders became shareholders in the new company, thus bringing new expertise and experience to our company.

The merging of Vindea and HSG was also our first integration using our new, internally developed process model. The added value of corporate acquisitions easily goes to waste at this stage, thus leaving synergies, which are the main reason for the acquisition, unrealized. I have seen this happen many times. And even if synergies were not the main reason for an acquisition, the failure of integration would result in the organization not having an understanding of the new direction, thus immediately affecting customer satisfaction and other key matters.

I am extremely satisfied in the experiences we have had with the Vindea and HSG process. We have developed this model based on all the experience we have here at Panostaja and in our segments as well as that which we have gained over the years from various corporate acquisitions.

Our parent organization's strong involvement in integration, the integration manual, the prescribed project and process management model, preliminary planning launched well in advance, and reporting to the Group Board of Directors are assurances that the management of our subsidiaries have the opportunity to succeed. Because this always also involves a change of the corporate culture, this operating model seems to give management the time they need to do what's most important—lead their people through the changes.

Our own processes are now at a level that an active majority shareholder could ever want. Development will continue based on the experiences gained.

**At the end of October**, we received a long-awaited decision from the Supreme Administrative Court regarding the taxation of fixed asset shares. As the Supreme Administrative Court did not grant permission to appeal, the administrative court's ruling is final. Where taxation is concerned, we are considered a capital investor.

The decision was a disappointment. I expected the Court to make a determination as to what operational characteristics are considered to constitute a capital investor. There is a clear need, generally, for such an interpretation.

I still feel, however, that we differ from a majority of capital investors, both structurally and in terms of our operating approaches. Particularly where the long-term nature of our ownership is concerned, there is a major difference. I do not think that the Supreme Administrative Court's decision will result in any significant changes to our operations, but we can now approach new opportunities knowing our tax status.

**Finnish financial** experts predict that the current recession will continue until the summer of 2013. Therefore, we are facing a reasonably challenging year. However, a tenacious approach to work, sharpening our focus on the customer and joint development of operations provide us with a solid overall foundation for the coming year. During times requiring immediate action, we have always remembered to develop our operations with long-term growth in mind. Special thanks go out to all the managing directors and management teams, personnel and administrative professionals of our segments, whose experience and vision we have been able to take advantage of.

A few times over the past year, we identified opportunities to divest some of our business areas, which we felt were ready to tackle the next challenges under a new owner. However, it has not been a seller's market for corporate acquisitions, so we never realized these efforts.

The forecast improvement in the economy will surely change the outlook for corporate acquisitions. We are ready to act quickly, if the need should present itself. It has been over four years since our last major divestiture. If the forecast for economic improvement holds true, one might think that the corporate acquisition market will also enjoy a recovery by the autumn of 2013. In that case, we intend on actively divesting some of our business areas.

I would like to thank all Group employees, partners and stakeholders for all their co-operation and work during the past year. We want to be worthy of your trust in the years to come!

**Juha Sarsama**
CEO

# 2012

In 2012, change has been a hallmark for Panostaja. In addition to revamping the parent company's image, much has happened in the business segments.

## New directions

**Panostaja invited** **Ari Virtanen** MBA, M.Sc. (Tech.) to become Managing Director of its subsidiary Takoma. With wide-ranging experience of sales and business management, Virtanen is changing Takoma's direction and transforming the engineering unit into a strong international player. **KL-Varaosat**, which specializes in the import and resale of original spare parts for Mercedes-Benz and BMW cars, will get a new man at the helm at the beginning of 2013, when Juha Kivinen M.Sc. (Econ.) takes over the reins.

Spring also saw **Sari Vaajanen**, Executive Director at Hallituspartnerit ry, a Panostaja external partner, appointed to the board of KL-Varaosat.

Panostaja has supplemented the board of its subsidiaries with many skilled and visionary people from outside the business sectors.

## Tools for development

**Building** a competitive edge has continued to be a fundamental principle in the creation of management tools this year. Panostaja's electronic management desktop has proven to be effective and is already in use at most of Panostaja's subsidiaries. The model was created in consultation with vuorineuvos **Kari Neilimo**.

**The second** significant tool affecting business operations showed its worth very well in the successful merger of Vindea and HSG Logistics. The model for takeover taking place through corporate acquisitions was created by Development Director **Heikki Nuutila** and Investment Director **Tapio Tommila** MBA.

## Towards 2013

**At the beginning** of the new financial period, Suomen Helasto acquired Eurohela Trading, which specializes in furniture fitting wholesale services, and merged it with Suomen Helakeskus.

**Towards** the end of 2012, Panostaja acquired the entire shareholding of Selog Oy, a company specializing in ceiling construction. This created a new Panostaja segment, ceiling material wholesale. In 2011, Selog's net sales totaled MEUR 9.3.

The transaction took place in early November, 2012, so Selog is not reported in this annual report yet.

**Furthermore,** as the 2013 financial year dawned, one of Panostaja's segments soared to a new level all at once, when Digiprint Finland, Kopijyvä's parent company, bought DMP-Digital Media Partners, creating a market-leading printing and publishing services company.

In the 2011–2012 financial period, the combined net sales of Kopijyvä and DMP were some MEUR 50. They employ a total of about 400 staff.

# Renewal and new opportunities

**In December 2011**, Panostaja reported that Alfa-Kem and Spectra Yhtiöt were to be merged. Panostaja thus acquired a 32% shareholding in the associated company, and Alfa-Kem Managing Director Veli-Heikki Saari became Managing Director of and a shareholder in Spectra Yhtiöt.

**The furniture fittings** business is now focused on Suomen Helakeskus. Alongside it, Helasto established a new construction fittings segment for the needs of the window and door industry, run by Rakennushelasto Oy.

**During the** financial period, Suomen Helakeskus began co-operation with Kaba Group, a world-leading company in the field of security. The range of locking systems acquired is being targeted at industrial customers.

**The Added value** Logistics segment was strengthened when Vindea and HSG Logistics merged. This corporate acquisition was carried out in early May. The new Vindea immediately rose to be a market leader in logistics services tailored to the technology industry, engineering logistics and industrial packaging.

**Specializing in** digital printing services, Kopijyvä has also developed into the largest company in its field. Kopijyvä strengthened its operations in Kuopio, where large new production facilities were completed.

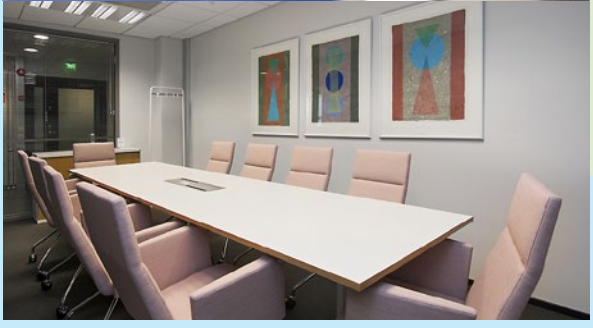
**Flexim Security** has assumed the position as Finland's market leading supplier of security solutions for door environments. The company has forged new markets by investing in new technology, services and customer accounts.

**In late winter,** Panostaja disposed of Lämpö-Tukku Oy. The entire shareholding was bought by Onninen Oy.

# A brighter new look

**Panostaja's corporate** image changed in the summer with a revamping of the Group's visual look. Blue and bronze were replaced with bright green and pastel shades. The previous Panostaja coloring is, however, preserved in the Group's star logo.

Panostaja's operating environment also underwent changes when, at the beginning of October, Group Head Office moved from Portti in Tampere to Technopolis in the city center, near the university.



# Panostaja making a success of Vindea

*Panostaja's Investment Director Tapio Tommila*

Vindea's story is a manifestation of Panostaja's promise to develop Finnish SMEs. Under Panostaja's ownership, Vindea, a value-added logistics company serving the technology industry, has grown into an undeniable market leader. The prospects for growth and development are still considerable, says Tapio Tommila, Panostaja's Investment Director.

Vindea, an expert company in engineering logistics and industrial packaging, was established in autumn 2009, when Vallog, a company Panostaja had owned since 2003, merged with CLO Packaging. The company then made a significant leap forward in 2012 when HSG Logistics became part of Vindea.

In 2011, the companies' had MEUR 27 in combined net sales and employed 260 staff.

Because Vindea and HSG skills were complementary, a new company specially serving the technology industry was created, whose expertise amounts to more than the sum of its parts.

"The new company immediately created completely new demand, which neither firm could have aroused previously when they were separate entities. Now that the company is sufficiently large and in a market-leading position, growth in the coming years will inevitably be strong," forecasts **Tapio Tommila**.

"Specialization is the core skill creating added value for the customer. Vindea can do this, and so Panostaja sees in the company limitless opportunities for development, which we for our part want to support."

Tommila notes that, from Panostaja's point of view, it is sensible to be involved in developing Finnish SMEs into market leaders. This is one of Panostaja's key operating objectives.

On the other hand, HSG Logistics is also a good example of a diverse ownership structure. Although Panostaja will not compromise on its majority shareholding, the entrepreneur does not have to give up his or her company completely. **Marko Häkkinen** and **Marko Kalliomäki**, who owned HSG, remained as minority shareholders in Vindea.

Vindea's ownership is now divided between Panostaja, Vindea's Managing Director **Jouni Arolainen**, Häkkinen and Kalliomäki.

"When the time was right and a common will existed, everything happened quickly," says Tommila about the end-result of communication efforts ongoing since 2009.

"When we considered the matter together, we noticed that in any case it would be worthwhile merging the two competitors, which were the best in their field and equally strong, and to establish clear distance over the other players. Once this view was clarified, we began to consider the ownership strategy, also noticing that we were thinking along the same lines."

## In pole position

Marko Kalliomäki and Marko Häkkinen, who sold HSG Logistics to Panostaja, were ready to give up the company but not the business that they had been building. So work goes on, with Häkkinen now on the board of the new Vindea.

*With Panostaja, everything clicked into place, says Häkkinen.*

*"What was decisive above all was that Panostaja is not a traditional fund-driven capital investor, but an organization that employs long-term thinking. On the other hand, it was also important that, although we sold all our shares, we became shareholders in the group. Such an arrangement would have been difficult, to say the least, with a traditional capital investor.*

*By mucking in together like this, two companies both operating in the same way in the value-added logistics sector were able to pull together in the spirit of Häkkinen's long-standing entrepreneurial dream; through corporate restructuring, they were able to accomplish something, which would have been out of their reach if doing it alone.*

*"We became number one in the market," says Häkkinen, and adds that HSG and Vindea would probably not have found each other if Panostaja had not created a channel for discussion between the companies. The sector is, however, consolidating all the time.*

*"And because it knows the business, it understands the opportunities that exist in it. I know that I still have much to give," says Häkkinen.*

*Vindea's management team now has two experts in value-added logistics: Marko Häkkinen as a member of the board and Jouni Arolainen as Managing Director. Both are satisfied with the expertise that now exists at Vindea. It has expanded considerably. Now that the setting of objectives and functions has been considered by several persons, there is new room for maneuver in operational development.*

*"If previously we have been able to achieve something, now we can achieve a whole lot more," smiles Häkkinen. Arolainen also has something to say about this:*

*"Panostaja's resources and strong expertise in corporate acquisitions give us the opportunity to grow at a completely different pace to what a sole proprietor could do. This also enables management to focus on operations and the successful implementation of mergers, since Panostaja takes care of the corporate acquisition arrangements and their preliminary investigations."*

# Takeover in 100 days

Vindea and HSG Logistics are the first companies in the Panostaja Group, the merger of which was carried out based on Panostaja guidelines to speed up the process of corporate acquisitions.

According to CFO **Simo Mustila**, speed is of the essence when Panostaja buys a company. Panostaja's expertise in this field is now being sharpened by the guidelines drawn up by Development Director **Heikki Nuutila** and Investment Director **Tapio Tommila**, by which all parts of the takeover process can be ensured within the Group.

Responsibility for the process lies with a specially appointed steering group, the Chairman of which is Panostaja's CFO.

"The steering group's job is to ensure that the necessary decisions and actions are actually done, everything is under control and the new company is up and running and integrating into its new parent company as quickly as possible."

Mustila is very satisfied with what he has experienced. The merger of Vindea and HSG has been easy and the right things have received enough attention. The company's key financial figures back this view. Both net sales and EBIT increased considerably between May and July.

"From the start, we were immediately able to ensure that we could unleash the benefits we were seeking from the acquisition, that the operations of the subsidiary would not get bogged down because of the arrangements, and that we would quickly get the business going normally and homogeneously."

## Quick and controlled business

Drawing on his experience, Vindea Managing Director **Jouni Arolainen** paid attention to the fact that, in combining two company cultures, the first days are the most important from a point of view of staff and customers.

"It was the momentum of the job. I mean that informing the customers and getting the staff on board were prepared and scheduled well in advance. In that way, the desired message was delivered."

The takeover proceeded and was implemented well. Timing was a challenge, as the deal was concluded at the beginning of May, when the summer holiday season was just starting.

The benefit of the model is that studies and decisions must be made quickly, which commits the key personnel to the new entity and reduces uncertainty felt by the staff.

For his part, Marko Häkkinen compares his experiences to a previous corporate acquisition in 2006. He thinks that the tool created is excellent.

"My first impression of Panostaja has only been improved as things have proceeded. The company's way of operating and providing support for such arrangements enables the significant growth we are seeking."

# Mikko Koskenkorva—growing up with Panostaja

*Mikko Koskenkorva is IT Project Manager at Pajakulma Oy. His tasks include maintenance of the ICT infrastructure and systems, reporting, and service development. In addition to Panostaja, Mikko Koskenkorva is a board member and owner of Johtopanostus Oy, Treindex Oy and Rollock Oy.*

***After my father announced*** *his attention to resign from the Board in 2010 and proposed me as a member of the Panostaja Board, I had to think about it for some time. The matter had, however, been discussed previously, so in the end the decision seemed natural. For a long time now, I have been interested in Panostaja's operations and have monitored its events daily. In conversations with my father over the years, the focus has also been on Panostaja and generally on investment and ownership.*

*I am the youngest member of the Board of Directors. My more experienced colleagues have received me well. What I can bring to the Board is a new perspective and my skills in IT. These days, information technology has an impact on companies throughout all their functions, irrespective of the sector in which they operate. Services are increasingly being put online, and customers are able to demand this. Therefore the reliability of both external and internal service systems is very important – they must all be available, irrespective of time and place.*

*In my opinion, Panostaja's business idea is good, from a perspective of the companies and their owners. Owning shares in Panostaja is an easy way to invest in non-listed Finnish SMEs, because investment is already spread over different sectors. Panostaja's way to invest in companies from its own balance sheet and to be the majority shareholder is also exceptional in comparison to traditional capital investors. For entrepreneurs, this model provides the opportunity to succeed together with Panostaja, whilst being exposed to limited risk only. The promotion of entrepreneurship is one of Panostaja's key values.*

*It is wonderful to have been given responsibility and to get to make decisions about Panostaja's future. A challenge in Board work is, in my view, the ability to view matters from a sufficient distance and to perceive the big picture of the operations of companies. It is all too easy to pay too much attention to operational issues, which are the responsibility of the subsidiaries' management.*

*In recent years, Panostaja has also experienced major changes in its segments. Segments operating in construction have decreased, which has helped us through difficult economic times. The Group's operating practices have been harmonized and we are taking advantage of the Group's internal network. Information is moving between subsidiaries and best practices are at everyone's disposal.*

*I believe in Panostaja's future and the management's ability to make the right decisions about disposing of segments and selecting new ones.*

**Mikko Koskenkorva**

# Key figures for segments

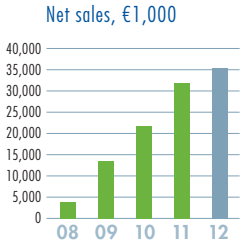
Digital Printing Services

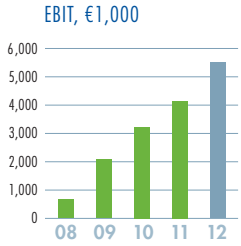
## KOPIJYVÄ OY

| 1 000 € | 2008* | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net sales | 3,938 | 13,508 | 21,741 | 31,529 | 35,078 |
| EBIT | 683 | 2,088 | 3,237 | 4,148 | 5,503 |
| Personnel | 131 | 192 | 256 | 325 | 335 |
| Shareholding | | | | | 56,43 %** |

*6 months

**After buying DMP-Digital Media Partners Oy December 4, 2012

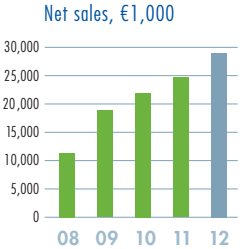


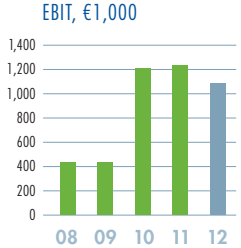




Safety

## FLEXIM SECURITY OY

| 1 000 € | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net sales | 11,304 | 18,796 | 21,944 | 24,635 | 29,009 |
| EBIT | 434 | 431 | 1,207 | 1,231 | 1,083 |
| Personnel | 84 | 146 | 151 | 188 | 212 |
| Shareholding | | | | | 70.00 % |

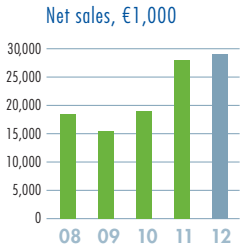


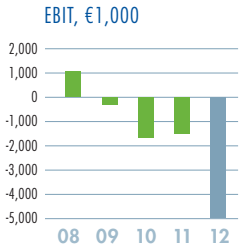




## TAKOMA OYJ

| 1 000 € | 2008 | 2009 | 2010 | 2011 | 2012* |
|---|---|---|---|---|---|
| Net sales | 18,397 | 15,408 | 19,060 | 27,451 | 28,877 |
| EBIT | 1,059 | -328 | -1,675 | -1,353 | -4,991 |
| Personnel | 86 | 82 | 168 | 190 | 193 |
| Shareholding | | | | | 63.05 % |

* sisältää liikearvon alaskirjausta 2,1 milj. euroa



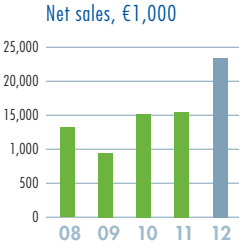



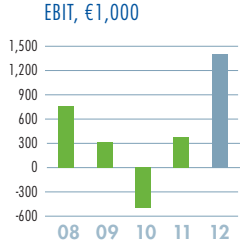

Value-added Logistics

## VINDEA OY

| 1 000 € | 2008 | 2009* | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net sales | 13,153 | 9,384 | 15,115 | 15,442 | 23,307 |
| EBIT | 762 | 309 | -499 | 371 | 1,395 |
| Personnel | 105 | 175 | 123 | 131 | 253 |
| Shareholding | | | | | 54.22 % |

* includes sales profit from buildings of MEUR 0.7

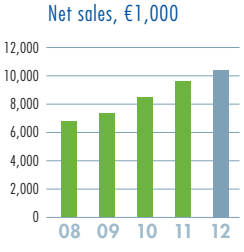


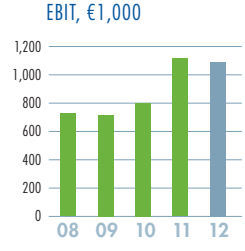




Spare Parts for Motor Vehicles

## KL-VARAOSAT OY

| 1 000 € | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net sales | 6,795 | 7,347 | 8,487 | 9,598 | 10,410 |
| EBIT | 726 | 714 | 801 | 1,115 | 1,090 |
| Personnel | 28 | 30 | 31 | 32 | 38 |
| Shareholding | | | | | 75.00 % |



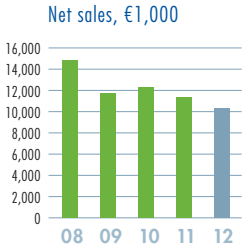



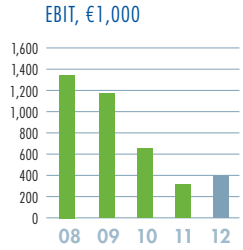
Fittings

## SUOMEN HELAKESKUS OY

| 1 000 € | 2008 | 2009* | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net sales | 14,874 | 11,708 | 12,321 | 11,401 | 10,316 |
| EBIT | 1,342 | 1,165 | 652 | 311 | 395 |
| Personnel | 49 | 34 | 32 | 32 | 30 |
| Shareholding | | | | | 95,29 %** |

* includes sales profit from buildings of MEUR 0.1
*shareholding as of November 2012

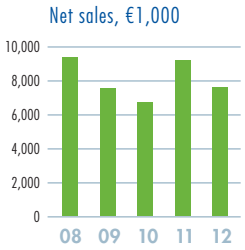


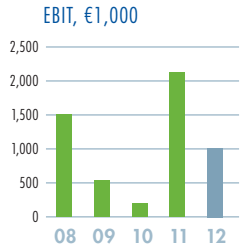




Heat Treatment

## HEATMASTERS OY

| 1 000 € | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net sales | 9,246 | 7,426 | 6,591 | 9,037 | 7,480 |
| EBIT | 1,508 | 536 | 192 | 2,123 | 1,013 |
| Personnel | 56 | 66 | 64 | 64 | 65 |
| Shareholding | | | | | 80.00 % |



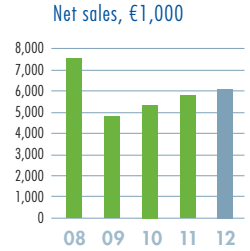



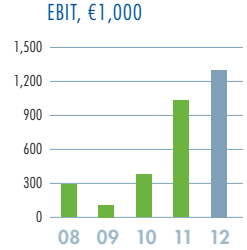

Carpentry Industry

## MATTI-OVI OY

| 1 000 € | 2008 | 2009* | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net sales | 7,502 | 4,784 | 5,309 | 5,766 | 6,061 |
| EBIT | 285 | 103 | 377 | 1,034 | 1,305 |
| Personnel | 59 | 41 | 35 | 32 | 30 |
| Shareholding | | | | | 71.25 % |

* includes sales profit from buildings of MEUR 0.1



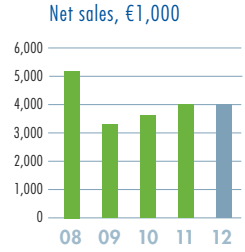



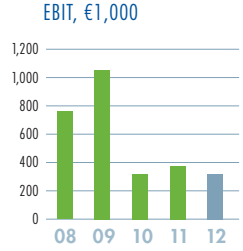

Supports

## TOIMEX OY

| 1 000 € | 2008 | 2009* | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net sales | 5,189 | 3,301 | 3,615 | 4,005 | 4,015 |
| EBIT | 764 | 1,058 | 322 | 377 | 324 |
| Personnel | 17 | 16 | 16 | 16 | 16 |
| Shareholding | | | | | 70.42 % |

* includes sales profit from buildings of MEUR 0.8



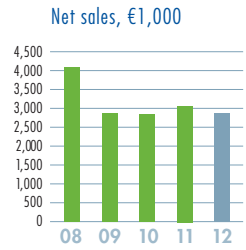



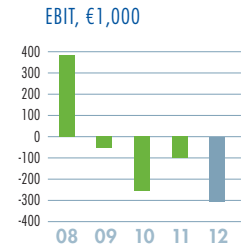

Fasteners

## SUOMEN KIINNIKEKESKUS OY

| 1 000 € | 2008 | 2009* | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net sales | 4,075 | 2,865 | 2,839 | 3,067 | 2,860 |
| EBIT | 383 | -52 | -253 | -101 | -304 |
| Personnel | 30 | 26 | 24 | 25 | 24 |
| Shareholding | | | | | 90.00 % |

* includes sales profit from buildings of MEUR 0.1



# Market leader swimming against the tide

Kopijyvä's 35-year history in copying, printing and publication services is capital which has become very significant during a time of transition taking place in the printing and publishing sector, and which, says Managing Director Heimo Viinanen, it must be able to utilize correctly. Experience accumulated over time has helped the company to make the right long-term decisions. Kopijyvä has grown into the largest company in the field.

Pressures in the printing sector are huge. Traditional offset printing is increasingly declining, and it is being replaced by digital printing. This means overcapacity in the sector, so competition is intensifying and margins are deteriorating.

At the same time, customer requirements have not merely increased but also changed. The industry has had to renew itself quickly and radically.

In spite of all this, Kopijyvä has been able to increase its net sales. At the end of the financial period, it stood at approximately MEUR 35.

"We have been able to focus on the right things, which, this year too, means fewer mistakes and concentrating on things that take the company forward. In that way, we have grown into the largest company in our sector," says **Heimo Viinanen**.

Kopijyvä has learned an old truth about competition: you survive by being better than your competitors. Viinanen has tasked his team with seeking out new services and improving the existing ones.

"I particularly believe that, in the future, the significance of service will increase in the printing and publishing industry. In the future too, we will do well by being better than others."

**The overall development** of the company means as much looking after the staff and supporting their expertise as investing in the equipment required for work. The new five-color printing machine supports Kopijyvä's increasingly diverse range of printing services. It is the staff, however, who play a very decisive role.

"Efforts to increase sales have been worthwhile. We know well that, in our field, we are swimming against the tide. Success has required much from all the staff, but they have demonstrated a strong will. Everyone has committed themselves to the objectives and shown their desire to succeed."

One of the major and key variables influencing the sector is environmental friendliness, both in equipment acquisition and in the development of new products and services.

For Kopijyvä, this has meant taking the environmental impact of energy consumption and coating technology into consideration and, for instance, choosing aqueous coating agents.

Kopijyvä is also PEFS- and FSC-certified.

**Viinanen places** great value on Panostaja's ownership of 4½ years, which has strengthened the company's development. As far as target-setting is concerned, the role of the company's board of directors has become increasingly key. In the opinion of the Managing Director, the targets that the board has set for Kopijyvä are challenging but realistic.

"Being owned by a large company like Panostaja brings a feeling of security. Being owned by a listed company also clarifies what we are doing. As a minority shareholder, however, I know that I am an entrepreneur, which I believe to be really important," says Heimo Viinanen.

"Success has required much from all the staff, but they have demonstrated a strong will."

*Kopijyvä Oy*
*Managing Director*
*Heimo Viinanen*

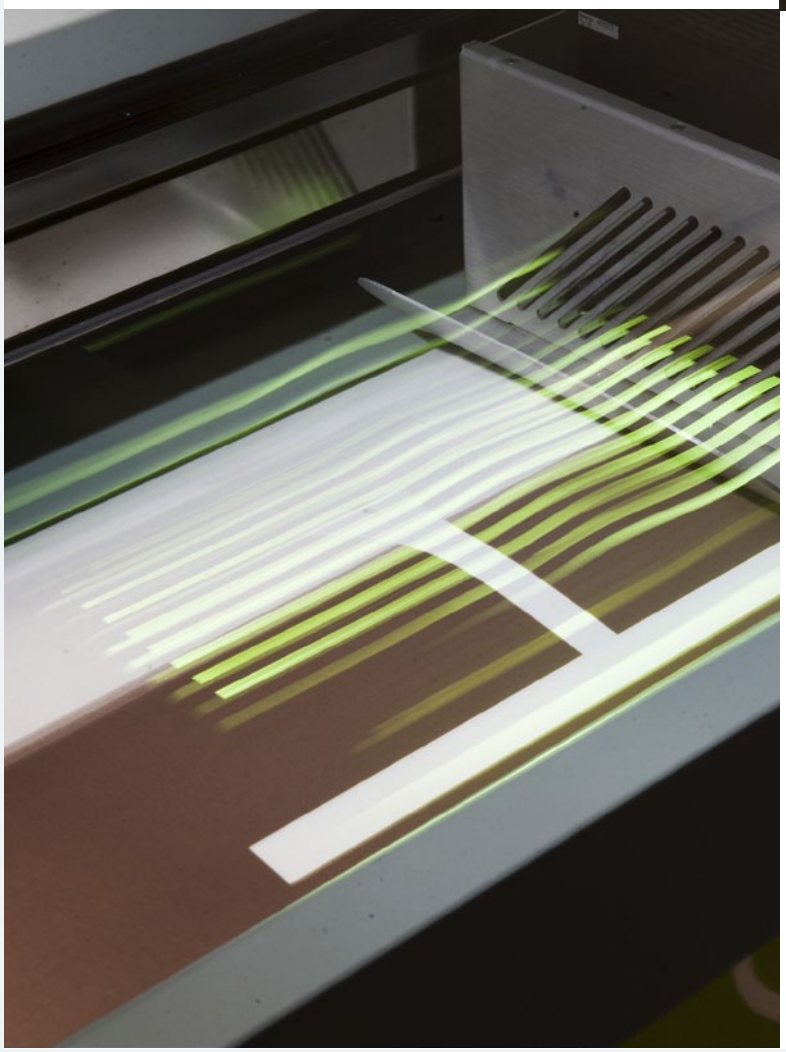
## Kuopio in good shape

*One important development target for Kopijyvä has been its Kuopio office, where a total of about MEUR 2.5 has been invested in the premises and production machinery. In addition to a new offset printing machine, Kuopio has also acquired digital printing machines with related state-of-the-art finishing equipment.*

*Almost 900 sqm of new production facilities in Kuopio have been added to the existing 2,000 sqm. Through these investments, Kopijyvä is further strengthening its service concept, by safeguarding its ability to deliver all printing and publishing services centrally as a one-stop shop.*

***The company has** also further developed a service package around its products built on the needs of customers. This package covers everything from printing to finishing and mailing, and from the ordering of electronic services to the monitoring and archiving of direct advertising campaigns.*

*Having grown into the largest company in the printing and publishing sector, Kopijyvä has offices in nine locations.*



## Data security recognition for Kopijyvä

*Kopijyvä's SokoPro project bank system is a good example of the company's ability to respond to the changing needs of customers and to develop its services to meet demand.*

*"SokoPro is a great example of the possibilities created by revolutionary change in content in the printing and publishing sector," says Managing Director **Heimo Viinanen**.*

***Serving customers** in the construction industry and property management, the SokoPro electronic information management, distribution and archiving service is the first project bank in Finland to have been granted a data security certificate. This was granted by Nixu Oy, the largest company in the Nordic countries specializing in data security consultancy.*

*"SokoPro's data security has therefore been tested from the perspectives of the technical efficiency of the service and maintenance practices," notes Viinanen.*

# New strength for 2013

Just as 2013 was beginning, Kopijyvä's parent company, Digiprint Finland, bought DMP-Digital Media Partners.

