2012 annual report

Inspiring spaces

Martela

Content

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Martela in brief

Martela Corporation supplies ergonomic and innovative furniture and provides services to modify and maintain premises. Martela's products and services improve the functionality and comfort of working environments and other environments such as schools, hotels and nursing homes. Martela's collection includes both classics and new innovations designed to meet changing needs in workplaces and work practices. Quick deliveries and an extensive distribution network support the efficiency of operations. Martela offers the widest range of after-sales support and modification services in the sector.

Martela is a family company founded 68 years ago and its shares are quoted on NASDAQ OMX Helsinki Ltd. Martela is the largest company in its sector in Finland and one of the three largest in the Nordic countries. The company has production facilities in Finland, Sweden and Poland. In 2012, the Group's revenue was EUR 142.7 million, and at the end of the year it employed 801 people.

Key Figures

		2012	**2011**
Revenue	Meur	142.7	130.7
Growth in revenue	%	9.2	20.6
Operating profit	Meur	-0.9	2.6
- as a percentage of revenue	%	-0.6	2.0
Pre-tax profit	Meur	-1.8	1.9
as a percentage of revenue	%	-1.3	1.5
Return on investment	%	-2.7	6.0
Balance sheet, total	Meur	64.3	69.7
Equity ratio	%	42.6	44.7
Earning/share	eur	-0.51	0.39
Equity/share	eur	6.68	7.60
Dividend/share	eur	0.20*	0.45
Capital expenditure	Meur	4.0	6.8
Average personnel		806	637

* Proposal of the Board of Directors

Managing director's review

Since the global financial crisis, we have sought over the past couple of years to generate growth through new areas of business, including the Martela Outlet chain, our service business, the hotels and restaurants segment and our subsidiaries in Russia and Denmark. The cost of these steps and the detectable slackening of demand in the autumn meant that the 2012 result fell short of expectations.

In 2013 we will concentrate on our core business and on boosting its profitability. We do not intend to launch new growth areas. The prolonged uncertainty on the markets has continued, and the autumn saw the first signs of its impact on demand. Given the uncertainties in the economy, our assessment of demand is that 2013 will prove to be challenging.

Martela's main markets are Finland, Sweden, Norway, Poland and Russia. Our Danish subsidiary returned to operating on the basis of an importer model, as of the start of 2013. This provides a more efficient cost structure and is therefore a better arrangement in Denmark, where our market share and revenue are relatively small. The market conditions and competition in Denmark are considered the toughest in the Nordic countries. We will continue operations there through our importer, serving major international customers and local customers.

OFFICE WORK IS CHANGING

The changes in working culture prompted by new technologies are seen by Martela as an thrilling opportunity. The spread of mobile working enables not only more effective use of space but also more extensive changes in work practices. There has been a move from personal rooms to open plan offices, and today we are experiencing the boom of so called activity-based offices. This trend has reduced the size and number of individual workdesks. Work involves a lot of different types of meetings and interactive situations. Spaces that accommodate such needs seems to meet well our customers merging needs. For Martela, a particularly important and positive trend is the desire of customers to improve the efficiency with which they use their premises.

With an increase in work that is not tied to a fixed location, new requirements are being placed on spaces and furniture designs. Customers are using their premises more efficiently, and this is increasing the demand for new types of solution for their work spaces. We have developed working environment solutions that reduce the customer's costs while also supporting employee wellbeing, the customer's business and the brand. Specifically, we introduced our new Martela Inspiring Office concept. This is now also an integral part of our head office, which was transformed into an activity-based office in September. The results speak for themselves, and I am confident this will encourage customers to take a fresh look at the way they work.

Martela has an important mission to improve the acoustic landscape of open plan offices and minimise the disturbance to work tasks that require concentration. Quieter open plan spaces will be more productive workplaces. The Martela Silence concept has been developed to offer furniture solutions for work tasks where concentration must be maximised and disturbance minimised. The new furniture for open plan offices has acoustic damping properties and can also serve as a location for informal meetings or exchanges. This versatile concept brings considerable flexibility, which in turn supports activity-based office solutions.

MARTELA'S SERVICES COVER THE FULL LIFE CYCLE OF FURNITURE

The Grundell companies were incorporated into the Martela Group at the end of 2011. During the year, the service production units of Grundell and Martela were combined and the Group's service business reshaped to meet customer needs more effectively. We will be focusing strongly on our removal service sales with the Grundell brand.

The Martela Outlet business model has firmly established itself in Finland, and awareness of the chain has increased substantially. With the Martela Outlets we are able to serve smaller companies and home-based offices. The chain opened its seventh store during 2012. The Martela Outlets are part of Martela's recycling service that allows us to care for furniture throughout its life cycle. Recycling is, for us, an essential part of our corporate responsibility, which we carefully monitor. The second of our responsibility reports was published in the spring.

Grundell and Martela Outlet form a distinct entity together with Martela, ensuring we can offer customers complete interiors and a full range of services for their furniture and premises. Grundell provides a highly professional service in removals and installation and assembly.

Our information system development project required considerable input during the year. This Group-wide investment is expected to boost the efficiency of our delivery chain. The system was introduced in Poland and Sweden, and in Finland preparations were made throughout the year for its introduction, which is due to take place in spring 2013.

DESIGN YEAR TURNED SPOTLIGHT ON FINNISH DESIGN

Our partnership involvement in the World Design Capital Helsinki 2012 project included some very interesting events and brought us new contacts. Martela's furniture and new concepts were visible during 2012 at locations including the WDC pavilion in Helsinki and Helsinki Airport. In Moscow, we brought together Finnish and Russian design professionals for a three-day seminar at Russia's most important design establishment, the Strelka Institute for Media, Architecture and Design. In Poland, we held a number of events aimed at the architectural community in the country's three largest cities

In Finland, customers and designers were invited to experience the Martela Inspiring Office concept in the newly organized Martelahouse, where we also presented some forthcoming new products. In Sweden, we moved to new premises in Stockholm, and celebrated the opening of these during the Stockholm Furniture and Light Fair. At Turku in Finland, Martela also relocated and is now in a historic property in the city.

The solutions we developed during the year will bring new designs and ideas to the workplace and enable a more diverse working environment. Our Silence concept, which we presented at the international Stockholm Furniture and Light Fair in February 2013, offers Martela's ideas and solutions for the changes taking place in the modern work culture and practices.

May I offer my sincere thanks to our customers, partners, shareholders and all at Martela for an active year in which design was firmly in the spotlight.

Takkatie, Helsinki, February 2013

Heikki Martela
Managing Director

SHOPPING
DESIGN
ENTERTAINING

Strategy and Values

MISSION
Better Interiors

VISION
Leading Finnish Interior Brand

STRATEGY
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. We renew our way-of-working by utilising experienced and fresh views.

VALUES
Family business
Passion for Innovations
User Driven Design
Finnish

Corporate responsibility

Martela is committed to responsibility in everything it does. Responsibility is an essential part of our values, operating strategy and everyday actions on all levels of the organisation. For us responsibility means transparency, sustainability, respect for our environment, life cycle thinking and uncompromised user-driven approach in design and production, services that extend the lifespan of spaces and products, commitment to international agreements and recommendations, and looking after of our human resources and network of partners.

We look at responsibility through our promise, Inspiring Spaces. Our passion for innovation, which helps us build more and more inspiring workspaces for our clients, in turn help us to build a better tomorrow for everyone. Our solutions that increase productivity, work effectiveness and wellbeing promote responsible behaviour on both individual and organisational levels.

Martela's products are designed to last and to retain their visual appeal. Martela's services help customers manage their working environment and furniture over the full life cycle. The company's maintenance and recycling services extend the life of furniture items, frequently allowing them to be passed from one owner to another. Martela's efficient recycling process and the network of Martela Outlet stores allow customers to recycle their furniture responsibly and cost-effectively. Martela's working environment solutions also enhance employee wellbeing in the customer's workplace.

At the start of the year, Martela's Management Team approved the company's first corporate responsibility action plan, for 2012-2014. During the year, Martela also published its second responsibility report in compliance with the GRI (Global Reporting Initiative) guidelines.

Martela's personnel were given training on implementing the Group's responsible business principles.

ECONOMIC RESPONSIBILITY

The largest share of the Martela Group's revenue goes to product and service suppliers in the form of payment for materials, goods and services. Most of the purchases for customer products are made from local suppliers in Finland, Sweden and Poland.

The second greatest share of the economic benefits is distributed among the personnel in the form of pay and indirect employee costs. Shareholders gain economic value in the form of annual dividends.

SOCIAL RESPONSIBILITY

Martela's responsible approach to personnel management is guided by its human resources policy. Martela's success has been created by skilled and motivated employees who like their work. Through responsible personnel management the company ensures that the personnel factors critical to success are in place. The responsibility report contains a set of personnel indictors revealing the personnel structure and the turnover among personnel. The indicators also cover personnel skills, health, safety and incentive systems.

During the year, a Group-wide employee wellbeing programme was drawn up for improving wellbeing and preventing work-related problems. Job satisfaction is taken seriously throughout the delivery chain. Suppliers and their subcontractors are required to comply with the relevant national labour legislation and with ILO agreements.

ENVIRONMENTAL RESPONSIBILITY

Martela promotes environmental protection in its operations and complies with the requirements of the relevant legislation. Through continuous development the aim is to reduce adverse environmental effects and promote recycling. The company's environmental work is an integral part of everyday management, in accordance with ISO 14001. Environmental certification has been granted for the operations of Martela's logistics units in Finland and Sweden by an independent certification body. On the Swedish and Norwegian markets certain key products have the esteemed Nordic Swan ecolabel. Based on the principle of openness, Martela supplies information to customers about the materials used in its products. Carbon footprint calculations have been made for the company's main products, and these indicate the origin and nature of the emissions.

More detailed information on the indicators connected with environmental responsibility is given in Martela's responsibility report. Environmental considerations are also taken into account in energy-saving measures and participation in charity work that supports environmental causes.

Better future by Inspiring Spaces

Case Martelahouse

Martelahouse in Helsinki was remodelled during the year in line with Martela's Inspiring Office concept. The entire premises were brought into active use and divided up into zones based on different work requirements. Besides improving the work environment, the changes improved the efficiency of use. The transformation of Martelahouse into an activity-based office was achieved with a space saving of about 20%. The space requirement per person was reduced by 25%.

Martela has also achieved similar results in customer projects. The Inspiring Office concept enables work to be performed in different spaces based on the nature of the tasks. By dividing the premises into private, semi-public and public zones, tasks requiring considerable concentration can be performed in peace, while teamwork and meetings can take place in other locations. Martela's privacy-enhancing furniture items improve the ability to work undisturbed in an open plan environment. The result is a more dynamic and comfortable environment for working.

"Mobile technology means that you are no longer constrained by the conventional workstation approach. We look at solutions in terms of the requirements of the work tasks in question, to make sure that the end result genuinely supports the needs of employees and the customer's business," says Panu Ala-Nikkola, Director of Martela's Business Unit Finland.

Kamppi

Business unit Finland

In Finland, Martela has a network of 28 sales centres, of which 7 are Martela Outlet stores specialising in recycling. Martela offers the widest range of after-sales support and modification services in the sector and is the largest company of its kind in Finland. The Business Unit's turnover in 2012 was EUR 98.1 million, up 10.7% from the previous year. Its operating result was EUR 3.9 million (EUR 6.5 million).

Martela occupies a strong position in the market as an innovative and comprehensive expert for services to modify and maintain premises. During the year, the Grundell companies boosted Martela's competitiveness in removals services, and the focus on services to modify and maintain premises brought growth in the offices segment. The welfare segment also grew, aided by the company's extensive solutions developed to meet welfare sector needs and by the new, convenient and comfortable product range.

Martela Outlet succeeded in identifying and establishing its own customer base. The chain opened its seventh store during the year, and the store serving the Helsinki metropolitan area was moved to larger premises. Recycling demonstrates that Martela takes its responsibilities seriously and focuses on the entire life cycle of furniture. The recycling service offers customers furniture recycling that is cost effective and complies with applicable regulations.

The operating year was characterised by development and by investment in our business activities, with significant system projects being carried out in 2012. In Finland, the Group's new CRM system was introduced and investment was made in service improvement. Martela's Inspiring Office concept was introduced at the company's main offices, bringing a new impetus to our work and saving space at the same time.

CASE: LINDORFF

Europe's leading provider of debt-related administrative services, Lindorff, is steadily expanding its workforce. Martela operates as a partner for Lindorff, maintaining its premises and ensuring their efficient use. Through a single contact, Lindorff can access a comprehensive service that includes interior planning and modification, furniture supply and furniture maintenance and recycling. The premises are kept up to date to reflect changing needs, furthering the success of the business and its personnel.

Business Unit Finland (meur)	2012	2011	Change %
Revenue	98.1	88.6	10.7
Operating profit	3.9	6.5	
Investments	0.5	0.7	
Average personnel	485	310	56.5

Business unit Sweden and Norway

This Business Unit is the second biggest at Martela. Sales take place through a network of dealers, and Martela also has its own sales and showroom facilities in 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. In Norway, the marketing company located in Oslo operates as a support organisation for the Norwegian sales network. The Business Unit's turnover in 2012 was EUR 20.1 million, down -2.2% from the previous year. Its operating result was EUR -0.7 million (EUR 0.3 million).

