

# 2014

## annual report

Inspiring  
spaces

**Martela**



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## MARTELA IN BRIEF

Martela is one of the Nordic leaders in the office interior industry. A passion to offer the best workplaces has been guiding the company for almost seventy years. In addition to innovative and ergonomic furniture solutions Martela designs and implements various workplace related services. Martela helps improve the employee wellbeing while at the same time increasing the space use efficiency in workplaces, schools and welfare environments.

[Read more about Martela company.](#)

# Managing Director's review

The economic conditions in our domestic markets, and Finland in particular, naturally had an impact on demand for our products and services in 2014. At the same time, the nature of office work was undergoing a radical change. The situation presents challenges and also interesting opportunities for Martela. During 2014 we developed products and services for our customers which support their new ways of working. At the same time we also modified and streamlined our organisational structure in order to better meet the needs of the new market conditions.

## IMPLEMENTING THE MARTELA LIFECYCLE® MODEL

A major project over the past year was the development of the Martela Lifecycle® model. The project is now ready and introduction is already well under way. Martela Lifecycle® is an operating model which helps companies to reduce their need for space and to offer a more pleasant work environment for their employees. You can find a more detailed description of the model overleaf. We also surveyed needs and drew up new work environment plans according to the Martela Lifecycle® model at many of our own offices during 2014.

Our new, intelligent solutions make it possible for employees to use efficient electronic solutions to book a work space suited for their current task. The systems also monitor the utilisation rate of different spaces. We presented these new technological solutions for the first time at the Stockholm Furniture Fair in February 2015.

My personal experiences strongly support the importance of surroundings when it comes to improving job satisfaction, em-

ployee wellbeing and efficiency, and many of our latest customer projects also support this perspective.

## INCREASING UTILISATION RATES PRESENTS OPPORTUNITIES

In the space of a year the activity-based office has gone from being a new idea to a new standard. Our customers' new premises in all of Martela's market areas increasingly provide examples of these type of work environments, which are proven to be effective and which support employees in their various work tasks. The same development also applies to schools. There are hardly any personal desks at some of the newest schools, for example. In the school environment, we can clearly see a similar change to the one which has already started in offices. I believe that these new ways of fitting out schools will have a positive impact on academic results and user satisfaction.

All studies show that offices are still needed. We need places that provide the best possible settings for meetings and various tasks.

Sharing the use of premises and furniture will increase the utilisation rate of these premises. The need for meeting spaces has also changed as the number of one-on-one and virtual meetings has increased.

Depending on the study, the utilisation rate of premises is currently about 30–60%. The average figure that companies previously gave for the targeted increase in efficiency was 20%, but companies are now planning to or have been able to decrease the size of their premises by up to 50%.

The typical amount of space per employee used to be about 15–20 square

metres, but now it can even be below 10 square metres. In spite of this, well-designed premises feel spacious and personnel are more satisfied. When you consider that the cost of fitting out premises usually adds up to about a tenth of the overall premises expenses and that personnel costs are about ten times the level of premises expenses, we are talking about considerable savings.

The current trend will lead to more and more empty premises and these will be converted into residential use. The design of new office premises is now based on completely new principles.

The continuous need to enhance the efficiency of premises and increase utilisation rates offers Martela considerable new business opportunities because companies are no longer aiming to achieve this efficiency at the expense of job satisfaction.

Our goal at Martela is to create a win-win situation in which those who work at office premises and those who provide these premises both benefit. The Martela Lifecycle® model is a solution which covers specification, implementation, monitoring and maintenance of the best work environments.

I would like to take this opportunity to thank our customers, partners, shareholders and employees for an energetic and eventful 2014.

Takkatie, February 2015  
Heikki Martela  
Managing Director





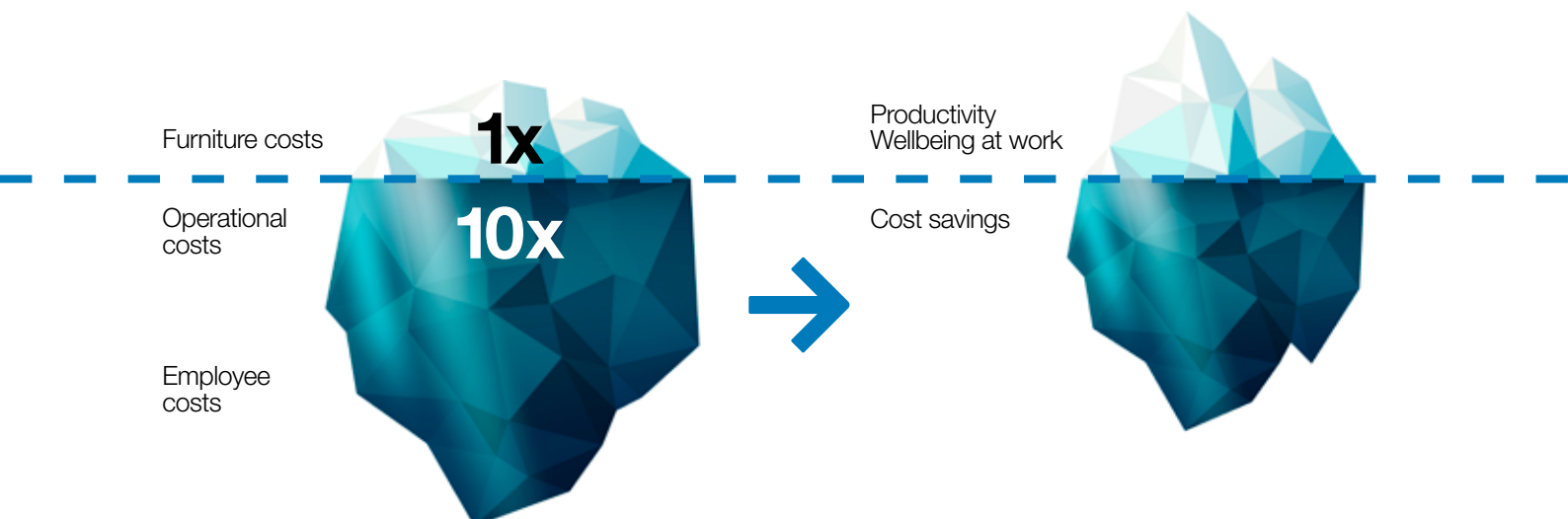
**KEY FIGURES**

		2014	2013
Revenue	Meur	135.9	132.3
Growth in revenue	%	2.7	-7.3
Operating profit	Meur	0.2	-3.1
- as a percentage of revenue	%	0.1	-2.4
Pre-tax profit	Meur	-0.6	-4.6
- as a percentage of revenue	%	-0.4	-3.5
Return on investment		0.5	-8.4
Balance sheet, total	Meur	54.2	58.6
Equity ratio	%	38.1	37.2
Earning/share	eur	-0.18	-1.03
Equity/share	eur	5.02	5.33
Dividend/share	eur	0.10*	0.00
Capital expenditure	Meur	1.7	3.0
Average personnel		742	770

\* Proposal of the Board of Directors

**INVESTMENT BASED ON  
MARTELA LIFECYCLE® MODEL  
WILL PAY FOR ITSELF**

An investment in a functional and efficient work environment based on the Martela Lifecycle® model will pay for itself through lower premises costs and increased productivity.





**MAINTENANCE**



**IMPLEMENTATION**





**SPECIFICATION**

**PLANNING**

# Strategy and values

**MISSION**

Better Interiors

**VISION**

Creating the best workplaces

**INSPIRING SPACES  
STRATEGY**

Supporting customer business  
with Martela Lifecycle®

**VALUES**

Family business  
Passion for Innovations  
User Driven Design  
Finnish

[More information](#) of Martela  
Lifecycle® model

# Customers

## CHANGES IN THE OPERATING ENVIRONMENT

Creating the best work environments is at the core of Martela's strategy, which was redefined during 2014. The best work environments use the Martela Lifecycle® model. The model allows companies to considerably reduce their premises costs, improve employee wellbeing and brand image, and increase sales and the creativity of employees.

The activity-based office trend is very strong in all our market areas. Even though overall demand has declined due to the economic recession, interest in activity-based offices is growing.

Switching over to an activity-based office in financially challenging times provides companies with clear benefits in terms of total premises costs and as a change management tool that increases the commitment of personnel.

The significance of service and customisation is highlighted in an increasing number of [our customer references](#). Activity-based office projects, involving first specification, then planning and implementation, are increasingly customised service packages that take into account the various responsibility perspectives to an increasing degree. This trend is set to continue, and so we will focus on operating in the most versatile and flexible way throughout the Group.

The Martela Group has rearranged its organisation in order to be able to meet the targets defined in its strategy more efficiently. In the autumn we saw the first positive signs that the new organisation will enable us to operate successfully in the changed operating environment.

### Activity-based office in a nutshell

- Supports work tasks optimally instead of limiting an employee's personal space
- Promotes use of working environments that support an employee's various activities during the working day

### The benefits of an activity-based office

- Employees can concentrate better and their productivity improves
- More movement and less sitting while carrying out knowledge work
- More cooperation between different teams and departments
- Increases job satisfaction

### Martela practises what it preaches

During 2014 Martela remodelled the working environments in many of its own offices in accordance with its activity-based office concept. The principles followed in Martela's own premises:

- Martela uses its office spaces as a management tool to support achieving our business objectives.
- Our offices are inspiring, efficient, space saving and represent Martela brand and values.
- The offices are the heart of our working environment and all employees use the whole office as a working space.
- The office plans are based on user studies enhancing efficient knowledge work and employee satisfaction.
- There are multiple options for individual work and interaction.

A personnel survey carried out in December at Martela's Business Unit in Finland provided strong evidence of the benefits offered by activity-based offices.

According to the survey, the new offices have had the following impact on employees:

- 64% stated that the atmosphere at work has improved
- 89% said they could find a sufficiently peaceful working environment if necessary
- 57% believed that the flow of information within the organisation had improved
- 72% said their work is more productive
- 68% believed their own occupational wellbeing has improved

[Read about the Martela House renewal on our website](#)

## OFFERING

In its domestic markets, Martela has a strong position in the activity-based office business. We reinforced this position during 2014 with a more defined selection of products and services based on the Martela Lifecycle® model.

### Martela Lifecycle® model's offering

Furniture expenses are just the tip of the iceberg when it comes to the overall life-cycle costs of a company's premises. Operating expenses are typically 10 times higher and staff costs easily 100 times higher than furniture expenses.

Instead of individual furniture orders, Martela can supply a comprehensive solution for the entire life cycle of the office, focusing on the premises, the furniture and the people. The best work environments create wellbeing for the entire working community.

The comprehensive model enabled by Martela's broad selection of products and services makes it easier to manage premises and helps companies to function in a responsible and environmentally friendly way. When the overall situation is being managed and future needs can be predicted well in advance, the operating expenses of the premises can be reduced.



### Consultative sales with single point of contact

Based on the redefined strategy and clarified product and service selection a more consultative approach is required to the marketing of solutions. Customers are no longer just buying Martela furniture, but are also buying our expertise to define and continuously develop their premises. We are also supporting customers in the management of change and helping them to understand the benefits of the new model.

The Martela Lifecycle® model is suitable for both private sector and public sector customers. In particular, changing teaching methods and increased group work at schools are creating demand for new teaching environments.

A more intelligent method of working is here to stay and our model supports this trend. Martela bases its operations on the 'one-stop shop principle' in all of its market areas. Implementation of this model requires solutions involving specification, recycling and IT, and these solutions can be found in one place.

### Highlights of the year

Martela presented its Inspiring Office by Martela concept and solutions at the Stockholm Furniture Fair from 4th to 8th February 2014. In addition to the activity-based office, the intelligent storage and work systems in the new Dynamic range were also highlighted at the fair.

In May, Martela participated in the [Office Next](#) event in Moscow. At our exhibition stand we presented our activity-based office solutions in various ways.

In 2014, Martela's [Dynamic Storage](#) locker system was awarded a 'Next-Products' quality sign by the jury of architects and other experts.







The Waste Nothing theme that is being pondered by decision makers was put into practice in Helsinki at the Flow Festival in August. Martela has long been the furniture supplier for the event, which focuses strongly on responsibility issues. At this year's event, three Finnish design companies presented their own versions of the classic Kilta chair.

OpenDay is one of Martela's most important customer events. This year it was organised in September at the completely redesigned Martela House premises in Helsinki, which have been turned into an activity-based office. Suvi Nenonen, Research Manager at Aalto University, and Michael Dudley from Strategisk Arkitektur Stockholm addressed the international audience at the event.

### New innovations

Intelligence is an essential feature in the activity-based office's functional solutions. During 2014 we presented many new solutions. Some of the solutions have been produced with the help of various partners, such as Framery who designs our phone booths and meeting modules.

### Storage solutions

The need for personal storage space is declining. A small locker for personal belongings is often sufficient for office employees. When arriving at the office, the employee can store his or her briefcase or handbag in a locker and take a GoBag for working at the office from the locker in exchange. There are several alternative locking solutions available, from locks that are opened with the employee's personal access card to combination locks.

In an activity-based office not all employees will require storage space at the same time. [The Dynamic Storage](#) solution for temporary storage needs has been developed to complement the personal storage systems at the office. Dynamic Storage can be used where it is most needed: the second floor today and perhaps the fifth

floor tomorrow. Simple reporting solutions make it possible to see where the storage solutions are needed and where they are not being used enough.

### Dynamic Workstation

In a working environment which no longer has designated workstations, employees can still personalise the workstation that they are using with the help of an intelligent application. The application first identifies the user with an ID card. After this the Dynamic table and its lighting and power supply needs can be adjusted to the selected personal settings.

[Dynamic Workstation](#) also provides the user with tips on a healthy way of working. It encourages the user to work standing up for part of the day and can even calculate calorie consumption.

The application also ensures the energy efficiency of the workstations. When the employee logs out of the workstation, power supplies and monitors that are not needed are switched off. Logging out also ensures company data security.

### PodWork

[PodWork](#) consists of a desk and a screen module surrounding the desk. This new addition to the Pod family offers numerous alternatives that allow employees to work in peace at a workstation in an open-plan office. The workstation is easy to move, so it can be flexibly relocated when needs change.

### Smart chairs

[The Axia® Smart Chair](#) continuously monitors the user's working position and issues a vibration alert if the user sits too long in the same position or with poor posture.

The easy-to-use controls and fast adjustability of the [new X-Code range of task chairs](#) make them ideal for both shared and personal workstations. Anti-bacterial armrests, which come as an optional accessory, improve the hygiene of the chairs, especially those in shared workstations.

### GoBag

From one meeting and workstation to the next, the portable GoBag is Martela's own innovation resulting from the implementation of the activity-based office concept at its own offices. When an employee leaves his or her personal belongings in a personal locker for the day, the handy GoBag can be used to carry the papers and equipment required at work during the day.

### Phone booths and meeting modules

Phone booths were once a familiar sight on our streets. But now they have disappeared from the urban landscape and have found their way into new activity-based offices.

Martela's collection includes three different [phone booth solutions](#) designed for open-plan offices, and a meeting module that can be installed in an open-plan office. These products, which can be installed retrospectively, provide an excellent solution to easily alter the workspace and improve productivity.

### BeatBox seating stand

As technology advances and teaching methods evolve, it is important that learning environments keep pace with these changes. Martela's [Beatbox](#), a compact seating stand for small groups, enables learning activities in locations other than the classroom. Beatbox is easy to move and store, making it ideal for the changing needs of learning environments.

# Corporate responsibility and quality

Corporate responsibility and quality are important parts of Martela's strategy. Martela's operating approach includes supporting the responsibility of its customer companies by offering durable solutions for the work environment and by ensuring the responsible recycling of any furniture that is no longer needed.

The Martela Lifecycle® model covers the entire life cycle of the work environment. Martela creates responsible work environments by taking into account user needs and by supporting user wellbeing. Efficient use of space is an important factor in the planning of work environments. Well-planned work environments have helped many customer companies to achieve a 20–30% reduction in their space requirements.

With responsibly planned spaces it will be possible to respond flexibly to the constant changes in corporate environments. An important part of any premises alteration project that is carried out responsibly is the recycling of furniture that is no longer needed. Martela also offers recycled furniture as part of its new interior solutions.

## RECYCLING OF FURNITURE ACCORDING TO THE LIFECYCLE MODEL

In interior planning projects, furniture that is in good condition but no longer needed by the company is taken to the nearest of Martela's five Outlet stores in Finland.

Furniture that needs repairing is taken to Martela's logistics centre where it is re-upholstered and then sold at an Outlet store.

Furniture that is in poor condition is recycled into raw materials: metal is supplied for industrial use as a recycled raw material, and wood, upholstery and plastic are mainly used in energy production.

[Find out more about our recycling activities on our website.](#)

## QUALITY AND ENVIRONMENTAL CERTIFICATION

Our responsible furniture solutions have helped our customer companies to achieve environmental certification for their premises. In 2014, for example, we supplied furniture to the first interior in Europe to be awarded the LEED Platinum certification.

LEED certification emphasises local production, which is an important responsibility perspective for Martela. Local producers and employment are important factors for Martela, and we aim to create jobs primarily in our market areas.

During 2014, in connection with the reorganisation of the logistics structure, we introduced the Group's common quality and environmental systems in all of Martela's countries of production, Finland, Sweden and Poland. The systems are certified in accordance with the [ISO 9001 standard \(quality system\)](#) and the [ISO 14001 standard \(environmental system\)](#). The standardised systems will create a more continuous, more consistent and unified way of working, which will enable the units to be compared using our key quality indicators. The quality indicators include delivery reliability, customer satisfaction and management of customer claims.

The high-quality work carried out by Martela was recognised in April 2014, when the test laboratory was accredited according to the SFS-EN ISO/IEC 17025:2005 standard. The scope of the accreditation includes the most common European EN testing standards for office furniture. This verifies that all of the tested products meet Martela's quality requirements and those set by the standards. The accreditation is valid for four years at a time and FINAS will

carry out annual audits at the laboratory. Development work at the test laboratory will continue through the continuous improvement of operations.

During the year we re-evaluated our own suppliers on their commitment to Martela's responsibility guidelines that were published in 2011 and that are validated annually.

- [Purchasing Principles \(pdf\)](#)
- [Social Requirements on Suppliers \(pdf\)](#)

In all our operations, we strictly comply with all the laws and regulations that are related to our operations. We also take into account the international agreements, commitments and recommendations that are relevant to our operations. As a member of the Global Compact Nordic Network, Martela has adopted the following international commitments:

- [United Nations Universal Declaration on Human Rights \(UN pages\)](#)
- [ILO core conventions on labour rights \(ILO pages\)](#)
- [OECD guidelines for multinational companies \(OECD pages\)](#)
- [UN Global Compact -initiative \(UN pages\)](#)

We have also defined specific management principles for guiding our responsibility actions. The main guideline is our [Corporate Code of Conduct \(pdf\)](#).

We annually confirm our commitment to the UN Global Compact initiative with the [Communication On Progress](#) letter (pdf) that refers to our Responsibility Report which presents our achievements. The COP can also be found on the [UN Global Compact website](#).

Since 2011 we have also published a Responsibility Report according to the Global Reporting Initiative (GRI) model: Our Responsibility Report 2014 will be published later in the spring 2015.









# Personnel

From the personnel's perspective, 2014 was characterised by major organisational changes and the stronger focus on the sale of comprehensive solutions. The reorganisation of the logistics centres took most of the year and affected hundreds of people in Finland, Poland and Sweden.

Another extensive reorganisation took place in Business Unit Finland, the Group's largest Business Unit. The organisation and job descriptions of the sales personnel were updated as of 1 January 2015 to support the implementation of strategic goals. The units and personnel were offered tools in

the form of training and workshops, for example, to help them understand the continuous changes in the operating environment and promote their personal development in the new tasks.

In 2014, the Martela Group employed an average of about 740 people. The operating environment was not the only thing that changed, as many of Martela's offices were transformed into activity-based offices. The needs of each office were carefully specified in accordance with the Inspiring Spaces guidelines that were drawn up together. The flow of information in different

countries and throughout the organisation was also improved with the implementation of a new intranet.