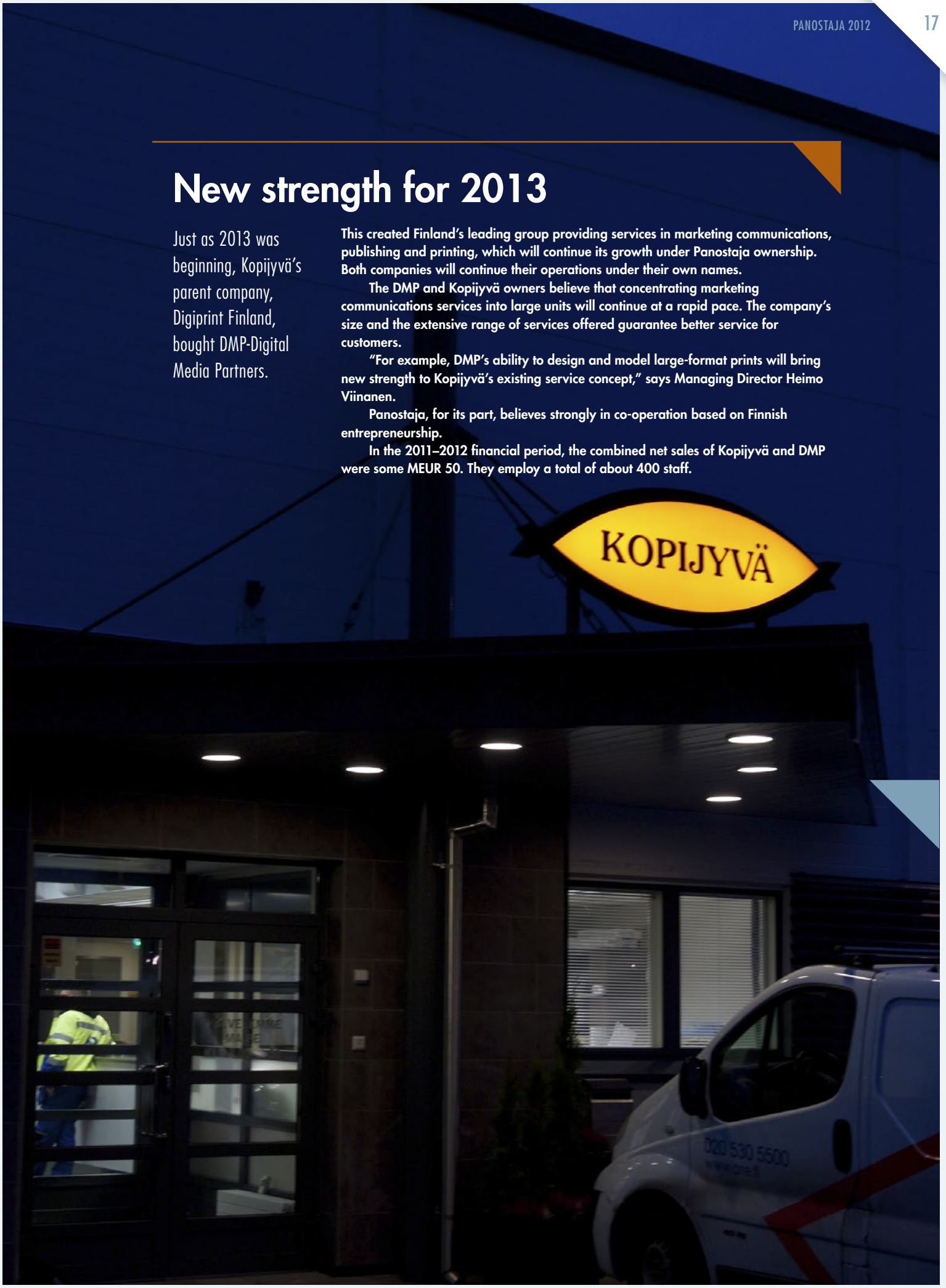
**This created Finland's leading group providing services in marketing communications, publishing and printing, which will continue its growth under Panostaja ownership. Both companies will continue their operations under their own names.**

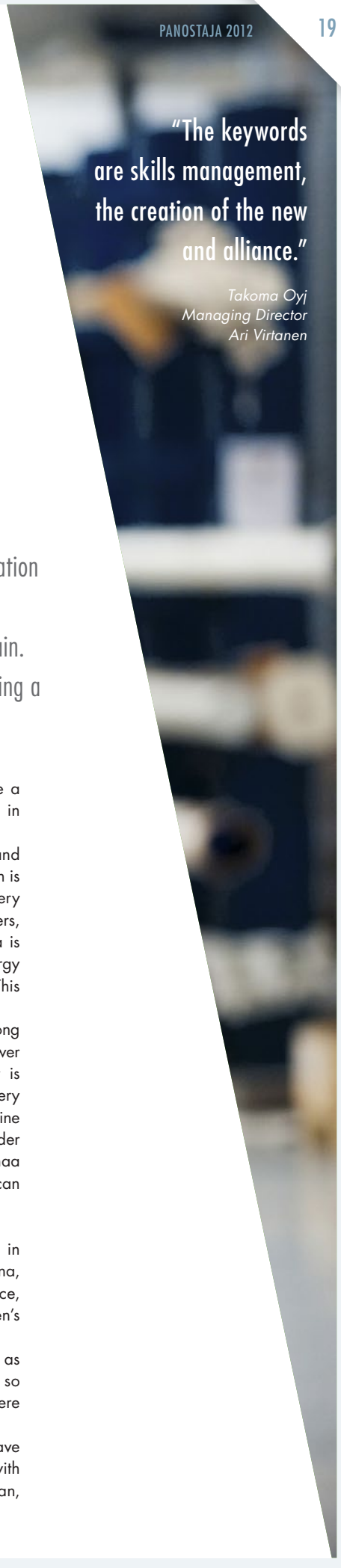
**The DMP and Kopijyvä owners believe that concentrating marketing communications services into large units will continue at a rapid pace. The company's size and the extensive range of services offered guarantee better service for customers.**

**"For example, DMP's ability to design and model large-format prints will bring new strength to Kopijyvä's existing service concept," says Managing Director Heimo Viinanen.**

**Panostaja, for its part, believes strongly in co-operation based on Finnish entrepreneurship.**

**In the 2011–2012 financial period, the combined net sales of Kopijyvä and DMP were some MEUR 50. They employ a total of about 400 staff.**






# Takoma setting sail on a new course

The year gone by was a culmination for engineering company Takoma. The elimination of encumbrances accumulated over the previous three years required a complete change of direction to render the expertise existing in the company productive again. With internationalization, a higher position in the value chain and growth from being a mere component producer to a system producer, this was possible.

An expert in industrial marketing and change management, **Ari Virtanen** was invited to lead this change of Takoma's direction.

In Takoma, Virtanen sees a company that is basically sound, but one that above all now needs courage. This means that purchased hydraulic system functions and cylinder production must be developed and their export to international markets launched.

"A domestic outlook is too binding, if it becomes an absolute value. Together, domesticity and internationalization can be much more," Virtanen explains.

Before long, nine out of ten companies will find themselves in a situation where they have to change direction completely.

In recent years, Takoma's investments and order book have provided every reason to assume that the favorable development of the engineering group will continue. As an experienced leader of reorganization processes, Ari Virtanen says that what lies ahead is renewal of old operating methods.

"The keywords are skills management, the creation of the new, and alliance."

**According to** the new Managing Director, Takoma's future lies at difficult points in the industry, where special expertise in both production and applications are needed. Virtanen speaks of arctic and tropical areas, both of which have their own challenges. On the one hand, there would be a place for Takoma's applications, especially in dusty, vibrating and corrosive environments.

"The marine industries of Russia, Norway and Brazil, for instance. On the other hand, attention is increasingly turning to mining-industry machinery and equipment manufacturers, among others, and also directly to mines themselves. Takoma is traditionally strong in applications for the energy industry, such as hydroelectric projects. This expertise is being further strengthened."

This view is borne out by Takoma's strong expertise and quality. Manufacturing power transmission components, the Parkano factory is one of the few in Europe with skills in the machinery for the large slewing rings needed by the marine industry and in induction hardening. The cylinder factory at Akaa and the unit at Keminmaa producing hydraulic and automation systems can meet the needs of their target markets.

**Takoma's direction** is thus, above all, in developing markets outside Europe: Brazil, China, India, Russia and possibly Africa. In practice, South Africa and Latin America are Virtanen's home markets.

"I don't consider the Eurozone at all, as economic growth elsewhere in the world is so strong that Takoma has sufficient possibilities there for the growth it needs."

"Since up to now in my 28-year career I have lived in 14 foreign countries, I have grown up with change and I feel that I am a foreign businessman, at least to some degree," says Virtanen.

"Heatmasters has maintained its position as a leading company in the field, thanks to its expertise in the management of the whole heat treatment process."

*Heatmasters Oy*
*Managing Director*
*Juha Saarikunnas*

# New glow for heat treatment

Over the years, the heat treatment of metals sector has seen many changes, not only because of technical development but also in terms of official control and regulations. In this changing environment, Heatmasters Group is strong, thanks to its expertise, experience and services. When expertise extends throughout the whole chain, there is a solid foundation to operate on domestic and international markets.

Service development is key when it comes to Heatmasters Group's successful business operations. For example, look at Poland where new premises were opened in the Katowice region during the financial period. This helps Heatmasters to serve its local customers significantly better, thereby increasing the size of its market.

Heatmasters has also accumulated valuable experience from the major Olkiluoto 3 contract, which for Heatmasters was completed in the year under review. Work for several clients at the same location has taught the company to adapt what it has been doing to suit any given situation.

"From Olkiluoto, we obtained considerable experience for our own development work, as the requirements of a nuclear power plant are stringent in every area of heat treatment," says Managing Director **Juha Saarikunnas**.

**Metal heat treatment** is a special field, with a narrow market. It is mainly a question of project business, so reliability is a vital necessity in the sector. The technical development of steel that started in the 1960s is still continuing.

In spite of the long history of heat treatment, supervision of the industry has been patchy in different market areas. A turn for the better has, however, already taken place. The share of high-technology heat treatment solutions is increasing with developing heat treatment requirements, and official regulations and documentation are proliferating.

Saarikunnas notes that Heatmasters has a good position on the market.

"Heatmasters has maintained its position as a leading company in the field, thanks to its expertise in the management of the whole heat treatment process. Expertise extends throughout the whole chain."

**The need for** documentation is increasing and quality and safety factors are being emphasized, when you have customers in nuclear power, shipbuilding, oil exploration, energy, mining and engineering. Heatmasters Group's readiness to respond to these demands particularly lies in the manufacture of its own heat treatment-related applications and equipment and in its auxiliary services that support the whole, such as documentation management and the computer-based remote use of services.

Co-operation with Design Foundation Finland has not only created a new line of industrial design but has also developed heat treatment work stages. When heat treatment machines are easy to operate, work proceeds more smoothly.

At present there is machinery trade with 20 countries. Service business extends to Europe and several selected countries, such as Poland, with a strong Germany-driven engineering industry.

**The structure of** the heat treatment market in different countries follows the economic development of each nation, and in particular events in the energy, welding machinery and marine industries. The sector is being most strongly altered by industrial changes and new solutions.

The achievement of international growth thus requires special sensitivity. In addition to strong product development work, attention must also be paid to business expertise, after-sales service, the utilization of remote technology and raising the company's own market position.

Europe's poor economy and inability to solve related problems are increasingly giving Juha Saarikunnas food for thought. The long-running uncertainty is creating pressure to prepare alternative plans for the company's future growth.

"In Europe and particularly Finland, the future of the subcontracting industry is giving cause for concern. What is important is how we can maintain and develop basic industry in Finland, as well as whether or not we can maintain our competitiveness or whether manufacturing will move to Asia and other areas of investment along with the customers," Saarikunnas ponders.

## Harmonizing Group names

- The names of the companies in the Heatmasters Group were harmonized at the beginning of November 2012, the turn of the financial period.
- The service business units are now called Heatmasters Lämpökäsittely Finland Oy, Heatmasters Poland Sp. z.o.o. and Heatmasters Sweden AB.
- The machinery and equipment manufacturer is called Heatmasters Technology Oy.

# Supports firmly in construction

Managing Director of Toimex, Kalervo Pentti, is turning his trusty gaze towards the Baltic states. Owing to the Eurozone crisis, the domestic construction market effectively stalled during the summer. This came as a surprise to everyone.

# Speed the essence to Kiinnikekeskus

Suomen Kiinnikekeskus closed its Helsinki storage depot in the autumn. This was part of the development of the company's distribution and storage operations and the move towards centralization in Tampere. As well as improving the speed of customer service, the move also facilitated a wider range of products.

As a small-scale operation, Kiinnikekeskus is competitive in its own specialist market. Managing Director Ari Suomalainen knows that the key to success for fasteners suppliers is stock control. The challenge is to ensure that the available product range is broad enough while not retaining too much of any one item of stock.

"The selling point for the major players is price, whereas for us it's speed," Suomalainen adds.

"The technology sector is quite simply a challenging working environment and this creates sales and product management pressures for stock holders. The implementation of a new operating system has aided and improved the speed of logistics and product tracking."

**"The need for** speed in both sales and storage has come to stay, and rising to that challenge is a must," Suomalainen notes.

Panostaja has a significant support role. With a wide knowledge of various sectors, it can help to provide Kiinnikekeskus, with its annual net sales of some MEUR 3, with the right kinds of efficiency and solutions to be able to compete with larger rivals.

**Kiinnikekeskus's** Tampere and Pori depots will continue to operate just as before.

The greater Helsinki sales team continues to provide customer service, but deliveries are dispatched from the Tampere depot straight to the customer.

Despite all the challenges, Toimex recorded the same profit as in 2011, although this did fall short of expectations. Adjustments need to be made early in the new financial period.

"We were on target right up until midsummer when the markets literally plummeted. The usual construction cycle, including house moves around Christmas time, just didn't get going at all," remarks **Kalervo Pentti**.

"Production has to be slowed to prevent the value of the stock rising. On the other hand, as a manufacturer one has to be prepared to use all the time at one's disposal. It is hard to predict how high the need for supports is going to be, as they're just bought on a need by need basis. Whoever can deliver them the fastest is the one that makes the sale."

**Pentti relies** on his customers, wholesalers within the industry. A fantastic share of the domestic wholesale market has remained and there is an open dialogue between traders within the sector. "There's not much more that a business can do other than be reliable in meeting the needs of its customers. And even though we expected better from the last financial year, we're not overly concerned. It's our job to breathe new life into the market," says the Managing Director.

**Part of the solution** to a more productive future lies in the domestic rental apartment construction, which was barely worth mentioning in the year just gone.

Word has already started to come from the Baltic states that the worst of the recession is over and that construction is getting back on track. However, Pentti is reluctant to place hope in the Russian export market, which has yet to fully recover from the 2008 decline. Scandinavia, however, seems to be returning to normal.

"We are truly at the mercy of the markets. Nobody buys supports on a whim. We're going forward and believe that the situation at this time next year will be better."

# Flexim Security right at the cutting edge

Flexim Security has taken up the position of Finnish market leader in the security and access control sector. The company has opened up markets by investing in new technologies, services and customers. Even though these investments have been expensive, the company's growth has been strong.

Flexim's slogan—travel in safety—is something the company adheres to in all its activities.

With the increase in forms of travel and the widening of information-rich solutions, the security and access control environment is inevitably expanding. Today's customer solutions make use of information networks and consequently a lot of services are being made available online.

"Technologies and networks are currently being developed for the entertainment sector and social media. We have to take these into consideration when developing our products and services," notes Managing Director **Jukka Laakso**.

"The effects of our new ventures have not come to light as quickly as we'd have liked, but everyone remains upbeat and believes that, despite all the negative economic news in the media, the future direction is strong," says Laakso.

**The security sector** has been fashionable for some time now, but the sector's tectonic plates are beginning to shift. New actors are arriving on the scene, especially from the IT sector, with technology companies and solutions becoming more dependent on information databases and similar services. The traditional security sector is becoming technologized while real estate technique operators expand to include security solutions in their portfolio.

Naturally, the development within the sector is reflected in Flexim's operations, especially in the planning of new products and business strategy.

"Flexim Security is transitioning to be among the leaders in the new generation of customer solutions and, as such, is playing a significant role in affecting development within the sector. Both the multinationals operating in the sector and those companies who follow it are keeping a close eye on Flexim's operations, utilizing the solutions it is using in their own products. Of course, we're naturally very proud of this," Laakso reveals.

Flexim will bring its latest total security package, a working hours tracker and security system that makes use of the latest industry trends, to the market in 2013.

**As an expert** provider of security techniques, automated doors, locks, access monitoring, and working hours tracking, Flexim Security is growing at an international level.

"We have a top team working across the board to realize our goals," says the Managing Director.

# Flexim taking expertise further

*Flexim Security Managing Director Jukka Laakso has taken the idea of Panostaja Group's role as a facilitator of business success to the next level.*

*"Business development is not just about governance, it also requires sparring partners. It was from this idea that Flexim Security set up the strategic advisory boards for its various areas of operation, in which we've been joined by business leaders, product development experts, and representatives from the scientific community. Their commitment is so strong that these boards meet every month. These people have the desire to boost global business and to be part of a new creative team. Many people want to be part of Finland's future success," Laakso smiles.*

***With the help** of its advisors, Flexim Security has already developed new products and services. There is plenty more in store in 2013, Laakso promises. At the heart of all future plans is the notion of benefiting from market research into the different needs for security and work-time management.*

*Laakso respects the ways in which Panostaja unites the individual character of an SME with the outlook of a listed company. The significance of strong governance as the basis for creating business operations has become clear, as has the entrepreneur's sense of responsibility.*

*"Entrepreneurship has not disappeared anywhere, even when I am working at a relatively large listed company. As well as solid Board work, the Panostaja ownership has also brought with it the support systems needed. Of course, as an expert in the field, one must also be able to place demands on oneself. It is my belief that, when it comes to Flexim Security, many improvements have been made since Panostaja took over in 2007. The company's own experience of the sector has undoubtedly been of assistance in the years that have followed, as Flexim's earlier days told a different story, with only a few million euros in net sales," Laakso sums up his own entrepreneurial aspirations.*

*"I particularly value Panostaja's way of facilitating growth strategies, as well as its ability to see and understand development needs within the bigger picture. This does not come naturally to all capital investors. I strongly believe that both Panostaja's and my own expertise have merged well. Our respective strategic thinking is undoubtedly exceptional in the ways in which it overlaps," Laakso concludes.*

# An outsider's view

KL-Varaosat's move from Koivistonkylä in Tampere to new, larger premises in Nekala put new wind in its sails. Excellent support for the renewing business comes from a skilled Board. Panostaja Group uses a good number of external Board professionals.

KL-Varaosat has two Board professionals: the long-standing spare parts professional and Board partner **Kalevi Ingberg**, and Hallituspartnerit Executive Director **Sari Vaajanen**.

In the overwhelmingly male-dominated world of spare parts, a lady inevitably looks at matters in a different manner. In particular, Vaajanen's sales and marketing experience gives her a new perspective on the traditional sector practices.

"The spare parts sector is quite traditional and this is precisely why it interests me. Here, it is possible to employ business models that set us apart from our competitors."

In addition to sitting on the KL-Varaosat Board, Sari Vaajanen carries out Board work at an educational organization and an industrial clothing manufacturer.

"All kinds of people can give different perspectives on things that sometimes become all too familiar. This is the way innovation happens. To production-centered companies, I would bring experts from the service sector. Consumer sectors need people familiar with the models and practices of the business world and vice versa," Vaajanen says, before going on to explain that what is key in Board work is the owner's desire to make things happen and a good working relationship with all of the partners.

When it comes to having a competitive edge, strong leadership is, according to Vaajanen, the thing that often takes a business ahead of its competitors.

Passionate about Board work, Vaajanen is driven by her own experience and expertise. As a sales-minded person, she is well positioned to see the huge potential for growth at KL-Varaosat–in terms of developing its existing operations and consolidating newer ones.

"Previously, I put a lot of effort into the rapid growth of one firm. My current vision is to develop several businesses through my own work," she continues, referring to the Innolink research for business initiative, where she was a founding owner and sales director.

This entrepreneurship enthusiast and business angel strongly believes in the Panostaja concept. Thanks go to its modern management model and the tools employed therein.

"I want to be able to give a sales perspective to a company: sales targets, measures, reward schemes, and organization. My customer and research expertise are also beneficial."

As a PhD student at Tampere University of Technology, Sari Vaajanen currently studies how professional Board work affects the profitability and growth of businesses.

Sari Vaajanen

## New man at the helm of KL-Varaosat

*As of early 2013, the new Managing Director of the Mercedes-Benz and BMW original spare parts wholesaler is M.Sc. (Econ.) Juha Kivinen.*

*In comparison to the other players in the sector, KL-Varaosat posted good numbers for the last financial year – a 10 per cent growth is twice the respective annual average. The company's annual net sales have now broken the MEUR 10 mark.*

*The new Tampere branch has brought Mercedes-Benz and BMW brand products closer to car owners. Now that it is easier than ever before to visit the store, it is justified to increase the size of the stock. Thanks to the collection point built at the rear of the store, spare parts vendors and repair shops have easier access to spare parts.*

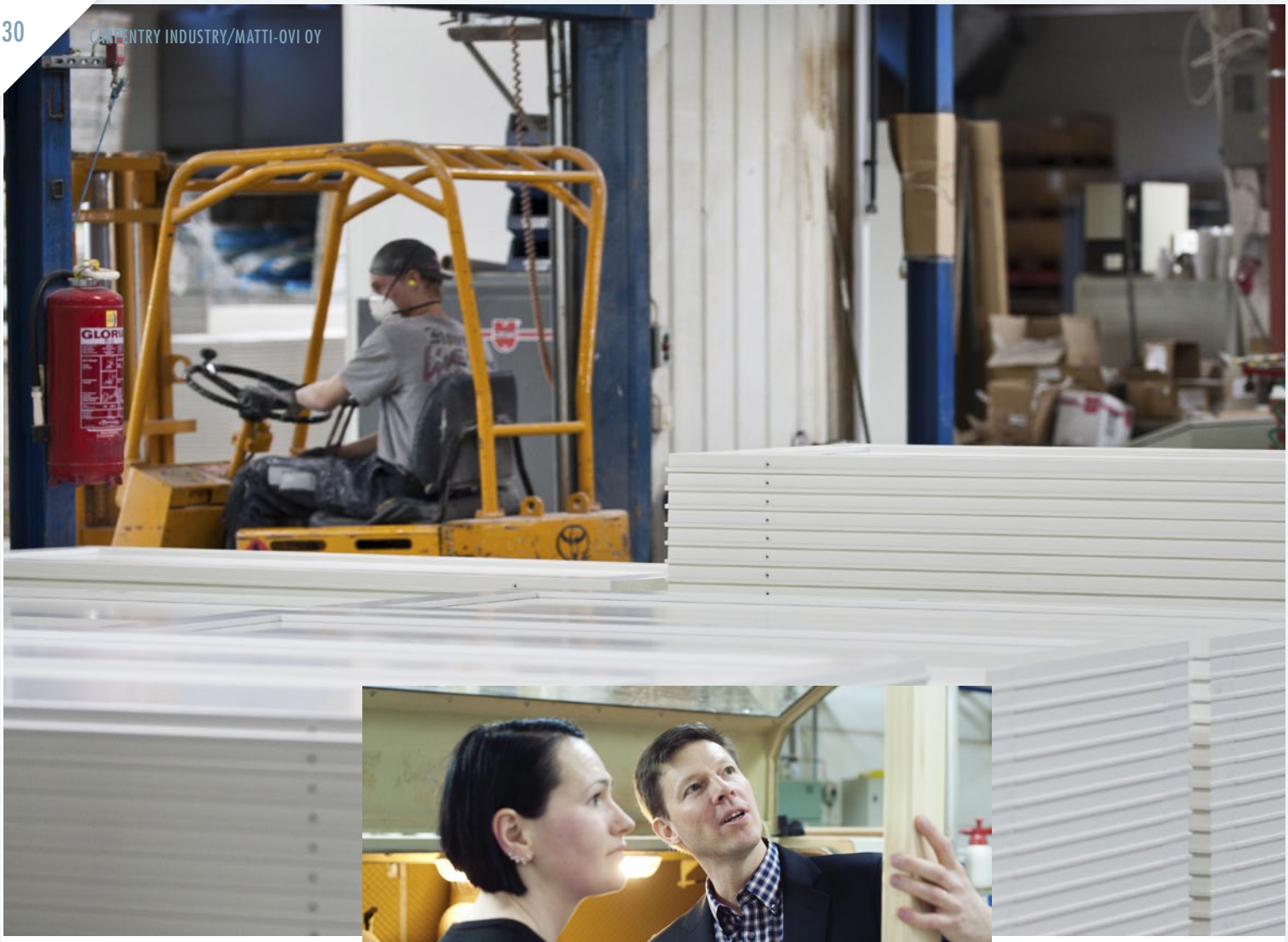
*Development of the company's own activities is a foundation principle at KL-Varaosat. Its customers have found the online store. Choosing spare parts suppliers and new customer acquisition both require some legwork, with two employees working on customer acquisition. The collection service for spare parts vendors has brought about a significant increase in customer-derived sales.*

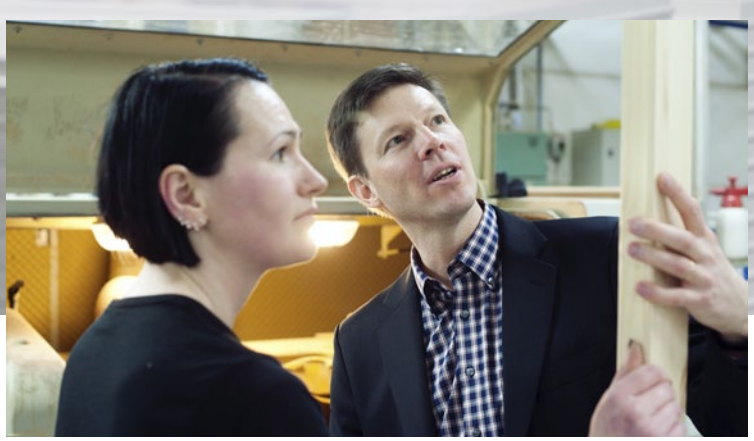
*The traditional model of spare part sales is one based on contacts. The closer KL-Varaosat is to its customers, the easier it is for all parties.*

*In addition to the Tampere branch, KL-Varaosat also operates in Rovaniemi and Jyväskylä.*

At Matti-Ovi, it has taken some time to gradually develop the company into the shape it is now in. However, a number of small things heading in the same direction has proven a success.

# Matti-Ovi GROWING like the forest





"Innovation improves quality, and any company developing from within is one full of strength," says Managing Director **Tapani Harjunen**.

The Panostaja ownership has provided this traditional carpentry firm with the calm in which to rise to the challenges the future has in store.

Plans for investment in new machinery and equipment in the coming financial year have been in the works for two years now. The impact of this type of change can be felt across the whole firm – from production to storage and on to sales.

"Picking out small signs on the market enables one to form a picture of what's to come. Merely reacting to the market is panic behavior. We are trying new things all the time. Big changes are only made when we are completely certain of the right direction, for example with new product lines."

New technology facilitates more punctual deliveries.

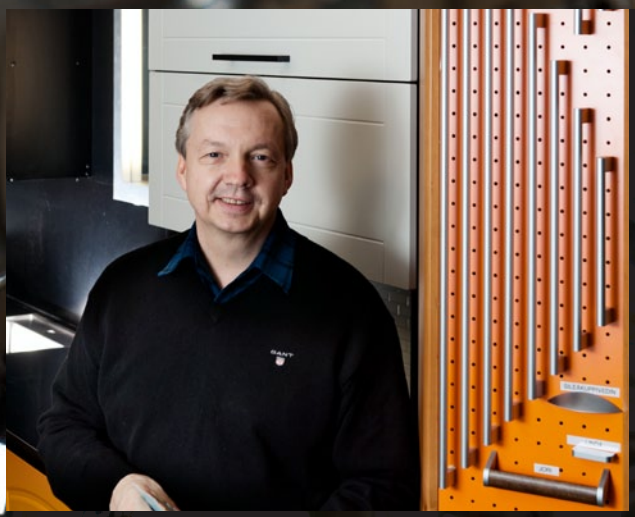
Development at Matti-Ovi is based on regular evaluation of the company's own activities, focusing on different issues each year, and acting on the observations made. The parent company's active economic monitoring has made the Matti-Ovi's operations more organized and carried out with increased certainty, with operational objectives set for periods of more than one year. Harjunen describes the process as marking out a path.

"The basis for co-operation is in building for the future. In this way, we are freed up to pay attention to exploring various operational possibilities once they have been identified."

Tapani Harjunen views that in future there will be an obvious structural change taking place in the carpentry sector and particularly in door manufacturing, one for which Matti-Ovi is completely prepared. On the other hand, the company is also ready to open up new markets, especially in Sweden, Norway, and Russia. This desire for growth is also seen in the acquisition of other businesses. According to Harjunen, now is the right time for this sort of move.