The Martela Silence concept, offering acoustic solutions, was expanded during the year with the addition of a number of innovative products designed for the needs of activity-based offices. The start of 2012 saw the launch in Sweden and Norway of the new height-adjustable Martela Silence desk, with a height adjustment that runs almost silently.

In February, during the Stockholm Furniture and Light Fair, Martela opened a new Stockholm showroom. The Martela Group's new enterprise resource planning (ERP) system was introduced in Sweden in the spring. The system is being installed throughout the Group and will enable efficiency improvements and further development of business.

The offering of furniture that allows customer-specific solutions was strengthened during the year. The ability to combine efficient and flexible production with an extensive network of specialised subcontractors is Martela's strength. The same project delivery can combine a wide selection of standard furniture with tailor-made products.

Business Unit Sweden and Norway (meur)	2012	2011	Change %
Revenue	20.1	20.6	-2.2
Operating profit	-0.7	0.3	
Investments	0.1	0.2	
Average personnel	58	58	0.0

CASE: DNB

Norway's largest financial services group, DNB, is investing in its flagship offices. The offices in Bergen were the first to have Martela's Silence concept installed. DNB decided to have the quiet, height-adjustable desks in its conference room too.

Business unit International

The business unit's main market areas are Russia, Denmark and Estonia. It also exports products to the Netherlands, Germany, the United Kingdom, Austria and Japan. In addition, the unit is responsible for managing the Group's international key accounts. Sales in Russia take place both directly and through a network of dealers. In other markets there are local importers.

On the Russian market, Martela offers innovative, comprehensive solutions for changing working environments and education environments. The pace of change in Russia's working culture is similar to that in Western Europe, which is why it offers potential for Martela. During the year, Martela focused not only on developing its own companies but also the dealer network.

Martela's companies in Moscow and St Petersburg continued to build up their business. In St Petersburg, contacts were created especially with architects and international customers. During the first full year of operation, the focus in Moscow was similarly on establishing a network of relationships. Martela held a three-day design event in conjunction with the Finnish Embassy in Moscow and Russia's most important design establishment, the Strelka Institute for Media, Architecture and Design. The event drew 1,500 invited guests and brought publicity for Martela in the local media.

Martela's operations in Denmark were reorganised on the basis of an importer model as of January 2013. On other export markets the number of dealers was successfully increased. Martela's well-designed products are increasingly of interest to architects around the world. As Martela strengthens its distribution network, the availability of its products will improve globally.

CASE: B2B-CENTER

B2B-Center is Russia's largest online advertising operator. The company has a creative and inspiring working environment to help strengthen the commitment of its personnel. Martela was involved in the furnishing and modernisation of the company's Moscow premises. Adding to the unique look of the premises is the street art of various artists on its walls.

Business unit Poland

Martela has a significant position on the Polish market, being market leader within its particular segment. Martela serves its customers through a nationwide sales network that includes seven sales offices in the country's largest cities. The unit's headquarters are located in Warsaw. Its logistics centre, also in Warsaw, is responsible not only for managing logistics but for assembly of products as well. The Business Unit's turnover in 2012 was EUR 12.7 million, down -1.7% from the previous year. Its operating result was EUR -1.2 million (EUR -0.6 million).

Martela's competitive advantages in Poland lie in its extensive sales network, direct customer relationships, excellent customer service and reliable deliveries. Major international companies are establishing subsidiaries in Poland and building new premises – despite the economic uncertainty in Europe, a second investment wave by western companies is under way. In Poland, Martela is perceived as a local operator, which has allowed us to serve the public sector as well. Thanks to locally based production and a local sales network, Martela is able to make quick deliveries at competitive prices and to make product changes on a flexible basis.

Investment was made in developing project sales during the year, and development of the Group's ERP and CRM systems also continued.

Martela offers its Polish customers all-inclusive solutions. Most premises in Poland have fitted carpets, and so Martela's product selection includes not only Martela furniture, representation of other recognised furniture brands, and auditorium seating, but also carpets and the related fitting services. Important contacts with architects were activated at the established Conscious Interior events organised in conjunction with local architectural associations in various cities.

Business Unit Poland (meur)	2012	2011	Change %
Revenue	12.7	12.9	-1.7
Operating profit	-1.2	-0.6	
Investments	0.1	0.1	
Average personnel	81	90	-10.0

CASE: THE SOSNOWIEC SCIENCE AND TECHNOLOGY PARK

The Sosnowiec Science and Technology Park offers an attractive environment for innovative technology companies. The Park's offices, work spaces, conference rooms, teaching rooms, lobby and auditorium were furnished with timelessly appealing furniture items in keeping with the modern style of the building.

Personnel

Martela employed on the average 806 people in six countries. Although it operates internationally, Martela's roots are firmly in Finland. The company is well known for its high standards and reliability both in Finland and abroad. 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 attention to development and innovation has made it a leader in its field.

During the year, the integration of the Grundell companies as part of Martela was completed and a new, centralised service production unit was established. In connection with this, operations were reorganised, the number of employees was reduced and some job descriptions were modified to better reflect the activities of the new service production unit. The acquisition of Grundell brought Martela special expertise in removals services, and the newly established service production unit enabled a high quality customer service, efficient operations and achievement of the profit target.

TOOLS FOR EMPLOYEE WELLBEING

Martela took steps to improve employee wellbeing, with the aim of helping its employees to cope at work. During the year, a wide-ranging employee wellbeing model was assembled, which defines the nature of employee wellbeing at Martela and identifies the means by which it can be enhanced. The model was introduced for employees at the start of 2013. Employee wellbeing is also supported by early detection of problems, which aims to prevent the emergence of factors adversely affecting work and to support the health of employees and their ability to cope. An early intervention model was introduced in Finland and managers and employees were given training in its use.

A pilot project in age management and employee wellbeing was also carried out in Finland. Martela's goal is that all employees should retire in good health. The age management model is intended to help employees aged 55 and above to cope at work by allowing greater flexibility in working hours and workload. The aim of the occupational wellbeing model is to improve employees' working capacity and reduce work-related stress, thus decreasing the related sickness absences and the risk of incapacity for work.

Martela's work satisfaction survey is carried out once every two years, the last one being in 2011. The focus was instead on the 2012 supervisor survey. This is a survey to assess management skills and is also carried out every two years. The 2012 results reveal that these skills are at an excellent level.

SKILLS DEVELOPMENT

Major development projects begun in 2011 were continued in 2012. Martela is developing its Group-wide information systems to ensure that information is efficiently available anywhere and at any time. The joint personnel information system was expanded to include the units outside Finland, and managers were trained in its use. The system not only improves the effectiveness of management but also allows systematic surveys of personnel skills and effective utilisation of these. Personnel skills were supported through training, which was also provided via the Martela Learning virtual environment.

Work at Martela has become more project-based than before. Developing this project-based approach will be important for achieving our strategic goals. Management models for managing individual projects and project portfolios were drawn up at Martela and introduced during the year. Projects are now managed, scheduled and resourced more clearly, which will ensure that projects in progress are those that are most appropriate in terms of Martela's strategy.

Products and Communications

Martela's Products and Communications unit combines the Group's product development and product portfolio management and its brand management and marketing. The unit's operations are concentrated on understanding customer needs and on providing high quality solutions for changes in working environments.

PRODUCT DEVELOPMENT AND PORTFOLIO MANAGEMENT

The change in working culture towards mobile and multi-site working enables new types of solutions for working environments and more efficient use of spaces. The solutions that Martela offers for today's activity-based offices support both employee and business needs. Dividing an office into private, semi-public and public zones is a way of bringing the entire premises into active work use.

Martela's new products also take into account the changing requirements for performing work. Martela's Silence concept improves ergonomics by reducing detrimental interruptions to work. The new Silence products offer acoustic protection that allows employees to concentrate without interruption and also minimises the disturbance caused to others.

Ways of working are also changing outside the traditional office environment. As part of the World Design Capital Helsinki 2012 cooperation, Martela developed the Suvanto lounges at Helsinki Airport in conjunction with Finavia and other partners. The user-centric design allows air travellers a moment of peace and quiet. The Suvanto lounges provide a peaceful refuge for working or relaxing away from the crowds.

Martela's own collection can be excellently complemented by representatives of other strong brands. Customers can be supplied with just the right products that match their needs from a range of manufacturers. Cooperation with Artek was furthered by signing a distributor agreement that allows Martela to sell Artek furniture as part of its projects.

BRAND MANAGEMENT AND MARKETING

As one of the main partners in the World Design Capital Helsinki 2012 theme year, Martela received considerable publicity and gained new partners. Having been awarded a Fennia Prize 2012 Honorary Mention, Martela's Kuru chair was produced in a special WDC design and became an official WDC chair at public events. The WDC year also included a design event at Milan organised with a number of partners.

In Finland, customers and architects gathered at the Open Day event in Martela House, where the key speaker was renowned Dutch designer Khodi Feiz. The products in Martela's Silence concept were received with considerable interest. The phone booths developed by the Finnish company Framery have already found their way into open plan offices through Martela's distribution channels.

Digital channels are playing a greater role in marketing, reflecting changes in customer behaviour. Martela's digital marketing tools were improved during the year. A new product information management system was introduced, the benefits of which will be seen in the form of improved customer service, for instance through a remodelled Martela website. Product information was also incorporated into new applications, including two apps published in App Store and optimised for iPads and iPhones. A simplified, easy to read Martela product catalogue is an application launched for customers and architects. In addition, the Koop chair can be tried out virtually in a room using an iPad 3D application.

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 machinery and equipment, efficient operating model, ability to react quickly and skilled workforce. Kidex Oy's customers include the Martela Group companies and also furniture manufacturers which are not part of the Martela Group, especially manufacturers of kitchen, bathroom and shop furniture.

Kidex Oy operates as an active contract manufacturer for all the companies in the Martela Group. During the year, its competitiveness was improved by investing in a new laminate coating line and improving the order-delivery chain reliability and productivity. The goal is to grow with the other Martela Group companies and also within customer segments outside the Group.

In 2012, the company employed an average of 70 (70) people.

P.O. Korhonen Oy

P.O. Korhonen Oy is a joint venture owned by Martela Corporation and Artek Oy. Martela owns 51% of the company, and Artek owns the remaining 49%. The joint enterprise focuses 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 consists of its unique treatment, moulding and form-pressing of wood. It also has special expertise in surface finishing using environmentally friendly methods and offering a diverse range of colours. During the year, the production focus was on expanding the output of Artek products.

Both design companies benefit from the easily accessible, high-quality manufacturing operation and the technical know-how. With the number of wooden chair manufacturers in Finland on the decline, access to the company's own production facilities ensures that products are available and that classic items can still be made. Having locally based manufacturing it supports product development and allows quick, flexible and customer-oriented solutions, which is essential in international projects in particular.

In 2012, the company employed an average of 45 (46) people.

We invite
everyone to participate
in the creation of

new ideas

Quality

Quality is part of all operations at Martela. Quality improvement projects were undertaken in all the Group's units in 2012. Quality improvement work is aimed at continuously improving both product quality and operating quality.

Martela's certified quality (ISO 9001) and environmental management (ISO 14001) systems form the basis for developing the company's operations. These certifications are awarded for a three-year period by an accredited external certification body.

All of Martela's units switched over to using the same customer relationship management (CRM) system during the year. Completely revised tools for dealing with complaints were also added to the CRM system. These new tools allow more effective introduction of preventive measures, improved transparency and more comprehensive cost monitoring, among other things. Delivery reliability is one of the main quality indicators at Martela's customer interface, and attention is constantly being given to further improving this. Indeed, 2012 saw an improvement in delivery reliability.

Martela is continuing with the renewal of its enterprise resource planning (ERP) system. The new system was introduced in Martela's Business Unit Poland in 2011 and in its Swedish unit in 2012. The new system not only supports operating efficiency but also enhanced quality measurement and continuous improvement in operations. The system will be introduced in Finland during 2013.

Kidex Oy introduced a new roller laminate coating line during the year, and this improved the visual quality of its products and reduced materials wastage. P.O. Korhonen Oy had earlier changed over to using only water-based agents in its surface finishing line. For other surface treatment the company has made preparations to switch to fully water-soluble agents. Solvent emissions have thus been eliminated and the products are more environmentally friendly, without compromising on the high quality requirements.

Company	ISO 9001	ISO 14001
Martela Corporation	x	x
Martela AB	x	x
Kidex Oy	x	x
P.O. Korhonen Oy	x	x

Corporate Governance Statement

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.

Sales in Business Unit Sweden and Norway is handled through 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. Sales office in Oslo acts as a support organisation of reseller network in Norway.

