PANOSTAJA

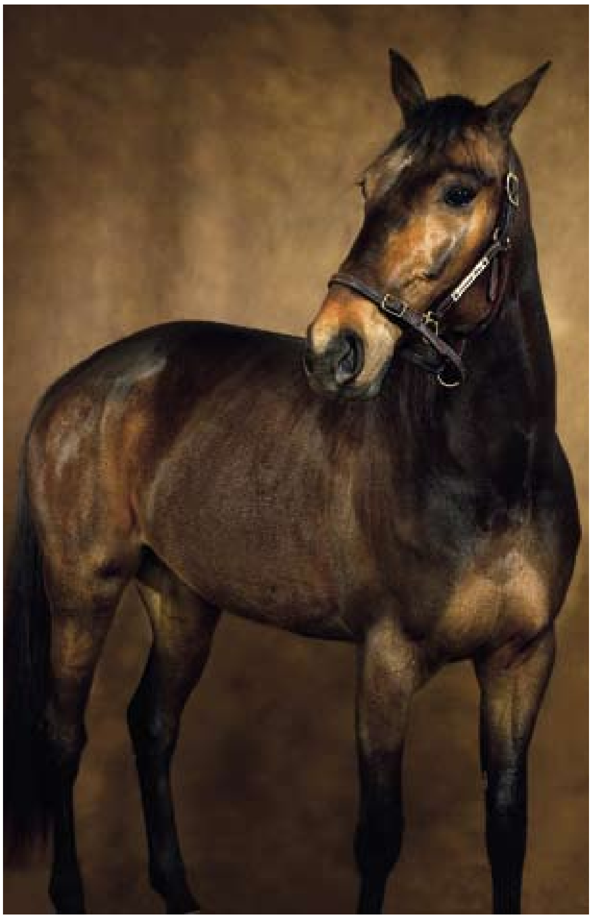
We invest in Finnish entrepreneurship

# Annual Report 2007

# *An investment* that turned to gold

*Passionate Kemp is the best Finnish trotter of all time. She has beaten all speed records, earned more than 1.5 million euros and paid back the money and hopes invested in her many times over. Her success is a result of careful selection and training.*

***Panostaja aims to follow an equally well-managed approach in its own field.***



# *Entrepreneur,* one day you know you've gone the distance

*Have you made your long-term career plan as an entrepreneur yet? If the thought of retirement has crossed your mind, why not take it one step further now? Panostaja Oyj specialises in business successions within traditional industries. We buy the entire share capital without splitting the business, find a successor committed to development and your company can continue operations under the leadership of a new entrepreneur. You are welcome to have a chat with us.*

# *Are you* a future winner?

*How is your career plan coming along? Panostaja Oyj is constantly searching for people who have already proven their worth and who are hungry and determined to take over an established top company. We offer competitive pay, limited entrepreneurial risk and the opportunity to gain entrepreneurial profit within the framework of jointly agreed ground rules. Don't hesitate to call us and ask for details!*

## Finland needs super-subcontractors

# Takoma aims to be the top mechanical engineering partner

Managing Director Kimmo Korhonen

*The Finnish mechanical engineering industry needs larger subcontracting businesses. Kimmo Korhonen is working with Panostaja to develop Takoma into a strong expert in the field.*

**ON 11TH NOVEMBER 2007, PANOSTAJA OYJ ESTABLISHED A NEW LISTED MECHANICAL ENGINEERING GROUP. LIKE PANOSTAJA, THE NEW TAKOMA GROUP IS BASED ON AN ENTREPRENEUR-DRIVEN BUSINESS MODEL. 'I USED TO BE AN ENTREPRENEUR BEFORE AND I STILL FEEL LIKE ONE,' SAYS TAKOMA MANAGING DIRECTOR AND SHAREHOLDER KIMMO KORHONEN, A MECHANICAL ENGINEERING PROFESSIONAL OF LONG STANDING.**

International mechanical engineering companies are searching for partners capable of assuming greater responsibility for overall processes. At the same time, several small subcontracting workshops are seeking solutions to safeguard their continuity as entrepreneurs are getting older. This is the opportunity that Panostaja and Kimmo Korhonen wanted to seize. 'This is a great opportunity to start creating new, larger business operations and thus be involved in building a major Finnish mechanical engineering company.'

### PANOSTAJA'S ENTREPRENEURIAL MODEL BRINGS SECURITY

Takoma Oyj serves its customers in three industries. The hydraulics industry is based on a company called Tampereen Laatukoneistus, while the subcontracting industry builds upon Hervannan Koneistus, a company formerly run by Kimmo Korhonen. The third industry will focus on manufacturing the company's own technology products. 'The three industries will balance out cyclical fluctuations and bring significant synergies. Takoma will also be further developed through future business acquisitions,' Mr. Korhonen explains.

Running a business within Panostaja does not mean toiling on your own. In addition to Panostaja's financial resources, another factor that brings security to the owner-manager's daily work is involvement on the Board, which allows them to share experiences and make use of expertise in different fields.

### SUBCONTRACTORS NEED TO GROW TOO

The outlook for the mechanical engineering industry is good. Takoma's customers have reported record-breaking order books. In addition to subcontracting, Takoma is also directly introducing its expertise into the international market. About 70% of cylinders designed and dimensioned within the company are exported direct to other countries.

Under considerable competitive pressure, businesses have realised the importance of subcontracting expertise. Indeed, Panostaja intends to expand Takoma into a 'super-subcontractor' rapidly. 'It makes more sense even for a large company to focus on core competence, rather than trying to do everything by itself. Other functions and components can be bought from specialised partners. In fact, the Finnish mechanical engineering industry needs larger subcontracting businesses capable of investing in the latest technology and internationalising alongside their clients,' says Mr. Korhonen.

Hervannan Koneistus Oy's net turnover amounts to about EUR 11 million, while the corresponding figure for Tampereen Laatukoneistus Oy is about EUR 6 million. The principal shareholders aim to increase Takoma Oyj's net turnover to the order of EUR 100 million within a period of five years. 'We are well positioned for strong growth,' assures Mr. Korhonen. Initially, Takoma Oyj's equity and cash reserves amount to about EUR 20 million and more than EUR 10 million, respectively.

## *Growing into excellence*

The new company will reinforce the Tampere-based mechanical engineering cluster, employing almost one hundred people. In recent years, however, the technology industry has focused on Asia and Central Eastern Europe. According to Mr. Korhonen, the mechanical engineering industry cannot be compared with the electronics business, where workers can be trained quickly and where it is easy to move production equipment to remote areas. 'It takes years to become an excellent machinist. Relocating machinery and building new plants is challenging, so in many cases it doesn't make much sense.'

TAKOMA Oyj

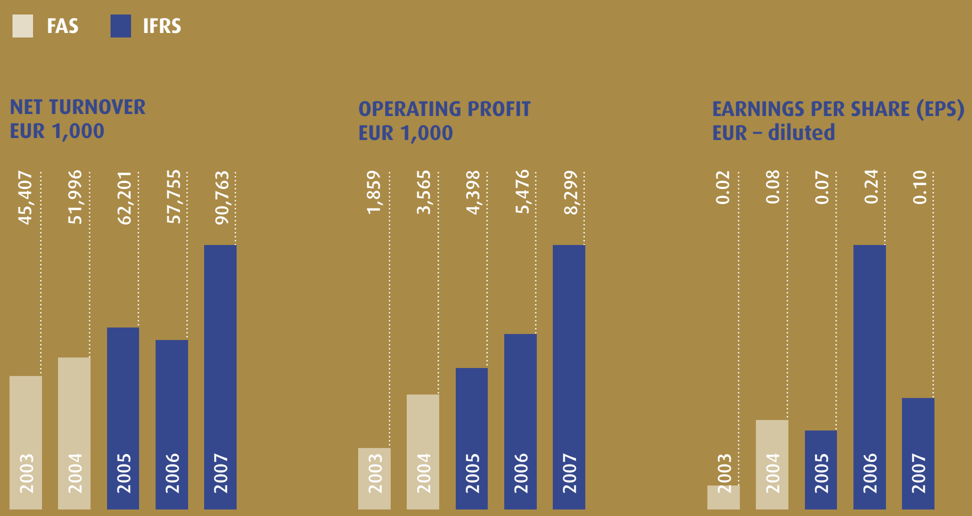
# Contents

# Our goal is to be the leading multi-sector holding company focusing on SMEs in traditional industries.

**KEY DATA 2007**

| EUR 1,000 | 2007 | 2006 | Change |
|---|---|---|---|
| Net turnover | 90,763 | 57,755 | 57.2% |
| Operating profit | 8,299 | 5,476 | 51.6% |
| Profit before taxes | 7,484 | 4,936 | 51.6% |
| Profit from continuing operations | 5,584 | 3,725 | 49.9% |
| Profit from discontinued operations | 350 | 4,903 | -92.9% |
| Profit for the financial year | 5,934 | 8,628 | -31.2% |
| attributable to equity holders of the parent company | 4,295 | 7,457 | -42.4% |
| minority interest | 1,638 | 1,171 | 39.9% |
| Earnings per share, EUR – diluted | 0.10 | 0.24 | -54.2% |
| Earnings per share, EUR – basic | 0.12 | 0.27 | -55.6% |
| Equity per share, EUR | 0.78 | 0.68 | 14.7% |
| Dividend per share, EUR | *0.09 | 0.13 | -30.8% |
| Equity ratio,% | 34.9 | 43.4 | -19.4% |
| Gross capital expenditure, MEUR | 21.9 | 4.8 | 356.3% |
| Number of shares as at 31st October (1,000) | 45,201 | 29,735 | 52.0% |
| Average number of employees | 571 | 526 | 8.6% |

* Board proposal to the Annual General Meeting



# Chief Executive's review

**2007 – A YEAR OF GROWTH**

Panostaja Group's last financial year 2006/2007 can be fairly summed up as being a year of growth. It gives me great pleasure to state that we have succeeded in implementing our strategy.

At the beginning of the financial year, we obtained a convertible subordinated loan totalling EUR 21.25 million from domestic institutional investors. According to our growth strategy, we acquired ownership of companies at the forefront of their respective fields by purchasing the share capital in the KL-Varaosat companies, Lahden Lämpökäsittely Oy, Heatmasters Oy and Tampereen Laatukoneistus Oy during the financial year.

In addition, we carried out a share exchange with Suomen Helasto Oyj, whereupon we transferred its business operations to our direct ownership, in order to shape them according to an entrepreneur-driven operating model based on our strategy. We concentrated our investments in mechanical engineering operations in the newly listed Takoma Oyj, run by Managing Director Kimmo Korhonen, who is also a significant entrepreneurial shareholder in his company.

Although there were no exits during the period under review, the year was also profitable due to the great success of our continuing operations. Our net turnover was EUR 90.8 million (EUR 57.8 million), while operating profit amounted to EUR 8.3 million (EUR 5.5 million). Our earnings per share stood at EUR 0.10 (EUR 0.24), while return on equity was 18.6% (22.7%). We had 571 (526) people on the payroll.

**FURTHER GROWTH ALSO POSSIBLE**

I am convinced that there will be demand for Panostaja's entrepreneurship-based business model in the future as well. We are well-known in entrepreneurial circles and we are a trusted partner when entrepreneurs start weighing up their options in terms of ownership of their business. I personally see the practical applications of this business model in action as part of my work on the Boards of our operating companies and I believe that this model is rewarding both for the outgoing and the incoming entrepreneurs.

More and more businesses are facing the issue of succession. I believe that the increasing supply of enterprises and the more moderate level of their prices due to the situation on the financial market will enable Panostaja to grow its current business operations and to expand into new areas. We are also constantly assessing our opportunities to dispose of some of our business areas, particularly aiming to take active steps in terms of assets that do not form part of our core business.

**SETTING UP IN BUSINESS WITH US**

I assumed my duties as CEO of Panostaja Oyj on 14th September 2007. Since then, I have had several discussions with potential owner-managers interested in our business model that offers a flexible path towards becoming an entrepreneur. It is great to discover that entrepreneurship still attracts the younger generation, because it is the only way for Finnish businesses to secure new entrepreneurs who are not afraid of challenges.

I would like to express my heartfelt thanks to all our partners and shareholders for the past year. We at Panostaja aim to be worthy of your trust.

Although my work at Panostaja's helm has only lasted a few months so far, I have come to appreciate the diligent work done by the Managing Directors of our operating companies and the expertise of our Group staff with their fearless attitude towards hard work. A debt of thanks for the past year's success to every one of you. There are more challenges ahead!

*Juha Sarsama*
CEO

# Our foundation

Panostaja Oyj is a multi-sector holding company. The Group invests in Finnish small and medium-sized enterprises operating in traditional industries. Investments are primarily carried out through acquisitions. Panostaja Group focuses business resources and strategic know-how on companies.

The objective is to raise the target company to the top of its field according to a pre-determined schedule. Panostaja aims to guarantee good conditions for the target company to become independent within 5 to 10 years, at which point the enterprise will continue to operate as a growth company.

The objective of the investment stage is to shape the company to become an outstanding representative of its industry, which has matured both in terms of operations and value.

# Our principles

**PANOSTAJA'S OPERATING METHOD:**

- Investment in Finnish companies
- Focus on SMEs in traditional industries
- Majority ownership and 100% commitment
- Investments from the Group's own balance sheet guarantee flexibility


# Highlights of the 2006/2007 financial year

- Net turnover for the financial year was EUR 90.8 million (EUR 57.8 million).
- Operating profit was EUR 8.3 million (EUR 5.5 million).
- Earnings per share stood at EUR 0.10 (EUR 0.24).
- Equity ratio stood at 34.9% (43.4%).
- Return on equity was 18.6% (22.7%).
- Panostaja purchased the share capital of the KL-Varaosat companies, Lahden Lämpökäsittely Oy, Heatmasters Oy and Tampereen Laatukoneistus Oy. Panostaja increased share capital through a share issue relating to the purchase of shares in the KL-Varaosat companies.
- Panostaja carried out a share exchange with Suomen Helasto Oyj, transferring the company's business operations to its direct ownership.
- Panostaja floated a new entrepreneur-driven mechanical engineering company on the stock exchange. Takoma Oyj started operations on 1st November 2007.
- The 2004 convertible subordinated loan was converted entirely into shares during the financial year.
- Panostaja obtained a new convertible subordinated loan totalling EUR 21.25 million from domestic institutional investors.
- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per Class A and B share be distributed for the 2006/2007 financial year.

# Our holdings as at 1st November 2007

- **Oy Alfa-Kem Ab** (80%) • Manufactures, develops and markets technochemical products for professional purposes, such as industrial chemicals, cleaning agents and industrial kitchen agents.

- **Arme Oy** (69,9%) • A leading industrial insulation company carrying out industrial and building insulation, exterior cladding, construction sheet-metal panelling and scaffolding work.

- **Heatmasters Group** (80%) • Lahden Lämpökäsittely Group offers metal heat treatment services domestically and internationally. Heatmasters Oy manufactures, develops and markets heat treatment technology.

- **Fittings companies** (100%) • Suomen Helakeskus Oy and Seinäjoen Rakennustarvike ja Lukko Oy are key wholesalers of building and furniture hardware in Finland.

- **Fastenings companies** (100%) • Panostaja's three fastenings companies serve retailers nationwide as well as their own direct customers in the Uusimaa, Satakunta and Tampere Regions.

- **KL-Varaosat companies** (100%) • Specialise in import, wholesale and retail of OEM spare parts and accessories for Mercedes-Benz and BMW cars. 44 distributors and an online store.

- **LukkoExpert Security Oy** (100%) • A locks and security company operating in seven major cities, LukkoExpert Security Oy is an expert in locks, door automation and security technology and services.

- **Lämpö-Tukku Oy** (59,7%) • Import and wholesale business in the heating, plumbing and ventilation sector, catering for professionals and installation firms as a cash-and-carry wholesaler with an extensive product range.

- **Suomen Puunjalostus Oy** (70%) • Manufactures and markets solid-wood interior doors and staircases.

- **Takoma Oyj** (79,2%) • The listed mechanical engineering group based on the entrepreneur-driven business model was created in 2007 by merging Tampereen Laatukoneistus Oy and Hervannan Koneistus Oy. Takoma Oyj will comprise three industries: hydraulics, subcontracting and manufacturing the company's own technology products.

- **Toimex Oy** (70,4%) • Manufactures and imports pipe supports for the heating, plumbing and ventilation sector. The customer base comprises technical distributors and applications include residential, public and industrial construction projects.

- **Vallog Oy** (85%) • Manufacturing, supply and assembly of mechanical components; logistics management and value-added logistics processes.

**ASSOCIATED COMPANIES**

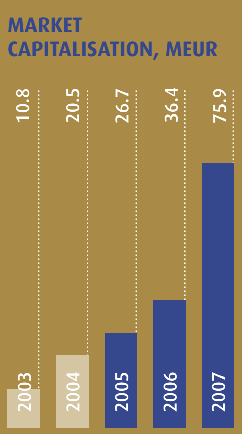
- 50.0% Tampereen Portti Oy

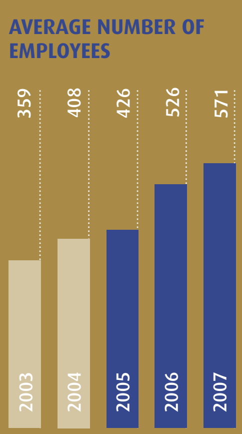
**REAL ESTATE COMPANIES**

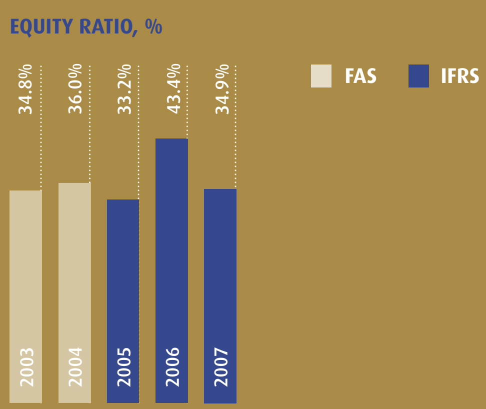
- 100.0% Kiinteistö Oy Lakalaivan Teollisuustalo 1

**FORMER BUSINESS AREAS**

- Suomen Helasto Oyj (1995)
- Tilamarkkinat-Yhtiöt Oyj (1996)
- Lasi-Koiso Oy (2002)
- Pajakulma Oy (2006)



# Vision

Panostaja Oyj's goal is to be the leading multi-sector holding company focusing on SMEs in traditional industries.

# Strategy

Panostaja Oyj pursues clear growth through acquisitions by establishing new business areas and complementing existing business areas.

Panostaja will focus in particular on industries experiencing a period of growth or reorganisation, which involve increased opportunities to achieve synergies through development of the industry or operations.

# Goals

**OPERATIONAL OBJECTIVES**

Panostaja aims to focus its resources on 10 to 15 business areas that complement each other. The objective of developing selected business areas is for them to achieve a significant market position in their respective industries. The aim is to acquire 2 to 3 new business areas and complement existing areas through acquisitions, while also giving independence to one business area every year.

**FUTURE FINANCIAL OBJECTIVES**

The Group's long-term objective is to achieve an annual return on equity averaging more than 22%. A further objective is to obtain more than 30% average growth in net turnover, including the impact of new business areas.

Panostaja pursues an equity ratio of more than 40%. The shareholders' equity includes subordinated loans. The aim is to distribute at least half of the Group's profit to shareholders, either as share repurchases and/or dividends.

# Panostaja's operating method

### SELECTION/ACQUISITION

Panostaja primarily seeks out and acquires majority holdings in small and medium-sized enterprises operating in trade, services and manufacturing industries, with levels of turnover at EUR 2–10 million. The aim is to shape these into specific business areas for each industry. Panostaja is particularly interested in industries currently experiencing a period of growth or reorganisation.

### INVESTMENT

Panostaja plays an active part in development of each business area by assuming overall responsibility for development of the area in question. In addition to capital investment, the added value offered by Panostaja is usually related to overall financial arrangements, strategic planning, Board operations, growth through acquisitions and development of financial, marketing and management systems as well as industry knowledge.

### INDEPENDENCE

Panostaja realises the appreciated value of a company at the independence stage, when Panostaja disposes of its interests in the business area. The aim at this exit stage is to achieve the best possible return on investment.

# Panostaja's income generation

### ANNUAL RETURN

- profits annually accrued by Group companies.

### RETURN ON INVESTMENT ON EXIT

- the change in valuation of a business area is realised when disposing of the company (gains from the sale of shares).

Investment activities are characterised by quite significant annual fluctuations in income generation. Panostaja aims to focus its resources on 10 to 15 business areas that complement each other, in order to enable annual return when disposing of interests in different areas. Current market conditions have a bearing on the timing and success of the exit stage.

# Panostaja's values

1. Panostaja believes in enterprise. Staff's self-motivated, creative, proactive and persevering work towards achievement of common goals enables the company to carry out planned and profitable operations.
2. Panostaja believes in competence. Special attention is paid to staff's active and continuous training and development with a view to creating an encouraging corporate culture.
3. Panostaja believes in trust. Trust and openness at all levels and between the company and stakeholders is a key instrument for good and constructive co-operation.
4. Panostaja aims to take environmental considerations into account in an ethically sustainable manner. Fulfilment of obligations set out in laws and regulations is the minimum requirement.

# Corporate governance at Panostaja Oyj

**ANNUAL GENERAL MEETING**

The highest decision-making body within Panostaja Oyj is the Annual General Meeting (AGM). The AGM approves the company's financial statements every year and decides on distribution of dividends and discharge of the Board of Directors and the Chief Executive Officer (CEO) from liability, as well as on election of Directors to the Board and auditors and on their remuneration. The AGM is called by the company's Board of Directors. Pursuant to the Articles of Association, the AGM shall be held by the end of April each year. Invitations to the AGM shall be made available to shareholders no earlier than two months and no later than 17 days prior to the meeting via publication of the invitation in at least one national newspaper as determined by the AGM. The AGM shall be attended by the Chief Executive Officer, the Chairman of the Board of Directors and any person nominated for the first time as a candidate for the Board of Directors, unless they have exceptional grounds for non-attendance.

**BOARD OF DIRECTORS**

According to Panostaja Oyj's Articles of Association, the Board of Directors consists of no less than three and no more than six permanent members. In the 2006/2007 financial year, the Board had four members. Board members are elected at the Annual General Meeting. The term of office of a Board member shall expire at the end of the first Annual General Meeting following their election.

The Board of Directors shall appoint the Chairman and the Vice-Chairman from among its members. According to a decision taken by the company's Board of Directors, the post of Chairman of the Board is a full-time post. The Board of Directors has confirmed that the Chairman's duties and responsibilities include preparation of the Group's strategic decisions and control of their implementation as well as management of key shareholder and stakeholder relations.

In addition to the duties mentioned in law and in the Articles of Association, the Board of Directors also deals with matters of importance and consequence in terms of the company and the Group, such as long-term strategic goals, the budgets of Group companies as part of the Group's overall budget, the Group's material investments, material expansion or curtailment of business activities, as well as significant acquisitions and disposals of companies and businesses.

The Board of Directors has a written charter that covers its work. The Board of Directors evaluates its performance and working methods on an annual basis. The Board does not have any separate committees.