The introduction of the Martela Lifecycle® model affected the personnel in various ways, in the form of training, for example.

The Citizen Day project held in Finland focused on social responsibility and enabled office employees to donate half a working day to selected customers in the care and school sectors. The model piloted in 2013 was taken into use in 2014 and the results have been pleasing all round.



# Business Unit Finland

## MORE PROFITABLE APPROACH FOCUSING ON SERVICE SALES

The strategic Martela Lifecycle<sup>®</sup> model and related reorganisation with the focus on service sales had a positive impact on Business Unit Finland's operations in 2014. One of Business Unit Finland's goals during 2014 was to improve profitability. The Business Unit's revenue in 2014 was EUR 87.5 million (EUR 92.3 million). Its operating result improved and was EUR 2.8 million (EUR 1.4 million). In Finland, Martela has a network of 27 sales centres, of which 5 are Martela Outlet stores specialising in recycling. Martela is the largest company in its sector in Finland.

Under the new strategy, service sales will play a greater role in all customer groups. The unit's task is to efficiently provide customers with a selection of products and services according to the full Lifecycle<sup>®</sup> model, starting from specification of needs at the premises and then planning, followed by implementation and maintenance which is carried out as responsibly as possible. A study of user needs was carried out at Martela's own premises during the spring and summer of 2014, and the premises were updated to meet the needs of the new organisation and working methods. Today, 40% of employees at Martela House have their own designated workstation while the workstations and spaces used by the rest of the employees vary according to the day and the project. Employees have their own locker to store their personal belongings in, which is locked with their access card, but they are otherwise free to choose the space they work in. Every area in the Martela House is now a working space.

Business Unit Finland (meur)	2014	2013	Change %
Revenue	87.5	92.3	-5.2
Operating result	2.8	1.4	
Investments	0.1	0.7	
Average personnel	273	332	-17.8



### CASE: ENFO ESPOO

*In June 2014, IT service company Enfo moved its operations in Espoo to a new activity-based office, where the pleasant working environment caters to the needs of the 200 employees. Enfo wanted to switch over to an activity-based office, so the nature of the work done by the teams was determined before the move, and the findings were then used to design the new work premises. The planning work was guided by Enfo's motto, 'The Enfo Way', so everything had to be simple, flexible and smart. Martela was responsible for the new furniture, the design of the new working environment, deliveries and installation, the environmentally-friendly recycling of the old furniture and the move. The cooperation with Martela's interior designer went smoothly and the result was a functional and vibrant office.*

*[Find out more about this customer reference on our website.](#)*



# Business Unit Sweden and Norway

## INNOVATOR IN RESPONSIBILITY AND INTELLIGENT SOLUTIONS

Sweden and Norway are leading markets when it comes to the new way of working. Martela is the local leader in the new way of working in these markets. The solutions in Martela's intelligent Dynamic range of products and the company's responsible business model have been very popular with customers. Suppliers must observe strict responsibility requirements and in many cases the end result must take into account the entire life cycle of the furniture products. The Business Unit's revenue in 2014 was EUR 24.8 million (EUR 20.5 million). Its operating result improved and was EUR -0.1 million (EUR -1.4 million).

At the Group's most important event, the Stockholm Furniture Fair in February, Martela presented new and intelligent

solutions, such as the applications created for PwC, Bergen, which have helped the customer reduce costs, increase job satisfaction and monitor the efficiency of its premises.

In addition to PwC, important customer projects included CGI (Stockholm) and DSS (Oslo). When CGI decided new premises were needed, an important goal was to ensure the existing furniture would be reused or its materials recycled as efficiently as possible. The project's final report proves that not a single piece of used furniture ended up at a landfill site as the recycling target was achieved with 100% success.

During 2014 we made improvements within our organisation to enable us to meet customer needs even better than before. We improved our dealer support by setting

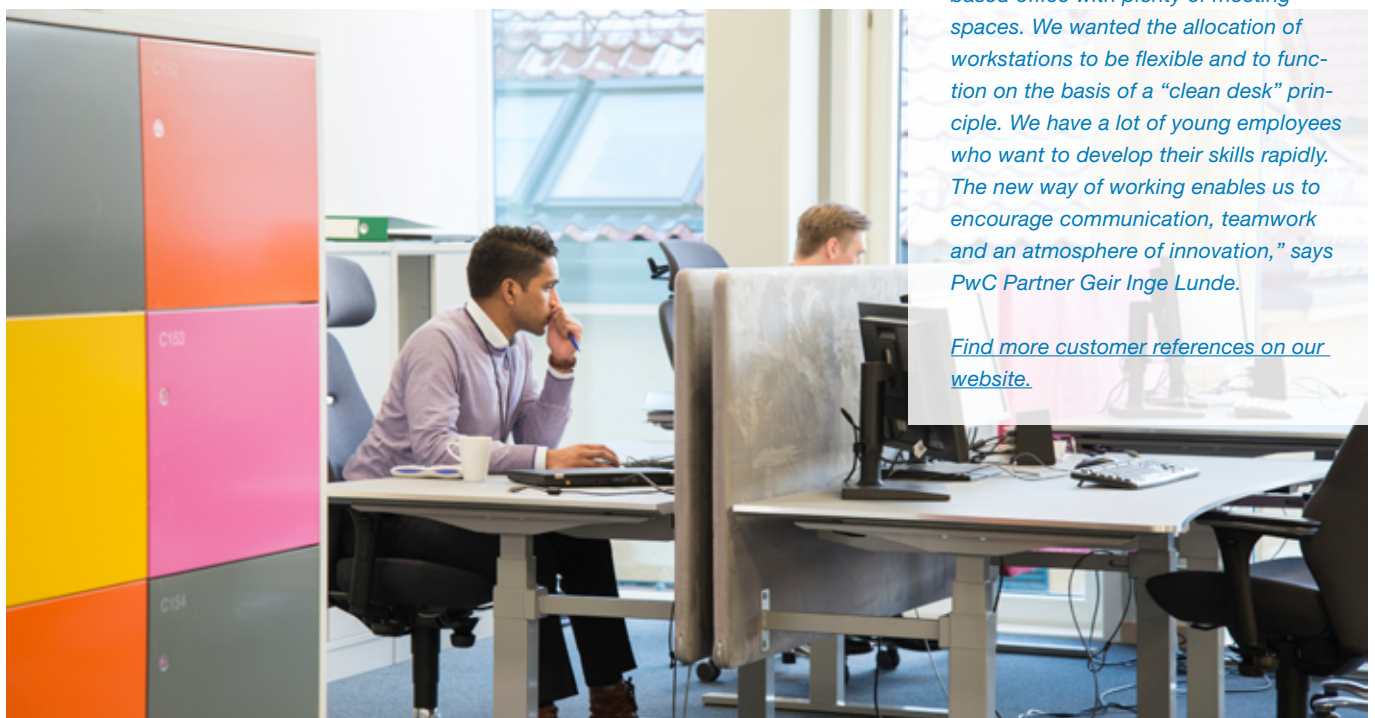
up a new Dealer Sales organisation. Our new Concept Sales organisation focuses on supporting major customers using the Martela Lifecycle® model.

## CASE: PWC BERGEN

*At PwC's new office in Bergen, the Martela Dynamic solutions used in the work and storage spaces will support the employees in their new way of working at the office.*

*"Martela's solutions appealed to us, as we wanted premises that are tailored to our work processes. Our employees spend most of their time with customers carrying out project work, and when they come to the office they spend most of their time at various meetings. We wanted a dynamic and flexible activity-based office with plenty of meeting spaces. We wanted the allocation of workstations to be flexible and to function on the basis of a "clean desk" principle. We have a lot of young employees who want to develop their skills rapidly. The new way of working enables us to encourage communication, teamwork and an atmosphere of innovation," says PwC Partner Geir Inge Lunde.*

*[Find more customer references on our website.](#)*



# Business Unit International

## RUSSIA STILL OFFERS POSITIVE OPPORTUNITIES

Business Unit International's main market area is Russia, where Martela achieved healthy and profitable growth in 2014. In 2014, the businesses in St Petersburg and Moscow were merged into one company to enable better internal efficiency. Business Unit International is also responsible for sales in areas outside of Martela's domestic markets, the most important of which are Denmark, Estonia, the Benelux countries and Japan.

Sales in the Russian market are mainly handled directly. Sales in other markets are

taken care of by local dealers. The unit is also responsible for managing the Group's key international accounts.

## RUSSIAN MARKET

Despite the unstable market conditions, there are still plenty of positive opportunities in Russia. Martela's main market area is Moscow, where there is huge demand for skilled employees. In this type of situation, an inspiring work environment is considered to be an important competitive advantage. Martela has benefited from this trend and achieved an established position as a planner and implementer of working environments for international and Russian

companies. The motivation of Martela personnel, who were already very committed to the company, was further increased by remodelling the company's premises in Moscow and St Petersburg according to the activity-based office concept.

In Russia Martela has focused intensely on training and learning environments in recent years. The western ideal of an inspiring learning environment is also familiar in Russia and in many schools pupils are given tablets to use, for example. Such developments have also had a positive impact on Martela's business in Russia.

[Take a virtual tour of our offices in Moscow.](#)



## CASE EMG

*EMG is an advertising agency located in Moscow that specialises in 'below the line' advertising. In 2014 the company moved to new loft-style premises that were designed by Nefa Research. Martela was selected as the main supplier of furniture solutions. The cost-effective furniture solutions provide the team at EMG with new inspiration. Martela showed the customer that creative and high-quality solutions do not need to be expensive.*



# Business Unit Poland

## LEADING THE WAY IN POLAND'S GROWING MARKET

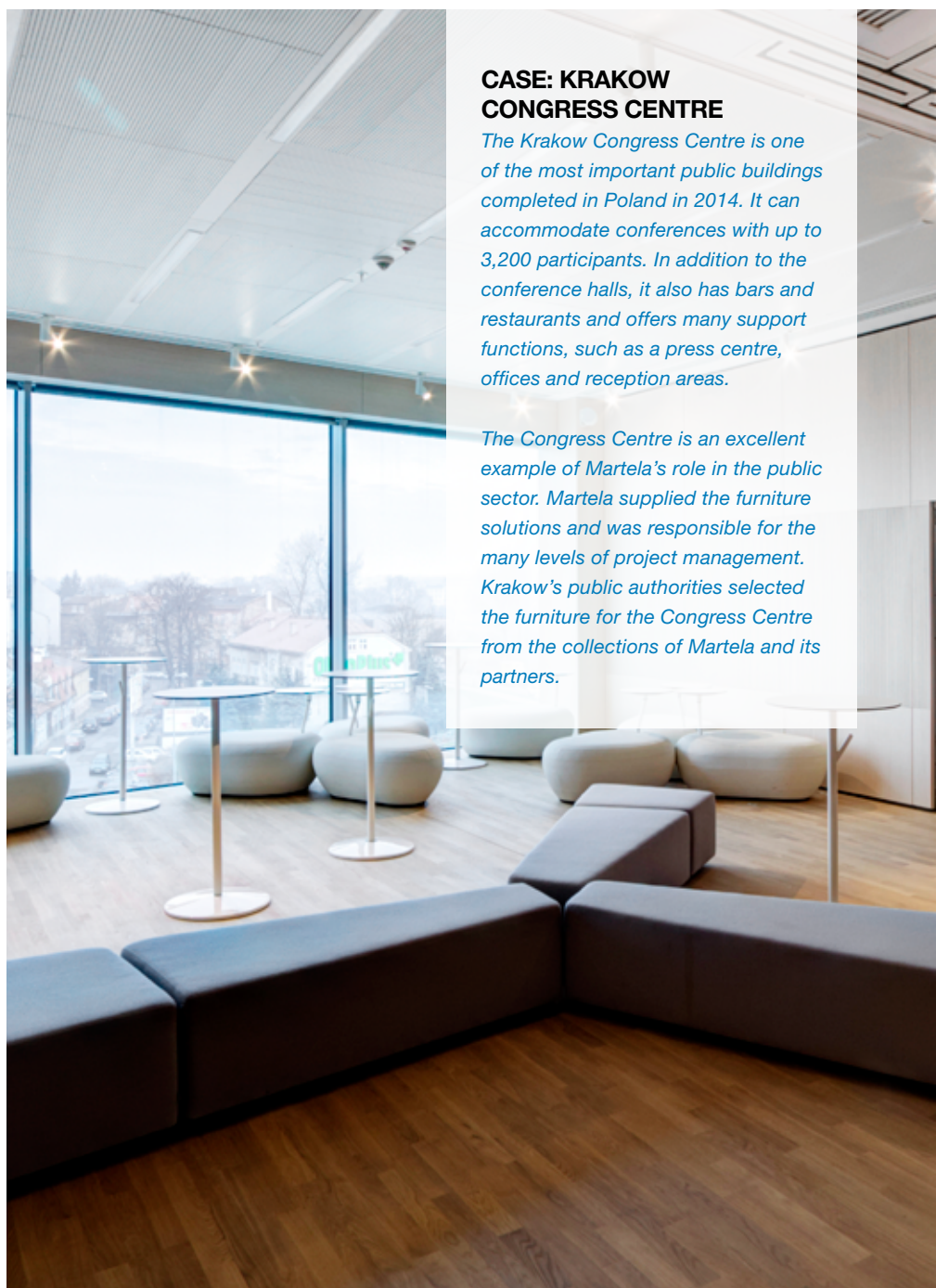
Martela occupies a significant position on the Polish market, being market leader within its particular segment. Martela serves its customers through a nationwide sales network that includes seven sales offices in the country's largest cities. The Business Unit's revenue in 2014 was EUR 11.1 million (EUR 11.7 million). Its operating result was EUR -1.4 million (EUR -0.7 million).

In 2014 the Business Unit's headquarters moved into new premises in Warsaw. The new logistics centre operated by Martela's SCM unit also reached completion in the Warsaw area. The logistics centre's operations will support the production and logistics efficiency of the entire Martela Group.

Despite the uncertain economic conditions, the wave of investment by western companies in Poland is continuing. The country's growth is being spurred on by EU investment subsidies and infrastructure investments. New business premises are being constructed and old ones are being refurbished to meet the needs of international companies.

Martela's competitive advantages in Poland's large and growing furniture market lie in its extensive sales network, direct relationships with customers and architects and an efficient production chain. As the market grows, competition will increase. Therefore Martela's own activity-based office, which was opened in the centre of Warsaw, has a very important role. The office will provide customers with a tangible example of how the best operating environment functions in practice.

Business Unit Poland (meur)	2014	2013	Change %
Revenue	11.1	11.7	-4.9
Operating result	-1.4	-0.6	
Investments	0.5	0.2	
Average personnel	62	56	10.7



## CASE: KRAKOW CONGRESS CENTRE

*The Krakow Congress Centre is one of the most important public buildings completed in Poland in 2014. It can accommodate conferences with up to 3,200 participants. In addition to the conference halls, it also has bars and restaurants and offers many support functions, such as a press centre, offices and reception areas.*

*The Congress Centre is an excellent example of Martela's role in the public sector. Martela supplied the furniture solutions and was responsible for the many levels of project management. Krakow's public authorities selected the furniture for the Congress Centre from the collections of Martela and its partners.*

# Logistics centres

## INCREASED FLEXIBILITY AND EFFICIENCY IN ALL MARKETS

At Martela's logistics centres, 2014 was the first year of operations based on the new matrix model. The logistics centres in Warsaw, Bodafors and Nummela handle the Group's purchasing, production, logistics and product development.

The Supply Chain Management Unit, which employs around half of the Group's personnel, is in charge of logistics centre operations. Due to the size of the unit, increasing the efficiency of its operations has a significant impact on results. In addition to the logistics centres, the SCM Unit also includes Kidex Oy, the Group's contract manufacturer of board-based furniture components that is based in Kitee, Finland.

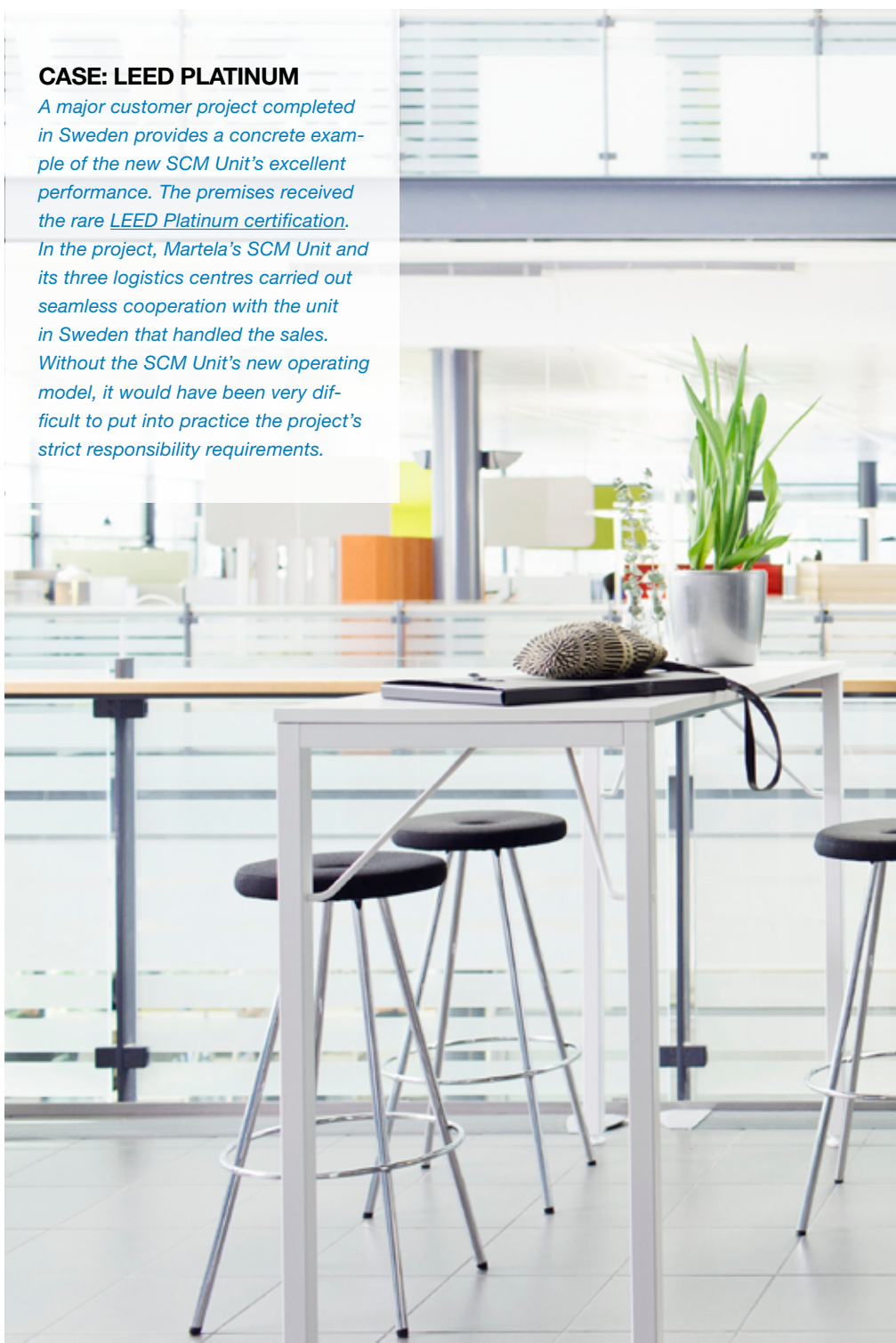
Customer needs have changed rapidly in all market areas. Instead of purchasing furniture, customers are now interested in solutions that help to tailor their work environments more to their own needs. In order for Martela to meet these needs, the SCM Unit provides each market area with efficient sales support in purchasing, production and logistics matters. The focus has shifted from the local operations to the entire market area.

The new logistics centres allow the diverse knowledge within the Martela Group to be shared equally between the Business Units, and the standardisation of processes is clearly visible in the form of improved efficiency.