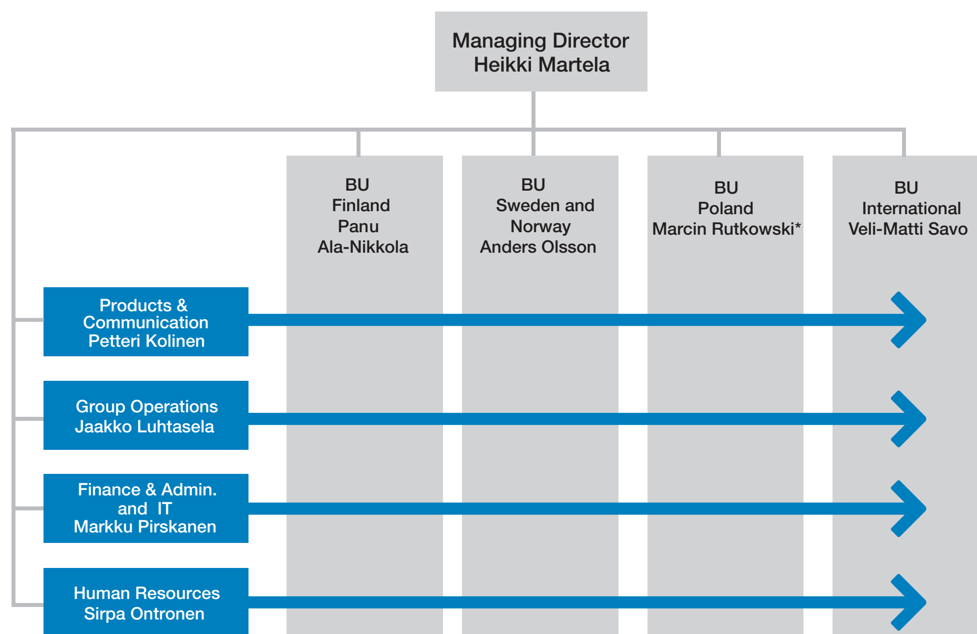
Business Unit Poland is responsible for the sales and distribution of Martela products in Poland and Eastern Central Europe. Sales in Poland are organized via the sales network maintained by the Business Unit. The company has altogether 7 sales centres in Poland. Business Unit Poland is based in Warsaw, 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 Russia sales is organised through Martela subsidiaries, and in other markets through 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 24 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.



* Since 1.1.2013

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 2012 was EUR 7 million.

In January-December 2012, a total of 422 271 (681 344) of the company's A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 11.9 per cent (19.2) of the total number of A shares.

The value of trading was EUR 2.5 million (5.0); the share price was EUR 5.79 at the beginning of the year and EUR 5.02 at the end of the year. During January-December the share price was EUR 7.50 at its highest and EUR 5.00 at its lowest. At the end of December, equity per share was EUR 6.68 (7.60).

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 97 per cent.

The Board reviews its own activities annually either self-assessment or assessment made by external consultant. In both cases a summary of the evaluations is jointly discussed at a Board meeting.

The Board has evaluated the independence of its members and determined that Heikki Ala-Ilkka, Tapio Hakakari, Pinja Metsäranta and Yrjö Närhinen are independent of the company. Of the company's largest shareholders, Heikki Ala-Ilkka, Tapio Hakakari, Pinja Metsäranta and Yrjö Närhinen 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
- processing the appointments of Managing Director and Group Management Team members, deputy arrangements and successor issues

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.

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.

In the pictures from left to right Ala-Ilkka Heikki, Martela Pekka, Hakakari Tapio, Martela Heikki, Metsäranta Pinja, Närhinen Yrjö and Palsanen Jaakko.

MEMBERS OF THE BOARD

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 15 000 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.

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.
Other key duties: Secretary of the society of Art History in Finland since 2009.
Owns 2000 Martela Oyj A shares.

Närhinen Yrjö, s 1969, BBA
Member of the Board of Martela Oyj since 2012.
CEO of Suomen Terveystalo Oy:n since 2010, before that has worked as the Managing Director of Oy Hartwall Ab and several years at Procter & Gamble.
Other key duties:The chairman of the board of Terveyspalvelualan liitto TPL (Association of Health Service Industry) as well as a board member of Lääkäripalveluyritykset ry and Peurunka Foundation.
Owns no Martela Oyj shares.

Palsanen Jaakko born in 1944, M.Sc. (Eng.)
Member of the Board of Martela Oyj since 1993.
Owns 106 831 Martela Oyj A shares and 1 600 Martela Oyj K shares.

In the pictures from left to right Martela Heikki, Ala-Nikkola Panu, Kolinen Petteri, Luhtasela Jaakko, Olsson Anders, Ontronen Sirpa, Pirskanen Markku, Rutkowski Marcin and Savo Veli-Matti.

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.

MEMBERS OF GROUP MANAGEMENT TEAM

MANAGING DIRECTOR
Martela Heikki, born in 1956, M.Sc. (Econ), MBA
At Martela since 1993 and member of the Management team since 2002.
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: Martela Branded Business In Finland (BU profit & Loss; sales, marketing, production and logistics).
At Martela and member of the Management team 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 12 378 Martela Oyj A shares.

Kolinen Petteri, born in 1963, M. A. (Design Leadership)
Design Director, Products & Communication
Area of responsibility: Group Product Portfolio, Marketing, R&D, Design, Corporate Responsibility and Martela Brand.
At Martela and member of the Management team 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 and member of the Management team since 1995.
Working experience: Oy Wärtsilä Ab, Nuutajärvi Glassworks, Development Manager 1981–1985.
Owns 2 855 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 and member of the Management team 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
At Martela and member of the Management team 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)
Chief Financial Officer (CFO)
Area of responsibility: Group's Finance and IT operations.
At Martela and member of the Management team 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.

Rutkowski Marcin, born in 1969, M.Sc (Pharm)
Director, Business Unit Poland
Area of resposibility: Sales, production and logistics in Poland and its neighbouring areas.
At Martela and member of the Management team since 2013.
Working experience: International Paper, Kimberly-Clark S.A., Cussons (Paterson Zochonis plc), IPF (Provident S.A.) during 1993–2012, sales, marketing and business development positions both in business area and group responsibilities.
Owns no Martela Oyj shares.

Savo Veli-Matti, born in 1964, B.Sc.(Eng.)
Director, Business Unit International
Area of responsibility: Sales in Russia and export to Denmark, Estonia and other European countries and Japan.
At Martela and member of the Management team 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 Ari Eskelinen, Authorised Public Accountant, as the principally responsible auditor. All the auditors of the Group's companies are in the KPMG chain. In 2012, a total of EUR 117,000 (135,000) was paid in fees for the Group's auditing, while EUR 151,000 (164,000) 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 2012, a key area of focus in internal control was the implementation of the Group's ERP system as well as in production processes and in inventory management.

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 development 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 2012 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 2012 were EUR 245,000 (239,000). In addition, the Managing Director received EUR 42,000 (22,000) 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 and in 2012 no shares were given (earning period 2010-2012). 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.

Group Companies and Joint Venture

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fax. +358 (0)10 345 7244
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Financial statements

Information for shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Martela Oyj will be held on Thursday, 14 March 2013, 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 4 March 2013, and the shareholders should register with Johanna Suhonen at the Company's head office, tel. +358 (0)10 345 5301, by email yhtiokokous2013@martela.fi, or by post to Martela Oyj, PL 44, FI-00371 Helsinki, no later than 4 p.m. on 11 March 2013.

PAYMENT OF DIVIDENDS

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.20 per share is to be distributed for the year ended 31 December 2012.

Only shareholders registered in the shareholder register maintained at the Finnish Central Securities Depository Ltd on the record date for dividend payment, 19 March 2013, will be entitled to the dividend proposed by the Board. Dividend payments will be made on 26 March 2013.

PUBLICATION OF FINANCIAL INFORMATION

Martela will publish three interim reports in 2013:
January–March (Q1) on 26 April 2013
January–June (Q2) on 6 August 2013
January–September (Q3) on 25 October 2013

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.

Board of Directors' report

KEY FIGURES

Consolidated revenue for the 2012 financial year was EUR 142.7 million (2011: 130.7 million), a year-on-year increase of 9.2 per cent. The operating result for the year was EUR -0.9 million (2.6) and the earnings per share EUR -0.51 (0.39). The cash flow from operating activities in 2012 was EUR 0.0 million (1.2). The equity ratio was 42.6 per cent (44.7) and the gearing ratio was 28.6 per cent (-2.6). The return on investment for the year was -2.7 per cent (6.0).

MARKET

The demand for office furniture was still fairly high in Finland, Sweden and Poland during the first half of 2012, but significant uncertainty was seen in customers' decision-making after the summer, for the first time in the year. The effects of the uncertainty in the international economy grew distinctly towards the end of the year and became evident as a slackening in demand, especially on the Finnish market.

Statistics on office construction in Finland are available for the first three quarters (January-September) of 2012, and these indicate that 39 per cent more office space (square metres) was built than in the same period the previous year. At the same time, however, fewer building permits (-4%) were granted than a year earlier, and there were also 10 per cent fewer new office building starts. The figures also indicate a slight weakening in the construction outlook in late September.

GROUP STRUCTURE

The operations of Martela's Hungarian subsidiary, Irobadutor Martela Ktf, were discontinued in spring 2012.

The business assets of Martela's Danish subsidiary, Martela A/S, were sold on 31 December 2012 to the local dealer, who will continue to serve Martela's customers in Denmark. Martela A/S's figures are consolidated in full in the 2012 consolidated financial statements.

There were no other changes in Group structure during the financial year.

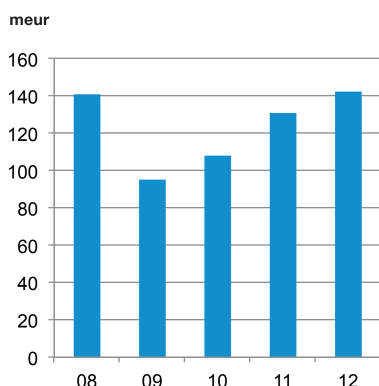
SEGMENT REPORTING

The business segments are based on the Group's operating structure and internal financial reporting.

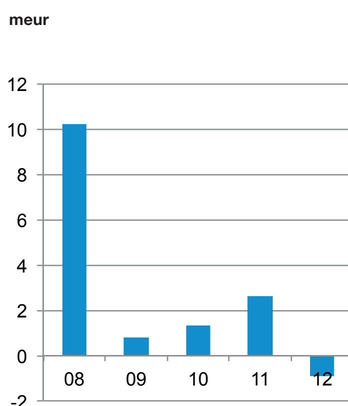
Sales between segments are reported as part of the segments' revenue. The segment results presented are their operating results, because tax items and financial items are not allocated by segment. The Group's assets and liabilities are not allocated or monitored by segment in the internal financial reporting. 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. Business Unit Finland's logistics centre is in Nummela.

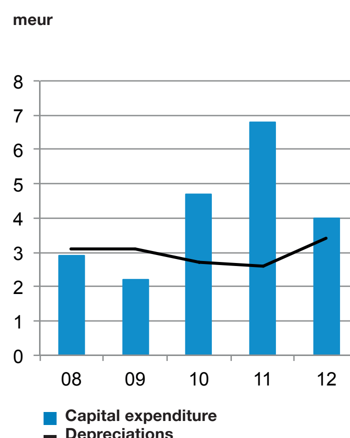
Revenue



Operating profit



Capital expenditure and depreciations



Business Unit Sweden & Norway's sales are handled through 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. The sales company in Oslo acts as a supporting organisation for Norway's dealer network.

Business Unit Poland is responsible for the sales and distribution of Martela products in Poland and eastern Central Europe. Sales in Poland are organised via the sales network maintained by the Business Unit. The company has altogether 7 sales centres in Poland. Business Unit Poland is based in Warsaw, where it has its logistics centre and administration.

'Other segments' includes the business activities of Kidex Oy and Business Unit International. Business Unit International's main market areas are Russia, Denmark and Estonia. Exports are also made to the Netherlands, Germany and Japan. In addition, the unit is responsible for managing the Group's key international accounts. In Russia, sales are organised by the unit's own subsidiaries, and in other markets through local authorised importers.

REVENUE

Consolidated revenue in 2012 was EUR 142.7 million (130.7), an increase of 9.2 per cent on the previous year. This was partly due to the acquisition of the Grundell companies at the end of 2011, though revenue also grew in the traditional sales channels in Finland. By contrast, Martela did not manage to boost revenue on other main markets. Instead, revenue in both Business Unit Sweden and Norway and Business Unit Poland fell slightly year on year. The Martela Group's like-for-like revenue growth (excluding the Grundell acquisition) was 4.7 per cent for the year.

Business Unit Finland's revenue was up by 10.7 per cent. Business Unit Sweden & Norway's revenue was down by 1.0 per cent, and Business Unit Poland's by 1.2 per cent, calculated in local currencies. Movements in exchange rates did not have a significant impact on the Group's revenue.