Panostaja Oyj complies with the Corporate Governance Recommendation for Listed Companies as applicable, due to the company's size range, accepted procedures and control system. In derogation of the Recommendation, it has been deemed, considering the size of the company, that a four-member Board is sufficiently capable of attending to Board duties efficiently. The Board of Directors is not independent of the company's shareholders. The Board has evaluated its independence, concluding that the company's Board of Directors should clearly reflect the company's ownership structure and the aim is to ensure a comprehensive and continuing representation of major shareholders on the Board.

The Annual General Meeting confirms the fees paid to the Board of Directors on an annual basis. During the 2006/2007 period, the Board convened 26 times. The monthly fees paid to the Chairman and other Board members as confirmed at the AGM are EUR 1,500 and EUR 1,000 respectively. In addition to the above-mentioned fees, the annual income and other benefits paid to the full-time Chairman of the Board amounted to EUR 154,311.51 in the 2006/2007 period. The Chairman of the Board has a written management contract. The term of notice under the management contract is 6 months and severance pay is equivalent to 12 months' salary.

During the financial year, the company paid EUR 8,500 in pension contributions on behalf of the Chairman of the Board. The company has a pension scheme which enables the Chairman of the Board to retire voluntarily at the minimum age of 58. The level of pension will be determined based on contributions made.

**CHIEF EXECUTIVE OFFICER**

The company's Board of Directors appoints the Chief Executive Officer (CEO). Company CEO Olli Halmevuo resigned his position at his own request on 11th September 2007 and Mr. Juha Sarsama was appointed as new CEO on 14th September 2007. As a result of the change in CEO, the CEO is no longer a member of the company's Board of Directors.

The CEO is in charge of the day-to-day management of the company in accordance with instructions and orders given by the Board. The CEO's salary and other benefits are decided by the Board of Directors. The CEO has a written managing director's service contract.

The term of notice under the contract is 6 months and severance pay is equivalent to 12 months' salary. During the 2006/2007 period, the CEO's annual income and other benefits amounted to EUR 185,873.05, also including Mr. Halmevuo's notice pay for the period from 11th September to 31st October 2007. In addition, the CEO received a further EUR 12,000 in compensation for his duties as a Board member during the period. The company paid EUR 8,500 in pension contributions on behalf of the CEO during the period. The company has a pension scheme, which enables the CEO to retire voluntarily at the minimum age of 55. The level of pension will be determined based on contributions made.

### ORGANISATION OF BUSINESS

Panostaja Group's operational business activities are conducted in business areas (subgroups) categorised by industry. The Board of Directors of each business area consists of the Managing Director of the business area as well as the Chief Executive Officer of Panostaja Oyj and a member of Panostaja Oyj's administration. The Board of Directors may also include one or more expert members from outside the Group. Any operational decisions concerning a business area are taken within the business area concerned.

### CONTROL SYSTEM

The statutory audit of the annual accounts of Panostaja Group companies is the responsibility of auditors appointed at the Annual General Meeting. During the 2006/2007 financial year, auditors of the parent company and the Group were Mr. Hannu Pellinen, Authorised Public Accountant (APA), and PricewaterhouseCoopers Oy, Authorised Public Accountants.

The auditors will submit the statutory Auditors' Report to the company's shareholders in connection with financial statements. For its review of financial statements, Panostaja Oyj's Board of Directors is provided with the responsible auditor's account of performance of and observations made during the audit.

Where necessary, auditors attend Board meetings and also report to the Board in other respects. Remuneration paid to PricewaterhouseCoopers for statutory auditing and other services for the 2006/2007 financial year amounted to EUR 21,885.46 and EUR 26,283.72 respectively.

Panostaja Group complies with instructions on declarations of insider holdings and on maintenance of public and company-specific insider registers in accordance with the Finnish Securities Market Act (495/1989), as well as with the Guidelines for Insiders adopted by Helsinki Stock Exchange.

Panostaja Oyj's public insiders comprise members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer and the auditors. The company's permanent insiders include certain people within financial administration, but their shareholdings are not in the public domain. A project-specific insider register is kept for each significant project. Panostaja Oyj's insider register is available for inspection on the Internet via the NetSire service made available by Finnish Central Securities Depository Ltd. and on Panostaja's own website under Investors > Public Insiders.

### INTERNAL CONTROL AND RISK MANAGEMENT

The company's core business involves various risks which may affect its business activities and financial performance. The company's Board of Directors has divided risk management into the following sectors:

- Acquisitions and disposals of companies
- Business risks involved in the business areas
- Risks relating to key people
- Insurable risks
- Financial risks
- Risks relating to capital adequacy
- Foreign exchange risks
- Legal, fiscal and regulatory risks.

Changes made to Finnish tax legislation and interpretation of such changes may still affect taxation of the proceeds and/or losses involved in the disposal of subsidiaries.

Risk management aims to guarantee conditions for achievement of business objectives and continuity of operations. The Group does not have a separate internal audit system.

# Serving processes and hygiene


Managing Director Jukkapekka Porali

Our products are aimed at industrial plants, cleaning operations and institutional kitchens. Our customers include cleaning and property maintenance service businesses, public sector organisations, the mechanical engineering industry, heavy-duty vehicle service and maintenance companies, industrial maintenance as well as institutional kitchens, restaurants and the convenience goods trade. Established in 1982, the company serves customers through a nationwide sales organisation. The parent company of Oy Alfa-Kem Ab is Annektor Oy.

Our products are based on our own R&D and different customer needs. The guiding principle of our production is consideration for the environment at every stage of the product life cycle. In addition, our product range also covers cleaning equipment and machinery as well as industrial and sanitary tissues supplied by well-known manufacturers.

During the last financial year, Oy Alfa-Kem Ab invested heavily in reorganisation of sales, recruitment and raising the level of competence. In marketing, the corporate image and labelling system were rebranded, while also paying attention to integration of services as part of corresponding products. The company introduced a new Enterprise Resource Planning (ERP) system in production and financial administration and invested in a new small package production line. Operating profit declined as a result of these investments, while net turnover remained unchanged. Sales were successful in terms of the company's own products, but sales of trading products decreased.

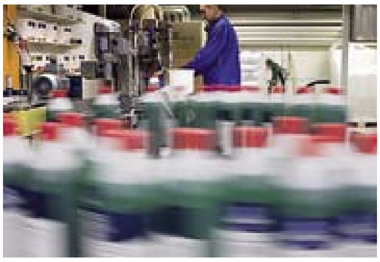
During the new financial year, sales are expected to grow by means of new products and through further development of the level of competence within the sales organisation. Sales competence is being improved through a new training system, while sales and marketing efforts are being further focused according to specific customer segments. Full implementation of the new ERP system will increase the efficiency of production, logistics and financial administration.

**KEY DATA**

| EUR 1,000 | IFRS 2006* | IFRS 2007 |
|---|---|---|
| Net turnover | 1,735 | 2,895 |
| Operating profit | 472 | 223 |
| Employees | 38 | 41 |
| Holding as at 31st Oct. 2007 | | 80% |

*6 months

*'Our task is to produce technochemical products conforming to our customers' processes and requirements in a financially profitable manner, while minimising environmental effects.'*



# Specialising in insulation

Managing Director Jukka Pyykkönen

Arme Oy began trading in 1974 and has been one of the leading companies in its field ever since. Arme's main focus has always been on industrial insulation, where the company has managed to meet excellent quality standards. Building insulation work has increased significantly in recent years. The most recent field comprises insulation work on vessels being built in Finnish shipyards. Scaffolding work has also increased its share of operations.

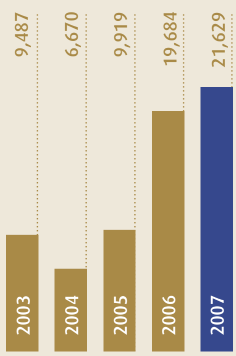
Projects for shipbuilding and house building industries have been assigned to the subgroup's subsidiaries, Renetor Oy and Renetor Grupp Oü.

Arme Oy employs more than 250 professionals, including subcontractors, who work at the Porvoo headquarters and in the Naantali and Kouvola units. In addition to Finland, the company is running projects in different parts of Europe. The customer base consists of domestic and international companies of different sizes.

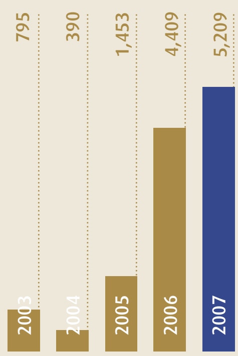
Due to successful recruitment, the subgroup has managed to build a team of enthusiastic and innovative staff. Competent personnel and good co-operation with different stakeholders have facilitated long-term development of Arme Group. In June 2007, Arme Oy and Renetor Oy were granted occupational health and safety, environmental and quality certificates by Bureau Veritas Certification.

Demand for services offered by the subgroup increased from the previous financial year, in particular in terms of scaffolding installation, elevating work platform rental and training services. In the future, sales will be increasingly directed beyond Finnish borders. Domestically, the company will seek new markets that allow Arme Group to make use of its overall service concept.

**NET TURNOVER**
**EUR 1,000**




**OPERATING PROFIT**
**EUR 1,000**




**KEY DATA**

| EUR 1,000 | 2003 | 2004 | IFRS 2005 | IFRS 2006 | IFRS 2007 |
|---|---|---|---|---|---|
| Net turnover | 9,487 | 6,670 | 9,919 | 19,684 | 21,629 |
| Operating profit | 795 | 390 | 1,453 | 4,409 | 5,209 |
| Employees | 131 | 109 | 118 | 156 | 161 |
| Holding as at 31st Oct. 2007 | | | | | 69.9% |

ARME

*'Safety, consideration for the environment and quality of technical performance are the priorities in all our operations.'*

# Heat treatment services and machinery


Managing Director Juha Saarikunnas

Heatmasters Group specialises in metal heat treatment services and related machinery and equipment deliveries. The company began trading in 1974 and currently operates in Lahti and Varkaus in Finland. A significant proportion of net turnover comes from international units, including an office in Sweden, a subsidiary in Poland and associated companies in Estonia, Ukraine and Saudi Arabia. Machinery and equipment, such as furnaces and mobile heating units and supplies, are exported to more than 20 different countries. The company has 58 employees.

Heatmasters Group's customers include the mechanical engineering, power and processing industries in Finland and abroad. Strong investment in the management of heat treatment process control by means of computer and GSM technology has elevated the company to be a leading player in its field. The mainstays of operations include flexible deliveries and the ability to solve customers' heat treatment problems.

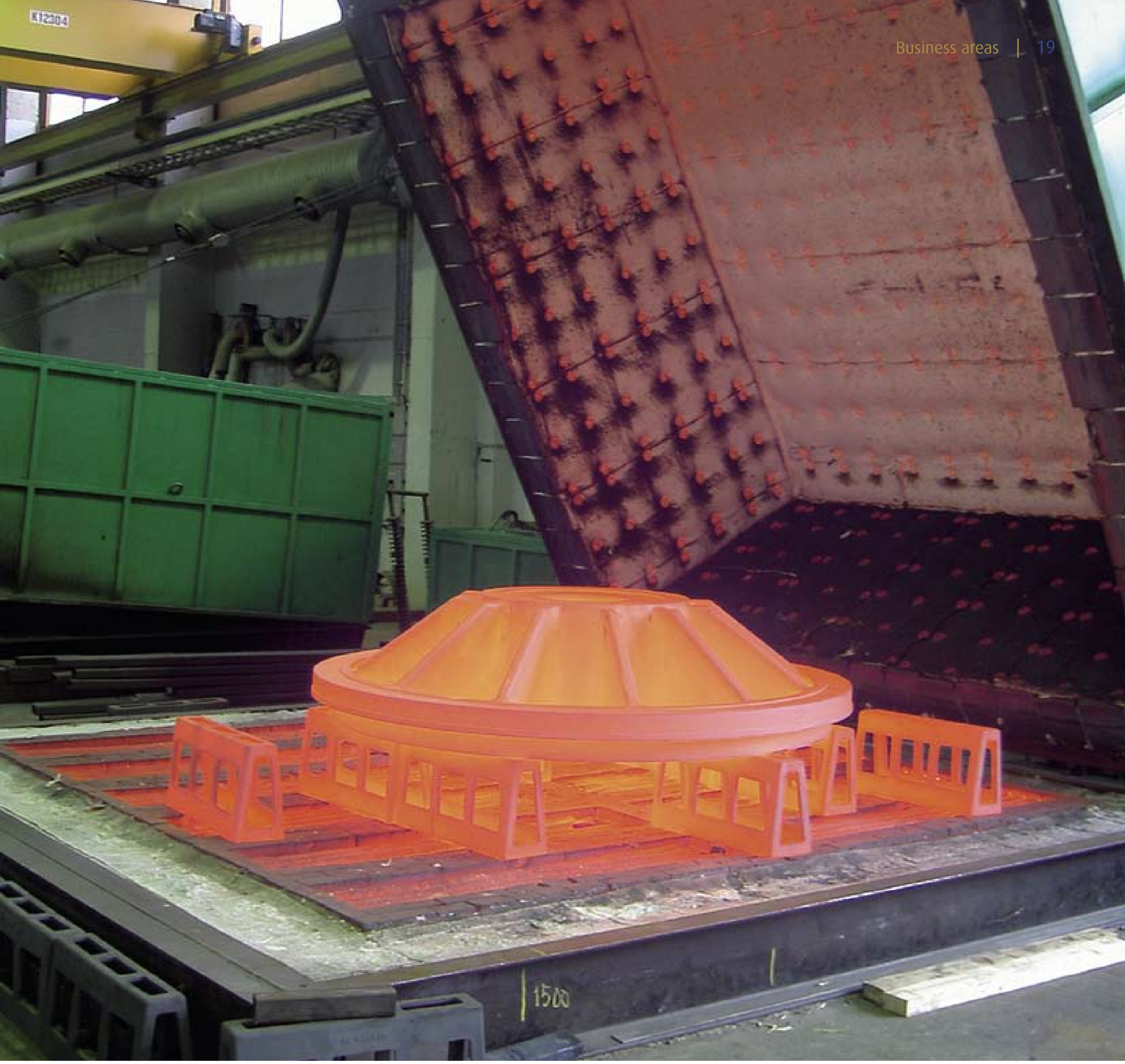
Heatmasters Group was created during the last financial year, as Panostaja Oyj purchased two companies specialising in heat treatment, Lahden Lämpökäsittely Oy focusing on services and Heatmasters Oy offering machinery, equipment and supplies. The companies work in strong synergy, which has provided a good basis for further development of the business area.

During the last financial year, Heatmasters Group's net turnover and profit were showing strong growth. The positive development is expected to continue next year. The focus will be on international operations, with Sweden and Ukraine as priority areas for improvement.

**KEY DATA**

| EUR 1,000 | IFRS 2007* |
|---|---|
| Net turnover | 4,760 |
| Operating profit | 1,268 |
| Employees | 58 |
| Holding as at 31st Oct. 2007 | 80% |

*6 months



HeatMasters
LÄMPÖKÄSITTELYLAITTEET

*'In our business, heat means hot. An inferno of hundreds of degrees. This is why our expertise is also blazing a trail.'*

# The trident of locks, fittings and fastenings

On 31st October 2007, Panostaja purchased Suomen Helasto's operating companies and shaped them into three business groups.

Fittings companies Suomen Helakeskus Oy and Seinäjoen Rakennustarvike ja Lukko Oy are key wholesalers of building and furniture hardware in Finland. They have a significant position as fittings suppliers for joinery industry manufacturers. Success requires continuous improvement of supply channels, products and services as well as logistics solutions.

Fastenings companies Porin Pultti Oy, Helsingin Laaturuuvi Oy and Ruuvipojat Oy offer fastenings supplies and related services. Major customers are the electronics and mechanical engineering industries. Other customers include industrial maintenance, heating, plumbing and ventilation and construction and electrical companies and the public sector. Keen demand within the mechanical engineering industry and growth in construction have had a positive effect on markets in the field.

The locks and security company LukkoExpert Security Oy is an expert in locks, door automation and security technology and services and a significant supplier of locking and security products and related life-cycle services. Customers include property owners, property management and maintenance firms, construction firms, public sector organisations and individual consumers. The company's strengths are an integrated service concept and nationwide coverage.

Over the new financial year, the locks and security and fittings and fastenings companies will be reorganised according to Panostaja's model, whereby their key personnel will have a significant holding in their respective companies. In addition, the companies' logistics processes and information systems will be further developed. These measures aim to achieve higher efficiency, thus meeting the imminent slow-down in the new construction market.

**KEY DATA**

| EUR 1,000 | IFRS 2007* |
|---|---|
| Net turnover | 14,470 |
| Operating profit | 212 |
| Employees | 166 |
| Holding as at 31st Oct. 2007 | 100% |

*6 months

*'Solid, stable and secure solutions.'*

# Quality doesn't understand compromise

The original – and still driving – business idea of the KL-Varaosat companies is specialisation in imports of OEM spare parts for Mercedes-Benz and BMW cars and their onward distribution to companies operating in the field and to individual consumers. A new feature is the successful online store. Panostaja acquired the entire share capital in the KL-Varaosat companies as the result of a transaction carried out in April 2007.

The subgroup comprises parent company KL-Parts Oy and subsidiaries KL-Varaosat Kari Lindfors Oy in Tampere, Jyväskylän KL-Varaosat Oy and Rovaniemen KL-Varaosat Oy. In addition, the companies have 44 distributors and an online store. The company was established in 1979 and currently employs 26 people. The main customers of the spare parts trade include vehicle repair shops, distributors and retailers and individual consumers, but also local authorities, fire and rescue services, vocational institutions and insurance companies.

The KL-Varaosat companies operate on the basis of superior product expertise, stemming from specialisation in two car brands. The clearly defined operations also make it possible to offer a range of even harder to find spare parts. Staff's skills and the range of more than 20,000 items form the mainstay of business operations.

The past financial year was dominated by growth for the KL-Varaosat companies and the outlook for the forthcoming period is also auspicious. The effects of the vehicle taxation reform are expected to remain small, while plenty of used cars have also been imported to Finland and the subgroup focuses on satisfying their owners' demand for spare parts.

**KEY DATA**

| EUR 1,000 | IFRS 2007* |
|---|---|
| Net turnover | 3,580 |
| Operating profit | 289 |
| Employees | 26 |
| Holding as at 31st Oct. 2007 | 100% |

*6 months


*‘Qualität, Sicherheit und unbedingten Zuverlässigkeit.’*
*(‘Quality, security and uncompromising reliability.’)*

# The right product at the right time

Managing Director Jouko Tyrkkö

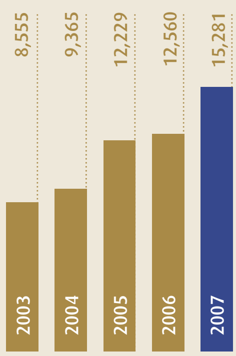
Lämpö-Tukku Oy is an import and wholesale business offering heating, plumbing and ventilation products that began trading in 1956. Through decades of hard work, the company has become a versatile specialist business focusing on renovation needs. The company's own imports have increased on a continuous basis, currently accounting for about 70% of net turnover. Co-operation with the sector's leading manufacturers all over Europe place the company in a position to set competitive prices.

Lämpö-Tukku Oy has become a competitive supplier for heating, plumbing and ventilation installation firms within the Helsinki Metropolitan Area and in the Tampere and Ostrobothnia Regions. In addition to good agencies, this can be attributed to efficient logistics. With the operational changes made during the financial year, the company's net turnover increased by more than 20%, while overall growth in the field stood at about 10%.

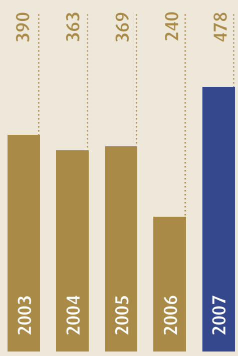
The company's headquarters are located in the Viikki area of Helsinki and it also has outlets in Espoo, Vantaa and Tampere. The Vantaa outlet was extended in 2006, while also developing it to create the company's central warehouse.

The cornerstones of operations in a professional heating, plumbing and ventilation business include a well-designed product range, presence in the focus areas of construction activities, complete with skilled and service-oriented staff. Lämpö-Tukku Oy's product warehouse carries about 9,000 different items. Its own fleet offers fast deliveries according to customer expectations direct to their worksites.

**NET TURNOVER**
**EUR 1,000**




**OPERATING PROFIT**
**EUR 1,000**




**KEY DATA**

| EUR 1,000 | 2003 | 2004 | IFRS 2005 | IFRS 2006 | IFRS 2007 |
|---|---|---|---|---|---|
| Net turnover | 8,555 | 9,365 | 12,229 | 12,560 | 15,281 |
| Operating profit | 390 | 363 | 369 | 240 | 478 |
| Employees | 19 | 21 | 29 | 31 | 31 |
| Holding as at 31st Oct. 2007 | | | | | 59.7% |

LÄMPÖ-TUKKU

*'Our acclaimed services are based on people's expertise and excellent logistics.'*

# Traditional design meets the present

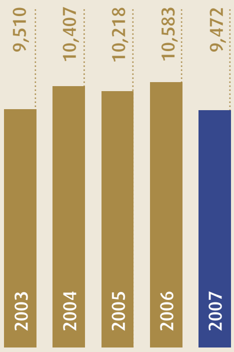
Managing Director Tapani Harjunen

Suomen Puunjalostus manufactures and markets solid-wood interior doors and staircases for new construction and renovation projects. On the market, its products are branded Matti-Ovi, Keiteleen Porras, Messuporras and Nikkaristo. The customer base consists of hardware stores, construction firms, modular home manufacturers and wholesale businesses. The products were highly visible at the Hämeenlinna Housing Fair held last summer, where they were used to decorate nine settings in all.

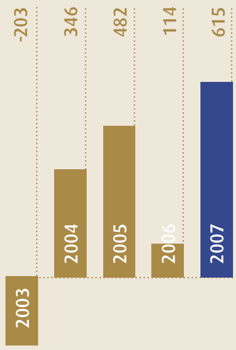
Suomen Puunjalostus Group companies employ 82 people. The subgroup has production plants in Laitila, Polvijärvi, Tampere and Imatra. Its market area covers the whole of Finland, while the markets for its interior doors also include many other European countries and Russia as a new area. The company's long-term efforts on the export market create good opportunities to increase sales over the forthcoming period. The price of pinewood, the company's most important raw material, was increasing dramatically, which resulted in price increases for doors and staircases.

The forthcoming period will be challenging in terms of domestic residential construction as the volume of new projects is declining. Wooden staircase production was streamlined during the last period by closing the Kausala production unit and concentrating production in Tampere and Imatra. The door and staircase range has also been adapted to meet increasing demand from the renovation sector. These streamlining measures are expected to improve profitability during the forthcoming period.