The oldest of Panostaja Group's subsidiaries, the fact that Matti-Ovi has focused on the manufacture of one brand of premium-grade products has helped to create a strong name.

# Fittings wholesaler expanding



Growing all the time, Suomen Helakeskus is becoming one of the most diverse fittings retailers in Finland. The slow year just gone has called for a lot of work, but has also bore some fruit in terms of product range and the general working atmosphere.

The strategic business moves made have been brave. Co-operation with one of the world's leading security firms, the Kaba Group, introduces locking systems to industrial clients. The attachment of Eurohela Trading to Suomen Helakeskus has strengthened the furniture fittings business.

The fittings business was also divided into two units, of which the new Rakennushelasto concentrates its efforts, as its name suggests, on construction fittings.

"We are determinedly following our own strategy and operating in a customer-oriented fashion – following others is not part of the plan," remarks Managing Director Hannu Rantanen.

The decades-old partnership between Suomen Helakeskus and Abloy came to an end in the spring, which had an effect on Helakeskus's net sales. This did not, however, have much of an effect on profit. On the contrary, the significant indicators and profitability improved greatly.

The year saw many co-operative contracts with some of the biggest players in the sector and this only served to make Helakeskus's industry presence broader and increase its product range. This development supports Helakeskus's future and position as an importer, especially when bearing in mind the unavoidable centralization taking place across the whole industry.

**Rantanen notes** that in order to be competitive a company must genuinely be able to look after its customers. This is why the commitment and pride of all the firm's personnel are an irreplaceable advantage.

"Our work satisfaction has risen remarkably in the year just gone. The staff are clearly interested in and proud of what they are doing. This bodes well for the future," the Managing Director smiles.

The net sales generated through furniture fittings wholesale are small, in the region of MEUR 100. The question is one of how this sum divides among the various competing parties. Helakeskus's proportion is fairly good, and aided by the corporate transaction concluded in November 2012, the situation is looking even better than before for the financial year to come," Rantanen dares to suggest.

"When the ways of doing things are being unpicked and the culture is changing, we need bravery to make tough decisions and set the goals high. Sometimes, we also need permission to fail in our everyday tasks, it is only natural." Rantanen describes the considerations made during the year to strengthen the company's market position and notes that structural changes need to be made for future development along the same path.

"Nobody really knows what the future holds. The real value of our actions is a genuine belief in what our people are doing. They want to do their jobs well. This is all founded on the Panostaja principle of a considered pursuit of growth," Rantanen observes.

## New vistas, consolidating the old

In 2012, Suomen Helakeskus's imports broadened notably:Franken allastoimitukset alkoivat alkuvuodesta.

- The Franke pool deliveries began at the start of the year.
- Work began on locking mechanisms targeted at industry customers thanks to the partnership with the Kaba Group.
- Helakeskus renewed its handle range.
- Helakeskus signed an exclusive distribution agreement for its Viva product line with Lanka ja Muovi Oy.
- Austrian Tischlerzentrum (TZ) and Helakeskus consolidated their collaboration through the production of TZ's premium-grade furniture doors.

# A year of bold decisions

Vindea's year has required a great deal of careful consideration, decisive decisions, clear goals and plenty of courage, says Managing Director Jouni Arolainen, when describing the determining factors of the financial year behind us. The acquisition of HSG Logistics saw the company rise to the top of the pile in the industry value-added logistics market.

In 2012, Vindea made significant headway in opening up new accounts as well as clinching some long-term contracts with customers.

"The main focus has, of course, been on integration. The work was just as demanding as we had expected. We managed to pick out the best bits from each business and create an incredibly effective organization. We want to be the biggest and most sought after. This principle is clear in the minds of everyone that works for Vindea, and we all know what has to be done to achieve this," **Jouni Arolainen** beams with satisfaction.

"The change has necessitated courage to transform both the organization and the management. We have reviewed all of our practices, software, machines and equipment, the very foundations of the business. We always choose the best systems and ways to do business that meet the goals we have set for growth."

**In its field**, Vindea is exceptional in the way it only serves industrial clients. This makes it stronger than its rivals: it plays to its strengths in terms of expertise and knowledge of the sector, and in that it is in a class of its own. Vindea's strengths lie in flexibility, both in terms of resources and operating practices, its incredibly motivated and capable staff, and the ability to meet the needs of its customers in a way that best serves them. Of the value-added logistics market, only a little over ten per cent is realized today, and this means that the sector will certainly experience forceful growth.

Meeting goals and fulfilling customer promises requires more than merely hard work. Thanks to the economic and leadership support and education provided by Panostaja, effective client liaison and a strong and believable business culture have been achieved.

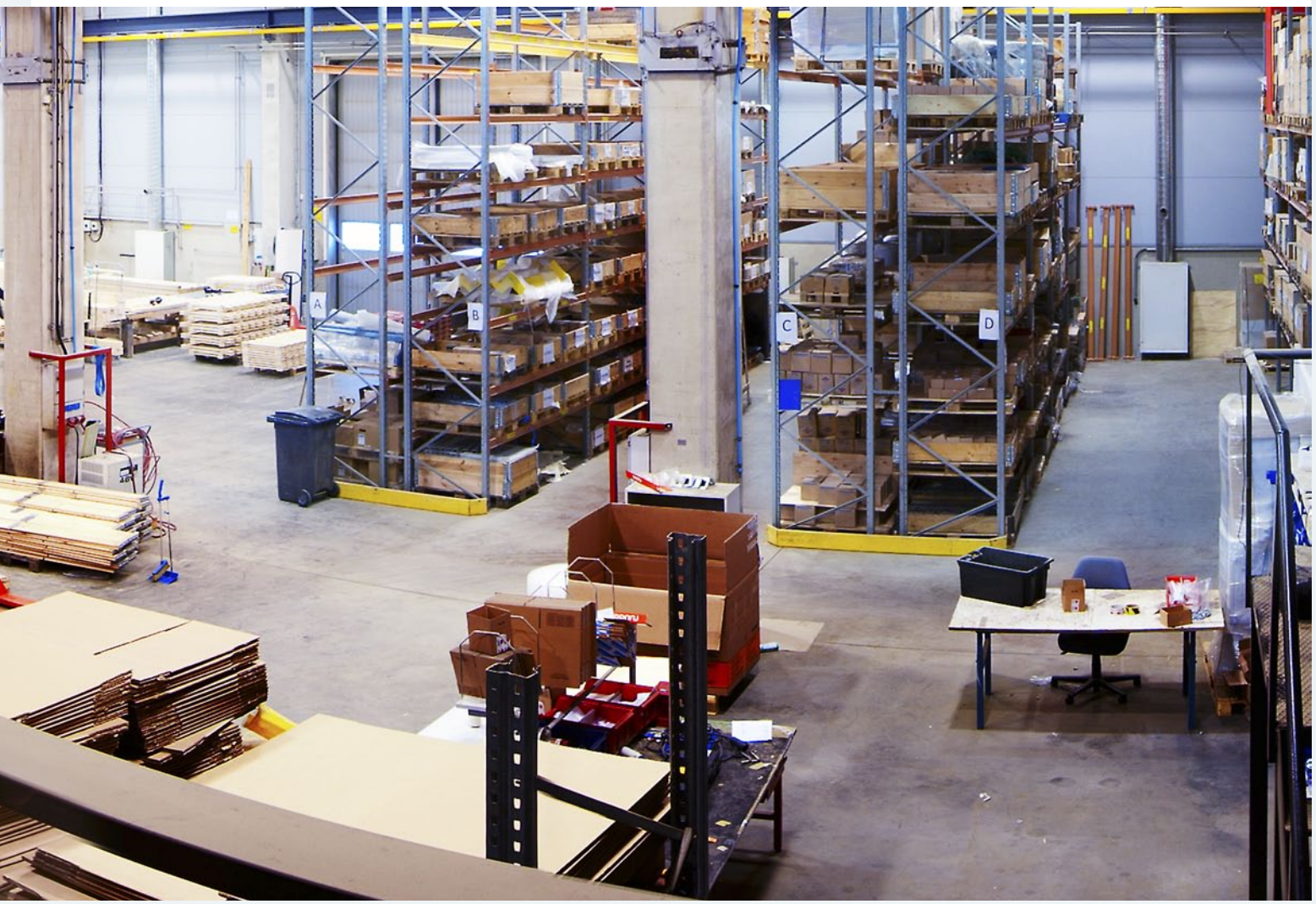
"The relationship with our customers has become tighter, and not only because we have seen the economic changes sooner than others, but rather that we have been able to promptly respond to the changing needs of our customers. Genuinely listening to customers is a prerequisite for success."

In Arolainen's mind, open collaboration with other parties is part of an overall strategy for success. Making use of the principles of partnership is beneficial to both parties in whatever they do. A prime example of this is Vindea's collaboration with human resource company Carrot, with whom they have worked closely. This way there is always enough but not too many employees working, regardless of any fluctuations in demand.

According to Arolainen, Vindea has changed over the year. The management is more direct than before, with quicker reaction times.

**"We have** gotten rid of all the unnecessary things from our product range and developed our sales and customer service provision; we are now focusing on the right things."

"When everything is continually in a state of flux in the world and the business, it is more important than ever to keep developing our methods so that we can meet the increasingly demanding needs of the market place and remain competitive," notes Jouni Arolainen.



# Alfa-Kem becomes part of Spectra Yhtiöt

At the beginning of the 2012 financial period, Panostaja-owned Alfa-Kem merged with Lohja-based Spectra Yhtiöt. The merger transformed Panostaja's technochemical operations to focus more on services, strengthened by Alfa-Kem's own cleaning and detergent product development.

The deal saw the entire Alfa-Kem share capital transfer to Spectra Yhtiöt, of which Panostaja owns approximately one third.

"The result was a strongly growth-oriented company, with heavy emphasis on increasing trade services," says Managing Director **Veli-Heikki Saari**.

The company's development has indeed been dramatic. Alfa-Kem's product development has found Spectra Yhtiöt's work environment excellent for testing purposes. The various cleaning, specialist cleansing, and car washing agents have been further developed. In terms of net sales too, the benefits of the merger are evident in reduced acquisition costs, Saari observes.

"There is a clear and strong desire for growth in all of our areas of operation."

**Spectra Yhtiöt's** net sales of about MEUR 5 stem mostly from shopping-center and shop support services, or providing everything that is needed in a clean environment.

Alfa-Kem's nationwide distribution agreements and its industry private label brand contracts are a good add to the whole.

"The growth of new distribution channels is considerable. When we include the private label contracts, Alfa-Kem's position on the market has notably improved and it is a valuable benefit to the Spectra Group. We are continually developing our range of services for the trade sector, so growth comes primarily from Spectra's business."

Alfa-Kem employs about 20 staff in cleaning agent production. Spectra Yhtiöt employs approximately 200 staff.

# Strong growth in environmental technology

The Ecosir Group has strengthened its position in the environment sector, quickly becoming the market leader in environmental services for properties and, especially, healthcare.

"It has been an interesting and great year. We have achieved the position of a clear market leader on our key target market. The year has shown that we have chosen to follow the right lines of operation and that the increased focus on advanced waste transportation solutions for properties has born fruit," says Managing Director **Mauri Leponen**.

Leponen is satisfied with the significant increase in the order book, new areas of operation, and the strong foundation for Ecosir's future growth that has stemmed therefrom.

"Property renovations, new nursing homes, and the modernization of hospitals built during the 60s and 70s is at the stage that the need for property management systems is high. And due to the sheer shortage of nursing staff, new technologies and solutions will be increasingly needed in the near future, in order that quality care provision continues."

The Ecosir Group's transfer systems are already in use or in the early take-up stages in nearly all of Finland's hospital and care-home modernization projects. At the Hospital District of Helsinki and Uusimaa's Meilahti hospital, the Ecosir Group is building Finland's largest Shaftline transport system, to be used to collect and transport waste and clean the 15 storey building in its entirety. The system will be ready by the end of 2013.

"The sector is growing and the Meilahti Patient Tower is but one example of the significant sites key to Ecosir, demonstrating our expertise," Leponen notes.

# Panostaja Oyj Report on the Management and Control System

## Compliance with the Finnish Corporate Governance Code 2010

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

## Annual General Meeting

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

## Board of Directors

According to the Articles of Association of Panostaja Oyj, the Board of Directors must comprise at least three and no more than six ordinary members. In the financial year 2012, the Board comprised six members until May 10, 2012. In May, Hannu Tarkkonen resigned from the company's Board, after which the Board has consisted of five members. The members of the Board are elected by the Annual General Meeting. A Board member's term of office expires at the end of the Annual General Meeting following the election.

In 2012, the Board convened 10 times. The average rate of participation at Board meetings over the period was 94%.

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

Of the six members of the company's Board, six are independent of the company (five independent members out of five as of May 10, 2012) and five of the company's significant shareholders (and five of the company's significant shareholders as of May 10, 2012).
At the Annual General Meeting held on 31.01.12, the following were elected to the Board:

- **Jukka Ala-Mello**, born 1963, Chairman of the Board since 2011, Board member since 2006, M.Sc (Econ.) and member of the Finnish Institute of Authorised Public Accountants, Director of Kone Corporation and Secretary to the Board, previous work experience: Shareholder in PricewaterhouseCoopers Oy 19952006, Finnish Institute of Authorised Public Accountants-approved auditor 1993–2006, and auditor 1987–1990, and Financial Manager at Panostaja Oyj 1990–1993, other positions of trust: Board member and Managing Director at Security Trading Oy and Holding Manutas Oy, Chairman of the Board at OWH-Yhtiöt Oy and Board member at Oy Hacklin Ltd. Independent of the company and significant shareholders.
- **Hannu Martikainen**, born 1943, Board member since 2007, Construction Counsellor (rakennusneuvos), previous work experience: Managing Director of Parma Oy, other positions of trust: Board member of Muotolevy Oy. Independent of the company and significant shareholders.
- **Hannu Tarkkonen**, born 1950, Board member since 2006, Vocational Qualification in Business and Administration, Managing Director of Etera Mutual Pension Insurance Company, previous work experience: Investment Director at Etera 1997–2005, Deputy Managing Director at Etera Mutual Pension Insurance Company 2005–2010, other positions of trust: Member of the supervisory board of Raisio Oyj and the Mortgage Society of Finland. Independent of the company. Hannu Tarkkonen resigned from the Panostaja Board on May 10, 2012.
- **Satu Eskelinen**, born 1961, Board member since 2010, M.Sc. (Eng.), Director of the Tampere Area and Business Services at Technopolis Oyj, previous work experience: Director of the Consulting and Technology Unit at Solteq Oyj, Regional Director at Elisa Oyj, Marketing Director and Managing Director of Soon Com Oy, other positions of trust: Board member of Tampereen Lääkärikeskus Oy. Independent of the company and significant shareholders.
- **Eero Eriksson**, born 1963, Board member since 2011, Master of Political Science, Deputy Managing Director of Fennia, previous work experience: Investment Director of Fennia Group since 2002, Investment Director of Eläke-Fennia 1998–2001, Investment Director of Merita Henkivakuutus Oy, Bank Manager of Suomen Yhdyspankki, other positions of trust: Board member of Fennia Asset Management Ltd, deputy Board member of Fennia Life, Member of the Investment Committee of the Diabetes Research Foundation, member of the Asset Management Committee of Oulun Diakonissalaitoksen säätiö foundation. Member of the Board of the Kyllikki and Uolevi Lehikoinen Foundation. Independent of the company and significant shareholders.
- **Mikko Koskenkorva** born 1982, Board member since 2011, graduate of upper secondary school, IT Project Manager for Pajakulma Oy; other positions of trust: Board member of Johtopanostus Oy, Board member of Rollock Oy, Board member and Managing Director of Treindex Oy. Independent of the company and significant shareholders.

The organizing meeting of the Board elected Jukka Ala-Mello as Chairman and Hannu Tarkkonen as Vice Chairman.. After Hannu Tarkkonen's resignation from the Board, Eero Eriksson was elected as new Vice Chairman on October 24, 2012.

## CEO

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

## Organization of Business Activities

In the financial year 2012, Panostaja Oyj's Senior Management Team comprised CEO Juha Sarsama, CFO Simo Mustila, Investment Director Tapio Tommila and Development Director Heikki Nuutila. The Senior Management Team is chaired by the CEO and meets regularly. In addition to his statutory responsibilities, the CEO is accountable for the organization of Panostaja Oyj's activities, the management system and development thereof of the entire Group, as well as preparation and presentation of matters to the company's Board of Directors. The CFO is responsible for the financial reporting process and the risk management process as well as their development. The Investment Director is responsible for the corporate acquisition process and the related analysis and valuation process. The Development Director is responsible for the Group's management system and its development and for the Group's development projects as well as supporting segments in their own development projects.

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

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

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

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

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

## Auditing

The auditors elected by the AGM are responsible for the statutory auditing of the companies belonging to the Panostaja Group. In the 2012 financial period, Markku Tuomela APA and Authorized Public Accountants PricewaterhouseCoopers Oy operated as auditors in the parent company and the Group.

As required by law, the auditors issue an audit report for the company's shareholders together with the financial statement. In dealing with the financial statement, Panostaja Oyj's Board receives an explanation of the implementation of the audit and its findings from the responsible public accountant. If necessary, the auditors participate in Board meetings and otherwise report to the Board. In the 2012 financial period, the fees paid to PricewaterhouseCoopers for the statutory audit were €91,000, and €69,000 for other services.

## Insider Management

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

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

## Communication

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

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

## Risk Management

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

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

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

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

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

Risks are identified and assessed based on their likelihood, severity and impact. Actions focus on trend development and risk management activities.

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

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

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

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

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

**Panostaja's CFO** is responsible for risk management strategy and reporting at Group level. Financial risks are reported regularly to Panostaja's Board.

**Panostaja's Development Director** is responsible for the practical execution and control in the business areas based on the Group business model and risk management policy.

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

## Remuneration

The AGM confirms the Board's salaries annually. The 2012 Annual General Meeting confirmed the following salaries for Board members: The Chairman of the Board is paid €40,000 per year, and every other member of the Board €20,000 per year.

Approximately 40% of the salary paid to a Board member is paid as company shares based on an authorization to the Board for a share issue, if the Board member on the day of the AGM does not own more than one per cent of the company's total shares. If the holding of a Board member on the date of the General Meeting is over one percent of all company shares, the compensation will be paid in full in monetary form. During the financial year 2012, a total of 49,309 company shares were paid as salary to the Board members.

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

The CEO's salary and other benefits are determined by the Board. The CEO has a written CEO's contract and the pay is fixed according to this. The CEO's retirement pension is determined in accordance with the Employees Pensions Act (TyEL). In accordance with the CEO's contract, the period of notice is six (6) months and the severance pay is equal to twelve (12) months' salary. In the 2012 financial period, the CEO's annual earnings and other benefits amounted to €181,189.60. The CEO is not a Board member. The share and option ownership of the CEO is explained on the Company's website www.panostaja.fi.

The CEO and the members of the Senior Management Team are involved in a share bonus system. The company's management owns shares directly and through influential organizations. The Board of Panostaja Oyj decides on the principles of the remuneration system for the CEO and members of the Senior Management Team. The salaries of the Senior Management Team are fixed and the pension is determined according to the Employees Pensions Act. On December 16, 2010, the Board decided on a new long-term incentive and commitment scheme for the members of the Senior Management Team. The members of the Senior Management Team have a total of 950,000 Panostaja shares in their personal ownership or in the ownership of a company where they have a controlling interest.

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

| | |
|---|---|
| Pravia Oy (Juha Sarsama) | 350,000 shares |
| Artaksan Oy (Simo Mustila) | 200,000 shares |
| Heikki Nuutila | 200,000 shares |
| Comito Oy (Tapio Tommila) | 200,000 shares |
| Total | 950,000 shares |

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

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

# Panostaja Oyj Stock exchange bulletins 2012

## November

- November 9, 2011 New CEO to start at Panostaja's subsidiary Lämpö-Tukku Oy

## December

- December 1, 2011 Invitation to Panostaja Oyj's press conference
- December 15, 2011 Invitation to annual general meeting
- December 15, 2011 Panostaja group report financial statement bulletin November 1, 2010 October 31, 2011
- December 16, 2011 Paying Panostaja Oyj board members' fees in the form of shares held by the company
- December 19, 2011 Notification on a change in holdings referred to in chapter 2, section 10 of the Securities Markets Act
- December 19, 2011 Notification on a change in holdings referred to in chapter 2, section 10 of the securities markets act
- December 22, 2011 Panostaja Oyj subsidiary Oy Alfa-Kem Ab and Spectra yhtiöt Oy to merge - Panostaja's holding in the new company 32%

## January

- January 10, 2012 Panostaja group annual report 2011 published
- January 31, 2012 Panostaja Oyj's annual general meeting January 31, 2012

## February

- February 28, 2012 Invitation to Panostaja Oyj's press conference

## March

- March 7, 2012 Panostaja group interim report November 1, 2011 January 31, 2012 (3 months)
- March 8, 2012 Paying Panostaja Oyj board members' fees in the form of shares held by the company
- March 12, 2012 Panostaja Oyj has sold Lämpö-Tukku Oy to Onninen Oy

## April

- April 2, 2012 The sale of Lämpö-Tukku Oy to onninen Oy has been closed

## May

- May 2, 2012 Panostaja strengthens its value-added logistics business area with purchase of HSG logistics Oy
- May 11, 2012 Changes to Panostaja Oyj's board of directors
- May 24, 2012 Invitation to Panostaja Oyj's press conference

## June

- June 6, 2012 Panostaja group interim report November 1, 2011 April 30, 2012 (6 months)
- June 7, 2012 Paying Panostaja Oyj board members' fees in the form of shares held by the company

## August

- August 17, 2012 Invitation to Panostaja Oyj's press conference

## September

- September 05, 2012 Panostaja group interim report November 1, 2011 July 31, 2012 (9 months)
- September 10, 2012 New managing director to start at panostaja's subsidiary Takoma Oyj
- September 10, 2012 Paying Panostaja Oyj board members' fees in the form of shares held by the company
- September 21, 2012 Panostaja Oyj's financial information release dates and annual general meeting
- September 25, 2012 Hannu Rantanen to become shareholder in Suomen Helakeskus Oy

## October

- October 25, 2012 The supreme administrative court rejected Panostaja Oyj's petition for leave to appeal in the case concerning taxation of gains from the sale of fixed asset shares
- October 29, 2012 Panostaja records goodwill impairment loss in the Takoma business segment
- October 31, 2012 Pe Kiinteistörahasto to return its assets to Panostaja Oyj in connection with realization of real estate

# Information for shareholders

## Share information

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

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

## Annual General Meeting

Panostaja Oyj's Annual General Meeting will be held on Tuesday January 29, 2013 at 1:00 pm at Technopolis Yliopistonrinne, Häggman Auditorium, Kalevantie 2, Tampere. We have published the invitation to the Annual General Meeting on December 14, 2012.

The right to participate in the Annual General Meeting rests with those shareholders who are entered as shareholders in the company's shareholder list maintained by Euroclear Finland Oy no later than January 17, 2012.

A shareholder whose shares are nominee-registered and who wishes to participate in the Annual General Meeting must register for temporary entry in the company's shareholder list no later than January 24, 2013 by 16:00 pm. A requirement of registration is that, based on the same shares, the shareholder is entitled to be entered in the company's shareholder list on the record date of the Annual General Meeting, January 17, 2013. The registration of a nominee-registered shareholder for temporary entry in the company's shareholder list will be deemed to be equivalent to registering for the Annual General Meeting.

A shareholder who wishes to participate in the Annual General Meeting must register with the company in writing in advance no later than January 24, 2013 by 16:00 am to the address Outi Kulo/Panostaja Oyj, Kalevantie 2, 33100 Tampere, by telephone to Outi Kulo, tel. +358 50685 70, or by e-mail to yhtiokokous@panostaja.fi. The letters of registration and powers of attorney must have arrived before the end of the registration period to the address Panostaja Oyj, Sari Tapiola, PL 783, 33101 Tampere.

## Dividend payment and capital repayment

The Board of Directors proposes that no dividends be paid for the financial year. The Board also proposes to the Annual General Meeting that €0.04 per share be paid as capital repayment from the invested unrestricted equity fund. The capital repayment will be made to those shareholders who on the record date of the capital repayment, February 1, 2013, are recorded in the company's shareholder list maintained by Euroclear Finland Oy. The Board of Directors proposes that the capital repayment be made on February 8, 2013.

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

It is proposed that the authorization include the right of the Board to decide on all other terms and conditions relating to the said asset distribution.

It is also proposed that the authorization remain valid until the next Annual General Meeting.

The Board of Directors has decided that the capital repayment would not endanger the company's solvency.

## Important dates concerning the Annual General Meeting

| | |
|---|---|
| Annual General Meeting record date | January 17, 2013 |
| Registration for Annual General Meeting ends | January 24, 2013 |
| Annual General Meeting | January 29, 2013 |
| Capital repayment record date | February 1, 2013 |
| Capital repayment payment date | February 8, 2013 |

## Interim reports

The Panostaja Group will publish three interim reports in the financial year November 1, 2012–October 31, 2013, as follows.
The interim report for the period November 1, 2012–January 31, 2013 will be published on March 6, 2013
The interim report for the period November 1, 2012–April 30, 2013 will be published on June 5, 2013
The interim report for the period November 1, 2012–July 31, 2013 will be published on September 4, 2013

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

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

### Juha Sarsama, b.1965

- Managing Director since 2007
- Master of Law, M.S.M (Boston University Brussels)
- Previous work experience: Managing Director OpusCapita Oy, Administrative Director Saarioinen Oy, Financial Director OpusCapita Oyj
- Other positions of trust: member of the board of Tampere Chamber of Commerce

### Simo Mustila, b.1967

- Financial Director since 2010
- M.Sc. (Econ. and Bus. Adm.), MBA
- Previous work experience: F&I manager of Delta Motor Group Oy, vice president of corporate finance and administration of the DNA Group
- Other positions of trust: member of the Finance Committee at Tampere Chamber of Commerce

### Heikki Nuutila, b. 1958

- Development Director since 2008
- Education Master of Social Sciences
- Previous work experience: Managing Director Tutor Partners Oy, Director Hermia Yrityskehitys Oy, Director Andersen Corporate Finance
- Other positions of trust: -

*Heikki Nuutila will move on to other duties outside the Group from January 1, 2013.* ***Minna Telanne*** *Lic.Sc. (Admin.) (48) will take over as new Development Director on January 14, 2013. She has previously served as Business Director at Leading Partners Oy, Human Resources Director at OpusCapita Oy and Consultant and Profit Centre Manager of MPS Finland Consulting Oy, amongst other positions.*

### Tapio Tommila, b. 1978

- Company analyst since 2006
- Master of Science (Economics and Business Administration)
- Previous work experience: Deloitte Corporate Finance Oy, PricewaterhouseCoopers Oy
- Other positions of trust: -

### Jukka Ala-Mello, b. 1963

- Chairman of the Board since 2011, Board member since 2006.
- Master of Science in Economics and Business Administration, KHT (Authorised Public Accountant), KONE Oyj's Director
- Previous work experience: PricewaterhouseCoopers Oy's shareholder 1995–2006, KHT auditor 1993–2006 and auditor 1987–1990 and Panostaja Oyj's Financial Manager 1990–1993.
- Other positions of trust: Board member and Managing Director at Security Trading Oy and Holding Manutas Oy and Chairman of the Board at OWH-Yhtiöt Oy.
- Independent member

### Eero Eriksson, b. 1963

- Board Member since 2011
- Master of Political Science. Deputy Managing Director of mutual pension insurance company Fennia.
- Previous work experience: Investment Director of Pension Fennia 2002–2008, mutual pension insurance company Fennia 2002–2003 and Fennia Life 1998–2001
- Other positions of trust: Chairman of the Board of Fennia Property Group, Member of the Investment Committee of the Diabetes Research Foundation
- Independent of the Company

### Satu Eskelinen, b. 1961

- Board member since 2010
- M.Sc. (Eng.), Vice President of Technopolis Oyj in charge of the Group's Tampere operations and Corporate Services
- Previous work experience: head of the consulting and technology unit of Solteq Plc, regional director of Elisa Corporation and marketing director and managing director of Soon Com Ltd
- Other positions of trust: Tampereen Lääkärikeskus Oy 's board
- Independent member

### Hannu Martikainen, b. 1943

- Board member since 2007
- Construction Counsellor
- Previous work experience: Parma Oy: Managing Director
- Other positions of trust: Muotolevy Oy's board
- Independent member

### Mikko Koskenkorva, b. 1982

- Board Member since 2011
- Graduate of upper secondary school, IT Project Manager of Pajakulma Oy
- Previous work experience: Sales work with Expert ASA Oy 2003–2008
- Other positions of trust: Board Member of Johtopanostus Oy and Rollock Oy, Board Member and CEO at Treindex Oy
- Independent of the company

# 2012 FINANCIAL STATEMENTS

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Financial statements for the financial period November 1, 2011–October 31, 2012

# Annual report of Panostaja Oyj's board of Directors

## The group's economic development

Panostaja Group's net sales were MEUR 156.8 (MEUR 141.2) in the period under review. Export amounted to MEUR 12.5, or 7.9%, of the net sales. Corporate acquisitions realized during the previous financial period affected the MEUR 15.7 increase in net sales by MEUR 8.8. The growth in the Group's net sales resulted, particularly, from the corporate acquisitions realized during the previous financial period and from the operative development of the Safety segment and Digital Printing Services.

Of the Group's ten operational segments, seven exceeded the net sales of last financial period. Three segments fell short of the net sales levels of the previous financial period. Correspondingly, four segments showed an increase and six a decrease in EBIT from the previous financial period.