CONSOLIDATED RESULT

The 2012 operating result was EUR -0.9 million (2.6), which was -0.6 per cent (2.0) of revenue. The Group's result was adversely affected by the investment in business development made during the year, and by the reorganisation of the Danish business in the latter part of the year. In addition, demand did not reach the forecast level late in the year, especially in Finland, due to the general weakening of the economy. Following the acquisition of Grundell the previous year, the integration of service production proceeded as planned

The result before taxes was EUR -1.8 million (1.9), and the result after taxes was EUR -2.0 million (1.6).

FINANCIAL POSITION

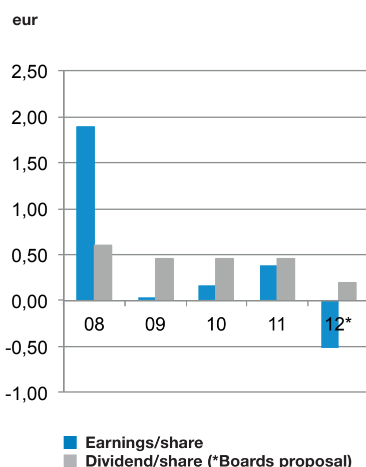
Despite the weakened cash flow, the Group's financial position continues to be stable. The cash flow in 2012 was affected by the capital expenditure undertaken and by the weak profit trend. In the coming year, the Group will also be paying close attention to control its working capital more efficiently.

Interest-bearing liabilities at the end of the year were EUR 15.3 million (11.1) and net interest-bearing liabilities were EUR 7.8 million (-0.8). The gearing ratio at the end of the year was 28.6 per cent (-2.6) and the equity ratio was 42.6 per cent (44.7). Net financing costs amounted to EUR 0.6 million (-0.4).The current financing arrangements do not include any covenant obligations.

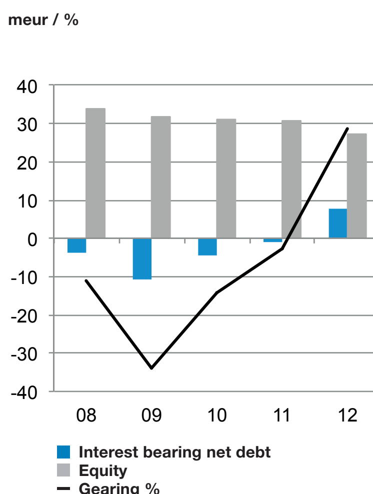
The cash flow from operating activities in 2012 was EUR 0.0 million (1.2).

The balance sheet total at the end of the year was EUR 64.3 million (69.7).

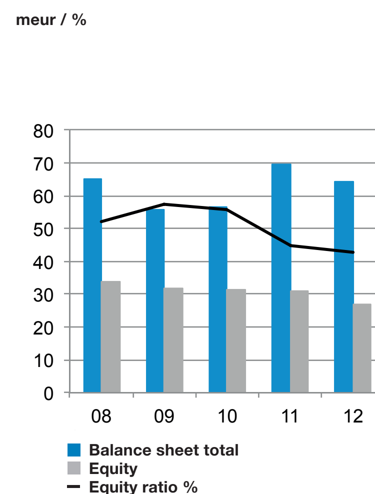
Earnings/share and dividends



Gearing



Equity ratio %



CAPITAL EXPENDITURE

The Group's gross capital expenditure in 2012 totalled EUR 4.0 million (6.8). Martela's most important capital expenditure project during the year was the new enterprise resource planning (ERP) system, which was introduced in Sweden in spring 2012 and will be introduced in Finland in spring 2013. Another major project was the renewal of a key production line at Kidex Oy. Capital expenditure otherwise consisted of normal everyday maintenance and replacement expenditure.

PERSONNEL

The Group employed an average of 806 (637) people, a year-on-year increase of 26.5 per cent. The increase was mainly due to the incorporation of the Grundell companies into the Group on 31 December 2011. Salaries and fees in 2012 totalled EUR 31.0 million (24.7). Expenses arising from employee benefits are presented in more detail under note 3 of the notes to the financial statements.

PRODUCT DEVELOPMENT, PRODUCTS AND COMMUNICATIONS

The World Design Capital Helsinki 2012 theme year played a prominent role. New companies were brought together in the various joint projects involved.

In the first quarter, Martela added a number of new products to its PLUS+ product family for elderly users. The PLUS+ product family now has a wide range of well-designed products at competitive prices, bringing the company's selection in this segment to a new level. Martela also updated its school collection with a low-cost wooden school desk, and it added black as a new colour option for the BIG cabinets.

At its Open Day event in September, Martela presented the new Inspiring Office concept. The concept provides practical solutions for the working environments of today's knowledge workers. As work becomes more mobile, the entire office functions as a workspace. Communication zones, quiet spaces and areas that encourage social interaction are integral to the Martela Inspiring Office concept. The office is divided into functional areas or zones.

Several new products were launched in the Martela collection at the September event, including items for workstations and other office spaces. The desk range was expanded with two new product families: the Alku at the more economical end, introducing fresh, youthful design to this hotly competitive market, and the Canti, a high-end product that uses Silence technology and high-quality, classic materials. Other new furniture items included the innovative PodSeat and PodSofa designed for lobby workspaces.

Martela also continued to invest heavily in its digital material. Two key development projects, namely renewal of the website and the product information system, were completed in 2012, so that in early 2013 customers will have access to better product information and can enjoy a more modern digital user experience.

RESPONSIBILITY

Corporate responsibility is an integral part of Martela's values, operating principles and business strategy. Martela's products are designed to last in terms of both their visual appeal and practicality. Martela's services help customers manage their working environment and furniture over the full life cycle. The company's maintenance and recycling services extend the life of furniture items, frequently allowing them to be passed from one owner to another. Martela's efficient recycling process and the network of Martela Outlet stores allow customers to recycle their furniture responsibly and cost-effectively.

At the start of the year, Martela drew up a corporate responsibility action plan for 2012-2014. Martela also published its second responsibility report in compliance with the GRI (Global Reporting Initiative) guidelines.

In 2012, Martela's personnel were given training on implementing the Group's responsible business principles. This Martela Corporate Code of Conduct incorporates concrete guidelines and requirements for Martela's employees and for the company's partners. This training will in future be given every year.

Martela applies the ISO 9001:2000 standard in its operations and the ISO 14001:2004 standard in its environmental management.

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, 422,271 (681,344) of the company's A shares, or 11.9 per cent (19.2) of all A shares, were traded on NASDAQ OMX Helsinki.

The value of trading turnover was EUR 2.5 million (5.0), and the share price was EUR 5.79 at the beginning of the year and EUR 5.02 at the end of the year. During the year, the share price was EUR 7.50 at its highest and EUR 5.00 at its lowest. At the end of December, equity per share was EUR 6.68 (7.60).

TREASURY SHARES

Martela did not purchase any of its own shares in 2012. On 31 December 2012, 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 2012. A total of 38,647 shares under the incentive scheme were still undistributed on 31 December 2012.

2012 ANNUAL GENERAL MEETING

Martela Corporation's Annual General Meeting was held on 14 March 2012. The AGM approved the financial statements for 2011 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 26 March 2012.

The number of members on the Board of Directors was confirmed as seven. Heikki Ala-Ilkka, Tapio Hakakari, Heikki Martela, Pekka Martela, Pinja Metsäranta and Jaakko Palsanen were re-elected to the Board, and Yrjö Närhinen was elected as a new member. 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 authorisation is valid to the end of the 2013 Annual General Meeting.

The new Board of Directors convened after the Annual General Meeting and elected from its members 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 Limited Liability Companies Act, and by 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 Securities Market Association.

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

Further information on Martela's corporate governance can be viewed on the company's website and in its annual report.

RISKS

It is estimated that the greatest risks concerning profit performance are related to general economic growth trends and the consequent overall demand for office furniture. In accordance with Martela's risk management model, the risks are classified and are guarded against in different ways. At Martela's production plants, product assembly is automated and based on component subcontracting, with the assembly carried out by Martela. Production control is based on orders placed by customers, which means that there is no need for any extensive warehousing. Risks of damage are covered with appropriate insurance and this provides 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.

Finance risks are discussed in note 28 of the notes to the financial statements.

SHORT-TERM RISKS

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

The risks are explained in more detail in the corporate governance section of the company's annual report.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 7 January 2013, the Group began codetermination negotiations concerning all personnel in Martela Corporation and Muuttopalvelu Grundell Oy. The negotiations were concluded on 29 January 2013, and as a consequence a total of 9 people in the companies are to be made redundant or laid off until further notice, and all personnel will be subject to a fixed term layoff of 14-90 days, varying by job and business location.

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

OUTLOOK FOR 2013

The Martela Group anticipates that its revenue in 2013 will be at about the 2012 level, and that its operating result will show a year-on-year improvement.

PROPOSAL OF THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

The Board proposes that a dividend of EUR 0.20 per share be distributed for 2012. 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. The notice of Annual General Meeting will be published in a separate stock exchange release.

ANNUAL GENERAL MEETING

Martela Corporation's AGM will be held on 14 March 2013 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
1.1.2012-31.12.2012					
External Revenue	98.1	20.1	12.7	11.9	142.7
Internal Revenue	0.0	2.2	0.0	13.2	15.4
Total 2012	**98.1**	**22.3**	**12.7**	**25.1**	
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**	
External Revenue change %	10.7%	-2.2%	-1.7%	37.2%	9.2%

Average staff by region

	1-12/2012	1-12/2011
Finland	637	458
Scandinavia	76	77
Poland and Hungary	81	93
Russia	12	9
Group total	**806**	**637**

Consolidated comprehensive income statement

(EUR 1,000)	Note	1.1.-31.12.2012	1.1.-31.12.2011
Revenue	1	**142 686**	**130 685**
Other operating income	2	409	417
Changes in inventories of finished goods and work in progress		-193	445
Raw material and consumables used		-73 859	-69 252
Production for own use		278	49
Employee benefits expenses	3	-38 617	-30 932
Depreciation and impairment	4	-3 421	-2 649
Other operating expenses	5	-28 195	-26 138
Operating profit (-loss)		**-912**	**2 625**
Financial income	7	73	118
Financial expenses	7	-706	-476
Share of result in associated undertakings	12	-300	-358
Profit (-loss) before taxes		**-1 845**	**1 909**
Income taxes	8	-203	-343
Profit (-loss) for the financial year		**-2 048**	**1 566**
Other comprehensive income			
Translation differences		230	-139
Total comprehensive income		**-1 818**	**1 427**
Allocation of profit (loss) for the financial year:			
Equity holders of the parent		-2 048	1 566
Allocation of total comprehensive income:			
Equity holders of the parent		-1818	1 427
Earnings per share for the profit attributable to the equity holders of the parent			
Basic earnings/share, EUR	9	-0.51	0.39
Diluted earnings/share, EUR	9	-0.51	0.39

Consolidated cash flow statement

(EUR 1,000)	1.1.-31.12.2012	1.1.-31.12.2011
Cash flows from operating activities		
Cash flow from sales	143 990	127 452
Cash flow from other operating income	394	219
Payments on operating costs	-143 434	-125 790
Net cash from operating activities before financial items and taxes	950	1 881
Interest paid	-514	-290
Interest received	33	41
Other financial items	-126	-122
Dividends received	1	0
Taxes paid	-346	-318
Net cash from operating activities (A)	**-2**	**1 192**
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-3 504	-2 627
Proceeds from sale of tangible and intangible assets	15	499
Capital expenditure on other investments	-200	-150
Proceeds from sale of other investments	0	145
Capital expenditure on subsidiaries	-2 975	0
Net cash used in investing activities (B)	**-6 664**	**-2 133**
Cash flows from financing activities		
Proceeds from short-term loans	10 876	3 000
Repayments of short-term loans	-7 762	-3 393
Proceeds from long-term loans	4 000	7 000
Repayments of long-term loans	-3 103	-2 421
Dividends paid and other profit distribution	-1 822	-1 812
Net cash used in financing activities (C)	**2 189**	**2 374**
Change in cash and cash equivalents	**-4 477**	**1 433**
Cash and cash equivalents at beginning of year 1)	**11 947**	**10 249**
Translation differences	120	-41
Cash and cash equivalents at end of year 1)	**7 589**	**11 639**

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) 2011.