**NET TURNOVER**
**EUR 1,000**



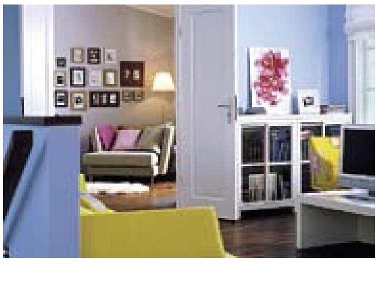

**OPERATING PROFIT**
**EUR 1,000**




**KEY DATA**

| EUR 1,000 | 2003 | 2004 | IFRS 2005 | IFRS 2006 | IFRS 2007 |
|---|---|---|---|---|---|
| Net turnover | 9,510 | 10,407 | 10,218 | 10,583 | 9,472 |
| Operating profit | -203 | 346 | 482 | 114 | 615 |
| Employees | 86 | 82 | 82 | 92 | 82 |
| Holding as at 31st Oct. 2007 | | | | | 70% |

*‘Although handicraft has given way to machinery, quality and personality will always remain intact.’*



# Specialising in large hydraulic cylinders

Tampereen Laatukoneistus specialises in manufacturing hydraulic cylinders. Established in 1969, the company manufactures individually designed hydraulic cylinders for the shipbuilding, lifting, wood processing, mining, metals and transportation industries, among others. The company's strengths are specialisation in large cylinders designed for demanding applications, customised products and an efficient manufacturing process kept in its own hands.

The company has a strong position in Finland as a supplier of large hydraulic cylinders and exports to Germany, Sweden, Norway and the Far East in particular. About 70% of cylinders designed and dimensioned within the company are exported straight to other countries. The company employs 44 professionals. Net turnover is showing growth due to robust sales in the shipbuilding industry in particular. This development is also expected to continue during the forthcoming period.

Panostaja acquired ownership of Tampereen Laatukoneistus in the spring of 2007. At the beginning of November, the company became part of the listed Takoma Group, where Panostaja is the principal shareholder.

**KEY DATA**

| EUR 1,000 | IFRS 2007* |
|---|---|
| Net turnover | 3,199 |
| Operating profit | 302 |
| Employees | 44 |
| Holding as at 31st Oct. 2007 | 100%** |

*6 months

**As at 1st November 2007, Tampereen Laatukoneistus became part of Takoma, in which Panostaja holds 79.2%.

*‘When Takoma was powering up its mechanical engineering cluster, Laatukoneistus was definitely one of the sources.’*

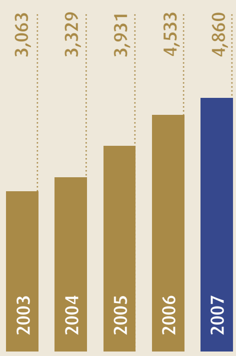
# Supports prop up profits

Managing Director Kalervo Pentti

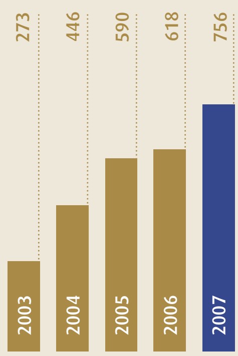
Toimex Oy, established in 1974, specialises in manufacturing pipe supports for the heating, plumbing and ventilation sector. The company has a comprehensive product range in terms of applications, materials and finishing techniques. In addition to its own products, the company acts as an agent for several well-known brands in its field. Pipe supports are used in residential, public and industrial construction projects. The customer base comprises heating, plumbing and ventilation wholesalers. Toimex is part of Kannake Group. The company has a production plant in Tampere and a sales office in Helsinki.

During the last period, the company's profitability developed well due to the top rate of construction. Exports have also shown steady growth and it is precisely the export operations where growth targets for next year have been set. The company expects profitability and financial performance to develop favourably.

**NET TURNOVER EUR 1,000**




**OPERATING PROFIT EUR 1,000**




**KEY DATA**

| EUR 1,000 | 2003 | 2004 | IFRS 2005 | IFRS 2006 | IFRS 2007 |
|---|---|---|---|---|---|
| Net turnover | 3,063 | 3,329 | 3,931 | 4,533 | 4,860 |
| Operating profit | 273 | 446 | 590 | 618 | 756 |
| Employees | 20 | 17 | 17 | 17 | 17 |
| Holding as at 31st Oct. 2007 | | | | | 70.4% |


TOIMEX OY

*'The pipe boom will go on and on for the foreseeable future in both new construction and renovation activities.'*

# Adding value to the order-delivery chain

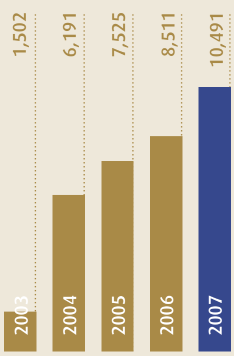
Managing Director Risto Rousku

Established in 2001, Vallog Oy focuses on manufacturing and supply of prototypes, spare parts and small series for the metal industry and on provision of value-added logistics services. Collaboration between manufacturing, supply and logistics – value-added logistics – aims to improve the quality and competitiveness of customer operations.

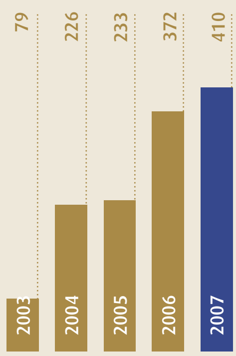
Vallog Oy has increased its net turnover and operated profitably since day one. During the last financial year, Vallog Group broke 10 million euros in turnover, approximately equivalent to a 20% growth on the previous period. In addition to logistics functions, growth was achieved in manufacturing activities. Operating profit for the financial year increased, but not in proportion to net turnover. Relocation of the Tampere unit consumed operational resources and also resulted in extra costs. Vallog Group operates in Hyvinkää, Tampere and Hämeenlinna and employs about 86 people.

Net turnover is projected to develop favourably during the forthcoming financial year, as customers are expecting their own operations to grow next year. The company has several ongoing projects aiming to expand and consolidate customer relationships.

**NET TURNOVER EUR 1,000**




**OPERATING PROFIT EUR 1,000**

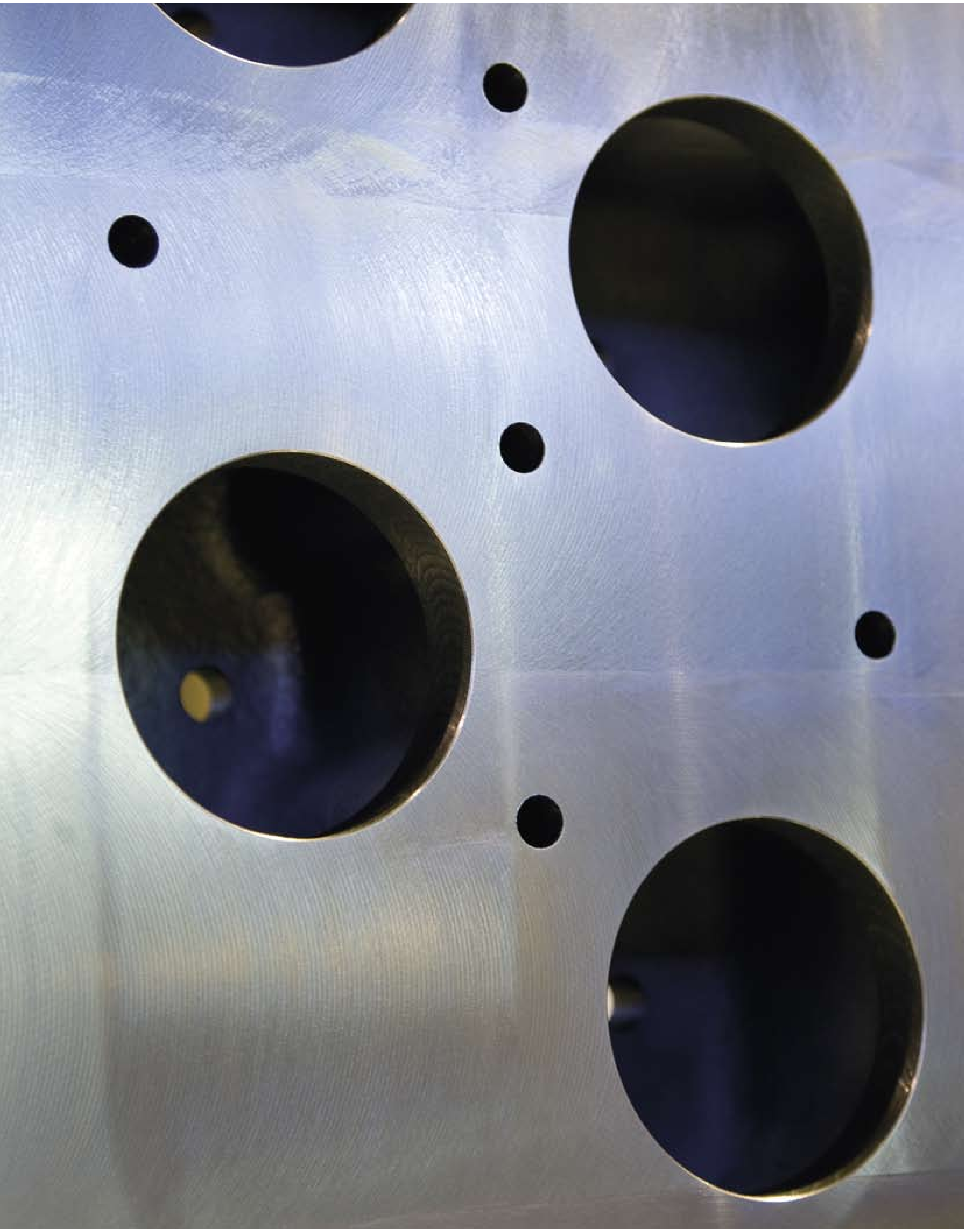



**KEY DATA**

| EUR 1,000 | 2003* | 2004 | IFRS 2005 | IFRS 2006 | IFRS 2007 |
|---|---|---|---|---|---|
| Net turnover | 1,502 | 6,191 | 7,525 | 8,511 | 10,491 |
| Operating profit | 79 | 226 | 233 | 372 | 410 |
| Employees | 54 | 80 | 71 | 84 | 86 |
| Holding as at 31st Oct. 2007 | | | | | 85% |

*4 months

*'The best option for logistics management may actually be to outsource increasingly complex logistics systems in a manageable manner.'*

# Financial statements for 2006/2007

## CONSOLIDATED FINANCIAL STATEMENTS FOR 2006/2007, IFRS



## PARENT COMPANY'S FINANCIAL STATEMENTS FOR 2006/2007, FAS

# Directors' report

**THE GROUP'S FINANCIAL PERFORMANCE**

Panostaja Group's net turnover was EUR 90.8 million (EUR 57.8 million). Growth was the result of an increase in net turnover in all business segments and of completed acquisitions.

The Group's operating profit increased by 51.6% from the previous year's EUR 5.5 million to EUR 8.3 million, while profit before taxes grew by 51.6% from EUR 4.9 million to EUR 7.5 million.

Profit for the financial year was EUR 5.9 million (EUR 8.6 million), with EUR 5.6 million and EUR 0.3 million attributable to continuing and discontinued operations respectively. Profit from discontinued operations consisted of an additional purchase price for the disposal of Pajakulma Oy.

The Group's average number of employees during the financial year was 571 (526). The payroll at year-end included 719 employees.

**Panostaja Oyj**

Parent company Panostaja Oyj's net turnover amounted to EUR 0.02 million (EUR 0.02 million). Other operating income amounted to EUR 0.49 (EUR 4.68 million).

Operating loss was EUR 1.04 million (the previous year showed a profit of EUR 3.61 million). The parent company's profit before appropriations and taxes stood at EUR 0.61 million (EUR 5.17 million). The parent company's profit for the financial year amounted to EUR 0.62 million (EUR 5.17 million).

**PANOSTAJA GROUP'S BUSINESS SEGMENTS**

The Group has twelve business areas, which are reported under five different segments.

**Industrial construction**

The industrial construction segment comprises Arme Group, which is a subgroup operating in Kulloo, Naantali and Kouvola, carrying out industrial insulation, exterior cladding, construction sheet-metal panelling and scaffolding work. Panostaja Oyj's holding in Arme Oy is 69.9%. The company's Managing Director is Jukka Pyykkönen. The subgroup comprises Renetor Oy and Estonian-based Renetor Oü, which provide industrial insulation and scaffolding installation services.

The industrial construction segment's net turnover increased during the financial year to EUR 21.6 million (EUR 19.7 million) and operating profit was excellent, standing at EUR 5.2 million (EUR 4.4 million). The average number of employees during the financial year was 161 (156). The 9.9% increase in net turnover resulted from significant investments by industries operating in Finland and growth in demand for scaffolding work. The segment's net turnover is expected to remain at the previous year's level and profitability is projected to remain healthy during the 2007/2008 period.

**Wholesale trade**

The wholesale trade segment consists of Eurotermo Group, KL-Parts Group, Novacausa II Group and Ollinvara III Group. During the financial year, Panostaja Group acquired KL-Parts Group, Novacausa II Group and Ollinvara III Group.

Eurotermo Group is a wholesaler of heating, plumbing and ventilation equipment operating in Helsinki, Espoo, Vantaa and Tampere. Panostaja Group owns 59.7% of Eurotermo Oy. In all, Eurotermo Oy has more than 400 shareholders. The subgroup's operating company is Lämpö-Tukku Oy, which is 100% owned by Eurotermo Oy. The company's Managing Director is Jouko Tyrkkö.

KL-Parts Group is a subgroup specialising in the supply of OEM spare parts for Mercedes-Benz and BMW cars, with operations in Tampere, Jyväskylä and Rovaniemi. Panostaja Group owns 100% of KL-Parts Oy. The operating companies are KL-Varaosat Kari Lindfors Oy, Jyväskylän KL-Varaosat Oy and Rovaniemen KL-Varaosat Oy, which are 100% owned by KL-Parts Oy. The Managing Director of the operating companies is Kari Lindfors.

Novacausa II Group is a Seinäjoki-based subgroup specialising in fittings wholesale and services. Panostaja Group owns 100% of Novacausa II Oy. The operating companies are Seinäjoen Rakennustarvike ja Lukko Oy and Suomen Helakeskus Oy, which are both 100% owned by Novacausa II Oy. The Managing Directors of the operating companies are Juhani Lehtinen at Seinäjoen Rakennustarvike ja Lukko Oy and Pekka Koskenkorva at Suomen Helakeskus Oy.

Ollinvara III Group is a subgroup offering fastenings supplies and related services, with operations in Helsinki, Tampere and Pori. Panostaja Group owns 100% of Ollinvara III Oy. The operating companies within Ollinvara III Group are Helsingin Laaturuuvi Oy, Ruuvipojat Oy and Porin Pultti Oy, which are 100% owned by Ollinvara III Oy. The Managing Directors of the operating companies are Ari Suomalainen at Helsingin Laaturuuvi Oy and Porin Pultti Oy and Harri Lahtinen at Ruuvipojat Oy.

During the last financial year, the wholesale trade segment's net turnover increased to EUR 29.7 million (EUR 12.6 million), while operating profit for the period stood at EUR 1.5 million (EUR 0.2 million). The average number of employees during the financial year was 133 (31). Acquisitions carried out during the period significantly increased the segment's net turnover and operating profit. The segment's net turnover and operating profit are expected to grow during the 2007/2008 period.

**Joinery industry**

The company operating as the parent for the entire joinery industry segment is Suomen Puunjalostus Oy, which is 100% owned by Panostaja Oyj. The Managing Director of all companies within the Suomen Puunjalostus Group is Tapani Harjunen.

Suomen Puuporras and Matti-Ovi are subsidiaries in which Suomen Puunjalostus Oy holds a 70% share. Suomen Puuporras Group is a subgroup manufacturing and marketing wooden staircases in Tampere and Imatra. The subgroup includes subsidiaries Keiteleen Porras Oy and Kausalan Porras Oy, which are 100% owned by Suomen Puuporras Oy, and Nikkaristo Oy, which is a subsidiary 100% owned by Kausalan Porras Oy. Matti-Ovi Group operates in Laitila and Polvijärvi, manufacturing and marketing solid-wood interior doors. The subgroup also includes Finnfutter Oy, which is 100% owned by Matti-Ovi. The joinery industry segment has a joint sales office and showroom in Vantaa.

The joinery industry segment's net turnover was EUR 9.5 million (EUR 10.6 million), while operating profit amounted to EUR 0.6 million (EUR 0.1 million). The average number of employees was 82 (92). In September, Suomen Puuporras Group restructured its operations, closing down the Kausala plant and relocating its entire production to Tampere.

The segment's operating profit is anticipated to improve further as a result of the restructuring measures implemented.

### Industrial services

The industrial services segment comprises Vallog Group and Heatmasters Group. Panostaja Group acquired Heatmasters Group during the financial year.

Vallog Group comprises two operating companies. Vallog Oy operates in Hyvinkää and Tampere, mainly focusing on spare parts production and logistics. Vallog Logistiikkapalvelut Oy provides logistics and distribution services in Hämeenlinna. In addition, the subgroup's core competence covers supply of metal parts and components and distribution and storage services. Vallog Group Oy is a subsidiary in which Panostaja Oyj holds an 85% share. The Managing Director of all Vallog Group companies is Risto Rousku, who assumed his duties in September.

Heatmasters Group comprises two operating companies in Finland, Lahden Lämpökäsittely Oy and Heatmasters Oy, which operate in Lahti and Kouvola. The subgroup also has operations in Sweden, a subsidiary in Poland and associated companies in Estonia, Saudi Arabia and Ukraine. The associated companies have not been consolidated into Panostaja Group's financial statements due to the low volume of their operations. Heatmasters Group offers metal heat treatment services and manufactures machinery and equipment related to the heat treatment process and its control. Heatmasters Group Oy is a subsidiary in which Panostaja Oyj holds an 80% share. The Managing Director of all Heatmasters Group companies is Juha Saarikunnas.

The segment's net turnover for the financial year was EUR 15.3 million (EUR 8.5 million). The segment's operating profit amounted to EUR 1.7 million (EUR 0.5 million). The segment's average payroll included 144 (84) people.

The segment's net turnover is expected to grow, but tightening competition is threatening development of profitability.

### Other business operations

The other business operations segment consists of Kannake, Annektor, Novacausa I and Ollinvara I Groups, parent company Panostaja Oyj and Panostaja Oyj's investment properties. Panostaja Group acquired Novacausa I Group and Ollinvara II Group during the financial year. In addition to business operations, other items reported under this segment include unallocated items and intra-group eliminations.

Kannake Group is a subgroup manufacturing and marketing heating, plumbing and ventilation supports and operating in Tampere and Helsinki, in which Panostaja holds a 70% share. In addition to Kannake Oy, the subgroup includes Toimex Oy, its operating company. The company's Managing Director is Kalervo Pentti.

Annektor Group is a Lahti-based technochemical industry subgroup, in which Panostaja holds an 80% share. In addition to Annektor Oy, the subgroup includes Oy Alfa-Kem Ab, its operating company. The company's Managing Director is Jukkapekka Porali.

Novacausa I Group is a subgroup 100% owned by Panostaja, offering locks and security products and services with operations in Helsinki, Tampere, Turku, Pori, Jyväskylä and Oulu. In addition to Novacausa I Oy, the subgroup includes LukkoExpert Security Oy, its operating company. The operating company's Managing Director is Jukka Laakso.

Ollinvara I Group is a Tampere-based subgroup specialising in manufacturing hydraulic cylinders, which is 100% owned by Panostaja. In addition to Ollinvara I Oy, the subgroup includes Tampereen Laatukoneistus Oy, its operating company. The operating company's Managing Director is Tapio Pajunen.

Tampereen Portti Oy is an associated company owned equally by Panostaja Oyj and YIT Corporation, which owns a land area in Lahdesjärvi in the Lakalaiva district of the City of Tampere. The permitted building volume confirmed for the area covers about 41,000 floor square metres. The area is being developed to create a high-quality office and industrial site. Panostaja Oyj still holds the share capital in the Kiinteistö Oy Lakalaivan Teollisuustalo I real estate company, which was set up during the first construction stage.

The net turnover of the other business operations segment increased to EUR 14.7 million (EUR 6.4 million). The segment's operating loss was EUR 0.7 million (previous year's profit was EUR 0.2 million). The average number of employees during the financial year was 199 (62). The profitability of Kannake and Annektor Groups is expected to remain at a good level, while the profitability of Novacausa I Group is projected to improve. At the beginning of the new financial year, Ollinvara I Group's business was transferred into Takoma Oyj, a subsidiary of Panostaja Oyj.

Takoma Oyj will be formed into a separate mechanical engineering industry segment during the financial year starting 1st November 2007.

## FINANCING

In December 2006, the company distributed EUR 3.87 million in dividends to parent company shareholders for the 2005/2006 period (dividends paid to minority shareholders in subsidiaries during the period amounted to EUR 0.5 million). The amount of the Group's interest-bearing liabilities at year-end was EUR 32.6 million (EUR 9.4 million), excluding the convertible subordinated loan.

Cash flow from operating activities remained at a good level throughout the period. The Group's equity ratio stood at 34.9% (43.4%), while its gearing ratio was 23.7% (3.05%). Return on equity was 18.6% (22.7%). Return on investment stood at 14.8% (16.1%).

## INVESTMENTS AND R&D ACTIVITIES

The Group's investments for the financial year amounted to EUR 21.9 million (EUR 4.8 million), with additions to property, plant and equipment accounting for EUR 10.6 million (EUR 1.7 million). The most important investments during the period were the acquisitions of the KL-Varaosat companies, Lahden Lämpökäsittely Oy, Heatmasters Oy, Tampereen Laatukoneistus Oy and the majority of shares in Suomen Helasto Oyj. The Group does not have any expenses classified as being research and development costs.

## RISKS

The Group takes controlled risks in order to make the most of available business opportunities. The Group's normal business risks are related to the market and competitive situations of the Group's different industries as well as to business acquisitions and disposals.

The Group's twelve business areas operate in different industries. In general terms, the Groups' financial performance is not materially dependent on the development and performance of any single business area, but as a business area grows larger, it becomes more significant in terms of the entire Group, in which case the risk may be material. The Group's financial performance and development are not normally dependent on a single customer, but loss of one or more significant customers may have financial effects on an individual business area.

General economic developments may have a significant impact on the Group's financial performance and development, which are also influenced by seasonal factors. The effect of seasonal business fluctuations is such that the first half of the year is generally weaker than the latter half. Continuing changes in the competitive situation, such as tightening competition, may also have a bearing on the Group's financial performance and development, although the Group and its business areas aim to develop their operations so as to reduce such effects. In addition, risks relating to the prices and availability of raw materials used by the Group's different industries in their operations may have considerable effects on the financial performance and development of an individual business area, but these do not normally affect the whole Group's performance and development to any significant extent.

Exchange rate, interest rate, financial and credit risks do not normally have any significant bearing on the whole Group's financial performance and development, but these may have a considerable impact on the financial performance and development of an individual business area. The Group and its different business areas have endeavoured to hedge such risks in different ways, but this is not always possible.

Risks relating to the availability of staff for the Group may affect the financial performance and development of the Group and its business areas in the event of failure to recruit key personnel and other staff.

Risks relating to the environment may affect the financial performance and development of the Group and its business areas in the event of failure to manage such risks. The Group aims to take special care to respect legislation governing environmental considerations and to operate in an ethically sustainable manner in other respects as well. The Group is not aware of any significant environmental risks at the present time.

The Group has extensive insurance cover against material damage as per policy conditions. The insurance level of property risks is monitored on a regular basis. Risks relating to warranties and repairs may affect the financial performance and development of the Group and its business areas in the event of failure to manage such risks. Group companies aim to take precautions against these risks by investing in operational quality and product development, while some risks are also covered by insurance, where possible.