The Group's EBIT for the full financial period was MEUR 4.2 (MEUR 6.7). The MEUR 2.5 decrease in EBIT was primarily due to a decline in profit development in the Takoma and Heat Treatment segments. The most significant one-time item burdening EBIT is the MEUR 2.1 write-down of goodwill in the Takoma segment. The effect of the corporate acquisitions on the growth in EBIT, with the expenses of acquisitions included, was MEUR 0.2. The operating margin was 0.3% (0.5%).

Result for discontinued operations was MEUR -1.2. Oy Alfa-Kem Ab separated from the Group in December 2011 and Lämpö-Tukku Oy in March 2012. For the reference year, the net sales from the entire last financial period of the operations discontinued during the financial period stood at MEUR 21.8, while the EBIT was MEUR -0.6, and the loss for the financial year totaled MEUR -0.7. The consolidated income statement does not include a figure indicating the profit/loss from discontinued operations for the reference year 201. Instead, the loss (MEUR -1.4) is separately listed in the consolidated income statement in the row 'Earnings from Discontinued Operations'.

Before separating the discontinued operations from continuing operations in the income statement, the Group's net sales for the full financial period for the reference year were MEUR 163.2, while the EBIT stood at MEUR 5.9, and the profit before taxes was MEUR 3.1.

The Group's net financial expenses for the review period were approximately MEUR -3.7 (MEUR -2.8). Panostaja Group's financial position and liquidity remained good. In the period under review, the financial expenses were burdened by the write-down of loans receivable from associated company EcoSir, which amounted to MEUR 1.0. During the financial year, the Group employed an average of 1,152 (1,034) people. At the end of the financial period, the Group employed 1,206 (1,097) persons.

In the preliminary ruling on the capital repayment in respect of Takoma Oyj shares in spring 2008, the Tax Office for Major Corporations decided on the basis of an overall assessment that Panostaja was a capital investor within the meaning of Section 6, Subsection 1, Item 1 of the Finnish Business Tax Act. For capital investors, capital gains from fixed asset shares are considered taxable income.

Due to the said preliminary ruling, the Tax Office for Major Corporations, in its taxation by direct assessment in 2007, regarded Panostaja Oyj as a capital investor in the aforementioned sense and taxed the company's certain capital gains from fixed asset shares. Panostaja Oyj submitted a claim for adjustment over the 2007 taxation to the Board of Adjustment claiming that the capital gain from fixed asset shares should be exempt from tax. The Board of Adjustment denied Panostaja Oyj's claim in August 2009. Panostaja Oyj appealed the decision to the Administrative Court of Helsinki.

In June 2011, Panostaja Oyj was informed that the Administrative Court of Helsinki had rejected the appeal. Panostaja Oyj requested for leave to appeal from the Supreme Administrative Court in August 2011. The Supreme Administrative Court has rejected the company's request

for leave to appeal. Therefore, the ruling of the Administrative Court will remain in force. Since Panostaja Oyj has been taxed as a capital investor in the recent years, in the interpretation of the Tax Office for Major Corporations, it will not incur further taxes as a result of this ruling.

The legally binding ruling establishes Panostaja Oy's status as a capital investor, as defined in the Finnish Business Tax Act, and hence clarifies the company's fiscal position in the future.

**Panostaja Oyj**

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

The EBIT was MEUR -2.8 (MEUR -6.9). The parent company's loss before appropriations and taxes was MEUR -8.9 (MEUR -6.9). The parent company's loss in the financial period was MEUR -8.9 (MEUR -6.9).

## Group structure

Panostaja expanded its Value-added Logistics segment when, at the beginning of May, its subsidiary Vindea Group Oy acquired the entire shareholding of HSG Logistics Oy, a company supplying packaging and logistics services.

In 2011, the newly-formed company had approximately MEUR 27 in combined net sales and employed a total of 260 people. Since the reorganization, Panostaja Oyj's shareholding in Vindea Group is about 54%.

A corporate acquisition was made in the Safety segment on May 29, 2012: the business operations of Helsinki-based IP-Valvonta Oy were acquired.

In March, Panostaja announced that it was selling its entire shareholding in Lämpö-Tukku Oy to Onninen Oy. Lämpö-Tukku Oy was a subsidiary of Eurotermo Holding Oy, a company in which Panostaja owns a 63.3% share. The compensation paid to Panostaja comprised the purchase price and repayment of internal loans, and totaled some MEUR 2.4.

Panostaja did not record any sales profit or loss from the transaction. The conclusion of the transaction required the approval of the Finnish Competition Authority. At the beginning of April, Panostaja announced that the Finnish Competition Authority had approved it and that the deal had been concluded.

In December 2011, Panostaja implemented an arrangement, through which Spectra Yhtiöt Oy acquired a 100% holding in Oy Alfa-Kem Ab by means of share exchange. Oy Alfa-Kem Ab previously formed Panostaja Group's Technochemical segment. Panostaja Oyj's holding in the corporate entity is 32%, which Panostaja Oyj reports as an associated company as of January 2012. Oy Alfa-Kem Ab's prior parent company Annektor Oy merged with Panostaja Oyj on February 29, 2012.

During the financial period, Panostaja Group's group structure was simplified by merging four companies into the Group's other companies.

During the current financial period, Panostaja Group has discontinued two reporting segments, Technochemical and HEPAC Wholesale, as a result of corporate divestments. In the previous financial period, the Group reported its business operations in thirteen segments.

## Panostaja group's business segments

Panostaja Group's business operations are reported in eleven segments: Digital Printing Services, Takoma, Safety, Value-added Logistics, Fittings, Spare Parts for Motor Vehicles, Heat Treatment, Carpentry Industry, Supports, Fasteners and Other (parent company and unallocated units). The segments were formed because they produce products and services that differ from each other, and because these segments are monitored as separate businesses.

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

**Digital Printing Service**

Kopijyvä Oy is one of Finland's largest companies offering digital printing services. The company's services include copying, printing, CAD drawing, digital printing, scanning, SokoPro project bank and delivery services. The company has offices in the regions of Central, East and West Finland and the Helsinki metropolitan area. It also operates in Tallinn and St Petersburg. Kopijyvä Oy is part of Digiprint Finland Group, in which Panostaja's holding is 65.3%. The company's Managing Director is Heimo Viinanen.

The growth of the net sales of the Digital Printing Services segment was MEUR 3.5. The net sales of the Digital Printing Services grew from MEUR 31.5 to MEUR 35.1 and EBIT from MEUR 4.1 to MEUR 5.5. Even though price competition on the market increased further, the positive development of net sales and EBIT was maintained thanks to operative efficiency. No corporate acquisitions took place in the segment during the financial period, but Microtieto Suomi Oy was amalgamated with Kopijyvä Oy. At the end of the financial period, the segment employed 335 (325) persons.

**Takoma**

Takoma Group includes four engineering industry companies: Hervannan Koneistus Oy, Takoma Gears Oy, TL-Hydraulics Oy and Takoma Systems Oy, with Takoma Oyj as the parent company, in which Panostaja has a 63.1% holding. Ari Virtanen assumed the position of Managing Director of all companies on September 10, 2012.

Net sales in the Takoma segment grew by MEUR 1.4. Net sales increased from MEUR 27.5 to MEUR 28.9, with EBIT, however, falling from MEUR -1.4 to MEUR -5.0. The segment's EBIT was burdened by a MEUR 2.5 goodwill amortization entry. At Panostaja Group level, Takoma's goodwill amortization entry amounted to MEUR 2.1. The insecurity in the market environment of the segment that started in the summer 2011 continued throughout the financial period, and Takoma's volumes remain low in comparison with capacity. In addition, customers ordering small batches affected the efficient use of capacity, and costs have not been successfully adapted to fluctuations in demand. At the end of the financial period, the segment employed 193 (190) persons.

### Safety

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

The growth of the net sales of the Safety segment was MEUR 4.3. The net sales grew strongly from MEUR 24.6 to MEUR 29.0, but EBIT decreased slightly from MEUR 1.2 to MEUR 1.1. The development of product and service provision implemented during the financial period as well as investment in growth had a negative impact on the profit of the financial period. A corporate acquisition took place in the segment during the period under review: the business operations of IP-valvonta Oy based in Helsinki were purchased. At the end of the financial period, the segment employed 212 (188) persons.

### Value-added Logistics

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

In the beginning of May, Vindea Group Oy purchased the entire share capital of HSG Logistics Oy, a company providing packaging and logistics services, thus strengthening the Value-added Logistics segment. The net sales of the Value-added Logistics segment grew from MEUR 15.4 to MEUR 23.3, of which approximately MEUR 6 were due to the acquisition of HSG Logistics Oy. At the same time, the segment EBIT grew from MEUR 0.4 to MEUR 1.4. The positive development of the EBIT has also been influenced by increased operational efficiency. HSG Logistics Oy was amalgamated with Vindea Oy on October 31, 2012. At the end of the financial period, the segment employed 253 (131) persons.

### Fittings

Suomen Helakeskus Oy is a major wholesale dealer concentrating on construction and furniture fittings, which is part of Suomen Helasto Group. Panostaja has a 95.3% holding in the company. The company operates in Seinäjoki. The Group's Managing Director is Hannu Rantanen.

The net sales of the Fittings segment declined from MEUR 11.4 to MEUR 10.3. The net sales of the review period were impaired by a decline in collaboration with Abloy. Nevertheless, the EBIT in the review period increased slightly from MEUR 0.3 to MEUR 0.4. The prevailing market insecurity has affected the operations of the segment, and customer demand has remained at a low level like the year before. At the end of the financial period, the segment employed 30 (32) persons.

### Spare Parts for Motor Vehicles

KL-Varaosat Oy is an importer, wholesale dealer and retailer of original spare parts and supplies for Mercedes Benz and BMW cars. It operates in Tampere, Jyväskylä and Rovaniemi. KL-Varaosat Oy is part of KL Parts Group, in which Panostaja's holding is 75%. Juha Kivinen M.Sc.(Econ.) has been invited to become Managing Director of KL-Varaosat Oy. Kivinen has previously served as Managing Director of Motoral Oy. Kivinen will assume his duties as Managing Director no later than February 4, 2013. The current Managing Director of KL-Varaosat Oy, Jarkko Iso-Eskeli, will continue in his duties until the new managing director, Juha Kivinen, begins, after which Iso-Eskeli will leave the service of the Group.

Net sales in the Spare Parts for Motor Vehicles segment grew from MEUR 9.6 to MEUR 10.4, while EBIT remained at last year's level at MEUR 1.1. The demand for original spare parts has remained good for the entire review period. The operations in Tampere moved to new modern premises during the review period. At the end of the financial period, the segment employed 38 (35) persons.

### Heat Treatment

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

Net sales of the Heat Treatment segment declined by MEUR 1.6 and EBIT by MEUR 1.1 during the review period. Net sales decreased from MEUR 9.0 to MEUR 7.5 and EBIT from MEUR 2.1 to MEUR 1.0. The decline in net sales and EBIT were affected by the termination of the Olkiluoto project and postponements of new projects, particularly in the operations of the unit in Poland. Operator channel demand has clearly remained at a lower level since last summer, in comparison with the reference period. At the end of the financial period, the segment employed 65 (64) persons.

### Carpentry Industry

As its main product, Matti-Ovi Oy manufactures and markets solid-wood interior doors. The company's office is in Laitila. Panostaja's holding in Matti-Ovi Oy is 70%. Matti-Ovi Oy's Managing Director is Tapani Harjunen.

Net sales of the Carpentry Industry segment grew from MEUR 5.8 to MEUR 6.1. EBIT grew from MEUR 1.0 to MEUR 1.3. The strong development is partly attributed to the continuously strengthening market position of the Matti-Ovi brand and the company's well-managed and efficient operations. The market share of Norway, in particular, developed favorably during the review period. At the end of the financial period, the segment employed 30 (32) persons.

### Supports

Toimex Oy works in the HVAC field, manufacturing and selling supports. Kannake Group's parent company is Kannake Oy, and the

company engaging in actual business operations is Toimex Oy. The company's offices are located in Tampere and Helsinki. Panostaja's holding is 70.4%. The company's Managing Director is Kalervo Pentti.

Net sales of the Supports segment stayed with the previous year's level at MEUR 4.0, even though the prospects in construction declined rapidly in the summer. EBIT declined slightly from MEUR 0.4 to MEUR 0.3. At the end of the financial period, the segment employed 16 (16) persons.

**Fasteners**

Suomen Kiinnikekeskus Oy is a supply shop in the fastener field. The company has offices in Tampere and Pori. During the financial period, the company's Helsinki office was closed. Suomen Kiinnikekeskus Oy is part of Kiinnikekeskus Services Group, in which Panostaja's holding is 90%. The Group's Managing Director is Ari Suomalainen.

In the Supports segment, net sales decreased slightly from MEUR 3.1 to MEUR 2.9. EBIT fell from MEUR -0.1 to MEUR -0.3. Insecurity in the technology industries market continued, and customer demand has remained low, which has also been reflected in the net sales and EBIT of the segment. At the end of the financial period, the segment employed 24 (25) persons.

**Other Business Operations**

The Other Business Operations segment is composed of the parent company Panostaja Oy and non-allocated items for the segments. Group eliminations are reported in the section 'Eliminations'.

There were no significant changes in the net sales of the Other segment. Three associated companies reported to the parent company during the financial period: Spectra Oy, Ecosir Group Oy and PE Kiinteistörahasto I Ky. It was decided in October 2012 to dissolve Kiinteistörahasto, and it has returned realized assets to its shareholders. The value of the associated companies' shares in the parent company's balance sheet totals MEUR 0.9.

## Financing

The Group's liquid assets were MEUR 12.3 (MEUR 14.6). The Group's equity ratio was 34.1% (33.4%) and interest-bearing net liabilities totaled MEUR 40.5 (MEUR 47.2).

The Group's liquidity is good. Cash flow from business operations in the period under review was MEUR 10.6 (MEUR 4.4).

A total of MEUR 7.8 of parent company and the merged Annektor Oy debts, including the convertible bond loan, was paid off on March 1, 2012. In the same connection, a total of MEUR 6.3 of loans were rearranged.

At the end of the review period, Panostaja Oyj's convertible subordinated loan amounted to MEUR 14.4 of the net liabilities (MEUR 20.6 at the beginning of the period).

Return on equity was -5.4% (5.0%). Return on investment was 2.2% (5.6%).

## Investments and development expenses

The Group's gross capital expenditure in the review period were approximately MEUR 6.2 (MEUR 9.1). The Group's significant investments included the acquisition of HSG Logistics Oy, the introduction of Takoma's new factory premises in Akaa, projects concerning Flexim's product and service development, projects for Heatmasters' Polish subsidiary and information system projects at Kopijyvä.

During the financial period, MEUR 0.1 of development expenses were activated. The proportion of activated development expenses of the Group's net sales was 0.0%.

## Risks

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

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

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

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

The risks connected to the Group's staff may influence the Group's and its segments' development and financial performance if the Group

is unsuccessful in the recruitment of key persons and other employees or in committing them to the Group..

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

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

If unsuccessful in managing them, risks concerning corporate acquisitions may affect the Group's and its segments' development and financial performance. The Group also aims to grow through corporate acquisitions. The goodwill connected to corporate acquisitions which has been entered in the Group's balance sheet amounts to MEUR 34.3. Since adopting IFRS reporting, goodwill is no longer written off annually on a regular basis but, instead of depreciations, an impairment test is performed at least annually, or when there are indications of amortization. Values are normally checked during the second half of the year in connection with the budgeting process. If prolonged, an international investment recession may lead to changes to the forecasts that are the basis of some segments' goodwill testing. Such a change might make goodwill write-downs necessary.

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

## Board of directors, and general meetings

Panostaja Oyj's Annual General Meeting was held on January 31, 2012 in Tampere. Jukka Ala-Mello, Satu Eskelinen, Hannu Martikainen, Hannu Tarkkonen, Mikko Koskenkorva and Eero Eriksson were re-elected to Panostaja Oyj's Board of Directors. In the Board's organizing meeting held immediately after the General Meeting, Jukka Ala-Mello was elected Chairman of the Board. Hannu Tarkkonen was elected Vice Chairman. Authorized Public Accountant Markku Launis and Authorized Public Accountants PricewaterhouseCoopers Oy were selected as general chartered accountants, with Authorized Public Accountant Janne Rajalahti as the responsible public accountant.

The General Meeting approved the closing of the November 1, 2010–October 31, 2011 accounts as well as the proposal by the Board to transfer the profit of the financial period to the profit funds and that capital repayment be paid at a rate of EUR 0.05 per share. The record date for the capital repayment was February 3, 2012, with the payment date being February 10, 2012. 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, either as dividends from profit funds or 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 2013 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.

In addition, the Annual General Meeting resolved to cancel the authorization concerning the acquisition of the company's own shares given at the General Meeting of January 27, 2011, and authorized the Board of Directors to decide on the acquisition of the company's own shares so that the company's own shares will be acquired in one or several installments and, on the basis of the authorization, a total maximum of 5,100,000 of the company's own shares may be acquired, equaling 9.86% of the company's all 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 shall be valid until July 31, 2013.

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

Hannu Tarkkonen, Managing Director of Etera Mutual Pension Insurance Company, announced that he would resign from Panostaja's Board of Directors on May 10, 2012. According to Panostaja Oyj's Articles of Association, the company's Board of Directors must comprise at least three (3) and no more than six (6) ordinary members, according to

which the Board will continue with five (5) members. Eero Eriksson was elected the new Vice Chairman of the Board on October 24, 2012.

## Share capital

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

The total number of shares held by the company at the end of the review period was 552,556 individual shares (at beginning of review period: 601,875). The company's own shares corresponded to 1.1% of the number of shares and votes at the end of the entire review period.

In accordance with the decision of the General Meeting of January 27, 2011 and the Board, Panostaja Oyj transferred a total of 12,000 shares as meeting compensation to the members of the Board on December 16, 2011. As per the decisions of the General Meeting of January 31, 2012 and the Board, 12,763, 12,046, and 12,500 shares were transferred.

## Share price development and share ownership

Panostaja Oyj's share price fluctuated between EUR 0.73 and EUR 1.05 during the financial period. In the period under review, the exchange of shares totaled 5,725,530 individual shares, which represents 11.1% of the share capital. The October share closing rate was EUR 0.76. The market value of the company's share capital at the end of October was MEUR 39.3 and the company had 3,780 shareholders (3,826).

## Equity convertible subordinated loans

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.

The loan period for the 2006 convertible subordinated loan ended on March 1, 2012. The loan was repaid as a single installment on the end date of the loan period. A fixed 6.5% annual interest was paid for the loan. The interest was paid for the last time at the end of the loan period.

## Board's proposal to the general meeting

The Board of Directors proposes that no dividends be paid for the financial year. The Board also proposes to the General Meeting that EUR 0.04 per share be paid as capital repayment from the invested unrestricted equity fund. The capital repayment will be made to those shareholders who on the record date of the repayment, February 1, 2013, are recorded in the company's shareholder list maintained by Euroclear Finland Oy. The Board of Directors proposes that the repayment of capital be made on February 8, 2013.

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

It is proposed that the authorization include the right of the Board to decide on all other terms and conditions relating to the said asset distribution.

It is also proposed that the authorization remain valid until the next Annual General Meeting. The Board has estimated that the capital repayment will not endanger the Company's solvency.

Panostaja Oyj's Annual General Meeting will be held on February 29, 2013 in Tampere.

## Events after the review period

Panostaja announced on November 6, 2012 that its subsidiary Suomen Helasto Oy has bought the entire share capital of Oy Eurohela Trading Ltd, which provides services in the wholesale of furniture fittings. In 2011, Eurohela Trading's net sales totaled approximately MEUR 3.8.

As a result of the transaction, Panostaja strengthens its business area specializing in fittings wholesale with a diverse product range and comprehensive sales network. The segment will also be reorganized, so that the furniture fittings and construction fittings operations will be divided into individual companies. Suomen Helasto Oy's subsidiaries Oy Eurohela Trading Ltd and Suomen Helakeskus Oy merge to form Suomen Helakeskus Oy, focusing on the furniture fittings business. Suomen Helasto Oy's new subsidiary Rakennushelasto Oy, which is established as part of the reorganization, will specialize in the construction fittings business. As a result of the reorganization, Panostaja Oyj's shareholding in Suomen Helasto Oy is about 95%.

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

Panostaja announced on November 12 that M.Sc.(Econ.) Juha Kivinen (48) has been invited to become

Managing Director of KL-Varaosat Oy, which is part of the Panostaja Group. Kivinen has previously served as Managing Director of Motoral Oy. Kivinen will assume his duties as Managing Director no later than February 4, 2013. The current Managing Director of KL-Varaosat Oy, Jarkko Iso-Eskeli, will continue in his duties until the new

managing director assumes the position, after which Iso-Eskeli will resign from the Group.

Panostaja announced on November 28 that Panostaja Oyj's Development Director, Heikki Nuutila M.Soc.Sc., will move on to other duties from January 1, 2013. Nuutila will continue as a board member of some of the business areas of the Panostaja Group. Minna Telanne Lic.Sc. (Admin.) (48) will take over as new Development Director and a member of the Senior Management Team in Panostaja Oyj on January 14, 2013.

Panostaja announced on December 4, 2012 that its subsidiary Digiprint Finland Oy had acquired the entire share capital of DMP-Digital Media Partners Oy. The DMP Group provides printing, publication, and production services for marketing communications. As a result of the transaction, Panostaja expands its segment specializing in digital printing services that already includes the Kopijyvä Group.

As a result of the reorganization, Panostaja will own approximately 56% of the total share capital of Digiprint Finland Oy. As part of the reorganization, the shareholders of DMP-Digital Media Partners Oy will become minority shareholders in Digiprint Finland Oy. After the conclusion of the reorganization, Digiprint Finland Oy owns Kopijyvä Oy and DMP-Digital Media Partners Oy entirely. Kopijyvä Oy Managing Director Heimo Viinanen will continue as the Managing Director of Kopijyvä Oy and Digiprint Finland Oy as well as a major shareholder. Jyrki Narinen will continue as the Managing Director of DMP-Digital Media Partners Oy.

## Prospects for the next financial year

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, effective allocation of capital, and financial opportunities will further 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. The target is also to carry out divestment activities, taking into consideration the development of the corporate acquisition market.

Economic prospects in the fields of the existing segments are strongly tied to the prospects of customer enterprises. The current economic prospects remain uncertain, and the growth forecast has been cut due to the credit crisis in the eurozone and decelerated economic growth. In the various segments of Panostaja Group, the prospects still vary from cautiously positive to neutral. The market still provides sufficient opportunities for corporate acquisitions, and Panostaja Group aims to implement its growth strategy by means of controlled acquisitions. In addition, the divestment of certain segments will be carried out actively, in order to release capital for new projects. It is expected that the Group's net sales will increase and EBIT will improve in 2013.

# Consolidated income statement, IFRS

| (EUR 1,000) | Note | Nov 1, 2011–Oct 31, 2012 | Nov 1, 2010–Oct 31, 2011 |
|---|---|---|---|
| **Net sales** | | **156,819** | **141,152** |
| Other operating income | 9 | 1,172 | 887 |
| Materials and services | | 67,125 | 62,419 |
| Staff expenses | 11 | 52,180 | 44,307 |
| Depreciations, amortizations and impairment | 12 | 7,561 | 5,041 |
| Other operating expenses | 13 | 26,889 | 23,537 |
| **Operating profit** | | **4,236** | **6,735** |
| Financial income | 14 | 362 | 581 |
| Financial expenses | 15 | -4,072 | -3,392 |
| Share of associated company profits | 10 | 401 | 205 |
| **Profit before taxes** | | **927** | **4,128** |
| Income taxes | 16 | -2,181 | -524 |
| **Profit/loss from retained operations** | | **-1,254** | **3,604** |
| Loss from discontinued operations | 7 | -1,236 | -1,388 |
| **Profit/loss for the financial period** | | **-2,490** | **2,216** |
| | | | |
| Attributable to | | | |
| the shareholders of the parent company | | -1,984 | 937 |
| to the minority shareholders | | -506 | 1,279 |
| | | | |
| **Earnings per share calculated from profit belonging to shareholders in the parent company:** | | | |
| Earnings per share from retained operations € | 17 | | |
| Undiluted | | -0.015 | 0.027 |
| Diluted | | -0.015 | 0.027 |
| Earnings per share from discontinued operations | 17 | | |
| Undiluted | | -0.024 | -0.008 |
| Diluted | | -0.024 | -0.008 |
| Earnings per share on retained and discontinued operations | 17 | | |
| Undiluted | | -0.039 | 0.019 |
| Diluted | | -0.039 | 0.019 |
| | | | |
| **Extensive consolidated income statement** | | | |
| Profit/loss for the period | | -2,490 | 2,216 |
| Items of the extensive income statement | | | |
| Translation differences | | 103 | -135 |
| **Extensive income statement for the period** | | **-2,387** | **2,081** |
| | | | |
| Attributable to | | | |
| the shareholders of the parent company | | -1,881 | 802 |
| to the minority shareholders | | -506 | 1,279 |

The notes form an essential part of the financial statements

# Consolidated balance sheet, IFRS

| (EUR 1,000) | Note | Oct 31, 2012 | Oct 31, 2011 |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 18 | 34,348 | 36,529 |
| Other intangible assets | 18 | 6,081 | 5,049 |
| Property, plant and equipment | 19 | 18,996 | 20,061 |
| Interests in associates | 20 | 3,824 | 2,740 |
| Other non-current assets | 21 | 8,452 | 8,271 |
| Deferred tax assets | 22 | 4,623 | 4,826 |
| Non-current assets total | | 76,324 | 77,476 |
| Current assets | | | |
| Stocks | 23 | 18,639 | 24,005 |
| Trade and other receivables | 24 | 25,111 | 26,171 |
| Tax assets based on taxable income for the financial period | | 182 | 136 |
| Cash and cash equivalents | 25 | 12,347 | 14,643 |
| Current assets total | | 56,278 | 64,955 |
| **Assets in total** | | 132,601 | 142,431 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to parent company shareholders | | | |
| Share capital | 26 | 5,569 | 5,569 |
| Share premium account | 26 | 4,646 | 4,646 |
| Translation difference | | -66 | -169 |
| Invested unrestricted equity fund | 26 | 16,523 | 19,023 |
| Retained earnings | | 1,981 | 4,047 |
| Total | | 28,653 | 33,116 |
| **Minority shareholders' interest** | | 16,520 | 14,270 |
| **Equity total** | | 45,173 | 47,386 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 22 | 1,505 | 1,520 |
| Equity convertible subordinated loan | 27 | 14,414 | 14,264 |
| Financial liabilities | 27 | 27,752 | 32,679 |
| Non-current liabilities total | | 43,672 | 48,463 |
| Current liabilities | | | |
| Equity convertible subordinated loan | 27 | 0 | 5,631 |
| Current financial liabilities | 27 | 14,555 | 13,761 |
| Trade payables and other liabilities | 28 | 28,909 | 26,920 |
| Provisions | 29 | 292 | 270 |
| Current liabilities total | | 43,756 | 46,582 |
| **Liabilities total** | | 87,428 | 95,045 |
| **Equity and liabilities in total** | | 132,601 | 142,431 |

The notes form an essential part of the financial statements

# Consolidated cash flow statement, IFRS

| (EUR 1.000) | Note | 2012 | 2011 |
|---|---|---|---|
| **Business operations** | | | |
| Profit/loss for the financial period | | -2,490 | 2,215 |
| Adjustments: | | | |
| Depreciations | 12 | 7,607 | 5,200 |
| Financial income and costs | 14.15 | 3,840 | 2,988 |
| Share of associated company profits | 10 | -400 | -205 |
| Taxes | 16 | 2,207 | 527 |
| Sales profits and losses from property. plant and equipment | 9.13 | 34 | -80 |
| Other earnings and expenses with no related payment | | 704 | 118 |
| **Operating cash flow before change in working capital** | | **11,502** | **10,763** |
| | | | |
| **Change in working capital** | | | |
| Change in non-interest-bearing receivables | | -77 | -3,843 |
| Change in non-interest-bearing liabilities | | 3,247 | 2,366 |
| Change in stocks | | 2,210 | -1,202 |
| **Change in working capital** | | **5,380** | **-2,679** |
| | | | |
| **Operating cash flow before financial items and taxes** | | 16,882 | 8,084 |
| Financial items and taxes | | | |
| Interest paid | | -3,509 | -3,252 |
| Interest received | | 384 | 644 |
| Taxes paid | | -3,170 | -1,122 |
| **Financial items and taxes** | | **-6,295** | **-3,730** |
| | | | |
| **Operating net cash flow** | | 10,586 | 4,354 |
| | | | |
| **Investments** | | | |
| Investments in intangible and tangible assets | | -4,417 | -4,013 |
| Disposal of intangible and tangible assets | | 273 | 360 |
| Acquisition of subsidiaries with time-of-acquisition liquid assets deducted | 6 | -1,806 | -1,995 |
| Disposal of subsidiaries with time-of-disposal liquid assets deducted | 7 | 125 | 408 |
| Sale of associated companies | | 8 | 34 |
| Capital gains from sales of other shares | | 3 | 3 |
| Loans receivable repaid | | -128 | -1,579 |
| **Investment net cash flow** | | **-5,942** | **-6,782** |
| | | | |
| **Finance** | | | |
| Share issue | | 1,521 | 6,053 |
| Loans drawn | | 12,594 | 19,437 |
| Loans repaid | | -17,916 | -17,743 |
| Disposal of own shares | | 44 | 942 |
| Dividends paid | | -3,216 | -2,853 |
| **Financing net cash flow** | | **-6,972** | **5,836** |
| | | | |
| Change in liquid assets | | -2,328 | 3,408 |
| Liquid assets at the beginning of the period | | 14,643 | 11,271 |
| Effect of exchange rates | | 32 | -36 |
| **Liquid assets at the end of the period** | | **12,347** | **14,643** |

The notes form an essential part of the financial statements

# Consolidated statement of changes in equity

| MEUR | Note | Share capital | Share premium account | Invested unrestricted equity fund | Translation differences | Retained earnings | Total | Minority shareholders' interest | Equity total |
|---|---|---|---|---|---|---|---|---|---|
| Equity on November 1, 2010 | | 5,529 | 4,646 | 11,574 | -57 | 5,598 | 27,290 | 13,402 | 40,692 |
| Extensive profit/loss | | | | | | | | | |
| Profit/loss for the financial period | | | | | | 937 | 937 | 1,279 | 2,216 |
| Equity component of convertible subordinated loan | 27 | | | 481 | | | 481 | | 481 |
| Translation differences | | | | | -112 | -23 | -135 | | -135 |
| Extensive profit/loss for the financial period total | | 0 | 0 | 481 | -112 | 914 | 1,283 | 1,279 | 2,562 |
| Transactions with shareholders | | | | | | | | | 0 |
| Dividend distribution | 26 | | | | | -2,555 | -2,555 | -265 | -2,820 |
| Share issue | 26 | | | 5,738 | | | 5,738 | | 5,738 |
| Share subscription | 26 | | 40 | 276 | | | 316 | | 316 |
| Acquisition of own shares | 26 | | | | | | | | |
| Disposal of own shares | 26.34 | | | 942 | | | 942 | | 942 |
| Options realized and paid as shares | | | | | | 90 | 90 | -146 | -56 |
| Reward scheme | 34 | | | 12 | | | 12 | | 12 |
| Transactions with shareholders total | | 0 | 40 | 6,968 | 0 | -2,465 | 4,543 | -411 | 4,132 |
| Equity on October 31, 2011 | | 5,529 | 4,686 | 19,023 | -169 | 4,047 | 33,116 | 14,270 | 47,386 |
| | | | | | | | | | |
| Equity on November 1, 2011 | | 5,529 | 4,686 | 19,023 | -169 | 4,047 | 33,116 | 14,270 | 47,386 |
| Extensive profit/loss | | | | | | | | | |
| Profit/loss for the financial period | | | | | | -1,984 | -1,984 | -506 | -2,490 |
| Translation differences | | | | | 103 | | 103 | | 103 |
| Extensive profit/loss for the financial period total | | 0 | 0 | 0 | 103 | -1,984 | -1,881 | -506 | -2,387 |
| Transactions with shareholders | | | | | | | | | |
| Dividend distribution | 26 | | | | | | 0 | -660 | -660 |
| Repayment of capital | 26 | | | -2,557 | | | -2,557 | | -2,557 |
| Disposal of own shares | 26.34 | | | 44 | | | 44 | | 44 |
| Reward scheme | 34 | | | 13 | | | 13 | | 13 |
| Transactions with shareholders total | | 0 | 0 | -2,500 | 0 | 0 | -2,500 | -660 | -3,160 |
| Changes in subsidiary holdings | | | | | | | | | |
| Acquisition of minority shareholdings without change in controlling interest | | | | | | | | 3,416 | 3,416 |
| Disposal of subsidiary holdings without change to controlling interest | 8 | | | | | -82 | -82 | | -82 |
| Equity on October 31, 2012 | | 5,529 | 4,686 | 16,523 | -66 | 1,981 | 28,653 | 16,520 | 45,173 |

# Notes to the consolidated financial statements

## 1. Basic information about the company

Panostaja Oyj, together with its subsidiaries, (hereinafter referred to as "Panostaja" or "the Group") form a conglomerate whose primary market is Finland. At the time of the closing of the books, the Group was operating in 11 segments. The parent company Panostaja Oyj invests in Finnish SMEs primarily through corporate acquisitions.