### CASE: LEED PLATINUM

*A major customer project completed in Sweden provides a concrete example of the new SCM Unit's excellent performance. The premises received the rare [LEED Platinum certification](#).*

*In the project, Martela's SCM Unit and its three logistics centres carried out seamless cooperation with the unit in Sweden that handled the sales. Without the SCM Unit's new operating model, it would have been very difficult to put into practice the project's strict responsibility requirements.*







# Corporate governance statement 2014

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. Martela comply with all Code's guidelines.

## 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 and service production in Finland. Martela has an extensive sales and service network covering the whole of Finland, with a total of 27 sales centres.

Sales in Business Unit Sweden and Norway is handled mainly 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 order handling are 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. 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 sales and administration.

The main market areas of Business Unit International are Russia, Denmark and Estonia, and it also exports products to other chosen target markets. In addition, the unit is responsible for managing the Group's key international customer relationships. In Russia in which the offices are located in Moscow and St. Petersburg sales are organised through Martela subsidiary, and in other markets through local authorised dealers.

The Business Units share Group-level processes:

- Marketing unit is responsible for common visualization and market communication
- Portfolio unit is responsible for competitiveness of product offering
- Supply Chain Management (SCM) is responsible for all Business units' production, the principles and technology of production management, product development, Group procurement and steering the quality. Group's logistic centres are located in Finland, Sweden and Poland.
- 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 which are part of the Supply Chain Management organization. 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. Kidex Oy is a contract manufacturer of wood-based components, and roughly 18 per cent of its production goes to customers outside the Group.

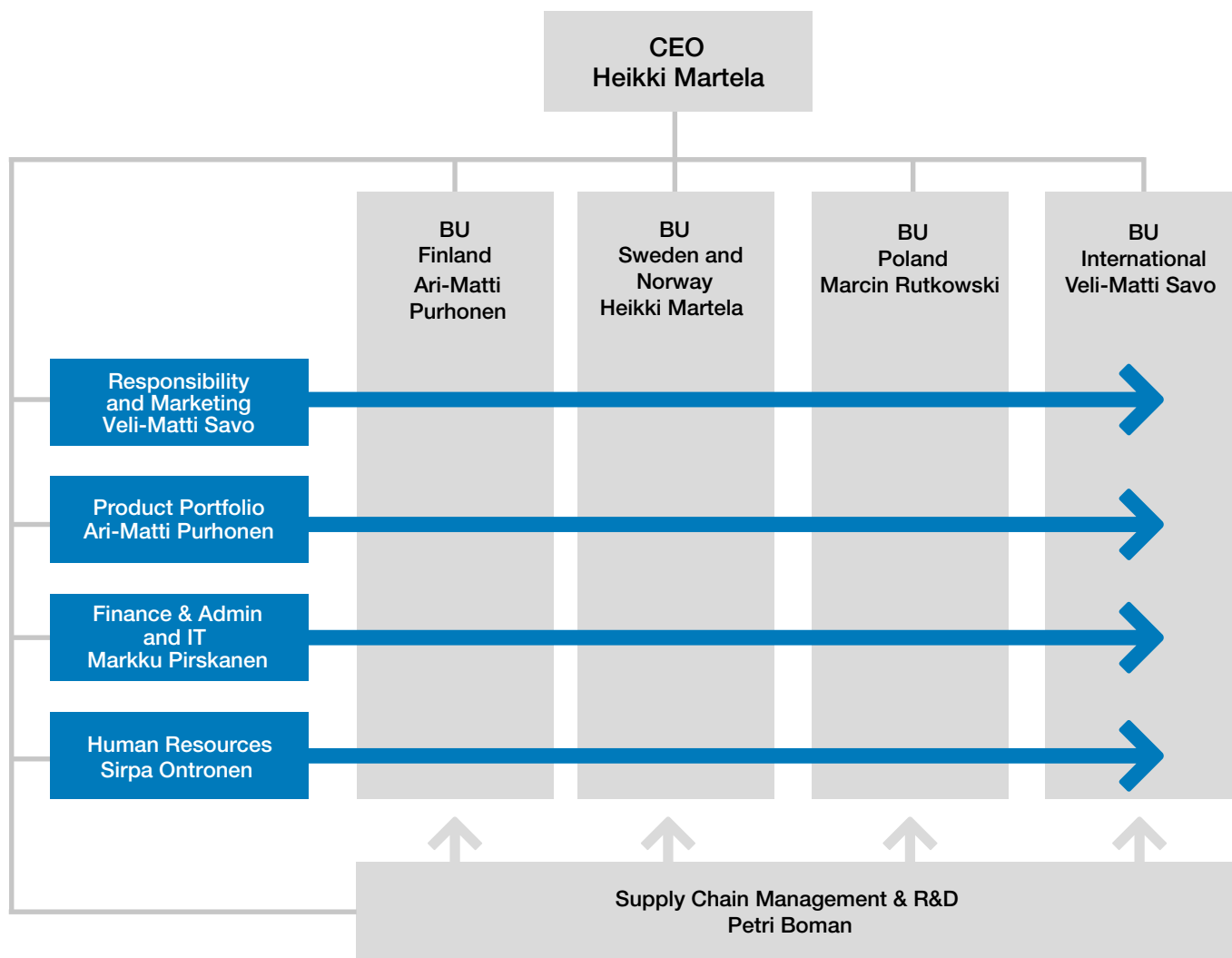
## ANNUAL GENERAL MEETING

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 2014 was EUR 7 million.

In January-December 2014, a total of 745,536 (629,357) of the company's A shares were traded on the NASDAQ Helsinki exchange, corresponding to 21.0 per cent (17.8) of the total number of A shares.

The value of trading was EUR 2.4 million (2.6); the share price was EUR 3.35 at the beginning of the year and EUR 2.91 at the end of the year. During January-December the share price was EUR 3.65 at its highest and EUR 2.84 at its lowest. At the end of December, equity per share was EUR 5.02 (5.33).

**BOARD OF DIRECTORS**

The Board of Directors, elected by the Annual General Meeting each year, is

responsible for the management and proper arrangement of the operations of the company in compliance with the Limited Liability Companies Act and the Articles of Association. In accordance with the Articles of Association, the Board of Directors consists of no less than five and no more than nine members. There may be no more than two deputy members. The Board of Directors elects from among its members a Chairman and Vice Chairman to serve until the end of the next Annual General Meeting.

More information on the composition of the Board and the background information concerning Board members can be found under Corporate Governance/Board of Directors. The Board has confirmed a Charter defining the duties of the Board, meeting practices, the matters to be dealt with at meetings, the targets set by the Board for its operations, a self-evaluation of these operations, and the Board's committees.

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

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

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

The Board reviews its own activities annually either as 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, Kirsi Komi, Eero Leskinen, Pinja Metsäranta and Yrjö Närhinen are independent of the company. Of the company's largest shareholders, Heikki Ala-Ilkka, Kirsi Komi, Eero Leskinen 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, Kirsi Komi and Pinja Metsäranta.

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 chairman of the Board is in direct contact with the Finance Director as necessary. The Chairman of the Board is also regularly in contact with Company's auditor.

## 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, Komi Kirsi, Leskinen Eero, Metsäranta Pinja, Martela Heikki and Närhinen Yrjö.*





## 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 Silmäsäätiö.  
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.  
Other key duties: Board member of Marfort Oy, Auto Innovation Oy.  
Owns 8 Martela A shares and 69 274 Martela Oyj K shares.

### Komi Kirsi

born in 1963, LL.M.  
Member of the Board of Martela Oyj since 2013.  
Other key duties: Board member of Finnvera, Citycon Oyj, Metsä Board Oyj, Vice Chairman of the Board of Patria Oyj, Chairman of the Board of Blood Service of the Finnish Red Cross and Docrates Oy.  
Owns no Martela Oyj shares.

### Leskinen Eero

Born in 1956, M.Sc. (Tech.)  
Member of the Board of Martela Oyj since 2014.  
Other key duties: Member of the Board of Arme Oy and Nanso Group Oy, Chairman of the Board of Citec Group Oy, Puuilo Oy, Treston Group Oy and Ursviken Group Oy.

### Martela Heikki

born in 1956, M. Sc. (Econ), MBA  
Member of the Board of Martela Oyj since 1986, 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 of Martela Oyj since 2010.  
Senior coordinator, Academy of Fine Arts, University of the Arts Helsinki.  
Owns 4 000 Martela Oyj A shares.

### Närhinen Yrjö

born 1969, BBA  
Member of the Board of Martela Oyj since 2012.  
CEO of Suomen Terveystalo Oy since 2010.  
Other key duties: Board member of Lääkäripalveluyritykset ry and Peurunka Foundation, Chairman of the board of Terveyspalvelualan liitto TPL (Private Healthservice Association).  
Owns no Martela Oyj shares.

*In the pictures from left to right Martela Heikki, Boman Petri, Ontronen Sirpa, Pirskanen Markku, Purhonen Ari-Matti, 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.

## 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.

## 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.

#### Boman Petri

born in 1966, M.Sc. (Tech)  
Head of Supply Chain Management. Area of responsibility: Group sourcing, production, logistics and R&D.  
At Martela and member of the management team since 2013.  
Working experience: Content Group Oy, Partner, Management consulting, 2011–2013. Kemira Oyj, Executive Vice President, Supply Chain Management, 2007–2010. Tikkurila Oyj, Group Vice President, Supply Chain, 2005–2006. Nokia Oyj, Senior Supply Line Manager, 1997–2005. Vaisala Oyj, Mechanical Designer, 1993–1996.  
Owns 1 500 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, Price-waterhouseCoopers, 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 3 000 Martela Oyj A shares.

#### Purhonen Ari-Matti

born in 1971, M.Sc. (Tech)  
Director, Business Unit Finland and Group Product Portfolio.  
Area of responsibility: Sales and Service production in Finland and Group Portfolio.  
At Martela and member of the management team since 2013.  
Working experience: Hewlett-Packard, General Manager, Finland and Baltics, Scandic, 2010–2013. Canon Oy, Director, Strategy, marketing and product management, Finland and Baltics, 2008–2010. IBX Oy, Managing Director 2004–2008.  
TDC, Management positions in business unit, sales and product management, 1999–2004.  
Owns no Martela shares.

#### Rutkowski Marcin

born in 1969, M.Sc. (Management)  
Director, Business Unit Poland.  
Area of responsibility: Sales, Marketing, Finance and Administration in Poland.  
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, Group Marketing and Responsibility.  
Area of responsibility: Operations in Russia and export to other European countries and Japan, Group Marketing, Corporate Responsibility and Martela Brand.  
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.





## 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 2014, a total of EUR 109,000 (137,000) was paid in fees for the Group's auditing, while EUR 19,000 (9,000) 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 2014, a key area of focus in internal control has been in sales functions, in inventories as well as to follow up the Group's ERP System development activities.

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 steering 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 2014 totalled EUR 36,000 and EUR 90,000, 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 2014 were EUR 288,000 (332,000). In addition, the Managing Director received EUR 78,000 (0) 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. The Earning period is the calendar years 2014-2016 separately and cumulatively.

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 160,000 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 2014 the targets were fulfilled and therefore shares were distributed according to the terms. 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.



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# Financial statements

# Information for shareholders

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of Martela Oyj will be held on Tuesday, 10 March 2015, 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 26 February 2015, and the shareholders should register with Johanna Suhonen at the Company's head office, tel. +358 (0)10 345 5301, by email [yhtiokokous2015@martela.fi](mailto:yhtiokokous2015@martela.fi), or by post to Martela Oyj, PL 44, FI-00371 Helsinki, no later than 4 p.m. on 5 March 2015.

## **PAYMENT OF DIVIDENDS**

The Board of Directors proposes to the General Meeting that a dividend of EUR 0.10 per share be paid for the financial

year 1 January 2014 – 31 December 2014. The dividend will be paid to the shareholders registered in the shareholders' register of the Company held by Euroclear Finland Ltd on the record date 12 March 2015. The Board of Directors proposes that the dividend would be paid on 19 March 2015.

## **PUBLICATION OF FINANCIAL INFORMATION**

Martela will publish three interim reports in 2015:

- January–March (Q1) on Wednesday 29 April 2015
- January–June (Q2) on Tuesday 11 August 2015
- January–September (Q3) on Thursday 29 October 2015

Martela's Interim Reports are available in Finnish and English on the Group's websites ([www.martela.fi](http://www.martela.fi) and [www.martela.com](http://www.martela.com)).

Martela's Annual report 2014 is available on company's website.

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 2014 financial year was EUR 135.9 million (2013: 132.3 million), a year-on-year increase of 2.7 per cent. The operating result for the year was EUR 0.2 million (-3.1) and the earnings per share EUR -0.18 (-1.03). The cash flow from operating activities in 2014 was EUR 6.2 million (-0.1). The equity ratio was 38.1 per cent (37.2) and the gearing ratio was 33.4 per cent (51.7). The return on investment for the year was 0.5 per cent (-8.4).

## MARKET

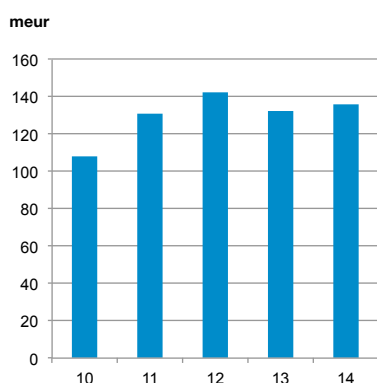
The demand for office furniture in Finland and Sweden continued to be weak and there are still no signs of a clear improvement. Demand in Finland and Sweden is still largely focused on office alteration and enhancement projects of different kinds rather than new offices. In spite of the weak market conditions, the activity-based office model, which is well suited to office alteration and enhancement projects, has aroused plenty of interest in customers in Sweden, Norway, Finland and Russia.

Customers who choose the activity-based office model and the Martela Lifecycle model to modify and enhance their offices can make considerable savings in their premises costs, but at the same time they are also able to improve their employees' job satisfaction and efficiency. The Polish market weakened during the second half of the year and this situation has continued. The instability in the Russian economy continued in the second half of the year and this has led to reduced activity in the property market.

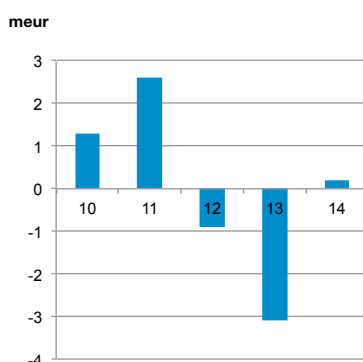
Martela follows the statistics on office construction on the basis of a 12-month rolling average. These statistics for the first three quarters of 2014 indicate that 1 per cent fewer office buildings were completed in Finland in terms of square metres than in the same period a year earlier. In the same period, however, 22 per cent more office building permits were granted, and there were about 33 per cent more new office building starts than the previous year.

Martela has used the above office construction statistics as a key indicator when assessing overall market developments. Despite the weakness of the general market conditions, the increase in the number of building starts can be regarded as a mildly positive sign. Nonetheless, in terms of square metres, the values remain very low. However, the demand for Martela products is affected by many other factors too, such as overall economic growth and the need for companies to use their premises more efficiently. The need to boost efficiency increases the number of office alteration projects, which in turn generates demand especially for Martela's activity-based office model. These projects also result in companies allocating fewer square metres of space for each employee, which means that they purchase fewer pieces of traditional office furniture, such as desks, cupboards and cabinets. However, the demand for products and solutions for all kinds of meeting spaces and lobbies is on the increase.

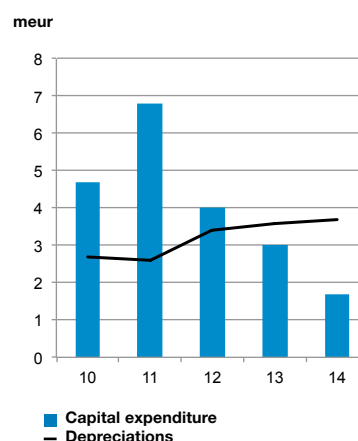
## Revenue



## Operating profit



## Capital expenditure and depreciations





## GROUP STRUCTURE

The Group's Russian companies in St Petersburg (LLC Martela Sp) and Moscow (LLC Martela) were merged in the third quarter. Operations are now being continued by a legal entity named LLC Martela. Grundell Henkilöstöpalvelut Oy was incorporated into Muuttopalvelu Grundell Oy on 31 December 2014.

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 in accordance with the consolidated financial statements.

Business Unit Finland is responsible for sales and marketing and for service production in Finland. Martela has an extensive sales and service network covering the whole of Finland, with a total of 27 sales centres.

Business Unit Sweden & Norway's sales are handled through dealers. The Business Unit also has its own sales and showroom facilities at three locations: Stockholm and Bodafors in Sweden and Oslo in Norway. The Business Unit's administration 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 through its own sales network. There are a total of seven sales centres in Poland. Business Unit Poland is based in Warsaw, where its administration is located.

'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. The unit is also responsible for managing the Group's key international accounts. In Russia, sales are organised by the unit's own subsidiary, and in other markets through local authorised importers.

Production and purchasing for the Business Units are carried out by the Group's Supply Chain Management unit, which has logistics centres in Finland, Sweden and Poland.

## REVENUE

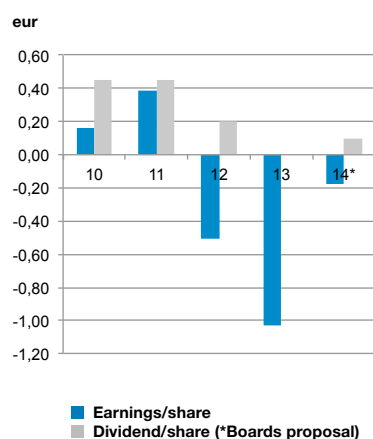
Consolidated revenue for the full year 2014 was EUR 135.9 million (132.3), an increase of 2.7 per cent on the previous year. Revenue in Finland declined significantly, both in the fourth quarter and cumulatively, as a consequence of the weak market conditions. In Poland, by contrast, slight growth was achieved during the review period measured in the local currency. In Sweden revenue declined in the fourth quarter, but, by contrast, revenue for the full year increased considerably as a consequence of the major customer deliveries in the first half of the year. Revenue and result grew significantly in Russia. But in the latter half of the year, the turmoil on the Russian market and the impact on the rouble reduced market demand during the last part of the year.

Business Unit Finland's revenue was down by 5.2 per cent. Business Unit Sweden & Norway's revenue was up by 21.7 per cent, and Business Unit Poland's by 4.9 per cent, calculated in local currencies. Movements in exchange rates did not have a significant impact on the Group's revenue.

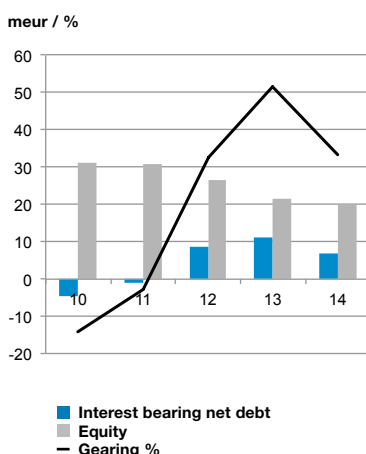
## CONSOLIDATED RESULT

The cumulative full-year operating result increased considerably and was EUR 0.2 million (-3.1), which was 0.1 per cent (-2.4) of revenue.

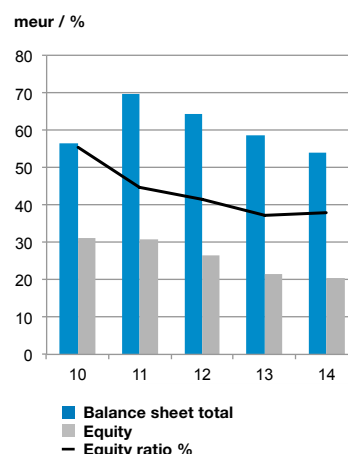
### Earnings/share and dividends



### Gearing



### Equity ratio %



The Group's full year revenue grew and fixed costs fell from the previous year, as anticipated, due to the adjustment measures taken. The sales margin on the Group's products for the review period was unchanged from the previous year. The combined effect of these factors resulted in a clear year-on-year improvement in Martela's consolidated operating result.