Risks relating to acquisitions and disposals of companies may affect the financial performance and development of the Group and its business areas in the event of failure to manage such risks. The Group also aims to grow through company acquisitions. Goodwill on acquisitions recognised in the consolidated balance sheet amounts to about EUR 12.8 million. Since the company started IFRS reporting, goodwill is no longer amortised regularly on an annual basis. Instead, it is tested for impairment at least annually or whenever there is any indication of impairment. Values are usually reviewed during the latter half of the year as part of the budgeting process.

Official regulations may affect the financial performance and development of the Group and its business areas. The Group and its different business areas follow amendments to regulations and aim to react to these in advance, if possible.

## GROUP STRUCTURE

On 20th December 2006, the parent company of Annektor Group was demerged into Annektor Oy and Solikko Finance Oy. This had no impact on the Group's financial results and balance sheet.

In April, Panostaja Oyj's subsidiary KL-Parts Oy purchased the entire share capital of the KL-Varaosat group of companies, specialising in the supply of OEM spare parts for Mercedes-Benz and BMW cars. The purchase price paid for KL-Varaosat Group companies was about EUR 5.1 million and 300,000 Panostaja Oyj new Class B shares. The total purchase price amounted to around EUR 5.5 million. In addition, the seller has an opportunity to receive an additional payment up to a maximum value of about EUR 1.4 million, payable within one year of the transaction date. Panostaja Oyj shaped the KL-Varaosat companies into a new business area focusing on supply of OEM car spare parts.

On 30th May 2007, Panostaja Group acquired the majority of shares in Suomen Helasto Oyj, which specialises in locks and security as well as fittings and fastenings services and wholesale.

The principal shareholders in Panostaja Oyj and in Suomen Helasto Oyj carried out a share exchange, whereby Panostaja acquired 68.77% of the share capital and the voting power in Suomen Helasto. As part of the private placement, the principal shareholders in Suomen Helasto received 7,450,933 new Panostaja Class B shares.

As a result of the share exchange, Panostaja incurred an obligation under the Securities Markets Act Chapter 6, section 10 to launch a takeover bid to other Suomen Helasto shareholders. As part of the takeover bid, Panostaja offered an exchange of shares, where six Suomen Helasto shares were exchanged for five Panostaja B shares. As an alternative to the share exchange, Panostaja offered a full cash consideration to the value of EUR 1.27 per share. The closing prices for Panostaja's B share and Suomen Helasto's share on 29th May 2007 were EUR 1.52 and EUR 1.19 respectively. The takeover bid was valid from 3rd July 2007 until 6th August 2007, during which time shareholders in Suomen Helasto had the opportunity to accept the takeover bid.

Upon completion of the takeover bid on 6th August 2007, Panostaja had acquired ownership of a total of 12,404,692 shares in Suomen Helasto, which represent approximately 95.41% of shares issued by Suomen Helasto and votes carried by them. As part of the related share issue, Panostaja offered shareholders in Suomen Helasto 2,829,175 Class B shares for subscription at a nominal price of EUR 0.12 each.

Following transactions carried out according to the terms of the takeover bid, the percentage of Panostaja's holdings of the total amount of Suomen Helasto shares and voting rights carried by them exceeded nine tenths (9/10). On this basis, Panostaja incurred the right and, if demanded, the obligation under Chapter 18, section 1 of the Limited Liability Companies Act to redeem shares belonging to other Suomen Helasto shareholders at market value. This information was entered in the Trade Register on 21st August 2007.

On 3rd September 2007, Panostaja was served with an application dated 28th August 2007, submitted by 2M Ventures Oy, a shareholder in Suomen Helasto, to the Redemption Committee of the Central Chamber of Commerce of Finland for appointment of an arbitrator to resolve the redemption obligation and price of Suomen Helasto shares. 2M Ventures Oy cancelled its application for redemption of shares in Suomen Helasto Oyj on 15th October 2007.

On 27th September 2007, Panostaja announced its intention to convert Suomen Helasto Oyj into Takoma Oyj. The Extraordinary General Meeting of Suomen Helasto Oyj held on 17th October 2007 accepted the conversion of Suomen Helasto Oyj into a mechanical engineering parent company named Takoma Oyj and authorised the Board of Directors to sell its operating companies to Panostaja Oyj and to acquire the share capital in Hervannan Koneistus Oy and the business of Tampereen Laatukoneistus Oy on behalf of the new Takoma Oyj.

Based on the authorisation granted to it, Suomen Helasto Oyj's Board of Directors sold the entire share capital in the subsidiaries owned by Suomen Helasto to Panostaja Oyj on 31st October 2007 for a total trade price of EUR 16.5 million. Separate Stock Exchange Bulletins relating to this matter were issued on 17th October 2007 and on 31st October 2007.

In June, Panostaja acquired the entire share capital in Lahden Lämpökäsittely Oy and Heatmasters Oy, companies specialising in heat treatment services and related technological development. Established in 1974, Lahden Lämpökäsittely is based in Lahti and Varkaus in Finland, offering metal heat treatment services to major industrial clients. The company also has operations in Sweden, Poland, Ukraine and Estonia. The company employs 55 people and its net turnover for 2006 amounted to EUR 4.5 million.

Heatmasters focuses on computer-based heat treatment technology, making use of computer and GSM technologies, for example. The company exports to more than 20 countries and net turnover for 2006 amounted to EUR 1.8 million. Lahden Lämpökäsittely Oy and Heatmasters Oy will form a new business area within Panostaja Group focusing on heat treatment. The total purchase price for the companies amounted to about EUR 3.1 million. In addition, the sellers have an opportunity to receive a conditional additional payment up to a maximum value of about EUR 1.3 million, payable within one year of the transaction date.

In addition, Panostaja acquired the entire share capital in Tampereen Laatukoneistus Oy, a company specialising in manufacturing hydraulic cylinders. Panostaja set up a new business area within the Group to specialise in hydraulics components. Tampereen Laatukoneistus manufactures individually designed hydraulic cylinders for the shipbuilding, lifting, wood processing, mining, metals and transportation industries, among others. It has a strong position in Finland as a supplier of large hydraulic cylinders. The company's turnover in 2006 amounted to some EUR 5.6 million. The total purchase price for the company amounted to about EUR 3.2 million. In addition, the sellers have an opportunity to receive a conditional additional payment up to a maximum value of about EUR 1.0 million, payable by the end of 2007.

The balance sheets of the KL-Varaosat companies have been consolidated for the first time within the Group's interim report for the six months to 30th April 2007, while their income statements have been consolidated as from 1st May 2007. Suomen Helasto Oyj, the KL-Varaosat companies, Lahden Lämpökäsittely Oy, Heatmasters Oy and Tampereen Laatukoneistus Oy have been consolidated into the Group's financial statements as from 1st May 2007 in terms of both balance sheets and income statements. Consolidation of Suomen Helasto Oyj is based on a 95.4% holding.

### ADMINISTRATION AND ANNUAL GENERAL MEETINGS

The Annual General Meeting was held on 15th December 2006. The AGM re-elected Mr. Olli Halmevuo and Mr. Matti Koskenkorva to Panostaja Oyj's Board of Directors. New members elected to the Board were Mr. Jukka Ala-Mello, Secretary of the Board of Kone Corporation, Mr. Eero Lehti, Chairman of the Board of the Federation of Finnish Enterprises, and Mr. Hannu Tarkkonen, Executive Vice President of Etera Mutual Pension Insurance Company. The AGM further elected Mr. Hannu Pellinen, APA, and PricewaterhouseCoopers Oy, APA, as auditors.

Board member Eero Lehti was elected to the Finnish Parliament in the spring 2007 general election. Mr. Lehti resigned from Panostaja Oyj's Board of Directors on 10th April 2007.

The company's CEO Olli Halmevuo resigned at his own request on 11th September 2007 and the Board of Directors appointed Mr. Juha Sarsama as new CEO on 14th September 2007. Mr. Halmevuo stayed on as a member of the Board of Directors.

The Annual General Meeting adopted the financial statements presented for the financial year ended 31st October 2006 and the Board's proposal to transfer the profit for the period to retained earnings and to distribute EUR 0.13 per share in dividends was approved. The record date for dividend payment was 20th December 2006 and the payment date was as from 29th December 2006. In addition, the AGM discharged the Board of Directors and the Chief Executive Officer from liability.

The Annual General Meeting authorised the Board of Directors to decide on an increase in share capital through one or more regular or bonus issues, such that a maximum of 30,000,000 new Class A shares and a maximum of 30,000,000 new Class B shares may be offered for subscription in the issue(s) at a nominal price of EUR 0.12 each, and that the share capital increase must not exceed EUR 7,200,000. In addition, the Board of Directors was authorised to decide on an increase in share capital by granting options and other rights referred to in Chapter 10, section 1 of the Limited Liability Companies Act, such that a maximum of 30,000,000 new Class A shares and a maximum of 30,000,000 new Class B shares may be offered for subscription in the issue(s), and that the share capital increase must not exceed EUR 7,200,000. The share issue authorisations did not exclude the Board's right to decide on private placements; such issues may disapply the shareholders' pre-emption rights laid down in Chapter 9, section 3 of the Limited Liability Companies Act.

Furthermore, the Annual General Meeting authorised the Board of Directors to obtain a subordinated loan at a maximum of EUR 21,250,000 from domestic institutional investors, to decide on granting option rights to key personnel within the company and on acquisition and disposal of the company's own shares within the limits of acquiring a maximum of 1,725,659 Class A shares and a maximum of 1,247,797 Class B shares.

During the financial year, the Board has exercised its authorisation to obtain a subordinated loan of EUR 21,250,000 from domestic institutional investors and to decide on granting Class 2006A options to key personnel within the company. The number of options granted was 460,000, which entitled holders to subscribe for 460,000 shares.

The Board has also exercised its authorisation to increase share capital through one or more regular or bonus issues during the financial year. As part of a private placement, the seller of the KL-Varaosat companies, Kari Lindfors, subscribed for 300,000 new Panostaja Class B shares. In addition, the principal shareholders in Panostaja Oyj and in Suomen Helasto Oyj carried out a share exchange, whereby Panostaja acquired 68.77% of the share capital and the voting power in Suomen Helasto. As part of the private placement, the principal shareholders in Suomen Helasto received 7,450,933 new Panostaja Class B shares. As part of the takeover bid launched under the Securities Market Act to shareholders in Suomen Helasto Oyj between 3rd July and 6th August 2007, the Board of Directors exercised its authorisation and offered Suomen Helasto shareholders 2,829,175 Class B shares for subscription.

In June, the Board of Directors launched a repurchase of Panostaja's own shares according to the authorisation granted at the company's Annual General Meeting on 15th December 2006. The maximum volumes to be acquired are 1,725,659 Class A shares and 1,247,797 Class B shares.

The company will acquire its own shares in order to have them available to offer as part of possible business acquisitions or other restructuring measures or when purchasing assets as part of its business operations, to develop its capital structure, to cancel shares, or to implement an incentive scheme for key personnel. During the financial year, the company acquired a total of 1,217,400 of its own shares, comprising 347,500 Class A shares, 439,000 Class B shares and 430,900 new Class B shares.

Based on the authorisation granted, Panostaja Oyj's Board of Directors decided on 23rd October 2007 to sell 400,000 new Class B shares held by the company. The transaction was carried out on the Helsinki Stock Exchange. The trade price was EUR 1.61 per share, totalling EUR 644,000, which resulted in a loss of EUR 11,890. The transaction was carried out in order to implement an incentive scheme for a key member of a Group subsidiary.

At year-end, the company held 347,500 Class A shares and 469,900 Class B shares, amounting to a total nominal value of EUR 98,088. The number of acquired Class A shares was equivalent to 0.8% of the total number of shares at year-end and to 1.9% of the total number of votes carried by all shares. The number of Class B shares was equivalent to 1.0. and 0.1% of total numbers of shares and votes respectively.

## SHARE CAPITAL AND THE CONVERTIBLE SUBORDINATED LOAN

At the end of the financial year, Panostaja Oyj's share capital amounted to EUR 5,424,081.60 and the number of shares was 45,200,680. The numbers of issued Class A and B shares amounted to 17,256,595 and 27,944,085 respectively.

On 4th January 2007, the company sent notification to holders of 2004 convertible subordinated bonds to the effect that the company would exercise its right under the terms of the loan to repay the entire loan principal early at a nominal price, because the volume-weighted average price of Panostaja Oyj's Class B share had, since 2nd January 2006, exceeded the conversion price specified in the terms of the loan by more than 100% for 20 of 30 consecutive trading days on the Helsinki Stock Exchange. Repayment of the subordinated loan was cancelled, however, because all bond holders applied to convert their bonds into shares according to the terms of the loan. As a result of conversions, bond-holders subscribed for 3,358,000 Panostaja new Class B shares.

The Board of Directors exercised the authorisation granted at the Annual General Meeting on 15th December 2006 to obtain a subordinated loan from domestic institutional investors. During the reporting period, the Board approved subscriptions for 2006 convertible subordinated bonds at a total of EUR 21,250,000. The interest rate is 6.5% and the loan period runs from 15th January 2007 to 1st March 2012. The bonds may be converted into a maximum of 12,500,000 Panostaja's new Class B shares and bond conversions may result in an increase of share capital at a maximum of EUR 1,500,000. The first loan disbursement, amounting to EUR 10,625,000, was made to Panostaja Oyj on 15th January 2007 and the remainder of the loan, also amounting to EUR 10,625,000, was paid on 15th May 2007. The amount of loan outstanding on the balance sheet date totalled EUR 18,700,000, entitling holders to subscribe for 11,000,000 new Class B shares.

### PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

The Board of Directors proposes that profit for the financial year be transferred to the retained earnings account as an increase and that a dividend of EUR 0.09 per Class A and B share issued be distributed from retained earnings.

### EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

Suomen Helasto Oyj, a subsidiary of Panostaja Oyj, became Takoma Oyj on 1st November 2007 and, according to a plan announced on 27th September 2007, the new company acquired the share capital in Hervannan Koneistus Oy and the business of Tampereen Laatukoneistus Oy on 1st November 2007. On the same date, Mr. Kimmo Korhonen conveyed the entire share capital in Hervannan Koneistus Oy to Takoma Oyj and received 2,662,925 new Takoma Oyj shares in exchange, accounting for 17% of all shares in Takoma Oyj. On the same occasion, Mr. Korhonen was appointed Takoma Oyj's Managing Director. On 1st November 2007, Takoma Oyj's subsidiary, Causatak Oy, purchased the business of Tampereen Laatukoneistus Oy, belonging to Panostaja Group, for a trade price of EUR 3.7 million. Assets outside the ordinary course of business, including the premises owned by the company, remained with the seller company as part of the business transaction.

The EUR 159,775.50 increase in share capital, decided by Takoma Oyj's Board of Directors on 1st November 2007, was entered in the Trade Register on 28th November 2007. Following this registration, the total number of Takoma Oyj shares amounts to 15,664,266 shares and Panostaja Oyj's holding in Takoma Oyj accounts for 79.19%. Upon registration of the share capital, Panostaja Oyj no longer has the right and obligation imposed on a majority shareholder in Chapter 18, section 1 of the Limited Liability Companies Act to redeem Takoma Oyj shares.

The company has continued repurchasing its own shares and, as at 11th December 2007, the company held 475,000 Class A shares and 613,000 Class B shares, amounting to a total nominal value of EUR 130,560.

On 11th December 2007, Panostaja Oyj's Board of Directors decided to initiate an investigation into the possibility of distributing Takoma Oyj shares as dividends to Panostaja Oyj shareholders.

### OUTLOOK FOR THE FORTHCOMING FINANCIAL YEAR

Panostaja Group will continue to focus on the business idea in alignment with its core business strategy and on development of existing business areas. Creation of an entrepreneur-driven model in newly acquired business areas and companies is still partially incomplete. The retirement of the baby-boomers, combined with constantly increasing changes in the business environment that also affect companies operating exclusively on the domestic market, in particular internationalisation, will result in a large number of businesses becoming available for purchase over the next few years. Panostaja's operating conditions, available capital resources and liquid assets form a good foundation for intense expansion of operations. Increasing supply of SMEs operating in traditional industries will enable both further expansion into new business areas and growth in existing business areas.

Domestically, the economic situation is expected to remain mostly favourable during the new financial year, even though economic growth is forecast to slow down. The economic outlook for the current business areas' industries is moderately positive. It is fair to expect the consolidated net turnover to grow and for results to remain at a healthy level, provided that there are no material changes in the economic situation. However, the increasing uncertainty in the construction industry cycle may affect the outlook for some business areas.

# Consolidated income statement

| (EUR.1.000) | Note | Year ended 31/10/2007 | Year ended 31/10/2006 |
|---|---|---|---|
| **Net turnover** | | 90,763 | 57,755 |
| Other operating income | 9 | 721 | 772 |
| Share of profit of associates | 10 | 0 | 86 |
| Raw materials and services | | 46,270 | 26,940 |
| Staff expenses | 11 | 23,028 | 15,541 |
| Depreciation, amortisation and impairment | 12 | 2,110 | 1,209 |
| Other operating expenses | 13 | 11,777 | 9,448 |
| **Operating profit** | | 8,299 | 5,475 |
| Financial income and expenses | 14, 15 | -815 | -540 |
| **Profit before taxes** | | 7,484 | 4,935 |
| Income taxes | 16 | -1,900 | -1,210 |
| **Profit from continuing operations** | | 5,584 | 3,725 |
| Profit from discontinued operations | | 350 | 4,903 |
| **Profit for the financial year** | 7 | 5,934 | 8,628 |
| | | | |
| Attributable to: | | | |
| Equity holders of the parent company | | 4,295 | 7,457 |
| Minority interest | | 1,638 | 1,171 |
| | | | |
| Earnings per share on continuing operations, EUR | 17 | | |
| Basic | | 0.110 | 0.092 |
| Diluted | | 0.096 | 0.085 |
| Earnings per share on discontinued operations, EUR | 17 | | |
| Basic | | 0.010 | 0.176 |
| Diluted | | 0.007 | 0.157 |
| Earnings per share on continuing and discontinued operations, EUR | 17 | | |
| Basic | | 0.120 | 0.268 |
| Diluted | | 0.104 | 0.242 |

# Consolidated balance sheet

| (EUR 1,000) | Note | 31/10/2007 | 31/10/2007 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 18 | 12,839 | 1,976 |
| Other intangible assets | 18 | 460 | 234 |
| Property, plant and equipment | 19 | 17,826 | 9,654 |
| Interests in associates | 20, 21 | 975 | 894 |
| Other non-current assets | 22 | 230 | 127 |
| Interest-bearing receivables | | 15 | 15 |
| Total non-current assets | | 32,345 | 12,900 |
| **Current assets** | | | |
| Stocks | 24 | 21,100 | 7,941 |
| Trade and other receivables | 25 | 20,226 | 14,360 |
| Short-term investments | 26 | 16,289 | 2,222 |
| Cash and cash equivalents | 26 | 24,985 | 10,207 |
| Total current assets | | 82,600 | 34,730 |
| **Total assets** | | 114,945 | 47,630 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the parent company** | | | |
| Share capital | 27 | 5,424 | 3,568 |
| Share premium account | 27 | 4,647 | 2,683 |
| Currency translation differences | | 35 | 0 |
| Invested unrestricted equity fund | | 14,219 | |
| Retained earnings | | 10,945 | 11,909 |
| Total | | 35,270 | 18,160 |
| **Minority interest** | | 4,290 | 2,154 |
| **Total equity** | | 39,560 | 20,314 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 23 | 1,452 | 309 |
| Loans from financial institutions | 29 | 14,142 | 8,837 |
| Convertible loan | 31 | 18,074 | 2,316 |
| Other non-current liabilities | 29 | 655 | 556 |
| Total non-current liabilities | | 34,323 | 12,018 |
| **Current liabilities** | | | |
| Interest-bearing liabilities | 29 | 17,782 | 1,896 |
| Trade payables and other non-interest-bearing liabilities | 30 | 23,280 | 13,402 |
| Total current liabilities | | 41,062 | 15,298 |
| **Total liabilities** | | 75,385 | 27,316 |
| **Total equity and liabilities** | | 114,945 | 47,630 |

# Consolidated cash flow statement

| (EUR 1,000) | Note | 2007 | 2006 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | | 8,299 | 5,476 |
| Adjustments to operating profit | | 2,188 | 1,209 |
| Change in net working capital | | 201 | 792 |
| Interest paid | | -1,585 | -408 |
| Dividends received | | 0 | 68 |
| Interest received | | 1,002 | 136 |
| Taxes | | -1,488 | -1,210 |
| **Net cash from operating activities** | | 8,618 | 6,062 |
| **Investments** | | | |
| Investments in tangible and intangible assets | | -2,883 | -3,161 |
| Proceeds from disposal of tangible and intangible assets | | 442 | 198 |
| Acquisition of subsidiaries, net of cash and cash equivalents | 6 | -8,749 | -1,626 |
| Disposal of business operations | 7 | 350 | 6,378 |
| **Net cash from (used in) investing activities** | | -10,840 | 1,788 |
| **Financing** | | | |
| Proceeds from issue of share capital | | 386 | 2,078 |
| Loans drawn | | 45,410 | 4,000 |
| Loans repaid | | -8,961 | -4,358 |
| Acquisition of own shares | | -2,051 | 0 |
| Disposal of own shares | | 656 | 0 |
| Dividends paid | | -4,373 | -2,094 |
| **Net cash from (used in) financing activities** | | 31,067 | -374 |
| Change in cash and cash equivalents | | 28,845 | 7,476 |
| Cash and cash equivalents at the beginning of the year | | 12,429 | 4,953 |
| Cash and cash equivalents at the end of the year | | 41,274 | 12,429 |

# Consolidated statement of changes in equity

| (EUR 1,000) | Share capital | Own shares | Share premium account | Invested unrestricted equity fund | Translation differences | Retained earnings | Minority interest | Total |
|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity as at 31/10/2005** | 3,291 | | 882 | | | 6,098 | 2,277 | 12,548 |
| Profit for the financial year | | | | | | 7,457 | 1,171 | 8,628 |
| Dividends paid | | | | | | -1,646 | -448 | -2,094 |
| Items recognised directly in equity | | | | | | | | |
| Disposal of business operations | | | | | | | | |
| Elimination of minority interest | | | | | | | -846 | -846 |
| Change in share capital | 277 | | 1,801 | | | | | 2,078 |
| **Shareholders' equity as at 31/10/2006** | 3,568 | | 2,683 | | | 11,909 | 2,154 | 20,314 |
| **Shareholders' equity as at 01/11/2006** | 3,568 | | 2,683 | | | 11,909 | 2,154 | 20,314 |
| Increase of share capital relating to conversions of convertible subordinated bonds | 587 | | 1,964 | 2,265 | | | | 4,816 |
| Equity component of convertible subordinated loan | | | | 860 | | | | 860 |
| Share-based incentive schemes | | | | 78 | | | | 78 |
| Profit for the financial year | | | | | | 4,295 | 1,638 | 5,933 |
| Dividends paid | | | | | | -3,865 | -508 | -4,373 |
| Share issue | 1,269 | | | 11,016 | | | | 12,285 |
| Acquisition of own shares | | -2,050 | | | | | | -2,050 |
| Disposal of own shares | | 656 | | | | | | 656 |
| Currency translation differences | | | | | 35 | | | 35 |
| Acquisitions of minority interests | | | | | | | 1,006 | 1,006 |
| **Shareholders' equity as at 31/10/2007** | 5,424 | -1,394 | 4,647 | 14,219 | 35 | 12,339 | 4,290 | 39,560 |

# Notes to the consolidated financial statements

## 1. BASIC COMPANY INFORMATION

Panostaja Oyj is a Finnish public limited company operating under Finnish law. The company's shares were quoted on the Brokers' List from 1989 to 1998 and on the Helsinki Stock Exchange I List from 1998 to 2006. Since the list was reformed on 2nd October 2006, the company's shares have been quoted on the OMX Nordic Exchange in Helsinki. The company's registered office is in Tampere and the headquarters address is Postitorvenkatu 16, FI-33840 Tampere, Finland.