Panostaja Oyj is a Finnish public corporation operating under the legislation of the Finnish state. The company's shares have been publicly quoted since 1989. They are quoted on the NASDAQ OMX in Helsinki. The company's registered office is in Tampere and the address of its head office is Kalevantie 2, 33100 Tampere. A copy of the consolidated financial statements is available at this address. In its meeting on December 13, 2012, Panostaja Oyj's Board of Directors approved these consolidated financial statements for publishing. According to the Finnish Limited Liability Companies Act, the shareholders have the opportunity to approve or reject the financial statements at the General Meeting held after their publication on January 29, 2013. The General Meeting also has the opportunity to decide on implementing changes to the financial statements.

## 2. Accounting principles for the financial statements

### Accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards, as well as the SIC and IFRIC interpretations, valid on October 31, 2012, have been observed. The International Financial Reporting Standards refer to the standards approved for application in the EU and the interpretations given on them in the Finnish Accounting Act and the provisions based on it in accordance with the procedure enacted in EU Regulation No 1606/2002. The notes to the consolidated financial statements also comply with the requirements of the Finnish legislation on accounting and corporations which complement the IFRSs.

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

### Subsidiaries

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

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

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

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

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

### Associated companies

Associated companies are enterprises in which the Group has substantial authority. Substantial authority is created when the Group owns

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

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

### Segment reporting

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

### Foreign currency items

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

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

### Net sales and recognition principles

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

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

### EBIT

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

### Income taxes

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

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

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

### Non-current asset items held for sale and discontinued operations

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

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

### Goodwill and other intangible assets

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

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

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

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

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

The standard times for planned depreciations of intangible assets:

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

### Property, plant and equipment

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

The estimated financial useful lives are as follows:

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

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

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

### Rental agreements

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

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

### Amortization of tangible and intangible assets

At each balance sheet closing date, the Group assesses whether there are indications that the carrying amount of an asset item may not be recoverable. If such indications exist, the recoverable amount of the asset item in question will be measured. In addition, the recoverable amount will be estimated annually from the following asset items whether there are indications of amortization or not: goodwill, intangible assets of indefinite financial useful lives, and in-process intangible assets. The impairment need is examined at the level of cash-generating units.

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

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

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

### Government allowances

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

### Stocks

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

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

### Financial derivatives

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

### Financial assets and liabilities

### Financial assets

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

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

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

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

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

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

### Cash and cash equivalents

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

### Amortization of financial assets

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

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

### Financial liabilities

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

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

Convertible bond loans are divided into equity and liabilities. The loan's liability component is initially recognized in the amount that has been determined using the market rate of interest of a corresponding

loan on the date of issue. The equity component is initially recognized as the difference between the fair value of the entire loan and the fair value of the liability component. After the original recognition, the liability component of the convertible bond loan is valued in the allocated acquisition cost using the effective interest method. The loan's equity component is not revalued after the original recognition, except in cases where it is exchanged for shares or its validity expires.

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

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

### Pension liabilities

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

### Share-based payments

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

### Provisions

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

Since November 1, 2011, the Group has applied the following new and amended standards and interpretations which have been significant in terms of the consolidated financial statements:

Improvements to IFRSs (May 2010), (principally valid for financial years beginning on July 1, 2010 or later). The small and less urgent amendments to the standards made through the Annual Improvements procedure are collected together and implemented all at once, once a year. The changes part of the project apply to a total of 7 standards. The effects of the changes vary by standard, but they have not had a significant impact on the consolidated financial statements.

Since November 1, 2011, the Group has applied the following new and amended standards and interpretations which have not been significant in terms of the consolidated financial statements:

Amendments to the interpretation IFRIC 14 'Prepayments of a Minimum Funding Requirement' (valid for financial years beginning on January 1, 2011 or later). The amendment corrects an undesirable effect resulting from the interpretation IFRIC 14 IAS 19 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. After the amendments, companies may enter as assets on the balance sheet some prepayments based on minimum funding requirements. The amendment has no impact on the consolidated financial statements.

The revised IAS 24 'Related Party Disclosures' (valid for financial years beginning on January 1, 2011 or later). The definition of 'related party' has been specified, and certain requirements concerning notes on government-related entities have been amended. The revised standard has had no impact on the consolidated financial statements.

Amendment to IFRS 7 Financial Instruments: Disclosures (valid for financial years beginning on July 1, 2011 or later). The amendment brings greater transparency to the presentation of transactions concerning the disposal of financial instruments, and improves users' opportunity to gain an understanding of the risks involved in the disposal of financial instruments and the effect of those risks on the financial position of a corporation, especially when it is a case of the securitization of financial assets.

## 3. Financial risk management

### Financial risks

As a consequence of its business operations, the Group is exposed to many financial risks. The aim of the Group's risk management is to minimize the adverse effects of changes taking place on financial markets on the result of the Group. The primary financial risks are interest risk, credit risk and liquidity risk. The general principles of the Group's risk management are approved by the Board of Directors and their practical implementation is the responsibility of the parent company together with the subsidiaries.

### Foreign exchange risk

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

### Interest risk

The Group's revenue and operating cash flows are mainly independent of fluctuations on market interest rates. The Group's interest risk mainly

constitutes borrowing, which is spread over variable and fixed-interest loans. At the end of the financial period variable-interest liabilities amounted to EUR 42,349,000 (EUR 46,325,000) and fixed-interest liabilities EUR 14,414,000 (EUR 19,895,000).

Some of the Group's subsidiaries use interest rate swaps, by which MEUR 18.8 (MEUR 24.2)'s worth of variable-interest loans are hedged. The Group does not apply hedge accounting.

### Interest risk sensitivity analysis

The following table illustrates how, with other variables remaining steady, a possible moderate change in interest rates can affect the Group's result as a consequence of changes in the interest costs of variable-interest liabilities.

| 1,000 euros | 1 percentage point higher Income statement | 1 percentage point lower Income statement |
|---|---|---|
| Effect of change in interest rate | | |
| 2012 | -427 | 427 |
| 2011 | -490 | 490 |

### Credit risk

Credit risk is managed at Group level, with the exception of risk concerning trade receivables. Group companies check the creditworthiness of customers at least when establishing a customer relationship. In order to minimize credit risk, efforts are made to obtain a safeguarding security when the customer's creditworthiness so requires. The Group has conducted long-established business relations with its most important customers. The Group does not have significant concentrations of credit risk.

Credit risk concerning the Group's financial assets and derivative agreements is low, as the financial contracts in question are solely signed with banks with a good credit rating in accordance with the Group's risk management operating principles.

### Liquidity risk

The Group constantly assesses and monitors the amount of finance required for its operations, so that it will have sufficient liquidity to finance its business and repay its loans when they fall due. Efforts are made to guarantee the availability and flexibility of finance through adequate credit limits and by using different sources and forms of finance in the procurement of finance. At the time of the closing of the books, the Group had EUR 1,534,000 of unused credit limits at its disposal.

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

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

The convertible subordinated loan offered amounted to EUR 15,000,000, and the entire sum was registered. The loan capital is paid a fixed annual interest of 6.5%. Loan period is February 7, 2011–April 1, 2016. The loan will be repaid in one installment, provided that the repayment requirements are met.

### Management of capital

The aim of management of the Group's capital is to ensure normal operating conditions for business and to increase the value of shares in the long term. The capital structure is affected by the payment of dividends, the company's acquisition of its own shares, capital repayments and share issues. The Group is not subject to external capital requirements.

The development of the Group's capital structure is monitored through equity ratio and gearing ratio. The Group's equity ratio was 34.1% (33.4%) and gearing ratio 89.6% (99.6%).

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Interest-bearing financial liabilities | 56,577 | 66,220 |
| Interest-bearing receivables | 3,736 | 4,400 |
| Cash and cash equivalents | 12,347 | 14,643 |
| Net liabilities | 40,494 | 47,177 |
| Equity total | 45,173 | 47,386 |
| | | |
| Gearing ratio | 89.6 | 99.6 |

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

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

### Valuation of acquired assets at fair value

IFRS 3 requires the supplier to enter any intangible asset as separate from goodwill, if the entry criteria are met. Recognizing an intangible right at fair value requires the management's estimate of future cash flows. As far as possible, the management has applied the available market values as the basis for the allocation of an acquisition cost in determining fair value. Whenever this is not possible, which is typical with intangible assets especially, valuation is based on the asset item's historical revenue and its intended use in future business. Valuations are founded on discounted cash flows and estimated transfer and replacement prices, and require the management's estimates and assumptions

on the future use of the asset items and their effects on the company's financial status. Shifts in the focus and orientation of the company's business activities may, in the future, bring about changes to the original valuation (Note 6, 18 to the Financial Statements).

### Impairment tests

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

### Valuation of stocks

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

## 5. Segment information

Panostaja Group's business operations are reported in 11 segments: Digital Printing Services, Safety, Takoma, Value-added Logistics, Spare Parts for Motor Vehicles, Heat Treatment, Fittings, Supports, Fasteners, Carpentry Industry and Other. These reported segments have been formed because they produce products and services that differ from each other. The transactions between segments have taken place on normal commercial terms and conditions.

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

### Business segments

- The profit in the Safety segment is from safety-related technology and services.
- The profit in the Digital Printing Services segment is mainly derived from the sales of digital printing services.
- The profit in the Takoma segment is from the engineering business of Takoma Oyj.
- The profit in the Value-added Logistics segment is from manufacturing and logistics services for the metal industry.
- The profit in the Fittings segment is from construction and furniture fittings wholesale.
- The profit in the Spare Parts for Motor Vehicles segment is from the import, wholesale and distribution of original spare parts and accessories for cars.
- The profit in the Heat Treatment segment is from metal heat treatment services, and from the development, manufacture and marketing of machinery and equipment needed in metal heat treatment.
- The profit in the Carpentry Industry segment is from the manufacturing of carpentry products.
- The profit in the Supports segment is from the import, manufacture and wholesale of supports needed in the HEPAC sector.
- The profit in the Fasteners segment is from the sales of and services to do with fasteners and related products.
- The Other segment reports the business of the Group's parent company, including its associated companies and non-allocated items.

**Business segments 2012**

| 1,000 euros | Net sales total | Internal net sales | External net sales | Depreciations | Operating profit | Financial income and costs | Share of associated company profits | Income taxes | Profit/loss from retained operations | Assets | Liabilities | Employees at the end of the period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Digital Printing Services | 35,078 | 65 | 35,013 | -1,255 | 5,503 | | 31 | | | 27,161 | 10,899 | 335 |
| Takoma | 28,877 | 0 | 28,877 | -4,370 | -4,991 | | | | | 27,854 | 16,205 | 193 |
| Safety | 29,009 | 208 | 28,801 | -753 | 1,083 | | | | | 18,333 | 16,592 | 212 |
| Value-added Logistics | 23,307 | 8 | 23,299 | -405 | 1,395 | | | | | 11,501 | 6,117 | 253 |
| Fittings | 10,316 | 161 | 10,154 | -136 | 395 | | | | | 9,682 | 7,475 | 30 |
| Spare Parts for Motor Vehicles | 10,410 | 2 | 10,408 | -96 | 1,090 | | | | | 4,869 | 4,241 | 38 |
| Heat Treatment | 7,480 | 0 | 7,480 | -286 | 1,013 | | | | | 6,769 | 2,706 | 65 |
| Carpentry Industry | 6,061 | 0 | 6,061 | -134 | 1,305 | | | | | 2,942 | 1,980 | 30 |
| Supports | 4,015 | 98 | 3,917 | -29 | 324 | | | | | 1,952 | 297 | 16 |
| Fasteners | 2,860 | 50 | 2,810 | -19 | -304 | | | | | 2,097 | 2,420 | 24 |
| Other | 65 | 65 | 0 | -78 | -2,828 | | 369 | | | 26,845 | 25,900 | 10 |
| Eliminations | | -658 | | 0 | 251 | | | | | -7,404 | -7,404 | |
| Group in total | 157,476 | 0 | 156,819 | -7,561 | 4,236 | -3,710 | 401 | -2,181 | -1,254 | 132,601 | 87,428 | 1,206 |

**Business segments 2011**

| 1,000 euros | Net sales total | Internal net sales | External net sales | Depreciations | Operating profit | Financial income and costs | Share of associated company profits | Income taxes | Profit/loss from retained operations | Assets | Liabilities | Employees at the end of the period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Digital Printing Services | 31,529 | 59 | 31,471 | -1,063 | 4,148 | | -5 | | | 25,671 | 12,477 | 325 |
| Takoma | 27,451 | 0 | 27,451 | -2,156 | -1,353 | | | | | 33,553 | 17,184 | 190 |
| Safety | 24,635 | 242 | 24,392 | -671 | 1,231 | | | | | 17,023 | 15,086 | 188 |
| Value-added Logistics | 15,442 | 0 | 15,442 | -225 | 371 | | | | | 7,101 | 4,254 | 131 |
| Fittings | 11,401 | 181 | 11,219 | -135 | 311 | | | | | 10,656 | 8,413 | 32 |
| Spare Parts for Motor Vehicles | 9,598 | 0 | 9,598 | -115 | 1,115 | | | | | 4,614 | 4,546 | 35 |
| Heat Treatment | 9,037 | 0 | 9,037 | -298 | 2,123 | | | | | 7,095 | 3,277 | 64 |
| Carpentry Industry | 5,766 | 0 | 5,766 | -205 | 1,034 | | | | | 2,638 | 2,219 | 32 |
| Supports | 4,005 | 178 | 3,827 | -38 | 377 | | | | | 1,976 | 375 | 16 |
| Fasteners | 3,067 | 111 | 2,956 | -24 | -101 | | | | | 2,224 | 2,178 | 25 |
| Other * | 57 | 57 | 0 | -77 | -6,587 | | 209 | | | 41,478 | 36,634 | 59 |
| Eliminations | | -836 | | -33 | 4,068 | | | | | -11,598 | -11,598 | |
| Group in total | 141,988 | 0 | 141,152 | -5,041 | 6,735 | -2,811 | 205 | -524 | 3,604 | 142,431 | 95,045 | 1,097 |

* In the reference year, the Other row contains assets, liabilities and staff from discontinued operations.

# 6. Acquired businesses

## Acquisitions in the 2012 financial year

### Subsidiary acquisitions

On May 2, 2012, Panostaja Oyj's subsidiary Vindea Group Oy acquired the entire shareholding of packaging and logistics services company HSG Logistics Oy. After the transaction, a share issue targeted at the sellers was implemented, corresponding to about 22.5% of the entire shareholding. After the reorganization, Panostaja Oyj's shareholding in Vindea Group is about 54%.

The purchase price was MEUR 1.6 and it was paid in cash.

The Group entered a total of EUR 0.02 million in fees related to advisory services, valuation services and other services. These fees are included under 'Other Business Costs' in the income statement.

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

| | Note | MEUR |
|---|---|---|
| Property, plant and equipment | 19 | 0.8 |
| Stocks | 23 | 0.3 |
| Trade and other receivables | 24 | 2.4 |
| Cash and cash equivalents | 25 | 0.1 |
| **Assets in total** | | **3.6** |
| Financial liabilities | 27 | -0.1 |
| Other liabilities | 28 | -3.4 |
| **Liabilities total** | | **-3.5** |
| **Net assets** | | **0.1** |

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

Of the purchase price, the Group allocated MEUR 0.8 to customer relations. The company has significant long-term and stable customer relations, which are expected to supplement the existing customer base in the Value-added Logistics segment.

HSG Logistics Oy's net sales of MEUR 6.0 and EBIT of MEUR 0.8 for the 6-month period are included in the consolidated income statement for the financial period. The company merged with Vindea Oy on October 31, 2012.

The net sales of Vindea Group in 2012 would have been MEUR 29.1 and EBIT MEUR 1.4, if the acquisition of business operations carried out during the financial period had been combined with the consolidated financial statements from the beginning of the 2012 financial year.

The total cash flow effect of the Vindea Group:

| Cash flow statement | MEUR |
|---|---|
| Purchase price paid as cash | 1.6 |
| Cash and cash equivalents of the acquired subsidiary | -0.1 |
| Direct costs of acquisition | 0.0 |
| **Cash flow effect** | **1.5** |

### Acquisitions after the financial year

On November 7, 2012, Panostaja Oyj's subsidiary Capomelio II Oy acquired the entire shareholding of ceiling material wholesale services company Selog Oy. As part of the arrangement, Selog Oy's owners continue as minority shareholders in the new business area. As a result of the arrangement, Panostaja owns 60% of the total share capital of Capomelio II Oy.

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

The Group entered a total of EUR 0.01 million in fees related to advisory services, valuation services and other services. These fees are included under 'Other Business Costs' in the income statement.

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

| | MEUR |
|---|---|
| Property, plant and equipment, and intangible assets | 1.0 |
| Stocks | 0.7 |
| Trade and other receivables | 2.6 |
| Cash and cash equivalents | 0.1 |
| **Assets in total** | **4.4** |
| Financial liabilities | -1.5 |
| Other liabilities | -1.8 |
| **Liabilities total** | **-3.3** |
| **Net assets** | **1.1** |

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

The goodwill created will be assessed and re-allocated during the coming financial year.

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

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

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

The Group entered a total of EUR 0.02 million in fees related to advisory services, valuation services and other services. These fees are included under 'Other Business Costs' in the income statement.

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

| | MEUR |
|---|---|
| Property, plant and equipment | 0.02 |
| Stocks | 0.9 |
| Trade and other receivables | 0.3 |
| Cash and cash equivalents | 0.2 |
| **Assets in total** | **1.5** |
| | |
| Financial liabilities | -0.0 |
| Other liabilities | -0.4 |
| **Liabilities total** | **-0.4** |
| | |
| **Net assets** | **1.1** |

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

The goodwill created will be assessed and re-allocated during the coming financial year.

| Preliminary cash flow statement | MEUR |
|---|---|
| Purchase price paid as cash | 1.9 |
| Cash and cash equivalents of the acquired subsidiary | -0.2 |
| Direct costs of acquisition | 0.0 |
| **Cash flow effect** | **1.7** |

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

As a result of the reorganization, Panostaja owns approximately 56% of the total share capital of Digiprint Finland Oy. As part of the reorganization, the shareholders of DMP-Digital Media Partners Oy will become minority shareholders in Digiprint Finland Oy. As a result of the arrangement, Digiprint Finland Oy owns all of Kopijyvä Oy and DMP-Digital Media Partners Oy.

The values of acquired assets and assumed liabilities in the financial year ending July 31, 2012 were as follows:

| Consideration given | MEUR |
|---|---|
| Consideration given | 13.7 |
| Identifiable net assets of acquired item | 3.7 |
| **Difference** | **10.0** |

The goodwill created will be assessed and re-allocated during the coming financial year.

| Preliminary cash flow statement | MEUR |
|---|---|
| Purchase price paid as cash | 13.7 |
| Cash and cash equivalents of the acquired subsidiary | -2.4 |
| Direct costs of acquisition | 0.1 |
| **Cash flow effect** | **11.4** |

## Acquisitions in the 2011 financial year

### Subsidiary acquisitions

On December 16, 2010, Panostaja Oyj's subsidiary Digiprint Finland Oy bought the entire shareholding of Suomen Graafiset Palvelut Oy Ltd, which provides printing services.

The purchase price was MEUR 1.7 and it was paid entirely in cash.

The Group entered a total of EUR 0.06 million in fees related to advisory services, valuation services and other services. These fees are included under 'Other Business Costs' in the income statement.

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

| | Note | MEUR |
|---|---|---|
| Property, plant and equipment | 19 | 0.7 |
| Stocks | 23 | 0.1 |
| Trade and other receivables | 24 | 0.4 |
| Cash and cash equivalents | 25 | 1.5 |
| **Assets in total** | | **2.8** |
| | | |
| Financial liabilities | 27 | -0.4 |
| Other liabilities | 28 | -0.6 |
| **Liabilities total** | | **-1.0** |
| | | |
| **Net assets** | | **1.7** |

No goodwill resulted from the acquisition.

| Consideration given | MEUR |
|---|---|
| Consideration given | 1.7 |
| Identifiable net assets of acquired item | -1.7 |
| **Difference** | **0.0** |

Suomen Graafiset Palvelut Oy's net sales of MEUR 3.8 and EBIT of MEUR 0.5 in the 11-month period are included in the consolidated

income statement for the financial period. Suomen Graafiset Palvelut Oy merged with Kopijyvä Oy on October 31, 2011.

On June 21, 2011, Digiprint Finland Oy's subsidiary Kopijyvä Oy bought the entire stock of Microtieto Suomi Oy, which provides recording services.

The purchase price was MEUR 0.2 and it was paid entirely in cash.

| | Note | MEUR |
|---|---|---|
| Trade and other receivables | 24 | 0.1 |
| Cash and cash equivalents | 25 | 0.0 |
| Assets in total | | 0.1 |
| **Liabilities total** | | **0.0** |
| **Net assets** | | **0.1** |

| Consideration given | MEUR |
|---|---|
| Consideration given | 0.2 |
| Identifiable net assets of acquired item | -0.1 |
| **Difference** | **0.1** |

The Group allocated MEUR 0.1 of the purchase price to machinery and equipment and, in particular, to the stock of leasing machinery, which was transferred to the company's ownership after the completion of the transaction.

Microtieto Suomi Oy's net sales of MEUR 0.1 and EBIT of MEUR -0.1 for the 4-month period are included in the consolidated income statement for the period.

The net sales of the Digiprint Finland Group in 2011 would have been MEUR 32.1 and EBIT MEUR 4.2, if the acquisition of business operations carried out during the financial period had been combined with the consolidated financial statements from the beginning of the 2011 financial year.

The total cash flow effect of the Digiprint Finland Group:

| Preliminary cash flow statement | MEUR |
|---|---|
| Purchase price paid as cash | 1.9 |
| Cash and cash equivalents of the acquired subsidiary | -1.5 |
| Direct costs of acquisition | 0.1 |
| **Cash flow effect** | **0.5** |

## Corporate acquisitions

In June 2011, Takoma Oyj's subsidiary Takoma Systems Oy bought Keminmaa-based TL-Tuotanto Oy, which specializes in hydraulic and automation systems for a purchase price of MEUR 0.8.

The external assets of the business, including the company's premises, trade receivables and some of the liabilities owned by the company remained with the seller in the transaction. The transaction was financed using Takoma Group's available assets.

As a result of the deal, the Takoma Group's business expanded to cover the planning and deliveries of total hydraulic systems, as well as the control automation that they require. Customers using hydraulics are increasingly focusing on the acquisition of total systems rather than the purchase of individual hydraulic components. Through the purchase of TL-Tuotanto, Takoma Group can now offer its customers substantially more extensive turnkey deliveries than before. TL-Tuotanto's typical deliveries have been hydraulic and control systems for the process industry, power plants and port ramps.

| Consideration given | MEUR |
|---|---|
| Cash | 0.8 |
| Total acquisition cost | 0.8 |

The Takoma Group entered MEUR 0.1 related to capital transfer tax liabilities and corporate-acquisition advisory and valuation fees under 'Other Business Costs'.

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

| MEUR | Note | Values registered in the merger | Book values before merger (IFRS) |
|---|---|---|---|
| Property, plant and equipment | 19 | 0.7 | 0.7 |
| Intangible assets | 18 | 0.2 | 0.2 |
| Stocks | | 22 | 0.4 |
| Trade and other receivables | 24 | 0.0 | 0.0 |
| **Assets in total** | | | **1.3** |
| Financial liabilities | 27 | -0.3 | -0.3 |
| Other liabilities | 28 | -0.2 | -0.2 |
| **Liabilities total** | | **-0.5** | **-0.5** |
| **Net assets** | | **0.8** | **0.8** |

Of the acquisition cost, the Group allocated MEUR 0.2 to other intangible assets (logic software). A fair value allocation of MEUR 0.05 was made to stocks.

| | MEUR |
|---|---|
| Formation of goodwill in the acquisition: | |
| Consideration given | 0.8 |
| Identifiable net assets of acquired item | -0.8 |
| **Goodwill** | **0.0** |

No goodwill resulted from the acquisition. The allocation of the purchase price is final at the time of the closing of the books.

| | MEUR |
|---|---|
| Purchase price paid as cash | 0.8 |
| Cash and cash equivalents of the business acquired | 0.0 |
| **Cash flow effect** | **0.8** |

# 7. Disposal of subsidiaries and business operations

## 2012 Financial period

### Disposal of subsidiaries

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

As a result of the arrangement, Panostaja Oyj recorded a capital loss of MEUR 0.5. As a result of the arrangement, Panostaja Oyj reports Spectra Yhtiöt Oy as an associated company, and the acquisition cost of associated company shares in Panostaja Oyj's balance sheet is about MEUR 0.7.

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

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

| Result of the Technochemical segment, MEUR | Nov 1, 2011– Dec 22, 2011 | Nov 1, 2010– Oct 31, 2011 |
|---|---|---|
| Earnings | 0.2 | 1.6 |
| Costs | -0.2 | -1.9 |
| Profit before taxes | -0.0 | -0.3 |
| Taxes | 0.0 | 0.0 |
| Profit after taxes | 0.0 | -0.3 |
| Sales loss | -0.5 | |
| **Profit/loss from discontinued operations** | **-0.5** | **-0.3** |

| Cash flows of the Technochemical segment up to the time of sale | | |
|---|---|---|
| Operating cash flow | 0.0 | -0.3 |
| Investment cash flow | -0.0 | -0.0 |
| Financing cash flow | -0.1 | 0.1 |
| **Total cash flows** | **-0.0** | **-0.2** |

| The effect of the sale of the Technochemical segment on the financial position of the Group: | Dec 22, 2011 |
|---|---|
| Property, plant and equipment | 0.0 |
| Intangible assets | 0.0 |
| Other assets | 0.3 |
| Cash and cash equivalents | 0.0 |
| Sold liabilities | -0,2 |
| **Net assets** | 0,1 |
| Consideration received as cash | 0,2 |
| Cash and cash equivalents from divested unit | -0,0 |
| **Net cash flow from corporate divestments** | **0,2** |

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

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

| Result of Lämpö-Tukku Oy, MEUR | Nov 1, 2011– Mar 12, 2012 | Nov 1, 2010– Oct 31, 2011 |
|---|---|---|
| Earnings | 7.3 | 20.6 |
| Costs | -7.9 | -21.3 |
| Profit before taxes | -0.6 | -0.7 |
| Taxes | -0.0 | 0.0 |
| Profit after taxes | -0.7 | -0.7 |
| Sales loss | 0.0 | |
| **Profit/loss from discontinued operations** | **-0.7** | **-0.7** |

| Cash flows of Lämpö-Tukku Oy up to the time of sale | Nov 1, 2011– Mar 12, 2012 | Nov 1, 2010– Oct 31, 2011 |
|---|---|---|
| Operating cash flow | 2.6 | -0.1 |
| Investment cash flow | -0.2 | -0.1 |
| Financing cash flow | -2.5 | 0.2 |
| **Total cash flows** | **-0.1** | **-0.0** |

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

## 2011 Financial period

### Disposal of subsidiaries

On April 29, 2011, Panostaja Oyj sold shares in the parent company of the Environmental Technology segment, Ecosir Group Oy, to the acting management and other shareholders of the Ecosir Group. Panostaja Oyj's shareholding was reduced to 49%. As of May 1, 2011, Panostaja Oyj reports Ecosir Group Oy as an associated company. After the transaction, the acquisition cost of associated company shares in Panostaja Oyj's balance sheet is at MEUR 0.2.