The EUR 6 million savings programme launched in the Group in the autumn of 2013 proceeded according to plan.

As part of the savings programme, the company held codetermination negotiations during the latter part of 2013. Following the outcome of the negotiations, the Group's cost level was reduced by costs equivalent to 35 employees during 2014. The Group's delivery chain costs were considerably reduced with various production boosting measures during the review period. Production transfers between the Group's units located in Nummela and Riihimäki in Finland, in Warsaw, Poland, and in Bodafors, Sweden proceeded according to plan, and most of these were completed by the end of the year. These measures have created a distinct role for each of Martela's production units and ensure a more flexible and efficient service for customers. Several more minor measures were also implemented during the review period, which will affect the efficiency of service production and the Group's fixed costs. The measures taken are expected to achieve the targeted annual savings of EUR 6 million. It is estimated that due to the timing of the measures the programme's impact on total costs in 2014 was equivalent to about one third of the total savings target. The full saving in costs, which will be felt as a reduction in the Group's delivery chain costs and fixed costs, will be achieved during 2015.

Demand for activity-based office solutions continued to increase considerably during the review period, so Martela will continue to focus on providing even higher quality comprehensive solutions and associated services in the field of activity-based

working. Launched in the review period, the Martela Lifecycle model offers customers a comprehensive solution that covers everything from planning to recycling. The model can help to reduce customers' premises costs while also increasing employees' job satisfaction and efficiency at customer companies. The Group's aim is to further strengthen its pioneering position as a supplier of comprehensive solutions and as a leading service provider for offices and other working environments.

The result before taxes was EUR -0.6 million (-4.6), and the result after taxes was EUR -0.7 million (-4.2).

## FINANCIAL POSITION

The Group's financial position is still stable. Cash flow from operating activities was good in January–December and came to EUR 6.2 million (-0.1). Successful management of working capital boosted the Group's cash flow.

Interest-bearing liabilities at the end of the year were EUR 13.2 million (16.0) and net interest-bearing liabilities were EUR 6.8 million (11.2). The gearing ratio at the end of the period was 33.4 per cent (51.7), and the equity ratio was 38.1 per cent (37.2). Net financial expenses were EUR -0.8 million (-1.2). The financing arrangements include a covenant obligation in which it is calculated the Net Debt vs EBITDA ratio. At the time of closing the ratio fulfilled the covenant obligation. On 31 December 2014 EUR 8.4 million out of the total loans were under the covenant obligations.

The balance sheet total at the end of the period was EUR 54.2 million (58.6).

## CAPITAL EXPENDITURE

The Group's gross capital expenditure for January–December came to EUR 1.7 million (3.0). This consisted of expenditure on the production line start-up in Poland and on production replacements.

## PERSONNEL

The Group employed an average of 742 people (770), which represents a decrease of 3.6 per cent. The number of staff was 670 (767) at the end of the period. Salaries and fees in 2014 totalled EUR 29.2 million (30.1). Expenses arising from employee benefits are presented in more detail under note 3 of the notes to the financial statements.

## PRODUCT DEVELOPMENT AND PRODUCTS

### Changes in the operating environment

Creating the best work environments is at the core of Martela's strategy, which was redefined during 2014. The best work environments use the Martela Lifecycle® model. This model allows companies to considerably reduce their premises costs, improve employee wellbeing and brand image, and increase sales and employee creativity.

The activity-based office trend is strong in all of the Group's market areas. Even though overall demand for office refurbishment has declined due to the economic recession, interest in activity-based offices is growing.

Switching over to an activity-based office in financially challenging times provides companies with clear benefits in terms of total premises costs and as a change management tool that increases the commitment of personnel.

The significance of service and customisation is highlighted in an increasing number of our customer relationships. Activity-based office projects, involving first specification, then planning and implementation, are increasingly customised service packages that take into account the various responsibility perspectives to an increasing degree. Martela believes that this development trend will continue.

### **Martela Lifecycle® model's offering**

In its domestic markets, Martela has a strong position in the activity-based office business. This position was reinforced further during the review period with a more defined selection of products and services based on the Martela Lifecycle® model. Furniture expenses are just the tip of the iceberg when it comes to the overall life-cycle costs of a company's premises. Operating expenses are typically 10 times higher and staff costs easily 100 times higher than furniture expenses. Instead of individual furniture orders, Martela can supply a comprehensive solution for the entire life cycle of the office and focusing on the premises, the furniture and the people. The best work environments create wellbeing for the entire working community. The comprehensive model enabled by Martela's broad selection of products and services makes it easier to manage premises and helps companies to function in a responsible and environmentally friendly way. When the overall situation is being managed and future needs can be predicted well in advance, the operating expenses of the premises can be reduced.

### **New innovations**

Intelligence is an essential feature in the activity-based office's functional solutions. During 2014 the Group presented many new solutions from the Martela Dynamic product family. Not all employees will require storage space at the same time. The Dynamic Storage solution for temporary storage needs has been developed to complement the personal storage systems at the office. Dynamic Storage can be used where it is most needed: on the second floor today and perhaps the fifth floor tomorrow. Simple reporting solutions make it possible to see where the storage solutions are needed and where they are not being used enough.

In a working environment which no longer has designated workstations, employees can still personalise the workstation that they are using with the help of

an intelligent application. The application first identifies the user by means of an ID card. After this the Dynamic table and its lighting and power supply needs can be adjusted to the selected personal settings. The Dynamic Workstation also provides the user with tips on a healthy way of working. It encourages the user to work standing up for part of the day and can even calculate calorie consumption.

The application also ensures the energy efficiency of the workstations. When the employee logs out of the workstation, power supplies and monitors that are not needed are switched off. Logging out also ensures company data security.

Intelligent Axia® Smart chairs continuously monitor the user's working position and issue a vibration alert if the user sits too long in the same position or with poor posture.

Phone booths were once a familiar sight on our streets. But now they have all but disappeared from the urban landscape and have found their way into new activity-based offices. Martela's collection includes three different phone booth solutions designed for open-plan offices, and a meeting module that can be installed in an open-plan office. These products, which can be installed retrospectively, provide an excellent solution to easily alter the workspace and improve productivity.

## **CORPORATE RESPONSIBILITY AND QUALITY**

Corporate responsibility and quality are important parts of Martela's strategy. The Group's operating approach includes supporting the responsibility of its customer companies by offering durable solutions for the work environment and by ensuring the responsible recycling of any furniture that is no longer needed. The company's Martela Lifecycle® model covers the entire life cycle of the work environment. Martela creates responsible work environments by taking into account user needs and by supporting user wellbeing. Efficient use of

space is an important factor in the planning of work environments. Well-planned work environments have helped many customer companies to achieve a 20–30% reduction in their space requirements.

With responsibly planned spaces it will be possible to respond flexibly to the constant changes in corporate environments. An important part of any premises alteration project that is carried out responsibly is the recycling of furniture that is no longer needed. The Group also offers recycled furniture as part of its new interior solutions.

In interior planning projects, furniture that is in good condition but no longer needed by the company is taken to the nearest of Martela's five Outlet stores in Finland. Furniture that needs repairing is taken to the Group's logistics centre where it is re-upholstered and then sold at an Outlet store.

Furniture that is in poor condition is recycled into raw materials: metal is supplied for industrial use as a recycled raw material, and wood, upholstery and plastic are mainly used in energy production.

During 2014, in connection with the reorganisation of the logistics structure, the Group's common quality and environmental systems were introduced in all of the countries of production, Finland, Sweden and Poland. The systems are certified in accordance with the ISO 9001 standard (quality system) and the ISO 14001 standard (environmental system). The high-quality work carried out by Martela was recognised in April 2014, when the test laboratory was accredited according to the SFS-EN ISO/IEC 17025:2005 standard. The scope of the accreditation includes the most common European EN testing standards for office furniture. These standards show that all of the Group's tested products meet Martela's quality requirements and those set by the standards.



## SHARES

Martela has two share series, A and K, 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 holders of K shares have a shareholder agreement that restricts the sale of K shares to any party outside the existing holders of K shares. The total number of K shares is 604,800 and A shares 3,550,800.

During the financial year, 745,536 (629,357) of the company's A shares, or 21.0 per cent (17.8) of all A shares, were traded on NASDAQ OMX Helsinki.

The value of trading turnover was EUR 2.4 million (2.6), and the share price was EUR 3.35 at the beginning of the year and EUR 2.91 at the end of the review period. During the year, the share price was EUR 3.65 at its highest and EUR 2.84 at its lowest. At the end of December, equity per share was EUR 5.02 (5.33).

## TREASURY SHARES

Martela did not purchase any of its own shares in January–December. On 31 December 2014, 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 2014. A total of 38,647 shares under the incentive scheme were still undistributed on 31 December 2014.

## 2014 ANNUAL GENERAL MEETING

Martela Corporation's Annual General Meeting was held on 13 March 2014. The AGM approved the financial statements for 2013 and discharged the members of the Board of Directors and the Managing Director from liability. In accordance with the Board of

Directors' proposal, the AGM decided that no dividends will be distributed for the 2013 financial year.

The number of members on the Board of Directors was confirmed as seven. Heikki Ala-Ilkka, Kirsi Komi, Heikki Martela, Pekka Martela, Pinja Metsäranta and Yrjö Närhinen were re-elected to the Board, and Eero Leskinen 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 new Board of Directors convened after the AGM and elected from its members Heikki Ala-Ilkka as Chairman and Pekka Martela as Vice Chairman.

## ADMINISTRATION

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 13 January 2015, the Group began codetermination negotiations concerning Martela Corporation's blue-collar employees at the logistics centre in Nummela and the entire personnel of Kidex Oy.

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

## OUTLOOK FOR 2015

The Martela Group anticipates that its revenue in 2015 will remain at the previous year's level and that its operating result will show a slight year-on-year improvement. The Group's operating result is weighted towards the second half of the year due to normal seasonal variation, and this weighting was further emphasised by the timing of larger projects during 2015.

### PROPOSAL OF THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

The Board of Directors will propose to the AGM that a dividend of EUR 0.10 per share be distributed for 2014. The solvency of the company is good and according to the view of the Board of Directors the proposed payment of dividend will not jeopardize the solvency of the company.

### ANNUAL GENERAL MEETING

Martela Corporation's AGM will be held on 10 March 2015 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 seg- ments	Total
<b>1.1.2014-31.12.2014</b>					
External Revenue	87.5	24.8	11.1	12.5	135.9
Internal Revenue	0	1.6	1.2	12.7	15.6
<b>Total 2014</b>	<b>87.5</b>	<b>26.4</b>	<b>12.3</b>	<b>25.3</b>	
<b>1.1.2013-31.12.2013</b>					
External Revenue	92.3	20.5	11.7	7.8	132.3
Internal Revenue	0	1.7	0.1	10.1	11.8
<b>Total 2013</b>	<b>92.3</b>	<b>22.2</b>	<b>11.8</b>	<b>17.9</b>	
External Revenue change %	-5.2%	20.9%	-4.9%	60.7%	2.7%

## Average staff by region

	2014	2013
Finland	559	620
Scandinavia	62	58
Poland	110	80
Russia	11	12
<b>Group total</b>	<b>742</b>	<b>770</b>

# Consolidated comprehensive income statement

(EUR 1,000)	Note	1.1.-31.12.2014	1.1.-31.12.2013
<b>Revenue</b>	1	<b>135 918</b>	<b>132 293</b>
Other operating income	2	1 049	1 352
Changes in inventories of finished goods and work in progress		-741	-325
Raw material and consumables used		-73 251	-70 773
Production for own use		91	54
Employee benefits expenses	3	-36 258	-38 160
Depreciation and impairment	4	-3 764	-3 550
Other operating expenses	5	-22 888	-24 009
<b>Operating profit (-loss)</b>		<b>156</b>	<b>-3 118</b>
Financial income	7	28	38
Financial expenses	7	-781	-1 233
Share of result in associated undertakings	12	0	-305
<b>Profit (-loss) before taxes</b>		<b>-597</b>	<b>-4 618</b>
Income taxes	8	-112	455
<b>Profit (-loss) for the financial year</b>		<b>-709</b>	<b>-4 163</b>
Other comprehensive income			
Items that will not later be recognised through profit or loss			
Items resulting from remeasurement of the net debt related to defined benefit plans		-72	337
Taxes from items that will not later be recognised through profit or loss		14	-81
Items that may later be recognised through profit or loss			
Translation differences		-613	-80
<b>Total comprehensive income</b>		<b>-1 380</b>	<b>-3 987</b>
Allocation of profit (loss) for the financial year:			
Equity holders of the parent		-709	-4 163
Allocation of total comprehensive income:			
Equity holders of the parent		-1 380	-3 987
Earnings per share for the profit attributable to the equity holders of the parent			
Basic earnings/share, EUR	9	-0.18	-1.03
Diluted earnings/share, EUR	9	-0.18	-1.03



# Consolidated cash flow statement

(EUR 1,000)	1.1.-31.12.2014	1.1.-31.12.2013
<b>Cash flows from operating activities</b>		
Cash flow from sales	139 896	132 033
Cash flow from other operating income	764	353
Payments on operating costs	-133 266	-131 746
Net cash from operating activities before financial items and taxes	7 394	640
Interest paid	-425	-475
Interest received	15	24
Other financial items	-355	-196
Dividends received	7	1
Taxes paid	-471	-130
<b>Net cash from operating activities (A)</b>	<b>6 165</b>	<b>-136</b>
<b>Cash flows from investing activities</b>		
Capital expenditure on tangible and intangible assets	-1 484	-2 711
Proceeds from sale of tangible and intangible assets	21	38
Proceeds from sale of other investments	0	960
<b>Net cash used in investing activities (B)</b>	<b>-1 463</b>	<b>-1 713</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans	33 500	18 500
Repayments of short-term loans	-34 292	-18 246
Proceeds from long-term loans	0	1 283
Repayments of long-term loans	-2 119	-1 502
Dividends paid and other profit distribution	0	-810
<b>Net cash used in financing activities (C)</b>	<b>-2 911</b>	<b>-775</b>
Change in cash and cash equivalents (A+B+C), increase +, decrease -	1 791	-2 624
<b>Cash and cash equivalents at beginning of year</b>	<b>4 857</b>	<b>7 589</b>
Translation differences	-241	-107
<b>Cash and cash equivalents at end of year</b>	<b>6 407</b>	<b>4 857</b>

# Consolidated balance sheet

(EUR 1,000)	Note	31.12.2014	31.12.2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	5 481	6 403
Tangible assets	11	10 499	11 767
Investments in associates and associated undertakings	12	0	0
Available-for-sale financial assets	14, 15	55	55
Investment properties	13	600	600
Receivables	14, 16	0	0
Deferred tax assets	17	496	373
<b>Non-current assets, total</b>		<b>17 131</b>	<b>19 198</b>
<b>Current assets</b>			
Inventories	18	10 161	10 913
Trade receivables	14, 19	18 105	22 332
Loan receivables	14, 19	274	87
Accrued income and prepaid expenses	14, 19	2 159	1 227
Financial assets at fair value through profit and loss	14, 20	0	0
Cash and cash equivalents	21	6 407	4 857
<b>Current assets, total</b>		<b>37 106</b>	<b>39 416</b>
<b>Assets, total</b>		<b>54 237</b>	<b>58 614</b>
<b>EQUITY AND LIABILITIES</b>			
	Note	31.12.2014	31.12.2013
<b>Equity attributable to equity holders of the parent</b>			
	23		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Other reserves		-9	-9
Treasury shares *		-1 050	-1 050
Translation differences		-699	-86
Retained earnings		13 962	14 602
<b>Equity, total</b>		<b>20 320</b>	<b>21 573</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	813	846
Pension obligations	26	737	637
Financial liabilities	14, 25	6 794	8 645
<b>Non-current liabilities, total</b>		<b>8 344</b>	<b>10 128</b>

## CONSOLIDATED FINANCIAL STATEMENTS, IFRS

<b>Current liabilities</b>			
<b>Interest-bearing</b>			
Financial liabilities	14, 25	5 671	6 731
<b>Interest-bearing current liabilities, total</b>		<b>5 671</b>	<b>6 731</b>
<b>Non-interest-bearing</b>			
Advances received	14, 27	961	627
Trade payables	14, 27	7 079	7 346
Accrued liabilities and prepaid income	14, 27	7 460	6 652
Other current liabilities	14, 27	4 402	4 990
Provisions	7, 27	0	566
<b>Non-interest-bearing current liabilities, total</b>		<b>19 902</b>	<b>20 181</b>
<b>Liabilities, total</b>		<b>33 917</b>	<b>37 040</b>
<b>Equity and liabilities, total</b>		<b>54 237</b>	<b>58 614</b>

\* 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	Translation diff.	Retained earnings	Equity, total
<b>Equity 1.1.2013</b>	<b>7 000</b>	<b>1 116</b>	<b>-9</b>	<b>-1 050</b>	<b>-6</b>	<b>19 319</b>	<b>26 370</b>
Other comprehensive income							
Profit (loss) for the financial year						-4 163	-4 163
Other items of comprehensive income adjusted by tax effects							
Translation differences					-80		-80
Items resulting from remeasurement of the net debt related to defined benefit plans (incl. deferred taxes)						256	256
<b>Total comprehensive income</b>					<b>-80</b>	<b>-3 907</b>	<b>-3 987</b>
Business transactions with owners							
Dividends						-810	-810
Business transactions with owners, total						-810	-810
<b>Equity 31.12.2013</b>	<b>7 000</b>	<b>1 116</b>	<b>-9</b>	<b>-1 050</b>	<b>-86</b>	<b>14 602</b>	<b>21 573</b>
<b>Equity 1.1.2014</b>	<b>7 000</b>	<b>1 116</b>	<b>-9</b>	<b>-1 050</b>	<b>-86</b>	<b>14 602</b>	<b>21 573</b>
Other comprehensive income							
Profit (loss) for the financial year						-709	-709
Other items of comprehensive income adjusted by tax effects							
Translation differences					-613		-613
Items resulting from remeasurement of the net debt related to defined benefit plans (incl. deferred taxes)						-58	-58
<b>Total comprehensive income</b>					<b>-613</b>	<b>-767</b>	<b>-1 380</b>
Share-based incentives							
						127	127
Business transactions with owners							
Dividends						0	0
Business transactions with owners, total						0	0
<b>Equity 31.12.2014</b>	<b>7 000</b>	<b>1 116</b>	<b>-9</b>	<b>-1 050</b>	<b>-699</b>	<b>13 962</b>	<b>20 320</b>

More information in notes 23 Equity and 24 Share-based payments.

# Accounting principles for the consolidated financial statements

## MARTELA GROUP

Martela Corporation supplies ergonomic and innovative furniture solutions and provides interior planning services.

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

The company's A-shares are listed on Nasdaq 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](http://www.martela.com).

These financial statements were authorized for issue by the Board of Directors of Martela Oyj on February 3th 2015. The Finnish Limited Liability Companies

Act permits the shareholders 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 on December 31, 2014. 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 additional requirements of 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. All presented figures have been rounded, which is why the sum of individual figures might deviate from the presented sum. The key financial indicators have been calculated using exact figures. Martela's consolidated financial statements cover the full calendar year, and this represents the financial period for the parent company and the Group companies.

Since 1 January 2014, Martela has applied the following new and revised standards:

- IFRS 12 Disclosures of Interests in Other Entities and subsequent amendments: IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard expanded the notes the Group provides for its interests in other entities.
- IAS 28 Investments in Associates and Joint Ventures (revised 2011): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard had no significant impact on Martela's consolidated financial statements.

- Amendments to IAS 32 Financial Instruments: Presentation: The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments had no significant impact on Martela's consolidated financial statements.

- Amendments to IAS 36 Impairment of Assets: The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard had no significant impact on Martela's consolidated financial statements.

- IFRIC 21 Levies: The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation had no significant impact on Martela's consolidated financial statements.

Other amended standards (IFRS 10, IFRS 11, IAS 27, IAS 39) did not have an effect on Martela's financial reporting.