Consolidated balance sheet

(EUR 1,000)	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Intangible assets	10	6 031	4 699
Tangible assets	11	12 881	13 652
Investments in associates and associated undertakings	12	42	42
Available-for-sale financial assets	14, 15	55	55
Investment properties	13	600	600
Receivables	14, 16	10	104
Pension receivables	26	55	155
Deferred tax assets	17	185	315
Non-current assets, total		**19 859**	**19 622**
Current assets			
Inventories	18	13 142	12 988
Trade receivables	14, 19	22 586	24 480
Loan receivables	14, 19	124	105
Accrued income and prepaid expenses	14, 19	1 041	561
Current tax receivable		0	0
Financial assets at fair value through			
profit and loss	14, 20	0	0
Cash and cash equivalents	21	7 589	11 947
Current assets, total		**44 483**	**50 082**
Assets, total		**64 342**	**69 704**
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	-1 050
Translation differences		-6	-236
Retained earnings		19 889	23 809
Equity, total		**27 066**	**30 756**
Non-current liabilities			
Deferred tax liabilities	17	1 269	1 366
Other non-current liabilities		151	175
Financial liabilities	14, 25	9 331	7 644
Non-current liabilities, total		**10 751**	**9 185**

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Current liabilities			
Interest-bearing			
Financial liabilities	14, 25	6 010	3 490
Interest-bearing current liabilities, total		**6 010**	**3 490**
Non-interest-bearing			
Advances received	14, 27	777	921
Trade payables	14, 27	8 268	10 564
Accrued liabilities and prepaid income	14, 27	6 655	9 572
Current tax payable		0	0
Other current liabilities	14, 27	4 815	5 214
Non-interest-bearing current liabilities, total		**20 515**	**26 272**
Liabilities, total		**37 276**	**38 947**
Equity and liabilities, total		**64 342**	**69 704**

* The shares acquired for and assigned to the share-based 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**	**Transla-tion diff.**	**Retained earnings**	**Equity, total**
Equity 1.1.2011	**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**
Cash flow hedging							0
Taxes on items recognised in equity or transferred from equity							0
Total comprehensive income					230	-2 048	-1 818
Dividends						-1 822	-1 822
Share-based incentives						-50	-50
	0	0	0	0	230	-3 920	-3 690
Equity 31.12.2012	**7 000**	**1 116**	**117**	**-1 050**	**-6**	**19 889**	**27 066**

Accounting principles for the consolidated financial statements

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 authorised for issue by the Board of Directors of Martela Oyj on February 5th 2013. 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 2012:

Amendments to IAS 12 Income Taxes (effective for financial years beginning on or after 1 January 2012): The amendments deal with the underlying assumption related to the recognition of deferred tax. Based on the amendments the carrying amount of an investment property carried at fair value is expected to be recovered primarily through sale in future rather than through use.

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.

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 acquisition 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 under IFRS 2: 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Goodwill

Goodwill resulting from business combinations represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired.

Goodwill is tested annually or more frequently if there are indications that the amount might be impaired. Testing is performed at least at the end of each financial year. For this purpose goodwill is allocated to cash generating units. An impairment loss is recognised whenever the carrying amount of cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement. An impairment loss in respect of goodwill is never reversed.

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 capitalisation criteria are fulfilled these projects are capitalised. R&D-related equipment is capitalised in machinery and equipment.

Other intangible assets

An intangible asset is initially capitalised 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 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 derecognises 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 hedge accounting is not applied 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 recognised in profit or loss for the period in which they arise. Martela Group has not applied hedge accounting in the financial years 2012 or 2011.

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, when 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 recognised 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.

Impairment testing

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. Value in use is calculated based on discounted forecast cash flows. 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.

An impairment loss in respect of goodwill is never reversed.

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.

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.

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).

IFRS 7 (amendment) "Financial instruments: Disclosures" (effective from 1 January 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Annual Improvements to IFRSs 2009-2011 (May 2012) (effective for financial years beginning on or after 1 January 2013): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total five standards. Their impacts vary standard by standard but are not significant.

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.

IFRS 10 "Consolidated financial statements" (effective from 1 January 2014) 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 statements of the parent company. The change will not have any material impact on Martela's financial reporting.

IFRS 11 "Joint arrangements" (effective from 1 January 2014). The change will not have any material impact on Martela's financial reporting.

IFRS 12 "Disclosures of interest in other entities" (effective from 1 January 2014). The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and/or structured entities.

IAS 27 (revised) "Separate financial statements" (effective from 1 January 2014). 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.

IAS 28 (revised) "Associates and joint ventures" (effective from 1 January 2014). The standard include requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

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.

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 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 segments' 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 service locations. The Business Unit's logistics centre is in Nummela.

Business Unit Sweden and Norway is responsible for sales in Sweden and Norway, handled through 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. Sales company in Oslo operates as a support organisation for the Norwegian sales network.

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. The company has altogether 7 service locations in Poland. The Business Unit Poland is based in Warsaw, where it has its logistics centre and administration.

(EUR 1,000)

Segment revenue	**1.1.-31.12.2012**	**1.1.-31.12.2011**
Business Unit Finland		
external	98 054	88 588
internal	2	836
Business Unit Sweden and Norway		
external	20 095	20 553
internal	2 222	1 582
Business Unit Poland		
external	12 673	12 897
internal	1	57
Other segments		
external	11 865	8 647
internal	13 170	13 219
Total external revenue	**142 686**	**130 685**
Segment operating profit/loss	**1.1.-31.12.2012**	**1.1.-31.12.2011**
Business Unit Finland	3 871	6 468
Business Unit Sweden and Norway	-720	290
Business Unit Poland	-1 224	-635
Other segments	-3 044	-2 262
Other	205	-1 236
Total operating profit/loss	**-912**	**2 625**

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 segment" in 2010 and until 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 31.12.2012	Tangible assets 31.12.2012
Finland	6 028	11 724
Sweden	0	636
Other regions	3	521
Total	**6 031**	**12 881**

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**

2. Other operating income

(EUR 1,000)	1.1.-31.12.2012	1.1.-31.12.2011
Gains on sale of tangible assets	15	52
Rental income	62	53
Public subsidies	162	132
Other income from operations	170	180
Total	**409**	**417**

3. Employee benefits expenses

(EUR 1,000)	1.1.-31.12.2012	1.1.-31.12.2011
Salaries and wages	-30 988	-24 692
Pension expenses, defined contribution plans	-4 692	-3 497
Pension expenses, defined benefit plans	-456	-482
Part paid as shares	0	-12
Part paid as cash	0	44
Other salary-related expenses	-2 481	-2 293
Personnel expenses in the income statement	**-38 617**	**-30 932**
Other fringe benefits	-403	-654
Total	**-39 020**	**-31 586**

A total of EUR -731 thousand for 2012 and EUR -1,797 thousand for 2011 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.

Personnel	2012	2011
Average personnel, workers	391	251
Average personnel, officials	415	386
Average personnel, total	**806**	**637**
Personnel at year end	**801**	**791**
Average personnel in Finland	637	458
Average personnel in Sweden	54	54
Average personnel in Norway	4	4
Average personnel in Denmark	18	19
Average personnel in Poland	81	90
Average personnel in Hungary	0	3
Average personnel in Russia	12	9
Total	**806**	**637**

4. Depreciation and impairment

(EUR 1,000)	1.1.-31.12.2012	1.1.-31.12.2011
Depreciation		
Intangible assets	-654	-380
Tangible assets		
Buildings and structures	-789	-776
Machinery and equipment	-1 931	-1 493
Depreciation, total	**-3 374**	**-2 649**
Impairment	-47	0
Depreciation and impairment, total	**-3 421**	**-2 649**

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 -117 thousand (EUR -135 thousand in 2011), for tax services EUR -14 thousand (EUR -5 thousand 2011) and for other services, EUR -137 thousand (Eur -159 thousand in 2011).

6. Research and development expenses

The income statement recognised research and development expenses of EUR -2,181 thousand in 2012 (EUR -2,104 thousand in 2011).

7. Financial income and expenses

(EUR 1,000)	1.1.-31.12.2012	1.1.-31.12.2011
Financial income		
Dividend income on other financial assets	1	0
Interest income on loans and other receivables	33	41
Foreign exchange gain on loans and other receivables	38	61
Other financial income	0	6
Change in value of assets at fair value through profit and loss	0	9
Total	**73**	**118**
Financial expenses		
Interest expenses on interest-bearing loans	-521	-270
Foreign exchange losses on loans and other receivables	-34	-68
Changes in the value of interest rate derivatives - no hedge accounting	0	0
Other financial expenses	-151	-138
Total	**-706**	**-476**
Financial income and expenses, total	**-633**	**-358**
Total exchange rate differences affecting profit or loss are as follows:		
Exchange rate differences, sales (incl. in revenue)	424	-325
Exchange rate differences, purchases (incl. in adj. of purchases)	-458	-13
Exchange rate differences, financial items	4	-7
Exchange rate differences, total	**-30**	**-345**

8. Income taxes

(EUR 1,000)	1.1.-31.12.2012	1.1.-31.12.2011
Current taxes	-80	-398
Taxes for previous years	-71	-74
Change in deferred tax liabilities and assets	-52	129
Total	**-203**	**-343**

Reconciliation between the income statement's tax expense and the income tax expense calculated using the Martela Group's domestic corporation tax rate 24,5% for 2012 (26% for 2011).

Profit before taxes	-1 845	1 909
Taxes calculated using the domestic corporation tax rate	-452	496
Different tax rates of subsidiaries abroad	4	-6
Taxes for previous years	71	74
Recognition of unused tax losses not booked earlier	-99	-410
Tax-exempt income	-12	-126
Non-deductible expenses	309	126
Share of result in associated undertakings	-74	0
Unbooked deferred tax assets on losses in taxation	50	189
Income taxes for the year in the income statement	**-203**	**343**

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.-31.12.2012	1.1.-31.12.2011
Profit attributable to equity holders of the parent	-2 048	1 566
Weighted average number of shares (1,000)	4 049	4 049
Basic earnings per share (EUR/share)	**-0.51**	**0.39**

The company has no diluting instruments.

10. Intangible assets

(EUR 1,000)				1.1.2012-31.12.2012				1.1.2011-31.12.2011
	Intangible assets	Goodwill	Work in progress	Total	Intangible assets	Goodwill	Work in progress	Total
Acquisition cost 1.1.	5 057	883	1 644	7 584	3 591	0	1 251	4 842
Increases	1 214	0	2 465	3 679	1 753	883	1 237	3 873
Decreases	-645	0	-1 666	-2 311	-284	0	-844	-1 128
Exchange rate differences	26	0	0	26	-3	0	0	-3
Acquisition cost 31.12.	**5 652**	**883**	**2 443**	**8 978**	**5 057**	**883**	**1 644**	**7 584**
Accumulated depreciation 1.1.	-2 885	0	0	-2 885	-2 791	0	0	-2 791
Accumulated depreciation, decreases	617	0	0	617	284	0	0	284
Depreciation for the year 1.1.-31.12.	-654	0	0	-654	-380	0	0	-380
Exchange rate differences	-25	0	0	-25	2	0	0	2
Accumulated depreciation 31.12.	**-2 947**	**0**	**0**	**-2 947**	**-2 885**	**0**	**0**	**-2 885**
Carrying amount 1.1.	2 172	883	1 644	4 699	800	0	1 251	2 051
Carrying amount 31.12.	**2 705**	**883**	**2 443**	**6 031**	**2 172**	**883**	**1 644**	**4 699**

GOODWILL

The Group's Goodwill EUR 883,000 (EUR 883,000 in 2011) relates to the Grundell acquisition Martela made in 31 December 2011. The cash generating unit is allocated fully to segment Business Unit Finland. The expected future cash flows will be generated through combining and streamlining service operations to improve the quality and efficiency of service processes and the efficiency of service logistics. With a simpler service chain it is also possible to implement more comprehensive product and service solutions and offering.

IMPAIRMENT TESTING

Goodwill is tested annually or more frequently if there are indications that the amount might be impaired. In assessing whether goodwill has been impaired, the carrying value of the cash generating unit has been compared to the recoverable amount of the cash generating unit.

The recoverable amount of goodwill is determined based on value in use calculations. The value in use is calculated based on discounted forecast cash flows. The cash flow forecasts rely on the plans approved by the management concerning profitability and the growth rate of revenue. The plans cover a five-year period taking into account the recent development of the business. The profitability used in the forecast period considers above mentioned synergies at a modest rate and the growth rate used, i.e. the growth factor, is on average 3,5%. The use of the testing model requires making estimates and assumptions concerning market growth and general interest rate level.

The used pre-tax discount rate is 12,4%, which equals the weighted average cost of capital.

The cash flows after the five-year period have been forecasted by estimating the future growth rate of revenue to be 0%. Based on the impairment tests there is no need to recognize an impairment loss.

SENSITIVITY ANALYSIS OF IMPAIRMENT TESTING

The realization of an impairment loss would require the actual operating profit (EBIT) level to be 90% lower than the management's estimate at the end of reporting period, or that the discount rate was higher than 27%.

