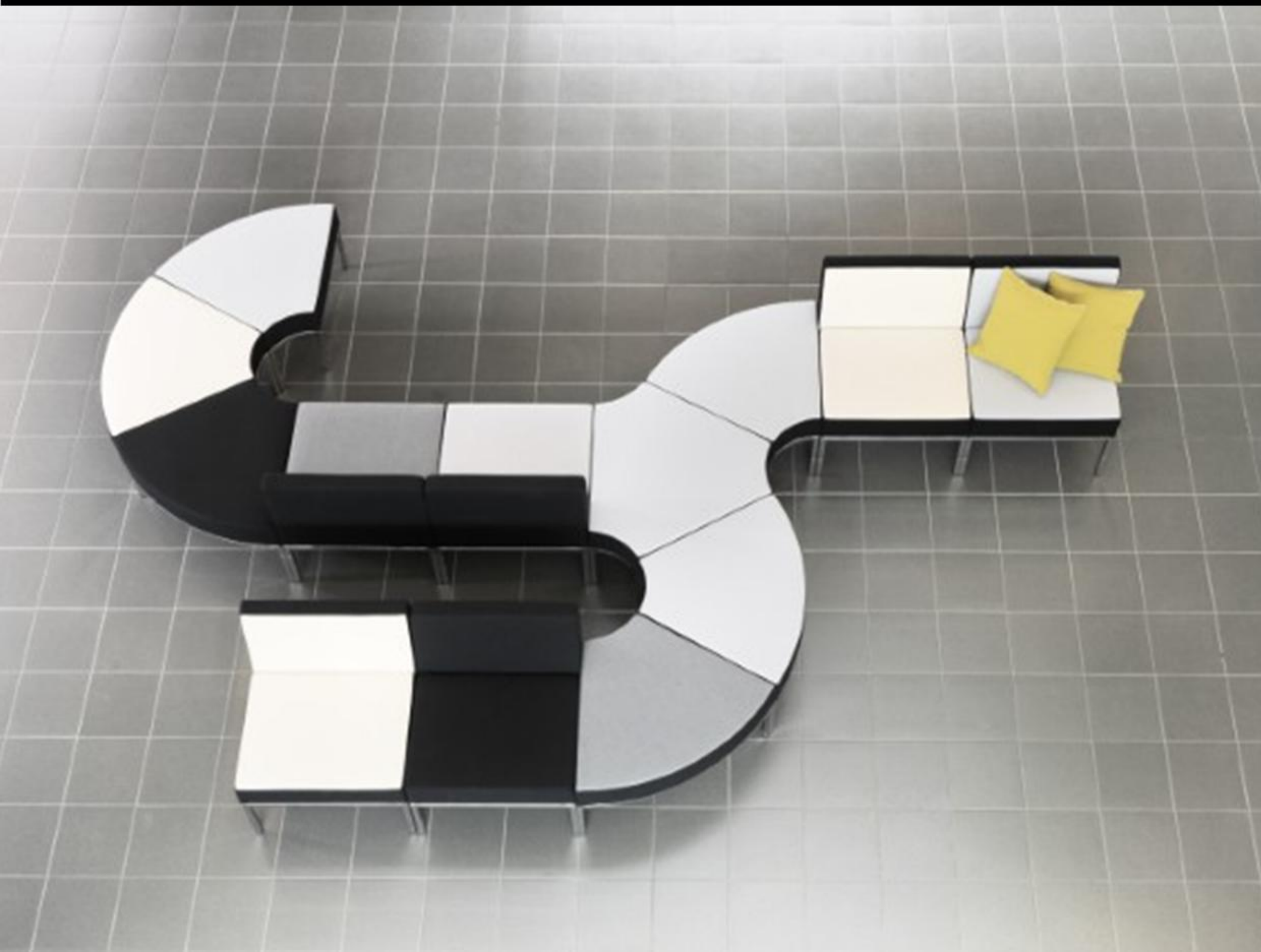
MARTELA
ANNUAL REPORT
2011



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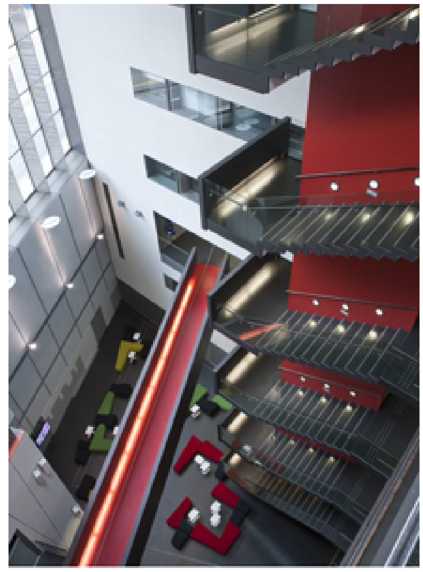
MARTELA IN BRIEF

Martela's offering of products and services helps customers transform their working environments and public interiors. Martela's interior solutions bring added value to the customer's business and brand, and improve the customer's working environment and the well-being of staff. Martela's collection includes both classics and new innovations that are in tune with changes in workplace culture. Quick deliveries and an extensive distribution network support the efficiency of operations. Martela's objective is to offer its customers ergonomic and innovative furniture and the best service in its field.

Martela is the largest company in its sector in Finland and one of the three largest in the Nordic countries. Martela offers the widest range of after-sales support and modification services for interior solutions in the entire sector. In Finland, Martela offers a comprehensive service that covers all modifications required for office premises, from initial inventory and lay-out planning to removal and maintenance of the furniture. In addition to furnishing offices, Martela supplies furniture for learning environments, elderly care facilities, auditoriums and hotels.

Martela is a family company founded more than 60 years ago and its shares are quoted on NASDAQ OMX Helsinki Ltd. The company has production facilities in Finland, Sweden and Poland. Its main market area is the Baltic region. In 2011, the Martela Group's revenue was EUR 130.7 million and the Group had 791 employees at the end of the year.



HELSINKI MUSIC CENTRE, FINLAND

LPR-arkkitehdit Oy

KEY FIGURES

		2011	2010
Revenue	Meur	130.7	108.4
Growth in revenue	%	20.6	13.7
Operating profit	Meur	2.6	1.3
- as a percentage of revenue	%	2.0	1.2
Pre-tax profit	Meur	1.9	1.1
- as a percentage of revenue	%	1.5	1.0
Return on investment	%	6.0	3.7
Balance sheet, total	Meur	69.7	56.7
Equity ratio	%	44.7	55.6
Earnings/share	eur	0.39	0.16
Equity/share	eur	7.60	7.74
Dividend/share	eur	0,45*	0.45
Capital expenditure	Meur	6.8	4.7
Average personnel		637	601

* Proposal of the Board of Directors

FLY ME
DESIGN **GEIR SÆTVEIT**

MANAGING DIRECTOR'S REVIEW

HEIKKI MARTELA,
MANAGING DIRECTOR

There was rising demand in the sector in nearly all of our principal markets in 2011. Our main markets are Finland, Sweden, Norway, Denmark, Russia and Poland. From these markets we will seek growth in the future, too.

During the year, we focused resources on the systematic development of new business areas, including the Martela Outlet chain and the service business. In the autumn, we opened a new Russian sales office in Moscow. The operations of the Danish company acquired at the end of 2010 were actively developed. We also invested in a Group-wide renewal of the IT system and implemented it first in our unit in Poland. Following the investments made in 2011, our equity ratio is still very strong, which means that we can continue to invest in growth and development in the future.

Forecasting economic trends in our home market is difficult in the current circumstances. However, we are confident that the investments made in 2011 will support Martela's business in 2012.

MARTELA SERVES

Martela is not only a furniture manufacturer and a design company. It is also increasingly a service company. In the past few years we have developed service products in response to the changing needs of our customers. Customer organisations nowadays have fewer personnel to focus on their working space arrangements and yet as much as 20 to 40 per cent of them move to another work station or location every year. This is the need which our maintenance service of premises aims to meet. We can keep customer's premises and furniture up-to-date to support efficiency and employee wellbeing.

At the end of the year we completed a deal in which we acquired the Grundell companies offering removal and space modification services. The acquisition reinforced Martela's own service production. Customers can now receive an even wider range of services and products from a single source. We have the capacity to take overall responsibility for modifications, as our services cover all premises-related needs, from designing layouts and interiors to assessing and recycling old furniture to removing and installing new furniture. We can also take care of inventories and the management of fixed assets.

Martela has also developed recycling into a business that is innovative even from a global perspective. In 2010 we acquired Martela Poistomyynti and its two outlets from Pa-Ri Materia Oy. It was renamed Martela Outlet and is now a chain of six shops located around Finland. The chain sells recycled and refurbished furniture to small businesses and home offices. The Outlet operation has not effected negatively to other Martela sales. Instead, it has allowed us to reach an even wider clientele. Through the Outlet channel and expanded removals service, we can offer all our customers an effective and competitive recycling service for used furniture.

DESIGN IMPROVES EVERYDAY LIFE

Helsinki is the World Design Capital for 2012. We have the pleasure to be one of Helsinki's main partners during the design year; after all, we are a design company born in Helsinki. The theme of the year is design in everyday life. This, of course, is what Martela's products truly are; they make workdays comfortable, fun and inspiring. No matter whether they are for workplaces, schools or nursing homes, our products and solutions improves everyday life. More and more of them can be adjusted, adapted and moved around to form environments for encounters, concentration and the use of technology.

As a Martela customer or partner, you can be sure that we take our responsibility towards the environment, our personnel and operations seriously, beyond quarterly business targets. We published our first responsibility report last summer and will continue to report on our progress in developing the various areas of corporate responsibility.

May I express my warmest thanks to Martela's customers, partners and shareholders for a year of excellent cooperation and to everyone at Martela for your wonderful contribution. I wish you a rewarding design year 2012!

Takkatie, February 2012

Heikki Martela
Managing Director

STRATEGY

Mission – Better Interiors

Vision – Leading Finnish Interior Brand

Strategy – Inspiring Spaces®

We are a leader in inspiring spaces. We offer complete solutions with products and services in our home markets. We add value by strengthening customers' brands, motivating people, and raising efficiency. We focus on direct customer and specifier relationships..

VALUES

Family business

Passion for innovations

User driven design

Finnish

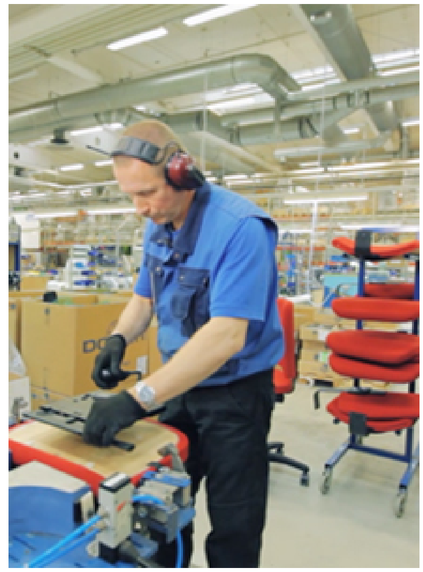
THE TREE
DESIGN **EERO AARNIO**

CORPORATE RESPONSIBILITY

Martela Oyj Board and GMT are committed to develop the company responsibly and in long-term to meet expectations of the owners, clients, staff and other stakeholder groups. Responsibility is part of Martela's corporate policies and strategy.

In summer 2011 Martela published its first Responsibility Report. The Report was compiled according to the Global Reporting Initiative (GRI) sustainability reporting model. The Report has received a great interest especially among international corporate clients as well as in international trade.

Responsibility can be divided into three main parts: economic responsibility, social responsibility, and environmental responsibility. They are addressed in the Responsibility Report as well as other publications such as the Annual Report.



CHAIR ASSEMBLY
NUMMELA LOGISTIC CENTRE

ECONOMIC RESPONSIBILITY

Most of Martela's revenue was distributed to suppliers and service providers in the form of payments for materials, goods and services. The vast majority of materials and components for customer products were purchased from local suppliers from Finland, Sweden and Poland.

The second biggest proportion of economic value goes to the personnel as employee salaries together with social security and pension contributions. Shareholders receive economic value in the form of dividends, which are paid annually.

SOCIAL RESPONSIBILITY

Martela's GMT approved Human Resources Policy outlines the principles of responsible HR management, clarifies and harmonizes the HR management process, and shows how to maintain and develop a good corporate and employer image.

The HR indicators are designed to provide a comprehensive picture of Martela's employees and their importance to the company. The indicators present information on the number and composition of the personnel, employee turnover, notice procedures in case of major change as well as personnel competence, health and safety and remuneration systems.

ENVIRONMENTAL RESPONSIBILITY

Martela is committed to promote environmental protection and to follow all environmental rules that apply. Martela applies common, group level procedures in environmental management systems of logistic centres. Martela's logistics centres both in Finland and Sweden have ISO 14001 certificates.

In the Swedish and Norwegian markets Martela has obtained the respected Swan label for its key products. There are also other environmental evaluation models in use for office furniture. Customers are interested in American LEED Green Building

Rating system and Martela has helped its customers in questions related to LEED.

BUSINESS UNIT FINLAND

Martela has a network of 28 sales centres in Finland and is the largest company in its sector in Finland. It offers the widest range of after-sales support and modification services. Martela has also taken a leading role in the furniture recycling business in Finland. It offers recycling services through the Martela Outlet chain, which has six outlets around Finland. The Business Unit's revenue in 2011 was EUR 88.6 million, which was 23.4% up on the previous year. The operating profit was EUR 6.5 million (5.0).

Customers are increasingly focusing on their core functions and this creates a greater demand for services to modify and maintain premises. Martela's response has been to provide an even more versatile collection of services and products. Thanks to its expertise in modifying spaces, its competitive collection, strong product brand representations and maintenance capabilities, Martela can offer a very comprehensive service. Martela's solutions motivate customers' personnel, reinforce their brands and enhance the efficiency of their premises.

Martela's operations are founded on understanding what customers need, and, in the year under review, we further refined our customer promise and sales organisation to better serve this purpose. Sales were organised into customer segments: office, meeting, school, welfare, hotel and Outlet. Our work has already born fruit in several of these segments.

SERVICES ARE A GROWING BUSINESS

Martela has invested in its service business. The company expanded its service production by acquiring Muuttopalvelu Grundell Oy and Grundell Henkilöstöpalvelut Oy in a transaction dated 31 December 2011. Grundell, established in 1961, is one of the largest providers of removal and space modification services in Finland. It also operates nationwide and has offices in five towns. As a result of the acquisition, we can now offer customers more comprehensive product and service solutions through a simpler service chain. Combining service operations will improve the quality of the service processes and improve service logistics. It offers customers a smoother change process as a whole and saves their time as well.

During 2011, Martela tripled the store capacity of its Outlet chain and the Outlet business made a breakthrough. Recycled, high quality furniture meets the needs of small and medium-sized companies. On the other hand, Martela's recycling service serves large organisations by offering an efficient and environmentally-friendly way to remove old furniture. High demand for recycled products will provide opportunities for future growth of the Martela Outlet chain, too.

EXPANDING SERVICE OFFERING

"NORDIC IT SERVICE COMPANY ENFO IS GOING THROUGH A PERIOD OF STRONG GROWTH AND EXPANSION. ITS NEEDS ARE THEREFORE CONSTANTLY EVOLVING, AND THIS ALSO APPLIES TO THE REQUIREMENTS OF ITS WORKING ENVIRONMENT. MARTELA HAS RESOLVED THESE PROBLEMS AND CHALLENGES IN AN EFFICIENT AND PROFESSIONAL MANNER. THE COMPANY'S PREMISES NOW MEET ITS NEEDS MUCH MORE EFFECTIVELY AND IN A MORE PRODUCTIVE ENVIRONMENT, THANKS TO MARTELA'S COMPREHENSIVE RANGE OF PRODUCTS AND SERVICES."

Business Unit Finland (meur)	2011	2010	Change %
Revenue	88.6	71.8	23.4
Operating profit	6.5	5.0	
Investments	0.7	1.5	
Average personnel	310	258	+20.2

BUSINESS UNIT SWEDEN AND NORWAY

This Business Unit is the second biggest at Martela. Sales activities are handled through dealers, and Martela also has its own sales and showroom facilities in three locations: in Stockholm and Bodafors, Sweden, and in Oslo, Norway. The Business Unit’s logistics centre and order handling are also located in Bodafors. In Norway, the marketing company located in Oslo operates as a support organisation for the Norwegian sales network. The Business Unit’s turnover in 2011 was EUR 20.6 million, and it grew 10.5 % on the previous year. The operating result was EUR 0.3 million (0.0).

In 2011, Martela developed and intensified the supply and project delivery of solutions adapted for customer-specific needs. Martela’s strength is its ability to combine efficient and flexible production with an extensive network of specialised subcontractors. One project delivery can include a vast selection of standard furniture combined with products that are tailor-made for customers.

During the year, the Business Unit invested in the development of digital services. Martela’s new website, which serves clients as well as dealers and architects, was launched. The website follows Martela's Inspiring Spaces concept and is adapted to the needs of the Swedish and Norwegian markets. It provides product information quickly and easily, and has references that describe Martela's individual solutions.

Martela also invested in its logistics system. Careful order control and the company’s own transport capacity in Sweden and Norway provide added value to both clients and dealers. Risk of damage to products during transport has been minimised by decreasing the number of loading phases in deliveries. Martela cooperates with selected transport companies who publish their environmental policies. Extensive measures were taken and new transport contracts were implemented during 2011 in order to meet the objectives set for logistics.

Business Unit Sweden and Norway (meur)	2011	2010	Change %
Revenue	20.6	18.6	10.5
Operating profit	0.3	0.0	
Investments	0.2	0.2	
Average personnel	58	53	9.4

SKOLVERKET, STOCKHOLM, SWEDEN

TEMA ARKITEKTER & INREDNING

AFTER MANY YEARS AT DIFFERENT ADDRESSES IN STOCKHOLM, STAFF FROM THE SWEDISH NATIONAL AGENCY FOR EDUCATION MOVED TOGETHER TO SHARE A SINGLE SET OF PREMISES. THIS MEANT A SWITCH TO MORE OPEN OFFICE AREAS, BUT THE CHALLENGE WAS ALSO TO CREATE A CONTEMPORARY WORKPLACE IN HISTORICAL SURROUNDINGS. MARTELA HAS SUPPLIED THE WORK STATIONS WITH DESKS, SCREENS AND STORAGE SOLUTIONS, AS WELL AS CHOICE LOUNGE AND DINING FURNITURE ITEMS. THE RESULT IS AN INTERIOR DESIGN WHERE THE PAST MEETS THE PRESENT AND ERGONOMICS AND AESTHETICS COEXIST ON EQUAL TERMS."

BUSINESS UNIT POLAND

Martela has a significant market position in Poland. The company has a nationwide sales network with seven sales offices in Poland's largest cities. The Business Unit's principal export countries are Ukraine, the Czech Republic and Slovakia, and in each of these countries sales are handled by dealers. The headquarters are located in Warsaw. The Warsaw logistics centre takes care of the region's production control, product assembly and logistics management. Martela's subsidiary serves customers in Hungary. The Business Unit's turnover in 2011 was EUR 12.9 million, an increase of 38.7 % on the previous year. The operating result was EUR -0.6 million (-1.4).

Martela concluded some important contracts in Poland in 2011. Customer needs were met by providing comprehensive solutions under the Inspiring Spaces concept. An example of Martela's success is that the company has been selected to furnish the lobby and conference facilities at the Warsaw National Stadium for the 2012 European Football Championships.

In 2011, the Unit invested in public sector sales in particular. There was growth in the auditorium segment and the furniture leasing service. Martela's import selection was extended and the Martela collection was successfully complemented by representing interesting brands. Martela's strong foothold in Poland provides conditions for growth also in the future.

Relations with architects were intensified through the Conscious Interior designer events which have become annual occasions that are eagerly awaited by professionals in the field. The Martela Group's new ERP system was introduced first into the Polish organisation. When completed this major reform will boost the Group's operations.

Business Unit Poland (meur)	2011	2010	Change %
Revenue	12.9	9.3	38.7
Operating profit	-0.6	-1.4	
Investments	0.1	0.1	
Average personnel	90	91	-1.1

FOOTBALL CLUB "LEGIA WARSZAWA"

JSK ARCHITECTS

”THE LEGIA STADIUM IN WARSAW IS A UNIQUE SPORTS VENUE THAT COMPLIES WITH THE HIGHEST INTERNATIONAL STANDARDS. PEOPLE COME HERE TO WATCH GREAT FOOTBALL MATCHES, BUT ALSO TREAT IT AS AN EXCLUSIVE PLACE FOR BUSINESS MEETINGS. AMONG THE THREE BUSINESS ZONES WE FURNISHED, THE GOLD ZONE IS THE MOST PRESTIGIOUS PART OF THE BUSINESS CLUB. IT OWES ITS EXCEPTIONAL ATMOSPHERE TO THE 160 AMBER GOLD COLOURED KILTA CHAIRS WHOSE CHARACTERISTIC SHAPES FILL THE SPACE BEHIND THE GLASS WALL THAT OFFERS A VIEW OF THE FOOTBALL PITCH".

BUSINESS UNIT INTERNATIONAL

The business unit's main market areas are Denmark, Russia and Estonia. It also exports products to the Netherlands, Germany and Japan. In addition, the unit is responsible for the Group's key international customer relationships. Martela has companies in Russia, which operate in St Petersburg and Moscow. Sales take place in Russia both directly and through a network of dealers. In Denmark, Martela has its own sales company. In other markets, sales are the responsibility of local importers.

In 2011 Martela boosted its position in Russia by opening a sales office in Moscow and recruiting the staff for its sales organisation. Martela's sales and showroom facilities in both St Petersburg and Moscow send a strong visual message of the Martela brand and its collection. Forming the correct brand image is critical to becoming successfully established in the challenging Russian market. Martela was promoted by reinforcing its relationship with designers and through visibility in the media.