An error of 229 thousand euro relating to the financial period 2013 was found during 2014. The error was caused by the implementation of a new enterprise resource planning system and was corrected in the preparation 2014 financial statements according to requirements in IAS 8 by recording the costs in question to the 2013 profit and loss statement. The 2013 reference data is updated accordingly.

## 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. Martela is considered to be in control of a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. 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 group's ownership percentage. Investments in associates include 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 and it is probable that the economic benefits associated with the transaction will flow to the seller. Leases in which substantially all the risks and rewards incidental to ownership of an asset remain with the lessor are classified as other lease contracts and recognised as revenue in the statement of comprehensive income on a straight-line basis over the lease term.

**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.

Pension expenses (service cost in the period) and the net interest for the net debt related to the defined benefit pension plan are recognised through profit or loss. Pension expenses are included in employee benefit expenses. Items resulting from the remeasurement of the net debt (or net asset) related to the defined benefit plan are recorded in items of other comprehensive income in the financial period during which they emerge. These include actuarial gains and losses and returns on assets included in the plan, among other items. Past service costs are recognised in expenses through profit or loss on the earlier of the following dates: the date when the plan is amended or reduced, or the date when the entity recognises the reorganisation expenses related to this or the benefits related to the termination of the employment relationship.

**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 deter-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

mined at the time of granting the share-based incentives is based on the Group's estimate of the number of shares which are expected to vest by the end of the vesting period. The assumed vesting takes account of the maximum incentive, the assumed achievement of non-market based earnings targets and the reduction of persons participating the plan. The Group updates the estimate of the final number of shares at the end of each reporting period. Their impact on profit or loss is presented in the statement of comprehensive income under employment benefits expenses.

### OPERATING PROFIT

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

### INCOME TAXES

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

Deferred tax assets and liabilities are recognised on temporary differences between the tax bases and IFRS carrying values of assets and liabilities in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which it can be used. Deferred tax liabilities are most often recognised to the full extent in the balance sheet. 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 (1.1.2014). 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 not depreciated but is tested annually or more frequently if there are indications that the value 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 recognized whenever the carrying amount of cash-generating unit exceeds the recoverable amount. Impairment losses are recognized in the comprehensive 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 capitalization criteria are fulfilled these projects are capitalized. Research expenditure is recognised an expense when incurred. R&D-related equipment is capitalised in machinery and equipment.

#### Other intangible assets

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

The useful lives of intangible assets are as follows:

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

Amortisation is recognised using the straight-line method.

### TANGIBLE ASSETS

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

When a part of an item of property, plant and equipment (accounted for as a separate asset) is renewed, the expenditure related to the new item is capitalised and the remaining balance sheet value removed from the balance sheet. 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. The 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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 of it. 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 derecognizes financial assets when it has lost its right to receive the cash flows or when it has transferred substantially all the risks and rewards to an external party.

Derivatives and investments in mutual fund units are classified as financial assets at fair value through profit or loss. Investments in mutual fund units are measured at fair value on the basis of published price quotations in an active market, and changes in the fair value are recognised in profit or loss in the year in which they arise. Derivatives to which 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 recognized in profit or loss for the period in which they arise. Martela Group has not applied hedge accounting in the financial years 2014 or 2013.

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. 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities measured at amortised cost (mainly includes borrowings from financial institutions and trade payables) and financial liabilities at fair value through profit or loss (derivative liabilities).

Financial liabilities are initially recognised at fair value and are subsequently measured either at amortised cost or at fair value, based on the classification made. Financial liabilities are included in current and non-current liabilities and they can be interest-bearing or non-interest-bearing. Bank overdrafts are included in current interest-bearing liabilities. Financial liabilities are regarded as current, unless the Group has an absolute right to postpone the repayment of the debt until a minimum of 12 months after the end of the reporting period. Financial liabilities (in full or in part) are not eliminated from the balance sheet until the debt has ceased to exist – in other words, when the obligation specified in the agreement has been fulfilled or rescinded or ceases to be valid.

## 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 an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. The amount recognized as a provision is equal to the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset, but only when receipt of the compensation is virtually certain.

## 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 valuation 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 non-current assets are assessed at the end of each reporting period to observe whether there are any indications that the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount of it.

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 of it. Impairment losses are recognized 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.

Goodwill is tested for impairment annually regardless of whether there is any indication of impairment. An impairment loss in respect of goodwill is never reversed.

## DEFERRED TAX RECEIVABLES

The prerequisites for recognition of deferred tax receivables are assessed at the end of each reporting period. Assumptions made by the managers of the Group companies on taxable income in future financial periods have been taken into account when evaluating the amount of deferred tax assets. Various internal and external factors can have a positive or negative effect on deferred tax assets. These include restructuring in the Group, amendments to tax laws (such as changes to tax rates or a change to the period of utilisation of confirmed deductible tax losses) and changes to the interpretations of tax regulations. Deferred tax assets recognised in an earlier reporting period are recognised in expenses in the consolidated statement of comprehensive income if the unit in question is not expected to accumulate sufficient taxable income to be able to utilise the temporary differences, such as confirmed tax losses, on which the deferred tax assets are based.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**APPLICATION OF NEW AND REVISED IFRS'S AND IFRIC INTERPRETATIONS**

The IASB has published the following new and amended standards and interpretations that have not yet taken effect and have not yet been applied by Martela. Martela will adopt these on the effective date of each standard and interpretation, or if the effective date is not the first day of the financial period, at the beginning of the financial period following the effective date.

\* The regulation had not been adopted by the EU by 31 December 2014.

- Annual Improvements to IFRSs (2011–2013 cycle and 2010–2012 cycle, December 2013) (effective for financial years beginning on or after 1 July 2014): 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 four (2011–2013 cycle) and seven (2010–2012 cycle) standards. Their impacts vary standard by standard but are not significant.
- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative\* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation has no significant impact on Martela's consolidated financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture\* (effective for financial years beginning on or after 1 January 2016): The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing

with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments have no significant impact on Martela's consolidated financial statements.

- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations\* (effective for financial years beginning on or after 1 January 2016): The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments are not assessed to have significant impact on Martela's consolidated financial statements.
- Annual Improvements to IFRSs, 2012–2014 cycle\* (effective for financial years beginning on or after 1 January 2016): 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 four standards. Their impacts vary standard by standard but are not significant.
- New IFRS 15 Revenue from Contracts with Customers\* (effective for financial years beginning on or after 1 January 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.

- New IFRS 9 Financial Instruments\* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.
- The adoption of other new or amended standards is not expected to have an effect 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 and service production in Finland. In Finland, Martela has an extensive sales and service network covering the whole of Finland, with a total of 27 service locations.

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 administration and order handling are 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 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 subsidiary, and in other markets through local authorised importers.

Production and purchasing for the Business Units is carried out by the Group's Supply Chain Management unit, which has logistics centres in Finland, Sweden and Poland.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(EUR 1,000)**

<b>Segment revenue</b>	<b>1.1.–31.12.2014</b>	<b>1.1.–31.12.2013</b>
Business Unit Finland		
external	87 465	92 272
internal	11	0
Business Unit Sweden and Norway		
external	24 805	20 524
internal	1 628	1 658
Business Unit Poland		
external	11 131	11 710
internal	1 187	61
Other segments		
external	12 517	7 787
internal	12 746	10 107
<b>Total external revenue</b>	<b>135 918</b>	<b>132 293</b>
Income from the sale of goods	122 536	119 232
Income from the sale of services	13 382	13 061
<b>Total</b>	<b>135 918</b>	<b>132 293</b>
<b>Segment operating profit/loss</b>	<b>1.1.–31.12.2014</b>	<b>1.1.–31.12.2013</b>
Business Unit Finland	2 840	1 436
Business Unit Sweden and Norway	-90	-1 363
Business Unit Poland	-1 366	-676
Other segments	444	-1 635
Other	-1 672	-879
<b>Total operating profit/loss</b>	<b>156</b>	<b>-3 118</b>

Other segments include Kidex Oy and Business Unit International. The item 'Other' includes non-allocated Group functions and non-recurring sales gains and losses.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Information about geographical regions

<b>Non-current assets</b>	<b>Intangible assets 31.12.2014</b>	<b>Tangible assets 31.12.2014</b>
Finland	5 479	9 412
Sweden	0	383
Other regions	2	704
<b>Total</b>	<b>5 481</b>	<b>10 499</b>

<b>Non-current assets</b>	<b>Intangible assets 31.12.2013</b>	<b>Tangible assets 31.12.2013</b>
Finland	6 403	10 636
Sweden	0	643
Other regions	3	488
<b>Total</b>	<b>6 403</b>	<b>11 767</b>

## 2. Other operating income

<b>(EUR 1,000)</b>	<b>1.1.–31.12.2014</b>	<b>1.1.–31.12.2013</b>
Gains on sale of tangible assets	21	38
Rental income	64	77
Public subsidies	211	166
Other income from operations	753	1 071
<b>Total</b>	<b>1 049</b>	<b>1 352</b>

Other income from operations includes EUR 374 thousand from the sale of businesses (2014) and EUR 955 thousand from the sale of a residential property (2013).

## 3. Employee benefits expenses

(EUR 1,000)	1.1.–31.12.2014	1.1.–31.12.2013
Salaries and wages	-28 942	-30 084
Pension expenses, defined contribution plans	-4 384	-4 881
Pension expenses, defined benefit plans	-336	-380
Part paid as share-based incentives	-262	0
Other salary-related expenses	-2 334	-2 815
Personnel expenses in the income statement	-36 258	-38 160
Other fringe benefits	-383	-437
<b>Total</b>	<b>-36 641</b>	<b>-38 597</b>

A total of EUR -1,871 thousand for 2014 and EUR -1,216 thousand for 2013 were recognised in the result from incentives and salary-related expenses associated with the incentive schemes. Salaries and fees and share-based payments made to management are presented in more detail under Note 31 Related-party transactions. More information about share-based incentives in note 24 Share-based payments.

Personnel	2014	2013
Average personnel, workers	376	403
Average personnel, officials	366	367
<b>Average personnel, total</b>	<b>742</b>	<b>770</b>
<b>Personnel at year end</b>	<b>670</b>	<b>767</b>
Average personnel in Finland	559	620
Average personnel in Sweden	56	54
Average personnel in Norway	6	4
Average personnel in Poland	110	80
Average personnel in Russia	11	12
<b>Total</b>	<b>742</b>	<b>770</b>

## 4. Depreciation and impairment

(EUR 1,000)	1.1.–31.12.2014	1.1.–31.12.2013
<b>Depreciation</b>		
Intangible assets	-941	-734
Tangible assets		
Buildings and structures	-812	-811
Machinery and equipment	-2 011	-2 005
<b>Depreciation, total</b>	<b>-3 764</b>	<b>-3 550</b>
Impairment	0	0
<b>Depreciation and impairment, total</b>	<b>-3 764</b>	<b>-3 550</b>

## 5. Other operating expenses

Other operating expenses are reported by type of expense.

(EUR 1,000)	1.1.–31.12.2014	1.1.–31.12.2013
Freights	-2 466	-2 279
Travelling	-1 602	-1 575
Administration	-2 085	-2 139
IT	-2 956	-2 986
Marketing	-2 042	-2 793
Vehicles	-912	-1 063
Real estate	-5 481	-5 600
Other	-5 344	-5 574
<b>Total</b>	<b>-22 888</b>	<b>-24 009</b>
<b>Auditor's fees</b>	<b>1.1.–31.12.2014</b>	<b>1.1.–31.12.2013</b>
Auditing	-109	-137
Tax services	0	0
Other services	-19	-9
<b>Total</b>	<b>-128</b>	<b>-146</b>

Auditors fees are included in administration expenses.

## 6. Research and development expenses

The income statement includes research and development expenses of EUR -2,775 thousand in 2014 (EUR -2,337 thousand in 2013).

## 7. Financial income and expenses

(EUR 1,000)	1.1.–31.12.2014	1.1.–31.12.2013
<b>Financial income</b>		
Interest income on loans and other receivables	16	23
Foreign exchange gain on loans and other receivables	6	13
Other financial income	6	2
<b>Total</b>	<b>28</b>	<b>38</b>
<b>Financial expenses</b>		
Interest expenses from financial liabilities measured at amortised cost	-419	-458
Foreign exchange losses on loans and other receivables	-68	-24
Other financial expenses	-294	-751
<b>Total</b>	<b>-781</b>	<b>-1 233</b>
<b>Financial income and expenses, total</b>	<b>-753</b>	<b>-1 195</b>
Total exchange rate differences affecting profit or loss are as follows:		
Exchange rate differences, sales (incl. in revenue)	-333	-580
Exchange rate differences, purchases (incl. in adj. of purchases)	26	-151
Exchange rate differences, financial items	-62	-11
<b>Exchange rate differences, total</b>	<b>-369</b>	<b>-742</b>

### Provisions

Other financial expenses for 2013 include a provision of EUR -566 thousand for the realisation of the loan guarantee given by Martela Corporation to its associated company P.O. Korhonen Oy.



## 8. Income taxes

(EUR 1,000)	1.1.–31.12.2014	1.1.–31.12.2013
Current taxes	-241	-91
Taxes for previous years	-26	67
Change in deferred tax liabilities and assets	155	479
<b>Total</b>	<b>-112</b>	<b>455</b>

### Reconciliation between the income statement's tax expense and the income tax expense calculated using the Martela Group's domestic corporation tax rate 20.0% for 2014 (24.5% for 2013).

Profit before taxes	-597	-4 618
Taxes calculated using the domestic corporation tax rate	-119	-1 131
Different tax rates of subsidiaries abroad	0	14
Taxes for previous years	26	0
Recognition of unused tax losses not booked earlier	-362	-36
Tax-exempt income	-24	-12
Non-deductible expenses	330	366
Share of result in associated undertakings	0	-75
Unbooked deferred tax assets on losses in taxation	261	419
<b>Income taxes for the year in the income statement</b>	<b>112</b>	<b>-455</b>

## 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.–31.12.2014	1.1.–31.12.2013
Profit attributable to equity holders of the parent	-709	-4 163
Weighted average number of shares (1,000)	4 049	4 049
<b>Basic earnings per share (EUR/share)</b>	<b>-0,18</b>	<b>-1,03</b>

The company has no diluting instruments 31.12.2014 or 31.12.2013.

# 10. Intangible assets

	(EUR 1,000)				1.1.2014– 31.12.2014				1.1.2013– 31.12.2013			
	Intangible assets	Goodwill	Work in progress	Total	Intangible assets	Goodwill	Work in progress	Total	Intangible assets	Goodwill	Work in progress	Total
Acquisition cost 1.1.	9 001	883	200	10 084	5 652	883	2 443	8 978				
Increases	218	0	2	220	3 349	0	1 764	5 113				
Decreases	0	0	-202	-202	0	0	-4 007	-4 007				
<b>Acquisition cost 31.12.</b>	<b>9 219</b>	<b>883</b>	<b>0</b>	<b>10 102</b>	<b>9 001</b>	<b>883</b>	<b>200</b>	<b>10 084</b>				
Accumulated depreciation 1.1.	-3 681	0	0	-3 681	-2 947	0	0	-2 947				
Accumulated depreciation, decreases	0	0	0	0	0	0	0	0				
Depreciation for the year 1.1.–31.12.	-941	0	0	-941	-734	0	0	-734				
Exchange rate differences	1	0	0	1	0	0	0	0				
<b>Accumulated depreciation 31.12.</b>	<b>-4 621</b>	<b>0</b>	<b>0</b>	<b>-4 621</b>	<b>-3 681</b>	<b>0</b>	<b>0</b>	<b>-3 681</b>				
Carrying amount 1.1.	5 320	883	200	6 403	2 705	883	2 443	6 031				
<b>Carrying amount 31.12.</b>	<b>4 598</b>	<b>883</b>	<b>0</b>	<b>5 481</b>	<b>5 320</b>	<b>883</b>	<b>200</b>	<b>6 403</b>				

The increase in intangible assets results from the activation of the ERP system.

## GOODWILL

The Group's Goodwill EUR 883,000 (EUR 883,000 in 2013) 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 more extensive service solutions encompassing also products and the already implemented profit improving actions. The revenue growth is also supported by the renewed strategy of Martela that increases the emphasis on services within the Group.

## 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 a growth rate, i.e. the growth factor, on average 2.6%. 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 11.3%, 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 carrying value of the cash generating unit is 3.9 million EUR higher than the book value according to the performed impairment test. Realization of an impairment loss would require the actual operating profit (EBIT) level on the terminal year to be 116% lower than the management's estimate at the end of reporting period, or that the discount rate would be higher than 68%.

# 11. Tangible assets

(EUR 1,000)

1.1.2014–31.12.2014	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	63	25 512	31 900	34	148	57 657
Increases	0	241	1 858	0	444	2 543
Decreases	0	-93	-248	0	-592	-933
Exchange rate differences	2	-172	-188	0	0	-358
<b>Acquisition cost 31.12.</b>	<b>65</b>	<b>25 488</b>	<b>33 322</b>	<b>34</b>	<b>0</b>	<b>58 909</b>
Accumulated depreciation 1.1.	0	-20 188	-25 702	0	0	-45 890
Accumulated depreciation, decreases	0	65	181	0	0	246
Depreciation for the year 1.1.–31.12.	0	-812	-2 011	0	0	-2 823
Exchange rate differences	0	99	-43	0	0	56
<b>Accumulated depreciation 31.12.</b>	<b>0</b>	<b>-20 836</b>	<b>-27 575</b>	<b>0</b>	<b>0</b>	<b>-48 411</b>
Carrying amount 1.1.	63	5 324	6 198	34	148	11 767
<b>Carrying amount 31.12.</b>	<b>65</b>	<b>4 652</b>	<b>5 747</b>	<b>34</b>	<b>0</b>	<b>10 499</b>

1.1.2013–31.12.2013	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	66	25 255	34 387	34	801	60 543
Increases	0	348	2 200	0	165	2 713
Decreases	-3	-25	-4 443	0	-818	-5 289
Exchange rate differences	0	-66	-244	0	0	-310
<b>Acquisition cost 31.12.</b>	<b>63</b>	<b>25 512</b>	<b>31 900</b>	<b>34</b>	<b>148</b>	<b>57 657</b>
Accumulated depreciation 1.1.	0	-19 425	-28 237	0	0	-47 662
Accumulated depreciation, decreases	0	25	4 326	0	0	4 351
Depreciation for the year 1.1.–31.12.	0	-811	-2 006	0	0	-2 817
Exchange rate differences	0	23	215	0	0	238
<b>Accumulated depreciation 31.12.</b>	<b>0</b>	<b>-20 188</b>	<b>-25 702</b>	<b>0</b>	<b>0</b>	<b>-45 890</b>
Carrying amount 1.1.	66	5 830	6 150	34	801	12 881
<b>Carrying amount 31.12.</b>	<b>63</b>	<b>5 324</b>	<b>6 198</b>	<b>34</b>	<b>148</b>	<b>11 767</b>

	31.12.2014	31.12.2013
<b>Carrying amount of productions machinery and equipment</b>	<b>2 848</b>	<b>3 100</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Tangible assets, finance leases**

Tangible assets include assets acquired through finance leases as follows:

	1.1.2014 –31.12.2014			1.1.2013 - 31.12.2013		
	Machinery and equipment	Buildings	Total	Machinery and equipment	Buildings	Total
Acquisition cost 1.1.	3 551	706	4 257	3 229	729	3 958
Increases	197	0	197	322	0	322
Decreases	0	0	0	0	0	0
Exchange rate differences	0	-40	-40	0	-23	
<b>Acquisition cost 31.12.</b>	<b>3 748</b>	<b>666</b>	<b>4 414</b>	<b>3 551</b>	<b>706</b>	<b>4 257</b>
Accumulated depreciation 1.1.	-3 239	-478	-3 717	-2 956	-418	-3 374
Accumulated depreciation, de- creases	0	0	0	0	0	0
Depreciation for the year 1.1.–31.12.	-271	-69	-340	-283	-72	-355
Exchange rate differences	0	29	29	0	12	12
<b>Accumulated depreciation 31.12.</b>	<b>-3 510</b>	<b>-518</b>	<b>-4 028</b>	<b>-3 239</b>	<b>-478</b>	<b>-3 717</b>
Carrying amount 1.1.	312	228	540	273	311	584
<b>Carrying amount 31.12.</b>	<b>238</b>	<b>148</b>	<b>386</b>	<b>312</b>	<b>228</b>	<b>540</b>

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. Investments in associates and associated undertakings

### Martela's share of the joint enterprise's profit or loss on the basis of Martela's holding

(EUR 1,000)	2014	2013
Share of result in associated undertakings	0	-305

### 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 IFRS 10. 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'.