Panostaja Oyj is a multi-sector holding company. The company invests in Finnish small and medium-sized enterprises operating in traditional industries primarily through acquisitions. At present, Panostaja Group operates in twelve business areas. Panostaja Group's main market area is Finland.

Panostaja Oyj's Board of Directors approved publication of these consolidated financial statements on 11th December 2007.

## 2. ACCOUNTING POLICIES

### Basis of preparation

Panostaja's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared on the historical cost basis of accounting, with the exception of financial assets and liabilities, which are recognised at fair value through profit or loss. In terms of business combinations carried out prior to 1st November 2004, goodwill is equivalent to its carrying amount under previous GAAP, which has been used as its deemed cost under IFRS. The classification or treatment of these acquisitions has not been adjusted in the financial statements when preparing the opening IFRS balance sheet.

Preparation of financial statements in accordance with IFRS requires the Group's management to make certain estimates and to use their discretion when applying accounting policies. For information on discretion used by management when applying the accounting policies adopted by the Group for preparing financial statements, with major impact on amounts presented in the financial statements, please refer to the Note entitled Accounting policies requiring management discretion and key sources of estimation uncertainty.

### Subsidiaries

Subsidiaries are companies in which the Group has a controlling interest. A controlling interest exists when the Group holds more than half of the voting rights or has otherwise obtained control. Intra-group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group obtained control, and disposed subsidiaries up to the time when control ceases. Any intra-group transactions, receivables, liabilities and profits are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated where such losses are due to impairment. The distribution of profit or loss for the financial year attributable to equity holders of the parent company and to minority interest is presented as part of the income statement and minority interest in equity is included in the balance sheet as a separate item under equity.

### Associated companies

Associated companies (associates) are companies over which the Group holds considerable influence. Considerable influence is established when the Group holds more than 20% of a company's voting rights or can otherwise exercise considerable influence, but not control, over the company. Associated companies have been included in the consolidated financial statements using the equity method.

### Segment reporting

A business segment provides products or services which are subject to risks and returns that are different from those of other business segments. The Group's primary reporting segments are business segments. The Group does not have a secondary reporting segment.

### Financial derivatives

Some of the Group's subsidiaries use derivative instruments to hedge interest rate risks. As their volume has been estimated to be insignificant, the Group does not apply hedge accounting under IAS 39 to them.

### Foreign currency items

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company. Any transactions in foreign currencies are translated into the functional currency using the exchange rate valid on the date of the transaction. Monetary assets and liabilities are translated using the closing rate on the balance sheet date. Any exchange differences arising from the translation are reflected in the income statement. Foreign exchange gains and losses on operating activities are included in equivalent items above operating profit.

Any translation differences arising from investment in a foreign operation are recognised in equity. On disposal of all or part of a foreign operation, the cumulative translation differences are transferred from equity to the income statement as part of the gain or loss on disposal.

### Net turnover and recognition principles

Revenue is recognised at the fair value of consideration received or receivable, usually on the date of delivery. In terms of long-term projects, the company complies with the recognition rules for construction contracts. Revenue and expenses associated with a construction contract are recognised according to the stage of completion of the contract. The stage of completion is determined on the basis of the proportion of contract costs incurred by the balance sheet date to the estimated total contract costs.

Items such as indirect taxes and discounts are deducted from sales when calculating net turnover.

### Pension obligations

The Group's pension schemes are classified as being defined contribution plans. Contributions made to defined contribution plans are recognised as expenses in the income statement for the period to which they relate.

### Provisions

Provisions are recorded when the company has a legal or constructive present obligation as a result of a past event, when it is probable that the obligation will have to be settled and when a reliable estimate can be made of the amount of the obligation. The amount to be recognised as a provision is equivalent to the best estimate of the expenditure required to settle the present obligation on the balance sheet date. The Group does not have any provisions.

### Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Transaction expenses directly attributable to acquisition of a specific loan are included in other non-current liabilities as a reduction in the cost of the loan and spread over the effective life of the loan as interest expenses.

### Income taxes

Items recognised as taxes in the consolidated income statement include current taxes based on Group companies' profit or loss for the financial year, as well as adjustments to taxes for previous periods and changes in deferred taxes.

Deferred tax assets and liabilities are recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts using the liability method. Deferred tax is recorded using the tax rates effective on the balance sheet date.

Principal temporary differences arise from fixed assets, appropriations and unused tax losses. A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilised. Deferred taxes are not recognised for goodwill, which is not deductible for tax purposes.

### Non-current assets held for sale and discontinued operations

Non-current assets held for sale are included in property, plant and equipment and in interests in associates (investment properties). These are measured at the lower of book value and fair value less costs to sell.

Gains or losses on disposal of discontinued operations are presented as a separate item in the income statement.

### Intangible assets

#### Goodwill

Goodwill arising on acquisitions made on or after 1st November 2004 is equivalent to any excess of the acquisition cost over the Group's interest in the fair value of the net assets of the acquired company at the time of acquisition. Goodwill arising on acquisitions made prior to 1st November 2004 is equivalent to its carrying amount under previous GAAP on the transition date. This amount has been used as the deemed cost of goodwill on the date of transition to IFRS.

Goodwill is tested for impairment annually and measured at cost less any impairment losses. For the purposes of impairment testing, goodwill has been allocated to cash-generating units.

IFRS 3 provides for two options to account for additional acquisitions subsequent to the acquisition of a controlling interest in a company and any resulting goodwill. The company has chosen the economic entity model, where the difference between the cost and carrying amount of minority interest is recognised by reducing equity.

### Research and development costs

Research costs are recognised as an expense in the income statement for the period in which they are incurred. Development costs are capitalised when the company is capable of verifying the technical feasibility and commercial applications of the product being developed and when its cost can be measured reliably. Other development costs are recognised as an expense. The nature of the company's current development work has been such that it has not satisfied the capitalisation criteria and, consequently, development costs are recognised as an expense when incurred.

### Other intangible assets

Any intangible assets with finite useful lives are included in the balance sheet and recognised in the income statement as an expense on a straight-line basis over the course of their useful lives.

Amortisation periods for intangible assets:

| | |
|---|---|
| Intangible rights | 3 years |
| Other capitalised long-term expenditure | 5–10 years |

### Property, plant and equipment

Property, plant and equipment (tangible assets) are measured at historical cost less any depreciation and impairment losses. Assets are depreciated on a straight-line basis during their estimated useful lives. Land is not depreciated.

Estimated useful lives are as follows:

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

### Investment properties

Investment properties include investments in properties held to earn rent or for capital appreciation or both. Investment properties are treated as long-term investments and measured at historical cost. Depreciation is calculated on a straight-line basis and carrying amounts are adjusted for any impairment losses. Useful lives are the same as those determined for property, plant and equipment.

### Leases

Any leases where the lessor receives substantially all the risks and rewards arising from ownership are classified as operating leases. Those leases where the lessee receives substantially all the risks and rewards arising from ownership are classified as finance leases. The Group has several leases classified as operating leases and the rents payable on the basis of these are recognised as an expense in the income statement on a straight-line basis over the lease term.

### Impairment

The carrying amounts of assets are tested on the balance sheet date for indications of any possible impairment. If such indications are identified, an estimate will be determined of the recoverable amount of the asset concerned. An impairment loss is recognised if the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses for a cash-generating unit are first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit on a pro-rata basis.

The recoverable amounts of intangible and tangible assets are determined at the higher of fair value less costs to sell and value in use. When determining value in use, estimated future cash flows are discounted to their present value based on discount rates that reflect the average pre-tax cost of capital of the cash-generating unit concerned. The discount rates applied are determined before taxes and also account for special risks associated with the cash-generating units concerned.

Impairment losses relating to property, plant and equipment and to intangible assets, other than goodwill, are reversed if there has been a change in the estimates used to determine the recoverable amount of an asset. An impairment loss is reversed no more than up to the carrying amount that would have been determined for the asset (net of amortisation or depreciation) had no impairment loss been recognised in previous years. An impairment loss recognised for goodwill is not reversed.

### Stocks

Stocks are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The value of stocks is determined using the FIFO formula and includes all direct costs incurred in acquisition of the stocks and any other indirectly attributable costs. The cost of produced items of stock includes a proportion of production overheads as well as the costs of materials, direct labour and other direct costs, but excludes selling and financing costs. An allowance has been made for obsolescent items of stock.

### Trade and other receivables

Trade and other receivables are initially measured at cost. If there is sound evidence that the Group will not be able to recover a specific receivable on its original terms, the amount in doubt is recognised as a credit loss in the income statement.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank demand deposits and other short-term, highly liquid investments (shares in bond funds).

## 3. FINANCIAL RISK MANAGEMENT

### 1) Financial risks

The objective of the Group's risk management is to minimise any adverse effects of fluctuations in the financial market on the Group's results. Primary financial risks include exchange rate risks, credit risks, liquidity risks and interest rate risks.

### Exchange rate risks

The Group mainly operates within the euro area and therefore only has limited exposure to exchange rate risks arising from variations in exchange rates.

### Credit risks

Group companies verify their customers' creditworthiness when establishing customer relationships. In order to minimise credit risks, they aim to obtain sufficient security where a customer's credit rating so requires. The Group has long-standing and established business relations with its key customers and there have been no significant credit losses on trade receivable accounts. The Group does not have any significant concentrations of credit risk.

### Liquidity risks

The Group estimates and monitors the amount of financing required for business operations on a continuous basis, in order to ensure sufficient liquid assets to finance operations and make loan repayments. The Group strives to safeguard the availability and flexibility of its financial resources through adequate credit lines and by using several sources and forms of financing.

### Interest rate risks

The Group's income and operating cash flows are mostly independent of variations in market interest rates. The Group's interest rate risks mainly consist of loans, which have been diversified into variable and fixed-rate loans.

### 2) Derivative instruments and hedging

Some of the Group's subsidiaries use derivative instruments to hedge interest rate risks.

### 3) Determining fair values

The balance sheet values of financial assets and liabilities are considered to correspond to fair values in all material respects.

## 4. ACCOUNTING POLICIES REQUIRING MANAGEMENT DISCRETION AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The estimates and discretion used are based on prior experience and other factors, such as assumptions about future events. Such estimates and discretion are revised on a regular basis. The following sections describe key areas where estimates and discretion have been used.

### Cost allocation

IFRS 3 requires an acquirer to recognise an intangible asset separately from goodwill if the asset satisfies the recognition criteria. Recognising an intangible right at fair value requires the company's management to make estimates on future cash flows. As far as possible, the management has used available market values as the basis for cost allocation when determining fair values. Where this is not possible, which is typical of intangible assets in particular, measurement is based on the asset's historical returns and intended use in future operations. Measurements are based on discounted cash flows and estimated net realisable values or replacement costs and require the management to make estimates and assumptions on the future use of assets and their effects on the company's financial position. Changes of focus and alignment in the company's business operations may result in changes to initial measurements in the future (Note No. 18).

### Impairment testing

The Group tests goodwill and assets with infinite useful lives annually for impairment. The recoverable amounts determined for cash-generating units are based on value in use calculations. Preparation of such calculations requires estimates to be made. Even though the management considers the assumptions used to be appropriate, the estimated recoverable amounts may differ materially from actual future amounts (Note No. 18).

### Revenue recognition

The Group uses the percentage of completion method to recognise revenue and expenses associated with construction contracts. The percentage of completion method is based on estimates of a contract's expected revenue and costs as well as on determining its stage of completion. The amounts of revenue and profit originally recognised may be subject to change upon subsequent revision of estimates of total contract costs and revenue. The cumulative effects of revised estimates are recognised in the period when a change becomes likely and can be estimated reliably.

### Measurement of stocks

One management principle is to recognise an impairment loss for slow-moving and obsolescent items of stock, based on the management's best estimate of the quantity of any possible unusable stocks held on the balance-sheet date. The management bases its estimates on systematic and continuous monitoring and assessment.

## 5. SEGMENT INFORMATION

The Group's primary reporting segments are business segments. A business segment provides products and services which are subject to risks and returns that are different from those of other business segments. For the last financial year, the Group is reporting on five business segments. The Group does not have a secondary reporting segment.

### Business segments

**Industrial services:** Segment revenue is mostly generated by selling various metal industry services and products to corporate clients. In addition, the segment provides logistics and repair services.
**Joinery industry:** Segment revenue is mostly generated by manufacturing joinery industry products.
**Industrial construction:** Segment revenue is mostly generated by providing various services for the construction and processing industries.
**Wholesale trade:** Segment revenue is mostly generated by selling and importing products.
**Other business operations:** Items reported under this segment include the Group's other business operations, unallocated items and intra-group eliminations. Other business operations include the business of Tampereen Laatukoneistus Oy, which will be transferred into Takoma Group at the beginning of the new financial year. Panostaja Group will report on Takoma Group as a separate mechanical engineering business segment for the financial year starting 1st November 2007.

**Business segments 2007**

| (EUR 1,000) | Industrial services | Joinery industry | Industrial construction | Wholesale trade | Other | Group total |
|---|---|---|---|---|---|---|
| Total net turnover | 15,336 | 9,471 | 21,629 | 29,696 | 14,875 | 91,007 |
| Internal net turnover | -85 | | | | -159 | -244 |
| External net turnover | 15,251 | 9,471 | 21,629 | 29,696 | 14,716 | 90,763 |
| | | | | | | |
| Operating profit/loss | 1,678 | 615 | 5,209 | 1,497 | -700 | 8,299 |
| | | | | | | |
| Assets | 10,596 | 6,407 | 12,399 | 36,476 | 49,067 | 114,945 |
| Liabilities | 7,044 | 3,278 | 5,403 | 12,395 | 45,813 | 73,933 |
| Investments | 3,490 | 136 | 1,457 | 7,913 | 8,932 | 21,928 |
| Depreciation and amortisation | 349 | 504 | 527 | 224 | 506 | 2,110 |
| Employees | 144 | 82 | 161 | 133 | 199 | 719 |

**Business segments 2006**

| (EUR 1,000) | Industrial services | Joinery industry | Industrial construction | Wholesale trade | Other | Group total |
|---|---|---|---|---|---|---|
| Total net turnover | 8,521 | 10,583 | 19,684 | 12,560 | 6,554 | 57,902 |
| Internal net turnover | -7 | 0 | 0 | 0 | -140 | -147 |
| External net turnover | 8,514 | 10,583 | 19,684 | 12,560 | 6,414 | 57,755 |
| Operating profit/loss | 463 | 114 | 4,409 | 240 | 249 | 5,475 |
| Assets | 5,956 | 7,901 | 11,314 | 7,006 | 15,453 | 47,630 |
| Liabilities | 3,266 | 8,260 | 6,768 | 6,072 | 2,641 | 27,007 |
| Investments | 606 | 1,155 | 1,189 | 217 | 1,623 | 4,790 |
| Depreciation and amortisation | 116 | 480 | 265 | 169 | 179 | 1,209 |
| Employees | 84 | 92 | 156 | 31 | 62 | 426 |

## 6. ACQUIRED BUSINESSES

### Acquisitions in the 2006/2007 period

In April, Panostaja Oyj's subsidiary KL-Parts Oy purchased the entire share capital of the KL-Varaosat group of companies. The purchase price paid for the KL-Varaosat companies was about EUR 5.1 million and 300,000 Panostaja Oyj new Class B shares. The total purchase price amounted to around EUR 5.5 million. In addition, the seller has an opportunity to receive an additional payment up to a maximum value of about EUR 1.4 million within one year.

The principal shareholders in Panostaja Oyj and in Suomen Helasto Oyj carried out a share exchange, whereby Panostaja acquired 68.77% of the share capital and the voting power in Suomen Helasto. As part of the private placement, the principal shareholders in Suomen Helasto received 7,450,933 new Panostaja Class B shares.

As a result of the share exchange, Panostaja incurred an obligation under the Securities Markets Act to launch a takeover bid to other Suomen Helasto shareholders. As part of the takeover bid, Panostaja offered an exchange of shares, where six Suomen Helasto shares were exchanged for five Panostaja B shares. As an alternative to the share exchange, Panostaja offered a full cash consideration to the value of EUR 1.27 per share. The closing prices for Panostaja's B share and Suomen Helasto's share on 29th May 2007 were EUR 1.52 and EUR 1.19 respectively. The takeover bid was valid from 3rd July 2007 until 6th August 2007, during which time shareholders in Suomen Helasto had the opportunity to accept the takeover bid.

Upon completion of the takeover bid on 6th August 2007, Panostaja had acquired ownership of 12,404,692 shares in Suomen Helasto, which represent approximately 95.41% of shares issued by Suomen Helasto and votes carried by them. As part of the related share issue, Panostaja offered shareholders in Suomen Helasto 2,829,175 Class B shares for subscription at a nominal price of EUR 0.12 each.

In June, Panostaja acquired the entire share capital in Lahden Lämpökäsittely Oy and Heatmasters Oy, companies specialising in heat treatment services and related technological development. The total purchase price for the companies amounted to about EUR 3.1 million. In addition, the sellers have an opportunity to receive a conditional additional payment up to a maximum value of about EUR 1.3 million, payable within one year of the transaction date.

In addition, Panostaja acquired the entire share capital in Tampereen Laatukoneistus Oy, a company specialising in manufacturing hydraulic cylinders. The total purchase price for the company amounted to about EUR 3.2 million. In addition, the sellers have an opportunity to receive a conditional additional payment up to a maximum value of about EUR 1.0 million, payable by the end of the year.

The balance sheets of the KL-Varaosat companies have been consolidated for the first time within the Group's interim report for the six months to 30th April 2007, while their income statements have been consolidated as from 1st May 2007. Suomen Helasto Group, Lahden Lämpökäsittely Oy, Heatmasters Oy and Tampereen Laatukoneistus Oy have been consolidated into the Group's financial statements as from 1st May 2007 in terms of both balance sheets and income statements.

If the acquired companies had been consolidated at the beginning of the 2005/2006 period, the Group's net turnover and profit for the financial year would have amounted to approximately EUR 116.8 million and EUR 10.7 million respectively.

The conditional additional payments involved in the acquisitions of the KL-Varaosat companies, Lahden Lämpökäsittely Oy, Heatmasters Oy and Tampereen Laatukoneistus Oy have been estimated in accordance with the most likely scenario.

The IFRS 3-compliant purchase price allocations for business acquisitions made during the financial year are preliminary.

Acquisitions made during the financial year were allocated to business segments as follows:

- The KL-Varaosat companies were incorporated into the Wholesale Trade segment.
- Suomen Helasto Group's Fittings segment and Fastenings segment were incorporated into the Wholesale Trade segment.
- Suomen Helasto Group's Locking and Security segment and Group Functions were incorporated into the Other segment.
- Lahden Lämpökäsittely Oy and Heatmasters Oy were incorporated into the Industrial Services segment.
- Tampereen Laatukoneistus Oy was incorporated into the Other segment.

| **Acquisition of the KL-Varaosat companies** Analysis of net assets acquired (EUR 1,000) | IFRS Fair values recognised in consolidation | FAS Carrying amounts prior to consolidation |
|---|---|---|
| Intangible assets | 0 | 0 |
| Property, plant and equipment | 46 | 46 |
| Stocks | 1,686 | 1,366 |
| Receivables | 608 | 510 |
| Cash and cash equivalents | 3,358 | 3,358 |
| Liabilities | -948 | -839 |
| **Net assets acquired** | 4,750 | 4,441 |

| Composition of cost (EUR 1,000) | |
|---|---|
| Paid in cash | 5,076 |
| Paid in shares | 386 |
| Conditional additional purchase price | 1,374 |
| Expenses directly attributable to acquisitions | 117 |
| Total cost | 6,953 |
| Fair values of net assets acquired | 4,750 |
| **Goodwill** | 2,203 |
| | |
| Cash considerations | -5,579 |
| Cash and cash equivalents in acquired subsidiaries | 3,358 |
| **Cash flow effect** | -2,221 |

| **Acquisitions of Lahden Lämpökäsittely Oy and Heatmasters Oy** Analysis of net assets acquired (EUR 1,000) | IFRS Fair values recognised in consolidation | FAS Carrying amounts prior to consolidation |
|---|---|---|
| Intangible assets | 191 | 191 |
| Property, plant and equipment | 2,758 | 2,082 |
| Stocks | 378 | 344 |
| Receivables | 2,251 | 2,251 |
| Cash and cash equivalents | 588 | 588 |
| Liabilities | -1,959 | -1,774 |
| **Net assets acquired** | 4,207 | 3,682 |

| Composition of cost (EUR 1,000) | |
|---|---|
| Paid in cash | 3,737 |
| Conditional additional purchase price | 660 |
| Expenses directly attributable to acquisitions | 95 |
| Total cost | 4,492 |
| Fair values of net assets acquired | 4,207 |
| **Goodwill** | 285 |
| | |
| Cash considerations | -3,832 |
| Cash and cash equivalents in acquired subsidiaries | 588 |
| **Cash flow effect** | -3,244 |

| **Acquisition of Tampereen Laatukoneistus Oy** Analysis of net assets acquired (EUR 1,000) | IFRS Fair values recognised in consolidation | FAS Carrying amounts prior to consolidation |
|---|---|---|
| Intangible assets | 8 | 8 |
| Property, plant and equipment | 3,030 | 626 |
| Stocks | 1,751 | 1,436 |
| Receivables | 1,134 | 1,134 |
| Cash and cash equivalents | 64 | 64 |
| Liabilities | -2,225 | -1,518 |
| **Net assets acquired** | 3,762 | 1,750 |

| Composition of cost (EUR 1,000) | |
|---|---|
| Paid in cash | 3,225 |
| Conditional additional purchase price | 975 |
| Expenses directly attributable to acquisitions | 75 |
| Total cost | 4,275 |
| Fair values of net assets acquired | 3,762 |
| **Goodwill** | 513 |
| | |
| Cash considerations | -3,300 |
| Cash and cash equivalents in acquired subsidiaries | 64 |
| **Cash flow effect** | -3,236 |

| Acquisition of Suomen Helasto Oyj<br>Analysis of net assets acquired (EUR 1,000) | IFRS Fair values recognised in consolidation | FAS Carrying amounts prior to consolidation |
|---|---|---|
| Intangible assets | 20 | 20 |
| Property, plant and equipment | 2,212 | 1,413 |
| Stocks | 8,035 | 7,384 |
| Receivables | 4,034 | 4,034 |
| Cash and cash equivalents | 197 | 197 |
| Liabilities | -10,216 | -9,839 |
| **Net assets acquired** | 4,282 | 3,209 |

| Composition of cost (EUR 1,000) | |
|---|---|
| Paid in cash | 86 |
| Paid in shares | 16,135 |
| Conditional additional purchase price | 0 |
| Expenses directly attributable to acquisitions | 159 |
| Total cost | 16,380 |
| Fair values of net assets acquired | 4,282 |
| Transfer of cost from invested unrestricted equity fund | -4,235 |
| **Goodwill** | 7,863 |
| | |
| Cash considerations | -245 |
| Cash and cash equivalents in acquired subsidiaries | 197 |
| **Cash flow effect** | -48 |
| | |
| **Total cash flow effect of acquired businesses** | -8,749 |

The IFRS 3-compliant purchase price allocations for business acquisitions made during the financial year are preliminary.