Martela's long experience in exporting to Russia and the strong role of international parties in general in the sector help Martela's expansion in the country. Martela's advantage is that it offers a comprehensive and effective solution, which customers in Russia, and elsewhere, too, are increasingly demanding. Business is focused in St Petersburg and Moscow but Russia's other major cities offer Martela promising opportunities in the future.

In Denmark Martela's sales and showroom facilities in Copenhagen and Århus moved to central locations and they were modernised in accordance with Martela's new visual concept. Integration of the dealer acquired in 2010 into the Martela Group was completed. In customer and stakeholder work, Martela's market repositioning played a key role.

In other export markets, Martela focused on supporting importers. Cooperation was promoted with active contacts and close management of networks.

VKONTAKTE, ST. PETERSBURG 2011

GULLSTEN-INKINEN, DESIGN & ARCHITECTURE

"VKONTAKTE IS ONE OF THE NEW AND STRONGLY GROWING IT COMPANIES IN RUSSIA. ITS ACCOUNTING DEPARTMENT IS SITUATED ABOVE THE ROOFTOPS OF THE HISTORICAL CITY CENTER OF ST. PETERSBURG. IN ORDER TO MAKE THE MOST OF THE SPECTACULAR VIEW, THE OFFICE SPACE WAS KEPT OPEN WITH GLASS WALLS. THE INTERIOR SOLUTION IS BASED ON USER NEEDS AND HIGH QUALITY OF DESIGN IN EVERY DETAIL. THE FURNITURE INCLUDES MANY TIMELESS CLASSICS IN STRONG COLOURS."

PERSONNEL

Martela has 791 employees in seven countries. Although it operates internationally, Martela's roots are firmly in Finnish soil. It is well-known both in Finland and abroad for its high standards and reliability. Martela's employment culture is that of a family-owned company in which everyone's contribution is appreciated and the owner has a face. Martela's focus on development has made it a forerunner in its field.

In 2011, the Group's personnel increased by 166 as a result of the expansion of the Martela Outlet chain and the Grundell acquisition. For the first time, Martela published a corporate responsibility report, whose social responsibility section described the personnel and their significance to the company in detail. Martela's success has been created by skilled and motivated employees who like their work. Through responsible personnel management the company ensures that the critical success factors related to the personnel are fulfilled.

MATERIAL PLANNING

HUMAN RESOURCES MANAGEMENT IN KEY ROLE

At Martela, the performance of managers and supervisors is considered to be a key factor in employee job satisfaction and the results achieved. We therefore conduct a manager study every other year to measure the skills of our managers and we improve their skills through training and development programs.

Project work is increasingly common at Martela, which poses a management challenge. The ability to attain strategic objectives was enhanced by a program aimed at developing project management skills and providing better tools for success. A Group-wide personnel information system was also developed with the aim of helping managers perform more effectively.

We measure job satisfaction every other year. According to the survey conducted in autumn 2011, job satisfaction and workplace atmosphere were both good.

In 2011, the Group implemented an electronic learning environment called Martela Learning, which allows up-to-date and efficient study in all countries where Martela operates. The electronic environment supplements other Group training programs which ensure on-the-job development in rapidly changing fields.

IMPROVING EMPLOYEE WELLBEING

During 2011, models were created at the Nummela logistics centre in Finland for age management and workplace health promotion. The models will be piloted during 2012. The goal is to promote the workplace health of employees older than 50 by taking their age into account in management decisions and by offering more flexible working hours and workloads.

The objective of the model is to prevent occupational problems. Martela's goal is that all employees will retire in good health.

Well-organised occupational health care, systematic health and safety processes and a caring work community all promote well-being and job satisfaction. A more extensive employee wellbeing programme will be drawn up in 2012.

PRODUCTS & COMMUNICATION

Martela's Products and Communications unit combines Group product development and product portfolio management as well as brand management and marketing. The unit takes advantage of the synergy between the functions and aims to increase active dialogue between product and marketing teams. The goal is to better understand customer needs and to offer high-quality solutions as the customer needs change.

BRAND

A strong, inspiring brand is an essential component of Martela's strategy for the future. Martela's Inspiring Spaces brand promise is an expression of the comprehensive solutions Martela offers. Martela approaches space design from the standpoint of customer needs and has formed six Inspiring Spaces concepts to support its solutions. The core message is that, with Martela's help, any space can be made inspiring. Inspiring and functional premises improve efficiency and employee satisfaction.

Martela is one of the main partners of World Design Capital Helsinki 2012. The theme of the design capital year is integrating design into people's everyday lives, which also touches on the core of Martela's business. Martela has furnished the offices of the WDC Helsinki 2012 organisation and is participating in the theme year in various ways, one of which is the Inspiring School exhibition.

INSPIRING SPACES CONCEPTS

Inspiring Meeting Every encounter should inspire. Positive interaction is about exchanging and developing ideas and creating something new. Places where people meet are key areas in every office, and they should promote easy and genuine interaction. Our Inspiring Meetings concept includes tried and tested solutions for spaces intended for meetings, negotiations and events. Martela's designs, from lobbies to large meeting rooms, provide the right framework.

Inspiring Office People have very different duties and work in very different environments, but we are all entitled to an inspiring workspace. Under the Inspiring Office concept we have assembled ideas and solutions for inspirational office environments. The added value of the concept derives not only from the ability to create spaces and furnish them, but also from the positive ambience it lends to the space. It allows for creative encounters, working together and shared success. It is not merely about walls and furniture, but about wellbeing, ergonomics and inspiring surroundings. In an inspiring office, you will feel that the space is designed especially for you. It will make your work easier and help in attaining goals.

Inspiring Service Time is our most limited resource, which is why we offer customers an inspiring service and advice on the

KOOP
DESIGN **KARIM RASHID**

best solutions based on our long experience. Our inspiring service is a shortcut to a better work environment. We all have our preferences when it comes to the space we work in and our own workstations. For some it is the floor space, for others it is the look of the workstation or the colour of the chairs. Our response to this is to provide an inspiring service. We do not merely sell. Instead, we get involved as corporate environments develop and staff require assistance in improving their office spaces. We wish to ensure our customers get what they need easily and we are inspired by the challenges this offers us.

Inspiring School A school is often the first shared space where we learn to work in teams. For Martela, this is both a source of inspiration and an environment that requires responsible interiors. We consider these learning environments for children and young people to be special places, and we listen to their views and those of their parents and education professionals. Learning is something we all do throughout life. Universities, other educational establishments and training centres are always on the lookout for a new perspective on knowledge and practical applications. Many of the new practices and ideas we have developed for such purposes have also found their way into solutions for business premises.

Inspiring Welfare Services for elderly people is a field in which Martela's products and knowhow have a lot to offer. Our Inspiring Welfare concept brings together our latest solutions to ensure functionality, efficiency and the potential for positive encounters in this special area. The demands and the need for individuality in health care and wellbeing services are growing all the time. Both require greater improvements in quality and in the personal touch they offer, as well as more productive encounters between customers and professionals. Martela's role in this is to actively design service facilities. It is our desire to help municipalities and businesses to further develop these services.

Inspiring Material Colours and materials have a profound impact on us all, even if we do not always realise it. This is why Martela has a dedicated materials and colours team. We like to know all about the latest material applications, understand new production technologies and create the best solutions. Our customers' views are another key factor in our choices. Because our best products are modifiable, they are always well suited to tailor-made spaces for specific customers.

MARKETING

Martela reorganised its marketing in 2011. Group marketing took on a bigger role in arranging common tools and coordinating the marketing resources of the different business units. The combining of resources improved efficiency.

One of the leading themes of the year was expressing the Inspiring Spaces brand promise in corporate communications. In marketing communications the focus was on encouraging inspiration and offering new ideas through Martela's concepts.

The focus of marketing was different for each business unit. Group-wide actions included the Helsinki Design Day organised in October, bringing together space designers from around Martela's home market, and the common sales support materials such as the completely revamped product catalogue for 2011.

PRODUCT DEVELOPMENT AND PORTFOLIO MANAGEMENT

The competitiveness of the Martela collection was enhanced in 2011, which improved performance in the various market areas. The broad collection meets customer demand in the main segments and is augmented by annually introduced spearhead products from interesting designers. The strong product portfolio ensures Martela's competitiveness and attractiveness. Thanks to having both classics and new innovations in its versatile collection, Martela can offer interior solutions that inspire and support the customer's business.

Martela launched several new products during the year, and improved its "Meeting" product families for surroundings by developing the properties of the furniture and increasing the opportunities for variation.

KOOP, designed for Martela by Karim Rashid, attracted worldwide attention. On the Architonic website for architects and design professionals, it ranked as the 14th most popular product.

The new "Big" pull-out cabinet is an example of a solution that saves space and addresses a need arising from changing work stations. Designed by Pekka Toivola, the cabinet conceals the most important materials and items in a pull-out trolley where they are easily reachable.

The beautiful form and innovative row-linking mechanism of designer Antti Kotilainen's Kuru all-purpose chair make it a versatile product for diverse spaces. The arching, beautiful back is flexible and comfortable to lean against and lends rhythm to the chair.

KIDEX OY

Kidex Oy is a contract manufacturer of board-based furniture components such as cabinet and pedestal components and tabletops. The company's competitiveness is guaranteed by its top-class equipment, efficient operating model, ability to react quickly and skilled workforce.

Kidex' customers include Martela Group companies and also furniture manufacturers, especially makers of kitchen, bathroom and shop furniture, which are not part of the Martela Group.

Kidex Oy's objective is to be an active contract manufacturer for all the companies in the Martela Group. In the year under review, competitiveness was developed by improving the reliability of the order-delivery chain and productivity. Its goal is to grow with the other Martela Group companies and also within its customer segments outside the Group.

In 2011, the company employed an average of 70 (70) people.

BIG
DESIGN **PEKKA TOIVOLA**

JAMES+
DESIGN **IIRO VILJANEN**

PINTA ES
DESIGN **PEKKA TOIVOLA & IIRO VILJANEN**

P.O. KORHONEN OY

Since February 2011, P.O. Korhonen has been a Martela Corporation and Artek Oy joint enterprise. Martela has a 51 per cent stake in the company, while Artek's holding is 49 per cent. The joint enterprise will focus on the manufacture of products marketed and sold by Martela and Artek.

P.O. Korhonen Oy manufactures form-pressed wooden furniture. The company's core competence is unique handling, bending and form-pressing of wood. The joint enterprise invested in a new finishing line at its plant, thanks to which furniture finishing, including colour variation, is now more versatile and competitive. In conjunction with the investment, the plant adopted environmentally friendly water-soluble surface finishing agents. Investments were also made to prepare for the manufacture of Artek's products.

Both design companies benefit from easily accessible high-standard manufacturing and technical know-how. Since the number of wooden chair manufacturers in Finland is declining, having one's own manufacturing capacity ensures that products are always available and that classic pieces can still be made. Having locally based manufacturing in Finland allows quick, flexible and customer-focused solutions, which is essential in international projects in particular.

In 2011, the company employed an average of 46 (50) people.

KARI3

DESIGN **KARI ASIKAINEN**

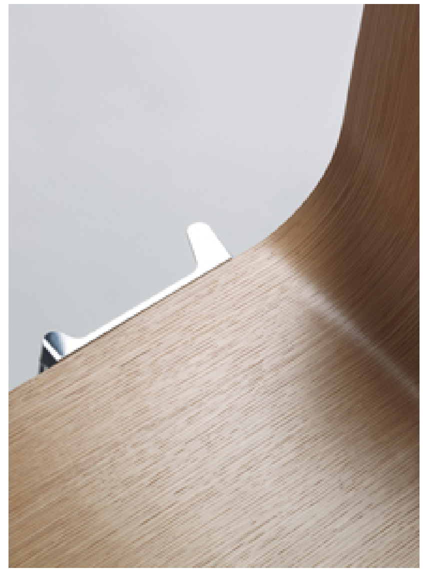
QUALITY

Quality is part of all operations at Martela. Several projects were conducted to improve it in 2011. This work aims at the continuous improvement of both product quality and operating quality.

Operational development is based on certified quality systems (ISO9001) and environmental systems (ISO14001). The certificates are granted by an accredited third-party assessor for three years at a time. Martela's current certificates will be in force until the end of 2014. Operations are assessed annually.

Martela started to renew its customer feedback process in 2011. The goal is to respond to customers more quickly and precisely. At the same time, the follow-up of preventative and corrective actions was also improved. These reforms will be reflected e.g. in lower quality-related costs in the future. The improvement of the overall quality awareness of Martela's personnel was another goal in 2011.

Martela has started to renew its enterprise resource planning (ERP) system. The new system will not only allow better resource management, but will also enhance quality measurement and promote the continuous improvement of operations.



KURU
DESIGN **ANTTI KOTILAINEN**

CORPORATE GOVERNANCE STATEMENT 2011

Martela Corporation is a Finnish limited liability company that is governed in its decision-making and management by Finnish legislation, especially the Limited Liability Companies Act, by other regulations concerning public listed companies, and by its Articles of Association.

The company complies with the NASDAQ OMX guidelines for insiders and the Finnish Corporate Governance Code 2010 published by the Securities Market Association.

ORGANISATION

Martela Group's business area is the furnishing of offices and public premises, and the provision of related services. The Group is managed according to both its operational organisation and legal Group organisation. The Group's management is based primarily on an operational matrix organisation. Its sales operations and customer service are organised by business segment as follows:

- Business Unit Finland
- Business Unit Sweden and Norway
- Business Unit Poland
- Business Unit International

Business Unit Finland is responsible for sales, marketing, service production and manufacturing in Finland. Martela has an extensive sales and service network covering the whole of Finland, with a total of 28 sales centres. The Business Unit has a logistics centre in Nummela.

Business Unit Sweden and Norway is responsible for sales in Sweden and Norway, handled through about 70 dealers. In addition, the Business Unit has its own sales and showroom facilities at three locations: Stockholm and Bodafors in Sweden and Oslo in Norway. The Business Unit's logistics centre and order handling are also located in Bodafors, Sweden.

Business Unit Poland is responsible for the sales and distribution of Martela products in Poland and Eastern Central Europe. Sales in Poland are organized via the sales network maintained by the Business Unit and in Hungary there are Martela subsidiary and sales centre. The company has altogether 7 sales centres in Poland. The Business Unit's principal export countries are Ukraine, the Czech Republic and Slovakia, in each of which sales are handled by established dealers. Business Unit Poland is based in Warsaw, where it has its logistics centre and administration.

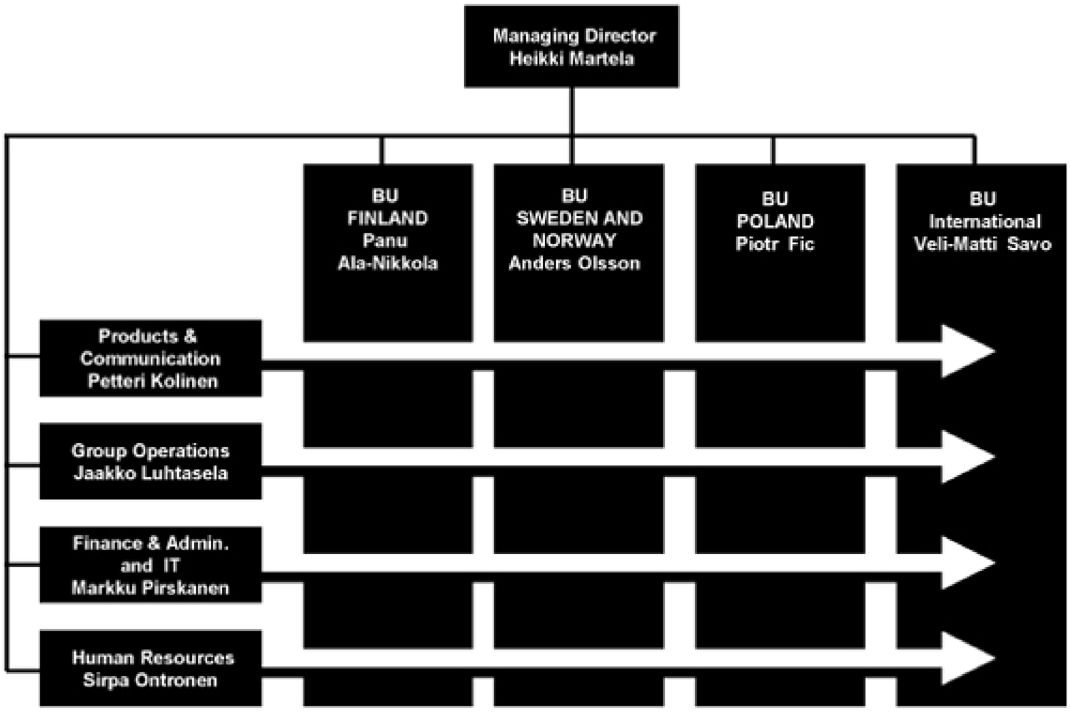
The main market areas of Business Unit International are Russia, Denmark and Estonia, and it also exports products to the Netherlands, Germany and Japan. In addition, the unit is responsible for managing the Group's key international customer relationships. In St. Petersburg, Russia, and in Denmark sales are organised through Martela subsidiaries, and in other markets thorugh local authorised dealers.

The Business Units share Group-level processes:

- Product and Communication is responsible for the competitiveness of the product portfolio and its visual consistency and for the development of innovative products and the Group's marketing communications;
- Production and Logistics is responsible for the principles and technology of production management, Group procurement, quality and the environment;
- Group HR is responsible for ensuring that Martela has the correct number of skilled, motivated and committed employees.
- Financial Administration and IT is responsible for Group financial planning and reporting and Group IT solutions.

Manufacturing takes place on an order-driven basis at Martela. Management of the supply chain and product assembly have been concentrated in the company's logistics centres in Finland, Sweden and Poland. These logistics centres are part of the operational organisations of their respective business segments. The logistics centres rely on an extensive network of subcontractors when carrying out their acquisitions.

The components and products needed by the centres are also produced at Group plant in Kitee and as well as at the joint venture in Raisio. Kidex Oy is a contract manufacturer of wood-based components, and roughly 23 per cent of its production goes to customers outside the Group. P.O. Korhonen Oy manufactures form-pressed wooden furniture for public premises and auditorium furniture.



ANNUAL GENERAL MEETING

The General Meeting is the company's supreme decision-making body. The Annual General Meeting must be held within six months of the end of the financial year. The financial statements, Board of Directors' report and the auditor's report are presented at the Annual General Meeting. The Meeting decides on the approval of the financial statements, use of the profit shown on the balance sheet, discharging the members of the Board of Directors and the Managing Director from liability, the fees of the Board members and auditors and the number of members on the Board. The General Meeting also elects the Board of Directors and the auditor. Other matters on the agenda for the General Meeting are mentioned in the notice of meeting.

SHARES

Martela has two share series (‘K shares’ and ‘A shares’), with each K share entitling its holder to 20 votes at a General Meeting and each A share entitling its holder to one vote. The redeeming of K shares is referred to in the Articles of Association. Private owners of K shares have a valid shareholder agreement that restricts the sale of these shares to other than existing holders of K shares. The company’s total share capital on 31 December 2011 was EUR 7 million.

In January-December 2011, a total of 681,344 (1,182,411) of the company’s A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 19.2 per cent (33.3) of the total number of A shares.

The value of trading was EUR 5,0 million (8,4); the share price was EUR 7,77 at the beginning of the year and EUR 5.79 at the end of the year. During January-December the share price was EUR 8.56 at its highest and EUR 5.03 at its lowest. At the end of December, equity per share was EUR 7.6 (7.74).

BOARD OF DIRECTORS

The Board of Directors, elected by the Annual General Meeting each year, is responsible for the management and proper arrangement of the operations of the company in compliance with the Limited Liability Companies Act and the Articles of Association. In accordance with the Articles of Association, the Board of Directors consists of no less than five and no more than nine members. There may be no more than two deputy members. The Board of Directors elects from among its members a Chairman and Vice Chairman to serve until the end of the next Annual General Meeting. More information on the composition of the Board and the background information concerning Board members can be found under Corporate Governance/Board of Directors . The Board has confirmed a Charter defining the duties of the Board, meeting practices, the matters to be dealt with at meetings, the targets set by the Board for its operations, a self-evaluation of these operations, and the Board’s committees.

In accordance with the Charter, the matters dealt with by the Board of Directors include:

• Group, business unit and process strategies
• Group structure
• Financial statements, interim financial statements and interim reports
• Group operating plans, budgets and investments
• business expansion and reduction, acquisitions and divestments
• risk management policy and principles of internal control
• treasury policy
• appointment and discharge of the Managing Director
• composition of the Group Management Team
• management’s bonus and incentive plans
• approval and regular review of the principles and systems of corporate governance
• appointment of committees and their reporting

The Board convened nine times during the financial year. The average attendance of Board members was 99 per cent.

The Board reviews its own activities annually. The members of the Board submit their evaluations of the preceding year’s Board activities to the Chairman of the Board and a summary of the evaluations is discussed at a Board meeting.

The Board has evaluated the independence of its members and determined that Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman and Pinja Metsäranta are independent of the company. Of the company’s largest shareholders, Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman and Pinja Metsäranta are independent members of the Board.

The Board has formed from among its members a Compensation Committee which also has a written Charter. According to the Charter, the key duties of the Compensation Committee include:

• deciding, with authorisation from the Board, the salaries and bonuses of the Managing Director and the Group Management Team
• preparing for the Board the criteria of the incentive plans for key personnel
• preparing for the Board the general principles of the bonus and incentive plans for the Group's entire staff

The Board's Compensation Committee comprises Heikki Ala-Ilkka, Jaakko Palsanen and Tapio Hakakari.

The company has no separate audit committee. The Board of Directors sees to the audit committee duties specified in the Corporate Governance Code. The Board is of the view that its members have the necessary and sufficient information on the company's operations, and the Board monitors the company's reporting at each meeting. The Finance Director is present at meetings of the Board of Directors and functions as Board secretary. The Board chairman is in direct contact with the Finance Director as necessary.