P.O. Korhonen Oy was declared bankrupt during the financial year 2014.

More information about provisions on associated undertakings in Note 7.

## 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 2014

(EUR 600 thousand in 2013). The Group has determined that the fair value of all its investment properties represent level 3 in the hierarchy, because observable market information for the determination of fair values is not comprehensively available.

# 14. Book values of financial assets and liabilities by group

(EUR 1,000)	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised acquisition cost	Book values of balance sheet items	Fair value	Hierarchy level	Note
<b>2014 balance sheet items</b>							
Non-current financial assets							
Non-current non-interest bearing receivables	0			0	0		16
Other financial assets		55		55	55		15
Current financial assets							
Trade and other receivables	18 379			18 379	18 379		19
<b>Book value by group</b>	<b>18 379</b>	<b>55</b>		<b>18 434</b>	<b>18 434</b>		
Non-current financial liabilities							
Interest-bearing liabilities			6 794	6 794	6 794	2	25
Other liabilities			0	0	0		
Current financial liabilities							
Interest-bearing liabilities			5 671	5 671	5 671	2	25
Trade payables and other liabilities			11 500	11 500	11 500	2	27
<b>Book value by group</b>			<b>23 965</b>	<b>23 965</b>	<b>23 965</b>		
<b>2013 balance sheet items</b>							
Non-current financial assets							
Non-current non-interest bearing receivables	0			0	0		16
Other financial assets		55		55	55		15
Current financial assets							
Trade and other receivables	22 419			22 419	22 419		19
<b>Book value by group</b>	<b>22 419</b>	<b>55</b>		<b>22 474</b>	<b>22 474</b>		
Non-current financial liabilities							
Interest-bearing liabilities			8 645	8 645	8 645	2	25
Other liabilities			0	0	0		
Current financial liabilities							
Interest-bearing liabilities			6 731	6 731	6 731	2	25
Trade payables and other liabilities			12 360	12 360	12 360	2	27
<b>Book value by group</b>			<b>27 736</b>	<b>27 736</b>	<b>27 736</b>		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The book values of trade receivables and receivables other than those based on derivatives are estimated to essentially correspond to their fair values because of the short maturity of the receivables.

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

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

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

Assets and liabilities recognised at fair value in the financial statements are categorised into three levels in the fair value hierarchy based on the inputs used in the valuation techniques to determine their fair value. The three levels are:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are

observable for the asset or liability either directly or indirectly e.g. discounted cash flows or valuation models.

Level 3: inputs for the asset or liability that are not based on observable market data and the fair value determination is widely based on management's judgement and the use of that in commonly approved valuation models.

## 15. Other financial assets

(EUR 1,000)

Available-for-sale financial assets	31.12.2014	31.12.2013
Balance sheet value at beginning of year	55	55
Decreases	0	0
<b>Balance sheet value at end of year</b>	<b>55</b>	<b>55</b>

## 16. Non-current receivables

The Group had no non-current receivables in 2014 or 2013.

# 17. Deferred tax assets and liabilities

(EUR 1,000)

Changes in deferred taxes during 2014	1.1.2014	Recognised in income statement	Recognised in other comprehensive income	Exchange rate differences	31.12.2014
<b>Deferred tax assets</b>					
Pension obligations	127	0	21	0	148
Other temporary differences	246	112	0	-10	348
<b>Total</b>	<b>373</b>	<b>112</b>	<b>21</b>	<b>-10</b>	<b>496</b>
<b>Deferred tax liabilities</b>					
On buildings measured at fair value on the transition date	660	-66	0	0	594
Other temporary differences	186	33	0	0	219
<b>Total</b>	<b>846</b>	<b>-33</b>	<b>0</b>	<b>0</b>	<b>813</b>
<b>Deferred tax assets and liabilities, total</b>	<b>-473</b>	<b>145</b>	<b>21</b>	<b>-10</b>	<b>-317</b>

Changes in deferred taxes during 2013	1.1.2013	Recognised in income statement	Recognised in other comprehensive income	Exchange rate differences	31.12.2013
<b>Deferred tax assets</b>					
Pension obligations	208	0	-81	0	127
Other temporary differences	185	61	0	0	246
<b>Total</b>	<b>393</b>	<b>61</b>	<b>-81</b>	<b>0</b>	<b>373</b>
<b>Deferred tax liabilities</b>					
On buildings measured at fair value on the transition date	889	-229	0	0	660
Pension obligations	13	-13	0	0	0
Other temporary differences	367	-181	0	0	186
<b>Total</b>	<b>1 269</b>	<b>-423</b>	<b>0</b>	<b>0</b>	<b>846</b>
<b>Deferred tax assets and liabilities, total</b>	<b>-876</b>	<b>484</b>	<b>-81</b>	<b>0</b>	<b>-473</b>

Deferred tax assets have not been recognised on unused tax losses that probably cannot be utilised in the future against taxable income. These losses total about 11.4 million EUR including 2014 results (12.0). These losses have no expiry date according to knowledge that is available today.

## 18. Inventories

(EUR 1,000)	31.12.2014	31.12.2013
Raw materials and consumables	7 952	8 304
Work in progress	1 043	977
Finished goods	1 166	1 632
<b>Total</b>	<b>10 161</b>	<b>10 913</b>

The value of inventories has been written down by EUR - 1,399 thousand in 2014 (EUR -734 thousand in 2013).

## 19. Current trade receivables and other receivables

(EUR 1,000)	31.12.2014	31.12.2013
<b>Trade receivables</b>	<b>18 105</b>	<b>22 332</b>
<b>Loan receivables</b>	<b>274</b>	<b>87</b>
<b>Accrued income and prepaid expenses</b>		
Personnel expenses	539	275
Royalties	3	6
Advances	1 555	773
Other	62	173
<b>Accrued income and prepaid expenses, total</b>	<b>2 159</b>	<b>1 227</b>
Current tax receivable	0	0
<b>Total</b>	<b>20 538</b>	<b>23 646</b>

## 20. Financial assets at fair value through profit or loss

The Group has not had financial assets at fair value through profit or loss in 2014 or 2013.



## 21. Cash and cash equivalents

(EUR 1,000)	31.12.2014	31.12.2013
Cash in hand and at bank	6 407	4 857
Deposits	0	0
<b>Total</b>	<b>6 407</b>	<b>4 857</b>

## 22. Derivative contracts

Martela can use derivatives for the hedging of its currency position, for example. However, as a rule, Martela does not apply IAS 39 hedge accounting.

The Group had no derivative contracts in 2014 or 2013.

## 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
<b>1.1.2013</b>	<b>4 049 253</b>	<b>7 000</b>	<b>1 116</b>	<b>-721</b>	<b>-329</b>	<b>7 066</b>
Acq.of shares for share-based inc.system *						
Shares given *						
Shares returned						
Share issue						
<b>31.12.2013</b>	<b>4 049 253</b>	<b>7 000</b>	<b>1 116</b>	<b>-721</b>	<b>-329</b>	<b>7 066</b>
<b>31.12.2014</b>	<b>4 049 253</b>	<b>7 000</b>	<b>1 116</b>	<b>-721</b>	<b>-329</b>	<b>7 066</b>

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 2014, 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 share premium account is a fund established in accordance with the previous Finnish Companies Act. According to the present Limited Liability Companies Act (effective from 1 September 2006), it is included in restricted shareholders' equity and can no longer be accumulated. The share premium account can be reduced in accordance with the regulations on the reduction of share capital, and it can be used as a fund increase to increase share capital. The acquisition cost of treasury shares is deducted from shareholders' equity (including the related transaction costs).

The parent company's distributable equity was EUR 25,301 thousand on 31.12.2014.

## 24. Share-based payments

Martela's Group management team members hold a long term share-based incentive program. The program offers an opportunity to receive Martela Oyj's A shares if the set targets for the earning periods are reached. The earning periods of the scheme are the calendar years 2014–2016 individually or

cumulatively. Rewards based on the incentive scheme will be paid as a combination of shares and cash after the end of the earning periods. The maximum reward of the scheme is a total of 160,000 Martela Oyj's A shares and cash payment up to an amount that is needed for taxes and

tax-related costs arising from the reward, estimated to approximately equal the value of the shares rewarded.

### Share based incentives during the reporting period 1.1.2014–31.12.2014

Program Type	Share Incentive Program 2014–2016			Total
	Share			
Instrument	Earning Period 2014	Earning Period 2014–15	Earning Period 2014–16	Total
Issuing date	3.2.2014	3.2.2014	3.2.2014	
Maximum amount, pcs	47 998	56 001	56 001	160 000
Dividend adjustment	No	No	No	
Grant date	3.2.2014	3.2.2014	3.2.2014	
Beginning of earning period	1.1.2014	1.1.2014	1.1.2014	
End of earning period	31.12.2014	31.12.2015	31.12.2016	
End of restriction period	15.4.2015	15.4.2016	14.4.2017	
Vesting conditions	Group operating profit	Group operating profit	Group operating profit	
Maximum contractual life, yrs	1.3	2.3	3.3	2.3
Remaining contractual life, yrs	0.3	1.3	2.3	1.3
Number of persons at the end of the reporting year	7	7	7	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	

Changes during the period 2014	Earning Period 2014	Earning Period 2014–15	Earning Period 2014–16	Total
Outstanding at the beginning of the reporting period, pcs	0	0	0	0
<b>Changes during the period</b>				
Granted	47 998	56 001	56 001	160 000
Forfeited	4 800	5 600	5 600	16 000
Outstanding at the end of the period	43 198	50 401	50 401	144 000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Fair value determination**

Inputs to the fair value determination of the rewards expensed during the financial year 2014 are listed in the below table as weighted average values. The total fair value of the rewards is based on the company's estimate on December 31, 2014 as to the number of share to be eventually vesting.

**Valuation parameters for instruments granted during period**

Share price at grant, €	3.50
Share price at reporting period end, €	2.91
Expected dividends, €	0.20
Fair market value per share at grant, €	2.9
Fair value 31 Dec 2014, €	465 600

**Effect of Share-based Incentives on the result and financial position during the period**

Expenses for the financial year, share-based payments	261 912
Expenses for the financial year, share-based payments, equity-settled	126 722
Liabilities arising from share-based payments 31 December 2014	226 714

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)	31.12.2014	31.12.2013
<b>Non-current</b>		
Bank loans	4 618	5 043
Pension loans	2 000	3 200
Finance leases	176	402
<b>Total</b>	<b>6 794</b>	<b>8 645</b>
<b>Current</b>		
Bank loans	923	5 617
Pension loans	1 000	800
Bank overdrafts used	3 500	0
Finance leases	248	314
<b>Total</b>	<b>5 671</b>	<b>6 731</b>

The Group's bank loans have either variable or fixed interest rates. The Group's average interest rate is 2.00% (2.14% in 2013). The current portions of debt are presented in more detail under Note 28 Management of financial risks.

A covenant linked to net debt to EBITDA -ratio was attached to a part of the Group's bank loans in the end of year 2014. The net debt to EBITDA -ratio can be at maximum 4.0. When calculating these figures, the net debt is the average of the net debt from four preceding quarters, and EBITDA is the sum of the four preceding quarter EBITDA. If Martela breaches this covenant, the loans will fall due immediately unless Martela manages to recover the ratio during the following quarter or the lender gives a waiver. The total value of loans submitted to the covenant was EUR 8.4 million on 31.12.2014.

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

More information in Note 30 Pledges granted and contingent liabilities.

<b>Finance lease liabilities are payable as follows:</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Finance leases – total amount of minimum lease payments</b>		
Not later than one year	327	373
Later than one year and not later than five years	211	532
Later than five years	0	0
	538	905
<b>Finance leases – present value of minimum lease payments</b>		
Not later than one year	320	314
Later than one year and not later than five years	83	402
Later than five years	21	0
	424	716
<b>Unearned finance expense</b>	<b>114</b>	<b>189</b>

The average interest of financial leases was 2.9% in 2014 and 2.4% in 2013.



## 26. Pension obligations

Martela's defined benefit pension plans concern its operations in Finland. The arrangements have primarily been made through insurance companies. The plans are either partly funded or unfunded.

On the balance sheet, the commitment to those insured is presented as a pension liability, and the part of this liability that falls under the responsibility of insurance com-

panies is presented as an asset. Because the funds related to the plans belong to the insurance companies, they cannot be itemised in Martela's consolidated financial statements.

In insurance arrangements, the amount of funds is calculated using the same discount rate used for the determination

of pension liabilities. This means that a change in the discount rate does not pose a significant risk. In addition, an increase in life expectancy does not pose a significant risk for Martela, as insurance companies will bear most of the impact of this.

Net debt related to defined benefit plans and its components have changed during the financial period as follows:

	Present value of the defined benefit liability		Fair value of the funds included in the plan			Net debt of the defined benefit liability	
	2014	2013	2014	2013	2014	2013	
<b>1.1.</b>		3 070	3 271	-2 432	-2 422	638	849
<b>Recognised in profit or loss</b>							
Service cost in the period		230	267			230	267
Past service cost			91			0	91
Interest expense or income		110	98	-96	-76	14	22
		<b>340</b>	<b>456</b>	<b>-96</b>	<b>-76</b>	<b>244</b>	<b>380</b>
<b>Recognised in other comprehensive income</b>							
Items resulting from remeasurement:							
Actuarial gains (or losses)							
Actuarial gain (-) and losses (+) resulting from changes in financial assumptions		721	-515			721	-515
Experience-based profits (-) or losses (+)		-181	-142			-181	-142
Return on the funds included in the plan, excluding items in interest expenses or income (+/-)				-469	321	-469	321
		<b>540</b>	<b>-657</b>	<b>-469</b>	<b>321</b>	<b>71</b>	<b>-336</b>
<b>Other items</b>							
Employer's payments (+)				-217	-255	-217	-255
		<b>0</b>	<b>0</b>	<b>-217</b>	<b>-255</b>	<b>-217</b>	<b>-255</b>
<b>31.12.</b>		<b>3 950</b>	<b>3 070</b>	<b>-3 214</b>	<b>-2 432</b>	<b>736</b>	<b>638</b>

The Group anticipates that it will pay a total of EUR 263 thousand to defined benefit pension plans in the financial period 2015.

### Sensitivity analysis

The following table illustrates the effects of changes in the most significant actuarial assumptions on the funds related to the defined benefit pension liability and plans.

Effect of a change in the assumption employed	Defined benefit liability		Fair value of the funds included in the plan	
	The assumption is growing	The assumption is decreasing	The assumption is growing	The assumption is decreasing
Discount rate (0.5%-change)	-8.3%	9.4%	-7.3%	8.2%
Increase in salaries (0.5%-change)	2.2%	-2.2%	0.0%	0.0%
Mortality rate (a change of 5% points)	N/A	N/A	N/A	N/A

The weighted average of the duration of the plans is 18 years.

## 27. Current liabilities

(EUR 1,000)	31.12.2014	31.12.2013
<b>Advances received</b>	<b>961</b>	<b>627</b>
<b>Trade payables</b>	<b>7 079</b>	<b>7 346</b>
<b>Accrued liabilities and prepaid income</b>		
Personnel expenses	4 272	4 382
Derivatives	0	0
Interests	19	25
Royalties	104	133
Residual expenses	2 143	1 346
Other	922	766
<b>Total</b>	<b>7 460</b>	<b>6 652</b>
<b>Other current liabilities</b>	<b>4 402</b>	<b>4 990</b>
<b>Provisions</b>	<b>0</b>	<b>566</b>
	<b>19 902</b>	<b>20 181</b>

## 28. Management of financial risks

Financial risks are unexpected exceptions relating to exchange rates, 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, interest rate risk and price risk. The associated fluctuations in exchange rates, market interest rates and market prices lead to changes in the fair value of financial instruments and in future cash flows and hence they impact the result and balance sheet 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 and Poland 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 result from incoming cash flows denominated in foreign currencies. 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, DKK and PLN. The SEK, NOK, DKK and PLN 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 selectively used hedging instruments are mainly forward contracts maturing within 3–12 months. The Group does not apply hedge account-

ing. The Group has not hedged against transaction risks during the financial periods 2013 and 2014.

### Translation risks

The main translation risks derive from equity or subordinated loans provided by the parent company to its subsidiaries in Sweden, Poland and Russia. 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.

The following table presents currency risks per instrument and currency.

#### Transaction risks per instrument and currency 31.12.2014 (EUR thousand)

	EUR	SEK	PLN	NOK	DKK
Trade receivables	113	676	1 415	285	80
Trade payables	-459	-594	-202	-84	-17
<b>Total</b>	<b>-346</b>	<b>82</b>	<b>1 213</b>	<b>201</b>	<b>63</b>

#### Transaction risks per instrument and currency 31.12.2013 (EUR thousand)

	EUR	SEK	PLN	NOK	DKK
Trade receivables	308	452	534	0	990
Trade payables	-788	-613	-4	-81	-3
<b>Total</b>	<b>-480</b>	<b>-161</b>	<b>530</b>	<b>-81</b>	<b>987</b>

Other currencies have minor impact.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Analysis of sensitivity to transaction 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 2014 (2013). The estimates are based on the assumption that no other variables change.

<b>Analysis of sensitivity to transaction risk (EUR 1,000)</b>	<b>Impact on shareholders' equity</b>	<b>Impact on results</b>
<b>31.12.2014</b>		
EUR	0	+/- 35
SEK	0	+/- 8
PLN	0	+/- 121
NOK	0	+/- 20
DKK	0	+/- 6

<b>Analysis of sensitivity to currency risk (EUR 1,000)</b>	<b>Impact on shareholders' equity</b>	<b>Impact on results</b>
<b>31.12.2013</b>		
EUR	0	+/- 48
SEK	0	+/- 16
PLN	0	+/- 53
NOK	0	+/- 8
DKK	0	+/- 98

**INTEREST RATE RISKS**

The Group's interest rate risks relate mainly to the Group's loan portfolio. 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.

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 can invest 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.

<b>Financial instruments (EUR 1,000)</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Fixed rate</b>		
Financial liabilities, incl. derivatives	424	716
<b>Variable rate</b>		
Financial liabilities	12 041	14 659
<b>Total</b>	<b>12 465</b>	<b>15 375</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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.

<b>Analysis of sensitivity to interest rate risks (EUR 1,000)</b>	<b>Impact on shareholders' equity</b>	<b>Impact on results</b>
<b>31.12.2014</b>		
Financial liabilities		
Variable rate financial instruments	0	-120

<b>Analysis of sensitivity to interest rate risks (EUR 1,000)</b>	<b>Impact on shareholders' equity</b>	<b>Impact on results</b>
<b>31.12.2013</b>		
Financial liabilities		
Variable rate financial instruments	0	-147

**PRICE RISK**

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 financial policy determines the investment policy and the credit rating requirements of customers and counterparties in investment transactions and deriva-

tive 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

<b>Maximum financial asset credit risk (EUR 1,000)</b>	<b>2014</b>	<b>2013</b>
Available-for-sale financial assets	55	55
Financial assets recognised at fair value through profit and loss	0	0
Loans and other receivables	18 379	22 419
Cash and cash equivalents	6 407	4 857
<b>Total</b>	<b>24 841</b>	<b>27 331</b>

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

<b>Age distribution of trade receivables (EUR 1,000)</b>	<b>2014</b>	<b>2013</b>
Unmatured	13 666	14 969
Matured 1–30 days	3 520	4 441
Matured 31–60 days	177	1 265
Matured over 60 days	742	1 657
<b>Total</b>	<b>18 105</b>	<b>22 332</b>

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

<b>Distribution of trade receivables by country or region (EUR 1,000)</b>	<b>2014</b>	<b>2013</b>
Finland	12 570	13 587
Scandinavia	2 481	4 693
European countries	2 227	466
Other regions	827	3 586
<b>Total</b>	<b>18 105</b>	<b>22 332</b>

Credit risks from trade receivables are not concentrated.