## 7. DISPOSALS OF SUBSIDIARIES AND BUSINESSES

Panostaja Oyj sold its shares in Pajakulma Oy (70.06% of share capital) to Raskone Oy on 31st October 2006. The sale was reported as part of the financial statements for the year ended 31st October 2006. An additional conditional payment of EUR 350,000 from the disposal of Pajakulma Oy was recorded for the 2006/2007 period.

## 8. CONSTRUCTION CONTRACTS

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Actual contract costs incurred | 10,050 | 5,025 |
| Recognised profits | 5,250 | 2,445 |
| | 15,300 | 7,470 |
| | | |
| Progress billings | 15,015 | 4,761 |
| Gross amount due from customers presented in accrued income | 285 | 2,709 |
| | 15,300 | 7,470 |
| | | |
| Gross amount due to customers presented in advances received | 744 | 1,323 |

## 9. OTHER OPERATING INCOME

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Proceeds on disposal of tangible assets | 442 | 61 |
| Rental income | 37 | 1 |
| Insurance indemnities | 19 | 1 |
| Other income | 223 | 709 |
| **Total** | 721 | 772 |

## 10. SHARE OF PROFIT OF ASSOCIATES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| | 0 | 86 |

Information on associated companies is presented in Note No. 22, *Investments in associates*.

## 11. STAFF EXPENSES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Wages and salaries | 18,354 | 12,555 |
| Pension expenses – defined contribution plans | 3,287 | 2,179 |
| Other social security expenses | 1,387 | 807 |
| **Total** | 23,028 | 15,541 |

The Group has pension schemes classified as being defined contribution plans, where contributions are recognised in the income statement for the period to which they relate.

Information on employee benefits for key management personnel is presented in Note No. 35, *Related party transactions*.

The Group's average number of employees during the financial year was 571 (526). The payroll at year-end included 719 employees.

## 12. DEPRECIATION AND AMORTISATION

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Depreciation/amortisation by class of assets: | | |
| Property, plant and equipment | | |
| Buildings | 369 | 285 |
| Machinery and equipment | 1,533 | 822 |
| Other tangible assets | 7 | 16 |
| Intangible assets | | |
| Intangible rights | 72 | 6 |
| Other capitalised long-term expenditure | 129 | 80 |
| **Total** | 2,110 | 1,209 |

## 13. OTHER OPERATING EXPENSES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Loss on sales of tangible and intangible assets | 52 | 0 |
| Rental expenses | 2,523 | 1,900 |
| Administrative expenses | 2,033 | 1,638 |
| Marketing and promotional expenses | 985 | 569 |
| Other items of expense | 6,184 | 5,341 |
| **Total** | 11,777 | 9,448 |

## 14. FINANCIAL INCOME

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Dividend income | 5 | 0 |
| Interest income | 749 | 0 |
| Foreign exchange gains | 15 | 0 |
| Other financial income | 233 | 172 |
| **Total** | 1,002 | 172 |

## 15. FINANCIAL EXPENSES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Interest expenses | 1,656 | 598 |
| Foreign exchange losses | 14 | 0 |
| Other financial expenses | 147 | 114 |
| **Total** | 1,817 | 712 |

**Foreign exchange gains and losses included in the financial statements**

| | | |
|---|---|---|
| Net turnover | 15 | 0 |
| Expenses | -4 | 0 |
| Financial items | -10 | 0 |
| | 1 | 0 |

## 16. INCOME TAXES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Direct taxes | 2,840 | 1,475 |
| Deferred taxes | -939 | -265 |
| **Income taxes, total** | 1,901 | 1,210 |

Reconciliation between tax expense in the income statement and taxes calculated at domestic corporate tax rate (26% in 2006 and 2007):

| | | |
|---|---|---|
| Profit before taxes | 7,484 | 4,936 |
| Income tax on consolidated pre-tax profit at Finnish tax rate | 1,946 | 1,283 |
| Net effect of tax-exempt income and non-deductible expenses | 45 | 73 |
| **Taxes in the income statement** | 1,901 | 1,210 |

## 17. EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing the profit for the period attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period. For the purpose of calculating diluted earnings per share, the parent company's convertible loan and share issue have been taken into account as dilutive effects. In terms of the convertible loan, bonds have been deemed to be convertible as from the date of entry in the Trade Register. Profit for the period has been adjusted for interest expenses of the convertible loan less tax effects.

| | 2007 | 2006 |
|---|---|---|
| Profit for the financial year attributable to equity holders of the parent company, EUR 1,000 | 4,295 | 7,457 |
| Number of shares at year-end | 45,201 | 29,735 |
| of which held by the company | 817 | 0 |
| Weighted average number of shares outstanding, 1,000 | 35,782 | 27,839 |
| Weighted average number of shares outstanding, diluted | 46,782 | 31,224 |
| EPS on continuing operations | | |
| Basic | 0.110 | 0.092 |
| Diluted | 0.096 | 0.085 |
| EPS on discontinued operations | | |
| Basic | 0.010 | 0.176 |
| Diluted | 0.007 | 0.157 |
| EPS on continuing and discontinued operations | | |
| Basic | 0.120 | 0.268 |
| Diluted | 0.104 | 0.242 |

## 18. INTANGIBLE ASSETS

| (EUR 1,000) | Goodwill | Intangible rights | Other capitalised long-term expenditure | Total |
|---|---|---|---|---|
| Acquisition cost 01/11/2006 | 2,453 | 48 | 1,099 | 3,600 |
| Additions | | 139 | 82 | 221 |
| Business combinations | 10,863 | 46 | 174 | 11,083 |
| Disposals | | -14 | 0 | -14 |
| Acquisition cost 31/10/2007 | 13,316 | 213 | 1,355 | 14,884 |
| | | | | |
| Accumulated amortisation and impairment 01/11/2006 | -477 | -33 | -880 | -1,390 |
| Amortisation and impairment for the period | 0 | -72 | -129 | -201 |
| Accumulated amortisation and impairment 31/10/2007 | -477 | -99 | -1,009 | -1,585 |
| | | | | |
| **Book value 31/10/2007** | 12,839 | 114 | 346 | 13,299 |
| | | | | |
| Acquisition cost 01/11/2005 | 1,480 | 38 | 1,070 | 2,588 |
| Additions | 1,448 | 10 | 149 | 1,607 |
| Disposals | -475 | | -120 | -595 |
| Transfers between items | | | | |
| Acquisition cost 31/10/2006 | 2,453 | 48 | 1,099 | 3,600 |
| | | | | |
| Accumulated amortisation and impairment 01/11/2005 | -477 | -27 | -800 | -1,304 |
| Amortisation and impairment for the period | 0 | -6 | -80 | -86 |
| Accumulated amortisation and impairment 31/10/2006 | -477 | -33 | -880 | -1,390 |
| | | | | |
| **Book value 31/10/2006** | 1,976 | 15 | 219 | 2,210 |

### Impairment testing of goodwill

Goodwill has been allocated to the following cash-generating units (or groups of such units):

| **EUR million** | **2007** | **2006** |
|---|---|---|
| Alfa-Kem (other business operations segment) | 1.4 | 1.4 |
| Vallog (industrial services segment) | 0.5 | 0.5 |
| Heatmasters Group (industrial services segment) | 0.3 | |
| KL-Varaosat (wholesale trade segment) | 2.2 | |
| Suomen Helasto (wholesale trade and other business operations segments) | 7.9 | |
| Tampereen Laatukoneistus (other business operations segment) | 0.5 | |
| **Total** | 12.8 | 1.9 |

For the purposes of impairment testing, the recoverable amounts of business operations are determined by means of value in use. Cash flow projections are based on the Group management's views on the outlook for the next three years. Cash flows for years subsequent to the forecasting period have been extrapolated using a 2% growth assumption.

The key variables used when calculating value in use are budgeted net turnover and budgeted operating profit. Operating profit also encompasses any cost savings and other benefits from restructuring measures already implemented or committed to. These restructuring measures do not involve any significant future cash outflows subsequent to the period.

The pre-tax discount rates used in calculations are as follows:
10.4% for Alfa-Kem, 10.4% for Vallog, 10.3% for Heatmasters Group, 10.4% for KL-Varaosat, 10.2% for Suomen Helasto and 10.4% for Tampereen Laatukoneistus.

According to the test, the value in use for all tested units exceeds their carrying amounts. Moreover, any conceivable changes in key assumptions used in calculations would not result in a situation where the carrying amounts of the assets would exceed their recoverable amounts.

## 19. PROPERTY, PLANT AND EQUIPMENT

| (EUR 1,000) | Land | Buildings | Machinery and equipment | Other tangible assets | Pre-payments, fixed assets | Total |
|---|---|---|---|---|---|---|
| Acquisition cost 01/11/2006 | 633 | 9,475 | 12,204 | 334 | 0 | 22,646 |
| Additions | 5 | 4 | 2,476 | 7 | 92 | 2,814 |
| Business combinations | 469 | 4,143 | 3,431 | 3 | | 7,816 |
| Disposals | -179 | | -369 | | | -548 |
| Acquisition cost 31/10/2007 | 928 | 13,622 | 17,742 | 344 | 92 | 32,728 |
| | | | | | | |
| Accumulated depreciation and impairment 01/11/2006 | | -4,943 | -7,833 | -217 | 0 | -12,993 |
| Depreciation for the period | | -369 | -1,533 | -7 | 0 | -1,909 |
| Accumulated depreciation and impairment 31/10/2007 | | -5,312 | -9,366 | -224 | 0 | -14,902 |
| | | | | | | |
| **Book value 31/10/2007** | 928 | 8,310 | 8,376 | 120 | 92 | 17,826 |
| | | | | | | |
| Acquisition cost 01/11/2005 | 693 | 10,022 | 10,025 | 246 | 0 | 20,986 |
| Additions | | 553 | 2,540 | 90 | 0 | 3,183 |
| Disposals | -60 | -1,100 | -361 | -2 | 0 | -1,523 |
| Acquisition cost 31/10/2006 | 633 | 9,475 | 12,204 | 334 | 0 | 22,646 |
| | | | | | | |
| Accumulated depreciation and impairment 01/11/2005 | | -4,658 | -7,011 | -201 | 0 | -11,870 |
| Accumulated depreciation of disposals and transfers | | | | | | |
| Depreciation for the period | | -285 | -822 | -16 | 0 | -1,123 |
| Accumulated depreciation and impairment 31/10/2006 | | -4,943 | -7,833 | -217 | 0 | -12,993 |
| | | | | | | |
| **Book value 31/10/2006** | 633 | 4,532 | 4,371 | 117 | 0 | 9,654 |

## 20. INVESTMENT PROPERTIES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Acquisition cost 01/11 | 3,401 | 3,401 |
| Additions/Disposals | 0 | 0 |
| Acquisition cost 31/10 | 3,401 | 3,401 |
| | | |
| Accumulated depreciation 01/11 | 1,342 | 1,297 |
| Depreciation | 139 | 45 |
| Accumulated depreciation 31/10 | 1,481 | 1,342 |
| | | |
| Book value 01/11 | 2,059 | 2,104 |
| Book value 31/10 | 1,920 | 2,059 |

Panostaja Group's investment properties are Tampereen Portti Oy, an associated company owned equally by Panostaja Oyj and YIT Corporation, and Kiinteistö Oy Lakalaivan Teollisuustalo I, a subsidiary wholly owned by Panostaja Oyj.

Investment properties are measured applying the cost model. The fair values of investment properties are based on estimates given by external parties. The fair value of investment properties as at 31st October 2007 amounted to EUR 4.01 million. Investment properties are not presented in the consolidated balance sheet separately, because the associated company Tampereen Portti Oy and Kiinteistö Oy Lakalaivan Teollisuustalo I are included under share of profit of associates and under property, plant and equipment respectively.

| Amounts included in the income statement | | |
|---|---|---|
| Rental income | 276 | 274 |
| Direct operating expenses | -112 | -99 |

There are no contractual obligations relating to future repairs.

## 21. INVESTMENTS IN ASSOCIATES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Book value 01/11 | 894 | 1,597 |
| Additions | 90 | 7 |
| Disposals | -9 | -710 |
| **Book value 31/10** | 975 | 894 |

| Associated company as at 31/10/2007 | Registered office | Holding | Book value | Assets | Liabilities | Net turnover | Loss |
|---|---|---|---|---|---|---|---|
| Tampereen Portti Oy | Tampere | 50,0% | 717 | 1,626 | 66 | 1 | -5 |

The figures are presented according to Tampereen Portti Oy's balance sheet date at 31st December 2006.
Tampereen Portti Oy is classified both as an associate and as an investment property in Panostaja's consolidated financial statements.

## 22. OTHER NON-CURRENT ASSETS

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Other non-current assets | 231 | 127 |

Other non-current assets (such as shares in housing companies and connection charges) are presented at cost, because reliable estimates of their fair values are not available.

## 23. DEFERRED TAX ASSETS AND LIABILITIES

| **Changes in deferred taxes during the 2006/2007 period** (EUR 1,000) | 01/11/2006 | Included in income | Acquired businesses | 31/10/2007 |
|---|---|---|---|---|
| Deferred tax assets: | | | | |
| Property, plant and equipment | 102 | 0 | 0 | 102 |
| Internal profit/loss on stocks | 0 | 0 | 0 | 0 |
| Losses verified in taxation | 527 | 0 | 0 | 527 |
| Other temporary differences | 0 | 623 | 0 | 623 |
| **Total** | 629 | 623 | 0 | 1,252 |
| | | | | |
| Deferred tax liabilities: | | | | |
| Property, plant and equipment | 40 | 0 | 1,051 | 1,091 |
| Other temporary differences | 269 | 92 | | 361 |
| **Total** | 309 | 92 | 1,051 | 1,452 |

| **Changes in deferred taxes during the 2005/2006 period** (EUR 1,000) | 01/11/2005 | Included in income | 31/10/2006 |
|---|---|---|---|
| Deferred tax assets: | | | |
| Property, plant and equipment | 0 | 102 | 102 |
| Internal profit/loss on stocks | 0 | 0 | 0 |
| Losses verified in taxation | 166 | 0 | 166 |
| Other temporary differences | 0 | 361 | 361 |
| **Total** | 166 | 463 | 629 |
| | | | |
| Deferred tax liabilities: | | | |
| Property, plant and equipment | 40 | 0 | 40 |
| Other temporary differences | 71 | 198 | 269 |
| **Total** | 111 | 198 | 309 |

## 24. STOCKS

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Raw materials and consumables | 10161 | 1029 |
| Work in progress | 2146 | 1058 |
| Finished goods and goods for resale | 8,613 | 5,812 |
| Other stocks | 5 | 5 |
| Prepayments | 175 | 37 |
| **Total** | 21,100 | 7,941 |

## 25. TRADE AND OTHER RECEIVABLES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Trade receivables | 14,919 | 10,067 |
| Loans receivable | 116 | 60 |
| Accrued income | 3,053 | 4,027 |
| Other receivables | 2,138 | 206 |
| **Total** | 20,226 | 14,360 |
| | | |
| **Material items included in accrued income** | | |
| Wages, salaries and social security contributions | 65 | 224 |
| Deferred tax assets | 1,252 | 629 |
| Annual discounts | 836 | 277 |
| Advances received | 116 | 2,789 |
| Others | 784 | 108 |
| **Total** | 3,053 | 4,027 |

The balance sheet values of receivables correspond to their fair values in all material respects.

## 26. CASH AND CASH EQUIVALENTS

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Cash in hand and at bank | 24,985 | 10,207 |
| Short-term investments | 16,288 | 2,222 |
| **Total** | 41,273 | 12,429 |

The fair values of cash and cash equivalents do not differ materially from balance sheet values. Investments consist of shares in bond funds.

## 27. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

| | Number of shares at year-end, 1,000 | Share capital EUR 1,000 | Share premium account EUR 1,000 | Total EUR 1,000 |
|---|---|---|---|---|
| 01/11/2005 | 27,425 | 3,291 | 882 | 4,173 |
| 31/10/2006 | 29,735 | 3,568 | 2,683 | 6,251 |
| 31/10/2007 | 45,201 | 5,424 | 4,647 | 10,071 |

## 28. SHARE-BASED PAYMENTS

The Annual General Meeting held on 15th December 2006 authorised the Board of Directors to decide on granting options to key personnel within the company as part of their incentive scheme. The total number of share options is no more than 1,380,000, which entitle holders to subscribe for a maximum of 1,380,000 of the company's new Class B shares. The share options are divided into 460,000 Class 2006A options, 460,000 Class 2006B options and 460,000 Class 2006C options.

The exercise periods are:

- from 1st January 2010 to 31st December 2011 for Class 2006A options;
- from 1st January 2011 to 31st December 2012 for Class 2006B options; and
- from 1st January 2012 to 31st December 2013 for Class 2006C options.

The exercise prices of share options are:

- the volume-weighted average share price on the Helsinki Stock Exchange over the period from 1st November 2006 to 30th November 2006 for Class 2006A options, however, no less than EUR 1.50;
- the volume-weighted average share price on the Helsinki Stock Exchange over the period from 1st November 2007 to 30th November 2007 for Class 2006B options, however, no less than EUR 2.45;
- the volume-weighted average share price on the Helsinki Stock Exchange over the period from 1st November 2008 to 30th November 2008 for Class 2006C options, however, no less than EUR 3.40.

In the event that the company distributes dividends or assets from unrestricted equity, the exercise price of share options will be reduced by the amount of the dividend decided or the amount of the unrestricted equity distributable after the beginning of the period for determination of the exercise price but before share subscription, as per the dividend record date or the record date of the repayment of equity.

During the 2006/2007 financial year, the Board of Directors exercised its authorisation and granted 460,000 Class 2006A options to key personnel within the company and to a subsidiary wholly owned by the company.

The following table describes basic data on Panostaja's share options and events during the financial year.

| **Share options**<br>**Basic data** | 2006A | 2006B | 2006C |
|---|---|---|---|
| Maximum number of options | 460,000 | 460,000 | 460,000 |
| Number of shares per option | 1 | 1 | 1 |
| Original exercise price, EUR | 1.50 | 2.45 | 3.40 |
| Dividend adjustment | Yes | Yes | Yes |
| Exercise period starts, date (vesting) | 01/01/2010 | 01/01/2011 | 01/01/2012 |
| Exercise period ends, date (expiry) | 31/12/2011 | 31/12/2012 | 31/12/2013 |
| Remaining time to expiry as at 31/10/2007, years | 4.2 | 5.2 | 6.2 |
| Personnel as at 31/10/2007 | 5 | Not granted | Not granted |

| Numbers of options as at 31st Oct. 2007 | 2006A | 2006B | 2006C | Total |
|---|---|---|---|---|
| Granted | 380,000 | | | 380,000 |
| In reserve | 80,000 | 460,000 | 460,000 | 1,000,000 |
| Number of unvested options granted as at 31/12/2006 | 380,000 | | | 380,000 |

### Determining fair value

The fair value of share options is determined at their grant date and recorded under staff expenses over the period until vesting occurs. The grant date is the date on which the Board of Directors decided to grant options.

The fair value of share options has been measured using the Black-Scholes pricing model and the key assumptions used to determine the fair value of 2006A options granted during the 2006/2007 period have been compiled into the following table. The total fair value of these options amounted to EUR 247,000 and their cost effect over the 2006/2007 period was EUR 78,000. The cost effect for the 2007/2008 and 2008/2009 periods is estimated at EUR 83,000.

| Key assumptions used within the Black-Scholes model | 2006/2007 financial year |
|---|---|
| Number of options granted | 380,000 |
| Average share price at grant date | 1.52 |
| Exercise price | 1.50 |
| Interest | 4.1% |
| Time to expiry, years | 4.9 |
| Volatility | 42% |
| Number of options returned | 0 |
| Estimated dividend yield* | |
| Weighted fair value per option, EUR | 0.65 |
| Total fair value, EUR | 247,053 |

* Any dividends distributed are deducted from the exercise price, which means that dividends need not be separately accounted for when calculating fair value.

## 29. INTEREST-BEARING LIABILITIES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| **Non-current** | | |
| Loans from financial institutions | 14,142 | 8,837 |
| Pension loans | 5 | 6 |
| Other loans | 18,724 | 2,866 |
| **Total** | 32,871 | 11,709 |

Other non-current loans include the parent company's convertible subordinated loan. See Note No. 31, *Convertible loans*.

| | 2007 | 2006 |
|---|---|---|
| **Current** | | |
| Loans from financial institutions, current portion | 2,082 | 1,579 |
| Current loans from financial institutions | 16,036 | 317 |
| Other current liabilities | 22,944 | 13,402 |
| **Total** | 41,062 | 15,298 |

**Maturity dates of non-current liabilities**

| (EUR 1,000) | Loans from financial institutions | | Other loans | |
|---|---|---|---|---|
| **Repayments** | **2007** | **2006** | **2007** | **2006** |
| 2007/2008 period | 2,082 | 1,579 | 412 | 24 |
| 2008/2009 period | 1,366 | 1,923 | 331 | 21 |
| 2009/2010 period | 1,271 | 1,775 | 161 | 10 |
| 2010/2011 period | 1,311 | 849 | 60 | 2 |
| 01/11/2011– | 8,112 | 2,711 | 17,765 | 2,815 |

All interest-bearing liabilities are other than those held for dealing or trading purposes as referred to in IAS 39. Bank and pension loans are in euros. The weighted average of interest rates as at 31st October 2007 stood at 5.71%. The balance sheet values of loans are considered to correspond to fair values in all material respects.

## 30. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Trade payables | 10,143 | 4,757 |
| Accrued expenses | 9,034 | 5,351 |
| Other current liabilities | 4,103 | 23,280 |
| **Total** | 23,280 | 13,402 |
| **Material items included in accrued expenses** | | |
| Holiday pay incl. social security expenses | 2,976 | 1,272 |
| Accrued wages and salaries | 483 | 819 |
| Accrued interest | 908 | 167 |
| Accrued taxes | 1,028 | 879 |
| Accrued employee pension benefits under Employees' Pensions Act TEL | 818 | 370 |
| Other items | 2,821 | 1,844 |
| **Total** | 9,034 | 5,351 |

## 31. CONVERTIBLE LOANS

Based on a decision taken at the Annual General Meeting on 15th December 2006, the company offered a convertible subordinated loan to domestic institutional investors at a maximum total of EUR 21,250,000, which was subscribed in full.

Each of the EUR 106,250.00 bonds entitles the holder to convert the share of the loan into 62,500 Panostaja Class B shares. During the financial year, the 2006 convertible subordinated loan was used to subscribe for 1,500,000 new Panostaja Class B shares. The outstanding loan amounts to EUR 18,700,000.