11. Tangible assets

(EUR 1,000)

1.1.2012 - 31.12.2012	**Land areas**	**Buildings**	**Machinery and equipment**	**Other tangible assets**	**Work in progress**	**Total**
Acquisition cost 1.1.	67	24 909	33 599	34	327	58 936
Increases	0	271	1 196	0	682	2 149
Decreases	0	-6	-734	0	-208	-948
Re-groupings	0	0	0	0	0	0
Exchange rate differences	-1	81	326	0	0	406
Acquisition cost 31.12.	**66**	**25 255**	**34 387**	**34**	**801**	**60 543**
Accumulated depreciation 1.1.	0	-18 617	-26 668	0	0	-45 285
Accumulated depreciation, decreases	0	5	637	0	0	642
Depreciation for the year 1.1.-31.12.	0	-789	-1 931	0	0	-2 720
Re-groupings	0	0	0	0	0	0
Exchange rate differences	0	-24	-275	0	0	-299
Accumulated depreciation 31.12.	**0**	**-19 425**	**-28 237**	**0**	**0**	**-47 662**
Carrying amount 1.1.	67	6 292	6 931	34	327	13 652
Carrying amount 31.12.	**66**	**5 830**	**6 150**	**34**	**801**	**12 881**

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	12 719
Carrying amount 31.12.	**67**	**6 292**	**6 931**	**34**	**327**	**13 652**

	31.12.2012	**31.12.2011**
Carrying amount of productions machinery and equipment	**3 155**	**3 311**

Tangible assets, finance leases

Tangible assets include assets acquired through finance leases as follows:

			1.1.2012 - 31.12.2012			1.1.2011 - 31.12.2011
	Machinery and equipment	**Buildings**	**Total**	**Machinery and equipment**	**Buildings**	**Total**
Acquisition cost 1.1.	3 033	702	3 735	2 600	698	3 298
Increases	201	0	201	433	0	433
Decreases	-5	0	0	0	0	0
Exchange rate differences	0	27	27	0	4	4
Acquisition cost 31.12.	**3 229**	**729**	**3 958**	**3 033**	**702**	**3 735**
Accumulated depreciation 1.1.	-2 644	-332	-2 976	-2 350	-258	-2 608
Accumulated depreciation, decreases	0	0	0	0	0	0
Depreciation for the year 1.1.-31.12.	-312	-72	-384	-294	-69	-363
Exchange rate differences	0	-14	-14	0	-5	-5
Accumulated depreciation 31.12.	**-2 956**	**-418**	**-3 374**	**-2 644**	**-332**	**-2 976**
Carrying amount 1.1.	389	370	759	250	440	690
Carrying amount 31.12.	**273**	**311**	**584**	**389**	**370**	**759**

The plant of 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. Acquisitions and 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 Grundell acquisition resulted in goodwill booking of EUR 883,000. More information on the Goodwill is included in the Note 10 “Intangible assets”.

As the acquisition took place on 31 December 2011, full annual revenue and profit impact of the reporting period is 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 in the 2011 financial year.

Investments in associated undertakings

(EUR 1,000)	2012	2011
1.1	**-358**	**0**
Share of result in associated undertakings	-300	-358
31.12	**-658**	**-358**

INFORMATION ABOUT ASSOCIATES

(EUR 1,000)	Domicile	Assets	Liabilities	Revenue	Result	Martela's share of result (%)
2012						
P.O. Korhonen	Finland	1 816	2 607	3 746	-588	51

(EUR 1,000)	Domicile	Assets	Liabilities	Revenue	Result	Martela's share of result (%)
2011						
P.O. Korhonen	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. Under the shareholding agreement, Martela does not have control of the company as defined in IAS 27. 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’.

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 thousand at the end of financial year 2012 (EUR 600 thousand in 2011). The fair-values have not been appraised by a third-party valuer.

14. Book values of financial assets and liabilities by group

(EUR 1,000)	Financial assets recognised at fair value through profit and loss	Loans and other receiva-bles	Available-for-sale financial assets	Financial liabilities recognised at amortised acquisition cost	Book values of balance sheet items	Fair value	Note
2012 balance sheet items							
Non-current financial assets							
Non-current non-interest bearing receivables		10			10	10	16
Other financial assets			55		55	55	15
Current financial assets							
Trade and other receivables		23 751			23 751	23 751	19
Currency forward contracts					0	0	22
Fund units					0	0	20
Book value by group		**23 761**	**55**		**23 816**	**23 816**	
Non-current financial liabilities							
Interest-bearing liabilities				9 331	9 331	9 331	25
Other liabilities				151	151	151	
Current financial liabilities							
Interest-bearing liabilities				6 010	6 010	6 010	25
Interest rate swaps					0	0	22
Currency forward contracts					0	0	22
Trade payables and other liabilities				20 515	20 515	20 515	27
Book value by group				**36 007**	**36 007**	**36 007**	
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		**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				**37 581**	**37 581**	**37 581**	

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 using generally accepted valuation models where inputs are based on verified market information (Level 2). 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	**31.12.2012**	**31.12.2011**
Balance sheet value at beginning of year	55	10
Decreases	0	45
Balance sheet value at end of year	**55**	**55**

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 liabilities

(EUR 1,000)	**31.12.2012**	**31.12.2011**
Loan receivables	**10**	**104**

17. Deferred tax assets and liabilities

(EUR 1,000)

Changes in deferred taxes during 2012	1.1.2012	Recognised in income statement	Recognised in equity	Exchange rate differences	Purchased/ sold enterprises	31.12.2012
Deferred tax assets						
Tax losses carried forward	0	0	0	0	0	0
Other temporary differences	407	-236	0	15	0	185
Total	**407**	**-236**	**0**	**15**	**0**	**185**
Deferred tax liabilities						
On buildings measured at fair value on the transition date	970	-81	0	0	0	889
Cumulative depreciation difference	0	0	0	0	0	0
Pension obligations	38	-25	0	0	0	13
Other temporary differences	451	-84	0	0	0	367
Total	**1 459**	**-190**	**0**	**0**	**0**	**1 269**
Deferred tax assets and liabilities, total	**-1 051**	**-46**	**0**	**15**	**0**	**-1 084**

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	0	0	0	0	0	0
Other temporary differences	361	46	0	0	0	407
Total	**361**	**46**	**0**	**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**

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 2012 results total about MEUR 9,6 (9,2). These losses have no expiry date according to knowledge that is available today.

18. Inventories

(EUR 1,000)	31.12.2012	31.12.2011
Raw materials and consumables	9 746	9 182
Work in progress	900	880
Finished goods	2 238	2 714
Advances	257	211
Total	**13 142**	**12 988**

The value of inventories has been written down by EUR -946 thousand in 2012 (EUR -1,337 thousand in 2011).

19. Current trade receivables and other receivables

(EUR 1,000)	31.12.2012	31.12.2011
Trade receivables	**22 586**	**24 480**
Loan receivables	**124**	**105**
Accrued income and prepaid expenses		
Personnel expenses	105	170
Royalties	11	24
Interest income	0	0
Derivatives	0	0
Other financial assets	36	-5
Advances	161	142
Other	728	230
Accrued income and prepaid expenses, total	**1 041**	**561**
Current tax receivable	0	0
Total	**23 751**	**25 146**

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)	31.12.2012	31.12.2011
Fund units	0	0

21. Cash and cash equivalents

(EUR 1,000)	31.12.2012	31.12.2011
Cash in hand and at bank	7 589	11 947
Deposits	0	0
Total	**7 589**	**11 947**

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 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, share-based incentive-system	Total
01.01.2011	**4 027 383**	**7 000**	**1 116**	**-721**	**-490**	**6 905**
Acq.of shares for share-based inc.system*						
Shares given*	21 870				186	186
Shares returned					-25	-25
Share issue						
31.12.2011	**4 049 253**	**7 000**	**1 116**	**-721**	**-329**	**7 066**
Acq.of shares for share-based inc.system*						
Shares given*						
Shares returned						
Share issue						
31.12.2012	**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 2012, 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 31,723,270.95 on 31.12.2012.

24. Share-based payments

SHARE OWNERSHIP PLAN

Martela Corporation's Board of Directors resolved on 9 February 2010 and approved the terms for the share-based incentive scheme 2010-2012. The scheme has one (1) earning period made up of three (3) calendar years starting 1 January 2010 and ending on 31 December 2012. Rewards will be paid as combination of shares and cash. The Board have decided to divide the earning period by assigning a separate target and reward for one (1) calendar year. The scheme offers key personnel an opportunity to receive the company's A shares (share) if they attain the targets set for them for the earning period. The earnings criteria for the earning period 2010 is EBIT. The reward will not be paid to key persons whose employment or service relationship with a Group company ends before the end of the earning period. After the introduction of the share ownership plan the earned shares have compulsory ownership of 3 years.

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 earnings 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 charasteristics 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	April 30, 2013	April 30, 2013
Vesting conditions	EBIT	EBIT
	Service until the end of restriction period	Service until the end of restriction period
Required share ownership term in years	2,0	0
Remaining vesting period (31 December 2012)	0,3	0,3
Number of persons (31 December 2012)	9	10

* The arrangement includes a share-based payment to be settled in cash.

Number of shares 2012			Earning period 2010		Earning period 2010-2012	
**Gross number of shares ** **	**1.1.2012**	**Changes**	**31.12.2012**	**1.1.2012**	**Changes**	**31.12.2012**
Granted	51 064	0	51 064	180 787	0	180 787
Forfeited	4 532	0	4 532	15 106	0	15 106
Settled	46 532	0	46 532	0	0	0
Expired	0	0	0	46 532	0	46 532

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

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	0
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 at the end of period	5.02€	5.02€
Expexted forfeitures before settlement	8.9%	8.9%
Expected forfeitures after settlement	0.0%	0.0%
Expected fulfillment of earning criteria	100.0%	0.0%
Fair value of the expected reward at the grant date	351 830€	1 019 574€
Fair value of the expected reward 31 December 2012	341 769€	0€
Expense recognised for the period 2012	**109 657€**	**-199 844€**

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

IFRS2 requires an entity to measure the award at its fair value and recognised over the vesting period. As the award will be settled both in equity and in cash the amount entered in the balance sheet will be divided into equity and liability. The fair value of the liability incurred in respect of a cash-settled transactions is remeasured at each reporting date until the date of settlement.

25. Financial liabilities

(EUR 1,000)	31.12.2012	31.12.2011
Non-current		
Bank loans	5 751	7 131
Pension loans	3 200	0
Finance leases	380	513
Total	**9 331**	**7 644**
Current		
Bank loans	4 914	3 137
Pension loans	800	0
Bank overdrafts used	0	0
Finance leases	296	353
Total	**6 010**	**3 490**

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

Mortgages and quarantees 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.

	31.12.2012	31.12.2011
Finance lease liabilities are payable as follows:		
Finance leases - total amount of minimum lease payments		
Not later than one year	471	449
Later than one year and not later than five years	647	887
Later than five years	0	0
	1 118	**1 336**
Finance leases - present value of minimum lease payments		
Not later than one year	296	352
Later than one year and not later than five years	380	490
Later than five years	0	23
	676	**865**
Unearned finance expense	**442**	**471**

The average interest of financial leases was 4,8% in 2012 and 4,8% in 2011.

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 2,94% (3,68% in 2011). 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.

The amounts recognised in the balance sheet were determined as follows:	**1.1.2012 -31.12.2012**	**1.1.2011 -31.12.2011**
Present value of unfunded obligations	0	0
Present value of funded obligations	3 271	2 451
Fair value of plan assets	-2 422	-1 828
Deficit / Excess	849	623
Unrecognised actuarial gains (+) and losses (-)	-904	-778
Unrecognised past service costs	0	0
Pension liability in balance sheet	**-55**	**-155**
The amounts recognised in the income statement were determined as follows:		
Current service cost	215	233
Interest cost	120	103
Expected return on plan assets recognised during the year	-88	-73
Actuarial gains (-) and losses (+)	88	91
Past service cost	0	0
Losses/profits on curtailment	0	0
Total	**335**	**354**
The actual return on plan assets (EUR 1,000)	**359**	**-112**
Changes to present value of obligations:		
Present value of funded obligations 1.1	2 451	2 345
Current service cost	215	233
Interest cost	120	103
Actuarial gains (-) and losses (+)	485	-231
Losses/profits on curtailment	0	0
Paid benefits	0	0
Present value of funded obligations 31.12	**3 271**	**2 450**
Changes to fair values of the assets in the plan are as follows:		
Fair values of plan assets 1.1.	1 828	1 681
Expected return on plan assets	88	73
Actuarial gains (-) and losses (+)	271	-185
Contributions made by the employer to the plan	235	259
Losses/profits on curtailment	0	0
Fair values of plan assets 31.12.	**2 422**	**1 828**

Actuarial assumptions used were as follows:	1.1.2012 - 31.12.2012	1.1.2011 - 31.12.2011
Discount rate (%)	3.00%	4.50%
Expected return on plan assets (%)	3.00%	4.50%
Future salary increases (%)	3.30%	3.30%
Rate of pension increase (%)	1.25%	1.50%
Rate of inflation increase (%)	2.00%	2.00%

Present and fair values of obligations	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Present value of obligations	3 271	2 451	2 345	1 493	1 185
Fair value of plan assets	-2 422	-1 828	-1 681	-1 182	-983
Deficit/excess	849	623	664	311	202
Experience adjustments to plan assets	-64	18	-71	-319	120
Experience adjustments to plan liabilities	-114	81	200	-198	196

The Group anticipates it will contribute EUR 240 thousand to the plan in 2013. An itemisation of plan assets is not available.

Amendments to IAS 19 will be applied from the beginning of 2013. These amendments are expected to have a following effect to Martela's financial reporting: recognition of unrecognised actuarial gains and losses to retained earnings due to abandonment of corridor method at the beginning of the comparative period amounting to EUR 0.8 million; in addition actuarial gains and losses recognised in income statement will be cancelled amounting to EUR 0.1 million deduction of pension expenses and re-measurement of the net defined benefit liability (asset) recognised to other comrehensive income amounting to EUR 0.2 million. Expected return on plan assets is determined already in 2012 using the same rate as used in discounting the defined benefit obligation thus this change in IAS 19 has no effect on Martela's future financial reporting.