In conjunction with the change in shareholding, Panostaja Oyj made an investment of approx. MEUR 2.5 in Ecosir Group Oy's invested unrestricted equity fund. The investment was carried out by converting MEUR 2.4 of Panostaja Oyj's receivables and, in part, by means of a new investment. After the transaction, Panostaja Oyj's receivables from Ecosir Group Oy total MEUR 2.2. The terms of the receivables match those of subordinated loans.

In the Group's financial statements, the result of the Environmental Technology segment is presented in the section 'Result from Discontinued Operations' in the financial periods ending on October 31, 2011 and October 31, 2010.

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

| Result of the Environmental Technology segment, MEUR | Nov 1, 2010–Apr 29, 2011 | Nov 1, 2009–Oct 31, 2010 |
|---|---|---|
| Earnings | 0.5 | 2.7 |
| Costs | -0.7 | -7.4 |
| Profit before taxes | -0.3 | -4.7 |
| Taxes | 0.0 | 0.4 |
| Profit after taxes | -0.3 | -4.3 |
| Sales loss | -0.1 | |
| **Profit/loss from discontinued operations** | **-0.4** | **-4.3** |

| Cash flows of the Environmental Technology segment | | |
|---|---|---|
| Operating cash flow | -0.1 | -2.1 |
| Investment cash flow | 0.0 | 0.2 |
| Financing cash flow | 0.1 | -0.6 |
| **Total cash flows** | **0.0** | **-2.5** |

| The effect of the sale of the Environmental Technology segment on the financial position of the Group: | Apr 29, 2011 |
|---|---|
| Property, plant and equipment | 0.1 |
| Intangible assets | 2.1 |
| Other assets | 1.4 |
| Cash and cash equivalents | 0.1 |
| Sold liabilities | -3.1 |
| **Net assets** | **0.6** |
| Sales loss | -0.1 |
| Minority interest | -0.2 |
| Acquisition cost of shares in associated companies | -0.2 |
| **Total** | **-0.5** |

| | |
|---|---|
| **Consideration in total** | **0.1** |
| Consideration received as cash | 0.1 |
| Cash and cash equivalents from divested unit | -0.1 |
| **Net cash flow from corporate divestments** | **0.0** |

## 8. Disposal of subsidiary holdings without change to controlling interest

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

The following table shows the effect of the change in Takoma Oyj's shareholding on Group earnings:

| The following table shows the effect of the change in Takoma Oyj's shareholding on Group earnings: | 2012 |
|---|---|
| Minority shareholders' interest disposed of | -318,701 |
| Consideration received | 150,000 |
| **Effect of shareholding reduction on earnings** | **-168,701** |

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

The following table shows the effect of the change in Digiprint Finland Oy's shareholding on Group earnings:

| | 2012 |
|---|---|
| Minority shareholders' interest disposed of | -37,860 |
| Consideration received | 71,000 |
| **Effect of shareholding reduction on earnings** | **33,140** |

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

The following table shows the effect of the change in Vindea Group Oy's shareholding on Group earnings:

| | 2012 |
|---|---|
| Minority shareholders' interest disposed of | -740,692 |
| Consideration received | 794,605 |
| **Effect of shareholding reduction on earnings** | **53,913** |

## 9. Other operating income

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Sales profit from tangible assets | 0 | 136 |
| Insurance indemnities | 101 | 31 |
| Other income | 1,071 | 720 |
| Total | 1,172 | 887 |

## 10. Share of associated company profits

Information about the Group's associated companies is shown in Note 20 'Investments in Associated Companies'.

## 11. Staff expenses

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Salaries and bonuses | 42,183 | 36,032 |
| Share-based payments | | |
| Pension costs and payment-based schemes | 7,676 | 6,323 |
| Other staff expenses | 2,321 | 1,952 |
| Total | 52,180 | 44,307 |

The Group has payment-based pension schemes, payments into which are recorded in the income statement in the period to which the charge relates.

Information about the management's employment benefits listed as related parties is shown in Note 34 'Related Party Transactions'.

During the financial year, the Group employed an average of 1,152 (1,034) people. At the end of the financial period, it employed 1,206 (1,097) persons.

## 12. Depreciations, amortizations and impairment

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Depreciations, amortizations and impairment by asset group: | | |
| Property, plant and equipment | | |
| Buildings and constructions | 134 | 121 |
| Machinery and equipment | 3,679 | 3,360 |
| Other tangible assets | 24 | 27 |
| Intangible assets | | |
| Goodwill | 2100 | |
| Development costs | 233 | 132 |
| Intangible rights | 1027 | 1082 |
| Other capitalized long-term expenditure | 364 | 319 |
| Total | 7,561 | 5,041 |

## 13. Other operating expenses

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Sales loss from tangible and intangible assets | 34 | 39 |
| Rental costs | 7 536 | 5 486 |
| Marketing costs | 1 393 | 1 238 |
| Data administration costs | 1 665 | 1 570 |
| Costs for expert services | 1 500 | 876 |
| Other variable business expenses | 5 551 | 5 065 |
| Other expense items | 9 210 | 9 263 |
| Total | 26 889 | 23 537 |

## 14. Financial income

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Dividend yield on saleable financial assets | 8 | 3 |
| Exchange rate profit | 9 | 10 |
| Financial income from affiliated companies | 147 | 311 |
| Interest income | 198 | 257 |
| Total | 362 | 581 |

## 15. Financial expenses

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Exchange rate loss | 129 | 24 |
| Changes in value from financial assets recognized at fair value through profit and loss | 1,000 | 267 |
| Interest expenses | 2,943 | 3,101 |
| Total | 4,072 | 3,392 |

Financial assets include changes in value from interest derivatives recognized at fair value through profit and loss. Hedge accounting is not applied to interest rate swaps.

## 16. Income taxes

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Tax based on taxable income for the period | -2,715 | -2,084 |
| Taxes from previous financial periods | 38 | 40 |
| Deferred taxes | 496 | 1,517 |
| **Income taxes in total** | **-2,181** | **-527** |

Reconciliation statement between tax expenses in the income statement and taxes calculated using the Group's domestic tax rate (2011 and 2012: 24.5%):

| | | |
|---|---|---|
| Profit before taxes | 927 | 3,144 |
| Income tax on the Group's profit before taxes according to the Finnish tax rate | -227 | -817 |
| Tax-free income | 575 | 1,186 |
| Non-deductible expenses | -2,483 | -1,146 |
| Unrecognized deferred tax assets for tax losses | -181 | 157 |
| Share of associated company profits | 97 | 53 |
| Taxes from previous periods | 38 | 40 |
| **Taxes in the income statement** | **-2,181** | **-527** |

Profit/loss for discontinued operations has not been separated for the reference year data.

## 17. Earning per share

Undiluted earnings per share are calculated by dividing the profit for the period attributable to the parent company's shareholders by the weighted average number of outstanding shares during the period. When calculating the earnings per share adjusted by dilution, the dilution factors taken into consideration are the parent company's convertible subordinated loan and share options. Share options have a dilution effect when their subscription price is lower than the fair value of the share. The dilution effect is the number of shares that must be issued gratuitously because the assets received from the options exercised do not allow the Group to issue an equal number of shares at fair value. The fair value of the share is based on the weighted average price of the shares during the financial period. During the 2012 financial period and the 2011 reference period, options had no dilution effect as their subscription price was lower than the average fair value of the shares. As regards the convertible subordinated loan, the shares have been considered convertible from the date they were entered in the Trade Register. The result for the period has been adjusted by the interest costs less the tax effect of the convertible subordinated loan.

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Profit for the financial period attributable to the parent company's owners (EUR 1,000), | -1,984 | 937 |
| retained operations | -1,254 | 1,338 |
| discontinued operations | -1,236 | -401 |
| Convertible subordinated loan interest | 1,100 | 948 |
| Profit/loss for the financial period for calculating the earnings per share adjusted by the dilution effect | -1,390 | 1,885 |
| Number of shares at the end of the period | 51,733 | 51,733 |
| of which held by the company | 553 | 602 |
| Weighted average number of outstanding shares, 1,000 | 51,157 | 50,128 |
| Conversion of convertible subordinated loan into shares, 1,000 | 6,818 | 10,130 |
| Diluted weighted average of outstanding shares | 57,975 | 60,258 |

| | 2012 | 2011 |
|---|---|---|
| **Earnings per share as calculated from the profits attributable to parent company shareholders:** | | |
| Earnings per share from retained operations, EUR | | |
| Undiluted | -0.015 | 0.027 |
| Diluted | -0.015 | 0.027 |
| Earnings per share from discontinued operations | | |
| Undiluted | -0.024 | -0.008 |
| Diluted | -0.024 | -0.008 |
| Earnings per share on retained and discontinued | | |
| Undiluted | -0.039 | 0.019 |
| Diluted | -0.039 | 0.019 |

## 18. Intangible assets

| (EUR 1,000) | Goodwill | Intagible rights | Development costs | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Acquisition cost on November 1, 2011** | **38,259** | **5,197** | **1,991** | **2,938** | **48,385** |
| Additions | 50 | 367 | 621 | 821 | 1,859 |
| Effect of corporate acquisition | 919 | 913 | | 239 | 2,071 |
| Effect of corporate sale | -1,050 | -54 | | -101 | -1,205 |
| Corporate acquisition | | | | | 0 |
| Rate differences | | | | 1 | 1 |
| Transfer between balance sheet groups | | | | -315 | -315 |
| **Acquisition cost on October 31, 2012** | **38,178** | **6,423** | **2,612** | **3,583** | **50,796** |
| **Accrued depreciations, amortizations and impairment on November 1, 2011** | **-1,730** | **-2,932** | **-315** | **-1,830** | **-6,807** |
| Depreciations during the financial period | | -1,027 | -233 | -364 | -1,624 |
| Deductions | | | | 73 | 73 |
| Effect of corporate sale | | 38 | | 53 | 91 |
| Transfers between balance sheet groups | | | | | |
| Amortizations and impairment | -2,100 | | | | -2,100 |
| **Accrued depreciations, amortizations and impairment on October 31, 2012** | **-3,830** | **-3,921** | **-548** | **-2,068** | **-10,367** |
| Book value on October 31, 2012 | 34,348 | 2,502 | 2,064 | 1,515 | 40,429 |
| **Acquisition cost on November 1, 2010** | **40,986** | **4,890** | **1,964** | **2,675** | **50,515** |
| Additions | | 138 | 101 | 355 | 594 |
| Effect of corporate acquisition | | 13 | | | 13 |
| Effect of corporate sale | -2,044 | -51 | -74 | -65 | -2,234 |
| Deductions | 45 | 207 | | | 252 |
| Corporate acquisition | | | | -1 | -1 |
| Rate differences | | | | -26 | -26 |
| Transfers between balance sheet groups | -728 | | | | -728 |
| **Acquisition cost on October 31, 2011** | **38,259** | **5,197** | **1,991** | **2,938** | **48,385** |
| **Accrued depreciations, amortizations and impairment on November 1, 2010** | **-1,730** | **-1,907** | **-208** | **-1,773** | **-5,618** |
| Depreciations during the financial period | | -1,082 | -132 | -319 | -1,533 |
| Amortizations and impairment during the financial period | | 57 | 25 | 48 | 130 |
| Transfers between balance sheet groups | | | | 214 | 214 |
| Other changes | | | | | |
| **Accrued depreciations, amortizations and impairment on October 31, 2011** | **-1,730** | **-2,932** | **-315** | **-1,830** | **-6,807** |
| Book value on October 31, 2011 | 36,529 | 2,265 | 1,676 | 1,108 | 41,578 |

### Goodwill impairment test

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

| MEUR | 2012 | 2011 |
|---|---|---|
| Safety (Flexim Security) | 5.3 | 5.2 |
| Heat Treatment (Heatmasters Group) | 0.3 | 0.3 |
| Digital Printing Services (Kopijyvä) | 12.1 | 12.1 |
| Spare Parts for Motor Vehicles (KL-Varaosat) | 1.9 | 1.9 |
| Fittings (Suomen Helasto) | 5.6 | 5.6 |
| Fasteners (Suomen Kiinnikekeskus) | 0.6 | 0.6 |
| Takoma (Takoma) | 4.5 | 6.6 |
| Value-added Logistics (Vindea) | 4.0 | 3.1 |
| Technochemical (Alfa-Kem) | | 1.1 |
| Total | 34.3 | 36.5 |

The goodwill impairment test for the financial period reflects the situation on September 30, 2012. In the previous years, the test reflected the situation at the time of closing the accounts. The test date was changed for practical reasons, and the change has no significant effect on the result of the test.

The amount recoverable through business operations has been determined in an impairment test with the help of service value. The anticipated cash flows determined are based on the vision of the Group's management on the development of the next three years. The years after the forecast period have been extrapolated using a 1.7–2% growth estimate.

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

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

Safety 8.0% (9.1%), Heat Treatment 10.4% (11.6%), Digital Printing Services 9.8% (11.0%), Spare Parts for Motor Vehicles 9.3% (10.5%), Fittings 8.1% (9.1%), Fasteners 8.2% (9.4%), Takoma 11.6% (13.2%), Value-added Logistics 10.5% (11.6%) and Technochemical n/a (11.4%).

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

At meetings held on October 22, 2012 and October 29, 2012, the Board of Panostaja's subsidiary, Takoma Oyj, examined and updated presumptions concerning the current operating environment of Takoma Group. Based on this examination, the Board of Takoma Oyj has set new numerical and operational targets for Takoma Group's current business operations. The changes in target-setting particularly result from the prolongation of poor market prospects, which are having an impact on net sales and profitability. Based on the Takoma segment's impairment tests, at a meeting on October 29, 2012, the Board of Panostaja Oyj decided that the Takoma segment's consolidated goodwill will be written down by about MEUR 2.1.

Only the Takoma and Fasteners units were found to be sensitive in goodwill impairment tests. In other units, reasonable alterations to the parameters used in the calculations do not result in the asset items' book value exceeding the recoverable amount accruable from them. In Takoma, increasing the discount rate by one percentage point would have led to a total of MEUR 1.9 additional write-down of goodwill. A one percentage point decline in the operating margin ratio would have caused a MEUR 3.2 write-down of goodwill in Takoma. In Fasteners, increasing the discount rate by one percentage point would have weakened the test result by MEUR 0.3 and a one percentage point decline in the operating margin ratio would have weakened the test result by MEUR 0.5, but these changes would not have made goodwill write-down necessary.

| Key presumptions of the impairment tests of Takoma's financial periods 2012 and 2011 | 2012 | 2011 |
|---|---|---|
| Growth of net sales p.a. forecasts for 3 years | -5,%–17,% | 8,%–29,% |
| WACC (after taxes) | 9.79,% | 10.48,% |
| Discount rate (WACC before taxes) | 11.60,% | 13.22,% |
| Long-term growth | 1.7,% | 2.0,% |
| EBIT margin. weighted average for the forecast period | 4.9,% | 10.3,% |
| Goodwill. EUR 1.000 | 6,597 | 6,597 |
| Book value. EUR 1.000 | 22,319 | 30,153 |
| Result of the impairment test. EUR 1.000 | -2,100 | 2,697 |
| (recoverable amount vs. book value) | Falls below | Exceeds |

In the reference year, a 1.5 percentage point growth of the discount rate would lead to a total of MEUR 0.3 write-down in Takoma. Respectively, a 1.5 percentage point decline in the operating margin ratio would mean a MEUR 1.0 write-down of goodwill. In other cash-flow-generating units, reasonable alterations to the key presumptions used in the calculations did not result in the asset items' book value exceeding the recoverable amount accruable from them.

## 19. Property, plant and equipment

| (EUR 1,000) | Land areas | Buildings | Machinery and equipment | Other tangible assets | Advance payments, plant and equipment | Total |
|---|---|---|---|---|---|---|
| Acquisition cost on November 1, 2011 | 193 | 10,604 | 33,414 | 338 | 878 | 45,427 |
| Additions | | 152 | 2,099 | | 1,081 | 3,332 |
| Effect of corporate acquisition | | | 389 | 1 | | 390 |
| Effect of corporate sale | | -22 | -1,915 | -5 | | -1,942 |
| Deductions | | | -557 | -30 | | -587 |
| Transfers between balance sheet groups | | 303 | 211 | | -1,030 | -516 |
| Rate differences | 1 | 4 | 93 | | | 98 |
| Other changes | | | 4 | | | 4 |
| Acquisition cost on October 31, 2012 | 194 | 11,041 | 33,738 | 304 | 929 | 46,206 |
| | | | | | | |
| Accrued depreciations, amortizations and impairment on November 1, 2011 | -179 | -7,307 | -17,678 | -202 | 0 | -25,652 |
| Depreciations during the financial period | | -224 | -3,700 | -24 | | -3,948 |
| Effect of corporate sale | | 7 | 1,559 | | | 1,566 |
| Deductions | | 262 | 289 | 29 | | |
| Transfers between balance sheet groups | | | | | | 0 |
| Rate differences | | -2 | -40 | | | -42 |
| Other changes | | | | | | |
| Accrued depreciations, amortizations and impairment on October 31, 2012 | -179 | -7,264 | -19,570 | -197 | 0 | -28,076 |
| | | | | | | |
| Book value on October 31, 2012 | 15 | 3,777 | 14,168 | 107 | 929 | 18,996 |
| | | | | | | |
| Acquisition cost on November 1, 2010 | 194 | 7,344 | 29,983 | 265 | 650 | 38,436 |
| Additions | | 3,216 | 1,730 | 74 | 1,499 | 6,519 |
| Effect of corporate acquisition | | | 1,370 | 1 | | 1,371 |
| Effect of corporate sale | | | -188 | | | -188 |
| Deductions | | | -222 | | | -222 |
| Transfers between balance sheet groups | | 50 | 1,249 | -2 | -1,271 | 26 |
| Rate differences | -1 | -6 | -122 | | | -129 |
| Other changes | | | -386 | | | -386 |
| Acquisition cost on October 31, 2011 | 193 | 10,604 | 33,414 | 338 | 878 | 45,427 |
| | | | | | | |
| Accrued depreciations, amortizations and impairment on November 1, 2010 | -179 | -7,190 | -14,488 | -174 | | -22,031 |
| Depreciations during the financial period | | -121 | -3,519 | -28 | | -3,668 |
| Effect of corporate sale | | | 207 | | | 207 |
| Deductions | | | -100 | | | |
| Transfers between balance sheet groups | | | -214 | | | -214 |
| Rate differences | | 4 | 50 | | | 54 |
| Other changes | | | 386 | | | |
| Accrued depreciations, amortizations and impairment on October 31, 2011 | -179 | -7,307 | -17,678 | -202 | 0 | -25,652 |
| | | | | | | |
| Book value on October 31, 2011 | 14 | 3,297 | 15,736 | 136 | 878 | 20,061 |

## 20. Investments in associates

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Book value on November 1 | 2,740 | 2,387 |
| Share of financial period profit | 400 | 205 |
| Additions | 724 | 200 |
| Deductions | -40 | -52 |
| **Book value on October 31** | **3,824** | **2,740** |

| Associated company October 31, 2012 | Registered office | Holding | Assets | Equity | Liabilities | Net sales | Profit/ loss |
|---|---|---|---|---|---|---|---|
| 31.10.2012 | | | | | | | |
| Keski-Suomen Painotuote Oy | Äänekoski | 22.5 % | 597 | 122 | 475 | 1,265 | 36 |
| As Koopia Kolm | Tallinna, Viro | 47.0 % | 1,355 | 348 | 1,007 | 927 | 51 |
| Spectra Oy | Lohja | 32.0 % | 2,057 | 680 | 1,377 | 5404 | -15 |
| Ecosir Group Oy | Tampere | 49.8 % | 2,601 | -1124 | 3,694 | 1062 | -614 |
| PE Kiinteistörahasto I Ky | Helsinki | 27.1 % | | | | | |

Keski-Suomen Painotuote Oy and As Koopia Kolm are associated companies of Kopijyvä Oy. The figures reported for the companies here have been annualized on the basis of their profit reporting for January 1–September 30, 2012.

Spectra Oy is an associated company in which Panostaja Group has a 32.0% holding. December 2011 saw the conclusion of an arrangement that merged Oy Alfa-Kem Ab, wholly owned by Panostaja Oyj, and Spectra Yhtiöt Oy, from Lohja. With the arrangement, Oy Alfa-Kem Ab ceased to be Panostaja Oyj's subsidiary and became Spectra Yhtiöt Oy's subsidiary, in which Spectra Yhtiöt Oy has a 100% holding.

Ecosir Group Oy is an associated company in which Panostaja Oyj has a 49.78% holding. The profit is based on the profit for the financial period, with the associated company's profit adjusted by the depreciation on goodwill in accordance with IFRS regulations.

PE Kiinteistörahasto I Ky's partners have decided to dissolve the fund. The fund dissolution process has been initiated, and the advance distributive portion of MEUR 3.1 in the financial statement has been recorded as a liability for PE Kiinteistörahasto I Ky, which is being dissolved.

## 21. Other non-current assets

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Loans receivable | 4,810 | 3,964 |
| Held-for-sale investments | 315 | 280 |
| Other receivables | 3,327 | 4,027 |
| **Total** | **8,452** | **8,271** |
| | | |
| Held-for-sale investments | | |
| Investments in unquoted shares: | | |
| At the beginning of the financial period on November 1 | 280 | 270 |
| Additions caused by consolidation of business operations | 0 | 14 |
| Additions | 41 | 0 |
| Deductions | -6 | -4 |
| **At the end of the period on October 31** | **315** | **280** |

All held-for-sale investments are investments in unquoted shares. They have been valued at acquisition price, since their fair values are not reliably available.

In other receivables, Panostaja Oyj has receivables from associated company Ecosir Group Oy totaling MEUR 2.3 and from the Group's Senior Management Team amounting to MEUR 1.2 in relation to the reward scheme. An impairment of MEUR 1.0 was recorded for Ecosir Group Oy's loan receivable in the 2012 financial period. The reward scheme is described in more detail in Note 34, Insider events.

## 22. Deferred tax assets and liabilities

Changes in deferred taxes during the 2012 financial period:

| (EUR 1,000) | November 1, 2011 | Entered in the income statement | Acquired operations | Discontinued operations | Adjustment from previous financial periods | October 31, 2012 |
|---|---|---|---|---|---|---|
| Deferred tax assets: | | | | | | |
| Property, plant and equipment, and intangible assets | 0 | 0 | 0 | 0 | 0 | 0 |
| HEPAC Wholesale inventory adjustment | 473 | 0 | 0 | -473 | 0 | 0 |
| Losses confirmed and to be confirmed in taxation | 4,169 | 341 | 0 | 0 | 0 | 4,510 |
| Other temporary differences | 184 | 0 | 0 | 0 | -71 | 113 |
| **Total** | **4,826** | **341** | **0** | **-473** | **-71** | **4,623** |
| Deferred tax liabilities: | | | | | | |
| Property, plant and equipment, and intangible assets | 1,417 | 156 | 0 | 0 | -155 | 1,418 |
| Other temporary differences | 103 | 0 | 0 | 0 | -16 | 87 |
| **Total** | **1,520** | **156** | **0** | **0** | **-171** | **1,505** |
| Deferred tax, net | 3,306 | 497 | 0 | -473 | 100 | 3,118 |

Changes in deferred taxes during the 2011 financial period:

| (EUR 1,000) | November 1, 2010 | Entered in the income statement | Acquired operations | Discontinued operations | Adjustment from previous financial periods | October 31, 2011 |
|---|---|---|---|---|---|---|
| Deferred tax assets: | | | | | | |
| Property, plant and equipment, and intangible assets | 0 | 0 | 0 | 0 | 0 | 0 |
| HEPAC Wholesale inventory adjustment | 473 | 0 | 0 | 0 | | 473 |
| Losses confirmed and to be confirmed in taxation | 3,550 | 1,487 | 0 | -868 | 0 | 4,169 |
| Other temporary differences | 321 | -35 | 0 | 0 | -102 | 184 |
| **Total** | **4,344** | **1,452** | **0** | **-868** | **-102** | **4,826** |
| Deferred tax liabilities: | | | | | | |
| Property, plant and equipment, and intangible assets | 1,485 | -68 | 0 | 0 | 0 | 1,417 |
| Other temporary differences | 208 | 3 | 0 | 0 | -108 | 103 |
| **Total** | **1,693** | **-65** | **0** | **0** | **-108** | **1,520** |
| Deferred tax, net | 2,651 | 1,517 | 0 | -868 | 6 | 3,306 |

Deferred tax assets were recorded for all of the Group's confirmed losses on October 31, 2012. Unused tax losses will expire in 2017–2021.

## 23. Stocks

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Materials and accessories | 7,446 | 13,663 |
| Unfinished products | 4,612 | 5,211 |
| Finished products and goods | 6,582 | 5,131 |
| Total | 18,639 | 24,005 |

For the 2012 financial period, the Group recorded a total of EUR 334,000 (EUR 618,000 in 2011) in expenses which was used to reduce the book value of stocks to correspond to its net realizable value.

Errors found in the HEPAC Wholesale inventory resulted in a write-down of MEUR 2.1 in the Group's stocks in 2011. This write-down is included in the figures for the reference year.

## 24. Trade and other receivables

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Trade receivables | 21,884 | 23,232 |
| Loans receivable | 313 | 359 |
| Accrued income | 2,257 | 2,269 |
| Other receivables | 658 | 311 |
| Total | 25,111 | 26,171 |

The book value of trade and other receivables corresponds to the maximum amount of credit risk related to them at the time of closing the accounts.

### Age distribution of trade receivables

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Undue | 17,562 | 19,042 |
| 1–30 days overdue | 3,269 | 2,960 |
| 31–180 days overdue | 604 | 632 |
| 181–360 days overdue | 202 | 225 |
| More than a year overdue | 247 | 373 |
| Balance sheet value of trade receivables | 21,884 | 23,232 |

The Group has recorded EUR 96,000 of impairment losses for trade receivables in the financial period (EUR 461,000 in 2011).

### Significant items included in accrued income

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Salaries and social security contributions | 145 | 126 |
| Annual discounts | 485 | 671 |
| Advance payments | 579 | 433 |
| Other | 1,048 | 1,039 |
| Total | 2,257 | 2,269 |

In integral parts, the balance sheet values of the receivables correspond to their fair values.

## 25. Cash and cash equivalents

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Cash and bank accounts | 12,347 | 14,643 |
| Total | 12,347 | 14,643 |

## 26. Information on equity

| | Number of shares at the end of the period 1,000 shares | Share capital EUR 1,000 | Share premium account EUR 1,000 | Invested unrestricted equity fund EUR 1,000 | Total EUR 1,000 |
|---|---|---|---|---|---|
| November 1, 2010 | 47,403 | 5,529 | 4,647 | 11,574 | 21,750 |
| Share issue | 4,000 | | | 5,738 | 5,738 |
| Share subscription | 330 | 40 | | 276 | 316 |
| Disposal of own shares | | | | 942 | 942 |
| Equity component of convertible subordinated loan | | | | 481 | 481 |
| Reward scheme | | | | 12 | 12 |
| October 31, 2011 | 51,733 | 5,569 | 4,647 | 19,023 | 29,239 |
| Share issue | | | | | |
| Share subscription | | | | | |
| Disposal of own shares | | | | 44 | 44 |
| Capital repayment | | | | -2,557 | -2,557 |
| Equity component of convertible subordinated loan | | | | | |
| Reward scheme | | | | 13 | 13 |
| October 31, 2012 | 51,733 | 5,569 | 4,647 | 16,522 | 26,738 |

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

As a result of a share issue and share subscription carried out in the 2011 financial period, the number of shares increased from 47,403,110 to 51,733,110. The share capital increased by EUR 39,600 as a result of the share subscription.

### Share premium account

The amount paid by shareholders in connection with share issues that exceeds the nominal value of the shares is recorded in the share premium account. The amounts entered in the share premium account are related to share issues carried out under the previous Limited Liability Companies Act (September 29, 1978/734), which was valid until August 31, 2006.

In cases where option rights were decided upon under the old Limited Liability Companies Act, payments received for option-based share subscriptions were entered in the share capital and share premium account in accordance with the terms and conditions of the arrangement.

### Invested unrestricted equity fund

The invested unrestricted equity fund includes equity-like investments and the amount paid by shareholders in connection with share issues completed after the entry into force (September 1, 2006) of the new Limited Liability Companies Act (July 21, 2006/624) where it is not entered in the share capital by virtue of a separate decision.