The interest rate is 6.5% and the loan period runs from 15th January 2007 to 1st March 2012. The loan will be repaid in one instalment on 1st March 2012, provided that the conditions of repayment according to Chapter 5 of the Limited Liability Companies Act and those mentioned in the terms of the loan are fulfilled.

Under the conditions determined in the terms of the loan, as from 1st January 2008, Panostaja is entitled to repay the entire loan principal early at a rate of one hundred (100) per cent, plus interest accrued up until the date of payment.

In the event that the loan cannot be repaid on the date of maturity, the amount of interest payable on the outstanding loan principal will be two (2) percentage points over and above the confirmed annual interest.

The share conversion rate is EUR 1.70. The conversion period of loan bonds began on 1st July 2007 and is due to end on 31st January 2012. As a result of conversions, the company's share capital and the number of Class B shares may increase by EUR 1,500,000.00 and 12,500,000 new shares respectively. A total of 1,500,000 shares were converted during the financial year. The new shares will confer the right to receive dividends for the first time for the financial year during which they are converted. Other shareholder rights will commence from the date on which the new shares are entered in the Trade Register.

The shares converted on the basis of the convertible subordinated loan will account for no more than 22.2% of the company's shares and 3.3% of voting rights carried by the shares subsequent to a possible increase in share capital.

A component of the amount of the subordinated loan paid, about EUR 860,000, has been recognised as an increase in equity during the reporting period in accordance with IAS 32.

## 32. COLLATERAL AND CONTINGENT LIABILITIES

| (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Collateral given on behalf of Group companies | | |
| Mortgages | 7,938 | 6,130 |
| Floating charges | 4,117 | 3,460 |
| Pledges given | 14,610 | 6,325 |
| Rental liabilities | 1,354 | 1,185 |
| Other liabilities | 514 | 13 |

The Group has entered into interest rate swaps at a nominal value of EUR 1.2 million. The interest rate swaps are presented at nominal value on the balance sheet date, because the effect of fair value would be insignificant. Liabilities have been measured at the nominal or book value of collateral.

| | | |
|---|---|---|
| Operating leases | | |
| Payable within one year | 564 | 334 |
| Payable after one year but within five years | 852 | 481 |
| Total | 1,416 | 815 |
| Loans from financial institutions, total | 31,924 | 10,733 |

## 33. DIVIDENDS

For the 2006/2007 period, the company distributed EUR 3.87 million in dividends (EUR 0.13 per share) to parent company shareholders (dividends paid to minority shareholders in subsidiaries amounted to EUR 0.5 million). Dividends paid for the 2005/2006 period totalled EUR 1.64 million.

## 34. RELATED PARTY TRANSACTIONS

The Group's related parties comprise members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer. On 30th May 2007, Panostaja carried out a share exchange, whereby it acquired the majority of shares in Suomen Helasto. Matti Koskenkorva, Chairman of Panostaja's Board of Directors, and his spouse converted a total of 3,702,032 Suomen Helasto shares held by them into Panostaja shares. There have been no other significant related party transactions within Panostaja during the period, nor have related parties been granted any loans or guarantees or other collateral.

| Employee benefits for key management personnel (EUR 1,000) | 2007 | 2006 |
|---|---|---|
| Salaries and other short-term employee benefits | 497 | 419 |

During the 2006/2007 period, the CEO's annual income and other benefits amounted to EUR 185,873.05, also including Mr. Halmevuo's notice pay for the period from 11th September to 31st October 2007. In addition, the CEO received a further EUR 12,000 in compensation for his duties as a Board member during the period. The monthly fees paid to the Chairman and other Board members as confirmed at the AGM are EUR 1,500 and EUR 1,000 respectively.

Agreements are in place to cover the retirement age of the CEO of the parent company and some Managing Directors of Group operating companies, allowing them to retire at the age of 55–60. Liability relating to entitlement to early retirement pension is accrued, recognised and paid for during each financial period.

## 35. SUBSIDIARIES AS AT 31/10/2007

| Group's parent-subsidiary relationships | Registered office | Group's holding, % | Share of votes | Parent company's holding, % |
|---|---|---|---|---|
| **Parent company** | | | | |
| Panostaja Oyj | Tampere | | | |
| **Subsidiaries** | | | | |
| Eurotermo Oy | Helsinki | 59.7 | 59.7 | 59.7 |
| Arme Oy | Porvoo | 69.9 | 69.9 | 69.9 |
| Kannake Oy | Tampere | 70.4 | 70.4 | 70.4 |
| Solikko Oy | Tampere | 100.0 | 100.0 | 100.0 |
| Annektor Oy | Tampere | 80.0 | 80.0 | 80.0 |
| Suomen Puunjalostus Oy | Tampere | 100.0 | 100.0 | 100.0 |
| Ki Oy Lakalaivan Teollisuustalo 1 | Tampere | 100.0 | 100.0 | 100.0 |
| Ollinvara I Oy | Tampere | 100.0 | 100.0 | 100.0 |
| Ollinvara II Oy | Tampere | 80.0 | 80.0 | 80.0 |
| Ollinvara III Oy | Tampere | 100.0 | 100.0 | 100.0 |
| KL-Parts Oy | Tampere | 100.0 | 100.0 | 100.0 |
| Novacausa I Oy | Tampere | 100.0 | 100.0 | 100.0 |
| Novacausa II Oy | Tampere | 100.0 | 100.0 | 100.0 |
| Suomen Helasto Oyj | Seinäjoki | 95.4 | 95.4 | 95.4 |
| Solikko Finance Oy | Tampere | 100.0 | 100.0 | 100.0 |

| Other operating companies owned by the Group | Group's holding, % |
|---|---|
| Lämpötukku Oy, Helsinki | 59.7 |
| Kiint Oy Viikintien Teollisuustalo, Helsinki | 59.7 |
| Finnfutter Oy, Polvijärvi | 70.0 |
| Renetor Oü, Estonia (no operations) | 69.9 |
| Renetor Oy, Porvoo | 69.9 |
| Suomen Puuporras Oy, Tampere | 70.0 |
| Matti-Ovi Oy, Laitila | 70.0 |
| Toimex Oy, Tampere | 70.4 |
| Kiint Oy Hepolamminkatu 15, Tampere | 70.4 |
| Suomen Eristyskehitys Oy, Tampere | 89.8 |
| Vallog Group Oy, Tampere | 85.0 |
| Vallog Oy, Hyvinkää | 85.0 |
| Lahdesjärven Kiinteistöjalostus Oy, Tampere | 85.0 |
| Vallog Logistiikkapalvelut Oy, Hyvinkää | 85.0 |
| Multivator Oy, Laitila | 70.0 |
| Kausalan Porras Oy, Keitele | 70.0 |
| Nikkaristo Oy, Imatra | 70.0 |
| Keiteleen Porras Oy, Tampere | 70.0 |
| Oy Alfa-Kem Ab, Lahti | 80.0 |
| Tampereen Laatukoneistus Oy, Tampere | 100.0 |
| KL-Varaosat Kari Lindfors Oy, Tampere | 100.0 |
| Jyväskylän KL-Varaosat Oy, Jyväskylä | 100.0 |
| Rovaniemen KL-Varaosat Oy, Rovaniemi | 100.0 |
| LukkoExpert Security Oy, Helsinki | 100.0 |
| Seinäjoen Rakennustarvike ja Lukko Oy, Seinäjoki | 100.0 |
| Suomen Helakeskus Oy, Seinäjoki | 100.0 |
| Porin Pultti Oy, Pori | 100.0 |
| Helsingin Laaturuuvi Oy, Helsinki | 100.0 |
| Ruuvipojat Oy, Tampere | 100.0 |
| Lahden Lämpökäsittely Oy, Lahti | 80.0 |
| Heatmasters Oy, Lahti | 80.0 |
| Heatmasters Sp.zoo, Poland | 80.0 |

## 36. EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

Suomen Helasto Oyj, a subsidiary of Panostaja Oyj, became Takoma Oyj on 1st November 2007 and, according to a plan announced on 27th September 2007, the new company acquired the share capital in Hervannan Koneistus Oy and the business of Tampereen Laatukoneistus Oy on 1st November 2007.

On the same date, Mr. Kimmo Korhonen conveyed the entire share capital in Hervannan Koneistus Oy to Takoma Oyj and received 2,662,925 new Takoma Oyj shares in exchange, accounting for 17% of all shares in Takoma Oyj. On the same occasion, Mr. Korhonen was appointed Takoma Oyj's Managing Director.

On 1st November 2007, Takoma Oyj's subsidiary, Causatak Oy, purchased the business of Tampereen Laatukoneistus Oy, belonging to Panostaja Group, for a trade price of EUR 3.7 million. Assets outside the ordinary course of business, including the premises owned by the company, remained with the seller company as part of the business transaction.

The EUR 159,775.50 increase in share capital, decided by Takoma Oyj's Board of Directors on 1st November 2007, was entered in the Trade Register on 28th November 2007. Following this registration, the total number of Takoma Oyj shares amounts to 15,664,266 shares and Panostaja Oyj's holding in Takoma Oyj accounts for 79.19%. Upon registration of the share capital, Panostaja Oyj no longer has the right and obligation imposed on a majority shareholder in Chapter 18, section 1 of the Limited Liability Companies Act to redeem Takoma Oyj shares.

# Group financial indicators

| (EUR million) | IFRS | | | FAS | | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2005 | 2004 | 2003 |
| Net turnover, MEUR | 90.8 | 57.8 | 62.2 | 62.2 | 52 | 45.4 |
| Operating profit, MEUR | 8.3 | 5.5 | 4.4 | 4.3 | 3.6 | 1.9 |
| % of net turnover | 9.1 | 9.5 | 7.1 | 6.9 | 6.9 | 4.1 |
| Profit before taxes, MEUR | 7.5 | 4.9 | 3.8 | 3.6 | 3.1 | 1.3 |
| % of net turnover | 8.2 | 8.6 | 6.1 | 5.9 | 5.9 | 3.0 |
| Return on equity (ROE), % | 18.6 | 22.7 | 23.1 | 20.1 | 18.8 | 7.9 |
| Return on investment (ROI), % | 14.8 | 16.1 | 18.1 | 16.8 | 14.6 | 8.3 |
| Equity ratio, % | 34.9 | 43.4 | 33.2 | 34.3 | 36 | 34.8 |
| Gearing ratio | ****23.7 | ****3.05 | ****71.8 | 68.7 | 71.7 | 94.8 |
| Current ratio | 2.0 | 2.27 | 1.93 | 1.93 | 1.8 | 1.9 |
| Gross capital expenditure, MEUR | 21.9 | 4.8 | 2.1 | 2.1 | 1.6 | 4.5 |
| % of net turnover | 24.1 | 8.3 | 3.4 | 3.4 | 3.1 | 9.9 |
| Average number of Group employees | 571 | 526 | 426 | 426 | 408 | 359 |
| Earnings per share (EPS), EUR | ***0.10 | ***0.24 | 0.07 | 0.07 | 0.08 | 0.02 |
| Equity per share, EUR | 0.78 | 0.68 | 0.32 | 0.40 | 0.41 | 0.38 |
| Dividend per share, EUR | *0.09 | 0.13 | 0.06 | 0.06 | **0.09 | 0.035 |
| Dividend payout ratio, % | 86.5 | 53.7 | 84.4 | 90.5 | 52.6 | 148.4 |
| Effective dividend yield for Class A share, % | 5.3 | 10.5 | 6.1 | 6.1 | 4.7 | 9.1 |
| Effective dividend yield for Class B share, % | 5.4 | 10.8 | 6.3 | 6.3 | 5.3 | 9.0 |
| Price per earnings, P/E (Class A share) | 16.3 | 5.1 | 13.9 | 14.9 | 11.2 | 16.3 |
| Price per earnings, P/E (Class B share) | 16.2 | 5.0 | 13.4 | 14.3 | 10.0 | 16.5 |
| Average no. of shares during the year, 1,000 | 35,782 | 27,839 | 26,275 | 26,275 | 26,707 | 28,478 |
| Number of shares at year-end, 1,000 | 45,201 | 29,735 | 27,425 | 27,425 | 26,211 | 27,802 |
| Price of Class A share at year-end, EUR | 1.69 | 1.24 | 0.99 | 0.99 | 0.85 | 0.39 |
| Price of Class B share at year-end, EUR | 1.68 | 1.20 | 0.95 | 0.95 | 0.76 | 0.39 |
| Average price of Class A share during the year, EUR | 1.57 | 1.08 | 0.82 | 0.82 | 0.51 | 0.36 |
| Average price of Class B share during the year, EUR | 1.56 | 1.05 | 0.84 | 0.84 | 0.47 | 0.35 |
| Market capitalisation, MEUR | 75.9 | 36.4 | 26.7 | 26.7 | 20.5 | 10.8 |

* Board proposal
** Additional dividend of EUR 0.05
*** Diluted figures
**** Liabilities include the convertible subordinated loan

# Calculation of financial indicators

Financial indicators used in the Annual Report have been calculated using the following formulae:

| | |
|---|---|
| Return on equity (ROE), % = | profit/loss before extraordinary items - taxes / equity + minority interest + untaxed reserves and accelerated depreciation less deferred tax liability (average) × 100 |
| Return on investment (ROI), % = | profit/loss before extraordinary items + interest and other financial expenses / balance sheet total - non-interest-bearing liabilities (average) × 100 |
| Equity ratio, % = | equity + minority interest + untaxed reserves and accelerated depreciation less deferred tax liability / balance sheet total – advances received × 100 |
| Gearing ratio, % = | interest-bearing liabilities - cash and bank and marketable securities / equity + minority interest × 100 |
| Earnings per share (EPS) = | profit/loss before extraordinary items +/- minority interest - taxes / adjusted average number of shares for the financial year |
| Equity per share = | equity / adjusted number of shares on the balance sheet date |
| Dividend per share = | dividends paid for the period / adjusted number of shares on the balance sheet date |
| Dividend payout ratio, % = | dividend per share / earnings per share (EPS) × 100 |
| Effective dividend yield, % = | dividend per share / share price at year-end × 100 |
| Price per earnings, P/E = | share price at year-end / earnings per share (EPS) |
| Average share price = | total trading in shares in euros over the period / number of shares traded over the period |
| Market capitalisation = | closing price at year-end × number of shares |
| Current ratio = | current assets / current liabilities |

# Parent company income statement

| (EUR 1,000) | Year ended 31/10/07 | Year ended 31/10/06 |
|---|---|---|
| **NET TURNOVER** | 20 | 19 |
| Other operating income | 485 | 4,684 |
| | | |
| **Staff expenses** | | |
| Wages and salaries | -737 | -486 |
| Pension expenses | -168 | -94 |
| Other social security expenses | -44 | -21 |
| | -949 | -601 |
| | | |
| **Depreciation, amortisation and impairment** | | |
| Planned depreciation and amortisation | -48 | -46 |
| **Other operating expenses** | -543 | -443 |
| | | |
| **OPERATING PROFIT/LOSS** | -1,035 | 3,613 |
| | | |
| **Financial income and expenses** | | |
| Dividend income from Group companies | 1,144 | 1,011 |
| Interest and financial income from Group companies | 796 | 385 |
| Other interest and financial income | 428 | 376 |
| Interest expenses to Group companies | -1 | -1 |
| Other interest and financial expenses | -721 | -212 |
| | 1,645 | 1,561 |
| | | |
| **PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES** | 610 | 5,174 |
| | | |
| Appropriations | 9 | 0 |
| Income taxes | 0 | 0 |
| | | |
| **PROFIT FOR THE FINANCIAL YEAR** | 619 | 5,173 |

# Parent company cash flow statement

| (EUR 1,000) | Year ended 31/10/07 | Year ended 31/10/06 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Operating profit/loss | -1,035 | 3,613 |
| Adjustments to operating profit/loss | -425 | -4,617 |
| Change in net working capital | -8,114 | -660 |
| Financial items, total | 1,645 | 1,561 |
| Taxes | 0 | 0 |
| **Net cash used in operating activities** | -7,929 | -104 |
| | | |
| **Cash flow from investing activities** | | |
| Purchase of/increase in shares | -17,195 | -493 |
| Purchase of other fixed assets | -13 | -55 |
| Disposal of/decrease in shares | 473 | 6,709 |
| Disposal of/decrease in other fixed assets | 54 | 71 |
| **Net cash from (used in) investing activities** | -16,680 | 6,232 |
| | | |
| **Cash flow before financing** | -24,609 | 6,127 |
| | | |
| **Cash flow from financing activities** | | |
| Long-term loans drawn | 0 | 0 |
| Long-term loans repaid | -2 | 0 |
| Change in long-term receivables | -5,023 | -1,347 |
| Change in subordinated loan | 16,330 | -917 |
| Dividends paid | -3,865 | -1,645 |
| Share issue | 21,441 | 2,097 |
| Acquisition of own shares | -2,051 | 0 |
| Disposal of own shares | 656 | 0 |
| Net cash from (used in) financing activities | 27,485 | -1,812 |
| | | |
| **Change in cash and cash equivalents** | 2,877 | 4,315 |
| | | |
| **Cash and cash equivalents at the beginning of the year** | 7,095 | 2,779 |
| **Cash and cash equivalents at the end of the year** | 9,971 | 7,095 |

# Parent company balance sheet

| ASSETS (EUR 1,000) | 31/10/07 | 31/10/06 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| **Intangible assets** | | |
| Intangible rights | 6 | 3 |
| Other capitalised long-term expenditure | 34 | 90 |
| | 41 | 93 |
| **Tangible assets** | | |
| Machinery and equipment | 165 | 202 |
| **Investments** | | |
| Subordinated loans receivable from Group companies | 939 | 342 |
| Holdings in Group companies | 21,186 | 4,002 |
| Participating interests | 717 | 717 |
| Other shares and holdings | 16 | 6 |
| | 22,858 | 5,067 |
| **CURRENT ASSETS** | | |
| **Debtors** | | |
| Long-term | | |
| Trade receivables from Group companies | 0 | 232 |
| Amounts owed by Group companies | 11,348 | 6,691 |
| Amounts owed by participating interest undertakings | 33 | 33 |
| | 11,381 | 6,955 |
| Short-term | | |
| Trade debtors | 0 | 350 |
| Trade receivables from Group companies | 1,037 | 447 |
| Loans receivable from Group companies | 22,713 | 0 |
| Other debtors | 1,827 | 80 |
| Prepayments and accrued income | 212 | 232 |
| | 25,789 | 1,110 |
| **Investments** | | |
| Other investments | 7,102 | 1,016 |
| **Cash in hand and at bank** | **2,869** | **6,078** |
| | **70,205** | **20,521** |


# Parent company balance sheet


| EQUITY AND LIABILITIES (EUR 1,000) | 31/10/07 | 31/10/06 |
|---|---|---|
| **CAPITAL AND RESERVES** | | |
| Subscribed capital | 5,424 | 3,568 |
| Share premium account | 4,691 | 2,728 |
| Invested unrestricted equity fund | 17,621 | 0 |
| Retained earnings | 6,136 | 6,223 |
| Profit/loss for the financial year | 619 | 5,173 |
| | 34,491 | 17,691 |
| **APPROPRIATIONS** | | |
| Cumulative accelerated depreciation | 60 | 69 |
| **CREDITORS** | | |
| **Long-term** | | |
| Convertible subordinated loan | 18,700 | 2,370 |
| Amounts owed to Group companies | 16 | 17 |
| Other creditors | 42 | 42 |
| | 18,758 | 2,429 |
| **Short-term** | | |
| Loans from credit institutions | 15,700 | 0 |
| Trade payables to Group companies | 10 | 7 |
| Trade creditors | 44 | 62 |
| Other creditors | 256 | 93 |
| Accruals and deferred income | 886 | 168 |
| | 16,896 | 331 |
| **Creditors, total** | 35,654 | 2,760 |
| | **70,205** | **20,521** |

# Notes to the parent company's financial statements as at 31st October 2007

### MEASUREMENT PRINCIPLES

Tangible fixed assets are included in the balance sheet at cost less planned depreciation.

### DEPRECIATION AND AMORTISATION

Planned depreciation and amortisation on non-current assets is calculated at original cost based on expected useful life.

Periods of planned depreciation/amortisation are:

| | |
|---|---|
| Intangible rights | 5 yrs. |
| Other capitalised long-term expenditure | 5 yrs. |
| Machinery and equipment | 5 yrs. |

## Notes to the income statement

(EUR 1,000)

| 1. NET TURNOVER | 2007 | 2006 |
|---|---|---|
| Administrative expenses charged to Group companies | 20 | 19 |

| 2. OTHER OPERATING INCOME | 2007 | 2006 |
|---|---|---|
| Gains on sale of fixed assets | 485 | 4,666 |
| Other items | | 18 |
| | 485 | 4,684 |

| 3. NOTES ABOUT EMPLOYEES | 2007 | 2006 |
|---|---|---|
| Wages and salaries | 737 | 486 |
| Pension expenses | 168 | 94 |
| Other social security expenses | 44 | 21 |
| | 949 | 601 |
| Average number of employees during the financial year | 7 | 6 |

Pensions for company staff have been arranged through insurance in an external pension insurance company.