27. Current liabilities

(EUR 1,000)	31.12.2012	31.12.2011
Advances received	**777**	**921**
Trade payables	**8 268**	**10 564**
Accrued liabilities and prepaid income		
Personnel expenses	4 560	4 445
Derivatives	0	0
Interests	43	15
Other financial expenses	0	0
Royalties	152	150
Residual expenses	905	878
Other	995	4 084
Total	**6 655**	**9 572**
Tax payables	0	0
Other current liabilities	**4 815**	**5 214**
	20 515	**26 272**

The book values of trade and other non-interest bearing liabilities are also estimated to corrspond 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 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 and Denmark 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, 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 and Denmark. 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 31.12.2012 (EUR thousand)

	EUR	SEK	PLN	NOK
Trade receivables	576	1 691	3 445	769
Trade payables	-735	-627	-4	-76
Currency forward contracts				
Total	**-159**	**1 064**	**3 441**	**693**

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**

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 result before taxes and capital for 2012 (2011). The estimates are based on the assumption that no other variables change.

Analysis of sensitivity to currency risk (EUR 1,000)	Impact on shareholders' equity	Impact on results
31.12.2012		
EUR	0	+/- 16
SEK	0	+/- 106
PLN	0	+/- 344
NOK	0	+/- 69

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

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)	31.12.2012	31.12.2011
Fixed rate		
Financial liabilities, incl. derivatives	675	865
Variable rate		
Financial liabilities	14 665	10 268
Total	**15 340**	**11 133**

Analysis of sensitivity to interest rate risks

Impact of a 1 per cent increase in interest rate on financial result before taxes 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
31.12.2012		
Financial liabilities		
Variable rate financial instruments	0	-147
Derivatives		
Interest rate swaps	0	0

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Maximum financial asset credit risk (EUR 1,000)	**2012**	**2011**
Available-for-sale financial assets	55	55
Financial assets recognised at fair value through profit and loss	0	0
Loans and other receivables	23 751	25 146
Cash and cash equivalents	7 589	11 947
Total	**31 395**	**37 148**

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

Age distribution of trade receivables (EUR 1,000)	**2012**	**2011**
Unmatured	16 761	20 211
Matured 1-30 days	3 612	3 337
Matured 31-60 days	1 400	283
Matured over 60 days	813	649
Total	**22 586**	**24 480**

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)	**2012**	**2011**
Finland	14 509	16 436
Scandinavia	4 109	3 793
European countries	3 491	3 584
Other regions	477	667
Total	**22 586**	**24 480**

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. There are no covenants attached to loans.

Cash and cash equivalents at the end of financial year totalled EUR 7,589 thousand, and unused bank overdrafts totalled EUR 3,493 thousand.
Loans and payments mature as follows:

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

	2013	2014	2015	2016	2017	later	Total
Bank loans	1 414	851	700	4 200	0	0	7 165
Pension loans	800	800	800	800	800	0	4 000
Financial leases	295	181	86	91	22	0	675
Trade payables	0	0	0	0	0	0	0
Bank overdrafts	0	0	0	0	0	0	0
Loan interest and quarantee fees	347	277	241	204	36	0	1 105
Total	2 856	2 109	1 827	5 295	858	0	12 945
Guarantees given*	176	176	176	176	48	0	752
Derivatives	0						0
Total	**3 032**	**2 285**	**2 003**	**5 471**	**906**	**0**	**13 697**

* 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)	**31.12.2012**	**31.12.2011**
Shareholders' equity	27 066	30 756
Balance sheet total - advance payments	63 565	68 783
Equity to assets ratio, %	**42.6**	**44.7**

29. Operating leases

(EUR 1,000)	31.12.2012	31.12.2011
Minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	4 267	4 808
Later than one year and not later than five years	9 013	10 024
Later than five years	1 802	1 919
	15 082	**16 751**

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 2012 includes rents paid on the basis of operating leases totalling EUR -5,602 thousand (EUR -4,734 thousand in 2011).

30. Pledges granted and contingent liabilities

(EUR 1,000)	31.12.2012	31.12.2011
Debts secured by mortgages		
Bank loans	10 808	10 328
Property mortgages	9 194	7 849
Corporate mortgages	12 395	12 266
Shares pledged	4	4
Total mortgages	**21 593**	**20 119**
Other pledges		
Guarantees as security for rents	**336**	**2 041**
Collateral granted on behalf of others		
Guarantees on behalf of associated undertakings	**537**	**498**

31. Related party transactions

	Domicile	Holding (%) 31.12.2012	Voting power (%) 31.12.2012
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

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 8.9% of the share capital and 17,3% of the votes.

Management employee benefits (EUR 1,000)	2012	2011
Salaries and other short-term employee benefits	1 499	1 385
Benefits following end of employment	146	136
Share-based benefits	-39	-29
	1 606	**1 492**

Salaries and other short-term employee benefits	2012	2011
Board members	105	105
CEO	280	261
Management team members(excl. salary of CEO)	1 076	990

Fees paid to Board members:		
Heikki Ala-Ilkka	30	30
Pekka Martela	15	15
Jaakko Palsanen	15	15
Jori Keckman	2	15
Tapio Hakakari	15	15
Yrjö Närhinen	13	0
Pinja Metsäranta	15	15
	105	**105**

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 3. 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 0 thousand from this system has been recognised in the result for the year (EUR -32 thousand 2011).

32. Five-year comparisons

Martela-Group 2008-2012

Key financial indicators for the group						
		IFRS 2012	**IFRS 2011**	**IFRS 2010**	**IFRS 2009**	**IFRS 2008**
Revenue	EUR million	142.7	130.7	108.4	95.3	141.2
Change in revenue	%	9.2	20.6	13.7	-32.5	9.9
Export and operations outside Finland	EUR million	41.2	40.9	32.7	29.2	38.1
In relation to revenue	%	28.8	31.3	30.2	30.6	27.0
Exports from Finland	EUR million	10.4	10.5	9.6	11.1	14.4
Gross capital expenditure	EUR million	4.0	6.8	4.7	2.2	2.9
In relation to revenue	%	2.8	5.2	4.4	2.3	2.1
Depreciation	EUR million	3.4	2.6	2.7	3.1	3.1
Research and development	EUR million	2.7	2.4	2.2	2.6	3.2
In relation to revenue	%	1.9	1.8	2.0	2.7	2.3
Average personnel		806	637	601	636	681
Change in personnel	%	26.5	6.0	-5.5	-6.6	2.7
Personnel at end of year		801	791	625	606	670
Of which in Finland		634	610	457	453	512
Profitability						
Operating profit	EUR million	-0.9	2.6	1.3	0.8	10.9
In relation to revenue	%	-0.6	2.0	1.2	0.8	7.7
Profit before appropriations and taxes	EUR million	-1.8	1.9	1.1	0.4	10.2
In relation to revenue	%	-1.3	1.5	1.0	0.4	7.2
Profit for the year *)	EUR million	-2.1	1.6	0,6	0.1	7.5
In relation to revenue	%	-1.4	1.2	0.6	0.1	5.3
Revenue/employee	EUR thousand	177.0	205.2	180.4	149.9	207.3
Return on equity (ROE)	%	-7.1	5.1	2.0	0.4	23.8
Return on investment (ROI)	%	-2.7	6,0	3.7	2.3	25.2
Finance and financial position						
Balance sheet total	EUR million	64.3	69.7	56.7	55.6	64.9
Equity	EUR million	27.1	30.8	31.2	31.8	33.7
Interest-bearing net liabilities	EUR million	7.8	-0.8	-4.4	-10.8	-3.7
In relation to revenue	%	5.4	-0.6	-4.0	-11.3	-2.6
Equity ratio	%	42.6	44.7	55.6	57.4	52.2
Gearing	%	28.6	-2.6	-14.1	-33.9	-11.0
Net cash flow from operations	EUR million	0,0	1.2	-0.1	10.8	11.8
Dividends paid	EUR million	1.8	1.8	1.8	2.4	2.0

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

33. Key share-related figures

		IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
Earnings per share	EUR	-0.51	0.39	0.16	0.03	1.89
Earnings per share (diluted)	EUR	-0.51	0.39	0.16	0.03	1.89
Share par value	EUR	1.7	1.7	1.7	1.7	1.7
Dividend	EUR *)	0.20	0.45	0.45	0.45	0.60
Dividend/earnings per share	%	-39.2	115.4	281.3	1500.0	31.7
Effective dividend yield	%	4.0	7.8	5.8	6.3	11.3
Equity per share	EUR	6.68	7.60	7.74	7.88	8.47
Price of A share 31.12.	EUR	5.02	5.79	7.77	7.13	5.29
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)		-9.8	14.8	48.6	237.7	2.8
Market value of shares **)	MEUR	20.3	23.4	31.3	28.1	21.1

*) 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 31.12.2012 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 31.12.2012	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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The largest shareholders by number of shares 31.12.2012	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
Nordea Pankki Suomi Oyj	0	185 490	185 490	4.5	185 490	1.2
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
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	106 831	108 431	2.6	138 831	0.9
Sijoitusrahasto Nordea Suomi Small Cap	0	92 530	92 530	2.2	92 530	0.6
Fondita Nordic Micro Cap Placeringsf.	0	89 300	89 300	2.1	89 300	0.6
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
Evli Alexander Management Oy	0	38 647	38 647	0.9	38 647	0.2
Other shareholders	43 940	1 498 713	1 542 653	37.1	2 377 513	15.2
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 8.9% of the shares and 17.3% 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 of treasury shares is equivalent to 1.6% of all shares and 0.4% of all votes.

The Annual General Meeting has in 2012 re-authorised the Board of Directors to decide, for the following years, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Breakdown of share ownership by number of shares held, 31.12.2012.

Number of shares	Number of share-holders	% of total share-holders	Number of shares	%	Number of votes	% of total votes
1-500	1 654	74.9	302 026	7.3	312 666	2.0
501-1000	286	12.9	223 880	5.4	234 900	1.5
1001-5000	198	9.0	424 808	10.2	839 008	5.4
Over 5000	71	3.2	3 203 840	77.1	14 259 180	91.1
Total	**2 209**	**100.0**	**4 154 554**	**100.0**	**15 645 754**	**100.0**
of which nominee-registered	7		193 318		193 318	
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, 31.12.2012

	Number of share-holders	%	Number of shares	%	Number of votes	%
Private companies	95	4.3	935 359	22.5	6 483 359	41.4
Financial and insurance institutions	11	0.5	854 523	20.6	854 523	5.5
Public corporations	2	0.1	368 431	8.9	368 431	2.4
Non-profit entities	10	0.5	8 717	0.2	8 717	0.1
Households	2 081	94.2	1 974 349	47.5	7 917 549	50.6
Foreign investors	10	0.5	13 175	0.3	13 175	0.1
Total	**2 209**	**100.0**	**4 154 554**	**100.0**	**15 645 754**	**100.0**
of which nominee-registered	7		193 318	4.7	193 318	
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.-31.12.2012	1.1.-31.12.2011
Revenue	1	**102 251**	**96 417**
Changes in inventories of finished goods and work in progress		-125	344
Production for own use		278	56
Other operating income	2	308	340
Materials and services	3	-58 652	-53 417
Personnel expenses	4	-21 134	-20 737
Depreciation and impairment	5	-1 411	-1 236
Other operating expenses		-23 056	-18 634
Operating profit (-loss)		**-1 541**	**3 133**
Financial income and expenses	6	-314	-87
Profit (-loss) before extraordinary items		**-1 855**	**3 046**
Extraordinary expenses	7	184	-940
Profit (-loss) before appropriations and taxes		**-1 671**	**2 106**
Income taxes	8	-102	-454
Profit (-loss) for the financial year		**-1 774**	**1 652**

Parent Company Balance Sheet

(EUR 1,000)	Note	31.12.2012	31.12.2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		530	557
Other long-term expenditure		1 805	1 040
Advance payments		2 443	1 644
		4 778	**3 241**
Tangible assets	10		
Land and water areas		84	84
Buildings and structures		2 430	2 511
Machinery and equipment		2 525	2 558
Other tangible assets		23	23
Advance payments and purchases in progress		99	99
		5 161	**5 275**
Investments	11		
Shares in subsidiaries		7 962	8 960
Receivables from subsidiaries		14 324	14 324
Shares in associated undertakings		250	250
Receivables from associated undertakings		450	150
Other shares and participations		15	15
		23 001	**23 699**