### Share issue

No share issue was carried out in the 2012 financial period. A share issue was carried out in the 2011 financial period where 4,000,000 new company shares were offered for subscription to domestic institutional investors, deviating from the shareholders' pre-emptive right to subscription. The share subscription price was EUR 1.45 per share. The overall yield of the share issue less sales commissions and costs was EUR 5,738,000, which was entered in the invested unrestricted equity fund.

### Share subscription

A share subscription was carried out in the 2011 financial period based on the option rights granted to the company management in 2006. Of the share subscription price, EUR 0.12 was registered in the share capital, in accordance with the terms and conditions of the option scheme, and the remaining part in the invested unrestricted equity fund. A total of 330,000 new company shares were subscribed for in the share subscription.

### The company's own shares

The acquisition price of shares purchased plus the transaction costs are presented as deduction from the invested unrestricted equity. Panostaja did not acquire its own shares during the 2012 financial period. At the end of the 2012 financial period, the company held 552,556 (601,875) of its own shares.

Panostaja awarded Board members a total of 49,309 shares as remuneration.

### Dividends

For the 2011 financial period, a capital repayment totaling MEUR 2.56 (EUR 0.05 per share) was made to the parent company's shareholders (dividends paid to minority shareholders of subsidiaries amounted to MEUR 0.66).

For the 2010 financial period, dividends paid to shareholders of the parent company totaled MEUR 2.56 (EUR 0.05 per share) (dividends paid to minority shareholders of subsidiaries amounted to MEUR 0.27).

# 27. Financial liabilities

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| **Non-current financial liabilities valued at allocated acquisition cost** | | |
| Loans from financial institutions | 24,468 | 29,181 |
| Convertible subordinated loan | 14,414 | 14,264 |
| Finance lease liabilities | 2,727 | 3,182 |
| Other loans | 557 | 316 |
| Total | 42,166 | 46,943 |
| | | |
| **Current financial liabilities valued at allocated acquisition cost** | | |
| Convertible subordinated loan | 0 | 5,631 |
| Installments for non-current loans | 10,896 | 10,390 |
| Loans from financial institutions | 2,959 | 2,678 |
| Finance lease liabilities | 700 | 693 |
| Total | 14,555 | 19,392 |

The fair values of liabilities are listed in Note 31, Fair values of financial assets and liabilities.

The Group has both variable-rate and fixed-rate loans. The weighted average of interest rates on October 31, 2012 was 3.68% (October 31, 2011: 5.41%). Of the financial liabilities, EUR 19,895,000 are fixed-rate and the rest are variable-rate.

The interest-bearing non-current and current liabilities are in euros.

### Arrangements concerning liabilities, and breaches of contract

During the 2012 financial period, Takoma Group met the covenant term for the equity ratio of its loans. The covenant term regulating the relation of net financial liabilities to the rolling 12-month operating margin was not met at the review point on April 30 or on closing the books on October 31, 2012, concerning one of the Group's loans, of MEUR 3.96. At both review points, the lender's consent was received in advance to the effect that the lender would not use its right of collection.

### Equity convertible subordinated loans

### Convertible subordinated loan 2006

The 2006 convertible subordinated loan was repaid in full on March 1, 2012. At the end of the 2011 financial period, the remaining amount of the 2006 convertible subordinated loan was EUR 5,631,250.

### Convertible subordinated loan 2011

By virtue of the authorization given at the General Meeting on December 18, 2007, the Board of Directors decided to offer a convertible subordinated loan for registration to domestic institutional investors in 2011, deviating from the shareholders' pre-emptive right to subscription. The convertible subordinated loan offered amounted to EUR 15,000,000, and the entire sum was registered. The loan capital is paid a fixed annual interest of 6.5%. The loan period is February 7, 2011–April 1, 2016. The loan will be repaid in a single installment, provided that the conditions for repayment are met.

The original share exchange rate is EUR 2.20. The loan share exchange period started on August 1, 2011, and will end on March 1, 2016. The share exchange rate will be entered into the company's invested unrestricted equity fund.

Each EUR 50,000 share of the loan entitles the holder to exchange the loan share for new Panostaja shares.

The number of shares issued on the basis of the right of exchange is determined by dividing the loan share by the exchange rate valid on the exchange date. As a result of exchanges, the number of company shares may increase by 6,818,181.

The proportion of shares exchanged on the basis of the convertible subordinated loan is 11.0% of the company's shares and votes.

The new shares will entitle their holders to dividends and other shareholders' rights after the shares have been entered in the Trade Register and combined with the company's existing shares.

On the conditions specified in the loan terms, Panostaja is from January 1, 2012 entitled to repay the entire loan capital prematurely at a rate of 100%, with interest up to the date of payment added.

If the loan cannot be repaid on the due date, the unpaid loan capital will be subject to interest two (2) percentage points higher than the annual interest confirmed for the loan.

The convertible subordinated loan is divided into equity and liabilities in the financial statements. The liability component of the loan has originally been entered in the balance sheet at fair value, which has been determined using the market interest rate for an equivalent liability on the loan issue date. The equity component is calculated by determining the difference between the monetary amount obtained through the loan issue and the fair value of the loan. The original equity component of the convertible subordinated loan, EUR 598,000, has been entered into the invested unrestricted equity fund.

### Maturity dates of non-current liabilities

| | Financial institution loans | | Other loans | |
|---|---|---|---|---|
| Installments | 2012 | 2011 | 2012 | 2011 |
| < 1 year | 10,896 | 10,390 | 75 | |
| 1–2 years | 9,803 | 8,506 | 248 | 149 |
| 2–3 years | 8,665 | 7,468 | 116 | |
| 3–4 years | 4,835 | 5,613 | 118 | |
| 4–5 years | 939 | 3,789 | 14,414 | 14,315 |
| > 5 years | | 3,805 | | 116 |

## 28. Trade payables and other liabilities

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Trade payables | 9,233 | 11,427 |
| Accruals and deferred income | 13,299 | 8,272 |
| Other current liabilities | 6,377 | 7,221 |
| **Total** | **28,909** | **26,920** |
| | | |
| **Essential items included in accruals and deferred income** | | |
| Vacation pay and social security costs | 5,519 | 2,939 |
| Accrued wages and salaries | 2,061 | 1,334 |
| Accrued interest | 708 | 1,100 |
| Accrued taxes | 706 | 1,122 |
| Accrued employee pension | 485 | 355 |
| Other items | 3,820 | 1,422 |
| **Total** | **13,299** | **8,272** |

## 29. Provisions

| (EUR 1,000) | Provisions for guarantees given | Total |
|---|---|---|
| November 1, 2011 | 270 | 270 |
| Additions to provisions | 81 | 81 |
| Effect of corporate sale | 0 | 0 |
| Provisions taken | -59 | -59 |
| October 31, 2012 | 292 | 292 |

| (EUR 1,000) | Provisions for guarantees given | Total |
|---|---|---|
| November 1, 2010 | 361 | 361 |
| Additions to provisions | 59 | 59 |
| Effect of corporate sale | -124 | -124 |
| Provisions taken | -26 | -26 |
| October 31, 2011 | 270 | 270 |

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Non-current provisions | 0 | 0 |
| Current provisions | 292 | 270 |
| **Total** | **292** | **270** |

**Provisions for guarantees given**

The Group provides a guarantee of 1–3 years for some of its products. Any defects detected in the products during the guarantee period will be repaired at the Group's expense or the customer will be given a similar new product. Provisions for guarantees given are recorded on the basis of an estimate of probable guarantee costs. Provisions for guarantees given are expected to be used within the next three years, with emphasis on the first 12 months, however.

## 30. Maturity dates of finance lease liabilities

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| **Finance lease liabilities – total amount of minimum rent sums** | | |
| In one year | 791 | 793 |
| In over one year but within five years maximum | 2,068 | 2,592 |
| In over five years | 815 | 850 |
| **Total** | **3,674** | **4,235** |
| | | |
| Future financial expenses | -246 | -359 |
| **Total amount of finance lease liabilities** | 3,428 | 3,876 |
| | | |
| **Finance lease liabilities – current value of minimum rent sums** | | |
| In one year | 701 | 693 |
| In over one year but within five years maximum | 1,600 | 2,024 |
| In over five years | 1,127 | 1,159 |
| **Total** | **3,428** | **3,876** |

Property, plant and equipment include machinery and equipment acquired by means of finance lease agreements.

## 31. Fair values of financial assets and liabilities

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

| 2011 balance sheet item (EUR 1,000) | Note | Financial assets and liabilities recorded at fair value through profit and loss | Loans and other receivables | Held-for-sale investments | Financial liabilities valued at allocated acquisition cost | Book values of balance sheet items | Fair value |
|---|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | | |
| Other non-current assets | 21 | | 4,027 | 280 | | 4,307 | 4,307 |
| **Current financial assets** | | | | | | | |
| Trade and other receivables | 24 | | 23,902 | | | 23,902 | 23,902 |
| Short-term investments | 25 | 0 | | | | 0 | 0 |
| **Financial assets in total** | | 0 | 27,929 | 280 | 0 | 28,209 | 28,209 |
| **Non-current liabilities** | | | | | | | |
| Loans from financial institutions | 27 | | | | 29,181 | 29,181 | 29,181 |
| Convertible subordinated loan | 27 | | | | 14,264 | 14,264 | 14,707 |
| Other non-current liabilities | 27 | | | | 3,498 | 3,498 | 3,498 |
| **Current liabilities** | | | | | | | |
| Convertible subordinated loan | 27 | | | | 5,631 | 5,631 | 5,678 |
| Interest-bearing liabilities | 27 | | | | 13,761 | 13,761 | 13,761 |
| Trade payables | 28 | | | | 11,427 | 11,427 | 11,427 |
| Other liabilities | 28 | | | | 4,998 | 4,998 | 4,998 |
| **Financial liabilities in total** | | 0 | 0 | 0 | 82,760 | 82,760 | 83,250 |

## 32. Fair value hierarchy for financial assets and liabilities valued at fair value

| October 31, 2012 | Fair values at the end of the reporting period Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Financial assets recognized at fair value through profit and loss** | | | |
| Short-term investments | 0 | | |
| **Held-for-sale investments** | | | |
| Investments in unquoted shares | | | 315 |
| **Total** | **0** | | **315** |

| October 31, 2011 | | | |
|---|---|---|---|
| **Financial assets recognized at fair value through profit and loss** | | | |
| Short-term investments | 0 | | |
| **Held-for-sale investments** | | | |
| Investments in unquoted shares | | | 280 |
| **Total** | **0** | | **280** |

Fair values on hierarchy level 1 are based on the quoted prices of fully similar asset items or liabilities on the active market.

Fair values on level 2 are based on input data other than the quoted prices included in level 1 but nevertheless on data either directly or indirectly attributable to the asset item or liability in question.

Fair values on level 3 are based on acquisition price, since their fair value cannot be reliably determined.

### Held-for-sale investments

All held-for-sale investments are investments in unquoted shares. They have been valued at acquisition price, since their fair values are not reliably available.

### Non-current receivables

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

### Trade and other receivables

The original book value of trade and other receivables corresponds to their fair value, since the effect of discounting is not significant considering the maturity of the receivables.

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

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

### Trade payables and other liabilities

The original book value of trade payables and other liabilities corresponds to their fair value, since the effect of discounting is not significant considering the maturity of the liabilities.

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

| | Held-for-sale investments |
|---|---|
| **Opening balance on November 1, 2011** | 280 |
| Purchases | 41 |
| Sales | -6 |
| Transfers to level 3 | 0 |
| Transfers from level 3 | 0 |
| Profit/loss through profit or loss | **0** |
| **Closing balance on October 31, 2012** | **315** |

## 33. Guarantees and contingencies

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Guarantees given on behalf of Group companies | | |
| Enterprise mortgages | 40,861 | 41,394 |
| Pledges given | 58,321 | 63,868 |
| Other liabilities | 1,888 | 1,549 |

Pledges given include pledged subsidiary shares amounting to MEUR 58.3. The nominal or book value of the guarantee has been used as the value of liabilities.

| | | |
|---|---|---|
| Other rental agreements | | |
| In one year | 7,779 | 7,160 |
| In over one year but within five years maximum | 17,466 | 17,543 |
| In over five years | 2,833 | 3,162 |
| Total | 28,078 | 27,865 |
| Financial institution loans in total | 38.097 | 42.249 |

## 34. Insider events

The Group's insiders include the Board members, CEO and Senior Management Team.

### Reward scheme

On December 16, 2010, the Board decided on a new long-term incentive and commitment scheme for the members of the Senior Management Team. During the financial period, Panostaja sold 623,561 of the company's own shares to the members of the Senior Management Team, and members of the Senior Management Team acquired a total of 950,000 Panostaja shares for their personal ownership or for the ownership of a company where they have a controlling interest. The maximum quantity held in such ownership as specified in the company's ownership system is the said 950,000.

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

| | |
|---|---|
| Pravia Oy (Juha Sarsama) | 350,000 shares |
| Artaksan Oy (Simo Mustila) | 200,000 shares |
| Heikki Nuutila | 200,000 shares |
| Comito Oy (Tapio Tommila) | 200,000 shares |
| Total | 950,000 shares |

The members of the Senior Management Team financed their investments themselves, in part, and through company loans, in part, and they bear the genuine corporate risk with respect to the investment they have made in the scheme. In order to enable the acquisition of the shares, and as part of the scheme, Panostaja's Board of Directors decided to grant an interest-bearing loan in the amount of EUR 1,250,000 maximum to the Senior Management Team members or to the companies where they have a controlling interest. To finance the acquisition, the management took out an interest-bearing loan in the amount of EUR 1,207,127.84.

The members of the Senior Management Team participating in the scheme during 2011–2015 may be granted a maximum of 237,500 Panostaja shares as a bonus, based on the achievement of set targets. A potential bonus may also be paid in cash to cover the taxes and tax-like payments arising from the bonus. Members of the Senior Management Team are obliged not to sell shares received as a bonus during a period of 27 months after receiving them. During the 2011 financial period, the company did not award shares as remuneration to the management.

### Loans to insiders

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| At the beginning of the period | 1,165 | 0 |
| Loans granted during the period | 0 | 1,207 |
| Loans repaid | -40 | -42 |
| Interest charged | 23 | 0 |
| Interest payments received during the period | -23 | 0 |
| At the end of the period | 1,125 | 1,165 |

The loan terms for key members of management are as follows:

| Name | Amount of loan | Repayment terms | Interest |
|---|---|---|---|
| Pravia Oy (Juha Sarsama) | 230 | Full repayment at the end of the loan period | 1.773 |
| Pravia Oy (Juha Sarsama) | 113 | Full repayment at the end of the loan period | 1.644 |
| Artaksan Oy (Simo Mustila) | 288 | Full repayment at the end of the loan period | 1.644 |
| Heikki Nuutila | 288 | Full repayment at the end of the loan period | 1.644 |
| Comito Oy (Tapio Tommila) | 209 | Full repayment at the end of the loan period | 1.644 |
| Comito Oy (Tapio Tommila) | 79 | Full repayment at the end of the loan period | 1.591 |
| Total | 1,207 | | |

Collateral for the loans granted are the company's shares with a fair value of MEUR 0.7 on October 31, 2012.

## Management's employee benefits

| (EUR 1,000) | 2012 | 2011 |
|---|---|---|
| Salaries and other short-term employee benefits | 667 | 766 |
| Share-based benefits | 0 | 0 |
| Total | 667 | 766 |
| | | |
| Salaries and bonuses | | |
| CEO | 181 | 183 |
| | | |
| Board members | | |
| Ala-Mello Jukka | 40 | 37 |
| Ketola Hannu | 0 | 5 |
| Martikainen Hannu | 20 | 20 |
| Tarkkonen Hannu | 10 | 20 |
| Satu Eskelinen | 20 | 20 |
| Eero Eriksson | 20 | 15 |
| Koskenkorva Mikko | 20 | 15 |
| Koskenkorva Matti | 0 | 9 |

On January 31, 2012, Panostaja Oyj's General Meeting decided on the payment of meeting compensation to the Board of Directors 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. Furthermore, Panostaja Oyj's Board of Directors decided, in its organizing meeting held immediately after the General Meeting, to implement the General Meeting's decision on compensation to Board members such that the compensation is remitted four times a year, always on the date following the publication of the interim report/financial statements.

It has been agreed with the Managing Directors of some of the companies belonging to Panostaja Group that they may retire at 55–60 years of age if they so desire. The liability related to the right to early retirement will accrue and be recorded and paid by financial period. The retirement age of Panostaja Oyj's CEO is determined in accordance with the Employees Pensions Act (TyEL).

## 35. Subsidiaries on october 31, 2012

| Parent company and subsidiary relations within the Group | Registered office | Share of votes | Parent company's holding in % |
|---|---|---|---|
| Parent company | | | |
| Panostaja Oyj | Tampere | | |
| Subsidiaries | | | |
| Copynet Finland Oy | Vilna | 68.0 | 68.0 |
| Digiprint Finland Oy | Jyväskylä | 65.3 | 65.3 |
| Eurotermo Holding Oy | Helsinki | 63.3 | 63.3 |
| Flexim Group Oy | Helsinki | 70.0 | 70.0 |
| Flexim Security Oy | Helsinki | 70.0 | 70.0 |
| Heatmasters Group Oy | Lahti | 80.0 | 80.0 |
| Heatmasters Oy | Lahti | 80.0 | 80.0 |
| Heatmasters Sp.zoo | Puola | 80.0 | 80.0 |
| Heatmasters Sweden Ab | Ruotsi | 80.0 | 80.0 |
| Hervannan Koneistus Oy | Tampere | 63.1 | 63.1 |
| Kannake Holding Oy | Tampere | 100.0 | 100.0 |
| Kannake Oy | Tampere | 70.4 | 70.4 |
| Kiinnikekeskus Services Oy | Tampere | 90.0 | 90.0 |
| KL-Parts Oy | Tampere | 75.0 | 75.0 |
| KL-Varaosat Oy | Tampere | 75.0 | 75.0 |
| Kopijyvä Oy | Jyväskylä | 65.3 | 65.3 |
| Lahden Lämpökäsittely Oy | Lahti | 80.0 | 80.0 |
| Lingoneer Oy | Tampere | 51.0 | 51.0 |
| Matti-Ovi Oy | Laitila | 71.3 | 71.3 |
| Suomen Helakeskus Oy | Seinäjoki | 100.0 | 100.0 |
| Suomen Helasto Oy | Seinäjoki | 100.0 | 100.0 |
| Suomen Kiinnikekeskus Oy | Tampere | 90.0 | 90.0 |
| Takoma Gears Oy | Parkano | 63.1 | 63.1 |
| Takoma Oyj | Tampere | 63.1 | 63.1 |
| Takoma Systems Oy | Tampere | 63.1 | 63.1 |
| Tampereen Laatukoneistus Oy | Tampere | 63.1 | 63.1 |
| Toimex Oy | Tampere | 70.4 | 70.4 |
| Vindea Group Oy | Hyvinkää | 54.2 | 54.2 |
| Vindea Oy | Hyvinkää | 54.2 | 54.2 |

## 36. Judicial events

In the preliminary ruling on the capital repayment in respect of Takoma Oyj shares in spring 2008, the Tax Office for Major Corporations decided on the basis of an overall assessment that Panostaja was a capital investor within the meaning of Section 6, Subsection 1, Item 1 of the Finnish Business Tax Act. For capital investors, capital gains from fixed asset shares are considered taxable income.

Due to the said preliminary ruling, the Tax Office for Major Corporations, in its taxation by direct assessment in 2007, regarded Panostaja Oyj as a capital investor in the aforementioned sense and taxed the company's certain capital gains from fixed asset shares. Panostaja Oyj submitted a claim for adjustment over the 2007 taxation to the Board of Adjustment claiming that the capital gain from fixed asset shares should be exempt from tax. The Board of Adjustment denied Panostaja Oyj's claim in August 2009. Panostaja Oyj appealed the decision to the Administrative Court of Helsinki.

In June 2011, Panostaja Oyj was informed that the Administrative Court of Helsinki had rejected the appeal. Panostaja Oyj requested for leave to appeal from the Supreme Administrative Court in August 2011. The Supreme Administrative Court has rejected the company's request for leave to appeal. Therefore, the ruling of the Administrative Court will remain in force. Since Panostaja Oyj has been taxed as a capital investor in the recent years, in the interpretation of the Tax Office for Major Corporations, it will not incur further taxes as a result of this ruling.

The legally binding ruling establishes Panostaja Oy's status as a capital investor, as defined in the Finnish Business Tax Act, and hence clarifies the company's fiscal position in the future.

## 37. Events after the balance sheet date

Panostaja announced on November 6, 2012 that its subsidiary Suomen Helasto Oy has bought the entire share capital of Oy Eurohela Trading Ltd, which provides services in the wholesale of furniture fittings. In 2011, Eurohela Trading's net sales totaled approximately MEUR 3.8.

As a result of the transaction, Panostaja strengthens its business area specializing in fittings wholesale with a diverse product range and comprehensive sales network. The segment will also be reorganized, so that the furniture fittings and construction fittings operations will be divided into individual companies. Suomen Helasto Oy's subsidiaries Oy Eurohela Trading Ltd and Suomen Helakeskus Oy merge to form Suomen Helakeskus Oy, focusing on the furniture fittings business. Suomen Helasto Oy's new subsidiary Rakennushelasto Oy, which is established as part of the reorganization, will specialize in the construction fittings business. As a result of the reorganization, Panostaja Oyj's shareholding in Suomen Helasto Oy is about 95%.

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

Panostaja announced on November 12 that M.Sc.(Econ.) Juha Kivinen (48) has been invited to become Managing Director of KL-Varaosat Oy, which is part of the Panostaja Group. Kivinen has previously served as Managing Director of Motoral Oy. Kivinen will assume his duties as Managing Director no later than February 4, 2013. The current Managing Director of KL-Varaosat Oy, Jarkko Iso-Eskeli, will continue in his duties until the new managing director assumes the position, after which Iso-Eskeli will resign from the Group.

Panostaja announced on November 28 that Panostaja Oyj's Development Director, Heikki Nuutila M.Soc.Sc., will move on to other duties from January 1, 2013. Nuutila will continue as a board member of some of the business areas of the Panostaja Group. Minna Telanne Lic.Sc. (Admin.) (48) will take over as new Development Director and a member of the Senior Management Team in Panostaja Oyj on January 14, 2013.

Panostaja announced on December 4, 2012 that its subsidiary Digiprint Finland Oy had acquired the entire share capital of DMP-Digital Media Partners Oy. The DMP Group provides printing, publication,

and production services for marketing communications. As a result of the transaction, Panostaja expands its segment specializing in digital printing servicesthat already includes the Kopijyvä Group.

As a result of the reorganization, Panostaja owns approximately 56% of the total share capital of Digiprint Finland Oy. As part of the reorganization, the shareholders of DMP-Digital Media Partners Oy will become minority shareholders in Digiprint Finland Oy. After the conclusion of the reorganization, Digiprint Finland Oy owns Kopijyvä Oy and DMP-Digital Media Partners Oy entirely. Kopijyvä Oy CEO Heimo Viinanen will continue as the CEO of Kopijyvä Oy and Digiprint Finland Oy as well as a major shareholder. Jyrki Narinen will continue as the Managing Director of DMP-Digital Media Partners Oy.

# Group's key figures

| (MEUR) | 2012 | 2011 | 2010 |
|---|---|---|---|
| Net sales, MEUR | 156.8 | 141.2 | 137.9 |
| EBIT, MEUR | 4.2 | 6.7 | 2.9 |
| % of net sales | 2.7 | 4.7 | 2.1 |
| Profit for the financial period | -2.5 | 2.2 | -3.2 |
| Return on equity (ROE), % | -5.4 | 5.0 | -7.0 |
| Return on investment (ROI), % | 2.2 | 5.6 | -1.0 |
| Equity ratio, % | 34.1 | 33.4 | 31.3 |
| Gearing, % [1] | 89.60 | 99.6 | 127.3 |
| Current ratio | 1.3 | 1.39 | 1.5 |
| Gross capital expenditure, MEUR | 6.2 | 9.1 | 15.7 |
| % of net sales | 4.0 | 6.4 | 11.2 |
| Average number of Group personnel | 1,152 | 1,034 | 967 |
| Earnings per share (EPS), EUR, diluted | -0.04 | 0.02 | -0.06 |
| Earnings per share (EPS), EUR, undiluted | -0.04 | 0.02 | -0.06 |
| Equity per share, EUR | 0.56 | 0.65 | 0.59 |
| Capital repayment per share, EUR [2] | 0.04 | 0.05 | |
| Dividend per share, EUR | | | 0.05 |
| Dividend per profit, %, diluted | | | -142.9 |
| Capital repayment per profit, %, diluted | -262.2 | 159.8 | |
| Dividend per profit, %, undiluted | | | -83.3 |
| Capital repayment per profit, %, undiluted | -103.1 | 267.4 | |
| Effective dividend yield, % | | | 3.4 |
| Price/profit ratio | | | -24.3 |
| Average number of shares during the financial period, 1,000 | 51,157 | 50,128 | 46,127 |
| Number of shares at the end of the financial period, 1,000 | 51,733 | 51,733 | 47,403 |
| Weighted average of the number of shares adjusted by issue during the financial period, 1,000 | 57,957 | 60,258 | 56,252 |
| Share closing price for the financial period, EUR | 0.76 | 1.06 | 1.46 |
| Lowest share price, EUR | 0.73 | 0.97 | 1.32 |
| Highest share price, EUR | 1.05 | 1.51 | 1.75 |
| Average share price during the financial period, EUR | 0.89 | 1.23 | 1.45 |
| Market value of the share capital, MEUR | 39.3 | 54.8 | 69.2 |
| Shares exchanged, 1,000 | 5,726 | 3,841 | 5,302 |
| Shares exchanged, % | 11.2 | 7.7 | 11.2 |

[1] Liabilities include the convertible subordinated loan

[2] Board's proposal

# Formulae for calculating the key figures

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

# Parent company income statement

| EUR 1,000 | November 1, 2011–October 31, 2012 | November 1, 2010–October 31, 2011 |
|---|---|---|
| NET SALES | 65 | 57 |
| Other operating income | 440 | 152 |
| Staff expenses | 1,169 | 1,086 |
| Depreciations, amortizations and impairment | 78 | 3,597 |
| Other operating expenses | 2,072 | 2,383 |
| EBIT | -2,815 | -6,857 |
| Financial income and costs | -517 | 671 |
| PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS | -3,332 | -6,186 |
| Extraordinary items | -5,589 | -731 |
| PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES | -8,921 | -6,917 |
| Appropriations | 16 | 4 |
| Income taxes | 1 | -2 |
| PROFIT/LOSS FOR THE FINANCIAL PERIOD | -8,905 | -6,915 |

# Parent company balance sheet

| Assets EUR 1,000 | October 31, 2012 | October 31, 2011 |
|---|---|---|
| PERMANENT ASSETS | | |
| Intangible assets | 96 | 120 |
| Tangible assets | 69 | 103 |
| Investments | 33,193 | 33,120 |
| PERMANENT ASSETS IN TOTAL | 33,358 | 33,343 |
| CURRENT ASSETS | | |
| Non-current receivables | 12,285 | 15,963 |
| Current receivables | 2,327 | 2,288 |
| Short-term investments | 0 | 0 |
| Cash and cash in bank | 3,558 | 7,181 |
| CURRENT ASSETS IN TOTAL | 18,171 | 25,432 |
| ASSETS IN TOTAL | 51,529 | 58,776 |

| Equity and liabilities EUR 1,000 | October 31, 2012 | October 31, 2011 |
|---|---|---|
| EQUITY | | |
| Share capital | 5,569 | 5,569 |
| Share premium account | 4,691 | 4,691 |
| Invested unrestricted equity fund | 19,748 | 22,261 |
| Retained earnings/loss | 3,343 | 10,258 |
| Profit/loss for the financial period | -8,905 | -6,915 |
| EQUITY IN TOTAL | 24,447 | 35,864 |
| ACCRUAL OF APPROPRIATIONS | 0 | 16 |
| LIABILITIES | | |
| Non-current liabilities | 22,590 | 15,878 |
| Current liabilities | 4,492 | 7,017 |
| LIABILITIES IN TOTAL | 27,082 | 22,895 |
| EQUITY AND LIABILITIES IN TOTAL | 51,529 | 58,776 |

# Financial statement of the parent company

| 1,000 euros | Nov 1, 2011–Oct 31, 2012 | Nov 1, 2010–Oct 31, 2011 |
|---|---|---|
| OPERATING CASH FLOW | | |
| Profit/loss for the financial period | -8,905 | -6,915 |
| Adjustments: | 6,611 | 4,175 |
| Planned amortizations | 78 | 76 |
| Write-downs | 0 | 3,521 |
| Sales profits | -34 | -37 |
| Sales losses | 477 | 557 |
| Financial income and costs | 517 | -671 |
| Appropriations total | -16 | -4 |
| Taxes | -1 | 2 |
| Minority share | 0 | 0 |
| Profit/loss of associated company | 0 | 0 |
| Extraordinary income and expenses | 5,589 | 731 |
| CHANGES | | |
| Change in trade receivables | -1,345 | -1,799 |
| Change in inventories | 0 | 0 |
| Change in trade payables | 273 | 73 |
| Change in provisions | 0 | 0 |
| Interest and other financial costs | -1,708 | -1,163 |
| Interest and other financial income | 698 | 1,377 |
| Other financial income | 0 | 0 |
| Taxes paid | 1 | -2 |
| Cash flow before extraordinary items | -4,375 | -4,252 |
| OPERATING CASH FLOW | -4,375 | -4,252 |
| INVESTMENT CASH FLOW | | |
| Investments in tangible and intangible assets | -20 | -23 |
| Investments in business operations | 0 | 0 |
| Investments in subsidiaries | -896 | -637 |
| Investments in associated companies | 0 | 0 |
| Other investments | 0 | 0 |
| Capital gains from disposal of tangible and intangible assets | 0 | 62 |
| Divestments business transactions | 0 | 0 |
| Capital gains from the disposal of subsidiaries | 223 | 314 |
| Capital gains from the disposal of associated companies | 0 | 0 |
| Capital gains from the disposal of other shares | 0 | 0 |
| Net change in internal receivables | 1,106 | 3,651 |
| Loans granted | -100 | -1,262 |
| Loans receivable repaid | 39 | 43 |
| Dividends received | 1,514 | 635 |
| Change other investments | 0 | -408 |
| INVESTMENT CASH FLOW | 1,867 | 2,375 |

| 1,000 euros | Nov 1, 2011–Oct 31, 2012 | Nov 1, 2010–Oct 31, 2011 |
|---|---|---|
| FINANCING CASH FLOW | | |
| Share issue | 0 | 6,116 |
| Acquisition and disposal of own shares | 44 | 942 |
| Extraordinary income and expenses | 0 | 0 |
| Change in current interest-bearing receivables | 669 | -983 |
| Change in current interest-bearing liabilities | 3,038 | -25 |
| Loans drawn | 6,300 | 15,000 |
| Loans repaid | -8,619 | -11,581 |
| Change in non-current internal loans | 0 | 732 |
| Dividends paid | -2,547 | -2,546 |
| Other financing cash flow | 0 | 36 |
| FINANCING CASH FLOW | -1,115 | 7,691 |
| CHANGE IN CASH AND CASH EQUIVALENTS | -3,623 | 5,813 |
| Cash and cash equivalents at the beginning of the financial period | 7,181 | 1,368 |
| CHANGE IN CASH AND CASH EQUIVALENTS | -3,623 | 5,813 |
| Cash and cash equivalents at the end of the financial period | 3,558 | 7,181 |

# Notes to the financial statements

## October 31, 2012

### Comparability of figures

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

### Valuation principles

Current fixed assets are entered in acquisition costs in the balance sheet with planned amortizations deducted.