In 2014, EUR -196 thousand in credit losses has been recognised as expenses and presented in other operating expenses. In 2013, EUR -167 thousand in credit losses was recognised as expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**LIQUIDITY RISKS**

The Group strives to assess and monitor the amount of funding required by business operations so that there are sufficient liquid assets for operating expenses and repayment of maturing loans. In addition, the

Group continually maintains sufficient liquidity by means of effective cash management solutions such as cash reserves and bank overdrafts. The refinancing risk is managed by balancing the maturity schedules of loans and bank overdrafts according to

forecast cash flows and by using several banks in financial operations.

Cash and cash equivalents at the end of financial year totalled EUR 6,407 thousand, and unused bank overdrafts totalled EUR 7,349 thousand.

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

	2015	2016	2017	2018	2019	Later	Total	Balance sheet value
Bank loans	923	4 389	180	49	0	0	5 541	5 541
Pension loans	1 000	1 000	1 000	0	0	0	3 000	3 000
Financial leases	320	83	21	0	0	0	424	424
Trade payables	7 079	0	0	0	0	0	7 079	7 079
Bank overdrafts, used	3 500	0	0	0	0	0	3 500	3 500
Loan interest and guarantee fees	142	87	15	0	0	0	244	
<b>Total</b>	<b>12 964</b>	<b>5 559</b>	<b>1 216</b>	<b>49</b>	<b>0</b>	<b>0</b>	<b>19 788</b>	
Guarantees given *	175	175	27	0	0	0	377	
<b>Total</b>	<b>13 139</b>	<b>5 734</b>	<b>1 243</b>	<b>49</b>	<b>0</b>	<b>0</b>	<b>20 165</b>	

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

Cash and cash equivalents at the end of financial year 2013 totalled EUR 4,857 thousand, and unused bank overdrafts totalled EUR 6,463 thousand.

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

	2014	2015	2016	2017	2018	Later	Total	Balance sheet value
Bank loans	5 399	871	4 307	82	0	0	10 659	10 659
Pension loans	1 000	1 000	1 000	1 000	0	0	4 000	4 000
Financial leases	240	301	111	45	19	0	716	716
Trade payables	7 346	0	0	0	0	0	7 346	7 346
Bank overdrafts	0	0	0	0	0	0	0	
Loan interest and guarantee fees	282	229	195	54	13	0	773	
<b>Total</b>	<b>14 267</b>	<b>2 401</b>	<b>5 613</b>	<b>1 181</b>	<b>32</b>	<b>0</b>	<b>23 494</b>	
Guarantees given *	177	177	177	46	0	0	577	
<b>Total</b>	<b>14 444</b>	<b>2 578</b>	<b>5 790</b>	<b>1 227</b>	<b>32</b>	<b>0</b>	<b>24 071</b>	

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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 equity ratio formula is presented in the following table:

<b>Equity ratio (EUR 1,000)</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Shareholders' equity	20 320	21 573
Balance sheet total – advance payments	53 276	57 987
<b>Equity to assets ratio, %</b>	<b>38.1</b>	<b>37.2</b>

## 29. Operating leases

<b>(EUR 1,000)</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	3 950	4 595
Later than one year and not later than five years	6 576	8 706
Later than five years	0	819
	<b>10 526</b>	<b>14 120</b>

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 2014 includes rents paid on the basis of operating leases totalling EUR -4,923 thousand (EUR -4,808 thousand in 2013).

## 30. Pledges granted and contingent liabilities

(EUR 1,000)	31.12.2014	31.12.2013
<b>Debts secured by mortgages</b>		
Bank loans	12 041	14 659
Property mortgages	10 104	10 760
Corporate mortgages	11 894	12 455
Shares pledged	4	4
<b>Total mortgages</b>	<b>22 002</b>	<b>23 219</b>
<b>Other pledges</b>		
Guarantees as security for rents	287	336
<b>Collateral granted on behalf of others</b>		
Guarantees on behalf of associated undertakings	0	546

## 31. Related party transactions

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 6.8% of the share capital and 16.5% of the votes.

Group structure	Domicile	Holding (%) 31.12.2014	Voting power (%) 31.12.2014	Sales company	Production company
<b>Parent company</b>					
Martela Oyj	Finland			x	x
<b>Subsidiaries</b>					
Kidex Oy	Finland	100	100	x	x
Grundell Muuttopalvelut *	Finland	100	100	x	
Kiinteistö Oy Ylähanka	Finland	100	100		
Martela AB, Bodafors	Sweden	100	100	x	x
Aski Avvecklingsbolag AB, Malmö	Sweden	100	100		
Martela AS, Oslo	Norway	100	100	x	
Martela Sp. z o.o., Warsaw	Poland	100	100	x	x
000 Martela, Moscow **	Russia	100	100	x	

\* Grundell Henkilöstöpalvelut Oy was incorporated into Muuttopalvelut Grundell Oy in 2014.

\*\* 000 Martela SP was merged with 000 Martela Moscow in 2014.

### Management employee benefits

The Group has determined key persons in management to be:

Members of the Board

CEO

Group's Management Team

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The table below presents the employee benefits received by key persons in management. Voluntary pension plans, which include both defined contribution plans and defined benefit plans, are recognised as post-employment benefits.

<b>Management employee benefits (EUR 1,000)</b>	<b>2014</b>	<b>2013</b>
Salaries and other short-term employee benefits	-1 296	-1 410
Benefits following end of employment	0	0
Share-based benefits	-262	0
<b>Total</b>	<b>-1 558</b>	<b>-1 410</b>
<b>Salaries and other short-term employee benefits *</b>	<b>2014</b>	<b>2013</b>
Board members	-126	-121
CEO	-330	-249
Management team members (excl. salary of CEO)	-1 102	-1 040
<b>Total</b>	<b>-1 558</b>	<b>-1 410</b>
<b>Fees paid to Board members:</b>	<b>2014</b>	<b>2013</b>
Heikki Ala-Iikka	-36	-35
Pekka Martela	-18	-17
Jaakko Palsanen *	-4,5	-17
Eero Leskinen	-13,5	0
Tapio Hakakari **	0	-4
Yrjö Närhinen	-18	-17
Pinja Metsäranta	-18	-17
Kirsi Komi	-18	-14
<b>Total</b>	<b>-126</b>	<b>-121</b>

\* in Board 1 Q 2014

\*\* in Board 2013

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

<b>Salaries, other short-term employee benefits and pension commitment of CEO</b>	<b>2014</b>	<b>2013</b>
Salaries *	-330	-249
Voluntary pension plans	-36	-83
Statutory earnings-related pension payment (TyEL) on salaries	-77	-57

\* Salaries include also share-based incentives

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.

Martela's Group management team members hold a long term share-based incentive program. The program offers an opportunity to receive Martela Oyj:s A shares if the set targets for the earning periods are reached. The earning periods of the scheme are the calendar years 2014–2016 individually or cumulatively. Rewards based on the incentive scheme will be paid as a combination of shares and cash after the end of the earning periods. The profit and loss for 2014 includes reservations of EUR -58 thousand (EUR 0 in 2013) for the CEO's incentive and EUR -204 thousand (0 in 2013) for the incentives of other management team members based on this incentive program.

More information in Note 24 Sharebased payments.



## 32. Key financial indicators for the Group

<b>Martela-Group 2010–2014</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Revenue	EUR million	135.9	132.3	142.7	130.7	108.4
Change in revenue	%	2.7	-7.3	9.2	20.6	13.7
Export and operations outside Finland	EUR million	47.8	39.9	41.2	40.9	32.7
In relation to revenue	%	35.1	30.1	28.8	31.3	30.2
Exports from Finland	EUR million	14.3	10.2	10.4	10.5	9.6
Gross capital expenditure	EUR million	1.7	3.0	4.0	6.8	4.7
In relation to revenue	%	1.3	2.3	2.8	5.2	4.4
Depreciation	EUR million	3.7	3.6	3.4	2.6	2.7
Research and development	EUR million	2.8	2.4	2.7	2.4	2.2
In relation to revenue	%	2.1	1.8	1.9	1.8	2.0
Average personnel		742	770	806	637	601
Change in personnel	%	-3.6	-4.5	26.5	6.0	-5.5
Personnel at end of year		670	767	801	791	625
Of which in Finland		505	618	634	610	457
<b>Profitability</b>						
Operating profit	EUR million	0.2	-3.1	-0.9	2.6	1.3
In relation to revenue	%	0.1	-2.4	-0.6	2.0	1.2
Profit before appropriations and taxes	EUR million	-0.6	-4.6	-1.8	1.9	1.1
In relation to revenue	%	-0.4	-3.5	-1.3	1.5	1.0
Profit for the year *	EUR million	-0.7	-4.2	-2.1	1.6	0.6
In relation to revenue	%	-0.5	-3.2	-1.4	1.2	0.6
Revenue/employee	EUR thousand	183.2	171.8	177.0	205.2	180.4
Return on equity (ROE)	%	-3.4	-17.4	-7.2	5.1	2.0
Return on investment (ROI)	%	0.5	-8.4	-2.7	6.0	3.7
<b>Finance and financial position</b>						
Balance sheet total	EUR million	54.2	58.6	64.6	69.7	56.7
Equity	EUR million	20.3	21.6	26.4	30.8	31.2
Interest-bearing net liabilities	EUR million	6.8	11.2	8.7	-0.8	-4.4
In relation to revenue	%	5.0	8.4	5.4	-0.6	-4.0
Equity ratio	%	38.1	37.2	41.4	44.7	55.6
Gearing	%	33.4	51.7	32.8	-2.6	-14.1
Net cash flow from operations	EUR million	6.2	-0.1	0.0	1.2	-0.1
Dividends paid	EUR million	0.0	0.8	1.8	1.8	1.8

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

## 33. Key share-related figures

		2014	2013	2012	2011	2010
Earnings per share	EUR	-0.18	-1.03	-0.51	0.39	0.16
Earnings per share (diluted)	EUR	-0.18	-1.03	-0.51	0.39	0.16
Share par value	EUR	1.7	1.7	1.7	1.7	1.7
Dividend *	EUR	0.10	0.00	0.20	0.45	0.45
Dividend/earnings per share	%	-55.6	-	-39.2	115.4	281.3
Effective dividend yield	%	3.4	-	4.0	7.8	5.8
Equity per share	EUR	5.02	5.33	6.51	7.60	7.74
Price of A share 31.12.	EUR	2.91	3.35	5.02	5.79	7.77
Share issue-adjusted number of shares	thousands	4 155.60	4 155.60	4 155.60	4 155.60	4155.60
Average share issue-adjusted number of shares	thousands	4 155.60	4 155.60	4 155.60	4 155.60	4155.60
Price/earnings ratio (P/E)		-16.2	-3.3	-9.8	14.8	48.6
Market value of shares **	MEUR	11.9	13.6	20.3	23.4	31.3

\* 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 31.12.2014 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 Nasdaq Helsinki. Martela Oyj has made a Liquidity Providing (LP) market-making agreement with FIM Pankki Oy.

Distribution of shares 31.12.2014	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
<b>Total</b>	<b>4 155 600</b>	<b>7 000 000</b>	<b>100</b>	<b>15 646 800</b>	<b>100</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The largest shareholders by number of shares 31.12.2014	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
Martela Heikki	52 122	121 342	173 464	4.2	1 163 782	7.4
Palsanen Leena	24 486	131 148	155 634	3.7	620 868	4.0
Palsanen Jaakko	1 600	126 286	127 886	3.1	158 286	1.0
Sijoitusrahasto Nordea Suomi Small Cap	0	120 000	120 000	2.9	120 000	0.8
Pohjola Vakuutus Oy	0	117 982	117 982	2.8	117 982	0.8
AC Invest Oy	0	116 000	116 000	2.8	116 000	0.7
Martela Matti Tapio	58 256	56 982	115 238	2.8	1 222 102	7.8
Lindholm Tuija	43 122	32 841	75 963	1.8	895 281	5.7
Meissa-Capital Oy	0	74 750	74 750	1.8	74 750	0.5
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
Nordea Pankki Suomi Oyj, hallintarek.	0	64 229	64 229	1.5	64 229	0.4
Oy Joeston Ltd	0	43 425	43 425	1.0	43 425	0.3
Other shareholders	63 940	1 625 133	1 689 073	40.6	2 903 933	18.6
<b>Total</b>	<b>604 800</b>	<b>3 550 800</b>	<b>4 155 600</b>	<b>100.0</b>	<b>15 646 800</b>	<b>100.0</b>

The list includes all shareholders holding over 5% of the shares and votes.

The company's Board of Directors and CEO together hold 6.8% of the shares and 16.5% 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 2014 re-authorised the Board of Directors to decide, for the following year, on raising the share capital, issuing convertible bonds and acquiring and/or disposing of the company's shares in deviation from the pre-emptive rights of shareholders.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Breakdown of share ownership by number of shares held, 31.12.2014**

Number of shares	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of total votes
1-500	1 339	71.3	241 369	5.8	252 009	1.6
501-1000	239	12.7	185 202	4.5	196 222	1.3
1001-5000	212	11.3	465 409	11.2	606 009	3.9
Over 5000	87	4.6	3 262 574	78.5	14 591 514	93.3
<b>Total</b>	<b>1 877</b>	<b>100.0</b>	<b>4 154 554</b>	<b>100.0</b>	<b>15 645 754</b>	<b>100.0</b>
of which nominee-registered	5		85 538	2.1	85 538	
In the waiting list and collective account			1 046	0.0	1 046	0.0
<b>Total</b>			<b>4 155 600</b>	<b>100.0</b>	<b>15 646 800</b>	<b>100.0</b>

**Breakdown of shareholding by sector, 31.12.2014**

	Number of shareholders	%	Number of shares	%	Number of votes	%
Private companies	88	4.7	1 068 803	25.7	6 616 803	42.3
Financial and insurance institutions	13	0.7	667 014	16.1	667 014	4.3
Public corporations	1	0.1	335 400	8.1	335 400	2.1
Non-profit entities	9	0.5	6 717	0.2	6 717	0.0
Households	1 759	93.7	2 055 342	49.5	7 998 542	51.1
Foreign investors	7	0.4	21 278	0.5	21 278	0.1
<b>Total</b>	<b>1 877</b>	<b>100.0</b>	<b>4 154 554</b>	<b>100.0</b>	<b>15 645 754</b>	<b>100.0</b>
of which nominee-registered	5		85 538	2.1	85 538	
In the waiting list and collective account			1 046	0.0	1 046	0.0
<b>Total</b>			<b>4 155 600</b>	<b>100.0</b>	<b>15 646 800</b>	<b>100.0</b>

# Parent Company Income Statement

(EUR 1,000)	Note	1.1.–31.12.2014	1.1.–31.12.2013
<b>Revenue</b>	1	<b>88 966</b>	<b>88 838</b>
Changes in inventories of finished goods and work in progress		-763	-147
Production for own use		91	54
Other operating income	2	504	1 266
Materials and services	3	-53 904	-54 142
Personnel expenses	4	-19 256	-19 718
Depreciation and impairment	5	-4 707	-1 515
Other operating expenses		-13 502	-16 165
<b>Operating profit (-loss)</b>		<b>-2 571</b>	<b>-1 529</b>
Financial income and expenses	6	-449	-930
<b>Profit (-loss) before extraordinary items</b>		<b>-3 020</b>	<b>-2 459</b>
Extraordinary expenses	7	284	0
<b>Profit (-loss) before appropriations and taxes</b>		<b>-2 736</b>	<b>-2 459</b>
Accumulated depreciation difference		-357	0
Income taxes	8	-60	0
<b>Profit (-loss) for the financial year</b>		<b>-3 154</b>	<b>-2 459</b>

# Parent Company Balance Sheet

(EUR 1,000)	Note	31.12.2014	31.12.2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>	9		
Intangible rights		318	390
Other long-term expenditure		4 356	4 877
Advance payments		0	199
		<b>4 673</b>	<b>5 466</b>
<b>Tangible assets</b>	10		
Land and water areas		80	79
Buildings and structures		2 250	2 337
Machinery and equipment		1 651	2 133
Other tangible assets		23	23
Advance payments and purchases in progress		0	8
		<b>4 004</b>	<b>4 580</b>
<b>Investments</b>	11		
Shares in subsidiaries		7 962	7 962
Receivables from subsidiaries		14 364	14 324
Other shares and participations		15	15
		<b>22 341</b>	<b>22 301</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Materials and supplies		5 425	5 797
Work in progress		825	784
Finished goods		1 000	1 129
Advances paid to suppliers		310	387
		<b>7 559</b>	<b>8 097</b>
<b>Non-current receivables</b>	12		
<b>Loan receivables</b>		<b>329</b>	<b>328</b>
<b>Current receivables</b>	12		
Trade receivables		13 945	15 220
Loan receivables		2 886	4 839
Accrued income and prepaid expenses		1 137	689
		<b>17 968</b>	<b>20 748</b>
<b>Cash and cash equivalents</b>		<b>2 550</b>	<b>3 248</b>
<b>NON-CURRENT ASSETS</b>		<b>59 424</b>	<b>64 771</b>



## PARENT COMPANY FINANCIAL STATEMENTS, FAS

(EUR 1,000)	Note	31.12.2014	31.12.2013
<b>LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>	13		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Reserve fund		11	11
Retained earnings		28 455	30 914
Profit for the year		-3 154	-2 459
<b>Total</b>		<b>33 428</b>	<b>36 582</b>
<b>Appropriations</b>			
Accumulated depreciation difference	14	357	0
<b>Obligatory provisions</b>			
Other obligatory provisions		0	566
<b>LIABILITIES</b>			
<b>Non-current</b>			
Loans from financial institutions	15	4 200	4 900
Pension loans		2 000	3 200
Accrued liabilities and prepaid income		100	90
		<b>6 300</b>	<b>8 190</b>
<b>Current</b>			
<b>Interest-bearing</b>			
Loans from financial institutions		4 200	4 700
Pension loans		1 000	800
		<b>5 200</b>	<b>5 500</b>
<b>Non-interest-bearing</b>			
Advances received		452	256
Trade payables		6 408	5 881
Accrued liabilities and prepaid income		4 619	4 776
Other current liabilities		2 659	3 019
		<b>14 138</b>	<b>13 932</b>
<b>Liabilities, total</b>		<b>25 638</b>	<b>27 622</b>
<b>LIABILITIES</b>		<b>59 424</b>	<b>64 771</b>

# Parent Company Cash Flow Statement

(EUR 1,000)	1.1.–31.12.2014	1.1.–31.12.2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash flow from sales	90 553	88 988
Cash flow from other operating income	510	304
Payments on operating costs	-88 106	-87 498
Net cash from operating activities before financial items and taxes	2 957	1 794
Interests paid and other financial payments	-332	-919
Taxes paid	-53	447
Net cash from operating activities before extraordinary items	2 572	1 322
<b>Net cash from operating activities (A)</b>	<b>2 572</b>	<b>1 322</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on tangible and intangible assets	-252	-1 781
Proceeds from sale of tangible and intangible assets	32	2
Proceeds from other investments	0	960
Loans granted	-996	-565
Repayments of loan receivables	145	562
<b>Net cash used in investing activities (B)</b>	<b>-1 072</b>	<b>-822</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from current loans	4 000	18 500
Repayments of current loans	-6 200	-18 287
Proceeds from non-current loans	0	800
Repayments of non-current loans	0	-1 721
Dividends and other profit distribution	0	-810
<b>Net cash used in financing activities (C)</b>	<b>-2 200</b>	<b>-1 518</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>-699</b>	<b>-1 018</b>
<b>Cash and cash equivalents at beginning of financial year 1)</b>	<b>3 248</b>	<b>4 266</b>
Changes in fair value, investments	0	0
<b>Cash and cash equivalents at end of financial year 1)</b>	<b>2 550</b>	<b>3 248</b>

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 assets have been recorded to appreciated values, 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. 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. The change in accumulated depreciation difference is presented as a separate item in the parent company's profit and loss statement and the accumulated depreciation difference as a separate item in the balance sheet.