MARTELA GROUP'S BOARD OF DIRECTORS

In picture from left to right

Tapio Hakakari, Jori Keckman, Pekka Martela, Jaakko Palsanen, Heikki Ala-Ilkka, Pinja Metsäranta, Heikki Martela

CHAIRMAN OF THE BOARD

Ala-Ilkka Heikki born in 1952, M.Sc. (Econ)

Chairman of the Board of Martela Oyj since 2003, member of the Board since 2002.
Chief Financial Officer of Onninen Oy 1996-2011.
Other key duties: Board member of Design Combus Oy.
Owns 12 000 Martela Oyj A shares

VICE CHAIRMAN OF THE BOARD

Martela Pekka born in 1950, M.Sc. (Econ)

Vice Chairman of the Board of Martela Oyj since 2003, Member of the Board since 1981,
Chairman of the Board 2002-2003, Vice Chairman of the Board 1994-2001.
Managing Director of Marfort Oy since 2002 and Managing Director of EcoRing Oy since 2011
Other key duties: Board member of Marfort Oy, Auto Innovation Oy and EcoRing Oy
Owns 8 Martela A shares and 69 274 Martela Oyj K shares.

Hakari Tapio born in 1953, LL.M

Member of the Board of Martela Oyj since 2003.
Other key duties: Member of the Boards of Etteplan Oyj, Opteam Yhtiöt Oy Hollming Oy,

Vice Chairman of the Board of Cargotec Oyj and Chairman of the Board of Enfo Oyj.
Owns 25 200 Martela Oyj A shares

Keckman Jori born in 1961, M.Sc. (Econ)
Member of the Board of Martela Oyj since 2000.
Managing Director of Lundia Oy 2003-2011.
Other key duties: Chairman of the Board of Fourton Oy and Board member of Oy Unicafe Ab.
Owns 1 000 Martela Oyj A shares.

Martela Heikki born in 1956, M. Sc. (Econ), MBA
Member of the Board of Martela Oyj since1986. Managing Director of Martela Oyj since 2002.
Other key duties: Member of the Board of Marfort Oy and the Association of Finnish Furniture and Joinery Industries.
Owns 121 342 Martela Oyj A shares and 52 122 Martela Oyj K shares.

Metsäranta Pinja born in 1975, M.A.
Member of the Board since 2010
TAHITI – Art History as a Branch of Scholarship, online journal, editor in chief since 2011
Owns 2000 Martela Oyj A shares

Palsanen Jaakko born in 1944, M.Sc. (Eng.)
Member of the Board of Martela Oyj since 1993.
Other key duties: Member of the Board of Coloured Wood Products Oy.
Owns 96 731 Martela Oyj A shares and 1 600 Martela Oyj K shares

MANAGING DIRECTOR

The Board appoints Martela Corporation’s Managing Director and decides on the terms and conditions of his service relationship, which are defined in a written Managing Director’s service contract. The Managing Director is responsible for the operational management and supervision of the parent company and the Group according to the guidelines set by the Board.

GROUP MANAGEMENT TEAM

The Board of Directors and the Managing Director appoint the members of the Group Management Team. The Managing Director of Martela Corporation acts as the Chairman of the Group Management Team. The directors responsible for the main market areas and the Group's processes are also represented in the Group Management Team. The Group Management Team drafts and reviews strategies, budgets and investment proposals, monitors the financial situation of the Group and its business units and processes, and the attainment of operational targets and plans. The Group Management Team meets once a month.

MANAGEMENT TEAM OF MARTELA GROUP

MANAGING DIRECTOR
Martela Heikki, born in 1956, M.Sc. (Econ), MBA
Managing Director
Area of responsibility: Managing Director of Martela Oyj
At Martela since 1993.
Member of the Board of Martela Oyj since 1986, Chairman of the Board 2000-2002, Managing Director of Martela Oyj since 1 March 2002.
Working experience: Martela-Morgana AB, Sweden, Managing Director 1993-1999, Oy Crawford Door Ab, Sales Director, 1987-1993.
Other key duties: Member of the Board of Marfort Oy and the Association of Finnish Furniture and Joinery Industries
Owns 121 342 Martela Oyj A shares and 52 122 Martela Oyj K shares

Ala-Nikkola Panu, born in 1965, M. Sc. (Econ)
Director, Business Unit Finland
Area of resposibility: Sales, marketing, production and logistics in Finland.
At Martela since 2001.
Working experience: Huhtamäki Oyj, sales, marketing and general management positions in Europe and Asia, both in business area and group responsibilities, 1990-2001.
Other key duties: Chairman of the Board of Aina Group Oyj
Owns 13 382 Martela Oyj A shares.

Fic Piotr, born in 1968, M.Sc (Pharm)
Director, Business Unit Poland
Area of resposibility: Sales, production and logistics in Poland and its neighbouring areas.
At Martela since 2005.
Working experience: Polpharma, Business Unit Head OTC, 2004-2005.
Owns 5 022 Martela Oyj A shares.

Kolinen Petteri, born in 1963, M. A. (Design Leadership)
Design Director, Products & Communication
Area of responsibility: Group Product Portfolio, Brand, Marketing and Product development
At Martela since 2007.
Working experience: Nokia Design, Design Manager 1993–1998, Senior Design Manager 1998–2007.
Owns 5 022 Martela Oyj A shares.

Luhtasela Jaakko, born in 1954, M.Sc. (Eng.)
Production and Logistics Director.
Area of responsibility: Group production, logistics and purchasing
At Martela since 1985.
Working experience: Oy Wärtsilä Ab, Nuutajärvi Glassworks, Development Manager 1981-1985.
Owns 6 655 Martela Oyj A shares.

Olsson Anders, born in 1965, B. SC. (Eng.)
Director, Business Unit Sweden and Norway
Area of responsibility: Sales, production and logistics in Sweden and Norway
At Martela since 2007.
Working experience: IBS Sverige AB, Business Unit Director, Sales and Marketing Director, 2005-2007.
Owns 5 022 Martela Oyj A shares.

Ontronen Sirpa, born in 1961, M.Sc. (Psych.)
HR Director

Area of responsibility: Group HR matters
At Martela since 2002.
Working experience: Sonera Oyj, HR Manager, 2000-2002, PricewaterhouseCoopers, Management consultant 1995-2000
Owns 7 769 Martela Oyj A shares.

Pirskanen Markku, born 1964 M. Sc. (Econ)
Finance Director (CFO)
Area of responsibility: Group's Finance and IT operations
At Martela since 2011
Working experience: Componenta Oyj, Financial manager, Financial director, 1989-1998. CFO at F-Secure Oyj 1998-2003, Finlayson & Co Oy 2003-2009 and Comptel Oyj 2009-2011
Owns 7 000 Martela Oyj A shares.

Savo Veli-Matti, born in 1964, B.Sc.(Eng.)
Director, Business Unit International
Area of responsibility: Sales in Denmark and Russia and export to other European countries and Japan.
At Martela since 2002.
Working experience: Paroc Oy Ab, different managerial positions in international trade in Europe and Asia, 1988-1997 and 1999-2002.
Owns 7 569 Martela Oyj A shares.

FINANCIAL REPORTING IN THE GROUP

Martela Corporation's Board of Directors is provided with monthly reports on the financial performance and forecasts of the Group and its business units.The reports and forecasts are also presented by the Managing Director at Board meetings, where they are reviewed. For the purposes of reviewing the interim reports and annual financial statements, the Board of Directors receives the financial statement information and analyses in advance.

The Group Management Team meets once a month to evaluate the financial performance, outlook and risks of the Group and its business units.

AUDITING

The auditing of Group companies is carried out in accordance with the valid laws in each country and each company's articles of association. The principally responsible auditor of the parent company co-ordinates the auditing of the Group's subsidiaries together with the Group's Managing Director and Finance Director. The auditors of Martela Corporation and the Group are the authorised public accountants KPMG, with Reino Tikkanen, Authorised Public Accountant, as the principally responsible auditor. All the auditors of the Group's companies are in the KPMG chain. In 2011, a total of EUR 135,000 (109,000) was paid in fees for the Group's auditing, while EUR 164,000 (11,000) was paid for other services.

INTERNAL CONTROL

The reliability of financial reporting is one of the principal objectives of Martela Corporation's internal control.

The Managing Director is responsible for the operational management and supervision of the Group according to the guidelines set by the Board. The Managing Director heads the Group Management Team, the members of which comprise the directors responsible for the business units and processes. The Group Management Team drafts and reviews strategies, annual operating plans and investment proposals, monitors the financial situation of the Group and its business units and processes, and the attainment of operational targets and plans. The Group Management Team meets once a month.

Martela's strategy is updated and its targets defined on an annual basis. Strategic planning forms the basis of all planning at Martela and is carried out on a rolling basis for the forthcoming period of 2-3 years. Target setting is an internal control prerequisite because the targets of the companies, business units, functions and supervisors are derived from Group-level targets. For each business area, specific financial and non-financial targets are set in accordance with the business plan, and their attainment is monitored regularly through comprehensive reporting to executive management, for example.

The Finance Director has overall responsibility for financial reporting in the Group. Reporting to executive management is carried out separately and independently of business operations. For the purpose of monitoring and controlling business operations, the Group has appropriate and reliable enterprise resource planning (ERP) systems and other information systems based on these, as well as the systems of the subsidiaries. Controllers and financial managers (controller function) are responsible for financial reporting at the Group, company and business unit levels. At Martela, financial reporting is carried out in compliance with guidelines, laws and regulations in a consistent manner throughout the Group. The reliability of financial reporting depends on the appropriateness and reliability of financial and reporting processes and on the control measures taken to ensure these. In 2011, a key area of focus in internal control was the implementation of the Group's ERP system.

The Finance Director is responsible for the maintenance and development of reporting processes and defining and implementing control measures. Control measures include guidelines, matching, management reviews and reporting on deviations. The Finance Director monitors compliance with defined processes and controls. He also monitors the reliability of financial reporting.

The Board of Directors approves Martela's strategy and annual operating plans. It also approves the principles and rules of risk management and risk limits, and monitors on a regular basis the effectiveness and sufficiency of internal control and risk management.

Furthermore, the Board is responsible for the internal control of the financial reporting process.

Auditors and other external controllers assess the control measures in terms of the reliability of financial reporting.

RISK MANAGEMENT AND INTERNAL AUDIT

Martela's Board of Directors has confirmed the principles of risk management. The purpose of risk management is to identify, monitor and manage risks that could pose a threat to business and to the achievement of business objectives. Group management has supreme operational responsibility for risk management policy.

In the Group, risks are analysed and decisions are made to manage these risks as a part of the regular monitoring carried out by the Board and the management teams as described above. Risks are also evaluated when planning and making decisions on significant projects and investments. Risk management is integrated with the strategy process as a separate stage of analysis. There is no separate risk management organisation, but the associated responsibilities are assigned in line with the rest of the business operations and organisation. The company's Board of Directors has included an annual review of risk management in its schedule of work.

The forming of a separate internal audit function has not been deemed appropriate. The fact that the company does not have an internal audit function has been taken into account in the audit plans of the company's auditors.

RISKS

It is estimated that the greatest risks to the improvement of profit performance relate to the continuation of general economic growth and the consequent overall demand for office furniture. In accordance with Martela's risk management model, risks are classified and reduced in different ways. The manufacture of Martela's products is largely based on the company performing the final assembly and using subcontractors for components. Production control is based on orders placed by customers, which means that there is no need for any large-scale warehousing. Risks of damage are covered by appropriate insurance policies, and these provide comprehensive coverage for property, business interruption, supplier interruption loss and loss liability risks. Martela uses the services of an external insurance broker to manage insurance matters. The services of an external partner are also used in legal matters.

Financial risks are discussed in the notes to the financial statements.

MANAGEMENT REMUNERATION, BENEFITS AND INCENTIVE PLANS

The fees paid to the Chairman and to the members of the Board in 2011 totalled EUR 30,000 and EUR 75,000, respectively. However, no fees are paid to Board members employed by the company.

The total salaries and other benefits paid to Martela Corporation's Managing Director in 2011 were EUR 239,000 (194,000). In addition, the Managing Director received EUR 22,000 (84,000) as bonuses and share-based incentives. The Managing Director is entitled to retire on a full pension at the age of 60. The period of notice of termination of contract is six months for both the Managing Director and the company. If the company gives notice of termination of contract, the Managing Director is entitled to one-off compensation equivalent to 18 months' salary.

Bonus and incentive plans based on annual or shorter term performance are in place in the Group to promote the achievement of short-term objectives. The amount of the incentive is influenced mainly by performance indicators.

The remuneration of the Managing Director and the Group Management Team consists of a fixed basic salary, annual performance pay and a long-term share-based incentive plan. The Board of Directors decides the annual performance pay of the Managing Director and other key personnel of the Group as well as the terms and conditions of the long-term share-based incentive plan on the basis of a proposal by the Compensation Committee. The amount of performance pay for the Managing Director and the Group Management Team members is based not only on personal results but also on the financial performance of the entire Group and the unit. The annual performance pay of the Managing Director and the Group Management Team may be no more than 30-45 per cent of their annual taxable earnings excluding performance pay. The principal of one-over-one approval is observed within the Group, which means that all pay-related terms and conditions require approval from the supervisor or manager who appointed the person in question.

The Managing Director and Group management participate in a long-term share-based incentive plan. The plan offers Martela Corporation A shares when the targets set for the specified earnings period are attained. These periods are the calendar years 2010 and 2010-2012.

Any incentives paid on the basis of the above scheme will be paid as a combination of shares and cash at the end of each earnings period. The maximum bonus for the entire scheme is 80,000 Martela Corporation A shares and an amount of cash that will cover taxes and similar charges, estimated at approximately the value of the shares to be paid. The extent to which the targets set for an earnings period are attained will determine how great a proportion of the maximum bonus will be paid to a key person. In 2011, key persons were given 21,870 Martela Corporation A series shares based on the 2010 earning period.

See the notes to the financial statements for information on the share-based incentive plan's effect on the result for the year.

No other compensation is paid on the basis of membership of the Management Team or a subsidiary.

INSIDER ADMINISTRATION

Martela observes the Guidelines for Insiders issued by NASDAQ OMX. In addition, the Board has adopted Group insider rules, which in some cases establish stricter requirements on processing insider information than the Guidelines for Insiders. For instance, the duration of the so-called closed window is 21 days at Martela, which is longer than the NASDAQ OMX minimum.

The following are considered as insiders subject to disclosure requirements: the members of the Board of Directors of the parent company, the Managing Director, the auditor, and the members of the Group Management Team. Company-specific permanent insiders are defined as people working in the Group in supervisory or expert duties, the execution of which requires regular access to information regarding the financial situation and outlook of the Group and its business units. Project-specific insider registers can be drawn up if necessary.

Martela Corporation has joined the SIRE system maintained by Euroclear Finland Ltd, and up-to-date information on the holdings of the insiders subject to the disclosure requirement is available on the Martela website.

CONTACT INFORMATION

GROUP COMPANIES AND JOINT VENTURE

FINLAND **MARTELA OYJ, Head office** Takkatie 1 P.O.BOX 44 FI-00371 Helsinki tel. +358 (0)10 345 50 fax. +358 (0)10 345 5744 www.martela.fi	**P.O.KORHONEN OY** Tuotekatu 13, FI-21200 Raisio tel. +358 (0)10 345 7100 fax. +358 (0)10 345 7150 www.po-korhonen.fi	**KIDEX OY** Savikontie 25 FI-82500 Kitee tel. +358 (0)10 345 7211 fax. +358 (0)10 345 7244 www.kidex.fi
SWEDEN **MARTELA AB** Brogatan 1 Box 7 SE-571 61 Bodafors tel. +46 (0) 380 37 19 00 fax. +46 (0) 380 37 08 32 www.martela.se	**NORWAY** **MARTELA AS** Drammensveien 130 N-0277 Oslo tel. +47 23 28 38 50 fax +47 23 28 38 51 www.martela.no	**DENMARK** **MARTELA A/S** Pakhus 54, Frihavnen Klubiensvej 3,1 DK-2100 Copenhagen tel. +45 7020 4830 fax. +45 3860 4827 www.martela.dk
POLAND **Martela Sp. z o.o.** ul.Redutowa 25 PL-01-106 Warsaw tel. +48 801 080 045 fax +48 22/ 836 76 23 www.martela.pl	**HUNGARY** **Irodabútor Martela Kft.** Róbert Károly krt. 59 HUN-1134 Budapest tel. +36 (1) 784 04 84 fax. +36 (1) 784 04 85 www.martela.co.hu	**RUSSIA** **LLC MARTELA SP** V.O., Malyj pr., 22, lit A 199004, St. Petersburg tel. +7 812 600 05 18 www.martela.ru **OOO MARTELA** Botanicheskiy pereulok 5, 129090 Moscow tel. +7 495 775 48 46 fax. +7 495 775 48 46 www.martela.ru

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting of Martela Oyj will be held on Wednesday, 14 March 2012, starting at 3 p.m. at Takkatie 1, 00370 Helsinki. The names of shareholders wishing to attend the meeting should be entered in the shareholder register at the Finnish Central Securities Depository Ltd no later than 2 March 2012, and the shareholders should register with Johanna Suhonen at the Company's head office, tel. +358 (0)10 345 5301, johanna.suhonen@martela.fi, or by post to Martela Oyj, PL 44, FI-00371 Helsinki, no later than 4 p.m. on 9 March 2012.

PAYMENT OF DIVIDENDS

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.45 per share is to be distributed for the year ended 31 December 2011. Only shareholders registered in the shareholder register maintained at the Finnish Central Securities Depository Ltd on the record date for dividend payment, 19 March 2012, will be entitled to the dividend proposed by the Board. Dividend payments will be made on 26 March 2012.

PUBLICATION OF FINANCIAL INFORMATION

Martela will publish three interim reports in 2012:

January–March	(Q1) on 27 April 2012
January-June	(Q2) on 3 August 2012
January-September	(Q3) on 26 October 2012

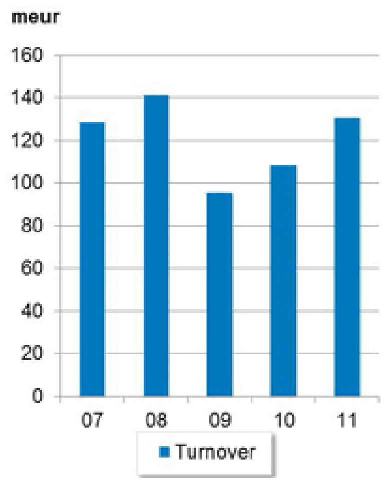
Martela's Annual and Interim Reports are available in Finnish and English on the Group's websites (www.martela.fi and www.martela.com).

Stock exchange releases will be published on the Martela Group's website immediately following publication. All stock exchange releases published during a financial year are available on the website in chronological order.

WORLD DESIGN CAPITAL HELSINKI 2012 -OFFICE
RANE VASKIVUORI

BOARD OF DIRECTORS' REPORT

KEY FIGURES

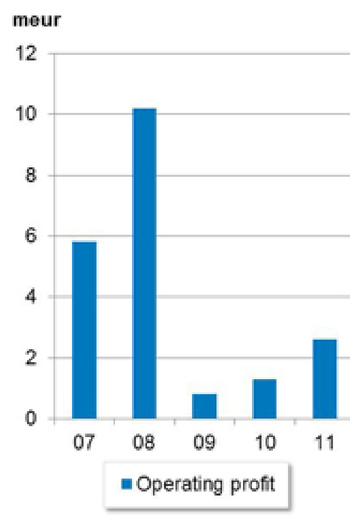


Consolidated revenue in January-December was EUR 130.7 million (2010: 108.4), an increase of 20.6 per cent on the previous year. Operating profit for the corresponding period was EUR 2.6 million (1.3) and earnings per share was 0.39 (0.16). The cash flow from operating activities in January-December came to EUR 1.2 million (-0.1). The equity ratio was 44.7 per cent (55.6) and the gearing ratio was -2.6 per cent (-14.1). Return on investment for the financial period was 6.0 per cent (3.7).

MARKET

The uncertainties affecting the global economy have not yet had a significantly discernible impact on the demand for office furniture in the Nordic countries. The demand in fact increased in Finland, Sweden and Poland during the year. In Denmark, however, demand is still weak.

Statistics on office construction are available for the first three quarters of 2011, and according to these, 2 per cent more office space was built in Finland in terms of square metres in January - September 2011 than in the previous year. In the same period significantly more building permits (+36%) were granted and there were significantly more new office building starts (+21%) than in the corresponding nine-month period a year earlier.



GROUP STRUCTURE

On 17 January 2011, Artek Oy Ab and Martela Corporation signed an agreement to establish a joint enterprise. The new company then acquired the business of Martela’s subsidiary P.O. Korhonen on 1 February 2011. The joint enterprise will focus on the manufacture of products marketed and sold by Martela and Artek. Martela has a 51 per cent stake in the new company, while Artek’s holding is 49 per cent. Under the shareholding agreement, Martela does not have control of the company as defined in IAS 27. The new company, named P.O. Korhonen, will operate as a contract manufacturer specialising in the production of form-pressed wooden furniture. Regarding the figures for the new company, Martela's consolidated income statement will only include Martela's share of the joint enterprise's profit or loss on the basis of Martela's holding, and this is reported in the consolidated income statement under 'share of result in associated undertakings'.

Under a deal signed on 31 December 2011, Martela Corporation acquired 100% of the share capital of Muuttopalvelu Grundell Oy and Grundell Henkilöstöpalvelut Oy. The acquisition of Grundell, which is a removals company and provider of interior planning services, allows Martela to expand the services it offers and gives customers one-stop access to a wider selection of interior planning services and products. Muuttopalvelu Grundell Oy, established in 1961, is one of the largest providers of removals and interior planning services in Finland. Following the acquisition, Grundell will continue as a separate company under the Grundell name within the Martela Group.

No other changes took place in the Group structure in 2011.

SEGMENT REPORTING

The segments presented in the financial statements comply with the company's segment division. The comparison year's figures have also been rendered in the same way. The business segments are based on the Group's internal organisational structure and internal financial reporting.