The CEOs may opt to retire voluntarily at the age of 55–60. Liability relating to entitlement to early retirement pension is accrued, recognised and paid for during each financial period.

| 4. DEPRECIATION AND AMORTISATION | 2007 | 2006 |
|---|---|---|
| Planned depreciation and amortisation | | |
| Intangible rights | 2 | 1 |
| Other capitalised long-term expenditure | 1 | 1 |
| Machinery and equipment | 45 | 44 |
| | 48 | 46 |

Depreciation and amortisation do not include impairment of fixed or financial assets and other long-term investments.

| 5. APPROPRIATIONS | 2007 | 2006 |
|---|---|---|
| Change in accelerated depreciation: | | |
| Machinery and equipment | 9 | 0 |
| Increase (-)/decrease (+) in accelerated depreciation | 9 | 0 |

| 6. TAXES | 2007 | 2006 |
|---|---|---|
| Taxes for the financial year | 0 | 0 |

## Notes to the balance sheet

(EUR 1,000)

| 1. INTANGIBLE AND TANGIBLE ASSETS | 2007 | 2006 |
|---|---|---|
| Intangible assets | | |
| Intangible rights | | |
| Acquisition cost 01/11 | 4 | 1 |
| Additions 01/11–31/10 | 5 | 3 |
| Disposals 01/11–31/10 | 0 | 0 |
| Acquisition cost 31/10 | 9 | 4 |
| Planned accumulated amortisation 01/11 | -1 | 0 |
| Planned amortisation 01/11–31/10 | -2 | -1 |
| Book value 31/10 | 6 | 3 |
| Other capitalised long-term expenditure | | |
| Acquisition cost 01/11 | 122 | 161 |
| Additions 01/11–31/10 | 0 | 0 |
| Disposals 01/11–31/10 | -54 | -38 |
| Acquisition cost 31/10 | 68 | 122 |
| Planned accumulated amortisation 01/11 | -33 | -31 |
| Planned amortisation 01/11–31/10 | -1 | -1 |
| Book value 31/10 | 34 | 90 |

| Intangible assets, total | | |
|---|---|---|
| Acquisition cost 01/11 | 127 | 162 |
| Additions 01/11–31/10 | 5 | 3 |
| Disposals 01/11–31/10 | -54 | -38 |
| Acquisition cost 31/10 | 77 | 127 |
| Planned accumulated amortisation 01/11 | -34 | -32 |
| Planned amortisation 01/11–31/10 | -3 | -2 |
| Book value 31/10 | 41 | 93 |

| Tangible assets | | |
|---|---|---|
| Machinery and equipment | | |
| Acquisition cost 01/11 | 503 | 486 |
| Additions 01/11–31/10 | 8 | 52 |
| Disposals 01/11–31/10 | -1 | -35 |
| Acquisition cost 31/10 | 510 | 503 |
| Planned accumulated depreciation 01/11 | -301 | -257 |
| Planned depreciation 01/11–31/10 | -45 | -44 |
| Book value 31/10 | 165 | 202 |

| | | |
|---|---|---|
| Accumulated difference between total and planned depreciation 01/11 | 69 | 69 |
| Increase in accelerated depreciation 01/11–31/10 | 0 | 0 |
| Decrease in accelerated depreciation 01/11–31/10 | -9 | 0 |
| Accumulated difference between total and planned depreciation 31/10 | 60 | 69 |

| Tangible assets, total | | |
|---|---|---|
| Acquisition cost 01/11 | 503 | 486 |
| Additions 01/11–31/10 | 8 | 52 |
| Disposals 01/11–31/10 | -1 | -35 |
| Acquisition cost 31/10 | 510 | 503 |
| Planned accumulated depreciation 01/11 | -301 | -257 |
| Planned depreciation 01/11–31/10 | -45 | -44 |
| Book value 31/10 | 165 | 202 |

## 2. INVESTMENTS

| | 2007 | 2006 |
|---|---|---|
| **Holdings in Group companies** | | |
| Book value 01/11 | 4,002 | 5,552 |
| Additions 01/11–31/10 | 17,184 | 0 |
| Disposals 01/11–31/10 | 0 | -1,550 |
| Book value 31/10 | 21,186 | 4,002 |
| **Participating interests** | | |
| Book value 01/11 | 717 | 717 |
| Additions 01/11–31/10 | 0 | 0 |
| Disposals 01/11–31/10 | 0 | 0 |
| Book value 31/10 | 717 | 717 |
| **Other shares and holdings** | | |
| Book value 01/11 | 6 | 6 |
| Additions 01/11–31/10 | 10 | 0 |
| Disposals 01/11–31/10 | 0 | 0 |
| Book value 31/10 | 16 | 6 |
| **Subordinated loans receivable from Group companies** | | |
| Book value 01/11 | 342 | 342 |
| Additions 01/11–31/10 | 597 | 0 |
| Disposals 01/11–31/10 | 0 | 0 |
| Book value 31/10 | 939 | 342 |
| **Investments, total** | | |
| Book value 01/11 | 5,067 | 6,616 |
| Additions 01/11–31/10 | 17,791 | 0 |
| Disposals 01/11–31/10 | 0 | -1,550 |
| Book value 31/10 | 22,858 | 5,067 |

## 3. CAPITAL AND RESERVES

Movements in capital and reserves

| | 2007 | 2006 |
|---|---|---|
| Share capital 01/11 | 3,568 | 3,291 |
| - reduction of share capital | 0 | 0 |
| - increase in share capital | 1,856 | 277 |
| Share capital 31/10 | 5,424 | 3,568 |
| Share premium account 01/11 | 2,728 | 908 |
| - reduction of share capital | 0 | 0 |
| - increase in share capital | 1,964 | 1,820 |
| Share capital 31/10 | 4,691 | 2,728 |
| Invested unrestricted equity fund 01/11 | 0 | 0 |
| - reduction of fund | 0 | 0 |
| - increase in fund | 17,621 | 0 |
| Invested unrestricted equity fund 31/10 | 17,621 | 0 |
| Retained earnings 01/11 | 11,396 | 7,868 |
| Dividends paid | -3,865 | -1,645 |
| Acquisition of own shares | -1,395 | 0 |
| Retained earnings 31/10 | 6,136 | 6,223 |
| Profit/loss for the financial year | 619 | 5,173 |
| **Distributable funds** | | |
| Invested unrestricted equity fund 31/10 | 17,621 | 0 |
| Retained earnings 31/10 | 6,136 | 6,223 |
| Profit/loss for the financial year | 619 | 5,173 |
| | 24,376 | 11,396 |

| Division of shares | no. | % | nominal value |
|---|---|---|---|
| Class A shares | 17,256,595 | 38.18 | 2,070,791 |
| Class B shares | 27,944,085 | 61.82 | 3,353,290 |
| Total | 45,200,680 | 100.00 | 5,424,082 |

Class A and B shares carry 20 and 1 votes respectively at General Meetings. There is no difference in dividend rights conferred by the shares.

Panostaja Oyj's Board of Directors has a valid authorisation to increase share capital by EUR 12,544,067.00 disapplying the shareholders' pre-emption rights.

## 4. CREDITORS

| | 2007 | 2006 |
|---|---|---|
| Non-interest-bearing liabilities | 1,238 | 373 |
| | | |
| Material items included in accruals and deferred income | | |
| Holiday pay incl. social security expenses | 89 | 47 |
| Accrued wages and salaries | 0 | 0 |
| Accrued interest | 763 | 101 |
| Accrued employee pension benefits under Employees' Pensions Act TEL | 35 | 18 |
| Accrued taxes | 0 | 0 |
| Other items | 0 | 2 |
| | 886 | 168 |

## 5. CREDITORS AND DEBTORS

| | 2007 | 2006 |
|---|---|---|
| Amounts owed by Group companies | | |
| Long-term | | |
| Subordinated loans receivable | 939 | 342 |
| Trade debtors | 0 | 232 |
| Loans receivable | 11,348 | 6,691 |
| | | |
| Short-term | | |
| Trade debtors | 1,037 | 447 |
| Loans receivable | 22,713 | 0 |
| | | |
| Amounts owed to Group companies | | |
| Long-term | | |
| Amounts owed to Group companies | 16 | 17 |
| | | |
| Short-term | | |
| Trade creditors | 10 | 17 |

Investments consist of shares in bond funds.

**Convertible subordinated loan**

The outstanding loan amounts to EUR 18,700,000.00.

The loan period runs from 15th January 2007 to 1st March 2012. The loan will be repaid in one instalment on 1st March 2012, provided that the conditions of repayment according to Chapter 5 of the Limited Liability Companies Act and those mentioned in the terms of the loan are fulfilled.

Under the conditions determined in the terms of the loan, as from 1st January 2008, Panostaja is entitled to repay the entire loan principal early at a rate of one hundred (100) per cent, plus interest accrued up until the date of payment.

In the event that the loan cannot be repaid on the date of maturity, the amount of interest payable on the outstanding loan principal will be two (2) percentage points over and above the confirmed annual interest.

The share conversion rate is EUR 1.70. The conversion period of loan bonds began on 1st July 2007 and is due to end on 31st January 2012. As a result of conversions, the company's share capital and the number of Class B shares may increase by EUR 1,500,000.00 and 12,500,000 new shares respectively. A total of 1,500,000 shares were converted during the financial year. The new shares will confer the right to receive dividends for the first time for the financial year during which they are converted. Other shareholder rights will commence from the date on which the new shares are entered in the Trade Register.

The shares converted on the basis of the convertible subordinated loan will account for no more than 22.2% of the company's shares and 3.3% of voting rights carried by the shares subsequent to a possible increase in share capital.

## 6. COLLATERAL, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

| | 2007 | 2006 |
|---|---|---|
| For own and Group companies | | |
| Guarantees given | 5,575 | 3,968 |
| | | |
| Lease liabilities | | |
| Payable during the current period | 0 | 0 |
| Payable during the subsequent period | 0 | 0 |

Liabilities have been measured at the nominal or book value of collateral.

# Information on shares

## SHARES AND SHARE CAPITAL

According to Panostaja Oyj's Articles of Association, the company's minimum and maximum share capital shall be EUR 1,500,000 and EUR 80,000,000 respectively, within the limits of which share capital may be increased or decreased without requiring amendment to the Articles of Association.

At the end of the financial year, Panostaja Oyj's share capital amounted to EUR 5,424,081.60. The nominal value of a share is EUR 0.12. The company's shares are divided into Class A and Class B shares. Both A and B shares confer equal rights to receive dividends. At General Meetings, Class A and B shares carry twenty (20) votes and one (1) vote respectively.

Panostaja Oyj's shares were quoted on the Brokers' List from 1989 to 1998 and on the Helsinki Stock Exchange I List from 1998 to 2006. Since the list was reformed on 2nd October 2006, the company's shares have been quoted on the OMX Nordic Exchange in Helsinki.

According to the Shareholder Register as at 31st October 2007, the company has 1,870 (814) shareholders. Company shares owned by the Company's Board of Directors and CEO total 8,490,957 shares, representing 18.8% of shares and 29.9% of voting rights.

Based on a decision taken at the Extraordinary General Meeting on 25th October 2004, the company offered a convertible subordinated loan to Finnish institutional investors at a maximum total of EUR 4,200,000,000. Each of the EUR 1,400.00 bonds entitles the holder to convert the share of the loan into 2,000 Panostaja Class B shares. During the financial year, the 2004 convertible subordinated loan was used to subscribe for 3,386,000 new Panostaja Class B shares, at which point the loan had been entirely converted into shares.

Based on a decision taken at the Annual General Meeting on 15th December 2006, the company offered a convertible subordinated loan to the public at a maximum total of EUR 21,250,000,000. Each of the EUR 106,250.00 bonds entitles the holder to convert the share of the loan into 62,500 Panostaja Class B shares. During the financial year, the 2006 convertible subordinated loan was used to subscribe for 1,500,000 new Panostaja Class B shares.

In addition, the Board of Directors exercised the authorisation given at the Annual General Meeting on 15th December 2006 to launch a new share issue disapplying the shareholders' pre-emption rights. In this issue, the company offered 10,580,108 new Class B shares at a nominal value of EUR 0.12 each. In total, share capital was increased from EUR 3,568,148.64 to EUR 5,424,081.60 over the course of the financial year.

During the 2006/2007 period, the company acquired 347,500 and 469,900 of its own Class A and B shares respectively. The number of acquired Class A shares was equivalent to 0.8% of the total number of shares at year-end and to 1.9% of the total number of votes carried by all shares. The number of Class B shares was equivalent to 1.0. and 0.1% of total numbers of shares and votes respectively.

## SHARE TRADING

The numbers of Panostaja Oyj Class A and B shares traded over the 2006/2007 period amounted to 1,646,454 and 4,317,106 shares respectively. The trading volume equated to 16.7% of the share capital. The company's total market capitalisation stood at EUR 75.9 million at the end of October. Over the period, prices of Class A and B shares varied between EUR 1.21 and EUR 1.83 and between EUR 1.20 and EUR 1.79 respectively. The year-end closing prices for A and B shares were EUR 1.69 and EUR 1.68 respectively.

| A share | Lowest, EUR | Highest, EUR | Adjusted trading, no. of shares | % of shares |
|---|---|---|---|---|
| 2003 | 0.25 | 0.42 | 2,189,014 | 11.5 |
| 2004 | 0.35 | 0.85 | 2,410,488 | 13.4 |
| 2005 | 0.59 | 1.06 | 1,353,791 | 7.8 |
| 2006 | 0.94 | 1.24 | 507,956 | 2.9 |
| 2007 | 1.21 | 1.83 | 1,646,454 | 9.5 |

| B share | Lowest, EUR | Highest, EUR | Adjusted trading, no. of shares | % of shares |
|---|---|---|---|---|
| 2003 | 0.25 | 0.41 | 1,127,072 | 11.5 |
| 2004 | 0.37 | 0.76 | 2,213,432 | 23.7 |
| 2005 | 0.65 | 1.09 | 949,059 | 9.3 |
| 2006 | 0.92 | 1.20 | 999,167 | 8.7 |
| 2007 | 1.20 | 1.79 | 4,317,106 | 23.3 |

# Major shareholders

## Top ten shareholders by number of shares as at 31st Oct. 2007

| | | A shares no. | B shares no. | Total no. | % of shares |
|---|---|---|---|---|---|
| 1 | Matti Koskenkorva, Tampere | 3,312,624 | 2,557,012 | 5,869,636 | 12.99% |
| 2 | Maija Koskenkorva, Tampere | 1,122,788 | 3,862,586 | 4,985,374 | 11.03% |
| 3 | Olli Halmevuo, Tampere | 2,109,364 | 484,957 | 2,594,321 | 5.74% |
| 4 | Mauno Koskenkorva, Seinäjoki | 1,536,480 | 789,204 | 2,325,684 | 5.15% |
| 5 | Etera Mutual Pension Insurance Company, Helsinki | 0 | 1,500,000 | 1,500,000 | 3.32% |
| 6 | Fennia Mutual Insurance Company, Helsinki | 625,000 | 714,000 | 1,339,000 | 2.96% |
| 7 | Mikko Koskinen, Tampere | 991,854 | 288,593 | 1,280,447 | 2.83% |
| 8 | Mikko Koskenkorva, Tampere | 690,708 | 490,800 | 1,181,508 | 2.61% |
| 9 | Tampere District Co-operative Bank | 0 | 985,334 | 985,334 | 2.18% |
| 10 | Harri Porkka, Lahti | 0 | 985,000 | 985,000 | 2.18% |
| | | 10,388,818 | 12,657,486 | 23,046,304 | 50.99% |
| | Other shareholders | 6,867,777 | 15,286,599 | 22,154,376 | 49.01% |
| | Total | 17,256,595 | 27,944,085 | 45,200,680 | 100.00% |

## Top ten shareholders by number of votes as at 31st Oct. 2007

| | | A shares no. | B shares no. | Total no. | % of voting rights |
|---|---|---|---|---|---|
| 1 | Matti Koskenkorva, Tampere | 66,252,480 | 2,557,012 | 68,809,492 | 18.44% |
| 2 | Olli Halmevuo, Tampere | 42,187,280 | 484,957 | 42,672,237 | 11.44% |
| 3 | Mauno Koskenkorva, Seinäjoki | 30,729,600 | 789,204 | 31,518,804 | 8.45% |
| 4 | Maija Koskenkorva, Tampere | 22,455,760 | 3,862,586 | 26,318,346 | 7.05% |
| 5 | Mikko Koskinen, Tampere | 19,837,080 | 288,593 | 20,125,673 | 5.39% |
| 6 | Mikko Koskenkorva, Tampere | 13,814,160 | 490,800 | 14,304,960 | 3.83% |
| 7 | Fennia Mutual Insurance Company, Helsinki | 12,500,000 | 714,000 | 13,214,000 | 3.54% |
| 8 | Karri Koskenkorva, Helsinki | 11,280,240 | 357,409 | 11,637,649 | 3.12% |
| 9 | Hanna Malo, Tampere | 10,981,440 | 397,899 | 11,379,339 | 3.05% |
| 10 | Taru Koskenkorva, Helsinki | 10,850,520 | 356,659 | 11,207,179 | 3.00% |
| | | 240,888,560 | 10,299,119 | 251,187,679 | 67.33% |
| | Other shareholders | 104,243,340 | 17,644,966 | 121,888,306 | 32.67% |
| | Total | 345,131,900 | 27,944,085 | 373,075,985 | 100.00% |

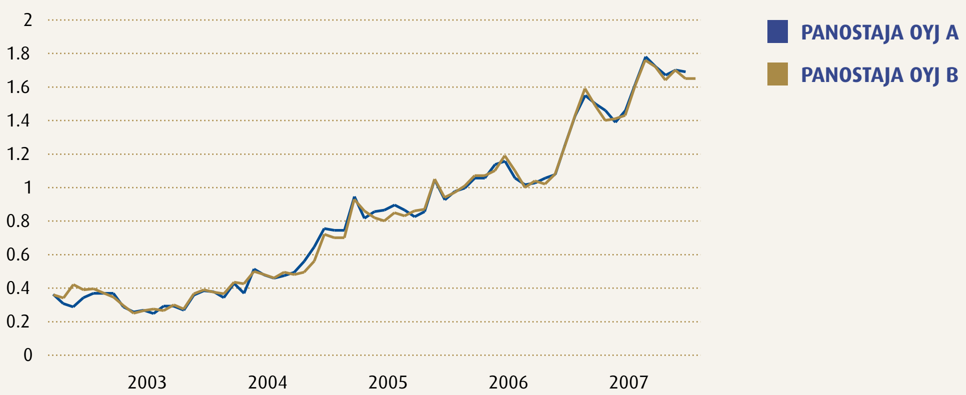
### Breakdown of shareholding by amount category as at 31st Oct. 2007

| | Share¬holders | | Shares | | Voting rights | |
|---|---|---|---|---|---|---|
| Number of shares | no. | % | no. | % | no. | % |
| 1–1,000 | 800 | 42.78 | 442,761 | 0.98 | 2,680,942 | 0.72 |
| 1,001–10,000 | 830 | 44.38 | 3,025,687 | 6.69 | 14,945,964 | 4.01 |
| 10,001–100,000 | 198 | 10.59 | 5,542,384 | 12.26 | 23,471,240 | 6.29 |
| 100,001–1,000,000 | 34 | 1.82 | 14,907,706 | 32.98 | 112,654,935 | 30.19 |
| 1,000,001– | 8 | 0.43 | 21,075,970 | 46.63 | 218,463,512 | 58.56 |
| Total | 1,870 | 100.00 | 44,994,508 | 99.54 | 372,216,593 | 99.77 |
| of which nominee-registered | 7 | | 28,881 | 0.06 | | |
| In joint accounts | | | 206,172 | 0.46 | 859,392 | 0.23 |
| Number of shares issued | | | 45,200,680 | 100.00 | 373,075,985 | 100.00 |

### Breakdown of shareholding by sector as at 31st Oct. 2007

| | Share-holders | | Shares | | Voting rights | |
|---|---|---|---|---|---|---|
| Category of sector | no. | % | no. | % | no. | % |
| Enterprises | 108 | 5.77 | 2,808,712 | 6.21 | 16,995,818 | 4.55 |
| Finance and insurance companies | 12 | 0.64 | 3,548,335 | 7.85 | 15,603,235 | 4.18 |
| Public corporations | 2 | 0.11 | 1,520,000 | 3.36 | 1,520,000 | 0.41 |
| Private households | 1,732 | 92.62 | 36,783,591 | 81.38 | 337,100,251 | 90.36 |
| Non-profit making organisations | 8 | 0.43 | 291,929 | 0.65 | 820,129 | 0.22 |
| Foreign | 8 | 0.43 | 13,060 | 0.03 | 177,160 | 0.05 |
| Total | 1,870 | 100.00 | 44,965,627 | 99.48 | 372,216,593 | 99.77 |
| of which nominee-registered | 7 | | 28,881 | 0.06 | | |
| In joint accounts | | | 206,172 | 0.46 | 859,392 | 0.23 |
| Number of shares issued | | | 45,200,680 | 100.00 | 373,075,985 | 100.00 |

### AVERAGE SHARE PRICES 11/2002–10/2007, EUR



# Proposal by the parent company's Board of Directors regarding results for the financial year and distribution of profits

Panostaja Oyj's distributable funds, including profit for the financial year at EUR 619,315.66 and the invested unrestricted equity fund at EUR 17,620,902.70, amount to EUR 24,375,918.44.

The Board of Directors proposes to the Annual General Meeting that:

- the profit for the financial year be transferred to the retained earnings account;
- a dividend of EUR 0.09 per share be paid for Class A and B shares.

Tampere, 11th December 2007

| | | | | |
|---|---|---|---|---|
| Matti Koskenkorva<br>Chairman | Jukka Ala-Mello<br>Vice-Chairman | Olli Halmevuo | Hannu Tarkkonen | Juha Sarsama<br>CEO |

# Auditors' report

**TO THE SHAREHOLDERS OF PANOSTAJA OYJ**

We have audited the accounting records, the financial statements and the administration of Panostaja Oyj for the period from 1st November 2006 to 31st October 2007. The Board of Directors and the Chief Executive Officer have prepared the report of the Board of Directors and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the parent company's financial statements in accordance with prevailing regulations in Finland, which include the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express our opinion on the consolidated financial statements, on the parent company's financial statements, Directors' report and on administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report from the Board of Directors and the financial statements are free of material misstatement. An audit includes examination on a test basis of evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluation of the overall financial statement presentation. The purpose of our audit of administration is to examine whether members of the Board of Directors and the Chief Executive Officer of the parent company have complied with the rules of the Limited Liability Companies Act.

**CONSOLIDATED FINANCIAL STATEMENTS**

In our opinion, the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position of the Group.

**PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION**

In our opinion, the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of its financial position.

In our opinion, the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position of the Group and the parent company.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Chief Executive Officer of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding distributable funds is in compliance with the Limited Liability Companies Act.

Tampere, 11th December 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

| | |
|---|---|
| Janne Rajalahti<br>Authorised Public Accountant | Hannu Pellinen<br>Authorised Public Accountant |

# Shareholder information

**INTERIM REPORTS**

Panostaja Group will publish three interim reports during the period from 1st November 2007 to 31st October 2008. Interim reports for the periods from 1st November 2007 to 31st January 2008, from 1st November 2007 to 30th April 2008, and from 1st November 2007 to 31st July 2008 will be published on 12th March 2008, 11th June 2008 and 10th September 2008 respectively. The annual report, interim reports and releases are also made available on the company's website at www.panostaja.fi.

**SHARE REGISTER**

Panostaja Oyj shares are included in the book-entry system. The company's Shareholder Register is kept by Finnish Central Securities Depository Ltd.

**ANNUAL GENERAL MEETING**

Panostaja Oyj's Annual General Meeting will be held on Tuesday, 18th December 2007, starting at 10 am EET, in the Tampereen Portti building, at Postitorvenkatu 16, Tampere. Participation in the Annual General Meeting is open to shareholders whose names appear on the Shareholder Register kept by Finnish Central Securities Depository Ltd. no later than 7th December 2007.

Holders of nominee-registered shares may be entered temporarily into the Shareholder Register for the purpose of participating in the Annual General Meeting no later than ten days prior to the meeting. Entries into the Shareholder Register must be made no later than 7th December 2007.

Shareholders wishing to attend the Annual General Meeting are required to notify the company of their registration in advance, no later than 12 noon EET on Monday, 17th December 2007, in writing to Ms. Sari Tapiola/Panostaja Oyj, P.O. Box 783, FI-33101 Tampere, Finland, by fax to +358 (0)3 263 4343, or by phoning Ms. Sari Tapiola on +358 (0)3 263 4300. Notification letters or faxes must arrive prior to expiration of the registration period. It is requested that any possible proxies be delivered at the same time as registration.

**DIVIDENDS PAID**

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share be paid for Class A and B shares for the period from 1st November 2006 to 31st October 2007. The Board proposes that the record date for dividend payment be 21st December 2007 and that dividends be paid out, according to the exemption granted by Finnish Central Securities Depository Ltd., as from 31st December 2007. Those who are included in the Shareholder Register kept by Finnish Central Securities Depository Ltd. on the dividend record date are entitled to receive dividends.

# Notes

Design: Oivallus, Printing: Lönnberg Print 2007

PANOSTAJA

We invest in Finnish entrepreneurship

Panostaja Oyj
Postitorvenkatu 16, FI-33840 Tampere
P.O. Box 783, FI-33101 Tampere
Tel. +358 (0)3 263 4300, Fax: +358 (0)3 263 4343
panostaja@panostaja.fi, www.panostaja.fi