## 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 nonmarketable items. The cost of finished goods includes 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 quoted prices in active markets, and changes in fair value are recognised in the income statement in the year in which they were incurred.

## DERIVATIVES

The company held no derivatives on 31.12.2014 or 31.12.2013

The options for derivatives to be used by the company include currency forward contracts and interest rate swap agreements. 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.

## INCOME TAX

The company income taxes are recognised on accrual basis and are calculated according to local tax legislation with adjustments

from previous financial years. The company does not recognize deferred tax receivables or deferred tax liabilities in the financial statements.

## REVENUE AND RECOGNITION POLICIES

Revenue is recognised on 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 in profit or loss in the year they arise. Research and development -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) are recognised in "Other operating income". Losses from disposal of assets and other costs are recognised in "Other operating expenses".

## EXTRAORDINARY INCOME AND EXPENSES

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

## OPERATING LEASES

All leasing payments are treated as rent expenses.

## PENSION PLANS

The company's pension security has been arranged through pension companies. The company CEO is entitled to transfer to a full pension after reaching the age of 60 years. All payments relating to pension plans are recognised as pension costs as they occur. No other pension related liabilities or receivables than periodization of pension

payments are recognised in the balance sheet.

### SHARE-BASED PAYMENTS

The company 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 condi-

tions are taken into account in the number of shares which are expected to vest by the end of the validity period. The valuations are adjusted at the end of each reporting period. The determination of the fair value of the reward takes place in two parts: a part settled as shares and a part settled as cash. The part settled as shares is recognised under equity and the cash share under liabilities.

### TREASURY SHARES

The treasury shares held by the parent company are reported as a deduction from equity.

## 1. Breakdown of revenue by market area, % of revenue

	2014	2013
Finland	86	91
Scandinavia	8	5
Other	6	4
<b>Total</b>	<b>100</b>	<b>100</b>

## 2. Other operating income

(EUR 1,000)	2014	2013
Gains on sale of fixed assets	1	2
Rental income	96	106
Public subsidies	209	164
Other operating income	198	994
<b>Total</b>	<b>504</b>	<b>1 266</b>

Other operating income 2013 includes sale of Ahtela property EUR 960 thousand.

## 3. Materials and services

(EUR 1,000)	2014	2013
Purchases during the financial year	-46 895	-47 349
Change in inventories of materials and supplies	301	-931
External services	-7 308	-5 862
<b>Materials and supplies, total</b>	<b>-53 902</b>	<b>-54 142</b>
<b>Auditor's fees</b>		
Auditing	-54	-64
Tax services	-9	0
Other services	-11	-3
<b>Auditor's fees, total</b>	<b>-74</b>	<b>-67</b>

## 4. Personnel expenses and number of personnel

(EUR 1,000)	2014	2013
Salaries, CEO	-271	-237
Salaries of board of directors	-126	-121
Salaries of board of directors and managing director, total	-397	-358
Other salaries	-15 037	-15 026
Pension expenses	-3 090	-3 069
Other salary-related expenses	-732	-1 265
Personnel expenses in the income statement	-19 256	-19 718
Fringe benefits	-308	-349
<b>Total</b>	<b>-19 563</b>	<b>-20 067</b>
<b>Personnel</b>		
Average personnel, workers	118	125
Average personnel, officials	205	221
<b>Average personnel, total</b>	<b>323</b>	<b>346</b>
<b>Personnel at year end</b>	<b>299</b>	<b>334</b>

## 5. Depreciation and write-down

(EUR 1,000)	2014	2013
<b>Depreciation according to plan</b>		
Intangible assets	-971	-737
Tangible assets		
Buildings and structures	-92	-93
Machinery and equipment	-659	-684
<b>Depreciation according to plan, total</b>	<b>-1 723</b>	<b>-1 514</b>
Impairments	-2 984	0
<b>Depreciations and impairments, total</b>	<b>-4 707</b>	<b>-1 514</b>

## 6. Financial income and expenses

(EUR 1,000)	2014	2013
<b>Financial income and expenses</b>		
Interest income on short-term investments	12	8
Interest income on short-term investments from group companies	144	98
Foreign exchange gains	5	3
Other financial income	1	0
Interest expenses	-298	-303
Losses on foreign exchange	-67	-17
Other financial expenses	-246	-718
<b>Total</b>	<b>-449</b>	<b>-929</b>

## 7. Extraordinary items

(EUR 1,000)	2014	2013
Extraordinary income		
Group contribution	284	0
<b>Extraordinary items, total</b>	<b>284</b>	<b>0</b>



## 8. Income taxes

(EUR 1,000)	2014	2013
Income taxes from operations	-33	0
Taxes from previous years	-27	0
<b>Total</b>	<b>-60</b>	<b>0</b>

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 2014 and 2013.

## 9. Intangible assets

(EUR 1,000)				
<b>1.1.2014–31.12.2014</b>	<b>Intangible rights</b>	<b>Other long-term expenses</b>	<b>Work in progress</b>	<b>Intangible assets total</b>
Acquisition cost 1.1.	3 124	7 678	200	11 001
Increases	6	361	0	367
Decreases	0	-1	-200	-200
<b>Acquisition cost 31.12.</b>	<b>3 130</b>	<b>8 039</b>	<b>0</b>	<b>11 168</b>
Accumulated depreciation 1.1.	-2 734	-2 802	0	-5 536
Accumulated depreciation, decreases	0	0	0	0
Depreciation for the year 1.1.–31.12.	-79	-881	0	-960
<b>Accumulated depreciation 31.12.</b>	<b>-2 813</b>	<b>-3 683</b>	<b>0</b>	<b>-6 496</b>
Carrying amount 1.1.	390	4 877	200	5 467
<b>Carrying amount 31.12.</b>	<b>317</b>	<b>4 356</b>	<b>0</b>	<b>4 673</b>
<b>1.1.2013–31.12.2013</b>	<b>Intangible rights</b>	<b>Other long-term expenses</b>	<b>Work in progress</b>	<b>Intangible assets total</b>
Acquisition cost 1.1.	2 978	4 162	2 443	9 582
Increases	147	3 516	0	3 663
Decreases	-1	0	-2 243	-2 244
<b>Acquisition cost 31.12.</b>	<b>3 124</b>	<b>7 678</b>	<b>200</b>	<b>11 001</b>
Accumulated depreciation 1.1.	-2 448	-2 358	0	-4 806
Accumulated depreciation, decreases	0	0	0	0
Depreciation for the year 1.1.–31.12.	-286	-444	0	-730
<b>Accumulated depreciation 31.12.</b>	<b>-2 734</b>	<b>-2 802</b>	<b>0</b>	<b>-5 536</b>
Carrying amount 1.1.	530	1 805	2 443	4 778
<b>Carrying amount 31.12.</b>	<b>390</b>	<b>4 876</b>	<b>200</b>	<b>5 466</b>

# 10. Tangible assets

(EUR 1,000)

1.1.2014–31.12.2014	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	80	10 607	11 129	23	8	21 847
Increases	0	5	225	0	234	463
Decreases	0	0	-140	0	-242	-382
<b>Acquisition cost 31.12.</b>	<b>80</b>	<b>10 612</b>	<b>11 214</b>	<b>23</b>	<b>0</b>	<b>21 928</b>
Accumulated depreciation 1.1.	0	-8 270	-8 998	0	0	-17 268
Accumulated depreciation, decreases	0	0	106	0	0	106
Depreciation for the year 1.1.–31.12.	0	-92	-671	0	0	-763
<b>Accumulated depreciation 31.12.</b>	<b>0</b>	<b>-8 362</b>	<b>-9 562</b>	<b>0</b>	<b>0</b>	<b>-17 925</b>
Carrying amount 1.1.	80	2 337	2 132	23	8	4 580
<b>Carrying amount 31.12.</b>	<b>80</b>	<b>2 250</b>	<b>1 651</b>	<b>23</b>	<b>0</b>	<b>4 004</b>

1.1.2013–31.12.2013	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	84	10 607	10 835	23	99	21 648
Increases	0	0	310	0	0	310
Decreases	-4	0	-16	0	-91	-111
<b>Acquisition cost 31.12.</b>	<b>80</b>	<b>10 607</b>	<b>11 129</b>	<b>23</b>	<b>8</b>	<b>21 847</b>
Accumulated depreciation 1.1.	0	-8 177	-8 312	0	0	-16 489
Accumulated depreciation, decreases	0	0	5	0	0	5
Depreciation for the year 1.1.–31.12.	0	-93	-691	0	0	-784
<b>Accumulated depreciation 31.12.</b>	<b>0</b>	<b>-8 270</b>	<b>-8 998</b>	<b>0</b>	<b>0</b>	<b>-17 268</b>
Carrying amount 1.1.	84	2 430	2 524	23	99	5 160
<b>Carrying amount 31.12.</b>	<b>80</b>	<b>2 337</b>	<b>2 132</b>	<b>23</b>	<b>8</b>	<b>4 580</b>

Revaluations included in buildings total EUR 1,850 thousand in 2014 (EUR 1,850 thousand in 2013).

Carrying amount of production machinery and equipment in 2014 total EUR 1,141 thousand (EUR 1,559 thousand in 2013).

# 11. Investments

(EUR 1,000)

1.1.2014–31.12.2014	Subsidiary shares	Shares in associated undertakings	Other shares and participations	Loan receivables	Total
Balance sheet value at beginning of year	7 962	0	15	14 324	22 300
Increases	0	0	0	40	40
Decreases	0	0	0	0	0
<b>Balance sheet value at end of year</b>	<b>7 962</b>	<b>0</b>	<b>15</b>	<b>14 364</b>	<b>22 341</b>

1.1.2013–31.12.2013	Subsidiary shares	Shares in associated undertakings	Other shares and participations	Loan receivables	Total
Balance sheet value at beginning of year	7 962	250	15	14 774	23 000
Increases	0	0	0	0	0
Decreases	0	-250	0	-450	-700
<b>Balance sheet value at end of year</b>	<b>7 962</b>	<b>0</b>	<b>15</b>	<b>14 324</b>	<b>22 301</b>

Subsidiary shares:		Parent company's holding %	% of total votes	Number of shares	Par value	Book value
Kidex Oy	Finland	100	100	200	2.208 teur	2 208
Muuttopalvelu Grundell Oy	Finland	100	100	100	8 teur	4 725
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 tpol	135
LLC Martela, Moscow	Russia	100	100		7.400 trub	180
<b>Total</b>						<b>7 962</b>

**Other shares and participations:****15**

LLC Martela Sp (Russia) was merged on 31.07.2014 into LLC Martela Moskow (Russia).  
Grundell Henkilöstöpalvelu Oy was merged on 31.12.2014 into Muuttopalvelu Grundell Oy.

## 12. Receivables

(EUR 1,000)	2014	2013
<b>Non-current receivables</b>		
Loan receivables	329	328
<b>Current receivables</b>		
<b>Receivables from group companies</b>		
Trade receivables	2 469	1 476
Loan receivables	2 886	4 839
Accrued income and prepaid expenses	3	0
<b>Receivables from others</b>		
Trade receivables	11 475	13 744
Accrued income and prepaid expenses	1 135	689
<b>Current receivables, total</b>	<b>17 968</b>	<b>20 748</b>

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 31.12.2014	Number of shares	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
<b>Total</b>	<b>4 155 600</b>	<b>7 000 000</b>	<b>100</b>	<b>15 646 800</b>	<b>100</b>
Treasury shares	67 700				
<b>Number of shares outstanding</b>	<b>4 087 900</b>				
<b>Shareholders' equity (EUR 1,000)</b>	<b>2014</b>		<b>2013</b>		
<b>Share capital 1.1.and 31.12.</b>	<b>7 000</b>		<b>7 000</b>		
<b>Share premium account 1.1 and 31.12.</b>	<b>1 116</b>		<b>1 116</b>		
<b>Reserve fund 1.1 and 31.12.</b>	<b>11</b>		<b>11</b>		
<b>Retained earnings 1.1.</b>	<b>28 455</b>		<b>31 723</b>		
Dividends	0		-817		
Profit (-loss) for the year	-3 154		-2 459		
Returned dividends	0		8		
<b>Retained earnings 31.12.</b>	<b>25 301</b>		<b>28 455</b>		
<b>Shareholders' equity, total</b>	<b>33 428</b>		<b>36 582</b>		

The distributable equity of the parent company is EUR 25,301 thousand in 2014 (EUR 28,683 thousand 2013).

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 31.12.2014: EUR 2.91/share; (3.35 EUR 2013), total EUR 197 thousand (EUR 227 thousand 2013).

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. Accumulated depreciation difference

(EUR 1,000)	2014	2013
<b>Appropriations</b>		
Accumulated depreciation difference	357	0
<b>Total</b>	<b>357</b>	<b>0</b>

## 15. Non-current liabilities

(EUR 1,000)	2014	2013
Loans from financial institutions	4 200	4 900
Pension loans	2 000	3 200
Accrued expenses	100	90
<b>Total</b>	<b>6 300</b>	<b>8 190</b>

Changes and repayments of non-current liabilities	2014	2013
<b>Loans from financial institutions</b>		
Loans 1.1	4 900	5 600
Proceeds	0	0
Repayments	-700	-700
<b>Loans 31.12</b>	<b>4 200</b>	<b>4 900</b>

Pension loans		
Loans 1.1.	3 200	3 200
Proceeds	0	800
Repayments	-1 200	-800
<b>Loans 31.12.</b>	<b>2 000</b>	<b>3 200</b>

Repayments	2015	2016	2017	2018	2019
Loans from financial institutions	700	4 200	0	0	0
Pension loans	1 000	1 000	1 000	800	0
<b>Total</b>	<b>1 700</b>	<b>5 200</b>	<b>1 000</b>	<b>800</b>	<b>0</b>



## 16. Current liabilities

(EUR 1,000)	2014	2013
<b>Current liabilities</b>		
<b>Liabilities to group companies</b>		
Trade payables to group companies	2 193	1 523
Accrued liabilities to group companies	173	317
<b>Total</b>	<b>2 365</b>	<b>1 840</b>
<b>Trade payables</b>	<b>0</b>	<b>99</b>
<b>Other current liabilities</b>		
Loans from financial institutions	4 200	4 700
Pension loans	1 000	800
Advances received	452	256
Trade payables	4 215	4 259
Other current liabilities	2 659	3 018
Accrued liabilities	4 447	4 459
<b>Other current liabilities, total</b>	<b>16 973</b>	<b>17 492</b>
<b>Current liabilities, total</b>	<b>19 338</b>	<b>19 432</b>

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

<b>Essential items of accrued liabilities</b>	<b>2014</b>	<b>2013</b>
Personnel expenses	2 458	1 793
Interest and financing accruals	19	24
Royalties	97	122
Residual expenses	1 117	1 028
Other accrued liabilities	747	1 263
<b>Accrued liabilities, total</b>	<b>4 439</b>	<b>4 230</b>

## 17. Pledges granted and contingent liabilities

(EUR 1,000)	2014	2013
<b>Debts secured by mortgages</b>		
Bank loans	4 900	5 600
Property mortgages	5 900	6 556
Corporate mortgages	8 200	8 368
Shares pledged	4	4
Pension loans	3 000	4 000
Property mortgages	4 204	4 204
<b>Total mortgages</b>	<b>18 304</b>	<b>19 128</b>
<b>Other pledges</b>		
Guarantees as security for rents	277	335
Guarantees given on behalf of group companies	1 131	1 344
Guarantees given on behalf of associated undertakings	0	547
<b>Total</b>	<b>1 407</b>	<b>2 226</b>
<b>Leasing commitments</b>		
Falling due within 12 months	663	901
Falling due after 12 months	524	609
<b>Total</b>	<b>1 187</b>	<b>1 510</b>
<b>Rent commitments</b>	<b>6 438</b>	<b>8 894</b>

# Formulas to key figures

<b>Earnings / share</b>	=	$\frac{\text{Profit attributable to the equity holders of the parent}}{\text{Average share issue-adjusted number of shares}}$
<b>Price / earnings multiple (P/E)</b>	=	$\frac{\text{Share issue-adjusted share price at year end}}{\text{Earnings/share}}$
<b>Equity / share, EUR</b>	=	$\frac{\text{Equity attributable to the equity holders of the parent}}{\text{Share issue-adjusted number of shares at year end}}$
<b>Dividend / share, EUR</b>	=	$\frac{\text{Dividend for the financial year}}{\text{Share issue-adjusted number of shares at year end}}$
<b>Dividend / earnings, %</b>	=	$\frac{\text{Dividend / share}}{\text{Earnings / share}} \times 100$
<b>Effective dividend yield, %</b>	=	$\frac{\text{Share issue-adjusted dividend / share}}{\text{Share issue-adjusted share price at year end}} \times 100$
<b>Market value of shares outstanding, EUR</b>	=	Total number of shares at year end x share price on the balance sheet date
<b>Return on equity, %</b>	=	$\frac{\text{Profit/loss for the financial year}}{\text{Equity (average during the year)}} \times 100$
<b>Return on investment, %</b>	=	$\frac{(\text{Pre-tax profit/loss} + \text{interest expenses} + \text{other financial expenses})}{\text{Balance sheet total} - \text{Non-interest-bearing liabilities (average during year)}} \times 100$
<b>Equity ratio, %</b>	=	$\frac{\text{Equity}}{\text{Balance sheet total} - \text{advances received}} \times 100$
<b>Gearing, %</b>	=	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents and liquid asset securities}}{\text{Equity}} \times 100$
<b>Average personnel</b>	=	Month-end average calculation of the number of personnel in active employment
<b>Interest-bearing net debt</b>	=	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 25,301,161.02 of which the profit for the financial year is EUR on -3,153,583.50. The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

- distribution of a dividend of EUR 0.10 per share, totaling EUR 404,925.50
- to be left in shareholders' equity EUR 24,896,235.72

Helsinki, 3 February 2015

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

**Heikki Ala-Ilkka**  
Chairman of the Board

**Pekka Martela**  
Vice Chairman

**Heikki Martela**  
Managing Director

**Eero Leskinen**

**Kirsi Komi**

**Pinja Metsäranta**

**Yrjö Närhinen**

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

Helsinki, 3 February 2015  
KPMG Oy Ab

**Ari Eskelinen**

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 2014. 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 appropriate-

ness 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, 3 February 2015  
KPMG Oy Ab  
**Ari Eskelinen**  
Authorized Public Accountant

# Group Companies

## FINLAND

### Martela Oyj

Head office  
Takkatie 1  
P.O.BOX 44  
FI-00371 Helsinki  
tel. +358 (0)10 345 50  
fax. +358 (0)10 345 5744  
[www.martela.fi](http://www.martela.fi)

### Kidex Oy

Savikontie 25  
FI-82500 Kitee  
tel. +358 (0)10 345 7211  
fax. +358 (0)10 345 7244  
[www.kidex.fi](http://www.kidex.fi)

### Muuttopalvelu Grundell Oy

Juurakkotie 6  
FI-01510 Vantaa  
tel. +358 (0)10 480 4200  
[www.grundell.fi](http://www.grundell.fi)

## SWEDEN

### Martela Ab

Brogatan 1  
Box 7  
SE-57161 Bodafors  
tel. +46 380 37 19 00  
fax +46 380 37 08 32  
[www.martela.se](http://www.martela.se)

## NORWAY

### Martela As

Drammensveien 130  
N-0277 Oslo  
tel. +47 23 28 38 50  
fax +47 23 28 38 51  
[www.martela.no](http://www.martela.no)

## POLAND

### Martela Sp. z o.o.

ul. Przyokopowa 33  
PL-01-208 Warsaw  
tel. +48 801 080 045  
fax. +48 22/ 836 76 23  
[www.martela.pl](http://www.martela.pl)

## RUSSIA

### LLC Martela

Botanicheskiy pereulok 5,  
129090 Moscow  
tel. +7 495 775 48 46  
[www.martela.ru](http://www.martela.ru)

[www.martela.com](http://www.martela.com)