Sales between segments are reported as part of the segments' revenue. The segment results presented are their operating results, because tax items and financial items are not allocated by segment. The Group's assets and liabilities are not allocated or monitored by segment in the internal financial reporting. The revenue and operating result are as recorded in the consolidated financial statements.

Business Unit Finland is responsible for sales and marketing, service production and product manufacturing in Finland. Martela has an extensive sales and service network covering the whole of Finland, with a total of 28 sales centres. The Business Unit's logistics centre is in Nummela.

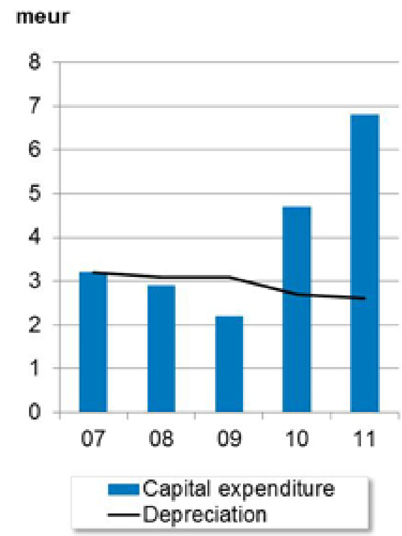
Business Unit Sweden & Norway is responsible for sales in Sweden and Norway, handled through about 70 dealers. In addition, the Business Unit has its own sales and showroom facilities at three locations: Stockholm and Bodafors in Sweden and Oslo in Norway. The Business Unit's logistics centre and order handling are also located in Bodafors.

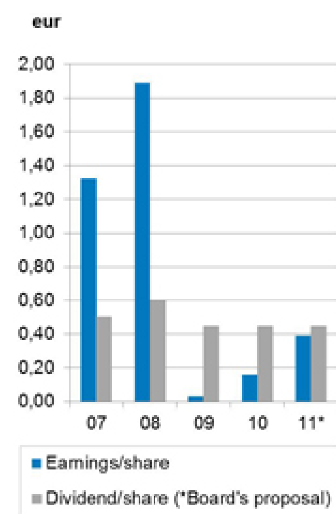
Business Unit Poland is responsible for the sales and distribution of Martela products in Poland and eastern Central Europe. In Poland, sales are organised through our own sales network, and in Hungary we have our own subsidiary and a sales centre. The company has altogether seven sales centres in Poland. The Business Unit's principal export countries are Ukraine, the Czech Republic and Slovakia, in each of which sales are handled by established dealers. Business Unit Poland is based in Warsaw, where it has its logistics centre and administration.

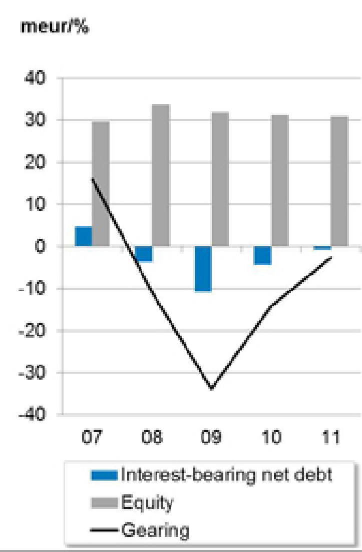
REVENUE

Consolidated revenue for the financial year rose to EUR 130.7 million (108.4), a growth of 20.6 per cent.

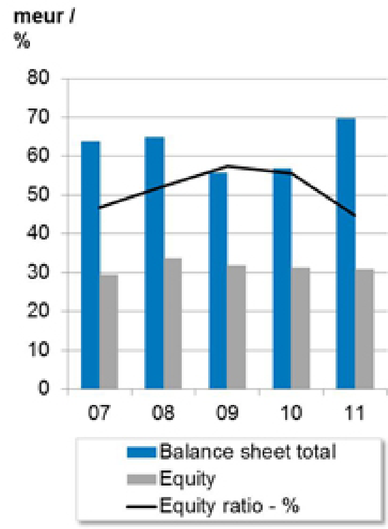
Revenue of Business Unit Finland grew by 24.3 per cent. Growth







measured by local currencies was in Business Unit Sweden and Norway 7.0 per cent and in Business unit Poland 43.3 per cent. Changes in currency exchange rates didn't effect significantly to Group's revenue.



CONSOLIDATED RESULT

The operating profit for the full financial year was EUR 2.6 million (1.3) which represents 2.0 per cent (1.2) out of revenue.

Profit before taxes was EUR 1.9 million (1.1), and profit after taxes was EUR 1.6 million (0.6).

FINANCIAL POSITION

The Group's financial position is strong. At the end of the financial year, interest-bearing liabilities were EUR 11.1 million (5.9), and net liabilities were EUR -0.8 million (-4.4). The gearing ratio was -2.6 per cent (-14.1) and the equity-to-assets ratio was 44.7 per cent (55.6). Net financial expenses were EUR 0.4 million (0.2).

The cash flow from operating activities for the year was EUR 1.2 million (-0.1).

The balance sheet total at the end of the year was EUR 69.7 million (56.7).

CAPITAL EXPENDITURE

The Group's gross capital expenditure for the financial year was EUR 6.8 million (4.7), and this was mainly on the acquisition of Muuttopalvelu Grundell Oy and Grundell Henkilöstöpalvelut Oy, and the ERP project and production replacements. The ERP system will be taken into use unit by unit. The first deployment was made in Poland during the autumn 2011.

PERSONNEL

The Group employed an average of 637 (601) persons, a year-on-year increase of 6.0 per cent. Salaries and fees were EUR 24.7 million (21.8) in 2011. Expenses from employee benefits are presented in more detail under Notes 3 in the financial statements.

PRODUCTS AND COMMUNICATIONS

The main focus in Martela Products and Communications in 2011 was in continuing the implementation of Martela brand renewal. The main internal target was to improve the co-operation and communication between Business Units. Martela's Inspiring concepts were built further with e-learning tools and other actions. Good results of concept sales were achieved in e.g. the school segment.

In the product portfolio, the focus was on developing the workstation range. The aim, in particular, was to improve the competitiveness of the range of desks, screens, storage units and task chairs.A highlight among the new designs in 2011 was the mesh-backed JamesH task chair, the latest member in the James product family designed by Iiro Viljanen, Martela's in-house designer. Combining modern design with simple elegance, the JamesH generated interest among customers and designers alike. Another significant new product was the Kuru all-purpose chair by designer Antti Kotilainen. The Kuru complements Martela's chair range with its high-quality finishing and was an immediate success with customers at its launch at the

Stockholm Furniture Fair.

Martela's marketing is moving effectively to digital channels through strengthening of the Group Marketing operations. At the end of the fiscal year some of the most important marketing tools were renewed and building of the new digital services for Martela was started**.**

RESPONSIBILITY

In 2011, Martela paid considerable attention to responsibility issues, and in August it published its first corporate responsibility report in compliance with the GRI (Global Reporting Initiative) guidelines. The corporate policies adopted as a result of the responsibility project can be found together with Martela's Code of Conduct on the company's website. Responsibility plays an important role in the Group, and the GRI reporting indicators and measures taken on the basis of these indicators are monitored systematically in the company.

Martela applies the ISO 9001:2000 standard in its operations and the ISO 14001:2004 standard in its environmental management. The aim of the company's environmental management programmes is to reduce the adverse environmental impact of Martela's products throughout their life cycle, and to increase re-use and recycling. Martela has paid particular attention to the recycling and potential re-use of discarded furniture by offering recycling services to customers.

SHARES

Martela has two share series (K shares and A shares), with each K share entitling its holder to 20 votes at a General Meeting and each A share entitling its holder to one vote. Private owners of K shares have a valid shareholder agreement that restricts the sale of K shares to other than existing holders of K shares. The total number of K shares is 604,800 and A shares 3,550,800.

During the financial year, 681,344 (1,182,411) of the company's A shares, or 19.2 per cent (33.3) of all A shares, were traded on NASDAQ OMX Helsinki.

The value of trading turnover was EUR 5.0 million (8.4), and the share price was EUR 7.77 at the beginning of the year and EUR 5.79 at the close of the year. During the financial year, the share price was EUR 8.56 at its highest and EUR 5.03 at its lowest. At the end of December, equity per share was EUR 7.60 (7.74).

TREASURY SHARES

Martela did not purchase any of its own shares in 2011. On 31 December 2011, Martela owned a total of 67,700 Martela A shares, purchased at an average price of EUR 10.65. Martela's holding of treasury shares amounts to 1.6 per cent of all shares and 0.4 per cent of all votes.

Share acquisition for the share-based incentive scheme and management of the scheme have been outsourced to an external service provider. These shares have been entered under equity in the consolidated financial statements for 31 December 2011. A total of 38,647 shares under the incentive scheme were still undistributed at the close of the year.

2011 ANNUAL GENERAL MEETING

The Annual General Meeting of Martela Corporation was held on

15 March 2011. The meeting approved the financial statements for 2010 and discharged the members of the Board of Directors and the Managing Director from liability. The AGM decided, in accordance with the Board of Directors' proposal, to distribute a dividend of EUR 0.45 per share. The dividends were paid on 25 March 2011.

The number of members on the Board of Directors was confirmed as seven, and Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman, Heikki Martela, Pekka Martela, Pinja Metsäranta and Jaakko Palsanen were re-elected. KPMG Oy Ab, Authorised Public Accountants, was appointed again as the company’s auditor.

The AGM also approved the Board of Directors’ proposals, detailed in the meeting notice, to authorise the Board to acquire and/or dispose of Martela shares. The authorization concerns a maximum of 415,560 Company’s A shares and it will be valid until the end of the Annual General Meeting 2012.

The new Board of Directors convened after the Annual General Meeting and elected Heikki Ala-Ilkka as Chairman and Pekka Martela as Vice Chairman.

CORPORATE GOVERNANCE

Martela Corporation is a Finnish limited liability company whose decision-making and administration are governed by Finnish legislation, especially the Finnish Limited Liability Companies Act, and other regulations concerning public listed companies and the Martela Corporation Articles of Association.

The company complies with the NASDAQ OMX guidelines for insiders and the Corporate Governance Code 2010 for Finnish listed companies published by the Finnish Securities Market Association.

The company has published a report on its corporate governance in accordance with the Corporate Governance Code.

Further information can be found from Company’s website and annual report.

RISKS

It is estimated that the greatest risks to the improvement of profit performance relate to the continuation of general economic growth and the consequent overall demand for office furniture. In accordance with Martela’s risk management model, risks are classified and reduced in different ways. The manufacture of Martela’s products is largely based on the company performing the final assembly and using subcontractors for components. Production control is based on orders placed by customers, which means that there is no need for large-scale warehousing. Risks of damage are covered by appropriate insurance policies, and these provide comprehensive coverage for property, business interruption, supplier interruption loss and loss liability risks. Martela uses the services of an external insurance broker to manage insurance matters. The services of an external partner are also used in legal matters.

Financial risks are discussed in note 28 to the financial statements.

SHORT-TERM RISKS

The greatest risk to profit performance is related to the continuation of general economic uncertainty and the consequent effects on the overall demand for office furniture.

More information on risks is given in the Corporate Governance section of the Company’s annual report.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

No significant reportable events have taken place since the financial year, and operations have continued according to plan.

OUTLOOK FOR 2012

The Martela Group expects to post year-on-year revenue growth for 2012, and an operating result at or above the previous year’s level.

PROPOSAL OF THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

The Board of Directors will propose to the AGM that a dividend of EUR 0.45 (2010: EUR 0.45) per share be distributed for 2011. The company’s liquidity is good and it is the Board’s opinion that the proposed distribution of profit will not endanger the company’s solvency.

ANNUAL GENERAL MEETING

Martela Corporation’s AGM will be held on 14 March 2012 at 3 p.m. in Martela House, Helsinki. The notice of Annual General Meeting will be published in a separate stock exchange release.

REVENUE BY SEGMENT

(meur)	Business Unit Finland	Business Unit Sweden and Norway	Business Unit Poland	Other segments	Total
1.1.2011-31.12.2011					
External Revenue	88.6	20.6	12.9	8.6	130.7
Internal Revenue	0.8	1.6	0.1	13.2	15.7
Total 2011	89.4	22.1	13.0	21.9	
1.1.2010-31.12.2010					
External Revenue	71.8	18.6	9.3	8.7	108.4
Internal Revenue	0.1	1.0	0.0	15.5	16.6
Total 2010	71.9	19.6	9.3	24.2	
External revenue change %	23.4%	10.5%	38.7%	-0.6%	20.6%

AVERAGE STAFF BY REGION

	1-12 / 2011	1-12 / 2010
Finland	458	451
Scandinavia	77	54
Poland and Hungary	93	91
Russia	9	5
Group total	637	601

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR 1,000)	Note	1.1.-31.12.2011	1.1.-31.12.2010
Revenue	1	130 685	108 392
Other operating income	2	417	252
Changes in inventories of finished goods and work in progress		445	27
Raw material and consumables used		-69 252	-55 814
Production for own use		49	75
Employee benefits expenses	3	-30 932	-27 886
Depreciation and impairment	4	-2 649	-2 664
Other operating expenses	5	-26 138	-21 069
Operating profit (-loss)		2 625	1 313
Financial income	7	118	133
Financial expenses	7	-476	-362
Share of result in associated undertakings	12	-358	0
Profit (-loss) before taxes		1 909	1 084
Income taxes	8	-343	-446
Profit (-loss) for the financial year		1 566	638
Other comprehensive income			
Translation differences		-139	312
Total comprehensive income		1 427	950
Allocation of profit (loss) for the financial year:			
Equity holders of the parent		1 566	638
Allocation of total comprehensive income:			
Equity holders of the parent		1427	950
Earnings per share for the profit attributable to the equity holders of the parent			
Basic earnings/share, EUR	9	0,39	0,16
Diluted earnings/share, EUR	9	0,39	0,16

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1.1.-31.12.2011	1.1.-31.12.2010
Cash flows from operating activities		
Cash flow from sales	127 452	103 207
Cash flow from other operating income	219	225
Payments on operating costs	-125 790	-102 873
Net cash from operating activities before financial items and taxes	1 881	559
Interest paid	-290	-277
Interest received	41	47
Other financial items	-122	-31
Dividends received	0	0
Taxes paid	-318	-361
Net cash from operating activities (A)	1 192	-63
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-2 627	-4 354
Proceeds from sale of tangible and intangible assets	499	459
Capital expenditure on other investments	-150	-250
Proceeds from sale of other investments	145	31
Repayments on loan receivables	0	0
Net cash used in investing activities (B)	-2 133	-4 114
Cash flows from financing activities		
Proceeds from short-term loans	3 000	0
Repayments of short-term loans	-3 393	-506
Proceeds from long-term loans	7 000	0
Repayments of long-term loans	-2 421	-2 297
Dividends paid and other profit distribution	-1 812	-1 813
Net cash used in financing activities (C)	2 374	-4 616
Change in cash and cash equivalents	1 433	-8 793
Cash and cash equivalents at beginning of year 1)	10 249	19 304
Translation differences	-41	-261
Cash and cash equivalents at end of year 1)	11 639	10 249

1. Liquid funds include cash in hand and at bank, and financial assets at fair value through profit and loss (see notes 20,21)

Cash and cash equivalents at the end of period do not include cash from acquisition (EUR 309 thousand).

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	Note	31.12.2011	31.12.2010
ASSETS			
Non-current assets			
Intangible assets	10	4 699	2 051
Tangible assets	11	13 652	12 721
Investments in associates and associated undertakings	12	42	250
Available-for-sale financial assets	14,15	55	10
Investment properties	13	600	600
Receivables	14,16	104	17
Pension receivables	26	155	250
Deferred tax assets	17	315	298
Non-current assets, total		19 622	16 197
Current assets			
Inventories	18	12 988	10 449
Trade receivables	14,19	24 480	19 329
Loan receivables	14,19	105	74
Accrued income and prepaid expenses	14,19	561	390
Current tax receivable		0	0
Financial assets at fair value through profit and loss	14,20	0	1 107
Cash and cash equivalents	21	11 947	9 142
Current assets, total		50 082	40 492
Assets, total		69 704	56 689
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	23		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Other reserves		117	117
Treasury shares*		-1 050	-1 212
Translation differences		-236	-97
Retained earnings		23 809	24 243
Equity, total		30 756	31 167
Non-current liabilities			
Deferred tax liabilities	17	1 366	1 214
Other non-current liabilities		175	240
Interest-bearing liabilities	14,25	7 644	3 198
Non-current liabilities, total		9 185	4 652
Current liabilities			
Interest-bearing			
Current portion of interest-bearing borrowings	14,25	3 490	2 670
Interest-bearing current liabilities, total		3 490	2 670
Non-interest-bearing			
Advances received	14,27	921	636
Trade payables	14,27	10 564	7 308

Accrued liabilities and prepaid income	14,27	9 410	5 745
Current tax payable		162	199
Other current liabilities	14,27	5 214	4 312
Non-interest-bearing current liabilities, total		26 272	18 201
Liabilities, total		38 947	25 523
Equity and liabilities, total		69 704	56 689

*The shares acquired for and assigned to the share-baswed incentive scheme are shown in accounting terms as treasury shares. See notes, 23

STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)

Equity attributable to equity holders of the parent

	Share capital	Share premium account	Other reserves	Treasury shares	Translation diff.	Retained earnings	Equity, total
Equity 1.1.2010	7 000	1 116	117	-1 200	-409	25 138	31 762
Cash flow hedging							0
Taxes on items recognised in equity or transferred from equity							0
Total comprehensive income					312	638	950
Dividends						-1 814	-1 814
Share-based incentives				-12		281	269
	0	0	0	-12	312	-895	-595
Equity 31.12.2010	7 000	1 116	117	-1 212	-97	24 243	31 167
Cash flow hedging							0
Taxes on items recognised in equity or transferred from equity							0
Total comprehensive income					-139	1 566	1 427
Dividends						-1 807	-1 807
Share-based incentives				162		-193	-31
	0	0	0	162	-139	-434	-411
Equity 31.12.2011	7 000	1 116	117	-1 050	-236	23 809	30 756

MARTELA GROUP

Martela Group makes office furniture and designs and implements a wide range of solutions for the working environment.

The Group's parent company is Martela Oyj, a Finnish public limited company domiciled in Helsinki, street address Takkatie 1, FI-00370 Helsinki.

Copies of the Group's financial statements are available at Takkatie 1, FI-00370 Helsinki, and on the Internet at Martela's home pages www.martela.com.

These financial statements were authorized for issue by the Board of Directors of Martela Oyj on 7 February 2012. The Finnish Limited Liability Companies Act permits the shareholders of a possibility to approve or reject the financial statements in the general meeting that is held after publishing the financial statements. As well, the general meeting has a possibility to amend the financial statements.

BASIS OF PREPARATION

Martela's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). As referred to in the Finnish Accounting Act and in ordinances issued pursuant to the provisions of this Act, the International Financial Reporting Standards refer to the standards and their interpretations adopted in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also conform with the Finnish accounting and company legislation.

The consolidated financial statements are presented in thousands of euros and have been prepared on the historical cost basis except as disclosed in the accounting policies.

Martela has adopted the following new or amended standards and IFRIC interpretations beginning 1 January 2011:

- IAS 32 (Amendment) "Financial instruments: Classification of rights issues"
- IAS 24 (Revised) "Related party disclosures"
- IFRIC 19 "Extinguishing financial liabilities with equity instruments"
- IFRIC 14 (Amendment) "Prepayments of a minimum funding requirement"
- Annual amendments to the IFRS's (Annual improvements).

The above mentioned changes, amendments and interpretations do not have any material impact on Martela's financial reporting.

USE OF ESTIMATES

The preparation of the financial statements in conformity with IFRS requires Group management to make certain estimates and to use judgement when applying accounting policies. The section "Accounting policies requiring management's judgement and key sources of estimation uncertainty" refers to the judgements made by management and those financial statement items on which judgements have a significant effect.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company, Martela Oyj, and all the subsidiaries in which the parent company controls, directly or indirectly, more than 50 per cent of the voting power of the shares, or otherwise has control. Subsidiaries are included in the consolidated financial statements by using the purchase method. The intra-group transactions, unrealised margins on intra-group deliveries, intra-group receivables and liabilities and profit distribution are eliminated.

Associates are companies in which the Group has significant influence. Significant influence generally arises when Group controls more than 20 % of a company's voting power or when Group otherwise has significant influence but no control. Associates are consolidated using equity method after significant influence has been acquired until significant influence ceases. Share of the result of associates is calculated as a percentage of the groups ownership and it is presented in a separate line in the statement of comprehensive income. Unrealised profits between group and associates are eliminated using the groups ownership percentage. Investment in associate includes also acquired goodwill.

ITEMS DENOMINATED IN FOREIGN CURRENCY

Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction – in practice, for transactions taking place within any given month, a rate is used that approximates the rate of the transaction date. At the end of the reporting period, the monetary assets and liabilities are translated into functional currencies at the exchange rate at the end of the reporting period. Exchange rate gains and losses related to business operations are treated as adjustments to the purchases and sales. Exchange rate gains and losses in financing are treated as adjustments to financial income and expenses.

The statements of comprehensive income and cash flows of foreign subsidiaries for the period are translated into euros at the average rates for the financial year, and the balance sheets at the average rates of the European Central Bank at the end of the reporting period. The translation of the profit or loss and comprehensive income for the period at different exchange rates in the statement of comprehensive income and in the balance sheet causes a translation difference which is recognised in other comprehensive income. The exchange rate differences arising from the elimination of the cost of the foreign subsidiaries and the exchange rate differences arising from the translation of post-acquisition equity are also recognised in other comprehensive income. Similar treatment is applied to intra-group non-current loans which in substance are equity and form a part of the net investment in the operation in question. When a subsidiary is disposed of, all or in part, the accumulated translation differences are reclassified to profit and loss as part of the gain or loss on disposal.