Fixed asset shares are valued at their acquisition price.

### Pensions

Statutory pension insurance for staff is taken care of at an external pension insurance company.

Pension costs are entered as a cost in the year of accrual.

### Depreciations

Planned amortizations from permanent assets are calculated based on the estimated operating life from the original purchase price. Planned amortization periods are:

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

### Notes to the income statement
### 1,000 euros

| Net sales | 2012 | 2011 |
|---|---|---|
| Administrative charges from Group companies | 65 | 57 |

| Other operating income | 2012 | 2011 |
|---|---|---|
| Proceeds from sale of fixed assets | 34 | 37 |
| Other | 406 | 115 |
| | 440 | 152 |

| Staff expenses | 2012 | 2011 |
|---|---|---|
| Salaries and bonuses | 978 | 910 |
| Pension costs | 160 | 143 |
| Other staff expenses | 32 | 32 |
| | 1,169 | 1,086 |
| During the financial period, the company employed on average | | |
| Clerical staff | 10 | 10 |

| Depreciations, amortizations and impairment | 2012 | 2011 |
|---|---|---|
| Planned amortizations | | |
| Intangible rights | 6 | 4 |
| Other capitalized long-term expenditure | 39 | 38 |
| Machinery and equipment | 33 | 34 |
| Amortizations | 0 | 3,521 |
| | 78 | 3,597 |

| Other operating expenses | 2012 | 2011 |
|---|---|---|
| Other operating expenses internal | 43 | 14 |
| Other operating expenses | 401 | 1 160 |
| Marketing costs | 222 | 136 |
| Data administration costs | 74 | 89 |
| Costs for expert services | 451 | 341 |
| Loss from the disposal of shares in associated companies | 520 | 0 |
| Loss from the sale of fixed asset shares | 266 | 557 |
| Rental costs | 96 | 86 |
| Other operating expenses total | 2,072 | 2,383 |
| | | |
| Auditor's fees | | |
| auditing fees | 15 | 20 |
| auxiliary services | 15 | 21 |
| | 30 | 41 |

| Financial income and costs | 2012 | 2011 |
|---|---|---|
| Dividend yields | | |
| From companies in the same Group | 1,619 | 635 |
| From others | 32 | 173 |
| Dividend yields total | 1,651 | 808 |
| | | |
| Other interest and financial yields | | |
| From companies in the same Group | 771 | 997 |
| From others | 190 | 235 |
| Interest yields total | 821 | 1,002 |
| Other interest and financial yields total | 961 | 1,231 |
| | | |
| Interest yields from long-term investments and other interest yields total | 961 | 1,231 |
| Short-term investment amortizations | 0 | 0 |
| | | |
| Interest costs and other financial costs | | |
| For companies in the same Group | 59 | 46 |
| For others | 1,279 | 1,322 |
| Interest costs total | 1,323 | 1,327 |
| Interest costs and other financial costs total | 1,338 | 1,368 |
| Amortizations of Group shares | 792 | |
| Amortizations of non-current receivables | 1,000 | 0,00 |
| | | |
| Financial yields and costs total | -517 | 671 |

| Extraordinary items | 2012 | 2011 |
|---|---|---|
| Extraordinary income/Group contribution | 0 | 0 |
| Extraordinary costs/accords | 83 | 686 |
| Extraordinary costs/loss from mergers | 5,506 | 45 |
| | 5,589 | 731 |

| Appropriations | | |
|---|---|---|
| Difference between planned amortizations and taxed depreciations | 16 | 4 |

| Income taxes | | |
|---|---|---|
| Income taxes from financial period | 0 | 0 |
| Income taxes from previous financial period | -1 | -2 |
| | -1 | -2 |

## Notes to the balance sheet, 1,000 euros

| Intangible assets | 2012 | 2011 |
|---|---|---|
| Intangible rights | | |
| Acquisition cost Nov 1 | 46 | 18 |
| Additions Nov 1–Oct 31 | 0 | 28 |
| Deductions Nov 1–Oct 31. | 0 | 0 |
| Acquisition cost Oct 31 | 46 | 46 |
| Accrued planned amortizations Nov 1. | -17 | -13 |
| Planned amortizations Nov 1–Oct 31 | -6 | -4 |
| Book value Oct 31 | 23 | 29 |
| Other capitalized long-term expenditure | | |
| Acquisition cost Nov 1 | 259 | 259 |
| Additions Nov 1–Oct 31 | 20 | 0 |
| Deductions Nov 1–Oct 31 | 0 | 0 |
| Acquisition cost Oct 31 | 280 | 259 |
| Accrued planned amortizations Nov 1 | -168 | -130 |
| Planned amortizations Nov 1–Oct 31 | -39 | -38 |
| Book value Oct 31 | 73 | 91 |
| Intangible assets total | | |
| Acquisition cost Nov 1 | 305 | 277 |
| Additions Nov 1–Oct 31 | 20 | 28 |
| Deductions Nov 1–Oct 31 | 0 | 0 |
| Acquisition cost Oct 31 | 325 | 305 |
| Accrued planned amortizations Nov 1 | -184 | -143 |
| Planned amortizations Nov 1–Oct 31 | -45 | -42 |
| Book value Oct 31 | 96 | 120 |

| Tangible assets | 2012 | 2011 |
|---|---|---|
| Tangible assets | | |
| Machinery and equipment | | |
| Acquisition cost Nov 1 | 574 | 599 |
| Additions Nov 1–Oct 31 | 0 | 0 |
| Deductions Nov 1–Oct 31 | 0 | -25 |
| Acquisition cost Oct 31 | 574 | 574 |
| Accrued planned amortizations Nov 1 | -471 | -437 |
| Planned amortizations Nov 1–Oct 31 | -33 | -34 |
| Book value Oct 31 | 69 | 103 |
| Accrued difference between total and planned amortizations Nov 1 | 16 | 19 |
| Increase of depreciation difference Nov 1–Oct 31 | 0 | 0 |
| Decrease of depreciation difference Nov 1–Oct 31 | -16 | -4 |
| Accrued difference between total and planned amortizations Oct 31 | 0 | 16 |
| Tangible assets total | | |
| Acquisition cost Nov 1 | 574 | 599 |
| Additions Nov 1–Oct 31 | 0 | 0 |
| Deductions Nov 1–Oct 3 | 0 | -25 |
| Acquisition cost Oct 31 | 574 | 574 |
| Accrued planned amortizations Nov 1 | -471 | -437 |
| Planned amortizations Nov 1–Oct 31 | -33 | -34 |
| Book value Oct 31 | 69 | 103 |

| Investments | 2012 | 2011 |
|---|---|---|
| Stakes in companies in the same Group | | |
| Acquisition cost Nov 1 | 28,792 | 30,601 |
| Additions Nov 1–Oct 31 | 900 | 1,130 |
| Deductions Nov 1–Oct 31 | -1,340 | -2,939 |
| Acquisition cost Oct 31 | 28,353 | 28,792 |
| Stakes in associated companies | | |
| Acquisition cost Nov 1 | 3,451 | 3,250 |
| Additions Nov 1–Oct 31 | 724 | 3,722 |
| Deductions Nov 1–Oct 31 | -212 | -3,521 |
| Acquisition cost Oct 31 | 3,964 | 3,451 |
| Other shares and stakes | | |
| Acquisition cost Nov 1 | 8 | 8 |
| Additions Nov 1–Oct 31 | 0 | 0 |
| Deductions Nov 1–Oct 31 | 0 | 0 |
| Acquisition cost Oct 31 | 8 | 8 |
| Other investments | | |
| Acquisition cost Nov 1 | 0 | 0 |
| Additions Nov 1–Oct 31 | 869 | 869 |
| Deductions Nov 1–Oct 31 | 0 | 0 |
| Acquisition cost Oct 31 | 869 | 869 |

| Investments total | | |
|---|---|---|
| Acquisition cost Nov 1 | 32,251 | 33,858 |
| Additions Nov 1–Oct 31 | 2,494 | 5,722 |
| Deductions Nov 1–Oct 31 | -1,551 | -6,460 |
| Acquisition cost Oct 31 | 33,193 | 33,120 |

| **Non-current receivables** | 2012 | 2011 |
|---|---|---|
| Subordinated loans receivable from companies in the same Group | 3,063 | 4,090 |
| Subordinated loans receivable from associated companies | 1,450 | 2,261 |
| Loans receivable from companies in the same Group | 2,020 | 4,892 |
| Loans receivable | 1,402 | 1,220 |
| Other receivables | 4,351 | 3,500 |
| | 12,285 | 15,963 |

| **Current receivables** | 2012 | 2011 |
|---|---|---|
| Trade receivables from companies in the same Group | 446 | 391 |
| Trade receivables | 7 | 13 |
| Loans receivable from companies in the same Group | 1,114 | 1,783 |
| Other receivables | 224 | 34 |
| Dividend receivables from companies in the same Group | 105 | 0 |
| Loans receivable from associated companies | 90 | |
| Interest receivables from companies in the same Group | 321 | 21 |
| Accrued income | 20 | 46 |
| | 2,327 | 2,288 |
| | | |
| Accrued income essential items | | |
| Interest receivables from insider loans | 11 | 14 |
| Interest receivables from Sampo deposit | 5 | 8 |
| Advance payments | 0 | 1 |
| Cost scheduling | 0 | 9 |
| Accounts of expenses for further invoicing | 0 | 13 |
| Other | 3 | 0 |
| | 20 | 46 |

| **Equity** | 2012 | 2011 |
|---|---|---|
| Share capital Nov 1 | 5,569 | 5,529 |
| Share capital increase and share issue | 0 | 40 |
| Share capital Oct 31 | 5,569 | 5,569 |
| | | |
| Share premium account Nov 1 = Oct 31 | 4,691 | 4,691 |
| | | |
| Invested unrestricted equity fund Nov 1 | 22,261 | 15,243 |
| Share capital increase and share issue | 0 | 6,076 |
| Acquisition/disposal of own shares | 0 | 896 |
| Board bonuses as company shares | 44 | 46 |
| Capital repayment | -2,557 | 0 |
| Invested unrestricted equity fund Oct 31 | 19,748 | 22,261 |
| | | |
| Retained earnings/loss Nov 1 | 3,343 | 12,813 |
| Dividend distribution | 0 | -2,555 |
| **Retained earnings/loss Oct 31** | **3,343** | **10,258** |
| | | |
| Profit/loss for the financial period | -8,905 | -6,915 |
| | | |
| Equity total | 24,447 | 35,864 |
| | | |
| Distributable unrestricted equity Oct 31 | 14,187 | 25,604 |
| | | |
| **Accrual of appropriations** | | |
| Accrual of appropriations comprises the accrued depreciation difference. | 0 | 16 |

| Liabilities | 2012 | 2011 |
|---|---|---|
| Non-current liabilities | | |
| Convertible subordinated loan 2006 | 0 | 0 |
| Convertible subordinated loan 2011 | 15,000 | 15,000 |
| oans from financial institutions | 4,538 | |
| Other non-current liabilities | 3 | 3 |
| | 19,541 | 15,003 |

| | 2012 | 2011 |
|---|---|---|
| Liabilities owed to companies in the same Group | | |
| Other liabilities | 875 | 875 |
| | 875 | 875 |
| Non-current liabilities total | 20,415 | 15,878 |
| Current liabilities | | |
| Loans from financial institutions | 2,175 | 0 |
| Convertible subordinated loan 2006 | 0 | 5,631 |
| Trade payables | 92 | 105 |
| Other liabilities | 235 | 181 |
| Accruals and deferred income | 4,083 | 1,054 |
| | 6,585 | 6,971 |
| Liabilities owed to companies in the same Group | | |
| Trade payables | 82 | 47 |
| Other liabilities | 0 | 0 |
| | 82 | 47 |
| Essential items included in accruals and deferred income | | |
| Annual holiday salaries and social security costs | 84 | 72 |
| Salaries and social security costs | 0 | 0 |
| Pension insurance payment installments | 15 | 12 |
| Accrued interest | 610 | 955 |
| Interest installments, internal | 0 | 0 |
| Other items | 337 | 14 |
| | 1,045 | 1,054 |
| Current liabilities total | 6,667 | 7,017 |

| Other notes, 1,000 euros | 2012 | 2011 |
|---|---|---|
| Guarantees and contingencies | | |
| On behalf of Group companies | | |
| Guarantees given | 13,056 | 16,171 |
| On behalf of associated companies | | |
| Guarantees given | 575 | 575 |
| Rental liabilities | | |
| In one year | 1 | 1 |
| More than one and within 5 years | 5 | 0 |
| In over five years | 0 | 0 |

### Convertible subordinated loan 2006

Loan amount remaining on October 31, 2012 is €0.00. Loan period is January 15, 2007–March 1, 2012. The loan was repaid in one installment on March 1, 2012.

### Convertible subordinated loan 2011

Loan amount remaining €15,000,000. Loan period is February 7, 2011–April 1, 2016. The loan will be repaid in one installment on April 1, 2016, assuming that the repayment requirements under the loan terms and conditions are met.

# Proposal by the Board of the Parent Company on the processing of the result and distribution of profits of the financial period

Panostaja Oyj's distributable assets, including the loss for the financial period of EUR 8,904,581.77 and EUR 19,747,784.63 in the invested unrestricted equity fund, amount to EUR 14,186,532.01.

The Board proposes to the General Meeting that the loss for the financial period be transferred to the accrued earnings account and that dividends be not paid.

The Board also proposes to the General Meeting that EUR 0.04 per share be paid as capital repayment from the invested unrestricted equity fund. The capital repayment will be made to those shareholders who on the record date of the repayment, February 2, 2013, are recorded in the company's shareholder list maintained by Euroclear Finland Oy. The Board of Directors proposes that the capital repayment be made on February 8, 2013.

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

It is proposed that the authorization include the right of the Board to decide on all other terms and conditions relating to the said asset distribution.

It is also proposed that the authorization remain valid until the next Annual General Meeting.

The Board has estimated that the capital repayment will not endanger the Company's solvency.

Tampere, December 14, 2012

Jukka Ala-Mello
Chairman of the Board

Mikko Koskenkorva

Eero Eriksson

Hannu Martikainen

Satu Eskelinen

Juha Sarsama
CEO

# Financial statement entry

We have audited the accounting, financial statements, annual report and management for the financial year November 1, 2011–October 31, 2012. The financial statements include the Group's balance sheet, income statement, extensive income statement, statement concerning changes in equity, cash flow statement and notes as well as the parent company's balance sheet, income statement, financial statement and notes.

## Liability of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the financial statements and annual report and for ensuring that the consolidated financial statements provide correct and sufficient information in accordance with the International Financial Reporting Standards (IFRS) approved for use in the European Union, and that the financial statements and annual report provide correct and sufficient information in accordance with the regulations that are valid in Finland with regard to the preparation of the financial statements and annual report. The Board of Directors is responsible for the appropriate organization of accounting and the management of assets, and the CEO for ensuring that accounting is compliant with the law and that the management of assets is arranged in a reliable manner.

## Duties of the auditor

It is our duty to provide, on the basis of the audit we have performed, a report on the financial statements, consolidated financial statements and annual report. The Auditing Act requires that we observe the principles of professional ethics. We have performed this audit report in accordance with the good auditing practice enforced in Finland. Good auditing practice requires that, in planning and carrying out the audit, we acquire reasonable certainty as to whether or not there is any fundamental inaccuracy in the financial statements or annual report as well as whether or not the members of the parent company's Board of Directors or CEO are guilty of an act of intent or negligence from which either liability for damages could follow towards the company or a violation of the Companies Act or the articles of association.

The audit comprises measures for the acquisition of auditing evidence on the figures included in the financial statements and annual report as well as other information presented therein. The choice of procedures is based on the discretion of the auditor, to whom the assessment of misuse or the risks of fundamental inaccuracy due to error belongs. In assessing these risks, the auditor takes into consideration internal supervision important within the company from the perspective of the financial statements and annual report that provide accurate and sufficient information. The auditor evaluates internal supervision in order to design the appropriate auditing measures with regard to the circumstances, but not for the purpose that he would issue a declaration on the effectiveness of the company's internal supervision. The evaluation of the appropriateness of the applied formulation principles behind the financial statements is also part of the audit, as well as the temperance of the evaluations of accounting assessments performed by the acting management, and evaluation of the method of general presentation employed in the financial statements and annual report.

It is our view that we have obtained the required amount of auditing evidence appropriate for the purpose of establishing the foundation of our report.

## Report on consolidated financial statements

As our report, we submit that the consolidated financial statements provide accurate and sufficient information in accordance with the International Financial Reporting Standards (IFRS) approved for use in the European Union, with regard to the Group's financial position as well as the results of its operations and its cash flows.

## Report on the financial statements and annual report

As our report, we submit that the financial statements and annual report provide accurate and sufficient information in accordance with the regulations concerning the preparation of financial statements and annual reports in effect in Finland on the operational result and financial position of both the Group and the parent company. The information in the annual report and financial statements is consistent and non-contradictory.

Tampere, December 14, 2012

PricewaterhouseCoopers Oy
KHT-yhteisö

Markku Launis
KHT

Janne Rajalahti
KHT

# Information on shares

## Share capital and shares

At the close of the financial period, the company's share capital was EUR 5,568,681.60. The number of shares issued at the end of the financial period was 51,733,110. According to the shareholder list of October 31, 2012, the company has 3,780 (3,826) shareholders.

The company's shares have been publicly quoted since 1989. At present, they are quoted on the NASDAQ OMX in Helsinki.

The total number of shares held by the company at the end of the review period was 552,566 individual shares (at the beginning of review period: 601,875). The company's own shares corresponded to 1.1% of the number of shares and votes at the end of the entire financial period. The company shares owned by the company's Board of Directors and the CEO total 6,947,898. This represents 13.4% of the total number of shares.

In accordance with the decisions by the General Meeting on January 27, 2011 and by the Board, Panostaja Oyj relinquished a total of 12,000 individual shares as meeting compensation to the members of the Board on December 16, 2011. As per the decisions of the General Meeting on January 31, 2012 and by the Board, a total of 12,763 shares were issued on March 8, 2012, followed by a total of 12,046 shares on June 7, 2012, and a total of 12,500 shares on September 10, 2012.

The General Meeting of January 31, 2012 authorized the Board of Directors to decide on the acquisition of the company's own shares to the extent that the company's own shares are acquired in one or several installments and, on the basis of the authorization, not exceeding the total number of 5,100,000. By virtue of the authorization, the company's own shares may be obtained using unrestricted equity only. The Board of Directors has not used the authorization granted by the Annual Meeting to acquire its own shares during the review period.

The loan period for the 2006 convertible subordinated loan ended on March 1, 2012. The loan was repaid as a single installment on the end date of the loan period. A fixed 6.5% annual interest was paid for the loan. The interest was paid for the last time at the end of the loan period.

At the end of the review period, EUR 15,000,000 of the 2011 convertible subordinated loan remained. The interest on the loan is 6.5% and the loan period 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.

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

On December 19, 2011, the company received a notification from Mauno Koskenkorva concerning a change to holding in the company, according to which his share of the total number of Panostaja shares and related voting rights would be less than 1/10.

On December 19, 2011, the company received a notification from Treindex Oy (formerly Koskismatti Oy, Business ID 0660292-6) concerning a change to holding in the company, according to which its share of the total number of Panostaja shares and related voting rights would be less than 1/20.

### Share price development and share ownership

Panostaja Oyj's share price fluctuated between EUR 0.73 and EUR 1.05 during the financial period. In the period under review, the exchange of shares totaled 5,725,530 individual shares, which represents 11.1% of the share capital. The share closing rate at the end of the financial period was EUR 0.76. The market value of the company's share capital at the end of the financial period was MEUR 39.3.

On December 16, 2010, the Board decided on a new long-term incentive and commitment scheme for the members of the Senior Management Team. The Management's share ownership within the incentive and commitment scheme is distributed as follows:

| | |
|---|---|
| Pravia Oy (Juha Sarsama) | 350,000 shares |
| Artaksan Oy (Simo Mustila) | 200,000 shares |
| Heikki Nuutila | 200,000 shares |
| Comito Oy (Tapio Tommila) | 200,000 shares |
| Total | 950,000 shares |

The members of the Senior Management Team have financed their investments themselves, in part, and through company loans, in part, and they bear the genuine corporate risk with respect to the investment they have made in the scheme. In order to enable the acquisition of the shares and as part of the scheme, Panostaja's Board of Directors decided to grant an interest-bearing loan in the amount of EUR 1,250,000 maximum to the Senior Management Team members or to companies where they have a controlling interest. To finance the acquisition, the Management has taken out an interest-bearing loan in the amount of EUR 1,207,127.84, and the balance at the time of the closing of the books was EUR 1,125,227.84.

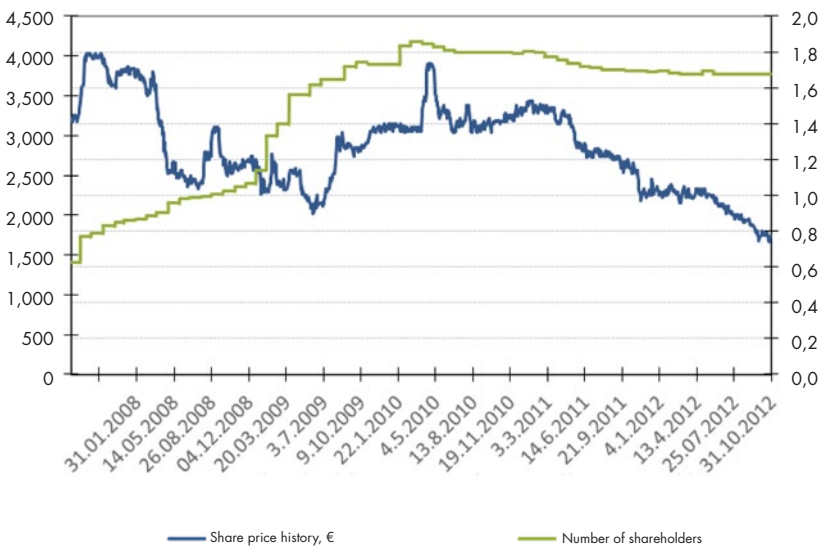
The members of the Senior Management Team participating in the scheme during 2011–2015 may be granted a maximum of 237,500 Panostaja shares as a bonus, based on the achievement of set targets. A potential bonus may also be paid in cash to cover the taxes and tax-like payments arising from the bonus. Members of the Senior Management Team are obliged not to sell shares received as a bonus during a period of 27 months after receiving them.

## Share trade and rates

| | Lowest, € | Highest, € | Share issue adjusted trading (no. of shares) | % of shares |
|---|---|---|---|---|
| 2012 | 0.73 | 1.05 | 5,725,530 | 11.1 |
| 2011 | 0.97 | 1.51 | 3,841,477 | 7.7 |
| 2010 | 1.32 | 1.75 | 5,301,507 | 11.2 |
| 2009 | 0.89 | 1.40 | 8,108,040 | 7.5 |

| | **A share** Lowest, € | Highest, € | Share issue adjusted trading (no. of shares) | % of shares | **B share** Lowest, € | Highest, € | Share issue adjusted trading (no. of shares) | % of shares |
|---|---|---|---|---|---|---|---|---|
| 2008 | 1.02 | 1.75 | 1,230,729 | 2.7 | 1.00 | 1.73 | 4,185,846 | 9.4 |
| 2007 | 1.21 | 1.83 | 1,646,454 | 9.5 | 1.20 | 1.79 | 4,317,106 | 23.3 |
| 2006 | 0.94 | 1.24 | 507,956 | 2.9 | 0.92 | 1.20 | 999,167 | 8.7 |
| 2005 | 0.59 | 1.06 | 1,353,791 | 7.8 | 0.65 | 1.09 | 949,059 | 9.3 |
| 2004 | 0.35 | 0.85 | 2,410,488 | 13.4 | 0.37 | 0.76 | 2,213,432 | 23.7 |

## Share price history and number of shareholders



# Largest shareholders

## 20 Largest Shareholders October 31, 2012

| | | Number of shares | % of shares |
|---|---|---|---|
| 1 | Koskenkorva Matti | 4,711,873 | 9.11 % |
| 2 | Keskinäinen Eläkevakuutusyhtiö Etera | 4,259,000 | 8.23 % |
| 3 | Koskenkorva Maija | 3,821,742 | 7.39 % |
| 4 | Keskinäinen Vakuutusyhtiö Fennia | 3,468,576 | 6.70 % |
| 5 | Treindex Oy | 3,400,000 | 6.57 % |
| 6 | Koskenkorva Mauno | 1,840,769 | 3.56 % |
| 7 | Koskenkorva Mikko | 1,245,139 | 2.41 % |
| 8 | Johtopanostus Oy | 1,030,000 | 1.99 % |
| 9 | Tampereen Seudun Osuuspankki | 985,334 | 1.90 % |
| 10 | Malo Hanna | 982,207 | 1.90 % |
| 11 | Kumpu Minna | 982,170 | 1.90 % |
| 12 | Koskenkorva Karri | 964,805 | 1.86 % |
| 13 | Porkka Harri | 954,000 | 1.84 % |
| 14 | Haajanen Taru | 940,917 | 1.82 % |
| 15 | Koskenkorva Helena | 918,101 | 1.77 % |
| 16 | Leino Satu | 831,653 | 1.61 % |
| 17 | Keskinäinen Vakuutusyhtiö Tapiola | 674,000 | 1.30 % |
| 18 | Panostaja Oyj | 552,566 | 1.07 % |
| 19 | Koskenkorva Pekka | 533,502 | 1.03 % |
| 20 | Sijoitusrahasto Alfred Berg Small Cap Finland | 475,000 | 0.92 % |
| | | 33,571,354 | 64.89 % |
| Other shareholders | | 18,161,756 | 35.11 % |
| Total | | 51,733,110 | 100.00 % |

## Distribution of share ownership by size October 31, 2012

| Number of shares | Shareholders pcs | Shares/votes % | pcs | % |
|---|---|---|---|---|
| 1–1000 | 1,913 | 50.61 | 987,261 | 1.90 |
| 1001–10000 | 1,570 | 41.53 | 5,151,317 | 9.95 |
| 10001–100000 | 255 | 6.75 | 6,360,421 | 12.29 |
| 100001–1000000 | 34 | 0.90 | 15,259,921 | 29.49 |
| 1000001– | 8 | 0.21 | 23,777,099 | 45.96 |
| Total | 3,780 | 100.00 | 51,536,019 | 99.59 |
| of which nominee-registered | 7 | | 19,817 | 0.04 |
| In joint accounts | | | 197,091 | 0.38 |
| Number of shares issued | | | 51,733,110 | 100.00 |

## Distribution of share ownership by sector October 31, 2012

| Sector class | Shareholders pcs | Shares/votes % | pcs | % |
|---|---|---|---|---|
| Enterprises | 150 | 3.97 | 7,415,137 | 14.33 |
| Finance and insurance institutions | 13 | 0.34 | 5,996,921 | 11.59 |
| Public corporations | 1 | 0.03 | 4,259,000 | 8.23 |
| Private households | 3,593 | 95.05 | 33,546,088 | 64.85 |
| Non-profit-making organizations | 11 | 0.29 | 278,232 | 0.54 |
| Foreign | 12 | 0.32 | 20,824 | 0.04 |
| Total | 3,780 | 100.00 | 51,516,202 | 99.58 |
| of which nominee-registered | 6 | | 19,817 | 0.04 |
| In joint accounts | | | 197,091 | 0.38 |
| Number of shares issued | | | 51,733,110 | 100.00 |

## Why invest in Panostaja?

We are a low-risk company, as we invest in a diverse range of unlisted Finnish SMEs, which have high earnings expectations.

We combine the best practices of a listed company with the financial and management systems of a Finnish SME.

Our goal is good returns for shareholders.

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