PARENT COMPANY FINANCIAL STATEMENTS, FAS

CURRENT ASSETS			
Inventories			
Materials and supplies		6 794	6 694
Work in progress		558	582
Finished goods		1 437	1 426
Advances paid to suppliers		131	182
		8 920	**8 884**
Non-current receivables	12		
Loan receivables		**328**	**416**
Current receivables	12		
Trade receivables		18 697	20 097
Loan receivables		3 099	2 854
Accrued income and prepaid expenses		867	315
		22 663	**23 266**
Cash and cash equivalents		**4 266**	**9 187**
		69 118	**73 968**
LIABILITIES			
SHAREHOLDERS' EQUITY			
Shareholders' equity	13		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Reserve fund		11	11
Retained earnings		33 497	33 667
Profit for the year		-1 774	1 652
Total		**39 850**	**43 446**
LIABILITIES			
Non-current	14		
Loans from financial institutions		5 600	6 808
Pension loans		3 200	0
Accrued liabilities and prepaid income		150	175
Current	15		
Interest-bearing			
Loans from financial institutions		4 708	2 821
Pension loans		800	0
Non-interest-bearing			
Advances received		448	627
Trade payables		6 457	8 671
Accrued liabilities and prepaid income		4 974	8 071
Other current liabilities		2 931	3 349
		14 810	**20 718**
Liabilities, total		**29 268**	**30 522**
		69 118	**73 968**

Parent Company's Cash Flow Statement

(EUR 1,000)	1.1.-31.12.2012	1.1.-31.12.2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flow from sales	102 111	93 106
Cash flow from other operating income	308	179
Payments on operating costs	-102 733	-90 914
Net cash from operating activities before financial items and taxes	-314	2 371
Interests paid and other financial payments	-325	-93
Taxes paid	-619	-522
Net cash from operating activities before extraordinary items	-1 258	1 756
Net cash from operating activities (A)	**-1 258**	**1 756**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-2 593	-2 168
Proceeds from sale of tangible and intangible assets	1	31
Investment in shares in subsidiaries	-2 900	-66
Investment in associated undertakings	-200	-150
Proceeds from other investments	0	145
Loans granted	-827	-1 393
Repayments of loan receivables	0	300
Net cash used in investing activities (B)	**-6 519**	**-3 301**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	10 000	3 000
Repayments of short-term loans	-6 500	-3 000
Proceeds from long-term loans	4 000	7 000
Repayments of long-term loans	-2 821	-2 421
Dividends and other profit distribution	-1 822	-1 812
Net cash used in financing activities (C)	**2 857**	**2 767**
CHANGE IN LIQUID FUNDS (A+B+C) (+ increase, - decrease)	**-4 920**	**1 221**
Liquid funds at beginning of financial year 1)	**9 187**	**7 957**
Changes in fair value, investments	0	9
Liquid funds at end of financial year 1)	**4 266**	**9 187**

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 AND LOSS

Investments in fund units are classified as financial assets at fair value through profit and 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 arise. 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.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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

	2012	2011
Finland	92	90
Scandinavia	5	6
Other	3	4
Total	**100**	**100**

2. Other operating income

(EUR 1,000)	**2012**	**2011**
Gains on sale of fixed assets	1	162
Rental income	54	40
Public subsidies	160	111
Other operating income	93	27
Total	**308**	**340**

3. Materials and services

(EUR 1,000)	**2012**	**2011**
Purchases during the financial year	53 525	51 028
Change in inventories of materials and supplies	-171	-2 440
External services	5 298	4 829
Materials and supplies, total	**58 652**	**53 417**
Auditor's fees		
Auditing	79	55
Tax services	14	5
Other services	68	158
Auditor's fees, total	**161**	**218**

4. Personnel expenses and number of personnel

(EUR 1,000)	2012	2011
Salaries, CEO	287	260
Salaries of boards of directors	105	105
Salaries of boards of directors and managing director, total	392	365
Other salaries	16 413	16 152
Pension expenses	3 277	3 239
Other salary-related expenses	1 051	981
Personnel expenses in the income statement	**21 133**	**20 737**
Fringe benefits	373	539
Total	**21 506**	**21 276**
Personnel		
Average personnel, workers	147	146
Average personnel, officials	251	238
Average personnel, total	**398**	**384**
Personnel at year end	**395**	**389**

5. Depreciation and write-down

(EUR 1,000)	2012	2011
Depreciation according to plan		
Intangible assets	608	524
Tangible assets		
Buildings and structures	93	92
Machinery and equipment	670	620
Depreciation according to plan, total	**1 371**	**1 236**
Impairments	41	0
Depreciations and impairments, total	**1 412**	**1 236**

6. Financial income and expenses

(EUR 1,000)	2012	2011
Financial income and expenses		
Interest income on short-term investments	18	26
Interest income on short-term investments from Group companies	131	132
Foreign exchange gains	24	13
Other financial income	0	0
Interest expenses	-385	-146
Losses on foreign exchange	-17	-25
Other financial expenses	-85	-96
Change in value of assets recognised at		
fair value through profit or loss	0	9
Total	**-314**	**-87**

7. Extraordinary items

(EUR 1,000)	2012	2011
Extraordinary income		
Group contribution	-562	0
Extraordinary expenses		
Group contribution	378	940
Extraordinary items, total	**-184**	**940**

8. Income taxes

(EUR 1,000)	2012	2011
Income taxes from operations	31	380
Taxes from previous years	71	74
Total	**102**	**454**

Deferred taxes 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 2012 (EUR 0 thousand 2011).

9. Intangible assets

(EUR 1,000)

1.1.2012 - 31.12.2012	**Intangible rights**	**Other long-term expenses**	**Work in progress**	**Intangible assets, total**
Acquisition cost 1.1.	2 683	3 117	1 644	7 443
Increases	295	1 045	2 464	3 804
Decreases	0	0	-1 665	-1 665
Acquisition cost 31.12.	**2 978**	**4 162**	**2 443**	**9 582**
Accumulated depreciation 1.1.	-2 126	-2 078	0	-4 204
Re-groupings	0	0	0	0
Accumulated depreciation, decreases	0	0	0	0
Depreciation for the year 1.1.-31.12.	-322	-280	0	-602
Accumulated depreciation 31.12.	**-2 448**	**-2 358**	**0**	**-4 806**
Carrying amount 1.1.	557	1 040	1 644	3 241
Carrying amount 31.12.	**530**	**1 805**	**2 443**	**4 778**

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
Re-groupings	0	0	0	0
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**

10. Tangible assets

(EUR 1,000)

1.1.2012 - 31.12.2012	Land areas	Buildings	Machinery and equip-ment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	84	10 595	10 752	23	99	21 553
Increases	0	12	724	0	0	736
Decreases	0	0	-641	0	0	-641
Acquisition cost 31.12.	**84**	**10 607**	**10 835**	**23**	**99**	**21 648**
Accumulated depreciation 1.1.	0	-8 084	-8 195	0	0	-16 279
Accumulated depreciation, decreases	0	0	559	0	0	559
Depreciation for the year 1.1.-31.12.	0	-93	-676	0	0	-769
Accumulated depreciation 31.12.	**0**	**-8 177**	**-8 312**	**0**	**0**	**-16 489**
Carrying amount 1.1.	84	2 511	2 558	23	99	5 275
Carrying amount 31.12.	**84**	**2 430**	**2 524**	**23**	**99**	**5 160**

1.1.2011 - 31.12.2011	Land areas	Buildings	Machinery and equip-ment	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**

Revaluations included in buildings total EUR 1,850 thousand in 2012 (EUR 1,850 thousand in 2011). Carrying amount of production machinery and equipment in 2012 total EUR 1,923 thousand (EUR 1,989 thousand in 2011).

11. Investments

(EUR 1,000)

1.1.2012 - 31.12.2012	**Subsidiary shares**	**Shares in associated undertakings**	**Other shares and partici-pations**	**Loan receivables**	**Total**
Balance sheet value at beginning of year	8 960	250	15	14 474	23 698
Increases	0	0	0	300	300
Decreases	-998	0	0	0	-998
Balance sheet value at end of year	**7 962**	**250**	**15**	**14 774**	**23 000**

1.1.2011 - 31.12.2011	**Subsidiary shares**	**Shares in associated undertakings**	**Other shares and partici-pations**	**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**

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 Henkilöstöpalvelu 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	135
000 Martela, Moscow	Russia	100	100		3.700 trub	90
000 Martela SP, St. Petersburg	Russia	100	100		3.700 trub	90
Martela A/S	Denmark	100	100			0
Irodabutor Martela Kft	Hungary	100	100			0
Total						**7 962**
Associated undertakings:						
P.O. Korhonen Oy (former Fiota)	**Finland**	**51**	**51**	**510**	**1**	**250**
Other shares and participations:						**15**

12. Receivables

(EUR 1,000)	2012	2011
Non-current receivables		
Receivables from associated undertakings	0	88
Loan receivables	329	329
Current receivables		
Receivables from companies in same group		
Trade receivables	5 017	3 913
Loan receivables	3 099	2 842
Accrued income and prepaid expenses	93	0
Receivables from associated undertakings		
Trade receivables	16	5
Loan receivables	0	12
Other receivables		
Trade receivables	13 664	16 179
Loan receivables	0	0
Accrued income and prepaid expenses	774	315
Current receivables, total	**22 663**	**23 266**

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

13. Changes in shareholders' equity

Distribution of shares 31.12.2012	Number	Total EUR	% of share capital	Votes	% 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)	**2 012**	**2 011**
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.	**35 319**	**35 635**
Dividends	-1 840	-1 807
Profit for the year	-1 774	1 652
Shares assigned on the basis of the share-based incentive scheme*	0	-186
Returned shares	17	25
Retained earnings 31.12.	**31 722**	**35 319**
Shareholders' equity, total	**39 849**	**43 446**

The distributable equity of the parent company is EUR 31.723 thousand in 2012 (EUR 35.319 thousand 2011).

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 31.12.2012: EUR 5.02/share; (5.79 EUR 2011), total EUR 340 thousand (EUR 392 thousand 2011).

* 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.

14. Non-current liabilities

(EUR 1,000)	**2012**	**2011**
Loans from financial institutions	5 600	6 808
Pension loans	3 200	0
Accrued expenses	150	175
	8 950	**6 983**

Changes and repayments of non-current liabilities	**2012**	**2011**
	Loans from financial institutions	**Loans from financial institutions**
Loans 1.1	6 808	2 629
Proceeds	0	7 000
Repayments	-1 208	-2 821
Loans 31.12	**5 600**	**6 808**
	Pension loans	**Pension loans**
Loans 1.1.	0	0
Proceeds	4 000	0
Repayments	-800	0
Loans 31.12.	**3 200**	**0**

Repayments	**2 013**	**2 014**	**2 015**	**2 016**	**2 017**	**2018-**
Loans from financial institutions	1 208	700	700	4 200	0	0
Pension loans	800	800	800	800	800	0
Total	**2 008**	**1 500**	**1 500**	**5 000**	**800**	**0**

15. Current liabilities

(EUR 1,000)	2012	2011
Current liabilities		
Liabilities to group companies		
Trade payables	1 692	1 682
Accrued liabilities to group companies	30	30
Total	**1 722**	**1 712**
Liabilities to associated undertakings		
Trade payables	**200**	**455**
Other current liabilities		
Loans from financial institutions	4 708	2 821
Pension loans	800	0
Advances received	448	627
Trade payables	4 565	6 534
Other current liabilities	2 930	3 349
Accrued liabilities	4 944	8 041
Other current liabilities, total	**18 395**	**21 372**
Current liabilities, total	**20 317**	**23 539**

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

	2012	2011
Essential items of accrued liabilities		
Personnel expenses	2 760	2 833
Interest and financing accruals	43	15
Royalties	142	143
Residual expenses	249	187
Taxes	0	68
Other accrued liabilities	1 749	4 795
Accrued liabilities, total	**4 943**	**8 041**

16. Pledges granted and contingent liabilities

(EUR 1,000)	2012	2011
Debts secured by mortgages		
Bank loans	6 808	9 629
Property mortgages	4 990	7 848
Corporate mortgages	8 200	8 200
Shares pledged	4	4
Pension loans	4 000	0
Property mortgages	4 204	0
Total mortgages	**17 394**	**16 052**
Other pledges		
Guarantees as security for rents	**334**	**209**
Guarantees given on behalf of companies in the same group	**1 556**	**1 662**
Guarantees given on behalf of associated undertakings	**537**	**498**
Leasing commitments		
falling due within 12 months	926	959
falling due after 12 months	915	1 119
Total	**1 841**	**2 078**
Repurchase sureties	**0**	**0**
Other commitments		
Rent commitments	**10 416**	**12 636**

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 31,723,270.95 of which the loss for the financial year is EUR -1,773,522.41. The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

distribution of a dividend of EUR 0.20 per share, totalling	EUR 817,580.00
to be left in shareholders' equity	EUR 30,905,690.95

Helsinki, 5 February 2013

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

Heikki Ala-Ilkka
Chairman of the Board

Pekka Martela
Vice Chariman

Heikki Martela
Managing Director

Jaakko Palsanen

Tapio Hakakari

Pinja Metsäranta

Yrjö Närhinen

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

Helsinki, 5 February 2013
KPMG Oy Ab
Ari Eskelinen
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, 2012. 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, 5 February 2013
KPMG OY AB
Ari Eskelinen
Authorized Public Accountant