GOVERNMENT GRANTS

Grants received from the states or other similar sources are recognised and presented as other operating income when they meet the recognition criteria. Grants related to the acquisition of tangible and intangible assets are recognised as deductions from the carrying amount of the assets in question. Grants are recognised as income over the useful life of a depreciable / amortisable asset by way of a reduced depreciation / amortisation charge.

REVENUE RECOGNITION PRINCIPLES

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the sold goods have been transferred to the buyer. In general, revenue is recognised at the time of delivery of the goods in compliance with contract terms. Revenue from the services rendered is recognised when the service has been performed.

EMPLOYEE BENEFITS

Pension liabilities

The Group has arranged defined contribution plans and defined benefit plans for retirement. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Contributions made to defined contribution plans are recognised in profit or loss as an expense as incurred.

The obligations of defined benefit plans are calculated separately for each plan. The projected unit credit method is used in the calculation. Pension costs are recognised as an expense over the service period of personnel on the basis of calculations performed by qualified actuaries. In calculating the present value of a pension obligation, the market yield of corporate high-grade bonds or the interest rate of government bonds are used as the discount rate. Their maturity corresponds to a significant extent with the maturity of the computed pension liability.

The accumulated actuarial gains and losses of defined benefit plans are recognised in profit or loss for the average remaining service period of personnel to the extent that they exceed the larger of the following: 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets.

Share-based payments

The Group has a single share-based incentive system in which payments are made in a combination of shares and cash. Share rewards are measured at fair value at the grant date and recognised as expenses over the vesting period. The vesting conditions are taken into account in the number of shares which are expected to vest by the end of the validity period. Measurements are adjusted at the end of each reporting period. The determination of the fair value of the reward takes place in two parts: a part settled as shares and a part settled as cash. The part settled as shares is recognised under equity and the cash share under liabilities. The expense determined at the time of granting the share-based incentives is based on the Group's estimate of the number of shares which are expected to vest by the end of the vesting period. The assumed vesting takes account of the maximum incentive, the assumed achievement of non-market based earnings targets and the reduction of persons participating the plan. The Group updates the estimate of the final number of shares at the end of each reporting period. Their impact on profit or loss is presented in the statement of comprehensive income under employment benefits expenses.

OPERATING PROFIT

Operating profit is the Group's profit from operations before financial items and income taxes. Exchange rate differences arisen in the translation of trade receivables and payables denominated in foreign currencies are included in operating profit.

INCOME TAXES

The taxes recognised in the consolidated statement of comprehensive income include current tax based on the taxable income of the Group companies for the financial year, taxes for previous years and the change in deferred taxes. For transactions and other events recognised in profit or loss, any related tax effects are also recognised in profit or loss. For transactions and other events recognised outside profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognised either in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are recognised on temporary differences between the tax bases and IFRS carrying values of assets and liabilities in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which it can be used. The main temporary differences arise in the measurement of buildings at fair value in accordance with the exemption permitted by the IFRS 1 transition standard. Deferred taxes are measured by using the tax rates enacted or substantively enacted by the end of the reporting period.

INTANGIBLE ASSETS

Research and development

Research and development is active and continuous in the Group and if individual development projects are of such a scope in relation to operations and if the capitalization criteria are fulfilled these projects are capitalized. R&D-related equipment is capitalised in machinery and equipment.

Other intangible assets

An intangible asset is initially capitalized in the balance sheet at cost if the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Other intangible assets include software licences, IT-programmes, patents and other corresponding rights. Patents, licences and other rights are measured at historical cost, less amortisation and any impairment.

The useful lives of intangible assets are as follows:

Licences	3 – 5	years
IT-programmes	3 – 10	years
Customership	4	years
Brands	6	years
Patents and other corresponding rights	10	years

Amortisation is recognised using the straight-line method.

TANGIBLE ASSETS

Land, buildings, machinery and equipment constitute the majority of tangible assets. They are measured in the balance sheet at historical cost or deemed cost, less accumulated depreciation and any impairment.

When a part of an item of property, plant and equipment (accounted for as a separate asset) is renewed, the expenditure related to the new item is capitalised. Other expenditure arising later is capitalised only when future economic benefits will flow to the Group. Other expenditure for repairs or maintenance is expensed when it is incurred. Those borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. A tangible asset once classified as held for sale is not depreciated. Land is not depreciated. The estimated depreciation periods are as follows:

Buildings 15 - 30 years
Machinery and equipment 3 - 8 years

The residual values and useful lives of tangible assets are reviewed at least at each financial year-end and, if necessary, are adjusted to reflect changes in the expected future economic benefits.

Gains and losses from the sale or disposal of tangible assets are recognised in profit and loss and presented under other operating income or other operating expenses.

Investment properties

Land areas that are held for currently undetermined future use are classified as investment properties. They are measured at historical cost, less impairment losses.

Impairment of tangible and intangible assets

The carrying amounts of assets are assessed at the end of each reporting period to observe whether there are any indications that an asset may be impaired. If such indications exist, the recoverable amount of the asset will be estimated at the higher of its fair value less costs to sell and its value in use. 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 statement of comprehensive income.

If there are indications that impairment losses no longer exist or that they have diminished, the recoverable amount is estimated. An impairment loss previously recognised in the statement of comprehensive income is reversed if the estimates used in measuring the recoverable income have changed. However, an impairment loss cannot be reversed to an extent more than what the carrying amount of the asset or cash-generating unit would be without recognition of an impairment loss.

LEASES

Leases concerning tangible assets in which the Group has substantially all the risks and rewards incidental to ownership are classified as finance leases. Assets acquired under finance leases, less accumulated depreciation, are carried under tangible assets. These assets are depreciated over the shorter of the useful lives of the tangible assets and the lease term. Lease obligations are included in interest-bearing financial liabilities.

Leases in which substantially all the risks and rewards incidental to ownership of an asset remain with the lessor are classified as operating leases and payments made thereunder are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The value of inventories is determined by the FIFO method (first in, first out) and it includes all direct expenditure incurred by acquiring the inventories and also a part of the variable and fixed overhead costs of manufacture. 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.

FINANCIAL ASSETS

Group’s financial assets are classified into the following groups: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose of acquiring the financial assets, and they are classified at the time of initial acquisition. All purchases and sales of financial assets are recognised and derecognised on the trade date. The Group derecognizes financial assets when it has lost its right to receive the cash flows or when it has transferred substantially all the risks and rewards to an external party.

Derivatives and investments in mutual fund units are classified as financial assets at fair value through profit or loss. Investments in mutual fund units are measured at fair value on the basis of published price quotations in an active market, and changes in the fair value are recognised in profit or loss in the year in which they arise. Derivatives that do not meet the terms of hedge accounting are classified as being held for trading purposes. The fair values of derivatives are based on share market prices at the end of the reporting period and the changes in the fair values are recognized in profit or loss for the period in which they arise. Martela Group has not applied hedge accounting in the financial years 2011 or 2010.

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or are not held by the Group for trading purposes**.** This category includes the Group's financial assets gained by transferring money, goods or services to debtors. They are originally recognised at fair value and subsequently measured at amortised cost. These assets are included in either current or non-current financial assets (they are included in the latter if they mature over 12 months later). In addition to loan receivables, the category includes trade and other receivables.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They include various unlisted shares that are measured at cost, because their fair value cannot be reliably determined. They are included in non-current assets.

Cash and cash equivalents comprise cash in hand, in banks and in demand bank deposits, as well as other current, very liquid investments. Items qualifying as cash and cash equivalents have original maturities of three months or less from the date of acquisition.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether objective evidence exists of the impairment of an individual financial asset or a group of financial assets. Impairment will be recognised through profit or loss.

The Group recognises an impairment loss on trade receivables when evidence exists that a receivable cannot be collected in full. A debtor's substantial financial difficulties, the likelihood of insolvency and neglect of payments, for example, are indications of impairment. The impairment of a receivable is recognised in profit or loss under other operating expenses. If the impairment loss amount decreases in a later period, the recognised loss is reversed through profit or loss*.*

Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities measured at amortised cost (mainly includes borrowings from financial institutions and trade payables) and financial liabilities at fair value through profit or loss (derivative liabilities). Financial liabilities are initially recognised at fair value and are subsequently measured either at amortised cost or at fair value, based on the classification made. Financial liabilities are included in current and non-current liabilities and they can be interest-bearing or non-interest-bearing. Bank overdrafts are included in current interest-bearing liabilities.

SHARE CAPITAL

Outstanding ordinary shares are shown as share capital. The share capital consists of K and A series shares. The shares of both series have identical dividend rights but K series shares confer 20 votes and A series shares 1 vote at general meetings of shareholders.
Expenses related to the issuance and acquisition of own equity instruments are presented as deductions from equity. If Martela Oyj buys back its own equity instruments, their cost is deducted from equity.

DIVIDENDS

Dividends proposed by the Board of Directors are not recorded in the financial statements but the related liability is only recognised when approved by a general meeting of shareholders.

Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that on outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. The amount recognized as a provision is equal to the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset, but only when receipt of the compensation is virtually certain. The Group had no provisions at the end of the current year or at the end of the previous year.

ACCOUNTING POLICIES REQUIRING MANAGEMENT'S JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements it is necessary to make forward-looking estimates and assumptions which may not, in fact, turn out to be true. In addition, it is necessary to use judgement in applying accounting policies to the financial statements. The estimates mainly relate on the utilisation of deferred tax assets against future taxable income, and on the measurement of assets. Estimates and assumptions are based on management's current best knowledge at the end of the reporting period, reflecting historical experience and other reasonable assumptions.

APPLICATION OF NEW AND REVISED IFRS'S AND IFRIC INTERPRETATIONS

The IASB has published the following standards or interpretations that are not yet effective and that Martela has not yet adopted. Martela will adopt them as from their effective dates, if the effective date is the same as the beginning of the financial year, or if the effective date is different, they will be adopted as from the beginning of the following financial year.

IFRS 7 (amendment) "Financial instruments: Disclosures" (effective from 1 July 2011). The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets. This amendment does not have any material impact on Martela's financial reporting. The amendment has not yet been endorsed by EU.

IFRS 7 (amendment) "Financial instruments: Disclosures" (effective from 1 July 2013). The IASB and the FASB issued common disclosure requirements that are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. This amendment does not have any material impact on Martela's financial reporting. The amendment has not yet been endorsed by EU.

IAS 32 (amendment) "Financial instruments: Presentation" (effective from 1 January 2014). The amendments *Offsetting Financial Assets and Financial Liabilities* address inconsistencies in current practice when applying the offsetting criteria in IAS 32. This amendment does not have any material impact on Martela's financial reporting. The amendment has not yet been endorsed by EU.

IAS 1 "Presentation of items of other comprehensive income" (amendment to IAS1) (effective from 1 July 2012). The amendment changes the grouping of items presented in OCI. Items that would be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment has not yet been endorsed by EU.

IAS19 (amendment) "Employee benefits" (effective from 1 January 2013). The impact will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The amendment has not yet been endorsed by EU.

IFRS 9 "Financial Instruments" (effective from 1 January 2015). This standard is a part of a wider project to replace IAS 39 and the later phases will be issued mainly during 2012. New standard provides guidance in respect of classification and measurement of financial instruments. Later phases relate to impairment of financial instruments and hedge accounting. In Martela's estimation, this standard will not have any material impact on valuation of Martela's financial instruments compared with present IAS 39 but will have some effect on presentation of Martela's financial instruments. This standard has not yet been endorsed by EU.

IFRS 10 "Consolidated financial statements" (effective from 1 January 2013) builds on existing principles by identifying the concept of control as the determining factor in whether the entity should be included within the consolidated financial statemenst of the parent company. The change will not have any material impact on Martela's financial reporting. The amendment has not yet been endorsed by EU.

IFRS 11 "Joint arrangements" (effective from 1 January 2013). The change will not have any material impact on Martela's financial reporting. The amendment has not yet been endorsed by EU.

IFRS 12 "Disclosures of interest in other entities" (effective from 1 January 2013). The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and/or structured entities. This standard has not yet been endorsed by EU.

IFRS 13 "Fair value measurement" (effective from 1 January 2013). The standard will not have any material impact on Martela's financial reporting. This standard has not yet been endorsed by EU.

IAS 27 (revised) "Separate financial statements" (effective from 1 January 2013). The standards includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included to new IFRS 10. The amended standard has not yet been endorsed by EU.

IAS 28 (revised) “Associates and joint ventures” (effective from 1 January 2013). The standard include requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The revised standard has not yet been endorsed by EU.

Other changes or amendments to other published IFRS standards and IFRIC’s do not have any material impact on Martela’s financial reporting.

1. SEGMENT REPORTING

The segments presented in the financial statements comply with the company's new segment division. The comparison year's figures have also been rendered in the same way. The business segments are based on the Group's internal organisational structure and internal financial reporting.

Sales between segments are reported as part of the segment's revenue. The segment's results presented are their operating profits because tax items and financial items are not allocated by segment. The Group's assets and liabilities are not allocated or monitored by segment in the internal financial reporting. Revenue and operating profit are as recorded in the consolidated financial statements.

Business Unit Finland is responsible for sales and marketing, service production and manufacturing in Finland. In Finland, Martela has an extensive sales and service network covering the whole of Finland, with a total of 28 sales centres. The Business Unit's logistics centre is in Nummela.

Business Unit Sweden and Norway is responsible for sales in Sweden and Norway, handled through about 70 dealers. In addition, the Business Unit has its own sales and showroom facilities at three locations: Stockholm, and Bodafors in Sweden and Oslo in Norway. The Business Unit's logistics centre and order handling are also located in Bodafors.

Business Unit Poland is responsible for the sales and distribution of Martela products in Poland and eastern Central Europe. In Poland, sales are organized through our own sales network, and in Hungary we have our own subsidiary and a sales centre. The company has altogether 7 sales centres in Poland. The Business Unit's principal export countries are Ukraine, the Czech Republic and Slovakia, in each of which sales are handled by established dealers. Business Unit Poland is based in Warsaw, where it has its logistics centre and administration.

(EUR 1,000)

Segment revenue	**1.1.-31.12.2011**	**1.1.-31.12.2010**
Business Unit Finland		
external	88 588	71 780
internal	836	140
Business Unit Sweden and Norway		
external	20 553	18 584
internal	1 582	1 001
Business Unit Poland		
external	12 897	9 289
internal	57	28
Other segments		
external	8 647	8 739
internal	13 219	15 478
Total external revenue	130 685	108 392

Segment operating profit/loss	**1.1.-31.12.2011**	**1.1.-31.12.2010**
Business Unit Finland	6 468	5 024
Business Unit Sweden and Norway	290	-34
Business Unit Poland	-635	-1 371
Other segments	-2 262	-495
Other	-1 236	-1 811
Total operating profit/loss	2 625	1 313

Other segments' includes the revenues of Kidex and Business Unit International. Business Unit International is responsible for the Group's other export markets. The revenue of P.O. Korhonen was included in the figures for 'Other segments' in 2010 anduntil the end of January 2011, but subsequently has not been included in segment reporting, due to changes in the Group structure.

The item 'other' includes non-allocated Group functions and non-recurring sales gains and losses.

Information about geographical regions

Non-current assets	**Intangible assets 31.12.2011**	**Tangible assets 31.12.2011**
Finland	4 640	11 819
Sweden	0	1 096
Other regions	59	737
Total	4 699	13 652

Non-current assets	**Intangible assets 31.12.2010**	**Tangible assets 31.12.2010**
Finland	2 021	11 218
Sweden	0	1 163
Other regions	29	337
Total	2 050	12 718

2. OTHER OPERATING INCOME

(EUR 1,000)	1.1.-31.12.2011	1.1.-31.12.2010
Gains on sale of tangible assets	52	27
Rental income	53	99
Public subsidies	132	35
Other income from operations	180	91
Total	417	252

3. EMPLOYEE BENEFITS EXPENSES

	1.1.-31.12.2011	1.1.-31.12.2010
Salaries and wages	-24 692	-21 838
Pension expenses, defined contribution plans	-3 497	-3 364
Pension expenses, defined benefit plans	-482	-290
Part paid as shares	-12	-281
Part paid as cash	44	-313
Other salary-related expenses	-2 293	-1 800
Personnel expenses in the income statement	-30 932	-27 886
Other fringe benefits	-654	-490
Total	-31 586	-28 376

A total of EUR - 1,797 thousand for 2011 and EUR -1,460 thousand for 2010 were recognised in the result from incentives and salary-related expenses associated with the incentive scheme. Salaries and fees and share-based payments made to management are presented in more detail under note 31 Related-party transactions.

	2 011	2 010
Personnel		
Average personnel, workers	251	262
Average personnel, officials	386	339
Personnel at year end	791	625
Average personnel in Finland	458	451
Average personnel in Sweden	54	50
Average personnel in Norway	4	3
Average personnel in Denmark	19	1
Average personnel in Poland	90	89
Average personnel in Hungary	3	2
Average personnel in Russia	9	5
Total	637	601

4. DEPRECIATION AND IMPAIRMENT

(EUR 1,000)	1.1.-31.12.2011	1.1.-31.12.2010
Depreciation		
Intangible assets	-380	-392
Tangible assets		
Buildings and structures	-776	-736
Machinery and equipment	-1 493	-1 536
Depreciation, total	-2 649	-2 664

5. OTHER OPERATING EXPENSES

Other operating expenses are reported by type of expense. They include all sales, marketing, administration, production and product development expenses allocated to actual business operations.

Other operating expenses also include auditor's fees for auditing, EUR -135 thousand (EUR -109 thousand in 2010), for tax services EUR -5 thousand (EUR -5 thousand 2010) and for other services, EUR -159 thousand (EUR -6 thousand in 2010).

6. RESEARCH AND DEVELOPMENT EXPENSES

The income statement recognised research and development expenses of EUR -2,380 thousand in 2011 (EUR -1,836 thousand in 2010).

7. FINANCIAL INCOME AND EXPENSES

(EUR 1,000)	1.1.-31.12.2011	1.1.-31.12.2010
Financial income		
Dividend income on other financial assets	0	0
Interest income on loans and othe receivables	41	46
Foreign exchange gain on loans and other receivables	61	40
Other financial income	6	32
Change in value of assets at fair value through profit and loss	9	14
Total	118	133
Financial expenses		
Interest expenses on interest-bearing loans	-270	-272
Foreign exchange losses on loans and other receivables	-68	-24
Changes in the value of interest rate derivatives - no hedge accounting	0	0
Other financial expenses	-138	-66
Total	-476	-362
Financial income and expenses, total	-358	-229
Total exchange rate differences affecting profit or loss are as follows:		
Exchange rate differences, sales (incl. in revenue)	-325	235
Exchange rate differences, purchases (incl. in adjustments of purchases)	-13	36
Exchange rate difference, financial items	-7	16
Exchange rate differences, total	-345	287

8. INCOME TAXES

(EUR 1,000)	1.1.-31.12.2011	1.1.-31.12.2010
Current taxes	-398	-453
Taxes for previous years	-74	-120
Change in deferred tax liabilities and assets	129	127
Total	-343	-446

Reconciliation between the income statement's tax expense and the income tax expense calculated using the Martela Group's domestic corporation tax rate 26% for 2011 (26% for 2010).

Profit before taxes	1 909	1 084
Taxes calculated using the domestic corporation tax rate	496	282
Different tax rates of subsidiaries abroad	-6	-11
Taxes for previous years	74	120
Recognition of unused tax losses not booked earlier	-410	-199
Tax-exempt income	-126	0
Non-deductible expenses	126	45
Unbooked deferred tax assets on losses in taxation	189	209
Income taxes for the year in the income statement	343	446

9. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year.

(EUR 1,000)	1.1.-31.12.2011	1.1.-31.12.2010
Profit attributable to equity holders of the parent	1 566	638
Weighted average number of shares (1,000)	4 049	4 027
Basic earnings per share (EUR/share)	0.39	0.16

The company has no diluting instruments.

10. INTANGIBLE ASSETS

(EUR 1,000)			1.1.2011 - 31.12.2011			1.1.2010 - 31.12.2010
	Intangible assets	Work in progress	Total	Intangible assets	Work in progress	Total
Acquisition cost 1.1.	3 591	1 251	4 842	2 935	109	3 044
Increases	2 636	1 237	3 873	584	1 397	1 981
Decreases	-284	-844	-1 128	0	-255	-255
Exchange rate differences	-3	0	-3	72	0	72
Acquisition cost 31.12.	5 940	1 644	7 584	3 591	1 251	4 842
Accumulated depreciation 1.1.	-2 791	0	-2 791	-2 328	0	-2 328
Accumulated depreciation, decreases	284	0	284	0	0	0
Depreciation for the year 1.1.-31.12.	-380	0	-380	-392	0	-392
Exchange rate differences	2	0	2	-71	0	-71
Accumulated depreciation 31.12.	-2 885	0	-2 885	-2 791	0	-2 791
Carrying amount 1.1.	800	1 251	2 051	607	109	716
Carrying amount 31.12.	3 055	1 644	4 699	800	1 251	2 051

11. TANGIBLE ASSETS

(EUR 1,000)

1.1.2011 - 31.12.2011	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	68	24 404	32 551	24	994	58 041
Increases	0	518	3 688	15	572	4 793
Decreases	0	0	-2 623	-5	-1 239	-3 867
Re-groupings	0	-13	0	0	0	-13
Exchange rate differences	-1	0	-17	0	0	-18
Acquisition cost 31.12.	67	24 909	33 599	34	327	58 936
Accumulated depreciation 1.1.	0	-17 849	-27 472	0	0	-45 321
Accumulated depreciation, decreases	0	0	2 313	0	0	2 313
Depreciation for the year 1.1.-31.12.	0	-776	-1 493	0	0	-2 269
Re-groupings	0	0	0	0	0	0
Exchange rate differences	0	8	-16	0	0	-8
Accumulated depreciation 31.12.	0	-18 617	-26 668	0	0	-45 285
Carrying amount 1.1.	68	6 555	5 079	24	994	12 721
Carrying amount 31.12.	67	6 292	6 931	34	327	13 652

1.1.2010 - 31.12.2010	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	74	24 194	29 682	24	403	54 377
Increases	0	94	2 302	0	2 091	4 487
Decreases	0	-73	-198	0	-1 500	-1 771
Re-groupings	0	0	0	0	0	0
Exchange rate differences	-6	189	765	0	0	948
Acquisition cost 31.12.	68	24 404	32 551	24	994	58 041
Accumulated depreciation 1.1.	0	-17 086	-25 429	0	0	-42 515
Accumulated depreciation, decreases	0	0	170	0	0	170
Depreciation for the year 1.1.-31.12.	0	-736	-1 539	0	0	-2 275
Re-groupings	0	0	0	0	0	0
Exchange rate differences	0	-27	-674	0	0	-701

Accumulated depreciation 31.12.	0	-17 849	-27 472	0	0	-45 321
Carrying amount 1.1.	74	7 108	4 254	24	403	11 862
Carrying amount 31.12.	68	6 555	5 079	24	994	12 721

	31.12.2011	31.12.2010
Carrying amount of productions machinery and equipment	3 311	3 374

Tangible assets, finance leases
Tangible assets include assets acquired through finance leases as follows:

			1.1.2011 - 31.12.2011			1.1.2010 - 31.12.2010
	Machinery and equipment	Buildings	Total	Machinery and equipment	Buildings	Total
Acquisition cost 1.1.	2 600	698	3 298	2 455	610	3 065
Increases	433	0	433	146	0	146
Decreases	0	0	0	-1	0	-1
Exchange rate differences	0	4	4	0	88	88
Acquisition cost 31.12.	3 033	702	3 735	2 600	698	3 298
Accumulated depreciation 1.1.	-2 350	-258	-2 608	-1 863	-166	-2 029
Accumulated depreciation, decreases	0	0	0	0	0	0
Depreciation for the year 1.1.-31.12.	-294	-69	-363	-487	-66	-553
Exchange rate differences	0	-5	-5	0	-26	-26
Accumulated depreciation 31.12.	-2 644	-332	-2 976	-2 350	-258	-2 608
Carrying amount 1.1.	250	440	690	592	444	1 036
Carrying amount 31.12.	389	370	759	250	440	690

The plant at Bodafors, Sweden, was sold in 2007. Part of it was leased back on a long-term lease that is classified as a finance lease.

12. INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND ASSOCIATES

Martela Corporation acquired the removals company and interior planning services provider Muuttopalvelu Grundell Oy and Grundell Henkilöstöpalvelut Oy in a transaction dated 31 December 2011. The acquisition allows Martela to expand the services it offers and gives customers one-stop access to a wider selection of interior planning services and products. Grundell is one of the largest providers of removals and interior planning services in Finland. Following the acquisition, Grundell will continue as a separate company under the Grundell name within the Martela Group.

The Grundell acquisition increased goodwill by EUR 883,000. The acquired business and the increased goodwill are expected to be of benefit to business operations in that combining service operations will improve the quality of service processes and the efficiency of service logistics. With a simpler service chain it will be possible to implement more comprehensive product and service solutions.

Martela agreed to pay earn-out to the sellers of Grundell. This payment is partly based on achieving certain future finacial goals. The sellers have agreed to work for the Martela Group until the earn-out has been paid. Therefore the additional payment of a maximum of EUR 1.7 million will be entered as personnel expenses during the earn-out period.

The expenses of EUR 125,000 associated with the acquisiton are recognised under other operating expenses.

As the acquisiton took place on 31 December 2011, any revenue of profit following that date are not included in the consolidated income statement.

If the acquisition had been made at the beginning of the 2011 financial year, the consolidated revenue would have been EUR 6.8 million higher and the consolidated profit EUR 0.5 million higher.

Acquisition cost and goodwill

Eur thousand

Cash	2 900
Total acquisition cost	2 900
Fair value of acquired net assets	2 017
Goodwill	883

Itemisation of acquired net assets	**Recognised values**
Tangible assets	1 659
Customers (intangible assets)	430
Other intangibles	312
Trade receivables and other receivables	1 815
Cash and cash equivalents	307
Interest-bearing debt	-640
Trade payables and other payables	-1 548
Deferred tax liability	-318
Acquired net assets	2 017

Investments in associated undertakings

Eur thousand	2011
1.1	0
Share of result	-358
31.12	-358

Information about associates

Eur thousand	Domicile	Assets	Liabilities	Revenue	Result	Holding-%
P.O. Korhonen Oy	Finland	1 884	2 088	3 013	-704	51

P.O. Korhonen (former Fiota)

On 17 January 2011, Artek Oy Ab and Martela Corporation signed an agreement to establish a joint enterprise. The new company then acquired the business of Martela's subsidiary P.O. Korhonen on 1 February 2011. The joint enterprise will focus on the manufacture of products marketed and sold by Martela and Artek. Martela has a 51 per cent stake in the new company, while Artek's holding is 49 per cent. Under the shareholding agreement, Martela does not have control of the company as defined in IAS 27. The new company, named P.O. Korhonen, will operate as a contract manufacturer specialising in the production of form-pressed wooden furniture. Regarding the figures for the new company, Martela's consolidated income statement will only include Martela's share of the joint enterprise's profit or loss on the basis of Martela's holding, and this is reported in the consolidated income statement under 'share of result in associated undertakings'.

Associated company Essa Office Systems AG, Switzerland, dissolved in 2010.

13. INVESTMENT PROPERTIES

The land belonging to Kiinteistö Oy Ylähanka has been classified as investment property. The fair value of the land belonging to Kiinteistö Oy Ylähanka was EUR 600,000 at the end of financial year 2011 (EUR 600,000 in 2010). The fair values have not been appraised by a third-party valuer.

14. BOOK VALUES OF FINANCIAL ASSETS AND LIABILITIES

(EUR 1,000)	Financial assets recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised acquisition cost	Book values of balance sheet items	Fair value	Note
2011 balance sheet items							
Non-current financial assets							
Non-current non-interest bearing receivables		104			104	104	16
Other financial assets			55		55	55	15
Current financial assets							
Trade and other receivables		25 146			25 146	25 146	19
Currency forward contracts					0	0	22
Fund units					0	0	20
Book value by group	0	25 250	55		25 305	25 305	
Non-current financial liabilities							
Interest-bearing liabilities				7 644	7 644	7 644	25
Other liabilities				175	175	175	
Current financial liabilities							
Interest-bearing liabilities				3 490	3 490	3 490	25
Interest rate swaps					0	0	22
Currency forward contracts					0	0	22
Trade payables and other liabilities				26 272	26 272	26 272	27
Book value by group	0			37 581	37 581	37 581	
2010 balance sheet items							
Non-current financial assets							
Non-current non-interest bearing receivables		17			17	17	16
Other financial assets			10		10	10	15
Current financial assets							
Trade and other receivables		19 793			19 793	19 793	19

Currency forward contracts					0	0	22
Fund units	1 107				1 107	1 107	20
Book value by group	1 107	19 810	10		20 927	20 927	
Non-current financial liabilities							
Interest-bearing liabilities				3 198	3 198	3 198	25
Other liabilities				240	240	240	
Current financial liabilities							
Interest-bearing liabilities				2 670	2 670	2 670	25
Interest rate swaps					0	0	22
Currency forward contracts					0	0	22
Trade payabilities and other liabilities				18 201	18 201	18 201	27
Book value by group	0	0	0	24 309	24 309	24 309	

Fair values of each financial asset and liability group are presented in more detail under the note indicated in the table.

Derivatives (interest rate swaps and currency forward contracts) have been measured at fair value based on balance sheet day market rates. They are not subject to hedge accounting and changes in fair values have been recognised in the income statement.

15. OTHER FINANCIAL ASSETS

(EUR 1,000)

Available-for-sale financial assets	31.12.2011	31.12.2010
Balance sheet value at beginning of year	10	16
Decreases	45	-6
Balance sheet value at end of year	55	10

Available-for-sale financial assets include investments in unlisted equities. They have been measured at acquisition cost because fair value cannot be assessed reliably.

16. NON-CURRENT NON-INTEREST BEARING LIABILITIES

(EUR 1,000)	31.12.2011	31.12.2010
Loan receivables	104	17

17. DEFERRED TAX ASSETS AND LIABILITIES

(EUR 1,000)

Changes in deferred taxes during 2011	1.1.2011	Recognised in income statement	Recognised in equity	Exchange rate differences	Purchased/sold enterprises	31.12.2011
Deferred tax assets						
Tax losses carried forward	361	46	0	0	0	407
Other temporary differences	0	0	0	0	0	0
Total	361	46	0	0		407
Deferred tax liabilities						
On buildings measured at fair value on the transition date	1 115	-145	0	0	0	970
Cumulative depreciation difference	0	0	0	0	0	0
Pension obligations	65	-27	0	0	0	38
Other temporary differences	97	36	0	0	318	451
Total	1 277	-136	0	0	318	1 459
Deferred tax assets and liabilities, total	-916	182	0	0	-318	-1 051
Due to set-off, divided in the balance sheet as follows:						
Deferred tax assets	298					315
Deferred tax liabilities	1 214					1 366
Deferred tax assets and liabilities, total	-916					-1 051

Changes in deferred taxes during 2010	1.1.2010	Recognised in income statement	Recognised in equity	Exchange rate differences	Purchased/sold enterprises	31.12.2010
Deferred tax assets						
Tax losses carried forward	288	73	0	0	0	361
Other temporary differences	0	0	0	0	0	0
Total	288	73	0	0	0	361
Deferred tax liabilities						
On buildings measured at fair value on the transition date	1 201	-86	0	0	0	1 115
Cumulative depreciation difference	0	0	0	0	0	0
Pension obligations	51	14	0	0	0	65
Other temporary	79	18	0	0	0	97

differences						
Total	1 331	-54	0	0	0	1 277
Deferred tax assets and liabilities, total	-1 043	127	0	0	0	-916
Due to set-off, divided in the balance sheet as follows:						
Deferred tax assets	262					298
Deferred tax liabilities	1 305					1 214
Deferred tax assets and liabilities, total	-1 043					-916

Deferred tax assets have not been recognised on unused tax losses that probably cannot be utilised in the future against taxable income. These losses including 2011 results total about MEUR 9,2 (10,3). These losses have no expiry date according to knowledge that is available today.

A deferred tax asset has been recognised on the unused tax losses of the Group’s Finnish subsidiaries because there is a tax planning method available to the Group under which taxable income can be accumulated in said subsidiaries against which the unused tax losses can be utilised.

18. INVENTORIES

(EUR 1,000)	31.12.2011	31.12.2010
Raw materials and consumables	9 182	7 981
Work in progress	880	1 047
Finished goods	2 714	1 398
Advances	211	22
	12 988	10 449

The value of inventories has been written down by EUR -1,337 thousand (EUR - 1,652 thousand in 2010).

19. CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES

(EUR 1,000)	31.12.2011	31.12.2010
Trade receivables	24 480	19 329
Loan receivables	105	74
Accrued income and prepaid expenses		
Personnel expenses	170	148
Royalties	24	19
Interest income	0	0
Derivatives	0	0
Other financial assets	-5	-23
Advances	142	112
Other	230	134
Accrued income and prepaid expenses, total	561	390
Current tax receivable	0	0
Total	25 146	19 793

The book values of trade receivables and receivables based on other than derivatives are estimated to correspond to their fair values.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR 1,000)	31.12.2011	31.12.2010
Fund units	0	1 107

21. CASH AND CASH EQUIVALENTS

(EUR 1,000)	31.12.2011	31.12.2010
Cash in hand and at bank	11 947	8 842
Deposits	0	300
	11 947	9 142

22. DERIVATIVE CONTRACTS

Martela uses derivatives for hedging purposes but does not apply hedge accounting as in IAS 39.

23. EQUITY

Share capital
The paid share capital entered in the Trade Register is EUR 7,000,000.
According to the Articles of Association, the maximum capital is EUR 14,000,000 and the minimum capital is EUR 3,500,000. The counter value of a share is EUR 1.68. The K shares carry 20 votes at a general meeting and the A shares 1 vote. Both share series have the same dividend rights

Changes in share capital	Number of shares	Share capital	Share premium account	Treasury shares	Treasury shares Sharebased incentive-system	Total
01.01.2010	4 030 275	7 000	1 116	-721	-478	6 917
Acq.of shares for share-based inc.system*	0				0	0
Shares given	0				0	0
Shares returned	-2 892				-12	-12
Share issue	0	0	0	0		0
31.12.2010	4 027 383	7 000	1 116	-721	-490	6 905
Acq.of shares for share-based inc.system*	0				0	0
Shares given	21 870				186	186
Shares returned	0				-25	-25
Share issue	0	0	0	0		0
31.12.2011	4 049 253	7 000	1 116	-721	-329	7 066

Martela Oyj owns 67,700 A shares purchased at an average price of EUR 10.65. The number of treasury shares is equivalent to 1.6 % of all shares and 0.4 % of all votes.

*Acquisition of shares for the share-based incentive scheme and the management of the scheme have been outsourced to an external service provider, Evli Alexander Management Oy until transferred to Martela's key personnel under the incentive scheme. Notwithstanding this legal formality, the shares will be treated in the consolidated financial statements for 2010 onwards under equity, as if the company had acquired its own shares. On 31 December 2011, 38,647 shares under the incentive scheme were still undistributed.

Translation differences in equity comprises translation differences of financial statements of foreign subsidiaries when translated into euros and of investments in foreign units. Other reserves consist of reserve funds.

The parent company's distributable equity was EUR 35,318,957.21 on 31.12.2011.

24. SHARE-BASED PAYMENTS

On 9 February 2010, the Martela Board of Directors decided to implement a new share-based incentive scheme as a part of the company's incentive and commitment programme for key personnel. The system offers key personnel an opportunity to receive Martela shares for one calendar year and/or for three calendar year earning period if they achieve the targets set for them for a specific period. The extent to which the targets are attained will determine how great a proportion of the maximum bonus will be paid to a key person. The Board of Directors decides in the beginning of earning period criteria and targets set to earning period. The earnings criteria for the earning period 2010 is group EBIT. The incentive is paid to the key personnel after an earning period as a combination of shares and cash. Cash is paid to the amount needed to cover taxes and similar charges when the shares are granted. No reward is paid to a person whose employment relationship ends before the payment of the incentive. In addition, the person must own the earned shares for at least three years (vesting period).

Earnings periods are 2010 and 2010-2012. The share ownership plan offers the key personnel a possibility to earn up to 80.000 shares. In the earning period 2010 the maximum reward is 24.000 of 80.000 shares. In addition to shares a cash payment up to an amount that is needed for taxes and tax-related costs arising from the reward will be paid.

Key characteristics and terms of the Plan are described in the table below:

Basic data

	Earning period 2010	Earning period 2010-2012
Grant date	February 9, 2010	February 9, 2010
Form of the reward	Equity and cash	Equity and cash
Target group	Key personnel	Key personnel
Maximum number of shares	24 000	80 000
Cash in terms of number of shares*	27 064	90 213
Beginning of earning period	January 1, 2010	January 1, 2010
End of earning period	December 31, 2010	December 31, 2012
End of restriction period	January 1, 2013	January 1, 2013
Vesting conditions	EBIT	EBIT
	Service until the end of the restriction period	Service until the end of the restriction period
Required share ownership term in years	2.0	0
Remaining vesting period	1.0	1.0
Number of persons, 31 December 2011	9	10

* The arrangement includes a share-based payment to be settled in cash, which is handled as sharebased expense according to IFRS 2 standard.

Events of the 2011 financial year	Earning period 2010			Earning period 2010-2012		
Gross number of shares **	1.1.2011	Changes	31.12.2011	1.1.2011	Changes	31.12.2011
Granted (share + cash)	51 064	0	51 064	170 213	10 574	180 787
Forfeited	4 532	0	4 532	15 106	0	15 106
Settled	0	46 532	46 532	0	0	0
Expired	0	0	0	0	46 532	46 532

** Number of shares include cash-settled payments of the plan

Determining fair value

Share incentives are measured at fair value when they are granted and recognised as expenses in the income statement for the period when they arise according to IFRS 2. Since the share reward is paid as a combination of shares and cash, the determining of the fair value of the reward is divided to two parts in accordance with the IFRS 2 standard: a part is settled as shares and a part settled as cash. The part settled as shares is recorded under shareholders' equity and the part settled as cash under debt.

The fair value of the share-based payment at the time of granting the reward was the price of Martela's share. Correspondingly, the fair value of the part settled as cash is reviewed on each reporting date to the end of the earning period and hence the fair value of the debt varies in accordance with the price of Martela's share.

Main parameters of the fair value of share incentives:

Inputs to fair value measurement	Earning period 2010	Earning period 2010-2012
Granted shares during the period (equity and cash)	0	10 574
Share price at the grant date	7,34€	7,34€
Expected dividends	0,45€	1,35€
Fair value of the share at the grant date ***	6,89€	5,99€
Share price 31 December 2011	5,79	5,79
Expexted forfeitures before settlement	8.9 %	8.9 %
Expected forfeitures after settlement	0.0 %	0.0 %
Expected fulfillment of earning criteria	100.0 %	50.0 %
Fair value of the expected reward at the grant date	351 830€	1 019 574€
Fair value of the expected reward 31 December 2011	336 169	355 158
Expense recognised for the period	-53 227€	47 025€

*** Share price at the grant date deducted by the dividends expected to be paid during the earning period

25. INTEREST-BEARING LIABILITIES

(EUR 1,000)	31.12.2011	31.12.2010
Non-current		
Bank loans	7 131	2 629
Pension loans	0	0
Finance leases	513	569
Total	7 644	3 198
Current		
Bank loans	3 137	2 421
Pension loans	0	0
Bank overdrafts used	0	0
Finance leases	353	249
Total	3 490	2 670

The book values of debts are estimated to correspond to their fair values. Discounting has no material effect.

Mortgages and guarantees given by credit institutions and, to a minor degree, pledged shares in housing corporations owned by the company are used as collateral for bank loans and pension loans.

(EUR 1,000)

	31.12.2011	31.12.2010
Finance lease liabilities are payable as follows:		
Finance leases - total amount of minimum lease payments		
Not later than one year	449	415
Later than one year and not later than five years	887	661
Later than five years	0	220
	1 336	1 296
Finance leases - present value of minimum lease payments		
Not later than one year	352	249
Later than one year and not later than five years	490	460
Later than five years	23	109
	865	818
Unearned finance expense	471	478

The average interest of financial leases was 4,8% in 2011 and 4,5% in 2010.

Terms of loans from credit institutions

The Group's bank loans have either variable or fixed interest rates.The Group's average interest rate is 3,68% (2,91% in 2010). The current portions of debt are presented in more detail under Note 28 Management of financial risks.

26. PENSION OBLIGATIONS

The pension plans of foreign subsidiaries follow the local legislation and have been classified as defined contribution plans. In addition, in Finland, the group has one supplementary pension plan classified as a defined benefit plan.

The following presents the impact of the group's defined benefit plans on the consolidated result and balance sheet, calculated in accordance with IAS 19.

(EUR 1,000)

The amounts recognized in the balance sheet were determined as follows:	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Present value of unfunded obligations	0	0
Present value of funded obligations	2 451	2 345
Fair value of plan assets	-1 828	-1 681
Deficit / Excess	623	664
Unrecognised actuarial gains (+) and losses (-)	-778	-914
Unrecognised past service costs	0	0
Pension liability in balance sheet	-155	-250

The amounts recognized in the income statement were determined as follows:		
Current service cost	233	167
Interest cost	103	83
Expected return on plan assets recognized during the year	-73	-65
Actuarial gains (-) and losses (+)	91	42
Past service cost	0	0
Losses/profits on curtailment	0	0
Total	354	227
The actual return on plan assets (EUR 1,000)	-112	219

Changes to present value of obligations:		
Present value of funded obligations 1.1	2 345	1 493
Current service cost	233	167
Interest cost	103	83
Actuarial gains (-) and losses (+)	-231	602
Losses/profits on curtailment	0	0
Paid benefits	0	0
Present value of funded obligations 31.12	2 450	2 345

Changes to fair values of the assets in the plan are as follows:		
Fair values of plan assets 1.1.	1 681	1 182
Expected return on plan assets	73	65

Actuarial gains (-) and losses (+)	-185	154
Contributions made by the employer to the plan	259	280
Losses/profits on curtailment	0	0
Fair values of plan assets 31.12.	1 828	1 681

Actuarial assumptions used were as follows:

Discount rate (%)	4.5%	4%
Expected return on plan assets (%)	4.5%	4%
Future salary increases (%)	3.3%	3.3%
Rate of pension increase (%)	1.5%	1.75%
Rate of inflation increase (%)	2%	2%

Present and fair values of obligations	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Present value of obligations	2 451	2 345	1 493	1 185	1 033
Fair value of plan assets	-1 828	-1 681	-1 182	-983	-776
Deficit/excess	623	664	311	202	257
Experience adjustments to plan assets	18	-71	-319	120	-170
Experience adjustments to plan liabilities	81	200	-198	196	81

The Group anticipates it will contribute EUR 265 thousand to the plan in 2012.
An itemisation of plan assets is not available.

27. NON-INTEREST-BEARING CURRENT LIABILITIES

(EUR 1,000)	31.12.2011	31.12.2010
Advances received	921	636
Trade payables	10 564	7 308
Accrued liabilities and prepaid income		
Personnel expenses	4 445	3 916
Derivatives	0	0
Interests	15	28
Other financial expenses	0	0
Royalties	150	208
Residual expenses	878	1 150
Other	3 922	443
Total	9 410	5 745
Tax payables	162	199
Other current liabilities	5 214	4 312
	26 272	18 201

The book values of trade and other non-interest bearing liabilities are also estimated to correspond to their fair values. Discounting has no material effect.

Other includes Grundell acquisition costs in 2011.

28. MANAGEMENT OF FINANCIAL RISKS

Financial risks are unexpected exceptions relating to currencies, liquidity, customer liquidity, investments and interest rates. The objective of financial risk management is to ensure that the company has sufficient financing on a cost-efficient basis and to reduce the adverse effects of financial market fluctuations on the Group's net assets. The general principles of risk management are approved by the Board of Directors and the practical implementation of financial risk management is the responsibility of the parent company's financial administration.

Market risks

Market risks comprise the following three risks: currency risk, fair value interest rate risk and price risk. The associated fluctuations in exchange rates, market interest rates and market prices lead to changes in the value of financial instruments and hence they may impact the result, balance sheet and cash flow of the Group. The Group does not apply hedge accounting as in IAS 39.

Currency risks

The Group has operations in Finland, Sweden, Norway, Russia, Poland, Denmark and Hungary and it is therefore exposed to currency risks that arise in intra-group transactions, exports and imports, the financing of foreign subsidiaries and equity that is denominated in foreign currencies.

Transaction risks arise when the cash flows of contracts made at the exchange rates of certain dates are realised at different exchange rates. Translation risks arise when the value of the capital invested in the parent company's foreign subsidiaries, annual profits and loans changes as a result of exchange rate fluctuations.

Transaction risks
Martela's major trading currencies are the EUR, SEK, NOK and PLN. The SEK, NOK, RUB, PLN and DKK currency positions are reviewed mainly on a half-yearly basis. The Group's policy is to hedge the net positions remaining after reconciliation of forecast income and expenses. The hedging instruments used are mainly forward contracts maturing within 3-12 months. The Group does not apply hedge accounting.

Translation risks
The main translation risks derive from equity or subordinated loans provided by the parent company to its subsidiaries in Sweden, Poland, Russia, Denmark and Hungary. The company selectively hedges against translation risks by using currency loans and options. Hedging decisions are based on the estimated effect of each currency on the Group's result, cash flow and equity and on the hedging cost. There were no open hedge positions on the balance sheet date.

The following table presents currency risks per instrument and currency.

Currency risks per instrument and currency 31.12.2011 (EUR thousand)

	EUR	SEK	PLN	NOK
Trade receivables	256	376	2 956	859
Trade payables	-557	-673	-2	-50
Currency forward contracts		0		0
Total	-301	-297	2 954	809

Currency risks per instrument and currency 31.12.2010 (EUR thousand)

	EUR	SEK	PLN	NOK

Trade receivables	65	1 421	1 908	368
Trade payables	-202	-216	-4	-15
Currency forward contracts		0		0
Total	-137	1 205	1 904	353

Other currencies have minor impact.

Analysis of sensitivity to currency risk

The following table presents the average impact of a 10 per cent change in exchange rates on 31 December on the company's financial results and capital for 2011 (2010). The estimates are based on the assumption that no other variables change.

Analysis of sensitivity to currency risk (EUR 1,000)	**Impact on shareholder' equity**	**Impact on results**
31.12.2011		
EUR	0	+/- 30
SEK	0	+/- 30
PLN	0	+/- 295
NOK	0	+/- 81

Analysis of sensitivity to currency risk (EUR 1,000)	**Impact on shareholder' equity**	**Impact on results**
31.12.2010		
EUR	0	+/- 14
SEK	0	+/- 121
PLN	0	+/- 190
NOK	0	+/- 35

Interest rate risks

The Group's interest rate risks relate to the Group's loan portfolio and to changes in the value of the cash reserve due to interest rate variations.The duration of loans varies between 1-5 years. The Group can raise either fixed-interest or variable-interest loans and can use interest rate swaps. Excess cash assets are invested in both short- and long-term fixed income funds.

The Group invests excess funds in short-term bank deposits at partner banks and in liquid, low-risk fixed income funds based on government treasury bills and commercial papers.

The Group has invested in fixed income funds, the value of which is determined on the basis of price quotations published in active markets. Changes in fair value are recognised in the income statement in the financial statements.

The following table presents the distribution of the Group's financial instruments into fixed interest rate and variable interest rate on the balance sheet date.

Financial instruments (EUR 1,000)	**31.12.2011**	**31.12.2010**
Fixed rate		
Financial liabilities, incl. derivatives	865	817
Variable rate		
Financial liabilities	10 268	5 051
Total	11 133	5 868

Analysis of sensitivity to interest rate risks

Impact of a 1 per cent increase in interest rate on financial results and capital on the balance sheet date 31 December. Decrease in interest rate would have an opposite impact of equal size.

Analysis of sensitivity to interest rate risks (EUR 1,000)	Impact on shareholders' equity	Impact on results
31.12.2011		
Financial liabilities		
Variable rate financial instruments	0	-103
Derivatives		
Interest rate swaps	0	0

Analysis of sensitivity to interest rate risks (EUR 1,000)	Impact on shareholders' equity	Impact on results
31.12.2010		
Financial liabilities		
Variable rate financial instruments	0	-50
Derivatives		
Interest rate swaps	0	0

Price risk

Financial instruments
Available-for-sale shares included in financial assets are not deemed subject to resale price risk. Their book value is their original acquisition cost and their current sale price is estimated to be higher than their acquisition price. The shares are unlisted and they are not measured at fair value.

Credit risks

Credit risks arise from the possibility that a counterparty will not meet its contractual payment obligation. Hence the seriousness of the risk is determined on the basis of the counterparty's creditworthiness. The objective of credit risk management is to minimise the losses that would arise should the counterparty not meet its obligations.

The Group's policy determines the investment policy and the credit rating requirements of customers and counterparties in investment transactions and derivative contracts. The turnover and maturity structure of Group companies' trade receivables are reported monthly and are monitored by the parent company's financial management.

The principles of credit risk management are confirmed by Martela's Board of Directors. Risk management is based on authorisations given to the organisation.

Credit risks related to the company's trade and other receivables are minimised by using short terms of payment, effective collection measures and accounting for the counterparty's creditworthiness. Supply agreements are used when the customer company is unknown and the available credit information is insufficient. In this context a supply agreement is an agreement which secures any receivables arising from an order by withholding the right of ownership with Martela Oyj until the customer has paid the sale price in full. Supply agreements are only used in sales in Finland. A customer may also be required to make prepayment before sold products are delivered if it is considered necessary in light of the potential credit risk associated with the customer. Counterparties may also be granted to credit limits. The creditworthiness of established customers is monitored regularly on the basis of payment history and credit rating.Collateral may be required from certain customers based on their creditworthiness and in the case of exports, for example, Martela may use confirmed irrevocable Letters of Credit.

The book value of financial assets corresponds to the maximum amount of the credit risk.

The maximum financial asset credit risk amount on the balance sheet date 31 December is presented in the following table:

Maximum financial asset credit risk (EUR 1,000)	2011	2010
Available-for-sale financial assets	55	10
Financial assets recognised at fair value through profit and loss	0	1 107
Loans and other receivables	25 146	19 793

Cash and cash equivalents	11 947	9 142
Total	37 148	30 052

The age distribution of Group trade receivables on the balace sheet dated 31 December is presented in the following table.

Age distribution of trade receivables (EUR 1,000)	**2011**	**2010**
Unmatured	20 211	15 861
Matured 1-30 days	3 337	2 881
Matured 31-60 days	283	183
Matured over 60 days	649	404
Total	24 480	19 329

The maximum trade receivable credit risk amount on the balance sheet date 31 December by country or region.

Distribution of trade receivables by country or region (EUR 1,000)	**2011**	**2010**
Finland	16 436	13 048
Scandinavia	3 793	3 574
European countries	3 584	2 551
Other regions	667	156
Total	24 480	19 329

Credit risks from trade receivables are not concentrated.

Liquidity risks

The Group strives to assess and monitor the amount of funding required by business operations so that there are sufficient liquid assets for operating expenses and repayment of maturing loans. In addition, the Group continually maintains sufficient liquidity by means of effective cash management solutions such as cash reserves and bank overdrafts. The refinancing risk is managed by balancing the maturity schedules of loans and bank overdrafts according to forecast cash flows and by using several banks in financial operations.

Cash and cash equivalents at the end of the financial year totalled EUR 11,947 thousand, and unused bank overdrafts totalled EUR 4,935 thousand.

Loans and payments mature as follows:

Loans and payments mature as follows: (EUR 1,000)

	2012	2013	2014	2015	2016	later	Total
Bank loans	3 137	1 215	700	700	700	3 500	9 952
Pension loans	0	0	0	0	0	0	0
Financial leases	352	227	93	83	87	23	865
Trade payables	10 564	0	0	0	0	0	10 564
Bank overdrafts	0	0	0	0	0	0	0
Loan interest and quarantee fees	297	230	205	187	169	21	1 109
Total	14 350	1 672	998	970	956	3 544	22 490
Guarantees given*	176	176	176	176	176	48	928
Derivatives	0						0
Total	14 526	1 848	1 174	1 146	1 132	3 592	23 418

* Guarantees given to third-party on rents given to subsidiaries by the parent company.

Management of capital structure

It is the Group's objective to ensure an efficient capital structure that will secure its operating capacity in the capital markets in all circumstances irrespective of volatility. The Group's Board of Directors assesses the capital structure on a regular basis. The Group uses the equity ratio to monitor its capital structure. The Group's capital management is not subject to external demands such as covenants, for example. The equity ratio formula is presented in the following table:

Key capital indicator to be monitored in capital management: Equity to assets ratio

Equity ratio (EUR 1,000)	**31.12.2011**	**31.12.2010**
Shareholders' equity	30 756	31 167
Balance sheet total - advance payments	68 783	56 053
Equity to assets ratio, %	44.7	55.6

(EUR 1,000)

31.12.2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated at fair value throuh profit and loss	0	0	0	0
Derivative financial assets	0	0	0	0
Total	0	0	0	0
Derivative financial liabilities	0	0	0	0
Total	0	0	0	0

Level 1. Quoted prices in active market
Level 2. Valuation technique observable parameters
Level 3. Valuation technique unobservable parameters

29. OPERATING LEASES

(EUR 1,000)	31.12.2011	31.12.2010
Minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	4 808	4 511
Later than one year and not later than five years	10 024	3 575
Later than five years	1 919	0
	16 751	8 086

The group has leased many of the premises it uses. The lengths of operating leases are from 1 to 10 years, and normally they include the option to extend the lease after the initial expiry date. The income statement for 2011 includes rents paid on the basis of operating leases totalling EUR -4,734 thousand (EUR -3,862 thousand in 2010).

30. PLEDGES GRANTED AND CONTINGENT LIABILITIES

(EUR 1,000)	31.12.2011	31.12.2010
Debts secured by mortgages		
Bank loans	10 328	5 050
Property mortgages	7 849	7 849
Corporate mortgages	12 266	7 046
Shares pledged	4	4
Total mortgages	20 119	14 899
Other pledges		
Guarantees as security for rents	2 041	235
Collateral granted on behalf of others		
Guarantees	498	0
Repurchase sureties	0	150

31. RELATED PARTY TRANSACTIONS

Group's parent and subsidiary relationships are as follows:

	Domicile	Holding (%) 31.12.2011	Voting power (%) 31.12.2011
Parent company			
Martela Oyj	Finland		
Subsidiaries			
Kidex Oy	Finland	100	100
Grundell Henkilöstöpalvelut	Finland	100	100
Grundell Muuttopalvelut	Finland	100	100
Kiinteistö Oy Ylähanka	Finland	100	100
Martela AB, Bodafors	Sweden	100	100
Aski Avvecklingsbolag AB, Malmö	Sweden	100	100
Martela AS, Oslo	Norway	100	100
Martela Sp.z o.o., Warsaw	Poland	100	100
000 Martela, Moscow	Russia	100	100
000 Martela SP, St. Petersburg	Russia	100	100
Martela A/S, Copenhagen	Denmark	100	100
Irodabutor Martela kft., Budapest	Hungary	100	100

Martela Group's related party comprise the CEO, members of the board and the group's management team. Members of the company's board and the CEO hold a total of 8.6 % of the share capital and 17,2 % of the votes.

Management employee benefits (EUR 1,000)	2011	2010
Salaries and other short-term employee benefits	1 385	1 294
Benefits following end of employment	136	87
Share-based benefits	-29	446
	1 492	1 827

Salaries and other short-term employee benefits	2011	2010
Board members	105	101
CEO	261	278
Management team members(excl. salary of CEO)	990	1 361

Fees paid to Board members:

Heikki Ala-Ilkka	30	30
Pekka Martela	15	15
Jaakko Palsanen	15	15
Jori Keckman	15	15
Tapio hakakari	15	15
Pinja Metsäranta	15	11
	105	101

Fees based on board membership are not paid to members employed by the company

The CEO is entitled, if he wishes, to retire with a full pension after reaching the age of 60. Retirement benefits are included in pension expenses, defined benefit plans, presented in note 4. The period of notice is 6 months with respect to both the CEO and the company, and in the event of a dismissal by the company, the CEO is entitled to a lump-sum compensation equalling his salary for 18 months.

A new long-term share-based incentive scheme has been launched for the Managing Director and Group management, which covers the period from 2010 to the end of 2012. The incentive plan is based on the Group's overall profit performance during 2010-2012. Rewards based on this system will be paid as a combination of shares and cash. A total of EUR -32 thousand from this system has been recognised in the result for the year (EUR 404 thousand in 2010).

32. FIVE-YEAR COMPARISONS

MARTELA GROUP 2007-2011

KEY FINANCIAL INDICATORS FOR THE GROUP

		IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007
Revenue	EUR million	130.7	108.4	95.3	141.2	128.4
Change in revenue	%	20.6	13.7	-32.5	9.9	7.3
Export and operations outside Finland	EUR million	40.9	32.7	29.2	38.1	42.8
In relation to revenue	%	31.3	30.2	30.6	27.0	33.3
Exports from Finland	EUR million	10.5	9.6	11.1	14.4	16.2
Gross capital expenditure	EUR million	6.8	4.7	2.2	2.9	3.2
In relation to revenue	%	5.2	4.4	2.3	2.1	2.5
Depreciation	EUR million	2.6	2.7	3.1	3.1	3.2
Research and development expenses	EUR million	2.4	2.2	2.6	3.2	3.1
In relation to revenue	%	1.8	2.0	2.7	2.3	2.4
Average personnel		637	601	636	681	663
Change in personnel	%	6.0	-5.5	-6.6	2.7	5.9
Personnel at end of year		791	625	606	670	655
Of which in Finland		610	457	453	512	515
PROFITABILITY						
Operating profit	EUR million	2.6	1.3	0.8	10.9	8.3
In relation to revenue	%	2.0	1.2	0.8	7.7	6.4
Profit before appropriations and taxes	EUR million	1.9	1.1	0.4	10.2	7.6
In relation to revenue	%	1.5	1.0	0.4	7.2	5.9
Profit for the year *)	EUR million	1.6	0.6	0.1	7.5	5.4
In relation to revenue	%	1.2	0.6	0.1	5.3	4.2
Revenue/employee	EUR thousand	205.2	180.4	149.9	207.3	193.7
Return on equity (ROE)	%	5.1	2.0	0.4	23.8	19.8
Return on investment (ROI)	%	6.0	3.7	2.3	25.2	19.6
FINANCE AND FINANCIAL POSITION						
Balance sheet total	EUR million	69.7	56.7	55.6	64.9	63.8
Equity	EUR million	30.8	31.2	31.8	33.7	29.5
Interest-bearing net liabilities	EUR million	-0.8	-4.4	-10.8	-3.7	4.7
In relation to revenue	%	-0.6	-4.0	-11.3	-2.6	3.7
Equity ratio	%	44.7	55.6	57.4	52.2	46.7
Gearing	%	-2.6	-14.1	-33.9	-11.0	16.0
Net cash flow from operations	EUR million	1.2	-0.1	10.8	11.8	9.9
Dividends paid	EUR million	1.8	1.8	2.4	2.0	1.0

*) Change in deferred tax liability included in profit for the year

33. KEY SHARE-RELATED FIGURES

			IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007
Earnings per share	EUR		0.39	0.16	0.03	1.89	1.32
Earnings per share (diluted)	EUR		0.39	0.16	0.03	1.89	1.32
Share par value	EUR		1.7	1.7	1.7	1.7	1.7
Dividend	EUR	*)	0.45	0.45	0.45	0,60	0,50
Dividend/earnings per share	%		115.4	281.3	1 500.0	31.7	37.9
Effective dividend yield	%		7.8	5.8	6.3	11.3	6.0
Equity per share	EUR		7,60	7.74	7.88	8.47	7.22
Price of A share 31.12.	EUR		5.79	7.77	7.13	5.29	8.35
Share issue-adjusted number of shares	thousands		4155.6	4155.6	4155.6	4155.6	4155.6
Average share issue-adjusted number of shares	thousands		4155.6	4155.6	4155.6	4155.6	4155.6
Price/earnings ratio (P/E)			14.8	48.6	237.7	2.8	6.3
Market value of shares **)	MEUR		23.4	31.3	28.1	21.1	34.1

*) Board proposal

**) Price of A shares used as value of K shares

34. SHARES AND SHAREHOLDERS

Share capital

The number of registered Martela Oyj shares on 31.12.2011 was 4,155,600. The shares are divided into A and K shares. Each A share carries 1 vote and each K share 20 votes in a general shareholders' meeting. Both share series have the same dividend rights. The company's maximum share capital is EUR 14,000,000 and the minimum is EUR 3,500,000.

Martela Oyj's shares were entered in the book-entry register on 10.2.1995. The counter-book value of each share is EUR 1.68. The A shares are quoted on the Small Cap list of the OMX Nordic Exchange in Helsinki. A trading lot is 100 shares. Martela Oyj has made a Liquidity Providing (LP) market-making agreement with FIM Pankki Oy.

Distribution of shares 31.12.2011

	Number	Total EUR	% of share capital	Votes	% of votes
K shares	604 800	1 018 500	15	12 096 000	77
A shares	3 550 800	5 981 500	85	3 550 800	23
Total	4 155 600	7 000 000	100	15 646 800	100

The largest shareholders by number of shares 31.12.2011

	K series shares	A series shares	Number of shares	%	Number of votes	% of total votes
Marfort Oy	292 000	232 574	524 574	12.6	6 072 574	38.8
Ilmarinen Mutual Pension Insurance Company	0	335 400	335 400	8.1	335 400	2.1
OP-Suomi Arvo	0	285 000	285 000	6.9	285 000	1.8
Fondita Nordic Micro Cap Sijoitusrahasto	0	205 000	205 000	4.9	205 000	1.3
Palsanen Leena	44 486	131 148	175 634	4.2	1 020 868	6.5
Martela Heikki	52 122	121 342	173 464	4.2	1 163 782	7.4
Nordea Pankki Suomi Oyj	0	171 806	171 806	4.1	171 806	1.1
Pohjola Vakuutus Oy	0	160 294	160 294	3.9	160 294	1.0
Oy Autocarrera Ab	0	116 000	116 000	2.8	116 000	0.7
Martela Matti T	58 256	56 982	115 238	2.8	1 222 102	7.8
Palsanen Jaakko	1 600	96 731	98 331	2.4	128 731	0.8
Lindholm Tuija	43 122	32 841	75 963	1.8	895 281	5.7
Martela Pekka	69 274	8	69 282	1.7	1 385 488	8.9
Martela Oyj	0	67 700	67 700	1.6	67 700	0.4
Sijoitusrahasto Nordea Suomi Small Cap	0	60 056	60 056	1.4	60 056	0.4
Apteekkien Eläkekassa	0	55 000	55 000	1.3	55 000	0.4
Other shareholders	43 940	1 422 918	1 466 858	35.3	2 301 718	14.7
Total	604 800	3 550 800	4 155 600	100.0	15 646 800	100.0

The list includes all shareholders holding over 5% of the shares and votes.
The company's board of directors and CEO together hold 8.6% of the shares and 17.2% of the votes.

Martela Oyj owns 67,700 A shares. Of these, 33,850 shares have been purchased at an average price of EUR 10.65 and 33,850 shares resulted from a share issue. The number treasury shares is equivalent to 1.6% of all shares and 0.4% of all votes.

The Annual General Meeting has in 2011 re-authorized the Board of Directors to decide, for the following year, on raising the share capital, issuing convertible bonds and acquiring and/or disposing of the company's shares in deviation from the pre-emptive rights of shareholders.

The AGM approved the Board of Directors' proposals, detailed in the meeting notice, to authorise the Board to acquire and/or dispose of Martela shares. The authorisation is for a maximum of 415,560 of the company's A series shares.

Breakdown of share ownership by number of shares held, 31.12.2011

Number of shares	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of total votes
1-500	1 613	75.7	291 959	7.0	302 599	1.9
501-1000	275	12.9	215 053	5.2	226 073	1.4
1001-5000	172	8.1	380 355	9.2	794 555	5.1
Over 5000	70	3.3	3 267 187	78.6	14 322 527	91.5
Total	2 130	100.0	4 154 554	100.0	15 645 754	100.0
of which nominee-registered	6		188 767		188 767	
In the waiting list and collective account			1 046	0.0	1 046	0.0
Total			4 155 600	100.0	15 646 800	100.0

Breakdown of shareholding by sector, 31.12.2011

	Number of shareholders	%	Number of shares	%	Number of votes	%
Private companies	91	4.3	906 852	21.8	6 454 852	41.3
Financial and insurance institutions	11	0.5	933 399	22.5	933 399	6.0
Public corporations	2	0.1	390 400	9.4	390 400	2.5
Non-profit entities	11	0.5	8 847	0.2	8 847	0.1
Households	2 006	94.2	1 898 189	45.7	7 841 389	50.1
Foreign investors	9	0.4	16 867	0.4	16 867	0.1
Total	2 130	100.0	4 154 554	100.0	15 645 754	100.0
of which nominee-registered	6		188 767	4.5	188 767	
In the waiting list and collective account			1 046	0.0	1 046	0.0
Total			4 155 600	100.0	15 646 800	100.0

PARENT COMPANY INCOME STATEMENT

(EUR 1,000)	Note	1.1.-31.12.2011	1.1.-31.12.2010
Revenue	1	96 417	80 213
Changes in inventories of finished goods and work in progress		344	16
Production for own use		56	75
Other operating income	2	340	154
Materials and services	3	-53 417	-44 829
Personnel expenses	4	-20 737	-17 655
Depreciation and impairment	5	-1 236	-1 107
Other operating expenses		-18 634	-14 581
Operating profit (-loss)		3 133	2 286
Financial income and expenses	6	-87	-12
Profit (-loss) before extraordinary items		3 046	2 274
Extraordinary expenses	7	-940	-400
Profit (-loss) before appropriations and taxes		2 106	1 874
Income taxes	8	-454	-554
Profit (-loss) for the financial year		1 652	1 320

PARENT COMPANY BALANCE SHEET

(EUR 1,000)	Note	31.12.2011	31.12.2010
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		557	660
Other long-term expenditure		1 040	218
Advance payments		1 644	1 251
		3 241	2 129
Tangible assets	10		
Land and water areas		84	84
Buildings and structures		2 511	2 566
Machinery and equipment		2 558	2 463
Other tangible assets		23	20
Advance payments and purchases in progress		99	152
		5 275	5 285
Investments	11		
Shares in subsidiaries		8 960	5 206
Receivables from subsidiaries		14 324	14 284
Shares in associated undertakings		250	250
Receivables from associated undertakings		150	0
Other shares and participations		15	14
		23 699	19 754
CURRENT ASSETS			
Inventories			
Materials and supplies		6 694	4 726
Work in progress		582	461
Finished goods		1 426	739
Advances paid to suppliers		182	0
		8 884	5 926
Non-current receivables	12		
Loan receivables		416	390
Current receivables	12		
Trade receivables		20 097	16 931
Loan receivables		2 854	2 843
Accrued income and prepaid expenses		315	299
		23 266	20 073
Financial assets at fair value through profit or loss	13	0	1 107
Cash and cash equivalents		9 187	6 849
		73 968	61 515
LIABILITIES			
SHAREHOLDERS' EQUITY			
Shareholders' equity	14		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Reserve fund		11	11
Retained earnings		33 667	34 315

Profit for the year		1 652	1 320
Total		43 446	43 762

LIABILITIES

Non-current	15		
Loans from financial institutions		6 808	2 629
Accrued liabilities and prepaid income		175	240
Current	16		
Interest-bearing			
Loans from financial institutions		2 821	2 421
Non-interest-bearing			
Advances received		627	346
Trade payables		8 671	5 394
Accrued liabilities and prepaid income		8 071	3 734
Other current liabilities		3 349	2 989
		20 718	12 463
Liabilities, total		30 522	17 753
		73 968	61 515

PARENT COMPANY'S CASH FLOW STATEMENT

(EUR 1,000)	1.1.-31.12.2011	1.1.-31.12.2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flow from sales	93 106	75 675
Cash flow from other operating income	179	140
Payments on operating costs	-90 914	-75 630
Net cash from operating activities before financial items and taxes	2 371	185
Interests paid and other financial payments	-93	-103
Taxes paid	-522	-302
Net cash from operating activities before extraordinary items	1 756	-220
Net cash from operating activities (A)	1 756	-220
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-2 168	-2 635
Proceeds from sale of tangible and intangible assets	31	116
Investment in shares in subsidiaries	-66	-132
Investment in associated undertakings	-150	-250
Proceeds from other investmets	145	54
Loans granted	-1 393	-1 250
Repayments of loan receivables	300	116
Net cash used in investing activities (B)	-3 301	-3 981
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	3 000	0
Repayments of short-term loans	-3 000	0
Proceeds from long-term loans	7 000	0
Repayments of long-term loans	-2 421	-2 298
Dividends and other profit distribution	-1 812	-1 813
Net cash used in financing activities (C)	2 767	-4 111
CHANGE IN LIQUID FUNDS (A+B+C) (+ increase, - decrease)	1 221	-8 312
Liquid funds at beginning of financial year 1)	7 957	16 255
Changes in fair value, investments	9	14
Liquid funds at end of financial year 1)	9 187	7 957

1. Liquid funds include cash in hand and at bank and financial assets at fair value through profit and loss.

ACCOUNTING POLICIES FOR PARENT COMPANY FINANCIAL STATEMENTS

Martela Oyj's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). Items in the financial statements have been recognised at cost. No account has been taken of increases in value, unless separately mentioned.

Items denominated in foreign currency:
Transactions denominated in foreign currencies are recognised at the rate of exchange on the date of their occurrence, and receivables and liabilities in the balance sheet are translated at the average rate on the balance sheet date. Exchange rate differences arising from trade receivables are recognised in revenue and those of trade payables in adjustment items for purchases. Exchange rate differences arising from balance sheet financial items, such as loans, are recognised in exchange rate differences of finance.

Intangible assets:
Intangible assets are depreciated according to their estimated useful life in 3-10 years.

Tangible assets:
Buildings, machinery, equipment and other tangible assets are reported in the balance sheet at cost. No depreciation is recognised on revaluations of buildings or on land areas. Otherwise, depreciation is calculated on a straight line basis according to the estimated useful life.

Depreciation periods for tangible assets:

Buildings and structures	20-30 years
Machinery and equipment	4-8 years
Other tangible assets	3-5 years

Investments:
Stock exchange listed shares are recognised at market value and changes are entered in financial items. Other shares are recognised at cost. On the balance sheet date, Martela Oyj held no stock exchange listed shares. Investments in subsidiaries and associated undertakings are recognised at cost and permanent impairments are deducted.

Inventories:
Inventories are recognised at cost using the FIFO method. The value of inventories is reduced with respect to unsaleable items. The cost of finished goods includes not only the direct manufacturing costs, but also a share of the overhead costs of production.

Financial assets at fair value through profit or loss:
Investments in fund units are classified as financial assets at fair value through profit or loss. Investments are measured at fair value on the basis of price quotations published on functioning markets, and changes in fair value are recognised in the income statement in the year in which they were incurred.

Derivatives:
The company's derivatives include currency forward contracts and an interest rate swap agreement. The currency forward contracts are used to hedge the net position remaining after reconciliation of forecast revenues and expenses. The interest rate swap agreement relates to changing the floating-rate loan to a fixed-rate one. The fair values of derivatives are based on market prices on the balance sheet date and changes in the fair values are recognised in the income statement for the period in which they arise. More detailed information on derivatives is given in Notes 22 and 14 of the Notes to the Consolidated Financial Statements.

Income tax:
The company’s income taxes are recognised on an accrual basis and are calculated according to local tax

legislation with adjustments from previous financial years. Deferred tax liabilities are reported in the Notes.

Revenue and recognition policies:
Revenue is recognised on an accrual basis. Direct taxes, discounts and exchange rate differences are deducted from sales income in calculating revenue.

Research and development:
Research and development expenses are recognised normally through profit or loss in the year they arose. R&D-related equipment is capitalised in machinery and equipment.

Other operating income and expenses:
Proceeds from sale of assets, public subsidies and other income (e.g. rent income) than that from actual operations are recognised in "Other operating income". Losses from disposal of assets and other costs than those from actual operations are recognised in "Other operating expenses".

Extraordinary income and expenses:
Extraordinary income and expenses are deemed as those based on events in the company that are extraordinary, non-recurring and substantial, such as group contribution and items related to corporate restructuring.

Operating leases:
All leasing payments are treated as rent expenses.

Pension plans:
The companies' pension security has been arranged through pension companies. Martela Oyj's CEO is entitled to transfer to a full pension after reaching the age of 60 years.

Treasury shares:
The treasury shares in the parent company's financial statements are reported as a deduction from equity.

1. BREAKDOWN OF REVENUE BY MARKET AREA, % OF REVENUE

	2011	2010
Finland	90	90
Scandinavia	6	5
Other	4	5
Total	100	100

2. OTHER OPERATING INCOME

(EUR 1,000)	2011	2010
Gains on sale of fixed assets	162	14
Rental income	40	88
Public subsidies	111	20
Other operating income	27	32
Total	340	154

3. MATERIALS AND SERVICES

(EUR 1,000)	2011	2010
Purchases during the financial year	51 028	42 052
Change in inventories of materials and supplies	-2 440	-217
External services	4 829	2 994
Materials and supplies, total	53 417	44 829
Auditor's fees		
Auditing	55	45
Tax services	5	5
Other services	158	3
Auditor's fees, total	218	53

4. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

(EUR 1,000)	2011	2010
Salaries, CEO	260	182
Salaries of boards of directors	105	101
Salaries of boards of directors and managing director, total	365	283
Other salaries	16 152	13 850
Pension expenses	3 239	2 749
Other salary-related expenses	981	773
Personnel expenses in the income statement	20 737	17 655
Fringe benefits	539	410
Total	21 276	18 065
Personnel		
Average personnel, workers	146	128
Average personnel, officials	238	203
Personnel at year end	384	346

5. DEPRECIATION AND WRITE-DOWN

(EUR 1,000)	2011	2010
Depreciation according to plan		
Intangible assets	524	533
Tangible assets		
Buildings and structures	92	92
Machinery and equipment	620	482
Depreciation according to plan, total	1 236	1 107

6. FINANCIAL INCOME AND EXPENSES

(EUR 1,000)	2011	2010
Financial income and expenses		
Interest income on short-term investments	26	35
Interest income on short-term investments from Group companies	132	83
Foreign exchange gains	13	17
Other financial income	0	32
Interest expenses	-146	-149
Losses on foreign exchange	-25	-4
Other financial expenses	-96	-40
Change in value of assets recognised at		
fair value through profit or loss	9	14
Total	-87	-12

7. EXTRAORDINARY ITEMS

(EUR 1,000)	2011	2010
Extraordinary expenses		
Group contribution	940	400

8. INCOME TAXES

(EUR 1,000)	2011	2010
Income taxes from operations	380	435
Taxes from previous years	74	119
Total	454	554

Deferred tax liabilities and assets have not been included in the income statement or balance sheet. Deferred tax assets due to matching differences and losses total EUR 0 thousand 2011 (EUR 0 thousand 2010).

9. INTANGIBLE ASSETS

(EUR 1,000)

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1.1.2011 - 31.12.2011	Intangible rights	Other long-term expenses	Work in progress	Intangible assets, total
Acquisition cost 1.1.	2 467	2 090	1 251	5 807
Increases	216	1 027	1 237	2 480
Decreases	0	0	-844	-844
Acquisition cost 31.12.	2 683	3 117	1 644	7 443
Accumulated depreciation 1.1.	-1 807	-1 873	0	-3 680
Accumulated depreciation, decreases	0	0	0	0
Depreciation for the year 1.1.-31.12.	-319	-205	0	-524
Accumulated depreciation 31.12.	-2 126	-2 078	0	-4 204
Carrying amount 1.1.	660	217	1 251	2 128
Carrying amount 31.12.	557	1 040	1 644	3 241

1.1.2010 - 31.12.2010	Intangible rights	Other long-term expenses	Work in progress	Intangible assets, total
Acquisition cost 1.1.	1 898	2 014	109	4 020
Increases	569	76	1 398	2 043
Decreases	0	0	-256	-256
Acquisition cost 31.12.	2 467	2 090	1 251	5 807
Accumulated depreciation 1.1.	-1 430	-1 722	0	-3 152
Accumulated depreciation, decreases	0	0	0	0
Depreciation for the year 1.1.-31.12.	-377	-151	0	-528
Accumulated depreciation 31.12.	-1 807	-1 873	0	-3 680
Carrying amount 1.1.	468	292	109	869
Carrying amount 31.12.	660	218	1 251	2 129

10. TANGIBLE ASSETS

(EUR 1,000)

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1.1.2011 - 31.12.2011	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	84	10 558	10 076	20	152	20 890
Increases	0	37	729	3	319	1 088
Decreases	0	0	-53	0	-372	-425
Acquisition cost 31.12.	84	10 595	10 752	23	99	21 553
Accumulated depreciation 1.1.	0	-7 992	-7 614	0	0	-15 606
Accumulated depreciation, decreases	0	0	39	0	0	39
Depreciation for the year 1.1.-31.12.	0	-92	-620	0	0	-712
Accumulated depreciation 31.12.	0	-8 084	-8 195	0	0	-16 279
Carrying amount 1.1.	84	2 566	2 463	20	152	5 285
Carrying amount 31.12.	84	2 511	2 558	23	99	5 275

1.1.2010 - 31.12.2010	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	84	10 547	8 666	20	256	19 573
Increases	0	11	1 500	0	1 262	2 773
Decreases	0	0	-90	0	-1 366	-1 456
Acquisition cost 31.12.	84	10 558	10 076	20	152	20 890
Accumulated depreciation 1.1.	0	-7 900	-7 217	0	0	-15 117
Accumulated depreciation, decreases	0	0	89	0	0	89
Depreciation for the year 1.1.-31.12.	0	-92	-486	0	0	-578
Accumulated depreciation 31.12.	0	-7 992	-7 614	0	0	-15 606
Carrying amount 1.1.	84	2 647	1 450	20	256	4 457
Carrying amount 31.12.	84	2 566	2 463	20	152	5 285

Revaluations included in buildings total EUR 1.850 thousand in 2011 (EUR 1.850 thousand in 2010). Carrying amount of production machinery and equipment in 2011 total EUR 1.989 thousand (EUR 1.910 thousand in 2010).

11. INVESTMENTS

(EUR 1,000)

1.1.2011 - 31.12.2011	Subsidiary shares	Shares in accociated undertakings	Other shares and participations	Loan receivables	Total
Balance sheet value at beginning of year	5 206	250	14	14 284	19 754
Increases	4 730	0	1	190	4 921
Decreases	-976	0	0	0	-976
Balance sheet value at end of year	8 960	250	15	14 474	23 698

1.1.2010 - 31.12.2010	Subsidiary shares	Shares in associated undertakings	Other shares and participations	Loan receivables	Total
Balance sheet value at beginning of year	5 012	22	93	13 531	18 658
Increases	194	250	0	753	1 197
Decreases	0	-22	-79	0	-101
Balance sheet value at end of year	5 206	250	14	14 284	19 753

Subsidiary shares:		Parent company's holding %	Voting power %	No. of shares	Par value	Book value EUR 1,000
Kidex Oy	Finland	100	100	200	2.208 teur	2 208
Muuttopalvelu Grundell Oy	Finland	100	100	100	3 teur	4 675
Grundell Henkilöstöpalvelut Oy	Finland	100	100	100	3 teur	50
Kiinteistö Oy Ylähanka	Finland	100	100	510	9 teur	8
Martela AB. Bodafors	Sweden	100	100	50 000	5.000 tsek	550
Aski avvecklingsbolag Ab, Malmö	Sweden	100	100	12 500	1.250 tsek	132
Martela AS, Oslo	Norway	100	100	200	200 tnok	24
Martela SP.z.o.o; Warsaw	Poland	100	100	3 483	3.483 tpln	935
000 Martela, Moscow	Russia	100	100		3.700 trub	90
000 Martela SP, St. Petersburg	Russia	100	100		3.700 trub	90
Irodabutor Martela Kft	Hungary	100	100		36.000 thuf	131
Martela A/S	Denmark	100	100		500 tdkk	67
Total						8 960
Associated undertakings:						
P.O. Korhonen Oy (former Fiota)	Finland	51	51	510	1	250
Other shares and participations:						15

12. RECEIVABLES

(EUR 1,000)	2011	2010
Non-current receivables		
Receivables from associated undertakings	88	0
Loan receivables	329	390
Current receivables		
Receivables from companies in same group		
Trade receivables	3 913	3 672
Loan receivables	2 842	2 743
Receivables from associated undertakings		
Trade receivables	5	0
Loan receivables	12	0
Other receivables		
Trade receivables	16 179	13 259
Loan receivables	0	100
Accrued income and prepaid expenses	315	299
Current receivables, total	23 266	20 073

Accrued income and prepaid expenses include prepaid royalties and expenses, as well as personnel expense and other assorted prepayments.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR 1,000)	2011	2010
Fund units	0	1 107

14. CHANGES IN SHAREHOLDERS' EQUITY

Distribution of shares 31.12.2011	Number	Total EUR	% of share capital	Votes	Procent of votes
K shares (20 votes/share)	604 800	1 018 500	15	12 096 000	77
A shares (1 vote/share)	3 550 800	5 981 500	85	3 550 800	23
Total	4 155 600	7 000 000	100	15 646 800	100
Treasury shares	67 700				
No. of shares	4 087 900				

Shareholders' equity (EUR 1,000)	**2 011**	**2 010**
Share capital 1.1.and 31.12.	7 000	7 000
Share premium account 1.1 and 31.12.	1 116	1 116
Reserve fund 1.1 and 31.12.	11	11
Retained earnings 1.1.	35 635	36 116
Dividends	-1 807	-1 813
Profit for the year	1 652	1 320
Shares assigned on the basis of the share-based incentive scheme*	-186	0
Returned shares	25	12
Retained earnings 31.12.	35 319	35 635
Shareholders' equity, total	43 446	43 762

The distributable equity of the parent company is EUR 35.319 thousand in 2011 (EUR 35.635 thousand 2010).

Treasury shares held by Martela Oyj are reported as a deduction from retained earnings. Martela Oyj owns 67,700 A shares and they were purchased at an average price of EUR 10.65. Market value of treasury shares on 31.12.2011: EUR 5,79/share;(7,77 EUR 2010), total EUR 392 thousand (EUR 526 thousand 2010).

* In the parent company balance sheet, the loan issued for the acquisition of shares has been treated as a loan receivable, and for the assigned shares, the acquisition cost has been recognised as a reduction in receivables and removed from equity.

The acquisition cost of shares for the incentive scheme has been treated in the IFRS consolidated financial statements as an item comparable to treasury shares.

15. NON-CURRENT LIABILITIES

(EUR 1,000)	2011	2010
Loans from financial institutions	6 808	2 629
Accrued expenses	175	240
	6 983	2 869

Changes and repayments of non-current liabilities

	2 011 Loans from financial institutions	2 010 Loans from financial institutions
Non-current liabilities 1.1	2 629	5 050
Proceeds	7 000	0
Repayments	-2 821	-2 420
Non-current liabilities 31.12	6 808	2 629

Repayments	2 012	2 013	2 014	2 015	2 016	2017-
Loans from financial institutions	2 821	1 208	700	700	4 200	0

16. CURRENT LIABILITIES

(EUR 1,000)	2011	2010
Current liabilities		
Liabilities to group companies		
Trade payables	1 682	1 080
Other current liabilities	30	63
Total	1 712	1 143
Liabilities to associated undertakings		
Trade payables	455	0
Other current liabilities		
Loans from financial institutions	2 821	2 420
Advances received	627	346
Trade payables	6 534	4 314
Other current liabilities	3 349	2 989
Accrued liabilities	8 041	3 672
Other current liabilities, total	21 372	13 741
Current liabilities, total	23 539	14 884

Current liabilities are specified in Notes because items are combined in Balance Sheet

	2011	2010
Essential items of accrued liabilities		
Personnel expenses	2 833	2 744
Interest and financing accruals	15	28
Royalties	143	196
Residual expenses	187	349
Taxes	68	186
Other accrued liabilities	4 795	169
Accrued liabilities, total	8 041	3 672

17. PLEDGES GRANTED AND CONTINGENT LIABILITIES

(EUR 1,000)	**2011**	**2010**
Debts secured by mortgages		
Bank loans	9 629	5 050
Property mortgages	7 848	7 848
Corporate mortgages	8 200	3 700
Shares pledged	4	4
Total mortgages	16 052	11 553
Other pledges		
Guarantees as security for rents	209	165
Guarantees given on behalf of companies in the same group	1 662	1 542
On behalf of associated undertakings	498	0
Leasing commitments		
falling due within 12 months	959	835
falling due after 12 months	1 119	762
Total	2 078	1 597
Repurchase sureties	0	150
Other commitments		
Rent commitments	12 636	5 917

CALCULATION TO KEY FIGURES

Earnings / share	=	$\frac{\text{Profit attributable to the equity holders of the parent}}{\text{Average share issue-adjusted number of shares}}$
Price / earnings multiple (P/E)	=	$\frac{\text{Share issue-adjusted share price at year end}}{\text{Earnings / share}}$
Equity / share, EUR	=	$\frac{\text{Equity attributable to the equity holders of the parent}}{\text{Share issue-adjusted number of shares at year end}}$
Dividend / share, EUR	=	$\frac{\text{Dividend for the financial year}}{\text{Share issue-adjusted number of shares at year end}}$
Dividend / earnings, %	=	$\frac{\text{Dividend / share}}{\text{Earnings / share}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Share issue-adjusted dividend / share}}{\text{Share issue-adjusted share price at year end}} \times 100$
Market value of shares outstanding, EUR	=	Total number of shares at year end X share price on the balance sheet date
Return on equity, %	=	$\frac{\text{Profit/loss for the financial year}}{\text{Equity (average during the year)}} \times 100$
Return on investment, %	=	$\frac{\text{(Pre-tax profit/loss + interest expenses + other financial expenses)}}{\text{Balance sheet total - Non-interest-bearing liabilities (average during year)}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities-cash and cash equivalents and liquid asset securities}}{\text{Equity}} \times 100$
Average personnel	=	Month-end average calculation of the number of personnel in active employment
Interest-bearing net debt	=	Interest-bearing debt - cash and other liquid financial assets

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company's distributable funds are EUR 35.318.957,21 of which the profit for the financial year is EUR 1.651.544,36.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

- distribution of a dividend of EUR 0.45 per share, totalling	EUR 1,839,555,00
- to be left in shareholders' equity	EUR 33.479.402,21

Helsinki, 7 February 2012

The Board of Directors' Report and the Financial Statements are signed by:

Heikki Ala-Ilkka Chairman of the Board	Pekka Martela Vice Chairman	Heikki Martela Managing Director
Jaakko Palsanen	Jori Keckman	Tapio Hakakari
Pinja Metsäranta		

We have today issued a report on the audit performed by us.

Helsinki, 7 February 2012

KPMG Oy Ab

Reino Tikkanen
Authorised Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

AUDITOR'S REPORT

To the Annual General Meeting of Martela Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Martela Oyj for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 7 February 2012

KPMG OY AB

REINO TIKKANEN
Authorized Public Accountant